REAL PROPERTY VALUATION

STOUGHTON RIVERFRONT REDEVELOPMENT

DOWNTOWN STOUGHTON, WISCONSIN

Prepared For: City of Stoughton and Stoughton RDA

Report Issued: October 2, 2019 - GLRAG File No. 2019-017

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Consultants to the public and private sectors

October 2, 2019

City of Stoughton and Stoughton Redevelopment Authority
207 South Forrest Street
Stoughton, WI 53589

Dear City of Stoughton and Stoughton RDA:

This Appraisal Report, presented in a narrative format provides our opinion of the Market Values of the Fee Simple Interests in the properties defined herein - both individually and collectively - according to their determined highest and best uses as of September 17, 2019. The intended use of this Appraisal Report is for internal decision making purposes and strategic planning. The intended users and clients are the City of Stoughton, the Stoughton RDA and their staff and consultants.

This Appraisal Report is subject to the **Statement of Assumptions and Limiting Conditions** contained in ***Appendix Exhibit C***, as well as the **Special Valuation Assumptions** outlined in Section 1.4 on page 6. This Adobe pdf report contains fifty three (53) pages and should be considered as an entire document. Our value conclusions are presented below with market examples of future pricing changes presented in Section 8.2.

Category 1 Site - River Frontage:	**$10.00 per Sq. Ft., or $10,000 per D.U. (45 units/ac.)**
Category 1 Site - Interior Site:	**$8.00 per Sq. Ft., or $9,000 per D.U. (45 units/ac.)**
Category 2 Site - River Frontage:	**$4.15 per Sq. Ft., or $7,800 per D.U. (17.5 units/ac.)**
Category 2 Site - Interior Site:	**$3.50 per Sq. Ft., or $6,600 per D.U. (17.5 units/ac.)**
Category 3 Site - Commercial:	**$10.00 per Sq. Ft. (3 acres)**
Total Redevelopment Site:	**$2,780,000 (11 acres)**
Phase I Site:	**$240,000 - $540,000, Depending on Density**
Power House on 0.25 Acres:	**$180,800**

We have enjoyed serving you, please contact us should you have questions.

Sincerely,

Douglas G. Connor
Wisconsin Certified General Appraiser #759-010, expiration 12/14/2019

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1.0 Introduction and Scope of Work

The property being valued consist of several land parcels targeted for redevelopment that are situated north of the Yahara River between South 4th and South 7th Streets in downtown Stoughton, Wisconsin. See Section 2.0 for a breakdown of each land parcel as they are presently configured.

The intended use of this Appraisal Report is for internal decision making purposes and strategic planning. The intended users and clients are the City of Stoughton, the Stoughton RDA and their staff and consultants.

1.1 Interest(s) Valued and Definitions: We have estimated the current Market Values of the Fee Simple Interests in the properties. The Fee Simple and Leased Fee Interests are defined in the Appraisal of Real Estate, 12th Edition, published by the Appraisal Foundation as follows:

> *A fee simple estate implies 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.*
>
> *A leased fee estate is an ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; the rights of lessor (the leased fee owner) and leased fee are specified by contract terms contained within the lease.*

"Market Value" is defined by Title XI of the FIRREA of 1989, OCC Standards of 12 CFR, part 34 is as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently 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:

- *Buyer and seller are typically motivated;*
- *Both parties are well informed or well advised, and acting in what they consider their own best interests;*
- *A reasonable time is allowed for exposure in the open market;*
- *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and,*
- *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.*

This Appraisal has been written in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation (as revised January 1, 2018) and is presented in a narrative format. This report is subject to the **Statement of Assumptions and Limiting Conditions** contained in ***Appendix Exhibit B***, as well as the **Special Valuation Assumptions** outlined in Section 1.4 on page 6.

1.2 Date of Value: The market value conclusions presented herein are based on economic conditions prevailing and perceptions of future events during the month of September 2019. The site perimeter was inspected on Tuesday, September 17, 2019 by Mr. Douglas G. Connor of Great Lakes Realty Advisory Group, Inc. (GLRAG). He was unaccompanied for the inspection and viewed the targeted project site from behind the safety perimeter fence and from the south side of the Yahara River at Mandt Park. The effective date of value for the properties is: **September 17, 2019**.

1.3 Scope of Analysis: We have defined the scope of analysis as follows:

a. Market land pricing unit rates per square foot (Sq. Ft.) and/or per developable unit (D.U.) in current dollars that can be applied to the remaining phases of the redevelopment property based on highest and best use and potential buyer demand. This process considers pricing differences for density, use and interior versus river frontage. See Section 6.0.

b. Market valuation of Phase I targeted for sale to a redeveloper (roughly corresponding to the northern portion of Parcel No. 2). This also includes a valuation of the former electrical generating Power Plant #1 or Power House building and site, a designated historic landmark, also in current dollars. See Section 7.0.

c. Market valuation of the total redevelopment property as a single site containing approximately 11.00 acres in current dollars. See Section 7.0.

d. Market examples regarding future pricing changes related to time and potential enhancements from the initial redevelopment phase(s). See Section 8.2.

Per the client's instructions, any remaining buildings or site improvements, other than the Power House structure, are not to be included in our valuation. This appraisal assumes that the defined project site is or will soon be: a). Completely remediated of all environmental contamination; b). Be zoned for Planned Mixed Use per the City of Stoughton Comprehensive Plan; and c). Be considered within the context of a TIF district, as well as adjacent and nearby proposed public improvements such as the Whitewater Park, publicly accessible green space and other infrastructure improvements. These are discussed in further detail in Section 4.4.

In Section 6.0, we employ a Sales Comparison Approach to estimate market pricing for various density and size multi-family and commercial redevelopment sites within the targeted project area. Adjustments were considered and may have been applied for market conditions, location and development density differences between each land sale and targeted redevelopment sites with either river frontage or interior location within the project area. In Section 7.0, we estimated the value of the Power House, the Phase I redevelopment site and the 11-acre project redevelopment area as a single land parcel.

Project information, along with additional photographs, are presented in ***Appendix Exhibit A***. Our statement of Assumptions and Limiting Conditions are presented in ***Appendix Exhibit B***, along with qualifications of our firm and for Mr. Connor are presented in ***Appendix Exhibit C***.

1.4 Special Valuation Assumptions: This Appraisal Report is subject to following general assumptions, Hypothetical Conditions and/or Extraordinary Assumptions, as defined by USPAP:

1.) We have assumed that there is no environmental contamination remaining within or nearby the defined properties. Given the age and past industrial uses of the various land parcels there may be Recognized Environmental Concerns (RECs) present within each of the properties. We have assumed that any remaining RECs will have been remediated prior to sale of the targeted redevelopment parcels or total site as a whole. Therefore this Appraisal Report is subject to the **Extraordinary Assumption** that this is the case and should there be RECs within or nearby the subject properties subsequent to any sale(s), this *could* have a negative impact on the values presented herein.

2.) We have not valued any building improvements such as the Public Works Department and Municipal Garage building, nor the shell of the former Blacksmith Shop structure. As requested by the client, we have provided a value of the Power Structure as part of Phase I of the redevelopment.

3.) We have assumed as an **Extraordinary Assumption** that the proposed public infrastructure improvements and riverfront enhancements will have been completed and that the land values presented herein reflect these anticipated public and private improvements.

4.) This appraisal has estimated values for various types of redevelopment sites within the total 11-acre project site based on current market land pricing for typical average site sizes based on use at defined densities and location within the project site. Should actual targeted redevelopment sites be offered to redevelopers for sale at drastically different sizes (either larger or smaller), this *could* have an impact on the values presented herein.

1.5 Statement of Competency: Mr. Connor has 23 years experience valuing a wide range of mixed-use residential, commercial and land redevelopment properties in Madison, Milwaukee and in smaller cities in Wisconsin. He has 33 years experience valuing urban commercial property including Chicago and Detroit. He is considered competent to value the subject property, not only by the client but also by his peers.

2.0 Description of the Targeted Redevelopment Site

2.1 Land Parcel Descriptions

The project site presently consists of eleven land parcels targeted for redevelopment that are situated north of the Yahara River between South 4th and South 7th Streets in downtown Stoughton, Wisconsin. *Note: nearly all of the buildings depicted in the aerial below have been demolished.*

Stoughton Revelopment Land by Parcel						
Parcel No.	Tax Parcel ID	Address	Ownership	Size Sq. Ft.	Size Acres	Vacant
1	281/0511-081-4444-6	501 S. 4th	City of Stoughton	17,434.57	0.40	No
2	281/0511-081-4462-4	601 S. 4th	City of Stoughton	78,372.24	1.80	No
3	281/0511-081-4328-7	433 E. South	Stoughton RDA	86,681.30	2.06	Yes
4	281/0511-081-4308-1	425 E. South	Stoughton RDA	11,470.78	0.72	Yes
5	281/0511-081-4311-6	425 E. South	Stoughton RDA	1,211.07	0.03	Yes
6	281/0511-081-4319-8	433 E. South	Stoughton RDA	26,349.79	0.60	Yes
7	281/0511-081-6562-9	433 E. South	Stoughton RDA	28,815.87	0.66	Yes
8	281/0511-081-6767-2	433 E. South	Stoughton RDA	38,868.28	0.89	Yes
9	281/0511-081-6713-6	433 E. South	Stoughton RDA	81,685.70	1.50	Yes
10	281/0511-081-6664-6	433 E. South	Stoughton RDA	11,170.95	0.25	Yes
11	281/0511-081-6522-7	501 E. South	Stoughton RDA	97,087.22	2.25	Yes
Subtotal by Sq. Ft. from DCI Map:				479,147.77	11.00	
Subtotal by Parcel View - Details:					11.17	

2.2 Legal Descriptions

Due to the number of land parcels, some with extensive legal descriptions, we refer the reader to title reports and individual recorded legal descriptions of public record.

2.3 Ownership and Sales History of the Subject Properties

Land parcels No. 1 and 2 are owned by the *City of Stoughton*, while land parcels No. 3 through 11 are owned by the Stoughton RDA. The RDA properties consisted of various manufacturing and industrial facilities dating back to the late nineteenth century that were assembled over the past five to nine years and have been gradually prepared for redevelopment, including: demolition of buildings and some environmental remediation.

2.4 Topography and Water Frontage

The entire 11-acre project site slopes downward from north to south towards the Yahara River and features approximately 1,000 feet of frontage along the north bank of the river. West of South 4th Street, the river is presently partially dammed at Millpond 429 and Riverside Park and flows underneath South 4th Street through a headrace into the power house at the southwestern corner of the project site. At this point, the river widens to approximately 200 feet and features a roughly 150-foot long, narrow spit of land that separates the dammed flowage from the headrace flowage. Continuing easterly along the north bank, the river narrows to roughly 100 feet before making a southerly bend at Dunkirk Park and curving back to the west around Mandt Parkway.

Yahara River Frontage along Redevelopment Site

2.5 Building and Site Improvement Descriptions

Background

Starting in 2010, the Stoughton Redevelopment Authority (RDA) acquired the Highway Trailer complex, followed by the former MillFab facility in 2016 and the Carpet Warehouse property in 2017. As of the date of inspection, only the public works/municipal garage building, a wood storage bldg. and the power house remain on Parcels 1 and 2. The remainder of the site has been cleared, except for the shell structure of the old blacksmith shop on Parcel 11.

1. **501 S. 4th Street**
2. **601 S. 4th Street**

17,435 sq. ft. and 78,372 sq. ft. lots (subtotal of **95,807 sq. ft., or 2.20 acres**). Parcel 1 contains the single-story northern portion of the existing Public Works Department building, while Parcel 2 contains the steel sided connective section to the 2-story municipal garage section of the building. This structure consists of a combination of steel siding and masonry block with steel sash windows and dates back to the early 1960s. It may be targeted for partial demolition and/or repurposing as part of the redevelopment plan.

The far southern portion of Parcel 2 contains a wood frame storage bldg. and the historic Romanesque revival hydroelectric Power House structure built 1911 containing 2,352 sq. ft. (42' x 56') and located on the north bank of the bend in the Yahara River. This structure is targeted for rehabilitation for a commercial use as part of the redevelopment plan.

Public Works Dept and Municipal Garage

Historic Power House

2. **Parcels 3 - 11**

383,341 sq. ft. or 8.80 acres. As described in the Background subsection in Section 2.5, only the shell building of the old blacksmith shop remains standing on Parcel 11. The remainder of this portion of the project site has been demolished and has been security fenced. The river frontage (southern portion) is targeted for public open space and a public plaza with connecting green space from E. South Street with the remainder of this portion of the redevelopment site targeted for residential use with some mixed use in the northeast portion along E. South Street.

View of southern portion of redevelopment site from Mandt Park

Blacksmith shop building - east to west

3.0 Zoning and Related Land Use Regulations

The entire redevelopment area is presently zoned ***MR-24 - Multi-Family Residential District*** by the City of Stoughton [Section 78-105(h) of the Municipal Code]. The district establishes the following:

1. *Description and purpose*: This district is intended to permit development that has a higher density community character. The land use standards for this district permit single-family detached, twin house/duplex, two flats, townhouses, and multiplexes permitted by right and related institutional land uses. Density and intensity standards for this district are designed to ensure that the Multi-family Residential-24 District shall serve as a designation that preserves and protects the community character of its area. A variety of residential development options are available in this district, with a maximum gross density (MGD) of 24 dwelling units per gross acre.

2. *List of allowable principal land uses*:
   a. Principal land uses permitted by right: *(per subsection 78-202(1))*
   Single-family detached - 7,200 sf lot
   Twin house/duplex - 5,000 sf per du
   Two-flat - 7,200 sf lot
   Townhouse - 1,815 sf per du
   Multiplex - 1,815 sf per du
   Apartment - 1,815 sf per du
   Cultivation, Selective cutting and Clear cutting
   Passive and Active outdoor public recreation
   Public services and utilities
   Community living arrangement (1—8 residents) and (9—15 residents)

   b.Principal land uses permitted as conditional use: (per 78-202(2))
   Multiplex - 1,815 sf per du (24 du per acre)
   Apartment - 1,815 sf per du (24 du per acre)
   Institutional residential
   Community and Market gardens
   Community living arrangement (16+ residents)
   Bed and breakfast establishments
   Group day care center (9+ children)
   Boarding house

According to Maps 6A-D of the *Amended Comprehensive Plan*, the redevelopment site is targeted for ***Planned Mixed Use***, which consists of six (6) land use components: 1) Planned Business; 2) Institutional; 3) Recreational or Public Open Space; 4) Multi-family Residential; 5) Planned Office; and 6) Planned Industrial. This was introduced 6/10/2019 and was scheduled for public hearing on 8/13/2019.

In addition to the above, the targeted redevelopment area is likely subject to the provisions and regulations of the ***Floodplain Zoning*** (Chapter 30), ***Shoreland-Wetland Zoning*** (Chapter 31) and ***Shoreland Zoning*** (Chapter 32) ***Districts***.

4.0 Madison Metropolitan Area, Real Estate Market and Stoughton Overviews

4.1 Madison Metropolitan Area Overview

The Redevelopment Site is located in the City of Stoughton, a smaller southeastern Dane County municipality tied to the Madison regional economy. Madison is the largest city in Dane County and the second largest in Wisconsin. It is the state capital and the location of the largest university, the University of Wisconsin-Madison. With its foundation in these two institutions, as well as its location on a chain of lakes, Madison is recognized among the nation's cities for having a high quality of life.

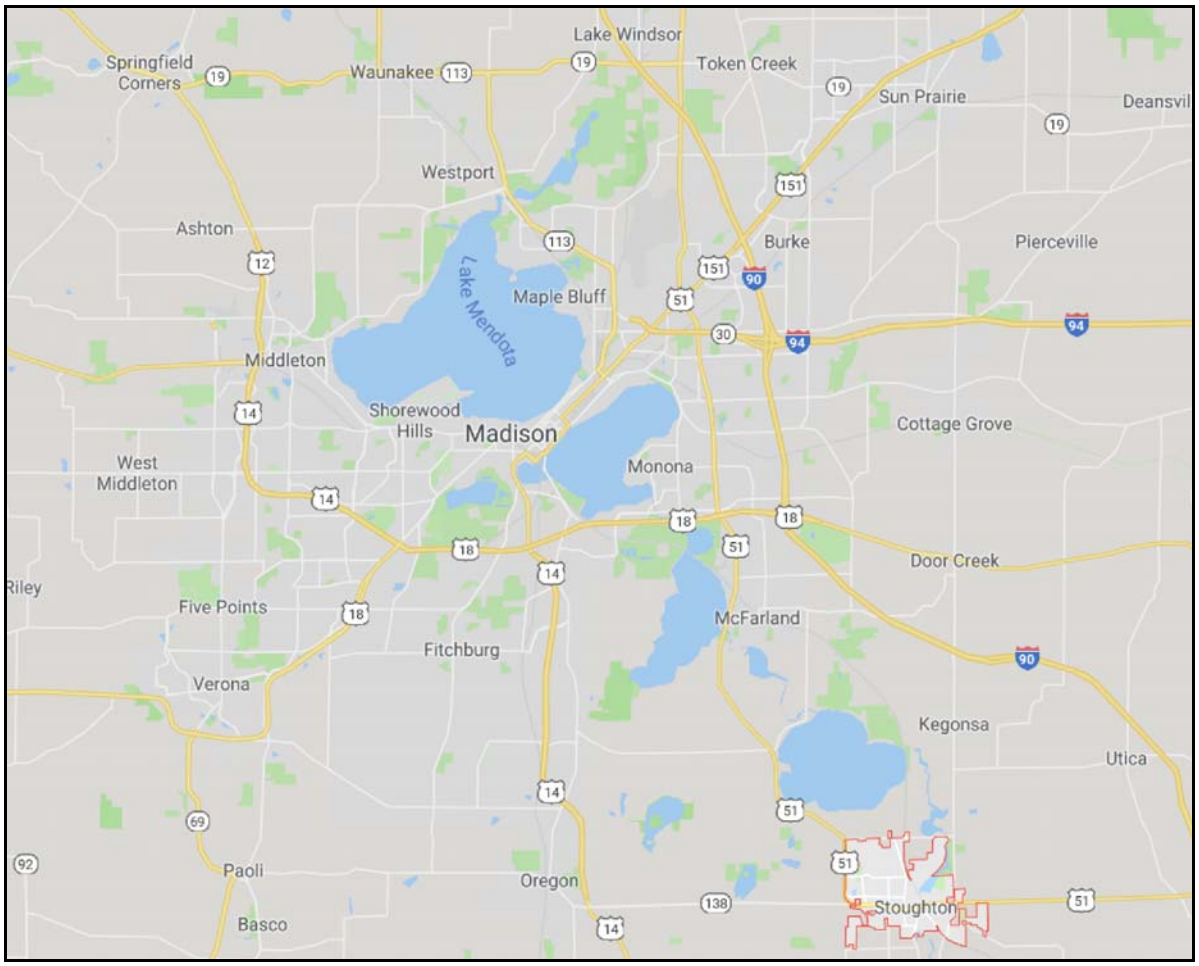


Figure 1 - Madison Region

Table A, on the following page, summarizes population trends in the region and illustrates the rapid growth outside the city of Madison to the surrounding suburban communities of Cottage Grove and Sun Prairie to the east northeast and to Verona and Fitchburg to the southwest.

The Madison MSA had a 2018 average annual labor force of 393,169 persons with some of the lowest unemployment rates statewide, declining from 2.8% in 2016 to 2.1% as of year-end 2018.

Table A: Population Changes 2000-2010			
Area	**2000 Census**	**2010 Census**	**Total % Change 2000-2010**
Stoughton City	12,354	12,611	2.1%
McFarland Village	6,416	7,808	21.7%
Cottage Grove Village	4,059	6,192	52.5%
Sun Prairie City	20,369	29,364	44.2%
Verona City	7,052	10,619	50.6%
Fitchburg City	20,501	25,260	23.2%
Madison City	208,054	223,389	7.4%
Dane County	426,526	488,073	14.4%
Wisconsin	5,363,708	5,686,986	6.0%
Source: *U.S. Census Bureau*			

The UW-Madison and Wisconsin Alumni Research Foundation are home to Dr. James Thompson and the original stem cells and patents. This served, in part, for much of the initial technological growth in the Madison area, which is now responsible for dozens of new start-up companies annually in the fields of biotechnology, medical genetic products, and agro-science.

During the great recession, Madison and Dane County proved its resilience through continued job creation and economic growth. Dane County accounted for 73% of net new jobs created in Wisconsin between 2004 and 2014, or nearly 20,000 new jobs, according to the *Milwaukee Journal Sentinel*. Much of this growth can be attributed to Epic Systems Corporation, the medical records software company. Since the arrival of this employer, initially with about 2,000 employees and now based at their Verona headquarters with around 10,500 employees, the region and especially downtown Madison has seen extensive growth, change and new development.

Changing demographics and increased economic clout from millennials moving into the Madison area for software, pharmaceutical, bio-tech and agro-tech jobs, coupled with a gradual shift in demand away from housing ownership to renting, has fueled a boom in new multi-family residential construction throughout the City of Madison and in some parts of the suburban metropolitan area. This coincided with a virtual halt in new private-sector construction for nearly five years during the great recession, which froze new additions to supply during a period of growing demand. Since then, new construction and redevelopment has spread at a scale and pace that hasn't been seen in Madison for decades.

4.2 Madison and Stoughton Area Real Estate Market Overview

Published real estate market data for the Madison area (Dane County) comes from *CoStar.* We have provided market statistics for the office and retail markets from this source, along with multi-family housing market statistics from Madison Gas & Electric (MG&E).

The ***Madison Office Market*** overview indicates a total year-end 2018 office inventory in ***Dane County*** of 33.64 million square feet with about 1.709 million square feet of available space, indicating a vacancy rate of **5.1%**, up from 3.9% in 2017, but down slightly from 6.0% in 2016. Year-end 2018 net absorption was 1,245,249 square feet with 1,261,600 square feet of newly delivered space and 239,000 square feet under construction. Average year-end 2018 quoted rents in the Dane County Office Market were $17.11 per square foot.

Stoughton lies in the ***Outlying Dane East*** office sub-market. We would envision any new office construction for the redevelopment area to be likely classified as ***Class A*** space, but because there is no inventory for Class A office space in the sub-market, we have included statistics for ***Class B*** office space. At year-end 2018, the Class B Outlying Dane East office sub-market contained a total inventory of 45 buildings and 707,632 square feet, with 15,677 square feet of vacant space, or **2.2%** with a net positive absorption of 8,060 square feet, with no new deliveries or new construction brought onto the market. Average quoted rents were $12.79 per square foot.

The ***Madison General Retail Market*** overview indicates a total year-end 2018 retail inventory in ***Dane County*** of 19.16 million square feet with 294,040 square feet of available space, indicating a vacancy rate of **1.5%**, up from 3.9% in 2017, but down slightly from 6.0% in 2016. Year-end 2018 net absorption was 23,669 square feet with 60,969 square feet of newly delivered space and 46,184 square feet under construction. Average year-end 2018 quoted rents in the Dane County Retail Market were $16.36 per square foot.

Similar to the office market, Stoughton lies in the ***Outlying Dane East*** retail sub-market. We would envision any new retail construction for the redevelopment area to be diverse, ranging from strip type to specialized retail to ground floor commercial space. We have included statistics for ***General Retail*** space. At year-end 2018, the Outlying Dane East general retail sub-market contained a total inventory of 302 buildings and 2.12 million square feet, with 74,149 square feet of vacant space, or **3.5%** with a net positive absorption of 7,338 square feet, with 11,440 square feet of deliveries and no new construction brought onto the market. Average quoted rents were $12.33 per square foot.

Madison Gas & Electric (MG&E) inventories the multi-family market by zip code. Stoughton and the targeted project site are not inventoried. The nearest inventoried location is the Madison/Monona 53716 zip code, which includes the far east side of Madison and all of the City of Monona.

As of 4th Quarter 2018, the 53716 sub-market contained an inventory of 1,917 units with an overall vacancy of 4.22%, up from 2.19% in 2017. ***Table B*** illustrates how vacancies have inched upwards or downwards 50 to 100 basis points over the past five years as this sub-market absorbed 163 new units. Meanwhile, the Madison MSA absorbed 7,654 new units over this same time frame and posted a total year-end 2018 multi-family inventory of 63,396 units.

Table B: Multi-Family Vacancies

4th Quarter Year End	53716 Zip Code	Madison MSA
2018	4.22%	3.00%
2017	2.19%	3.15%
2016	3.24%	2.82%
2015	2.78%	2.39%
2014	3.36%	2.39%

Source: MG&E, Multifamily Rental Vacancy Rates

4.3 Stoughton Area Overview

The City of Stoughton is located roughly 20 miles south of Madison along U.S. Hwy. 51. Situated on the Yahara River, the city posted a 2010 Census population of 12,611, little changed from the 2000 Census population of 12,354. The city is home to several large businesses including: Stoughton Trailers, Cummins Filtration, Stellar Services, Zalk Josephs Fabricators, B&G Foods (Ortega) and Uniroyal Global. Other large employers include the Stoughton Area School District and Skaalen Retirement Services.

Founded in 1847 by Luke Stoughton, an English settler from Vermont, Stoughton experienced an influx of Norwegian settlers, especially from 1865 through the early twentieth century. At one time, as many as 75 percent of its residents spoke Norwegian. For much of its history, Stoughton had been Dane County's second-largest and economically important city, after Madison.

Not unlike many older Wisconsin cities and villages that were established in the mid-nineteenth century, Stoughton features a rich history and downtown Main Street with many older commercial storefronts and historical buildings, such as the Stoughton Opera House, a nearly 120-year-old theater that began restoration 35 years ago and is now a Midwest venue for national and international music acts and performing artists.

The city and area is also well known for the citywide celebration of *Syttende Mai*, or May 17th, the Norwegian constitution day. This three-day event features Norwegian dancers, a 20-mile run, athletic competitions such as the Viking Games Strongman competition, parades and an arts & crafts fair.

According to the City's Comprehensive Plan (adopted 7/11/2017), which examined four different sources for population projections and blended them, the city is estimated to have a population of 14,251 for 2020 and 16,105 by 2030, based on a compounded annual growth rate of 1.23%. According to the 2010 Census, there were 5,419 housing units and 5,133 households in Stoughton with an average household size of 2.41. Average household size is projected to decline to 2.27 by 2035, which translates to approximately 817 new households (1,854 new residents over the next ten years at 2.27 persons per household).

According to the 2010 Census, the city's housing stock was comprised of about two-thirds single family dwellings with the remaining one-third consisting of apartments and condos (23%) and the remaining 10% comprised of duplexes and townhomes. According to the Comprehensive Plan, the percentage of single-family dwellings increased to 69.9% in 2016 with new additions to the housing stock declining from 158 new housing units per year between 1990 and 2000 to 53 units per year up to 2007 and to only 17 units per year from 2008 to 2016, during and following the great recession.

Stoughton's median household income in 2014 was $57,813 compared to $70,750 in McFarland and $82,018 in Cottage Grove. It was higher than the state median of $52,738 and nearby Edgerton's median income at $48,960 and roughly 93% of Dane County's median income of $62,303.

4.4 Targeted Redevelopment Overview

In addition to the property specific improvements discussed in Section 2.0 and the planning entitlements related to zoning, outlined in Section 3.0, the Riverfront Project area is targeted for a variety of public improvements that are intended to compliment private and public sector redevelopment of the site. These are briefly outlined below.

- Implementation of a new Tax Increment District (TID #8) until 2044.
- Construction of a Whitewater Park to adjoin the project site (see description below).
- Infrastructure improvements to streets, plus a pedestrian bridge and lift station.
- Riverside walk/trail, riverfront gardens, public gathering space.
- Proposed recreational center and improvements to Mandt Park across the river.

Whitewater Park This is intended to adjoin the project site for several hundred feet along the Yahara River. It would entail the removal of the existing dam just upstream from the project site and west of South 4th Street and involve the construction of a series of pools that would take paddlers through the underpass below South 4th Street and down two drops into another set of pools immediately in front of the project site. In addition to bank stabilization and revegetation, a beach and boat ramp would be constructed just east of the power house along the riverwalk trail.

Phase I of Redevelopment Site This is targeted for a $50 million initial phase(s) that would include 240 to 260 new dwellings consisting of a mix of both rental and ownership units beginning as early as 2020.

5.0 Highest and Best Use

Highest and best use is defined as: "the reasonably probable and legal use of vacant land or an improved property that is physically possible; legally permissible, appropriately supported, financially feasible, and that results in the highest value."[1]

The project area is located in a mixed residential and older industrial area two blocks south of East Main Street along the north bank of the Yahara River, sited between Stoughton Trailer and Uniroyal. Surrounding residential housing can be categorized as predominantly pre-WWII single-family and two-family dwellings with assessed values ranging from $34,800 to $183,600 with a median assessed value of $145,600. Downtown housing in Stoughton remains affordable in comparison to similar Dane County communities, which coincides with its relatively low median household income.

As discussed in Section 4.3, about 70% of the housing stock in Stoughton is single-family with sharply declining new additions to the housing stock since the great recession, dropping from 158 new housing units per year between 1990 and 2000 to 53 units per year up to 2007 and to only 17 units per year from 2008 to 2016.

As discussed in Section 4.1 and as presented in ***Table A***, from a population standpoint, other Dane County communities such as Cottage Grove, McFarland, Verona, Sun Prairie and Fitchburg each of experienced much higher percentage population growth than Stoughton between the past two censuses.

The aforementioned economic and demographic backdrop distinguishes Stoughton from other suburban Madison communities in terms of existing market demand versus future potential. Given its historic downtown and older industrial backdrop, Stoughton has some of the characteristics of communities on the border of Dane County such as Cambridge and Edgerton, but is also similar to older downtown communities such as Fort Atkinson or Lake Mills in Jefferson County. Its close proximity to the a larger and higher-paying employment base in Madison puts Stoughton at an advantage in comparison to these communities from an economic and redevelopment standpoint.

The City of Stoughton and the RDA are looking to invest in the downtown and riverfront by revitalizing vacant and underutilized areas such as the project site in hopes of attracting new residents and private development to Stoughton's growing cultural scene and evolving community. These economic and demographic indicators help define the highest and best and market land pricing within the project area, based on proximity to the riverfront, as well as residential density per acre and commercial potential for development sites or parcels still evolving within the project redevelopment site.

[1] The Appraisal of Real Estate, Twelfth Edition - the Appraisal Institute, 2001, page 305.

6.0 Market Land Pricing

6.1 Overview

Based on our highest and best use discussion in Section 5.0, we have priced as yet to be determined development sites within the overall Redevelopment Site based on three land use pricing categories:

Category 1:	Medium density multi-family with possibly ground floor commercial space and variability for riverfront or interior siting.
Category 2:	Lower density multi-family or townhouse site with no ground floor commercial space and variability for riverfront or interior siting.
Category 3:	Commercial sites for specialty retail, office, restaurant/bar, business incubation/flex, hotel or a combination of any one or more of these types of space.

Concluded pricing unit rates (i.e. per Square Foot and per Developable Unit or D.U.) for each category can be applied to the appropriate redevelopment sites within the 11-acre project area based on the appropriate parameters. We consider pricing impact for site location in metro Madison, as well as location in a TID, density, etc.

6.2 Methodology and Presentation of Sales by Category

We conducted a search in Stoughton, as well as in the downtown areas of smaller communities in eastern Dane, northern Rock and western Jefferson Counties for recent sales of vacant land that meet any of the three pricing categories. We also searched for similar vacant land and redevelopment sales in McFarland, Monona and in the City of Madison where there has been more sales activity. Many sales were rejected as being too rural or because they reflect higher end lakefront marina development, such as the former Beachhouse redevelopment (now Waubesa Shores Condominiums) in McFarland.

We present and discuss eight multi-family land sales in ***Table C*** and in the remainder of this section. We then conclude values for Categories 1 and 2 using these sales. This is followed by presentation and adjustment of three additional commercial land sales that are used to conclude a value for Category 3.

Adjustments were applied for market conditions to reflect current land pricing dynamics. This was derived by two primary sources: Madison Assessor at 2.75% per year and average annual apartment rental increases of 2.08%; we have used **2.50%** compounded annually to adjust each sale to current (2019) dollars.

TABLE C: MULTI-FAMILY AND MIXED-USE GROUND FLOOR COMMERCIAL VACANT LAND SALES

No.	Location	Date of Sale	Size (S.F.)	Size (Acres)	Zoning	Sale Price	Price/ S.F.	Price/ Unit Units/Ac.	Comments
1	The Grove Apartments Site 208 Cottage Grove Road Madison, WI 53716	Feb-2019	95,876	2.201	CC-T	$2,000,000	$20.86	$17,857 43.2	To be redeveloped for 112 units with 95 units set aside at 60% of CMI. Sec. 42 tax credit development (WHEDA).
2	Future Multi-Family Site 6502 Milwaukee Street Madison, WI 53718	Mar-2018	127,583	2.929	PD	$1,200,000	$9.41	$12,766 32.1	Purchased by Heritage Group for future MF development.
3	Multi-Family Redev. Site 131 S. Fair Oaks Avenue Madison, WI 53704	Feb-2018	146,036	3.353	TE	$1,939,525	$13.28	$12,047 48.0	5-story apartment development u/c with 161 units and 11,000 sq. ft. of commercial space. Developed by Inventure Capital.
4	The Current MF/Comm Site Monona Yahara River Redev. Monona, WI 53716	Feb-2018	103,150	2.368	TE	$1,650,000	$16.00	$17,188 40.5	Developed for 96 units + 25,000 sq. ft. of grnd flr commercial space a single 6-story bldg.
5	Former Marling Lumber Site 1801 E. Washington Avenue Madison, WI 53704	May-2017	168,837	3.876	TE	$2,700,000	$15.99	$11,739 59.3	Developed for 230 units + 20,000 sq. ft. of grnd flr commercial space in two 4-story bldgs.
6	Kettle Park West Senior Housing 2600 Jackson Street Stoughton, WI 53589	May-2018	184,467	4.235	INST./MF	$2,642,411	$14.32	$26,424 23.6	Being developed for 100-unit senior housing complex.
7	Flats at Grandview Site 114 Milky Way Madison, WI 53718	Oct-2017	218,557	5.017	TR-UI	$902,400	$4.13	$9,600 18.7	Developed by Horizon for 94 units with multiple set aside levels of CMI. Sec. 42 tax credit development (WHEDA).
8	Cross Hill Heights Apts Site 3515 Cross Hill Drive Madison, WI 53718	Sep-2017	298,974	6.863	TR-UI	$2,000,000	$6.69	$10,582 27.5	Developed by Forward Management for 189 studio, 1, 2 and 3 bedroom market-rate units. in four 3-story buildings.

Land Sale No. 1 represents the acquisition and redevelopment, now under construction, of the former Madison Pinney Branch Library near the corner of Monona Drive and Cottage Grove Road on the far east side of the City of Madison. The site was acquired for $2 million ($20.86 per Sq. Ft. or $17,857 per D.U.) and is located in a TID. As a result, the developer received $3.0 million in TIF from the city, as well as $13.4 million in tax credits. The TIF helped cover demolition, as well as a portion of the gap between equity and a $20.0 million development budget. The seller was Sundial Capital, LLC and the buyer was MSP Real Estate. The sale was recorded on 2/6/2019 (Warranty Deed No. 5468769). We adjusted this sale by a factor of 1.013 for market conditions at 2.5% compounded over 0.5 years. This sale reflects the following:

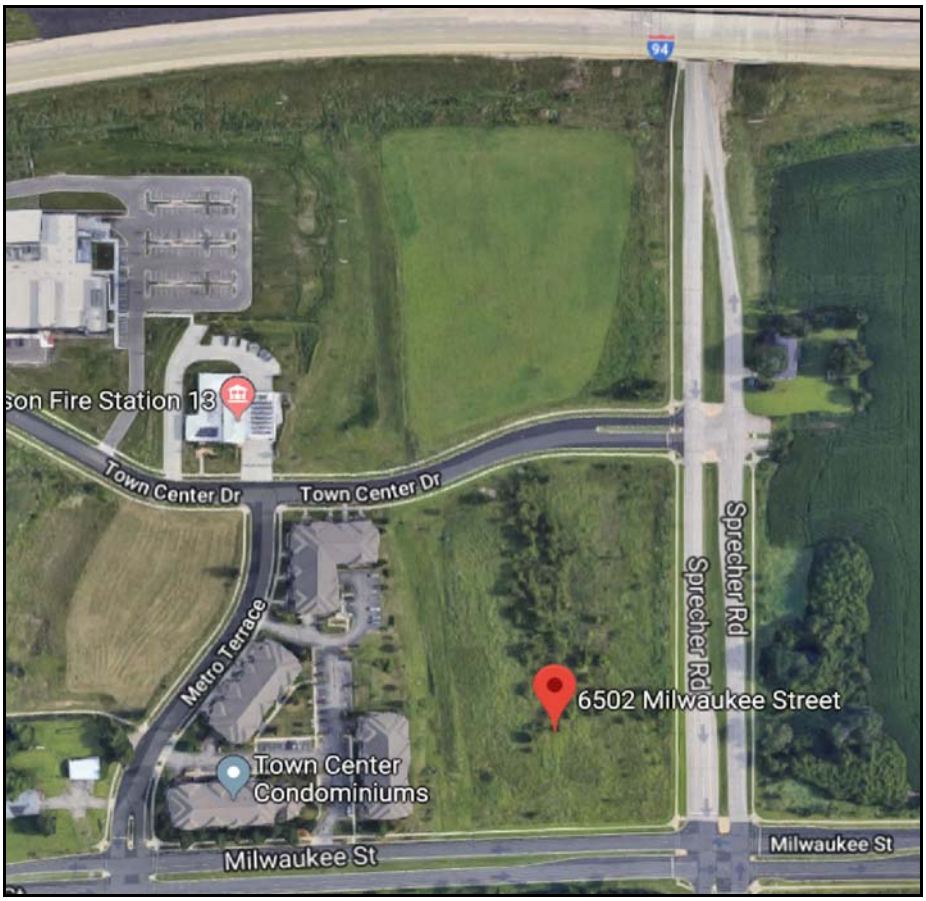
- 43 units per acre of allowable density, yielding a price of $18,089 per D.U.;
- Reflects TID financing;
- Reflects a multi-family interior redevelopment site with commercial exposure;
- No direct water frontage, but sited in proximity to with views of Lake Monona;
- Is targeted for affordable units set aside at 60% of CMI using Sec. 42 tax credits;
- Yields a unit rate of $21.13 per Sq. Ft.
- Median home assessed value (AV) of $205,050 v. project area AV of $145,600 = 29%

Within Category 1, this sale sets the high end of the range for an interior medium-density site in a TID, which also may be skewed higher by extensive tax credits.

Land Sale No. 2 represents a vacant land acquisition to develop new multi-family housing at the Metro Tech development located on Madison's far east side at the intersection of Milwaukee Street and Sprecher Road. The acquisition involved a 2.93-acre vacant corner site targeted for 94 rental units by the Heritage Group. The property was purchased by warranty deed (Doc. #5395502) in March of 2018 for $1,200,000 ($9.41 per Sq. Ft. or $12,766 per D.U.) We adjusted this sale by a factor of 1.038 for market conditions at 2.5% compounded over 1.5 years. This sale reflects the following:

- 32 units per acre of allowable density, yielding a price of $13,251 per D.U.;
- Does not reflects TID financing;
- Reflects a first generation multi-family development site;
- No water frontage and minimal commercial exposure;
- Yields a unit rate of $9.77 per Sq. Ft.
- Median home assessed value (AV) of $280,500 v. project area AV of $145,600 = 50%

Within Category 1, we feel this sale reflects the lower end of the range for an interior medium-density site not located within a TID and lacking river or water frontage.



<u>Land Sale No. 3</u> represents the acquisition of the former Kessenich's restaurant supply store site at 131 South Fair Oaks Avenue on the east side Madison, adjacent to the newly redeveloped Garver Feed Supply property in an area that is seeing redevelopment activity of former industrial properties. The site was acquired by Michael Thorson of Madison-based Inventure Capital and contains 3.35 acres (146,036 sq. ft.). It is located in TID # 37 and is zoned TE, Traditional Employment District. It was acquired for $1,939,525 ($13.28 per Sq. Ft. or $12,047 per D.U.) in February 2018 by warranty deed (Doc. #5392348). We adjusted this sale by a factor of 1.038 for market conditions at 2.5% compounded over 1.5 years. This sale reflects the following:

- 48 units per acre of allowable density, yielding a price of $12,505 per D.U.;
- Reflects TID financing;
- Reflects a former industrial redevelopment site;
- No water frontage, although Starkweather Creek is nearby;
- Direct commercial exposure on Fair Oaks Drive with ground floor commercial space;
- Yields a unit rate of $13.78 per Sq. Ft.
- Median home assessed value (AV) of $244,500 v. project area AV of $145,600 = 40%

Within Category 1, we feel this sale reflects the mid-point of the range for a high-density site with direct commercial exposure and frontage. It is located within a TID and reflects more of an interior site with water proximity (Starkweather Creek), but no direct water views or frontage.

Land Sale No. 4 represents the City of Monona CDA sale of a 2.368-acre site for the development of The Current, a 96-unit multi-family rental project with 25,000 sq. ft. of ground floor commercial space, to Galway Companies/McGann Construction by warranty deed (Doc. #5392968) in late February 2018 for $1,650,000 ($16.00 per Sq. Ft., or $17,188 per D.U.) The site represented the first sale of Monona's Yahara Riverfront Redevelopment project to a developer and is similar to what is proposed for the subject site. This site had river frontage, but did not control the boat slips, which were owned by neighboring Inland Boats Marina. The site is located within TID #9 and is zoned for mixed-use development. We adjusted this sale by a factor of 1.038 for market conditions at 2.5% compounded over 1.5 years. This sale reflects the following:

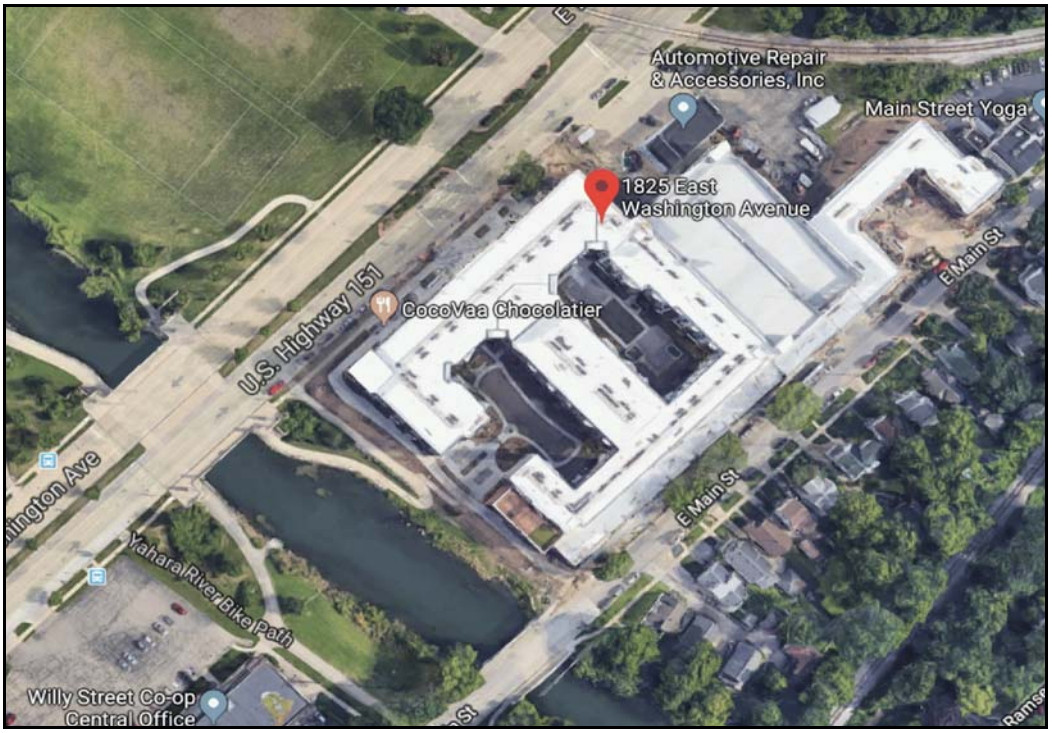
- 41 units per acre of allowable density, yielding a price of $17,841 per D.U.;
- Reflects TID financing;
- Reflects a redevelopment site;
- Direct water frontage on navagable segment of Yahara River between lakes;
- Direct commercial exposure on Broadway Ave. with ground floor commercial space;
- Yields a unit rate of $16.61 per Sq. Ft.
- Median home assessed value (AV) of $276,350 v. project area AV of $145,600 = 47%

Within Category 1, we feel this sale reflects the high point of the range for a high-density site with direct commercial exposure and frontage, located within a TID with direct Yahara River frontage and views.

Land Sale No. 5 represents the acquisition of the former Marling Lumber site on the northeast bank of the Yahara River in the 1800 block of East Washington Avenue on Madison's Isthmus. The price of $15.99 per Sq. Ft. ($11,739 per D.U.) reflects a 3rd quarter 2016 price for a May 2017 closing date recorded by warranty deed (Doc. #5322796). The 166,087-Sq.-Ft. site (3.81 Acres) is located within TID #36 and is zoned TE district. It was redeveloped for 230 apartments in two 4-story buildings with 20,000 sq. ft. of ground floor commercial space and a 5-story parking structure. Similar to what is proposed for the subject river frontage, the City of Madison acquired the river frontage for a public green space, however the site has direct river views and access. We adjusted this sale by a factor of 1.077 for market conditions at 2.5% compounded over 3.0 years. This sale reflects the following:

- 59 units per acre of allowable density, yielding a price of $12,642 per D.U.;
- Reflects TID financing;
- Reflects a former industrial redevelopment site;
- Direct water frontage on navagable segment of Yahara River between lakes;
- Direct commercial exposure on Washington Ave. with ground floor commercial space;
- Yields a unit rate of $17.22 per Sq. Ft.
- Median home assessed value (AV) of $241,450 v. project area AV of $145,600 = 40%

Within Category 1, we feel this sale reflects the high point of the range for a high-density site with direct commercial exposure and frontage, located within a TID with direct Yahara River frontage and views.



6.3 Land Sale Adjustments and Pricing Conclusions for Category 1

In the following table, we have applied subjective adjustments to each sale to reflect pricing for a medium-density multi-family site at roughly 45 units per acre with a ground floor commercial component, both with and without direct Yahara River Frontage, located within the project site. The most significant adjustment is for pricing differences between sites located in Madison or Monona and Stoughton. Attempts were made to support this adjustment by comparing median home pricing between zip codes, but the zip code for Stoughton (53589) includes lake front homes surrounding Lake Kegonsa, as well as rural housing in the towns of Dunkirk, Dunn, Pleasant Springs and Rutland. Instead, we focused on current assessed values for 20 randomly selected residential properties within 3 to 6 blocks of each land sale to derive a median for each sale location that can be compared to the median assessed value for the project area.

Category 1: Medium-Density MF with Ground Floor Commercial Space					
Component	**Land Sales**				
	Sale 1	**Sale 2**	**Sale 3**	**Sale 4**	**Sale 5**
Time Adj'd Price/SF:	$21.13	$9.77	$13.78	$16.61	$17.22
Time Adj'd Price/D.U.:	$18,089	$13,251	$12,505	$17,841	$12,642
Density (± 45 units/Ac.)	0%	10%	0%	0%	-5%
TID/Other	Yes	5%	Yes	Yes	Yes
Direct Water Frontage	No	No	No	Yes	Yes
Commercial Exposure	-5%	0%	-5%	-5%	-5%
Location Adjustment	-30%	-40%	-30%	-35%	-30%
Adj'd Price/SF:	$13.73	$7.33	$8.96	$9.96	$10.33
Adj'd Price/D.U.:	$11,758	$9,938	$8,128	$10,705	$7,585

Category 1 reflects pricing for an average density of 45 units per acre with ground floor commercial space, located within a TID. Sales No. 4 and 5 reflect direct Yahara River Frontage as well as extensive ground floor commercial space and exposure. We applied lesser location adjustments to these sales because water frontage is already reflected in the median home assessments. We conclude unit rates of **$10.00 per Sq. Ft**., or **$10,000 per D.U.** Applying these unit rates to an average 3.0-acre development site at 45 units density per acre, results in the following land values for a **Category 1 Development Site with Direct River Frontage** located within the project redevelopment (rounded to the nearest $10,000):

3.0 Acres = 130,680 Sq. Ft. x **$10.00** per Sq. Ft. = $1,310,000 rounded
45 Units per Acre = 135 D.U. x **$10,000** per D.U. = $1,350,000, say **$1,330,000**

To calculate land values for a similar interior site within the targeted project redevelopment but without river frontage, we relied on primarily on Sales No. 2 and 3. Sale No. 1 may have been skewed higher by the developer receiving $13.4 million in Section 42 tax credits, which are difficult to adjust in the land acquisition price. After adjustments, we conclude unit rates of **$8.00 per Sq. Ft**., or **$9,000 per D.U.** Applying these unit rates to an average 3.0-acre interior development site at 45 units density per acre, results in the following land values for a **Category 1 Interior Development Site** located within the project redevelopment (rounded to the nearest $10,000):

3.0 Acres = 130,680 Sq. Ft. x **$8.00** per Sq. Ft. =	$1,050,000 rounded
45 Units per Acre = 135 D.U. x **$9,000** per D.U. =	$1,220,000, say **$1,130,000**

Land Sale No. 6 represents the acquisition by Waunakee Investors, LLC from KP Lot 16, LLC (Forward Development Group) for a 4.235-acre site in Phase 2 of Stoughton's Kettle Park West on the city's far northwest side, just west of U.S. Hwy. 51. The site sold for $2,642,411 by warranty deed (Doc. #5405945) in May of 2018 for $14.32 per Sq. Ft., or $26,424 per D.U. and was purchased for the development of 100 senior housing units next to a hotel site (see Land Sale No. 10). We adjusted this sale by a factor of 1.031 for market conditions at 2.5% compounded over 1.25 years. This sale reflects the following:

- 24 units per acre of allowable density, yielding a price of $27,243 per D.U.;
- Price reportedly did not reflect TID financing, but site is located in a TID;
- Reflects a first generation multi-family development site;
- Interior site with no river frontage or commercial exposure;
- Yields a unit rate of $14.76 per Sq. Ft.

Within Category 2, we feel this sale reflects an interior lower-density site not located within a TID and lacking river or water frontage.

Land Sale No. 7 represents a first generation vacant land site acquired for the development of a new 2-story, 94-unit Section 42 tax credit multi-family rental project known as The Flats at Grandview, located on Madison's far east side off Milwaukee Street and I-90/94. The acquisition involved 5.017 acres by warranty deed (Doc. #5367440) by Madison East Partnership, LLC (Horizon Development) from ORE, Inc. in October 2017 for $902,400 ($4.13 per Sq. Ft. or $9,600 per D.U.) We adjusted this sale by a factor of 1.051 for market conditions at 2.5% compounded over 2.0 years. This sale reflects the following:

- 19 units per acre of allowable density, yielding a price of $10,090 per D.U.;
- Does not reflects TID financing;
- Reflects a first generation multi-family development site;
- Interior site with no river frontage or commercial exposure;
- Yields a unit rate of $4.34 per Sq. Ft.
- Median home assessed value (AV) of $280,500 v. project area AV of $145,600 = 48%

Within Category 2, we feel this sale reflects an interior lower-density site not located within a TID and lacking river or water frontage.

Land Sale No. 8 represents a first generation vacant land site acquired for the development of new market-rate multi-family rental housing known as Cross Hill Heights, a 3-story, 189-unit project located on Madison's far northeast side near High Crossing Blvd. and U.S. Hwy. 151. The acquisition involved 6.863 acres by Cross Hill Heights, LLC from Lancaster Properties, Inc. by warranty deed (Doc. #5428308) in September 2017 for $2,000,000 ($6.69 per Sq. Ft. or $10,582 per D.U.) We adjusted this sale by a factor of 1.051 for market conditions at 2.5% compounded over 2.0 years. This sale reflects the following:

- 28 units per acre of allowable density, yielding a price of $11,122 per D.U.;
- Does not reflects TID financing;
- Reflects a first generation multi-family development site;
- Interior site with no river frontage or commercial exposure;
- Yields a unit rate of $7.03 per Sq. Ft.
- Median home assessed value (AV) of $280,500 v. project area AV of $145,600 = 48%

Within Category 2, we feel this sale reflects an interior lower-density site not located within a TID and lacking river or water frontage.

6.4 Land Sale Adjustments and Pricing Conclusions for Category 2

Similar to determining pricing for Category 1, we applied subjective adjustments to Sales No. 6, 7 and 8 to reflect pricing for a lower-density multi-family site at 15-20 units per acre with no ground floor commercial space, both with and without direct Yahara River Frontage. The most significant adjustment is for pricing differences between sites located in Madison or Monona and Stoughton. We utilized the same median assessed value comparison for the location adjustment to that used for Category 1.

Category 2: Lower-Density MF with No Ground Floor Commercial Space			
Component	**Land Sales**		
	Sale 6	**Sale 7**	**Sale 8**
Time Adj'd Price/SF:	$14.76	$4.34	$7.03
Time Adj'd Price/D.U.:	$27,243	$10,090	$11,122
Density (15-20 units/Ac.)	-5%	0%	-5%
TID/Other	0%	5%	5%
Direct Water Frontage	No	No	No
Commercial Exposure	No	No	No
Location Adjustment	-20%	-40%	-40%
Adj'd Price/SF:	$11.07	$2.82	$4.22
Adj'd Price/D.U.:	$20,432	$6,559	$6,673

Relying more on Sales No. 7 and 8 with lower density and larger parcel size, respectively, we conclude unit rates of **$3.50 per Sq. Ft**., or **$6,600 per D.U.** Applying these unit rates to an average 6.0-acre development site at 17.5 units density per acre, results in the following site values for a **Category 2 Interior Development Site** located within the project redevelopment (rounded to the nearest $10,000):

6.0 Acres = 261,360 Sq. Ft. x **$3.50** per Sq. Ft. = $910,000 rounded
17.5 Units per Acre = 105 D.U. x **$6,600** per D.U. = $690,000, say **$800,000**

Using the average premium in site pricing of 18% between interior and river frontage from Category 1, we conclude the following site values for a **Category 2 Riverfront Development Site** located within the project redevelopment (rounded to the nearest $10,000):

6.0 Acres = 261,360 Sq. Ft. x **$4.15** per Sq. Ft. = $1,080,000 rounded
17.5 Units per Acre = 105 D.U. x **$7,800** per D.U. = $820,000, say **$950,000**

6.5 Land Sale Adjustments and Pricing Conclusions for Category 3

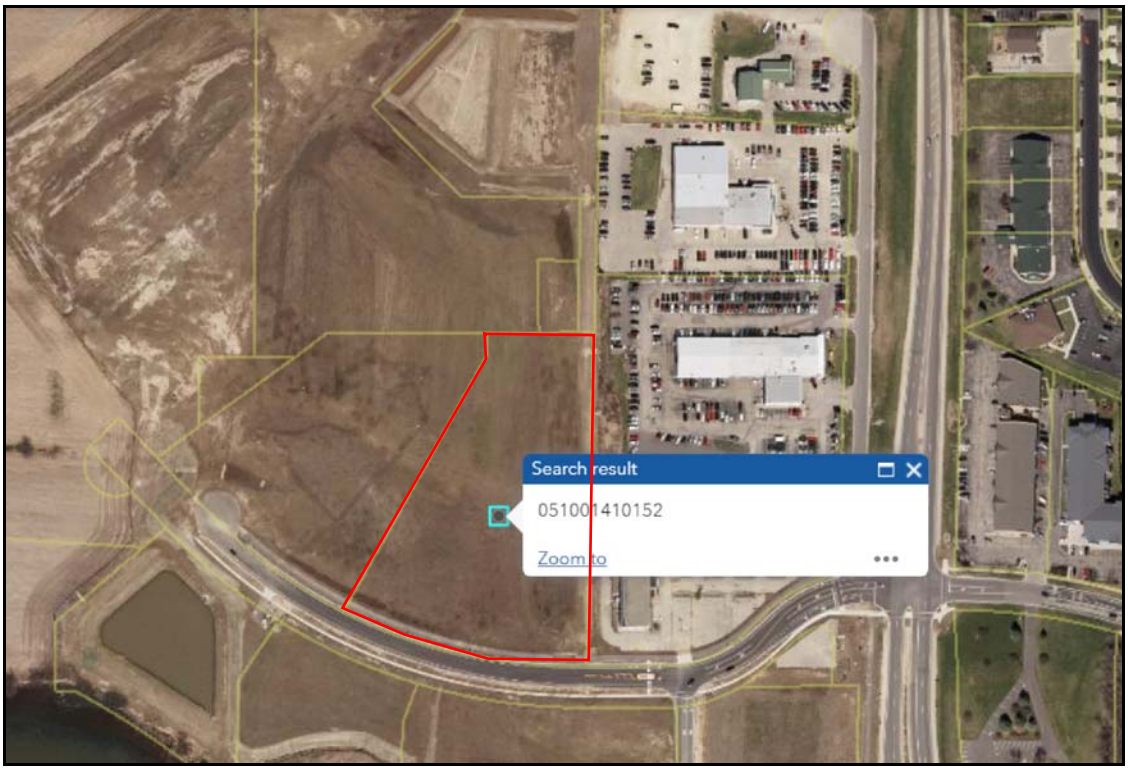
We estimated site pricing for Category 3, which we define as a land parcel containing 1 to 3 acres with frontage likely along South 4th Street and/or possibly near the intersection of East South and South 7th Streets at the northeast corner of the project redevelopment. This site category would be targeted for commercial use(s), such as specialty retail, office, business incubation/flex, hotel or a combination of any one or more of these uses.

Land Sale No. 9 represents the City of Monona CDA sale of a 1.171-acre site for the Avid Hotel, a 92-room, limited service hotel that is a joint venture between Kinseth Hospitality and Intercontinental Hotel Group. The site is located adjacent to The Current mixed-use multi-family project (see Land Sale No. 4) and was sold by MSB Building, LLC to West Broadway Hotel Associates, LLC by warranty deed (Doc. #5428684) in July 2018 for $881,366 ($17.28 per Sq. Ft.) The site represented the third phase of Monona's Yahara Riverfront Redevelopment project, an interior site without river frontage. The site is located within TID #9 and is zoned for mixed-use development. We adjusted this sale by a factor of 1.025 for market conditions at 2.5% compounded over 1 year. This sale reflects the following:

- Reflects TID financing;
- Reflects an interior commercial redevelopment site;
- Direct commercial exposure on Broadway Avenue;
- Yields a unit rate of $17.71 per Sq. Ft.
- Median home assessed value (AV) of $276,350 v. project area AV of $145,600 = 47%

Land Sale No. 10 represents the acquisition by KPW Hospitality, LLC (Forward Development Group) from the City of Stoughton for a 4.753-acre site in Phase 2 of Stoughton's Kettle Park West on the city's far northwest side, just west of U.S. Hwy. 51. The site sold for $2,045,070 in April of 2019 for $9.88 per Sq. Ft. and was purchased for the development of 93-room Tru by Hilton hotel. We adjusted this sale by a factor of 1.013 for market conditions at 2.5% compounded over 0.5 years. This sale reflects the following:

- Located in TID, but did not include TID financing;
- Reflects an interior commercial development site;
- Suburban Stoughton mixed-use location near U.S. Hwy. 51;
- Yields a unit rate of $10.00 per Sq. Ft.



<u>Land Sale No. 11</u> represents the Wisconsin Dept. of Administration (SG Hill Farms, LLC) sale to Madison Area Technical College of a 4.352-acre site for their new college. The site was a redevelopment and is located on the southwest corner of South Park Street and Badger Road at 2429 Perry Street, near the Beltline Hwy. on Madison's south side. The site sold in May 2018 for $2,800,000 ($14.77 per Sq. Ft.) and is located within TID #38 and is zoned for CC - Commercial Center district. We adjusted this sale by a factor of 1.031 for market conditions at 2.5% compounded over 1 year. This sale reflects the following:

- Reflects TID financing;
- Reflects an commercial redevelopment site;
- Direct commercial exposure on S. Park Street;
- Yields a unit rate of $15.23 per Sq. Ft.
- Median home assessed value (AV) of $142,700 v. project area AV of $145,600 = 0%

Category 3: Commercial Development Site			
Component	**Land Sales**		
	Sale 9	**Sale 10**	**Sale 11**
Time Adj'd Price/Sq. Ft.:	$17.71	$10.00	$15.23
Density	0%	0%	0%
TID/Other	Yes	Yes	Yes
Direct Water Frontage	No	No	No
Commercial Exposure	-5%	0%	-10%
Location Adjustment	-35%	-20%	-10%
Adj'd Price/SF:	$10.63	$8.00	$12.18

Relying on all three sales, we conclude a unit rate of **$10.00 per Sq. Ft**. Applying this unit rate to a 2.0 to 4.0-acre development site, results in the following site value for a **Category 3 Commercial Development Site** located within the project redevelopment (rounded to the nearest $10,000):

3.0 Acres = 130,680 Sq. Ft. x **$10.00** per Sq. Ft. = **$1,300,000**

7.0 Market Pricing for Power House, Phase I and Total 11 Acres

7.1 Market Pricing for Power House and Site

Sales of older industrial buildings targeted for conversion to commercial space (coffee shop, restaurant/bar), office, design or business incubation space are rare in the local market. Madison's east side has seen several recent sales of partial reuse of an older building shell but generally, pricing reflects the underlying land value. The following paragraphs discuss several recent examples of older industrial/commercial property acquisitions located downtown or on the near east side of Madison, the closest market with sales activity of this type.

Improved Redevelopment Sale No. 1 represents the Goodman Center acquisition of the former Madison Brass Works property at 214 Waubesa Street on Madison's east side for $450,000 in 12/2015, or $26.68 per sq. ft. for a 16,865 sq. ft. site. The property was located in TID #37 at the time of sale and was zoned TE (Traditional Employment) District. Upon acquisition, the building was partially demolished, gutted and a new addition was constructed. The original building was estimated to contribute roughly $75,000 to $100,000 at the time of acquisition (approx. **$15.00 per sq. ft.** for the building shell), indicating an underlying land value of roughly $21.50 per sq. ft., which was approximately market rate at the time.

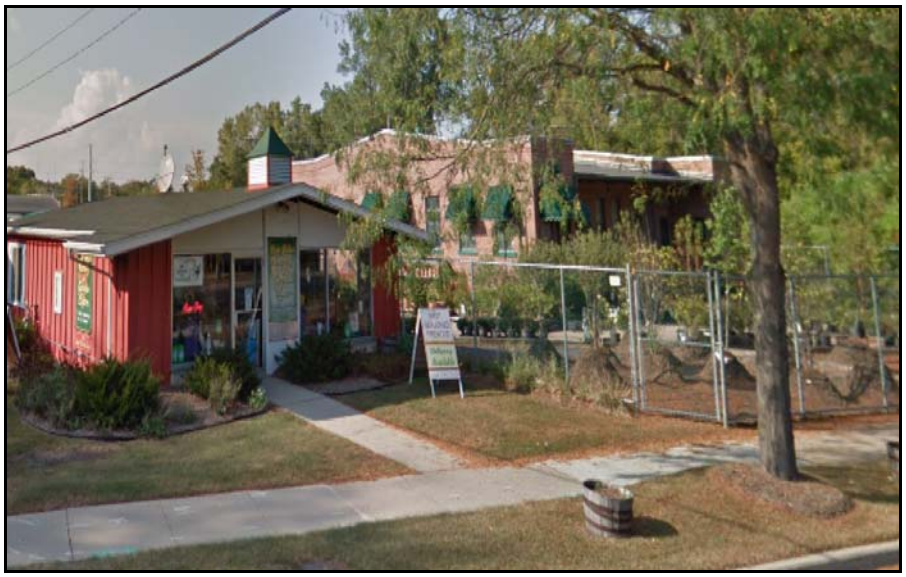
Improved Redevelopment Sale No. 1 - Former Madison Brass Works

Improved Redevelopment Sale No. 2 represented acquisition of the former Olds Building at 722 Williamson Street, just east of downtown Madison. The 58,500-sq.-ft. building was constructed in 1913, remodeled in 1984 and was vacant at the time of sale. It is sited on a 64,689-sq.-ft. site acquired in January 2017 by McGrath Property Group from Marty Rifkin for $5,860,000. In this example, the building was redeveloped for commercial use with the rear portion of the site devoted to affordable (Sec. 42 tax credit) housing in a newly constructed building. This sale translates to

$100.17 per sq. ft. of gross building area and $90.59 per sq. ft. of land area. Both values per sq. ft. are high for either a vacant shell building or for a redevelopment site (e.g. compared to $77.36 per sq. ft. paid for the adjacent Edge redevelopment site just two months prior). Based on the adjacent land acquisition, we consider this sale to be a land redevelopment/building acquisition with contributory value of roughly 70/30, or about $63.00 per sq. ft. for the land and **$30.00 per sq. ft.** for the bldg., which was a 4-story brick loft structure in good condition. This building value allocation sets the high water mark for an improved redevelopment sale.

Improved Redevelopment Sale No. 2 - Former Olds Building

Improved Redevelopment Sale No. 3 represents the acquisition of the Fair Oaks Nursery and Garden Center site at 134 S. Fair Oaks Avenue on Madison's east side for $700,000 by Stone House Development in February 2017 to build an 80-unit affordable (Sec. 42 tax credit) rental housing project. The smaller steel structure in the foreground was demolished and the 3,460 sq. ft. brick structure to the right in the background is being repurposed for commercial space. Based on the price and size of the site (61,105 sq. ft.), they paid $11.46 per sq. ft. for the land, which was about market rate at the time (e.g. See Land Sale No. 3, presented in Section 6.2, which is located across the street and sold one year later for $13.28 per sq. ft). We would estimate the contributory value of the brick building at roughly $25,000 to $35,000, as shell space, or **$8.67 per sq. ft.** for this structure.



Improved Redevelopment Sale No. 3 - Former Fair Oaks Nursery

In each of the three sales examples, except Improved Redevelopment Sale No. 2, the building and site is relatively similar to the subject's Power House structure and site as former industrial buildings that were remodeled and repurposed for commercial or office uses. However, none featured river frontage or proximity, except for Improved Redevelopment Sale No. 3, which is sited just south of Starkweather Creek. While all of the sales reflect predominantly redevelopment land acquisitions, each demonstrates building reuse as a partially demolished/remodeled vacant building.

The estimated building values as shell structures range from $8.67 to $30.00 per sq. ft. with Improved Redevelopment Sales No. 1 ($15.00 per sq. ft.) and No. 3 ($8.67 per sq. ft.) being most comparable to the Power House structure in size, adaptive reuse potential and market pricing. Because the Power House structure is smaller that two of the three examples and because this can distort pricing higher on a per square foot basis, we would expect its contributory value to be outside the range of these two sales and closer to that of Improved Redevelopment Sale No. 2 at **$20.00** per sq. ft. Also the Power House facade is in better condition than both Improved Redevelopment Sales No. 1 and 2. We calculate the market value of just the historic Power House building, <u>excluding</u> the underlying land, as follows: 2,352 square feet x $20.00 per sq. ft. = $47,040, or **$50,000** rounded.

The estimated minimum site size for the Power House as an historic landmark is roughly 0.25 acres, or 10,900 Sq. Ft. Because this is a very small site, we estimate the unit rate to be higher than our concluded value of $10.00 per sq. ft. for a typical 3.0 acre commercial site. Using **$12.00** per sq. ft., we estimate the site to be worth $130,800 (10,900 sq. ft. x $12.00 per sq. ft.)

Power House Bldg on 0.25-Acre Site = **$180,800**

7.2 Market Pricing for Phase 1 Redevelopment Site

According to the City of Stoughton, and pursuant to initial developer Brink LLC's Letter-of-Intent, they are targeting Land Parcel No. 2 (see table in Section 2.1) for the first phase of the redevelopment. This site contains 78,372 square feet (1.80 acres) and is presently owned by the City and improved with the municipal garage portion of the Public Works building and a wood frame storage building. Reportedly, Brink LLC intends to use only the northern portion of this parcel for an apartment development, which will exclude the 0.25-acre Power House site, leaving roughly 67,472 sq. ft. for the Phase I site. We would classify the Phase I site as either a Category 1 Interior site or a Category 2 Interior site, depending on the number of units proposed (i.e. density per acre), which would be priced as follows:

Category 1 Interior Site: 67,472 Sq. Ft. x **$8.00** per Sq. Ft. = $539,776, **$540,000** rounded
Category 2 Interior Site: 67,472 Sq. Ft. x **$3.50** per Sq. Ft. = $236,152, **$240,000** rounded

7.3 Market Pricing for Entire 11-Acre Redevelopment Site

Preliminary redevelopment plans for the project site depict mostly 3-4 story multi-family (Category 1 Site) housing for approximately 50% of the total site (5.5 acres) with the remainder devoted to lower density multi-family townhouse development with a minor commercial component. Assuming roughly 60% of the remainder (3.3 acres) is devoted to lower-density housing and 40% devoted to commercial development (2.2 acres), the total site might be priced as follows:

Category 1 - River frontage: 5.5 acres (239,580 Sq. Ft.) at $10.00 per Sq. Ft. =	$2,395,800
Category 2 - Interior sites: 3.3 acres (143,748 Sq. Ft.) at $3.50 per Sq. Ft. =	$503,118
Category 3 - Commercial: 2.2 acres (95,832 Sq. Ft.) at $10.00 per Sq. Ft. =	$958,320
Subtotal:	$3,857,238
Discount - 3 years at 4.75% for new construction = 0.870, or 13%:	($ 501,441)
Minus Entrepreneurial Profit at 15%:	($ 578,586)
Subtotal:	$2,777,211
Current Price for Total Site (Rounded):	**$2,780,000**

Recognizing that this would be a multi-phased redevelopment over at least two or possibly three years, we have discounted the subtotal at current interest rates over a three-year holding period and deducted an entrepreneurial profit margin of 15% for the undertaking.

8.0 Pricing Conclusions and Recommendations

8.1 Market Pricing Conclusions

Below are our pricing conclusions for the various sites and categories within the total redevelopment project area, as well as for the total project site in current dollars, subject to the private and public sector improvements outlined in Section 4.4.

Category 1 Site - River Frontage:	**$10.00 per Sq. Ft., or $10,000 per D.U. (45 units/ac.)**
Category 1 Site - Interior Site:	**$8.00 per Sq. Ft., or $9,000 per D.U. (45 units/ac.)**
Category 2 Site - River Frontage:	**$4.15 per Sq. Ft., or $7,800 per D.U. (17.5 units/ac.)**
Category 2 Site - Interior Site:	**$3.50 per Sq. Ft., or $6,600 per D.U. (17.5 units/ac.)**
Category 3 Site - Commercial:	**$10.00 per Sq. Ft. (3 acres)**
Total Redevelopment Site:	**$2,780,000 (11 acres)**
Phase I Site:	**$240,000 - $540,000, Depending on Density**
Power House on 0.25 Acres:	**$180,800**

8.2 Market Examples Regarding Future Pricing Changes

Recognizing that the redevelopment of the project area will likely be phased and may be parceled off and sold to one or more developers, we would expect future pricing to change depending not only for normal market conditions or time, which we estimated at 2.5% compounded annually, but also based on density and value enhancement created by the success of the initial phase(s) of redevelopment.

We point to two market sources for guidance: the first would be Monona's Yahara Riverfront Redevelopment and the Royster Redevelopment on Cottage Grove Road on Madison's far east side. In the case of the former, this project is still fairly nascent and has yet to see additional sales beyond the first two phases, which reflected a price increase of $1.28 per sq. ft. or about 8% over a five-month period. However, the first sale (Land Sale No. 4) was twice as large and predominantly a multi-family site compared to the subsequent pure commercial hotel site sale (Land Sale No. 9).

The Royster Redevelopment provides a longer time frame from which to examine pricing changes. While the redevelopment features or will feature a mixture of single-family, multi-family and commercial land uses, changes in single-family lot sales over the last two years provide a consistent barometer related to project enhancement as the redevelopment moved forward, especially pending completion of the Royster Commons building with Pinney Branch Library on the ground floor. Lot pricing started at $62,500 in August 2017 with sales at $70,500 by Summer 2019, indicating appreciation of 6.2% compounded annually.

9.0 Certification

We certify that, to the best of our knowledge and belief:

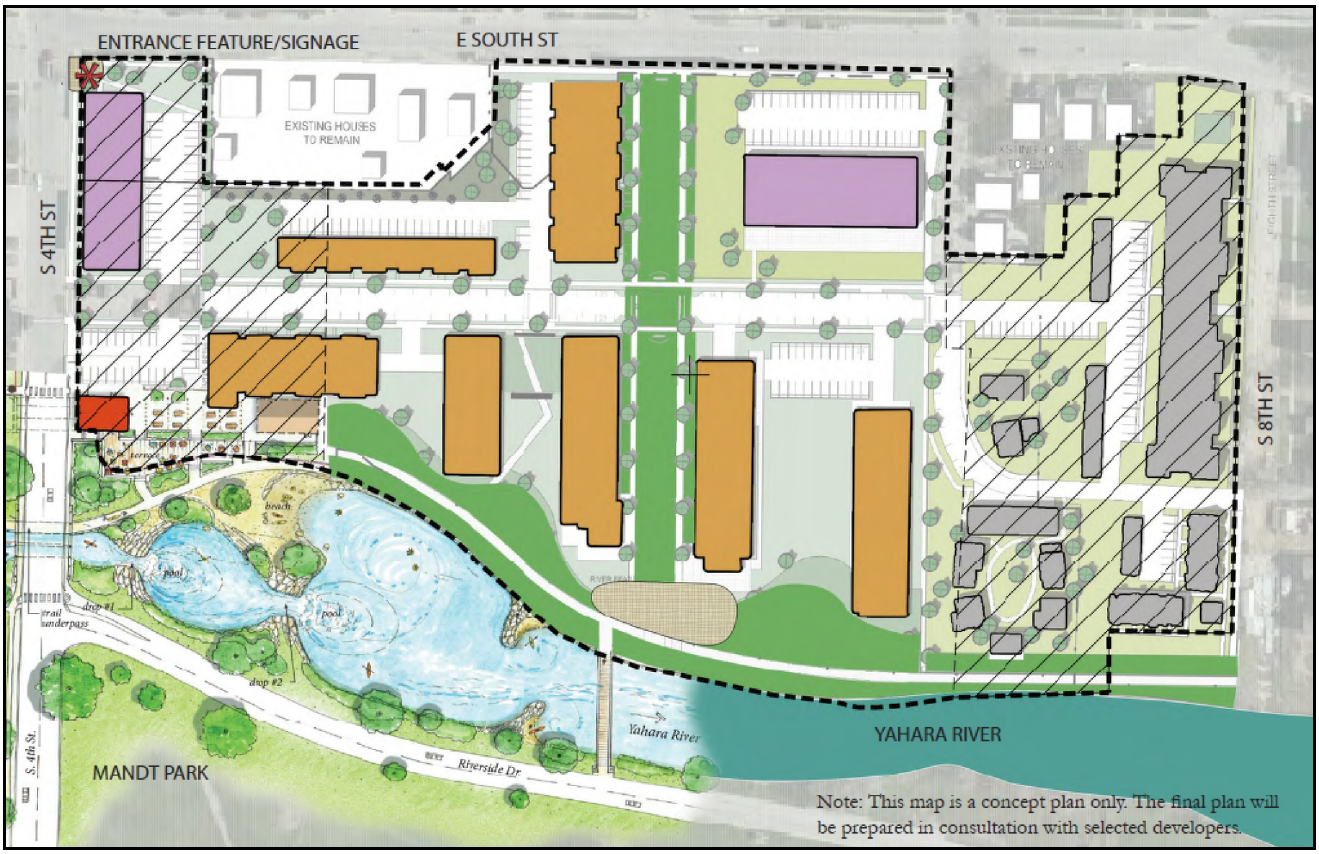
- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the properties that are the subject of this report, and we have no personal interest or bias with respect to the subject of this report or to the parties involved with this engagement.
- We have not provided appraisal services regarding the properties that are the subject of this Appraisal Report within the three-year period immediately preceding acceptance of this assignment.
- Neither my engagement to make this appraisal (or any future appraisals for this client), nor any compensation therefore, are contingent upon the reporting of 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.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and the Uniform Standards of Professional Appraisal Practice.
- Douglas G. Connor, of Great Lakes Realty Advisory Group, Inc., made an interior and exterior inspection of the property that is the subject of this report on September 17, 2019, in conjunction with this appraisal.
- The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- No one other than the undersigned provided assistance in the analyses, opinions, and conclusions that are contained in this report.

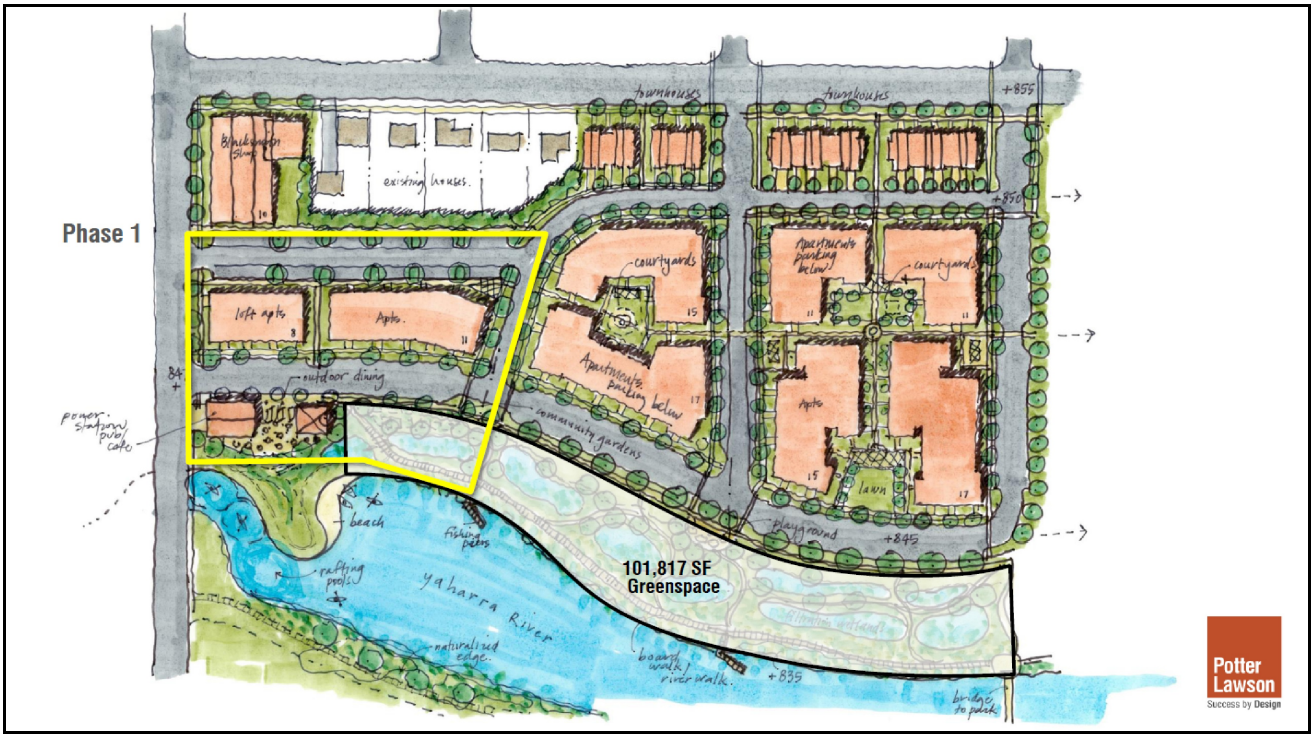
Douglas G. Connor, Principal
WI Cert. General Appraiser #759-010 (exp. 12/14/2019)

APPENDIX

EXHIBIT A:
RELEVANT PROPERTY INFORMATION

PRELIMINARY DESIGNS FOR REDEVELOPMENT





ADDITIONAL SUBJECT PHOTOGRAPHS

Power House - west and south elevations

Power House - north elevation

ADDITIONAL SUBJECT PHOTOGRAPHS

South 4th Street bridge with Headrace and Power House in background

Parcel No. 1 (Phase I) - municipal garage and wood frame storage building

ADDITIONAL SUBJECT PHOTOGRAPHS

View of project site Yahara River frontage from Mandt Park

Site interior facing southerly towards river

ADDITIONAL SUBJECT PHOTOGRAPHS

View westerly along E. South Street towards S. 4th Street with project site on left

Blacksmith Shop structure - south elevation

EXHIBIT B:
ASSUMPTIONS AND LIMITING CONDITIONS

Statement of Assumptions and Limiting Conditions

1. The title to the subject property is assumed to be marketable and the property is free and clear of all liens and encumbrances (also see text of report for specifics).

2. No liability is assumed for matters which are legal or environmental in nature.

3. Ownership and/or management are assumed to be in competent and responsible hands.

4. No architectural or engineering study, property survey, soil study, or environmental investigation has been made and no liability is assumed in connection with such matters. The described physical condition of any improvements is based on visual inspection only, and it is assumed that there are no hidden or unapparent physical conditions affecting value. Dimensions and areas are based on drawings and specifications provided to us by the parties specified herein.

5. Improvements, if any, are assumed to be within lot lines and in accordance with local zoning and building ordinances as well as all applicable federal, state, and local laws and regulations, except as noted. Any plans, diagrams or drawings provided are intended solely to facilitate understanding and are not meant to be used as reference in matters of survey.

6. Given the current and historical operations within the defined subject property of this report, environmental contamination may exist within or nearby the property. GLRAG, Inc. are not environmental experts and cannot opine on these conditions. Thus, the analyses and values presented herein specifically exclude the impact on marketability or value of underground storage tanks, contaminated soils, air, water or other forms of environmental contamination.

7. The appraisal was prepared for the purpose stated and should not be used for any other purpose.

8. All direct and indirect information supplied by your firm concerning the subject property is assumed to be true and accurate. No responsibility is assumed for information supplied by others although any such information cited is believed to be reliable and correct.

9. The signatories shall not be required to give further consultation or testimony, or appear in court or at any public hearing with reference to the property appraised, unless prior arrangements have been made with the client.

10. Possession of this report, or a copy thereof, or any part thereof, does not carry with it the right of publication, nor may it be used by anyone but the party for whom it has been prepared without the prior written consent and approval of Great Lakes Realty Advisory Group, Inc.

11. None of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or the firm with which he is connected or any references to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, news media, sales media, or any other public means of communication without the prior written consent and approval of GLRAG, Inc.

12. No responsibility is assumed for the accuracy of any descriptions of physical materials and conditions pertaining to the property, or for any damages sustained in connection with actual or potential deficiencies or hazards such as, but not limited to, inadequacies or defects in the structure, design, mechanical equipment or utility services associated with the improvements; air or water pollution; noise; flooding, storms or wind; traffic and other neighborhood hazards; radon gas, asbestos, natural or artificial radiation, or toxic substances, whether on or off the premises.

13. This report is intended to be read and used as a whole and not in parts. Separation of any section or page from the main body of the report is expressly forbidden and invalidates the report.

14. Where the property being considered is part of a larger parcel or tract, any values reported relate only to the portion being considered and should not be construed as applying with equal validity to other portions of the larger portion or tract.

15. Any projections of future rents, expenses, net operating income, mortgage debt service, capital outlays, cash flows, inflation, capitalization rates, discount rates, or interest rates are intended solely for analytical purposes and are not to be construed as predictions of Great Lakes Realty Advisory Group, Inc. They represent only the judgment of the authors as to the assumptions likely to be used by purchasers and sellers active in the marketplace, and their accuracy is in no way guaranteed.

16. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. We have not deducted ADA compliance expenses. We have assumed that any pending rehabilitation or additions to the property will be conducted in accordance with federal and state ADA guidelines.

17. The values presented in this report <u>exclude</u> the furniture, fixtures, or equipment (FF&E) and machinery and equipment (M&E) present (or to be present) in the property, except as noted.

EXHIBIT C:
QUALIFICATIONS OF THE FIRM AND THE APPRAISER

Great Lakes Realty Advisory Group, Inc.

Real Estate Valuation and Consulting

Profile

Great Lakes Realty Advisory Group is a real estate valuation and consulting firm based in Madison, Wisconsin. Our primary role is providing valuation, disposition and investment consulting for commercial real estate. The majority of our projects are based in the Midwestern U.S., however, we also have national and international experience solving complex redevelopment, repositioning and disposition issues.

Projects

We have provided market and investment valuations of complex downtown office buildings, suburban retail shopping centers, small-scale, urban in-fill mixed-use redevelopment, large-scale manufacturing facilities, market-rate and income-restricted multi-family housing, development land, special purpose real estate such as cheese plants, cold storage warehousing, integrated business and real property such as retail petroleum/c-stores, campgrounds and country clubs, transportation corridors and linear real estate, along with faith-based properties such as churches and convents and retreats. We have teamed with planning, development and environmental consulting firms to provide market valuation, economic impact and market-based analysis for revitalization districts and site specific projects.

Clients

Our clients include public sector agencies, and economic development authorities, as well as private sector lending institutions, insurance companies, law firms, manufacturers, real estate developers, investors, and non for profit organizations.

Services

We have a solid foundation in the fundamentals of real estate market research, development, finance, and government assistance programs, with thirty years experience in commercial property valuation.

433 W. Washington Avenue ▲ Madison ▲ Wisconsin ▲ 53703 ▲ 608.255.3802 ▲ www.glrag.com

Douglas G. Connor, Principal

Great Lakes
Realty Advisory
Group, Inc.

Valuation Consultants to the Public and Private Sectors

Experience

Douglas Connor specializes in real property valuation and land economic research, as well as financial and economic feasibility for land use analysis.

He spent five years in metropolitan Detroit with the management consulting groups for the accounting firms of Pannell Kerr Forster and BDO Seidman. After being transferred to Chicago in 1990, he became a manager at Gloodt Associates, Inc., a national and international real estate consulting firm. In 1994 Mr. Connor and Peter Gloodt formed Great Lakes Realty Advisory Group, Inc. in Chicago. In 1997, Mr. Connor acquired the practice from Mr. Gloodt and relocated to Madison, Wisconsin.

The firm has a diverse cross-section of non-profit, public and private sector clients. With a broad expertise in redevelopment and market repositioning analysis for rural and urban land uses throughout the Midwest, Mr. Connor brings a multi-disciplinary, regional perspective to the firm's assignments.

Education

B.A. in Urban Geography
University of Wisconsin - Milwaukee

Graduate studies in Urban and Regional Planning -
University of Wisconsin – Madison

Completed all courses for the MAI designation -
Appraisal Institute - Chicago

Professional Licenses

WI Certified General Appraiser #759-010

E-Mail

dconnor@glrag.com

EXPIRES: 12/14/2019

NO. 759 - 10

The State of Wisconsin
Department of Safety and Professional Services

Hereby certifies that

DOUGLAS G CONNOR

was granted a certificate to practice as a

CERTIFIED GENERAL APPRAISER ELIGIBLE TO APPRAISE FEDERALLY RELATED TRANSACTIONS IS AQB COMPLIANT

in the State of Wisconsin in accordance with Wisconsin Law
on the 15th day of December in the year 1995.
The authority granted herein must be renewed each biennium by the granting authority.
In witness thereof, the State of Wisconsin
Department of Safety and Professional Services
has caused this certificate to be issued under
its official seal.

STATE OF WISCONSIN
FORWARD
DEPT. OF SAFETY AND PROFESSIONAL SERVICES

Laura E. Gutierrez
Secretary

This certificate was printed on the 25th day of October in the year 2017