

SUMMARY APPRAISAL REPORT OF:

**A 2.147 ACRE SITE IMPROVED WITH
A 9,594 SF HISTORIC MANSION AND
A 4,680 SF CARRIAGE HOUSE AT
811 SOUTH WILLSON AVENUE
BOZEMAN, MONTANA**



PREPARED FOR:

**Chris Kukulski
City Manager
City of Bozeman
121 North Rouse Street
Bozeman, Montana 59771**

MARKET VALUE AS OF:

January 30, 2014

PREPARED BY:

**Sandra S. Kennedy & Elliott M. Clark, MAI
Clark Real Estate Appraisal
6477 US Highway 93 South, #509
Whitefish, Montana 59937
(406) 862-8151**



6477 US Highway 93 South, # 509
Whitefish, Montana 59937

LETTER OF TRANSMITTAL

March 17, 2014

Mr. Chris Kukulski
City Manager
City of Bozeman
121 North Rouse Street
Bozeman, Montana 59771

Re: Summary Appraisal Report of a 2.147 Acre Site Improved with a 9,594 square foot Historic Mansion and a 4,680 square foot Carriage House at 811 South Willson Avenue, Bozeman, Montana

Dear Mr. Kukulski:

In compliance with your request Sandra Kennedy of Clark Real Estate Appraisal viewed the subject property on January 23rd, 2014, accompanied by Sid Bush, City of Bozeman Facilities Services Technician. Additionally, Sandra Kennedy and Elliott M. Clark viewed the subject property on January 30th, 2014, again accompanied by Mr. Bush. Applicable information regarding zoning was reviewed and trends in real estate activity in the area and throughout the state were researched and analyzed. We conducted a search for comparable sales. The visual inspection, review, searches, and analyses were made in order to prepare the attached summary appraisal report.

There are three approaches to value in the appraisal of real property. They are the Cost, Sales Comparison and Income Approaches. All three approaches and their applicability will be discussed in greater detail in the Scope of the Appraisal section of this report.

The value of the encumbered fee simple interest in the subject property is determined in this report. The opinions of value were developed after a thorough study of available market data and other data felt to be pertinent to this appraisal.

The attached summary appraisal report exhibits the factual data found and reasoning used in forming our opinion of value. The value is based on the assumption that all necessary governmental approvals have been obtained and will be maintained and that the property owners will exhibit sound management and sales practices.

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We were not provided with soil studies for the subject property. We assume that the soils are capable of supporting construction similar to that in the neighborhood without unusual soil preparation.

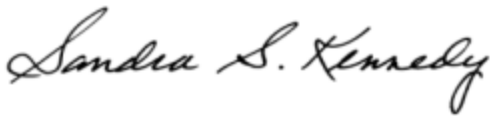
We certify that, to the best of our knowledge and belief, the statements and opinions contained in this appraisal report are full, true and correct. We certify that we have no interest in the subject property and that neither the employment to prepare this appraisal nor the compensation received is contingent upon the value estimate of the property.

This appraisal assignment was not made nor was the appraisal rendered on the basis of requested minimum valuations or specific valuations. This appraisal is subject to the attached Certification of Appraisal and Statement of Limiting Conditions. We further certify that this appraisal was made in conformity with the requirements of the Code of Professional Ethics of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation (USPAP).

Respectfully submitted,



Elliott M. Clark, MAI
Montana Certified General Real Estate Appraiser
REA-RAG-LIC-683



Sandra S. Kennedy
Montana Certified General Real Estate Appraiser
REA-RAG-LIC-758

14-006es

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TABLE OF CONTENTS

CERTIFICATION OF APPRAISAL	6
GENERAL ASSUMPTIONS & LIMITING CONDITIONS	8
SCOPE OF THE APPRAISAL	10
IDENTIFICATION OF THE SUBJECT PROPERTY	14
DATE OF INSPECTION	14
EFFECTIVE DATE OF MARKET VALUE	14
PROPERTY RIGHTS APPRAISED	14
PURPOSE OF THE APPRAISAL	15
INTENDED USE OF THE APPRAISAL	15
CLIENT & INTENDED USER(S) OF THE APPRAISAL	15
DEFINITION OF MARKET VALUE	15
HISTORY OF SUBJECT PROPERTY & STATEMENT OF OWNERSHIP	16
PROPERTY DESCRIPTION	20
A. GENERAL SITE DESCRIPTION.....	20
B. ACCESS & PARKING	23
C. ZONING.....	24
D. ASSESSMENT/PROPERTY TAXES.....	28
E. IMPROVEMENTS	28
F. EASEMENTS, BUFFERS, RESTRICTIONS, AND ENCROACHMENTS	32
G. TOPOGRAPHY, VEGETATION, & ENVIRONMENTAL CONSIDERATIONS	34
H. UTILITIES	34
I. PUBLIC SAFETY AND SERVICES.....	34
J. HISTORIC SIGNIFICANCE	34
K. SITE SUITABILITY	35
SUBJECT PHOTOGRAPHS	41
SUBJECT MARKET ANALYSIS-HISTORIC HOMES IN MONTANA	62
MONTANA HISTORIC MANSIONS PHOTOGRAPHS	65
SWOT ANALYSIS	74
HIGHEST AND BEST USE	75
CONSIDERATION OF FOUR PROPOSALS	82
THE APPRAISAL PROCESS	83
COST APPROACH.....	84
SALES COMPARISON APPROACH.....	97
RECONCILIATION OF VALUE INDICATIONS	112
QUALIFICATIONS OF THE APPRAISER	113
APPRAISERS LICENSES	116
ADDENDUM	117
NATIONAL ECONOMIC DATA	118
STATE ECONOMIC DATA	118
GALLATIN COUNTY DATA	119
CITY OF BOZEMAN DATA.....	122
ENGAGEMENT LETTER	128
SUBJECT DEED.....	134
REFERENCES.....	135

SUMMARY OF SALIENT DATA AND CONCLUSIONS

IDENTIFICATION OF CLIENT/INTENDED USE

Clients/Intended Users	City of Bozeman
Purpose/Intended Use	Estimate Market Value for possible marketing purposes
Property Owner	City of Bozeman

SUBJECT PROPERTY

Property Addresses	811 South Willson Avenue, Bozeman, Montana
Site Size(s)	2.147 Acres (As Assembled)
Description of Improvements	See Property Description
Assessor Number(s)	000RGH4399 and 000RGH62664
Census Tract	30 031 0011.02
Flood Zone	Area of Minimal Flood Risk (Map Panel 30031C0816D – Dated 09/02/2011)
Zoning	R-1 Residential Single-Household Low Density

HIGHEST AND BEST USE(S)

As If Vacant	Residential Subdivision Development
As Improved	Single Family Residence

DATES, VALUE CONCLUSION(S) AND ASSIGNMENT CONDITION(S)

Report Date	March 17, 2014
Inspection Date(s)	January 23, 2014 and January 30, 2014
Effective Date of Value(s)	January 30, 2014
Property Rights Appraised	Encumbered Fee Simple Interest

Estimate of Market Value	\$1,540,000
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Extraordinary Assumption(s)	See Scope of Work
Hypothetical Condition(s)	None

MARKETING TIME

The appraised value is based upon an approximately 9 to 12 month marketing period. Marketing time is addressed in detail in the Subject Market Analysis portion of this report.

APPRAISER INFORMATION

Appraiser(s)	Sandra Kennedy & Elliott M. Clark, MAI
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CERTIFICATION OF APPRAISAL

We certify that, to the best of our 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 our unbiased professional analyses, opinions, and conclusions.
- Elliott M. Clark, MAI and Sandra S. Kennedy have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- We have not performed services as appraisers regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined values or directions in value that favor the cause of the client, the amounts of the value opinions, the attainment of stipulated results, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice.
- Sandra S. Kennedy and Elliott M. Clark both viewed the subject property.
- No one provided significant real property appraisal assistance to the persons 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 Elliott M. Clark, MAI completed the continuing education requirements of the Appraisal Institute.
- As of the date of the report, Sandra S. Kennedy, has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.

Elliott M. Clark

Sandra S. Kennedy

Dated Signed: March 17, 2014
Elliott M. Clark, MAI
MT REA-RAG-LIC-683

Date Signed: March 17, 2014
Sandra S. Kennedy
MT REA-RAG-LIC-758

GENERAL ASSUMPTIONS & LIMITING CONDITIONS

The appraisal is subject to the following conditions and to such other specific and limiting conditions as are set forth in the appraisal report.

1. The legal description and site size are from the most recently recorded deed(s) or plat(s) and are assumed to be correct.
2. The appraisers assume no responsibility for matters legal in character, nor do they render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances and assessments have been disregarded and the property is appraised as though free and clear under responsible ownership and competent management.
3. Any sketches included in this report indicate approximate dimensions and are included to assist the reader in visualizing the property.
4. The appraisers have not made a survey, engineering study or soil analysis of the property and assume no responsibility in connection with such matters or for engineering, which might be required to discover such factors.
5. Unless otherwise noted herein, it is assumed that there are no encroachments, zoning violations or restrictions existing in or on the subject property.
6. Information, estimates and opinions contained in this report are obtained from sources considered reliable and believed to be true and correct; however, no liability for them can be assumed by the appraisers.
7. The appraisers are not required to give testimony or attendance in court by reason of this appraisal, with reference to the properties in question, unless arrangements have been made previously therefore.
8. The division of the land and improvements (if applicable) as valued herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.
9. On all appraisals, subject to satisfactory completion, repairs or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner.
10. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute. Except as hereinafter provided, the party for whom this appraisal report was prepared may distribute copies of this report, in its entirety, to such third parties as may be selected by the party for whom this appraisal report was prepared; however, selected portions of this appraisal report shall not be given to third parties without prior written consent of the signatory 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 advertising media, public relations media, sales media or other media for public communication without the prior written consent of the signatory of this appraisal report.

11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of the subject 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 the appraisers have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.
12. The appraisers are not experts at the identification of environmental hazards. This assignment does not cover the presence or absence of such substances. Any visually detected or obviously known environmental problems affecting the property will be reported and their impact on the value will be discussed.
13. This appraisal assignment was not made nor was the appraisal rendered on the basis of a requested minimum valuation, specific valuation, or an amount, which would result in approval of a loan.
14. The appraisers are not building inspectors and this report is not a building inspection. Any obvious defects are noted; however, this report is not to be relied upon for detection of unseen defects.
15. This appraisal was prepared for the client and the intended user named in this report. The analysis and conclusions included in the report are based upon a specific Scope of Work determined by the client and the appraisers and are not valid for any other purpose or for any other user.

SCOPE OF THE APPRAISAL

The appraisers were asked to determine the value of the encumbered fee simple interest in the subject property. Information about the subject property has been collected and analyzed in this report and a narrative appraisal report for the subject property has been prepared.

The scope of the appraisal requires compliance with the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Standards Board of the Appraisal Foundation and the Guide Notes to the Standards of Professional Appraisal Practice adopted by the Appraisal Institute. The standards contain binding requirements and specific guidelines that deal with the procedures to be followed in developing an appraisal, analysis, or opinion. The Uniform Standards set the requirements to communicate the appraiser's analyses, opinions and conclusions in a manner that will be meaningful and not misleading in the marketplace.

Scope of Property Viewing

Sandra Kennedy and Elliott M. Clark, MAI viewed the subject property. They were accompanied by Christopher Clark of Clark Real Estate Appraisal and Sid Bush of the City of Bozeman. The interior and exterior of the building were viewed. The interior configurations are approximate representations based upon a portion of the building plans provided by Comma-Q Architecture, Inc. via the City of Bozeman.

Scope of Research

The history of ownership, historical uses, and current use were researched via the City of Bozeman and the records of Gallatin County, Montana.

Area trends in development were researched. Comparable market data was obtained through a combination of research by our firm; personal inspections by our firm; state-wide databases; public record; and area realtors, appraisers, developers, and property owners. Every effort was made to verify details of transactions with a party involved in the transaction or a knowledgeable third party. **Montana is a non-disclosure state and realty transfer sales price information is not available via public record.**

We researched the subject property history and discovered over 300 related documents just within the City of Bozeman website. It is beyond the scope of this appraisal to review each document. The addendum to this appraisal includes a summary of all documents and sources relied upon for this report.

The subject property is not encumbered with a long term lease. It is an income producing property and we requested and received operating income and expense information for the subject property. We have considered this information in the highest and best use section of this report.

Because the subject is a historic property, additional research steps were required. Based on the article "The Costs and Benefits of Historic Properties" written by Judith Reynolds, MAI, and included in The Appraisal Journal, Spring 2006, there are nine questions to consider in the appraisal of historic properties. These and the applicability of the considerations are included on the table on the following page.

Historic Properties Considerations

Consideration	Applicability
What is the significance of this property to the history of the United States and/or its region, community or neighborhood and is its significance architectural, cultural or related to a historical figure or event?	The Story Mansion is historically significant to the City of Bozeman and the State of Montana as it represents one of the finest surviving examples of turn-of-the-century regional architecture. Further, it was built by Nelson Story, a notable pioneer best known as the first man to drive cattle from Texas to Montana.
What designations does the property have or is it eligible for in recognition of its significance?	The Story Mansion is listed on the National Register of Historic Places.
Is the property solitary, or is it one of a grouping of historic properties?	The Story Mansion is located within the Bon Ton Historic District and is the most prominent example of a group of homes built during the late 1800s and early 1900s.
Is the property eligible for historic rehabilitation tax credits or other tax credits?	If owned by a private entity, the Story Mansion may qualify for rehabilitation tax credits. Tax credits are addressed in detail in the Market Analysis section of this report.
Is the property eligible for grants, low-interest loans, or other benefits?	Potential sources of funding are included in the Subject Market Analysis section of this report.
Will the rehabilitated property benefit from heritage tourism?	Some potential uses of the Story Mansion would likely benefit from heritage tourism. These uses were not determined to be the Highest and Best Use of the subject property.
Is the property encumbered by, or eligible for, a preservation easement?	The Story Mansion is encumbered by a 50-year conservation easement between the City of Bozeman and the Montana State Historic Preservation Office. The conservation easement was granted as a condition of the eligibility of the City of Bozeman (Grantor) for financial assistance from the Montana State Historic Preservation Office (Grantee). The easement is discussed in detail in Property Description section of this report.
For what adaptive uses is the property suitable?	As currently allowed by a Conditional Use Permit, the Story Mansion may be used as a Community Center. However, if renovated and permitted, the property is suitable for a number of uses, from a single-family residence to lodging to a professional building to a public facility. The CUP is discussed in detail in the Property Description section of this report.
What extraordinary costs of rehabilitation or operation should be considered?	While some restoration has been completed, there is extensive physical depreciation (functional obsolescence and deferred maintenance) that will require remediation prior to most uses. Completed restoration and costs are discussed in the History of the Subject section of this report. Rehabilitation estimates are discussed in the Highest and Best Use and Cost Approach sections of this report.

Extraordinary Assumption

The value in this appraisal is based upon the **extraordinary assumption** that the costs for renovation of the primary residence would not exceed that estimated by the appraisers. Significant variation in the renovation costs may impact the subject property value.

Hypothetical Conditions

None

Highest & Best Use

Our opinion of the highest and best use for the subject property was developed using the research collected relative to the subject property, area development trends, and demographics. The information collected is considered comprehensive and provided a credible basis for carefully considered analyses. We have based the highest and best use analysis on the zoning, conditional use restrictions and encumbrances by easement that are currently in place. It was beyond the scope of this appraisal report to prepare a feasibility analysis for every type of proposal that has been submitted to the City. Additionally, it was not possible to prepare a credible feasibility analysis for each proposal submitted to the city because the proposals do not include sufficient details regarding costs for each proposed use. The appraisal process presented was based upon the highest and best use conclusion for the subject property.

Appraisal Process

The subject property consists of 2 parcels, both of which are owned by the City of Bozeman. The parcels are being utilized as assembled. For these reasons, we have provided the value of the subject property as assembled. There are three recognized approaches in the valuation of real property. They are: the Cost, Sales Comparison and Income Approaches. The Sales Comparison Approach provides the most credible indication of value for vacant land when there are comparable sales available. Based upon our analysis there were sufficient comparables and sufficient additional market data available to prepare a credible Sales Comparison Analysis for the subject site as if vacant. All three approaches were considered for the valuation of the subject property as improved. The income producing potential for the subject property is addressed in the Highest and Best Use section of this report. Based upon our analysis the Income Approach is not applicable to the valuation of the subject property. The Cost Approach and Sales Comparison Approach were developed to value the encumbered fee simple interest in the subject property as improved. The value indications from these two approaches were reconciled for a final value conclusion of the encumbered fee simple interest in the subject property.

Environmental

The appraisers do not possess the requisite expertise and experience with respect to the detection and measurement of hazardous substances, unstable soils, or freshwater wetlands. Therefore, this assignment does not cover the presence or absence of such substances as discussed in the Limiting Conditions section of this report. However, any visual or obviously known problems affecting the property will be reported and their impact on the value will be discussed.

General Data Sources

Individuals and offices consulted in order to complete this appraisal include the following:

- Various Departments of the City of Bozeman and Gallatin County
- Various Departments of Other Montana Counties
- Montana Department of Revenue
- Various Montana Area Multiple Listing Services including, Northwest, Southwest, Butte, Billings, Missoula, Great Falls and Helena
- Various Area Real Estate Agents, Real Estate Appraisers, Property Managers, Property Owners, Tenants and Builders
- Various Managers of Historic Properties throughout Montana

Specific data sources are noted in the body of the report where appropriate.

IDENTIFICATION OF THE SUBJECT PROPERTY

The address of the subject property is 811 South Willson Avenue, Bozeman, Montana. The property is located within of the city limits of Bozeman. The assessor numbers for the subject are included in the Summary of Salient Data and Conclusions portion of this report. A copy of the most recent deed is included in the Addendum portion of this report. The legal descriptions included in the most recently recorded deed for the subject property have changed since the most recent transfer. A copy of the most recent subject property plat is included in the Property Description section of this report.

DATE OF INSPECTION

January 30, 2014

EFFECTIVE DATE OF MARKET VALUE

January 30, 2014

PROPERTY RIGHTS APPRAISED

Fee simple is the greatest right and title, which an individual can hold in real property. The fee simple interest is defined in the *Appraisal of Real Estate*, 13th Edition, on page 114 as follows:

“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, escheat.”

The subject property is encumbered by a conservation easement. The encumbered fee simple interest for the subject property is provided in this report.

The leased fee interest is an ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. There are no leases in place for the subject buildings. For that reason no leased fee estate currently exists for the subject property.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value of the encumbered fee simple interest in the subject property, as of January 30, 2014.

INTENDED USE OF THE APPRAISAL

It is understood that the intended use of this appraisal is for potential marketing and sale of the subject property.

CLIENT & INTENDED USER(S) OF THE APPRAISAL

This report was prepared for the City of Bozeman, the client. No additional third parties can rely upon this report without the express written consent from both the appraisers and the client.

DEFINITION OF MARKET VALUE

Market value is defined in the following manner:

"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, knowledgeably and assuming the price is not affected by undue stimulus."¹

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 each acting in what he considers his own best interest;
- (3) a reasonable time is allowed for exposure in the open market;
- (4) payment is made in terms of cash in US 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.

¹ Office of the Comptroller of the Currency - Comptroller's Manual for National Banks, March 1990, 12CFR, parts 34.

HISTORY OF SUBJECT PROPERTY & STATEMENT OF OWNERSHIP

Ownership History

The subject property is owned by The City of Bozeman. The most recent transfer of the subject property was from Montana Alpha Building Association of Sigma Alpha Epsilon, Inc. via Warranty Deed recorded on April 18, 2003 with the Gallatin County Clerk and Recorder's Office as Document #2104950. A table with a history of recorded changes affecting the subject property since it was purchased by the City of Bozeman is presented below.

History of Property since Last Transfer							
Assessor #	Recording Date	Document Type	Document #	Seller/Grantor	Buyer/Grantee	Legal	Total Acres
Various (26 Lots-Block 3)	4/18/2003	Warranty Deed	2104950	Montana Alpha Building Association of Sigma Alpha Epsilon, Inc.	The City of Bozeman	Lots 1-26 of Block 3 of Butte Addition to the City of Bozeman, Gallatin County, Montana	2.147 acres (26 city lots as assembled)
000RGH4399	9/19/2005	Amended Plat of original 26 lots in Block 3	2202418	City of Bozeman	N/A	Lot 1A of Amended Lots 1-26, Block 3 of Butte Addition to the City of Bozeman, Gallatin County, Montana	2.147 acres as assembled (26 lots were re-platted to be one lot)
000RGH4399	7/21/2009	Conditions of Approval for a Conditional Use Permit for use of 1st floor of Story Mansion as a Community Center- (Application Z-09022 in City of Bozeman Dept of Planning & Community Development)	2337320	City of Bozeman	N/A	Lot 1A of Amended Lots 1-26, Block 3 of Butte Addition to the City of Bozeman, Gallatin County, Montana	2.147 acres
000RGH4399	7/31/2009	T.B. Story Mansion & Carriage House Conservation Easement Agreement for Save America's Treasures Grant No 30-04-ML-0046	2338483	City of Bozeman	Montana State Historic Preservation Office	Lot 1A, Block 3 of Amended Butte Addition to the City of Bozeman, Gallatin County, Montana	2.147 acres
000RGH4399 & 000RGH62664	12/29/2009	Amended Plat of Lot 1A to create Lots 1A-1 & 1A-2	2350319	City of Bozeman	N/A	Lots 1A-1 & 1A-2 of Amended Lot 1A, Block 3 of Butte Addition to the City of Bozeman, Gallatin County, Montana	1.0381 + 1.1092 = 2.147 acres as assembled (One lot re-platted to now be 2 lots)
000RGH62664	12/21/2009	Commission Resolution No. 4227 - Lot 1A-2 is declared to be Public Park Land	2349815	City of Bozeman	N/A	Lot 1A-2, Block 3 of Butte Addition to the City of Bozeman, Gallatin County, Montana	1.1092 acres (The portion of subject that was declared public park)

Based on our research of the City of Bozeman documents, the city paid \$1,316,489 for subject property in 2003.

Use History

The subject property was built in 1910 by Nelson Story for the T.B. Story family's use as a family residence. The subject property was sold to Sigma Alpha Epsilon fraternity in 1922. The fraternity sold the subject property to the City of Bozeman in 2003.

After purchasing the subject property the City began renovations in 2004. Renovations to portions of the subject improvements were completed in 2009. The grounds and improvements were made

available for rent by the public beginning in August 2009. Also in 2009, the city designated Lot 1A-2 as public parkland and encumbered the 1st floor and basement of the subject residence with a Conservation Easement for use as a community center. The Conservation Easement will be discussed in more detail in the Property Description section of this report. (Source: *The T.B. Story Mansion Architectural Assessment, 2003, Comma-Q Architecture, Pages 113-114; Document link provided to the appraisers by the client*).

Based on our research, there have been a number of sources of funding for the renovation of the subject property. Details of sources of income and the expenditures made since purchase are provided in the table below.

Investments in the Subject Property through January 2010						
Date	Description Details	Source of Funding	Designation Use	Amount Funded by Other Sources	Amount Spent by City	Total
2003	City Purchases from SAE Fraternity	City of Bozeman General Fund			\$1,316,489	
2004	Max Baucus and Conrad Burns successfully obtain HUD grant for exterior paint, windows & structural stabilization of the Story Mansion and carriage house	U.S. Department of Housing & Urban Development	Windows	\$297,000		
			Exterior Stabilization	\$497,000		
2004	City of Bozeman obtains Save America's Treasures (SAT) matching grant for Story Mansion (Conservation Easement required)	National Park Service	Basement and First Floor Renovation for use as Community Center	\$493,840		
2008	City of Bozeman matching funds to meet requirements for receiving the Save America's Treasures Grant	City of Bozeman General Fund	Basement and First Floor Renovation for use as Community Center		\$450,000	
2009	City General Fund to be reimbursed by Public Fundraising	City of Bozeman General Fund	Basement and First Floor Renovation for use as Community		\$391,222	
2009	National Trust for Historic Preservation Grant	Federal Funds		\$7,000		
2009	HB645 Historic Preservation Grant	State Funds	Insulation	\$24,334		
2009	Main Floor and Basement Completed					
2010	New Roof, some new siding, windows, gutter repairs, and re-painting required due to Hail Damage	Hazard Insurance	Hazard Insurance			
2004-2010	Donations to City for Story Mansion	City/Donations		\$5,935		
Unknown Dates	Other Grants	State and County Funds		\$5,000		
Unknown Dates	Other Additional Expenditures	City of Bozeman	City of Bozeman		\$113,016	
Total				\$1,330,109	\$2,270,727	\$3,600,836

Source: City of Bozeman Commission Memorandum Data February 7, 2011

Based on our research, the total investment in the subject property as of January 2010 was approximately \$3,600,000. We located several newspaper articles from 2012 that referenced total expenditures of \$3,700,000. We have appraised the subject for less than the 2003 sale price plus renovation costs to date. Restoration costs involved with historic properties do not always equate

to a commensurate increase in market value. This is addressed in the Subject Market Analysis portion of this report.

Marketing History

According to City Ordinances, there are restrictions and requirements related to the transfer of City properties. These requirements are discussed in the Property Description, which addresses “Easements, Buffers, Restrictions and Encroachments”.

Based on our research, the subject has not been marketed on the area MLS since it was purchased. The City of Bozeman published a request for proposals in the spring of 2011 and again in the spring of 2013. In both cases, the RFP was advertised in the Bozeman Daily Chronicle multiple times and was uploaded to the Bids/Projects page of the city of Bozeman website. A table with a history of the RFPs and the submitted proposals is on the following page.

History of Marketing and Request for Proposals						
by City of Bozeman						
Date	Organization/Submitter	Document	Description	Amount of Proposal or Buy/Sell	Related Fiscal Conditions	Explanation of Proposed Price
Mar-11	City of Bozeman	RFP	A Request for Proposals is approved by City Commission			
Jul-11	Exergy Development Group, LLC	Buy/Sell	Lot 1A-1 and improvements as encumbered with Conservation Easement for continued use as Community Center with reversion to city if buyer fails to restore the property. Closing was set for June 30, 2012 or sooner. The Buyer offered \$1,000 in earnest money but eventually defaulted on the agreement.	\$391,222		The suggested price of \$391,222 represented the amount of general fund money that the city spent in 2009 on renovating the mansion's first floor that was not covered by federal grant or city matching funds.
Apr-13	City of Bozeman		City Commission voted unanimously to find Exergy Friends of the Story in default of its agreement to purchase the Story Mansion.			N/A
May-13	City of Bozeman	RFP	A Request for Proposals is approved by Commissioners and advertised in Bozeman Daily Chronicle legal section multiple times and uploaded to City of Bozeman website	N/A		N/A
Aug-13	Bozeman Art Museum	Proposal 1A	City gifts the Story Mansion for use as a Fine Arts Museum and Carriage House as an office for Museum	Gift by City		None offered
		Proposal 1B	If not gifted, Offer to Purchase based on Grant Funding	\$400,000	Grant Money waiting to be released for acquisition. Renovation money to be raised.	None offered
Aug-13	The Montana Center for Civics Engagement	Proposal 2	Use not specified	\$400,000	Renovation money to be raised. Deposit of the title with the Montana History Foundation to be held in trust. City would provide grounds maintenance.	None offered
Aug-13	Story Mansion Inn Group	Proposal 3	17 overnight guest rooms in Mansion, wine bar and limited dining for guests and general public; 6 overnight guest rooms and meeting room in Carriage House	\$500,000 and possibly up to \$900,000	Initial Payment of \$500,000 upon closing and any renovation costs above \$1,100,000 would be deducted from the remaining \$400,000	City recovers a portion of the initial investment, achieves public relations success and diminishes future risk. City keeps the open space on the city block.
Aug-13	Tree of Life Ministries	Proposal 4	The Portal School of Creativity and Innovation	Fair Market Value (anticipated by bidder to be \$2,600,000)	None	Intent is to recognize the original investment to purchase (\$1,316,489) and the restoration investments (\$1,300,000 estimated by Tree of Life).

Source: City Commission Report from November 12, 2013

We have not appraised the subject based on the hypothetical use of any of the proposed projects. It is beyond the Scope of this report to have done so since we were not provided with details of renovation or projected income and expenses for each project.

PROPERTY DESCRIPTION

A. GENERAL SITE DESCRIPTION

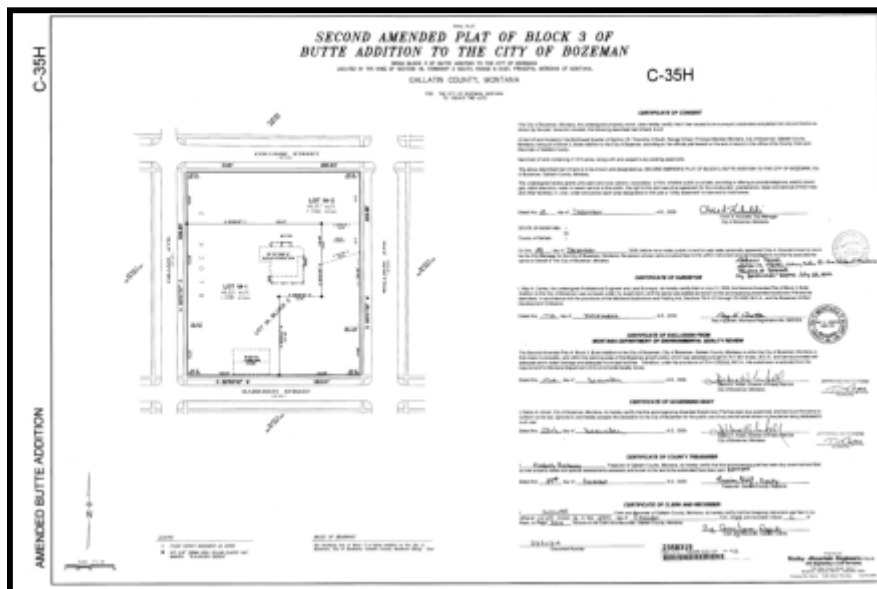
The subject is comprised of two lots that total 2.147 acres as assembled and together cover one city block. Lot 1A-1 totals 1.0381 Acres and is improved with a historic 3 story single-family residential home and a carriage house/barn. Lot 1A-2 is 1.1092 acres in size, is unimproved and has been dedicated as parkland. The subject property is located within the city limits of Bozeman in an area known as the Bon Ton Historic District.

The subject is bounded by College Street to the north, Willson Avenue to the east, Harrison Avenue to the south and Grand Avenue to the west. The subject property is identified as follows:

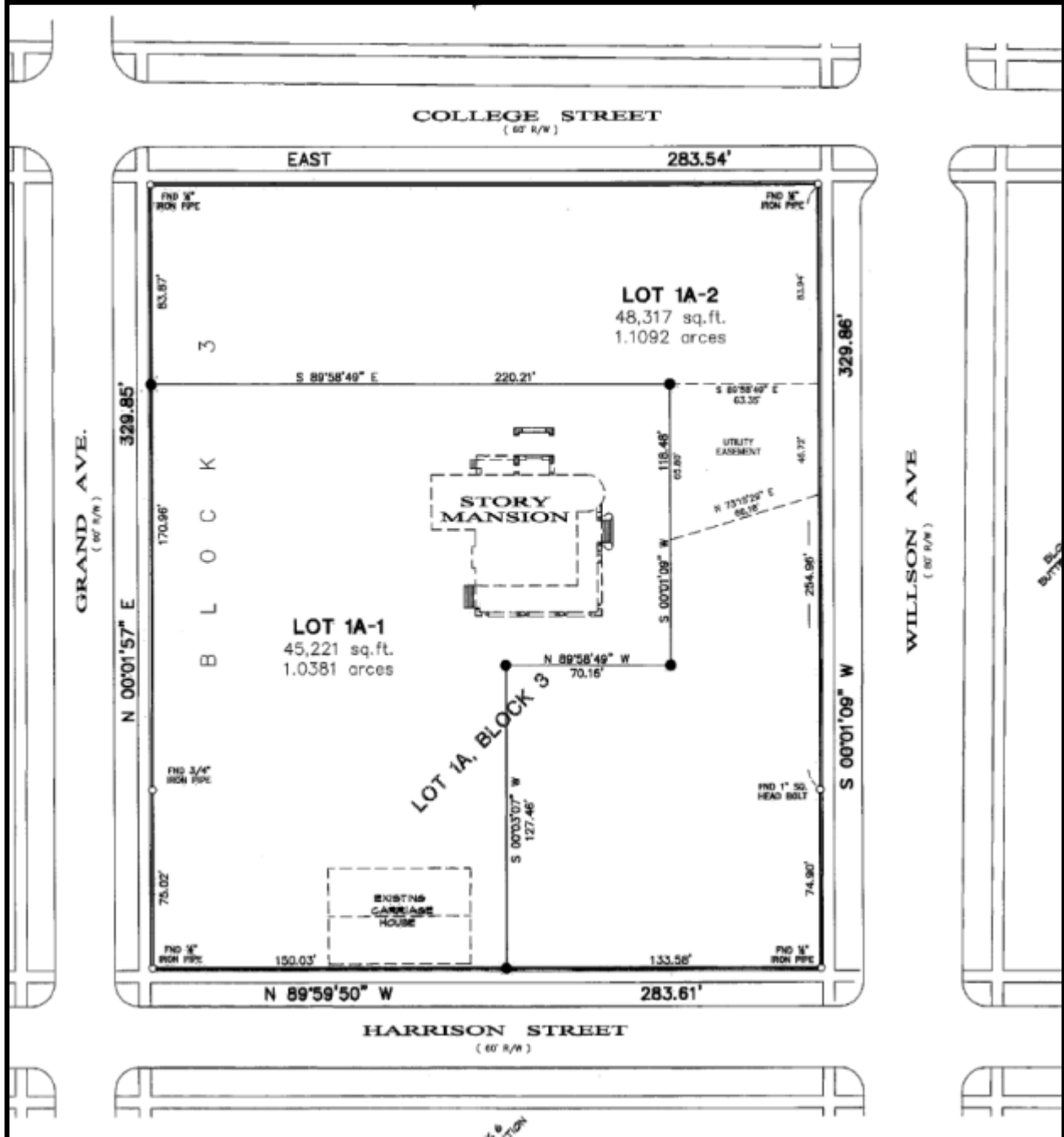
811 S Willson Avenue Bozeman, Montana Section 18, Township 02 South, Range 06 East				
Lot	Legal	Assesment Code	Status	Size in Acres
1	Lot 1A-1 of Amended Lot 1A of Block 3 of Butte Addition, City of Bozeman, County of Gallatin, Montana	00RGH4399	Improved	1.0381
2	Lot 1A-2 of Amended Lot 1A of Block 3 of Butte Addition, City of Bozeman, County of Gallatin, Montana	00RGH62664	Dedicated Park	1.1092
Total Land				2.1473

Exhibits relative to the subject property and improvements follow.

Subject Property Plat Map



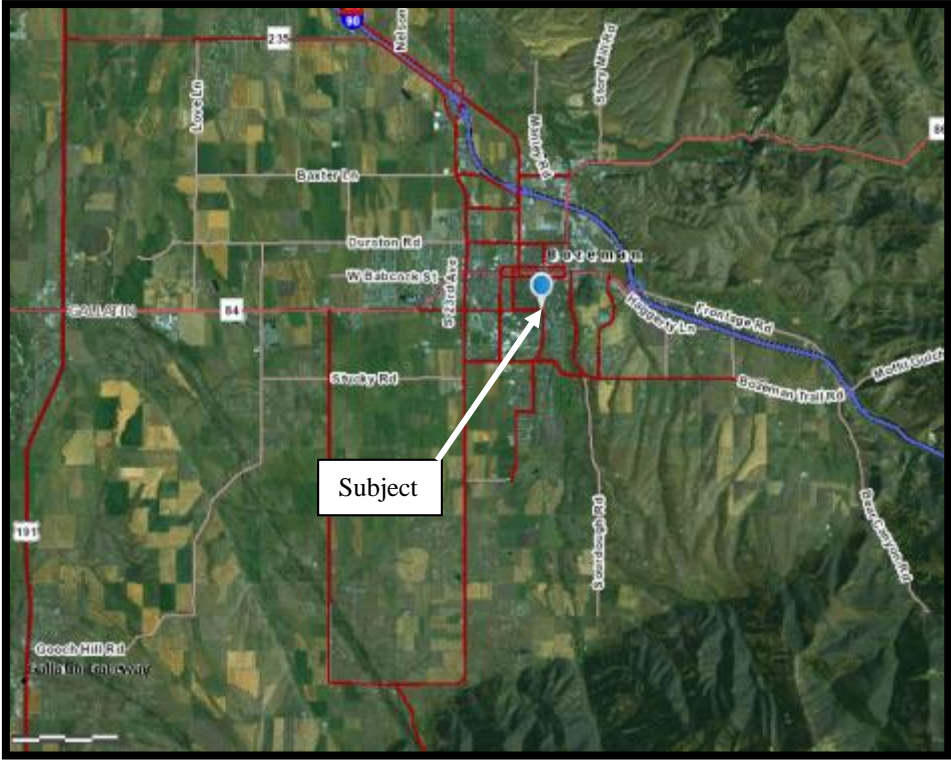
**Subject Property Zoomed In View of
Amended Lots 1A-1 and 1A-2 of Block 3 of Butte Addition to the City of Bozeman**



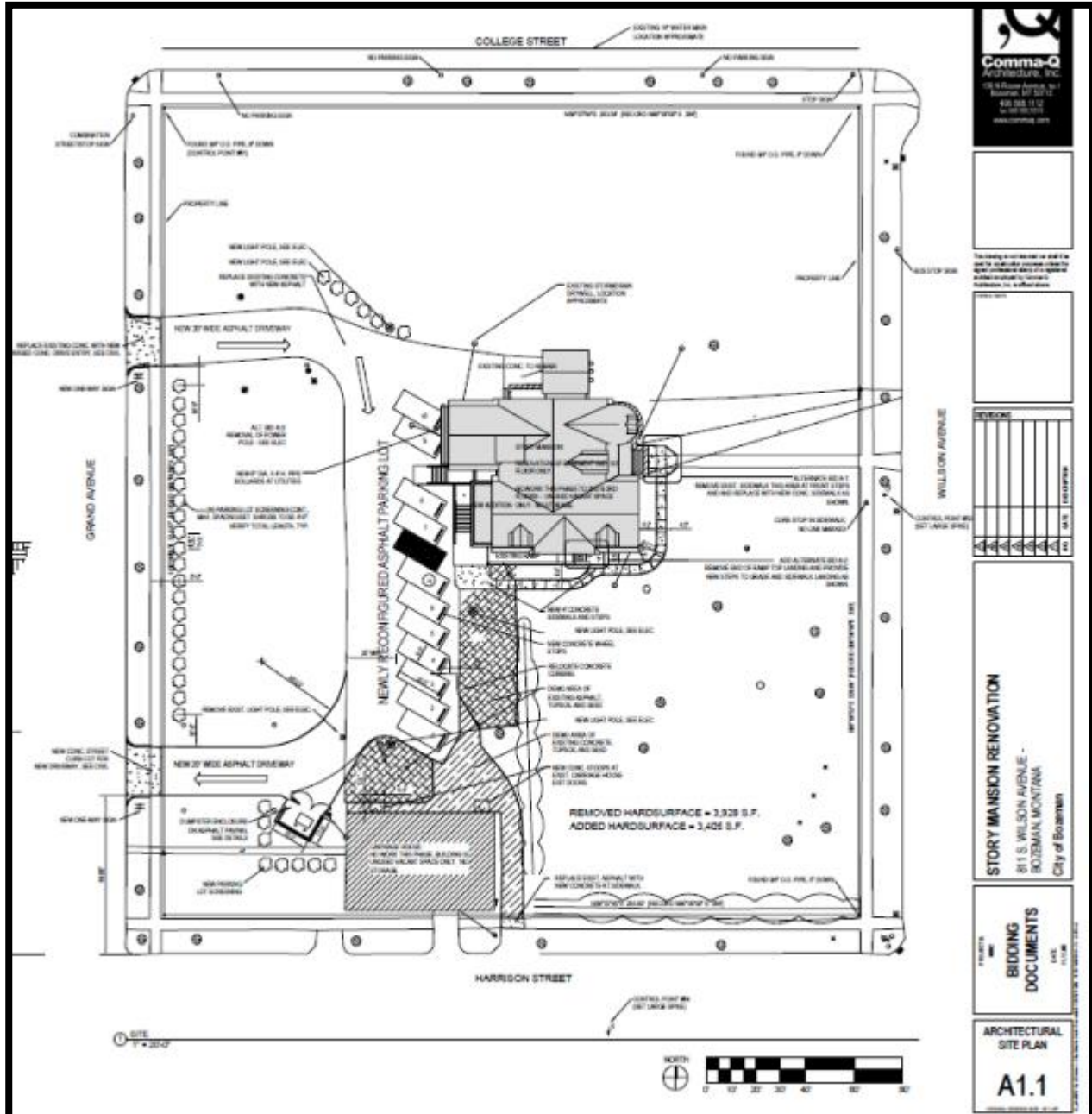
**Subject Property
Portion of Montana Cadastral Map
(Boundary lines are approximate)**



Aerial View Zoomed Out



Subject Property Site Plan from 2008 Renovation Project



B. ACCESS & PARKING

There are two 20 foot wide paved driveways providing vehicular access to the subject property from Grand Avenue. The driveways access an asphalt paved parking lot which includes 11 parking spaces, one of which is handicapped accessible. Parking appears adequate for the subject improvements.

C. ZONING

The subject property is located within the R-1, Residential Single-Household Low Density District. The district is described in the table below:

R1-Residential Single-Household Low Denisty District	
Intent of the District	"to provide for primarily single-household residential development and related uses within the city at urban densities, and to provide for such community facilities and services as will serve the area's residents while respecting the residential character and quality of the area."
Primary Allowable Uses	Single-household dwellings, Community residential facilities with eight or fewer residents, Essential Services - Type 1(such as water and sanitary sewer distribution and collection lines), Family day care home, Group day care home, Group living, Public and private parks, Manufactured homes on permanent foundations, and Townhomes when utilized to satisfy the requirements of Affordable Housing.
Conditional Uses	Accessory dwelling units, bed and breakfast, community center, Cooperative housing, day care center, extended stay lodging, golf course, and uses approved as part of a PUD per article 20 of this chapter.
Minimum Floor Area	That area required by the city's adopted International Building Codes.
Minimum Lot Coverage Area	no more than 40% of the lot area for single-household dwellings, no more than 50% of the lot area for townhomes and no more than 60% for any principal and accessory buildings used to satisfy the Affordable Housing criteria.
Minimum Lot Area	5,000 square feet for single-household dwellings; however, if satisfying Affordable Housing the requirement is 2,700 square feet for single-household and 2,500 square feet for townhomes. It is recognized these are minimums and that lots may need to be larger than the minimum to comply with other standards in the regulations.
Minimum Lot Width	Ranges from 30 to 50 feet with a wider allowances for single-household and smaller widths allowable for Affordable Housing single-household dwellings and townhomes.
Minimum Yard Requirement	Front yard: ranges from 15 to 25 feet and is based on the adjacent street type (arterial, collector or local). Rear yards: required to be at least 20 feet, but may be 25 feet when adjacent to an arterial street. Side yards: required to be 5 feet or 0 for interior townhomes. All vehicle entrances, oriented to the street, into garages shall be no closer than 20 feet to a property line.
Maximum Building Heights	Based on roof pitch and ranges from 24 to 36 feet.
Garages	Required to be subordinate to the dwelling and shall not obscure the entrance to the dwelling.
Minimum Density	Five dwellings per net acre.
Off Street Parking Requirement	The number of spaces required is dependent upon the unit type and number of bedrooms (from 1 to 4) or is based on the number of residents in the case of a group residence or the conditional use if approved for a CUP

In addition to the primary allowable uses, a Conditional Use Permit (CUP) is approved for the subject property. This CUP allows the subject to be utilized as a community center. A community center, as defined in Section 18.80.620 of the Bozeman Municipal Code (BMC), is "a building or portion of a building used for nonprofit cultural, educational, recreational, religious or social activities which is open to the public or a designated part of the public, usually owned and operated by a public or nonprofit group or agency". The CUP also allowed an additional access to the subject from Grand Avenue and the improvement of the existing parking area.

The subject is restricted by the location within the Neighborhood Conservation Overlay District. The intent and purpose of the Neighborhood Conservation Overlay District is to:

“stimulate the restoration and rehabilitation of structures and all other elements contributing to the character and fabric of established residential neighborhoods and commercial or industrial areas.”

The subject property is additionally located within the Bon Ton Historic District. The Bon Ton Historic District is one of ten historic districts within the Neighborhood Conservation Overlay District. **All ten of the historic districts are listed on the National Register of Historic Places.** (Only nine of the districts are depicted on the Neighborhood Conservation Overlay map because the Montana State University District was recently added.) The Bon Ton District is roughly bounded by Olive Street, Willson Avenue, Cleveland Street and 4th Avenue. It was added to the National Register of Historic Places on October 23, 1987.

Any property located within the Neighborhood Conservation Overlay district requires a Certificate of Appropriateness by the City of Bozeman design review board for all new construction, alteration to existing structures, movement of structures into or out of the neighborhood, or demolition of structures unless specifically exempted. Properties that are exempt from this requirement include those which are listed on the National Register of Historic Places. **Since the subject is located within the Bon Ton Historic District, it is considered to be listed on the National Register of Historic Places and any changes to the subject property are allowable only by approval of the National Park Service.**

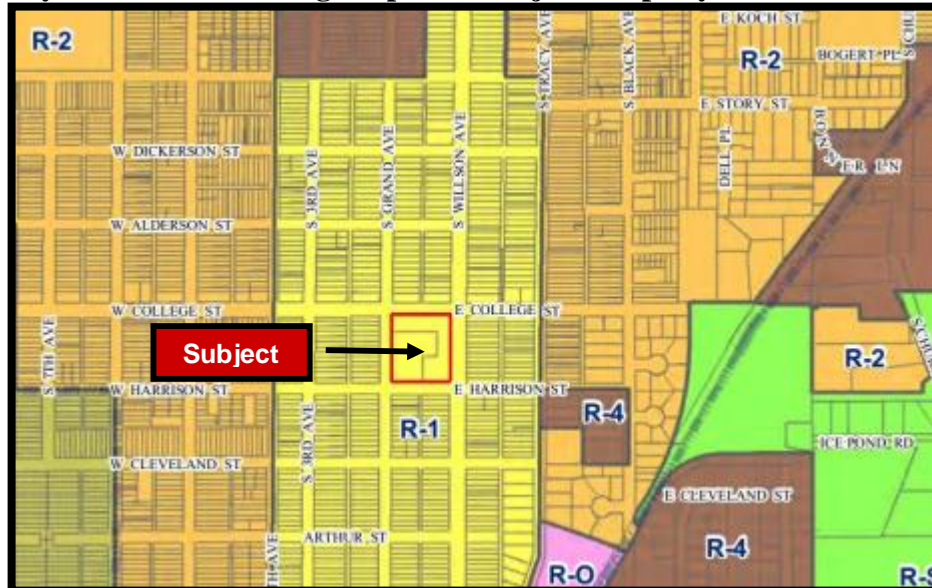
Any changes to structures listed on the National Register of Historic Places are based on *The Secretary of the Interior's Standards for the Treatment of Historic Properties*. The Standards are included in the addendum of this report and the Standards and the Guidelines can be found at the National Park Service website: (Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings)

<http://www.nps.gov/tps/standards/rehabilitation/sustainability-guidelines.pdf>

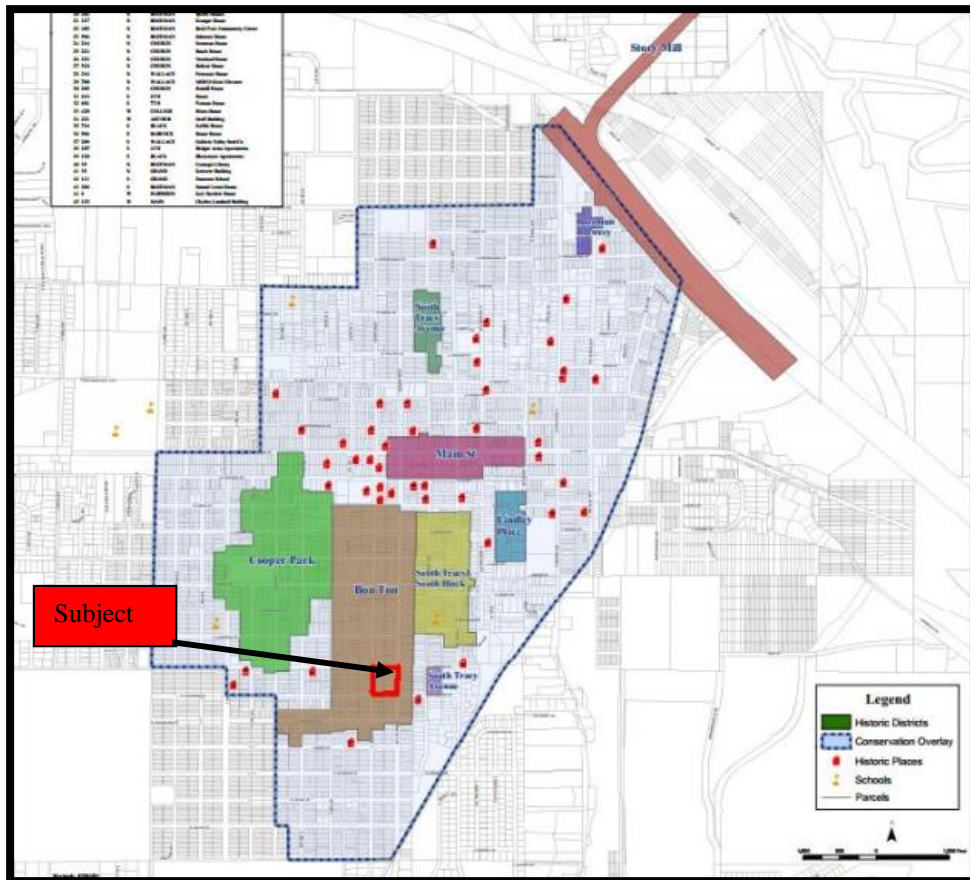
Additionally, the subject is encumbered by a Conservation Easement that is discussed more thoroughly in the Easement Section of this portion of the report. This Conservation Easement is the result of a condition of the grant by the National Park Service. The Conservation Easement requires compliance with the preservation guidelines of *The Secretary of the Interior's Standards for the Treatment of Historic Properties*. These guidelines pre-empt the City of Bozeman's Certificate of Appropriateness standards and *Design Guidelines for Historic Preservation*.

A portion of the zoning map with the subject indicated is presented on the following page.

City of Bozeman Zoning Map with Subject Property Outlined in Red



Neighborhood Conservation Overlay Map with Historic Preservation Districts



D. ASSESSMENT/PROPERTY TAXES

The subject is owned by the City of Bozeman. The City of Bozeman is exempt from paying real property taxes. If the subject were sold to a private owner/entity, the subject would be taxed based on its assessed value.

E. IMPROVEMENTS

The subject improvements include a 3-story single family residence with a 2-story carriage house/barn which were constructed from 1908 through 1910 and were partially renovated from 2004 through 2009. The main house roof and carriage house roof were completely replaced in 2010 as a result of hail storm damage. The subject main house totals approximately 9,594 square feet above grade with a 3,375 square foot basement. The carriage house totals approximately 4,680 square feet on two floors.

The table below provides a detail of the square footage for each floor of each improvement. The square foot estimates were provided to the appraisers by Comma-Q Architecture, Inc., architects for the client. The estimates were based on plans created by the architects in the assessment of the property in 2003 and the renovation of the property in 2008. We have relied upon these square footage estimates in this report.

Improvements at 811 Willson Avenue, Bozeman, MT		
		Square Footage
Story Residence		
1st Floor - Community Center		3,304
2nd Floor - Vacant/Requires Deferred Maintenance		3,450
3rd Floor - Vacant/Requires Deferred Maintenance		<u>2,840</u>
Above Grade SF		9,594
Basement		
Basement - Community Center*		1,166
Basement - Unfinished/Mechanical*		<u>2,209</u>
Total SF of Story Mansion		12,969
Carriage House		
1st Floor - Finished*		1,487
1st Floor - Storage*		873
2nd Floor - Unfinished Storage		<u>2,320</u>
Total SF of Carriage House		4,680

Source: Comma Q Architects; *Estimated breakdown by Appraisers

Details of the improvements and renovations to the improvements are presented in the following pages of this report.

Story Mansion - Main House

Exterior

The subject main house is of wood frame construction. The roof is a multi-gabled style with cedar shake shingles. It includes a turret on the front (east) side with two dormers and additional dormers on the south and west sides. According to Exhibit A of the Conservation Easement between the City of Bozeman and the Montana State Historic Preservation Office, “the mansion exterior features a broad range of stylistic influences in addition to Queen Anne architecture, including Tudor Revival and to a lesser extent Craftsman details.” (Conservation Easement Agreement, Gallatin County Clerk & Recorder, Document 2338483)

Exterior walls are brick on the main floor, cedar shingles on the 2nd floor and stucco with half-timber accents on the 3rd floor. The east side provides a large main floor entry. **Additional entries include:**

- a Porte Cochère entry on the north side;
- a rear entry to a hallway and prep kitchen on the northwest side;
- a rear entry access stairwell to the basement on the southwest side;
- a solarium entry on the south side; and
- a handicapped ramp along the south side of the subject accessing a wrap-around porch to the front and the solarium entry points.

There is a second-floor balcony on the east side off of the master bedroom and a second-floor balcony on the west side off of a secondary bedroom. The main house includes copper gutters and downspouts. There are a number of window styles in the main house, including multi-pane transom windows, double-hung semi-circular windows, and diamond paned fixed windows.

Portions of the subject have been renovated since 2003. **Renovations to the exterior include:**

- new copper gutters, downspouts and dry wells;
- removal of lead paint and application of new non-toxic paint;
- masonry work on foundation;
- improvements to woodwork on porches;
- the addition of a wheelchair access ramp;
- new wood window casings were constructed and wherever possible window glass was reclaimed. (The majority of the glass window panes in the main house are original but some replacement glass was required after the hail storm of 2010.);
- a new roof was added in 2010 after the hail storm.

Interior Main Floor & Basement

The subject basement foundation and crawl space below the porch are constructed of 18- to 20-inch-thick stone masonry walls. The basement floor is 6- to 8-inch-thick slab on grade. (Source: Comma-Q Architectural Assessment, Page 49)

The main floor includes a front entry foyer, a side entry, a dining room, living room, prep-kitchen, library, office, rear entry hallway and solarium.

The basement includes a men's restroom, a women's restroom, a coat room, a storage closet, a mechanical room, a rear exit and additional non-renovated storage areas.

The entire main floor and portions of the basement were renovated for use as a community center between 2004 and 2009. **Renovations to basement and main include:**

- an addition to the basement and main floor on the west side of the house provided a basement stairwell entry and a main floor storage area and bathroom;
- addition of public men's and women's restrooms in the basement;
- energy efficient HVAC system and an air circulation system;
- new electrical;
- new plumbing;
- updated wood flooring, some of which was reclaimed wood and some new period flooring to match original flooring;
- refinished wood wainscoting on the first floor walls;
- renovated prep kitchen with metal derryboard walls and vinyl flooring;
- new period type wallpaper in living room, dining room, office and library;
- doors and trim are either reproduction period doors or reclaimed doors throughout the basement and 1st floor;
- glycol fire suppression sprinkler system installed on the main floor and in the basement;
- restoration of original lighting fixtures and new fixtures where required;
- hot water radiant heat ceiling panels were added in the solarium;
- insulation of exterior walls;
- fireplaces in the living room and office have been closed off. It is possible that the fireplaces could be utilized again, but they are not currently functional;
- reinforced structural components.

Interior 2nd & 3rd Floors

The 2nd and 3rd floors of the subject residence are not currently used for the Community Center and these levels are in disrepair. Bathrooms on the 2nd floor are no longer in use and water lines to them have been capped. At the top of the 2nd floor stairwell landing there is a temporary wall and entry door leading into the 2nd floor foyer. The 2nd floor is partitioned into 9 rooms based upon prior use as a residence and fraternity house. The rooms on the 2nd floor include: a foyer, a master bedroom with study, a master bathroom, 6 smaller bedrooms, two additional bathrooms and a stairwell to the 3rd floor. The master bedroom includes a fireplace and a dressing room.

The 3rd floor is partitioned into 6 rooms based upon the prior use as a residence and fraternity house. The rooms on the 3rd floor include: a main room (originally designed as a ballroom) and 5 smaller rooms.

Although the 2nd and 3rd floor are not renovated for use, some updates were made to these floors for efficiency of maintenance.

Updates to the 2nd and 3rd floors include:

- a glycol fire suppression system;
- reinforced structural components on 2nd floor;
- insulated exterior walls;
- ceiling-mounted gas space heaters added in various locations;
- doors removed to provide adequate air circulation.

Quality and Condition

The overall quality of construction of the main residence is considered to be excellent. The overall condition of the renovated 1st floor and renovated areas of the basement is considered to be excellent. The overall condition of the areas of the basement that are not renovated and the 2nd and 3rd floors is considered to be poor.

Carriage House/Barn

Exterior

Construction of the carriage house/barn was completed in 1910. The carriage house is 2-story, wood frame construction with a gambrel style, cedar shake roof including two dormers on the north side and two on the south side. The main floor is approximately 2,360 square feet and the 2nd floor is 2,320 square feet in size.

Exterior walls are brick and cedar shingles on the main floor, and stucco with half-timber accents on the 2nd floor. The building was originally designed as a carriage house with a hay loft. The main floor was converted for use as a living area during the years the subject property was used as a fraternity residence.

Portions of the carriage house have been updated since 2003. **Renovations to the exterior include of the Carriage House include:**

- new copper gutters, downspouts and dry wells;
- removal of lead paint and application of non-toxic paint;
- a new cedar shake roof, replaced after 2010 hail storm.

Interior Main Floor Carriage House:

We estimate approximately one-third of the main floor of the carriage house includes unfinished storage area. The remaining main floor is finished area and includes: an open area; 4 smaller rooms that were previously used for bedrooms when occupied by the fraternity; and a bathroom with two stalls, two showers and two sinks. Interior finishes include carpet and vinyl flooring, gypsum board walls and acoustic tile ceilings with fluorescent lighting.

The 2nd floor was originally a hay loft and has not been significantly modified. The 2nd floor has exposed roof timber trusses. There are two stairwell accesses to the 2nd floor hay loft. One access is from the unfinished storage area and the second is from the northeast corner of the carriage house.

Quality and Condition

The overall quality of construction of the carriage house is considered good. The overall condition of the carriage house is considered to be fair on the 1st floor and poor on the second floor.

Site Improvements

Site improvements include an asphalt paved circular driveway and parking lot with entry and exit to Grand Avenue. The parking lot includes 11 parking spaces including 1 handicapped accessible space. The subject is serviced by a city water and sewer and also includes 2 private wells for site irrigation.

Improvement Exhibits

Architectural plans were prepared by Comma Q Architecture, Inc. in 2003 for an Architectural Assessment of the subject property. Additional architectural plans were prepared by Comma Q. Architecture in 2008 for a renovation project for the subject property. Both sets of plans were relied upon for architectural details and square footages utilized in this report. Portions of both architectural plans are included on the following pages as report exhibits. Photographs of the subject improvements are included at the end of this section of the report.

F. EASEMENTS, BUFFERS, RESTRICTIONS, AND ENCROACHMENTS

Appraisers do not prepare thorough title searches in normal course of business. We were not provided with a title report for the subject property.

The most significant easement for the subject property is a Conservation Easement between the City of Bozeman and the Montana State Historic Preservation Office. The easement encumbers the portion of the subject property identified as Lot 1A, Block 3 of Amended Butte Addition. The easement is entitled T.B. Story Mansion and Carriage House Conservation Easement Agreement for Save America's Treasures Grant No. 30-04-ML-0046. The easement is dated May 26, 2009 and was recorded on July 31, 2009 at the Gallatin Clerk and Recorder's Office as Document #2338483. According to the document, *"the purpose of the easement is the preservation of the Story Mansion and carriage house property, a one-block City of Bozeman site, which includes two buildings, that is culturally, historically and architecturally significant."*

The conservation easement was granted as a condition of the eligibility of the City of Bozeman (Grantor) for financial assistance from the National Park Service. The consideration for the easement was a \$493,839 grant to the City of Bozeman from the National Park Service of the United States Department of the Interior.

Listed below are the conditions of the easement that, in our opinion, impact market value:

- the conservation easement is for a period of 50 years;
- no construction, alteration, or remodeling of the subject property will be allowed without the approval of the Grantee and will be based on the Secretary of the Interior's Standards for the Treatment of Historic Properties preservation guidelines. A written narrative, with architectural plans, indicating the original character-defining elements of the subject property at the time the grant was created and is to be kept with the Grantee for reference purposes for the duration of the easement;

- the Grantor agrees to provide public access to view the grant-assisted work or features no less than 12 days a year on an equitably spaced basis. The dates and times that the subject property will be open to the public must be annually published and provided to the Grantee. A nondiscriminatory admission fee, comparable to fees charged at similar facilities in the area, is permitted;
- the Grantor agrees that the Grantee, its employees, agents and designees shall have the right to inspect the Subject Property at all reasonable times, with twenty-four hours written notice, in order to ascertain whether the conditions of this easement agreement are being observed;
- the Conservation Easement shall run with the land and be binding on the Grantor, its successors and assigns. Reference to the easement must be inserted in any deed or other legal instrument by which the Grantor divests itself of either the fee simple title or other lesser estate in the Subject Property.

(Source: T.B. Story Mansion and Carriage House Conservation Easement Agreement for Save America's Treasures Grant No. 30—4-ML-0046)

A copy of the Conservation Easement is retained in the appraisal work file.

As noted, the subject property is currently owned by the City of Bozeman. Based on Chapter 2.05 of the Bozeman Municipal Code, there are additional restrictions in place related to the transfer and sale of the subject property. The following ordinances are of particular significance:

- Bozeman Municipal Code 2.05.030.D states that “if the City owns property containing a historically significant building or monument, the City may sell or give the property to nonprofit organizations or groups that agree to restore or preserve the property. The contract for the transfer of the property must contain a provision that: 1) requires the property to be preserved in its present or restored state upon any subsequent transfer; and 2) provides for the reversion of the property to the City for noncompliance with conditions attached to the transfer”;
- Bozeman Municipal Code 2.05.040 indicates “when the City Commission, after public hearing, has determined by a two-thirds vote of all the members that any real property owned by the city is not needed for public use, or that the public interest may be furthered, the City may sell such property by bid, auction with reserve, or negotiated sale or exchange, subject, where appropriate, to a minimum price established through an appraisal that certifies the value of such property. Notice of sale, exchange, or auction shall be published as provided in MCA 7-1-4127. The city may terminate the sale procedures used at any time and may reinstate the same or different procedures at a later date.”;
- Bozeman Municipal Code 2.05.050.A states that “Except as provided in Section 2.05.030 D, a sale under this part must be for cash or on terms that the City Commission may approve, provided that at least 20% of the purchase price is paid in cash. All deferred payments on the purchase price of any property sold must bear interest at a market rate, payable annually, and may be extended over a period of not more than five years”. And 2.05.050.B states that “Subject to Section 2.05.030.D, a sale may not be made for less than 90% of the appraised value”.

(Source: Commission Memorandum, February 7, 2011 and Bozeman Municipal Code.)

Based on the most recently recorded plat of the subject, there is a utility easement along the east boundary of Lot 1A-2, beginning 83.94 feet south of the northeast corner of the lot. The utility easement is trapezoidal in shape and is approximately 3,600 square feet in size.

It is assumed that any additional utility easements are located in the street rights-of-way. We did not locate any additional easements, buffers, restrictions, or encroachments associated with the subject property. If there are additional easements, buffers, restrictions, or encroachments in place that the appraisers are not aware of the value indicated in this report could be affected.

G. TOPOGRAPHY, VEGETATION, & ENVIRONMENTAL CONSIDERATIONS

We have not been provided with an environmental audit for the subject property and assume there are no toxic materials or groundwater contamination of the property. We assume that drainage has been adequately engineered for the site and improvements. We have not been provided with a soil study for the subject site. We assume the soil can accommodate the type of construction typically seen in the subject area.

The subject topography is generally level. The subject property includes mature landscaping with mature cottonwoods, firs and shrubs. The site also includes annual and perennial beds that were covered with snow when viewed by the appraisers. Images available to the appraisers online indicate the perennial and annual beds to be elaborate and well maintained.

According to the Federal Emergency Management Flood Zone Map the subject property is located in an area of minimal flood risk. This is shown on flood map 30031C0816D dated September 2, 2011. A copy of a portion of the City of Bozeman GIS map link to the FEMA map is included in this section of this report.

H. UTILITIES

The subject property has access to electricity, natural gas, telephone, internet, city water and sewer and includes two private wells for site irrigation.

I. PUBLIC SAFETY AND SERVICES

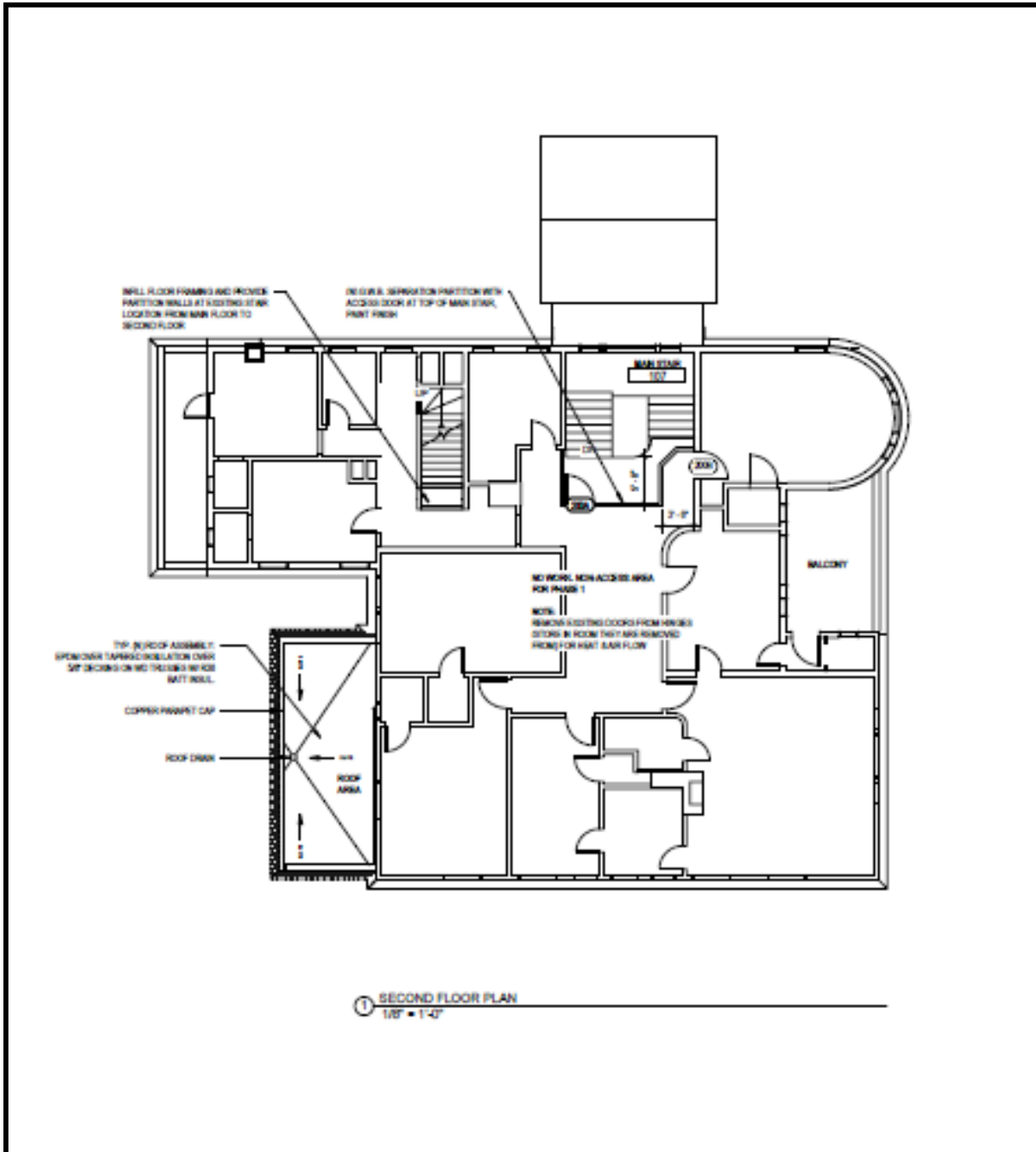
Police and Fire services are provided by the City of Bozeman.

J. HISTORIC SIGNIFICANCE

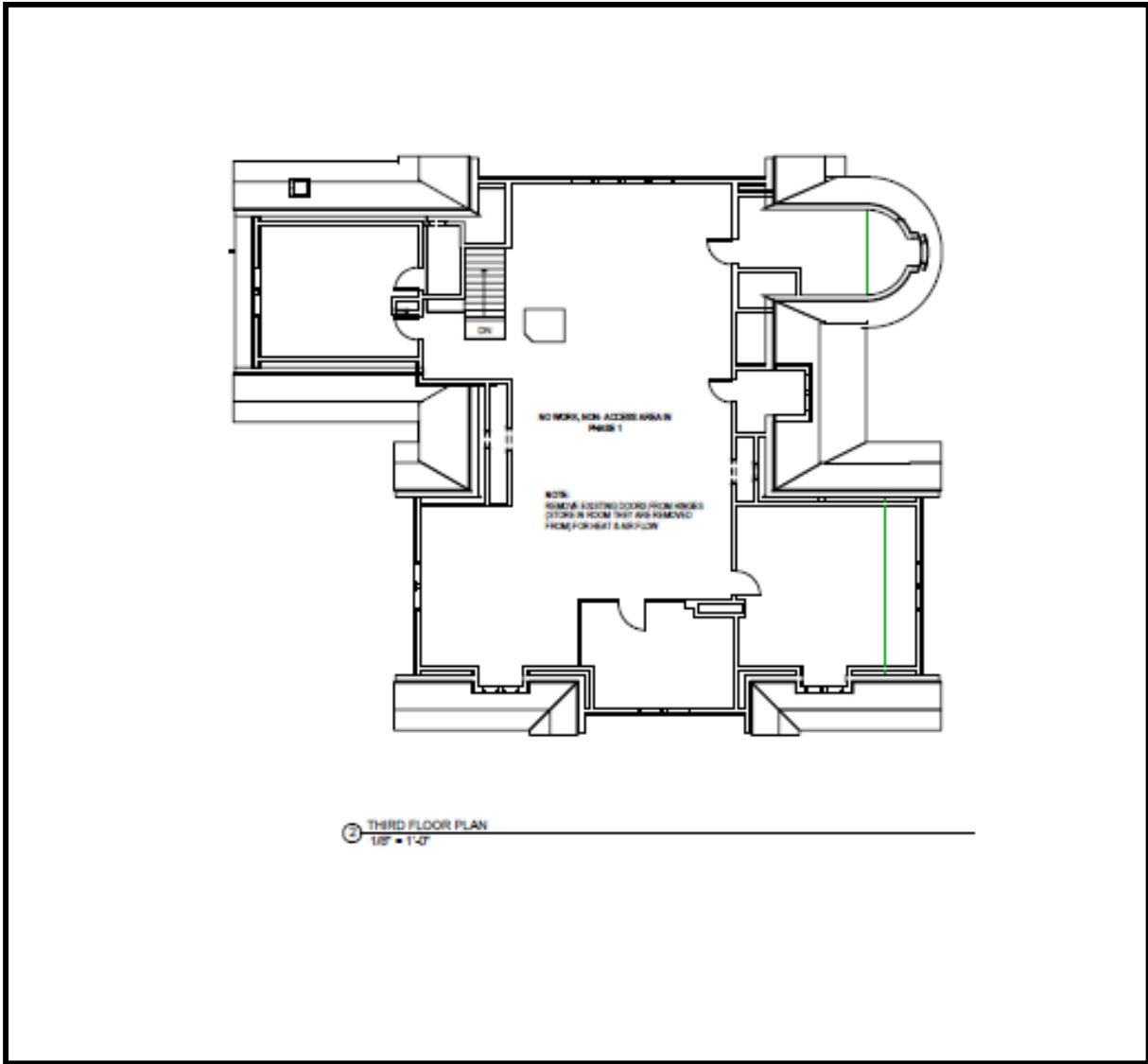
The subject property is historically significant. It was designed by the Helena architect, C.S. Haire and represents Queen Anne architecture from the early 1900s. It is located on a full city block, which is very rare, and may be one of only three remaining in the state.

The subject was built by Nelson Story, an entrepreneur and cattle rancher. He is known for his 1866 cattle drive of 1,000 Texas Longhorns from Texas to Montana along the Bozeman Trail – a first in cattle drives. Nelson Story built the mansion along Willson for his son, T. Byron Story, and his son's family. Nelson Story was a successful businessman and became Bozeman's first millionaire. His son, T. Byron Story was also a local businessman, with interest in cattle, gold, sheep and wheat. The subject is located within the Bon Ton Historic District. As part of this district, it was added to the National Register of Historic Places in October 1987. It is also listed on the Montana State Register of Historic Places.

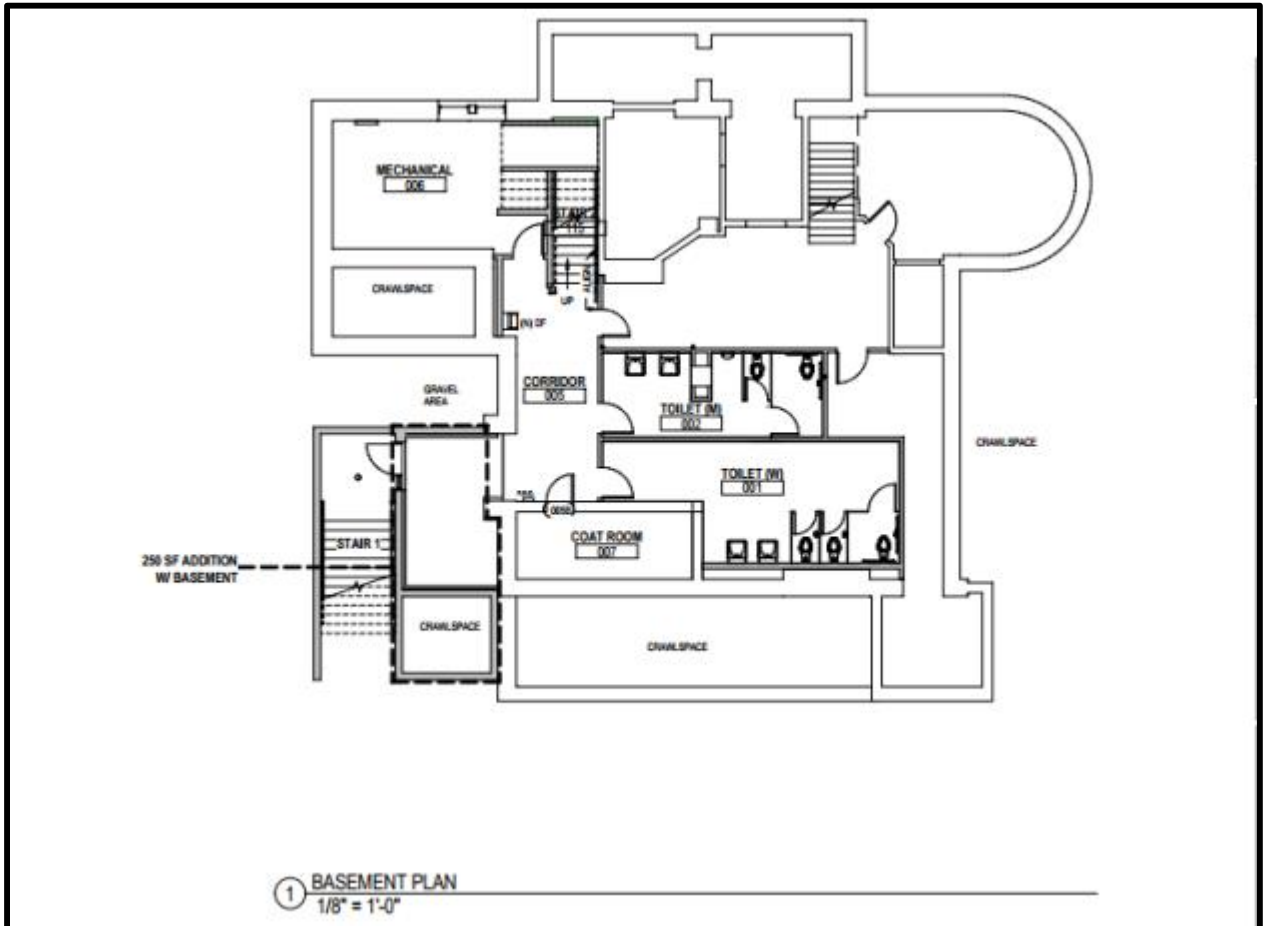
Second Floor of Subject Residence



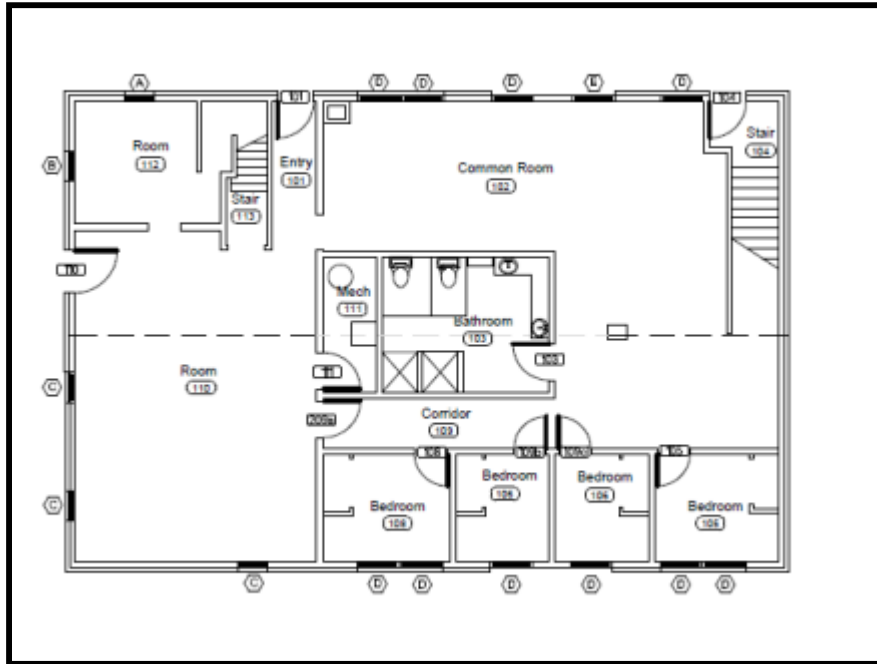
Third Floor of the Subject Residence



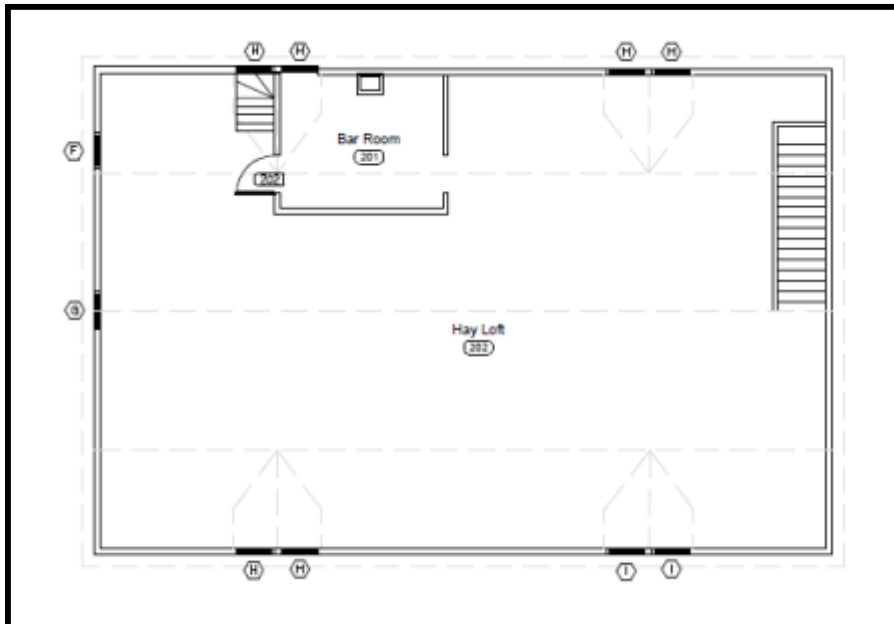
**Basement of the Subject Residence
(Community Center)**



Main Floor of the Carriage House



Second Floor of the Carriage House



SUBJECT PHOTOGRAPHS



Front entry of subject property from Willson Ave



View of subject from southeast



View of subject from south



View of subject from southwest



View of subject from northwest



View of Porte Cochère

ADDITIONAL PHOTOGRAPHS



Basement entrance on west side addition



Entrance to subject addition on west side



View of carriage house from north



View of carriage house from southwest



View of carriage house from southeast



View facing east on College Ave

ADDITIONAL PHOTOGRAPHS



View facing west on College Ave



View facing north on Willson Ave



View facing south on Willson Ave



View facing west on Harrison Ave



View facing south on Grand Ave



View facing north on Grand Ave

ADDITIONAL PHOTOGRAPHS



Foyer



North Entry of Foyer



Foyer Entry from East Front Door



Foyer



Living Room



Living Room Fireplace

ADDITIONAL PHOTOGRAPHS



Living Room



Living Room



Dining Room



Dining Room Cabinetry



Dining Room



Solarium

ADDITIONAL PHOTOGRAPHS



First Floor Restroom



First Floor Office



First Floor Office



First Floor Library



First Floor Library



First Floor Prep Kitchen

ADDITIONAL PHOTOGRAPHS



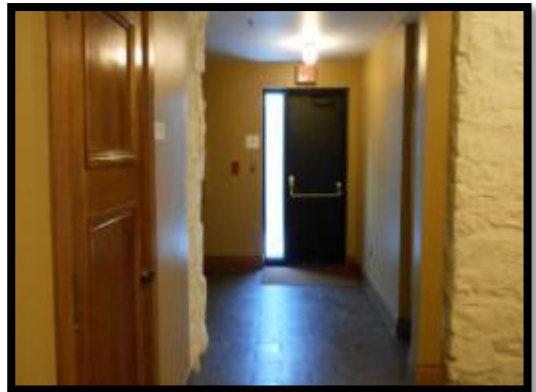
First Floor Prep Kitchen



Basement Stairway



Basement Stairway



Basement Hallway



Basement Men's Restroom



Basement Women's Restroom

ADDITIONAL PHOTOGRAPHS



Basement Storage



Basement Storage



Basement Mechanical



Basement Mechanical



Basement Mechanical



Basement Storage

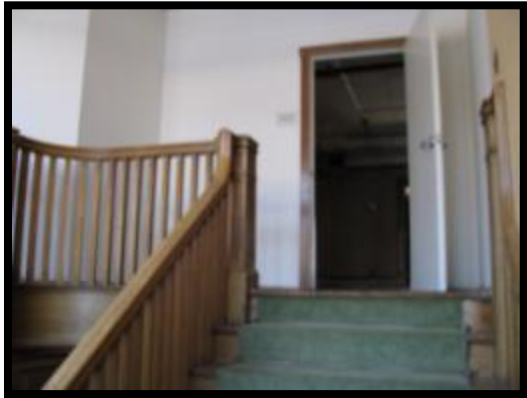
ADDITIONAL PHOTOGRAPHS



Basement Sump Pump



Stairway to Second Floor



Stairway to Second Floor



Second Floor Landing



Second Floor Foyer

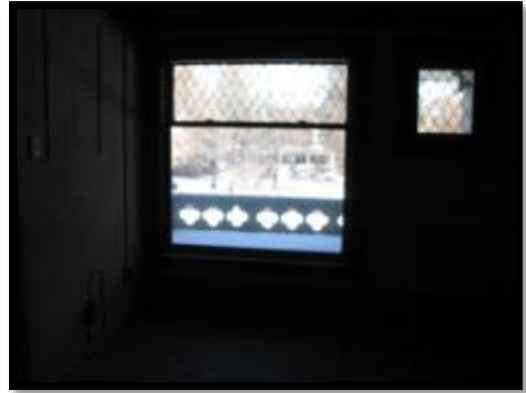


Second Floor Foyer

ADDITIONAL PHOTOGRAPHS



Second Floor Bedroom



Second Floor Study



Sink in Second Floor Study



View of Second Floor Balcony from Study



Second Floor Master Bedroom



Second Floor Master Bedroom

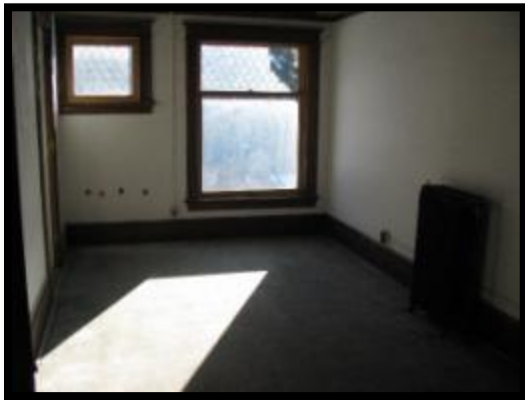
ADDITIONAL PHOTOGRAPHS



Second Floor Master Bedroom



Second Floor Master Bathroom



Second Floor Bedroom



Second Floor Bedroom



Second Floor Bedroom



Second Floor Bathroom

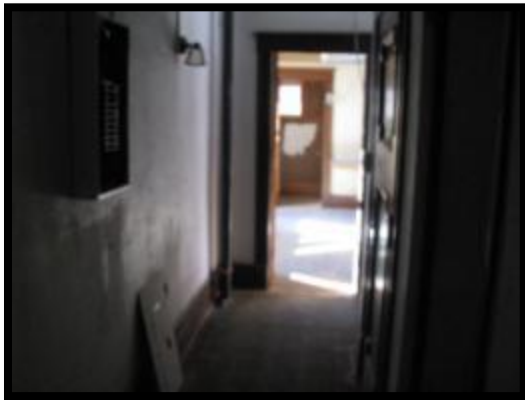
ADDITIONAL PHOTOGRAPHS



Second Floor Bathroom



Second Floor Bathroom



Second Floor Hallway



Second Floor Bathroom



Second Floor Bedroom



Stairway to Third Floor

ADDITIONAL PHOTOGRAPHS



Stairway to Third Floor



Third Floor Landing



Third Floor Ballroom



Third Floor Ballroom



Third Floor Ballroom



Third Floor Storage

ADDITIONAL PHOTOGRAPHS



Third Floor Storage



Third Floor Storage



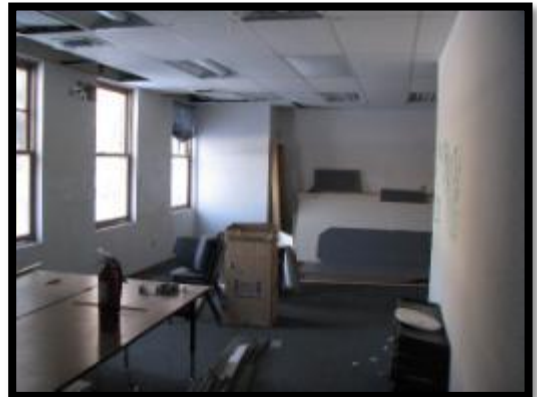
Carriage House Entry



Carriage House Storage



Carriage House Storage



Carriage House Open Area

ADDITIONAL PHOTOGRAPHS



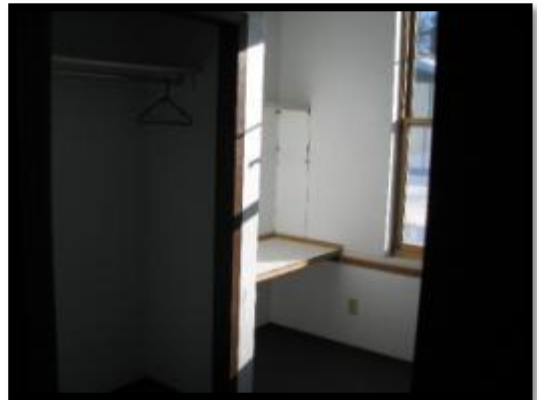
Carriage House Open Area



Carriage House Open Area



Carriage House Ancillary Room



Carriage House Ancillary Room



Carriage House Ancillary Room



Stairway to Carriage House Loft

ADDITIONAL PHOTOGRAPHS



Carriage House Loft



Carriage House Loft



Carriage House Loft



Carriage House Loft



Carriage House Loft



Carriage House Loft

ADDITIONAL PHOTOGRAPHS



Irrigation Well (Southwest Quadrant)



Irrigation Well (Northwest Quadrant)



Parking Lot Storm Drain



Parking Area Lighting

PRESERVATION / RESTORATION PHOTOGRAPHS



Floor Register



Solid Wood Panel Doors



Scone



Decorative Tile



Library Cabinetry



Radiator

PRESERVATION / RESTORATION PHOTOGRAPHS



Fireplace



Heated Bench



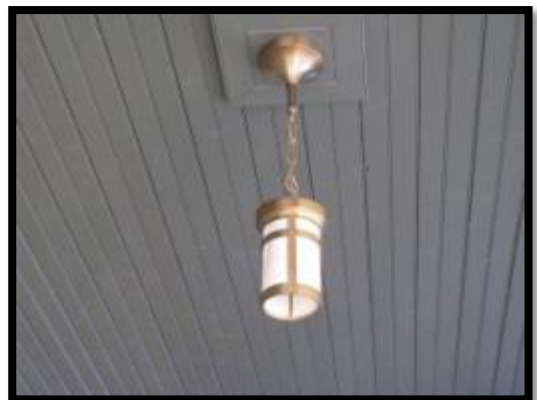
Light Fixtures



Story Children Growth Records



Copper Downspout



Outdoor Light Fixture

REPRESENTATIVE DEFERRED MAINTENANCE



Ceiling Damage in 2nd Floor of Story Mansion



Wall Damage in 2nd Floor of Story Mansion



Light Fixture in Story Mansion



Master Bathroom of Story Mansion



Temporary Heating 2nd Floor of Story Mansion



Exterior Wall on Carriage House

REPRESENTATIVE DEFERRED MAINTENANCE



Window Sill on front of Story Mansion



Porch Ceiling on Story Mansion

SUBJECT MARKET ANALYSIS-HISTORIC HOMES IN MONTANA

SUBJECT PROPERTY ANALYSIS

General Property Description: A complete property description detailing physical attributes, legal restrictions and historic significance is included in a prior section of this report. The subject was constructed as a single family residence with a carriage house in 1910. The subject is located within the Bon Ton Historic District, which is located on the National Register of Historic Places and surrounded by other historic homes along Willson Avenue in Bozeman, Montana. The improvements are located on a full city block, a portion of which has been dedicated as a city park. The subject property is encumbered with a Conservation Easement.

Analysis of Properties Identified as Historic Mansions in Montana

The subject is one of a number of properties identified as historic mansions in the state. We located five additional properties also identified as Historic Mansions in Montana. We interviewed the staff of each of these five historic mansions regarding details of their history and use. Sarah Nucci is Curator of History at the Montana Historical Society and holds a bachelor's degree in Historic Preservation from Mary Washington College, the oldest degree of its kind in the United States. Ms. Nucci, who has oversight of the Original Governor's Mansion (OGM) in Helena, indicated her opinion regarding house mansions as follows:

“Historic House Museums are rarely, unless George Washington lived there, money makers. Weddings and special events are there, but house museum admission isn't a money maker. In addition, there is a stress to get repeat visitors, as sites like the OGM are not designed to have changing exhibits and you'll likely only have repeats when guests are in town. I do suggest considering an adaptive re-use goal for the site. In the years before restoration of the OGM, the state used the building as an office for the Centennial Territorial offices. We have several B&B's on Ewing as well, and although lovely I don't know how financially sound they are. There are lots of other uses as well. Columbus Hospital in Great Falls is now a small business shopping center that also has a housing facility in the back. There are plenty of offices in historic homes, I read about an old armory in Vermont that is being turned into a hotel. Hotels, housing, restaurants, and shops are all functional for the space. Community spaces are popular options as well. There are lots of other options that can be done besides the historic house museum.”

Ms. Nucci also indicated that,

“It has only been in the last 10 years that the OGM has even charged admission into the house. I know that we wouldn't be able to pay both tour guides and have heat and light in the house based on attendance to the site, let alone address any ongoing maintenance and repair issues that arise. We do have fundraisers done by the Original Governor's Mansion Restoration Society (OGMRS) to pay for ongoing restoration of the **interior** of the site. They currently host a Gala, Secret Garden Tour, Halloween Walking Tour and the Holiday Home Tour.”

According to Ms. Nucci, the OGM has not had a public restroom, but plans are underway to renovate it to include a public restroom in the near future. At that time, the state will be able to allow events, such as wedding parties, to be held at the OGM.

Based on our interviews with a staff member from the historic house mansions identified in Montana, we prepared the following table. In the following pages, we have included pictures of the mansions and a discussion of the difference between the subject and other historic mansions in the state.

Historic Mansions in Montana										
Name	Address	City	Year Built	Size	Lot Size	Use	Ownership	Adult Admission & Event Pricing	Historic & Unique Attributes	Preservation
Moss Mansion	914 Division St	Billings	1903	3 stories, 10,800 sf plus a full finished basement - 13,000 sf total. Includes 28 rooms.	1.463 Acres (more than 1/2 a City Block)	Museum & Community Center (Facility Rental, Primarily Grounds, Spring - Fall)	Owned by City & State; Operated by Billings Preservation Society	\$7.00/Adult for Tour	Preston Boyd Moss, constructed for his family. Added to the National Register of Historic Places in 1982 . Unique in that all of the Moss family belongings have been preserved, including furniture, clothing, documents, etc.	No major renovation. It has always been maintained & preserved. A new boiler put in a few years ago and heat registers added in servants quarters. Floors refinished in the past year.
Copper King Mansion	219 West Granite St	Butte	1880	3 Stories, 10,868 sf plus basement, 34 Rooms, 11 bedrooms, 5 bathrooms	0.318 Acres	B&B and Tours, and Private event rental	Privately owned by Erin Sigal & John Thompson (siblings) Owned by the Cote Family since 1950's	\$10.00/Adult for Tour & \$500 - main floor event rental	William Andrews Clark, banker and entrepreneur (one of the 3 Copper Kings), built the Copper King Mansion for his family. It was added to the National Register of Historic Places in 1970 .	Received a Historic Preservation Grant in 2011 to install a new boiler, add rain gutters, build a new porch and paint the entire exterior. New roof, new carpets in past 20 years.
Daly Mansion	251 Eastside Highway	Hamilton	1886	3 Stories, 24,000 sf plus basement. Includes 50 rooms, 25 bedrooms, 15 bathrooms & 7 fire places.	50 Acres (27 acres are Arboretum and Garden)	Museum & private event facility, leased to and operated by the Daly Mansion Preservation Trust (DMPT).	State owned since 1986 when it was purchased through the Montana Estate Tax Forgiveness Act. Currently, under the umbrella of University of Montana, the Mansion receives no funding for operations, with the exception of payment for insurance.	\$9.00/Tour & Various Event charges from \$200/meeting to \$3,200/wedding	The existing Chaffin homestead was purchased by Marcus Daly, one of the 3 Copper Kings, for a summer residence in 1886. The original homestead was remodeled several times between 1886 and 1910. Added to the National Register of Historic Places in 1987 as "Riverside" the name by which the Daly's referred to the property.	In the past decade, approximately \$1,340,000 in Federal Funding was provided (part from Save America's Treasures Grant) and \$772,000 from private individuals and foundations for preservation of the property. The Executive Director indicated that almost \$6,000,000 in Grants and Donations has been invested in the restoration of the Daly Mansion since its purchase.
Original Governor's Mansion	304 North Ewing	Helena	1888	3 stories, Queen Anne Style, 9,500 sf, 18 rooms total, 7 bedrooms, 2.5 bathrooms, 7 Fireplaces.	1.042 Acre	House Museum - not currently an event center but looking into that for future. Currently none of the bathrooms accessible to the public are plumbed for use.	State owned since 1913. Administered by the Montana Historical Society	\$8.00/Adult for Tour	Built by entrepreneur William Chessman as a private residence. Acquired by the State of Montana in 1913 to serve as its first official governor's residence. Housed 9 first families until 1959. It was added to the National Register of Historic Places in 1970 as "Former Montana Executive Mansion".	Restoration began in 1969 with the support of the City of Helena.
Conrad Mansion	Woodland Ave	Kalispell	1895	3 Stories, 13,000 sf, 26 rooms, 3 bathrooms, 8 fireplaces.	3 acres	House Museum & event center	Donated to the City of Kalispell in 1974 by Katherine Conrad, daughter of Charles Conrad. Operated by the Conrad Mansion Foundation and fully self-supported by event fundraising.	\$10.00/Adult for Tour and \$500 to \$1,000 for Wedding/Event rental	Built by Charles E. Conrad, businessman and founder city of Kalispell. Designed by Spokane Architect, Kirtland Cutter. Added to the National Register of Historic Places in 1975 .	According to Ex. Director, when purchased the Conrad Mansion was in need of some attention from some years of neglect. Initial repairs were required and city paid for these- the amount invested is unknown. In recent years, several Montana HB465 grants were received totaling \$521,046. One of the grants was to repair and stabilize the foundation.

MONTANA HISTORIC MANSIONS PHOTOGRAPHS



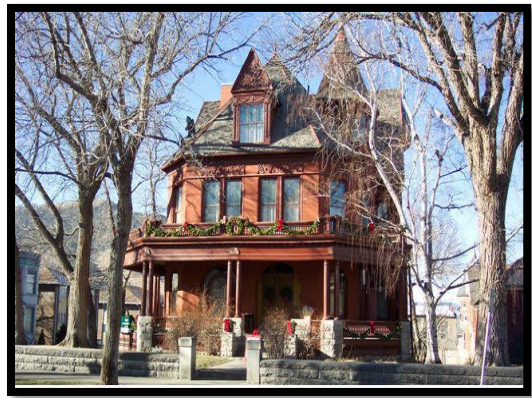
Moss Mansion – Billings



Copper King Mansion - Butte



Marcus Daly Mansion - Hamilton



Original Governor's Mansion – Helena



Conrad Mansion - Kalispell

Our research indicates that:

- the most notable historic house mansions have been used as a house museum, or a museum/event center or as a bed & breakfast/event center;
- of the 5 house mansions identified, 4 are owned by their respective cities or by the state and 1 is privately owned and operated as a bed and breakfast;
- of the 4 house mansions that are owned by a city or the state, all were purchased or donated to the city or state prior to 1986, which is when the Daly Mansion was purchased through the Montana Estate Tax Forgiveness Act;
- three of the house museums are operated by non-profits and are self-supporting, but these are also rented for wedding and social events.

The subject differs from the typical house mansions in the state in that:

- the subject was not donated to the city or state but was purchased in 2003;
- the subject was in need of extensive renovation to ensure its preservation, whereas the majority of the house mansions were in better repair at the time they were donated and the upkeep of them has been continued since they were donated;
- the subject is not operated by a non-profit that holds fundraising events and has a dedicated executive director seeking private funding;
- the subject is encumbered by a conservation easement that requires approval for any renovations or alterations and also requires the subject be open to the public at least 12 days per year (approximately once per month).

Historic Preservation Easements

We have researched Historic Preservation Easements and sought sales of historic homes with similar Conservation Easements. Although they may exist, they are not common in Montana, even among historic homes that are listed on the National Register of Historic Places. We did not locate any sales of similar historic properties encumbered with Conservation Easements similar to the subject in Montana. For this reason, it was necessary to use alternative sources to determine whether or not the easement on the subject property impacts marketability. We prepared a search for peer reviewed articles published that address impact on value due to Historic Preservation Easements. A table with the articles we relied on to research this topic is on the following page.

Summary of Articles Referenced Related to Valuation of Historic Conservation Easements			
Author(s)	Title	Source	Summary of Article
Huso, Deborah R.	"This Old Write-Off"	Valuation, published by The Appraisal Institute, Third Quarter, 2012; Volume 17, Number Three	In the 1990s and early 2000s many non-profit organizations were promoting façade easements for historic properties and claiming the IRS had a 10 to 15 percent rule for determining diminution of value in historic preservation easement properties; however, there was no such rule and IRS eventually commissioned market studies in major cities where easements were being established. The studies showed 3 to 5 percent reduction in values, but not 10 to 15 percent.
Valuation Staff Writers	"The Case that Started it All: Internal Revenue Service Vs. Simmons"	Valuation, published by The Appraisal Institute, Third Quarter, 2012; Volume 17, Number Three	The Internal Revenue Vs. Dorothy Simmons, is a landmark case that determined that there was no 10 to 15 rule for determining diminution of value in historic preservation easement properties. The case started when façade easements were granted by Dorothy Simmons on two historic row houses to a local nonprofit that held the easements. In 2006, the IRS denied the deductions taken (\$162,500 and \$93,000). In 2009, the U.S. Tax Court ruled that there was only a 5% loss in value, entitling deductions of \$56,250 and \$42,250, respectively.
Valuation Staff Writers	"Evasive Actions"	Valuation, published by The Appraisal Institute, Third Quarter, 2012; Volume 17, Number Three	IRS compliant appraisals for tax deductions for historic easements requires a significant body of market evidence. Tamara Papas, SRA, Of Pinnacle Performance, Inc., who specializes in historic preservation easement valuation in Washington, D.C. says that "in some cases an easement can actually add value to a property. You need four or five comps on both sides."
Reynold, Judith, MAI	"The Costs & Benefits of Historic Properties"	The Appraisal Journal, Spring 2006	Article examines 9 questions that should be asked by an appraiser regarding historic properties and the valuation of them in order to isolate any special costs and benefits that accrue to the property, including those related to Conservation Easements.
Kilpatrick, John A. & Adams, Victoria B.	"Preservation Easements"	The Journal of Wealth Management, Summer 2008	The authors cite the benefits of historic preservation easements but also discuss the requirements by the IRS for an appraisal that provides market support of the diminution in value. They also cite the negative impacts of historic preservation easements such as 1) the possible additional maintenance costs and 2) the owner gives up the legal right to re-develop the property to its possible highest and best use and must accept the permitted use(s) of the historic easement.

Additionally, we interviewed Pete Brown, Historic Architectural Specialist with the Montana State Historical Preservation Office in Helena. According to Mr. Brown, he knows of no other residential properties comparable to the Story Mansion that have similar preservation easements. Most preservation easements were with regard only to renovations and alterations rather than requiring public access.

We also interviewed Judith Reynolds, MAI, who has written articles and a book addressing Historic Preservation Easements. According to Ms. Reynolds, although she indicated she had heard of conservation easements that required the entrusted property be open to the public, the more common historic preservation easement is for preservation of the historic improvement. According to Ms. Reynolds, easements like the subject Conservation Easement do diminish the

fee simple bundle of rights and it is reasonable to expect market participants to consider that there would be at least 5% diminution in value.

A ruling by the U.S. Tax Court, noted in the prior table, indicates that a 5% loss in value was also reasonable for a façade easement.

Based on the data available to the appraisers, we estimate the subject Conservation Easement would indicate a diminution in value of 5%.

Analysis of Return on Renovation/Restoration Dollars for Historic Properties

Our research indicates that restoration costs of historic properties do not always equate to a commensurate increase in market value. The table below provides details of 2 closed properties and 1 listed property that have been renovated.

Return on Renovation Investment									
Comp #	Address	Prior Sale	Prior Sale Price	Renovation Details	Estimated Renovation Cost	Recent Sale Date	Recent Sale/List Price	Gain/(Loss)	Percentage Gain or Loss on total investment
2	504 S Willson Ave, Bozeman	8/12/2009	\$900,000	Complete Historic Renovation	\$1,000,000	7/10/2012	\$1,400,000	(\$500,000)	-26.32%
3	1330 Gerald Ave, Missoula	9/19/2008	\$862,000	Renovations included new wiring, new HVAC, asbestos mitigation, plumbing, insulation throughout home, plaster and updated kitchen and bathrooms.	\$200,000	8/31/2012	\$1,125,000	\$63,000	5.93%
A1	1003 2nd Avenue NW, Great Falls	6/5/2008	\$305,000	Prior to being purchased this property had been vacant for a while and been neglected and was in disrepair. Current owners purchased for a B&B and renovated kitchen, bath, and a number of additional projects. They did much of the repair and renovation themselves.	Owner's hope to break even on the renovation expense, but they did most of the labor on projects.	ACTIVE*	\$395,000	Unknown	N/A ACTIVE

The data above indicates a gain of between 6% and a loss of more than 26% on the overall total investment. Additionally, we interviewed realtors who indicated that the cost of restoration was not always realized at time of sale. We discuss, in the Forecast of Competitive Supply that follows in this section, an active listing in Bozeman that has been historically renovated and has been marketed for a number of years at a price that is well above market.

POTENTIAL PURCHASERS OR USERS OF THE SUBJECT PROPERTY

Potential **purchasers** of the subject would be preservation minded individuals or entities interested in owning a historic residence that would be open to the public at least 12 days per year and includes as an amenity a 1-acre city park. Additionally, it would be an individual or group willing to renovate the remainder of the property, including the 2nd and 3rd floors of the subject main residence and the carriage house main floor. It is important to note that three of the four closed comparable sales of historic properties that we located were purchased with the intent of use as private residences.

When the City most recently solicited proposals, four organizations responded. The table on the following page summarizes the four interested organizations and their proposals (*Source: City of Bozeman*).

STORY MANSION PROPOSAL ZONING/USE ANALYSIS					
Organization	Proposed Use: Mansion	Proposed Use: Carriage House	Zoning Use Compliance	Other Zoning Issues	Discretionary Approval Process Timeline
Bozeman Art Museum	Fine Art Museum	Office	Community Center Conditional Use Permit approved on July 20, 2009*	Parking, delivery zone, and neighborhood compatibility for evening events	Estimate: four to six months for modification of existing CUP
Montana Center for Civic Engagement	Not adequately specified in Proposal	Not adequately specified in Proposal	Community Center Conditional Use Permit approved on July 20, 2009**	Parking and neighborhood compatibility for evening events	Estimate: four to six months for modification of existing CUP
Story Mansion Inn Group	17 overnight guest rooms, wine bar and limited dining for guests and the general public Special Event receptions	6 overnight guest rooms with meeting and conference space	Overnight accommodation, dining establishment and for-profit owned community meeting space are not a principal, conditional or accessory use in the R-1 Zone District Use would require the approval of a Planned Unit Development to allow an inn, wine bar and dining use	Parking, delivery zone and neighborhood compatibility for evening events	Estimate: four to six months Preparation of submittal material by applicant: one to two months
Tree of Life Ministries – The Portal School of Creativity and Innovation	Classrooms and Conference Facility, primary use time in the evening	Classrooms and Conference Facility, primary use time in the evening	Community Center Conditional Use Permit approved on July 20, 2009*	Parking and neighborhood compatibility for evening events	Estimate: four to six months for modification of existing CUP

* The City of Bozeman was granted a Conditional Use Permit, Z-09022, for a Community Center that would utilize the first floor of the mansion only. The CUP runs with the land and all future users of the property would be responsible for ensuring the conditions of approval are met.

** Future use of the site by Montana Center for Civic Engagement may require modification of the approved CUP. Submittal information did not specify building usage.

According to our research, if the subject is sold to an owner in the private sector, the owner may be eligible for tax benefits based on the subject's inclusion in the National Register of Historic Places. The subject is currently owned by the City of Bozeman and such a credit is not available. The table below indicates some of the possible sources of tax incentives.

Tax Incentive Tools	
Funding Source	Contact Information
Federal Tax Credit	http://www.nps.gov/history/hps/tps/tax
State of Montana Tax Credit	http://data.opi.mt.gov/bills/mca/15/31/15-31-151.htm
Local Government Initiatives	Various
Tax Increment Financing	Specific to Various Cities in Montana
Special Districts for Business Improvement, Parking & Other Infrastructure	Specific to Various Cities in Montana
Local Mill Levy	Specific to Various Cities in Montana

The Montana Historic Preservation website provides additional details of the federal and state tax credits. This information is presented below:

Federal Tax Credit

The Federal Historic Preservation Tax Incentives Program encourages private sector rehabilitation of historic buildings and is one of the Nation's most successful and cost-effective community revitalization programs. It generates jobs and creates moderate and low-income housing in historic buildings.

- In general, a tax credit is a dollar-for-dollar reduction in the amount of taxes owed.
- The amount of credit under this program equals 20% of the qualifying costs of rehabilitation.
- Private residences do not qualify for this program. Eligible properties must have an income producing use upon project completion. Income producing properties are typically commercial, business, and rental properties.
- A project must be “substantial” in that qualifying rehabilitation expenses must exceed the greater of \$5,000 or the adjusted basis of the building.
- A building needs to be certified as a historic structure by the National Park Service.
- Rehabilitation work has to meet the Secretary of the Interior’s Standards for Rehabilitation as determined by the National Park Service.
- The federal credit can be put towards one year of back taxes and claimed incrementally over a period of 20 years.
- The National Park Service administers the tax credit program at the national level; The State Historic Preservation Office (SHPO) serves as liaison between the applicant and NPS. For further information on the program visit <http://www.nps.gov/history/hps/tps/tax>.

The amount of tax savings is dependent upon rehabilitation and restoration costs.

State of Montana Tax Credit

The State of Montana also has a rehabilitation tax credit program that piggybacks the federal program. If a Montana tax payer is certified for the federal credit that person (or entity) also meets the qualifications to claim the Montana credit. Successful applicants to this program will earn a state income tax credit equal to 25% of their federal credit (5% of the qualified costs associated with rehabilitation). The amount of tax savings a buyer would receive is dependent upon rehabilitation and restoration costs. For further information on the state tax credit visit: <http://data.opi.mt.gov/bills/mca/15/31/15-31-151.htm>

In some markets, these tax credits are marketable, but they are not typically marketable at 100% of the tax credit value. In markets where these are recognized, we understand that the tax credits may be marketable from 70% to 80% of the total tax credit value.

State Tax Abatement Programs

In addition, Montana historic properties that meet certain criteria established by a review process may receive a tax abatement during the construction period, not to exceed 12 months, and for up to 5 years following completion of the construction. The tax abatement is limited to 100% of the increase in taxable value caused by the rehabilitation, restoration, expansion, or new construction. The total amount of estimated taxes when rehabilitated is reduced by the estimated taxes had the building not been rehabilitated and this provides estimated tax savings. Information on this program is available on the following website: <http://leg.mt.gov/bills/mca/15/24/15-24-1603.htm>

Additional Sources of Funding

The Montana State Historic Preservation Office (SHPO) provides a document with additional funding sources available on the SHPO website at <http://mhs.mt.gov/shpo/HPFunding.pdf>. This document includes descriptions of funding sources and programs that are available to assist historic preservation projects.

In some cases the suggested sources are not necessarily focused on historic preservation but may be used for projects that have multiple objectives. The various funding sources are organized by federal, state and foundation sources. The tables are presented below and on the following page.

Federal & State Grant Information				
Funding Source	Eligibility Requirements	Potential Dollar Amount(s)	Notes	Contact Information
Federal Grants	Various	Various	Over 1,000 grant programs providing access to approximately \$400 billion in annual awards.	www.grants.gov
US Department of Commerce, Economic Development Administration	Governments, Indian Tribes, Economic Development Districts, Non-Profits, Universities, & Other Higher Education	\$25,000 to \$2,000,000		www.eda.gov
Institute of Museum & Library Services	Museums & Libraries	Up to \$150,000		www.imls.gov
National Endowment for the Humanities	501(c)(3)	Various		www.new.gov/grants
National Endowment for the Arts	Museums & Other Exhibiting Organizations	\$5,000 to \$200,000		www.nea.gov
Preserve America (National Park Service)	Historic Preservation Officers (State, Tribal) & Designated Communities	\$30,000 to \$250,000		www.preserveamerica.gov
Save America's Treasures (National Park Service)			Not Available in FY 2012	www.nps.gov/history/hps/treasures
USDA Rural Development	Various - See Website	Various - See Website		www.rurdev.usda.gov
Montana Department of Commerce, Community Development Block Grants	Incorporated Cities, Towns, Counties & Consolidated City-County Governments	\$20,000 to \$450,000		(406) 841-2777
Montana Department of Transportation, Community Transportation Enhancement Program	Local & Tribal Governments	Various		www.mdt.mt.gov/business/ctep
Montana Arts Council, Montana Cultural Trust: Culture and Aesthetics Grant Program	Various	Various - See Website		www.art.mt.gov/about/about_culturalgrants.asp
State Historic Preservation Office, Montana Historical Society, Montana Preserve America			Not Available in FY 2012	www.mhs.mt.gov/shpo/preserveamerica
State Historic Preservation Office, Montana Historical Society, Rural Property Brick and Mortar Grant			Not Available in FY 2012	www.mhs.mt.gov/shpo
Montana Department of Commerce, Special Events Grants Program	Montana Non-Profit Entity, City, County, or Tribal Government	\$2,500 to \$80,000		www.travelmontana.mt.gov
Montana Department of Commerce, Tourism Infrastructure Program Grant	Non-Profit Organizations & Communities	Up to \$20,000		www.travelmontana.mt.gov

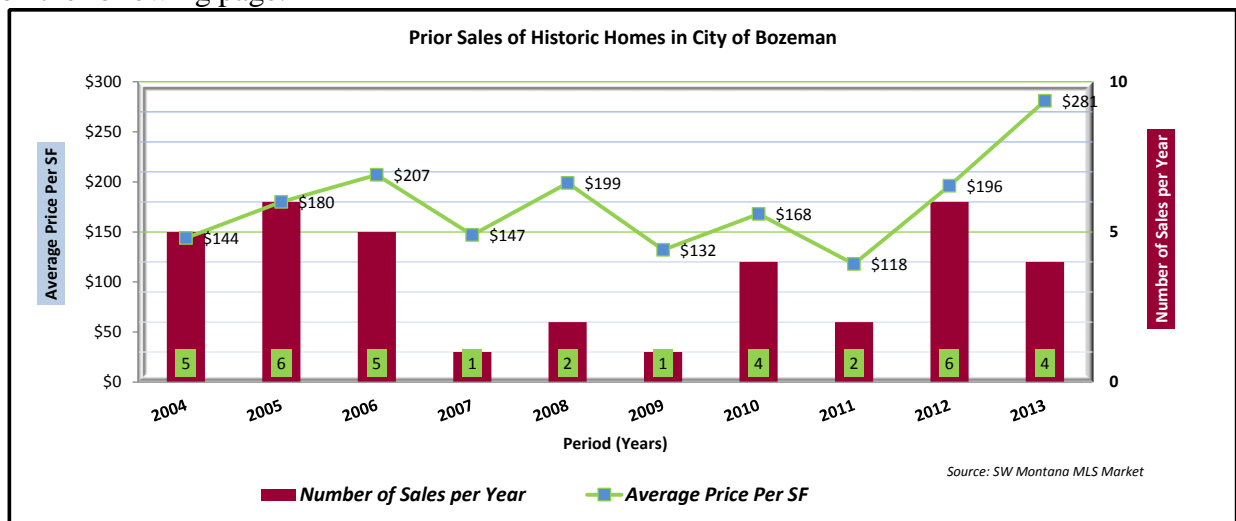
Foundations & Organizations Offering Grant Dollars	
Funding Source	Contact Information
3 Rivers Communications	www.3rivers.net
Ash Gove Charitable Foundation	(913) 451-8900
Browning-Kimball Foundation	(406) 454-1433
Butte Citizens for Preservation and Revitalization	www.buttepr.org/grants.htm
The Foster Foundation	info@thefosterfoundation.org
Humanities Montana	info@humanitiesmontana.org
J.M. Kaplan Fund	www.jmkfund.org
Jerry Metcalf Foundation	www.jerrymetcalffoundation.org
Lower Flathead Valley Community Foundation, Inc.	www.lfvct.info
M.J. Murdock Charitable Trust	www.murdock-trust.org
MDU Resources Foundation	http://www.mdu.com/corporateresponsibility/foundation
Montana Historical Foundation	mthistory.org
Montana Preservation Alliance, Montana's Endangered Industrial Architecture Grant	http://www.preservemontana.org
National Trust for Historic Preservation	www.preservationnation.org/mpo
Town Pump Charitable Foundation	www.townpump.com/index.aspx/corporate/community_giving
2010 Tourism Cares Worldwide Grant Program	www.tourismcares.org

Federal and State tax credits are dependent on whether an owner is a private or non-profit entity. The amount of the credit is based on the cost of rehabilitation. It is unknown whether any of the tax credits, abatements or grant opportunities will be applicable and how their possible availability may impact value. Such opportunities are more related to an investment value, one that is for a specific investor or class of investors, rather than market value. **We have not adjusted the market value that considers these factors but have provided this information as a service to the client.**

Potential users of the subject property would be individuals or groups seeking to rent a unique and historic venue for the purpose of a family gathering, a wedding, a social event or a professional organization meeting place. If the subject were sold and the use changed from Community Center to another use, such as lodging or single family residence, potential users may change or expand.

DEMAND FROM PURCHASERS

Demand noted in prior years for historical residences can shed light on future demand. The past sales activity of historical residences in the greater Bozeman market area is included on the table on the following page.



The chart above represents the **Inferred Demand** which is based on historical demand for similar properties in prior years, based on data from the Southwest Montana Multiple Listing Service. Montana is a non-disclosure state and not every sale transfers via the area MLS; however, the MLS data is considered to provide an accurate depiction of general trends in real estate transfers.

The data in the chart above is based on properties located within the city limits of Bozeman, constructed prior to 1931, and with at least 2,500 square feet of finished space above grade. There have been 36 sales meeting this criteria over the past decade. This indicates historical demand for somewhat similar properties in the subject market area has been approximately 3.6 properties per year for the past 10 years.

The median size of the finished area above grade for these properties was 3,059 square feet and the median price was \$157 per square foot. Thirty-four of the properties were located on lots that were less than 1 acre in size and 2 of the properties were located on lots between 1.1 and 5.9 acres in size.

Data indicates that prices have been trending upward since 2011 but the annual number of sales has been a statistically small number (less than 30 sales per year). **Caution must be used with small data sets since they are subject to data-specific influences that can skew averages.** This does not mean that prices are not trending upward, but asserting a specific quantitative market conditions adjustment based on the changes in price per square foot of a few sales may be erroneous. It is appropriate to place more emphasis upon larger data sets, such as single-family residential sales in the Bozeman market. In the Residential Home Sales of the Bozeman Economic Data that is presented in the addendum of this report, we have noted a more modest increase of 9% from 2012 to 2013.

FORECAST OF COMPETITIVE SUPPLY

As of the effective date, there was 1 active listing of a historical property in the City of Bozeman with more than 2,500 square finished above grade. In overall size, it is much smaller than the subject property and does not include an accessory building. The property is a 2-story, residence located in the Bon Ton Historic district. According to the listing agent, the property was constructed in 1910 but has been completely renovated since it was purchased privately in 2004. Historic preservation techniques were used in the renovation and updates include: new electrical service, wiring, and museum-quality low-voltage lighting throughout, new windows, new plumbing, new hot water HVAC system, refurbished hardwood floors, new roof, trim and siding. The residence is 2,536 square feet in size with a 1,268 square foot unfinished basement. It includes 8 rooms, 3 of which are bedrooms and 2 bathrooms. Based on our interview of the listing realtor, the owner has spared no expense to restore and preserve the historic features of this property. The quality and condition of this property are both considered excellent. This property is listed for \$1,475,000 or \$582 per square foot. This is more than double the average price per square foot of other historic properties sold in Bozeman in 2013. The active listing is somewhat smaller in size than the subject property. This property has been listed nine times since 2009 for list prices ranging from \$1,395,000 to \$1,475,000. The number of days on market for each listing ranged from 67 to 225 days and total 1,273 cumulative days as of the effective date of this report. The number of days on market would likely suggest that this active listing is priced above market.

INTERACTION OF SUPPLY AND DEMAND

Based upon the average annual demand of 3.6 properties per year for the last 10 years, there is less than a 1 year supply of historic residences available for sale in the Bozeman market area. The list price per square foot of the one active listing is 207% higher than the 2013 average price per square foot of \$281.

Based on the average number of sales (3.6) and the number of active listings (1), the **demand is higher than the supply**; however, market data also indicates that motivated sellers must provide a reasonable market price in order to attract a buyer.

FORECAST OF MARKETING AND EXPOSURE TIME

The average marketing time for similar properties in the subject market area was 202 DOM over the past decade. The average marketing time in 2013 was 348 days. In order for the subject property to sell in a reasonable time a competitive price is necessary. The values indicated in this report are based upon a 9 to 12 month **marketing time** for the subject property. The **exposure time** for the subject property is also estimated to be between 9 to 12 months.

SWOT ANALYSIS

Strengths

- The subject is a unique, historic mansion.
- The subject has been renovated to very high, historic preservation standards on the exterior and has been partially renovated on the interior.
- The subject is located on one full city block in the Bon Ton Historic District.
- The subject is recognized on the National Register of Historic Places.
- The subject includes a park amenity.
- Historic preservation guidelines of the Secretary of Interior will help preserve the subject.

Weaknesses

- The subject renovation is incomplete and the exact cost to cure is unknown.
- Maintenance costs for large, historic properties may be substantial.
- Income derived from a house mansion/community center does not typically represent the highest and best use of a historic home.

Opportunities

- Limited marketing through Requests for Proposals has produced 4 parties interested in the purchase or gifting of the Story Mansion.
- A variety of grant funding opportunities may be available to the owner or a future buyer based on money spent on further preservation.
- Tax credits may be available to a future buyer if the buyer is a private individual or entity and the use of the subject is income producing.
- The City of Bozeman has the authority to revoke the Conditional Use Permit that is in place and possibly to allow for a different use other than a Community Center.

Threats

- The cost to cure and the commitment to restore the property based on historic preservation guidelines may be a deterrent to some prospective buyers.
- The Conservation Easement that requires the owner to open the subject to the public at least 12 times per year may be a deterrent to some prospective buyers.

HIGHEST AND BEST USE

The four basic economic principles of supply and demand, substitution, balance and conformity are considered to be the basic tools of analyzing the relationship between economic trends and an appraisal. Market forces create market value. For this reason, the analysis of highest and best use is very important. When the purpose of an appraisal is to estimate market value, a highest and best use analysis identifies the most profitable, competitive use for which a property can be used.

According to The Appraisal of Real Estate - Thirteenth Edition by the Appraisal Institute, Highest and Best Use is defined as follows:

"Highest and best use is the reasonably probable and legal use of vacant land or an improved property that is legally permissible, physically possible, appropriately supported, and financially feasible and that results in the highest value."

The analysis for Highest and Best Use considers first the reasonably probable uses of a site that can be legally undertaken. The final Highest and Best Use determination is based on the following four criteria:

- **Legally Permissible:**
The availability of land for a particular use in terms of existing regulations and restrictions, deed restrictions, lease encumbrances, or any other legally binding codes, restrictions, regulations, or interests.
- **Physically Possible:**
The physical adaptability of the site for a particular use.
- **Financially Feasible:**
All uses that are legally permissible and physically possible that are likely to produce an income, or return, equal or greater than the amount needed to satisfy operating expenses, financial obligations, and capital amortization are considered to be financially feasible.
- **Maximally Productive:**
Of the financially feasible uses, the use that produces the highest net return or the highest present worth.

It is important to recognize the possibility that the Highest and Best Use of the land could differ from the Highest and Best Use of the property. This occurs when a site has existing improvements and the Highest and Best Use of the land differs from the current use. Often, the current property use will continue until the value of the land, under its Highest and Best Use, less existing improvement demolition costs, exceeds the total value of the property in its present use.

The Highest and Best Use analyses and conclusions are included on the following page.

AS IF VACANT

Legally Permissible

The subject property is located within the R-1, Residential Low Density Zoning District. Within this zoning district, permitted uses include single-family dwellings, community residential facilities with eight or fewer residents, essential services for water and sanitary sewer lines, family day care homes, group day care homes, group living, public and private parks, manufactured homes on a permanent foundation, and townhomes when utilized to satisfy the requirements of Affordable Housing. In addition to the primary allowable uses, a Conditional Use Permit (CUP) was approved by the City of Bozeman that allows use of the subject property as a Community Center.

Lot 1A-2 is 1.1092 acres in size and is dedicated as parkland and as such, may not be developed.

The subject property as improved is encumbered by a Conservation Easement; however, the easement is based on the existence of the improvements; **therefore, since this analysis is related to the Highest and Best Use As If Vacant, we have not considered the Conservation Easement in the As If Vacant analysis.**

Physically Possible

The subject is comprised of two lots that total 2.147 acres as assembled and are located on a full city block. The topography of the subject is level. Utilities are available to the property and there is access to city water and sewer, as well as two private wells for irrigation of the subject property. There is sufficient area for any of the allowable uses. The subject has good access from Grand Avenue on the subject west boundary. As noted above, only Lot 1A-1 may be developed.

Financially Feasible

The subject site is located in an area of other historic homes. Single-family residential development is feasible. Nearby lot sizes range from 0.14 to 0.38 acre. Since these are all considerably smaller in size than the subject Lot 1A-1, the subject would likely be purchased for residential subdivision development as approximately 4 lots.

Maximally Productive

Based upon this analysis of the legally permissible, physically possible and financially feasible uses of the subject property, the maximally productive highest and best use as if vacant of Lot 1A-1 is residential subdivision development and of Lot 1A-2 is parkland.

AS IMPROVED

Legally Permissible

The allowable uses in the R-1 zoning district and the CUP were discussed above. In addition to the allowable uses, the subject is also encumbered by a Conservation Easement with approximately 45 years remaining that requires that any alterations or renovations meet certain historic preservation standards. The Conservation Easement also requires that the subject be open at least 12 days per year to the public, with equitably spaced timing, and that those dates be made available to the public. This encumbrance does not preclude any of the allowable uses, but it does diminish the fee simple bundle of rights and would likely reduce the number of market participants and negatively impact market value.

Physically Possible

The subject is comprised of two lots that total 2.147 acres as assembled and which are located on a full city block. The topography of the subject property is level. Lot 1A-1 of the subject is 1.0378 is improved with a historic residence and a carriage house. The residence was renovated and converted to Community Center. Lot 1A-2 of the subject is 1.1092 acres in size and is dedicated as parkland. There is sufficient area for the improvements on Lot 1A-1. The subject property has good visibility from all sides. The subject has good access from Grand Avenue on the subject west boundary.

Financially Feasible

The subject is located in a neighborhood of historic homes that are predominantly utilized as single family residences. The subject property has been utilized as a community center. A legally permissible alternative use is a Bed and Breakfast. We have analyzed the financial feasibility of all three uses in the following paragraphs.

Community Center

As noted the subject property is being utilized as community center. We were provided by the subject property owner with the income and expense information for 2009 through 2013. The information provided to us is included in the Addendum portion of this report. **The income and expense data from the City does not include any consideration for property insurance or any overhead expenses for staff time allotted to facilities maintenance, park maintenance, or administration.**

Analysis of Subject as Community Center Based on 2014 Forecast	
Effective Gross Income	\$25,000
Less Estimated Expenses	\$26,000
Net Operating Income	(\$1,000)

Even without accounting for the administrative and maintenance staff, the net operating income is negative for the Community Center. This analysis indicates that continued use as a community center is not financially feasible. This conclusion is supported by our research of properties identified as Historic Mansions in Montana.

Bed & Breakfast

According to our research, Bed and Breakfast use is common for historic homes in the state. This is also a conditional use under the R-1 zoning district. For these reasons and in order to identify the highest and best use of the subject as improved, we have analyzed the subject property as a bed and breakfast using income approach techniques.

Cost of Renovation: In order to prepare this analysis we first determined a reasonable cost to update the prep kitchen to a commercial kitchen and renovate the 2nd and 3rd floors of the subject main residence. Our projections of the necessary renovation for subject for use as a B&B would include renovating 6 bedrooms with adjoining bathrooms on the 2nd floor and renovation of the 3rd floor for use as the owner/manager’s quarters to include 2 bedrooms, a bathroom, a kitchen and living area.

We located two cost comparables and one projected cost comparable. The table below indicates the properties we relied on for this analysis.

Analysis of Cost to Renovate Subject 2nd & 3rd Floors						
Project Name - Building	Location	Renovation Completion	Adaptive Re-Use	Renovation Cost	Size in SF	Renovation Cost/SF
Subject Story Mansion, (Main & Basement)	Bozeman	2009	Community Center	\$1,335,062	4,470	\$299
Borden Hotel (Est. Cost to Renovate)	Whitehall	2014	Commercial Main & Apartments Upper	\$1,444,000	13,000	\$111
Historic Sears Lofts Building	Butte	2010	Retail Main, Upper 4 Floors - Apartments	\$8,000,000	55,000	\$145
Median						\$145.45
Average						\$185.07

- The first property considered is the renovation of the subject main floor and basement for use as a Community Center.
- The second is the projected cost for renovation of the Borden Hotel in Whitehall. The Borden Hotel was purchased by the Jefferson Local Development Corporation in February 2010 for \$20,000. As of December 2011 the Borden Hotel was listed on the National Register of Historic places. It is to be renovated by a combination of public and private funds in 2014. The main floor will consist of office and retail space and the upper floor will consist of 7 apartments. The Borden had significant water damage on the upper floor prior to being purchased. It is in need of extensive renovation. Was this published somewhere – We need to make sure we are not violating client confidentiality
- The last property we considered is the 2010 renovation of the historic Sears Building in Butte. The Sears Lofts Building is located in the Butte-Anaconda National Historic Landmark District, the nation’s largest historic district. The five-story building is approximately 55,000 square feet in size. It was purchased in 2006 by a former resident of the area for \$10,000. The first floor was renovated for use as a food market and additional commercial space. The upper floors were developed as 34 apartment units. Most of the apartments include 1 and 2 bedroom units which range in size from 674 square feet to 1,049 square feet. There are also three “penthouse” units with over 1,500 square feet each. The apartment units in the Sears Lofts Building include hardwood flooring, granite countertops and maple cabinets.

We have accorded most weight on the cost to renovate the subject main floor and basement, with secondary emphasis on the two remaining cost comparables. **Based on this data, a reasonable cost estimate is \$200 per square foot, which would also cover the cost to update the prep kitchen to a commercial type kitchen. Based on the size of the 2nd and 3rd floors, the cost of renovation would likely be \$1,258,000 (6,290 square feet X \$200/sf).**

As a Check of Reasonableness, we have included the 2009 Estimate of the Cost to Renovate the 2nd floor and 3rd floors as presented by the City in the “Story Mansion and Carriage House Condition Report as of January 27, 2011”.

Estimate for Cost to Renovate 2nd & 3rd Floors						
Description	2009 Estimate	2010	2011	2012	2013	2014 Estimate at 2.0% Inflation
Structural Upgrades for 2nd & 3rd Floor - selective demolition, and new wood access stairway with metal handrails from 1st to 3rd Level, reconfiguring partitions at the new stairway	\$128,680	\$131,254	\$133,879	\$136,556	\$139,287	\$142,073
Elevator & Stair Tower	\$602,616	\$614,668	\$626,962	\$639,501	\$652,291	\$665,337
Parking Lot upgrades for 20 additional spaces to meet code for added usable square footage	\$63,500	\$64,770	\$66,065	\$67,387	\$68,734	\$70,109
2nd Floor Interior Finish Proposals for office space, bathroom, restoration of doors, reconfigure fire system, reconfigure hot water heating system lines, electrical and lighting upgrades (low estimate)	\$530,000	\$540,600	\$551,412	\$562,440	\$573,689	<u>\$585,163</u>
Total Estimated	\$1,324,796					\$1,462,682

Source: Story Mansion & Carriage House Condition Report as of January 27, 2011

Based on this 2009 forecast as adjusted for inflation at 2% annually, a cost of \$233 per square foot is indicated (\$1,462,682/6,290 SF). The total is higher than we have used in our estimate but some costs estimated by the city would not necessarily be required of a bed and breakfast and some costs required of a bed and breakfast would not necessarily be required of the city. Examples include: 1) an elevator and stair tower are estimated at \$665,337, but a B&B would not necessarily include the same; 2) the 3rd floor finishes are not included in the city's estimate but some renovation of the 3rd floor would be required for the owner/manager quarters.

Average Daily Rate: In order to analyze the subject as a Bed & Breakfast establishment, we had to determine a reasonable average daily rate (ADR). We have located four Bed & Breakfast rates for historic homes in the state. All four are located on the National Register of Historic Places. The Collins Mansion is listed individually, while the remaining three are listed within a historic district. The table below indicates the estimated average nightly rate based on rate ranges for these four establishments.

B & B Estimated Average Daily Rate				
Name	Location/Historic District	Quality/Condition	Rate Range	Est. Avg. Daily Rate (ADR)
Copper King Inn	Butte-Anaconda Historic District	Exc/Gd	\$85 - \$135	\$120
Collins Mansion	Collins Mansion - Great Falls	Exc/Gd	\$89-\$135	\$120
Voss Inn	Bozeman - Bon Ton Historic District	Exc/Avg	\$120-\$140	\$130
Lehrkind Mansion	Bozeman - Brewery Historic District	Exc/Gd	\$119 - \$239	\$190
Subject	Bozeman - Bon Ton Historic District	Exc/Exc	\$140 - \$250	\$200

The subject is most similar **in location** to the Voss Inn and Lehrkind Mansion. Situated along South Willson Avenue, between the Central Business District (CBD) of Bozeman and the MSU campus, the subject is superior in location to all but the Voss Inn. Like the subject, The Voss Inn is located along South Willson near Bozeman's CBD; however, it was most recently renovated in

1984 and is considered inferior based on condition to the renovated areas of the subject property. In our opinion, it would not command the same rates as the subject as renovated. **Based on this data, a reasonable ADR is estimated at \$200/room/night.**

Gross Revenue Multiplier Analysis for a B&B: A form of income analysis often used for Bed & Breakfast facilities is a gross revenue multiplier (GRM). According to Don Lindner, MAI and president of Coastal Realty Consultants in Savannah, Georgia, “B&B sales (in Savannah) in general have sold for 3.5 times room revenue.” Savannah has a thriving tourism economy and has many historic B&Bs.

We located two Montana properties for GRM analysis. The Collins Mansion is a 5 room B & B that is an active listing in Great Falls. The listing agent has had a number of interested parties and she believes it is priced competitively. The sale price will likely be less than the list price, but based on the fact it is priced competitively, we have adjusted the list downward by only 5%. We estimated room revenues at \$262,800 (6 rooms X \$120/night X 365 days per year).

The Voss Inn, located in the Bon Ton Historic District along South Willson in Bozeman has been marketed a number of times since 2007, originally for \$1,700,000. It was listed most recently from June 2012 through October 2012 for \$895,000. Since it has been listed a number times over the course of the past 7 years and was most recently marketed for 142 days, we have adjusted the list price downward by 15%.

GRM Analysis					
B&B Name	Location	List Price	Adj. List	Est. Room Revenue	GRM
Collins Mansion	Great Falls, MT	\$445,000	\$422,750	\$262,800	1.61
Voss Inn	Bozeman, MT	\$895,000	\$760,750	\$284,700	2.67
Typical B&B	Savannah, GA				3.50

We have put most emphasis on the Voss Inn located in Bozeman; however, the subject as renovated would likely indicate a slightly higher GRM. Based on this data, a GRM of 3.0 is reasonable. The estimated room revenue is \$438,000 (6 rooms X \$200 ADR X 365 days) X 3.0 GRM = \$1,314,000. The indicated value of \$1,314,000 less the estimated \$1,258,000 cost to renovate, is positive - indicating that the project is financially feasible. This analysis provides an indication of a residual value of the property of \$56,000.

Single Family Residence

We located a number of sales of similar properties in population centers of Montana. All were purchased for residential use. These sales were utilized to develop a Sales Comparison Approach to determine the value of the subject property. The value indication from the Sales Comparison Approach for the subject property as a single family residence far exceed the residual value indication for the subject property if utilized as a Bed and Breakfast.

Conclusion

Based upon our research and the analyses presented the financially feasible use of the subject property is as a single family residence.

Maximally Productive

Based upon this analysis of the legally permissible, physically possible and financially feasible uses of the subject property, the maximally productive highest and best use is for a single family residence.

CONSIDERATION OF FOUR PROPOSALS

The City of Bozeman released a Request for Proposals in 2013. The table below indicates the proposals received by the city as of August 2013 and their zoning implications.

STORY MANSION PROPOSAL ZONING/USE ANALYSIS					
Organization	Proposed Use: Mansion	Proposed Use: Carriage House	Zoning Use Compliance	Other Zoning Issues	Discretionary Approval Process Timeline
Bozeman Art Museum	Fine Art Museum	Office	Community Center Conditional Use Permit approved on July 20, 2009*	Parking, delivery zone, and neighborhood compatibility for evening events	Estimate: four to six months for modification of existing CUP
Montana Center for Civic Engagement	Not adequately specified in Proposal	Not adequately specified in Proposal	Community Center Conditional Use Permit approved on July 20, 2009**	Parking and neighborhood compatibility for evening events	Estimate: four to six months for modification of existing CUP
Story Mansion Inn Group	17 overnight guest rooms, wine bar and limited dining for guests and the general public Special Event receptions	6 overnight guest rooms with meeting and conference space	Overnight accommodation, dining establishment and for-profit owned community meeting space are not a principal, conditional or accessory use in the R-1 Zone District Use would require the approval of a Planned Unit Development to allow an inn, wine bar and dining use.	Parking, delivery zone and neighborhood compatibility for evening events	Estimate: four to six months Preparation of submittal material by applicant: one to two months
Tree of Life Ministries – The Portal School of Creativity and Innovation	Classrooms and Conference Facility, primary use time in the evening	Classrooms and Conference Facility, primary use time in the evening	Community Center Conditional Use Permit approved on July 20, 2009*	Parking and neighborhood compatibility for evening events	Estimate: four to six months for modification of existing CUP

* The City of Bozeman was granted a Conditional Use Permit, Z-09022, for a Community Center that would utilize the first floor of the mansion only. The CUP runs with the land and all future users of the property would be responsible for ensuring the conditions of approval are met.

** Future use of the site by Montana Center for Civic Engagement may require modification of the approved CUP. Submittal information did not specify building usage.

We have not examined the financial feasibility of the subject based on the hypothetical use of any of the proposed projects. It is beyond the Scope of this report to have done so since we were not provided with details of renovation costs or projected income and expenses for each project.

THE APPRAISAL PROCESS

In the foregoing sections of this report, we have examined and discussed the subject property. To arrive at an estimate of market value for the subject property, it is necessary to collect and analyze all available data in the market, which might tend to indicate the value of the subject property. The subject property must be compared to similar properties that can be constructed, purchased, or from which a similar monetary return may be received.

APPROACHES IN THE VALUATION OF REAL PROPERTY

The three recognized approaches in the valuation of real property are Sales Comparison, Cost Approach and Income Capitalization. According to The Appraisal of Real Estate - Thirteenth Edition by the Appraisal Institute, the approaches are defined as follows:

Cost Approach

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.

Sales Comparison Approach

The process of deriving a value conclusion for the subject property by comparing similar properties that have recently sold; identifying appropriate units of comparison and making adjustments to the sales prices (or unit prices) of the comparables based on the relevant, market-derived elements of comparison. The Sales Comparison Approach may be used to value improved properties, vacant land or land being considered as though vacant when an adequate supply of comparables sales is available.

Income Capitalization Approach

An appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The principal of anticipation is fundamental to the approach. Techniques and procedures from this approach are used to analyze comparable sales data and to measure obsolescence in the Cost Approach.

In the remainder of this report we develop the Cost Approach and the Sales Comparison Approach. Although the subject does produce some income, it is not enough to cover expenses and it is not currently encumbered with a long term lease; therefore, the Income Approach is not applicable to the valuation of the subject property. The value indications are reconciled for a final value conclusion of the fee simple interest as encumbered by the Conservation Easement.


COST APPROACH

The Cost Approach to value reflects the actions of market participants relative to cost. Older properties may exhibit physical and/or functional deficiencies that affect value. For this reason, the Cost Approach is most applicable to new or proposed construction. The Cost Approach is often the only credible approach when there are few sales and little income data available. It is also useful as a check of reasonableness.


The first step in the Cost Approach is to estimate the value of the subject site as if vacant. The next step is to estimate the cost new of the existing improvements. The third step is to determine depreciation for the subject improvements and to subtract the depreciation from the cost new.

The final step is to add the site value to the improvement cost less depreciation.


LAND SALE 1

COMPARABLE SALE INFORMATION			
	Location		NHN Mathew Bird Circle
	City/State		Bozeman, MT
	County		Gallatin
	Assessor Number(s)		00RGG51601
	Zoning		R-1, Residential Single-Household, Low Density
	Size: Acres		0.332
	Square Feet		14,462
	Gross or Net		Gross
	Date of Sale		October 17, 2013
	Sale Price		\$163,000
	Less Improvements		\$0
	Adjusted Sale Price		\$163,000
	SW MT MLS #		191046
ANALYSIS OF SALE			
Price Per Acre	\$490,964	Price per Square Foot	\$11.27
Price per Lot	\$163,000	Price per Front Foot	N/A
TRANSFER INFORMATION			
Grantor	Palmer Property Holdings, LLC	Grantee	Daniel P. Wetstein and Kathleen F. Wetstein
Recording Data	Warranty Deed #2465973D	Marketing Time	110 Days on Market
Financing/Conditions	Cash Equivalent	Verified By	Jim Appleby - 406-579-0839 Carol Lister - 406-581-9376
Legal Description	Lot 93 of West Meadow Subdivision, Phase 3, City of Bozeman, Gallatin County, Montana	Intended Use	Residential
Section/Township/Range	S19-T02S-R06E		
PROPERTY DETAILS			
Access	Mathew Bird Circle	Traffic Count	Not available
Topography	Level	Lot Dimensions	Irregular
Flood Plain	FEMA Map #30031C0818D Dated 09/02/2011, Zone X, Minimal Flood Risk	Highest & Best Use at Sale	Residential Development
Shape	Irregular	Improvements	None
Frontage (Feet)	N/A	Value of Improvements	N/A
View	Similar Properties, Mountains	Miscellaneous	
Utilities	Utilities to Lot: City Water & Sewer, Nat. Gas, Telephone, Electricity, Internet		
	Verified by SK	Report File #	14-006es


LAND SALE 2

COMPARABLE SALE INFORMATION			
	Location		Corner of Vaquero Parkway and Davis Lane
	City/State		Bozeman, MT
	County		Gallatin
	Assessor Number(s)		00RGG65789
	Zoning		R3 - Residential Medium Density
	Size: Acres (Rounded)		3.023
	Square Feet		131,678
	Gross or Net		Gross
	Date of Sale		September 19, 2013
	Sale Price		\$400,000
	Less Improvements		\$0
	Adjusted Sale Price		\$400,000
	SW MT MLS #		N/A
ANALYSIS OF SALE			
Price Per Acre	\$132,319	Price per Square Foot	\$3.04
Price per Lot	\$400,000	Price per Front Foot	\$1,207
TRANSFER INFORMATION			
Grantor	Holyoke V, Inc.	Grantee	Shining Mountain Lutheran Church
Recording Data	Warranty Deed #2463205	Marketing Time	1207
Financing/Conditions	Cash	Verified By	Jason Bayse, 406-581-7653 and appraiser's files
Legal Description	Lot 9 of Block 8, The Crossing at Baxter Meadows, Gallatin County, MT	Intended Use	Seller marketed to buyer as a Community Center lot under preliminary plat
Section/Township/Range	S03-T02S-R05E		
PROPERTY DETAILS			
Access	Vaquero Parkway	Traffic Count	Not available
Topography	Level	Lot Dimensions	Irregular
Flood Plain	Not in Flood Plain	Highest & Best Use at Sale	Residential Development
Shape	Irregular	Improvements	None
Frontage (Feet)	331.5		
View	Similar Properties, Mountains	Value of Improvements	N/A
Utilities	Utilities to Lot: City Water & Sewer, Nat. Gas, Telephone, Electricity, Internet	Miscellaneous	
	Verified by SK	Report File #	14-006es

LAND SALE 3

COMPARABLE SALE INFORMATION			
	Location	NHN Fowler Avenue	
	City/State	Bozeman, MT	
	County	Gallatin	
	Assessor Number(s)	000RGG7987	
	Zoning	R-1, Residential Single-Household, Low Density	
	Size: Acres	0.804	
	Square Feet	35,022	
	Gross or Net	Gross	
	Date of Sale	May 9, 2013	
	Sale Price	\$189,000	
	Less Improvements	\$0	
	Adjusted Sale Price	\$189,000	
	SW MT MLS #	187647	
	ANALYSIS OF SALE		
Price Per Acre	\$235,075	Price per Square Foot	\$5.40
Price per Lot	\$189,000	Price per Front Foot	N/A
TRANSFER INFORMATION			
Grantor	Glacier Bank - REO	Grantee	Highfive Bozeman II LLC
Recording Data	Warranty Deed #2448884	Marketing Time	63 Days on Market
Financing/Conditions	Cash	Verified By	Mark Dobrenski - 406-599-2175
Legal Description	Lot 19 in Block 1 of the Final Plat of Fowler Place Subdivision, City of Bozeman, Gallatin County, Montana	Intended Use	Residential Development, possible multi-lot development
Section/Township/Range	S18-T02S-R06E		
PROPERTY DETAILS			
Access	Christopher Way	Traffic Count	Not available
Topography	Level	Lot Dimensions	Irregular
Flood Plain	FEMA Map #30031C0812D Dated 09/02/2011, Zone X, Minimal Flood Risk	Highest & Best Use at Sale	Residential Development
Shape	Irregular	Improvements	None
Frontage (Feet)	N/A	Value of Improvements	N/A
View	Interior Views	Miscellaneous	
Utilities	Utilities to Lot: City Water & Sewer, Nat. Gas, Telephone, Electricity, Internet		
	Verified by SK	Report File #	14-006es

LAND SALE 4

COMPARABLE SALE INFORMATION			
	Location	2103 Lomas Drive	
	City/State	Bozeman, MT	
	County	Gallatin	
	Assessor Number(s)	000RGG3016	
	Zoning	R-1, Residential Single-Household, Low Density	
	Size: Acres	0.570	
	Square Feet	24,829	
	Gross or Net	Gross	
	Date of Sale	June 1, 2011	
	Sale Price	\$250,000	
	Less Improvements	\$0	
Adjusted Sale Price	\$250,000		
SW MT MLS #	176019		
ANALYSIS OF SALE			
Price Per Acre	\$438,596	Price per Square Foot	\$10.07
Price per Lot	\$250,000	Price per Front Foot	N/A
TRANSFER INFORMATION			
Grantor	Robert B. Ogle a/k/a Robert E. Ogle	Grantee	Timothy Jon Horton and Laura Nordlund Horton, Trustees of the Timothy Jon Horton and Laura Nordlund Horton Revocable Living Trust dated February 16, 2010
Recording Data	Warranty Deed #2389769	Marketing Time	0 Days on Market
Financing/Conditions	Cash	Verified By	Penny Ogle - 406-595-7767
Legal Description	Lot 23A of Graf's Second Subdivision to the City of Bozeman, Gallatin County, Montana	Intended Use	Residential
Section/Township/Range	S18-T02S-R06E		
PROPERTY DETAILS			
Access	Lomas Drive	Traffic Count	Not available
Topography	Slightly Sloped	Lot Dimensions	Irregular
Flood Plain	FEMA Map #30031C0817D Dated 09/02/2011, Zone X, Minimal Flood Risk	Highest & Best Use at Sale	Residential Development
Shape	Irregular	Improvements	None
Frontage (Feet)	N/A	Value of Improvements	N/A
View	Similar Properties, Mountains, City	Miscellaneous	Originally platted as Lots 23 and 24, now amended as Lot 23A
Utilities	Utilities to Lot: City Water & Sewer, Nat. Gas, Telephone, Electricity, Internet		
	Verified by SK	Report File #	14-006es

Comparison Sales Analysis Grid for Subject Site as if Vacant

Adjustments have been considered for differences between the comparable sales and the subject site. Any adjustments made are noted on the spreadsheet below;

COMPARABLE SALES ANALYSIS					
FOR 2.147 ACRES LOCATED AT					
811 SOUTH WILLSON AVENUE, BOZEMAN, MONTANA					
DESCRIPTION	SUBJECT	SALE 1	SALE 2	SALE 3	SALE 4
ADDRESS	811S Willson Ave	NHN Mathew Bird Circle	NHN Vaquero Parkway	NHN Fowler Ave	2103 Lomas Drive
LOCATION	Bozeman	Bozeman	Bozeman	Bozeman	Bozeman
SALES PRICE		\$163,000	\$400,000	\$189,000	\$250,000
LISTING ADJUSTMENT					
IMPROVEMENTS					
BUYER EXPENDITURES					
DEMOLITION					
ENVIRONMENTAL					
OTHER					
LEGAL/ZONING					
ADJUSTED PRICE		\$163,000	\$400,000	\$189,000	\$250,000
PROPERTY RIGHTS	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
PROPERTY RIGHTS ADJUSTMENT					
ADJUSTED PRICE		\$163,000	\$400,000	\$189,000	\$250,000
FINANCING	Market	Market	Market	Market	Market
FINANCING ADJUSTMENT					
ADJUSTED PRICE		\$163,000	\$400,000	\$189,000	\$250,000
CONDITIONS OF SALE ADJUSTMENT	Market	Market	Market	REO	Market
ADJUSTMENT				\$56,700	
ADJUSTED PRICE		\$163,000	\$400,000	\$245,700	\$250,000
DATE OF SALE		10/17/13	09/19/13	05/09/13	06/01/11
MARKET CONDITIONS FACTOR		1.00	1.00	1.00	1.00
ADJUSTED PRICE PER LOT		\$163,000	\$400,000	\$245,700	\$250,000
APPROXIMATE SIZE IN ACRES	2.147	0.332	3.023	0.804	0.570
ADJUSTED SALES PRICE PER LOT		\$163,000	\$400,000	\$245,700	\$250,000
RANKING BASED ON:					
LOCATION		Similar	Similar	Similar	Similar
VIEW		Similar	Similar	Similar	Superior
SHAPE AND TOPOGRAPHY		Similar	Similar	Similar	Similar
ZONING		Similar	Similar	Similar	Similar
PARK AMENITY		Inferior	Similar	Inferior	Inferior
UTILITIES		Similar	Similar	Similar	Similar
SIZE		Smaller	Larger	Smaller	Smaller
ADJUSTED SALES PRICE PER LOT		\$163,000	\$400,000	\$245,700	\$250,000
RANKING COMPARED TO SUBJECT		Slightly Inferior & Smaller	Similar & Larger	Slightly Inferior & Smaller	Similar & Smaller

Discussion of Differences:

Buyer Expenditures, Property Rights, and Financing: According to our research no adjustment was necessary in these categories for the comparable sales.

Conditions of Sale: Sale 3 is an REO sale. Research indicates that non-REO land sales of comparable properties ranged from 4% to 137% more than REO land sales. These statistics indicate a median of 48% more for non-REO land sales. We have made a conservative upward adjustment of 30% to Sale 3 for this difference.

Market Conditions: All of the land sales closed in 2011 or 2013. Based upon our analysis, market conditions for vacant residential parcels in Bozeman were similar on the effective date of this report as on the closing dates of the comparables and no adjustment is necessary in this category.

Discussion of Rankings:

Location: We were unable to locate any recent vacant residential land sales within a historic district in Bozeman. Therefore, there is not sufficient market data to determine the impact on vacant land value for location within a historic district. The subject and all of the comparables are located in the city limits of Bozeman and are considered similar.

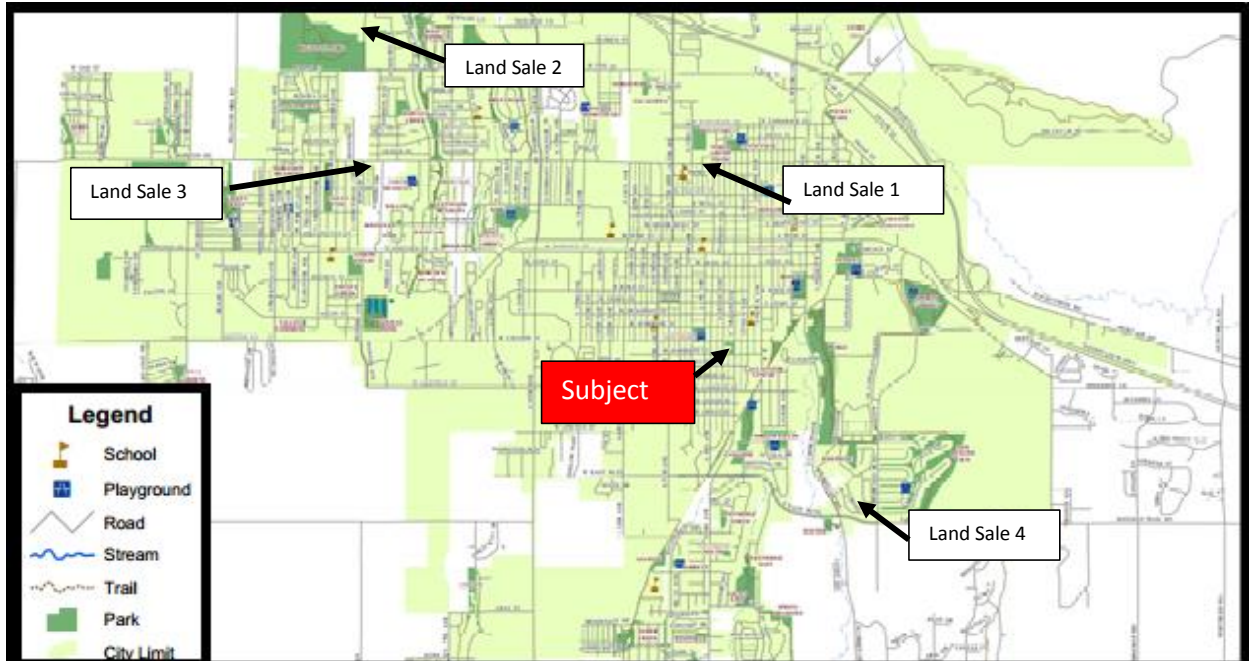
View: Land Sale 4 is located on a lot overlooking the city. This is considered superior based on view. The views from the subject and remaining comparables result in similar marketability.

Shape/Topography: The shapes and topographies of the subject and comparables result in similar marketability.

Zoning: The subject is located in R-1, Residential Low Density zoning district with an additional CUP that allows for use as a Community Center. All of the comparables are located in residential zoning districts that allow for single family residential development. Sale 3 is located in an R-3, Residential Medium Density zoning district and, based on a PUD subdivision plat, it was designated as a Community Center lot. Based upon the highest and best use analysis of the subject and comparables, zoning is similar.

Park Amenity: The subject includes a 1.1092 acre park along South Willson and College Avenue. We located no sales that included a park amenity. All of the sales are within a mile of a park and Land Sale 3 is adjacent to the Gallatin Regional Park. Based on its proximity to a park, Land Sale 3 is considered similar to the subject based on park amenity. The remaining Sales are not adjacent to a park and they are considered inferior based on park amenity.

A map of the City of Bozeman Parks with the Subject and Comparable locations is provided on the following page.



Utilities: The subject and comparables all have similar access to necessary utilities.

Size: The subject is bracketed by the comparables based on lot size. Based upon our analysis of the available market data, the price per lot varies relative to total lot size. For this reason, size is considered in the final reconciliation.

Reconciliation of Sales Comparison Approach for the Subject Site As If Vacant

The adjusted sales based on price per lot range from \$163,000 to \$400,000. Most weight is accorded Sale 3, which is closest in size to the subject and is also designated as a Community Center lot in the subdivision PUD. Secondary and equal weight is accorded the 3 remaining Comparable Land Sales.

Based on this analysis, a price per lot of \$350,000 is reasonable and supported by the data.

\$350,000

COST ESTIMATE FOR IMPROVEMENTS

The next step in the Cost Approach is to estimate the cost new of the improvements, minus depreciation, and add the estimated land value. The cost is based on an estimate derived from the Marshall Valuation Service, a recognized national cost estimating service. The comparative-unit method (utilizing the calculator method) is used to estimate the replacement cost for the subject improvements. All applicable depreciation must be calculated and subtracted from the cost new. **It is important to note that our analysis is based upon replacement costs and not reproduction costs.**

We estimated the base cost for the subject main residence using the indicated cost for a High Value Residence, Class 'D', Type V. We estimated the basement finished area separately from the unfinished area. We considered the finished area as high value finish.

We estimated the base cost of the **shell** of the carriage house (considered an accessory building) using a blended rate for a high value two story stable and a very good quality guest house. These two base costs were nearly the same. We estimated the cost of the interior finish of the carriage house based on the lowest cost interior office/apartment. We estimated the base cost for the 2nd floor of the carriage house and the main floor storage area of the carriage house separately using the indicated cost for a Class D, hayloft. In addition, when required, adjustments were made to the indicated base cost for construction characteristics and current and local cost differences.

2nd & 3rd Floors: We applied a cost of \$292.27 to the overall subject square footage above grade. We have deducted the cost to renovate to bring the subject to a completed condition that would be required for a single family residence. The cost to renovate the 2nd and 3rd floors was discussed in the Highest and Best Use section of this report when the feasibility of a Bed and Breakfast was analyzed. Based on the feasibility analysis we determined a reasonable cost estimate to renovate the 2nd and 3rd floors and update the kitchen from prep to residential was \$200 per square foot applied to the square footage of the 2nd and 3rd floors. Based on the size of the 2nd and 3rd floors, the cost of renovation would likely be \$1,258,000 (6,290 square feet X \$200/sf).

Depreciation:

Depreciation is defined as a loss in value of any kind. There are three categories of depreciation. These are Physical Depreciation, Functional Depreciation and External (or Economic) Depreciation.

The subject was constructed 1910. There is some physical depreciation present due to the age of the subject and there is some functional obsolescence (in addition to the condition of the 2nd and 3rd floors).

We estimated depreciation from all sources for each of the comparable sales used in the Sales Comparison Approach of this report. There was not sufficient market data available to extract the amount of each specific source of depreciation.

We verified each of the sales with the listing agent for the sale. We verified contributory site values with listing agents. Improved Sale 3 contributory lot value was based on a recently sold

similar sized lot in the same historic neighborhood as Sale 3. That lot sold for \$325,000 with an improvement and the improvement was subsequently demolished. The overall market extracted depreciation is presented below.

Market Extracted Depreciation from All Sources from Improved Sales				
	Sale 1	Sale 2	Sale 3	Sale 4
	502 S Grand	504 S Willson	1330 Gerald Ave	105 N Excelsior
	Bozeman	Bozeman	Missoula	Butte
Sale Price	\$1,800,000	\$1,400,000	\$1,125,000	\$409,500
Less Value of Land	-\$300,000	-\$325,000	-\$325,000	-\$40,950
Less Value of FF&E	\$0	\$0	\$0	\$0
Depreciated Cost of Improvements	\$1,500,000	\$1,075,000	\$800,000	\$368,550
Cost of Improvements As If New	\$2,390,000	\$1,830,000	\$1,730,000	\$1,080,000
Less Depreciated Cost of Improvements	-\$1,500,000	-\$1,075,000	-\$800,000	-\$368,550
Total Depreciation in Dollars	\$890,000	\$755,000	\$930,000	\$711,450
Total Depreciation Percentage	37%	41%	54%	66%
Year Constructed/Year Renovated	1904 / 1999	1886 / 2007	1918 / 2009	1898 / Unknown

The indicated depreciation from all sources for the comparables ranges from 37% to 66%. We have accorded approximately equal weight to all of the Improved Sales. We have selected an overall depreciation rate of 50% for use in the Cost Approach for the subject property.

COST APPROACH CONCLUSION

The Cost Approach analysis for the subject property is presented on the following page.

COST ANALYSIS

811 SOUTH WILLSON AVENUE, BOZEMAN MONTANA

BASE COST

MAIN RESIDENCE

HIGH VALUE RESIDENCE, SEC 12, PAGE 27	
CLASS D, TYPE V	\$292.27
WALL HEIGHT MULTIPLIER, SEC 12, PAGE 24	1.000
CURRENT COST MULTIPLIER, SEC 99, PAGE 3	1.060
LOCAL COST MULTIPLIER, SEC 99, PAGE 8	0.970
ADJUSTED BASE COST	<u>\$300.51</u>

HIGH VALUE RESIDENCE, SEC 12, PAGE 26	
BASEMENT - CLASS D, HIGH VALUE FINISH	\$89.27
CURRENT COST MULTIPLIER, SEC 99, PAGE 3	1.060
LOCAL COST MULTIPLIER, SEC 99, PAGE 8	0.970
ADJUSTED BASE COST	<u>\$91.79</u>

HIGH VALUE RESIDENCE, SEC 12, PAGE 26	
BASEMENT - CLASS D, UNFINISHED/MECHANICAL	\$19.64
CURRENT COST MULTIPLIER, SEC 99, PAGE 3	1.060
LOCAL COST MULTIPLIER, SEC 99, PAGE 8	0.970
ADJUSTED BASE COST	<u>\$20.19</u>

CARRIAGE HOUSE

CLASS D, SHELL OF ACCESSORY BUILDING CARRIAGE HOUSE SEC 17, PAGE 36 & SEC 12, PAGE 29 - 40% FOR SHELL	
CLASS D, VERY GOOD SHELL OF CARRIAGE HOUSE	\$51.20
CURRENT COST MULTIPLIER, SEC 99, PAGE 3	1.060
LOCAL COST MULTIPLIER, SEC 99, PAGE 8	0.970
ADJUSTED BASE COST	<u>\$52.64</u>

CLASS D, INTERIOR OF CARRIAGE HOUSE - SEC 12, PAGE 13	
CLASS D, LOWEST COST INTERIOR OFFICE-APARTMENT	\$47.29
CURRENT COST MULTIPLIER, SEC 99, PAGE 3	1.060
LOCAL COST MULTIPLIER, SEC 99, PAGE 8	0.970
ADJUSTED BASE COST	<u>\$48.62</u>

CLASS D, HAYLOFT AREA, SEC 17, PAGE 30	
CLASS D, HAYLOFT AREA	\$12.23
CURRENT COST MULTIPLIER, SEC 99, PAGE 3	1.060
LOCAL COST MULTIPLIER, SEC 99, PAGE 8	0.970
ADJUSTED BASE COST	<u>\$12.57</u>

COST ANALYSIS		
ABOVE GRADE RESIDENCE - EXCELLENT	9,594 @ \$300.51	\$2,883,093
ADJUSTMENT FOR LOW COST INTERIOR OF 2ND & 3RD FLOORS OF RESIDENCE	6,290 @ -\$200.00	-\$1,258,000
BASEMENT RESIDENCE - FINISHED	1,166 @ \$91.79	\$107,027
BASEMENT RESIDENCE - UNFINISHED	2,209 @ \$20.19	\$44,600
FIRE SUPPRESSION SYSTEM - RESIDENCE	Lump Sum	\$47,000
PORCHES, BALCONIES & PORTE COCHERE - RESIDENCE	Lump Sum	\$60,000
ASSESSORY BUILDING - SHELL CARRIAGE HOUSE	4,680 @ \$52.64	\$246,355
APARTMENT/OFFICE - CARRIAGE HOUSE	1,487 @ \$48.62	\$72,298
2ND FLOOR HAYLOFT - CARRIAGE HOUSE	2,320 @ \$12.57	\$29,162
ASSESSORY BUILDING - CARRIAGE HOUSE MAIN FLOOR STORAGE	873 @ \$12.57	\$10,974
SITE IMPROVEMENTS & LANDSCAPING	Lump Sum	<u>\$50,000</u>
COST NEW		\$2,292,509
ENTREPRENEURIAL INCENTIVE @ 10%		<u>\$229,251</u>
TOTAL COST NEW OF CURRENT IMPROVEMENTS		\$2,521,760
LESS OBSERVED DEPRECIATION		
ESTIMATED TOTAL DEPRECIATION FROM ALL SOURCES	50.0% of adjusted cost	<u>\$1,260,880</u>
TOTAL DEPRECIATED IMPROVEMENT COST		\$1,260,880
ADD LAND VALUE		<u>\$350,000</u>
		\$1,610,880
LESS ADJUSTMENT FOR CONSERVATION EASEMENT ENCUMBRANCE		<u>-\$80,544</u>
INDICATED VALUE FROM COST APPROACH		\$1,530,336
ROUNDED TO		<u>\$1,530,000</u>

The indicated value for the subject property from the Cost Approach as rounded is \$1,530,000.

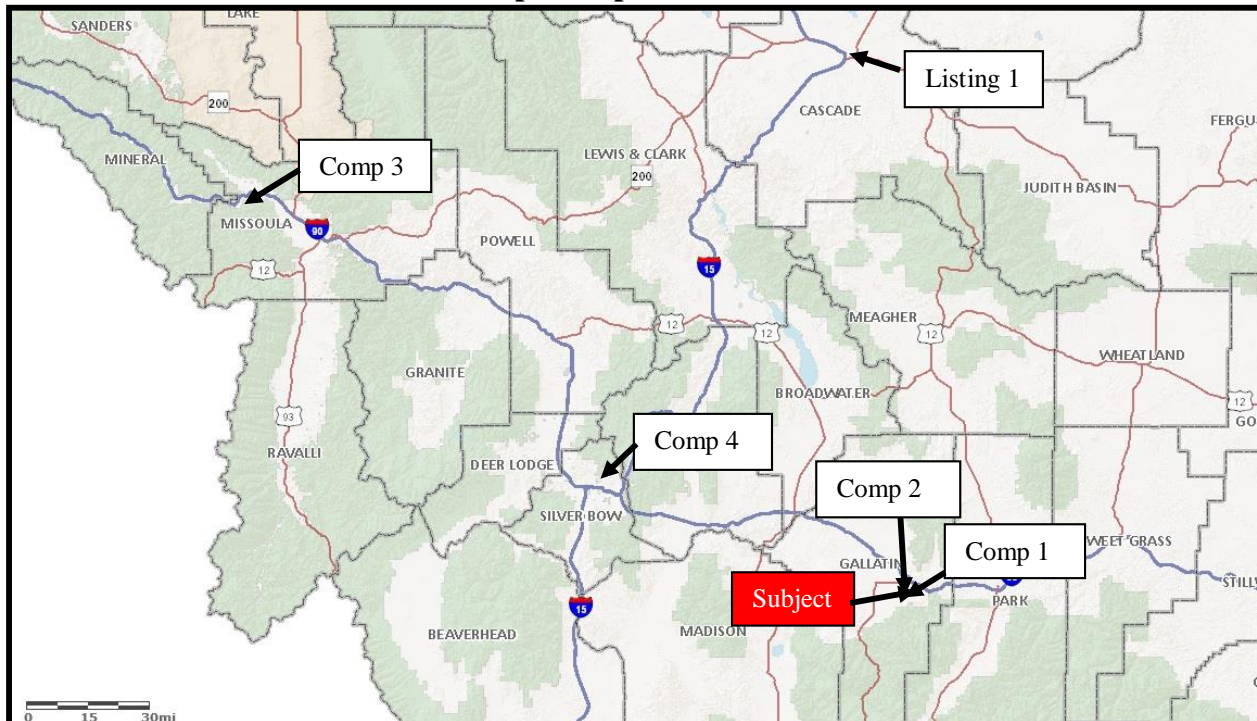
SALES COMPARISON APPROACH

The Sales Comparison Approach reflects the actions of market participants in purchasing historic residences similar to the subject property as improved. We located only 2 sales in the immediate subject market area. For this reason it was necessary to expand our search to other cities in Montana. We located 4 sales and one active listing of historic residential properties that compare relatively well with the subject property. These comparables are included on the table below;


SUMMARY OF COMPARABLE IMPROVED SALES FOR 2.147 ACRES AS ASSEMBLED AT 811 S WILLSON AVE, BOZEMAN, MT							
Comp #	Type	Address	Area	Sale/List Price	Building Size in SF	Price/SF	Sale Date
1	Residential	502 S Grand Ave	Bozeman	\$1,800,000	5,411	\$332.66	11/1/2013
2	Residential	504 S Willson Ave	Bozeman	\$1,400,000	4,501	\$311.04	7/10/2012
3	Residential	1330 Gerald Ave	Missoula	\$1,125,000	4,128	\$272.53	8/31/2012
4	Bed & Breakfast/ Boarding House	105 N Excelsior Ave	Butte	\$409,500	7,812	\$52.42	5/27/2009
A1	Bed & Breakfast	1003 2nd Ave NW	Great Falls	\$445,000	5,653	\$78.72	ACTIVE

The comparables are described in detail in this portion of this report. Photographs of the comparables are included. A map indicating the locations of the comparables in relation to the subject property is below.

Map of Improved Sales



IMPROVED SALE 1

COMPARABLE SALE INFORMATION			
	Location	502 S Grand Ave	
	City/State	Bozeman MT	
	County	Gallatin	
	Assessor Number	000RGH4670	
	Zoning	R-1, Residential Single-Household, Low Density	
	Historic Significance	Listed on State and National Register of Historic Places via Bon Ton Historic District	
	Conservation Easement	None	
	Site Size: Acres	0.248	
	Square Feet	10,803	
	Building SF Above Grade	5,411	
	Date of Sale	November 1, 2013	
	Sales Price	\$1,800,000	
MLS #	187957		
TRANSFER INFORMATION			
Grantor	Thomas E. Bitnar and Randle Robinson Bitnar	Grantee	CRMX-188 LLC
Recording Data	Warranty Deed #2467200D	Marketing Time	244 Days on Market
Financing/Conditions	Cash	Verified By	Mike Basile - 406-579-6530
Legal Description	North 20 ft of Lot 18 and Lots 19-20 in Block 5 of Fairview Addition to Bozeman, Gallatin County, Montana	Intended Use	Residential
Section/Township/Range	S07-T02S-R06E		
DESCRIPTION OF IMPROVEMENTS		ANALYSIS OF SALE	
Building SF Above Grade	5,411	Improvement Size - SF	5,411
Basement Area	1,935 (Finished)	Sales Price	\$1,800,000
# of Bedrooms	4	Less Site Value*	\$200,000
# of Bathrooms	4.5	Value of Improvements	\$1,600,000
Construction	Wood Framed, Exterior Brick	Sales Price Per Square Foot	\$332.66
Quality	Excellent	Price of Improvements Per SF	\$295.69
Condition	Excellent		
Year Built/Age	1904 / 109 Years / Renovated 1999		
Number of Levels	3 + Basement		
Functional Plan/Layout	Yes		
HVAC/Heating/Cooling	Gas Radiant Hot Water		
Outbuildings	None		
Garage	Carport		
Access	City Street		
Appliances	Average		
Utilities	Electricity, Telephone, Natural Gas, Internet, City Water & Sewer		
Site Topography	Level		
Water Frontage	None		
Seller Concession	\$2,200 (Radon Mitigation)		
Miscellaneous	List Price: \$1,850,000		
Notes			
* Estimated by Appraiser		Report File	14-006es

**502 South Grand Avenue
ADDITIONAL PHOTOGRAPHS**



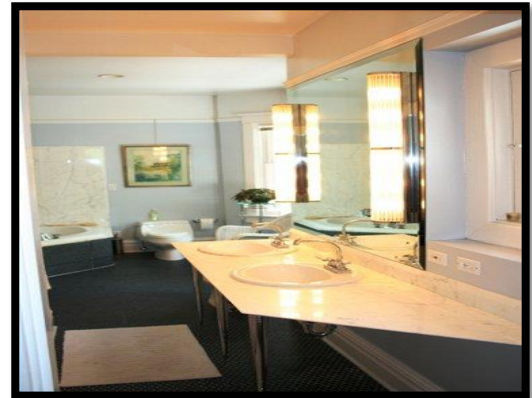
Foyer



Living Room / Dining Room



Bedroom



Bathroom




Scrollwork



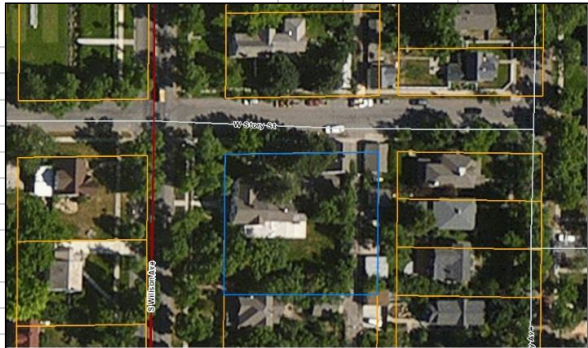
Patio

IMPROVED SALE 2

COMPARABLE SALE INFORMATION																											
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>Location</td><td>504 S Willson</td></tr> <tr><td>City/State</td><td>Bozeman MT</td></tr> <tr><td>County</td><td>Gallatin</td></tr> <tr><td>Assessor Number</td><td>000RGH5314</td></tr> <tr><td>Zoning</td><td>R-1, Residential Single-Household, Low Density, Bon Ton Historic District</td></tr> <tr><td>Historic Significance</td><td>Listed on State and National Register of Historic via Bon Ton Historic District</td></tr> <tr><td>Conservation Easement</td><td>None</td></tr> <tr><td>Site Size: Acres</td><td>0.551</td></tr> <tr><td style="padding-left: 20px;">Square Feet</td><td>24,002</td></tr> <tr><td>Building SF Above Grade</td><td>4,501</td></tr> <tr><td>Date of Sale</td><td>July 10, 2012</td></tr> <tr><td>Sales Price</td><td>\$1,400,000</td></tr> <tr><td>MLS #</td><td>172149</td></tr> </table>	Location	504 S Willson	City/State	Bozeman MT	County	Gallatin	Assessor Number	000RGH5314	Zoning	R-1, Residential Single-Household, Low Density, Bon Ton Historic District	Historic Significance	Listed on State and National Register of Historic via Bon Ton Historic District	Conservation Easement	None	Site Size: Acres	0.551	Square Feet	24,002	Building SF Above Grade	4,501	Date of Sale	July 10, 2012	Sales Price	\$1,400,000	MLS #	172149
Location	504 S Willson																										
City/State	Bozeman MT																										
County	Gallatin																										
Assessor Number	000RGH5314																										
Zoning	R-1, Residential Single-Household, Low Density, Bon Ton Historic District																										
Historic Significance	Listed on State and National Register of Historic via Bon Ton Historic District																										
Conservation Easement	None																										
Site Size: Acres	0.551																										
Square Feet	24,002																										
Building SF Above Grade	4,501																										
Date of Sale	July 10, 2012																										
Sales Price	\$1,400,000																										
MLS #	172149																										

TRANSFER INFORMATION			
Grantor	David Ronsen and Michelle C Ronsen	Grantee	Amy L. Andrews, Trustee of the Christopher J. Andrews and Amy L. Andrews Revocable Living Trust, Dated May 4, 2009
Recording Data	Warranty Deed #2420550D	Marketing Time	532 Days on Market
Financing/Conditions	Cash	Verified By	Denise Andres - 406-556-5065
Legal Description	Lots 16, 17, 18, 19 and 20 in Block 6 of the Fairview Addition to the City of Bozeman, Gallatin County, Montana	Intended Use	Residential
Section/Township/Range	S07-T02S-R06E		

DESCRIPTION OF IMPROVEMENTS	ANALYSIS OF SALE		
Building SF Above Grade	4,501	Improvement Size - SF	4,501
Basement Area	1,293 (Unfinished)	Sales Price	\$1,400,000
# of Bedrooms	4	Less Site Value*	\$275,000
# of Bathrooms	3.5	Value of Improvements	\$1,125,000
Construction	Wood Framed	Sales Price Per Square Foot	\$311.04
Quality	Excellent	Price of Improvements Per SF	\$249.94
Condition	Excellent		
Year Built/Age	1886 / 126 Years / Remodeled 2007		
Number of Levels	3 + Basement		
Functional Plan/Layout	Yes		
HVAC/Heating/Cooling	Gas Radiant Hot Water		
Outbuildings	None		
Garage	2-Car Detached		
Access	City Street		
Appliances	Excellent		
Utilities	Electricity, Telephone, Natural Gas, Internet, City Water & Sewer		
Site Topography	Level		
Water Frontage	None		
Seller Concession	\$9,450 (Fireplace Repair)		
Miscellaneous	List Price: \$1,650,000		
Notes			



504 South Willson
ADDITIONAL PHOTOGRAPHS



Living Room



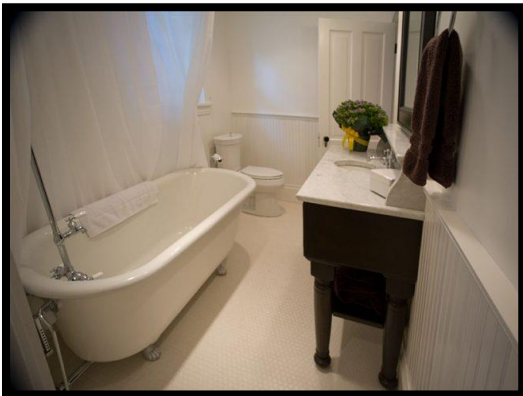
Dining Room



Kitchen



Bedroom



Bathroom



Den

IMPROVED SALE 3

COMPARABLE SALE INFORMATION			
	Location		1330 Gerald Ave
	City/State		Missoula MT
	County		Missoula
	Assessor Number		0001336600
	Zoning		R5.4, Residential (1 Detached Dwelling per 5,400 sf)
	Historic Significance		Listed on State and National Register of Historic Places via the University Historic District
	Conservation Easement		None
	Site Size: Acres		0.53
	Square Feet		23,087
	Building SF Above Grade		4,128
	Date of Sale		August 31, 2012
Sales Price		\$1,125,000	
MLS #		20123416	
TRANSFER INFORMATION			
Grantor	Terry G. Whatley and Margery M. Whatley	Grantee	Anne E. Timmons
Recording Data	Warranty Deed #201217029	Marketing Time	103 Days on Market
Financing/Conditions	Cash	Verified By	Jeremy Williams - 406-532-7919
Legal Description	Lot 4 in Block 26 in Hammond Addition No. 3 to the City of Missoula, Missoula County, Montana	Intended Use	Residential
Section/Township/Range	S27-T13N-R19W		
DESCRIPTION OF IMPROVEMENTS		ANALYSIS OF SALE	
Building SF Above Grade	4,128	Improvement Size - SF	4,128
Basement Area	2,244 (Unfinished)	Sales Price	\$1,125,000
# of Bedrooms	5	Less Site Value*	\$325,000
# of Bathrooms	2.5	Value of Improvements	\$800,000
Construction	Wood Framed, Masonry/Brick Exterior	Sales Price Per Square Foot	\$272.53
Quality	Excellent	Price of Improvements Per SF	\$193.80
Condition	Excellent		
Year Built/Age	1918 / 94 Years / Renovated 2009		
Number of Levels	2 + Basement (Unfinished) + Attic (Unfinished)		
Functional Plan/Layout	Yes		
HVAC/Heating/Cooling	Gas Radiant Hot Water		
Outbuildings	None		
Garage	2-Car Detached		
Access	City Street		
Appliances	Excellent		
Utilities	Electricity, Telephone, Natural Gas, Internet, City Water & Sewer		
Site Topography	Level		
Seller Concession	None		
Water Frontage	None		
Miscellaneous	List Price: \$1,280,000		
Notes			
* Estimated by Appraiser		Report File 14-006es	



**1330 Gerald Avenue
ADDITIONAL PHOTOGRAPHS**



Foyer



Dining Room



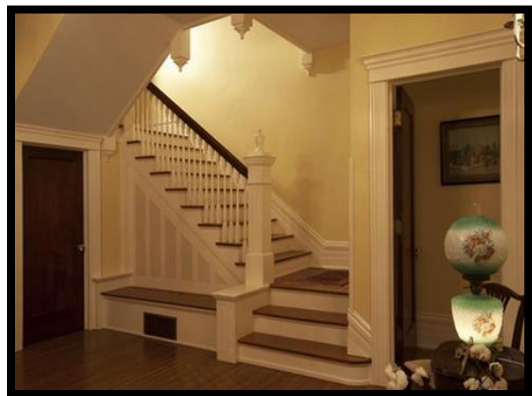
Kitchen



Living Room



Bathroom



Stairway

IMPROVED SALE 4

COMPARABLE SALE INFORMATION			
	Location	105 N Excelsior Ave	
	City/State	Butte MT	
	County	Silver Bow	
	Assessor Number	0001430410	
	Zoning	R-3, Multi-Family Residential	
	Historic Significance	Listed on State and National Register of Historic Places via the Butte-Anaconda National Historic Landmark district	
	Conservation Easement	None	
	Site Size: Acres	0.23	
	Square Feet	10,019	
	Building SF Above Grade	7,812	
	Date of Sale	May 27, 2009	
	Sales Price	\$409,500	
MLS #	90538		
TRANSFER INFORMATION			
Grantor	Chad L. Tipton and Shannon Tipton	Grantee	MJG Properties, LLC
Recording Data	Warranty Deed #629769	Marketing Time	485 Days on Market
Financing/Conditions	Conventional	Verified By	Sheri Broudy - 406-490-4069
Legal Description	Lot 1 and East 40 feet of Lot 2 in Block 3 of Excelsior Addition to City and County of Butte Silver Bow, Montana	Intended Use	Bed & Breakfast / Boarding House
Section/Township/Range	S14-T03N-R08W		
DESCRIPTION OF IMPROVEMENTS	ANALYSIS OF SALE		
Building SF Above Grade	7,812	Improvement Size - SF	7,812
Basement Area	3,255 (Unfinished)	Sales Price	\$409,500
# of Bedrooms	9	Less Site Value*	\$40,950
# of Bathrooms	7.5	Value of Improvements	\$368,550
Construction	Wood Framed, Exterior Brick	Sales Price Per Square Foot	\$52.42
Quality	Excellent	Price of Improvements Per SF	\$47.18
Condition	Good		
Year Built/Age	1898 / 111 Years		
Number of Levels	3 + Basement		
Functional Plan/Layout	Yes		
HVAC/Heating/Cooling	Gas Radiant Hot Water		
Outbuildings	None		
Garage	None		
Access	City Street		
Appliances	Excellent / Historic		
Utilities	Electricity, Telephone, Natural Gas, Internet, City Water & Sewer		
Site Topography	Level		
Seller Concession	None		
Water Frontage	None		
Miscellaneous	List Price: \$449,000		
Notes			
* Estimated by Appraiser		Report File 14-006es	

**105 N Excelsior Ave
ADDITIONAL PHOTOGRAPHS**



Front Entry



Living Room



Kitchen



Kitchen



Bathroom



Stairway

IMPROVED LISTING 1

COMPARABLE SALE INFORMATION			
	Location	1003 2nd Avenue NW	
	City/State	Great Falls MT	
	County	Cascade	
	Assessor Number	0001828100	
	Zoning	R-3, Residential Single-Household, High Density	
	Historic Significance	Listed on State and National Register of Historic Places, National Register Reference #80002402	
	Conservation Easement	None	
	Site Size: Acres	0.502	
	Square Feet	21,867	
	Build SF Above Grade	5,653	
	Date of Sale	Active	
	Asking Price	\$445,000	
MLS #	13-2496		
TRANSFER INFORMATION			
Grantor (Current Owner)	Samuel J., Sr. and Andrea L. Gouchenour	Grantee	N/A
Recording Data	N/A	Marketing Time (as of report effective date)	50 Days on Market
Financing/Conditions	N/A	Verified By	Kerry McInerney - 406-868-4324
Legal Description	Lots 12, 13 and 14 of Block 28 of the West Great Falls Addition to the City of Great Falls, Cascade County, Montana	Intended Use	Bed and Breakfast
Section/Township/Range	S03-T20N-R03E		
DESCRIPTION OF IMPROVEMENTS		ANALYSIS OF SALE	
Building SF Above Grade	5,653	Improvement Size - SF	5,653
Basement Area	2347 (Unfinished)	Asking Price	\$445,000
# of Bedrooms	8	Less Site Value*	\$60,000
# of Bathrooms	7	Furniture, Fixtures and Equipment*	\$50,000
Construction	Wood Framed, Exterior Masonry	Value of Improvements	\$335,000
Quality	Excellent	Sales Price Per Square Foot	\$78.72
Condition	Very Good	Price of Improvements Per SF	\$59.26
Year Built/Age	1891 / 123 Years / Renovated 2009		
Number of Levels	3 + Basement		
Functional Plan/Layout	Yes		
HVAC/Heating/Cooling	Gas Radiant Hot Water		
Outbuildings	None		
Garage	None		
Access	City Street		
Appliances	Average		
Utilities	Electricity, Telephone, Natural Gas, Internet, City Water & Sewer		
Site Topography	Level		
Water Frontage	None		
Seller Concession	None		
Miscellaneous	Prior Sale 6/5/2008, \$305,000		
			
Notes: Currently operated as Bed and Breakfast; 5 rooms with nightly rates \$89 to \$135.			
* Estimated by Appraiser		Report File 14-006es	

1003 2nd Ave Northwest
ADDITIONAL PHOTOGRAPHS



Foyer



Living Room



Dining Room



Kitchen



Bedroom



Bathroom

SALES COMPARISON ANALYSIS

A sales comparison analysis for the subject property utilizing the comparables presented is below. The sales comparison addresses the subject residence finished area. Separate adjustments will be made to account for the carriage house, the conservation easement and the unfinished area above grade in the main residence.

SALES COMPARISON ANALYSIS GRID FOR A HISTORIC PROPERTY AT 811 SOUTH WILLSON AVE, BOZEMAN, MONTANA AS OF JANUARY 30, 2014						
DESCRIPTION	SUBJECT	SALE 1	SALE 2	SALE 3	SALE 4	LISTING 1
IDENTIFICATION	811 N Willson	502 S Grand	504 S Willson	1330 Gerald	105 N Excelsior	1003 2nd Ave NW
LOCATION	Bozeman	Bozeman	Bozeman	Missoula	Butte	Great Falls
SALE OR LIST PRICE		\$1,800,000	\$1,400,000	\$1,125,000	\$409,500	\$445,000
ADJUSTMENT FOR FF&E						-\$50,000
ADJUSTED PRICE		\$1,800,000	\$1,400,000	\$1,125,000	\$409,500	\$395,000
LISTING ADJUSTMENT						-\$39,500
SELLER CONCESSIONS		-\$2,200	-\$9,450			
BUYER EXPENDITURES						
DEMOLITION						
ENVIRONMENTAL						
OTHER						
LEGAL/ZONING						
ADJUSTED PRICE		\$1,797,800	\$1,390,550	\$1,125,000	\$409,500	\$355,500
PROPERTY RIGHTS	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
PROPERTY RIGHTS ADJUSTMENT						
ADJUSTED PRICE		\$1,797,800	\$1,390,550	\$1,125,000	\$409,500	\$355,500
FINANCING	Market	Market	Market	Market	Market	Market
FINANCING ADJUSTMENT						
ADJUSTED PRICE		\$1,797,800	\$1,390,550	\$1,125,000	\$409,500	\$355,500
CONDITIONS OF SALE	Market	Market	Market	Market	Market	Market
CONDITIONS OF SALE ADJUSTMENT						
ADJUSTED PRICE OF IMPROVEMENTS		\$1,797,800	\$1,390,550	\$1,125,000	\$409,500	\$355,500
DATE OF SALE		11/01/13	07/10/12	08/31/12	05/27/09	ACTIVE
MARKET CONDITIONS FACTOR		1.00	1.09	1.08	1.00	1.00
ADJUSTED PRICE		\$1,797,800	\$1,515,700	\$1,215,000	\$409,500	\$355,500
FINISHED AREA ABOVE GRADE	3,304	5,411	4,501	4,128	7,812	5,653
ADJUSTMENT FOR:						
LOCATION/SITE		\$150,000	\$75,000	\$25,000	\$309,000	\$290,000
FINISHED SQUARE FOOTAGE ABOVE GRADE		(\$158,000)	(\$90,000)	(\$62,000)	(\$338,000)	(\$176,000)
BASEMENT FINISHED SQUARE FOOTAGE		(\$38,000)	\$58,000	\$58,000	\$58,000	\$58,000
ADJUSTED PRICE		\$1,751,800	\$1,558,700	\$1,236,000	\$438,500	\$527,500
ADJUSTED SALES PRICE PER SQUARE FOOT		\$324	\$346	\$299	\$56	\$93
RANKINGS FOR:						
QUALITY	Excellent	Similar	Similar	Similar	Similar	Similar
CONDITION/AGE	Excellent	Similar	Similar	Similar	Inferior	Inferior
OVERALL RANKING COMPARED TO SUBJECT		Similar	Similar	Similar	Inferior	Inferior
ADJUSTED PRICE PER SQUARE FOOT		\$324	\$346	\$299	\$56	\$93

Discussion of Adjustments:

Furniture, Fixtures & Equipment: According to the listing agent, Active Listing 1, a bed and breakfast, includes FF&E with an estimated value of \$50,000. A downward adjustment in this amount was made to Active Listing 1 to account for this.

Listing Adjustment: Based on market data, sale prices are typically less than list prices. The percentage of Sale to List for the Improved Sales 1, 2, 3 and 4 range from 84.7% to 97.3% and average 90.3%. Based on this market evidence, Active Listing 1 was adjusted downward by 10% to account for the high likelihood that it will not sell for full list price.

Seller Concessions: Sales 1 and 2 required downward adjustments for Seller Concessions. Sale 1 was adjusted downward by \$2,200 for radon mitigation and Sale 2 was adjusted downward by \$9,450 for fireplace repairs.

Buyer Expenditures, Property Rights, Financing and Conditions of Sale: No adjustments were considered necessary in these categories for the comparables.

Market Conditions: Improved Sales closed from 2009 through 2013 in Bozeman, Missoula and Butte markets. Sale 1 closed in Bozeman in the past 6 months and no market adjustment was considered necessary. Sale 2 closed in Bozeman in 2012. Based on changes in market conditions in Bozeman, an upward adjustment of 9% was required for Sale 2. Sale 3 closed in 2012 in Missoula. Based on changes in market conditions in Missoula since 2012, an upward adjustment of 8% was required for Sale 3. Sale 4 closed in 2009 in Butte. The median price of single family home sales in Butte has been relatively stable since 2009 and no adjustment was necessary to Sale 4 for changes in market conditions.

Location/Site: The adjustments in this category reflect the differences between the contributory land values of the comparables and the subject site value as if vacant. This adjustment takes into consideration all differences in the site and location. The table below indicates the adjustment made for differences in location and site to each of the comparables and the active listing.

Site Value Adjustment						
	Subject (As Assembled)	Sale 1	Sale 2	Sale 3	Sale 4	Active 1
Size	2.147	0.248	0.551	0.530	0.230	0.502
Subject Land Value	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000
Est. Land Value of Comp		\$200,000	\$275,000	\$325,000	\$40,950	\$60,000
Adjustment		\$150,000	\$75,000	\$25,000	\$309,050	\$290,000
Adjustment Rounded		\$150,000	\$75,000	\$25,000	\$309,000	\$290,000

Finished Square Footage Above-Grade: The comparables vary in size compared to the subject. Based on the differences in size, an adjustment of \$75 per square foot was made to each of the Comparables to reflect this difference. The table presented on the following page indicates the adjustment made to each of the comparables and the active listing for differences in finished square footage above grade.

Above Grade Finished Square Footage Adjustment						
	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Active 1
Finished Square Footage Above Grade	3,304	5,411	4,501	4,128	7,812	5,653
Difference in Subject & Comparables in SF	Comp SF - Subject SF	2,107	1,197	824	4,508	2,349
	Adjustment	(\$158,025)	(\$89,775)	(\$61,800)	(\$338,100)	(\$176,175)
	Rounded	(\$158,000)	(\$90,000)	(\$62,000)	(\$338,000)	(\$176,000)

Basement Finished Square Footage: The comparables all include basements; however, only the subject and Sale 1 include a finished basement area. An adjustment of \$50 per square foot was applied to the difference between the subject finished square footage and each of the comparables to account for differences in size of finished basement. The table below indicates the adjustments made.

Basement Finished Square Footage Adjustment						
	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Active 1
Basement Finished Square Footage	1,166	1,935	0	0	0	0
Difference in Subject & Comparables in SF	Comp SF - Subject SF	769	(1,166)	(1,166)	(1,166)	(1,166)
	Adjustment	(\$38,450)	\$58,300	\$58,300	\$58,300	\$58,300
	Rounded	(\$38,000)	\$58,000	\$58,000	\$58,000	\$58,000

Discussion of Rankings:

Quality: The subject and comparables are all historic homes with turn of the century architecture. The subject and comparables are considered similar based on quality.

Condition/Age: Age and condition are typically interrelated and the overall condition is reflective of the effective age. The overall condition of Improved Sales 1, 2, 3 are considered similar to the subject. Sale 4 and Active Listing 1 are considered inferior to the subject based on condition.

SALES COMPARISON APPROACH RECONCILIATION

The closed sales provided indications of \$324, \$346, \$299 and \$56 per square foot respectively. Sales 1 and 2 are located in the same historic district as the subject. Sale 3 is located in the University Historic District in Missoula. All are considered of similar quality and condition. Approximately equal weight is accorded Sales 1, 2 and 3. No weight is accorded Sale 4 and Active Listing 1 as they are considered inferior to the subject based on condition. Also, based upon our analysis of the contributory site values for Sale 4 and Active Listing 1 they are likely located in areas that exhibit external obsolescence.

We have accorded approximately equal weight to Sales 1, 2 and 3, indicating a price of \$325 per square foot for the subject property (**rounded**). This is reasonable and well supported by the available market data. Based on this, the value indicated for the finished areas of the subject residence is \$1,073,800(3,304 SF X \$325/SF).

Contributory Value of 2nd & 3rd Floor Shell: In addition to the main floor and basement finished areas of the main residence, the exterior shell of the 2nd and 3rd floors of the main house must be considered. This estimate is based on the depreciated cost analysis from the Cost Approach. A table detailing this adjustment is on the following page.

2nd & 3rd Floor Shell Exterior Adjustment	
Cost New/SF	\$300.51
Less Cost to Finish Interior	\$200.00
Exterior Cost	\$100.51
Plus Entrepreneurial Incentive	\$10.05
Cost New Exterior	\$110.56
Less Depreciation @ 50%	\$55.28
Rounded	\$55.00
<hr/>	
SF of Exterior 2nd & 3rd Floors	6,290
Total for Exterior 2nd & 3rd Floors	\$345,950

Based on an estimated cost of \$55 per square, \$345,950 is an appropriate adjustment for the 2nd and 3rd floor exterior shell of the main residence.

Contributory Value of Carriage House: In addition to the 2nd and 3rd floor exterior shell adjustment, we also must consider a contributory value for the carriage house. We have relied upon the depreciated cost as estimated in the Cost Approach for this adjustment. We have determined this to be \$200,000 as presented in the table below.

Contributory Value of Carriage House				
SHELL OF CARRIAGE HOUSE	4,680	@	\$52.64	\$246,355
APARTMENT/OFFICE - CARRIAGE HOUSE	1,487	@	\$48.62	\$72,298
2ND FLOOR HAYLOFT - CARRIAGE HOUSE	2,320	@	\$12.57	\$29,162
CARRIAGE HOUSE MAIN FLOOR STORAGE	873	@	\$12.57	\$10,974
				\$358,789
ENTREPRENURIAL INCENTIVE @ 10%				\$35,879
				\$394,668
DEPRECIATION @ 50%				\$197,334
				\$197,334
As Rounded				\$200,000

Diminution in Value for Conservation Easement: Last, we must also consider the diminution in value due to the Conservation Easement. This was discussed in the Market Analysis section of this report and was determined to be 5%.

Conclusion: Based on this analysis, the indication of the value of the encumbered fee simple interest in the subject property from the Sales Comparison Approach is below;

3,304 SF X \$325/SF	\$1,073,800
Exterior Shell of 2 nd & 3 rd Floor	\$ 345,950
Carriage House	\$ 200,000
	\$1,619,750
Less 5% for Conservation Easement	\$ 80,988
Value Indicated	\$1,538,762
Rounded To	\$1,540,000

RECONCILIATION OF VALUE INDICATIONS

The value indications for the Encumbered Fee Simple Interest in the subject property are indicated below;

	Encumbered Fee Simple Interest
Cost Approach	\$1,530,000
Sales Comparison Approach	\$1,540,000
Income Capitalization Approach	Not Developed

Cost Approach

The Cost Approach is typically most applicable for proposed, new or relatively new properties. This approach can also provide some insight into value when there are few sales or lease comparables available. The Cost Approach can also be used as a check of reasonableness, which is how we have relied upon it in this report.

Sales Comparison Approach

The Sales Comparison Approach was developed using the best comparables available in the greater subject market area. In this case we considered sales of historic mansions in urban areas throughout the state. The sales provide indications of the actions of market participants relative to purchases of similar properties in the immediate and greater subject market area. The comparables provide credible information regarding the actions of market participants with regard to historic residential properties. Quantitative and qualitative adjustments were necessary for differences between the subject and comparables. The adjustments were considered necessary and appropriate. This approach is accorded all weight.

Income Approach

The subject property in as is condition was not considered an income producing property since the net revenue for the current use was less than zero. The Income Approach was not applicable to the valuation of the subject property. Omitting this approach does not impact the credibility of this report.

Conclusion

All weight is placed on the Sales Comparison. The Cost Approach provides a check of reasonableness. After careful consideration, the encumbered fee simple interest in the subject property, in as is condition, as of January 30, 2014 is:

\$1,540,000

**QUALIFICATIONS OF THE APPRAISER
ELLIOTT (ELLIE) M. CLARK, MAI**

PROFESSIONAL DESIGNATIONS

MAI Designated Member of the Appraisal Institute (2004)

FORMAL EDUCATION

College of Charleston, Charleston, SC
Bachelor of Science – Geology (1985)

REAL ESTATE EDUCATION

Appraisal Institute

1990 - Basic Valuation Procedures
1990 - Real Estate Principles
1992 - Capitalization Theory and Technique
1994 - Advanced Income Capitalization
2001 - Highest and Best Use and Market Analysis
2001 - Advanced Sales Comparison and Cost Approaches
2002 - Standards of Professional Practice, Part A
2002 - Standards of Professional Practice, Part B
2002 - Report Writing and Valuation Analysis
2002 - Advanced Applications
2003 - Comprehensive Exam
2003 - Separating Real & Personal Property from Intangible Business Assets
2004 - Demonstration Appraisal
2006 - 7 Hour National USPAP Update Course
2006 - Business Practices and Ethics
2008 - 7 Hour National USPAP Update Course
2010 - 7 Hour National USPAP Update Course
2012 – 7 Hour National USPAP Update Course
2012 – Fundamentals of Separating Real Property, Personal Property and Intangible Business Assets
2012 – Valuation of Conservation Easements
2014 – 7 Hour National USPAP Update Course

Institute of Financial Education

1985 - Real Estate Law I
1986 - Real Estate Law II

IAAO

1991 - Standards of Practice and Professional Ethics

Citadel Evening College

1993 - Residential Appraisal Reports Using URAR Form

William H. Sharp & Associates

1995 - The Home Inspection

Trident Technical College

1997 - Uniform Standards of Appraisal

Historic Preservation Consulting

1998 - Appraising Historic Property

The Beckman Company

2004 - The Technical Inspection of Real Estate

WORK EXPERIENCE

2003 - Present Clark Real Estate Appraisal – Owner/Commercial Real Estate Appraiser
1995 - 2003 Sass, Herrin & Associates, Inc. – Commercial Real Estate Appraiser
1990 - 1995 Charleston County Assessor’s Office – Sr. Staff Real Estate Appraiser
1986 - 1989 First Sun Capital Corporation - Mortgage Loan Officer
1985 - 1986 First National Bank of Atlanta - Mortgage Loan Processor
1984 - 1985 South Carolina Federal Savings Bank - Mortgage Loan Processor

STATE LICENSES/CERTIFICATIONS

Montana State Certified General Real Estate Appraiser - REA-RAG-LIC-683

APPRAISAL SEMINARS ATTENDED

2000 – JT&T Seminars: Financial Calculator HP-12C
2000 – Appraisal Institute: Highest and Best Use Applications
2004 – Appraisal Institute: Evaluating Commercial Construction
2005 – Appraisal Institute: Scope of Work: Expanding Your Range of Services
2006 – Appraisal Institute: Subdivision Valuation
2006 – Appraisal Institute: Appraising from Blueprints and Specifications
2006 – Appraisal Institute: Uniform Appraisal Standards for Federal Land Acquisitions
2007 – Appraisal Institute: Analyzing Commercial Lease Clauses
2007 – Appraisal Institute: Condominiums, Co-ops, and PUDs
2008 – Appraisal Institute: Spotlight on USPAP
2008 – Appraisal Institute: Quality Assurance in Residential Appraisals: Risky Appraisals = Risky Loans
2008 – Appraisal Institute: Office Building Valuation: A Contemporary Perspective
2009 – Appraisal Institute: Appraisal Curriculum Overview (2-Day General)
2010 – Appraisal Institute: Hotel Appraising – New Techniques for Today’s Uncertain Times
2010 – Appraisal Institute: The Discounted Cash Flow Model: Concepts, Issues & Applications
2011 – Appraisal Institute: Understanding & Using Investor Surveys Effectively
2011 – Appraisal Institute: Advanced Spreadsheet Modeling for Valuation Applications
2012 – Appraisal Institute: Appraising the Appraisal: Appraisal Review-General
2013 – Appraisal Institute: Business Practices and Ethics

PARTIAL LIST OF CLIENTS

Glacier Bank
Rocky Mountain Bank
State of Montana Department of Natural Resources
Montana Department of Transportation
United States Department of Interior

SANDRA S. KENNEDY

FORMAL EDUCATION

University of Montana at Western, Dillon, MT
Bachelor of Science in Business, Magna cum Laude

REAL ESTATE EDUCATION

Appraisal Institute

Course 110 – Appraisal Principles, 2004
Course 120 – Appraisal Procedures, 2004
Course 410 – 15- Hour National USPAP Course, 2004
Course 203R- Residential Report Writing & Case Studies, 2006
Course - National Uniform Standards of Professional Appraisal Practice Update V.06, 2006
Course 320 – Basic Income Capitalization, 2006
Course 540 – Report Writing and Valuation, 2007
Course 510 – Advanced Income Capitalization, 2007
Course - National Uniform Standards of Professional Appraisal Practice Update, 2008
Course N400G - General Appraiser Market Analysis and Highest and Best Use, 2009
Course 420 – Online Business Practices & Ethics-2009
Course - National Uniform Standards of Professional Appraisal Practice Update, 2010
Course 503GD-Advanced Concepts & Case Studies, 2011
Course - National Uniform Standards of Professional Appraisal Practice Update, 2012
Course – Comprehensive Review of Appraisal Concepts, 2013
Comprehensive Exams Passed: Modules I, II, III and IV, 2013
Course - National Uniform Standards of Professional Appraisal Practice Update, 2014

SEMINARS & WEBINARS

2004 – Webinar: Appraising the Appraisal
2005 – Seminar: The Professional’s Guide to the Uniform Residential Appraisal Report
2008 – Seminar: Spotlight on USPAP: Hypothetical Conditions and Extraordinary Assumptions
2010 – ABA/AI Telephone Briefing, Appraisal Review: Sales Comparison Approach
2010 – ABA/AI Telephone Briefing, Appraisal Review: Income Capitalization Approach
2011 – Seminar: The Uniform Appraisal Dataset from Fannie Mae and Freddie Mac
2011 – Webinar: Understanding the Interagency Appraisal and Evaluation Guidelines
2011 – ABA/AI Telephone Briefing: 1004MC Form: Issues and Solutions
2012 – Seminar: Appraising the Appraisal: Appraisal Review- General
2013 – Montana Economic Outlook Seminar
2013 – Seminar 112: Practical Regression Using Microsoft Excel

WORK EXPERIENCE



2008-Present Clark Real Estate Appraisal, Inc. – Montana Certified General Appraiser
2004 – 2008 Clark Real Estate Appraisal, Inc. – Real Estate Appraiser Trainee
2003 – 2004 General Contractor for personal residence
2002 – 2004 Carroll College – Director of Planned Giving
1994 – 2002 Carroll College – Director of Development
1990 – 1992 Western Washington University – Director of Annual Giving
1987 – 1990 University of Montana at Western – Alumni & Development Program Coordinator

STATE LICENSES/CERTIFICATIONS

Montana Certified General Real Estate Appraiser REA-RAG-LIC-758

APPRAISERS LICENSES

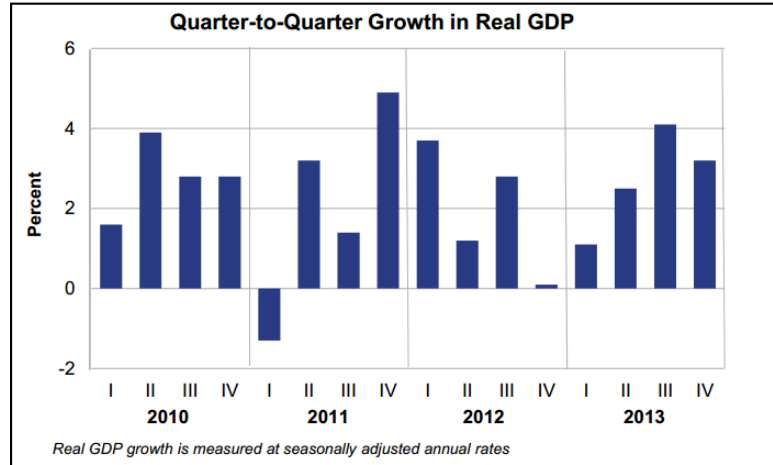
	State of Montana Business Standards Division Board of Real Estate Appraisers	This certificate verifies licensure as: CERTIFIED GENERAL APPRAISER
License #:	REA-RAG-LIC-683	Endorsement: Real Estate Appraiser Mentor
Status:	Active	
Expiration Date:	3/31/2014	
ELLIOTT M CLARK CLARK REAL ESTATE APPRAISAL 6477 US HWY 93 S STE 509 WHITEFISH, MT 59937		 RENEW OR VERIFY YOUR LICENSE AT https://ebiz.mt.gov/pol/

	State of Montana Business Standards Division Board of Real Estate Appraisers	This certificate verifies licensure as: CERTIFIED GENERAL APPRAISER
License #:	REA-RAG-LIC-758	
Status:	Active	
Expiration Date:	03/31/2014	
SANDRA S KENNEDY PO BOX 11956 BOZEMAN, MT 59719-1956		 RENEW OR VERIFY YOUR LICENSE AT https://ebiz.mt.gov/pol/

ADDENDUM

NATIONAL ECONOMIC DATA

Real GDP increased 3.2% in the fourth quarter of 2013 after increasing 4.1% in the third quarter of 2013 based to the estimate released by the Bureau of Economic Analysis of the US Department of Commerce (BEA). According to the BEA, the slowdown in real GDP growth mainly reflected a slowdown in inventory investment. A decrease in federal government spending was also cited as a factor. The full effects of the federal government shutdown in October could not be quantified; however, BEA estimated that the effects of the reduction in hours worked by federal employees reduced GDP growth by 0.3%. Accelerating net exports and increases in consumer spending served as offsetting factors to the downturn in GDP growth for the fourth quarter of 2013. Overall the national economy appears to be slowly improving.



STATE ECONOMIC DATA

Montana is the 44th most populous state in the US. 2010 US Census data estimated a population of 989,415 indicating a growth in population of 9.7% from 2000 to 2010. The US Census Bureau estimates that the population of Montana in 2013 was 1,005,292. This estimate shows a 1.6% increase since the last census in 2010. The state economy is diverse with a wide variety of industries. The top five employment categories in the state are;

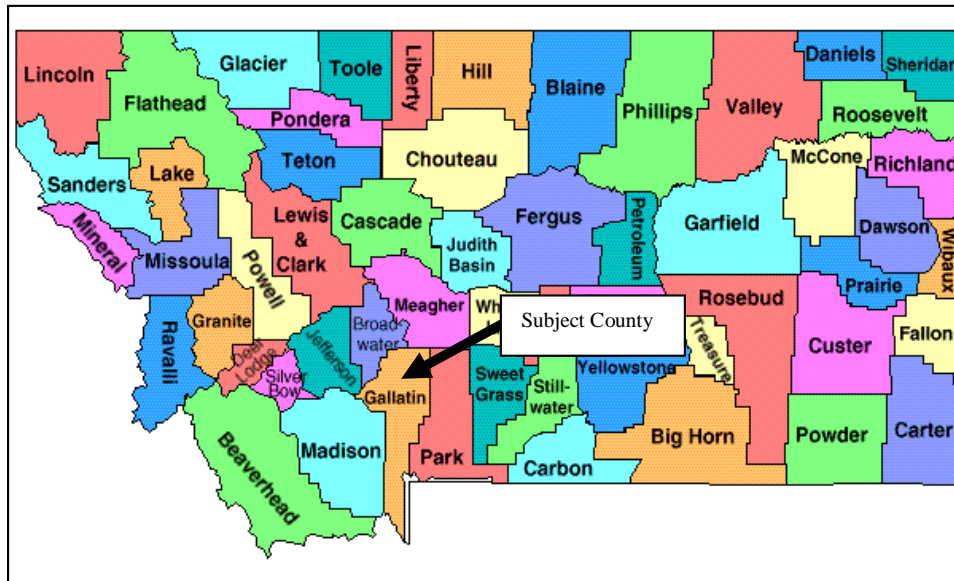
- Trade, Transportation, and Utilities
- Government (Federal, State, & Local)
- Education & Health Services
- Healthcare & Social Assistance
- Leisure & Hospitality

These industries employ from 11% to 16% of the workforce in Montana per category. The remaining categories employ less than 10% each.

According the University of Montana Bureau of Economic Research estimates, the state economy grew by about 2.7 percent, as measured by inflation-adjusted nonfarm earnings, in 2013. The long term outlook for Montana is for continued growth as economic activity accelerates in most areas of the state.

GALLATIN COUNTY DATA

The subject property is located in Gallatin County which is in the southwestern quadrant of the state. The total area of the county is approximately 2,632 square miles, of which 2,606 square miles is land and 26 square miles is water. The county was established in 1873 and attained its present boundaries in 1978. The county seat is Bozeman, which is in the northern portion of the county. A map of Montana with counties identified is below and a map of Gallatin County is on the following page.



Geographical Information

Counties adjacent to Gallatin County are Madison County to the west, Jefferson County to the northwest, Broadwater County to the north, Meagher County to the northeast, Park County to the east, Park and Teton Counties, Wyoming to the southeast, and Fremont County, Idaho to the southwest. The Gallatin National Forest and Yellowstone National Park are national protected areas located in Gallatin County.

City and Communities

Bozeman, Belgrade and Three Forks are incorporated cities in Gallatin County. The incorporated towns in Gallatin County are Manhattan and West Yellowstone. County population centers include: Amsterdam-Churchill, Big Sky, Four Corners and Willow Creek. Communities include Gallatin Gateway, Logan and Maudlow.

Population

Gallatin County is the 4th most populous county in Montana. The 2012 county population estimate from the US Census Bureau was 91,377. The population increased a total of 32% or 3.2% per year between 2000 and 2010. The Environmental Systems Research Institute (ESRI) forecast for 2012 was 91,667 and for 2015 it is 106,595.

Income

According ESRI forecasts the median household annual income in 2013 for Gallatin County was \$51,952, which is higher than the 2013 ERSI estimated median household income for Montana in of \$44,613. According to the American Community Survey data in 2009, the most recent year for which data is available, 14.1% of the Gallatin County population was below the poverty line. This

is equal to the estimated 14.1% poverty rate for the State of Montana.

Top 20 Private Employers in Gallatin County Based on 2 nd quarter 2011 Data:	
Business Name	Number of Employees
Albertson's	100-249
Bozeman Deaconess Hospital	1000-4999
Community Food Co-Op	100-249
Costco	100-249
First Security Bank	100-249
Gibson Guitar	100-249
Kenyon Noble Lumber & Hardware	100-249
Lowes	100-249
Martel Construction	100-249
McDonalds	100-249
Murdoch's Ranch & Home Supply	100-249
Reach Inc.	100-249
Ressler Motor	100-249
Right Now Technologies	500-999
Rosauers	100-249
Target	100-249
Town & Country Foods	100-249
Town Pump Convenience Stores	100-249
Wal Mart	250-499
Zoot Enterprises	100-249

Source: Montana Department of Labor and Industry

Employment

According to ESRI there were 48,573 residents of Gallatin County over 16 years of age in the workforce. Of these, 95.6% were employed in Gallatin County. The county unemployment rate (non-seasonally adjusted) per the Montana Department of Labor and Industry as of December 2012 was 4.9%. This is below the December 2012 unemployment rate for the state of 5.7%.

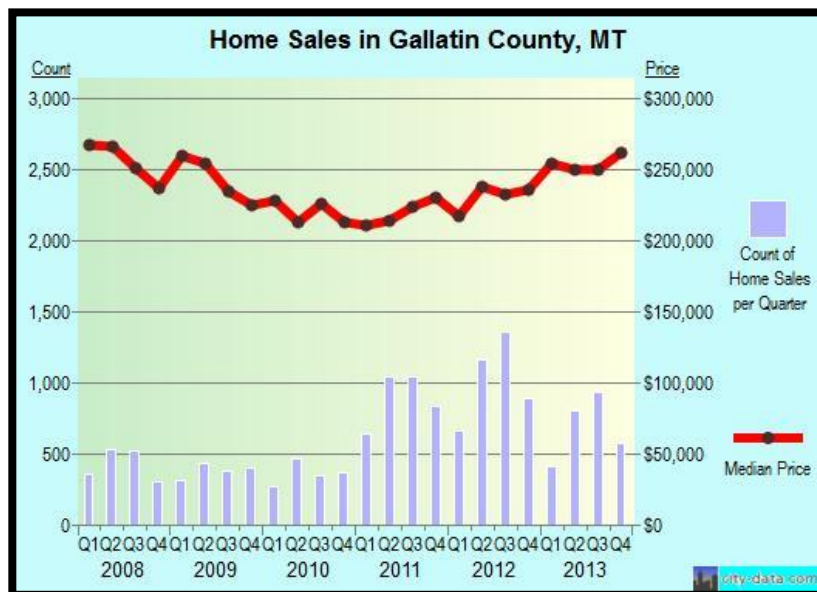
According to ESRI, approximately 49.6% of the workforce in Gallatin County is employed in service industries (education services, lodging, health services, professional services, etc.). The next largest employment categories are retail trade, construction and manufacturing with 12.1%, 9.8%, and 5.7% of the workforce respectively. The remaining categories of agriculture/mining, transportation, communication, utilities and wholesale trade each employ less than 4.0% of the workforce per

category.

Montana State University is the major employer in Gallatin County. The top 20 **private** employers in Gallatin County are listed in the table to the left.

Real Estate

According to the ESRI estimate there were 43,880 housing units in Gallatin County in 2013 and 50.2% are owner occupied. The 2010 Census indicated 42,289 housing units and a home ownership rate of 52.7%. According to the American Community Survey (ACS) data from 2005-2009, which is the most recent data available, approximately 59.8% of the homes in Gallatin County were single family detached; approximately 31.2% were multi-family type units; and approximately 9% were mobile homes.



Montana is a nondisclosure state which means that property sales prices are not public record. There are few succinct sources of realty transfer data available. Historical data on home sales volume and median price for Gallatin County from city-data.com is included in the chart on the right.

This data indicates that the median home sale price for Gallatin County was approximately \$260,000 in the 4th quarter of 2013. This is the approaching the high point for

the study period, which was in the 1st two quarters of 2008. According ERSI housing data, the median price of homes in Gallatin County is \$266,200. Based on the city-data.com chart, the number of sales per quarter has declined in the 4th quarter of 2013, (the most recent quarter for which data was available). Historically, seasonal fluctuations in volume have been typical for the Gallatin County market and the 1st and 4th quarters of each year are often the lower in sales volume than 2nd and 3rd quarters.

Education & Healthcare

There are multiple elementary schools, middle schools and high schools in the various population centers of Gallatin County. Montana State University is located in Gallatin County in the city of Bozeman. MSU is the largest university in the state with a total enrollment above 15,000 (head count) in the fall of 2013. In addition to the Bozeman Deaconess Hospital there are numerous medical clinics located in the various population centers of Gallatin County.

Linkages & Transportation

US Interstate 90 extends east to west through Gallatin County straddling the city of Bozeman. US Highway 191 extends north to south connecting Bozeman with Big Sky and West Yellowstone to the south. Airports in Gallatin County include Bozeman Yellowstone International Airport near the city of Belgrade and Gallatin County Airport at Progreba Field, located near the city of Three Forks. Montana Rail Link, a privately held, Class II railroad, traverses east to west alongside US Interstate 90.

County Data Conclusion

The population of Gallatin County has increased considerably since 2000. The county provides a variety of employment opportunities including Montana State University, Bozeman Deaconess Hospital and RightNow Technologies. The county unemployment rate is lower than that of the state and the nation. The economy and the real estate market have remained relatively stable since 2010. Overall, the economy of Gallatin County is considered stable due to the influence of the university and proximity to Yellowstone National Park and other recreational opportunities.

CITY OF BOZEMAN DATA

The city of Bozeman is located in southwest Montana and is the county seat of Gallatin County. The city was platted in August 1864 and was incorporated in April 1883. The city is named after John M. Bozeman, who established the Bozeman Trail and was a key founder of the city.

Population and Income

Based on ESRI, the 2013 estimated population of the city of Bozeman was 38,358. The 2010 Census indicated a population of 37,280, which is a 26.0% increase from the 2000 population of 29,510. The forecast for 2018 indicates a population of 40,466. The Bozeman population makes up approximately 41.5% of the total Gallatin County population.

According to ESRI estimates, the median household income for residents in the city of Bozeman in 2013 was \$42,674, which was lower than the median household income of \$44,613 in Montana and lower than \$51,314 for all U.S. households. The forecast for 2018 is for a median household income of \$52,364 in the city of Bozeman.

Employment

According to the ACS 2005-2009 estimate, there were 22,628 employed in the Bozeman Work Force over the age of 16. Employment by specific industry is indicated in the following table.

Agricultural/Mining	1.6%
Construction	10.8%
Manufacturing	4.6%
Wholesale Trade	1.8%
Retail Trade	15.2%
Transportation/Utilities	1.9%
Information	1.6%
Finance/Insurance/Real Este	5.9%
Professional/Scientific/Technical	8.6%
Educational Services	14.96%
Public Administration	2.4% %
Health Care/Social Assistance	7.7%
Accommodation/Food Services	10.8%
Arts/Entertainment/Recreation	3.8%
Other Services	8.4%

Two of Bozeman's largest employers are Montana State University and Bozeman Deaconess Hospital. MSU employs over 3,500 individuals that equates to over 2,700 full time equivalents. Montana State University recently announced plans to grow enrollment by 2,000 students in the near term. Bozeman Deaconess Hospital is the largest private employer with over 1,400 employees, of which 821 are full-time employees. In addition, there are at least eight companies which are engaged in research or production of laser optic equipment, over a dozen bio-tech companies, and several large nationally-known high-tech companies, including Oracle Corporation, Ligocyte Pharmaceutical, Bacterin International, and ILX Lightwave Corporation.

Other nationally-known companies based in Bozeman include Gibson Guitar Corporation, Mystery Ranch Backpacks and Simms Fishing Products.

Commercial Real Estate

Properties improved with general office, medical office or retail space are located throughout the Bozeman area. Retail hubs include the CBD of Bozeman along Main Street, 7th Avenue and 19th Avenue from Main Street and north to Interstate 90.

Commercial construction has increased in recent years along Main Street and 19th Avenue. There is some vacant retail and office space but vacancy rates are relatively low and occupancy rates are estimated to be at 85% to 95%.

Historic commercial sales in the city of Bozeman that were marketed on the area MLS are presented on the table below:

City of Bozeman Commercial Sales on Area MLS in Past 10 Years											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	10 Year Total
Business with Land and Building				1							1
Commercial Condos	9	9	24	22	11	6	5	3	17	16	122
Comm/Ind. Subdivision Lot	17	6	5	0	0	0	0	0	0	0	28
Commercial Land & Building	9	25	10	10	6	7	10	12	10	18	117
Vacant Commercial Land	6	19	10	5	3		1	1	7	8	60
Grand Total	41	59	49	38	20	13	16	16	34	42	328

Source: SW MT MLS as of December 2013

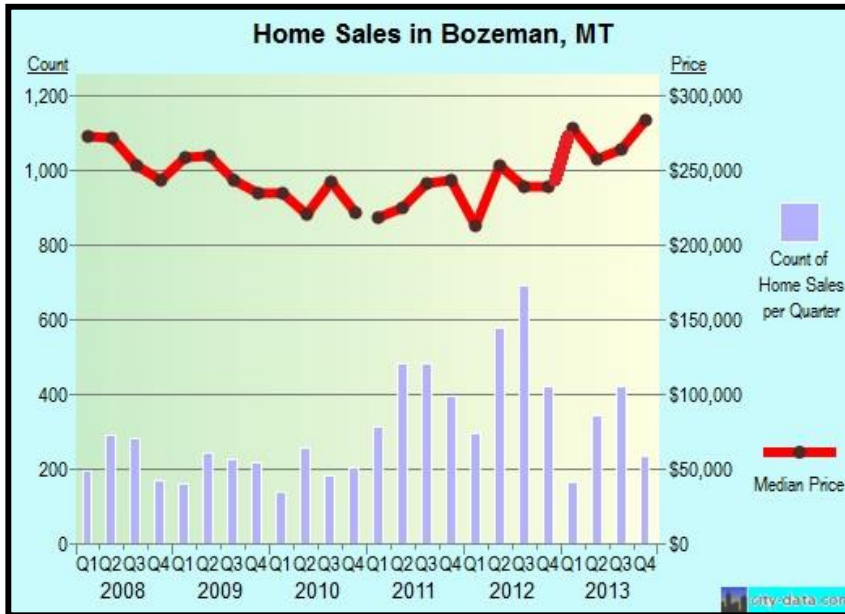
Based upon our research, on average there were 33 sales of commercial properties per year in the city of Bozeman throughout the past 10 years. The most recent annual sales volume is 23% higher than 2012 and shows sustained growth since 2009. We identified 58 active listings of commercial properties in the city of Bozeman and 6 pending commercial sales. This indicates approximately a 2 year supply of commercial properties in the Bozeman market area.

Residential Real Estate

According to ERSI 20123 estimates, there are 18,057 housing units and 16,322 households in Bozeman. The ERSI forecast for 2018 indicates 19,552 housing units and 17,396 households. Based on 2013 estimates 38% are owner occupied, 52.4% are rented, and 9.6% are vacant. As of 2009, the ASC Survey indicates approximately 43% of these are detached single-family homes, 5% are mobile homes, and the remainder are comprised of multi-family units.

Montana is a nondisclosure state which means that property sales prices are not public record. There are few succinct sources of realty transfer data available. According to the 2013 ESRI estimates, the median home value in Bozeman was \$221,611, compared with \$169,649 for Montana and \$177,257 for the United States. The median home value in Bozeman is projected to increase to \$260,398 by 2018, reflecting a 3.28% annual increase.

According to our research on the area MLS, the median single family home price in Bozeman increased from \$254,500 in 2012 to \$277,710 in 2013, indicating a 9.12% increase.



Historical data on home sales volume and the median price of home sales in Bozeman from city-data.com is included in the table to the left.

This information indicates that the median sale price of homes in Bozeman was approximately \$280,000 in the 4th quarter of 2013. This is higher than the median price at any time during the study period (2008 forward). According to this data, the sales volume has ranged from

175 to 405 per quarter in the past year. Seasonal fluctuations in sales volume are common.

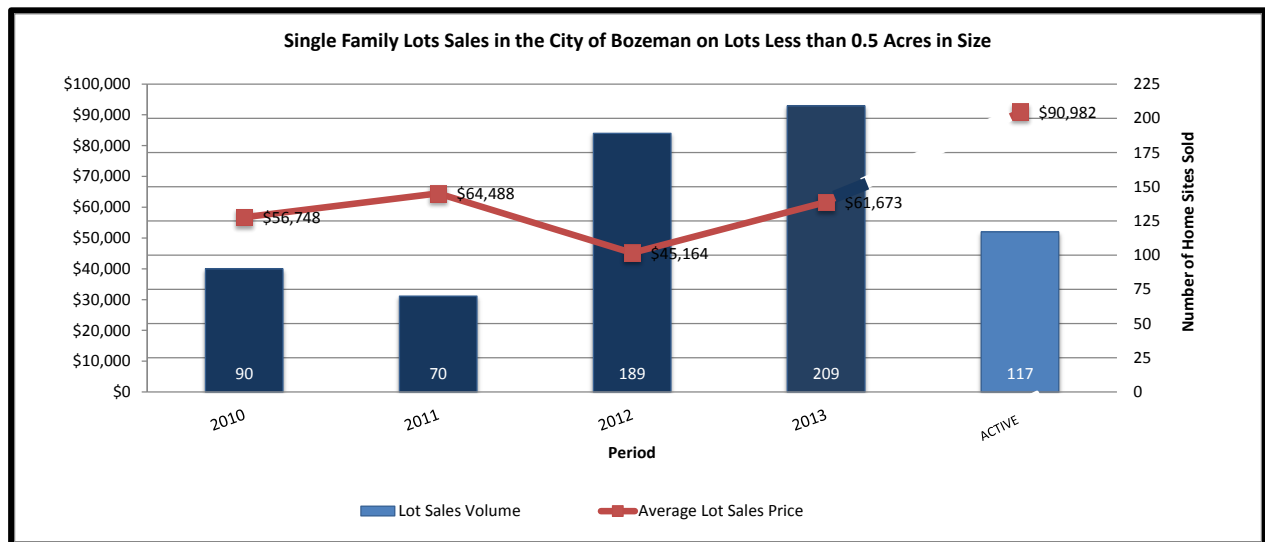
At \$280,000, the median home price is unaffordable for families with a median household income of \$42,674. This conclusion is based upon a 10% down payment with a 30 year mortgage at a rate of 5%. (PI payment of \$1,353; $\$42,674/12 = \$3,556$; $\$1,353/\$3,556 = 38.04\%$ of gross pay without taxes and insurance).

The table below provides the historical residential building permit activity. Permit activity in 2013 indicates substantial growth in single- and multi-family development.

Residential Building Permit Activity in Bozeman													
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total	2013 Percentage	Decade Percentage
Single Family	260	265	257	214	93	71	144	160	146	205	1,815	32.64%	37.04%
Duplex/TH	214	204	121	151	65	12	24	12	14	4	821	0.64%	16.76%
Multi-Family	400	486	292	391	84	99	40	27	11	419	2,249	66.72%	45.90%
Manufactured	7	0	0	8	0	0	0	0	0	0	15	0.00%	0.31%
Total	881	955	670	764	242	182	208	199	171	628	4,900	100.00%	100.00%

Source: City of Bozeman Planning Department

The chart below indicates the number of lot sales and average prices over the past 4 years. There was a sharp increase in the number of sales in 2012 and a modest increase in 2013. In 2012, the average lot price dipped in part due to the number of builders purchasing bulk sales of lots.



There are 117 active listings of similar type lots on MLS as of the effective date of this report, with an average asking price of \$90,982. Based on our interviews of market participants, the area MLS has typically carried 200 to 300 lot listings in recent years.

Recreation

Bozeman is located in an area that provides outdoor enthusiasts with an abundance of opportunity for recreational activities. It is located approximately 4 miles southwest of the Missouri River Headwaters State Park and approximately 90 miles north of Yellowstone National Park. Blue-ribbon trout fishing is available on the Gallatin, the Madison and Yellowstone Rivers. It sits at an elevation of 4,793 feet with numerous mountain ranges surrounding it for hiking, backpacking and mountain biking in the summer. Downhill skiing is available just 16 miles northeast of Bozeman at Bridger Bowl Ski Resort. Big Sky Resort and Moonlight Basin offer additional downhill options and are just 50 miles southwest of Bozeman. Bozeman also supports over 40 public parks, many of them dog-friendly, while others feature tennis, ice skating and playground equipment. The city also includes many streets with biking lanes and a variety of trails throughout the city.

In addition to all that Montana State University provides, Bozeman also offers many venues for events. The Emerson Center for the Arts and Culture is a primary venue for plays, music productions and movies. The Museum of the Rockies was created in 1957 as the gift from Butte physician Caroline McGill and is a part of Montana State University and an affiliate institution of the Smithsonian. It is Montana's premier natural and cultural history museum and houses permanent exhibits on dinosaurs, geology and Montana history, as well as a planetarium and a living history farm. Paleontologist Jack Horner is the museum's curator of paleontology and brought national notice to the museum for his fossil discoveries in the 1980s.

Education & Healthcare

Bozeman is home to Montana State University, a major research institution with an enrollment of 15,294 students in Fall of 2013. The Bozeman School District operates one high school-Bozeman High School; two middle schools—Chief Joseph Middle School and Sacajawea Middle School; and seven elementary schools – Emily Dickinson Elementary School, Hawthorne Elementary School, Hyalite Elementary School, Irving Elementary School, Longfellow Elementary School, Morning Star Elementary School, Whittier Elementary School and Meadowlark Elementary School.

Bozeman Deaconess Hospital is an 86 bed acute care hospital with over 150 physicians on medical staff. Additionally there are a variety of clinics and healthcare professionals located in Bozeman that are not associated with the Bozeman Deaconess Healthcare group.

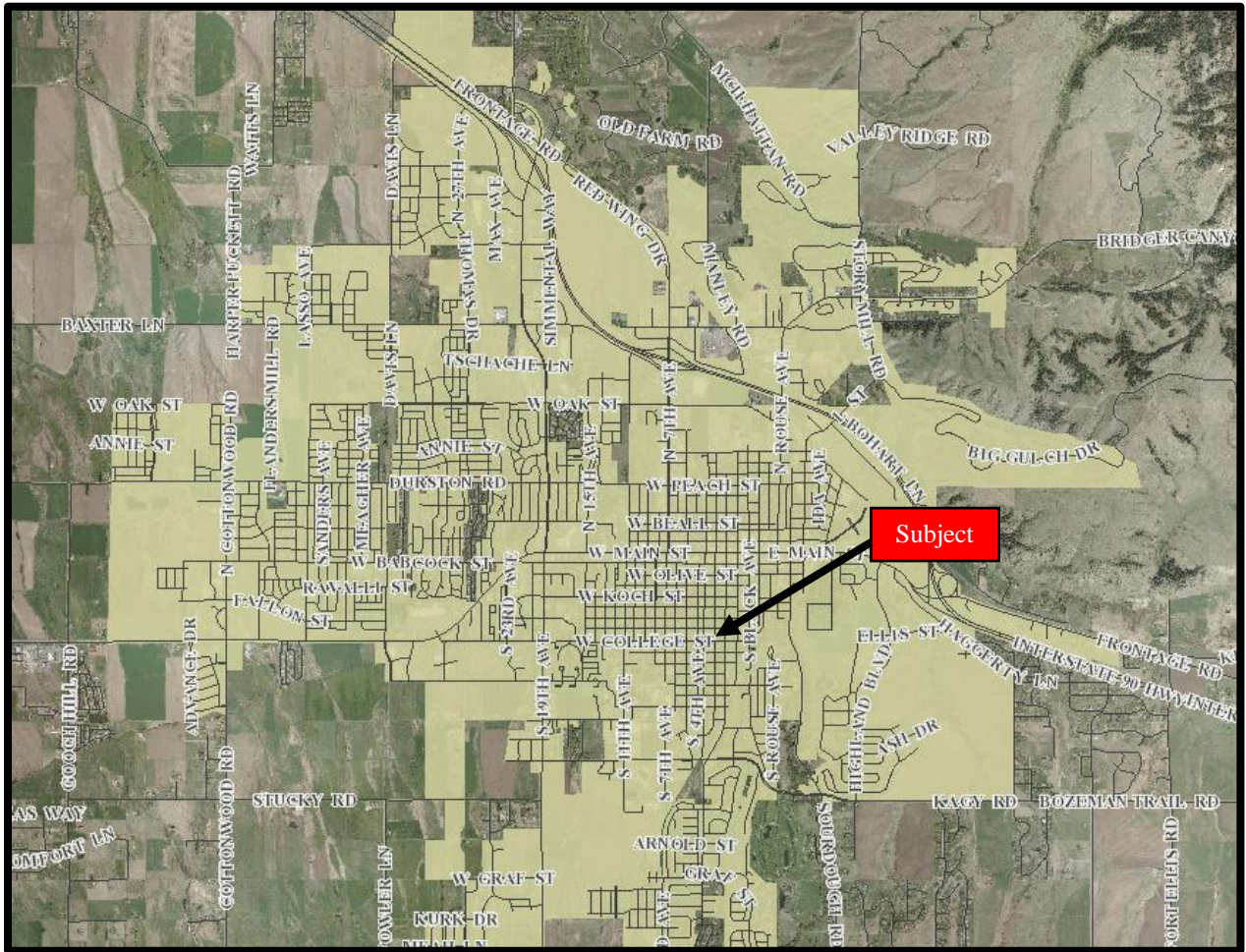
Linkages & Transportation

Bozeman is intersected by US Interstate Highway 90. A new interchange is proposed for construction on the northwest side of the city that would provide better access to Bozeman Yellowstone International Airport. Funding has been set aside and the project is set to begin in 2013 and be completed by 2015. Bozeman is also a primary rail link, serving east-to-west rail traffic. Streamline bus service offers fare free public transportation throughout the Bozeman area and seasonally to Bridger Bowl Ski area. It also connects with the Skyline bus system that offers transportation to Big Sky.

Bozeman Conclusion

Bozeman's population is growing and housing lots are being acquired at a pace not seen in the past several years. The overall economy of the area remained relatively stable during the economic downturn due to the influence of the University and technology companies in the area. The real estate market did decline during the recession, but has started to rebound in the past two years. Future growth and expansion are considered likely in both the short and long term.

City of Bozeman Map



ENGAGEMENT LETTER

(Page 1 of 6)

PROFESSIONAL SERVICES AGREEMENT

THIS AGREEMENT is made and entered into this 13th day of January, 2014, by and between the **CITY OF BOZEMAN, MONTANA**, a municipal corporation organized and existing under the laws of the State of Montana, 121 North Rouse Street, Bozeman, Montana 59771, hereinafter referred to as "City," and Clark Real Estate Appraisal, 6477 US Highway 93 South, #509, Whitefish, Montana 59937, hereinafter referred to as "Consultant."

In consideration of the mutual covenants and agreements herein contained, the receipt and sufficiency whereof being hereby acknowledged, the parties hereto agree as follows:

1. **Purpose:** City agrees to hire Consultant as an independent contractor to perform for City services described in the Scope of Services attached hereto as Exhibit "A" and by this reference made a part hereof.

2. **Effective Date:** This Agreement is effective upon the date of its execution and will terminate on the 30th day of June, 2014.

3. **Scope of Work:** Consultant will perform the work and provide the services in accordance with the requirements of the Scope of Services attached hereto. For conflicts between this Agreement and the Scope of Services, unless specifically provided otherwise, the Agreement governs.

4. **Payment:** City agrees to pay Consultant an amount based on the Consultant's proposal but not to exceed _____ for services performed pursuant to the Scope of Services. In addition, Consultant may be billed at the hourly rate, not to exceed _____ for any additional services requested beyond the scope of work. Any alteration or deviation from the described work that involves additional costs above the Agreement amount will be performed by Consultant after written request by the City, and will become an additional charge over and above the contract amount. The parties must agree in writing upon any additional charges.

5. **Consultant's Representations:** To induce City to enter into this Agreement, Consultant makes the following representations:

a. Consultant has familiarized itself with the nature and extent of this Agreement, the Scope of Services, and with all local conditions and federal, state and local laws, growth policies, adopted plans of the City, ordinances, rules, and regulations that in any manner may affect cost, progress or performance of the Scope of Services.

b. Consultant represents and warrants to City that it has the experience and ability to perform the services required by this Agreement; that it will perform said services in a professional, competent and timely manner and with diligence and skill; that it has the power to enter into and perform this Agreement and grant the rights granted in it; and that its performance of this Agreement shall not infringe upon or violate the rights of any third party, whether rights of

copyright, trademark, privacy, publicity, libel, slander or any other rights of any nature whatsoever, or violate any federal, state and municipal laws. The City will not determine or exercise control as to general procedures or formats necessary to have these services meet this warranty.

6. Independent Contractor Status: The parties agree that Consultant is an independent contractor for purposes of this Agreement and is not to be considered an employee of the City for any purpose. Consultant is not subject to the terms and provisions of the City's personnel policies handbook and may not be considered a City employee for workers' compensation or any other purpose. Consultant is not authorized to represent the City or otherwise bind the City in any dealings between Consultant and any third parties.

Consultant shall comply with the applicable requirements of the Workers' Compensation Act, Title 39, Chapter 71, MCA, and the Occupational Disease Act of Montana, Title 39, Chapter 71, MCA. Consultant shall maintain workers' compensation coverage for all members and employees of Consultant's business, except for those members who are exempted by law.

Consultant shall furnish the City with copies showing one of the following: (1) a binder for workers' compensation coverage by an insurer licensed and authorized to provide workers' compensation insurance in the State of Montana; or (2) proof of exemption from workers' compensation granted by law for independent contractors.

7. Indemnity/Waiver of Claims/Insurance: For other than professional services rendered, to the fullest extent permitted by law, Consultant agrees to defend, indemnify, and hold the City harmless against claims, demands, suits, damages, losses, and expenses connected therewith that may be asserted or claimed against, recovered from or suffered by the City by reason of any injury or loss, including but not limited to, personal injury, including bodily injury or death, property damage, occasioned by, growing out of, or in any way arising or resulting from any intentional or negligent act on the part of Consultant or Consultant's agents or employees.

For the professional services rendered, to the fullest extent permitted by law, Consultant agrees to indemnify and hold the City harmless against claims, demands, suits, damages, losses, and expenses, including reasonable defense attorney fees, to the extent caused by the negligence or willful misconduct of the Consultant or Consultant's agents or employees.

Consultant also waives any and all claims and recourse against the City or its officers, agents or employees, including the right of contribution for loss or damage to person or property arising from, growing out of, or in any way connected with or incident to the performance of this Agreement except "responsibility for his own fraud, for willful injury to the person or property of another, or for violation of law, whether willful or negligent" as per 28-2-702, MCA.

Should City be required to bring an action against the Consultant to assert its right to defense or indemnification under this Agreement or under the Consultant's applicable insurance policies required below the City shall be entitled to recover reasonable costs and attorney fees incurred in asserting its right to indemnification or defense but only if a court of competent

jurisdiction determines the Consultant was obligated to defend the claim(s) or was obligated to indemnify the City for a claim(s) or any portion(s) thereof.

The above obligations shall survive termination of this agreement.

In addition to and independent from the above, Consultant shall secure insurance coverage that will protect, defend, and indemnify the City and which is acceptable to the City and furnish to the City an accompanying certificate of insurance issued by a company authorized to do business in the State of Montana in amounts not less than as follows:

- Workers' Compensation - statutory
- Employers' Liability - \$1,000,000 per occurrence; \$2,000,000 annual aggregate
- Commercial General Liability - \$1,000,000 per occurrence; \$2,000,000 annual aggregate
- Automobile Liability - \$1,000,000 property damage/bodily injury; \$2,000,000 annual aggregate
- Professional Liability - \$1,000,000 per claim; \$2,000,000 annual aggregate

The City of Bozeman, its officers, agents, and employees, shall be endorsed as an additional or named insured on a primary non-contributory basis on both the Commercial General and Automobile Liability policies. The insurance and required endorsements must be in a form suitable to City and shall include no less than a thirty (30) day notice of cancellation or non-renewal. The City must approve all insurance coverage and endorsements prior to the Consultant commencing work.

8. Professional Service: Consultant agrees that all services and work performed hereunder will be accomplished in a professional manner.

9. Compliance with Laws: Consultant agrees to comply with all federal, state and local laws, ordinances, rules and regulations, including the safety rules, codes, and provisions of the Montana Safety Act in Title 50, Chapter 71, MCA. Consultant agrees to purchase a City business license.

10. Nondiscrimination: The Consultant will have a policy to provide equal employment opportunity in accordance with all applicable state and federal anti-discrimination laws, regulations, and contracts. The Consultant will not refuse employment to a person, bar a person from employment, or discriminate against a person in compensation or in a term, condition, or privilege of employment because of race, color, religion, creed, political ideas, sex, age, marital status, national origin, actual or perceived sexual orientation, gender identity, physical or mental disability, except when the reasonable demands of the position require an age, physical or mental disability, marital status or sex distinction. The Consultant shall be subject to and comply with Title VI of the Civil Rights Act of 1964; Section 140, Title 2, United States Code, and all regulations promulgated thereunder. The Consultant shall require these nondiscrimination terms of its sub-consultants providing services under this agreement.

11. **Default and Termination:** If either party fails to comply with any condition of this Agreement at the time or in the manner provided for, the other party, at its option, may terminate this Agreement and be released from all obligations if the default is not cured within ten (10) days after written notice is provided to the defaulting party. Said notice shall set forth the items to be cured. Additionally, the non-defaulting party may bring suit for damages, specific performance, and any other remedy provided by law. These remedies are cumulative and not exclusive. Use of one remedy does not preclude use of the others. Notices shall be provided in writing and hand-delivered or mailed to the parties at the addresses set forth in the first paragraph of this Agreement.

12. **Modification and Assignability:** This document contains the entire agreement between the parties and no statements, promises or inducements made by either party or agents of either party, which are not contained in this written Agreement, may be considered valid or binding. This Agreement may not be enlarged, modified or altered except by written agreement signed by both parties hereto. The Consultant may not subcontract or assign Consultant's rights, including the right to compensation or duties arising hereunder, without the prior written consent of City. Any subcontractor or assignee will be bound by all of the terms and conditions of this Agreement.

13. **Ownership and Publication of Materials:** All reports, information, data, and other materials prepared by the Consultant pursuant to this Agreement, except those separately identified in the Scope of Services or in other written agreements between the parties, are owned by the City. The City has authority to release, publish or otherwise use, in whole or part, reports, information, data and other materials prepared by Consultant pursuant to this Agreement, except those separately identified in the Scope of Services or in other written agreements between the parties. Any re-use without written verification or adaptation by the Consultant for the specific purpose intended will be at the City's sole risk and without liability or legal exposure to the Consultant. No material produced in whole or in part under this Agreement may be copyrighted or patented in the United States or in any other country without the prior written approval of the City.

14. **Liaison:** City's designated liaison with Consultant is Chris Kukulski and Consultant's designated liaison with City is Elliot M. Clark.

15. **Applicability:** This Agreement and any extensions hereof shall be governed and construed in accordance with the laws of the State of Montana.

16. **Reports/Accountability/Public Information:** Consultant agrees to develop and/or provide documentation as requested by the City demonstrating Consultant's compliance with the requirements of this Agreement. Consultant shall allow the City, its auditors, and other persons authorized by the City to inspect and copy its books and records for the purpose of verifying that the reimbursement of monies distributed to Consultant pursuant to this Agreement was used in compliance with this Agreement and all applicable provisions of federal, state, and local law. The Consultant shall not issue any statements, releases or information for public dissemination without prior approval of the City.

17. **Non-Waiver:** A waiver by either party any default or breach by the other party of any terms or conditions of this Agreement does not limit the other party's right to enforce such term or conditions or to pursue any available legal or equitable rights in the event of any subsequent default or breach.

18. **Attorney's Fees and Costs:** That in the event it becomes necessary for either Party of this Agreement to retain an attorney to enforce any of the terms or conditions of this Agreement or to give any notice required herein, then the prevailing Party or the Party giving notice shall be entitled to reasonable attorney's fees and costs, including fees, salary, and costs of in-house counsel to include City Attorney.

IN WITNESS WHEREOF, the parties hereto have executed this instrument the day and year first above written.

CITY OF BOZEMAN, MONTANA

By Chris A. Kukulski
Chris Kukulski, City Manager

Clark Real Estate Appraisal

By Elliott M. Clark
Elliot M. Clark, Owner

APPROVED AS TO FORM:

By Greg Sullivan
Greg Sullivan, Bozeman City Attorney

EXHIBIT A

The scope of work will include visual inspection of the subject property; examination of chain of title and use history for the subject property; examination of economic and market forces that affect the subject property; preparation of a market study of similar historic properties in Bozeman, other cities in Montana and outside of Montana (if necessary); interviews with appropriate government officials, land owners, property managers, real estate agents and developers; determination of highest and best use for the subject property as if vacant and as is; search for and select appropriate vacant land sales and determine a value of the site as if vacant; search for and select comparable sales, leases and cost information; and determine a value as improved; possibly project costs to renovate any unusable areas in order to obtain tenants and/or purchasers; prepare an analysis of the impact of conservation easements and other restrictions on the value of the subject property; and determine whether or not there are historical tax credits available to renovate and/or operate the subject property. The report will be prepared in compliance with the Uniform Standards of Professional Appraisal Practice as promulgated by The Appraisal Foundation and the Code of Professional Ethics and Certification Standards of the Appraisal Institute. An electronic copy of the appraisal will be provided to the client and an additional two hard copies of the appraisal report upon request. The final report will be delivered approximately 8 weeks from date of engagement.

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Story Mansion Proposal: “The Montana Center for Civics Engagement at the Story Mansion”, 2013.

Story Mansion Proposal: “The Story Mansion Inn Project”, 2013.

Story Mansion Proposal: “Tree of Life Ministries and the Portal School of Creativity and Innovation”, 2013.

“Story Mansion to Get Facelift.” *bozemandailychronicle.com*. The Bozeman Daily Chronicle, April 13, 2005.

T.B. Story Mansion and Carriage House Conservation Easement Agreement for Save America's Treasures Grant No. 30-04-ML-0046, Gallatin Clerk and Recorder's Office, Document # 2338483, July 31, 2009.

The Secretary of the Interior's Standards for the Treatment of Historical Properties

Standards for Preservation

1. A property will be used as it was historically, or be given a new use that maximizes the retention of distinctive materials, features, spaces, and spatial relationships. Where a treatment and use have not been identified, a property will be protected and, if necessary, stabilized until additional work may be undertaken.
2. The historic character of a property will be retained and preserved. The replacement of intact or repairable historic materials or alteration of features, spaces, and spatial relationships that characterize a property will be avoided.
3. Each property will be recognized as a physical record of its time, place, and use. Work needed to stabilize, consolidate, and conserve existing historic materials and features will be physically and visually compatible, identifiable upon close inspection, and properly documented for future research.
4. Changes to a property that have acquired historic significance in their own right will be retained and preserved.
5. Distinctive materials, features, finishes, and construction techniques or examples of craftsmanship that characterize a property will be preserved.
6. The existing condition of historic features will be evaluated to determine the appropriate level of intervention needed. Where the severity of deterioration requires repair or limited replacement of a distinctive feature, the new material will match the old in composition, design, color, and texture.
7. Chemical or physical treatments, if appropriate, will be undertaken using the gentlest means possible. Treatments that cause damage to historic materials will not be used.
8. Archeological resources will be protected and preserved in place. If such resources must be disturbed, mitigation measures will be undertaken.

Standards for Rehabilitation

1. A property will be used as it was historically or be given a new use that requires minimal change to its distinctive materials, features, spaces, and spatial relationships.
2. The historic character of a property will be retained and preserved. The removal of distinctive materials or alteration of features, spaces, and spatial relationships that characterize a property will be avoided.
3. Each property will be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or elements from other historic properties, will not be undertaken.
4. Changes to a property that have acquired historic significance in their own right will be retained and preserved.
5. Distinctive materials, features, finishes, and construction techniques or examples of craftsmanship that characterize a property will be preserved.
6. Deteriorated historic features will be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature will match the old in design, color, texture, and, where possible, materials. Replacement of missing features will be substantiated by documentary and physical evidence.

7. Chemical or physical treatments, if appropriate, will be undertaken using the gentlest means possible. Treatments that cause damage to historic materials will not be used.

8. Archeological resources will be protected and preserved in place. If such resources must be disturbed, mitigation measures will be undertaken.

9. New additions, exterior alterations, or related new construction will not destroy historic materials, features, and spatial relationships that characterize the property. The new work shall be differentiated from the old and will be compatible with the historic materials, features, size, scale and proportion, and massing to protect the integrity of the property and its environment.

10. New additions and adjacent or related new construction will be undertaken in a such a manner that, if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

Standards for Restoration

1. A property will be used as it was historically or be given a new use which reflects the property's restoration period.

2. Materials and features from the restoration period will be retained and preserved. The removal of materials or alteration of features, spaces, and spatial relationships that characterize the period will not be undertaken.

3. Each property will be recognized as a physical record of its time, place, and use. Work needed to stabilize, consolidate and conserve materials and features from the restoration period will be physically and visually compatible, identifiable upon close inspection, and properly documented for future research.

4. Materials, features, spaces, and finishes that characterize other historical periods will be documented prior to their alteration or removal.

5. Distinctive materials, features, finishes, and construction techniques or examples of craftsmanship that characterize the restoration period will be preserved.

6. Deteriorated features from the restoration period will be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature will match the old in design, color, texture, and, where possible, materials.

7. Replacement of missing features from the restoration period will be substantiated by documentary and physical evidence. A false sense of history will not be created by adding conjectural features, features from other properties, or by combining features that never existed together historically.

8. Chemical or physical treatments, if appropriate, will be undertaken using the gentlest means possible. Treatments that cause damage to historic materials will not be used.

9. Archeological resources affected by a project will be protected and preserved in place. If such resources must be disturbed, mitigation measures will be undertaken.

10. Designs that were never executed historically will not be constructed.

Standards of Reconstruction

1. Reconstruction will be used to depict vanished or non-surviving portions of a property when documentary and physical evidence is available to permit accurate reconstruction with minimal conjecture, and such reconstruction is essential to the public understanding of the property.

2. Reconstruction of a landscape, building, structure, or object in its historic location will be preceded by a thorough archeological investigation to identify and evaluate those features and artifacts which are essential to an accurate reconstruction. If such resources must be disturbed, mitigation measures will be undertaken.
3. Reconstruction will include measures to preserve any remaining historic materials, features, and spatial relationships.
4. Reconstruction will be based on the accurate duplication of historic features and elements substantiated by documentary or physical evidence rather than on conjectural designs or the availability of different features from other historic properties. A reconstructed property will re-create the appearance of the non-surviving historic property in materials, design, color, and texture.
5. A reconstruction will be clearly identified as a contemporary re-creation.
6. Designs that were never executed historically will not be constructed.

<http://www.nps.gov/hps/tps/standguide/>

**Architects Confirmation of
Square Foot Estimates for Story Mansion as of 2008 Renovation**

From: Ashley Flynn [aflynn@BOZEMAN.NET]
Sent: Thursday, February 13, 2014 11:11 AM
To: Sandra Kennedy
Subject: FW: Story Mansion drawings of 2008 renovation
Attachments: Story Mansion Site Plan and Floor Plans.pdf

Sandra,
Please find the attached drawings you requested.

From: Kim Everts [<mailto:kim@commaq.com>]
Sent: Thursday, February 13, 2014 11:10 AM
To: Ashley Flynn
Cc: Ben Lloyd
Subject: Story Mansion drawings of 2008 renovation

Ashley,
Attached are site and floor plan pdf drawings of the Story Mansion Renovation project we prepared in 2008 for James Goehrung.

The gross square feet of the floors is as follows:

Basement: 3,375 s.f.

1st Floor: 3,304 s.f.

2nd Floor: 3,450 s.f.

3rd Floor: 2,840 s.f.

These numbers are based on the drawing we used for the renovation.

Please let me know if you need any other information.

Thanks,

Kim

Kim Everts | Project Manager
Comma-Q Architecture, Inc | 109 N Rouse Ave, #1 | Bozeman, MT 59715 | (406) 585-1112

All City of Bozeman emails are subject to the Right to Know provisions of Montana's Constitution (Art. II, Sect. 9) and may be considered a "public record" per Sect. 2-6-202 and Sect. 2-6-401, Montana Code Annotated. As such, this email, its sender and receiver, and the contents may be available for public disclosure and will be retained pursuant to the City's record retention policies. Emails that contain confidential information related to individual privacy may be protected from disclosure under law.

REVENUE & EXPENSES WITH APPRAISER PROJECTIONS FOR 2014

City of Bozeman - Story Mansion Revenue & Expense Report		<= 2009	2010	2011	2012	2013	3 Yr Avg	Projected 2014
REVENUES								
189-0000-344.76-45	RENTAL / STORY MANSION	\$ 1,285	\$ 22,377	\$ 24,693	\$ 19,363	\$ 24,370	\$ 22,808	\$25,000
189-0000-383.00-00	OTHER REVENUES / DONATIONS							
189-0000-386.00-00	OTHER REVENUES / REFUNDS & REIMBURSEMENTS		\$ 850					
	TOTAL REVENUES	\$ 1,285	\$ 23,227	\$ 24,693	\$ 19,363	\$ 24,370	\$ 22,808	\$25,000
EXPENDITURES								
189-8040-456.20-65	SUPPLIES AND MATERIALS / SMALL EQUIPMENT AND TOOLS		\$ 31				\$ -	\$0
189-8040-456.20-99	SUPPLIES AND MATERIALS / GENERAL		\$ 6,485	\$ 1,005	\$ 217	\$ 377	\$ 533	\$500
189-8040-456.30-10	MAINTENANCE / REPAIR & MAINT- EQUIPMENT		\$ 191	\$ 400		\$ 210	\$ 305	\$300
189-8040-456.30-20	MAINTENANCE / REPAIR & MAINT- BUILDINGS		\$ 1,141	\$ 192	\$ 343	\$ 176	\$ 237	\$250
189-8040-456.30-30	MAINTENANCE / REPAIR & MAINT - OTHER		\$ 1,819		\$ 3,043		\$ 3,043	\$2,000
189-8040-456.40-10	UTILITIES / ELECTRICITY		\$ 2,583	\$ 2,676	\$ 3,612	\$ 4,278	\$ 3,522	\$3,500
189-8040-456.40-20	UTILITIES / WATER SERVICE		\$ 394	\$ 409	\$ 393	\$ 620	\$ 474	\$500
189-8040-456.40-30	UTILITIES / SEWER SERVICE		\$ 243	\$ 238	\$ 220	\$ 596	\$ 351	\$600
189-8040-456.40-40	UTILITIES / NATURAL GAS		\$ 6,013	\$ 4,192	\$ 3,034	\$ 3,206	\$ 3,477	\$3,500
189-8040-456.40-50	UTILITIES / TELEPHONE		\$ 1,240	\$ 1,272	\$ 1,278	\$ 1,311	\$ 1,287	\$1,300
189-8040-456.40-55	UTILITIES / INTERNET	\$ 104	\$ 847	\$ 982	\$ 1,058	\$ 1,020	\$ 1,020	\$1,000
189-8040-456.40-60	UTILITIES / REFUSE DISPOSAL		\$ 780	\$ 823	\$ 761	\$ 750	\$ 778	\$800
189-8040-456.40-70	UTILITIES / STORM WATER					\$ 38	\$ 38	\$50
189-8040-456.50-20	CONTRACTED SERVICES / MAINTENANCE CONTRACTS		\$ 524	\$ 488	\$ 2,629	\$ 8,764	\$ 3,960	\$8,500
189-8040-456.50-30	CONTRACTED SERVICES / JANITORIAL CONTRACTS		\$ 1,565	\$ 2,342	\$ 3,007	\$ 2,722	\$ 2,691	\$2,700
189-8040-456.50-99	CONTRACTED SERVICES / GENERAL		\$ 1,072	\$ 638	\$ 312		\$ 475	\$0
189-8040-456.70-10	OTHER / ADVERTISING			\$ 706			\$ 706	\$0
189-8040-456.70-40	OTHER / POSTAGE		\$ 48		\$ 1		\$ 1	\$0
189-8040-456.70-60	OTHER / TAXES & ASSESSMENTS		\$ 403	\$ 211	\$ 486	\$ 522	\$ 406	\$500
189-8040-456.70-90	OTHER / RENTS & LEASES		\$ 10			\$ 177	\$ 177	\$0
189-8040-456.70-99	OTHER / GENERAL		\$ 230	\$ 115	\$ 115		\$ 115	\$0
	TOTAL EXPENDITURES	\$ 104	\$ 25,620	\$ 16,688	\$ 20,507	\$ 24,769	\$ 23,596	\$26,000
	REVENUES OVER (UNDER) EXPENDITURES **	\$ 1,181	\$ (2,392)	\$ 8,004	\$ (1,145)	\$ (399)		-\$1,000
	** does not include: Depreciation, Staff Time, Property & Liability Insurance, any general admin & overhead costs							

Contracted Services increased in recent years due to outsourcing part of the lawn maintenance and snow removal.