

AN APPRAISAL OF
THE MADISON MUNICIPAL BUILDING PROPERTY
LOCATED AT
215 MARTIN LUTHER KING JR. BOULEVARD
MADISON, WISCONSIN

PREPARED FOR
CITY OF MADISON
MADISON, WISCONSIN

PREPARED BY
D. L. EVANS COMPANY, INC.
5402 MINERAL POINT ROAD
MADISON, WISCONSIN

EFFECTIVE VALUE DATE
FEBRUARY 5, 2014

D. L. Evans COMPANY, INC.

REALTORS® • APPRAISERS • COUNSELORS

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February 27, 2014

Mr. Jerry Lund
City of Madison
Real Estate Section
Community & Economic Development Unit
Madison Municipal Building
215 Martin Luther King Jr. Boulevard
P.O. Box 2983
Madison, Wisconsin 53701-2983

Dear Mr. Lund:

In accordance with the request of City of Madison, as our client, I prepared and attached to this transmittal letter an appraisal report of the Madison Municipal Building property, encompassing all of Block 88 of the Original Plat of the City of Madison and located at 215 Martin Luther King Jr. Boulevard in downtown Madison, Dane County, Wisconsin.

The purpose of this appraisal is to develop opinions regarding the Market Value of the fee simple interest in the property at February 5, 2014, which is the date that the property was observed and is the appraisal's effective date. The subject property is defined as the assemblage of Parcels A and B, which were identified by the client. The client also requested the appraiser provide estimates of Market Value for each of these properties, independent of the other.

The appraisal report was completed for the sole and exclusive use of the City of Madison for the intended use of internal business considerations and does not include eminent domain or condemnation issues. No other use or users are intended by the appraiser. However, it is understood that the client may provide a copy of the appraisal report to any party that may request one, as provided under Wisconsin's Open Records Statutes. The appraiser and the D. L. Evans Company, Inc. are not responsible for any unintended use of this report.

The report was prepared in accordance with specifications previously agreed to by the client. The attached written Appraisal Report was completed in a narrative format and was prepared in conformance with our understanding of the requirements of the Uniform Standards of Professional Appraisal Practice.

Unless cited herein, no third party written report of the physical condition of the property was supplied. The property was observed by the appraiser and/or D. L. Evans Company, Inc. staff; however, as the appraiser and D. L. Evans Company, Inc. staff are not qualified as a building inspector or engineer, this property observation was not comprehensive. Other than any items identified in this report, no adverse physical conditions are known to affect the property at the effective date of the appraisal. It should be noted that should undisclosed or undiscovered physical problems be present on the property, their existence could adversely affect the property's value.

The appraisal client and any and all other intended users of this report specifically identified by the appraiser are hereby cautioned that the final opinion of value is based on certain information, assumptions, limiting conditions and analyses, as specified in the body of this report. Any change to these items could significantly affect the opinion of property value. A Due Diligence review of this report by the appraisal client and other authorized users is mandatory. The reader is required to read the report in its entirety and to evaluate the information, assumptions, limiting conditions and analyses relative to their needs and their understanding of the subject property. The use of or reliance upon the report in any manner indicates that the client accepts these items completely and without recourse to the appraiser or D. L. Evans Company, Inc.

Based upon the data and analysis summarized in the attached report, the following reflect my opinions of the Market Value of the fee simple interest in the subject property:

PARCEL A:	\$ 6,534,000
PARCEL B:	\$ 5,875,000
ASSEMBLAGE OF PARCELS A AND B:	\$12,400,000

This appraisal covers only the subject real estate and does not include the value of any personal property, trade fixtures, or business equipment that may be located on the premises.

Respectfully submitted,

D. L. EVANS COMPANY, INC.



Bruce Perchik, MAI
Wisconsin Certified General
Appraiser #696

SALIENT FACTS AND CONCLUSIONS

CLIENT AND INTENDED USER: City of Madison

ADDITIONAL INTENDED USERS: None

INTENDED USE: Internal Business Considerations

PROPERTY ADDRESS: 215 Martin Luther King Jr. Boulevard in
Madison, Wisconsin

PROPERTY OWNER: City of Madison

DATE OF CONSTRUCTION: 1929

EFFECTIVE VALUE DATE: February 5, 2014

REPORT DATE: February 27, 2014

PROPERTY RIGHTS APPRAISED: Fee Simple Interest

REPORT FORMAT: Written in a Narrative Style

BUILDING SIZE:
TOTAL: 81,736 Square Feet Gross Building Area
26,043 Square Feet - Lower Level
25,103 Square Feet - 1st Floor
15,295 Square Feet - 2nd Floor
15,295 Square Feet - 3rd Floor

NON-HISTORICAL AREAS: 5,904 Square Feet Gross Building Area
2,952 Square Feet - Lower Level
2,952 Square Feet - 1st Floor

HISTORICAL BUILDING: 75,832 Square Feet Gross Building Area
23,091 Square Feet - Lower Level
22,151 Square Feet - 1st Floor
15,295 Square Feet - 2nd Floor
15,295 Square Feet - 3rd Floor

SITE SIZE: 87,120 Square Feet; 2.0 Acres
43,560 Square Feet - Improved with Historical
Building
43,560 Square Feet - Developable (as per City
of Madison)

ZONING: DC, Downtown Core District
His-L, Designated Landmark

FLOOD ZONE: Zone X; Area of Minimal Flooding

EXTRAORDINARY ASSUMPTIONS/ None
HYPOTHETICAL CONDITIONS:

APPRAISED VALUES:

PARCEL A:	\$ 6,534,000
PARCEL B:	\$ 5,875,000

ASSEMBLAGE OF PARCELS A AND B:	\$12,400,000
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ASSUMPTIONS AND LIMITING CONDITIONS

The analysis and opinions expressed in this report are subject to the following premises and limiting conditions:

- No responsibility is assumed for matters that are legal in nature. No opinion of title is rendered, and title to the property is assumed to be marketable.
- The legal description utilized in this report was furnished to us by others and is assumed to be correct.
- Unless otherwise noted, all lands included in this appraisal report are presumed to be developable lands for a use consistent with the highest and best use of the property as considered in this report.
- The impact on value of the existence of any and all liens or encumbrances was not considered and the property was appraised as though free and clear and under responsible ownership and competent management.
- The D. L. Evans Company, Inc. did not prepare a survey of the boundaries of the property. The distances and dimensions found in the body of the report and contained in the exhibits were provided by other sources and are believed to be accurate, but are not guaranteed.
- Information contained in this report was gathered from sources believed to be reliable. No responsibility is assumed for the accuracy of the information supplied by others.
- No responsibility is assumed for any condition not readily observable during a customary personal observation of the premises that might affect the opinions expressed herein. No liability is assumed for the soundness of structural members. No engineering tests were furnished. The appraiser and D. L. Evans Company, Inc. staff are not trained or qualified as building inspectors and do not offer opinions as to the structural or mechanical integrity of the subject improvements.
- Any distribution in this valuation report between land and improvements applies only under the existing plan of utilization. The separate valuations for land and improvements, if any, must not be used in conjunction with any other appraisal and are invalid if so used.

- All representations, plans and specifications furnished by the client, property owner, or others associated with the property are assumed to be accurate. The appraisal analysis and conclusions may be largely predicated upon this data, and the valuation conclusions contained herein are contingent upon the accuracy of the supplied information.
- The appraiser, by reason of this appraisal, shall not be required to give testimony or be in attendance in court or at any governmental or other hearing with reference to the property without prior arrangements having first been made with the appraiser relative to such additional employment.
- Neither all nor any part of the contents of this report (especially any conclusions as to value, the identities of the appraiser and D. L. Evans Company, Inc. staff or the firm with which they are connected, or any references to the Appraisal Institute or to the designations granted by this organization) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or other public means of communications without prior written consent and approval of the author.
- Unless otherwise stated in this report, the subject property tour did not result in an observation of any materials on the property known to be hazardous, and there is no knowledge of any such materials. Nor were any obvious signs of mold been observed. However, the appraiser and D. L. Evans Company, Inc. staff are not qualified to detect such substances, and can take no responsibility for their possible existence, or for any expertise required to discover them. The presence of substances such as asbestos, ureaformaldehyde foam insulation, chemical or fuel storage tanks, or other potentially hazardous materials, whether aboveground or underground, may affect the value of the property. The value estimate presented in this report is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. The client is urged to retain an expert in this field, if desired.
- The Americans With Disabilities Act (ADA) became effective July 26, 1992. A specific compliance survey and analysis of this property was not made to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey and detailed analysis of the property would reveal the need for renovations to comply with that Statute. Such a requirement could have an adverse impact on the market value of the property. The valuation analysis in this appraisal report did not consider possible compliance or noncompliance with the requirements of the ADA.

- Client, along with its successors and assigns, agrees to indemnify, defend and hold harmless the appraiser and D. L. Evans Company, Inc. staff and their successors and assigns from and against any and all debts, liens, claims, causes of action, administrative orders and notices, costs (including, without limitation, taxes, fines, penalties and assessments), losses, damages, liabilities, demands, interest, and expenses, including reasonable attorneys fees and expenses, consultants' fees and expenses, court costs and all other out-of-pocket expenses, suffered or incurred by the appraiser, the D. L. Evans Company, Inc. and their successors and assigns in any manner in connection with the use of the appraisal report by or on behalf of any party, except only for such claims resulting directly from the gross negligence of the employees of the D. L. Evans Company, Inc.
- In any event, the maximum damages recoverable from the appraiser and the D. L. Evans Company, Inc., relative to this engagement shall be the amount of the moneys actually collected by the D. L. Evans Company, Inc., for this assignment and under no circumstances shall any claim for consequential damages be made. In addition, there is no accountability or liability to any third party.
- All information contained in this report regarding the sale, rental, financing, or projections of income of properties is made from sources deemed reliable. No warranty or representation is made as to the accuracy of this information and it is subject to errors, omissions, change of price, rental or other conditions, prior sale, lease, financing, or withdrawal without notice.
- This appraisal report was prepared for the exclusive benefit of the client. It may not be used or relied upon by any other party or for any use other than that use specifically stated in the body of this report.
- All addenda, exhibits, photographs and other information contained within or attached to this report are considered a part of the report. The report cannot be completely understood or relied upon without inclusion and consideration of this data.

CERTIFICATION

Each person signing this report certifies that, to the best of his or her knowledge and belief:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of the assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- the reported analyses, opinions, and conclusions were developed, and this report was prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Bruce Perchik personally observed the property that is the subject of this report.
- as of the date of this report, Bruce Perchik has completed the requirements under the continuing education program of the Appraisal Institute.
- no one outside the employment of the D. L. Evans Company, Inc. has provided significant real property appraisal assistance to the person signing this certification.

Respectfully submitted,

D. L. EVANS COMPANY, INC.



Bruce Perchik, MAI
Wisconsin Certified General
Appraiser #696

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PART I

VALUATION REPORT

1.1 IDENTIFICATION OF THE SUBJECT PROPERTY

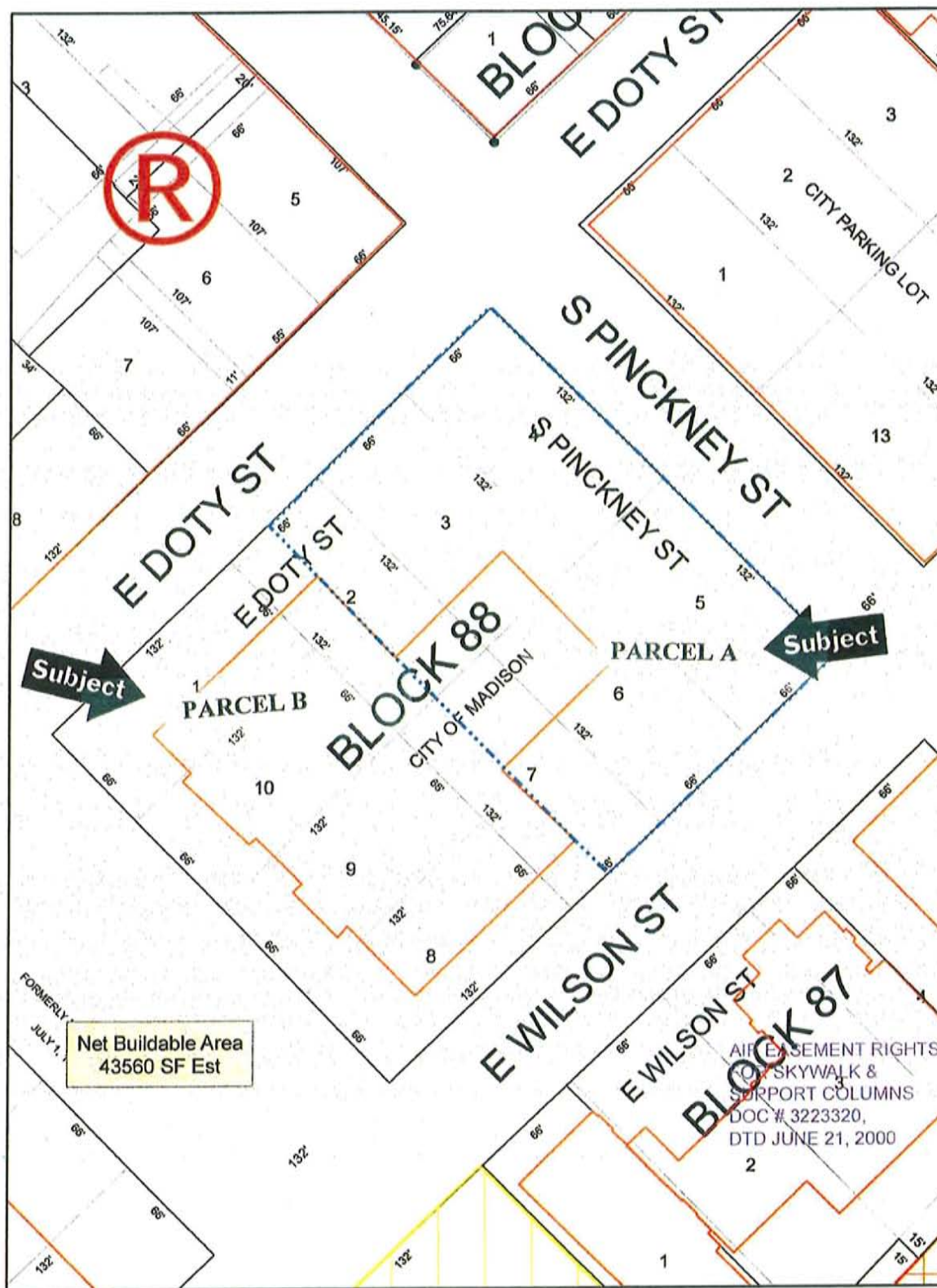
The subject of this appraisal report is all of Block 88 of the Original Plat of Madison with an address of 215 Martin Luther King Jr. Boulevard, in the City of Madison, Dane County, Wisconsin. The southwestern portion of the property is improved with the Madison Municipal Building and the structure is designated as an historical landmark on the Federal Register. Accordingly, these improvements cannot realistically be razed in favor of a redevelopment plan. It is understood that the facade of the building would need to remain and be incorporated into any future use of the property. The building is primarily occupied by offices and agencies of the City of Madison, although some of the space is leased to non-related concerns such as the U.S. Post Office and a credit union. The northeast portion of the subject site is primarily used for surface drives and parking.

According to information obtained from the web site of the City of Madison Assessor's Office, the site contains 87,120 square feet, or 2.0 acres. As noted above, the subject site is improved with a building, the vast majority of which has been designated as a historical landmark and cannot be razed. However, it was reported by the City of Madison that the balance of the block can legally be developed. Information provided by the City in a previous appraisal assignment indicated one half of the subject site, or 43,560 square feet can be developed to its highest and best use. [See Exhibit] For identification purposes, this developable portion of the subject site is identified as Parcel A and the portion improved with historical structure is referred to as Parcel B.

According to public documents, the legal description is as follows.

*All of Block 88, Original Plat of the City of Madison in the
City of Madison, Dane County, Wisconsin*

This appraisal covers only the subject real estate and does not include the value of any personal property, trade fixtures, or business equipment that may be located on the premises, as these items are required for operation of the business and not for the real estate per se.





FACING EAST - VIEW OF SUBJECT PROPERTY



FACING NORTH - VIEW OF SUBJECT PROPERTY

1.2 CLIENT, INTENDED USE, AND PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to develop an opinion of the Market Value of the fee simple interest in the above-described property reflecting the "As Is" condition of the property and related valuation factors as of February 5, 2014, which is the date the property was observed and is the appraisal's effective date. The subject property is defined as the assemblage of Parcels A and B. The client also requested the appraiser provide estimates of Market Value for each of these properties, independent of the other.

The Appraisal Report is intended to represent a summary of the analysis and conclusions developed by the appraiser. The Appraisal Report was completed for the sole and exclusive use of the client, the City of Madison, for the function and intended use of internal business considerations and does not include eminent domain or condemnation issues. No other use or users are intended by the appraiser. However, it is the appraiser's understanding that the client may provide a copy of the Appraisal Report to any party that may request one, as provided under Wisconsin's Open Records Statutes. The appraiser and the D. L. Evans Company, Inc. are not responsible for any unintended use of this report.

The appraiser did not previously appraise the subject property within the three-year period immediately preceding the acceptance of the assignment and is not aware of a previous appraisal prepared by an employee of the D. L. Evans Company, Inc. within the same time period. However, the appraiser completed a previous appraisal assignment of the subject property for the client in 2008.

1.3 DEFINITION OF "MARKET VALUE"

The term "Market Value" as used in this report is defined as follows:

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

- 1. Buyer and seller are typically motivated;*
- 2. Both parties are well informed or well advised; and acting in what they consider their best interests;*
- 3. A reasonable time is allowed for exposure in the open market;*

4. *Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and*
5. *the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

Source: The Dictionary of Real Estate Appraisal, Fifth Edition (2010); and 12 C.F.R. Part 34.42(g); 55 *Federal Register* 34696, Aug 24, 1990, as amended at 57 *Federal Register* 12202, Apr 9, 1992; 59 *Federal Register* 29499, Jun 7, 1994.

1.4 HISTORY OF THE PROPERTY

According to public records, the property is currently owned by the City of Madison and has not been sold in the past three years.

The owner's representative reported that the subject property is not under current agreement or option and is not offered for sale on the open market.

1.5 PROPERTY RIGHTS APPRAISED

This appraisal report provides an opinion of value of the fee simple rights of ownership. The fee simple estate is defined by The Dictionary of Real Estate Appraisal (Fifth Edition) as:

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

This appraisal does not value fractional ownership interests in the property.

1.6 SCOPE OF WORK

This appraisal offers an opinion of the Market Value of the property according to the definitions, assumptions, and limiting conditions set forth above. The scope of work in this appraisal assignment included the following:

- Bruce Perchik personally observed the subject property, reviewed floor plan layouts and took sufficient photographs to adequately identify the property.

- The appraiser previously appraised the subject property, for the same client. The effective date of this previous appraisal was May 7, 2008 and the report date was May 30, 2008. In conjunction with the present appraisal assignment, the appraiser reviewed basic subject property information contained in the 2008 report and incorporated it herein, with information that may have changed being re-confirmed as appropriate.
- Interviews with representatives of the property owner were conducted, and documents provided thereby were reviewed, regarding the history of the property, recent and planned renovations, historical and projected income and expense figures, and other factual and financial issues related to the property.
- City of Madison documents were reviewed relating to building and site size, zoning, assessments, and other data relevant to the analysis.
- The subject neighborhood was observed in order to determine its characteristics as they affect the subject property.
- The appraisal report was prepared in conformance with the appraiser's understanding of the requirements of the Uniform Standards of Professional Appraisal Practice.
- All known characteristics of the property considered relevant to the purpose and intended use of the appraisal were analyzed, including its location and physical, legal and economic attributes; the real property interest to be valued; and any known easements, restrictions, encumbrances, leases, reservations, covenants, contracts declarations, special assessments, ordinances, or other items of a similar nature that were provided by the client or others for review.
- Andrew H. Kessenich, CRE, Wisconsin Certified General Appraiser No. 692, was consulted on various issues relating to the development of the appraisal and provided assistance in finalizing the written report of the appraisal. Mr. Kessenich did not conduct a review of the appraisal as promulgated under Standard 3 of USPAP.
- The scope of the appraisal process included inquiry into sales and rental information, which were obtained from sources deemed to be reliable. This information was obtained by researching municipal records, reviewing marketing materials on properties advertised for sale or rent, and/or by conducting interviews with parties possessing

relevant information, including municipal employees, real estate professionals, others active in the local real estate community, and parties having firsthand knowledge of relevant properties and transactions. Information obtained through the appraisal of similar properties by the D. L. Evans Company, Inc. in the subject market may also have been considered. In judging certain aspects of the quality, relevance and reliability of this data, reliance was placed on individual professional expertise as well as the expertise of other employees of the D. L. Evans Company. However, data on comparable sales is not always verified with the parties to the sales or listings; consequently, the analysis may not meet the standards of the Rules of Evidence.

- Unless specifically noted, the appraiser and/or other staff employed by the D. L. Evans Company, Inc. made cursory observations of the properties utilized in a comparable sales analysis. If practical and permissible, comparable properties were surveyed from a vantage point on the property; otherwise, the comparable property was observed from the vantage point of an adjoining property or a public right-of-way such as a public street. Photographs taken during an observation of a comparable property may or may not be representative of the condition of the building and/or buildings as of the date the property was sold.
- This appraisal report is presented with the understanding that development of value opinions and reporting formats vary greatly. In conjunction with the terms of the appraiser's engagement with the client, this Appraisal Report is written in a narrative format.
- Any possible noncompliance with the requirements of the ADA was not considered within the scope of this appraisal report.
- The scope of this report is considered sufficient for its purpose and function. However, there may be other sale or rent comparables, which may be more recent or more similar but were not discovered and, therefore, were not included in this report. No data that was discovered and thought to be relevant to the value conclusion was omitted from the development of the appraisal. Please refer to the Certification, Assumptions and Limiting Conditions of this report.
- Except where explicitly noted, no extraordinary assumptions have been made that would have an impact on the final value estimate.
- The scope of this appraisal did not consider whether the current use of the subject is in conformance with current zoning regulations or other municipal codes.

1.7 THE APPRAISAL PROCESS

The standard appraisal process generally considers three approaches to estimate value: the Cost Approach, the Sales Comparison Approach, and the Income Approach. Each of these approaches was fully considered with respect to applicability for valuing the subject property.

Estimated value from the Cost Approach is established using the Marshall & Swift Cost Estimator Program, or other reliable sources, to estimate the cost as new of all relevant building improvements. Next, the value of the improvements is adjusted downward to account for all forms of depreciation. Finally, the value of the land is estimated and added to the depreciated value of the improvements.

The Cost Approach is often the most appropriate valuation method for special-purpose properties, which are properties that have a very limited selling market and that are not specifically designed to generate rental income. The Cost Approach can also be reliable when estimating the value of newer commercial properties, or in other cases in which there is only modest depreciation of the physical assets. It is not always a reliable methodology in cases where the improvements have been built in stages over a long period of time, because of the difficulty in accurately estimating accrued depreciation and the overall effective age of the improvements. In any case, the Cost Approach can serve as a check upon the Market Value estimate arrived at by other approaches.

Using the Sales Comparison Approach, an appraiser estimates the value of both the building improvements and the underlying land by investigating the prices that buyers are actually paying for similar properties. Using this approach, the appraiser analyzes sales of properties that are deemed to be both similar and comparable to the subject, and utilizes this comparable sale data as evidence of actual transactional activity in the subject market, with the intent to provide an indication of a probable value or range of values for the subject.

However, even when relatively good market data is available, the Sales Comparison Approach is not perfect, because of the inherent inefficiency of all real estate markets. According to the Appraisal Institute, an "efficient market" has:

- a large number of buyers and sellers who create a competitive, free market, in which no single buyer or seller has a large enough share of the market to measurably influence price.
- information about market conditions and products that is readily and equally available to all.
- an organized mechanism to bring buyers and sellers together.
- few governmental restrictions on open and free competition.
- substitutable, homogeneous, readily consumable and easily transported products.

Even at their best, real estate markets do not fully meet these criteria, and thus are not fully efficient. Given this, and considering the unpredictable motivations and attitudes of particular buyers and sellers, it is impossible to say for certain what a specific property will sell for, no matter how much comparable sales data may exist. Nonetheless, the Sales Comparison Approach can suggest a range of prices within which a property may be expected to sell.

The market for commercial and institutional real estate involves many special factors that may limit the usefulness of the Sales Comparison Approach. For instance, the substantial differences between different types of commercial property may make comparison of properties difficult. Therefore, under certain conditions, the appraiser may accord limited weight to the value indication provided by the Sales Comparison Approach, compared to other approaches. However, if a sufficient number of comparable sales are available for analysis, the Sales Comparison Approach may be given greater weight in the final value conclusion.

The Income Approach utilizes the stabilized net annual income that a property is expected to produce, based upon the actual operating history of the property and data on market rentals and expenses of comparable properties. Using this approach, Market Value is defined as the present value of the property's estimated future cash flows.

When an adequate quantity of supportable market data exists, a direct capitalization of stabilized income may also be considered. Application of the Income Approach requires that reasonable and accurate estimates of rental income and operational expenses can be made.

The final value result is produced by correlating and weighing the results of all of the applicable valuation approaches that were utilized in the analysis, relying upon the appraiser's judgment as to which approach or approaches to value would be most appropriate and necessary for the subject property. This value conclusion takes into consideration the approach to value most heavily relied upon by the market for similar properties, the scope and reliability of the available data, and other factors.

1.8 REASONABLE EXPOSURE TIME AND MARKETING TIME

The estimate of Market Value, as defined in this report, incorporates an estimate of reasonable exposure time as well as an estimate of marketing time. For the purpose of this report, reasonable exposure time is defined by Statement on Appraisal Standard No. 6 (SMT-6) of USPAP as "the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal." USPAP adds a comment that this is "a retrospective opinion based on an analysis of past events assuming a competitive and open market." According to

Advisory Opinion 7 (AO-7) associated with USPAP: "The reasonable marketing time is an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal."

Exposure time can vary according to the type of real estate involved and current market conditions. The appraiser's estimate of exposure time is based on information gathered through sales verification and interviews with market participants.

A property's marketing time can be influenced by many factors. Among the most important influences are the property's location, and the age, design, and condition of the buildings, if present. Financial and economic conditions are also critical factors affecting the length of time a property remains on the market.

For the purpose of this valuation, the subject property is presumed to have a marketing time of 12 to 24 months. Exposure time is presumed to be 18 months. The local market lacks sufficient comparable sales data for this type of property to draw any definitive conclusions as to a typical marketing time frame for the subject. These estimates are considered generally typical for larger commercial types of property in the local market, although transactions of this specific type do not often take place in any given year.

1.9 CONFORMANCE WITH USPAP COMPETENCY PROVISION

The appraiser has been actively involved in the appraisal of real estate in Wisconsin for a number of years. Specifically, the appraiser is experienced in the appraisal of commercial and institutional properties such as the subject. The subject property is located in the Greater Madison market, with which the appraiser is familiar.

As an employee of the D. L. Evans Company, Inc., the appraiser has access to the company's other real estate professionals and related work files. The firm has been in business since 1964. The valuation expertise of current employees includes, but is not limited to, vacant lands, manufacturing and distribution plants, warehouses, industrial facilities, medical clinics and hospitals, office buildings, retail and shopping centers, banking facilities, laboratory and research facilities, daycare facilities, community based residential facilities, nursing homes, assisted living facilities, commercial and residential subdivisions, restaurants, apartment complexes, mixed-use developments, commercial and residential condominium developments, hotels and motels, resorts and campgrounds, golf courses, fuel service stations and convenience stores, mobile home parks, automobile dealerships, fraternity and sorority houses, churches, schools and other special-use and special-purpose

properties. The firm's clients include commercial banks in Madison and Dane County, numerous regional and national lenders, local, county, state and federal branches of government, corporate entities and private individuals.

For these reasons, the appraiser believes this appraisal conforms with the requirements of the Competency Provision of USPAP.



FACING SOUTHEAST - VIEW OF MARTIN LUTHER KING JR. BOULEVARD
(SUBJECT ON LEFT)



FACING NORTHEAST - VIEW OF EAST DOTY STREET (SUBJECT ON RIGHT)

AREA AND NEIGHBORHOOD DATA

2.1 MUNICIPALITY DATA

City of Madison

Madison is Wisconsin's second largest city, the State Capital, home of the University of Wisconsin and County Seat for Dane County. It is located in the south central portion of the state and occupies a physically attractive setting on rolling topography set among four major lakes.

Janesville is the nearest metropolitan area 41 miles south with Beloit nine miles beyond. Milwaukee is 77 miles east, and Chicago is 146 miles to the southeast. Dubuque lies 95 miles southwest, Green Bay is 132 miles northeast and Minneapolis is 258 miles northwest. Roadways joining Madison with these cities are excellent.

According to the US census figures, Madison's population increased from 208,054 residents in 2000 to an estimated 233,209 in 2010, a gain of 12.1 percent. The suburban population has increased even faster than the City of Madison. The total population of Dane County was estimated to be 426,526 in the 2000 US census, increasing 14.4 percent to 488,073 in the 2010 census. Population growth in the area is expected to continue at a healthy rate over the next 20 years.

The economic base of Madison is diversified and sound. Much of the area's historical growth is attributed to Madison being a governmental center and to the presence of the State University. Governmental jobs represent 60,200 of the employed county work force of 220,600. Five college programs operate in Madison. They are led by the U.W. Madison with over 40,000 students and Madison Area Technical College with an enrollment of about 50,000 including part-time students. U.W. Madison traditionally leads the nation in government sponsored research grants. In 2004, Forbes magazine named Madison the Best Places for Business and Careers and continues to be recognized as among the best places to live and conduct business.

Madison's retail industry draws consumers from surrounding South Central Wisconsin and numerous commercial entrepreneurs on the local, state, and national levels. Two regional malls straddle Madison, with one located on the east side and the other located on the west side. Businesses enjoy the high traffic counts and consumer draw. State Street is the heart of downtown Madison with the State Capital at one end of the six-block pedestrian-only street and U. W. Madison campus at the other. State Street is considered in the Midwest as one of the best places for shopping and dining. It is one of the strongest tourist and residential consumer draws in the State whether it is a stop along the way or a travelers destination.

Madison has become one of America's principal medical centers. Hospital and medical clinic construction has been active, and an expansion of over \$45 million was developed for the UW Health and Meriter facilities on South Park Street. The University of Wisconsin, Meriter, St. Marys, and the Veterans Administration hospitals employ 9,000. There are over 100 clinics and urgent care centers in the area.

Research and testing laboratories are important to Madison and the immediate area. An abundance of private research operates within the U.W. Madison structure, and many private research firms are drawn to the area because of talented faculty and the qualified employees available. Research program areas include agriculture, bacteriology, chemistry, engineering, forest products, genetics, land use, medicine, nuclear energy, and physics.

Madison's residents are among the most educated in the country. In 2003, Madison was the city ranked first in the nation in percentage of its residents with Ph.D.'s. Madison also ranked third nationally in the percentage of its population over age 25 with at least a bachelor's degree.

Utilities, water, and sewer services are available in Madison in good quantity and generally at favorable prices compared to national commercial rates.

Recreational, social, and cultural opportunities abound in Madison with its many libraries, museums; and cultural centers. The area has thousands of acres of public lands and parks plus water-related recreation areas for canoeing, fishing, swimming, and boating. There are 15 golf courses in Madison and the immediate recreation area.

Madison is well known for its attractiveness and is routinely cited as one of the nation's most livable cities.

2.2 COUNTY DATA

Dane County

Covering about 1,200 square miles, Dane County provides a pleasing variety of natural and scenic resources. Eastern Dane County with its gently rolling lands and rich soils, wetlands, glacial lakes, and rounded hills contrasts with the more rugged slopes, narrow stream and river valleys, and greater concentration of woodlands found in western portions of the county. The 2010 population of Dane County was 488,073 according to the U.S. Census. The Census also reports that Dane County saw population growth of 14.4 percent between 2000 and 2010.

Dane County's small communities offer a rural lifestyle. Outside of the City of Madison, Dane County contains 7 cities and 19 villages. Madison is the largest, with about 48% of the County's population and 45% of the County's equalized property value. Smaller Dane County communities typically evolved from agricultural service centers to become relatively



small industrial and commercial centers. Many also provide homes to Madison commuters. A recent County estimate placed the number of Dane County residents who commute to Madison at around 50,000.

With a large share of prime agricultural land, Dane County continues to rank high among all Wisconsin counties in farm income. Dairy products are the most important source of farm income with cash crops and animal production being important. According to the U.S. Census of Agriculture, in 2002 Dane County had 515,475 acres of farmland on 2,887 farms. The average farm size was about 179 acres.

However, a significant amount of farmland is being converted to non-farm uses, both residential and commercial, as Dane County continues its rapid growth. It is projected that the county's population will have increased by over 22% in population by 2020 compared to 1996 numbers, with the largest growth expected in the villages and smaller cities. Seven of the county's cities and villages have recently been ranked in the top 10% statewide for population growth.

Historically, government workers have been another major part of the Dane County employment picture. This remains the case today, but the percentage of jobs in the government sector has been declining steadily in recent decades. About 33 percent of all jobs in Dane County were government jobs in 1980; that decreased to roughly 21 percent as of 2004.

While recent trends have shown a reduction in both government and farm-related employees as a percentage of total Dane County workers, other sectors of the economy have grown in importance. Among the important drivers of population and economic growth has been the county's rapidly growing high-tech business community, much of which has been fostered by the University of Wisconsin-Madison's leadership and academic teaching in the areas of biotechnology, medical and biomedical research, micro-electronics, pharmaceuticals, contract research and development, and software and other computer-related industries. More than 460 high-tech firms are located in the county, the majority being bio-technology and medical/biomedical research firms. Nearly 9% of county's workers are employed in the high-tech sector. County government continues to pitch the county's high-tech attributes at a national level, especially to investors on the East and West coasts.

The largest public-sector employer in the county is the University of Wisconsin-Madison, which employs more than 16,000 people. About 15,000 additional employees work for the State of Wisconsin outside the University, with about 5,000 more being employed by the Madison Metropolitan School District, 4,500 by the United States Government, 2,700 by the City of Madison, and over 2,600 by Dane County. Other top public school employers include Madison Area Technical College and school districts in Middleton-Cross Plains, Verona, and Sun Prairie.

The largest private-sector employers in the county, as of April 2011, were listed by the "In Business" Magazine as follows:

Employer	Employees (Full-Time/Part-Time.)
UW Hospital & Clinics	4,336 / 3,124
Epic Systems	4,100 / 0
American Family Insurance	3,695 / 87
UW Medical Foundation	2,757 / 719
Dean Health System	2,709 / 687
WPS Health Insurance	2,431 / 219
Covance	1,900 / 0
Meriter Health Services	1,186 / 2,104
CUNA Mutual Group	1,700 / 0
Kraft Foods / Oscar Mayer	1,600 / 0
St. Mary's Hospital	797 / 1,730
TDS Telecommunications	1,129 / 0
QBE Regional Insurance	863 / 15
Alliant Energy Corporation	786 / 73
Great Lakes Higher Education Corporation	787 / 36
GE Healthcare	770 / 0
Stoughton Trailers	703 / 0
Zimbrick, Inc.	666 / 107
Madison Gas & Electric Company	690 / 11
Promega Corporation	643 / 22
PPD	600 / 0
Springs Window Fashions	588 / 0
Webcrafters, Inc.	560 / 0
Electronic Theatre Controls, Inc.	549 / 11
M & I Bank	514 / 94
American Girl	502 / 120
Thermo Fisher Scientific	468 / 2
Group Health Cooperative of South Central WI	359 / 300
WEA Insurance Trust	447 / 28
Spectrum Brands Holdings	445 / 30
Anchor BanCorp Wisconsin	441 / 21
Hooper Corp	440 / 0
AT&T	430 / 0
Sub-Zero / Wolf	425 / 0

Countywide job growth has consistently been above state and national averages over the past several decades. The annual average unemployment rate in Dane County is also consistently well below state and national averages. According to online Bureau of Labor Statistics data, the estimated county unemployment rate was the lowest in the state at 4.4 percent as of December, 2011, compared to a national unemployment rate of 8.5 percent and a statewide unemployment rate of 7.1 percent. The area's low unemployment rates can be attributed in large part to the stability of the workforce and types of business located in the County.

The 2010 Census showed Dane County having a median household income of just over \$58,000, about 16 percent above the statewide median. The County's citizens are very well educated relative to state and national averages, with the 2010 census reporting 93.9 percent of the population age 25 and over as high school graduates, and 44.4 percent as college graduates, compared to statewide figures of 89.0 percent and 25.5 percent, respectively.

Dane County has generally affordable housing relative to income levels. Multiple Listing Service data indicates the median sales price for a single-family residence in Dane County in 2011 was \$219,000. There were an estimated 216,230 housing units available in the county in 2010, including nearly 130,000 single-family homes, according to U.S. Census figures.

There is an excellent transportation system within the county, and connecting it to major markets. Interstates 90-94 provides easy access to Milwaukee, Chicago, and Minneapolis-St. Paul. Interstate 39 provides access to north-central Wisconsin and central Illinois. U.S. Highways serving the county include 12, 14, 18, 51 and 151. State routes include 19, 69, 73, 92 and 113. Rail service is provided by Wisconsin and Southern Railroad and Canadian Pacific Railway. Dane County Regional Airport is served by American, Continental, Delta, Frontier, and United Airlines, and their sub-carriers, which together provide about 100 flights daily and carried a total of about 1,460,000 passengers during 2011. Direct flights are available from Madison to Chicago, Dallas/Fort Worth, Detroit, Minneapolis/Saint Paul, Cincinnati, Atlanta, New York, Denver, Orlando, Cleveland, Newark, and Washington DC.

Recreational opportunities in the county include multiple golf courses, and many miles of hiking trails, bike trails, and snowmobile trails as well as ski areas. There are also a variety of parks providing camping opportunities for residents and visitors.

2.3 NEIGHBORHOOD DATA AND MARKET TREND ANALYSIS

The social, environmental, economic, and governmental influences of the subject neighborhood and their impact on property values in the neighborhood were considered in the valuation analysis. The racial composition of a neighborhood is not a relevant consideration in the valuation of real estate.

The subject neighborhood is located in the downtown area of Madison. This area is also known as the Madison Isthmus, which is located between Lake Mendota to the north and Lake Monona to the south. The University of Wisconsin-Madison campus extends along most of the northern edge of the Isthmus. As the traditional center of the city, including government offices at all levels, the Capitol Square is also the home to many events including Concerts on the Square, Art Fair on the Square, The Taste of Madison, Farmer's Market on Saturdays in the summer and other popular events involving music, food and various forms of entertainment.

The neighborhood is a mixed-use area primarily consisting of institutional land uses, commercial land uses and multi-unit apartment and owner-occupied condominium type properties with higher building and population densities than are found in other areas of the city. Nearby building improvements include the State Capitol Building, civic/institutional government buildings, mid- and high-rise office buildings, houses of worship, multi-unit residential developments, a wide variety of restaurants as well as specialty retail outlets.

Proximity to transportation linkages including Johnson Street, Gorham Street, John Nolen Drive, East and West Washington Avenue, as well as Park Street is seen as good. Shopping districts are located very near the subject on the Capitol Square and the State Street area, as are employment centers and public transportation.

The neighborhood is in a period of continued rejuvenation. Being one of the oldest neighborhoods in the City, there is almost no vacant land available for further development. As a result, older, lesser quality buildings are being razed in favor of modern commercial structures having more intense uses.

The positive economic trends that influenced the local, regional and national economies during the late 1990s and early 2000s had a significant influence on local real estate markets including the subject neighborhood during that period of time. The strong economy and pace of speculative development during that time led to overbuilding in some sectors. The recent recession had a clear effect on the local market, with sales activity falling sharply for several years, although pricing saw a lesser negative impact. However, challenging economic circumstances faced by the national economy and many regions of the country have not been felt as significantly in the local market because of the mix of government, education and healthcare related entities that play a large part in the local economy. As of December 2013, Dane County had a reported unemployment rate (not seasonally adjusted) of 3.8 percent, compared to 5.8 percent for Wisconsin as a whole and 6.7 percent reported on a national level.

Demand for new home construction showed a clear improvement during 2013, based on conversations with local municipal officials and market participants as well as publicly available statistics reported on both a national and a local level. New home construction remains at relatively low levels compared to historical figures. Full year new home starts in Dane County in recent years, based on statistics compiled by the Wisconsin Builders Association, have been as follows. (Note: data includes single-family and two-family starts and is based on data collected from over 300 sites in Wisconsin; data shows trends but may not include all new home starts.)

<u>Year</u>	<u>New Home Starts</u>
2005	2,489
2006	1,767
2007	1,271
2008	704
2009	674
2010	674
2011	662
2012	778
2013	1,111

With respect to single-family residential sales activity, both the number of closings and sales pricing showed recovery during 2012 and 2013. Wisconsin Realtors Association data indicates the following data with respect to home sales, both in Wisconsin and in Dane County.

Year	Home Sales (Wisconsin)	Median Price (Wisconsin)	Home Sales (Dane County)	Median Price (Dane County)
2007	67,397	\$163,000	6,792	\$217,500
2008	54,924	\$154,000	5,366	\$215,000
2009	55,132	\$142,500	5,422	\$200,250
2010	51,645	\$140,000	5,068	\$207,000
2011	51,907	\$132,000	4,833	\$206,000
2012	62,776	\$133,900	6,156	\$200,000
2013	69,662	\$143,436	7,622	\$210,746

Again, the data indicates recovery during 2012 and 2013 relative to previous years. As of 2013, median home pricing remains lower than was the case as of 2007, prior to the recession, but the pace of new sales is actually somewhat higher than was the case during 2007 both in Dane County and statewide.

With respect to commercial sales, much less data is available. Because of the small size of the local market compared to many national markets, there are a limited number of commercial property re-sales in any given year. The available data suggests that real estate prices in Madison saw a consistent upward trend during the years 2001-2006, with prices more or less leveling out during 2007, and decreasing in later years. However, during 2010-2012 it appears that demand for real estate reached a bottom, and clear improvement was seen during 2013. The greater Dane County market has seen an increase in leasing and sales activity in most sectors, including both vacant and improved properties, with sectors showing improvements including apartments, retail, industrial, and medical. However, the office and residential condominium sectors have not yet seen clear signs of recovery and supply appears to remain in excess of demand.

The strongest sectors since about 2011 appear to be multi-unit residential development and medical office construction. Based on conversations with local market participants as well as national data, apartment demand appears to be increasing and new construction has shown clear signs of a rebound, with the strongest demand for new multi-unit residential construction being seen in central Madison and the University of Wisconsin campus area. However, all areas of the city are experiencing new apartment developments. Medical office construction has also been evident in several areas of Dane County, with recent larger medical projects being seen in both central and outlying areas of Madison, as well as Sun Prairie, Fitchburg, Middleton, and DeForest.

With respect to the general office market segment, the available evidence suggests that demand remains very weak. A June 2013 Grubb & Ellis / Oakbrook report (referencing all data through year-end 2012, but excluding owner-occupied, medical, and government buildings) indicates that about 81,000 square feet of new office building construction was reported during 2012, with net office space absorption reported at 68,000 square feet. Thus, there was a very small overall change in available space relative to the overall market area. Vacancy rates for all office projects were reported at 13.8 percent during 2012, compared to 15.7 percent during 2011 and 16.2 percent during 2010. Class A projects had the lowest rate at 10.2 percent, compared to 15.3 percent for Class B and 15.9 percent for Class C projects. Vacancy declined in all three segments compared to 2011. In a reversal from 2011, downtown Madison office vacancy at 16.4 percent was higher than office vacancy in outlying areas, which came in at a reported 13.0 percent. The average sales price for "Class B" buildings was \$84 per square foot during 2012, up from the \$78 per square foot during 2011; similarly, "Class C" building sales averaged \$77 per square foot in 2012, an improvement from the \$68 per square foot reported during 2011. (No "Class A" buildings sold during 2011 or 2012.)

According to the Wisconsin Department of Revenue, based on assessments throughout the county, the estimated value of all real estate in Dane County increased by 0.4 percent during 2013 compared to 2012. This was the first overall increase in recent years. Residential property value declined by 0.4 percent, but commercial property value increased 2.3 percent and the combined value of all industrial property was 6.6 percent higher.

The subject property is judged to conform to the character of the neighborhood and adjoining land uses. No incompatible uses are noted for buildings in the subject neighborhood.



SITE DATA

3.1 DIMENSIONS AND AREA

The subject site is rectangular in shape with approximately 264 feet of frontage along Martin Luther King Jr. Boulevard and an equal amount along South Pinckney Street, its southwestern and northwestern boundaries respectively. As the subject encompasses the entire city block, the site has an additional 330 feet of frontage along East Doty and East Wilson Streets.

According to information obtained from the web site of the City of Madison Assessor's Office, the site contains 87,120 square feet, or 2.0 acres. As noted earlier, the subject site is improved with a building, the vast majority of which has been designated as an historical landmark and cannot be razed. However, it was reported by the City of Madison that the balance of the block can legally be developed. Information provided by the City in a previous appraisal assignment indicated one half of the subject site, or 43,560 square feet can be developed. [See Exhibit] For identification purposes, this developable portion of the subject site is identified as Parcel A and the portion improved with historical structure is referred to as Parcel B.

3.2 TOPOGRAPHY

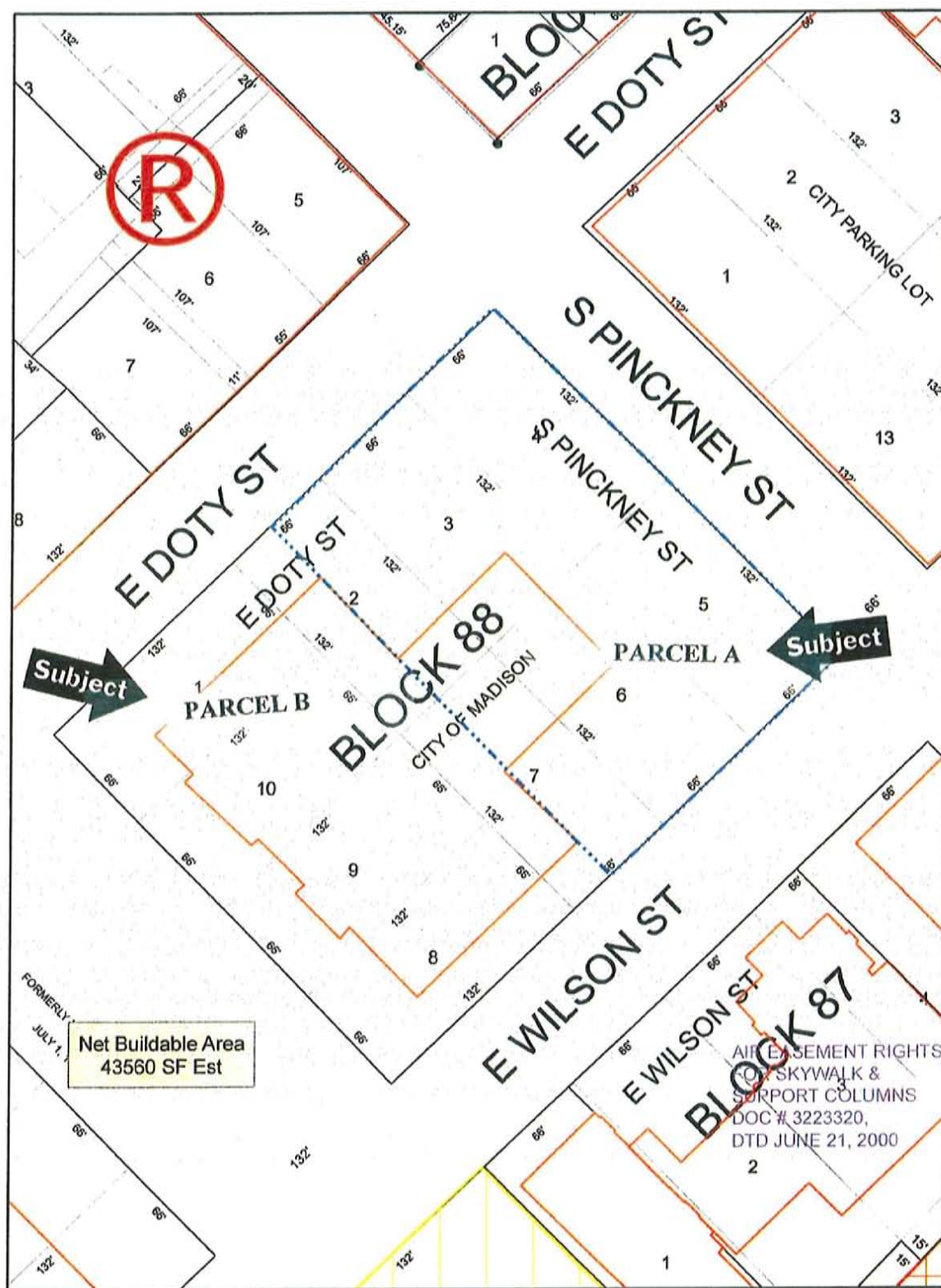
The subject site is generally at the grade of the streets cited above. The subject site is tiered such that the southeast portion of the block is somewhat below the northwest areas. An analysis of the soil conditions is not within the scope of the appraisal. It is recommended the client retain a professional soils engineer if analysis is desired. This report presumes the existing soil conditions are suitable for the existing and any reasonably proposed improvements.

3.3 UTILITIES

The appraised property is served by municipal utilities of water and sanitary sewer. It is understood that electricity and natural gas are supplied to the property in sufficient quantities for the existing and any reasonably proposed improvements.

3.4 ACCESS

The subject has direct access into its parking areas from two driveway cuts along East Doty Street and additional access from East Wilson Street providing access to parking areas and the loading docks for deliveries. Access to the Capitol Square and major roadways in the greater neighborhood is good. Overall, access is considered comparable to other commercial properties in the immediate area.



3.5 ZONING

The subject property is zoned DC, Downtown Core District and His-L, Designated Landmark pursuant to the City of Madison zoning ordinances. This zoning designation allows many higher density commercial and residential uses. A copy of relevant portions of the DC zoning ordinance is found in the Addenda to this report.

The subject improvements have been in place for many years. This appraisal report assumes that the current use of the property is a legally permitted use under current zoning standards, or, alternatively, that its use is legal under "grandfather" clauses of former zoning provisions. This assumption is reasonable, because it relies upon the Zoning Department's enforcement of allowable uses as well as the nature of the subject improvements, the zoning description, and the character of the subject neighborhood. The client is encouraged to contact the Zoning Department if further clarification is desired.

As per information provided by the client, the portion of the subject site that is not improved with the building designated as an historical landmark could be developed with a high density and mix of land uses similar to recent developments in the immediate area.

According to public documents, the subject property is affected by certain agreements between the Marcus Corporation the City of Madison in conjunction with Marcus's development of the Hilton hotel property adjacent to Monona Terrace. The appraiser learned that Marcus has the right of first refusal to acquire the subject property as well as having certain non-compete agreements concerning the subject site and certain defined neighboring properties. However, it was recently reported that because the City employed an RFP process, a buyer other than Marcus would have a specified time period to negotiate in good faith with Marcus for the management of a proposed hotel to comply with the agreements. Accordingly and for the purposes of this appraisal, these restrictions are understood to not place a restriction on the marketability of the subject property. The appraiser is not an attorney and is not offering a legal opinion. It is recommended the client consult an attorney or other expert for such a legal opinion.

3.6 ENVIRONMENTAL CONSIDERATIONS

During the property tour, no materials known or believed to be hazardous were observed on the property. Nor have any obvious signs of mold been observed or reported by any source to exist on the property. However, employees of D. L. Evans Company, Inc. are not professionally qualified to detect such substances, and cannot assume any responsibility for their possible existence. The client is urged to retain an expert in this field, if desired.

A Flood Zone Determination has been ordered by D. L. Evans Company, Inc. from First American Flood Data Services via Floodinsights.com. It shows the subject site to be out of the Flood Zone (SFHA) and not within 250 feet of multiple flood zones. It also shows the subject site to be within Zone X, an area outside of the 100 and 500 year floodplains. A copy of this determination is found in the Addenda of this report.

3.7 ASSESSMENTS AND TAXES

Information furnished by the web site of the City of Madison Assessor's Office indicates that the subject property is identified as Parcel No. 0709-242-0701-6. The assessed value and property taxes are not relevant in this appraisal assignment because the ownership entity is tax exempt. The appraiser understands that the property will likely be re-assessed if it was sold to a non-exempt purchaser. If a transfer tax return is completed as part of a sale transaction of the subject property and made available to the Assessor's Office, historical evidence suggests the assessor will utilize the stated sale price of the property as the basis for the assessment value.

3.8 DESCRIPTION OF THE IMPROVEMENTS

As documented earlier, the appraiser prepared an appraisal of the subject property in 2008. A copy of the "Description of the Improvements" contained in the 2008 report was provided to Mr. Jerry Lund along with the request to review the material. Mr. Lund reported that there were no material changes since that time, except for the recent replacement of a water heater and elevator renovations.

The subject improvements consist of a three-story masonry building known as the Madison Municipal Building. The design and construction of the building was originally for a United States Post Office and Federal Courthouse, which was completed in 1929. In addition to the three stories above ground, the building has a full lower level that is partially exposed along the East Wilson Street elevation.

The vast majority of the Madison Municipal Building is designated as an historical landmark on the Federal Register. As such, these improvements cannot realistically be razed or greatly modified in a redevelopment plan such that the historical integrity is not maintained. Typically with historical properties, the facade of the building would need to remain and be incorporated into any future use of the property. A building addition of approximately 5,904 square feet was constructed along rear portions of the building and consists primarily of loading docks, storage and some meeting rooms. The building addition is reported to not be impacted by the historical designation and could be razed if so desired.

The building is primarily occupied by offices and agencies of the City of Madison, although some of the space is leased to non-related entities such as the U.S. Post Office and a credit union.

Public access to the building is available via three entrances, one off of Martin Luther King Jr. Boulevard, one from East Wilson Street and one from East Doty Street. The main entrance along Martin Luther King Jr. Boulevard leads to the Post Office and the credit union. The entry from East Doty Street leads to the elevator, a stairwell and first floor hallways. The entry off East Wilson Street leads to a stairwell and lower level hallways.

The building's general layout includes hallways and stairwells, public restrooms, breakroom areas with vending machines, a maintenance department with a series of loading docks, conference and meeting rooms, private and open office areas, mechanical rooms, storage areas, copy rooms, open work areas and other areas that are typically associated with office and municipal type properties. There is one elevator serving each level of the building. The elevator was recently renovated. The portions of the building occupied by the Post Office and credit union were not available for observance due to government regulations and security concerns.

During the tour of the property, the building improvements were observed to be in good condition for their age. No major outstanding repairs or deferred maintenance were observed during the limited building tour. It should be noted that the tour was casual in nature and employees of the D. L. Evans Company, Inc. are not trained or qualified to conduct a property inspection involving evaluation of structural or other physical building systems.

The appraiser was provided with a draft of the study titled, "Madison Municipal Building Conceptual Schematic Design Study", dated November 2013. The study was prepared with the assistance of Isthmus Architecture, Inc. The document included a preliminary cost estimate of about \$25,150,000 required to provide a state-of-the-art facility that still maintains the historic nature and character of the building.

The irregular structure has various exterior building dimensions. The gross floor area was reported to be approximately 81,736 square feet. The building areas are outlined below.

Building Areas

BUILDING SIZE:

TOTAL:

81,736 Square Feet Gross Building Area
26,043 Square Feet - Lower Level
25,103 Square Feet - 1st Floor
15,295 Square Feet - 2nd Floor
15,295 Square Feet - 3rd Floor

NON-HISTORICAL AREAS:

5,904 Square Feet Gross Building Area
2,952 Square Feet - Lower Level
2,952 Square Feet - 1st Floor

HISTORICAL BUILDING:

75,832 Square Feet Gross Building Area
23,091 Square Feet - Lower Level
22,151 Square Feet - 1st Floor
15,295 Square Feet - 2nd Floor
15,295 Square Feet - 3rd Floor

Specifications

Exterior:

Foundation: Poured concrete
Frame: Masonry/Steel
Walls: Stone/Brick
Roof: Flat built-up roof system
Windows: Picture (fixed) and casement (operating) windows

Interior:

Floors: Tile/Carpet/Marble/Rubber stair treads/Concrete
Walls: Painted drywall/Vinyl on drywall/Wood/Concrete
Ceiling: Suspended acoustical tile/Drywall
Lighting: Recessed and suspended fluorescent / Track lighting
Recessed can lighting/Hanging fixtures.

Mechanicals:

HVAC: Hot water heat/Forced-air furnaces/Space heaters/Air conditioning is provide by central air and thru wall units
Electric: 4000 Ampere electrical main service
Plumbing: Plumbing in the building is assumed to be adequate for the current users of the building
Other Features: The building is served by a 4-stop cable elevator. There are loading dock located in the rear of the building for shipping and receiving purposes. The building is not sprinklered but there is a modern fire alarm system as well as fire houses at various locations in the building.

Land Improvements

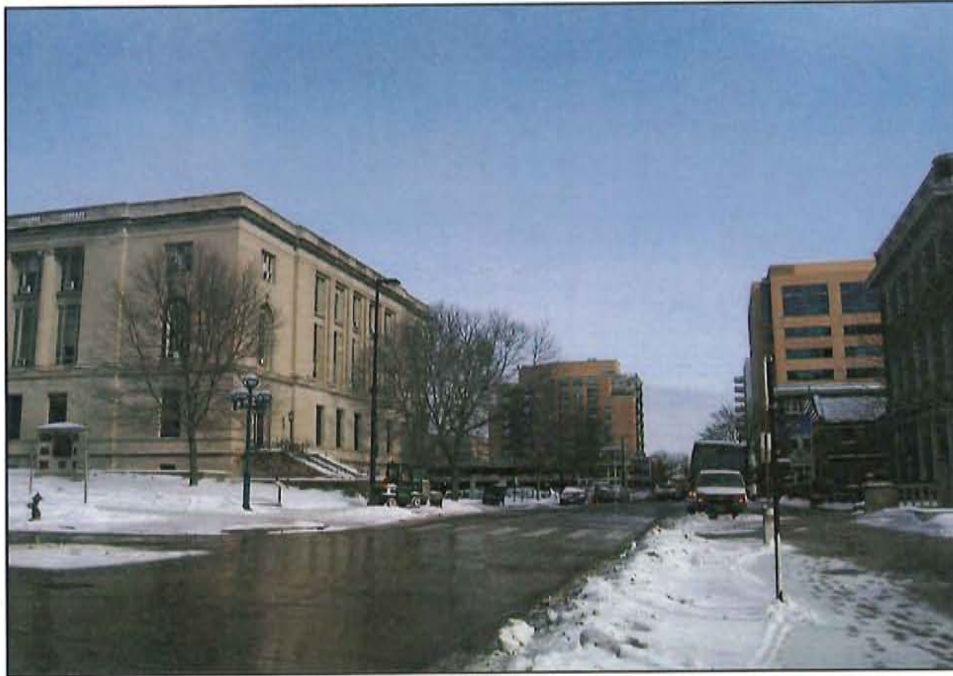
The principal land improvements on the subject site are asphalt parking and drives, concrete sidewalks and stairs. Landscaping includes attractive lawns, trees and shrubbery. There is a solar parking canopy over a section of the parking area. There is a monument commemorating the life of Dr. Martin Luther King Jr. in the front of the building.



FACING WEST - VIEW OF SUBJECT PROPERTY



FACING SOUTH - VIEW OF SUBJECT PROPERTY



FACING NORTHEAST - VIEW OF EAST WILSON STREET (SUBJECT ON LEFT)



FACING NORTHWEST - VIEW OF SOUTH PINCKNEY STREET (SUBJECT ON LEFT)



FACING SOUTHWEST - VIEW OF EAST DOTY STREET (SUBJECT ON LEFT)



INTERIOR VIEW OF SUBJECT PROPERTY



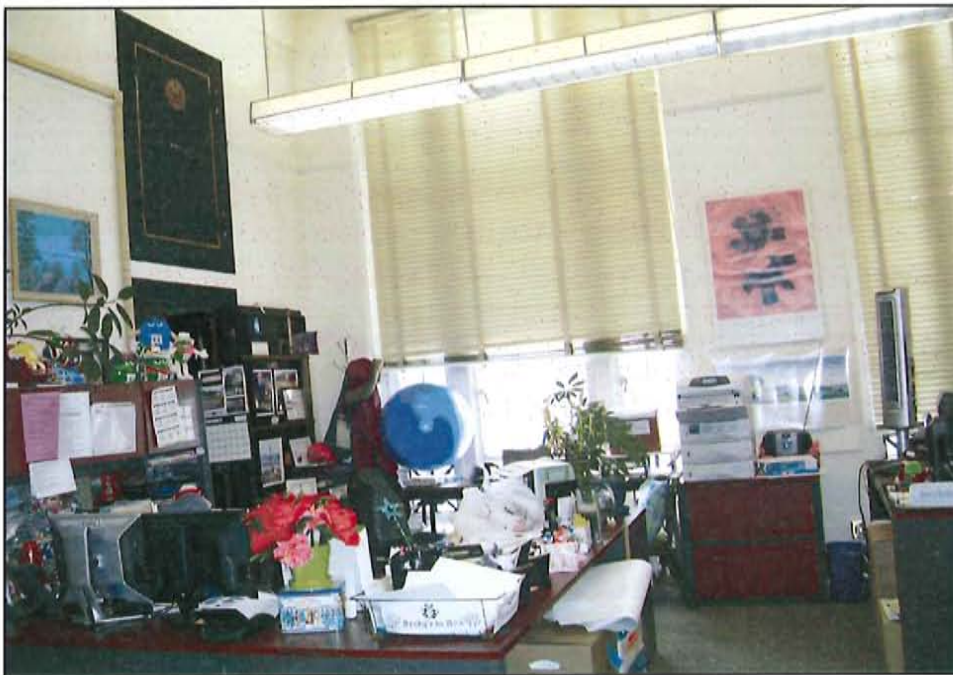
INTERIOR VIEW OF SUBJECT PROPERTY



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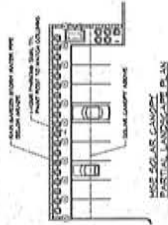
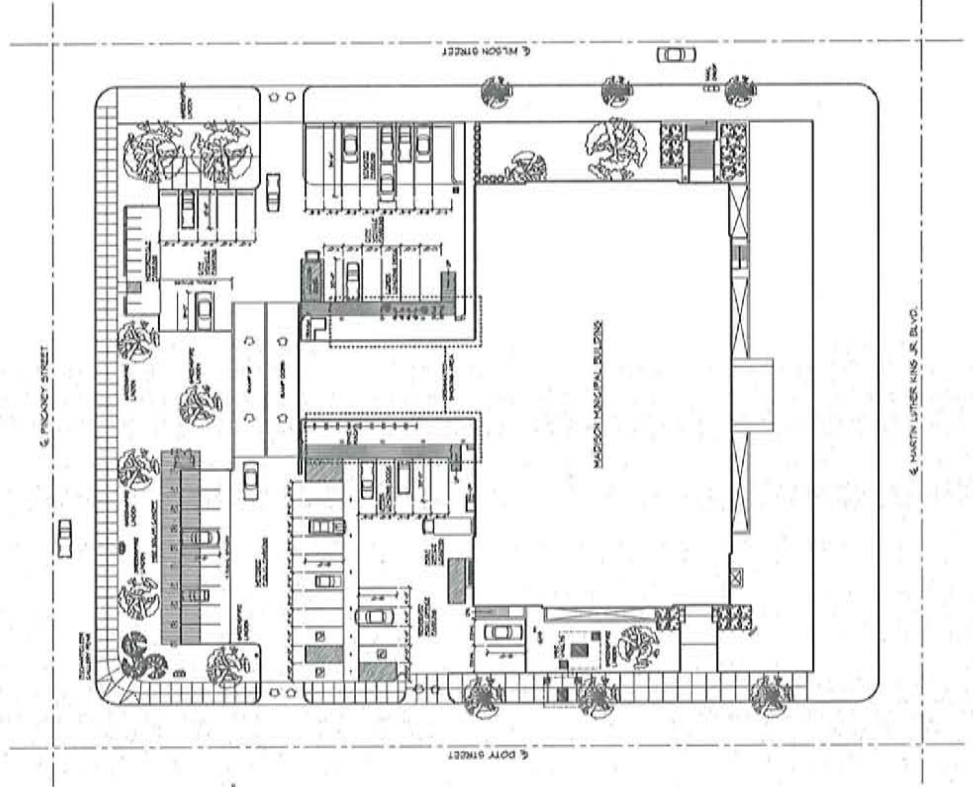


INTERIOR VIEW OF SUBJECT PROPERTY



INTERIOR VIEW OF SUBJECT PROPERTY

EXISTING SITE PLAN
MADISON MUNICIPAL BUILDING
JANUARY 2008

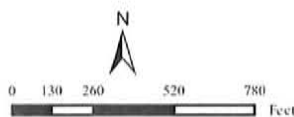


6. MARTIN LUTHER KING JR. BLVD.

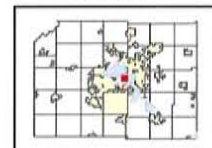
SUBJECT PROPERTY



This map was prepared by the Dane County Land Information Office from records and data located in various public offices. Map information is believed to be accurate but is not guaranteed to be without error. Since data used to compile this map is dynamic and in a constant state of maintenance, correction and update. This map does not represent a field survey and is not intended to be used as one. For general cartographic and reference purposes only.



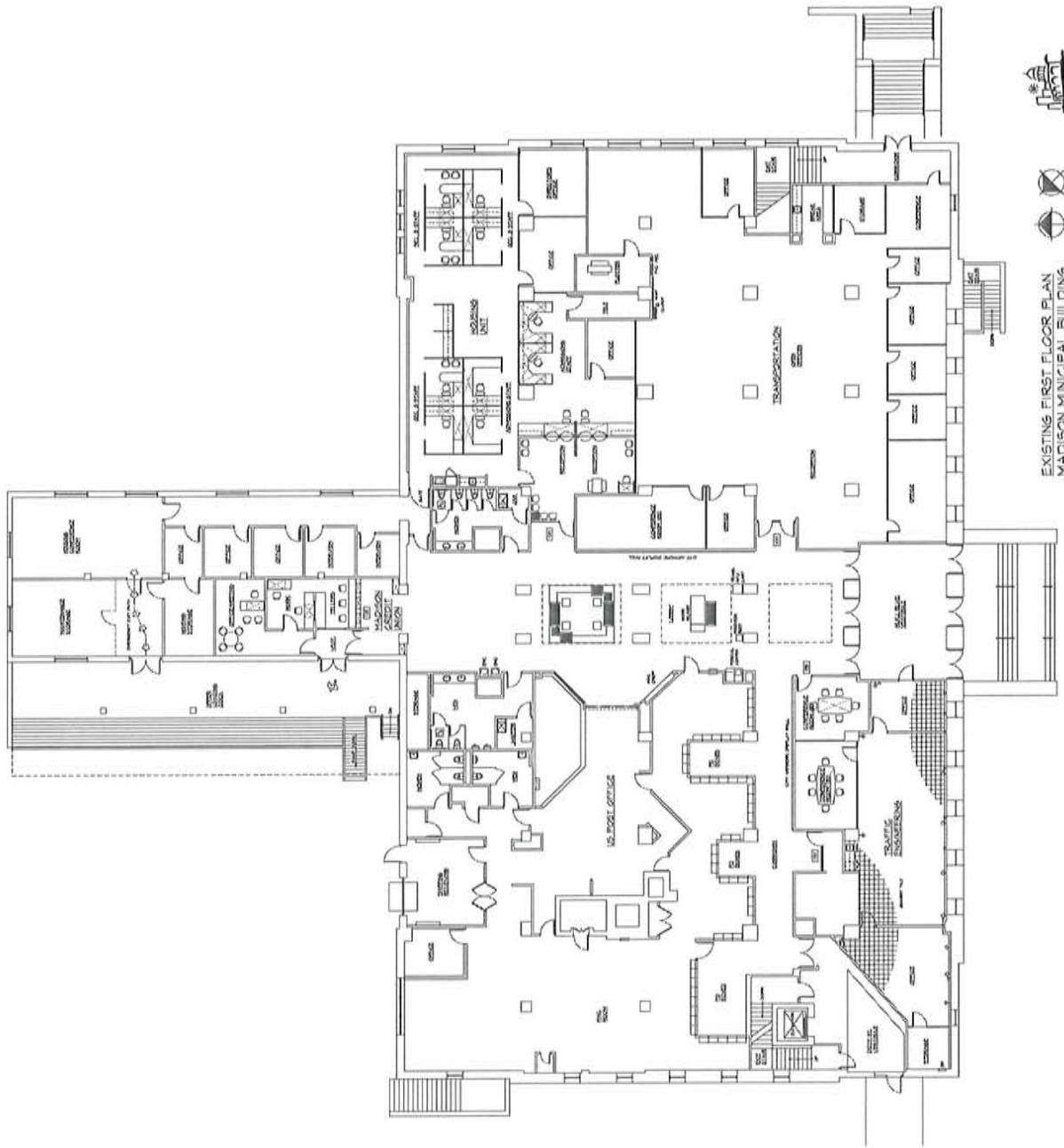
Locator Map



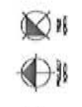
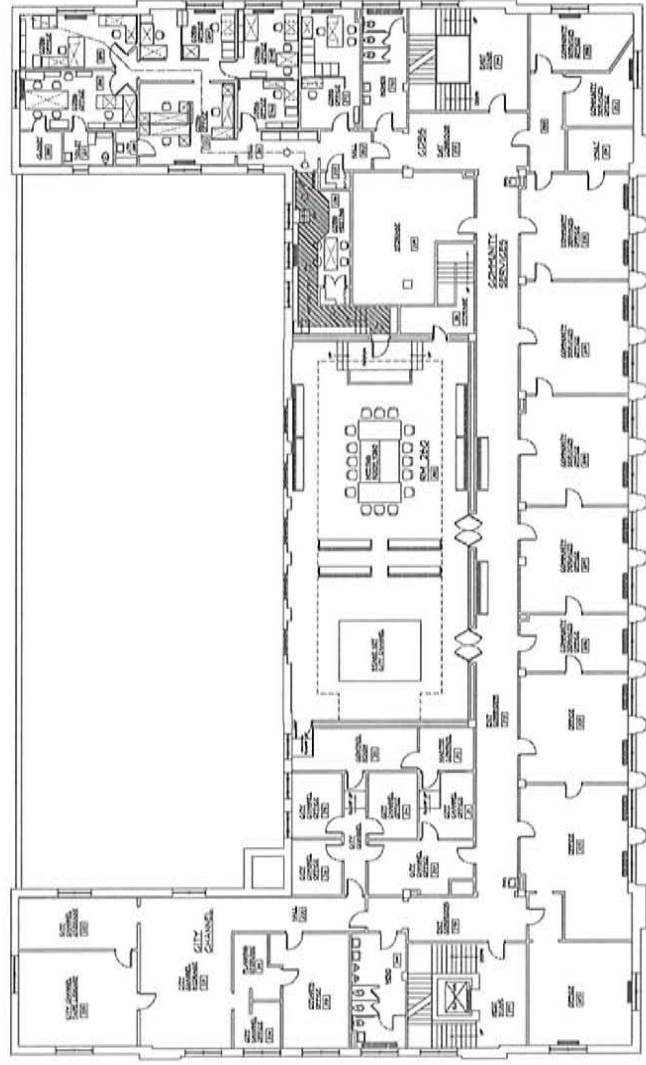


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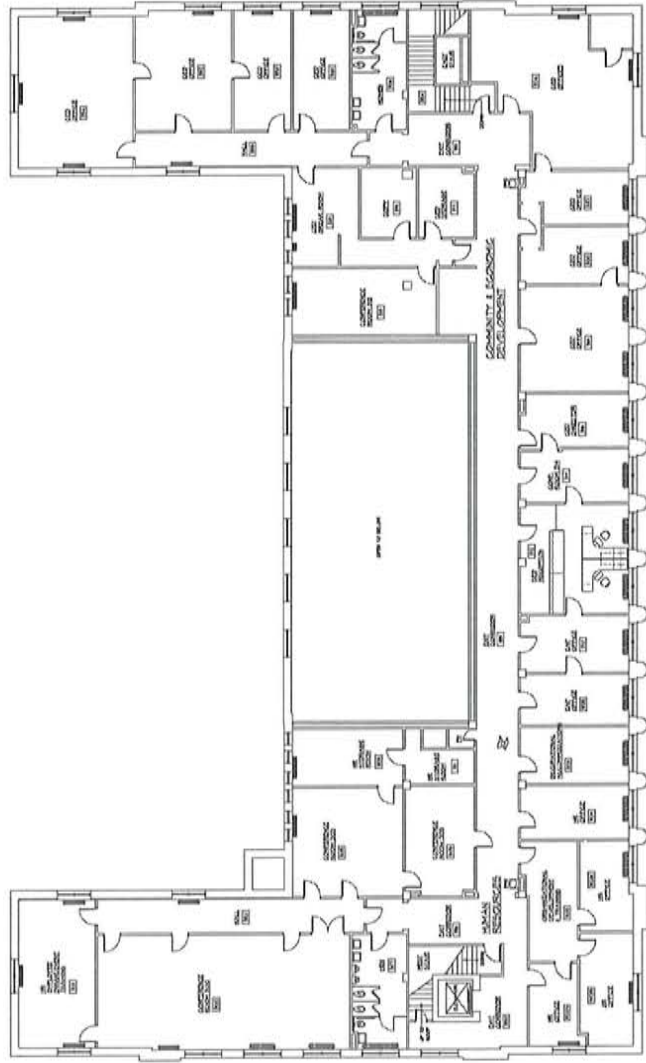
Imagery Date: 9/26/2010 43°04'28.81" N 89°23'04.83" W



EXISTING FIRST FLOOR PLAN
MADISON MUNICIPAL BUILDING
SCALE: 1/8" = 1'-0"
DATE: 10/15/10
DRAWN BY: J. H. HARRIS
CHECKED BY: J. H. HARRIS



EXISTING SECOND FLOOR PLAN
MADISON MUNICIPAL BUILDING
JANUARY 1970



LONG PLANNING ARCHITECTS
 EXISTING THIRD FLOOR PLAN
 MADISON MUNICIPAL BUILDING
 100 N. 5TH ST.
 MADISON, WI 53703

4.1 HIGHEST AND BEST USE

Properties are appraised as if put to their highest and best use, to reflect the assumption that buyers and sellers set prices for properties based on their conclusions about the most profitable use of the site or property. The use of a site often limits its value.

"Highest and Best Use" is defined in The Dictionary of Real Estate Appraisal, (Fifth Edition), as follows:

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria that highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

The details of these four criteria are set forth below.

1. Physically possible - uses allowed by size, shape, area and frontage;
2. Legally permissible - uses permitted by zoning, building code requirements, deed restrictions, and environmental regulations;
3. Financially feasible - uses that produce a positive return after all expenses and financial obligations are met; and,
4. Maximally productive - of the financially feasible uses, the one that produces the highest price or value.

Highest and Best Use as Vacant

In the observation of the subject site and other comparable properties, and in the process of evaluating collected data on the subject property, different possible uses were considered. From this information, those uses that were physically possible, legally permissible, and financially feasible were evaluated.

The subject is well located in an established mixed-use neighborhood with excellent access and linkages to transportation systems, employment centers, shopping districts, government offices, recreational outlets and residential neighborhoods.

Demand for property by business owners, tenants and investors in the subject's market area appears stable and in the process of rebounding from the recent downturn in the real estate markets. Unimproved urban sites available for development in many parts of Madison are virtually nonexistent, as many neighborhoods have been built up for several decades. Therefore, presuming the property were vacant, the majority of the subject site's direct competition comes from other improved

properties where existing improvements have reached the end of their contributory economic lives and the highest and best use of the property becomes redevelopment.

The availability of financing for commercial developments is reasonably good in light of current economic circumstances. Financing can be found at competitive rates primarily from local and institutional sources. The "credit crunch" associated with the recession and related real estate challenges has created tightening of such capital. Projects that involve a significant speculative component are generally facing stiffer underwriting standards than stabilized projects with a strong operational history.

The area referenced herein as Parcel B of the subject property is improved with an historical structure and is registered as a landmark on the Federal Register. Because of these attributes, the highest and best use of Parcel B, as a vacant site, is not a realistic issue as the current improvements cannot be razed without extensive approvals from various governing bodies, which is extremely unlikely.

Parcel A is understood to be developable and, as such, it is likely that a developer of this portion of the subject site would follow the recent trends in the downtown market and construct a high density project that may include residential and/or office development or hotel, any of which could also incorporate retail uses on the ground floor or lower level. A structured parking component could also be incorporated into the project.

As the softness of the downtown residential condominium market has been well publicized in recent times, the probability of a high density residential condominium development being proposed for the subject is notably lower than would have been the case a few years ago. Because the immediate area of the subject property is also concentrated with City, County and State offices, the appraiser also considered a similar government or related institutional development of the subject as a plausible option. The appraiser cites the redevelopment of the University Square property along University Avenue and Johnson Street with a mixed-use office, retail and residential development, the impetus coming from an institutional user's (University of Wisconsin) need for additional office space.

The mixed-use orientation of the subject neighborhood, as well as the DC zoning of the Parcel A portion of the subject block and land use trends in the area, suggest the Highest and Best Use of the subject, as vacant, to be for the development of a high density land use consistent with other modern downtown projects.

Highest and Best Use as Improved

Parcel B of the subject property has been developed with an historical building that currently houses City administrative offices and related agencies. A small portion of the building is leased to the United States Post Office and a credit union. The subject improvements appear to be well constructed and maintained, continuing to serve their current purpose. The building is not a modern structure, but is not unique among downtown office buildings in that respect. The market continues to support older buildings in the downtown, oftentimes catering to a user niche that does not require the modern amenities of some typical downtown user types such as large law firms. In the event of a vacancy by the current occupants, the building could be adapted to meet the needs of one or more governmental office uses. Alternatively, subject to the limitations of the zoning regulations and historic overlay restrictions, the property could be gutted and incorporated into a new development on Parcel A.

The historical building may be of interest to an owner occupant such as a financial institution, larger law firm or other similar profiles. Such a buyer profile would likely invest additional capital expenditures to provide a modern interior space while maintaining the historical facade and character. It is possible that the use of federal income tax credits may help offset these costs.

The Highest and Best Use as improved is determined to be for a commercial and/or institutional use generally consistent with its present development.

PART II

VALUATION

The valuation of property is generally undertaken by using the three approaches to value: the Cost Approach, the Sales Comparison Approach and the Income Approach.

Using the Cost Approach, value is derived by estimating the costs to replace the utility of the buildings and improvements based on today's material, labor and overhead rates. From this replacement cost, an appraiser deducts depreciation for physical wear, functional inutility or obsolescence, and any external obsolescence. The value of the improvements as depreciated is then added to the market value of the underlying land to arrive at a final value.

The Cost Approach to value was carefully considered. The subject improvements reflect an under-improvement of the site given the relatively high sale prices for prime downtown land. However, the subject improvements are designated as an historical landmark on the Federal Register and, as such, cannot realistically be razed in favor of a redevelopment plan. In addition, the subject was originally designed for a Post Office and Federal Courthouse and not the current use as a municipal office building for the City of Madison and related agencies. Therefore, the appraiser concluded that the subject improvements possess a high degree of functional obsolescence that would be extremely subjective and therefore difficult to reliably determine by means of Cost Approach analysis. Finally, the cost to replace such an architecturally significant and unique structure cannot be reliably estimated. Given these factors, the Cost Approach could not be applied to the valuation exercise.

The premise of the Sales Comparison Approach is that recent sales of similar or comparable properties provide an indication of value for the property being appraised. The approach evaluates comparable properties that are sufficiently similar in size, type, quality and location to the subject so that reasonable comparisons may be made. The Sales Comparison Approach was determined to be applicable to the valuation of Parcels A and B and is included in the respective valuation analyses.

The Income Approach is of primary importance in discerning the value of income-producing properties and is usually the principal indicator of value for investors in this type of property. Under this approach, value is defined as the present worth of future cash flows. Using this approach, the appraiser establishes economic rents for the property, deducts all reasonable operating expenses, and then determines the

present value of the resulting net income stream. The Income Approach was determined to be applicable to the valuation of the historically improved portion of the subject property (Parcel B) and is included in the following valuation analysis.

Those approaches to value considered applicable to the development of the value estimate are evaluated, weighing the strengths and weaknesses of each. A reconciliation of applicable methodologies is performed, and an opinion of value is based on that analysis.

5.1 LAND VALUATION - PARCEL A

As previously noted, the Sales Comparison Approach is an appraisal technique in which the value of a property is estimated from a comparison with other recently sold properties deemed comparable to the subject. The approach is based on the principle of substitution, according to which one should pay no more for a given property than it would cost to buy a comparable substitute property.

In comparing sale properties with the subject, the analysis employed a unit of comparison known as the "dollars per square foot" value. This unit value is based on the sale price of the comparable property divided by its square footage size. This is a common measurement of value which tends to show what other purchasers, including investors and users of this type of property, are likely to pay for a comparable substitute property.

An appraiser can use either quantitative or qualitative techniques to analyze the sale prices of comparable properties. Quantitative adjustments are based on quantifiable variables taken from the marketplace, usually in terms of dollars or percentage of sale price. The technique requires that a sufficient quantity of specific, reliable data be available for the category that is the basis of the adjustment. To extract an adjustment that the market places on a certain property attribute, an appraiser could employ a pure pairings technique or some type of statistical analysis.

For example, an appraiser may wish to know the value that a fireplace adds to a certain type of residential property, say three-bedroom, two-bath ranch homes with single-car attached garages in a certain neighborhood. In such a case, if there is sufficient sales data to work with, and if all other property features are sufficiently similar, so that the only significant difference between two properties is that one has and the other lacks a fireplace, the appraiser can assume that the difference in price between the two homes can be attributed to the fireplace itself. This extra value can be established mathematically and known fairly precisely, and thus the analysis is quantitative.

In most smaller real estate markets, such as the subject market, it may be possible to perform quantitative analysis when valuing single-family homes, but it may not be appropriate in the valuation of commercial property. In these instances, the appraiser may employ qualitative analysis in evaluating the comparable sales.

Qualitative analysis employs the same general methodology, in that it compares particular features of a comparable property to those of the subject, and makes judgements regarding the comparable for any features that are superior or inferior to the features of the subject. As noted in The Appraisal of Real Estate (14th Edition), "Qualitative analysis recognizes the inefficiencies of real estate markets and the difficulty in expressing adjustments with mathematical precision." In applying a relative comparison analysis, an appraiser's evaluations are based on his or her overall judgement and professional expertise, taking into account observed market activity, ongoing contacts with market participants, and other available information. The Appraisal of Real Estate describes the technique as follows:

Relative comparison analysis is the study of the relationships indicated by market data without recourse to quantification, i.e., the data reveals an ordinal relationship between elements of a data set. Many appraisers use this technique because it reflects the imperfect nature of real estate markets. To apply the technique the appraiser analyzes comparable sales and identifies whether the characteristics of the comparable properties are inferior, superior, or similar to those of the subject property.

In valuing property, consideration is given to a number of factors that can affect value, as noted above. If the comparable property is superior to the subject property with respect to one of these attributes, one would expect a comparable property to have a greater sale price than the subject on a unit basis, all other things being equal. Alternatively, if the comparable is judged to have an attribute that is inferior to the corresponding attribute of the subject, the unit sale price of that comparable sale should be lower than the value of the subject property, with respect to that factor.

Recent sales of several comparable parcels in the area have been reviewed. The property transfers outlined below represent other locations that would provide for site uses generally similar to those uses consistent with the highest and best use of the subject. Since the highest and best use for the subject seems to be for a high density use, emphasis was given to such parcels in our market review.

The sale price of each comparable was qualitatively analyzed with respect to one or more of the following criteria:

- Sale date:** As time passes, changes in market conditions occur which may influence sale prices of parcels.
- Location:** Location is often a critical factor influencing property value. Relevant locational attributes may include traffic counts, proximity to major roadways, visibility, ease of access, and proximity to complementary land uses.
- Size:** All else being equal, smaller sites generally command a higher unit prices in the marketplace than larger sites.
- Land Use:** The permitted uses of a site, including its zoning and other legal limitations, may have a positive or negative impact on its unit value relative to other properties.
- Layout:** All else being equal, properties that have uniform dimensions that are more conducive to efficient development tend to sell for higher unit prices than properties having less regular shapes.
- Utilities:** All else being equal, properties that have utilities in place, tend to sell for more on a unit basis than those that do not. Similarly, properties that have access to municipal utilities can be worth more on a unit basis than those having private well and septic systems.
- Conditions of Sale:** Unless specifically noted, the sale prices of comparable sales do not reflect any special financing, unusual buyer or seller motivations, special concessions, or the inclusion of significant personal property. Any conditions of sale known to have affected the sale price were analyzed.



SALES SUMMARY - VACANT LAND

Sale No.	Location of Comparable	Sale Date	Sale Price	Size (Sq. Ft.)	Price/ Sq. Ft.
1	31 S. Henry Street	06/11	\$2,050,000	10,802	\$189.78
2	1001 University Avenue	02/12	\$1,683,000	19,610	\$85.82
3	305-307 W. Johnson Street	05/12	\$1,240,000	9,675	\$128.17
4	2 E. Gilman Street and 630 N. Pinckney Street	11/12	\$3,993,900	67,332	\$59.32
5	17-25 N. Webster Street & 201 E Mifflin Street	06/13	\$1,822,500	14,652	\$124.39
6	202 E. Washington Avenue	10/13	\$1,280,000	10,224	\$125.20
7	437 N. Frances Street	11/13	\$12,900,000	70,702	\$182.46

Discussion

The range in sale prices for these comparable sale properties runs from \$59.32 to \$189.78 per square foot of land area. Changes in market conditions often suggest positive or negative influences for real estate as a commodity as time passes. The appraiser considered these effects in the following analysis.

Note that Sales 1, 3 and 4 were part of two different assemblages. Discussion with parties involved in Sales 1 and 3 indicated the sale prices were likely to have been above market levels for this factor. Sale 1 was acquired by the Catholic Diocese of Madison to reunite the property with much of the block, which was improved with the St. Raphael Cathedral prior to it being destroyed by the fire in 2005. Sale 3 was a parcel acquired as part of the larger "Ovation" redevelopment plan. Sale 4 was the summation of two separate transactions between the same effective Buyer and Seller. The Buyer owns the adjacent Edgewater Hotel and needed these parcels as part of the renovation and expansion project for the hotel.

The subject Parcel A consists of about one-half of a downtown city block in proximity to the State Capitol, Monona Terrace, Madison Municipal Building and the City-County Building. With the exception of Sale 7, the comparable sales are judged as having inferior locations to varying degrees. Although Sales 1-6 are well situated with good linkages to either the State Capitol or the University of Wisconsin campus, they do not share the subject's more immediate proximity and access. Sale 7 is the mixed-use redevelopment of the University Inn and adjacent parcels on State Street. This is a highly visible property that will be well

suiting to incorporate retail elements in the overall plan. As Parcel A does not have frontage on Martin Luther King Jr. Boulevard, Sale 7 was judged to be superior to the subject.

As noted above, larger parcels of land tend to sell for lower unit prices. However, for sites such as the subject having a highest and best use for a relatively dense development, the land should be of sufficient size to physically accommodate such a project and be able to provide underground parking. This may have been a factor in the relatively higher unit sale price observed in Comparable 7.

The subject property contains 43,560 square feet of land. With the exception of Sales 4 and 7, all of the comparables are significantly smaller than the subject. The sizes of Comparables 4 and 7 are judged to be not materially different from the subject.

Permitted uses under the various zoning designations of the comparables allow for land uses that are generally similar to those anticipated for the subject. However given development restrictions associated with its water frontage along Lake Mendota and immediate neighborhood concerns, Comparable 4 may be considered to be inferior to the subject with respect to permitted land uses.

The appraiser also considered the impact of demolition costs. With the exception of Comparable 4, all of the comparable sales were improved and the respective redevelopments involved or will involve costs of demolition. In a land residual context, the lack of demolition costs can result in a higher justified budget or sale price for the land acquisition. In addition, the development process for Sale 2 also included complex site planning issues, which included the moving of a portion of the structure to the adjacent site at a significant cost.

The subject is served by municipal utilities of sewer and water. There is no significant difference known by the appraiser with respect to the availability of utilities between any of the comparables and the subject.

The appraiser is aware of the pending transaction of the vacant office property that is located nearby at 149 East Wilson Street. The potential Buyer would not reveal the offering sale price but added that it is less than the asking sale price of \$2,500,000 for the 15,916 square foot parcel, which is equal to about \$157 per square foot of land area. The Buyer proposes to raze the existing improvements and construct a 14-story apartment project. The potential acquisition is also contingent on several elements including the receiving of all municipal development approvals to proceed with this redevelopment plan.

Overall, the subject was deemed to be most similar to Sales 6 and 7, which are also the most recent transactions. For reasons discussed above, supported by the pending sale on East Wilson Street, one would expect a unit sale price for the subject to be notably higher than was observed in Sale 6 and somewhat less than that of Sale 7. The appraiser concluded Market Value can be estimated by applying the benchmark unit price of \$150.00 per square foot to the subject.

However, the land area allocated to that portion of the site, which is improved with the historical structure and identified as Parcel B, is not developable as vacant land. Because the structure is understood to be legally protected from demolition, the market value of the underlying land on this portion of the subject site is not a relevant issue. According to information provided by the client, only Parcel A or the northeastern half of the city block consisting of 43,560 square feet can be developed. The contributory value of Parcel B will be estimated using alternative methods in the following sections.

By employing the analysis above, the appraiser concluded the contributory value of Parcel A of the subject property can be developed using a unit value of \$150.00 per square foot of land area as follows.

Estimate of Market Value of Parcel A:

43,560 Square Feet of Land Area @ \$150.00/SF	=	\$6,534,000
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6.1 SALES COMPARISON APPROACH - PARCEL B

In comparing sale properties with the subject, the unit of comparison of dollars per square foot of structure was used. This is a common measurement of value which tends to show what other purchasers including investors and users of this type of property are likely to pay for a comparable substitute property.

The attributes of the comparable improved properties are evaluated relative to the similar characteristics possessed by Parcel B of the subject property. The sale price of each comparable was qualitatively analyzed with respect to one or more of the following criteria:

Location: Location is often a critical factor influencing property value. Relevant locational attributes may include traffic counts, proximity to major roadways, visibility, ease of access, and proximity to complementary land uses.

Sale date: As time passes, changes in market conditions occur which may influence sale prices of parcels.

Building

Condition: As one would expect, all other things being equal, buildings in superior condition tend to sell for higher unit prices. Buildings that are in less than optimal condition typically require more dollars for maintenance and upgrades, so that buyers will adjust offering prices to reflect expectations of higher operating expenses.

Building

Size: All other things being equal, larger buildings tend to sell for a lower sales price on a per square foot basis than smaller buildings. Explanations for this observed fact include economies of scale incurred in construction and the fact that smaller properties, having a lower total sales price, can attract larger pools of buyers.

Construction: Quality of construction has a direct impact on the original cost of a building and is often reflected in later sales prices. Construction quality may also take into account common-area amenities included in a project.

Building Age: A building's actual age may not be the same as its effective age. Both actual age and effective age are considered when comparing sale properties to the subject. Analyzing a building's age may also take into account construction styles that are not currently in demand by the marketplace.

Conditions of Sale: Unless specifically noted, the sale prices of comparable sales are not known to reflect any special financing, unusual buyer or seller motivations, special concessions, or the inclusion of significant personal property. Any conditions of sale known to have affected the sale price were analyzed.

COMPARABLE BUILDING SALE



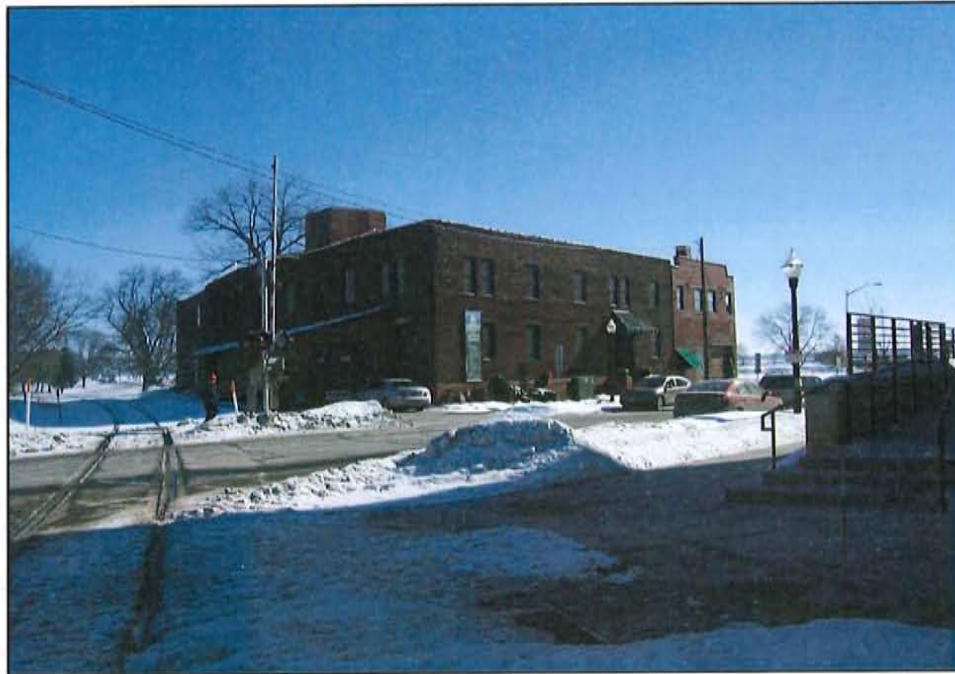
Address	126 South Hamilton Street
Municipality	Madison
Building Use	Office
Frame	Concrete
Exterior	Brick/Stone
Year Built	1960
No. Stories	3
Building Size	15,594 Square Feet (Primary) 21,184 (Total Building Area)
Land Size	5,512 Square Feet
Zoning	C-4
Sale Date	3/28/12
Sale Price	\$1,100,000
SP/SF	\$70.54 (Primary) \$51.93 (Total Building Area)
Transfer Document	Warranty Deed, Document No. 4858287
Source	City of Madison Assessor's Office
Seller	AnchorBank, fsb
Buyer	Lar-Dol Entrepreneurs, Inc.
Comment	The property previously served as a "Support Center" for Seller, AnchorBank. The triangular shaped building is now temporarily occupied by Madison's Central Library, while their downtown facility undergoes a complete renovation. AnchorBank negotiated the gross lease with annual rent payments of \$246,000 and paid only very minor amounts for build-out. There is no parking on site.

COMPARABLE BUILDING SALE



Address	220-222 State Street
Municipality	Madison
Building Use	Mixed: Retail, Office and Storage
Frame	Steel / Wood
Exterior	Stucco, Masonry and Metal
Year Built	1929 - 1979
No. Stories	1, 3 and 4
Building Size	29,301 Square Feet (Primary) 34,836 (Total Building Area)
Land Size	11,341 Square Feet
Zoning	C-4 Central Commercial District DDZ-1 Downtown Design Zone 1
Sale Date	08/01/12
Sale Price	\$3,000,000
SP/SF	\$102.39 (Primary) \$86.12 (Total Building Area)
Transfer Document	Warranty Deed, Document No. 4900017
Source	City of Madison Assessor's Office
Seller	Goodman Jewelers, Inc.
Buyer	PJB-II, Inc.
Comment	The property is well located on State Street, across from the Overture Center. The transaction involved the transfer of four parcels, only two of which possessed significant improvements. As an assemblage, the property has a very irregular shape with some frontage along West Johnson Street as well.

COMPARABLE BUILDING SALE



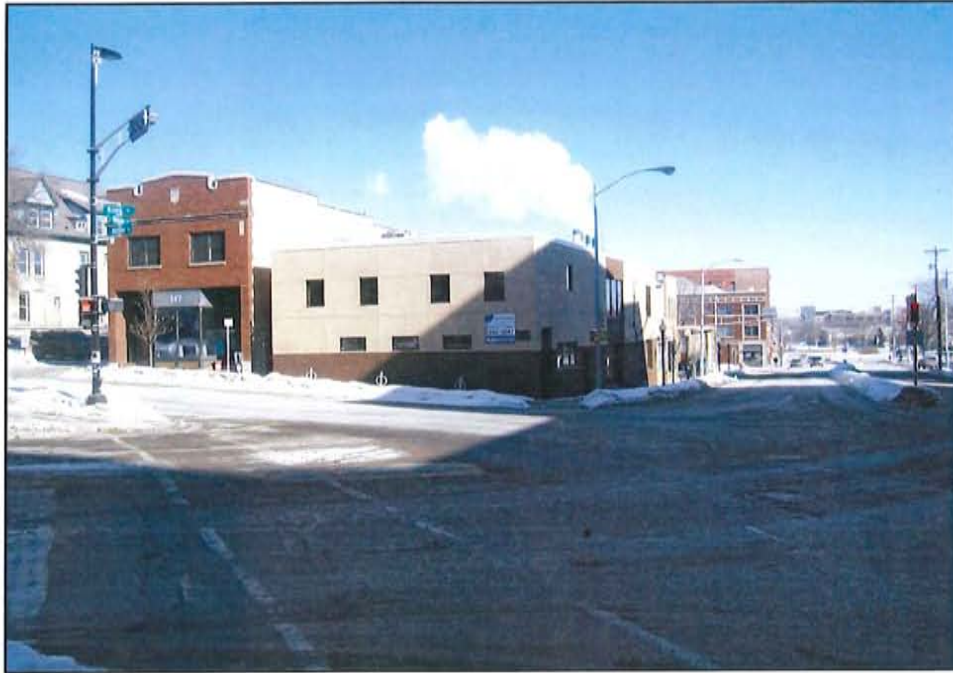
Address	301 South Bedford Street
Municipality	Madison
Building Use	Office
Frame	Steel
Exterior	Brick/Concrete block
Year Built	1922/1946
No. Stories	2
Building Size	17,984 Square Feet (Primary) 22,778 (Total Building Area)
Land Size	14,740 Square Feet
Zoning	UMX
Sale Date	1/4/13
Sale Price	\$1,310,000
SP/SF	\$72.84 (Primary) \$57.51 (Total Building Area)
Transfer Document	Warranty Deed, Document No. 4949270
Source	City of Madison Assessor's Office, Buyer
Seller	RCR Bedford LLC
Buyer	Philip K. Hees
Comment	Situated on an irregular lot, there are railroad tracks adjacent to property. The property is currently leased as a multi-tenant office building. There is parking lot access across adjacent parcels.

COMPARABLE BUILDING SALE



Address	640 West Washington Avenue
Municipality	Madison
Building Use	Commercial
Frame	Masonry
Exterior	Brick
Year Built	1903 (Original); Remodeled in 1990
No. Stories	3
Building Size	18,965 Square Feet (Primary) 21,205 (Total Building Area)
Land Size	72,686 Square Feet
Zoning	HIS-L - Designated Landmark and UMX - Urban Mixed-Use Districts
Sale Date	January 16, 2013
Sale Price	\$2,620,000
SP/SF	\$138.15 (Primary) \$123.56 (Total Building Area)
Transfer Document	Land Contract, Document No. 4952052
Source	City of Madison Assessor's Office, Principals
Seller	Capitol Depot, LLC
Buyer	Motorless Motion LLC
Comment	The actual sale price was \$12,500 less than the amount shown, as a credit to replace some light fixtures taken by the previous occupant. Buyer intends to effectively be the owner-occupant with a bicycle sales/service facility subsequent to remodeling efforts that include fully enclosing the front portion, which will increase the total building area. The reported building area includes railroad cars anchored to the railroad tracks outside the two buildings. Seller reported that the sale price was not affected by financing in the land contract. The property previously sold in May 2003 at a sale price of \$2,515,000.

COMPARABLE BUILDING SALE



Address	302 East Wilson Street
Municipality	Madison
Building Use	Office, Retail, Apartment
Frame	Wood
Exterior	Brick/Stucco
Year Built	Varies
No. Stories	3
Building Size	22,738 Square Feet (Primary) 29,668 (Total Building Area)
Land Size	18,942 Square Feet
Zoning	UMX
Sale Date	7/31/13
Sale Price	\$2,150,000
SP/SF	\$94.56 (Primary) \$72.47 (Total Building Area)
Transfer Document	Warranty Deed, Document No. 5012439
Source	City of Madison Assessor's Office
Seller	Sequin Properties, LLC
Buyer	Captains, LLC
Comment	The property consists of four parcels with improvements accommodating office, retail and apartment uses. Original structure was built in 1889 with other portions constructed in 1933 and 1979.

COMPARABLE BUILDING SALE



Address	216 State Street
Municipality	Madison
Building Use	Theater
Frame	Steel
Exterior	Brick/Stone
Year Built	1926
No. Stories	1
Building Size	35,758 Square Feet (Primary) 42,252 (Total Building Area)
Land Size	19,469 Square Feet
Zoning	DC, His-L
Sale Date	10/25/13
Sale Price	\$1,700,000
SP/SF	\$47.54 (Primary) \$40.23 (Total Building Area)
Transfer Document	Warranty Deed, Document No. 5034294
Source	City of Madison Assessor's Office
Seller	216 State Street, LLC
Buyer	Theatre Building, LLC
Comment	The property is understood to be a distress sale and was purchased out of receivership. Buyer, who owns other nearby properties, stated he intended to invest significant sums to restore the property to maintain its traditional entertainment center in the State Street corridor.

SALES SUMMARY - IMPROVED PROPERTIES

Sale No.	Location of Comparable	Sale Date	Sale Price	Primary Building Area		Total Building Area	
				Size (Sq. Ft.)	Price/ Sq. Ft.	Size (Sq. Ft.)	Price/ Sq. Ft.
1	126 S. Hamilton Street	03/12	\$1,100,000	15,594	\$70.54	21,184	\$51.93
2	222 State Street	08/12	\$3,000,000	29,301	\$102.39	34,836	\$86.12
3	301 S. Bedford Street	01/13	\$1,310,000	17,984	\$72.84	22,778	\$57.51
4	640 W. Washington Ave.	01/13	\$2,620,000	18,965	\$138.15	21,205	\$123.56
5	302 E. Wilson Street	07/13	\$2,150,000	22,738	\$94.56	29,668	\$72.47
6	216 State Street	10/13	\$1,700,000	35,758	\$47.54	42,252	\$40.23

On a unit basis, the comparable building sale properties range in sale price from \$47.54 to \$138.15 per square foot of primary building area and from \$40.23 to \$123.56 per square foot of total building area. Note that building size data was obtained from the City of Madison Assessor's records. The primary building area includes those areas that are finished-out for the primary use of the structure. The total building areas include all other areas of the building, finished or unfinished (i.e. basement or lower level).

Differences in building and site characteristics between each comparable and the subject have been presented on the table below. All of the comparables sold during 2012 and 2013, during a period of market conditions relatively similar to the appraisal's effective date. The subject is a relatively unique property and, as such, none of the comparables selected are exactly the same as the subject. Despite their differences, there are some similarities with the subject to assist the appraiser in bracketing an estimate of value for the subject. All of the comparables are located in the downtown area but the sizes of the improvements are notably smaller to varying degrees.

Sale 6 is the most recent transaction and demonstrated the lowest unit sale price among the sales selected. The property is improved with the historically designated Orpheum Theater but the property is understood to have sold under distress conditions out of receivership. In addition, the structure was reported to be in significantly inferior condition to the subject. Designed as a special-purpose use as a theater, the improvements are not readily adaptable to other commercial uses and also may have a greater inefficient use of space than typically found in the market. All of these attributes suggest a notably higher unit value for the subject.

The unit sale price observed in Sale 4 is at the upper end of the range. Like the subject, Sale 4 is on the Federal Register of historic properties. To maintain consistency with the data, all of the building sizes shown in the table above were reported by the City of Madison Assessor. However, the building areas for Sale 4 may actually be larger than what was indicated and also does not appear to include the railroad cars that are fixed to the premises and are rented. In addition, the physical condition of the improvements is judged superior to the subject. Finally, the parties used a land contract to facilitate a sale. Even though the subject has a superior location, a lower unit sale price is indicated for the subject due to these factors.

Comparables 1 and 5 are the closest to the subject but their respective locations do not have the subject's higher level of visibility. Both sales are also judged inferior with respect to physical condition and appeal. The seller in Sale 1 may also have had non-typical motivations to sell as AnchorBank was trying to raise capital to maintain business operations. Sale 3 was located farther from the Capital Square and was considered inferior in this regard as well.

Like Sale 6, Comparable 2 is also located within the State Street corridor. The property consists of several adjacent buildings with retail uses primarily on the first floor. Other floors are intended for office use.

As documented earlier, the subject property contains a total building area of historical space of 75,832 square feet, which is significantly larger than all of the comparables. Of the total, 52,741 square feet is completely above ground level. It should be noted that the subject's lower level is mostly finished out for office occupancy and is generally superior to the comparables in this regard, since the comparables primarily use lower levels for storage purposes.

Given current market pricing, the unit value of the historical building component of the subject property, Parcel B, is seen as falling within a range from \$100 per square foot of above ground space to \$75 per square foot of total building area. Based upon the data and analysis set forth above, the range in contributory value can be calculated as follows:

52,741 Square Feet of Above		
Ground Building Area @ \$100.00/SF		\$5,274,100
	Say	\$5,275,000
		to
75,832 Square Feet of Total		
Building Area @ \$75.00/SF		\$5,687,400
	Say	\$5,685,000
INDICATED VALUE OF PARCEL B		
BY SALES COMPARISON APPROACH		\$5,275,000
		to
		\$5,685,000

7.1 INCOME APPROACH - PARCEL B

The Income Approach is a process of estimating the value of a property based upon the principle that the value of real property is directly related to the present value of all future net incomes attributable to the real property.

There are two basic techniques of estimating the value of an income stream. If the cash flows are felt to be relatively stable over the economic life of the property, the Net Operating Income ("NOI") can be capitalized into perpetuity with the traditional formula, NOI/Rate. The selection of the property capitalization rate can be derived via the analysis of comparable sales and/or simulation models that evaluate prudent investment criteria. The rate to be used may also need to be adjusted if the NOI is not stable to reflect the most probable buyer's expectations. The second technique has a slightly different perspective in that the income streams for each year of the anticipated holding period are analyzed in the context of their present value. This Discounted Cash Flow Analysis estimates a justified price for the right to receive future income given the most probable buyer's required return on the invested capital.

The subject property is primarily owner-occupied. The estimate of market value for the subject via the Income Approach therefore utilizes market rent levels based on current market activity, which would be expected to produce relatively consistent cash flows over time. Thus, a direct capitalization of the projected net income is felt to be a reasonable income valuation approach.

The first step is to develop the NOI and to evaluate the future changes, if any. The process is as follows:

1. The Potential Gross Income ("PGI") is estimated by comparing the subject property to the rents received by competitive properties.
2. An appropriate Vacancy and Collection Loss factor is estimated based upon the market data available and the strength and durability of the typical tenants of this type of real property. By subtracting the vacancy and collection loss from the Potential Gross Income, the Effective Gross Income ("EGI") is developed.
3. The Operating Expenses associated with producing this income stream are then estimated by comparison to actual operating statements of similar properties and are deducted from the EGI to yield an estimate for the Net Operating Income ("NOI").

Market Value and Investment Value

Market Value is a rather rigidly defined concept, and frequently not all of its conditions can be strictly met. One of the most important factors in the definition of Market Value cited earlier is that the seller, buyer, property type and financing must be typical of the marketplace. If, on the other hand, the forecast income stream, the rate of discount, and the terms of financing and sale are all associated with a specific potential investor, and especially if the potential investor's requirements are not typical of the market, then the application of the Income Approach results in an estimate of Investment Value, not Market Value. An Investment Value Analysis, while widely used by investors in making investment decisions, cannot be used to arrive at a property's Market Value unless that investor's profile is typical of the marketplace.

The analysis that follows is intended to produce a Market Value, and thus is based on market pricing of the subject property's estimated future income stream, vacancy and collection losses as well as operating expenses.

Potential Gross Income

Using the Income Approach, an appraiser begins by estimating the potential gross income and likely operating expenses for the property, in order to formulate a normal or stabilized operating statement for the property for the first year.

Both market rent and contract rent are considered in estimating the potential rental income for the subject property. Market rent is defined as the rental income that a property would most probably command on the open market, as indicated by current rentals being paid for comparable space. Contract rent, by contrast, is defined as the actual payment for the use of a given property, as specified in an existing lease or leases.

It is important to note that the actual rent designated in a lease may differ from market rent. When a Market Value estimate of the fee simple rights of ownership is the object of the analysis, market rentals must be used in the appraisal.

In evaluating the ability of this facility to provide an income stream, lease terms and rental rates for competing properties in or near the subject property's market area were investigated and analyzed. These properties were then compared to the subject in order to ascertain what the marketplace would be willing to pay for use of this type of rental space. If a comparable property lacks certain amenities that are possessed by the subject, a tenant would be expected to pay lower lease rates for the comparable rental space for that reason.

Contract Rent

The subject property is primarily owner occupied by related agencies of the City of Madison. According to information provided by the client, the subject building is encumbered by leases for two tenants. The United States Postal Service operates a branch office at the subject building, occupying a total of 9,829 square feet, broken out as follows:

Net Interior Floor Space	5,511 SF
Exterior Platform and Ramp	314
Exterior Parking	3,104
Lobby	<u>900</u>
Total	9,829 SF

As per Ms. Heidi Fischer with the City of Madison, the current rent is \$9,028.00 per month and includes all services with the exception of a pro rata share of the electrical charges, which are billed on an annual basis.

The City also leases 675.5 square feet of space to the Madison Credit Union for a reported amount of \$6,360.00 for 2014, payable July 1st of this year. Ms. Fischer confirmed the rental rate is only intended to reimburse the City for its operating costs.

It is understood the leases are of a short term nature and the tenants can also be re-located to other facilities should a sale of the property require such. Thus, the appraiser did not consider the impact of these leases on the value of the property.

Market Rent

The downtown office property rental market was researched for comparable rental information. Sources of information can include appraisals of similar properties by the D. L. Evans Company, reading of published materials, and interviews with market participants including brokers, leasing agents, property owners, property managers, and tenants.

The Confidentiality section of USPAP prohibits appraisers from revealing confidential factual data obtained from clients. The D. L. Evans Company has appraised numerous other commercial properties in the local market and has, in the course of those appraisal assignments, compiled a large database of actual contractual leases and corresponding rental rates. These lease details have been reviewed and utilized in the analysis of comparable market rentals for the subject. Duties of confidentiality restricts citing specifics of competing leases.

Included below are other office type properties that are currently marketed for lease. These listings have been obtained from sources generally available to the public. These building types and rental askings are in the same general market rental range as anticipated for the subject. They are useful in illustrating the current going rate for this type of rental space.

COMPARABLE OFFICE RENT DATA

<u>Location</u>	<u>Available Area (SF)</u>	<u>Asking Rent/SF</u>	<u>Comment</u>
302 E. Wilson Street	1,300-2,000	\$9.50	Mod. Gross (+Utilities & Insurance)
147 S. Butler Street	2,000	\$15.00	Mod. Gross (+Utilities & Insurance)
126 S. Hamilton Street	5,094-15,594	\$16.95- \$18.50	Gross +Janitorial
17 S. Fairchild Street	3,264-24,264	\$14.95- \$18.95	Gross +Janitorial
112 King Street	752-3,424	\$19.36	Gross, 12% Load Factor
14 W. Mifflin Street	200-9,366	\$10.71- \$23.75	Gross, 12% Load Factor
345 W. Washington Avenue	3,000-45,000	\$12.00- \$15.00	Triple Net (\$4.17/SF reported expenses)
706 Williamson Street	1,176-4,006	\$9.91- \$20.53	Gross +Janitorial, 12% Load Factor
326 W. Gorham, Street	4,000	\$11.00	Property Taxes included in Rent
520 University Avenue	150-1,175	\$11.00- \$15.00	Gross

Source: Internet website for Property Drive (www.propertydrive.com)

The results of the rental market investigation indicate that in the downtown Madison market, space viewed as being competitive with the subject, that being primarily Class B and C quality space, is currently being marketed for lease in the range from \$9.50 to \$23.75 per square foot. Rental rates for space competitive with the subject show significant variations with the amount of operating expenses included in rental rates. This practice is typical in older sub-markets, where the style and ages of buildings can also vary dramatically. As one would

expect, rental rates are lower in relation to the amount of operating expenses paid by the tenants. In other words, triple net rental rates are typically lower than rates in a gross or modified lease, although the total tenant outlays (i.e. rental plus reimbursement of operating expenses) may be similar. For the purposes of this analysis, it was presumed that an estimate of market rent should be based on a triple net basis.

Rents are generally higher for newer buildings and smaller spaces. Building location also plays a significant role in rental rates. Buildings located in busy commercial corridors or in proximity to the Capitol Square tend to command higher rents than similar buildings in less desirable locations.

Another emerging trend is the landlord's use of a "load factor." A "load factor" is used to calculate the tenant's pro rata share of any common areas in a building so that rent can be generated from these areas as well. Thus, the applicable market rent should be applied to the subject's gross building area and not just the interior space physically occupied by the tenants. The load factor works as a tool to diminish arguments that have historically arisen over interpretations of calculating a tenant's leasable area. Since there is no consistent methodology for determining leasable area in the local marketplace, a load factor effectively incorporates those building areas that are common to all or multiple tenants, and presumably serve the tenancy in some way. The gap between occupied space and gross building area (exclusive of mechanical areas), is covered by the load factor.

Although the subject property is very well located and possesses the character of an historical property, there are several challenges in marketing the property for lease as commercial space. First, the appraiser assumed the space is to be leased in its current "As Is" condition with only very minor capital expenditures as required. Higher rental rates could likely be achieved should the landlord provide a greater build-out allowance, which accordingly could indicate a higher value for the property. However, to estimate the "As Is" value of the property these expenditures would need to be deducted from any such valuation conclusion.

Another factor to consider is the building's efficiency as a rental property. Although specific figures were not provided, the appraiser believes the property has certain inefficiencies not present in more modern commercial buildings. Thus, there is an extensive amount of common areas that cannot generate rents directly.

These observations are confirmed by contract lease data accumulated by the appraisal firm in the course of appraisals of similar properties, and contained within the D. L. Evans Company, Inc. files. The subject property is most similar to buildings with asking rents near the lower end of the range, based on the various factors influencing rents, such as property location, building age, size of the rental space, quality of construction and interior finishes, and other factors.

Summary - Stabilized Rents

Considering comparable market rents, stabilized net rents for the subject property are estimated to be in a range from \$9.00 to \$10.00 per square foot for the above ground space, say \$9.50 per square foot. The appraiser also estimated a market rent of \$6.50 per square foot for the lower level, net.

Although the building may be better suited to be leased on a gross basis, for the purposes of this assignment, the appraiser assumed all operating expenses are passed through to the tenants on a net basis. As it is understood that the private investment community may have a different perspective on operating expenses than the current property owner, there is no market based operational history of the subject building for the appraiser to review, which would be necessary to analyze the operating expenses as a necessary deduction to gross leases. It is understood that the credit union lease is intended to only capture operating expenses but does not include property taxes, insurance, management and a private sector maintenance budget amount.

The appraiser is also cognizant that the operating expenses for an older property such as the subject would likely be greater than that of a more modern and/or efficient building. Accordingly, tenants may not be willing to expose themselves to an unknown expense burden that could be higher than space in alternative downtown buildings. These factors are also part of the appraiser's rationale in concluding a market net rent at the lower end of the observed range.

It is understood some areas within the subject building may have a higher market rent and some space may have a lower rate. However, the market rent estimate is intended to reflect an average rental rate for the components of the building.

Net annual rental revenues for the subject are estimated as follows:

	<u>Rentable Area (SF)</u>	<u>Rent/SF</u>	<u>Total Rent</u>
Potential Gross Income (PGI)			
Above Ground	52,741	\$9.50	\$501,040
Lower Level	23,091	\$6.50	<u>150,092</u>
 Total PGI		 \$8.59 (Average)	 \$651,131

Vacancy and Collection Loss

The office market was reviewed, including ongoing discussions with leasing agents, brokers, property owners and tenants as a part of the commercial appraisal, consulting and brokerage functions of the D. L. Evans Company. When available, vacancy surveys and articles on vacancy and absorption rates have also been consulted.

In light of the research, a 10.0 percent vacancy factor was assigned to the subject as a stabilized rate. This vacancy rate is intended to include provision for loss of CAM reimbursement income during periods of tenant turnover.

Operating Expenses

When a property has been leased under a "net lease" arrangement, the tenant becomes responsible for a portion of the costs associated with occupying the premises. The degree of responsibility for these costs by the tenant can vary depending on how leases are structured. Most net leases in the local marketplace are "triple net," in which the tenant covers all costs of property occupancy except for property management and repairs to the building's roof and foundation. Under triple net leases, the tenant pays for repairs and maintenance, grounds care and snow removal, real estate taxes, property and liability insurance, and utility charges.

The income analysis presumes that the facility is leased on a triple net basis. Costs and time commitment on the part of the landlord (owner) are minimal. Based on the nature of the property, it is believed that a fee of 4.0 percent would be reasonable to cover expenses related to management of this facility on a triple net basis. Management duties include the coordinating of building operational functions. The landlord is presumed to charge each tenant for their pro rata share of operational expenses, outlined above.

In addition to management fees, a provision of 5.0 percent of the effective gross income is assumed to be set aside as a reserve fund. Prudent management will always allocate a portion of cash flows to cover future capital expenditures, such as major building repairs or build-out costs for new tenants.

Therefore, a total expense of 9.0 percent of Effective Gross Income is believed to be reasonable, and is used in the following analysis.

Considering a vacancy and collection allowance and estimated expenses, the stabilized net operating income is estimated as follows.

STABILIZED NET OPERATING INCOME STATEMENT

Potential Gross Income		\$651,131	
Less Vacancy & Collection Loss @	10.0%		<u>(65,113)</u>
Effective Gross Income (EGI)		\$586,018	
Expenses (% of EGI)			
Management @	4.0%	\$23,441	
Reserves @	5.0%	<u>29,301</u>	<u>(52,742)</u>
Stabilized Net Operating Income:			\$533,276

The Capitalization Process

Capitalization is a mathematical method for converting the income derived from real estate into a present value. A factor called the "capitalization rate" or "present worth factor" is applied to the estimated net annual income produced by the property to determine its present value. Specifically, the value of a property is equal to its estimated stabilized net annual income divided by the capitalization rate. For instance, a property that generates \$10,000 per year in net income is worth \$100,000 given a 10% capitalization rate.

Determining a reasonable capitalization rate is an important part of the appraisal process. The capitalization rate is the rate representing a fair return on the particular investment at the effective date of the appraisal, considering the risk involved in ownership. It is the rate currently required to attract capital to the particular type of investment. In arriving at the capitalization rate, an appraiser must consider several factors, including the availability and cost of mortgage financing, and the current competition in the investment field, including stock and bond investments.

In order to determine an overall capitalization rate, the appraiser chose to use the "band of investment method." This method is based on the theory that a capitalization rate for a specific investment depends upon the risk of that investment. Since most real-estate transactions involve both equity (cash) and debt (mortgage) funds, which have different risks associated with them, the overall capitalization rate for the investment should reflect a weighted average of those risks. The band of investment method, which is known as mortgage equity analysis, uses a formula whereby the overall capitalization rate is the weighted average of the mortgage capitalization rate and the equity capitalization rate. The capitalization rate then satisfies both the mortgage requirement of the lender and the pre-tax cash flow requirement of the equity participant.

The capitalization rate resulting from the application of this method is usually very reasonable, because most of the funds in typical real estate transactions are borrowed, which means that the capitalization rate depends in large part on the mortgage rate charged by the lender to service the debt. The market for such a mortgage on a specific type of investment property is clearly defined, and market numbers are easily obtained through surveys of lenders.

Note that the relevant rate for the debt service portion of the equation is not simply the interest rate charged by the lender, but the "mortgage constant" rate. The mortgage constant takes into account the interest rate and the length of the mortgage repayment period.

Using the band of investment method, the formula for calculating a capitalization rate is:

$$R = (M \times I) + [(1-M) \times Y]$$

Where:

R = Overall Capitalization Rate

M = Mortgage loan to value percentage

I = Mortgage Constant rate

Y = Investor's pre-tax equity dividend rate requirement

The capitalization parameters outlined below have been obtained from surveys of market activity and interviews of market participants, in conjunction with national investor survey publications that delineate current and historical real estate and financial trends in the United States and various market segments.

Considering the subject property and its position in the marketplace, the following investment parameters are indicated.

M	=	75.00%
Loan Interest Rate	=	6.50%
Amortization Period	=	20 years
I	=	0.0895
Y	=	7.00%

A corresponding capitalization rate is estimated by the Band of Investment method.

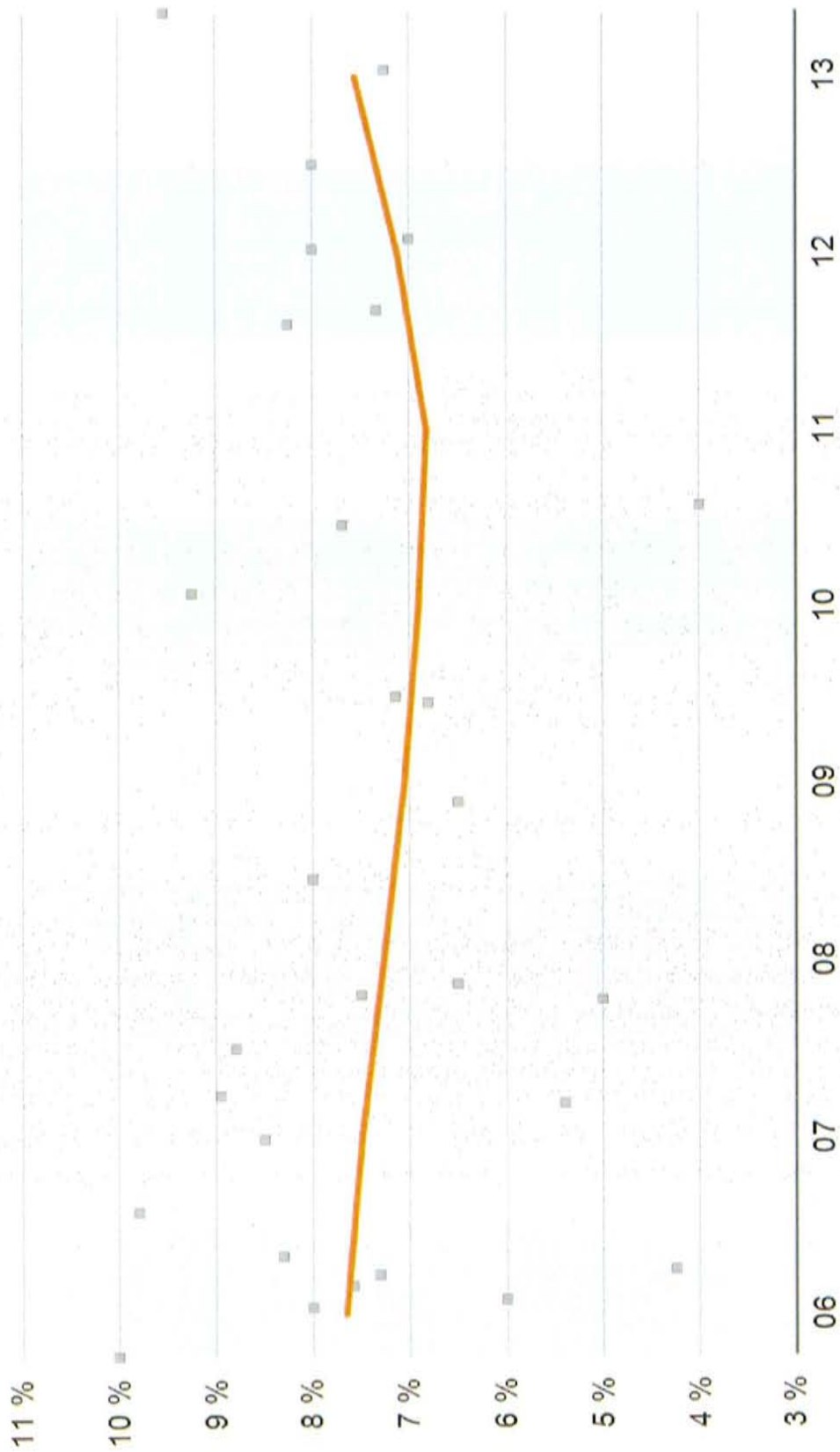
$$\begin{aligned} R &= (M \times I) + [(1-M) \times Y] \\ R &= (0.7500 \times 0.0895) + [(1 - 0.7500) \times 0.0700] \\ R &= 0.0671 + 0.0175 \\ R &= 0.0846 \\ R &= 8.50\% \end{aligned}$$

In addition to the band of investment analysis, the appraiser researched comparable market data for information on capitalization rates. The PwC Real Estate Investor Survey is a quarterly real estate publication (formerly produced by Peter F. Korpacz & Associates) presents the results of market research into national and regional trends in real estate. Participants in the survey include mortgage brokers, institutional investors, commercial banks, life insurance companies, pension fund advisors, REIT managers, and other real estate consultants.

For 4th quarter 2013, the overall capitalization rate for National Secondary Office Market, properties ranged from 4.00 percent to 11.00 percent, with the average being 8.05 percent, virtually unchanged from the previous year. Note the average overall rates in the CBD sub-market was slightly lower at 7.78 percent.

CoStar sales data for office properties in the Dane County marketplace was also researched with respect to reported capitalization rates. As can be seen in the exhibit on the following page, overall rates from 2006 to the present time have fluctuated but generally returned to the tendency in a range from about 7.0 to 8.0 percent, rising slightly over the past year or two.

Cap Rate



The appraiser also considered the quality of the NOI stream for the subject into perpetuity and the additional investment risk associated with accurate estimates of rent, operating expenses as well as major capital items of replacement. Accordingly, an overall rate greater than tendencies in the survey data is indicated. Based upon the above information the appraiser concluded that the available market data supports the band of investment method employed above and the market value of the subject is estimated utilizing an overall rate of 8.5 percent as follows:

$$\text{Value} = \frac{\text{Net Operating Income}}{\text{Capitalization Rate}}$$

$$\text{Value} = \frac{\$533,276}{8.50\%}$$

$$\begin{array}{lcl} \text{Value} & = & \$6,273,835 \\ \text{Say} & & \$6,270,000 \end{array}$$

INDICATED VALUE BY THE INCOME APPROACH

\$6,270,000

8.1 RECONCILIATION AND CONCLUSIONS TO VALUE

In the valuation of the Madison Municipal Building property, encompassing all of Block 88, and located at 215 Martin Luther King Jr. Boulevard in downtown Madison, Wisconsin, the three approaches to value were considered. The appraiser was requested to consider the subject property as two different parcels and to evaluate the property value of each as independent assets. Due to the primarily unimproved nature of the developable portion of the subject identified as Parcel A, only the Sales Comparison Approach was applicable. Due to the historical nature of the improvements situated on Parcel B, only the Sales Comparison and Income Approaches were deemed applicable.

Considering the economic factors of the Greater Madison real estate market, a prospective buyer or seller would be guided in estimating the most probable selling price of the subject by considering the approaches outlined in the Valuation Section of this report.

The estimated value of the subject Parcels A and B by the three approaches to value concluded as follows:

Parcel A (Developable Land):

Cost Approach	Not Applicable
Sales Comparison Approach	\$6,534,000
Income Approach	Not Applicable

Parcel B (Historic Building Property):

Cost Approach	Not Applicable
Sales Comparison Approach	\$5,275,000 to \$5,685,000
Income Approach	\$6,270,000

As Parcel A has a highest and best use as vacant development land, the Sales Comparison Approach is the only applicable method to estimate value. Sales of other downtown redevelopment parcels have occurred whose features have varying degrees of similarity to those of the subject. There is sufficient market data available from which to draw a reasonable conclusion to value.

When applicable, the Cost Approach, where the land value is estimated and added to the replacement costs of the improvements less depreciation, can be indicative of value. However, in this specific appraisal assignment, the age of the building improvements on Parcel B, as well as the historical designation and unique architectural style makes estimates of depreciation and replacement costs more difficult. The appraiser concluded that the Cost Approach would not provide a reliable indication of value and was not employed in this appraisal.

In commercial and industrial real estate, the income-producing potential of a property over its remaining economic life is a prime consideration of most purchasers/investors. This approach to value, where the projected net income of the subject property is capitalized to produce a present value, is an accurate indicator of value when reliable rental and expense estimates are possible. Therefore, the Income Approach has direct applicability to the valuation exercise for Parcel B.

To test the conclusions of the Income Approach, the appraiser performed a back-door financial analysis. The analysis is intended to illustrate the rent required to justify an investment in renovations to the building to convert it to a modern, functional and efficient facility. As documented earlier, a draft of the study titled, "Madison Municipal Building Conceptual Schematic Design Study", dated November 2013 and prepared with the assistance of Isthmus Architecture, Inc., estimated a renovation cost of approximately \$25,150,000. In assuming (1) an "As Is" acquisition cost based on the Income Approach of \$6,270,000, (2) a 20 percent tax credit would be available for the renovation of the historical building and (3) optimistic modifications to the vacancy rate, reserves for capital replacement and the overall rate, the appraiser calculated that upon completion, the subject would need to earn an average triple net rent of about \$28.50 per square foot. Alternatively, if the lower level could only be rented for \$10 per square foot, the above ground space would need to average about \$36.50 per square foot to financially justify the investment. The appraiser concluded that a probable buyer might not view these required rental rates as achievable, especially since the lease-up costs (i.e. leasing commissions, loss of rent during absorption period, etc.) were not considered. The implication may be that some of the Income Approach assumptions may not be valid, the result of which is a higher indication of value. However, the rental rates selected were judged near the lower end of the market and should not be viewed as too optimistic. Alternatively, another scenario might be the back-door analysis indicates that the most probable buyer may be an owner occupant profile who can justify greater sale price/rent as part of the business plan of the entity occupying the premises.

The Sales Comparison Approach is based upon historical data. Some sales activity in the local market exists from which to make reasonable comparisons with Parcel B of the subject. However, the existing market data was judged to be insufficient to provide a single point value estimate for the subject property via the Sales Comparison Approach. A range of values was concluded from the data. The lack of sufficient comparable sales data also reduces the reliability of the Sales Comparison Approach. It should also be remembered that no two properties are exactly the same nor share the exact same set of physical and

economic attributes, especially those properties designated as having historical significance. The sales data and analysis presented should best be viewed as a subset of transfers representing properties possessing similar and alternative levels of utility with the subject. The appraiser also recognizes that the historical sale prices and motivations underlying the pricing decisions may or may not be repeated.

Based on the quality and quantity of reliable data available, as well as the fact that some potential purchasers of the subject would base their purchasing decision on the subject's income generating ability, the Income Approach is believed to reflect a reasonable market value estimate for the subject. However, the Income Approach should only be viewed as the upper limit of value as absorption costs and the time value of money were not considered in the "as stabilized" methodology that was employed in this assignment. Thus, the Income Approach did not include any deductions for loss of income or leasing commissions. Alternatively, an owner-occupant purchaser profile would consider the Sales Comparison Approach as a realistic alternative to leasing a competing office property or buying an existing property to fit their needs.

Based on the quality and quantity of reliable data available, similar weight was given to each of the applicable valuation approaches in the final reconciled value estimate for Parcel B.

Considering the analysis as set forth in this appraisal report, the Market Value of the improved Parcel B component of the subject property can be reasonably estimated at **FIVE MILLION EIGHT HUNDRED SEVENTY FIVE THOUSAND DOLLARS (\$5,875,000)**.

To estimate the value of the whole property, the appraiser considered adding the concluded value of the two parts of the subject city block. The appraiser also considered the merits of applying a discount to this sum to reflect the effects of various related factors, including:

- The sum of the values of the two parcels is relatively large by local market standards and, as such, the pool of investors with the appropriate financial capacity may be greatly reduced.
- The inclusion of an historical building into a larger redevelopment plan would certainly pose many challenges. Thus, there may be increased costs that would not be totally offset by any available income tax credits associated with an historical property.
- Under an assemblage scenario, Parcel A effectively has frontage along Martin Luther King, Jr. Boulevard, which is a positive attribute that may increase the unit value of the site.

- Control of the entire block may help reduce the costs associated with constructing underground parking.
- Incorporating the Madison Municipal Building into the redevelopment of all of Block 88 may be a positive attribute by creating a "grand entrance" to the project. In addition, there may be a potential of developing the air rights above the historical structure that would not be available if Parcel B was an independent site.

Given the lack of sales activity within the marketplace from which the appraiser could extract a justified discount, the appraiser relied upon a qualitative analysis of the rationale underlying the basis for a discount or premium for the assemblage. In consideration of the valuation issues discussed above, the appraiser concluded that the various value drivers cited above were offsetting and that no discount or premium was warranted. The table below is a summary of the appraiser's conclusions with respect to estimating the Market Value of the Subject Block 88, as an assemblage of Parcel's A and B.

Estimated Value of Parcel A	\$6,534,000
Estimated Value of Parcel B	<u>5,875,000</u>
Subtotal	\$12,409,000
Adjustment for Assemblage	<u>0</u>
Estimate of Market Value for Subject Block 88	\$12,409,000
Say	\$12,400,000

Based on the above analysis, the Market Value of Block 88, defined as the assemblage of Parcels A and B, is estimated to be **TWELVE MILLION FOUR HUNDRED THOUSAND DOLLARS (\$12,400,000)**.

28.072 DOWNTOWN DISTRICT USES.

- (1) Table 28E-2 lists all permitted and conditional uses in the downtown and urban districts.
- (a) "P" means permitted in the districts where designated.
 - (b) "C" means allows as conditional uses in the districts where designated, in compliance with all applicable standards.
 - (c) "P/C" means permitted or conditional, depending on specific requirements in Supplemental Regulations, Subchapter 28J.
 - (d) "Y" means there are specific requirements in Subchapter 28J associated with the use.
 - (e) "DC" means Downtown Core District.
 - (f) "UOR" means Urban Office Residential District.
 - (g) "UMX" means Urban Mixed-Use Districts.
 - (h) "DR1" means Downtown Residential 1 District.
 - (i) "DR2" means Downtown Residential 2 District.

Table 28E-2.

Downtown and Urban Districts						
	DC	UOR	UMX	DR1	DR2	Supplemental Regulations
Offices						
Artist, photographer studio, etc.	P	P	P			
Insurance office, real estate office, sales office	P	P	P			
Professional office, general office	P	P	P			
Medical Facilities						
Clinic, medical, dental or optical	P	C	P			
Hospital	C		C			Y
Medical laboratory	P	C	P			
Physical, occupational or massage therapy	P	P	P			
Veterinary clinic	P	P	P			Y
Retail Sales and Services						
General retail	P		P			
Animal grooming	P		P			
Bank, financial institution	P		P			
Business sales and services	P		P			
Farmers' market	P		P			Y
Food and related goods sales	P		P			
Free-standing vending carts	C					
Furniture and household goods sales	P		P			
Garden center			C			
Home occupation	P/C	P/C	P/C	P/C	P/C	Y
Laundromat, self-service	P		P			
Liquor store	P		P			

Downtown and Urban Districts						
	DC	UOR	UMX	DR1	DR2	Supplemental Regulations
Limited retail use of a landmark site or building	P	P	P	C	C	Y
Mortuary, funeral home	P		P			
Animal daycare	C		C			Y
Post office	P	P	P			
Secondhand goods sales	P		P			
Service business	P		P			
Contractor's business with showroom or workshop	C		C			Y
Sporting goods store, bait shop	P		P			
Tattoo shop	P		P			
Food and Beverages						
Catering	P		P			
Coffee shop, tea house	P		P			
Restaurant	P		P			
Restaurant-tavern	P		P			
Tavern, brewpub	P		P			
Commercial Recreation, Entertainment and Lodging						
Bed and breakfast establishment	P	C	P	C	C	Y
Health/sports club	P		P			
Hostel	P		P			
Hotel, inn, motel	P		P			
Indoor recreation	P		P			
Outdoor recreation	C		C			Y
Lodge, private club, reception hall	P	C	P			Y
Theater, assembly hall, concert hall	P		P			
Automobile Services						
Auto body shop			C			Y
Auto service station, convenience store	C		C			Y
Auto repair station	C		C			Y
Auto sales and rental	C		C			Y
Parking, Storage and Display Facilities						
Parking facility, public	P	P	P			
Parking facility, private	P		C			
Parking lot exceeding maximum required parking	C	C	C			

Downtown and Urban Districts						
	DC	UOR	UMX	DR1	DR2	Supplemental Regulations
Transportation						
Bus or railroad passenger depot	C		C			
Railroad right-of-way	P	P	P			
Transit stop or station	C	P	C			
Limited Production, Processing and Storage						
Artisan workshop	P		P			
Laboratory, research and development	C	C	C			
Limited production and processing	C					Y
Printing and publishing			P			
Wholesale establishment			C			
Residential - Family Living						
Single-family detached dwellings				P	P	
Two-family dwelling – two unit				P	P	
Two-family dwelling - twin						
Three-family dwelling – three unit				P	P	
Single-family attached dwelling (3-8 dwelling units)		P	P	P	P	
Single-family attached dwelling (> 8 dwelling units)		P	P	C	C	
Dwelling units in mixed-use buildings	P	C	P			
Multi-family dwelling (4 dwelling units)	P	P	P	P	P	
Multi-family dwelling (5-8 dwelling units)	P	P	P	C	P	
Multi-family dwelling (> 8 dwelling units)	P	C	C	C	C	
Multi-family building complex	C	C	C	C	C	Y
Residential - Group Living						
Adult family home	P/C	P/C	P/C	P/C	P/C	Y
Cohousing community	P/C	P/C	P/C	C	C	Y
Community living arrangement (up to 8 residents)	P		P	P	P	Y
Community living arrangement (9-15 residents)	C		C	C	C	Y
Community living arrangement (>15 residents)				C	C	Y
Dormitory	C	C	P			Y
Housing cooperative	P/C	P/C	P	P/C	P/C	Y
Lodging house, fraternity or sorority	C	C	P		C	Y
Assisted living, congregate care, skilled nursing facility	C	C	P		C	Y
Convent, monastery or similar residential group	C	C	P	C	C	Y

Downtown and Urban Districts						
	DC	UOR	UMX	DR1	DR2	Supplemental Regulations
Civic and Institutional						
College, university	C	C	C			
Correctional Facility	C					
Counseling, community services organization	P	P	P			
Day care center	P	C	P	C	C	Y
Library, museum	P	C	P		C	
Parks and playgrounds	P	P	P	P	P	
Place of worship	P/C	P/C	P/C	P/C	P/C	Y
Public safety facilities	P	P	P	P	P	
Schools, public and private	P	C	P	C	C	Y
Schools, arts, technical or trade	C	C	C		C	Y
Agriculture						
Community garden	P	P	P	P	P	
Market garden	C	C	C	C	C	Y
Public Utility and Public Service Uses						
Electric substations	C	C	C	C	C	
Gas regulator stations, mixing and gate stations	C	C	C	C	C	
Telecommunications towers, antennas and transmission equipment buildings	C	C	C	C	C	
Sewerage system lift stations	C	C	C	C	C	Y
Water pumping stations, water reservoirs	C	C	C	C	C	
Accessory Uses and Structures						
Emergency electric generator	P		P	P	P	Y
Accessory building or structure	P/C	P/C	P/C	P/C	P/C	Y
Keeping of chickens	P	P	P	P	P	Y
Solar energy systems	P	P	P	P	P	Y
Wind energy systems	C	C	C	C	C	Y
Real estate sales office	P		P	P	P	Y
Temporary buildings for storage of construction materials and equipment	P	P	P	P	P	Y
Yard sales	P		P	P	P	Y
Farmers market		P		P	P	Y
Accessory use: General retail, Service business, Restaurant, Coffee shop, Tea house, Office, professional and general		C			C	Y

Downtown and Urban Districts						
	DC	UOR	UMX	DR1	DR2	Supplemental Regulations
Daycare, home - family	P	P	P	P	P	Y
Daycare center in school or religious institution	P	P	P	C	C	
Mission house	P		C			Y
Lease of off-street parking facility accessory to residential use to non-tenants	P		P			Y
Vehicle access sales and service	C		C			Y
Outdoor eating area associated with food & beverage establishment	C		C		C	Y
Outdoor display	P	P	P		C	Y
Outdoor storage	P	P	P			Y
Vending machine	C	C	C			Y
Walk-up service window	P/C		P/C			Y
Keeping of honeybees	P	P	P	P	P	Y

(Am. by ORD-13-00007, 1-15-13)

28.073 DOWNTOWN DISTRICT BUILDING FORMS.

	DC	UOR	UMX	DR1	DR2
Single family detached				✓	✓
Two Unit and Three Flat				✓	✓
Two-Family Twin				✓	✓
Single-Family Attached		✓		✓	✓
Small Multi-family	✓	✓	✓	✓	✓
Large Multi-family	✓	✓	✓	✓	✓
Courtyard Multi-family		✓	✓		✓
Commercial Block	✓	✓	✓		
Liner Building	✓	✓	✓		
Parking Building	✓	✓	✓		
Live/Work Building	✓		✓		
Residential Commercial Conversion	✓	✓	✓		
Podium Building	✓	✓	✓		
Flex Building		✓	✓		
Civic / Institutional Building	✓	✓	✓	✓	✓

FloodInsights



FloodInsights Report For:

215 Martin Luther King Jr Blvd, Madison, WI 53703

Geocoding Accuracy: S8 (Most Accurate) - single valid address match, point located at a single known address point candidate (Parcel)

Original Input Address: 215 Martin Luther King Jr Blvd, Madison, WI 53703

Flood Zone Determinations

SFHA Within 250 feet of multiple flood zones?

Out No

Map Number

55025C0409G

Community	Community_Name	Zone	Panel	Panel_Dte	COBRA
550083	MADISON, CITY OF	X	0409G	January 02, 2009	COBRA_OUT

FIPS CensusTract

55025 0017.05



Flood Map Legend

Flood Zones

- Areas inundated by 500-year flooding
- Areas outside of the 100- and 500-year floodplains
- Areas inundated by 100-year flooding
- Areas inundated by 100-year flooding with velocity
- Floodway areas
- Floodway areas with velocity hazard
- Areas of undetermined but possible flood hazards
- Areas not mapped on any published FIRM

01/17/14

QUALIFICATIONS OF

Bruce Perchik, MAI

D. L. EVANS COMPANY, INC.

The D. L. Evans Company, Inc. is an independent real estate company that specializes in providing expert real estate advisory services with areas of expertise that include real estate valuation, counseling, brokerage, and development. The company's work products include narrative and form appraisal reports, written and oral appraisal consultations, general real estate consulting assignments, land planning, expert witness services and litigation support.

Experience

Mr. Perchik has been employed by the D. L. Evans Company, Inc., since 2002, developing expertise in commercial real estate appraising and real estate consultation. Specific areas of expertise include the valuation of properties including office, medical, retail, mixed-use, industrial, hotel, vacant land, multi-unit residential projects, historical properties, assisted living centers, restaurants, subdivisions (commercial and residential) and special purpose properties such as churches, automobile dealerships, schools, recreational facilities and other types.

Mr. Perchik been in the real estate industry since 1980. He was previously the managing partner of Urban Property Analysts, a commercial real estate appraisal and consulting firm in Austin, Texas. He has primary professional expertise in real estate analysis and valuation, corporate real estate holdings, real estate lending, acquisition and development. In addition, he has written complete, working real estate spreadsheets for cash flow and pure pairings analysis.

Licenses, Designations and other Qualifications

Certified General and Licensed Appraiser - State of Wisconsin
MAI Designation - Appraisal Institute

Education

University of Wisconsin - Madison, Bachelor of Arts Degree majoring in Philosophy (1975)
University of Wisconsin - Madison, Master of Science Degree majoring in Real Estate Appraisal and Investment Analysis (1980)
University of Wisconsin - Madison, Master of Science Degree majoring in Finance (December 1996)

Attended numerous courses sponsored by the Appraisal Institute to fulfill requirements for the MAI designation and for continuing education.

Professional Organizations

Board of Directors of Wisconsin Chapter of the Appraisal Institute (2006-2007, 2009-Present)

Clients

The D. L. Evans Company provides real estate services for a variety of client types including local, regional and national lending institutions, life insurance companies, pension funds, medical institutions, large and small corporations, equity investors, public institutions, non-profit and religious organizations, estates, private individuals, and government agencies at the local, county, state and national levels.