Jamin and Deb---

As the entire RDA should see the answers to the questions posed after our last meeting to Doug, please include the attached e-mail in the Nov. packet. Thank you. Roger

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Sent: Friday, October 11, 2019 9:16:35 AM
Subject: RE: Great Lakes Report Comments

Good morning, Doug---

The RDA held its October meeting Wednesday evening and your report was one of our agenda topics, and a few things came up that need clarification. But first, we certainly appreciated your commitment to getting this report done in a timely manner for our developer's agreement negotiations. Thank you. Your report covers lots of ground and it will certainly be a helpful reference document as we proceed forward. As it now appears that our negotiations with the Brink team will be timed out over many years, your market adjustment and annual appreciation indicators will be helpful to keep us closer to current market reality. Now to the comments.

1) On page 14 you mention that Stoughton falls within the Outlying East Dane County submarket. While helpful to know, none of us knew the geography of what that meant. Can you provide a map of that area and reference what communities that includes? We are particularly interested if it includes Sun Prairie or Oregon. If we need to conduct further research in the future, knowing the geography of the area will help us select the right communities.

This is not very precise and is undefined by me. The source is CoStar and they do not provide a map or geographic area definition (see attached). I included these figures because it was all I that is available without doing primary research which would be cost-prohibitive.

2) At the bottom on page 16, a reference is made to Phase I involving up to $50 million and 260 units, that is wrong. Those numbers are for the whole project area. As you point out later, Phase 1 is much more limited in scope . . . only one building at this time.

3) On page 37 you make reference to a description of Phase 1 and then propose some alternative Category 1 and 2 valuation rates based on housing densities. One of the handicaps both of us (City/RDA and Great Lakes) operated under was the lack of a formally submitted Master Plan for all parties to base estimates on for Phase 1. All we had was the LOI and the June PowerPoint which certainly do not suffice as a reliable Master Plan for valuation purposes. Having said that, our attorney, Laura Callan, reported last night that the planned density for Phase 1 would be equivalent to 32 units per acre; half-way between the numbers you provided we believe. With this figure now known, can you suggest a better valuation number for Phase 1? Obviously we could split the difference between your proposed figures, but is this the best way to solve the problem so we have a more reliable number?

Unfortunately, the sales data only yield two sales that are close to this density with very different pricing per unit - Sales No. 2 (32 units per acre) and No. 8 (28 units per acre) in Table C on page 19. We adjusted Sale No. 2 upwards 10% for lower density to derive the unit rate for Category 1 in the table on page 25. By eliminating that adjustment, the adjusted unit rates would be $6.35 per sq. ft. and $8,613 per d.u., which falls below the conclusions for a Category 1 Interior Site at $8.00 per sq. ft. and $9,000 per d.u. indicated on page 26. Similarly, Sale No. 8 was adjusted downwards 5% for density in the table on page 29. Eliminating that density adjustment would yield unit rates of $4.57 per sq. ft. and $7,229 per d.u. Reconciling between these two sales, I might conclude unit rates of $5.50 per sq. ft. and $8,000 per d.u. Using the calculations presented on page 37, one might conclude: $5.50 per sq. ft. x 67,472 = $370,000 for the Phase 1 site by this method, or now that you have a better density figure, one might apply the $8,000 per d.u. as follows: 67,472 sq. ft. = 1.55 acres x 32 units per ac. = 50 units x $8,000 per d.u. = $400,000. Both methods are pretty close.

4) One broad question that was raised last night on Phase 1 and the remaining acreage is whether your work factored in the present value of infrastructure/utility access. This is important because Brink's Phase 1 site selection was based on the fact that utilities are present on the western side of the development along 4th St. and they can just step up and get going while nothing is present elsewhere on the site. So, any development that occurs to the east of 4th St. would need substantial infrastructure development thereby affecting either developer costs and/or the City's need to create a TIF package. Does this need or lack thereof significantly affect your proposed valuations? Do you believe your current figures fairly consider infrastructure access or lack thereof?

Yes, my values assume that the infrastructure improvements, remediation, etc. have been completed - see Section 1.4 (3) on page 6. So, the figures I provided for the rest of the site and that are recalculated above for Phase 1 all make this assumption, as this is

reflected in the sales along with TID considerations and adjustments. If you are planning on selling some portions of the site w/o these improvements, then you might have to deduct some or all of the anticipated infrastructure costs. Obviously, that is a matter of negotiation between RDA and any prospective buyer.

5) At the bottom of page 37, you provide some global numbers for the entire 11-acre site. We spent a considerable amount of time trying to understand the value of your Category 1 number for River Frontage and ended simply scratching our heads. Here is the problem as we see it. Much of the 5.5 acres identified in your Category 1 number will be composed of public green space, walkway/bikeway, a possible storm water basin system, and a likely access road parallel to the river. So, really, likely not much more than 1 to 2 acres would truly be available for development . . the remainder would be in public ownership or dedicated by Brink. With that said, it doesn't seem reasonable that this limited acreage could truly be sold at $2.4 million. Is there a better way to approach this problem? This will be the most valuable land owned by the RDA/City and we want to make sure we get this right in negotiations. Again, lacking a Master Plan, we really don't know how far the setback would be from the river to the first development properties, but, we could press the Brink team to give us some sort of feeling for the setback depth from the river and that might help get a more realistic figure. Your thoughts?

I understand you are not dealing with a master plan, the only two riverfront/waterfront sales (Sales No. 4 and 5) are similar, especially No. 5, in that they feature public waterfront access. They are mostly waterfront view sites. Same with Sale No. 4 in Monona. Regarding the amount of acreage that would actually be available for sale to a developer, perhaps we could revisit this figure when you have something more firm. I assumed that a developer would purchase a gross acreage lot and that some of this land area would be used for public street, riverfront and path access and/or green space. But, it sounds like this amount of land might be much more than I assumed. Again, I am willing to revisit this value but would like to hold off until you have more firm figures for your public land areas. The appraisal is designed to provide you with some flexibility regarding changes in land areas, so maybe for now it would be best to recalculate the various land areas by category under Sec. 7.3 on page 37.

6) During our discussions last night, it was brought forward that one of our nearest neighbors, Oregon, recently completed work on a major downtown development consisting or two or three, 3- story apartment complexes. We think the name is Jefferson Place?? With that said, because it is so close to Stoughton and is a representative smaller city in Dane County, it would seem that Jefferson Place could serve as a useful barometer for valuation research. You chose not to include it and we wonder if there is a reason why it was left out? How much work would it be just to get some basic data on that development?

Off hand, I do not know. There are other multi-family land sales in Dane Co., but I concentrated on those that had river or water frontage or were redevelopment sites that are being redeveloped with similar types of housing. I think the sales presented provide

a pretty good cross-section of multi-family pricing metrowide and that the Oregon deal would likely fall within the pricing range indicated in Table C of the appraisal. I could look into this, but the research can sometimes be complicated (e.g. Monona's riverfront redevelopment on Broadway) and often what is recorded and assumed to be comparable can turn out not to be the case.

Should you need us to intervene on your behalf to get more information from the Brink team, do not hesitate to contact me immediately at the above e-mail or 608-617-1027. We know the Brink team completed all survey work about 10 days ago, so they should have exact figures and elevations related to land divisions and eventual CSM creation. Thank you for your work on our behalf and we look forward to clarifications arsing from our comments above.

Best regards,

Roger Springman. Chair,

Stoughton Redevelopment Authority