

REAL ESTATE APPRAISAL

OF THE

HERITAGE PARK BUILDING
600 E 7TH STREET
SIOUX FALLS, SOUTH DAKOTA 57103



FEBRUARY 9, 2017

PREPARED FOR:

CITY OF SIOUX FALLS
224 W 9TH STREET
P.O. BOX 7402
SIOUX FALLS, SOUTH DAKOTA 57117-7402

PREPARED BY:

APPRAISAL SOLUTIONS, INC.
47280 274TH STREET
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February 9, 2017

Mr. Matthew Anderson
Mr. Roy C. Fletcher
City of Sioux Falls
224 West 9th Street
P.O. Box 7402
Sioux Falls, South Dakota 57117-7402

RE: HERITAGE PARK BUILDING
600 E 7th STREET
SIOUX FALLS, SOUTH DAKOTA

Dear Sirs:

At your request, attached to this letter of transmittal is an appraisal report of the Heritage Park Building located at 600 E 7th Street in Sioux Falls, South Dakota. The legal descriptions are set out on Page 15 of the attached report.

The subject of this appraisal is a vacant building that has a gross building area of 6,095 square feet. The property will be located on an estimated 10,000 square foot site.

Please reference pages 12-14 of this report for important information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology.

I certify that I have no present or contemplated future interest in the property beyond this estimate of value. I have not performed any prior services regarding the subject within the previous three years of the appraisal date. This appraisal has been prepared in compliance with and in conformance to all general and specific standards and specifications of the City of Sioux Falls, and the prevailing standards as outlined in the USPAP (2016).

Your attention is also directed to the Assumptions and Limiting Conditions section of this report (pages 7-12 & 14). Acceptance of this report constitutes an agreement with these conditions and assumptions.

Based on the appraisal described in the accompanying report, subject to the Limiting Conditions and Assumptions, Extraordinary Assumptions and Hypothetical Conditions (if any), I have made the following value conclusion(s):

Current “As Is” Market Value:

The “As Is” market value of the Fee Simple estate of the property, as of January 30, 2017, is

Two Hundred Thirty-Five Thousand Dollars (\$235,000)

The above value assumes ownership in the leased-fee title. The estimated market value of the subject property is of real estate only and does not include any contributory value of FF & E or a business value. The values set out above do not reflect a “going concern” value or a particular investment value.

THIS LETTER MUST REMAIN ATTACHED TO THE REPORT, WHICH CONTAINS 64 PAGES PLUS RELATED EXHIBITS, IN ORDER FOR THE VALUE OPINION SET FORTH TO BE CONSIDERED VALID.

Respectfully submitted,
Appraisal Solutions, Inc.

Frederick M Preator

Frederick M. Preator
#1221CG

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SUMMARY OF SALIENT FACTS & CONCLUSIONS

<u>Subject Property</u>	Heritage Park Building 600 E 7 th Street Sioux Falls, South Dakota
<u>Client/Intended User</u>	The City of Sioux Falls 224 West 9 th Street Sioux Falls, South Dakota
<u>Intended Use</u>	Determine market value for sale to the public
<u>Type of Property</u>	A masonry framed building with 6,095 square feet of GBA.
<u>Site</u>	This is a rectangular-shaped, corner site with a gross area of 10,000 square feet +/-.
<u>Age</u>	1920
<u>Parcel ID #</u>	TBD
<u>Assessed Value</u>	TBD
<u>Real Estate Taxes</u>	TBD
<u>Property Rights Appraised</u>	Fee-Simple Title
<u>Zoning</u>	TBD
<u>Date of Value Opinion</u>	As Is – January 30, 2017
<u>Highest and Best Use</u>	As Vacant - Office development As Improved – Office Use
<u>Estimated Marketing Time</u>	12 months +/-
<u>Estimated Exposure Time</u>	12 months +/-

MARKET VALUE INDICATION

FEE SIMPLE “AS IS”

COST APPROACH	N/A
SALES COMPARISON APPROACH	\$235,000
INCOME CAPITALIZATION APPROACH	\$233,000

FINAL ESTIMATED MARKET VALUE

FEE SIMPLE

“AS IS”	\$235,000
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CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present nor prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report
- No one provided significant real property appraisal assistance to the person signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the Standards and Ethics Education Requirements for Practicing Affiliates of the Appraisal Institute.

Frederick M Preator

Frederick M Preator
1221CG

February 9, 2017

Date

ASSUMPTIONS & LIMITING CONDITIONS

This appraisal report is subject to the following General Assumptions and Limiting Conditions.

Definitions:

General Assumption is defined as: “A typical assumption of an assignment. General assumptions often apply to many or most assignments, as opposed to extraordinary assumptions, which are directly related to a specific assignment. As an example, a general assumption in an appraisal assignment might be that the title is clear and marketable” (Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th Edition: page 99)

Limiting Condition is defined as: “A condition that limits the use of a report.” (Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th Edition: page 15)

For this appraisal assignment, Appraisal Solutions, Inc. or its agents and/or employees, the signatory or signatories of this report, or any other person(s) who contributed in preparing the appraisal, is herein collectively referred to as “Appraisal Solutions, Inc.”

1. Unless otherwise specifically addressed in the appraisal report, it is assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded title issues that would impact marketability or value. Appraisal Solutions, Inc. neither has examined title to the property, nor examined documents dealing with liens, encumbrances, easements, deed restrictions, or other documents that may affect the quality of the title. Furthermore, Appraisal Solutions, Inc. is not aware of, or been advised of any title defects unless specifically addressed in the appraisal report. Appraisal Solutions, Inc. makes no representations or warranties relative to the title. If questions regarding the quality of the title are critical to the decision process of the reader or if the reader requires insurance protection against financial loss resulting in claims that may arise out of defects in the subject’s title, a qualified title company that issues or insures title to real property should be consulted. Any material title defect could have an impact on the value conclusion(s) in this appraisal report.
2. Appraisal Solutions, Inc. makes no representations or warranties relative to the legal description, and the legal description is assumed correct. The legal description should not be relied upon for legal matters, such as title transfers, mortgages, etc. An incorrect legal description could have an impact on the value conclusion(s) in this appraisal report.
3. Appraisal Solutions, Inc. assumes responsible ownership and competent property management. Irresponsible ownership or incompetent property management could have an impact on the value conclusion(s) in this appraisal report.
4. Information or data furnished by the client, client’s agent, property owner, property owner’s agent, or any individual designated by the client or property owner is assumed accurate and reliable unless otherwise specifically addressed in the appraisal report. Appraisal Solutions, Inc. makes no representations or warranties relative to information furnished by others. Information or data typically provided by others typically includes, but is not limited to: property assessment, property real estate taxes, parcel number, legal description, physical or street address, land dimensions and/or land size, building dimensions and/or building size, building construction materials, unit count, unit size, details of existing leases, historical income and expense information, forecasted income and expense information, construction cost

information, etc. Any material error in information or data furnished by others could have an impact on the value conclusion(s) in this appraisal report.

5. All engineering is assumed correct. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable, and that all site improvements are structurally sound and are safe for use and occupancy, unless otherwise stated and specifically addressed in the appraisal report. Subsoil, structural, and/or building system problems may not be visually detectable, and Appraisal Solutions, Inc. professionals are not engineers and are not competent to evaluate engineering matters. Appraisal Solutions, Inc. has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal, and was not furnished with any engineering studies. Furthermore, Appraisal Solutions, Inc. is not aware of, or been advised of any engineering defects unless specifically addressed in the appraisal report. Appraisal Solutions, Inc. makes no representations or warranties relative to engineering matters, or for arranging for engineering studies that may be required to discover them. If questions regarding engineering matters are critical to the decision process of the reader, competent consultants should be obtained. Any material negative engineering matters relating to the subject property could have an impact on the value conclusion(s) in this appraisal report. It is assumed that any knowledgeable and prudent purchaser, as a precondition to closing a sale, would obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems.

6. It is assumed that there is full compliance with all applicable federal, state, and local building codes, ordinances, regulations, and laws, unless noncompliance is stated and specifically addressed in the appraisal report. If questions regarding compliance with all applicable federal, state, and local building codes, ordinances, regulations, and laws are critical to the decision process of the reader, the advice of competent consultants should be obtained.

7. Unless stated and specifically addressed in the appraisal report, it is assumed the occupant's use of the subject property complies with all applicable zoning ordinances, and use regulations and restrictions. In addition, it is assumed that no changes to the present zoning ordinance, or any rules or regulations contained within the present zoning ordinance, are being considered.

8. It is assumed that all building systems, such as plumbing, electrical, mechanical, heating and cooling systems, fire sprinkler/smoke control systems, fire protection equipment and any other necessary equipment and/or building components are in good working order and do not have major deferred maintenance or required repairs, unless otherwise stated and specifically addressed in the appraisal report.

9. It is assumed that the roof and exterior are in good working order and do not have major deferred maintenance or required repairs, unless otherwise stated and specifically addressed in the appraisal report.

10. Unless otherwise indicated in this report, it is assumed that the subject property does not contain wetlands. For regulatory purposes under the Clean Water Act, the term Wetlands means "those areas that are inundated or saturated by surface or groundwater at a frequency and duration sufficient to support, and that under normal circumstances do support, a prevalence of vegetation typically adapted for life in saturated soil conditions. Wetlands generally include swamps, marshes, bogs, and similar areas." Wetlands vary widely because of regional and local differences in soils, topography, climate, hydrology, water chemistry, vegetation, and other factors, including human disturbance. No representation or warranty is made concerning the presence or absence of wetlands. Appraisal Solutions, Inc., or its agents and employees are not competent to determine the presence or absence of wetlands. If questions regarding the status of the presence or absence of wetlands are critical to the decision process of the reader, the advice of competent consultants should be obtained.

11. Appraisal Solutions, Inc. relies on third-party vendors in determining whether the subject property is located in a flood plain. No representation or warranty is made concerning the location inside or outside of an identified flood plain. Appraisal Solutions, Inc., or its agents and employees are not competent to determine the flood plain status of the subject property. If questions regarding the flood plain status are critical to the decision process of the reader, the advice of competent consultants should be obtained.

12. It is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate(s) contained in this report is/are based.

13. Appraisal Solutions, Inc. did not retain an independent service provider to complete a survey specifically for this appraisal assignment. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report. Appraisal Solutions, Inc. is not aware of, or been advised of any encroachment or trespass unless specifically addressed in the appraisal report. Appraisal Solutions, Inc. makes no representations or warranties relative to encroachments or trespasses, or for arranging for services that may be required to discover them. If questions regarding encroachments or trespasses are critical to the decision process of the reader, competent consultants should be obtained. Any encroachments or trespasses relating to the subject property could have an impact on the value conclusion(s) in this appraisal report. It is assumed that any knowledgeable and prudent purchaser, as a precondition to closing a sale, would obtain a satisfactory survey in order to determine the presence or absence of encroachments or trespasses.

14. Appraisal Solutions, Inc. did not retain an independent service provider to complete an environmental survey specifically for this appraisal assignment. Appraisal Solutions, Inc. is not qualified to verify or detect the presence or absence of hazardous substances, hazardous waste contamination, or environmental liabilities by visual inspection or otherwise, nor qualified to determine the effect, if any, of known or unknown substances or liabilities present. These substances include, but are not limited to: asbestos, urea formaldehyde based resins, cyanide, petroleum hydrocarbons, phenols, solvents, acids, lye and caustic cleaning agents, biological wastes, hazardous wastes, lead, mold, or other hazardous materials. Unless otherwise stated in the report, the final conclusion(s) of value is/are based on the assumption that the subject property is free of hazardous substances, hazardous waste contamination, and all other environmental liabilities, and it is in full compliance with all applicable federal, state, and local environmental regulations and laws. Appraisal Solutions, Inc. is not aware of, or been advised of any hazardous substances, hazardous waste contamination, or environmental liabilities unless specifically addressed in the appraisal report. Appraisal Solutions, Inc. makes no representations or warranties relative to the presence or absence of hazardous substances, hazardous waste contamination, or environmental liabilities, or for arranging for services that may be required to discover them. If questions regarding hazardous substances, hazardous waste contamination, or environmental liabilities are critical to the decision process of the reader, competent consultants should be obtained. Any hazardous substances, hazardous waste contamination, or environmental liabilities relating to the subject property could have an impact on the value conclusion(s) in this appraisal report. It is assumed that any knowledgeable and prudent purchaser, as a precondition to closing a sale, would obtain a satisfactory environmental survey in order to determine the presence or absence of hazardous substances, hazardous waste contamination, or environmental liabilities, and it is assumed that present and subsequent ownerships will exercise due diligence to ensure that the property does not become otherwise contaminated.

15. The appraisal and value conclusion(s) is/are based on cash, its equivalent, or on financing terms available for the property type in its locale as of the effective appraisal date. Unless otherwise stated and specifically addressed in the appraisal report, no consideration has been given to the assumption of favorable existing financing (if any) or favorable seller financing.

16. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings and any other value components must not be used in conjunction with any other appraisal and are invalid if so used.

17. This appraisal report is for the sole use of the client(s), possession of this appraisal report, or a copy thereof, does not carry with it the right of publication, and this appraisal report may not be duplicated in whole or in part, or copies be transmitted to third parties without the specific written consent of Appraisal Solutions, Inc., who reserves the right to deny. Exempt from this restriction is duplication for the internal use of the client(s) and/or distribution to its parent, affiliates, subsidiaries, attorneys, accountants, or advisors of the client(s). Also exempt from this restriction is distribution of the report to any governmental authority, court, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared. This appraisal report may only be used for the intended use and user identified herein, and any other use or user of the report is strictly prohibited without the written consent of Appraisal Solutions, Inc., and in any event only with proper written qualification and only in its entirety. Appraisal Solutions, Inc. shall have no accountability or responsibility to any third party, not covered by the exemptions herein, which may possess this report.

18. The appraiser herein by reason of this appraisal, is not required to give further consultation, testimony or be in attendance in court with reference to the property in question, unless arrangements have been previously made.

19. Neither all nor any part of the contents of this report (especially any conclusion(s) of value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, public offering or other media without the proper written consent and approval of Appraisal Solutions, Inc.

20. Unless otherwise indicated in this report, it is assumed that there are no air rights, mineral rights, subsurface rights, riparian rights, littoral rights, development rights, or other hidden or unapparent rights of value. In addition, it is assumed that there are no subsurface deposits (gas, liquids, or solids) or rights associated with exploration of such deposits.

21. Any forecasting of economic conditions or projections of income and expenses completed in this report are estimates of current market expectations for the future, and are not predictions of the future. Appraisal Solutions, Inc. does not guarantee the achievement of economic conditions or financial projections contained in this report.

22. The information contained herein is designed to be informative, and does not constitute direct or indirect investment advice by Appraisal Solutions, Inc. to buy, sell, or hold the subject property at the value(s) stated. Furthermore, no opinion is intended to be expressed on matters that may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers.

23. This appraisal report must remain together in its entirety, and no portion of the report is to be removed and used independently from this report.

24. The value estimate(s) contained herein is/are subject to change after the effective date(s) of value.
25. Unless otherwise addressed within the appraisal report, no consideration has been afforded to any potential natural, cultural, recreational, or scientific value that may or may not be inherent to the subject property.
26. Americans with Disabilities Act of 1990 (ADA) is effective as of January 26, 1992, and is a federal civil rights law for individuals with disabilities which prohibits discriminatory practices in design and operation of places of business. Appraisal Solutions, Inc. is not aware of, or been advised of any ADA non-compliance issues unless specifically addressed in the appraisal report. Appraisal Solutions, Inc. is not qualified to detect any such non-compliance items, if present, which may negatively affect the value of the subject property. The value estimate(s) is/are based upon the assumption that there is/are no such ADA non-compliance items on, in or potentially affecting the subject property that would cause a loss in value. Appraisal Solutions, Inc. makes no representations or warranties relative to ADA compliance, or for arranging for services that may be required to discover them. If questions regarding ADA compliance are critical to the decision process of the reader, competent consultants should be obtained. Any ADA compliance issues relating to the subject property could have an impact on the value conclusion(s) in this appraisal report. It is assumed that any knowledgeable and prudent purchaser, as a precondition to closing a sale, would obtain a satisfactory ADA compliance report, and it is assumed that present and subsequent ownerships will exercise due diligence to ensure that the property remains in compliance with the ADA.
27. Unless otherwise stated in this report, the subject property was inspected by the undersigned. The primary objective for the inspection is to gather information about the characteristics of the property within the scope of the appraisal assignment that are relevant to its value. The undersigned is neither trained nor qualified to complete a comprehensive building inspection and/or construction audit of the site improvements, and only has basic construction knowledge that would be considered typical for an ordinary and knowledgeable market participant. The inspection is limited to those things readily observable without the use of special testing or equipment. No responsibility is assumed, or warranty given for items that were not discovered during the inspection.
28. It is the responsibility of the client(s) to carefully review this appraisal report and to immediately notify Appraisal Solutions, Inc. of any questions, discrepancies, or errors. The value conclusion(s) is/are based on all information contained in this appraisal report in its entirety, including these general assumptions and limiting conditions to the appraisal, and any hypothetical conditions or extraordinary assumptions detailed in the report. Discrepancies, errors, or deviations from the information contained in this appraisal report could have an impact on the value conclusion(s). If any discrepancies, errors, or deviations from the information contained in this appraisal report are discovered, the appraiser reserves the right to amend the appraisal report and value conclusion(s) accordingly.
29. It is the responsibility of the client(s) to read in full and become aware of the general assumptions, limiting conditions, and any hypothetical conditions or extraordinary assumptions detailed in the report. Appraisal Solutions, Inc. assumes no responsibility for any situation arising out of the client's failure to become familiar with and understand the same.
30. If any of the general assumptions or extraordinary assumptions are found to be false, the appraiser reserves the right to amend the appraisal report and value conclusion(s) accordingly.

DEFINITIONS, CONCEPTS & SCOPE OF WORK

This report, analysis and conclusion is based upon the following definitions of terms, concepts and scope of work.

Subject Property

600 E 7th Street, Sioux Falls, South Dakota.

Client

The City of Sioux Falls
224 West 9th Street
Sioux Falls, South Dakota

Intended Use/Users

The intended use of this appraisal is to assist the client in establishing market value estimates for offering the subject for sale to the public. The client is the only intended user of this report.

Definition of Market Value¹

The client has requested a Market Value estimate, which is defined as follows:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

(Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th Edition, page 142; 12 C.F.R. Part34.42 (g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)

Property Rights Appraised

The subject is currently vacant building that is configured for a single occupant. The subject is not obligated to any leases, long-term or otherwise, so valuing the subject in “fee simple” title is the most appropriate interest to appraise.

The Dictionary of Real Estate, 4th Edition, defines fee simple property rights as follows:

Fee Simple *“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.”*

Competency

Prior to accepting this assignment, Appraisal Solutions, Inc. informed the client that the signatory to this appraisal has experience in the appraisal of commercial/office properties such as the subject, and all necessary steps taken to insure a proper and competent appraisal is developed and reported. It is considered by the undersigned that this appraisal report conforms to the standards of an appraisal submitted under the provisions of USPAP.

Date of Valuation

The effective date of this appraisal and the date of valuation is January 30, 2017. The subject’s exterior and interior was physically viewed by myself, Frederick M. Preator, on January 30, 2017.

Scope of Work

The scope of work for this appraisal encompasses the necessary research and analysis to prepare a report in accordance with the intended use, the Standards of Professional Practice of the Appraisal Institute, and the Uniform Standards of Appraisal Practice of the Appraisal Foundation. With regard to the subject property, this process involves the following steps:

1. Inspect the subject site and improvements;
2. Measure the exterior of the improvements, discuss and verify property uses and condition with Scott Gregor;
3. Investigate, analyze and determine the highest and best use for the subject;
4. Investigate available market data for use in the sales comparison and income approaches.

The investigation will include research of public and other records using commercial sources of data such as computerized databases and printed comparable data. Researched sales and lease data will be viewed and if found to be appropriate, efforts will be made to verify the data with a person directly involved in the transaction such as buyer, seller or broker. At the appraiser’s discretion, some data will be used without personal verification if, in the appraiser’s opinion, the data appear to be correct.

5. Analyze the data found and reach conclusions regarding the market value, as defined in this report, of the subject property as of the date of value using appropriate valuation approaches identified above;

6. Prepare an Appraisal Report, which will include photographs of the subject property, descriptions of the subject neighborhood, the site, proposed improvements, a highest and best use analysis, summaries of the comparable sales and leases used in the sales comparison and income analyses, a reconciliation and conclusion. Pertinent data and analyses not included in the report may be retained in the appraiser's files.

In addition to any previously discussed assignment conditions, this appraisal is subject to the following:

HYPOTHETICAL CONDITIONS – A hypothetical condition is that which is contrary to what exists but is asserted by the appraiser for the purpose of the analysis. Any hypothetical condition may affect the assignment results.

1. N/A.

EXTRAORDINARY ASSUMPTIONS – An extraordinary assumption is directly related to a specific assignment and presumes uncertain information to be factual. If found to be false, this assumption could alter the appraiser's opinions or conclusions. Any extraordinary assumption may affect the assignment results.

1. The subject lot will need to be platted. The legal description provided in this report may not be the final legal description for the property. Based on the assumed legal description the site area is approximately 10,000 square feet.
2. The city is proposing a parking lot adjacent and to the east of the subject site. It was mentioned at the time of the inspection that the subject would be allowed to use this parking as the subject site does not provide adequate area for off-street parking for the require parking per the subject's building size. It is assumed for this report that this parking area will be constructed allowing adequate and compliant parking for the subject.
3. The subject is currently zoned Recreation. It is assumed that the zoning will be changed to a zoning classifications that allow for office use.
4. The subject has several deferred maintenance issues and has not had any testing of foundation integrity and/or soil stability around the subject. It is assumed that there are no issues that would lead to the condemnation of or the razing of the subject.

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject was originally used as a fire station, then converted to a library, then to the Sioux Falls Parks Department office, and is currently being used as storage. It is a masonry-framed, two-story building. The structure has a gross building area (GBA) of 6,095 square feet, located on a 10,000 square foot site. The City of Sioux Falls has assigned the street addresses of 600 E 7th Street, Sioux Falls, South Dakota 57103.

PROPERTY HISTORY

The Minnehaha County Register of Deeds indicates ownership vested as follows:

City of Sioux Falls
224 West 9th Street
Sioux Falls, SD 57103

The current owner has been the owner of the subject for more than three years preceding the date of engagement for this appraisal assignment. The subject has not been listed for sale or marketed to the public.

LEGAL DESCRIPTION

“Lot 1 and the South ½ of Lot 2 and the West ½ of the vacated alley lying adjacent, all in Block 1, Dakota Improvement Company’s First Addition to Sioux Falls, Minnehaha County, South Dakota.”

The legal description is proposed and was provided by the City of Sioux Falls and is assumed to be correct for the purposes of this appraisal.

MARKET AREA & ANALYSIS

The City of Sioux Falls, County Seat of Minnehaha County, South Dakota, is located in southeastern South Dakota in fertile, gently rolling, agricultural country. Minnehaha County joins the northwest corner of Iowa and the southwest corner of Minnesota. The Big Sioux River, which forms the border between South Dakota and Iowa, flows through the city and empties into the Missouri River at Sioux City, Iowa. The city derives its name from the Sioux River Falls in the northeastern part of the city. The City of Sioux Falls also extends approximately one mile into Lincoln County.

Sioux Falls is the largest city in the Dakotas. Three kinds of population changes have been taking place in the Upper Midwest in the 1970's, 80's, 90's, 2000's and to date; (1) the growth and spread of medium to large size urban areas, including the decline of older centers of the same growing urban areas; (2) the decline of rural population due to increased mechanization of agriculture and inferior farm incomes; and (3) the growth of permanent, year round, non-farm population in the high amenity areas. Minnehaha County, which Sioux Falls is located in, continued to grow as rural area's populations continued to decline. Lincoln County, which the southern portion of Sioux Falls is located in, has had the highest growth rate of any county in the state with annual population growth in the 4.9 – 8.7% range. This trend is expected to continue into the foreseeable future.

The population for Sioux Falls as of January 1st, 2016 is estimated by city officials at 173,300. The City of Sioux Falls projects the population to increase to 233,200 by 2035. The MSA has population projections of 248,300 in 2020 and 349,400 in 2035. As Sioux Falls is a center of commerce for the tri-state area, and a major hospital center, this trend of population growth is projected well into the future. In order to meet this growing population, city planners are projecting a need of 30,000 to 40,000 new housing units which will require the absorption of 19,000 +/- acres of land by 2035.

Based on the US Census data, the following pages summarize the population of Sioux Falls and surrounding area by age. The largest group of population in Sioux Falls in 2016 is in the 25 – 34 age bracket. This trend is projected to continue into the future. Current unofficial census data generated by the City of Sioux Falls indicates no significant changes from these percentages.

Also important in the analysis of the local economy is the local income levels. Information provided by the US Census Bureau summarized on the following pages indicates a median household income of 2016 was \$55,391 with the average household income being \$74,124. Per capita income was \$29,657. The largest grouping by income categories is those wage earners in

the \$50,000 - \$99,999 bracket. This accounts for approximately 34% of all wage earners. Projections into the future are that income in Sioux Falls will grow at a healthy rate and as will be discussed in the Labor Force section, unemployment is expected to remain below national levels.

Sioux Falls also has a cost of living index of 95.20 with the average cost of living nationwide having a score of 100. Sioux Falls has been nationally recognized for it being a place with strong income potential and lower than average cost of living. In the early 1990’s, Sioux Falls was named one of the nation’s best cities to live and work in by Money Magazine. Forbes magazine also named Sioux Falls as the #1 Best Small Place For Business And Careers in 2005 through 2009.

LABOR FORCE

During the last few decades, Sioux Falls has enjoyed healthy, sustained growth in its population and economic base. This trend began in 1981 with the location of Citibank and continued with the location and expansion of several other financial services companies. Today, the community is experiencing growth and expansion in the technology, health care, retail, construction and research sectors. This growth is expected to continue, especially in the health care/health research sector with the infusion of a \$400 million donation to Sanford Health and their plans to make Sioux Falls internationally known as a research center for children’s health.

The recent uptick in unemployment rates has not discouraged new families from continuing to move to the area. Companies have been successful in attracting workers from surrounding communities and across the country.

More fulfilling career opportunities, metropolitan area amenities, ready access to educational resources, and the growing regional economic influence of Sioux Falls, and its expanding population have had a positive effect on the labor supply.

<i>Civilian Labor Force, Employment & Unemployment – Sioux Falls MSA</i>				
YEAR	LABOR FORCE	EMPLOYMENT	UNEMPLOYMENT	%UNEMPLOYED
1980	63,142	60,243	2,899	4.6%
1990	74,228	72,125	2,103	2.8%
2000	91,773	90,342	1,431	1.6%
2010	128,480	122,085	6,395	5.0%
2016	146,313	143,157	3,156	2.2%
Source: South Dakota Department of Labor LMIC				

Unemployment rates in the City of Sioux Falls have historically remained below 3% for the past 20 years. The current unemployment rate in South Dakota as of April 2016 is 2.1%. This is still well below national levels of approximately 4.7% unemployment. The chart above illustrates the trend since 1980. Expectations are that unemployment will stay well below national levels. Much of the reason for this is the continued growth of Sioux Falls and its well diversified economy.

The largest non-government employers in Sioux Falls include the local area hospitals and Citigroup. This is followed by John Morrell, Wells Fargo Bank, the School District and HyVee Food Stores. Overall the labor prospects, in terms of new jobs and unemployment, show strong indications for a continued strong local economy.

In understanding how the local real estate market values are affected by economic considerations, it is important to understand local income and retail sales as well as new development and construction.

Another good indication of the health of the local economy is retail sales. As a retail trading center, Sioux Falls serves a three-state region, northwest Iowa, southwest Minnesota as well as eastern South Dakota, and is also a major regional medical center for these areas. Retail sales in Sioux Falls and the SMSA began to recover from the recession in 2010 when total taxable retail sales within Sioux Falls were \$10.21 billion. For the fiscal year of 2014 total taxable sales were \$15.9 billion.

The overall construction market in Sioux Falls has put together three consecutive years of record building valuation in 2013, 2014 and 2015. In 2015, there were 12,091 permits issued for a total value of \$676,292,291. Commercial construction increased substantially from \$86.5 million in 2014 to \$178.9 million in 2015. There were 16 permits for projects over a million dollars with the largest project being the Good Samaritan's for \$15,267,000. Multi-family has seen strong growth with 1,219 units being built in 2014 and 804 units in 2015. The single family residential permits increase in both value and number in 2015. The following chart summarizes the trend for the prior three years.

City of Sioux Falls Building Permit Data

January through September 2016

	2014	2015	2016
Number of Permits Issued	11,423	10,317	6,000
Total Value of Permits Issued	\$454,581,557	\$545,990,728	\$573,320,822
New Residential	\$188.8M	\$137.2M	\$164.0M
Residential Addition & Remodel	\$94.9M	\$71.4M	\$37.5M
New Commercial	\$52.3M	\$189.3M	\$249.3M
Commercial Addition & Remodel	\$118.5M	\$148.1M	\$122.6M
Totals	\$454.5M	\$546.0M	\$573.4M
New Commercial			
Manufacturing	\$4.8M	\$5.7M	\$11.5M
Office, Institutional, Educational	\$22.5M	\$54.9M	\$39.5M
Apartments	*	\$67.9M	\$133.9M
Other Commercial	\$25.0M	\$60.8M	\$64.3M
Totals	\$52.3M	\$189.3M	\$249.2M
New Residential			
Single-Family Units	486	532	577
Duplex Units	2	0	0
Townhome Units	178	217	299
Multiple Family Units	707	748	1,367
Totals	1,373	1,497	2,243
Manufactured New Housing Placements	18	74	77

Source: Building Service Division. For Question, call 367-8670.

In considering the environmental considerations as they affect the market value of real estate, it is important to analyze the local transportation system.

Sioux Falls is one of the few cities in the United States that is located at the junction of two major interstate highways, I-90, one of the five coast-to-coast, east-west freeways joining Boston and Seattle, and I-29, joining Kansas City with Winnipeg, Canada. I-229 joins I-29 with I-90 south and east of the city, creating an interstate loop to enhance traffic flow and development. Two United States highways, U.S. Highway #16 (east/west) and the newly rebuilt U.S. Highway #77 (north/south), also intersect at Sioux Falls, with U.S. Highway #18 and U.S. Highway #81 also passing near the city.

Joe Foss Field, located approximately two miles northwest of the city's central business district, is the largest air terminal in South Dakota and is very important to the region, being one of the better equipped terminals in the Upper Midwest. Sioux Falls is currently served by five scheduled air carriers including Frontier, Allegiant, Delta, United and American Airlines. Commercial airline flights provide daily jet service to Denver, Minneapolis/St. Paul, Chicago, Dallas/Ft. Worth, and Atlanta. There are also weekly flights to and from Las Vegas, Los Angeles, Phoenix, Orlando/Sanford and St. Petersburg. Charter service is available through Landmark Aviation. Also located at the Sioux Falls Regional Airport is the South Dakota Air National Guard Units which flies F-16 Fighter Aircraft. Sioux Falls is served by two railroads, the Ellis and Eastern and the Burlington Northern; bus service by Jack Rabbit Lines and Greyhound Lines, with several arrivals and departures daily; Sioux Falls Transit inter-city service to and from the Bus Depot; and a truck service (over 25 inter-state and over 40 intra-state common carriers) surpassing that of most cities in the north central states.

Understanding the local government and how it affects and influences the marketplace is important as well. The City of Sioux Falls is governed by an eight-member council with 20 city departments under its direction. The five district council members and three at large council members, and the mayor are elected for four-year terms.

The City of Sioux Falls has an excellent health department, a street department offering good maintenance, and a planning and zoning department requiring building permits and inspections. Fire and police protection are also top rate for a city of this size, with 210 trained firemen and over 200+ sworn police officers.

The State of South Dakota also has no income tax which makes operating a business in Sioux Falls attractive to outside businesses. The city also has a very proactive Chamber of Commerce and Economic Development Foundation, which aggressively seeks to attract new businesses to the area.

In summary, the City of Sioux Falls is viable and continues to grow. The city has a progressive attitude and, as demonstrated by historic economic indicators, has become an attractive place to live and work. The population data indicates that the city is expected to continue to grow well into the future and economic conditions will remain favorable. Compared to other cities of its size, Sioux Falls has a relatively low cost of living, and has not suffered from the high unemployment experienced in other cities and still has the highest income per household of any city in the State. The city is typical of and is numbered among, those small to medium sized cities in the Midwest that are capitalizing on the growth of the business and service sector, while retaining a relatively strong industrial and manufacturing base, and that are, at the same time, not faced with having to spend large amounts of money to rebuild aging infrastructures, and with having to redevelop large blocks of old, unneeded industrial properties. The economic base presently is well diversified and generally balanced.

NEIGHBORHOOD ANALYSIS



Within a community, there is a marked tendency toward the grouping of land uses. The areas devoted to these various uses are physical neighborhoods. A neighborhood is defined as “a portion of a larger community in which there is a homogeneous grouping of inhabitants, buildings or business enterprises. Inhabitants of a neighborhood usually have more than a casual community of interest, and a similarity of economic level or cultural background. Neighborhood boundaries may consist of well-defined natural or manmade barriers, or they may be well defined by a distinct change in land use, or in the character of inhabitants.

A neighborhood may be characterized by uses such as residential, commercial, industrial, recreational, agricultural or a mixture of these uses. This is also considered to be the definition of “market value”. Analysis of the neighborhood in which a property is located is important due to the fact that the various economic, social, physical and political forces which affect the neighborhood also directly influence individual properties located within it. A summary discussion of these various factors as they affect the value of the subject property is presented as follows.

The subject is located on East 7th Street. The neighborhood, or marketing area, is the general downtown Sioux Falls business and commercial district. Generally, the subject neighborhood, or marketing area, is bounded on the west by Minnesota Avenue, on the south by 10th Street, on the north by Falls Park Drive and on the east by the area just east of Cliff Avenue. The subject is viewed as being outside but adjacent to the extreme eastern edge of the “downtown business district.”

The Big Sioux River is the “showcase” of Sioux Falls. In nearly all parts of the city, and particularly in the downtown area, the Big Sioux River has and will continue to be developed as a green area and recreational/aesthetic area. Near the downtown area, most of the Big Sioux River greenway project has been completed to approximately 6th Street. To the north of 6th Street, the city has just completed the last portion of the greenway project. In conjunction with the Big Sioux River greenway and Falls Park projects, the city has completed Phillips Avenue north from its former terminus at 5th Street, connecting to Falls Park Drive on the north. The entire, aggregate project serves to eliminate some of the older, unsightly industry from the area north of 6th Street, and replace it with greenway, parks and recreational area and new commercial development, primarily, the proposed “Uptown” commercial project.

The City of Sioux Falls is also actively promoting the renovation, remodeling and rehabilitation of existing, multi-story loft/warehouse buildings east of the Big Sioux River to new commercial retail, office and apartment use. The area targeted is generally that area between the Big Sioux River on the west and Weber Avenue on the east and 10th Street on the south to 3rd Street on the north. The former Zip Feed mill property has been razed and has been redeveloped to the Cherapa Place office complex. The redevelopment of this site, along with the new CNA office building, as well as a Hilton Hotel shows the city of Sioux Falls is actually promoting the renovation, remodeling, or razing of existing warehouses along 6th Street and along 8th Street to new commercial retail, office and residential property use.

Some of the properties in the area described immediately above show early examples of such renovation and remodeling. In the past, multi-story loft/warehouse buildings in the area have had some remodeling, but this is typically been to another wholesale or retail warehouse use. On East 6th Street just to the east of the Big Sioux River, a former Raven Industries multi-story warehouse/loft building was purchased in calendar year 2001. The buyer has renovated and remodeled this property to a mixture of uses including retail, office and residential use. The main Raven plant, located at the Big Sioux River on East 6th Street, remains in active production.

Since the completion of Phillips Avenue to the Falls, a relatively large scale development/redevelopment project (the subject “Uptown” project) has been taking shape

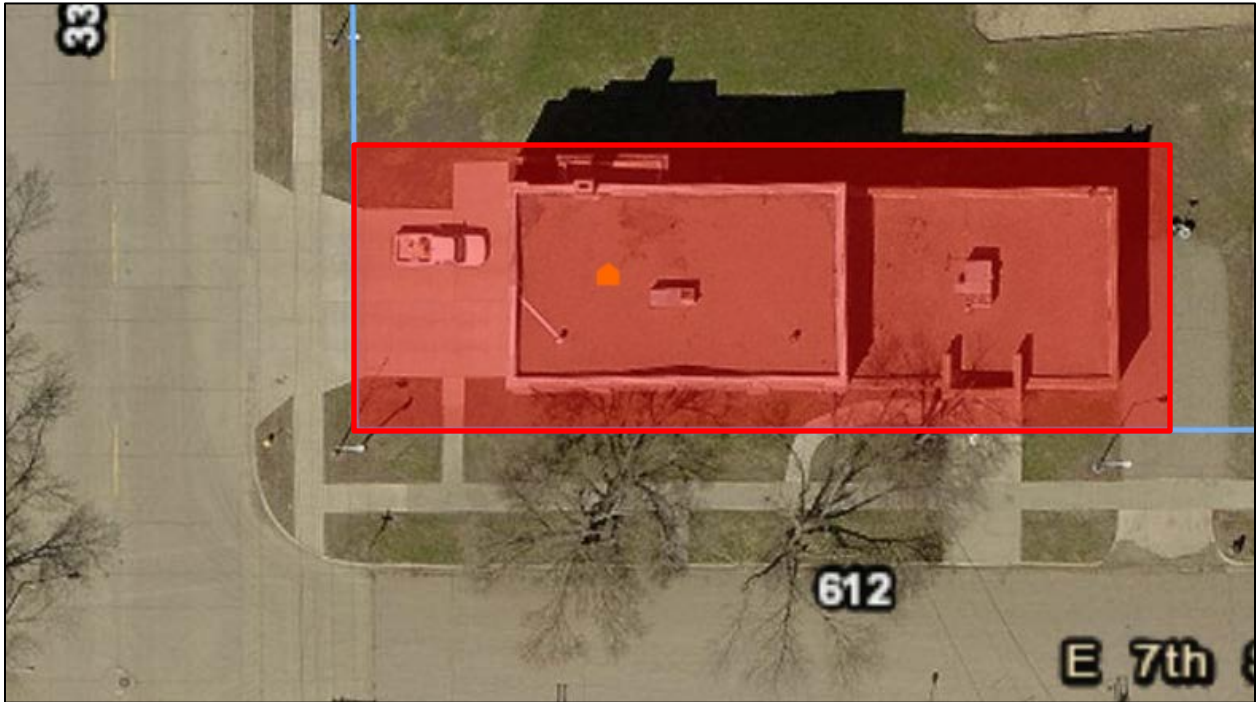
between Phillips and Main Avenues and between 2nd Street and 5th Street. When this project is ultimately completed as envisioned, the project will contain a significant amount of new commercial retail space, a significant amount of new general office space and urban residential space.

The City of Sioux Falls has recently purchased the railyard within the downtown business district. The City is in the initial stage of determining a development plan for the area. The development of the railyard is estimated to take a decade or more to complete. However, neighboring properties such as the subject are experiencing some anticipation/speculation for the railyard development.

All of the downtown Sioux Falls business/commercial district, the subject's neighborhood (marketing area), is in good physical condition and has good overall appeal and appearance. There are almost no "eye sore" buildings in need of renovation and remodeling. As noted previously, the "Phillips to the Falls" project proposed for that area north of 6th Street between Phillips and Main Avenues will eliminate much of the remaining older buildings from the downtown neighborhood. It is significant that all of the renovation and remodeling projects in the downtown area have essentially been done with "private money" since the early 1980's. Typically, the projects are done with the benefit of certain federal tax relief provisions and a moratorium on real estate taxes. Those provisions together with favorable interest rates have, to date, made nearly all renovation and remodeling projects financial successes.

There is reasonably good access to the center of Sioux Falls. Access is via Minnesota Avenue from the north and the south together with Main and Dakota Avenues. Access from the west is typically via West 11th Street and via East 10th Street, 8th Street and 14th Street from the east. The main impediment to new development and redevelopment is parking. On-site parking is preferred but in many cases not obtainable. Surface parking facilities continue to be constructed as well as multi-level parking ramps.

SITE DATA



The aerial photograph, above, depicts the approximate site shape and layout. The subject is located on the northeast corner of the intersection of East 7th Street and North Weber Avenue.

SITE AREA

Total site area is estimated at approximately 10,000 square feet.

UTILITIES

The property has access to city water and sewer. Electricity is provided by Xcel Energy, natural gas by MidAmerican Energy, and telephone service by local provider of choice.

STREET IMPROVEMENTS

Seventh Street is a hard-surfaced, secondary road with two lanes of traffic each direction and running in an east-west direction. Seventh Street is a primary thoroughfare with sidewalks, curb and gutter and street lights on both sides.

The subject also has secondary access off on North Weber Avenue, which is a secondary street with one lane of traffic each direction. North Weber Avenue runs in a north-south direction.

TOPOGRAPHY

Topography of the site sits slightly above street level and slopes toward both 7th Street and Weber Avenue. Drainage appears to be adequate and run away from the existing structure.

SOIL CONDITIONS

No soil report was made available. An inspection of the buildings in the neighborhood indicates that the concrete slab construction of the subject improvements is typical of the area. No evidence of soil problems in the form of excessive cracking or settlement was noted during an inspection of the subject building and neighborhood. Based on my analysis and investigation, the soil is assumed to have adequate load bearing capacity for the existing improvements.

NUISANCES AND HAZARDS

None noted. The property will be compatible with the surrounding properties.

EASEMENTS

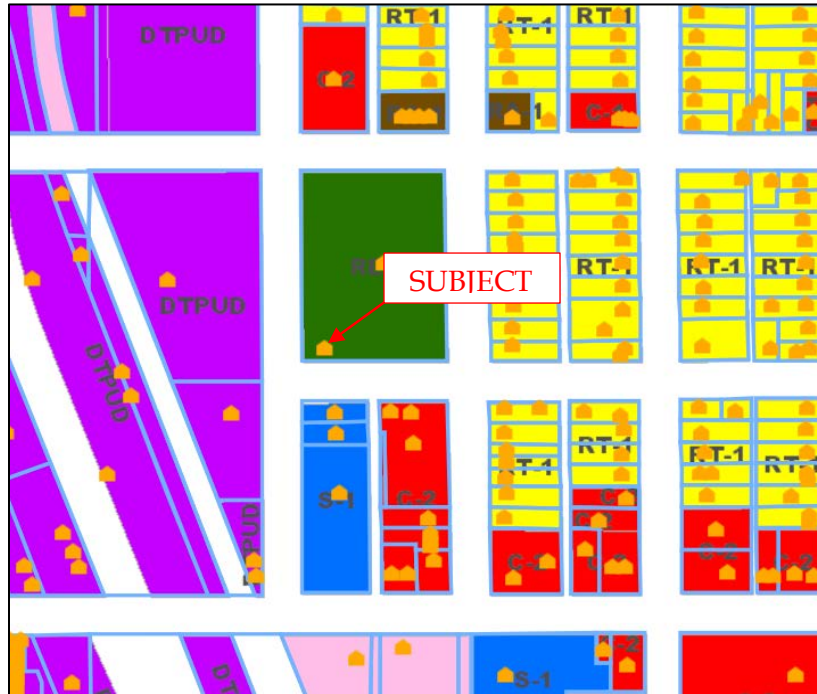
Other than normal public utility and access easements, there are no other easements noted which would limit the development potential of the subject.

FLOODPLAIN

Per the FEMA Flood Hazard Map #46099C0461E dated November 11, 2011, the subject is in flood zone X. Flood zone X is considered to have a low risk of flood. Therefore, sites similarly located generally are not required to have flood insurance as a prerequisite for conventional lender financing.

SITE LAYOUT

As can be seen in the aerial photo at the beginning of the section, the subject is corner site. The site is rectangular shaped and relatively level. The parcel is improved with a 6,095 square-foot building that is centrally located the site. The subject has an access point off North Weber Avenue.



ZONING

The subject is currently zoned as REC, Recreation District. This zoning has been confirmed with an employee of the City of Sioux Falls Planning and Zoning Department. A copy of the zoning regulations has been obtained and is retained on file. The surrounding property uses range of residential to the east, and light industrial (contractor shops and distribution warehouses) to the south and west.

When the subject is purchased from the City, the purchaser will be required to change the zoning. The most likely zoning for the subject is a C-2: Commercial – Neighborhood and Street Car District. This would allow principal uses of general retail, office, and residential above of the first floor. This zoning would allow for off-site accessory parking and provide for minimal set-back requirements.

ANALYSIS-COMMENTS

The subject is a rectangular-shaped, corner site located in the east central portion of Sioux Falls. The site has usable shape and topography. The site has fair overall development potential, and adequate ingress and egress. The site lacks on-site parking and has limited commercial exposure. The property location is considered average.

TAXES AND ASSESSED VALUE

The Minnehaha County Department of Equalization and Treasurer's Office report the following assessment and real estate tax information. The subject is a government owned property so it is currently not assessed or obligated by real estate taxes.

DESCRIPTION OF IMPROVEMENTS



The subject is improved with a masonry-framed, two-story building. The following description of improvements is based upon interior and exterior inspections of the subject improvements. The following description is in summary format and is no way meant to depict all aspects of the subject's construction.

AGE

Main Building: 1920

ESTIMATED ECONOMIC LIFE

50 years

ESTIMATED EFFECTIVE AGE

40 Years

ESTIMATED REMAINING ECONOMIC LIFE

10 years

BUILDING TYPE

The subject's is a Class "C" structure. The building is a masonry-framed building with a gross building area of 6,095 square feet. The building has a brick exterior.

INTERIOR FINISH

The western portion of the main floor is an unfinished garage area of approximately 1,592 square feet. The remaining eastern portion of the main floor (2,298 sf +/-) is finished as an office with painted, finished drywall partitions, acoustical tile ceilings and commercial grade flooring.

The stairs accessing the second floor are located on the north side of the building with one stair well to the east and one to the west. The second story has hardwood floors, plaster/drywall walls. The ceilings have been dropped and are finished with acoustical tiles.

FOUNDATION

The building has a stone foundation and a slab on grade concrete floor. The western portion of the building has an unfinished, partial basement with interior measurements of 26' x 22'. This basement area has limited utility as it functions as the utility room for the building.

ROOF

The roof is a flat roof and is tar and gravel, built-up roof. Draining is provided by interior gutters and downspouts.

PLUMBING

Both floors have two restrooms with a toilet and sink. One upstairs restroom has a urinal. The garage has hot and cold water taps and floor drains.

HVAC

The building is heated with a gas fired hot water boiler which provided radiant heat through the older style radiator. There is a roof mounted air conditioning unit that provides central air conditioning throughout.

** It should be noted that I was told at the time of the inspection that the heating pipes maybe wrapped in asbestos. I recommend that this insulation be tested by a qualified professional.

ELECTRICAL

The building has a 200-amp, 3-phase electrical service.

MISCELLANEOUS

There is a driveway on the west side of the building providing access to the two overhead doors. The remainder of the site is finished in sod.

ANALYSIS-COMMENTS

The subject is of above-average quality construction. The overall condition of the subject is considered fair. The exterior of the building needs tuck pointing, and windows appear to be nearing the end of their useful life and may need replacing. The HVAC, electrical and plumbing were all functioning at the time of inspection, but are older systems that need updating.

The building in the “as is” condition is configured and finished as an office with a garage area. The overall condition of the office finish is below average but the building could function as an office if the storage items were removed.

FUNCTIONAL & EXTERNAL OBSOLESCENCE

The building does have some functional obsolescence as would be expected with an older building. It is not ADA compliant, the various systems may no longer be up to code, and there is no elevator. No external obsolescence is noted.

On the following pages are photos of the subject improvements and a street scene.

SUBJECT PHOTOS



SOUTHWEST CORNER - FRONT VIEW



SOUTHEAST CORNER - FRONT VIEW



NORTHEAST CORNER – REAR VIEW



NORTHWEST CORNER – REAR VIEW



MAIN FLOOR OFFICE AREA



MAIN FLOOR OFFICE AREA



GARAGE AREA



GARAGE AREA



SECOND STORY OFFICE AREA



UPSTAIRS OFFICE AREA



PARTIAL BASEMENT



TYPICAL RESTROOM



WEBER AVENUE LOOKING NORTH



SEVENTH STREET LOOKING WEST

HIGHEST AND BEST USE

Highest and best use may be defined as the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

1. **Legally Permissible:** What uses are permitted by zoning and other legal restrictions?
2. **Physically Possible:** To what use is the site physically adaptable?
3. **Financially Feasible:** Which possible and permissible use will produce any net return to the owner of the site?
4. **Maximally Productive.** Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)?

These four criteria are now detailed and applied to the subject property according to the premise that the subject site is vacant and available for development.

HIGHEST AND BEST USE OF THE SITE:

Generally, the most important legal consideration in considering the highest and best use is the zoning encumbering the site. The subject is currently zoned Recreation, but a potential purchaser must change the zoning use. The most likely zoning classification is a C-2, Neighborhood Commercial District classification. This zoning allows for permitted and conditional uses to include but not limited retail, service, and office uses. This zoning would be compatible with neighboring properties. Other than the zoning encumbering the site, the site has no other known easements or legal restrictions which would limit development to any one of the legally permitted uses.

The next considerations are the physical possibilities. The subject is a rectangular-shaped, corner site with a gross area of 10,000 square feet. The property is located on the northeast corner of the intersection of 7th Street and Weber Avenue. The property has average access, limited commercial exposure, and limited space for on-site parking.

Selecting one use that would be financially feasible and result in maximum economic productivity would be dictated by the current balance of supply and demand within each probable market segment. The subject market area is seeing redevelopment of the older

commercial/industrial properties. Therefore, it appears that the appropriate economic environment is present for improvement to one of the most likely uses found within the market area which would be an office/commercial use.

That use which provides the highest net return to the land and which will provide maximum productivity is considered to be the highest and best use. The legal and physical characteristics would allow for a variety of uses, but the use that is perceived by market participants as being the most productive would be for some type of office/commercial use. This use would provide the highest net return to the land and would be considered to be the highest and best use of the site as though vacant.

HIGHEST AND BEST USE “AS IMPROVED”:

The subject is improved with a 6,095square foot building. The subject as improved is a legally permitted use under the C-2, Neighborhood Commercial zoning classification. There are no other legal restrictions or easements known to exist which would prevent development as intended.

The subject is above average quality construction. It is an older building that has not had the requisite maintenance need, as such, it has physical depreciation and some functional obsolescence. Even though the subject needs renovation, it is functional (physically possible) in the “as is” condition as an office.

The subject could be used by a number of different market users for use as primarily an office in its “as is” condition. If the subject was marketed for lease, it could generate sufficient revenue in the form of rent to cover operating expenses, service debt and provide for a return on equity invested (financially feasible). Because of this, it does not make financial sense to raze the building.

The subject is not in a location that provides commercial exposure, so a retail use is not feasible. The subject renovated for office use is considered the ideal improvement for the subject and the use that would provide the highest return to the land. Therefore, the property as improved provides for maximal profitability and is considered to be the highest and best use as improved.

This conclusion as to the highest and best use provides the basis for the following valuation process.

VALUATION METHODOLOGY

The estimate of market value of a property typically involves the application of three approaches to value.

1. Cost Approach;
2. Sales Comparison Approach; and
3. Income Capitalization Approach

This appraisal has applied all three approaches to value beginning with the cost approach.

Cost Approach

The cost approach to value was not applied in this appraisal. Market participants rarely use the cost approach in determining a listing or offer price for properties with existing improvements. Most commonly, market participants will rely on the sales comparison or income capitalization approach in determining their price. In addition, given the few substantially similar sales, and the varying ages it is very difficult to determine depreciation with any degree of accuracy. The elimination of the cost approach to value does not affect the reliability of the value conclusion stated herein.

SALES COMPARISON APPROACH

The Sales Comparison Approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution and externalities. The following steps describe the applied process of the Sales Comparison Approach.

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

There are few recent, retail sales similar/comparable to the subject within the subject neighborhood. Four sales were located and utilized in this report for comparison. These sales are summarized on the following pages followed by a sales map.

Improved Sale #1



Location Data

Address 724 E 8th ST
Sioux Falls, SD
County Minnehaha
Location: Suburban

General Physical Data

Market Type: Retail/warehouse
Land Area Acres: 0.39/Acres
Land Area Sq. Ft.: 17,189/Sq.Ft.
Gross Bldg Area (SF): 6,663/Sq.Ft.
Number of Units: 1
Year Built: 1956
No. of Stories: 1
Building Class: C
Property Condition: Average

Analysis

Overall Cap. Rate:
(GIM):
(EGIM):

Comments

This property is zoned C-2. It was being used as office/warehouse prior to sale. Overall the property is in average condition.

Sale Data

Sale Status: Sold
Closing/Sale Date: March, 2016
Marketing Time: Less than 2 mos.
Grantor: Kri-Lar Building Partnership
Grantee: Jana L Sweetman LLC

Document No: 567/584
Sales Price: \$365,000
Property Rights: Fee Simple
Financing: N A

Cash Eq. Price: \$365,000
Price Per GBA: \$54.78
Confirmation Source: County Records
Prior Sale: 04/27/2001

Financial Data

Potential Gross Inc:
Expense Ratio:

Improved Sale #2



Location Data

Address	816 East 8th Street, Sioux Falls, SD
County	Minnehaha
Location:	Suburban

General Physical Data

Market Type:	Retail
Land Area Acres:	0..13/Acres
Land Area Sq. Ft.:	5,852/Sq.Ft.
Gross Bldg Area (SF):	5,280/Sq.Ft.
Number of Units:	1
Year Built:	1950
No. of Stories:	1
Building Class:	C
Property Condition:	Below Average

Analysis

Overall Cap. Rate:
(GIM):
(EGIM):

Comments

This was a private sale. At the time of sale, the building was used as warehouse and retail for reclaim architectural components. The building was below average in condition.

Sale Data

Sale Status:	Sold
Closing/Sale Date:	August 2016
Marketing Time:	N/A
Grantor:	Roger & Jerilynn Koch

Grantee: Stock Yards State Partners

Document No:	571/3
Sales Price:	\$230,000
Property Rights:	Fee Simple
Financing:	Typical
Cash Eq. Price:	\$230,000
Price Per GBA:	\$43.56
Confirmation Source:	MLS, Loopnet
Prior Sale:	N/A

Financial Data

Potential Gross Inc:
Expense Ratio:

Improved Sale #3



Location Data

Address	909 East 8th St, Sioux Falls, SD
County	Minnehaha
Location:	CBD

General Physical Data

Market Type:	Retail
Land Area Acres:	0.260/Acres
Land Area Sq. Ft.:	11,316/Sq.Ft.
Gross Bldg Area (SF):	5,230/Sq.Ft.
Number of Units:	1
Year Built:	1945
No. of Stories:	1
Building Class:	C
Property Condition:	Fair

Analysis

Overall Cap. Rate:	
(GIM):	
(EGIM):	

Comments

This is the sale of a 5,230 square foot retail/office building located in the central business district of Sioux Falls. The building is to be totally renovated after purchase.

Sale Data

Sale Status:	Sold
Closing/Sale Date:	February, 2015
Marketing Time:	N A
Grantor:	Vicki L & Douglas W Kenison
Grantee:	Intuitive Investors, LLC
Document No:	Book 548 Page 508
Sales Price:	\$200,000
Property Rights:	Fee Simple
Financing:	Conventional
Cash Eq. Price:	\$200,000
Price Per GBA:	\$38.24
Confirmation Source:	Buyer
Prior Sale:	None in Prior Three Years

Financial Data

Potential Gross Inc:	
Expense Ratio:	

Improved Sale #4



Location Data

Address 921 E 8th St,
Sioux Falls, SD
County Minnehaha
Location: Suburban

General Physical Data

Market Type: Retail
Land Area Acres: 0.063/Acres
Land Area Sq. Ft.: 2,725/Sq.Ft.
Gross Bldg Area (SF): 1,300/Sq.Ft.
Number of Units:
Year Built: 1945
No. of Stories: 1
Building Class:
Property Condition: Average

Analysis

Overall Cap. Rate:
(GIM):
(EGIM):

Comments

This is the sale of a 1,300 square foot retail building located in Sioux Falls.

Sale Data

Sale Status: Sold
Closing/Sale Date: August, 2015
Marketing Time: N A
Grantor: LCL Ventures LLC
Grantee: Liquid Liabilities LLC
Document No: 517,993
Sales Price: \$115,000
Property Rights: Fee Simple
Financing: Conventional
Cash Eq. Price: \$115,000
Price Per GBA: \$88.46
Confirmation Source: County Records
Prior Sale: None in prior 3 years

Financial Data

Potential Gross Inc:
Expense Ratio:

SALES MAP



PROPERTY RIGHTS APPRAISED

The first of the ten elements of comparison are property rights appraised. All sales are treated as fee simple sales as all were vacant and/or owner occupied at the time of sale. If a fee simple estate was leased it is assumed that it would lease at current market rates. Therefore, no adjustment is necessary for the property rights conveyed.

FINANCING TERMS

All sales were purchased utilizing either cash or conventional financing at market rates and do not require adjustment for financing terms. No adjustment was made for financing terms.

CONDITIONS OF SALE

All four sales were exposed to the market. All were arm's length transactions and there was nothing surrounding the sales which would lead a typical market participant to view the sales as anything other than arm's length.

MARKET CONDITIONS

All sales sold under similar market conditions, so not adjustment is warranted.

USE (ZONING AND NON-REALTY COMPONENTS OF VALUE)

All the sales are zoned similarly in comparison to the subject's assumed zoning. However, all sales are located on East 8th Street which offers better commercial exposure allowing for retail sales. A slight downward adjustment is applied to the four sales.

All sales were also masonry-framed, commercial structures which did not include contributory value of FF&E. No adjustment for use or non-realty components of value is necessary.

PHYSICAL FEATURES

Adjustments were applied to the four sales based upon physical differences. The first adjustment is made for age/condition. Age and condition combine to form an estimate of the effective age of the subject. Properties such as the subject have an overall economic life expectancy of 50 years. Sales #1 & #4 have a superior effective age, Sale #2 is similar in condition but slightly superior in overall effective age, and Sale #3 was inferior in condition/effective age. All sales adjusted accordingly.

The next physical feature which requires an adjustment is for size. With all things being

equal, a smaller building will sell for a higher dollar per square foot basis than a larger building. Sale #4 is smaller in size requiring a downward adjustment to compensate.

Location is the next feature that requires adjustment. The subject being located on East 7th Street and has only limited exposure. Its location is considered average. All sales are located along 8th Street with which is considered slightly superior due to the superior commercial exposure.

The last difference which requires adjustment is for the superior retail use that is possible with all four sales.

After adjustments for the above stated differences, the range in market value indicated for the subject is from a low of \$36.22 per square foot to a high of \$39.81 per square foot. The average adjusted sale price is \$38.42, with a median price of \$38.78 per square foot. All the comparable sales are taken into consideration in determining a market value of \$38.50 per square foot is applied to the subject improvements. The total indicated market value then “as is” condition for the subject is ***\$235,000(rd.)***.

COMPARABLE MARKET SALES GRID

FEATURE	1	2	3	4
Subject				
Address / Legal	600 E 7th St Sioux Falls, SD	816 E 8th St Sioux Falls, SD	909 E 8th St Sioux Falls, SD	921 E 8th St Sioux Falls, SD
Sale Price	\$ 365,000	\$ 230,000	\$ 200,000	\$ 115,000
Date of Appraisal/Sale	Jan. 30 '17	Aug-16	Feb-15	Aug-15
Size/Area Improvements	6,095	5,280	5,230	1,300
Gross \$/Sq. Ft. Bldg. Area	\$ 54.78	\$ 43.56	\$ 38.24	\$ 88.46
Est. On-Site Extras	\$ -	\$ -	\$ -	\$ -
Net Sale Price for Bldg.	\$ 365,000	\$ 230,000	\$ 200,000	\$ 115,000
Adj. Sale Price / S. Ft.	\$ 54.78	\$ 43.56	\$ 38.24	\$ 88.46
ADJUSTMENTS TO COMPS.				
DESCRIPTION	DESCRIPTION	DESCRIPTION	DESCRIPTION	DESCRIPTION
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing Terms	Typical	Typical	Typical	Typical
Cond. of Sale	Typical	Typical	Typical	Typical
Yrly. Time Adjustment	N/A	N/A	N/A	N/A
ADJUSTED SALE PRICE	\$ 54.78	\$ 43.56	\$ 38.24	\$ 88.46
Age / Condition	1956/Avg. -25%	1950/Avg. -5%	1945/Fair 5%	1945/Avg. -25%
Size	6,095	5,280	5,230	1,300
Quality	Above Average	Average	Average	Average
Design / Appeal / Utility	Average	Average	Average	Average
Location	Average	Above Avg	Above Avg	Above Avg
Other	None	None	None	None
Use	Office	Retail/Office	Retail	Retail
NET ADJUSTMENTS	-30%	-10%	-5%	-55%
INDICATED VALUES/S.F.T.	\$ 38.35	\$ 39.20	\$ 36.33	\$ 39.81

Indicated S.Ft. Values for Subject:	Indicated Approx. S.Ft. Value For Subject Improvements \$ 38.50
High: \$ 39.81	Subject Size 6,095
Low: \$ 36.33	Estimated Value of the Subject Improvements \$ 234,658
Mean (Avg.): \$ 38.42	Additional On-Site Improvements, Etc. \$ -
Median: \$ 38.78	Estimated Total Market Value of Subject \$ 234,658
	Rounded to \$ 235,000

INCOME CAPITALIZATION APPROACH

The Income Approach to value is based on the present worth of the future rights to income. This type of analysis considers the property from an investor's point of view, the basic premise being that the amount and quality of the income stream are the basis for value of the property.

DIRECT CAPITALIZATION ANALYSIS

The steps involved in capitalizing the subject's net operating income are as follows:

- Develop the subject's Potential Gross Income (PGI) through analysis of the subject's actual historic income and an analysis of competitive current market income rates.
- Estimate and deduct vacancy and collection losses to develop the Effective Gross Income (EGI).
- Develop and subtract operating expenses to derive the Net Operating Income (NOI).
- Develop the appropriate capitalization rate (R_o).

Divide the net operating income by the capitalization rate for an estimate of value through the income approach.

Because the subject is vacant, I surveyed the market for other comparable leased property to help determine the appropriate market lease rate for the subject. The following are summaries of the best comparable leases located.

Falls Center

Location Data

Address: 405 S. 3rd Ave
Sioux Falls

County: Minnehaha

Location: Suburban



Physical Data

Property Type: Office

Land Area Acres: 1.270/Acres

Land Area Sq.Ft.: 55,300/Sq.Ft.

Gross Build Area: 38,090/Sq.Ft.

Number of Units: 1

Year Built: 1960

No. of Stories: 2

Property Condition: Average

Building Class: C

Leased Area Sq.Ft.: 2,414/Sq.Ft.

Lease Data

Confidential Lease: No

Confirmed By: Fred Preator

Confirmed With: Neil Schmidt

Lessor: Legacy Real Estate

Lessee:

Rent Data

Initial Year Contract Rate: \$9.32

Rate Monthly or Annual: Annual

Date of Lease:

Term of Lease:

Lease Renewal Options: Negotiable

Lease/Expense Type: Gross + Utilities

Annual Rental Increase: No

Comments

This is a two-story office building located in the southeast part of downtown just south of the Post Office. The building has overall average quality and condition. The rental unit is a second story office. Onsite parking is included in the lease rate. The tenant is responsible for utilities with all other expenses paid by the Landlord. Triple net rental rate is equivalent to \$6.00/SF.

Location Data

Address: 401, 407, 409 South
2nd Avenue
Sioux Falls
County: Minnehaha
Location: CBD

Physical Data

Property Type: Office
Land Area Acres: 0.484/Acres
Land Area Sq.Ft.: 21,066/Sq.Ft.
Gross Build Area: 9,200/Sq.Ft.
Number of Units: 1
Year Built: 1966
No. of Stories: 1
Property Condition: Average
Building Class: C
Leased Area Sq.Ft.: 2,720/Sq.Ft.

**Lease Data**

Confidential Lease: No
Confirmed By: CB
Confirmed With: Appraisal
Lessor: Jack Mills
Lessee: Richard C. Fulgge

Rent Data

Initial Year Contract Rate: \$7.94
Rate Monthly or Annual: Annual
Date of Lease: September 2014
Term of Lease: 5 Years
Lease Renewal Options: Two-5 Year Options
Lease/Expense Type: Triple Net
Annual Rental Increase: 2.5% for 3rd, 4th, & 5th Year

Comments

This is the lease of a one story, multi-tenant office building located in Sioux Falls, SD. The building has three suites being 409-407-and 401. Suite 409 has a gross area of 2,816 square feet and features six private offices, conference room, general office area, and two restrooms. It is leased for \$1,800 per month for a term of 5 years. The terms are to be triple-net and in addition there are two additional five-year option periods. The base rent is to increase 2.5% for the third, fourth, and fifth years of this lease. Per terms of the lease, there will be approximately \$10,000 worth of leasehold improvements to the property for the tenant, prior to occupying this space.

Location Data

Address: 401, 407, 409 South
2nd Avenue
Sioux Falls
County: Minnehaha
Location: CBD

Physical Data

Property Type: Office
Land Area Acres: 0.484/Acres
Land Area Sq.Ft.: 21,066/Sq.Ft.
Gross Build Area: 9,200/Sq.Ft.
Number of Units: 1
Year Built: 1966
No. of Stories: 1
Property Condition: Average
Building Class: C
Leased Area Sq.Ft.: 2,720/Sq.Ft.

**Lease Data**

Confidential Lease: No
Confirmed By: CB
Confirmed With: Appraisal
Lessor: Jack Mills
Lessee: Command Center

Rent Data

Initial Year Contract Rate: \$11.27
Rate Monthly or Annual: Annual
Date of Lease:
Term of Lease:
Lease Renewal Options: N A
Lease/Expense Type: Triple Net
Annual Rental Increase: N A

Comments

This is the lease of a one story, multi-tenant office building located in Sioux Falls, SD. The building has three suites being 409-407-and 401. Suite 409 has a gross area of 2,854 square feet and is occupied by Command Center. This suite offers a large open waiting room/reception are, private offices along the southern wall, and restrooms in back. The current rental rate is \$2,555 per month.

Location Data

Address: 401,407,409 South 2nd Ave
Sioux Falls
County: Minnehaha
Location: CBD

Physical Data

Property Type: Office
Land Area Acres: 0.484/Acres
Land Area Sq.Ft.: 21,066/Sq.Ft.
Gross Build Area: 9,200/Sq.Ft.
Number of Units: 3
Year Built: 1966-71
No. of Stories: 1
Property Condition: Average
Building Class: D
Leased Area Sq.Ft.: 2,720/Sq.Ft.

**Lease Data**

Confidential Lease: No
Confirmed By: Greg Kaschmitter
Confirmed With: Owner
Lessor: Richard W Blake
Lessee:

Rent Data

Initial Year Contract Rate: \$7.94
Rate Monthly or Annual: Annual
Date of Lease: September 2014
Term of Lease: 5 Years
Lease Renewal Options: Yes
Lease/Expense Type: Triple Net
Annual Rental Increase:

Comments

This is the lease for 2,720 square feet of office space. The lease is a 5-year triple net lease with two five year options. Each renewal term shall increase by 1%.

The above comparable leases are all superior to the subject in condition and smaller in size. Lease #1 is the most similar in condition but still slightly superior. Based on these comparable leases and the overall condition and size of the subject, I would estimate a rental rate for the subject should it be available to lease would be \$5.50 per square foot for the office area and \$2.50 per square foot for the garage area. The above lease rate estimates are annual lease rates based on triple net terms. According to terms of a customary triple net lease, the tenant is responsible for expenses including real estate taxes, insurance, utilities, grounds and maintenance. The owner would be responsible for the cost of management and replacement of longer lived components such as HVAC and roof systems.

The following is an explanation of the loss of income, expenses and assumptions used in this income approach analysis.

VACANCY AND RENT COLLECTION LOSS

Long term vacancy and rent collection loss for similar commercial buildings generally are at 6% to 8%. In projecting a stabilized property, a 6% vacancy and rent collection loss will be estimated and deducted.

OPERATING EXPENSES

REAL ESTATE TAXES

The real estate taxes under a triple net lease are the responsibility of the tenant.

INSURANCE

Insurance expenses under a triple net lease are the responsibility of the tenant.

UTILITIES

The utilities under a triple net lease are the responsibility of the tenant.

RESERVE/MAINTENANCE

Under a triple net lease, reserve and maintenance expenses are the responsibility of the landlord. These items include the structural components of the building such as walls and foundations, HVAC systems, etc. While normal landlords within the market typically do not set

up a reserve account, as these expenses are generally paid for out of operating revenue, a prudent investor would estimate a reserve account. Given the age and condition of the building, a reserve and maintenance expense of \$5,000 per annum is estimated.

MANAGEMENT

Management expenses under a triple net lease are typically the responsibility of the landlord, and generally range between 3% and 6% of effective gross annual income for properties such as the subject. Given the multi-tenant nature of the building, management expenses for the subject are estimated at 6%.

DERIVATION OF CAPITALIZATION RATE (OAR)

The capitalization rate utilized for the subject should be extracted from the market. I was not able to extract a capitalization rate from the sales used in the sales comparison approach.

The following chart summarizes the capitalization rates extracted from other sales of commercial properties:

ADDRESS	DATE OF SALE	SALE PRICE	PROPERTY TYPE	OVERALL RATE
408 W Lotta St	06/2014	\$500,000	Office	8.20%
401 S 2 nd Ave	04/2014	\$729,000	Office	8.88%
1001 W 41 st St	09/2013	\$1,950,000	Retail	8.00%
5109 S Cliff Ave	08/2013	\$206,250	Office	8.92%

Taking all the market data into consideration, as well as the subject’s condition of the property and age, a capitalization rate of 8.75% is used in this analysis.

Therefore, the conclusion and final analysis is that an 8.75% capitalization rate is appropriate. The indicated value after applying the capitalization rate to the net operating income of the subject’s improvements is calculated on the following chart and is **\$233,000 (rd.)**.

Income Approach: Direct Capitalization
(Using "Market" Components)

4,503	x	\$	5.50	=	\$	24,767	
1,592	x	\$	2.50	=	\$	3,980	
-	x	\$	-	=	\$	-	
-	x	\$	-	=	\$	-	
-	x	\$	-	=	\$	-	
-	x	\$	-	=	\$	-	
-	x	\$	-	=	\$	-	
6,095	x			=	\$	28,747	
PER MONTH				=	\$	2,396	
PER YEAR				=	\$	28,747	
VAC.			6.0%	=	\$	(1,725)	
ADJUSTED GROSS INC				=		\$ 27,022	

EXPENSES:

TAXES				Tenant
INSURANCE				Tenant
UTILITIES				Tenant
RESERVE/MAINT.		\$	5,000	
MANGT.	6.0%	\$	1,621	
MISC.		\$	-	
TOTAL EXPENSES			\$ 6,621	
NET OPERATING INCOME			\$ 20,400	

NOI / Cap Rate = Value Estimate (Fee Simple Title)

\$20,400 / 0.0875 = \$ 233,148

Rounded To **\$ 233,000**

RECONCILIATION OF FINAL VALUE

The estimated aggregate retail value in the fee-simple title, in the “as is” condition by the three approaches are summarized below.

COST APPROACH	N/A
SALES COMPARISON APPROACH	\$235,000
INCOME CAPITALIZATION APPROACH	\$233,000

After considering the three approaches to value, individual values are reconciled to derive a final value estimate for the subject property.

As previously discussed, the cost approach to value was not applied in this analysis. The elimination of the cost approach does not affect the reliability of the value conclusion herein.

In the Sales Comparison Approach to Value, the market value of the subject was estimated by comparison to four commercial buildings. A total of four sales, all located in the subject’s market area were researched and selected for comparison. Each of the sales was confirmed with a party to the transaction and the unit of comparison selected was the price paid per square foot. After adjustments, a final market value on a per square foot basis was concluded for the subject. The availability and quality of the data utilized in the sales comparison approach is considered good. Because the subject is not encumbered by any long-term lease, the sales comparison is given most weight in the final analysis.

In the Income Capitalization Approach to Value, the local market area was surveyed for comparable leases. The availability of the comparable leases is considered above average. The net operating income was concluded after market extracted expenses were deducted and an overall capitalization rate was applied. The availability and quality of the data utilized in the income capitalization approach is considered fair, and is given consideration in the final value conclusion.

In the final analysis, most consideration is given to the sales comparison approach with the income capitalization approach supporting.

Therefore, my opinion of the market value of the subject property in the "as is" condition, in fee simple title, as of January 30, 2017, is **\$235,000**.

TWO HUNDRED THIRTY-FIVE THOUSAND DOLLARS

MARKETING/EXPOSURE TIME

It is considered that the estimated marketing time (i.e.; the amount of time it would probably take to sell the subject property if exposed to the market beginning on the date of this valuation) is estimated at 12-18 months. This assumes a relatively aggressive marketing program be implemented and the list price be set in close relationship to market value.

The estimated exposure time is the amount of time a property would have been offered on the market prior to a consummation of a sale. The exposure time is estimated prior to the valuation date and is estimated at less than one year. The marketing and exposure time are applicable to the bulk discount valuation.

The above also assumes that the property does not display any forms of soil contaminants, waste petroleum or chemical contaminants or unclean fill that may be on the subject site. The presence of soil contamination may substantially reduce the value of the subject property. A Phase II study of the subject site has not been furnished this appraiser.

ADDENDUM

APPRAISAL SOLUTIONS, INC.
FREDERICK M. PREATOR

November 29, 2016

Mr. Matthew Anderson and Mr. Roy C. Fletcher
Real Estate Office
City of Sioux Falls (City)
224 West Ninth Street
P.O. Box 7402
Sioux Falls, SD 57117-7402

Subject: Lot 1 & the S ½ of Lot 2 & the W ½ of vacated alley lying adjacent, all in Block 1,
Dakota Improvement Company's First Addition to Sioux Falls, Minnehaha County,
SD - Proposal for Appraisal Services

Dear Mr. Anderson and Mr. Fletcher:

Introduction

Appraisal Solutions, Inc. appreciates the opportunity to present a proposal for appraisal services. This proposal outlines the property to be appraised, appraisal fee and completion date for our services.

Section One

The Appraiser shall appraise the following property for the purpose of estimating fee simple market value in the "as is" condition:

600 East 7th Street, Sioux Falls, South Dakota, legally described as: Lot 1 & S ½ of Lot 2 & the W ½ of vacated alley lying adjacent, all in Block 1, Dakota Improvement Company's First Addition to Sioux Falls, Minnehaha County, South Dakota.

Section Two

The City will pay the Appraiser \$3,000 for the cost of the appraisal. Because the final scope of work is undecided at the time of engagement, the appraisal fee reflects the maximum cost for the appraisal assignment.

47280 274TH STREET, HARRISBURG, SD 57032
605-929-6043 fred.preator@gmail.com
Page 1 of 2

Section Three

The Appraiser will provide the following services:

1. Confer with the staff of the Real Estate office, City Project Management office, and such other persons as necessary to understand the appraisal assignment.
2. Provide three (3) written, documented, and signed appraisals of each property in the form prescribed by the City. Provide one (1) PDF electronic file copy of each report to the following email addresses: rfletcher@siouxfalls.org & manderson2@siouxfalls.org

Section Four

The City will provide the following:

1. It will designate representatives to act in behalf of the City.
2. It will provide sufficient descriptions, surveys, and other data contained in its records which are pertinent to the property being appraised.
3. Assist, but not guarantee, access to the property.

Section Five

The appraisal shall be completed and delivered to the City not later than January 31, 2017. No payment shall be due the appraiser for a delivery of appraisal after that date.

Section Six

The appraiser understands the additional conditions and requirements set forth in the 2016 Agreement for Appraiser Services, identified as Agreement No. 16-3501 and signed by Frederick M. Preator on 9/25/2016.


Respectfully Submitted:



 Frederick M. Preator

DATE: 11/29/16

CITY ACCEPTANCE:

BY: 
 TITLE: Project Manager
 DATE: 12/16/16

47200 274TH STREET, HARRISBURG, SD 57032
 605-929-6043 fred.preator@gmail.com
 Page 2 of 2

FREDERICK M. PREATOR

47280 274th Street
Harrisburg, South Dakota 57032
(605) 929-6043
Email: fred.preator@gmail.com

EDUCATION

LEGAL

University of Wyoming College of Law, Laramie, Wyoming
Juris Doctorate, May 1998

- Member of the bar in Colorado, Wyoming and South Dakota

Undergraduate

Sioux Falls College, Sioux Falls, South Dakota
Bachelor of Arts, Political Science and History, December 1993

Appraisal

Appraisal Institute, Chicago, Illinois
Residential Sales Comparison and Income Approaches – 30 hours – May 2012
Business Practices and Ethics – Online – 5 hours – July 2012
General Appraiser Income Approach Pt 1 – 30 hours – April 2013
General Appraiser Income Approach Pt 2 – 30 hours – May 2013
General Appraiser Report Writing & Case Studies – 30 hours – July 2013
General Appraiser Sales Comparison Approach – 30 hours – Aug 2013
Real Estate Finance, Statistics & Valuation Modeling – 15 hours – Sept 2013
General Appraiser Site Valuation & Cost Approach – 30 hours – Dec 2013
General Appraiser Market Analysis & Highest & Best Use – 30 hours – Feb 2014

Kaplan Professional Schools, Minneapolis, Minnesota
Uniform Standards of Professional Appraisal Practices – 15 hours – Aug. 2011
Residential Site Valuation and Cost Approach – 15 hours – Feb. 2012
Market Analysis and Highest and Best Use – 15 hours – July 2012
Residential Report Writing and Case Studies – 15 hours – July 2012

Career WebSchool South Dakota, online
Basic Appraisal Procedures – 30 hours – Sept. 2011
Basic Appraisal Principles – 30 hours – Sept. 2011

EXPERIENCE

- Appraisal Solutions, Inc. May 2016 -- Present
Harrisburg, South Dakota
- Certified General Appraiser (licensed 05/06/2016)
- Kaschmitter Appraisals, Inc. September 2011 - May 2016
Sioux Falls, South Dakota
- Certified General Appraiser (licensed 05/06/2016)

EXPERIENCE CONTINUED

- F&A Enterprises, Inc. January 2001 - February 2011
dba Pro Ed, a real estate education provider
Sioux Falls, South Dakota
President/Owner
- Oversee all aspects of offering pre-licensing and continuing education for real estate agents, property managers, appraisers and home inspectors
- Cape School July 2009 - December 2010
Buckingham, Virginia
Director of Mortgage Education
- Developed and instructed pre-licensing course to meet SAFE Act requirements
 - Recruit and train instructors
 - Coordinate course offerings nationwide
- Preator Law Office, P.C. August 2000 - May 2010
Sioux Falls, South Dakota
Attorney/Owner
- General Practice focused primarily on real estate transactions; real estate finance, business acquisition and organization.
- Cooper Credit Corporation August 2003 - December 2008
dba Empire Mortgage, a mortgage brokerage company
Sioux Falls, South Dakota
President/Owner
- Insured compliance with applicable state and federal laws
 - Conducted regular career development meetings for originators and support staff
 - Managed lender and client relationships
- Wilkerson & Bremer, P.C. August 1998 - July 2000
Gillette, Wyoming
Associate Attorney

ACHEIVEMENTS

Authored

South Dakota Real Estate Basics, Dearborn Financial Publishing, Inc., 2003.

Co-Authored

IMPLIED WARRANTY OF HABITABILITY: It Is Time To Bury The Beast Known As Caveat Emptor, Land and Water Law Review, University of Wyoming, 1998.

LIST OF CLIENTS FOR PAST APPRAISAL SERVICES

City of Sioux Falls, South Dakota
Town of Baltic, South Dakota
American Bank & Trust
BankWest
First Bank & Trust
US Bank
Dacotah Bank
The First National Bank of Sioux Falls
Wells Fargo Bank
First Interstate Bank
First Premier Bank
Frontier Bank
Great Western Bank
Liberty National Bank
MetaBank
Plains Commerce Bank
Home Federal Savings and Loan
CorTrust/Dakota Mortgage
Liberty National Bank
Plus many others.....

South Dakota Department of Labor and Regulation

NO: 1221CG

This is to Certify that FREDERICK M. PREATOR of HARRISBURG, SD is duly licensed to appraise property in the State of South Dakota as a

STATE CERTIFIED GENERAL APPRAISER

Highest Level

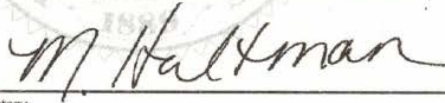
from the date hereof until September 30, 2017 unless terminated by the Department

State-Certified General Appraiser classification applies to appraisal of any type of property without regard to transaction value or complexity. The appraiser 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 02, 2016

2017



Secretary,
SOUTH DAKOTA
DEPARTMENT OF LABOR AND REGULATION