

What every Realtor should know about selling

Rural Property

This is likely not a *totally* comprehensive list, but all of the items listed in this curriculum are things you should be aware of and have a working knowledge of, in order to properly apply your real estate craft to selling *rural properties*. They are not listed in any particular order of importance, though the first topics listed seem to be the areas in which the most frequent problems occur *after* and *during* a purchase.

***Rural* property buyers seem to come from all walks of life. Many or most of them have little to none experience in the many items that should be a concern to them. As a Realtor® or Real Estate Practitioner, you should at least be aware of these items in order to properly advise them. You may not have to be a mountain man to sell rural property but remember that *green horn* buyers shouldn't have a *green horn* agent!**



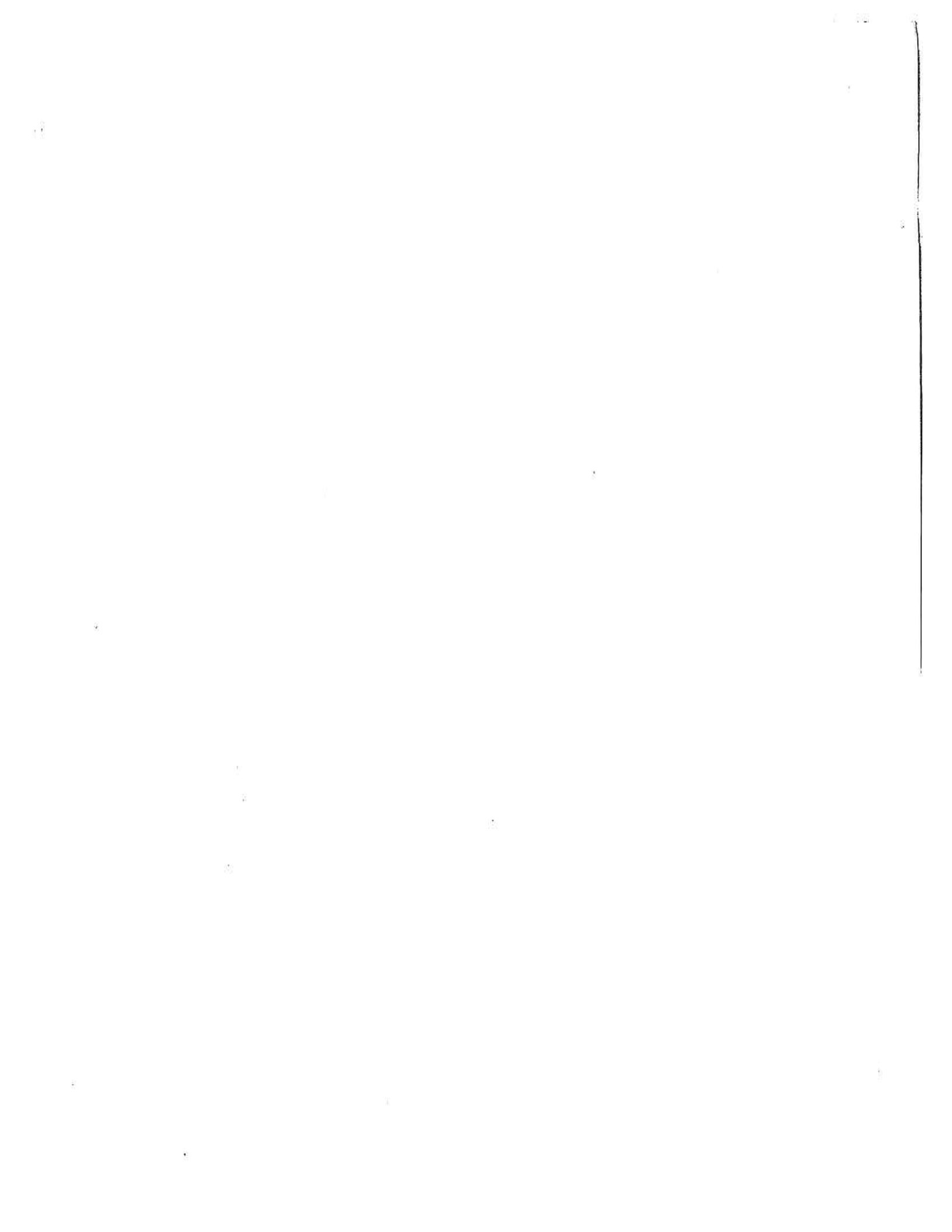


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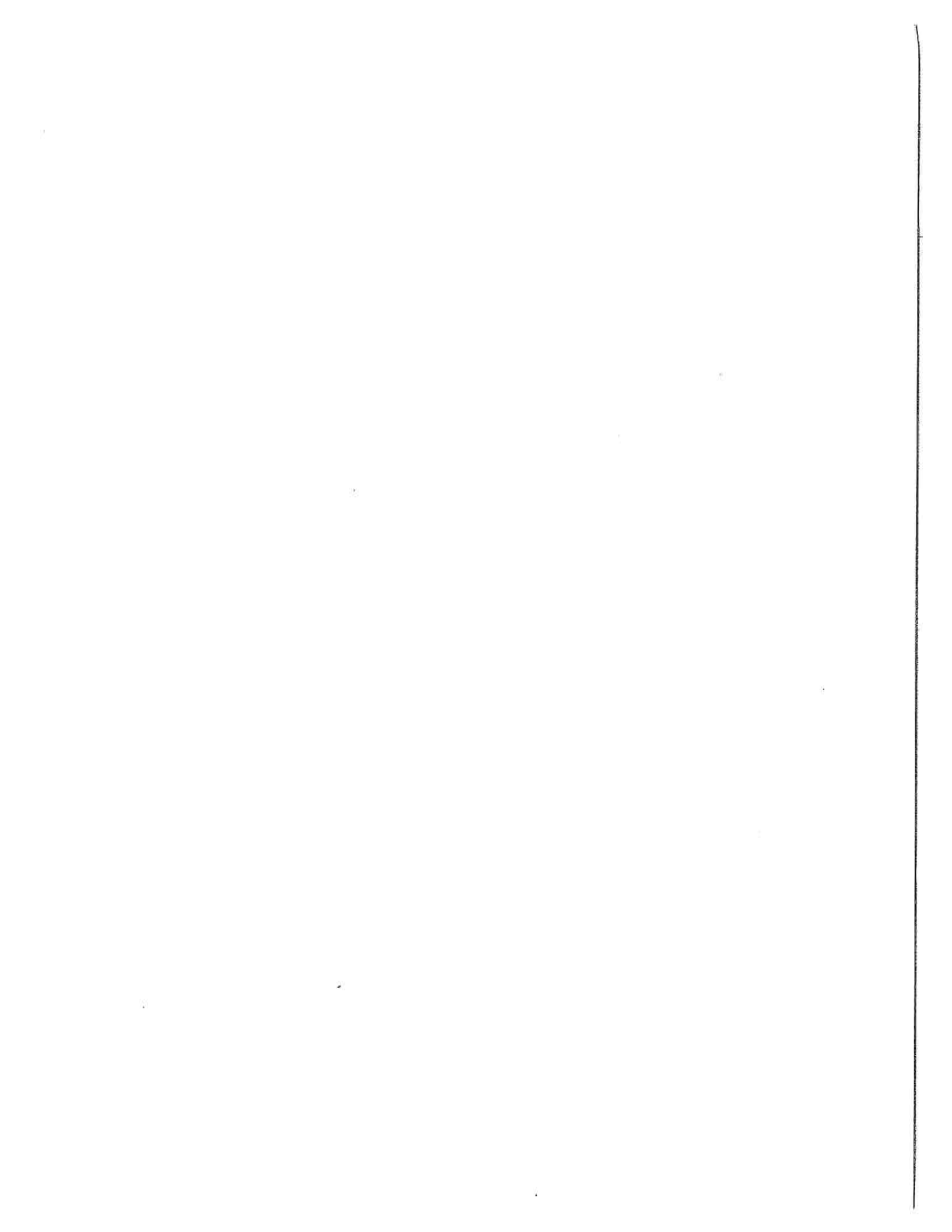
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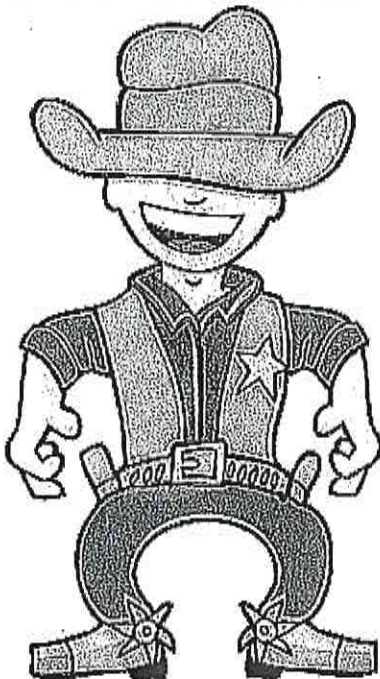




Code of the West

This isn't the cowboy code that says something like, "don't squat with yer spurs on!"

"It is important for you to know that life in the country is different from life in the city." <http://www.co.stevens.wa.us/pressrelease/press/CodeOfTheWest.pdf>



State wide Forms

Land and Acreage addendum (22L&A)

Use this form whenever the property is outside of a municipality where there are not any public water or sewer services and basically whenever the legal description is not a lot and block subdivision with lots smaller than an acre.

- Farms and tillable acreage
- Small acreage with home or without
- Timber ground
- Large acreage

Septic systems

Types of systems and how they work

Municipalities process their sewage waste in a collective sewage treatment plant. Urban residents typically take this service for granted and flush almost anything down the toilet that will fit. Rural residences typically do not have such community services available and have to rely on individual systems for sewage disposal.

The general principle involved is that the sewer is treated by stopping the solid waste in a septic tank (usually 1,000 – 2,000 gallons) and then the effluent (yucky water) is distributed into the soil by a system of perforated pipes, allowing the soil to filter and therefore clean the effluent before it can re-enter the aquifer or ground water.

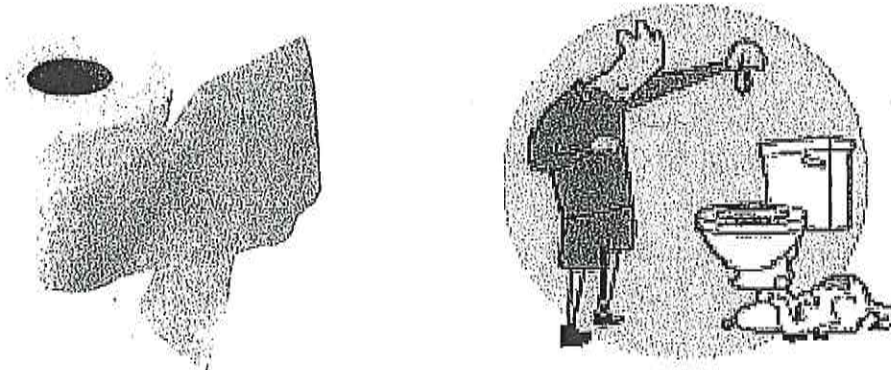
- Cess pools – not legal, but widely used in the past, these may function to process sewer, but may also be contaminating the ground water. Sometimes made out of old railroad ties or car bodies or 50 gallon drums.
- Standard gravity flow – like plumbers always say, “poop flows downhill”, these systems probably are most maintenance free because there are no other components to make the system work other than natural bacterial decomposition in the tank and gravity. When the power is out you can still flush your toilet.
- Pressurized systems – require electricity, a pump and an additional tank in order to pressurize the effluent to distribute it in a more equal and even method. Used in soils that have high groundwater or lower saturation or percolating rates.
- Pump to gravity – used when building sites have no direct gravity access to a suitable drain field area. Effluent is simply pumped up hill to a site that then uses gravity to distribute the effluent.
- Pressurized mound systems – used in areas where there is very little soil that is suitable for percolating effluent. A mound of soil is generally built up over a pressurized distribution system in order to compensate for the shallow soil depth.
- Sand filter, blue light etc. – these are extremely expensive systems compared to a standard gravity flow system. They are used on lots that are hard to develop, whether they are in area where there is not much soil, too much ground water, very little room to work with.

Solids/ effluent

Fecal matter, tissue paper, soaps and kitchen waste collect in the septic tank designed to keep such solids from entering into the drain field of a septic system. The effluent is the yucky gray water that exits the tank minus the solids and travels to the drain field via gravity flow or



by being pumped and pressure to be distributed evenly over the entire area of a drain field. Some of the solids eventually decompose and are flushed through the system with the liquids, but solids will build up and eventually will totally plug the system if not pumped out periodically.



Can the system fail after the sale and who is to blame?

Buyers must be aware that even though a certified septic pumper has pumped and certified a septic system to be in working condition, (the term is *readily accepting effluent*) that it can still fail or be on the verge of failure with no outward indicators of such pending failure. Beware of systems that are *slowing accepting effluent* or systems that have backed up or been plugged in recent past. A common problem that occurs after a real estate closing is that the little old man and little old lady that just moved out of the property probably only slightly used the sewage disposal system and when the family with multiple children moves in, the chance of overburdening a septic system is multiplied.

Flushing feminine products down the toilet or chemicals or paint products or using a garbage disposal at the kitchen sink, can significantly burden and damage an otherwise normally functioning system.

Driving vehicles or machinery over septic systems can also damage them beyond repair. Some systems that are located where there is high ground water present during certain times of the year can function properly as far as, when you flush it, it disappears. But the effluent is likely contaminating the local ground water.

How do they tell if a septic is *readily accepting effluent*?

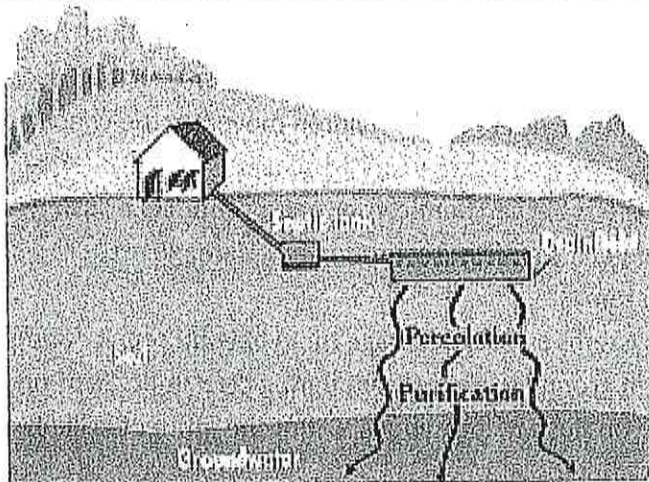
The method that Septic Inspectors use to verify whether a septic system is working is usually as simple as opening the tank and doing a visual inspection of the tank to look for any physical damage to the tank or baffles and to verify that the flow of liquids out of the tank is uninterrupted. Solids collect in the tank by settling to the bottom and by forming a thick, nasty layer of scum on the top of the water that is also present in the tank. This scum layer can indicate (on a tank in current use) whether or not the drain field has ever backed up by showing more than one clear scum mark on the side of the tank. This is not rocket science, but it is a

nasty task at best! If a tank has not been in use, it requires a visual inspection and a purge test as described below.

What to look for prior to writing an offer:

- Where is the tank and drain field located?
- Is it on file with the local Health District?
- Should the grass really be greener over the septic tank?
- Has the tank been pumped recently and certified by licensed professional to be in working condition?
- Is the certification that they had done 6 months ago still valid?

What does it mean when disclosure or septic certification says *slowly accepting effluent*. Proceed with caution! This may not dissuade you from purchasing a great property, but it should put you on notice that the existing drain field is probably close to failing. There probably is a situation where a significant amount of sludge has collected in the drain field pipes of gravel, to plug or impede the flow of affluent. When the county approves a new septic system for installation, one of the requirements is that you show the location of an acceptable replacement area in the event that the system fails sometime in the future.



Bedroom count vs. bathroom count

Drain fields are designed based on bedroom count, not the number of bathrooms in the house. There could be fifteen bathrooms and if the house only has three bedrooms then the system required is only designed for the normal *occupancy* that a three bedroom home would sustain.

Can I add a bedroom in the unfinished basement after the purchase? That depends on whether or not the drain field is designed to handle the added flow that the additional occupancy would produce. If the home had three bedrooms upstairs but the septic



had been designed for four bedrooms, then an additional bedroom could be added legally. Otherwise the county may require the addition of more linear feet of drain field to the existing system.

Can I remove the old mobile home and build a home using the existing septic system? That depends on what the existing system is designed for and whether or not it is a permitted system. Before a building permit could be issued, the county would make the owner prove the adequacy of any existing system and/or obtain approval for a new system that is designed to meet the needs of the structure.

Purge test

A *purge* test is generally the method used to certify that an idle septic system (vacant home or an older installed system that has never been used) will readily accept affluent. This test costs more than a standard certification because of the time involved. A purge test is nothing more than opening the tank and running water into the tank for a long enough time period (usually two hours) to make sure that the drain field is accepting the fluid and that it is not backing up in the tank.

VA no longer requires a purge test.

Dry Wells

- What are they?
- Are they legal?

It is common for old farm houses to have a dry well for gray water disposal. This means that the waste water from sinks, bathtubs and laundries are piped into a separate gravel filled leach field that is different than where the raw sewage is disposed of. While there are many functioning dry wells in existence, current health regulations statewide require that a dry well basically meet the same requirements of a new septic system. So, while it could be legally done with a permit, it is not practical from a cost vs. benefit standpoint.

Composting Toilets

Remember the *Mother Earth News* and its advertisements and articles that prompted the hippy generation to live off the land in remote and often primitive circumstances? While there are some circumstances that might exist for some *Green* minded individuals to be interested in this method for sewage processing, it is not legally permitted in the State of Washington unless there is also a permitted waste water disposal system in place. Since the cost of installing the waste water disposal system is virtually the same as a regular septic system, it is not practical for someone to dispose of raw fecal matter this way unless they have a fetish for organic gardening and can use the finished fertilizer.

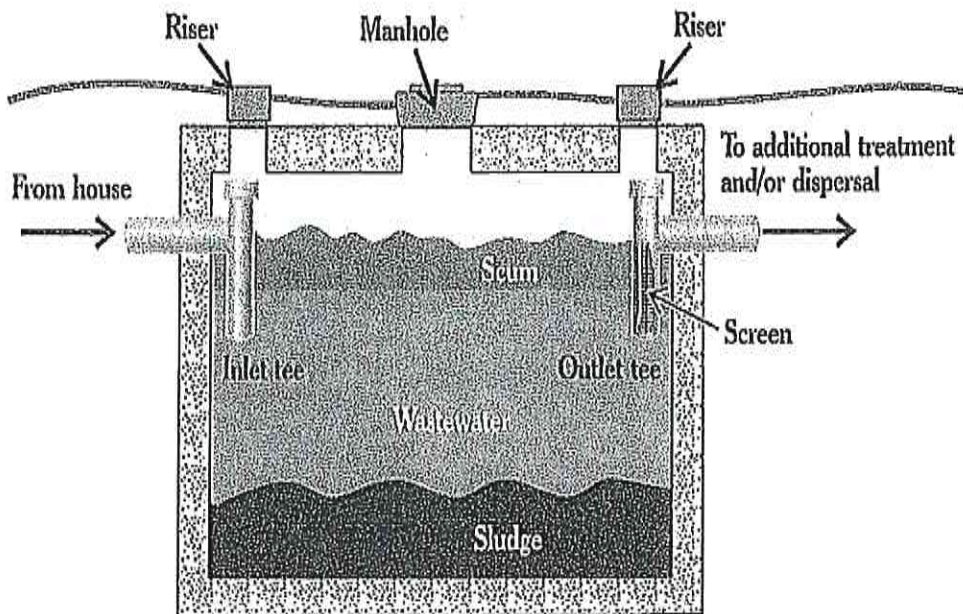


Extending the life of your septic system- maintenance

Most experts agree that regular maintenance of your septic system can extend its life significantly. A regular schedule of pumping the solids out of the tank will be a key factor in that maintenance. A good rule of thumb is to have the tank pumped about every other year, depending on the use. If your system has a distribution box between the tank and the drain field, it is a good idea to open it up periodically to make sure that the dials are adjusted to allow equal flow to each leg of the drain field. Refrain from using cleaning products that kill the normal bacterial action in the tank. There are many products available on the market that are *yeast-like* in nature that may enhance that bacterial action and allow your system to function normally. Mound systems or any variation of pressurized systems require additional monitoring and maintenance. As a condition of final approval of some of these more complicated systems, some county health departments require the resident to provide proof that they have hired a professional to provide regular maintenance of some of the components. In addition to pumping the solids, there are filters to clean or change and pumps to maintain.

How do I locate the tank? Risers with a removal lid are becoming a standard solution to this problem. If your system does not have a surface lid, then it requires a shovel and sometimes a backbreaking amount of labor to find and uncover a tank. Probes (metal rods) or listening devices can be used to find hidden tanks. County records often indicate the general location of a permitted tank, so this is the first place to start when you begin looking.

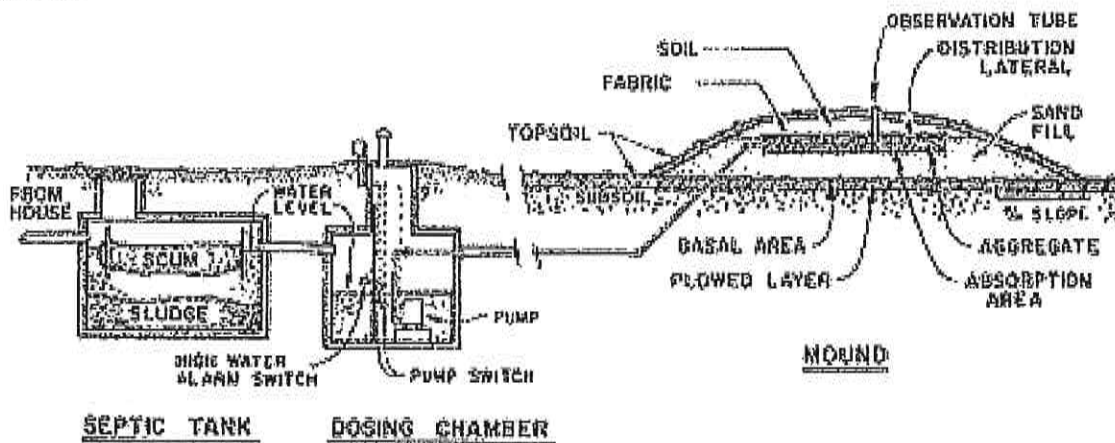




Sand Mounds

For areas where absorption fields do not work, sand mounds are often used. In this system, the bed is raised above the ground. The mound is carefully constructed to provide adequate treatment. The system uses a pressurized distribution system through 1-2 inch perforated pipes placed over gravel that is laid above a sand fill layer that is placed above the natural soil, once the natural soil has been cleared of vegetation and plowed. Above the perforated pipe more sand is added. At the very top of the mound, top soil is placed and grass is seeded.

The diagram below shows a typical sand mound system.

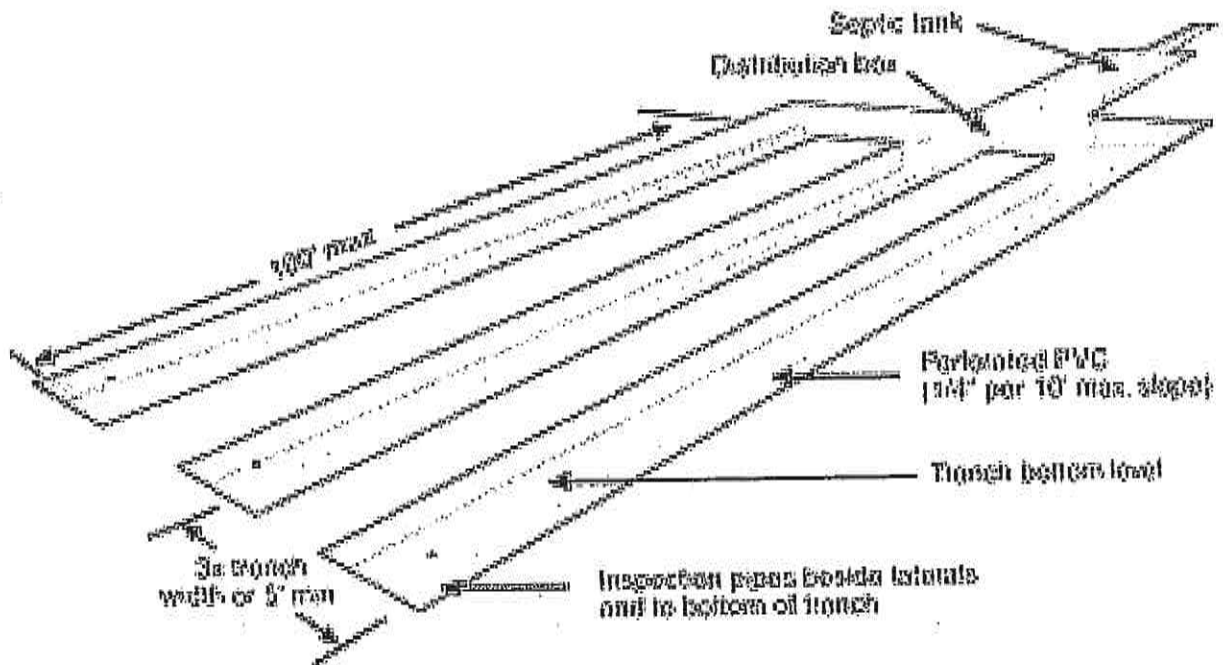


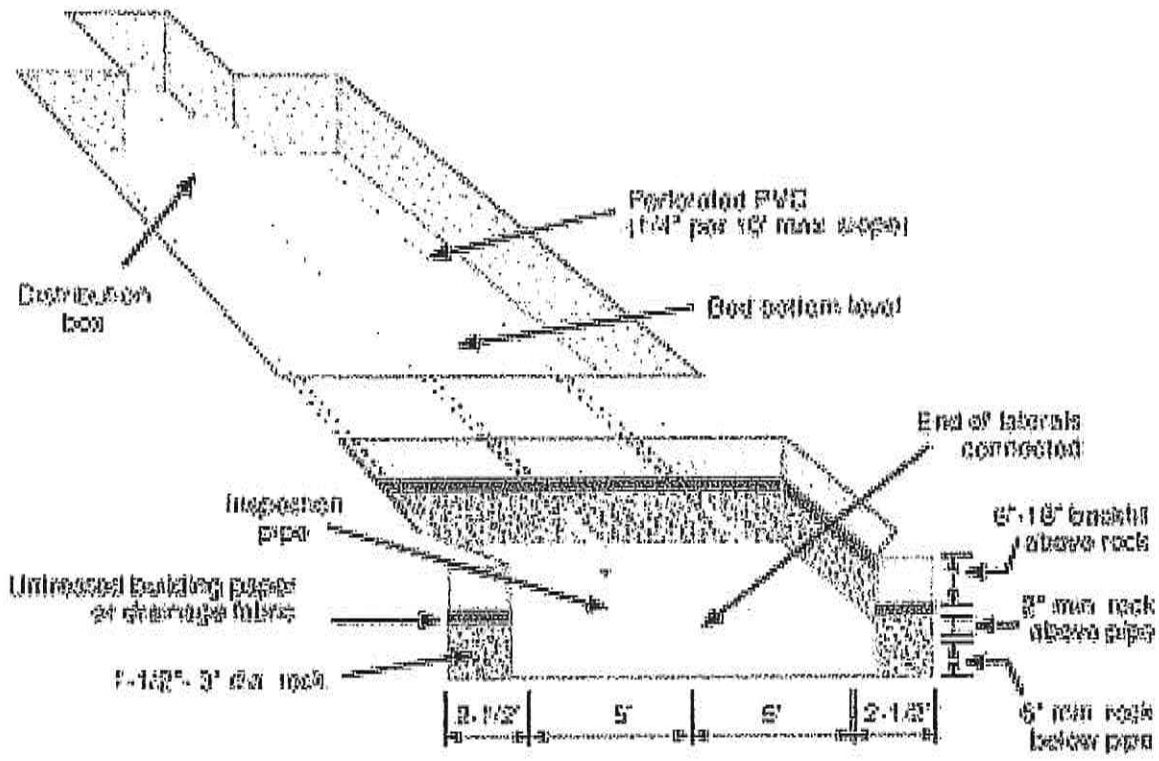
Absorption Fields/ Drain fields

The majority of the treatment of the wastewater occurs in the absorption field. The soil provides final treatment. Uncompacted, unsaturated and undisturbed soil must be used to provide optimum treatment. The soil absorbs the pathogens in the water and does not support their continued growth and they die. Nutrients, such as nitrogen and phosphorous absorb to the soil particles or react with chemicals in the soil to remove them. Natural bacteria thrive in the soil and provide additional treatment. The cleansed water then flows to groundwater or nearby surface water such as lakes, ponds, rivers or the ocean.

The absorption field may consist of a series of trenches or several beds.

See the diagrams below for illustrations of absorption trenches and absorption beds:





Some helpful links:

- http://www.deq.idaho.gov/water/assist_citizen_comm/septic/septic_homeowners_guide.pdf
- <http://www.ext.vt.edu/pubs/housing/448-400/448-400.html>
- http://www.env.gov.bc.ca/wsd/plan_protect_sustain/groundwater/septic_tank.pdf

Perc test for raw land

- What is a perc test?

One of the requirements of a septic permit application is that an inspection of the site and soil be done by the county representative who verifies that the soil will be of such composition and structure that the effluent from a septic system will be filtered and cleaned properly as it *percolates* down through the soil from the drain field. Some soil types allow the liquid to pass through too rapidly, while some less porous clay-type soil allows limited percolation. The permit process requires that test holes be dug (approx. 6 ft. deep) so that the technician can enter the holes to verify the depth and type of soil that exists on the proposed treatment site.

When to ask for a perc test prior to purchase? If development cost of a building site is really the main consideration then a potential purchaser might consider doing a perc test before a purchase since the cost to install a septic system can vary from approximately \$7,000 to \$25,000. A perc test will allow a purchaser to approximate the cost of septic installation on a site specific basis, however, the cost of the permit application and the equipment and labor cost might be forfeited if the purchaser uses the information gained to escape the sales contract.

Should I even do a perc test prior to purchase?

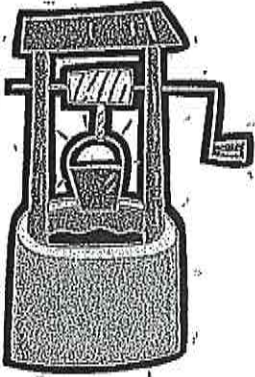
A simple consultation with a reputable septic installer might be a better solution than spending the money for an actual perc test prior to a purchase, since quite often they can ascertain the feasibility of a proposed sight based solely on their past experience. Soil types and depths can change dramatically from area to area and these contractors are usually aware of that. Most sellers do not qualify the property for a septic system prior to a sale so this burden is often placed on the purchaser since it will be specific to their building site of preference. If a purchaser likes the property, they might be better served by using the money for a perc test after the purchase when they know it will go towards the actual utility instead of merely a feasibility study prior to purchase. Modern technology has allowed experts to develop septic designs for most every situation, it just boils down to cost in the end and no matter what the cost, it is always off set by that added value to the property.

Where do I apply to have a *perc* test done? Application must be made at the Environmental Health Department of the county in which the property is located.

Cost of application? Depending on the county, the cost for the septic permit application (required before a perc test in most counties in Washington) starts at approximately \$500.



Water Wells, Potable Water



Private wells

Walking over to the kitchen sink and turning the water on may never make an urban dweller appreciate fully the convenience of never having to worry about maintaining their utilities, but rural residents are often reminded that there is more to it than just flipping a switch, since they are forced to deal with all of the maintenance and repairs of their own system. Waking up in the middle of the night to turn the pump back on after a power outage so your wife can use the bathroom, or replacing a worn out pump the day before your daughter's wedding reception on your lawn, are just a couple of examples of the burdens of rural living.

A private well is usually set up to service a single family residence and has all of the components to supply a constant stream of *potable* (clean and safe) drinking water to the home and for other domestic uses. Components could include pressure tanks, low pressure switch, jet pumps, submersible pumps, pipe and electrical wiring, water treatment systems (if necessary). All of these must be constantly maintained and protected from freezing weather and contamination.

How to read a well log – static level, air test, baler test

In the example shown below the static level shows 120 feet. The static level of a well is where the actual level of the water is inside the well. Since this well shows that it is 300 feet deep then it is easy to calculate how much water is actually stored in the well hole (180 feet of water @ 1 ½ gallons per foot in a 6" casing = 270 gallons of water storage).

Air tests and baler tests (shown on bottom left of example) indicate what the approximate flow was the day the well was drilled. This well shows that it produces 3 ½ gallons per minute. Combined with the water that is already stored there it could produce approximately 4.6 gallons per minute on a four hour draw down. Domestic wells are permitted for only 5,000 gallons per day, which equals roughly 3 ½ gallons per minute. So, when your uncle Ted says,

“you need 20 gpm at a minimum!” That probably is not a realistic expectation. Most domestic well pumps (1/2horse) will only pump on average about 7 gpm.



File Original and First Copy with
Department of Ecology
Second Copy — Owner's Copy
Third Copy — Driller's Copy

WATER WELL REPORT

STATE OF WASHINGTON

Start No. W 067518

UNIQUE WELL I.D. # _____

Water Right Permit No. _____

(1) OWNER: Name Arne Beck Address 4654 Gibson Rd. Dphl Rd. Clayton, WA 99110

LOCATION OF WELL: County Stevens NW 1/4 SE 1/4 Sec 36 T. 29 N. R. 11 W.

(2a) STREET ADDRESS OF WELL (or nearest address) Williams Valley Rd.

(3) PROPOSED USE: Domestic Industrial Municipal
 Irrigation Test Well Other
 DeWater

(4) TYPE OF WORK: Owner's number of well (if more than one) _____
Abandoned New well Method: Dug Bored
Deepened Cable Driven
Reconditioned Rotary Jetted

(5) DIMENSIONS: Diameter of well 6 inches.
Drilled 300 feet. Depth of completed well 300 ft.

(6) CONSTRUCTION DETAILS:
Casing installed: 6 inch diam. from +1 ft. to 56 ft.
Washed Liner installed 4 inch diam. from _____ ft. to 300 ft.
Threaded _____ inch diam. from _____ ft. to _____ ft.

Perforations: Yes No
Type of perforator used _____
SIZE of perforations _____ in. by _____ in.
_____ perforations from _____ ft. to _____ ft.
_____ perforations from _____ ft. to _____ ft.
_____ perforations from _____ ft. to _____ ft.

Screen(s): Yes No
Manufacturer's Name _____
Type _____ Model No. _____
Diam. _____ Slot size _____ from _____ ft. to _____ ft.
Diam. _____ Slot size _____ from _____ ft. to _____ ft.

Gravel packed: Yes No Size of gravel _____
Gravel placed from _____ ft. to _____ ft.

Surface seal: Yes No To what depth? 18+ ft.
Material used in seal Bentonite
Did any strata contain unusable water? Yes No
Type of water? _____ Depth of strata _____
Method of sealing strata off _____

(7) PUMP: Manufacturer's Name _____
Type: _____ H.P.

(8) WATER LEVELS: Land surface elevation _____ ft.
Static level 120 ft. below top of well Date 10/2/95
Artesian pressure _____ lbs. per square inch Date _____
Artesian water is controlled by _____ (Cap, valve, etc.)

(9) WELL TESTS: Drawdown is amount water level is lowered below static level
Was a pump test made? Yes No If yes, by whom? _____
Yield: 32 gal./min. with _____ ft. drawdown after _____ hrs.
" Air test 3 1/2 G.P.M. " " " " "

Recovery data (time taken as zero when pump turned off) (water level measured from well top to water level)
Time Water Level Time Water Level Time Water Level

Date of test _____
Baker test _____ gal./min. with _____ ft. drawdown after _____ hrs.
A/feet _____ gal./min. with stem set at _____ ft. for _____ hrs.
Artesian flow _____ g.p.m. Date _____
Temperature of water _____ Was a chemical analysis made? Yes No

(10) WELL LOG or ABANDONMENT PROCEDURE DESCRIPTION
Formation: Describe by color, character, size of material and structure, and show thickness of aquifer and the kind and nature of the material in each stratum penetrated, with at least one entry for each change of information.

MATERIAL	FROM	TO
Topsoil	0	2
Silty sand-brn.	2	25
Granit-med.-soft	25	160
Granit-med.-slightly fract. water	160	200
Granit-hard	200	250
Granit-hard-fract.-water	250	256
Granit-hard	256	300

DEPARTMENT OF ECOLOGY
EASTERN REGIONAL OFFICE

Work Started 9/29/95, 19. Completed 10/2/95, 19 95

WELL CONSTRUCTOR CERTIFICATION:

I constructed and/or accept responsibility for construction of this well, and its compliance with all Washington well construction standards. Materials used and the information reported above are true to my best knowledge and belief.

NAME J & J DRILLING INC
(PERSON, FIRM, OR CORPORATION) (TYPE OR PRINT)

Address S 5613 Linke Rd. Greenacres, WA 99016

(Signed) [Signature] License No. 2038

Contractor's Registration No. JJDRIT-177KI Date 10/5/95, 19 95

(USE ADDITIONAL SHEETS IF NECESSARY)

Ecology is an Equal Opportunity and Affirmative Action employer. For special accommodation needs, contact the Water Resources Program at (206) 407-6600. The TDD number is (206) 407-6006.

The Department of Ecology does NOT Warranty the Data and/or the Information on this Well Report.



Why might an actual flow test show different volume than the well log?

Buyers should be aware that what a well log says is NOT necessarily what the well was producing on the day it was drilled, or *today*. An actual flow test should be done prior to the purchase to verify what that flow is now.

The well log shows what the physical aspects of the structure of the well were the day that it was drilled, including hole width, depth, what type of material was drilled through, and may actually show how deep the stem was set if there was a pump installed at the time. There may have been cave-ins or other problems that may make the well structure and function different now than it was when it was originally drilled, but it is good information especially when you have to make repairs to the pump.

The Department of Ecology requires that every well be permitted. There are many out there that were drilled prior to that requirement and there may not be a well log available.

New surface wells or developed springs are not legal. In fact, drillers are required to case at least the first thirty feet and seal the perimeter of the casing with bentonite to exclude any surface water above thirty feet.

New wells must be permitted through DOE -- exempt water right for domestic use not for irrigation

The following link is the Department of Ecology's well search which will locate the well log for any well that is currently on file.

<http://apps.ecy.wa.gov/welllog/textsearch.asp>

Drilled cased, rotary vs. hammer

There are many old timers who have perpetuated the myth that a hammer drill is better than a rotary drill because it won't drill past the water. This simply is not true! While it is possible to insert a casing or liner as you drill which might exclude some fractures from producing water to the well, there is no science that supports the myth that a hammer drill is the better way to go. Newer technology has in fact improved the chances of creating a producing well in almost any location.

How deep is deep?

Well depths can range from 30+ feet to over 800 feet, so here is no such thing as a typical well depth (except for regionally there may be underground aquifers that are easy to predict).

However, science has proven that the deeper you go in hard rock formations, the less chance you have to hit a fracture that will produce water. Granite formations for example, weather from the surface down, which creates most of the larger fractures closer to the surface. There really is no aquifer in these situations, just cracks that refill from snowflakes and rain drops.

Three hundred feet is a range where one might start to think about other options to enhance



the existing flow that may be more cost effective, rather than drilling deeper. However, a thorough search of other well logs in the immediate area might provide evidence that there may be water at a deeper level.

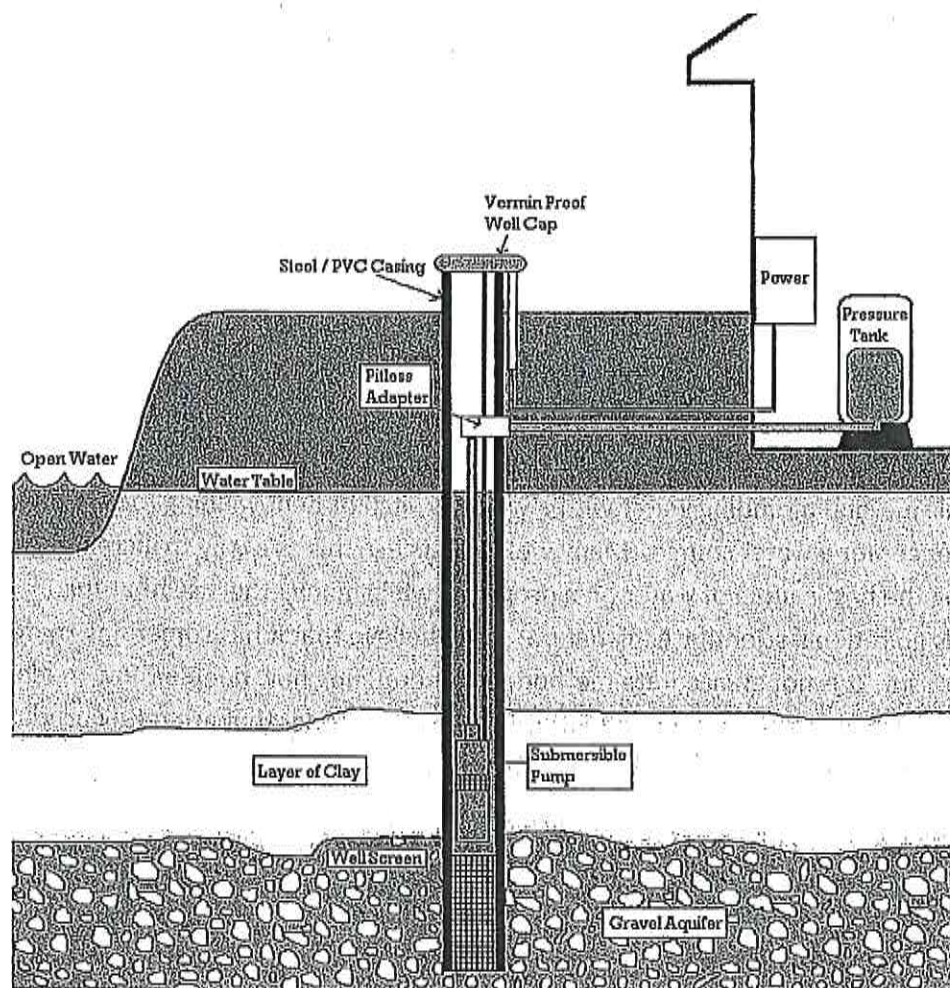
What maintenance issues? Cold weather often brings the possibility of power outages which means that unless you have your well wired to convert to a generator, you will not only be without power, but also without running water. Well pumps can last for years, but when they wear out, it can be costly and a huge hassle (depending on the depth of the well and the access to the pump). Water logged pressure tanks and faulty pressure switches are one of the areas that seem to cause more frequent repairs than the actual pump. Periodic monitoring of the purity and flow of a well will help assure the owner that they have a constant flow of pure potable water.

Water witching or dowsing – does it work? Voodoo or science?

Believe it or not, this method of finding water with a willow switch or bent welding rods is a common way to *pioneer* for a water source. Many well drillers use this as a way to increase their odds of finding the best source of water on a property, while many others scoff at this idea. While there is no rational scientific explanation, some believe that it has something to do with electro-magnetism. It is not an accurate method for determining how deep or how much water is there. There are in fact other more scientific methods like sonar that are rarely used because of the expense. Seeking the help of a geologist or hydrologist might also be a good option.



Diagram of a typical domestic well



Some helpful links;

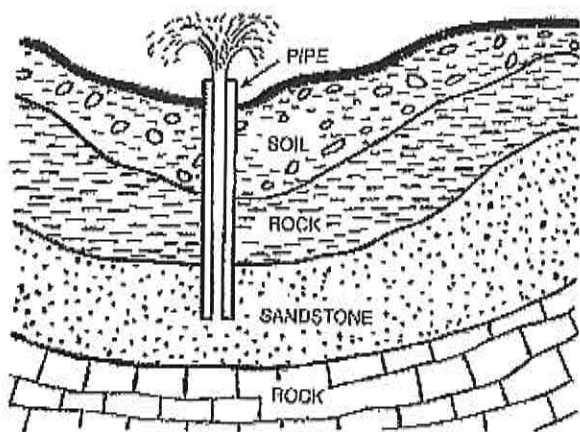
http://www.hersh-and-sons.com/home_owners_well_info.pdf

<http://www.ecy.wa.gov/pubs/swr9690.pdf>

Artesian Wells-

An artesian well allows water to rise to the surface that has traveled through porous rock from a higher elevation. This pumpless well seems to defy gravity because the pressure that builds up between layers of rock gets relieved when the water finds a path to the open air. For nearly a thousand years, people have drilled wells to drink such cold, filtered water that doesn't need to be hauled up from the depths.

An aquifer provides the water source for an artesian well. An aquifer is the layer of permeable rock, like limestone or sandstone, that absorbs water from an inlet path at high elevation such as the top of a mountain. The water source might be fed by snowmelt or precipitation. Porous stone is sandwiched between a top and bottom layer of an impermeable substance like clay soil or shale rock. This keeps the water pressure high, so that when you get to a point below the entryway of the flow, there is enough pressure to bring the water up. Natural springs form in the same way when a gap in the impermeable rock, maybe triggered by an earthquake, allows the water to rise to the surface.



Is it a big deal that a well is advertised as artesian? Even though technically it might be true that you have an artesian well, advertising it as an advantage might be sending a false message. Since the water is probably accessed by a submersible pump rather than the static pressure of the well, having an artesian flow that cannot be utilized with its natural flow might be a unique characteristic, but probably is not an advantage that has any value whatsoever.

Does it mean that you have unlimited flow? NO! Just because there is natural static pressure forcing water out of the ground, doesn't mean that there is an unlimited flow.

Springs- Caution! Usually a bragging point for a seller, but the reality is that it means there are likely solid rock formations below the surface with little or no water available. The available water is trapped from escaping, travels along the impervious layer of rock and then static pressure or gravity is forcing the water towards the surface through cracks or fractures in the rock formation.

Lenders don't like developed springs even though they *can* be wonderful sources for clean water.

Cisterns and holding tanks — the presence of a holding tank usually indicates a low producing well, requires extra maintenance because of the additional jet pump and components.

Community wells — some rural subdivisions are serviced by one common well with each resident paying a portion of the cost of electricity and maintenance. Chlorination or other treatment systems are not required for a group B or lesser system, though periodic testing of the well may be required by the county health department.

Water System Classifications:

- **Group A Public Water System** is classified as a community system with 15 or more connections or serves greater than an average population of 25 or more people per day for 60 days per year
- **Group B Public Water System** is classified as community system with 2 to 14 connections and less than 25 people per day or serves an average population of 25 or more people per day during fewer than 60 days per year.
- **2-Party Public Water System** is classified as a community system with 2 single-family residential connections. Although classified as a Group B water system, it has a different set of regulations than those with 3 or more connections.
- **Non-Public Well** is classified as a single-family well with 1 single family residential connection or irrigation well.

Shared private wells - The most common scenario is for two homes to share one common well. In these cases, it is wise to be sure of the administration of costs and maintenance before a purchase. Make sure that there is a written agreement, complete with maintenance easement and perimeter easement that will help protect the water source.

Quality (purity and metals) <http://www.ecy.wa.gov/pubs/0611021.pdf>

Each county in Washington State may differ in what they require for well tests, for instance, Spokane County requires tests for coliform and nitrates, whereas Stevens County requires tests for coliform, lead, arsenic and nitrates. Some Realtors initiate a purchase and sale agreement without making any contingency upon well tests, thinking that the lender will require those tests. Even for FHA or VA loans, there may only be a requirement for a potability test, not flow. Some lenders are not requiring any well tests. Therefore a contingency that makes the sale contingent only upon lender required inspections may not fully protect the buyer.

Some additional tests above and beyond the requirements in many cases might help sellers protect themselves against future liability when there is evidence of problems such as high iron content. There is strong evidence in some counties that suggest testing for uranium might be a good precaution.

Who is responsible for paying for and initiating the tests?

This is obviously negotiated between the buyer and the seller, however a proper purchase and sale agreement should clearly spell out who is to cause the work to be done and who's

expense it is. In eastern Washington it is customary for the seller to hire and pay for well and septic tests since it seems logical that such tests are an extension of their disclosures to the purchaser, however this can be construed as a conflict of interest since the seller could conceivably hire their old buddy to do the tests and a purchase may find cause for mistrust of the information. If they choose the professional whether they are paying for tests or not, there may be an added level of comfort for the purchaser. If the purchaser pays for the tests, then if they flub the deal based on the results of those tests, they might be stuck paying a bill that does not benefit them, and if those bills go unpaid by a purchaser it is possible that the contractor or professional involved could file a workman's lien against the property. In any case, a *professional* should be hired to do such tests.

Quantity (flow)

Minimum flow required in Stevens County for a new or existing well is 800 gallons per day or one gallon per minute. This for a domestic well and does not include fire protection requirements (if any) or irrigation. Spokane County requirements are similar at one gallon per minute. The documentation required is an actual flow test. Air tests or baler tests from a well log is not sufficient.

Standard 4 hour flow test –The typical professional method for testing the actual flow of a domestic well is to open up a faucet and basically measure the flow for a four hour time period. This can be as simple as running it into a measuring bucket and then periodically re-verifying the amount of flow over the course of the test, or by using an actual flow meter.

It is important for the purchaser to know exactly how to interpret the language on the flow test certification. Is the gallons per minute figure on the certification the *actual* flow after the storage capacity has been removed or is it the aggregate of actual flow into the well combined with the storage in the hole or holding tank? Some methods might *average* the actual flow combined with the amount of storage to get the gallons per minute on a four hour draw down.

Is that well really producing 40 gpm (gallons per minute) and is it really worth any more than a lower producing well?

Assuming that the well actually has a flow of approx. 40 gpm, is the pump capable of producing that much? If not, is that a benefit to the purchaser?

State law limits domestic wells to 5,000 gallons per day (3.5 gallons per minute for 24 hours). Other exempt uses (still a water right but not papered) include 5,000 gpd Industrial, lawn or non-commercial gardening less than ½ acre (no limit), and stock watering (no limit).

What if the well is low producing?

- Possible remedies – is it a big deal?
- holding tanks vs. hydro-fracture

Holding tanks or cisterns are sometimes installed when a well cannot produce enough for the average daily use of a household. This allows storage of water that can be accumulated in the tank (concrete or plastic tank – 1,000 – 3,000 gallons) during the hours when the water is not being used, in order to get ahead of the usage to avoid running out at critical times. These systems usually consist of a buried tank or cistern of some sort that contains an additional float and pump system, requiring more maintenance than a normal well system. Low producing wells usually are fitted with a low-pressure shut off switch that automatically shuts the pump off when the water is depleted so that the pump doesn't burn out. Since these systems only collect existing water flow, many have opted for a method that not only creates more storage space, but can significantly improve water flow, which is called hydrofracturing.

Hydrofracturing is a technique first applied to oil and gas wells. Water wells which are drilled into rock can be treated with this to increase their water yield, or renew a low yielding well.

In a well, water flows from fissures into larger and larger fissures. A well is a collection point for water to flow from the cracks in the rock, collect, and be pumped out. The production rate of a well depends upon how many water bearing fissures connect to the well.

Over time, these cracks can become blocked, with silt, bacterial growth in the rock that creates crusts, oxidations, and precipitations of minerals.

- In hydrofracturing, a device is lowered into a well and a collar is pumped up. Then, high pressure water is used to fill the well and pressurize it to up to 3-4000 PSI. This essentially backflushes the well, by forcing water into the cracks, opening them up, and flushing out the contaminants. It also may establish new fractures through which water can connect and flow into the well. Sometimes, chemicals are added to enhance the process. The contents of the well are then pumped out.

Hydrofracturing can cause impressive gains to well flows. It typically costs about half as much as drilling a new well...which, itself has only a 50% chance of working better than the well replaced, since it is often drilled into the same formation, and the same things which happened to cause the first well to fail may cause the second to fail, or pump no better, than the first. Proponents of the technique believe that the pressure affects a 100 foot circle of rock around the treated well.

In some localities the technique has been banned because of belief that it will adversely affect other people's wells. In most cases, it does nothing, but some people whose wells are near a hydroshocked well have reported it improves their flow.

Should you have to worry about the well after a satisfactory test for purity and flow?

Well water flow can change over time, either seasonally or permanently. Care should be taken to assure and monitor purity also.

How often should a test be done? Horror stories (the mice in well story and farm ecoli)

It is wise to check a well periodically (every couple of years) just to make sure that nothing has changed in the well, that the flow is satisfactory and that there are no contaminants. Many drilled wells that have not been tested for long periods of time, fail the purity test.

Types of Buildings - structures:



Mobile home or Manufactured home- comes on wheels and is designed to be *mobile* since it can be moved more than one time. Does not fall under the jurisdiction of Uniform Building Code, so is administered by Department of Labor and Industries. Though most of these modern homes are now built with superior insulation and 2 x 6 exterior walls and sheet rocked throughout, there is still a significant amount of depreciation because of public demand for quality and often there are more maintenance problems than a stick built home.

- Department of Labor and Industries vs. Uniform Building Code enforcement

Well I got a permit from the county for my addition, isn't that all I needed?

It is illegal to sell a Manufactured Home that has been altered in any form with having an L&I inspection. What types of alterations are commonly found that don't comply (attached roofs, wood stoves, additions, sliders, re-roofs)

What liability might you have if you don't disclose these alterations?

- Homes moved more than once may not qualify for the loan you have to work with.
- Pit set vs. standard set – how that can affect FHA financing
- Title Elimination – Lenders require the title to be eliminated.

Does it require anything more than a paper fix?

Manufactured homes, especially a single wide mobile home may be difficult to finance.

Modular homes - built as panelized homes or in finished pieces, delivered on wheels, but set on permanent foundation like a regular stick built home. Similar in quality and desirability to a stick frame home.

Steel Frame – All of the framing including roof and floor trusses is made entirely of steel. The claims are made that it is superior in strength and is cost effective to build. One disadvantage might be that in the event of a fire, the heat weakens the steel which means that repairs to a damaged building might be more expensive. See the website listed below:



<http://www.americansteelframeservices.com/testimonial/testimonial.asp?UID=960F89AB20424AB9859F2D244B0043F4&CT=6>

Stick frame – This is a traditional wood framed building, built on site piece by piece and monitored by local building authorities by permit and periodic inspections. Certificate of Occupancy is not granted until final inspection. Appraisers consider most of these structures as a 100 year building, meaning that the normal life expectancy is around one hundred years.

Pole buildings – built similar to a pole barn with slab on grade for residential use. This method has functional limitations such as mechanical access since there is no crawl space and for normal household functions such as hanging pictures etc. A home such as this might actually appraise for less than a similar stick built structure, unless there are other homes like it in a neighborhood. Rural residents may be living in a pole shop as temporary housing while a home is being built.

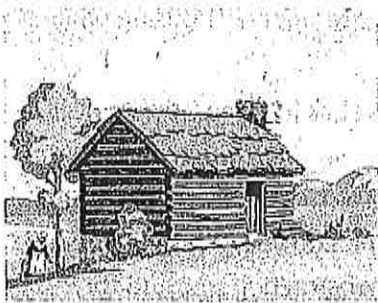
Foam and concrete – Similar in look and function to a normal stick built home except for the thicker walls, but is a much superior structure since it is built with Styrofoam blocks as a form for concrete walls or post and beam concrete structure walls. The concrete is reinforced with rebar which forms a structure that most appraisers consider a 200 year building. Benefits are that it is a superior structure to almost every other modern construction method for residential buildings with superior insulation qualities and fits in with the *Green* ideology that is gaining momentum in our modern society. Disadvantages include additional cost factors and higher labor costs for subcontractors such as plumbers and electricians.



Straw bales – these structures are actually made out of straw bales (sometimes using wood framing) with a stucco finish inside and out. Though they have superior insulation qualities (R-35 average compared to R-18 to R-35 for conventional homes) and are relatively cost effective to build, are rare in most real estate markets. Life expectancy of such structures is similar to stick build homes. Some negative factors might be that it is hard to find contractors for this highly specialized method of building and may be difficult to finance. Some *perceived* negative factors might include fire hazards, rodent problems etc., though these have been proven to be false propaganda.

Earth berm – these buildings are usually concrete structures surrounding partially or totally by earth, providing a solid structure that has good insulation benefits but may lack functionality because of the lack of exterior penetrations such as windows.

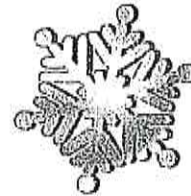
Log homes – this method of building has been around for many centuries and there seems to be a modern day romantic attraction to this method. There are many construction styles and types of logs used, many of which are more expensive than conventional methods because of the intense labor involved. There are also many inferior structures in the market that were created by do-it-yourselfers who had a great idea, but were not skilled or knowledgeable and cut corners to save money. These are usually harder to maintain than other structures and harder to insure.



Geodesic domes – these homes may be created by using one or more domes, which are structurally sound and economical to heat. Because of their rarity in most markets, such structures may be harder to finance than more conventional methods. Such homes may be equal or even superior to conventional structures in life expectancy and insulation value. Though some claim that a dome home is cheaper to build than a conventional home, these homes are usually built not only for economic savings, but because the owner wants a unique and specialized building that suits their lifestyle.

Timber Frame – these are usually unique and beautiful homes created by using larger timbers for the frame of the whole building or for part of the building such a roof structure. This is normally done for cosmetic and aesthetic purposes, not to enhance strength, function or economy. Cost is usually more than a conventional building because of the timbers, but the finished product is usually a very desirable home.

Each of these types of structures may have differing values or perceived values to the public, and a wide range of cost to value. Some such as domes or straw bale homes may be harder to finance than more traditional stick built structures.

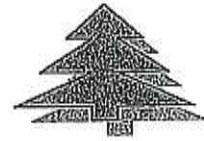


Is weather a factor when looking for a property?

- Why should this be a factor? (out of area buyers)
Many out of area buyers will look at property only during the seasons of the year when there are not adverse weather conditions. Knowing how the weather might affect a certain property structure or access is important. Questions about snow levels, runoff etc. should be asked.
- What should I look for in building structures to stand up to the snow loads?
Be careful to look for proper construction methods on homes and outbuildings, attached porches and additions to mobiles. In areas where significant snow levels accumulate, flat or low pitched roofs are a constant problem. Does a home have a shake roof that might become a fire hazard in dry hot weather? Does it have a composition roof when a metal roof might be more appropriate? Do any of the roofs on a property need to be shoveled regularly?
- What is the roof load rated for? (Manufactured Homes) Most newer manufactured homes have a sticker on the inside of the electrical panel, or inside a kitchen cabinet that indicates what the roof is rated for. For example, most roofs in an area where there is a lot of snow accumulation, should have a minimum 30 -40lb roof load.
- California style roofs where snow slides off but onto the deck or in front of the garage cause huge problems during winter months and can be a safety hazard.
- How is the road getting in and out? It's fine now, but just wait until February or March (ice and mud). Does the road have steep grades, shaded areas, narrow passages. Who maintains the road? What type of equipment does it take to maintain the road?
- Is there flooding in the spring? Runoff properly ditched? Homes on lakes, streams, creeks and rivers might have times of the year when there are problems with or the potential for flooding. Most county agencies will be able to tell land owners what water levels have been according to the *hundred year flood* mark.



- Cold weather: Are the water lines and plumbing pipes exposed to cold and subject to freezing? Have you looked under the home or in the pump house?



Timber and Trees – just aesthetics or marketable value?

- How to tell if it has been logged? Check for stumps! Look at aerial photos. Whether or not a property has been logged or not may not have any bearing on the value or intended use of the property since the potential purchaser is seeing it as it is now with their own eyes, but there may be other factors involved that could affect the buyers intended use for the property.
- What is the timber value? Does it matter in figuring property value? The answer to this question can be answered by doing what is called a *timber cruise*, which is a method for calculating the approximate value of the timber while it is still standing. If a buyer has intentions of using the timber value to their advantage by logging after a purchase, they might want to make an offer contingent upon a timber cruise (evaluation). In many situations the eye appeal or aesthetics are worth more than the value of any timber that could be cut from a property, so the value of marketable timber, really is in the eye of the beholder and the next purchaser.
- Timber clause in a sale contract – can you cut the trees? If the property is being sold using an owner contract, the seller will want to be sure that there is a clause in the contract that prohibits the cutting of timber until the contract is paid, or come modification of that principle, since there has a great deal of fraud involving timber and real estate contracts.
- Forest practice permits Before an owner can legally remove marketable timber from their property for sale at a lumber mill, they must apply for a forest practice permit from the Department of Natural Resources. Before issuing such a permit the DNR will check for recorded restrictions such as a timber clause, and verify possible riparian zones on a particular property. There are some exemptions for cutting limited timber or hazard trees which may not require a permit.
- Riparian zones Ground water in the form of creeks, seasonal or year round streams, or wetlands has certain legal requirements for buffer zones. If the purchaser is planning to log or build driveways, home or buildings near such areas, it would be wise to verify the legality and feasibility of this intended use before purchase.
- Building moratorium

In some cases previous owners have allowed the DNR to file a moratorium of use when they have filed for a logging permit. In principle this moratorium is designed to assure that the use of the land remains as forest land and is not converted to any other use. Purchasers should be made aware of this property restriction before purchase, especially if they intend to build within the time frame of a moratorium (approx. 6 years). There is a process to remove said moratorium, but it requires that a fee be paid and an administrative process followed.

- **1031 exchange – timber cut or left on the stump?**

Owners of large acreages with a residence, where part of the property does not qualify for the exemption from capital gains because of the dollar amount of the sale, or where the property is not the current residence or is raw land, may be subject to capital gains when they sell all or portions of their property. The 1031 tax code allows a deferment of capital gains tax if certain rules are followed. When the property has marketable timber and the owner is in the process of deciding whether to remove timber or not, it is important to know that once the timber is cut, the value is no longer part of the real estate and cannot be used in a 1031 exchange. Often the best solution for a larger timber parcel is to leave the trees standing so that the value can be used in the 1031 exchange. That way an owner can theoretically transfer the value of the timber to another property without paying the income tax or timber tax that would be levied if the timber was cut and sold prior to a sale.

Some helpful websites: www.dnr.wa.gov, wa.usda.nrcs.gov, www.wafarmforestry.com

Can this Property be subdivided in the future?

If the intended use of a purchaser is to immediately or eventually subdivide the property and sell portions off, they must be sure that they have investigated the county rules for zoning, allowable parcel size, infrastructure requirements and possible overburdening of easements or deed restrictions (such as covenants that may not allow future subdividing of a property). A working knowledge of the platting process in your county will be helpful for these situations.

Open space laws – how does it affect your developer?

When a properties current tax classification is in open space or timber designation it is subject to removal of from this classification upon sale or if at a later date the new owner wishes to sell portions off, they would have to pay the compensating tax. This could be a financial burden that the new owner didn't count on. Counties differ in how they administer this tax law, if a property is purchased to remain in open space or timber classification, it is important to discuss the intended possible future use with the county assessor before purchase.

Limited access highways – will there be legal access at a later date?

- Limited access highways are just that. They have limited points of access which may adversely affect any property that has an access point that is not on a county road. If a larger tract has been granted *one* residential access, such as a farm that borders the highway, and the purchasers intended use is to further subdivide the property, there could be no access for the new parcels that are created. Smaller parcels that are being sold that were previously part of one of these parent parcels, having a common easement road to access such a highway, likely do not have a legal access. Buyer beware!

Planning for the future when selling off property – don't land lock



Easements

An easement is an interest in the land of another which entitles the owner of such interest to a limited use or enjoyment of the land in which the interest exists. Examples of common easements are roads, driveways, and powerlines.

- **Dominant** – the land to which the easement is attached, in other words the land which is benefitted by the easement.
- **Servient** – the land over, through or under which an easement exists.
- **Easements in gross** – is a right in another's property which is not created for the benefit of any land owned by the easement holder and is not appurtenant (attached) to any particular land. Common examples of this are telephone or power lines.
- **Exclusive** – The grant of an exclusive easement whether appurtenant or in gross, conveys to the easement holder the sole right to use the property for the purpose of the easement. In other words, no one else is entitled to use the easement. Exclusive easements are seldom encountered.
- **Non-exclusive** – unless the instrument establishing the easement states that it is to be an exclusive easement, it is considered non-exclusive. The owner of the servient tenement is free to convey similar easements over the same easement property to others along with the right to use that property themselves. The owner cannot grant so

many additional easements over the same property that the use for which the original easement was created would be materially interfered with.

- **Easements for special purposes** – easements may be encountered that are for special purposes such as encroachments like buildings, docks, retaining walls, light and air, view, protection of shared well perimeter and maintenance access etc., and may be designed for a limited time frame or for a certain individual owner only.
- **Unlocated easement** – the fact that the instrument creating the easement fails to specifically describe the strip of land over, through or under which the easement is to be located, does not invalidate the easement.
- **Wetlands conservancy easements** – land owners who have opted to place their property into permanent conservancy easements have created a situation where the land may only be used for certain purposes, which may limit the use for any future owners. The types of easements are designed to create buffers and protection for wildlife while compensating owners who may have been adversely affected by land use laws.

Termination of easements

Non-use of an easement does *not* terminate an appurtenant easement. The owner of the servient tenement cannot unilaterally terminate an easement. An appurtenant easement that has been legally created of record, must be legally terminated of record. Termination by court action, overburdening, and merger of dominant and servient tenements are examples where easements could be terminated.

Merger of dominant and servient tenements terminates easement – if both the dominant and servient tenements, after the establishing of the appurtenant easement, pass into the same ownership, that ownership terminates the easement. If the common owner should later sell the former dominant tenement, retaining title to the servient tenement, the prior appurtenant easement could not be insured without another grant from the owner of the servient tenement.

Is there insurable and legal access?

It is important to verify that a property actually has valid legal recorded and insurable access by obtaining title insurance on the property. Even if a title company has issued a preliminary title report proving insurable access exists, if circumstances are present such as the fact that a private road approaches a limited access highway, buyers and buyers agents should make an effort to investigate further. If there are neighborhood rumors that there is a problem, pay attention and ferret out the source of the rumors.

Sure there is an easement on paper, but is it practical to build a road there?

Sometimes situations exist where an easement is described in a certain location, but there is no existing road on the ground and that location may prove impractical or physically impossible



to construct a driveway or road on that exact location. Careful consideration and research should be given to this topic before purchasing a property.

Adverse possession – acquiring title to real property owned by someone else, by means of open, notorious, exclusive, continuous and uninterrupted possession of the property, in a manner hostile to the title of the owner, for ten years. If the adverse possessor is claiming under color of title and has paid all taxes assessed on the property, the time period is only seven years.

This can be used for claiming an access easement also. If someone uses someone else's property for ingress and egress and they can prove that their use has met the requirements for adverse possession as described above, it is possible that they can claim that use of the property legally and permanently. This adverse possession suit must be done by court action.

Can the neighbor put up a gate across the easement road to keep his cows in?

Other Title Issues –

adverse possession

les pendens

IRS liens

The neighbor has a first right of refusal or option to purchase the subject property, can you list the property for sale?

Recorded land lease such as a farmer

Where Is My Property Exactly?

A survey is the only way to know for sure where the boundaries are located so a buyer should ask for a copy when it is represented that there has been a survey.



When should you insist on a survey?

Though a survey is the only way to know for sure where property lines are actually located, there are many times when property purchases are completed without a survey. Particular instances when a buyer should *insist* on a survey, might be when there is evidence of a dispute, knowledge of an encroachment (such as a neighboring fence or building), lot line adjustments or subdivisions that are the result of purchase, or when a buyer has intentions to build in an area of the property that is relatively close to represented property lines.

Are those stakes in the ground that the owner showed me, really the boundaries?

It may be difficult to tell if those stakes on the property corners are official but it is easy to tell when they are NOT official (t-posts, railroad ties etc). Tags on trees are often represented as property corners, when in fact they are probably triangulation markers and not the actual corner markers. Most legal survey markers are metal pins with plastic or metal caps. Wood lathe stakes are not proper boundary markers and may only be surveyor control points. Fences may or may not accurately represent where the property line is.

Is the property really the size that has been advertised?

Property is often advertised with a certain acreage size with the abbreviated initials M.O.L., meaning *more or less*. Agents and owners usually reference county records that show acreage size which may only be estimates on the part of some county agency. An actual survey will accurately identify exact property size in acreage.

Legal description

Metes and bounds – the method of legal description that starts at an easily identifiable point of beginning, then describes the properties boundaries in terms of courses (compass directions) and distances, ultimately returning to the point of beginning.

Government survey system – a system of land description in which the land is divided into squares called townships, each approximately six miles square (containing 36 square miles), which are divided into 36 sections, each approximately one mile square and containing approximately 640 acres, also called the rectangular survey system or section, township, and range system.

Notice in the above definition that it says *approximately* several times!

How To Read Maps (and what can they tell you about the property)

Can you find this property by yourself when it is an absentee landowner?

- Tools to use – topographical maps, aerial photos, Metger maps, county road atlas and plat maps
- How to read a legal description – government survey, metes and bounds
- Government lots – what and why
- Map symbols



Taxation

Open space, classified timber

The Open Space Taxation Act, enacted in 1970, allows property owners to have land being kept in its natural state, used for farm & agricultural, or used as commercial forest land to be valued for property tax assessment purposes on those *actual* uses, rather than on the potential *highest and best* use as required by state law. The Act states that it is in the best interest of the State to maintain, preserve, conserve, and otherwise continue in existence adequate open space lands for the production of food, fiber, and forest crops and to assure the use and enjoyment of natural resources and scenic beauty for the economic and social well-being of the State and its citizens.

The Current Use program establishes a method for the county Assessor to value property based on the current use of the land, rather than on "highest and best" use, resulting in reduced property taxes for the landowner.

A compensating tax must be paid whenever property is withdrawn from this program. A compensating tax is calculated by determining the difference between the tax amount that would have been due, based on a fair market value of the highest and best use, and the tax amount actually paid based on the program classification. The difference between those two amounts is the compensating tax that must be paid when the property is removed from a program classification plus any interest due. Additionally, if land is removed from classification prior to the tenth year of enrollment, or without two years advance notice, state law requires a penalty be added to the compensating tax due.

LAND USES THAT QUALIFY FOR SPECIAL PROGRAM CLASSIFICATION

USE CLASSIFICATION

Land kept in natural state -----	Current Use-Open Space
Farm and Agricultural Land -----	Current Use Farm & Agriculture
Forest Land -----	Current Use Timber Land
Forest Land -----	Designated Forest Land

BEFORE CLASSIFIED LAND CAN BE TRANSFERRED, ONE OF THE FOLLOWING TWO CONDITIONS MUST BE MET:

1. If the buyer wishes to continue in a program, the following items are required at least five (5) days prior to closing: (a) Signed Notice of Continuance (available from the Assessor's Office or the Department of Revenue); **AND** (b) A new Farm Management Plan or Forest Management Plan signed by all buyers; (c) When the Real Estate Excise Affidavit is presented for ownership transfer, all new owners must sign the Notice of Continuance section.
2. If the buyer does not wish to continue in the program, a Request to Remove (with appropriate legal description), signed by all current owners, is required **at least seven business days** prior to closing:



This current use tax law affects sales of farms and ranches and timber ground significantly when the removal or reclassification causes the owner the burden of unexpected taxes. This can cause a pending sale to flub because the amount of the compensating tax could be excessive. It could cause an unaware developer an unexpected financial hardship when parcels are sold causing removal from these tax classes and for compensating taxes and penalties to be levied.

Current Use Program - Advantages vs. disadvantages for a developer

The advantage of the current use program to most land purchasers is that their long term tax bill is reduced significantly, whereas in the case of a potential developer it might be a distinct disadvantage.

Closing agents and principles in a pending real estate sale, should allow enough time for closing to accommodate processing time for county auditor approval of a continuance. Contacting the appropriate county official immediately after a purchase agreement has been made, might save some time and heartache later in the deal.

Since the Current Use Program may be administered differently in various counties, It is important to talk to the county official in the county where the property is actually located. Some counties don't audit current use properties until a sale occurs while some more aggressive county auditors continually audit these properties for compliance.

Reasons why your seller may be surprised by unexpected costs

If the property was mistakenly classified in the wrong designation, or the owner can't prove agricultural use requirements, or the property classified as designated timber has been cleared in logging operation (with little or no reproduction), the auditor may require a change or transfer to another classification or total removal from the program even if a continuance was requested. Continuance may become contingent upon a forest management plan being submitted by the new purchaser or for the current owner to show income on agricultural use.

How would it affect the owner of a large land parcel if he sold all but 10 acres and the house?

The owner might have been able to sell the larger parcel off without any compensating taxes being paid for that larger parcel, but would be liable for the compensating taxes on that smaller portion of property since it would have to be removed or reclassified.

1031 Exchange

The 1031 tax code allows for the *exchange* of investment property for investment property, (any type of property that is NOT the owner's current residence) including portions of working farms in order to defer the payment of capital gains taxes.



This process can be very complicated so it is important for sellers to be made aware of this tax code and be advised to consult with a competent tax accountant or exchange facilitator before making major decisions about a property sale that involves larger parcels, farms or other real estate that might qualify.

- Timber land - standing timber leave the timber on the stump
- Farms and ranches- only part may be exempt for personal residence – business portion including farm animals and equipment can be used in 1031
- Any property that is *not* your current personal residence

County and State Regulations

- Road approach permits – State Highway, county road, private roads
- Railroad right of way-crossings
- Limited access Highways
- Can you subdivide that property with only one farm access to the highway?
- Well and septic requirements
- Building permits and codes – are there permits? Does it have to comply with current codes?
- Critical areas – wetlands, creeks, lakes
- Zoning violations - are there any?
- Comprehensive Plan – how small can you subdivide?
- Infrastructure requirements for subdivision (ie, paving streets, engineering to county road specs, bridges)

RID & LID –(pending or current assessments)

Road improvement districts or land improvement districts are created in order to finance improvements that benefit certain neighborhoods. Costs of such improvements are levied against properties involved that are benefited by such improvements. (These can include sewer, paving of roads, or other capital improvements) Buyers should be sure that such assessments are paid at closing unless they are willing to assume responsibility for the balance.

Covenants and Restrictions

Home owners associations are often formed in neighborhoods that have something in common such as covenants, common areas of land such as bridle trails or parks, gated access, or lake

access, to assure that certain covenants are enforced or insuring that such neighborhoods maintain certain cosmetic or behavior standards that protect the rights and interests of the owner. Just because there are covenants on a property doesn't mean that there is an association to enforce covenants. Quite often enforcement of existing covenants is left totally up to individual landowners.

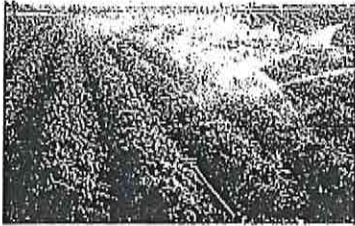
- What are covenants? Guidelines or enforceable rules?
- Who enforces the rules?
- Do they go away if no one is obeying?
- Road maintenance agreements
- Special restrictions place on deed such as "no spirituous liquids to be consumed on property", no logging etc.



Farm Issues

- CRP and Conservation easements
- Land leases – can they transfer?
- Crops –Emblements – who gets to harvest the wheat that is in the ground prior to sale?
- Crop or income records for open space requirements – have these records been kept?

Water rights – irrigation, riparian, domestic



Does Granny really have valid water right?

The first question is whether there is written documentation and the next burning questions is whether there is evidence of actual use. Even though she has a certificate or claim document that says there is a water right, if it has not been used during the past five years or if only a portion of the right has been used, then all or part of that water right may have been relinquished back to the state automatically. By representing that a property has a valid water right, the owner and/or agent may be creating a tremendous liability for themselves.

Do water rights automatically transfer when property sells?

Water rights are appurtenant to the land, are a property right, and therefore automatically transfer with the land when ownership changes, but if they are not used in five years are relinquished back to the state and are no longer a value to the property interest.

Can you apply for a water right?

Any landowner can apply for a water right, but this process may takes years and is rarely granted, therefore water rights are in high demand especially for agricultural purposes or for municipalities.

Exempt uses (still a water right but not papered)

- domestic (less than 5,000 gpd)
- Industrial (less than 5,000 gpd)
- Lawn or non-commercial garden less than ½ acre (no limit)
- Stock watering (no limit)

Who can help you?

Water Conservancy Boards, DOE

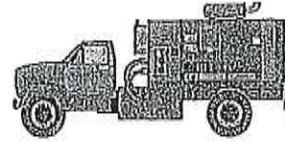
How much is it worth?

A water right is of value to the property since it can be used for multiple purposes to enhance the properties desirability for agriculture or other uses and can be sold or leased. Local water rights are selling for \$500 to over \$3,000 an acre-foot.

Can you sell the water rights separately?

Water rights can be purchased and transferred to another property so long as the water source is the same (lake, river, drainage), proof is provided that the water right is valid, and certain technical questions are answered to DOE.

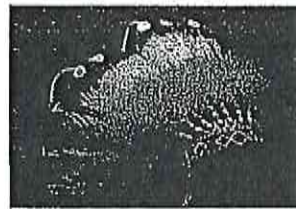
Fire Protection and Insurance Issues



- What fire district is it in? Is it even in a fire district?
- Do they have a good response time?
- Does the home and out buildings have a defensible perimeter for fire protection?

Garbage Disposal

- Can you burn house hold garbage? Slash?
- Land fill or regular pickup



Tribal Law – Reservations

- Are there different rules even though it is deeded land?
- Tribal Integrated Resource Management Plan – land changes, subdivision
- Tribal Department of Natural Resources administers changes
- Is hunting allowed on your own property?
- Burial grounds or artifacts on property on or off the reservation





Pests or Pets?

Insects

If conditions exist for the presence of wood destroying organisms such as termites or carpenter ants, it is likely that they have already caused damage or will in the near future. Wood-to-earth contact and/or moist conditions can be spotted and removed in order to cure existing problems and to prevent future infestations that might prove to be more than just annoying.

Biting bugs such as deer flies and mosquitoes can become almost unbearable during certain parts of the year in forested or wetland areas. This problem is often overlooked just because the buyer is first viewing the property during colder weather and there is no evidence of such pests. Remember that the beautiful property that has attracted the buyer to a property is also the habitat for many other creatures! They were there first!



Wildlife - (deer, elk, moose, turkeys, bears and cougars)

They are fun to look at especially if you are not used to seeing them, but they can often cause problems when they come into contact with humans. Rural property owners soon realize that they must learn to cohabitate with wildlife and that they can manage that successfully by doing things such as fencing gardens and flower beds, keeping garbage contained, not feeding the turkeys or deer, controlling pets such as dogs who might harass the animals or in contrast, be eaten by them.

Rodents

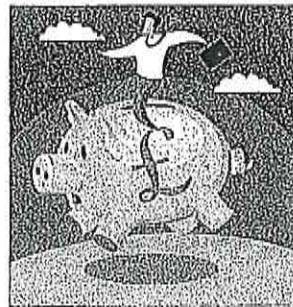
Mice, squirrels, chipmunks, gophers also live in rural areas and can cause multiple problems such as chewing holes in buried waterlines and electrical lines, eating grain or seeds, destroying insulation in buildings and homes, and causing health risks to humans.



Financing –

What lenders don't like about rural property

- construction loans – development from the ground up
- fixers or Rehab loans – 203K FHA (expensive and tedious)
- large acreages (over 20 acres), multiple parcels or acreages that are top heavy with buildings
- Easements – you want to give your neighbor access can you do it without lender approval?
- Long shared driveways – require road maintenance agreement
- Can you remove buildings or Manufactured Home without permission?
- deed releases when you sell off the back ten acres? Lot line adjustments require lender approval on all properties involved.
- No government loans will do hand dug wells. Conventional requires proof that they are common to the area.
- Mobile homes that have been moved more than once
- Mobile homes that are still titled
- Rural Development does not do mobile homes unless there is already a rural development loan on the property.
- Wood to earth contact and peeling paint on home or outbuildings



Rural Development Loans – USDA guaranteed

Advantages:

No Down Payment Required

30 year fixed rate

102% LTV (100% plus guarantee fee)

Finance Closing Costs If Appraisal Is Higher Than Sales Contract

No Mortgage Insurance

No cash contribution required from borrower.

Unrestricted gifts, no need to document source.

No Maximum Loan Amount

No Reserve Requirement

High earnings potential.

Competitive rates (set by underwriting lenders).

Available secondary markets: wholesale lenders as well as Fannie Mae and Freddie Mac.

Delegated underwriting for D.E. FHA, Fannie, Freddie, and VA approved underwriters.

Utilize in Conjunction with State Housing Authorities, if available.

Rural Development designated rural area:

Homes must be located in rural areas. Rural areas include open country and places with a population of 10,000 or less and under certain conditions-towns and cities with between 10,000 and 25,000 residents. There is an automated rural area eligibility calculator at <http://eligibility.sc.egov.usda.gov>, click on "property eligibility". If you need additional assistance, please contact your local Rural Development office.

Mobile Homes

Singlewide

There are very few options for single wide manufactured homes, which are common in some rural areas. Some lenders have been able to use VA financing for singlewides.

Double Wide

- FHA loans and some conventional lenders require an engineer report concerning the foundation of a mobile home. This cost can range from \$400 - \$800 depending on the circumstances. Below are some engineers who have done these inspections in the Spokane area. Pit set homes usually pass this inspection if they have the proper tie downs.

Brett Danielson
Inland Northwest Engineers Inc.
509-532-1532

David Cassle
P.E. Consulting Engineer
P.O. Box 3510 Oldtown, ID 83822
(208) 437-0256

- Title must be eliminated before lender will risk providing a loan on a mobile home.
- Lender may also require L&I inspections if there have been alterations

What lenders think about wells and septic systems

VA only requires potability tests on water, not flow. FHA no longer mandates inspections unless certain adverse conditions exist such as evidence that the well may be contaminated. Such evidence may include but not be limited to: the presence of a

purification system, corrosion of pipes, areas surrounding the property that have extensive agriculture, coal mines, dump sites, gas stations, objectionable taste or smell. Septic certifications are no longer required by FHA unless there is evidence of system failure.

Driveways – roads

- Access to State Highway – limited? Vision?
- Road approach permits – county and state
- Road Maintenance agreements – does the last guy on the road pay more than the first guy who uses less of the road?
- If I buy this remote 20 acre parcel can I build the road anywhere inside the described easement?
- Is there room in the easement for snow removal or will my snow destroy the neighbors fence?
- When I remove trees from the easement to build my road, who owns the trees?
- Do you need a permit to build your road?

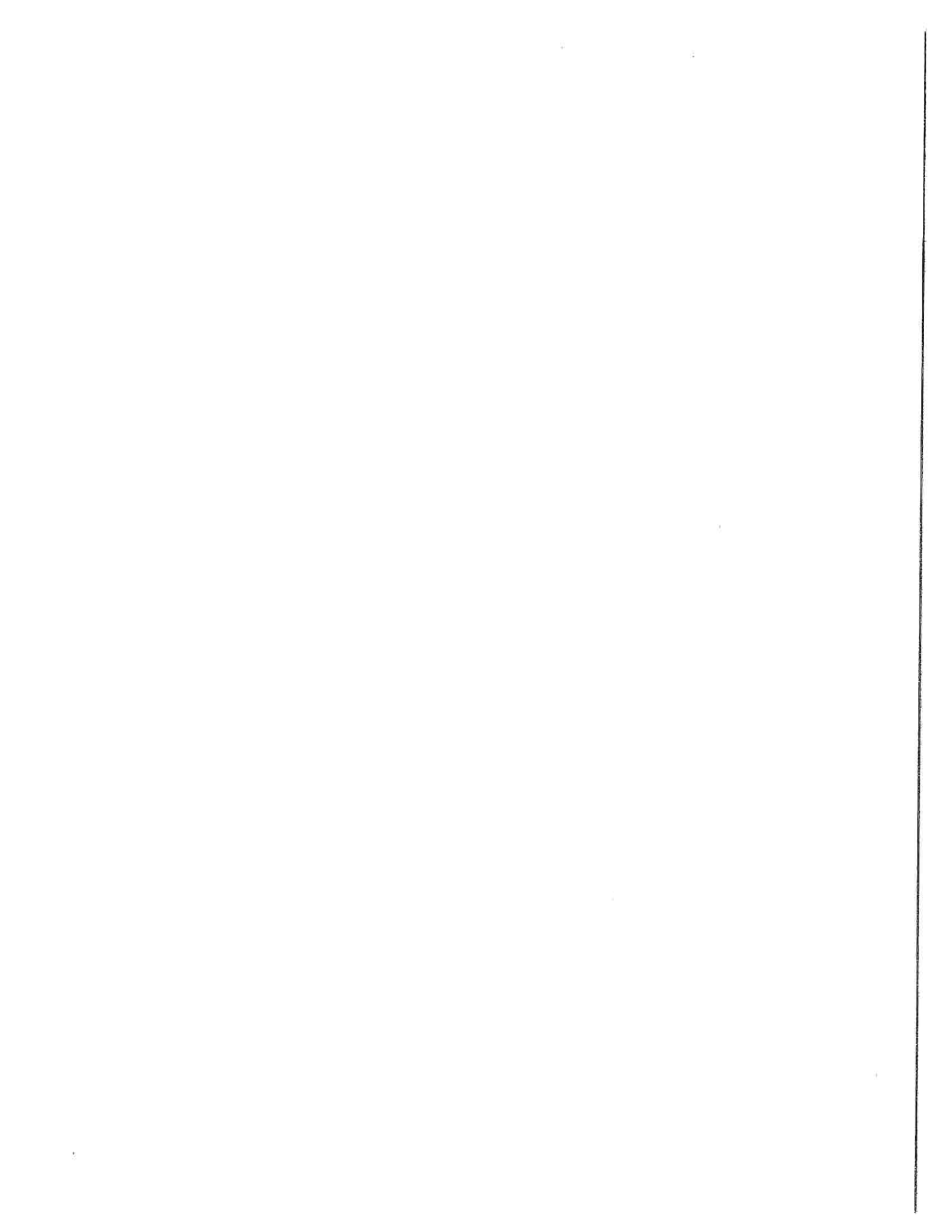


Environmental Issues

- Drainage
- Surrounding farms or industrial – is there a lot of noise, smells, dust?
- Fill material
- Soil contamination – buried fuel tanks, dairy waste, fertilizer and pesticides
- Old dumps sites
- Buried trash – is it legal?
- Radio towers and power lines
- Illegal drug manufacturing
- Radon gas
- lead based paint



Appendix



Definitions

Survey: the process of measuring and locating in exact boundaries a certain parcel of land that can be identified and recorded. The two methods used are government survey and metes and bounds survey.

Perc test: the test used to identify soil types and conditions suitable for the installation of an onsite sewage disposal system, where effluent (liquid human waste) can *percolate* down through soil to clean impurities before the liquid rejoins with the ground water. Soil types are closely examined to determine permeability of the existing soil. Engineering is done to determine linear feet of drain field necessary to obtain the proper absorption rate of the soil for the estimated volume of liquid effluent produced by the home as dictated by bedroom (approx. occupant) count.

Purge test: the test used to determine if a septic system is currently capable of properly dispersing effluent from a septic system. It is accomplished by running water into the septic system at the tank for a time period (usually 2 hours is sufficient) to determine that the effluent is being absorbed into the connected drain field at a rate that will not cause a backup of effluent into the tank. Generally only required when the tank is empty or has not been used for a long period of time.

Well Draw down: a test commonly used to determine the approximate current flow capacity of an existing ground water well, typically metered or measured periodically during the course of a four hour period by a licensed professional.

Timber Cruise: a systematic grid type method for measuring the approximate volume and value of standing timber (marketable trees) for lumber production, usually identifies species of trees and approximate DBH (Diameter at breast height) and volume in board feet.

Timber clause: a paragraph in a real estate contract or mortgage that indicates whether or not the purchaser is allowed to harvest timber or not. Since un-harvested timber is considered to be part of the property and has value, a typical contract will not allow any harvesting until the contract is paid in full or may allow harvesting with proceeds directed towards the seller of the property or anything in between. A timber clause is normally negotiated at point of sale.

Septic system: an onsite sewage disposal system usually having the capacity for one residence only. Properly disposes of human waste through a system that may include tank(s) and drain field which may be gravity flow or pressurized. Usually requires some on-going maintenance to periodically remove insoluble solids from the tank portion of the system depending upon the volume of daily use.

Water right: any right (claim, certificate, permit) to withdraw and use water from a river, stream, lake or well for any purpose other than exempted uses (domestic, stock watering, lawn or garden). Such rights run with the land and cannot be transferred to any other property without permit. Must be used at least once every 5 years or this right can be relinquished.

1941

1. The first part of the report deals with the general situation of the country and the progress of the war. It is a very interesting and informative account of the events of the year.

2. The second part of the report deals with the economic situation of the country. It is a very detailed and accurate account of the economic conditions of the year.

3. The third part of the report deals with the social situation of the country. It is a very thorough and comprehensive account of the social conditions of the year.

4. The fourth part of the report deals with the political situation of the country. It is a very clear and concise account of the political conditions of the year.

1031 exchange: the tax code that allows for the transfer of any non-owner occupied property without tax consequences. *Like-kind* exchanges allow capital gains taxes to be deferred until property is liquidated and the owner takes the cash. For example, a working cattle ranch can deduct part of their sale proceeds (\$250,000 per spouse), but part of the proceeds may be subject to capital gains because at least part of the farm was used for their business (unless they do a 1031 exchange into another property that is not their personal residence). This is done by using an *exchange facilitator* and is subject to strict rules.

CRP (Conservation Reserve Program) – The Conservation Reserve Program (CRP) is a voluntary program for agricultural landowners. Through CRP, you can receive *annual* rental payments and cost-share assistance to establish long-term, resource conserving covers on eligible farmland. CRP protects millions of acres of American topsoil from erosion and is designed to safeguard the Nation's natural resources. By reducing water runoff and sedimentation, CRP protects groundwater and helps improve the condition of lakes, rivers, ponds, and streams. Acreage enrolled in the CRP is planted to resource-conserving vegetative covers, making the program a major contributor to increased wildlife populations in many parts of the country. Since enrollment in this program is 10-15 years, upon the sale of a farm where this program is in place, the new owner must assume the responsibilities of the program and may be reimbursed for monies already received by the selling farmer on a prorated basis.

Open Space Tax designation – (not to be confused with zoning) The Open Space Taxation Act allows owners to have land being kept in its natural state (farm, agriculture or forest land) to be valued for tax purposes on *actual* use, rather than on the highest and best use as required by state law, resulting in reduced property taxes. A compensating tax must be paid whenever property is withdrawn from this program. Since most counties audit this upon any sale, the new buyer must agree to sign continuance documents or the seller is subject to this compensating tax, which is the difference between the tax amount based on highest and best use and the tax amount that has actually been paid based on the program classification.

Capital Gain – the amount that an owner of investment property (not personal residence) has realized in actual gain upon sale, (minus all cost and improvements) above and beyond their original basis. This gain is subject to capital gains taxes, which can be deferred if the owner uses a *1031 tax deferred exchange* to move this gain into a property of equal or greater value.

Potable Water – water suitable for drinking whether the source is from a well, spring or public utility district.

Hydrofracturing – a proven alternative to deepening or drilling a new well, this process is done by forcing water into existing hard rock fractures at extremely high pressures in order to extend, enlarge and clear fractures. This process can dramatically increase the flow of a low producing well. A stem is dropped into the well and after targeting certain likely fracture zones, top and bottom plugs are sealed and the space between the two plugs is pressurized with water and until the fractures break. Though this technology is generally used in gas wells to maximize production, it has also been proven to be extremely effective in the development of water wells.

1. The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that proper record-keeping is essential for the integrity of the financial system and for the ability to detect and prevent fraud. The text also notes that records should be kept for a sufficient period to allow for a thorough audit.

2. The second part of the document outlines the specific requirements for record-keeping. It states that all transactions must be recorded in a clear and concise manner, and that the records must be accessible to all authorized personnel. The text also mentions that records should be stored in a secure and protected environment to prevent loss or damage.

3. The third part of the document discusses the role of the auditor in verifying the accuracy of the records. It notes that the auditor should perform a thorough review of the records to ensure that they are complete and correct. The text also mentions that the auditor should report any discrepancies or irregularities to the appropriate authorities.

4. The fourth part of the document discusses the consequences of failing to maintain accurate records. It states that failure to do so can result in severe penalties, including fines and imprisonment. The text also notes that failure to maintain accurate records can damage the reputation of the organization and lead to a loss of trust from stakeholders.

5. The fifth part of the document discusses the importance of training and education in ensuring accurate record-keeping. It notes that all personnel involved in the financial system should receive appropriate training and education to ensure that they understand the requirements and are able to perform their duties correctly. The text also mentions that ongoing education and training are essential to keep up with changes in the financial system.

**WELL ADDENDUM TO
PURCHASE AND SALE AGREEMENT**

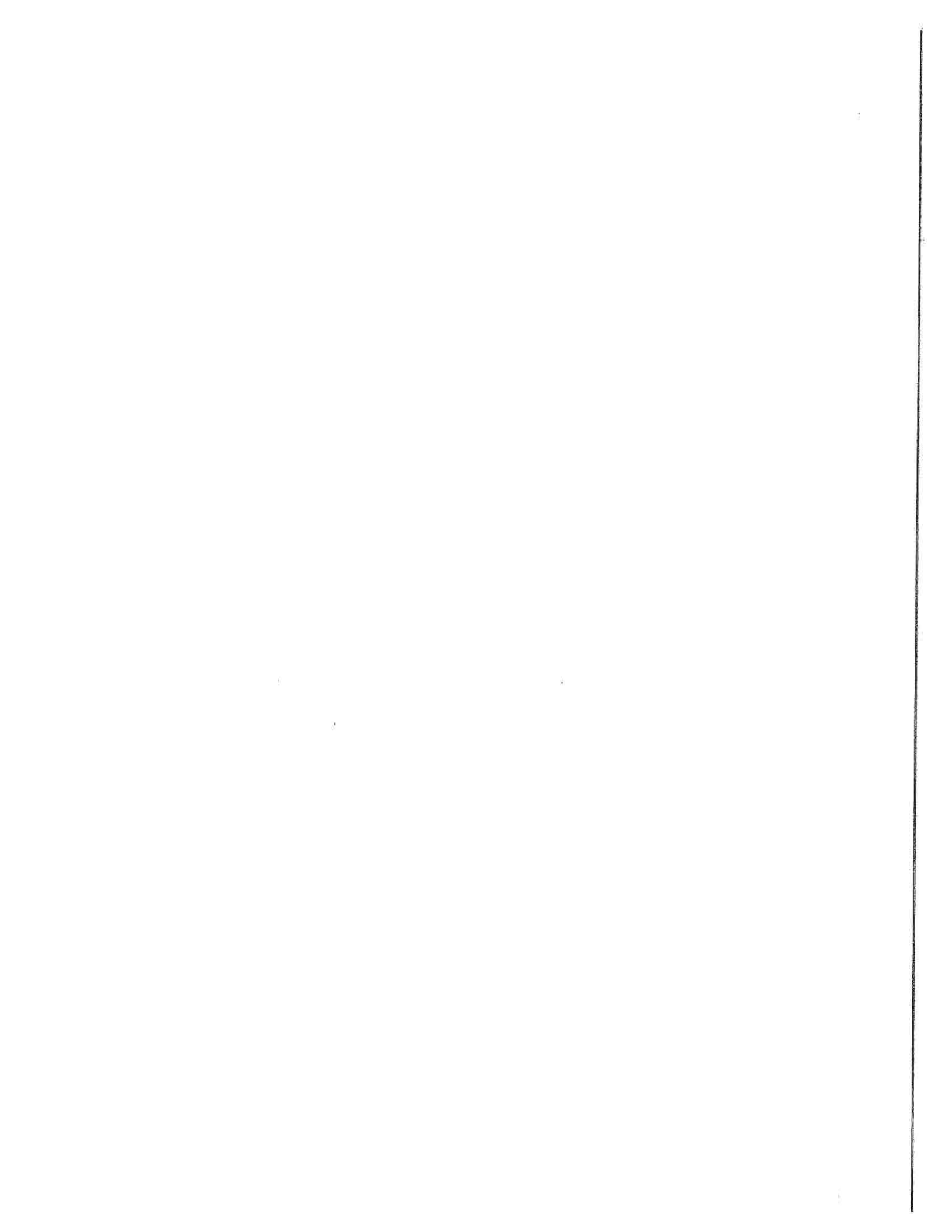
The following is part of the Purchase and Sale Agreement dated _____ 1
between _____ ("Buyer") 2
Buyer Buyer
and _____ ("Seller") 3
Seller Seller
concerning _____ (the "Property"). 4
Address City State Zip

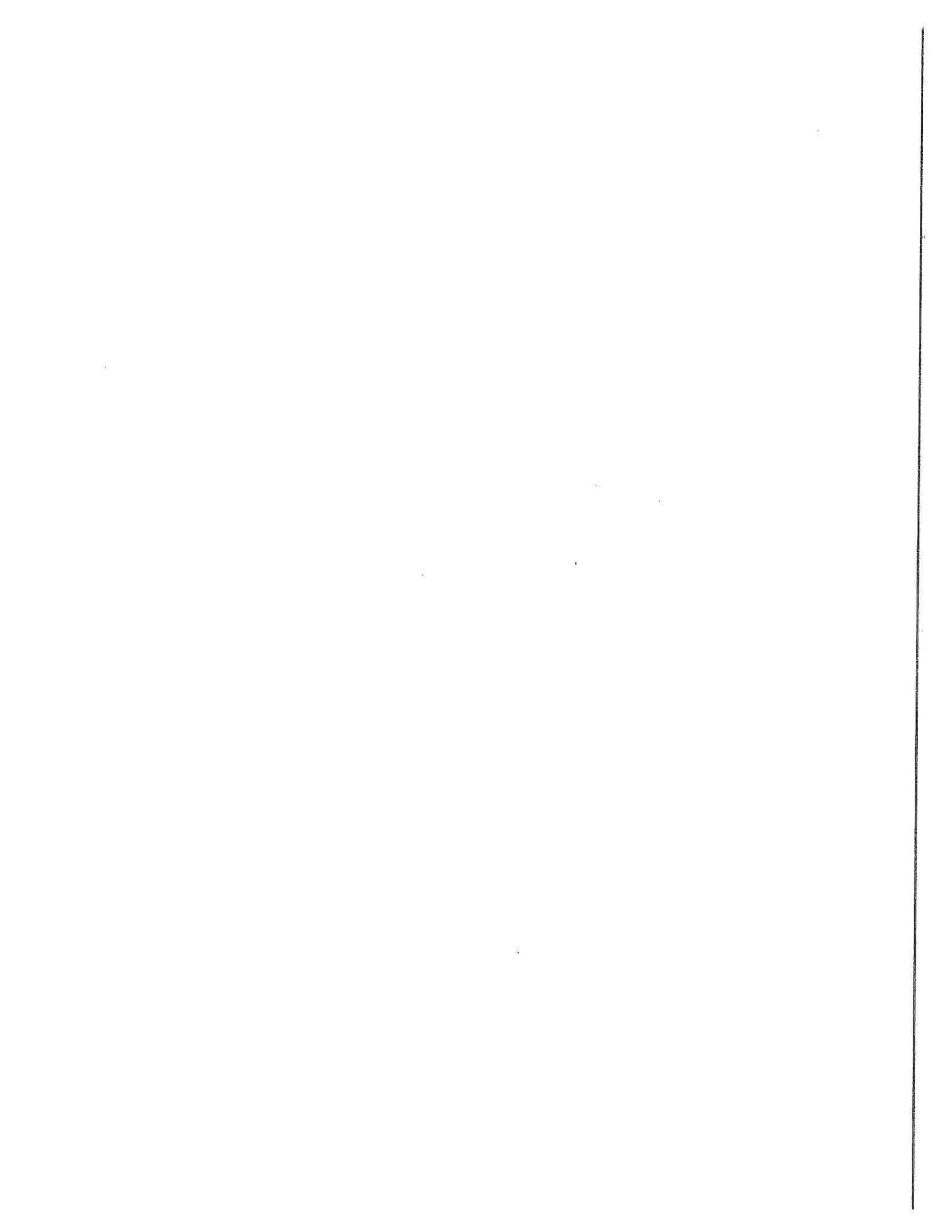
THIS ADDENDUM SUPERSEDES ANY OTHER PROVISIONS OF THIS AGREEMENT RELATING TO ANY WELL 5
OR WATER SUPPLY SYSTEM SERVING THE PROPERTY. 6

1. **Number of Connections.** Seller represents that the well currently has _____ (one, if not filled in) 7
connection(s). 8
2. **Seller's Representations.** Seller represents that, except as explained below, to the best of Seller's knowledge, the 9
well and water supply system serving the Property (a) provide an adequate supply of household and yard water for 10
Seller's use; (b) are **not** presently contaminated by biological or chemical agents; (c) comply with all applicable local, 11
state, and federal laws, standards, and regulations, including applicable purity standards; and (d) have no other 12
material defects. 13
3. **Well Documents Review Period.** Seller shall deliver to Buyer all documents in Seller's possession associated 14
with the well, including, but not limited to shared well agreements and maintenance records, within _____ days 15
(10 days if not filled in) of mutual acceptance. If Buyer, in Buyer's sole discretion, does not give notice of 16
disapproval within _____ days (5 days if not filled in) of receipt of the above documents or the date that the 17
above documents are due, whichever is earlier, then this well documents review period shall conclusively be 18
deemed satisfied (waived). If Buyer gives timely notice of disapproval, then this Agreement shall terminate and 19
the Earnest Money shall be refunded to Buyer. 20
4. **Well Inspection Contingency.** The Agreement is conditioned on Buyer's approval of an inspection of the well 21
and water supply system serving the Property. Buyer is advised to conduct all inspections necessary or 22
reasonable to ensure that the well and water supply is satisfactory to Buyer. Such inspection(s) may include 23
testing of flow rate; purity standards (organic and inorganic); verification that the source is adequate and that the 24
system meets federal, state and/or local standards as well as any other matter of concern to Buyer. Any 25
inspection shall be (a) ordered by Buyer; (b) performed by a qualified inspector of Buyer's choice; and (c) 26
completed at Buyer's expense. Buyer shall have the right to attend the inspection. This contingency shall be 27
waived unless Buyer gives written notice of disapproval of the inspection report within _____ days (10 days if 28
not filled in) after mutual acceptance of the Agreement or within the time period for Buyer's general inspection 29
contingency, whichever is later. If Buyer gives timely written notice of disapproval, the Agreement shall terminate 30
and the Earnest Money shall be refunded to Buyer. 31
5. **Local Requirements.** Buyer acknowledges that water supply requirements and water use limits vary by city, 32
county, and watershed. Buyer is advised to consult with an expert regarding water supply requirements and 33
water use limits for the Property. 34
6. **Other.** 35

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37
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39
40
41
42
43

Buyer's Initials Date Buyer's Initials Date Seller's Initials Date Seller's Initials Date





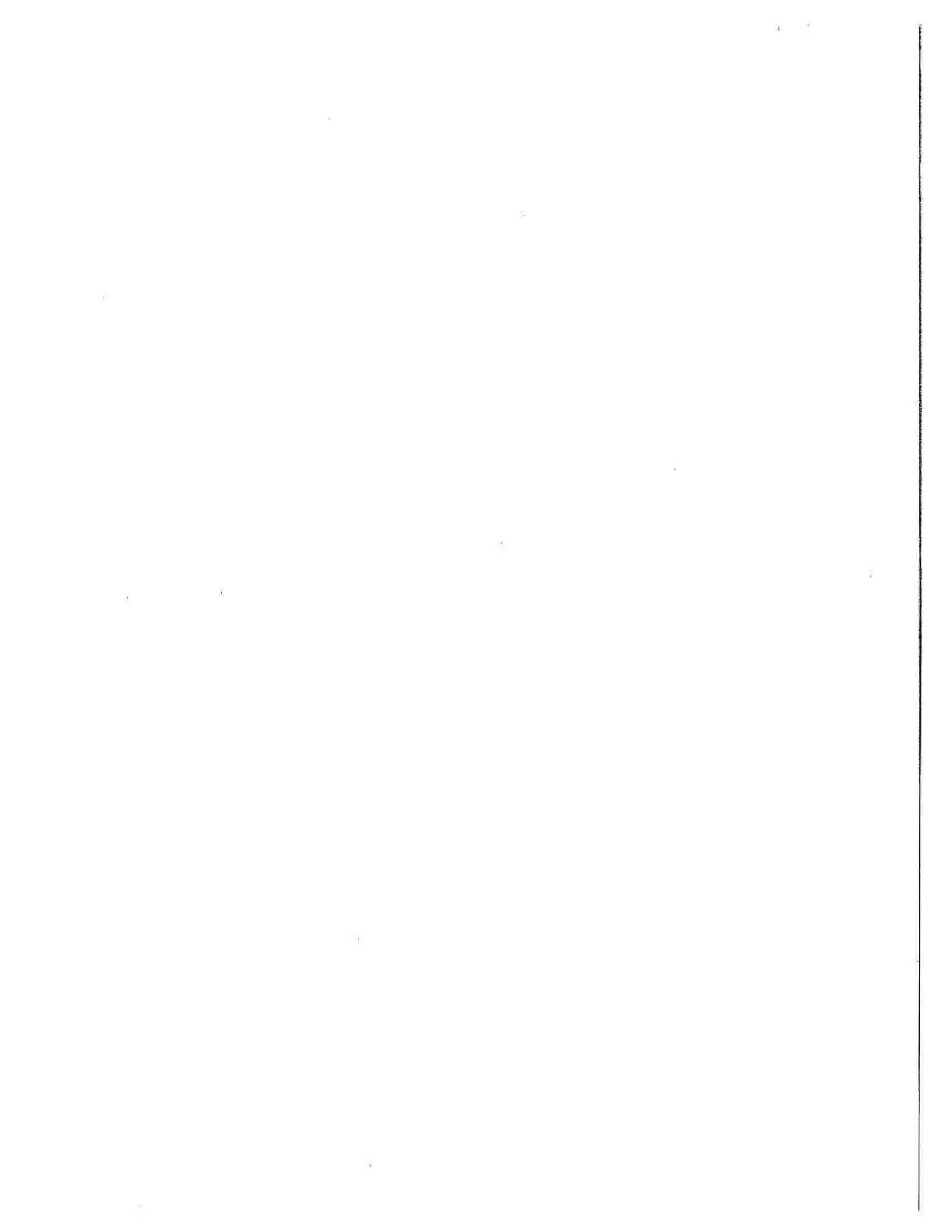
A SECTION OF LAND—640 ACRES
80 Chains—320 Rods—5280 Feet

<p align="center">40 CHAINS</p> <p>7.92 inches are 1 link. 25 links are 1 rod. 4 rods or 100 links are 1 chain. A rod is 16½ feet. A pole is 16½ feet. (160 ACRES) A chain is 66 feet or four rods. A mile is 320 rods, 80 chains or 5,280 feet. An acre contains 43,560 square feet. An acre contains 160 square rods. An acre is 208.7 (plus) feet square. An acre is 8 rods wide by 20 rods long, or any two numbers (of rods) whose product is 160. Square feet x .000023 = acres. Square chains x 0.10 = acres. 40 chains equals 160 rods or 2640 feet.</p>	<p align="center">20 CHAINS</p> <p align="center">(80 ACRES)</p> <p align="center">80 Rods or 1320 Feet</p>	<p align="center">10 CHAINS</p> <p align="center">(20 ACRES)</p> <p align="center">40 Rods or 660 Ft.</p>	<p>5 Chains 5 Acres</p> <p>5 Chains 5 Acres</p> <p>20 rods or 330 ft.</p> <p>20 rods or 330 ft.</p>
		<p align="center">(40 ACRES)</p>	<p align="center">(10 ACRES)</p> <p align="center">40 Rods or 660 Ft.</p>
		<p align="center">(40 ACRES)</p> <p align="center">80 Rods—20 Chains or 1320 Ft.</p>	

36	31	32	33	34	35	36	31	NW NW (Lot 4) 40 Acres	NE NW (Lot 3) 40 Acres	NW NE (Lot 2) 40 Acres	NE NE (Lot 1)* 40 Acres
1	6	5	4	3	2	1	6	SW NW (Lot 5) 40 Acres	SE NW 40 Acres	SW NE 40 Acres	SE NE 40 Acres
12	7	8	9	10	11	12	7	NW SW (Lot 6) 40 Acres	NE SW 40 Acres	NW SE 40 Acres	NE SE 40 Acres
13	18	17	16	15	14	13	18	SW SW (Lot 7) 40 Acres	SE SW 40 Acres	SW SE 40 Acres	SE SE 40 Acres
24	19	20	21	22	23	24	19				
25	30	29	28	27	26	25	30				
36	31	32	33	34	35	36	31				
1	6	5	4	3	2	1	6				

Sectional Map of Township with Adjoining Sections

Subdivisions of a Section



LAND AND ACREAGE ADDENDUM

The following is part of the Purchase and Sale Agreement dated _____ 1
between _____ ("Buyer") 2
 Buyer Buyer
and _____ ("Seller") 3
 Seller Seller
concerning _____ (the "Property"). 4
 Address City State Zip

1. **BUYER ACKNOWLEDGMENTS:** If Buyer has any questions regarding the Property, Buyer is advised to make the Agreement subject to relevant inspections, tests, surveys, and/or reports. BUYER ACKNOWLEDGES:
- a. Buyer has observed and investigated the Property and has reached Buyer's own conclusions as to the adequacy, acceptability, and suitability of the Property and surrounding area, and the feasibility and desirability of acquiring the Property for Buyer's intended use, based solely on Buyer's examination of the Property.
 - b. A generally accepted method for identifying boundary lines and verifying the size of the Property is to have the Property surveyed, and corners identified and marked. A survey will confirm that the legal description is accurate and that any presumed fences or other boundary markings are correctly located. Neither the Listing Broker nor the Selling Broker shall be responsible for any discrepancies in boundary lines, information regarding the size of the Property, identification of easements or encroachment problems.
 - c. A generally accepted method for determining whether on-site sewage disposal systems may be installed on the Property is to have tests performed, such as "perc" tests, which are approved by the county for limited time periods. Except as otherwise provided in the Agreement, Buyer assumes the risk that the Property is suitable for any needed on-site sewage disposal system and related equipment.
 - d. A generally accepted method for determining water quality from any well or other water delivery system is to have tests conducted by qualified professionals for organic and inorganic materials, including, but not limited to bacteria, coliform, lead, arsenic, nitrates, and uranium. A generally accepted method for determining water quantity produced by a well is to have a test conducted by experts to determine gallons per minute. Buyer understands that the results of such tests only provide information regarding water quality or quantity at the time of the test(s) and provide no representation or guarantee that results will not change or vary at other times.
 - e. If the Property is currently taxed at a reduced rate because a special classification such as open space, agricultural, or forest land, and Buyer is to continue that use, Buyer understands approval from the county will need to be obtained and that significant increased taxes, back taxes, penalties and interest may be required to be paid if the use classification is changed or withdrawn at Closing or in the future.
 - f. A generally accepted method for determining the value of timber growing on the Property is to have a qualified forester or forest products expert "cruise" the Property and give a written valuation.
 - g. On-site sewage systems should be inspected by qualified professionals licensed by the local municipality. If there is an on-site sewage system on the Property that has not been recently used, Buyer should consider conducting a purge test and other inspections to determine whether there are any defects in the system. A purge test consists of introducing water into the system to determine whether the system is functioning properly.
 - h. Additional tests or inspections of the Property may be required by local or state governmental agencies before title to the Property is transferred.
 - i. Seller may have entered into lease or rental agreements that extend beyond the Closing Date. Buyer should use due diligence to investigate such agreements.
 - j. Seller shall have the right to harvest all crops in the ordinary course of business until the Possession Date.

Buyer's Initials Date Buyer's Initials Date Seller's Initials Date Seller's Initials Date

LAND AND ACREAGE ADDENDUM

Continued

- 2. CONTINGENCIES:** 43
- a. General Contingency Provisions.** This Agreement is conditioned on the applicable contingencies below. 44
 The work to be performed shall be timely ordered by the party responsible for payment, except for the 45
 Feasibility Study (if applicable), and shall be performed by qualified professionals. If Seller is responsible for 46
 ordering the work and fails to timely do so, Seller will be in breach of the Agreement. 47
 - b. Contingency Periods.** The applicable contingency periods shall commence on mutual acceptance of the 48
 Agreement. If Buyer gives notice of disapproval and termination of the Agreement within the applicable 49
 contingency period, the Earnest Money shall be refunded to Buyer. If Buyer fails to give timely notice within 50
 the applicable contingency period, then the respective contingency shall be deemed waived. 51
 - c. Contingencies.** Items checked below are to be paid by Buyer or Seller as indicated below and are 52
 contingencies to the Agreement. Notwithstanding the payment allocation provided for herein, if the Agreement 53
 fails to close as a consequence of a Seller's breach, the costs of the following shall be borne by the Seller: 54

Paid by Buyer	Paid by Seller		Contingency period (10 days if not filled in)	
<input type="checkbox"/>	<input type="checkbox"/>	i. Survey. Completion of survey to verify information regarding the Property as listed in 1(b), with results of the survey to be satisfactory to Buyer in Buyer's sole discretion. Seller shall provide any prior surveys of the Property to Buyer, if available.	_____ days	57 58 59 60
<input type="checkbox"/>	<input type="checkbox"/>	ii. Perc Test. Perc or similar test, conducted by a qualified professional, indicating that the Property is suitable for installation of conventional septic system and drain field. If the sale fails to close, the party who paid for the perc test shall fill in holes at their expense within two weeks of the date the transaction is terminated. Earnest Money shall not be refunded to Buyer until perc holes are filled in if this is Buyer's responsibility.	_____ days	61 62 63 64 65 66 67 68
<input type="checkbox"/>	<input type="checkbox"/>	iii. On-Site Sewage System. The on-site sewage system ("OSS") shall be inspected and, if the inspector determines necessary, pumped by a qualified professional. If Seller had the OSS inspected within _____ months (12 months if not filled in) of mutual acceptance and Seller provides Buyer with written evidence thereof, including an inspection report, there shall be no obligation to inspect and pump the system unless otherwise required by Buyer's lender. If VA financing is used, Buyer's lender may require certification of the OSS. If Seller has not already conducted an inspection, Buyer shall have the right to observe the inspection.	_____ days	69 70 71 72 73 74 75 76 77 78 79
		The OSS inspection <input type="checkbox"/> shall; <input type="checkbox"/> shall not include a purge test to determine if the OSS is functioning properly.		80 81
		Seller shall deliver to Buyer the maintenance records, if available, of the OSS serving the Property within _____ days (10 days if not filled in) of mutual acceptance.		82 83 84
<input type="checkbox"/>	<input type="checkbox"/>	iv. Water Quality. Water quality and/or purity tests showing water meets the approval standards of the Department of Ecology and the standards of the governing county. Water quality tests to be performed by a qualified professional.	_____ days	85 86 87 88
		Water quality and/or purity tests <input type="checkbox"/> shall; <input type="checkbox"/> shall not be submitted to a private lab for further evaluation.		89 90

LAND AND ACREAGE ADDENDUM

Continued

- | | | | | |
|--------------------------|--------------------------|---|------------|----------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | v. Water Quantity. Water quantity tests (4 hour draw down test or other test selected by Buyer) showing a sustained flow of _____ g. p. m., which Buyer agrees will be adequate to reasonably meet Buyer's needs. Water quantity test to be performed by a qualified professional. | _____ days | 91
92
93
94
95 |
| <input type="checkbox"/> | <input type="checkbox"/> | vi. Timber. Timber cruise conducted by a qualified forest products expert of Buyer's choice, with results of the cruise to be satisfactory to Buyer in Buyer's sole discretion. | _____ days | 96
97
98 |

3. ADDITIONAL PROVISIONS (check as applicable) 99

Feasibility Study. If this box is checked, this paragraph supersedes and replaces the Feasibility Contingency set forth in Specific Term 15 and General Term "u" of Form 25 (Vacant Land Purchase and Sale Agreement). Completion of a feasibility study and determination, in Buyer's sole discretion, that the Property and any matters affecting the Property including, without limitation, the condition of any improvements to the Property, the condition and capacity of irrigation pumps, system and wells, the adequacy of water rights for the Property, the licensure of wells, permitted or certificated water rights for the Property, the location and size of any critical area on the Property, the number and location of approved road approaches from public roads, and the presence of recorded access easements to the Property, are suitable for Buyer's intended use(s), and that it is feasible and advantageous for Buyer to acquire the Property in accordance with the Agreement. In performing any investigations, Buyer shall not interfere with any existing tenants' operations on the Property. 100-109

This feasibility study contingency shall conclusively be deemed waived unless within _____ (10 days if not filled in) after mutual acceptance, Buyer gives notice disapproving the feasibility study. If Buyer timely disapproves the feasibility study and terminates the Agreement, the Earnest Money shall be refunded to Buyer. 110-112

Irrigation and Water Seller represents that there are _____ shares of _____ irrigation/frost water rights applicable to the Property, all of which will be transferred to Buyer at Closing. The parties should consult with an attorney to facilitate the transfer of any water rights. 113-115

Assignment and Assumption. At Closing, Seller will assign, transfer, and convey all of its right, title and interest in, to and under any lease of the Property and will represent and warrant to Buyer that, as of the Closing Date, there are no defaults under the leases and no condition exists or event has occurred or failed to occur that with or without notice and the passage of time could ripen into such a default. At Closing, Buyer will agree to defend, indemnify and hold Seller harmless from and against any obligation under the leases to the extent delegated to and assumed by Buyer hereunder. 116-121

Attorney Review. This Agreement is conditioned on review and approval by the parties' attorneys on or before _____. A party shall conclusively be deemed to have waived this contingency unless notice in conformance with this Agreement is provided to the other party by the foregoing date. 122-124

Accessories. The indicated accessories are items included in addition to those stated in Specific Term 5 of the Agreement: portable buildings; sheds and other outbuildings; game feeders; livestock feeders and troughs; irrigation equipment; fuel tanks; submersible pumps; pressure tanks; corrals and pens; gates and fences; chutes; other: _____. 125-128

The value assigned to the personal property included in the sale shall be \$ _____. Seller warrants title to, but not the condition of, the personal property and shall convey it by bill of sale. 129-130

CRP Program. Buyer must assume all Conservation Reserve Program ("CRP"), Wetland Restoration Program ("WRP"), or similar program contracts and agree to continue them through the expiration date of each such contract. All documentation for the assumption shall be completed prior to the Closing Date and must be approved by the USDA or applicable government agency prior to Closing. Any applicable program payments shall be prorated as of Closing. 131-134

Seller shall deliver to Buyer all documents related to such programs within _____ (10 days if not filled in) after mutual acceptance. This Agreement is conditioned on Buyer's approval of the program documents. This contingency shall be deemed waived unless Buyer gives notice of disapproval within _____ days (5 days if not filled in) after receipt of the program documents. If Buyer gives timely notice of disapproval, the Agreement shall terminate and the Earnest Money shall be refunded to Buyer. 135-139

LAND AND ACREAGE ADDENDUM

Continued

- 4. DOCUMENT REVIEW PERIOD.** If this box is checked, Seller shall deliver to Buyer a copy of the following documents within _____ (20 days if not filled in) of mutual acceptance:

If Buyer, in Buyer's sole discretion, does not give notice of disapproval within _____ days (15 days if not filled in) of receipt of the above documents or the date that the above documents are due, then this document review period shall conclusively be deemed satisfied (waived). If Buyer gives timely notice of disapproval, then this Agreement shall terminate and the Earnest Money shall be refunded to Buyer.

- 5. ADDITIONAL INSPECTIONS.** If this box is checked and if a qualified professional performing any inspection of the Property recommends further evaluation of the Property, Buyer shall have an additional _____ (10 days if not filled in) to obtain the additional inspection at Buyer's option and expense. On or before the end of the applicable contingency period, Buyer shall provide a copy of the qualified professional's recommendation and notice that Buyer will seek additional inspections. If Buyer gives timely notice of additional inspections, the applicable contingency period shall be replaced by the additional period specified above. The time for conducting the additional inspections shall commence on the day after Buyer gives notices under this paragraph, and shall be determined as set forth in the Computation of Time paragraph of the Agreement.

6. TAX DESIGNATION.

- a. Classification of Property.** Seller represents that the Property is classified as open space farm and agricultural timberland under Chapter 84.34 RCW.

- b. Removal from Classification.** Buyer shall not file a notice of classification continuance at the time of Closing and the Property shall be removed from its classification. All additional taxes, applicable interest, and penalties assessed by the county assessor when the Property is removed from its classification shall be paid by Seller Buyer both Seller and Buyer in equal shares (Seller if no box is checked).

- c. Notice of Classification Continuance.** In order to retain this classification, Buyer shall execute a notice of classification continuance at or before the time of Closing. Seller and Buyer shall timely complete all documents necessary to continue the classification. The notice of classification continuance shall be attached to the real estate excise tax affidavit. Buyer acknowledges that if Buyer fails to execute a notice of classification continuance, the county assessor must reassess the Property's taxable value and retroactively impose additional taxes, applicable interest, and penalties, which Buyer shall pay.

Buyer's Initials

Date

Buyer's Initials

Date

Seller's Initials

Date

Seller's Initials

Date