AN APPRAISAL OF

THE GOVERNMENT EAST PARKING RAMP PROPERTY

LOCATED AT

215 SOUTH PINCKNEY STREET

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. EUELLE 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 Government East Parking Ramp property located at 215 South Pinckney Street in the City of Madison, Dane County, Wisconsin.

The purpose of this appraisal is to develop an opinion 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 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 our 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 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, it is my opinion that the Market Value of the fee simple interest in the subject property can be reasonably estimated at **SEVEN MILLION FIFTY THOUSAND DOLLARS (\$7,050,000)**.

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 South Pinckney Street in Madison, Wisconsin
	PROPERTY OWNER:	City of Madison
	PROPERTY TYPE:	Parking Ramp
	DATES OF CONSTRUCTION:	1957–1958 and 1965
EFFECTIVE VALUE DATE:		February 5, 2014
	REPORT DATE:	February 27, 2014
4	PROPERTY RIGHTS APPRAISED:	Fee Simple Interest
	REPORT FORMAT:	Written in a Narrative Style
	SITE SIZE:	52,272 Square Feet; 1.20 Acres
	ZONING:	DC, Downtown Core District
	FLOOD ZONE:	Zone X; Area of Minimal Flooding
	HIGHEST AND BEST USE:	Redevelopment Site
	EVTRAORDINARY ASSUMPTIONS/	None

EXTRAORDINARY ASSUMPTIONS/ None HYPOTHETICAL CONDITIONS:

APPRAISED VALUE: \$7,050,000

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.
- 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. <u>The valuation analysis in this appraisal report did not</u> <u>consider possible compliance or noncompliance with the requirements of</u> <u>the ADA</u>.

- 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 attorneys fees and expenses, reasonable including expenses, consultants' fees and expenses, court costs and all other out-ofpocket 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 the Government East Parking Ramp property that is improved with an older, multi-level municipal parking facility. The property is located at 215 South Pinckney Street, in the City of Madison, Dane County, Wisconsin. The subject site is comprised of 52,272 square feet of land area, approximately 1.20 acres. According to information provided by the client, the legal description is as follows.

> Lots 1-3 and 11-13 of Block 105, Original Plat, 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.

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.

This 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

FACING NORTH - VIEW OF SUBJECT PROPERTY



FACING EAST - VIEW OF SUBJECT PROPERTY



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 2009.

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;
- Both parties are well informed or well advised; and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- 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: <u>The Dictionary of Real Estate Appraisal</u>, 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 information provided by the client, the property is currently owned by the City of Madison, a Wisconsin municipal corporation and has not been sold in the past three years. It is understood 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 <u>The Dictionary</u> of <u>Real Estate Appraisal</u> (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 and took sufficient photographs to adequately identify the property.
- Interviews with representatives of the property owner were conducted, and documents provided thereby were reviewed, regarding the history of the property 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 land 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-ofway such as a public street.
- 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 <u>Statement on Appraisal Standard No. 6 (SMT-6)</u> 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 6 months to 18 months. Exposure time is presumed to be 12 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 commercial types of property in the local market.

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, institutional and potential redevelopment 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 SOUTHWEST - VIEW OF EAST DOTY STREET (SUBJECT ON LEFT)



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



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.



D. L. EUANS COMPANY, INC.

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 nonfarm 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

UW Hospital & Clinics Epic Systems American Family Insurance UW Medical Foundation Dean Health System WPS Health Insurance Covance Meriter Health Services CUNA Mutual Group Kraft Foods / Oscar Mayer St. Mary's Hospital

Employees

(Full-Time/Part-Time.)

4,336 / 3,124 4,100 / 0 3,695 / 87 2,757 / 719 2,709 / 687 2,431 / 219 1,900 / 0 1,186 / 2,104 1,700 / 0 1,600 / 0 797 / 1,730

TDS Telecommunications	1,129	1	0
QBE Regional Insurance	863	1	15
Alliant Energy Corporation	786	1	73
Great Lakes Higher Education Corporation	787	1	36
GE Healthcare	770	1	0
Stoughton Trailers	703	1	0
Zimbrick, Inc.	666	1	107
Madison Gas & Electric Company	690	1	11
Promega Corporation	643	1	22
PPD	600	1	0
Springs Window Fashions	588	1	0
Webcrafters, Inc.	560	1	0
Electronic Theatre Controls, Inc.	549	1	11
M & I Bank	514	1	94
American Girl	502	1	120
Thermo Fisher Scientific	468	1	2
Group Health Cooperative of South Central WI	359	1	300
WEA Insurance Trust	447	1	28
Spectrum Brands Holdings	445	1	30
Anchor BanCorp Wisconsin	441	1	21
Hooper Corp	440	1	0
AT&T	430	1	0
Sub-Zero / Wolf	425	1	0
Sub-Zero / Worr	1000	2	11 X 1

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.)

Year	New Home Starts
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.

DELORME

DeLorme Street Atlas USA® 2010



D. L. EUANS COMPANY, INC.

Neighborhood Map

SITE DATA

3.1 DIMENSIONS AND AREA

The subject site is rectangular in shape with approximately 264 feet of frontage South Pinckney Street, its southwestern boundary as well as 198 feet of additional 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 52,272 square feet, about 1.20 acres.

3.2 TOPOGRAPHY

The subject site is generally at the grade of the streets cited above as well as with the adjoining properties. The subject site has a slight slope that falls to the northeast and southeast. 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

As improved with a municipal parking ramp, the subject has direct access from driveway cuts along South Pinckney Street and East Wilson Street. Access to the Capitol Square and major roadways in the greater neighborhood is good. Overall, access is considered comparable to commercial properties in the immediate area.

3.5 ZONING

The subject property is zoned DC, Downtown Core District pursuant to the City of Madison zoning ordinances. This zoning designation allows



D. L. EUANS COMPANY, INC.

Parcel Map



public parking facilities and 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.

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 <u>Floodinsights.com</u>. 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. 0709-242-0209-0. 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 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

The subject site is improved with a multi-level parking ramp known as the Government East Ramp. The construction of the majority of the municipal ramp was completed in 1957-1958 and the northern portion of the West sections were reportedly completed in 1965. Information obtained from the client's website indicates that there is a total of 516 public parking spaces plus 6 motorcycle spaces.

The subject improvements do not include an elevator providing access to the different levels. Given its age and condition, it was reported that the facility may be at or near the end of its economic life. According to a document entitled 2007 Capital Budget Capital Improvement Program, "The Government East Ramp is 50 years old and is nearing the end of its useful life. Maintenance costs are becoming increasingly high. The current maintenance schedule will keep the facility in operation until 2015. The replacement cost for Government East is anticipated to be \$26 million. This will build 1000 above-ground stalls or 500 below ground stalls in 2015."



FACING WEST - VIEW OF SUBJECT PROPERTY



FACING SOUTH - VIEW OF SUBJECT PROPERTY



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



VIEW OF PARKING LEVELS

VIEW OF PARKING LEVELS



VIEW OF PARKING LEVELS



F



VIEW OF PARKING LEVELS

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 <u>The Dictionary of Real Estate</u> <u>Appraisal</u>, (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.

- <u>Physically possible</u> uses allowed by size, shape, area and frontage;
- <u>Legally permissible</u> uses permitted by zoning, building code requirements, deed restrictions, and environmental regulations;
- 3. <u>Financially feasible</u> uses that produce a positive return after all expenses and financial obligations are met; and,
- <u>Maximally productive</u> 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.

It is likely that a developer 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. 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 mixeduse 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 subject site 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

The subject property is improved with a multi-level municipal parking ramp accommodating 516 parking spaces. In considering the age and reported physical condition of the structure, as well as the realization that such parking ramps are rarely bought and sold in the marketplace, the appraiser concluded that the Highest and Best Use, as improved, is determined to be the razing of the existing improvements in favor of the development of a modern structure, consistent with the current land use trend noted above.

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.

The Cost Approach estimates the replacement cost of any improvements, deducts depreciation from all causes and adds the value of the underlying land. Since no improvements that are considered to contribute to value exist on the property, this valuation method is not appropriate here.

In the Income Approach, a net income stream is estimated, then capitalized to calculate the present value of the future income stream. As there is no expectation of rents being generated by the property under its highest and best use, the Income Approach is not used in this valuation.

The Sales Comparison Approach generally provides the best value estimate for vacant lands or lands where the highest and best use would be to raze the existing improvements. This approach evaluates other land sales and compares them to the property being appraised. One of the first considerations is to compare market conditions between each of the comparable sales and the subject, which may include any change in unit prices since the sale dates of the comparable properties.

5.1 LAND VALUATION

As previously noted, the Sales Comparison Approach is an appraisal technique in which the value of a property is established from a comparison with other similar properties that have sold in recent open market transactions. 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 appraiser used dollars per square foot of land as the unit of comparison. 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, twobath 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 singlefamily homes, but it may not be appropriate in the valuation of vacant commercial land. 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 <u>The Appraisal of Real Estate</u> (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. <u>The Appraisal of Real Estate</u> 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 land, 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 are not known to reflect any special financing, unusual buyer or seller motivations, special concessions, or the inclusion of significant personal property. The appraiser has analyzed any conditions of sale known to have affected the sale price.



DeLorme Street Atlas USA® 2010



D. L. HUANS COMPANY, INC.

Comparable Land Sales Map

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	11/12	\$3,993,900	67,332	\$59.32
	N. Pinckney Street				
5	17-25 N. Webster Street &	06/13	\$1,822,500	14,652	\$124.39
	201 E Mifflin Street				
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 property consists of a major portion 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 suited to incorporate retail elements in the overall plan. Although the subject has extensive frontage along East Doty and Wilson Streets, it may not be as desirable as frontage on State Street. 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 52,272 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 not substantially different than 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 somewhat higher than was observed in Sale 6 and notably less than that of Sale 7. Considering the location, size, and zoning of the subject site as well as other factors including current economic and market conditions, it is the appraiser's opinion that the Market Value of the subject site can be reasonably estimated at \$135.00 per square foot, or:

52,272	Square	Feet	0	\$135.00/SF	=		\$7,056,720
						Say	\$7,050,000

6.1 RECONCILIATION AND CONCLUSIONS TO VALUE

In the valuation of the Government East Parking Ramp property located at 215 South Pinckney Street in the City of Madison, Wisconsin, the three approaches to value were considered; however, due to the nature of the subject's concluded highest and best use as a redevelopment site, only the Sales Comparison Approach was 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 Sales Comparison Approach outlined in the Valuation Section of this report.

The indicated value of the subject property is concluded as follows:

Cost Approach	Not Applicable
Sales Comparison Approach	\$7,050,000
Income Approach	Not Applicable

The Cost Approach, where the land value is estimated and added to the depreciated replacement or reproduction costs of the improvements, does not apply to the valuation of redevelopment sites, where existing improvements do not contribute to the property's value under its highest and best use.

The Income Approach to value, where the income stream and reversionary value of the subject property are discounted back to today's present value, is the approach most widely used by investors for income producing property. However, the Income Approach can only be applied when there is a possibility of leasing the property, or when income is being generated by the property. At some future date, if the subject property is improved with an income generating development, the Income Approach will be an important technique in valuation. As the property is currently improved with an older municipal parking ramp and not expected to be leased at rental rates that reflect its value under its highest and best use, the Income Approach does not apply.

The Sales Comparison Approach gives the best indication of value for the property. Comparable land sales 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.

Based on the appraisal analysis as summarized in this report, it is the opinion of the appraiser that the Market Value of the fee simple interest in the subject property can be reasonably estimated at **SEVEN MILLION FIFTY THOUSAND DOLLARS (\$7,050,000)**.



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	l Urban l	Districts		2.281	di be	M 141.
		R	N		2	Supplemental Regulations
	DC	LOR	NINU	DRI	DR2	Sup Reg
Offices						
Artist, photographer studio, etc.	Р.,	Р	Р.,	1.11.1	1 N. A.	10.
Insurance office, real estate office, sales office	Р	Р	P	11	(*	
Professional office, general office	р	Р	Р	1. M. M.		
			1. 1. 1. <u>1</u> .	(<u></u>)		1.11
Medical Facilities						
Clinic, medical, dental or optical	Р	C	Р			3775
Hospital	C	1.1	C	1. 1. 1. 192 ·	S	. Y.,
Medical laboratory	р	C	Р			
Physical, occupational or massage therapy	р	Р.,	Р	1 I I	<u> </u>	E.
Veterinary clinic	Р	Р	Р		<u>ti ku si</u>	Ŷ
Retail Sales and Services		11 A.H.	and the			
General retail	Р		Р	No.	in soil	
Animal grooming	p	10.00	p	61.1	The start	
Bank, financial institution	р		Р			
Business sales and services	P	1.20.2.22	p	10 M.	s l'aitur	11
Farmers' market	Р	1.12	P	2	100.00	. Y
Food and related goods sales	р		Р			
Free-standing vending earts	C					
Furniture and household goods sales	Р		р			
Garden center			C			
Home occupation	P/C	P/C	P/C	P/C	P/C	Y
Laundromat, self-service	р		Р			
Liquor store	р		P			

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ever.	-0.0	1-1	17.

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	DC	LOR	NWD	DR1	DR2	Supplemental Regulations
Limited retail use of a landmark site or building	р	Р	Р	С	C	Y
Mortuary, funeral home	Р		Р			
Animal daycare	C		С			Y
Post office	р	р	Р			
Secondhand goods sales	p		P			
Service business	р		Р			
Contractor's business with showroom or workshop	С		C			Y
Sporting goods store, bait shop	р		р			
Tattoo shop	P	1.00	Ч	S		1
Food and Beverages				4		
Catering	Р	1.1.1	р			1.0.0
Coffee shop, tea house	р		р		1.1	- 2 . top
Restaurant	p.		Р			
Restaurant-tavern	p	- 1 L	Р			
Tavern, brewpub	Р	12.20	Ρ.		4.1	
Commercial Recreation, Entertainment and Lodging						-
Bed and breakfast establishment	р	• C	p	C	C	Y
Health/sports club	р		р			
Hostel	р		Р			
Hotel, inn. motel	р	1.11	Р	1.1		5 27
Indoor recreation	Р	100	P .	2 DOM: N		2.1
Outdoor recreation	C	50 1 1	C			Y.,
Lodge, private club, reception half	р	C	< P	1.1.1.1	0	Υ.
Theater, assembly hall, concert hall	p		- P			1 1 I I I I I I I I I I I I I I I I I I
Automobile Services		200 - P		1.0542.0		V.
Auto body shop	1	2010	1	1.1	mine P	
Auto body shop Auto service station, convenience store	C	1014-141-1	C C		2+3 2	Y
	C		100 million -	<u></u>		Y
Auto repair station Auto sales and rental	200		C			Y
vitto sales and remai	С		С			Y
Parking, Storage and Display Facilities						
Parking facility, public	р	р	р			
arking facility, private	р		C			
arking lot exceeding maximum required parking	C	C	C			

	DC	UOR	NINU	DRI	DR2	Supplemental Regulations
Transportation						
Bus or railroad passenger depot	C		C			
Railroad right-of-way	р	Р	Р			
Transit stop or station	С	Р	С			
Limited Production, Processing and Storage						
Artisan workshop	Р		Р			
Laboratory, research and development	C	C	C	. P. F		185 17
Limited production and processing	C	THE OC	1.1	11107	1.35.2	Y
Printing and publishing			p	1		
Wholesale establishment		11.11	C		1.1.2	1.1.1
Residential - Family Living		r	1			15.3
Single-family detached dwellings Two-family dwelling – two unit				P	p	_
Two-family dwelling - two unit				Р	P	
Three-family dwelling – three unit			1 A 1	- D	0	
Single-family attached dwelling (3-8 dwelling units)		P	Р	p p	P	1
Single-family attached dwelling (>8 dwelling units)	1	P	p	C	P C	1
Dwelling units in mixed-use buildings	P	C	p		C ::	
Multi-family dwelling (4 dwelling units)	p	P	P	P	р	
Multi-family dwelling (5-8 dwelling units)	p	P	p	C	P	1
Multi-family dwelling (> 8 dwelling units)	P	C.	C	C	C.	
Multi-family building complex	C	C	C	C	C.	Y
with anny building complex						
Residential - Group Living	14.5 1 1		is in a	C and the base	1111	- 117
Adult family home	P/C	P/C	P/C	P/C	P/C	N'
Cohousing community	- P/C	. P/C	P/C	C	C	Y
Community living arrangement (up to 8 residents)	P.	er soft i fi	P	Р	P	Y
Community living arrangement (9-15 residents)	C		C		C	. Y
Community living arrangement (>15 residents)	11.00		1.17	C'	C	Y.
Dormitory	C ·	C	Р	1	19111	Y
lousing cooperative	P/C	P/C	P	P/C	P/C	Y
odging house, fraternity or sorority	C	C	P		C	Y
Assisted living, congregate care, skilled nursing facility Convent, monastery or similar residential group	C	C	р	C	C	Y Y

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	DC	LOR	NMU	DRI	DR2	Supplemental Regulations
Civic and Institutional						
College, university	C	C	С			
Correctional Facility	С					
Counseling, community services organization	Р	Р	р			
Day care center	P	C	Р	C	C	Y
Library, museum	Р	C	Р		C	
Parks and playgrounds	Р	Р	Р	Р	Р	
Place of worship	P/C	P/C	P/C	- P/C	P/C	Y
Public safety facilities	Р	P	P	р	Р	1.44
Schools, public and private .	Р	- C	р	C	, C	Y
Schools, arts, technical or trade	C	C	. C		C	Y
	1					
Agriculture		0	1. 15	I P		1
Community garden	<u>р</u>	P	p p	N	P	
Market garden	C	C	C	C	C	Y
			8.18°			1
Public Utility and Public Service Uses	C	C	C	C	C	1.
Electric substations	C	C	C	C	C	211.05.1
Gas regulator stations, mixing and gate stations					-	
Telecommunications towers, antennas and transmission equipment buildings	C	C	C	C .	C	
Sewerage system lift stations	С	- C	C	C	. C	Y
Water pumping stations, water reservoirs	C	C	C	C	C	
water pumping stations, water reservoirs	1.1.00	1 16 2			1	0.00
Accessory Uses and Structures	1. V.					412
Emergency electric generator	P	12.52	· P	р., р.,	P.	· · · Y
Accessory building or structure	P/C	-P/C	P/C	P/C	P/C	Y
Keeping of chickens	p	- p	- P	p	р	Y
Solar energy systems	p .	е р	· p	р	P	Y
Wind energy systems	C	C	C	C	C	Y
Real estate sales office	р	101.00	Р	Р	. р	Y
Temporary buildings for storage of construction materials and equipment	Р.,	Р	.p	Р	. P	Y
Yard sales	р		P	. р	P	Y
Farmers market		р		P	Р	Y
Accessory use: General retail, Service business, Restaurant, Coffee shop, Tea house, Office, professional and general		с		1	С	Ŷ

Downtown a	nd Urban	Districts	,	4		
	DC	UOR	UMX	DRI	DR2	Supplemental Regulations
Daycare, home - family	Р	Р	р	Р	Р	Y
Daycare center in school or religious institution	р	р	Р	С	С	
Mission house	Р		C			Y
Lease of off-street parking facility accessory to residential use to non-tenants	Р		Р			Y
Vehicle access sales and service	C		C			Y
Outdoor eating area associated with food & beverage establishment	C		C	1	C	Y
Outdoor display	p	12	Р	3:00	C	Y
Outdoor storage	P	Р	Р		1	Y
Vending machine	- C	, C	C		1.1.1	Y
Walk-up service window	P/C		P/C			Y.,
Keeping of honeybees	Р	P	, p	P	- P - 2	Y

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

28.073 DOWNTOWN DISTRICT BUILDING FORMS.

	DC	UOR	NWN	DRI	DR2
Single family detached				√	\checkmark
Two Unit and Three Flat	14 M.	2.0	Star-	1	\checkmark
Two-Family Twin	1.1.1			1	\checkmark
Single-Family Attached	1	V	1.1.1	1	1
Small Multi-family	1	V	√	1	V
Large Multi-family	1	1	1	1	1
Courtyard Multi-family	1.1.1.1.1.1.1	V	1		\checkmark
Commercial Block	V	1	\checkmark	C - C2 =00	4.1
Liner Building	1	1	1	8.001.0	1.1
Parking Building	1	V	1		1
Live/Work Building	V	1. C. N	1	1.01	and a start
Residential Commercial Conversion	1	1	1		1.14
Podium Building	1	V	1		
Flex Building		1	\checkmark	1.00	
Civic / Institutional Building	V	1	1	V	V

FloodInsights



FloodInsights Report For:

S Pinckney St & E Doty St, Madison,WI 53703 Geocoding Accuracy: SX (Accurate) - single valid address match, point located at a street intersection Original Input Address: S Pinckney St & E Doty St, Madison,WI 53703

Flood Zone Determinations

SFHA	Within 25	50 feet of multiple flood zo	ones?				
Out	No						
Map N 550250	u mber C0409G						
Comm	unity	Community_Name	Zone	Panel	Panel_Dte	COBRA	
550083	3	MADISON, CITY OF	х	0409G	January 02, 2009	COBRA_OUT	
FIPS	CensusT	ract					
55025	0017.05						



Flood Map Legen 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 of undetermined but possible flood hazaro Areas not mapped on any published FIRM

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02/06/14

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.