

**REPORT OF THE BOARD OF FREEHOLDERS ESTABLISHING THE VALUE
OF LOT 1 OF WALLY BYAM ADDITION**

INTRODUCTION

The Rapid City Common Council appointed a Board of Freeholders to establish the value of a parcel of City owned property located on the Wally Byam site. The Freeholders appointed were Sam Kooiker, Ron Kroeger and Jim Preston. Subsequently, Mr. Preston sold his real property within Rapid City and was no longer eligible to serve as a freeholder. The Council then appointed Marcia Elkins to replace Mr. Preston. The Board of Freeholders is charged with establishing the value of the following legally described piece of property:

**LOT 1 WALLY BYAM ADDITION, SECTION 9,
TOWNSHIP 1 NORTH, RANGE 8 EAST, BHM,
RAPID CITY, PENNINGTON COUNTY, SOUTH
DAKOTA.**

The parcel consists of about 1.60 acres or 69,772 square feet. It is located on the eastern side of Rapid City, adjacent to South Dakota Highway 44.

PROCESS

The Board of Freeholders met four times to discuss the value of the property and has visited the site. In determining the value, the Board of Freeholders considered a full appraisal of the property prepared by Ken Simpson and a review of that appraisal completed by Terry Rathbun. In addition, each of the Freeholders is generally familiar with the value of property in and around Rapid City. The Freeholders relied on their personal knowledge and experience in determining the weight to give to the two appraisals of the parcel. The Board of Freeholders also received input from Mayor Alan Hanks, Growth Management Director Marcia Elkins, (prior to her appointment as a freeholder) and City Attorney Jason Green.

EVALUATION OF APPRAISALS

The Simpson appraisal considered a hypothetical parcel rather than the actual parcel under review by the Board of Freeholders. Simpson's appraisal was completed prior to the property being platted by the City and was a part of a larger appraisal of the entire Wally Byam site. Nonetheless, the parcel considered by Simpson is substantially similar in size and location to the actual platted parcel. In contrast, Rathbun's review of the Simpson appraisal took into account the change in size and dimension of the parcel that resulted from the platting of the lot. Rathbun also had access to additional comparable sales due to the later date of his review.

Simpson's appraisal resulted in a valuation of the hypothetical parcel of \$2.75 per square foot or a total value of \$191,500.00 (for 69,610 square feet.) Rathbun's review

places the value of the actual parcel at \$5.00 per square foot or a total value of \$348,860.00 for the actual parcel. Rathbun also located a comparable sale with a value of \$5.58 per square foot. Several factors are responsible for the differing values between the two appraisals. The first is timing of the appraisals. Simpson completed his appraisal on February 27, 2007. However, Rathbun's review was completed on July 7, 2008, more than a year later. Next, the size and configuration under consideration are different. Simpson considered a hypothetical parcel and Rathbun considered the actual parcel. The differing size and configuration of the actual parcel versus the hypothetical parcel effected Rathbun's view of the commercial viability of the parcel. In the end the Board of Freeholders believes that the comparable sale identified by Rathbun with a value of \$5.58 per square foot is the best indicator of the value of the parcel under consideration.

ESTABLISHMENT OF VALUE

Notwithstanding the appraisals, it is the obligation of the Board of Freeholders to determine the value of the property. As an initial note, it must be acknowledged that although the parcel under consideration is platted, the subdivision improvements have not been installed. In order to have the final plat of the property approved, the City agreed to install or to require the installation of the subdivision improvements. The Board of Freeholders believes that there are approximately 450 linear feet of street and associated improvements that are required to be installed. Using a value of \$400 per liner foot, the cost of the improvements is estimated to be \$180,000 or \$2.58 per square foot. The cost of the improvements should be paid by a purchaser and must be considered in establishing the value of the property. Simpson specifically recognized that although utilities were available to the Wally Byam site as a whole, no subdivision improvements were in place on the hypothetical parcel.

The Board of Freeholders is aware of the generally increasing value of property within the City of Rapid City. In addition, the parcel in question will have excellent access to Highway 44 and to several major thoroughfares. The parcel is located adjacent to the intersection of Highway 44 and the Southeast Connector. The Southeast Connector provides quick and easy access to Interstate 90, Highway 16, Highway 79 and the proposed Heartland Expressway. The surrounding land is very likely to see significant additional development in the near future due to the additional traffic that will result from the completion of the Southeast Connector. Therefore, the Board of Freeholders is of the opinion that the value of the property should be established by using a cost of \$5.58 per square foot which provides a total rounded valuation of:

\$389,330.00

as the value of Lot 1 of Wally Byam Addition, as legally described above. In arriving at its valuation determination, the Board of Freeholders is cognizant of the need for the installation of certain subdivision improvements identified during the platting process. The Board of Freeholders is of the opinion that the purchaser should be responsible for the cost of installing these improvements. Therefore, the Board of Freeholders finds that in addition to the purchase price identified above, any purchaser must post surety to

guarantee the installation of all required subdivision improvements as set out as a part of the plat approval in the amount of \$180,000.00.

Submitted this _____ day of November, 2008.

BOARD OF FREEHOLDERS

Marcia Elkins

Sam Kooiker

Ron Kroeger