CITY-SCHOOL ADMINISTRATION CENTER

300 Sixth Street
Rapid City, Pennington County
South Dakota 57701
July 28, 2016

Ms. Pauline Sumption
City of Rapid City
300 Sixth Street
Rapid City, SD 57701

RE: Appraisal Report for City-School Administration Center, 300 Sixth Street, Rapid City, South Dakota.

Dear Ms. Sumption:

At your request, we have appraised for value-in-use (AKA Use Value) the real property of “City-School Administration Center” a government office building. The subject is located at 300 Sixth Street, Rapid City, South Dakota and was built specifically as a public use, governmental/institutional building. It has been continuously occupied by the City of Rapid City and the Rapid City School District since construction was completed in late 1987.

The site is 2.63 acres, landscaped and paved. The improvements are a Class A/B office building, with 65,340 sf GBA in a two to partial three story building.

The Appraisal Report attached is prepared in conformance with the guidelines of the 2016/2017 Uniform Standards of Professional Appraisal Practice and to the Code of Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, of which we are members.

Based on the certifications, extraordinary assumptions and limiting conditions attached, our final value opinion of the subject, as of July 21, 2016, is:

**FEE SIMPLE ESTATE- “AS IS” CONDITION- VALUE IN USE PREMISE**

***NINE MILLION TWO HUNDRED FIFTY FIVE THOUSAND DOLLARS***

***$9,255,000***

The final value opinion is allocated $2,635,000 to land value and $6,620,000 to improvement value, further allocated to $205,000 to site improvements and $6,415,000 to building improvements. No personal property value is included in the value opinions.
The value in use opinion is subject to the certifications, assumptions and limiting conditions that govern the assignment and included in the report. Also governing is the Scope of Work section that describes the extent of the data and information used to develop the appraisal. Also applicable to the assignment are Extraordinary Assumptions and Limiting Conditions. Please review all of these sections, and the entire report, carefully prior to making any decisions regarding the subject.

Thank you for the opportunity to provide you with this appraisal service. Should you have any questions concerning this assignment, please call.

Sincerely,

Ken E. Simpson, SRA
STATE CERTIFIED GENERAL APPRAISER
South Dakota Certification #104-2016CG

Genae W. Sundby, MAI
STATE CERTIFIED GENERAL APPRAISER
South Dakota Certification #780-2016CG

KES/lm
Attachment
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SUMMARY OF IMPORTANT FACTS & CONCLUSIONS

**Property Information**

Address: 300 Sixth Street, Rapid City, SD 57701  
Tax ID: #39274 (PIN #20-36-378-001)  
Property Type: Office- Government-Institutional  
Property Name: City-School Administration Center  
Owner of Record: City of Rapid City  
Location: Central Rapid City, CBD

**Building Characteristics**

Gross Building Area (GBA): 65,340 sf GBA  
Net Rentable Area (NRA): 65,340 sf NRA  
Percent Occupied: 100% Owner-occupied  
Year Built: 1987  
Construction Type: Class A/B, Very Good Quality

**Site Characteristics**

Land Area: 2.63± acres or 114,563± sf- as per Pennington County DOE  
Zoning: General Commercial District  
Conforming: Yes  
Excess/Surplus Land: No excess land/No surplus land

**Valuation Information**

Property Rights Appraised: Fee Simple  
Effective Date of Valuation: July 21, 2016- “As Is”  
Appraisal Report Date: July 28, 2016  
Exposure/Marketing Time: 12 months/12 months

**Value-In-Use Indications**

Land Valuation: $2,635,000  
Cost Approach: $9,255,000

**Final Value-In-Use Conclusions**

Final Value Opinion: $9,255,000- “As Is,” July 21, 2016

- FF&E: $0  
- Intangibles: $0  
- Land Value: $2,635,000  
- Structural Improvements: $6,415,000  
- Site Improvements: $205,000
PART ONE: INTRODUCTION AND DEFINITIONS

APPRaisal PROBLEM TO BE SOLVED; INTENDED USE AND USERS OF APPRAISAl

The appraisal problem is to provide an opinion of the value-in-use, or use value of the subject in “As Is” condition. The client requests an allocation of the final value opinion to the land, site improvements and building improvements. The client will use the appraisal in a contemplated transaction with the Rapid City School District, to purchase their percentage of ownership in the building. Intended users of this report are the client and the Rapid City School District. This report was not prepared for any other purpose, nor intended for any other users, whatsoever.

APPRaisal OVERVIEW

The subject is a two-three story governmental/institutional building, located in the central business district of Rapid City, SD. It serves as the administrative offices for the City of Rapid City and the Rapid City School District. The underlying land is owned by the City of Rapid City.

Under a contemplated transaction, the client is requesting an opinion of the value-in-use of the subject, allocated to building improvements, site improvements and land. The values will then be further allocated to the area used by the School District in a planned purchase of the School District’s portion of building ownership.

The subject is shown in the aerial map below, outlined in red.
COMPETENCY OF APPRAISERS- IDENTITY OF CLIENT

We accepted this appraisal assignment from the client;

City of Rapid City
C/O Ms. Pauline Sumption
City of Rapid City
300 Sixth Street
Rapid City, SD 57701

Prior to accepting this assignment, it was disclosed to the client that we have substantial experience in the valuation of commercial real estate, including several appraisals of new and existing office and governmental buildings. We have also completed numerous commercial property appraisals for the client in the subject’s market area. We previously appraised the subject in April 2009 for the client. Our qualifications detailing the experience and education to complete this appraisal immediately precede the addenda.

EFFECTIVE AND REPORT DATES OF APPRAISAL

Date of Value Opinion, “As Is”: July 21, 2016
Date of Property Observation: July 21, 2016
Date of Photographs: July 21, 2016
Date of Appraisal Report: July 28, 2016

APPRAISAL REPORT DESCRIPTION

At the request of the client, an Appraisal Report is developed for this assignment. Following is a description of the content required in an Appraisal Report under the Uniform Standards of Professional Appraisal Practice, 2016/2017 Edition; Standards Rule 2-2.

(a) The content of an Appraisal Report must be consistent with the intended use of the appraisal and, at a minimum:

(i) State the identity of the client and any intended users, by name or type;

(ii) State the intended use of the appraisal;

(iii) Summarize information sufficient to identify the real estate involved in the appraisal, including the physical, legal, and economic property characteristics relevant to the assignment;

(iv) State the real property interest appraised;

(v) State the type and definition of value and cite the source of the definition;

(vi) State the effective date of the appraisal and the date of the report;

(vii) Summarize the scope of work used to develop the appraisal;

(viii) Summarize the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the sales comparison approach, cost approach, or income approach must be explained;
ix) State the use of the real estate existing as of the date of value and the use of the real estate reflected in the appraisal;

x) when an opinion of highest and best use was developed by the appraiser, summarize the support and rationale for that opinion;

xi) Clearly and conspicuously:
   • state all extraordinary assumptions and hypothetical conditions; and
   • state that their use might have affected the assignment results; and

xii) Include a signed certification in accordance with Standards Rule 2-3.

**PROPERTY RIGHTS APPRAISED**

The subject Fee Simple Estate is appraised in “As Is” condition, as of July 21, 2016. The definitions of the relevant property rights terms and other important terms follow.

Real Property is defined as:

> “Real Property includes the interests, benefits, and rights inherent in the ownership of physical real estate. In an appraisal, a particular set of real property interests— not the real estate— is what is valued. Real estate in and of itself has no value; the rights, or interests, in real estate are what have value.”

Fee Simple Estate is defined as:

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

Fee Simple Estate in Theory & in Practice is defined as:

> The complexity of real property ownership in the United States today suggests that a true fee simple interest seldom exists because nearly all properties are encumbered to some degree by easements, reservations, or private restrictions. Although most appraisers defined the interest being appraised as a fee simple, once a partial interest is created by a lease of a mortgage, the fee simple interest becomes largely theoretical. Even so, many assignments call for the valuation of the fee simple interest.”

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PERSONAL PROPERTY CONTRIBUTION

Tangible and intangible personal property are frequently included with the real estate in sales of
government, institutional and office buildings.

Following are definitions of the various forms of personal property that could be involved in the
use of the subject.

Personal Property⁴, (tangible) is defined as:

“1. The interests, benefits, and rights inherent in the ownership of tangible objects that are
considered by the public as being personal; also called tangible personal property. 2. Identifiable
tangible objects that are considered by the general public as being “personal”- for example,
furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all
tangible property that is not classified as real estate. (USPAP, 2016-2017 ed.)”

Tangible personal property is identified as FF&E, or Furniture, Fixtures and Equipment by real
estate professionals and market participants.

FF&E (Furniture, fixtures, and equipment)⁵.

“Business trade fixtures and personal property, exclusive of inventory.”

Identifiable Intangible Assets⁶ are defined as:

“Intangible assets that can be quantified separately from the business as a whole and can be bought
and sold, rented or acquired through legal or contractual rights. Examples include patents,
copyrights, licenses, formulas, franchises, and trademarks.”

No tangible or intangible personal property values are identified in this assignment. Only the real
property interest is valued in this assignment.

TYPE AND DEFINITION OF VALUE APPRAISED

A current definition of Value-In-Use is used in this assignment.

Value In Use⁷ is defined as follows:

“The value of a property assuming a specific use, which may or may not be the property’s highest and best
use on the effective date of the appraisal. Value in use may or may not be equal to market value but is
different conceptually.”

EXPOSURE TIME

A reasonable exposure time for properties similar to the subject is 12 months and seasonally affected.

Exposure Time\(^1\) is defined as:

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (USPAP, 2016-2017 ed.) See also marketing time.”

MARKETING TIME

Marketing Time\(^2\) is defined

“As opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation and Statement on Appraisal Standards No. 6, “Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions, address the determination of reasonable exposure and marketing time.”) See also exposure time.”

A reasonable market time for the subject is 12 months and would be seasonally influenced.

SCOPE OF WORK

For each appraisal and appraisal review assignment, an appraiser must:

1. Identify the problem to be solved;
2. Determine and perform the scope of work necessary to develop credible assignment results; and
3. Disclose the scope of work in the report.

An appraiser must properly identify the problem to be solved in order to determine the appropriate scope of work. The appraiser must be prepared to demonstrate that the scope of work is sufficient to produce credible assignment results.

Comment: Scope of work includes, but is not limited to:

- the extent to which the property is identified;
- the extent to which tangible property is inspected;
- the type and extent of data researched; and

\(^1\) Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, 2015
the type and extent of analyses applied to arrive at opinions or conclusions.

Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal, appraisal review, and appraisal consulting assignment.

Credible assignment results require support by relevant evidence and logic. The credibility of assignment results is always measured in the context of the intended use.

Ms. Sundby visited the subject for this appraisal on July 21, 2016. Weather conditions were sunny, temperature of 95 degrees Fahrenheit. The site visit consisted of a walking tour of the subject, accompanied by Mr. Orlan Grondahl, Custodial Coordinator of the building. Site characteristics were visible and all subject photos were obtained during this site visit. Mr. Simpson did not visit the subject for this assignment, although he is familiar with the property and has walked through the building for a previous assignment in 2009 and several other occasions.

The site visit did not constitute an engineering analysis; nor was it intended to result in a complete detailed physical report of the subject. The site visit was conducted solely to familiarize us with the characteristics and appeal of the property, as well as the features and characteristics near the subject that influence market value. We obtained market data from the Rapid City Multiple Listing Service (MLS), other appraisers and general market participants.

Both the Pennington County Director of Equalization and the Register of Deeds Office provided subject information. The offices are located in the Pennington County Courthouse, Rapid City, SD. Excerpts of these documents are included in various sections of the report, when applicable, and also maintained in the appraiser’s work file.

Some subject information is provided by our previous appraisal file of the subject, completed in 2009. Mr. Grondahl provided historical building information regarding the property. We are also provided a report with property condition information and space allocation percentages between the City and the School District entitled, “Existing Facility Utilization Study.” The report is prepared by TSP architects and is dated May 19, 2016. We have relied on the square footage of the building included in this report, however we suggest the space allocation be verified between the parties.

We are not provided with building plans, survey, an environmental audit, title insurance, geotechnical reports or other engineering studies for the subject.
The three traditional approaches to value; cost, income capitalization and sales comparison are considered in this appraisal assignment. We have completed land valuation using the sales comparison approach. Given the value in use opinion requested by the client, the only applicable approach for the improved subject is the cost approach. The sales comparison and income capitalization approaches are not relevant to the appraisal problem.

We completed this appraisal with a limited amount of data over a brief span of time. We have spent our time and effort in the investigative stage of this appraisal where we think it may do the most good, but inevitably there is a significant possibility that we do not possess all information relevant to the subject, or to the comparable data, utilized for this assignment.

There is also an economic constraint. The client’s budget did not contain unlimited funds for appraisal study and investigation. For credible appraisal results a Level B Market Analysis is completed for this assignment.

A Level B Market Analysis is employed in completing this report, which is defined as:

“Level B analyses employ area-wide market data on a general property class. The projected use conclusions are more subject-specific, and the timing projections depend on interpretation of market wide data on the property type. For example, a Level B analysis typically employs data from regularly published, area-wide market surveys prepared by proprietary firms or public agencies. These surveys are usually conducted for each class of property, e.g., retail, apartment, office building. The data are updated at regular intervals, either quarterly or semi-annually. However, even periodic updates may lag behind changes in a dynamic market in which data become obsolete all too soon. These surveys typically cover large parts of the city, and the geographic boundaries of the survey only rarely conform to the relevant submarket for the subject property.

The analyst usually makes an inference that the subject property’s submarket will perform in a manner similar to the historical performance of the properties in the survey’s large geographical area…”

**EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS**

In addition to the general assumptions and limiting conditions contained in the addenda, the following extraordinary assumptions and limiting conditions govern the development and conclusions of this appraisal. *Please note that the use of hypothetical conditions and/or extraordinary assumptions and limiting conditions can affect assignment results.*
Many figures presented in this report were generated using computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers are rounded to the nearest tenth of a percent. Thus, these figures may be subject to small rounding errors.

We have not made a specific analysis whether the subject is in compliance with the American with Disabilities Act, or ADA. Further, we are not qualified to do so. If the client is concerned with the subject being in compliance, a separate study is required. This appraisal assumes the subject is in compliance with all relevant aspects of the ADA.

Building square footage is derived from the “Existing Facility Utilization Study,” prepared by TSP architects, dated May 19, 2016. As an extraordinary assumption, we rely on the square footage total of 65,340 sf as the area of the building, as stated in the facility document. From our previous assignment, measurements we obtained from the blueprints show a slightly different square footage of 65,062 sf, and a previous facility utilization study document states 65,224 sf. We assume the current TSP document is correct for building area in total and per floor.

SPECIAL PURPOSE PROPERTY

The subject is a special purpose property, being a government/institutional building constructed specifically for this use.

Special Purpose Property is defined as:

“A property with a unique physical design, special construction materials, or a layout that particularly adapts its utility to the use for which it was built; also called special-design property.”

PART TWO: FACTUAL DESCRIPTIONS

IDENTIFICATION OF THE PROPERTY

Street Address:
300 Sixth Street, Rapid City, SD 57701

Legal Description:
Original Town of Rapid City, Block 65, Parcel 1-2; Lots 1-16 Less Lots H1 of Lots 1-13; Lot A; Parcel 5-6 Less Lot H1 of Parcel 6; Vacated alley less Lot H1 (Also in 1N-7E Sec 1)

(Legal description is provided from the Pennington County Director of Equalization. However, legal documents should not be prepared from these descriptions unless confirmed accurate by a title insurance company or real estate attorney).

Ownership:

The subject is owned by City of Rapid City. Ownership is evidenced by a Quit Claim Deed dated January 27, 2003 and recorded in Book 110 Page 7784 in the Register of Deeds Office in the Pennington County Courthouse, Rapid City, South Dakota.

County Parcel Numbers:

Pennington County inventories property by a tax identification number (ID) and property identification or “PIN” number. The Tax ID number for the subject is #39274 and the PIN #20-36-378-001.

History of the Property

The relevant history of the property begins with the completion of the City-School Administration Center in late 1987. The two-three story Class A/B building containing just over 65,000 sf was then occupied approximately 66% by the City of Rapid City and 34% by the School District. The cost of the building was shared between the two entities based on occupancy. The underlying land is owned by the City of Rapid City.

For a previous appraisal assignment in 2009, Terry of Building and Grounds stated the building received an insulation upgrade in 1995 and periodic replacements of HVAC components, as well as some interior remodeling and a new back-up generator. At the time of our previous assignment, the building was updated to meet current Americans with Disabilities Act (ADA) standards, which includes new signs in the building, renovation/remodeling work in restrooms and new ADA entrance ramp to the main reception lobby.

For this assignment, Mr. Orlan Grondahl, the Custodial Coordinator of the building was not aware of any recent major replacements made in the last few years, other than the back-up generator replacement and routine maintenance. He stated the HVAC system is dated and inefficient compared to more modern systems available on the market today. He stated the computer server room and the third floor of the building have been a challenge to maintain temperature control, as the equipment is 30 years old. He also stated the light fixtures are obsolete and replacement bulbs are difficult to find. He would recommend the lighting fixtures in the building be replaced with LED lighting. He stated there are broken ceramic tiles on the main floor, due to settling and there have been discussions of plans to relevel the floor and replace the tile. There are windows on the main floor over the front entry that have broken seals, with visible condensation between the window panes that should be replaced and there is a wide gap in the
seal for the rotating front entry door that should be re-leveled to fix the seal. Below are photos of some of the areas of repair mentioned by Mr. Grondahl.

Areas of Broken Tile, Base of Main Staircase, Main Floor

Broken Window Seals in Main Floor Reception, South Elevation

The facility report prepared by TSP also states the HVAC system is nearing the end of its useful life and estimates the cost of replacement to be $1,633,500. It states exterior window replacement should be done at a cost of $915,063 and the light fixtures throughout the building should be replaced at a cost of $816,750. The report states there are other areas of remodeling that should be completed, although the items are related to use of the building in regard to layout and other items that are not necessarily immediately needed repairs.

The subject has been occupied continuously since completion by the City of Rapid City and the Rapid City School District for their respective administrative offices. The subject is not now or previously been offered for sale or lease. To our knowledge, none of the space within the building is leased to other entities. We are also unaware of any major casualty losses that have affected the subject.
SUBJECT PHOTOS

Main Floor Reception
Main Floor Hallway

Main Floor Office Area
Main Floor Office Area
Main Floor Restroom

Main Floor, Employee Locker Room, Off Restroom

Main Floor, Staircase

Training Room
Shipping Receiving Room

Mechanical Room- HVAC

Equipment

Mechanical Room- HVAC Boilers

Mechanical Room- Electrical Panel
Second Floor- Elevator

Second Floor Office

Second Floor- Computer Server Room

Open Office Area
Representative Coffee Break Bar

Storage Room

Second Floor City Council Meeting Room

Second Floor City Council Meeting Room
Second Floor Hallway

Second Floor Copier Room

Second Floor Conference Room

Second Floor Office
Third Floor Hallway

Third Floor Hallway

Third Floor Conference Room

Third Floor Lunch Room
West Elevation, View East

North Elevation, View East

East Elevation, View Northwest

South Elevation, View North
MACRO-MARKET AREA DATA, TRENDS AND ANALYSIS

The subject is located in central Rapid City, SD, one half block north of the core central business district. Rapid City is the center of employment, shopping and support services for the area and is the focus of this analysis.

Rapid City itself is situated in the southwestern quadrant of South Dakota, along the eastern edge of the Black Hills. The city is sited at an average elevation of 3,100 feet.

Rapid City is about 400 miles northeast of Denver, Colorado and approximately 650 miles southwest of Minneapolis, Minnesota. Rapid City is the largest city in western South Dakota and the center of government for Pennington County. Following is a table showing population in Rapid City, the Rapid City MSA and Pennington County over the past few decades.

Table 1

<table>
<thead>
<tr>
<th>Area</th>
<th>1990</th>
<th>2000</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Rapid City</td>
<td>54,523</td>
<td>59,607</td>
<td>67,956</td>
</tr>
<tr>
<td>Rapid City MSA</td>
<td>65,000</td>
<td>86,600</td>
<td>126,382</td>
</tr>
<tr>
<td>Pennington County</td>
<td>81,343</td>
<td>88,565</td>
<td>100,948</td>
</tr>
</tbody>
</table>

Pennington County’s population grew about 13.99% over the past decade. The current Rapid City MSA Population is 126,382; the current Trade Area Population is about 371,600. The population of nearby Ellsworth AFB is 4,165. ¹ City population is about 67,950 by most recent reports.

Pennington County covered 2,776 square miles in 1999. By 2005, the estimated Pennington County population was 93,346, or a 4.4% increase over the last census. The growing households

are illustrated in the adjoining graph, which shows projected household change within a five mile radius of Rapid City from 2010-2020. (Source: STDB Inc).

Table 2

![Households Graph]

Access to Rapid City is convenient. Interstate 90 fronts the entire north boundary of Rapid City and linkage routes to Interstate 90 are good in all directions. Several two-lane state highways enter Rapid City from the south, north and west. On and off-ramps from Interstate 90 are located throughout Rapid City. There are no major changes expected in east/west bound Interstate 90.

The much discussed Heartland Express will probably be developed over the next two decades, which will provide a four-lane roadway from Denver, Colorado to Interstate 90. As now planned, the Heartland Express will connect with I-90 at Exit 61 about five miles east of Rapid City, via North Elk Vale Road. The Heartland Express is expected to be market neutral for the subject, although its development is far in the future and not recognized by current market participants.

The Black Hills are best described as small mountains and pine forest with shallow canyons. The Black Hills cover an area of 2,150 square miles, three-fourths of which are in South Dakota and the remainder in eastern Wyoming. Average elevation is 4,500 feet with peaks over 6,960 feet. Annual rainfall is 17 inches, 38 inches for snowfall.

The Black Hills contain most of the towns and transportation routes in western South Dakota, with a tourism industry vital to the region. Mt. Rushmore National Memorial, the nearby Badlands National Park and the Black Hills National Forest are a few of the natural resources that annually attract millions of tourists to the area.
The single most important statistic of tourism in the Black Hills is the number of visits to the Mount Rushmore National Memorial near Keystone, SD in the central Black Hills. Mount Rushmore is about 45 minutes travel time from the subject.

Following is a table illustrating the number of visits to the Memorial over the past several years.

Table 3

<table>
<thead>
<tr>
<th>Year</th>
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<tbody>
<tr>
<td>2006</td>
<td>1,989,771</td>
</tr>
<tr>
<td>2007</td>
<td>1,856,118</td>
</tr>
<tr>
<td>2008</td>
<td>1,789,328</td>
</tr>
<tr>
<td>2009</td>
<td>2,260,192</td>
</tr>
<tr>
<td>2010</td>
<td>2,331,237</td>
</tr>
<tr>
<td>2011</td>
<td>2,081,722</td>
</tr>
<tr>
<td>2012</td>
<td>2,185,447</td>
</tr>
<tr>
<td>2013</td>
<td>2,160,000</td>
</tr>
<tr>
<td>2014</td>
<td>2,140,000</td>
</tr>
<tr>
<td>2015</td>
<td>2,130,000</td>
</tr>
</tbody>
</table>

In 2005-2006 the federal government finished a multi-million dollar renovation to the monument. The work entailed an extensive expansion of the support services at the memorial, including new illumination for the monument, a vastly improved parking garage facility and several new exhibits and meeting buildings. The decrease in 2008 is attributed in part to the national recession, particularly so for the last several months of 2008.

The importance of Mount Rushmore to the regional tourism industry cannot be understated. In the 1997 Tourism Study completed by Grant & Associates for the SD Department of Tourism Mount Rushmore was the top rated attraction and destination, both in South Dakota and in the other Old West Trail States. In the Grant & Associates study, Yellowstone National Park was the
second rated attraction and the Black Hills National Forest was third. Other popular regional areas such as Glacier National Park in Montana placed fifth; Jackson Hole, Wyoming was seventh and Deadwood, SD placed eleventh. In 2000, Mount Rushmore was third in visitation, with Yellowstone National Park first, Grand Teton National Park second and Glacier National Park in fourth. Although an old survey, the results are likely still valid.

The majority of land in western South Dakota is agricultural, specifically grasslands supporting beef cattle and small grain farming. Tourism, service industries, health care, forest products, mining, education, and governmental sectors contribute to provide a moderately diversified economic base for the Black Hills region.

In November 1989, limited stakes gambling was approved in historic Deadwood, which is located approximately 50 miles north of Rapid City. The gaming industry experienced rampant growth and significantly benefitted the region. Several casino operations were built in Deadwood, along with supporting restaurant and hotel properties in the Deadwood area.

Over 19.96 billion dollars have been wagered since gaming began in November 1989, creating over 1,400 estimated jobs. Gaming is still significant in western South Dakota, although the industry is now stabilizing and consolidating. The per-bet limit was raised from $5 to $100 in a successful November 2000 statewide vote, another positive factor for this industry. However, a statewide ban on smoking in public places, including casinos, went into effect in late 2010, which anecdotally is being blamed for the recent downturn in gaming activity. A recent state legislature action increased the per bet limit to $1,000, in part to counter the effects of the smoking ban. The higher per-bet limit went into effect in July 2012. A new law in July 2015 added keno, craps and roulette to Deadwood, also considered positive.

The State of South Dakota also legalized video lottery (blackjack, poker, bingo, etc.) games in October 1989. The result of this was the frenzied development of small “electronic casino” operations in the State with over 100 locations\(^1\) in Rapid City. Locations are limited to establishments that sell alcohol. Video-lottery was affirmed by a public vote in 1994 and again in November 2000 and 2006. The lottery has been a substantial source of income to the state, helping to offset increases in sales and slightly reduce property taxes statewide.

The Rapid City economy is diversified. Over 50 employers have in excess of 100 employees, most notably Ellsworth AFB with 3,611 active duty military and 420 civilian employees as per www.militaryinstallations.dod.mil.

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\(^1\)South Dakota State Video Lottery Office in Pierre, SD, telephone interview, August, 2015.
Ellsworth was placed on the national base closure list in May 2005 and removed by the Base Realignment and Closure (BRAC) commission from closure by an 8-1 vote on August 26, 2005. Ellsworth AFB will now remain open indefinitely and is the second largest employer in SD. On April 10, 2006 a second mission (financial call center) was announced for Ellsworth, which increased base and civilian employment by 775 persons in 2009 and another 400 persons approximately in 2010-2011. This additional mission at Ellsworth goes far in adding to the importance of the base and indirectly the local economy. Ellsworth was also named as one of two bases selected for the un-manned drone wing, which added another major mission to Ellsworth and 280 military and civilian personnel over 2013-2015.

Employment is also bolstered by larger companies and entities in Rapid City. A table reporting employers with 300 or more employees is presented next, excluding Ellsworth AFB. Data are provided by Rapid City Economic Development.

**Table 4**

<table>
<thead>
<tr>
<th>Employer</th>
<th># Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rapid City Regional Hospital</td>
<td>3,602</td>
</tr>
<tr>
<td>Federal Government</td>
<td>2,912</td>
</tr>
<tr>
<td>City of Rapid City (F/T Benefit-757)</td>
<td>2,197</td>
</tr>
<tr>
<td>Rapid City School District</td>
<td>1,755</td>
</tr>
<tr>
<td>State of South Dakota</td>
<td>1,217</td>
</tr>
<tr>
<td>SD Army National Guard</td>
<td>1,025</td>
</tr>
<tr>
<td>Walmart/Sam’s Club</td>
<td>1,029</td>
</tr>
<tr>
<td>Pennington County</td>
<td>657</td>
</tr>
<tr>
<td>Black Hills Corporation</td>
<td>559</td>
</tr>
<tr>
<td>Black Hills Works</td>
<td>575</td>
</tr>
<tr>
<td>Green Tree</td>
<td>650</td>
</tr>
<tr>
<td>N.E.W. Finance Corporation</td>
<td>412</td>
</tr>
<tr>
<td>BH Surgery Center</td>
<td>309</td>
</tr>
<tr>
<td>ASI, Inc.</td>
<td>319</td>
</tr>
<tr>
<td>National American University</td>
<td>350</td>
</tr>
<tr>
<td>SD School of Mines &amp; Technology</td>
<td>370</td>
</tr>
</tbody>
</table>

The following information displays the labor force activity over the past several months in the Rapid City MSA and the State of South Dakota, according to the South Dakota Labor Bulletin¹.

**Table 5**

<table>
<thead>
<tr>
<th>Area</th>
<th>Date</th>
<th>Labor Force</th>
<th>Employment</th>
<th>Unemployment</th>
<th>Rate%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rapid City MSA</td>
<td>5/2015</td>
<td>71,730</td>
<td>69,297</td>
<td>2,433</td>
<td>3.4</td>
</tr>
<tr>
<td>Rapid City MSA</td>
<td>5/2016</td>
<td>71,146</td>
<td>69,162</td>
<td>1,984</td>
<td>2.8</td>
</tr>
<tr>
<td>South Dakota</td>
<td>5/2015</td>
<td>453,787</td>
<td>439,507</td>
<td>14,280</td>
<td>3.1</td>
</tr>
<tr>
<td>South Dakota</td>
<td>5/2016</td>
<td>454,717</td>
<td>443,066</td>
<td>11,651</td>
<td>2.6</td>
</tr>
</tbody>
</table>

¹“South Dakota e-Labor Bulletin, June 2016
The labor force table shows low unemployment in the State and Rapid City MSA. The low unemployment is a positive factor. By comparison, the national unemployment rate was about 4.9% as of July 2016, significantly higher than the rate reported in the Rapid City MSA and South Dakota in general.

Rapid City features the Rushmore Plaza Civic Center, which includes an 11,500 seat arena, 1,774 seat-theater, and 120,000 square feet of exhibit space. The Civic Center houses several hundred conventions; regional and national association meetings, businesses, and civic groups annually. It was then expanded to provide for professional hockey and other sports. The civic center campus is located about 15 city blocks south of the Rushmore Mall and two blocks north of the CBD. The Civic Center convention business was strengthened in 1990 by the addition of the 205 room Class A Rushmore Plaza Holiday Inn located next to the Civic Center. In May 2002, a limited service Howard Johnson Hotel was built near the Civic Center Campus as well.

Household income in 2015 within a five-mile ring of Rapid City is shown in the next chart. The income concentrations are well distributed and 11.9% of the households exceed $100,000 annually. The single largest category is $50k - $74k, with most income growth expected in the $75K-$200K ranges over the next five years. (Source: STDB, Inc.)

Table 6

The Rapid City Regional Hospital campus is located at the intersection of Fairmont Boulevard and Fifth Street in south Rapid City. The hospital entity is a significant employer with about 3,600 employees, one of the largest employers in the area. A photo of the complex is shown next. Although there are several small hospitals scattered throughout the market area, all are limited service primary care centers. Rapid City Regional Hospital’s growth mirrors the regional importance with a 20 million-dollar cancer care wing completed in 1993 and a 38 million-dollar cardiac care facility expansion in 1995. Physician movement into Rapid City is positive, still affecting office absorption in the medical corridor near the hospital and in other competing areas of Rapid City.
Commercial and retail building rents in the city range from $5.00 psf in the older properties in the downtown core to $15.00 sf or higher in the newest in-line strip centers. Leases are a mixture of mostly net-net-net and gross, modified-net arrangements. Some rents increased slightly over the past few years, perhaps 2% per year for the best properties, although static trends are also noted, as well as some anecdotal evidence of declining rents in all property classes. “First Tier” medical office rents range from $14.00 sf to $20.00 sf, usually on a triple-net (net-net-net) lease premise. Professional office rents vary widely, from $6.00 sf in older “third-tier” properties to $17.00 sf (net-net-net) in the newest first tier offices. Vacancy rates vary with the newest properties almost 100% occupied and second and third tier medical office vacancy rates ranging from 5-10%.

Ordinary commercial building vacancies are approximately 5-10% city wide, and reflecting broad property types. Commercial vacancy trends are decreasing in some segments. The most acute change is the absorption of the over-supply created from the construction of several new retail strip centers built throughout the city over the past ten years. Vacancy rates in these properties were commonly above 25% in 2000-2002 and now average about 20%.

Light industrial and manufacturing increased in Rapid City from the late 1970’s to the late 1990’s and is now judged stable. The past increase in this sector is due, in part to enhanced promotion of the Rapid City Chamber of Commerce, the Rapid City Economic Development Corporation and the availability of certain financial incentives. All of these factors are part of a state effort to provide startup capital and expansion funds for businesses wishing to expand or relocate to South Dakota. However, it is noted that manufacturing comprises only 6.3% of the total economic base¹ and there is no current market evidence to suggest this sector will expand or increase markedly in the foreseeable future.

¹www.stdb.com: Site to Do Business
Industrial and manufacturing are very small markets compared to the service sector in Rapid City. “Soft” industrial uses are far more common than manufacturing or heavy industrial users, i.e., companies closely associated with the service sector, but operate and depend on business from the industrial arena.

Throughout the macro-market, light industrial properties are predominately owner-occupied. For the much smaller rental market, office-warehouse properties report triple-net (NNN) rents from $4.00 to $8.00 sf; heated warehouse space at $3.00-$8.00 sf and refrigerated/freezer storage at $8.00-$15.00 sf. Vacancy rates in the light industrial market are 2-3%, based on a drive-through viewing of the industrial nodes of the city. Rents had been mostly stable since the national recession in 2008, although commonly some net-net-net leases include one to no more than 3% per year base rent escalations.

Produced next is a table and chart showing building receipts for the past several reporting years. The data are obtained from the City of Rapid City.

Table 7

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Valuation</th>
<th>Total Issued Permits</th>
</tr>
</thead>
<tbody>
<tr>
<td>CY2007</td>
<td>$212,640,288</td>
<td>3,185</td>
</tr>
<tr>
<td>CY2008</td>
<td>$156,618,321</td>
<td>3,160</td>
</tr>
<tr>
<td>CY2009</td>
<td>$117,549,865</td>
<td>3,043</td>
</tr>
<tr>
<td>CY2010</td>
<td>$132,773,559</td>
<td>2,915</td>
</tr>
<tr>
<td>CY2011</td>
<td>$258,990,182</td>
<td>5,253</td>
</tr>
<tr>
<td>CY2012</td>
<td>$207,811,337</td>
<td>4,861</td>
</tr>
<tr>
<td>CY2013</td>
<td>$244,253,223</td>
<td>5,906</td>
</tr>
<tr>
<td>CY2014</td>
<td>$214,924,664</td>
<td>5,457</td>
</tr>
<tr>
<td>CY2015</td>
<td>$219,494,524</td>
<td>3,277</td>
</tr>
</tbody>
</table>

Most notable in the data is in the 2011-2014 increase in the numbers of permits in contrast to the previous years and the most recent year. The broad increase in value in 2011 was partially due to various government funded projects, such as office buildings, a new water project, a new school and an expansion of the Rapid City Regional Airport, continuing in part into 2012. Also, the City now requires building permits issued for roof cover replacements due to hail, which significantly increased permit numbers in total in the 2011-2014 period and nominal hail in 2015.
There are very few industrial permits being issued in the macro-market. To illustrate, the following table is a comparison of three categories of permits issued from 2010 through 2015.

Table 8

![Selected Building Permits By Year - City of Rapid City 2010-2015](image)

The table above shows the predominance of permits issued for stores and customer service, followed by new office development versus the near stagnant industrial market. The table shows no permits issued for industrial property in 2010 and 2011, two in each of 2012 and 2013, one permit issued in 2014 and four in 2015.

The following graph displays single family building permits, detached and attached, as reported by the Rapid City Building Department over approximately the past 15 years. Single family detached permits are shown by the blue lines, attached permits by the red line in the graph.
The graph clearly shows the peak of the real estate market between 2004 and 2006. Single family detached residential building permits are today at about the same pace as in 2001-2002, far less than the real estate “bubble” that lead to the 2008-2009 national recession. Single family residential attached permits in 2015 were about equal to building permit numbers in 2008.

The June 2016 Labor Bulletin of the South Dakota Department of Labor report noted that annual pay from January 2015 to December 2015 (updated quarterly) of covered workers in the Rapid City MSA was $38,701, as compared to the $40,192 statewide average and the $44,916 amount reported in the largest population area of the state, the Sioux Falls, SD MSA.

Mortgage interest rates for single family homes have decreased over the past several years, from 6.25% in early 2000 to 3.41% on July 15, 2016 as reported in www.bankrate.com. In the last few years, mortgage rates had been fluctuating from about 3.43% to about 4.60%, or historic lows. As of the first full week of June 2013, rates increased to over 4% for the first time since April 18, 2012, as displayed in the graph, right.

The Federal Reserve reduced key interest rates in late 2008, which resulted in a decreasing prime rate. It stood last at 3.25% for the last two weeks of December 2008 and has been historically low since. There was a 25-basis point increase in December 2015, the first change since 2008. The rate and common indexes are compared in the next table.
Utility services are reliable and adequate throughout the macro-market area. Natural gas is the predominant choice for heating. Municipal water and sewer service coverage extends to almost 100% of the city area. Some areas at the city fringe are serviced by community and private wells, individual septic systems and propane gas. These private services are also market accepted.

Rapid City also benefits from a good quality, modern, regional airport terminal, located just east of the city proper in the Rapid Valley area, with a recently completed major terminal expansion and remodeling project. The airport has adequate jet and commuter service by national carriers (Delta/Skywest, United Express) plus charter and other air service, such as Allegiant Airlines that serves Las Vegas and Phoenix. American Airlines initiated limited service to Chicago, IL and Dallas TX in the spring of 2010, the first time this major carrier entered the Rapid City market. Continental Airlines then merged with United Airlines, that may result in additional service to Rapid City, probably though through better connections with other United/Continental flights, although direct flights to the Houston hub were also announced.

Rapid City has no corporate income tax, personal income tax, inventory tax, or personal property tax. Beginning July 1, 2005, the City sales tax changed back to 2%, which for the previous few years had been 1.8%, a decrease from the previous 2% rate. This factor is judged market neutral. State sales tax was recently increased 0.5% to 4.5%. South Dakota does not have an income tax, nor is one likely in the foreseeable future. Several attempts to enact a state income tax were met with strong voter opposition.

In the fourth quarter of 2008, the national economy deteriorated significantly due to a severe national recession, now reported officially over. Many real estate markets, first residential and now commercial, showed overtures of distress and declining markets. To date the national conditions have not affected the broad macro-market area to a significant degree, although the effects were not unnoticed. Some property values indicated modest-moderate declines and market activity in general was diminished. The effects of the recession have now waned.
The most acute effect was in the developmental land market, which had been essentially dormant since August 2008. In summary, general real estate activity is good except for new developmental land transactions (subdivisions), which are just within the past 12 months demonstrating new development activity and a resurgence of demand.

Various growth rates are presented in the next graph, which shows a five-mile ring radius around Rapid City, SD. (Source: STDB, Inc.)

**Table 11**

![2015-2020 Annual Growth Rate](image)

Relevant year end CY2015 graphs showing varying elements of the housing market compared to the past five years as reported by the Rapid City Multiple Listing Service follow. Generally sales activity in 2015 was similar to 2014 for the various residential categories while active residential listings were less than 2014, along with similar days on the market in 2014. Listing shortages though are becoming common indicating that market trends have improved.
**MICRO-MARKET ANALYSIS AND TRENDS**

The subject is located in and is most heavily influenced by the downtown core and central business district (CBD) of Rapid City. The CBD and the location of the subject are shown in the map below.

![Micro-market map](image)

The neighborhood is delineated by West Boulevard on the west, East Boulevard on the east, South Street to the south and the Rapid City Civic Center campus to the north. The neighborhood is commercial, office and retail with some older, mixed residential throughout parts of the neighborhood.

Land use changes to almost purely residential south of South Street and east of East Blvd. A residential area followed by a ridge line farther west is at the west border, there are older residential properties beyond the north boundary. The Civic Center campus is situated north of Omaha Street and between Fifth St and Mount Rushmore Road. The Civic Center Campus is at the northern most portions of the neighborhood and Rapid Creek flows east/west just south of the
Civic Center. Area along Rapid Creek in proximity is open space green way, an outcome of a devastating flood in 1972.

Land is 90-100% built up. Building improvements in the CBD itself are generally of frame and masonry construction, one to three stores in height. Some high rise style buildings exist in the neighborhood, although they are few in numbers.

Most buildings occupy 80 to 100% of the available sites, although a few have off-street parking or contiguous parking lots. Building ages average 10 to 100 plus years. Land to building ratios vary greatly depending on whether on-site parking is available. Ratios range from one to one in the downtown core to as high as seven or eight to one along Mt. Rushmore Road.

Occupancy levels approach 100%, a few retail storefront and upper story office vacancies are noted. Some new construction is evident, but growth is not rapid, limited by the generally built up nature of the neighborhood. However, over the past several years, many larger CBD sites have been re-developed, with the older improvements razed. Most of these sites were then improved with low rise banks and office/bank building combinations.

The retail uses of the CBD are bordered by office/commercial properties on the periphery. The area along Kansas City, Quincy and Columbus Street have several one story professional office/commercial properties, housing doctors, accountants, attorneys, and related professional practices.

Larger construction in proximity includes the Wells Fargo Bank office building; a 50,000 sf structure located at Ninth and St. Joseph built in 1998-1999, and a large aquatic center at the YMCA, which is located across the street from the Wells Fargo Bank. The Dahl Art Center recently completed a large addition, being located on Kansas City Street and Seventh Street in the CBD. Kansas City Street itself was recently rebuilt, including adding extensive landscaping and period era street lighting features, benches, etc. into the project. A few small office buildings, a retail strip center and home-to-office conversions make up the bulk of nearby construction activity.

In the CBD itself, the Sweeny Building was reconstructed after a fire several years ago. The Prairie Edge building at the corner of Sixth and Main Street was renovated a year or two prior. The Republican Block, formerly the Woolworth's store, was one of the last recent renovation projects of the larger downtown buildings; along with loft apartments added to the former Donaldson’s Department Store building located at the corner of 7th and St. Joe. The loft apartments rented readily and reportedly have been a profitable venture for the owner.
The Main Street Square is the latest improvement project for the CBD of Rapid City, which is illustrated in the next photograph and about one city block east of the subject. It was developed with $3.92M of public funds and $3.0M of private funding, the project was completed in the fall of 2011.

It includes a skating rink, fountains, open green space, some retail shopping and was intended to create a central focus point in the CBD. The area had historically been a surface parking lot owned by the City. The next photo displays the Square both in winter and summer.

![Main Street Square - Summer/Winter View](image)

The City of Rapid City recently expanded capacity in the municipal parking structure, adjoining the subject and just north of the Main Street Square. Also, the City has been considering an agreement with a private developer for a private/public commercial development of its surface parking lot at the corner of Sixth and St. Joseph Street.

This project, named the President Plaza, may result in 350-500 city owned parking stalls through a condominium ownership agreement with the City. It will also have residential apartments and ground floor retail space. However, we give this project only a 10-20% likelihood of coming to fruition at this time. If successful it is judged to be market neutral to the subject directly and market positive for the CBD in general. An artist/model rendition of the project is displayed, next.
Land to building ratios in the periphery of the CBD vary from one to one up to eight to one. Most of these sites contain a combination of on-site and public street metered and non-metered parking.

All of the original large downtown retailers left the CBD in the early 1980's when the regional Rushmore Mall was built along Interstate 90 on the north city boundary. Accordingly, the CBD area has slowly evolved in the last two decades or so to more professional and specialty retail, a typical outcome of many similar sized towns and cities with mall development. Many of the largest sized buildings were subdivided into smaller retail and office spaces.

Linkage routes are good with several streets emanating in all directions from the CBD. Most streets are three and four-lane asphalt based, with on-street diagonal or parallel patrolled parking. Metered and monthly leased city-owned parking lots are also scattered throughout the CBD.

St. Joseph Street is one way eastbound, while Main Street is one way westbound. Speed limits range from 25 MPH to 35 MPH. Both Streets were reconstructed in the past several years in a major downtown street project. Feeder streets like Quincy, Kansas City and others are usually two-lane, with 25 MPH speed limits, generally in average to good condition. Mount Rushmore Road is 30 MPH to 35 MPH.

Mortgage financing is available in the neighborhood from a broad spectrum of local and regional lenders. Commercial mortgage rates are being quoted from 4.5% to 6.0%, depending on the nature and quality of the property. Mortgages typically are either a 15 to 20-year-term with an adjustable rate or a short fixed rate instrument, either three to five years in length, then renegotiated. Loan-to-value ratios generally vary between 70% and 80% of property value.

In summary, most properties proximate to the subject are older, office and retail oriented applications that benefit from the high passing traffic on the various main traffic corridors.
Most improvements are Class C and D construction of good quality with varied amounts of retail/office spaces. In this regard, the subject conforms well to nearby properties and property use in general. There are no foreseeable adverse neighborhood conditions and no unfavorable trends are recognized. The neighborhood is deemed stable.

**ZONING AND OTHER LAND USE REGULATIONS**

The subject is zoned General Commercial\(^1\), or GC. A zoning map of the subject and the surrounding area is displayed next. The subject is colored red, outlined in black and labeled.

The GC zoning ordinance generally comprises a broad spectrum of commercial and office uses and is the common zoning ordinance for commercial areas in Rapid City. A general description of the district is:

“This commercial district is for personal and business services and the general retail business of the city.”

Front and side yard setbacks are a typical 25 feet. Maximum lot coverage is 75% for the main and all accessory buildings although few buildings approach this level due to the need for on-site parking.

A few of the uses permitted for the General Commercial zoning are as follows.

- Retail and distribution establishments including the manufacture, compounding, processing, packaging or treatment of products for human consumption;
- Eating establishments, including drive-in establishments and fast food restaurants;
- Service and repair establishments, not to include vehicle repair establishments;
- Personal service establishments, including barber and beauty shops, shoe repair shops, funeral homes, medical and/or dental clinics;
- Hotels, motels and manager's residence of motels, rooming and boarding houses, and restaurants;
- Commercial parking lots and garages;
- Offices (emphasis by appraiser), studios, clinics and laboratories;
- Financial institutions;
- New and used car, truck motorcycle, snowmobile and boat sales and rentals;
- Business and vocational schools not involving operations of an industrial character;
- Service establishments and filling stations, not to include vehicle repair.

The subject appears to conform to the zoning ordinance. There are no pending changes in zoning for the subject, or to other properties in proximity according to the Rapid City Community Planning Office. Also, there are no other “zoning-like” land use regulations noted. Specifically, there are no neighborhood associations, business improvement districts, historical areas or similar entities that would affect the subject.

**REAL ESTATE TAXES AND ASSESSED VALUATION**

The subject is city-owned, therefore it is tax exempt and not assessed.

**SITE DATA AND ANALYSIS**

Site information is derived from the field visit, our previous appraisal file of the subject and an aerial photo map of the subject.

**Site Size and Shape:**

The subject site is 2.63 ± acres, or 114,563 ± sf according to the Pennington County Director of Equalization. The subject is generally rectangular in shape and situated between Sixth Street and Fifth Street. A copy of the aerial map is displayed next.

**Location and Access:**

The site is located in the northern quadrant of the CBD of Rapid City. Primary access is provided by an approach from Sixth Street to the paved parking lot south of the building. There is another approach onto Fifth Street. Good overall location with high visibility to passing traffic on Omaha Street.
Aerial Photo Map

Topography, Drainage, Soil Conditions:
Topography is level and at street grade to all fronting streets. Drainage appears adequate. Soils appear typical to most in the neighborhood. Heavy buildings or multistory may require pilings or caissons. However, we are not an experts in soils, questions regarding this subject should be addressed by a soil engineer and a study conducted for verification.

Utilities:
The immediate area is served by Rapid City water and sewer. Public electricity, natural gas, telephone and high speed Internet are extended to the site. Utility availability is typical and adequate.

Easements & Encumbrances:
It is assumed the site has typical utility easements along the lot lines. There are no obvious adverse easements or encroachments.

Flood Plain/Wetlands:
The subject is partially located in a 500 year flood hazard area in the northwest corner of the site. However, most lending institutions do not require flood insurance in the 500 year flood plain,
judged market neutral. The subject is shown below in FEMA Flood Map Panel #46103C0778H, dated June 3, 2013. The subject is labeled in blue, with 500 year flood plain area shaded yellow.

Flood Map:

Surroundings:
Railroad tracks and a municipal parking garage structure adjoins the subject to the south, with one to two story retail properties to the west and south. To the north across Omaha Street is park land and the Rushmore Plaza Civic Center. To the east is a retail center. The subject is one-half block north of the CBD zoned area of Rapid City.

Nuisances and Hazards:
There are no obvious nuisances or hazards affecting the subject, nor reported. We are not aware of any environmental audits completed for the site or the surrounding area.

Site Improvements:
There is good landscaping with underground irrigation and parking for about 200-215 autos. There are sidewalks along the south elevation of the building and public sidewalks on the fronting streets. The effective age of the site improvements is about 15 years, with a total life of 25 years. The parking lot paving has been regularly maintained.

Summary Comments:
Fairly typical, although large CBD site that is well shaped with good utility. Overall, appeal is very good. There is no excess or surplus land.
**IMPROVEMENT DATA AND ANALYSIS SUMMARY**

Following is a summary description of the improvements. The information is compiled from our site visit, our previous appraisal file, the “Existing Facility Utilization Study,” and comments from Buildings and Grounds personnel at the time of the 2009 assignment and this assignment.

Table 13

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year Built</td>
<td>Late 1987</td>
</tr>
<tr>
<td>Building Class</td>
<td>Class A/B, Good Quality</td>
</tr>
<tr>
<td>Size/Gross Building Area (GBA)</td>
<td>65,340 sf GBA; 26,640 sf on 1st Floor, 26,640 sf on 2nd Floor and 12,060 sf on the 3rd Floor (as per facility study)</td>
</tr>
<tr>
<td>Foundation</td>
<td>Deep foundation with steel piles and pile caps. Exterior foundations are grade beams atop pile caps/piles. Piles are 8” diameter steel piles filled with concrete. Capacity of piles is 40 tons (80 kips)</td>
</tr>
<tr>
<td>Roof</td>
<td>Five inch overall composite deck. The steel deck is 1 1/2 &quot; 19 ga composite galvanized deck. Firestone “rubber membrane” with rock ballast, average condition, no known leaking</td>
</tr>
<tr>
<td>Exterior Walls</td>
<td>Precast concrete and brick, good quality</td>
</tr>
<tr>
<td>Floor Finish</td>
<td>Tile and carpet, good quality, average condition. Main floor tile includes areas in need of repair and releveling of floor</td>
</tr>
<tr>
<td>Insulation</td>
<td>Good, upgraded in 1995</td>
</tr>
<tr>
<td>Ceiling</td>
<td>Suspended acoustic tile ceilings, good quality</td>
</tr>
<tr>
<td>Interior Walls</td>
<td>Finished drywall, good quality</td>
</tr>
<tr>
<td>Doors</td>
<td>Various, solid wood, metal, good quality</td>
</tr>
<tr>
<td>Windows</td>
<td>Solar glass, good to very good quality, very good fenestration. The windows are original to the building and are nearing the end of their useful lives. Replacement is recommended by TSP</td>
</tr>
<tr>
<td>Plumbing</td>
<td>Good fixtures. Full fire suppression- wet pipe system, with semi recessed sprinkler heads in the ceiling. Natural gas fired hot water heater, 100 gallon storage, 75,000 BTU.</td>
</tr>
<tr>
<td>Lighting</td>
<td>T-12, 4-foot linear fluorescent lamps and T-12 U-shaped fluorescent lamps. Interior lobby has metal halide lamps in recessed can lights. The Superintendents office on the 3rd Floor has new LED lights, otherwise all other areas of the building have original fixtures. Replacement of all original fixtures is recommended by TSP and building maintenance personnel</td>
</tr>
<tr>
<td>HVAC</td>
<td>Hot/chilled water, heat pump system with approximately 60 heat pumps in building, two building base mount circulating pumps, cooling tower, five boilers, 8,000 gallon underground water storage tank to act as a heat reservoir, air heat exchanger, electronic steam humidifier. Separate cooling system for computer room with two mini-splits and a large air conditioning unit. Mostly original equipment, approaching 30 yrs.</td>
</tr>
<tr>
<td>Electric Wiring</td>
<td>1600 amp, 480Y/277 volt, 3-phase, 4-wire system. Emergency back up generation-480/277, 3-phase system with a 250A main circuit breaker, fueled by natural gas. Good to very good quality</td>
</tr>
<tr>
<td>ADA Compliance</td>
<td>Some upgrading to meet ADA current requirements completed in 2009. However, we are not experts in determining ADA compliance and recommend further study if compliance is an area of concern.</td>
</tr>
<tr>
<td>Depreciation/Age/Condition/Conclusion Comments</td>
<td>Actual age is 29 years, effective age is estimated at 20 years. Based on the quality of construction, total economic life is 60 years. Overall property condition is good, with good routine maintenance. Some major replacements are needed in the near future.</td>
</tr>
</tbody>
</table>

Generally, the subject is a public building of high construction quality, designed for several decades of service. Exterior appearance is oriented to the governmental/institutional sub market,
although with some general office orientation as well. According to the “Existing Facility Utilization Study,” the third floor could be expanded over the present roof area for future finish, although with some modifications required.

Of note, the “Existing Facility Utilization Study” stated the HVAC system is nearing the end of its 30 year life and is expected to require replacement in the next few years, although the system has been functioning as designed. The study has mentioned the equipment could be replaced with higher efficiency equipment to accommodate the current layout, number of people and computers in the building. The costs to replace the HVAC- as stated in renovation costs of the study is $1,633,500. The lighting fixtures in the building are also obsolete; costs to replace the fixtures throughout the building are $816,750. A third area of major replacement needed are exterior windows, at an estimated cost of $915,063. There are other items of concern listed in the report, however the items are either cosmetic, associated with utility of the rooms or are not immediately needed. The total costs are $3,365,313. To this amount we add 8% contractor’s profit and overhead, or $269,225. The total cost, after adding contractor’s overhead and profit is $3,634,538. This cost is further addressed in the reconciliation of each upcoming approach.

For its specific use, there is no discernible functional obsolescence noted in the basic construction quality, the location of the building on the lot or in the general floor plan and layout. For the private, or non-governmental sub market, the subject would have appeal as a large, mid-rise office building. However, the floor plan would not be ideal to the private market and likely would need to be re-configured for multiple tenant occupancy.

Displayed next are floor plan reproductions, obtained from “Existing Facility Utilization Study.”
First Floor Plan Reproduction

CITY OF RAPID CITY
SPACE STUDY FOR CITY ADMIN FACILITY
Second Floor Plan Reproduction
Third Floor Plan Reproduction
PART THREE: ANALYSIS AND OPINIONS

HIGHEST AND BEST USE ANALYSIS

Highest and Best Use\(^1\) is defined as:

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset’s existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)

3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

FUNDAMENTALS OF HIGHEST AND BEST USE\(^8\)

“The analysis of highest and best use is at the heart of appraisals of the market value of real property, but the concept has not always been well understood by practitioners and has long been a source of debate in the professional literature. The essential components of the analysis of highest and best use are contained in the following definition of the term:

*The reasonably probable use of property that results in the highest value.*

To be reasonably probable, a use must meet certain conditions:

- The use must be *physically possible* (or it is reasonably probably to render it so).
- The use must be *legally permissible* (or it is reasonably probably to render it so).
- The use must be *financially feasible*.

Uses that meet the three criteria of reasonably probable uses are tested for economic productivity, and the reasonably probable use with the highest value is the highest and best use.”

HIGHEST AND BEST USE OF LAND AS THOUGH VACANT\(^9\)

“If land is valued as though vacant in an appraisal assignment – for example, if the cost approach is applied in the assignment, requiring an estimate of land value\(^{10}\)
– then a conclusion of the highest and best use of the land as though vacant is
needed. When land is already vacant, an appraiser values the land as it exists, i.e.,
as vacant. When land is not vacant, however, the land’s contribution to the value
of the property as improved depends on how the land could optimally be used.
Therefore, the highest and best use of land as though vacant must be considered in
relation to its current use and all potential alternative uses.”

Legally Permissible Uses of Land as Though Vacant

- Legal permissibility is typically considered as zoning and other land use regulations by
  market participants.

The subject is zoned General Commercial according to the Rapid City Community Planning and
Development Services Office. Within this zoning a variety of commercial development is
allowed. No setbacks, easements or restricted rights of way that would prevent building are
observed. There are no other recorded legal issues or unrecorded restrictions that we are aware of
that would prevent building.

Physically Possible Uses of Land as Though Vacant

- The physical possibilities of vacant land are quickly constrained by factors such as site
  size, shape, frontage, availability of utilities and other services, topography, soils and
  other site conditions and environmental factors.

The subject site has good access, all municipal utilities, good traffic exposure and level, usable
terrain. Size and shape of the site is also sufficient for adequate on-site parking and market
expected landscaping.

Soils appear typical to most in the neighborhood. Heavy buildings or multistory may require
special engineering. None of the nearby building improvements show any unusual settlement
factors that could be associated with poor soil conditions. However, we are not experts in soils
and consultation with soils specialists is generally recommended prior to any extensive
construction project.

We are unaware of any environmental hazards associated with the subject or in the area in
proximity, although we have not been provided a Phase One Environmental Audit, which would
uncover such issues, if they existed. We are unaware of any other adverse site conditions that
could preclude development of the site. Generally, there are no physical restrictions, other than
simply size, that would preclude development.
Financially Feasible Uses of Land as Though Vacant

Uses that are not eliminated in the preceding two tests are next analyzed for financial feasibility. For a use to be financially feasible, it must be able to produce a positive return to the land after considering risk and all costs to create and maintain the use.

- **Analyses of Supply, Demand and Location:**
  The CBD of Rapid City initially developed in the late 1880's with then modern retail development following into the 1950's. The most recent development in the CBD has been fostered by special purpose uses, namely financial institutions. Existing properties display various occupancy rates, with ground floor level financial, legal and banking reporting the highest occupancy rates. The weakest demand is noted in lower tier upper story office and older ground floor retail. As noted, the subject is located between Fifth and Sixth Streets, with two corners. Heavy traffic exposure corner locations are in higher demand than interior lots and the subject is favorably affected by this factor.

- **Timing for Specific Use:**
  Market trends support the site would be developed within 12 months.

**Maximum Productivity of Land as Though Vacant (Highest Relative Value Considering Risk)**

Of the financially feasible uses of the land as though vacant, the highest and best use is the use that produces the highest residual land value, all else being equal.

If the appraiser concludes that a building improvement is appropriate for the highest and best use of a parcel of vacant land, the ideal improvement should meet the following criteria:

- **It takes maximum advantage of the potential market demand for the site’s highest and best use.**
- **It conforms to current market standards and the character of the market area.**
- **It contains the most suitably priced components.**

If vacant, the subject would appeal primarily for retail or office uses, most likely one to no more than three stories in height. Some special purpose applications would also be considered in this category, such as financial institutions. Given the size of the land area, multiple uses are likely, although not a certainty. Class S, C and D construction are all popular in the market. No other probable use, for which demand is noted, would result in higher land value.
**HIGHEST AND BEST USE, OF PROPERTY AS IMPROVED**

“The concept of highest and best use of improved property pertains to the use that should be made of an improved property in light of the existing improvements and the ideal improvement described at the conclusion of the analysis of highest and best use as though vacant. In market value appraisals of improved property, appraisers consider a number of alternative uses of the existing improvements:

1. Demolish the existing improvements and redevelop the site.
2. Convert, renovate, or alter the existing improvements to enhance the current use or change the use of the property to a more productive use.
3. Retain the existing improvements and continue the current use. The existing improvements could possibly represent an interim use that helps defray the cost of carrying the property and demolition costs until approvals have been obtained and actual construction may begin.

The principle of consistent use holds that land cannot be valued based on one use while improvements are valued based on another. An improved site is always valued as though vacant and available for its highest and best use. Existing improvements that do not conform with the ideal improvement may be an interim use (i.e., not the highest and best use) that contributes some value or no value or even reduces value if the costs to remove the improvements are substantial.”

**Testing Alternative Uses of the Property as Improved/Financial Feasibility**

*All four tests of highest and best use are relevant to the analysis of the property as improved. It is self-evident that the current use as improved is physically possible. Legal permissibility of the current use is often nearly as obvious and usually, able to be confirmed.*

The subject appears to meet zoning requirements. There are three areas of immediately needed repairs known, as previously discussed, or the HVAC system, lighting fixtures and exterior window replacement. Total costs of immediately needed repairs and replacements, including 8% contractors’ overhead and profit is $3,634,538. The main floor tile is in need of repair and the facility report itemizes other items of possible replacements. However, we judge the tile, areas of the floor that require re-leveling to be included in the effective age of the building. Other items mentioned in the report are not judged to be immediately needed for use of the building.

There are some recent sales of existing office properties within the subject’s competitive market (although dissimilar in size, appeal and layout compared to the subject), which tends to support there is an active office-commercial sector of Rapid City market. However, new construction is frequently not feasible to investors and marginally feasible to owner-occupiers. Frequently there

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is some inherent value present due to the owner’s business housed in the real estate in most new construction in the current office market. As such, the office market of Rapid City is primarily owner-occupied.

Arguably, the subject was built to satisfy a specific need of the City and School District. In that regard, the subject is clearly financially feasible. However, this is a public and non-economic need, although economics clearly are associated to the office needs of these public entities. For the private, non-government market, parts of the interior of the building would need to be modified to obviate many of the special purpose rooms, layout and the like. This would increase functional utility to non-governmental users.

Maximally Productive Use of the Property as Improved (Highest Relative Value Considering Risk)

If modified to meet the needs of the private market, the subject would be at its highest and best use. For the present governmental-public use, the subject is at its highest and best use, assuming ongoing maintenance, including the immediately needed repairs and replacements as discussed.

APPRaisal Process Summary

The three traditional approaches utilized in providing opinions of market value are not applicable to every appraisal problem. In the instant case, we have completed land valuation using the sales comparison approach and the cost approach. The sales comparison approach for the complete property is omitted due to lack of sales data of similar government/public buildings. The income approach is not applicable to the appraisal problem.

Land Valuation- Sales Comparison Approach

The relationships that create value are complex. Typically, four interdependent economic factors create value; utility, scarcity, desire and effective purchasing power. All four factors must be present for a property to have value. The complex interaction of the four factors that create value is reflected in the basic economic principle of supply and demand.

The procedures used to value land\(^1\) are:

1. Sales comparison
2. Market Extraction
3. Allocation
4. Income Capitalization Methods

All procedures are derived from the three basic approaches to value. Sales comparison and income capitalization (i.e., ground rent capitalization) can be directly applied to land valuation. Allocation and extraction procedures reflect the influence of the sales comparison and cost approaches. The land residual technique is based on the income capitalization and cost approaches. Subdivision development (discounted cash flow analysis) draws on elements of all three approaches.

For the subject, price per sf is the unit of comparison most discussed by market participants, which is the premise for this analysis.

Following is a summary table of the comparable land sales included in the analysis.

**Table 14**

<table>
<thead>
<tr>
<th>Sale #</th>
<th>DB#</th>
<th>Location</th>
<th>Sale Date</th>
<th>Sale Price</th>
<th>Size (SF)</th>
<th>$/SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject</td>
<td>300 6th St, Rapid City, SD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>870</td>
<td>100 St. Joseph St, Rapid City, SD</td>
<td>12/4/2015</td>
<td>$2,500,000</td>
<td>60,113</td>
<td>$41.59</td>
</tr>
<tr>
<td>2</td>
<td>862</td>
<td>15 Omaha St, Rapid City, SD</td>
<td>9/24/2015</td>
<td>$1,700,000</td>
<td>151,589</td>
<td>$11.21</td>
</tr>
<tr>
<td>3</td>
<td>773</td>
<td>515 Mountain View Rd, Rapid City, SD</td>
<td>3/25/2014</td>
<td>$700,000</td>
<td>34,848</td>
<td>$20.09</td>
</tr>
<tr>
<td>4</td>
<td>744</td>
<td>2116 Jackson Blvd, Rapid City, SD</td>
<td>10/1/2013</td>
<td>$600,000</td>
<td>33,977</td>
<td>$17.66</td>
</tr>
<tr>
<td>5</td>
<td>712</td>
<td>502 Mountain View Rd, Rapid City, SD</td>
<td>11/9/2012</td>
<td>$425,000</td>
<td>24,394</td>
<td>$17.42</td>
</tr>
<tr>
<td>6</td>
<td>634</td>
<td>2400 West Main St, Rapid City, SD</td>
<td>1/13/2012</td>
<td>$560,000</td>
<td>36,590</td>
<td>$15.30</td>
</tr>
<tr>
<td>AVERAGE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>56,919</td>
<td>$20.55</td>
</tr>
<tr>
<td>MEDIAN</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>35,719</td>
<td>$17.54</td>
</tr>
</tbody>
</table>

Produced next is a map showing the location of the land sales and the subject.
The next step in the land valuation analysis is to place the comparable land sales in an adjustment grid and apply percentage adjustments for differences between the land sales and the subject that would be perceived by market participants. The sales comparison grid follows.

### Land Valuation Sales Comparison Grid

**Table 15**

<table>
<thead>
<tr>
<th>Property Name</th>
<th>City-School Admin Property</th>
<th>Imperial Motel Site</th>
<th>McKie Ford Site</th>
<th>KFC Land</th>
<th>Urgent Care Site</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale # Appraiser's Database Number</td>
<td>Subject</td>
<td>1-DB #870</td>
<td>2-DB #862</td>
<td>3- DB #773</td>
<td>4- DB #744</td>
</tr>
<tr>
<td>Sale Price</td>
<td>$ -</td>
<td>$ 2,500,000</td>
<td>$ 1,700,000</td>
<td>$ 700,000</td>
<td>$ 600,000</td>
</tr>
<tr>
<td>Property Interest Conveyed</td>
<td>Fee Simple</td>
<td>Fee Simple</td>
<td>Fee Simple</td>
<td>Fee Simple</td>
<td>Fee Simple</td>
</tr>
<tr>
<td>Financing Terms</td>
<td>Cash</td>
<td>Cash</td>
<td>Conventional</td>
<td>Cash</td>
<td></td>
</tr>
<tr>
<td>Conditions of Sale</td>
<td>Normal</td>
<td>Normal</td>
<td>Normal</td>
<td>Normal</td>
<td></td>
</tr>
<tr>
<td>Expenditures Immediately After Purchase</td>
<td>$ -</td>
<td>$ 250,000</td>
<td>$ 100,000</td>
<td>$ 15,000</td>
<td></td>
</tr>
<tr>
<td>Adjusted Sale Price</td>
<td>$ -</td>
<td>$ 2,750,000</td>
<td>$ 1,800,000</td>
<td>$ 715,000</td>
<td>$ 600,000</td>
</tr>
<tr>
<td>Site Size in Sf</td>
<td>114,563</td>
<td>60,113</td>
<td>151,589</td>
<td>34,848</td>
<td>33,977</td>
</tr>
<tr>
<td>Sale Price in Sf</td>
<td>$ -</td>
<td>$ 45.75</td>
<td>$ 11.87</td>
<td>$ 20.52</td>
<td>$ 17.66</td>
</tr>
<tr>
<td>Market Conditions Adjustment In $ Sf</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>Sale Price Adjusted for Market Conditions</td>
<td>$ 2,750,000</td>
<td>$ 1,800,000</td>
<td>$ 715,000</td>
<td>$ 600,000</td>
<td></td>
</tr>
<tr>
<td>Market Condition Adjusted Sale Price in $Sf</td>
<td>$ -</td>
<td>$ 45.75</td>
<td>$ 11.87</td>
<td>$ 20.52</td>
<td>$ 17.66</td>
</tr>
<tr>
<td>Size in Square feet</td>
<td>114,563</td>
<td>60,113</td>
<td>151,589</td>
<td>34,848</td>
<td>33,977</td>
</tr>
<tr>
<td>Size Adjustment</td>
<td>-5%</td>
<td>0%</td>
<td>-5%</td>
<td>-5%</td>
<td></td>
</tr>
<tr>
<td>Zoning</td>
<td>General Commercial</td>
<td>General Commercial</td>
<td>General Commercial</td>
<td>General Commercial</td>
<td>General Commercial</td>
</tr>
<tr>
<td>Zoning Adjustment</td>
<td>-</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Topography/ Utility</td>
<td>Level</td>
<td>Level</td>
<td>Level</td>
<td>Level</td>
<td></td>
</tr>
<tr>
<td>Topography/ Utility Adjustment</td>
<td>-</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Utilities</td>
<td>All City</td>
<td>All City</td>
<td>All City</td>
<td>All City</td>
<td>All City</td>
</tr>
<tr>
<td>Utilities Adjustment</td>
<td>-</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Improvements</td>
<td>As though vacant</td>
<td>Demolished</td>
<td>Demolished</td>
<td>To Be demolished</td>
<td>None</td>
</tr>
<tr>
<td>Improvements Adjustment</td>
<td>-</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Location/ Access</td>
<td>CBD</td>
<td>CBD</td>
<td>CBD</td>
<td>West Rapid City</td>
<td>West Rapid City</td>
</tr>
<tr>
<td>Location Adjustment</td>
<td>-</td>
<td>0%</td>
<td>0%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Net Percentage Adjustments</td>
<td>-5%</td>
<td>0%</td>
<td>20%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Net Dollar Adjustments</td>
<td>$ (2.29)</td>
<td>$ -</td>
<td>$ 4.10</td>
<td>$ 3.53</td>
<td></td>
</tr>
<tr>
<td>Adjusted Price/ Sf</td>
<td>$ -</td>
<td>$ 43.46</td>
<td>$ 11.87</td>
<td>$ 24.62</td>
<td>$ 21.19</td>
</tr>
<tr>
<td>Average Price SF- Post Adjustments</td>
<td>$ 25.29</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median Price SF- Post Adjustments</td>
<td>$ 22.91</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Property Rights, Cash Equivalency and Condition of Sale Adjustments

The comparable sales are equal to the subject in property rights appraised- the fee simple estate. The sales are all cash transactions or cash equivalent. The transactions reflected normal conditions of sale.
Market Conditions Adjustment
Over the past 20 years commercial land values increased in the macro-market area at an average of 6% annually, with some property sub-markets increasing as much as 12-15% per year. These increases due to improving market conditions abruptly ended in the late summer of 2008. Generally market activity was muted—although there was nominal evidence of declining land values—more that the market went dormant. These effects now appear to be gone. None of the land sales are judged to warrant adjustments for market conditions.

Other Elements of Comparison
Other elements important to market participants are fairly obvious, although difficult to quantify. These include location, access, zoning, utility and terrain. Most of these elements are identifiable when interviewing Realtors, buyers and sellers. Other elements are less obvious, and may or may not create a market response that is to be “market-measurable.” Although there are differences in size, there is no market difference in price per square foot for size between the subject and the following comparable sales.

Land Sale 1
This site was a long standing full service motel that was sold at auction and the buyer has since demolished the buildings. The cost of demolition is unknown, although estimated by the appraisers to be about $250,000, based on the size and age of the improvements. The sale is adjusted accordingly for expenditures immediately after purchase. Purchase motivation was investment, although use was not specified. As of the effective date of this appraisal, the site is vacant and ready for development. This sale is also adjusted for being a smaller site than the subject, due to lack of economy of scale present in the larger subject site.

Land Sale 2
This is the long established location of McKie Ford, who decided in 2014 to build a new dealership property at Exit 60 to I-90. This property was then surplus and offered for sale through MLS. A long-term lease was also offered in the listing. The buyer is a developer of convenience stores and car washes, who intends to develop the site with a C-store and car wash, plus have two outlots for other development or sale. The property was listed for $1,995,000 and sold in 209 days on the market. The listing Realtor commented that the buyer offered $1,750,000 although utility relocation costs resulted in higher than anticipated expense and the purchase price was reduced to $1,700,000. Demolition expense was estimated to be $100,000 and no salvage value to the existing improvements, most of which were built in the early 1960’s. This sale is adjusted for demolition costs paid by the buyer immediately after the sale.
**Land Sale 3**

This is the sale of an existing KFC quick serve restaurant. The property is leased, although the lease term is short. The buyer is the owner of the adjoining Millstone Restaurant and purchased the property for land value only, with the intent to raze the existing vertical improvements in the foreseeable future, with the lease revenue to pay property carrying costs for the next several months. The selling Realtor, Ms. Sandi Runde confirmed that the buyer purchased the property for land value. We have estimated the demolition costs and adjusted the sale $15,000 for expenditures immediately after purchase, although it is noted the building is not yet razed. The sale is also adjusted for having a smaller site, with resulting lack of economy of scale. Location is also judged slightly inferior for property values in West Rapid City being less that in the CBD.

**Land Sale 4**

This property includes several adjoining lots, one of which was improved with a small, Class C one story building that was razed by the seller as a condition of sale. The seller commented that demo cost was about $6,000 plus $1,500 of asbestos removal expense. The buyer is Rapid City Regional Hospital, that intends to build an emergency care, walk-in clinic on the site and leaving a leased location that is nearby. The buyer then acquired the site without demo cost for $600,000. This sale is adjusted for having a smaller site and for inferior location in west Rapid City.

Post-adjustments the median indication is $22.91 sf and the average is $25.29 sf. The range of post-adjusted indicators is wide, or $11.87 sf to $43.46 sf. Although Sales 1 and 2 are located in the immediate subject neighborhood, with few adjustments, the sale prices are the high and the low indicators of the range. These two sales are also the most recent sales. In contrast, Sales 3 and 4 are located in West Rapid City, a slightly inferior location compared to the CBD, with the post-adjusted indications being near the median indication.

In the final reconciliation, we judge Sale 1 to be an outlying sale, possibly due to unknown conditions of sale. The buyer in the transaction is known to have purchased other property in the CBD for higher than market prices with the intent of development, although not based on financial feasibility, but rather as a philanthropic endeavor. Sale 2 is the low outlier, with unknown conditions of sale. Giving primary weight to Sales 3 and 4, we reconcile to $23.00 sf.

The final value opinion of the subject can then be developed, as follows.

- $23.00 x 114,563 sf = $2,634,949, rounded to $2,635,000

This value opinion is applicable to the Fee Simple Estate of the subject land, as though vacant. The opinion is applicable to either market value or value-in-use.
**COST APPROACH**

The cost approach is developed by using Marshall Valuation Service (MVS). The MVS is a national cost service guide widely used by real estate appraisers and cost estimators. The costs supplied by the MVS include both hard and soft costs of construction. The calculator cost section employed in this analysis are final costs to the owner and include average architect’s and engineer’s fees, plus plans, building permits and surveys to establish building lines and grades.

All material and labor costs are included in the cost figures as well as normal site preparation costs, contractor’s overhead and profit, utility connections and normal interest expense on actual building funds.

Entrepreneurial profit, more recently defined as entrepreneurial incentive, is a typical component of cost. However, for the value in use analysis of a public building, profit is not addressed as it is assumed the building would not be constructed with profit in mind, but rather to serve the public need.

Site improvements are also based on the Marshall and Swift estimate for those items. The cost new estimate is based on replacement cost.

**Marshall Valuation Service Cost Estimate**

The Marshall Valuation Service contains descriptions and photographs for a wide variety of buildings and other related improvements. The best cost category for the subject is Governmental Buildings, Class A, Good Quality construction. The category is summarized in the table below and is displayed in Section 15, Page 30 in the MVS Service.

<table>
<thead>
<tr>
<th>Class</th>
<th>Type</th>
<th>Exterior Walls</th>
<th>Interior Finish</th>
<th>Lighting, Plumbing and Mechanical</th>
<th>Heat</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Good</td>
<td>Good metal and glass, concrete, some good stone, good entrance</td>
<td>Plaster or drywall, some paneled offices, vinyl and carpet</td>
<td>Good lighting and outlets, goos tiled restrooms</td>
<td>chilled water (zoned)</td>
</tr>
</tbody>
</table>

The base cost reported in MVS for Governmental Buildings, Good Quality is $246.20 sf. Produced in the next table is an MVS replacement cost new summary for the structural improvements.
Produced in the next table is an MVS replacement cost new summary for the site improvements.

**Table 18**

<table>
<thead>
<tr>
<th>Description</th>
<th>Units</th>
<th># Units</th>
<th>Unit Costs</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Landscaping &amp; Irrigation, Medium Areas</td>
<td>SF 19,166</td>
<td></td>
<td>$5.45</td>
<td>$104,455</td>
</tr>
<tr>
<td>Concrete, asphalt, lighting and related, per parking space</td>
<td>Parking Spaces 148</td>
<td></td>
<td>$1,790</td>
<td>$264,920</td>
</tr>
<tr>
<td>Subtotal Refined Base Cost</td>
<td></td>
<td></td>
<td></td>
<td>$369,375</td>
</tr>
<tr>
<td>x Current Cost Multiplier (July 2016)</td>
<td></td>
<td></td>
<td></td>
<td>0.96</td>
</tr>
<tr>
<td>x Local Cost Multiplier (Rapid City, SD, July 2016)</td>
<td></td>
<td></td>
<td></td>
<td>0.95</td>
</tr>
<tr>
<td>Subtotal Refined Base Cost</td>
<td></td>
<td></td>
<td></td>
<td>$336,870</td>
</tr>
<tr>
<td>Plus 0% Entrepreneurial Profit</td>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Total Replacement Cost New- Site Improvements</td>
<td></td>
<td></td>
<td></td>
<td>$336,870</td>
</tr>
</tbody>
</table>

**MVS Replacement Cost Estimate for Site Improvements- City-School Administration Building**

<table>
<thead>
<tr>
<th>Description</th>
<th>Units</th>
<th># Units</th>
<th>Unit Costs</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Landscaping &amp; Irrigation, Medium Areas</td>
<td>SF 19,166</td>
<td></td>
<td>$5.45</td>
<td>$104,455</td>
</tr>
<tr>
<td>Concrete, asphalt, lighting and related, per parking space</td>
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<td></td>
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<td>$264,920</td>
</tr>
<tr>
<td>Subtotal Refined Base Cost</td>
<td></td>
<td></td>
<td></td>
<td>$369,375</td>
</tr>
<tr>
<td>x Current Cost Multiplier (July 2016)</td>
<td></td>
<td></td>
<td></td>
<td>0.96</td>
</tr>
<tr>
<td>x Local Cost Multiplier (Rapid City, SD, July 2016)</td>
<td></td>
<td></td>
<td></td>
<td>0.95</td>
</tr>
<tr>
<td>Subtotal Refined Base Cost</td>
<td></td>
<td></td>
<td></td>
<td>$336,870</td>
</tr>
<tr>
<td>Plus 0% Entrepreneurial Profit</td>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Total Replacement Cost New- Site Improvements</td>
<td></td>
<td></td>
<td></td>
<td>$336,870</td>
</tr>
</tbody>
</table>

**MVS Replacement Cost Estimate for City-School Administration Building**

<table>
<thead>
<tr>
<th>Description</th>
<th>Units</th>
<th># Units</th>
<th>Unit Costs</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Cost (per SF)</td>
<td></td>
<td></td>
<td></td>
<td>$246.20</td>
</tr>
<tr>
<td>Plus: Sprinklers</td>
<td></td>
<td></td>
<td></td>
<td>3.07</td>
</tr>
<tr>
<td>Plus Soft Costs- 1% of base costs</td>
<td></td>
<td></td>
<td></td>
<td>2.46</td>
</tr>
<tr>
<td>Subtotal Refined Base Cost</td>
<td></td>
<td></td>
<td></td>
<td>251.73</td>
</tr>
<tr>
<td>x Story Height Multiplier</td>
<td></td>
<td></td>
<td></td>
<td>1.00</td>
</tr>
<tr>
<td>x Area Multiplier</td>
<td></td>
<td></td>
<td></td>
<td>1.00</td>
</tr>
<tr>
<td>x Current Cost Multiplier (July 2016)</td>
<td></td>
<td></td>
<td></td>
<td>0.96</td>
</tr>
<tr>
<td>x Local Cost Multiplier (Rapid City, SD, July 2016)</td>
<td></td>
<td></td>
<td></td>
<td>0.95</td>
</tr>
<tr>
<td>Subtotal Refined Base Cost</td>
<td></td>
<td></td>
<td></td>
<td>229.58</td>
</tr>
<tr>
<td>Plus 0% Entrepreneurial Profit</td>
<td></td>
<td></td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>Final Base Cost Per SF</td>
<td></td>
<td></td>
<td></td>
<td>229.58</td>
</tr>
<tr>
<td>Gross Building Area (SF)</td>
<td></td>
<td></td>
<td></td>
<td>65,340</td>
</tr>
<tr>
<td>Total Replacement Cost New Estimate</td>
<td></td>
<td></td>
<td></td>
<td>$15,000,611</td>
</tr>
</tbody>
</table>

Next is a summary table of the Marshall Valuation Service Estimate of Replacement Cost New.

**Table 19**

<table>
<thead>
<tr>
<th>Description</th>
<th>Units</th>
<th># Units</th>
<th>Unit Costs</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replacement Cost New: MVS Estimate</td>
<td></td>
<td></td>
<td></td>
<td>$15,000,611</td>
</tr>
<tr>
<td>Replacement Cost New: Site Improvements</td>
<td></td>
<td></td>
<td></td>
<td>$336,870</td>
</tr>
<tr>
<td>Plus Land Value: From Land Valuation Section</td>
<td></td>
<td></td>
<td></td>
<td>$2,635,000</td>
</tr>
<tr>
<td>Total MVS Replacement Cost Estimate</td>
<td></td>
<td></td>
<td></td>
<td>$17,972,481</td>
</tr>
</tbody>
</table>

**Depreciation**

After developing cost new estimates for the building and site improvements, the next step in the development of the cost approach is to estimate depreciation. Depreciation is defined as a loss in value from any cause. Typically, depreciation is grouped into three categories, physical deterioration, functional and external obsolescence.
Physical deterioration in the improvements is based on an age/life methodology. Generally, this type of analysis includes all types of deterioration and obsolescence in one calculation. For the value in use premise, no functional obsolescence is recognized and no external obsolescence is measured. The age/life method is based on the effective age or 20 years and total life of 60 years, or 33% deterioration (20/60 = 0.33). The same age/life method is applied to the site improvements, although the effective age estimate is less, at 10 years and total life is less, estimated at 25 years, or 40% deterioration (15/25 = 0.40).

We also deduct the lump sum cost to complete immediately needed repairs and replacements, or the HVAC system, lighting fixtures and exterior windows, plus market derived contractor’s profit, (8% of costs), or a total estimated cost of $3,634,538.

After estimating the replacement cost new of the subject and site improvements, depreciation, obsolescence and the opinion of land value, a cost approach summary and value opinion can be developed.

Table 20

<table>
<thead>
<tr>
<th>Cost Approach Reconciliation</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Replacement Cost New: MVS Estimate, Structure</td>
<td>$15,000,611</td>
</tr>
<tr>
<td>Replacement Cost New: MVS Estimate, Site Improvements</td>
<td>$336,870</td>
</tr>
<tr>
<td>Physical Deterioration- Structure @ 33%</td>
<td>($4,950,202)</td>
</tr>
<tr>
<td>Physical Deterioration- Site Improvements @ 40%</td>
<td>($134,748)</td>
</tr>
<tr>
<td>Less: Lump Sum deduction for HVAC, Lighting, Exterior Windows</td>
<td>($3,634,538)</td>
</tr>
<tr>
<td>Functional/External Obsolescence- Na</td>
<td>$0</td>
</tr>
<tr>
<td>Plus Land Value: From Land Valuation Section</td>
<td>$2,635,000</td>
</tr>
<tr>
<td>Cost Approach Indicator</td>
<td>$9,252,993</td>
</tr>
<tr>
<td>Rounded to:</td>
<td>$9,255,000</td>
</tr>
</tbody>
</table>

The cost approach final market indication is **$9,255,000, rounded**. This indication is applicable to the Fee Simple Estate, Value-In-Use, “As Is.” There is no FF&E included.

**Final Reconciliation**

Clearly, the subject is a special purpose governmental building that was not built for either lease or resale. Moreover, a value in use opinion of value is requested in this study. The value opinions developed are the following:

- Land Value- $2,635,000
- Cost Approach- $9,255,000

The value opinion developed by the cost approach is the best overall evidence as to the value opinion sought by the client. The income approach is not applicable, given the value type and
definition required by the client, as well as the subject being a governmental building and not intended for lease. Although some governmental buildings are sometimes leased in the market, there is no known market rent data applicable to the public use aspect of the subject. Similarly, sales comparison approach is omitted given there is no known comparable sales of governmental buildings similar to the subject. In the final reconciliation, the cost approach is the only relevant indicator of value in use.

Based on the certifications, extraordinary assumptions and limiting conditions attached, our final value opinion of the subject, as of July 21, 2016, is:

**FEE SIMPLE ESTATE- “AS IS” CONDITION- VALUE IN USE PREMISE**

***NINE MILLION TWO HUNDRED FIFTY FIVE THOUSAND DOLLARS***

***$9,255,000***

The final value opinion is allocated $2,635,000 to land value and $6,620,000 to improvement value, further allocated to $205,000 to site improvements and $6,415,000 to building improvements. No personal property value is included in the value opinions.
APPRAISER’S CERTIFICATION – 2016/2017 USPAP

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

1. The statements of fact contained in this report are true and correct.

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

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

4. We previously appraised the subject that is included in this assignment in 2009 for the client. We have not performed any other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

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

6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice and to the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

9. Ms. Sundby made a personal inspection (site visit) of the property that is the subject of this report. Mr. Simpson did not visit the subject for this assignment, although has visited the subject for a previous assignment and several other occasions.

10. No one provided significant real property appraisal assistance to the persons signing this certification.

11. As of the date of this report, K.E. Simpson, SRA, has completed the requirements of the continuing education program for Designated Members of the Appraisal Institute and the Department of Labor and Regulation of the State of South Dakota and the Wyoming and...
Nebraska Real Estate Appraiser Boards. Ms. Genae W. Sundby, MAI, has completed the requirements for Designated Members of the continuing education program of the Appraisal Institute and the Department of Labor and Regulation of the State of South Dakota.

12. We have the knowledge and the experience to complete this appraisal; also we have appraised this property type before.

13. Neither we, nor our employer, if any, have been sued by a regulatory agency or financial institution for fraud or negligence involving an appraisal report.

14. This appraisal assignment was not based on a requested minimum valuation, a specific valuation, a range of values, or the approval of a loan.

15. I, Ken E. Simpson, certify that I currently hold a State Certified General Appraiser license by the South Dakota Department of Labor and Regulation. The current certification, license #104GC-2016, will expire September 30, 2016. The certification is renewed annually and is not a temporary permit. I also hold a Certified General Appraiser Permit in the state of Wyoming and similar credential in Nebraska. I, Genae W. Sundby, certify that I currently hold a State Certified General Appraiser license by the South Dakota Department of Labor and Regulation. The current certification, license #780GC-2016, will expire September 30, 2016. The certification is renewed annually and is not a temporary permit.

16. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

K.E. Simpson, SRA  
State Certified General Appraiser SD, WY, NE

Genae W. Sundby, MAI  
State Certified General Appraiser SD
GENERAL LIMITING CONDITIONS AND ASSUMPTIONS

This is to certify that the appraisers, in submitting this stated opinion of value of the subject property, acted in accordance with and are bound by the following principals, limiting conditions and assumptions.

1. The legal description and site area have been based on information furnished to the appraiser and are assumed to be correct.

2. Maps, drawings, sketches, if any, are provided to assist the reader in visualization and orientation of the property being appraised and other comparable sales and are deemed to be correct and for this sole purpose only.

3. No formal survey of the property was made and no responsibility in connection with such matters is assumed.

4. No responsibility is assumed for matters legal in nature, nor is any opinion rendered as to the merchantability of the title of the property herein appraised.

5. All existing liens and encumbrances, if any, have been disregarded, and the property appraised as if free and clear, unless otherwise stated.

6. Merchantable title of the entire fee simple estate and responsible management are assumed, unless otherwise stated.

7. Your appraisers made a personal inspection of the subject property and exterior inspection of comparable sales of properties used in the appraisal report, unless specifically stated otherwise.

8. The appraisal was made for the objective and function as stated herein and should not be used for any other purpose.

9. Loss, removal, or modification of any portion of the report renders the entire appraisal null and void. Also, use of the appraisal is reserved solely to the named client, and principal lender, if any, and use of it or any portions excerpted, reproduced or transmitted to any other individuals from the complete report for public, quasi-public or private knowledge is prohibited, except with the prior written consent of the appraiser. Retention of this report does not carry the right of publication. No permission is given for any third parties to rely on any of this report without the specific prior written consent of the appraiser.

10. Compensation for preparation of this appraisal report has no relation to the final values reported.
11. It is agreed and understood that attendance at and testimony at legal proceedings in connection with this appraisal of the subject property will not be required. However, should any legal proceedings develop, the recipient of this report agrees, as evidenced by acceptance, retention and payment of the fee for same, to be obligated for and shall further compensate the appraisers for any additional appraisal services that may be required of him/her at his/her standard professional rate. If testimony or deposition is required because of subpoena, the client shall be responsible for all costs to the appraisers for additional time, fees, and charges regardless of issuing party.

12. Information, estimates and opinions furnished to the appraiser, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraisers can be assumed by the appraisers. Only known facts, factors and circumstances in existence, unless otherwise stated, have been given consideration.

13. The distribution of evaluation, between land and improvement, if any, applies only under the existing program of utilization. Separate valuations of land and building, if any, must not be used in conjunction with any other appraisal and are invalid if so used.

14. The appraisers assume that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The appraisers assume no responsibility for such conditions, or for engineering which might be required to discover such factors.

15. All appraisals that are subject to satisfactory completion, repairs, or alterations, are contingent upon completion of the improvements in a workmanlike manner, unless otherwise stated.

16. Original signatures of the appraisers are placed upon all original reports and authorized copies. Any reports that do not contain original signatures are null and void and should not be considered valid or with merit.

17. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers, however, are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, radon gas, underground fuel tank leakage or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
18. Mechanical systems, if any, including, but not limited to heating, cooling, plumbing and the like, are assumed to be in good working condition, unless specifically stated otherwise in this report. We have not critically inspected mechanical components within the improvements and no representations are made herein as to these matters unless specifically stated and considered in the report.

19. The appraisers reserve the right to alter statements, analysis, conclusion or any value estimate in the appraisal if there become known to us facts pertinent to the appraisal process which were unknown to us at the time of the report preparation.

20. Opinions and estimates expressed herein represent our best judgment but should not be construed as advice of recommendation to act. Any actions taken by you, the client, or any others should be based on your own judgment, and the decision process should consider many factors other than just the value estimate and the information given in this report.

ACCEPTANCE OF, AND/OR USE OF, THIS APPRAISAL REPORT BY CLIENT OR ANY THIRD PARTY CONSTITUTES ACKNOWLEDGMENT AND ACCEPTANCE OF THE ABOVE CONDITIONS.
APPRAISER’S QUALIFICATIONS

KEN E. SIMPSON, SRA
State Certified General Appraiser – SD, WY, NE
Real Estate Appraisers & Consultants
P.O. Box 9248
Rapid City, SD 57709
605-341-3800
simpsonassoc@rushmore.com

PROFESSIONAL ASSOCIATIONS, DESIGNATIONS AND LICENSES
1. SRA Member Appraisal Institute, SRA designation – 1988
2. GRI designation (Graduate Realtors Institute) – 1978
3. Member Rapid City Multiple Listing Service, Black Hills Board and National Association of Realtors
4. State Certified General Appraiser – Certification #104 SD, #366 in Wyoming, #CG230028 in Nebraska
5. Member Professional Appraisers Association of South Dakota

SPECIALIZED TRAINING IN REAL ESTATE APPRAISING
Appraisal Institute and Other Specialized Courses/Exams:
- Real Estate Appraisal Principals, Exam (1A-1/8-1)
- Valuation Procedures, Exam (1A-2)
- Residential Valuation, Exam (8-2)
- Standards of Professional Practice, Exams (2-3/8-3) and (410 & 420)
- Capitalization of Theory & Techniques – Part A, Exam (1B-A) and Part B, Exam (1B-B)
- Case Studies in Real Estate Valuation – Exam (2-1)
- Report Writing and Valuation Analysis, (Exam 2-2)
- Advanced Income Capitalization Approach – Exam 510
- Advanced Sales Comparison and Cost Approaches – Exam 530
- Advanced Applications – Exam 550
- Highest and Best Use and Market Analysis – Exam 520
- Litigation Valuation – Overview – Exam – SE700
- Business Practices & Ethics – Course 420
- Valuation of Conservation Easements – Course/Exam 797
- Appraiser Regulatory Agency Investigator Training – Appraisal Foundation – Level 1 Training – 2009
- Appraiser Regulatory Agency Investigator Training – Appraisal Foundation – Level 2 Training – 2010
- Appraiser Regulatory Agency Investigator Training – Appraisal Foundation – Level 3 Training – 2014
- Easement Valuation – IRWA course 403
- Price Indexing Real Estate Markets – AI
- Capitalization Rate Extractions – AI
- Hotel/Motel Valuation – AI
- Reviewing Appraisals – AI
- Subdivision Valuation – AI
- Appraisal Review under USPAP – AI
- “Yellow Book” Seminar – AI
- Eminent Domain Litigation – AI
- Liability Management Residential – AI
- Preservation and Conservation Easements – AI
- Evaluating Commercial Construction – AI
- Valuation of Special Purpose Properties – AI
- Evaluating Residential Construction – AI
- Oil and Gas Valuation
- Advanced Sales Confirmation – ASFMRA
- Subdivision Valuation – AI
- Declining Markets – Sales Concessions – AI
- Employee Relocation Council – (ERC)
- Rates, Ratios, GRM – AI
- Alternative Residential Forms – AI
- Spreadsheets for Appraisers – AI
- Appraiser As Expert Witness – AI/Exam
- Litigation Appraising, Specialized Topics
- Conservation Easements Seminar – AI – Exam
- Appraiser as Expert Witness – AI – Exam
- Valuation of Conservation Easements & Partial Interests
- Condemnation Appraising, Applications – AI – Exam
- Valuation of Detrimental conditions in Real Estate – AI
- Uniform Standard of Professional Appraisal Practice – Update 2013
- Statistical Analysis Using the Database – AI
- Attacking and Defending an Appraisal in Litigation
- Separating Real Property, Personal Property and Intangible Business Interests – AI 2011 – Exam
- Complex Litigation Appraisal Case Studies – AI
- General Demonstration of Knowledge- AI Capstone Program, Passing Grade
- Advanced Spreadsheet Modeling- AI


Residential demonstration appraisal report grader for the Appraisal Institute, 1998 to 2003. Former review appraiser for HUD/FHFA in Rapid City, Black Hills area. Instructor for State Appraiser Certification, Professional Appraisers Association of South Dakota. Courses taught included Principals of Real Estate Appraisal and Real Estate Appraisal Methods and various seminars, including Most Common USPAP Violations in Non-Residential Appraisals.

Appraisals completed include residential, apartments, industrial, residential subdivisions, resort, commercial buildings, ranches, special use properties, partial interests, business valuation, commercial and residential vacant land. Appraisals completed for financing of existing and proposed construction, equity settlement, litigation, corporate planning, acquisition, third party relocation, and condemnation. Specialized assignments for feasibility analysis, consulting, conservation easements and evaluation of partial real estate interests. Appraisal assignments completed in South Dakota, Montana, Nebraska and Wyoming.
GENAE W. SUNDBY, MAI  
State Certified General Appraiser – SD  
Real Estate Appraisers & Consultants  
P.O. Box 9248  
Rapid City, SD 57709  
605-341-3800  
simpsonassoc@rushmore.com

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2. State Certified General Appraiser- Certification #780CG- South Dakota  
3. Member Rapid City Multiple Listing Service, Black Hills Board and National Association of Realtors  
4. Member Professional Appraisers Association of South Dakota

SPECIALIZED TRAINING IN REAL ESTATE APPRAISING

**Prosource Educational Services Specialized Courses/Exams:**
- Introduction to Appraisal Principles I, Exam, 15 hrs
- Introduction to Appraisal Principles II, Exam, 15 hrs
- Introduction to Appraisal Practices I, Exam, 15 hrs
- Introduction to Appraisal Practices II, Exam, 15 hrs
- Introduction to Appraisal Standards and Ethics, Exam, 15 hrs
- Appraisal of Investments and Financial Analysis, Exam, 15 hrs

**Appraisal Institute and Other Specialized Courses/Exams:**
- Residential Case Study, AI Exam 210, 39 hrs
- Report Writing and Valuation Analysis, AI Exam 540, 40 hrs
- General Appraiser Income Capitalization Approach, Part I, AI Exam 403G, 30 hrs
- General Appraiser Income Capitalization Approach, Part II, AI Exam 404G, 30 hrs
- Advanced Sales Comparison and Cost Approaches, AI Exam 530, 40 hrs
- General Appraiser Market Analysis and Highest and Best Use, AI Exam, 30 hrs
- Advanced Applications, AI Exam 550, 40 hrs
- Advanced Income Capitalization, AI Exam 510, 40 hrs
- Fundamentals of Separating Real Property, Personal Property and Intangible Business Assets, AI, Exam, 14 hrs
- Condemnation Appraising: Principles and Applications, AI Exam, 21 hrs
- Appraising Rural Residential Properties, ASFMRA, 16 hrs
- On-line Appraising from Blueprints and Specifications, AI Exam, 21 hrs
- Quadrennial REALTOR Code of Ethics Training, National Association of Realtors
- The Professional’s Guide to the Uniform Residential Appraisal Report, AI, 7 hrs
- Introduction to Income Capitalization, AI, 7 hrs
- Subdivision Valuation: A Comprehensive Guide to Valuing Improved Subdivisions, AI, 7 hrs
- Uniform Standards of Professional Appraisal Practice- Update, 7 hrs
- Liability Management for Residential Appraisers, AI, 7 hrs
- On-line Business Practices and Ethics, AI, 8 hrs
- Comprehensive Appraisal Workshop, Ted Whitmer Seminars, 24 hrs
- Appraisal Challenges: Declining Markets and Sales Concessions, AI, 7 hrs
- General Demonstration Report Writing, AI, 7 hrs
- Complex Litigation Appraisal Case Studies, AI, 7 hrs
- Uniform Appraisal Standards for Federal Land Acquisitions, AI, 16 hrs
- Advanced Spreadsheet Modeling, AI- 14 hrs

Appraisal work completed as an independent contractor- Simpson and Associates, Inc., Real Estate Appraisers and Consultants, 2001 to present. Appraisals completed include residential, apartments, industrial, residential and commercial subdivisions, resort, commercial buildings, special use properties, commercial and residential vacant land. Appraisals completed for financing of existing and proposed construction, equity settlement, corporate planning, acquisition, third party relocation and condemnation. Specialized assignments for feasibility analysis, consulting, estate planning. Appraisal assignments completed in South Dakota.

Owner, manager and developer of residential and commercial investment property, 2000 to present.
EDUCATION

Palmer College of Chiropractic, Davenport, Iowa
Doctor of Chiropractic – 1999

California State University, San Bernardino, California
Bachelor of Science in Biology – 1995

EMPLOYMENT HISTORY


Full-time practice of Chiropractic healthcare

April 1999 – December 1999. Associate Doctor, Westside Chiropractic, Rapid City, South Dakota
Licensed Chiropractor working as an independent contractor

November 1998 – April 1999. Chiropractic Intern, Westside Chiropractic, Rapid City, South Dakota

1994-1995. Research Assistant. Dean of Natural Sciences- California State University, San Bernardino, California
APPRAISER’S LICENSES

South Dakota Department of Labor and Regulation

NO: 104CG

This is to Certify that KEN E. SIMPSON of RAPID CITY, SD is duly licensed to appraise property in the State of South Dakota as a

STATE CERTIFIED GENERAL APPRAISER

Highest Level

from the date hereof until September 30, 2016 unless terminated by the Department

State-Certified General Appraiser classification applies to appraisal of any type of property without regard to transaction value or complexity. The appraisal is bound by the Competency Rule of the Uniform Standards of Professional Appraisal Practice.

IN WITNESS WHEREOF,
this document was signed by the official in charge of licensing and certification on September 01, 2015

2016

Secretary,
SOUTH DAKOTA
DEPARTMENT OF LABOR AND REGULATION

South Dakota Department of Labor and Regulation

NO: 780CG

This is to Certify that GENAE W. SUNDBY of RAPID CITY, SD is duly licensed to appraise property in the State of South Dakota as a

STATE CERTIFIED GENERAL APPRAISER

Highest Level

from the date hereof until September 30, 2016 unless terminated by the Department

State-Certified General Appraiser classification applies to appraisal of any type of property without regard to transaction value or complexity. The appraisal is bound by the Competency Rule of the Uniform Standards of Professional Appraisal Practice.

IN WITNESS WHEREOF,
this document was signed by the official in charge of licensing and certification on September 01, 2015

2016

Secretary,
SOUTH DAKOTA
DEPARTMENT OF LABOR AND REGULATION