

SUMMARY APPRAISAL REPORT

Old Water Works Building
615 S. 10th Street
Livingston, Montana

PREPARED FOR

City of Livingston
Edwin R. Meece
City Manager
414 East Callender
Livingston, Mt 59047

PREPARED BY

Mr. Kurt D. Holm
103 ½ S. Main Street
Livingston, MT 59047
(406) 222-4654

DATE OF VALUATION

October 2, 2008

October 20, 2008

City of Livingston
Edwin R. Meece
414 East Callender Street
Livingston, Mt 59047

Re: Appraisal of the Old Water Works building located at 615 South 10th Street,
Livingston, Montana.

Dear Mr. Meece:

In accordance with your request, I have completed a summary appraisal of the above referenced property. The purpose of this report is to estimate the current market value of the above mentioned property, assuming its fee simple interest. It is understood that this appraisal will be used for asset evaluation.

In preparing this report, I have inspected the subject property and have observed both economic and land use trends in the subject's market area. In addition, recent sales have been researched, analyzed, and applied as appropriate. The appraisal has been conducted in accordance with the Uniform Appraisal Standards and the Code of Ethics.

Based on my investigation and analysis of available information, the estimated market value of the above referenced property, as described herein, as of October 2, 2008, is considered to be:

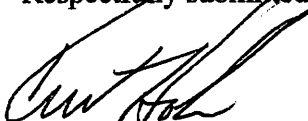
ONE HUNDRED TWENTY THREE THOUSAND DOLLARS
\$123,000

October 20, 2008
Page Two

The evaluation stated herein is subject to the Conditions and Assumptions that follow on the subsequent and attached pages. The remainder of this report has been divided into categories that address the pertinent aspects of the subject property and its valuation.

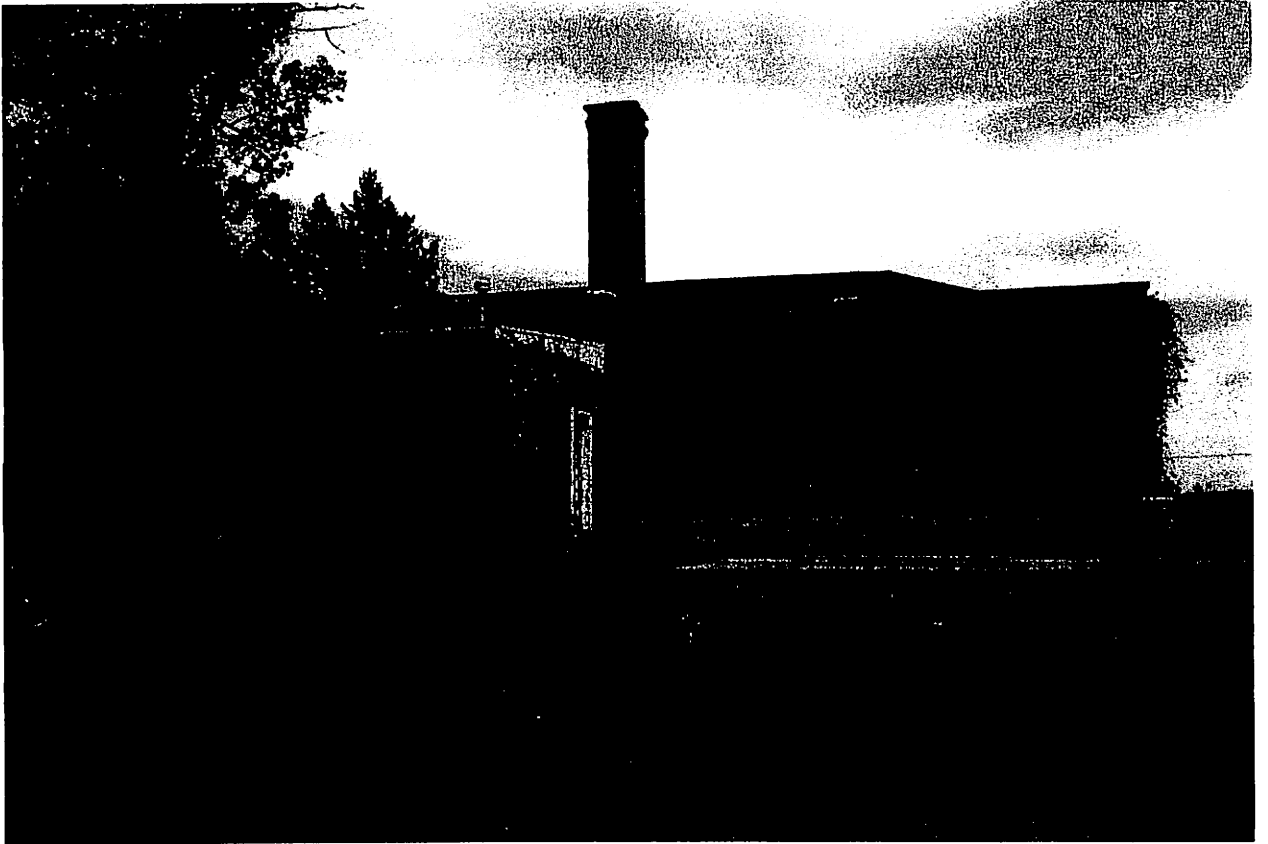
In the appraisal and analysis, I have not taken into consideration the possibility of the existence of toxic, hazardous, or contaminated substances or underground storage tanks (hazardous material) or the cost of encapsulating or the removal thereof, unless specifically noted.

Respectfully submitted,

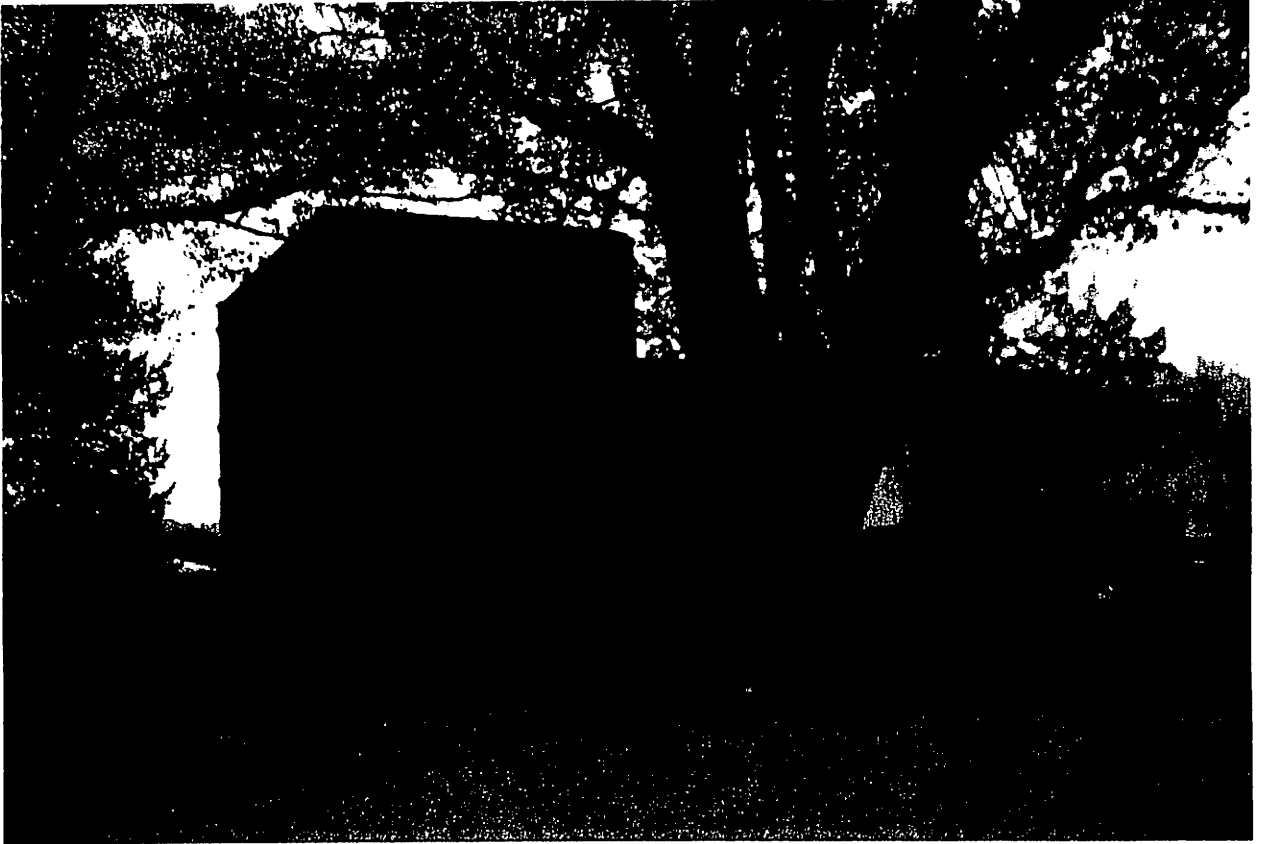


Kurt D. Holm

KDH



Front of Subject



Front of Subject



Side of Subject



Rear View of Subject

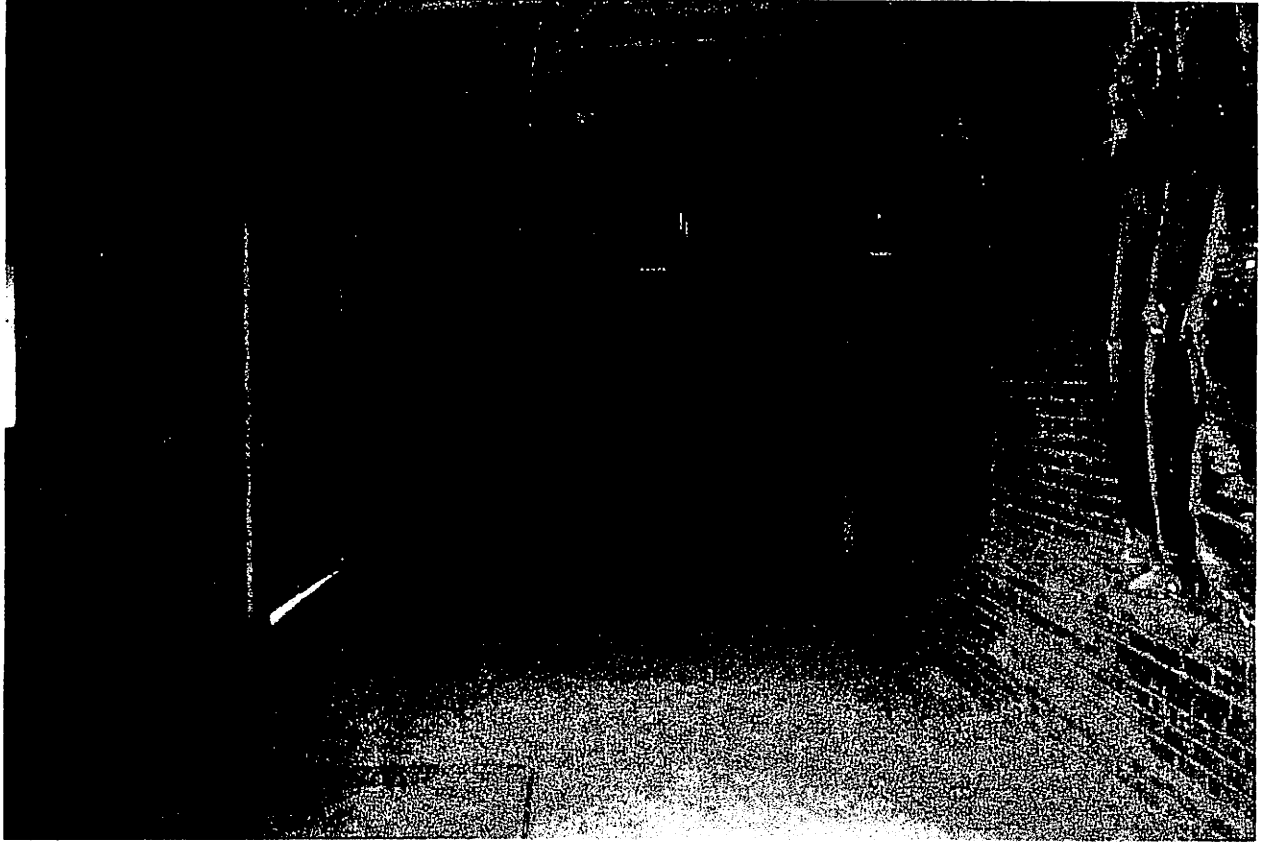


Rear and Side View of Subject

Side View of Subject



Front View of Subject



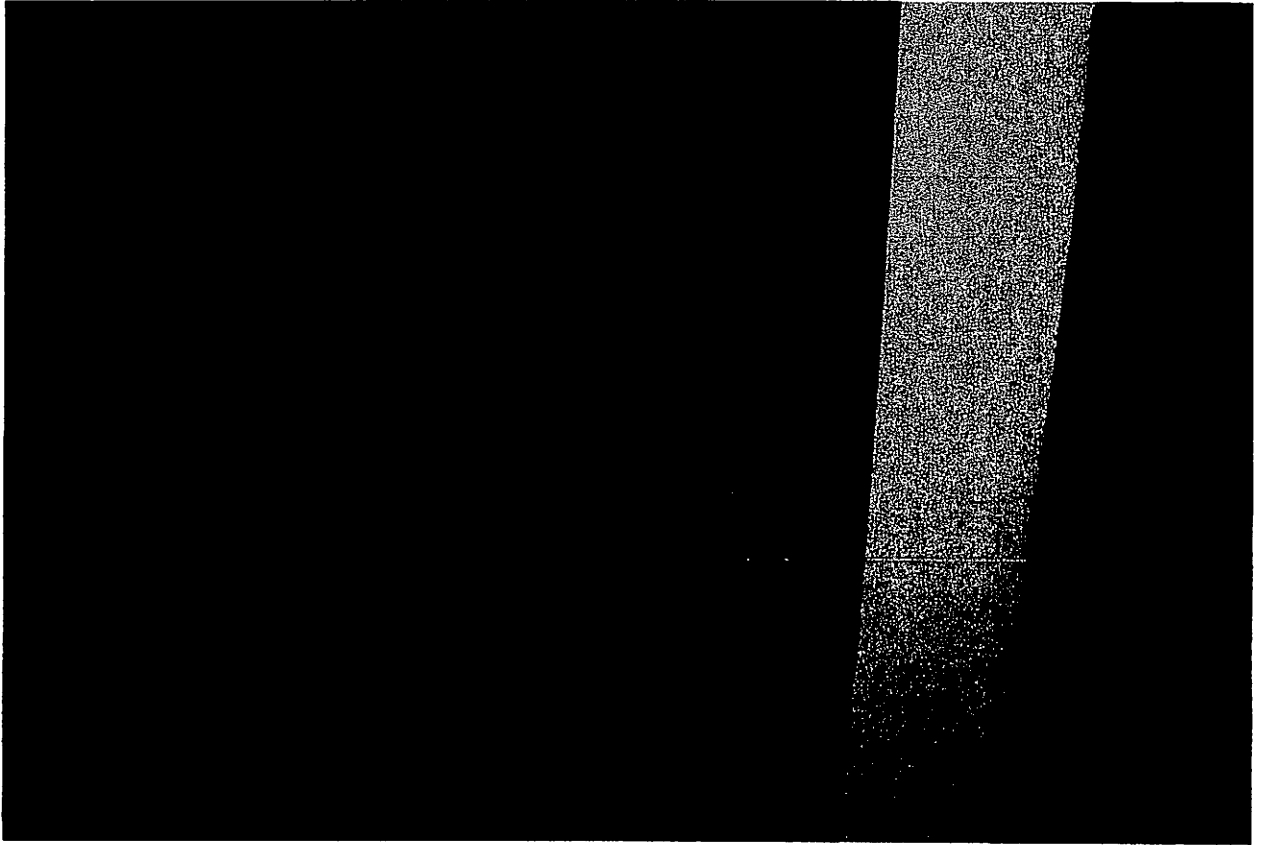
Interior View of Subject



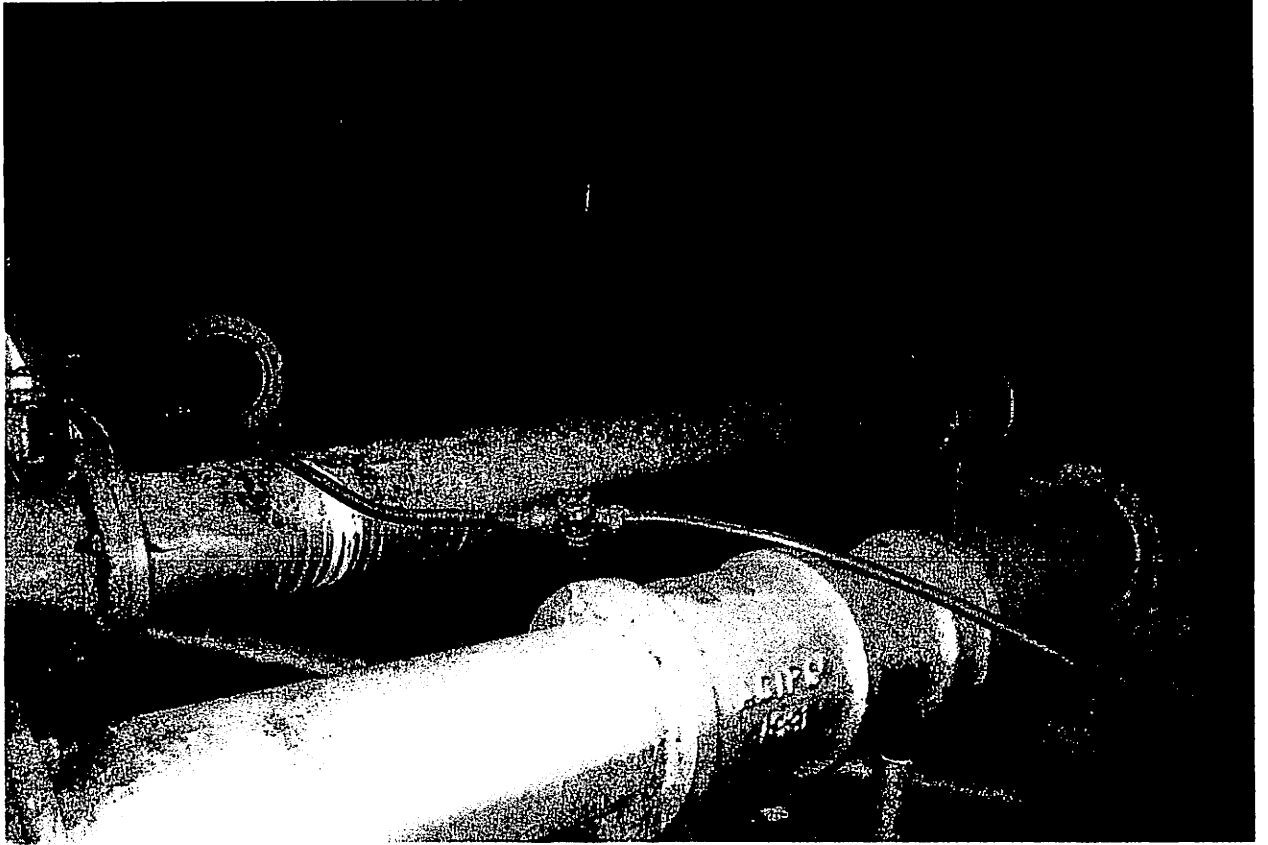
Interior View of Subject



Interior View of Subject



Interior View of Subject



Basement Area of Subject

This is a Summary Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.

CLIENT: City of Livingston
Edwin R. Meece
City Manager
414 East Callender
Livingston, Mt 59047

APPRAISER: Kurt D. Holm
103 ½ S. Main Street
Livingston, Mt 59047

SUBJECT: Old Water Works Building
615 S. 10th Street
Livingston, Montana.

LEGAL DESCRIPTION: Portion of Lots 19, 20, 21, 22, 23, 24, 25, 26
& 27, Block 35, Park Addition to the City of
Livingston.

PURPOSE OF THE APPRAISAL:

The purpose of this appraisal is to provide the appraiser's best estimate of the market value of the subject's real property as of the effective date. Market Value is defined by the federal financial institutions regulatory agencies as follows:

Market Value means the most probable price which a property should bring in a competitive and open market under all conditions requisite of 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 own best interests;
- (3) a reasonable time is allowed for exposure in the open market;

- (4) payment is made in terms of cash in U.S. 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.

(Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions (f).)

INTENDED USE OF REPORT: This appraisal is intended to assist the client, the City of Livingston, with asset evaluation.

INTEREST VALUES: Fee Simple

EFFECTIVE DATE OF VALUE: October 2, 2008

DATE OF REPORT: October 20, 2008

APPRAISAL DEVELOPMENT AND REPORTING PROCESS: In preparing this appraisal, the appraiser

- inspected the subject site, and the interior and exterior of the improvements.
- gathered and confirmed information on comparable sales.
- confirmed and analyzed the data and applied the sales comparison approach.
- gathered and confirmed information on land sales
- determined cost approach and income approach were not applicable.

The Summary Appraisal Report is a brief recapitulation of the appraiser's data, analyses, and conclusions. Supporting documentation is retained in the appraiser's file.

DESCRIPTION OF REAL ESTATE APPRAISED:

Location Description. The subject is located in Livingston, a small town in southwestern Montana. In the past several years, housing demand has been strong in Livingston with increasing rental rates and home values. There is very little vacant land available for development within Livingston City limits and most new development is taking place on the outskirts of the city. The economic outlook for both the immediate future and over the long term for Livingston and the surrounding areas is stable.

Livingston is influenced by Bozeman, 23 miles to the west. Bozeman is home of Montana State University. Bozeman has some of the highest average home prices in the state of Montana. Due to the high property values in Bozeman, Livingston is an affordable alternative to Bozeman. Many Livingston residents commute to Bozeman for work.

The subject's immediate area is the west side of Livingston. The neighborhood is primarily

a residential area and is one most desirable areas in Livingston. Just southwest of the subject is the Park Clinic, which is a medical office building. Livingston Memorial Hospital is also within a few blocks of the subject.

Property Description.

Site

The following is a summary of the subject sites:

Site Description	
Item:	
Lot Area:	12,300 sf (approximately)
Frontage:	175' on South 10 th Street
Zoning:	Preservation Zoning District
Topography:	Level to slope
Shape:	Irregular
Flood Zone:	No
Access:	Average
Visibility:	Average
Utilities:	All available
Street:	Asphalt paved, no sidewalks or curbs
Location:	Interior lot

The flood map for this area is FEMA Map #300051 0005B, dated May 19, 1987. The subject is zoned Preservation Zoning District under the jurisdiction of the city of Livingston. This zoning is meant of preserve and protect the historical building on the site. Uses allowed on this site are single family residential, duplexes and business and professional offices.

Building

The following is a summary of the subject buildings:

Building Description	
Item:	
Gross Building Area:	4,143 sf
Basement:	534 sf
Year Built:	1917
Effective Age:	35 Years
Height:	1.5-Story
Foundation:	Concrete
Structural:	Concrete & Block
Exterior Walls:	Brick
Roof:	Composition
HVAC:	None
Interior:	
Floor:	Concrete
Walls:	Concrete
Ceilings:	Wood
Condition:	Poor
Functional Utility:	Poor
ADA Compliance:	No

The subject property has many functional problems.

Assessment and Tax Data

Assessment & Tax Data
As the subject is owned by the city, there are no taxes.

Sales History

The subject has been owned by the City of Livingston since it was constructed in 1917.

HIGHEST AND BEST USE:

Highest and best use as though vacant. Under the current zoning, the subject could be used for a single family residential, duplex and business and professional offices. Based on the uses in the immediate area, the maximally productive and highest and best use of the site as though vacant would be as professional office.

Highest and best use as improved. Demolition of the existing improvements would be too expensive to be economically feasible. The most economically feasible use of the property would be to remodel the building for professional office space.

SUMMARY OF ANALYSIS AND VALUATION

Site Valuation

A Direct Market Comparison approach is used to estimate the fair market value of the subject site as if vacant and available to develop to its Highest and Best Use. Recent sales of vacant land, or land where the improvements are considered to contribute minimally to the value of the property, have been researched

LAND SALES						
No.	Location	Sales Price	Date of Sale	Size /SF	Price /SF	Zoning
1	800 W. Park Street Livingston, Mt Lots 5 & 6, Block 54, OT	\$55,500	09/04	4,792	\$11.59	HC
2	N. I Street Livingston, Mt Tract AG-1A2 of S/D 420	\$52,000	08/05	6,098	\$8.67	HC
3	511 & 515 W. Park Street Livingston, Mt Lots 5, 6, 7, 8, Block 57, OT	\$350,000	01/06	13,500	\$25.93	HC
4	604 W. Summit Livingston, Mt Lot 19, Block 3, S/D #463	\$50,000	02/08	8,550	\$5.85	RII
5	Pleiades Place Livingston, Mt Lot 19 Block 14, Northern Lights, Phase III	\$52,500	03/08	7,000	\$7.50	RII
	Sub 615 S. 10 th Street Livingston, Mt			12,300		PZD

Analysis and Conclusions

In the following analysis, the Sales Price per Square Foot method of comparison has been used. Each of the comparable sales has been analyzed in terms of how it compares with the subject with respect to location, size, zoning and terms of sale. With the exception of financing or cash equivalency adjustments, specific dollar or percentage adjustments have not been made. General

comparisons were used in a bracketing method of analysis in establishing an appropriate value per square foot for the subject.

Where terms of sale were considered to enhance the sales price achieved, a cash equivalent adjustment has been made. The units of comparison extracted here reflect those adjustments.

The land sales listed in the grid are considered to be the best available. No additional land sales were found.

The five closed sales have a price range from \$5.85 to \$25.93 per square foot. Direct comparison is difficult due to the unique zoning of the subject. There are only three uses allowed for the subject property. These are single family residential, duplex and office. Comparables 1, 2 and 3 have commercial zoning, while comparables 4 and 5 have residential zoning. The subject has a desirable location close to the Yellowstone River. Based on this analysis, a value of \$10.00 per square foot is considered reasonable for the subject site.

$$12,300 \text{ square feet} \times \$10.00 \text{ per square foot} = \$123,000$$

Rounded \$123,000

Valuation of the Improvements

The subject is a 4,143 square foot brick building which was the old water works plant. The building suffers from both physical depreciation and functional obsolescence. It is my opinion that the cost to remodel the building offsets any value of the improvements on the site. Therefore, no value has been given to the improvements on the site.

Sales Comparison Approach. A summary of the data on comparable sales is illustrated below.

No.	Location	Date of Sale	Sale Price	GBA (SF)	\$/SF GBA
1	1202 W. Front St. Livingston, Mt	11/05	\$235,200	4,040	\$58.22
2	924 E. Park Street Livingston, Mt	1/05	\$150,000	18,000	\$8.33
3	120 N. E. St. Livingston, Mt	6/06	\$130,000	1,800	\$72.22
4	2 Parkway Dr. Livingston, Mt	11/06	\$174,000	1,830	\$95.08
	Sub.615 S. 10 th St. Livingston, Mt			4,143	

Three closed sales in the Livingston area were analyzed. These sales ranged from \$8.33 to \$72.22 per square foot.

Comparable 1 is a similar size building on Front Street. Front Street is an inferior location to the subject. The building has a superior functional design and is in superior condition to the subject. This sale indicates that the subject property would have a value less than \$58.22 per square foot.

Comparable 2 is an old grain elevator and feed store on East Park Street. It has retail space at the front of the building with the remaining portion of the building being warehouse. Like the subject, this building has functional issues. The building is much larger than the subject. This sale indicates that the subject property would have a value above \$8.33 per square foot.

Comparable 3 is a smaller building in an inferior location to the subject. The building is in inferior condition to the subject. This sale indicates that the subject property would have a value less than \$72.22 per square foot.

Comparable 4 is a smaller building which was in superioro condition to the subject. This comparable was a single family home and has since been converted to a medical office building. This sale indicates that the subject property would have a value less than \$95.08 per square foot.

Adjustments		
Comparable	Price/Sq.Ft.	Adjustment
#1	\$58.22	Minus
#2	\$8.33	Plus
#3	\$72.22	Minus
#4	\$95.08	Minus

The comparable sales indicate that the subject property would have a value between \$8.33 and \$58.22 per square foot. When compared to the subject, taking into consideration size, parking, exposure, condition, quality, and utility, these comparables indicate a value of \$30.00 per square foot would be appropriate for the subject property.

$\$30.00 \times 4,143 \text{ Sq.Ft.} = \$124,000$ (rounded).

Value Conclusion.

The market value of the subject property, as of October 2, 2008, is therefore estimated to be:

One Hundred Twenty Three Thousand Dollars

\$123,000

The estimated exposure (i.e., the length of time the subject property would have been exposed for sale in the market had it sold at the market value concluded in this analysis as of the date of this valuation) time is 3 to 12 months. The estimated marketing time (i.e. the amount of time it would probably take to sell the subject property if exposed in the market beginning on the date of this valuation) is estimated to be 3 to 12 months.

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is subject to the following limiting conditions:

1. As agreed upon with the client prior to the preparation of this appraisal, this is a Limited Appraisal because it invokes the Departure Provision of the Uniform Standards of Professional Appraisal Practice. As such, information pertinent to the valuation has not been considered and/or the full valuation process has not been applied. Depending on the type and degree of limitations, the reliability of the value conclusion provided herein may be reduced.
2. This is a Restricted Appraisal Report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(c) of the Uniform Standards of Professional Appraisal Practice for a Restricted Appraisal Report. As such, it does not include discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
3. The legal description is assumed to be correct.
4. No responsibility is assumed for matters legal in character.
5. All existing liens, encumbrances, and assessments, if any, have been disregarded (unless otherwise noted), and the property is appraised as though free and clear and under responsible ownership and competent management.
6. The exhibits in this report are included to assist the reader in visualizing the property, and are not necessarily drawn to scale. No survey of the property was available at the time of appraisal.
7. Information, estimates, and opinions cited above are obtained from sources considered reliable; however, no liability for their accuracy can be assumed.
8. This report shall be used for its intended purpose only and by the parties to whom it is addressed. Possession of this report does not include the right of publication.
9. The undersigned is not required to give testimony or appear in court or at public hearings with reference to the property appraised by reason of preparation of this report, unless arrangements have been made prior to preparation of this report, or unless such services are within the scope of a contract agreement.

10. No opinion is rendered as to the title of the property subject to appraisal.
11. No soils study was available at the time of appraisal and no opinion is rendered on subsoil conditions.
12. The valuation presented herein is subject to revision based upon completion of a survey of the property.
13. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance with the requirements of ADA is estimating the value of the property.

CERTIFICATION

I certify that to the best of my knowledge and belief the statements of fact contained in this report are true and correct.

I further certify that the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.

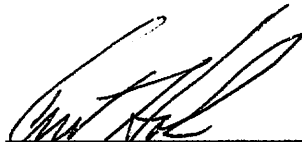
I further certify that I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.

I further certify that the amount of my fee is not contingent upon reporting a predetermined value or upon the amount of the value estimate. The appraisal analyses, opinions and conclusions were developed and this appraisal report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice.

I further certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

I do not authorize the out-of-context quoting from or partial reprinting of this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of media for public communication without the prior written consent of the appraiser signing this appraisal report.

Other than the undersigned, or as stated within the report, no one provided significant professional assistance to the person signing this report. The subject property was personally inspected on October 3, 2008, by Kurt D. Holm.



Kurt D. Holm

Addendum

KURT D. HOLM
103 ½ S. MAIN STREET #7
LIVINGSTON, MONTANA 59047
(406)222-4654
FAX (406)222-5340
KHOLMAPP@WISPWESTNET

EDUCATION:

1987-1989 University of Phoenix - BSBA
1985-1987 Brigham Young University - Construction Management

EMPLOYMENT:

2007-Present Independent Fee Real Estate Appraiser, Livingston, Mt.

Self employed real estate appraiser, analyst and consultant, performing a wide variety of appraisal assignments, including commercial, industrial, agricultural, residential and rural properties.

2004-2007 Independent Fee Real Estate Appraiser, Mesa, Az.

Self employed real estate appraiser, analyst and consultant, performing a wide variety of appraisal assignments, including commercial, industrial, agricultural, residential and rural properties.

1992-2004 Independent Fee Real Estate Appraiser, Livingston, MT

Self employed real estate appraiser, analyst and consultant, performing a wide variety of appraisal assignments, including commercial, industrial, agricultural, residential and rural properties.

1990-1992 Lyon, Skelte, and Spiers, Inc., Portland, Or

Appraiser and Analyst, performed a wide variety of appraisal assignments, including, commercial, industrial, residential and rural properties.

1987-1990 Valley Appraisals, Inc., Sepulveda, Ca

Senior Appraiser and Analyst, performed a wide variety of appraisal assignments, including commercial, industrial, residential and rural properties.

PROFESSIONAL TRAINING:

1987 Real Estate Principles, Lumbleau Real Estate School, Van Nuys, Ca
1988 Real Estate Appraisal, U.C.L.A, Los Angeles, Ca
1988 Basic Valuation Procedures, Appraisal Institute, Los Angeles, Ca
1990 Real Estate Appraisal Principles, Appraisal Institute, Los Angeles, Ca
1990 Capitalization Theory & Techniques, Part A & B, Appraisal Institute, Los Angeles, Ca

1993 Report Writing, Appraisal Institute, Portland, Or
1997 Principles of Rural Appraisal, ASFMRA, Denver, Co
2000 Advanced Applications, Chicago, Ill
2003 Highest and Best Use and Market Analysis, Lake Oswego, Or
2004 Standards of Professional Practice, Appraisal Institute, Helena, Mt
1987-present Various one and two day seminars.

Montana State General Certified Appraiser #191

References:

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Brad Hanson
Bank of the Rockies
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