

AN APPRAISAL OF  
THE LIGHT INDUSTRIAL PROPERTY  
LOCATED AT  
531 COMMERCE PARKWAY  
VERONA, WISCONSIN

PREPARED FOR  
MS. BARBARA DRURY

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

EFFECTIVE VALUE DATE  
JULY 25, 2019

# D. L. Evans COMPANY, INC.

REALTORS® • APPRAISERS • COUNSELORS

5402 Mineral Point Road • Madison, Wisconsin 53705  
(608) 274-4141 • FAX (608) 274-4145  
[www.dlevanscompany.com](http://www.dlevanscompany.com)

July 30, 2019

Ms. Barbara Drury  
Die Pfeife, LLC

Dear Ms. Drury:

In accordance with your request, as our client, I prepared and attached to this transmittal letter an appraisal report of the light industrial property located at 531 Commerce Parkway in the City of Verona, 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 as of July 25, 2019, which is the date that the property was observed and is the appraisal's "As Is" effective date.

The appraisal report was completed for the sole and exclusive use of Ms. Barbara Drury for the intended use of internal business considerations by the client in conjunction with a potential sale of the property. No other use or users are intended by the appraiser. 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.

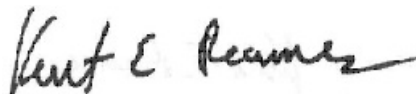
The appraisal client and any and all other intended users of this report specifically identified by the appraiser are hereby cautioned that the final opinion of value is based on certain information, assumptions, limiting conditions and analyses, as specified in the body of this report. Any change to 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 **ONE MILLION NINE HUNDRED FORTY THOUSAND DOLLARS (\$1,940,000)**.

**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.**

A handwritten signature in dark ink, appearing to read "Kent E. Reames". The signature is fluid and cursive, with a long horizontal stroke at the end.

Kent E. Reames  
Wisconsin Certified General  
Appraiser #1505

### SALIENT FACTS AND CONCLUSIONS

CLIENT AND INTENDED USER: Ms. Barbara Drury

ADDITIONAL INTENDED USERS: None

INTENDED USE: Internal Business Considerations by the Client in Conjunction with a Potential Sale of the Property. No Other Use or Users Are Intended by the Appraiser

PROPERTY ADDRESS: 531 Commerce Parkway, Verona, Wisconsin

PROPERTY OWNER: Die Pfeife, LLC

PROPERTY TYPE: Light Industrial

DATE OF CONSTRUCTION: 1985, 1986, 1988

EFFECTIVE VALUE DATE: July 25, 2019

REPORT DATE: July 30, 2019

PROPERTY RIGHTS APPRAISED: Fee Simple Interest

REPORT FORMAT: Written Appraisal Report in a Narrative Style

BUILDING SIZE: 49,000 Square Feet Gross Floor Area  
970 Square Feet Office Area  
48,030 Square Feet Warehouse/Storage Areas

SITE SIZE:  
Total: 263,474 Square Feet; 6.05 Acres  
Developable: 163,000 Square Feet +/-; 3.7 Acres +/-

ZONING: UI, Urban Industrial District

FLOOD ZONE: A Portion of Site Appears to Be In Flood Plain; See Text

HIGHEST AND BEST USE: Current Use - Industrial

EXTRAORDINARY ASSUMPTIONS/  
HYPOTHETICAL CONDITIONS: None

VALUE INDICATIONS: Cost Approach: Not Applicable  
Sales Comparison Approach: \$1,960,000  
Income Approach: \$1,920,000

**APPRAISED VALUE: \$1,940,000**

### ASSUMPTIONS AND LIMITING CONDITIONS

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

- In conjunction with a previous appraisal of the subject property, written during 2008, the appraiser found that National Flood Insurance preliminary map panel 55025C0556F, dated September 20, 1999, appeared to show that part of the appraised property was located in "Zone X" and was considered outside of the 500 year flood plain by that agency. However, it was also apparent that the western part of the property was located in "Zone AE", an area considered to be within the flood plain. At that time, the appraiser discussed this matter with Mr. Ron Rieder, Director of Public Works at the City of Verona, who provided an approximate delineation of the flood zone, which appeared to show that approximately 33 percent of the subject site as of that date was in the flood plain, or roughly 100,000 square feet +/- . However, in the absence of exact boundaries delineating how much of the subject property is contained in "Zone AE", it is impossible for the appraiser, who is not an expert in this field, to ascertain how much of the subject is contained within the flood zone. **The appraiser recommends the client seek a professional opinion as to the subject's flood plain status and the exact amount of area that is considered to be directly affected by this status. The appraiser must reserve the right to modify this appraisal report and any conclusions contained herein if it is found that the amount of unusable land for the construction of building improvements affected by the flood plain differs significantly from the above estimate.**
- 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. The valuation analysis in this appraisal report did not consider possible compliance or noncompliance with the requirements of the ADA.
- Client, along with its successors and assigns, agrees to indemnify, defend and hold harmless the appraiser and D. L. Evans Company, Inc. staff and their successors and assigns from and against any and all debts, liens, claims, causes of action, administrative orders and notices, costs (including, without limitation, taxes, fines, penalties and assessments), losses, damages, liabilities, demands, interest, and expenses, including reasonable attorneys fees and expenses, consultants' fees and expenses, court costs and all other out-of-pocket expenses, suffered or incurred by the appraiser, the D. L. Evans Company, Inc. and their successors and assigns in any manner in connection with the use of the appraisal report by or on behalf of any party, except only for such claims resulting directly from the gross negligence of the employees of the D. L. Evans Company, Inc.
- In any event, the maximum damages recoverable from the appraiser and the D. L. Evans Company, Inc., relative to this engagement shall be the amount of the moneys actually collected by the D. L. Evans Company, Inc., for this assignment and under no circumstances shall any claim for consequential damages be made. In addition, there is no accountability or liability to any third party.

- All information contained in this report regarding the sale, rental, financing, or projections of income of properties is made from sources deemed reliable. No warranty or representation is made as to the accuracy of this information and it is subject to errors, omissions, change of price, rental or other conditions, prior sale, lease, financing, or withdrawal without notice.
- This appraisal report was prepared for the exclusive benefit of the client. It may not be used or relied upon by any other party or for any use other than that use specifically stated in the body of this report.
- All addenda, exhibits, photographs and other information contained within or attached to this report are considered a part of the report. The report cannot be completely understood or relied upon without inclusion and consideration of this data.



### **CERTIFICATION**

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

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of the assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- Kent E. Reames personally observed the property that is the subject of this report.
- 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.**



Kent E. Reames  
Wisconsin Certified General  
Appraiser #1505

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	
COVER PAGE. . . . .	I
TRANSMITTAL LETTER. . . . .	ii
SALIENT FACTS AND CONCLUSIONS. . . . .	iv
ASSUMPTIONS AND LIMITING CONDITIONS. . . . .	v
CERTIFICATION. . . . .	ix
TABLE OF CONTENTS. . . . .	x
 PART I	
IDENTIFICATION OF THE SUBJECT PROPERTY. . . . .	1
CLIENT, INTENDED USE, AND PURPOSE OF THE APPRAISAL. . . . .	2
DEFINITION OF "MARKET VALUE". . . . .	2
HISTORY OF THE PROPERTY. . . . .	3
PROPERTY RIGHTS APPRAISED. . . . .	3
SCOPE OF WORK. . . . .	4
THE APPRAISAL PROCESS. . . . .	6
REASONABLE EXPOSURE TIME AND MARKETING TIME. . . . .	8
CONFORMANCE WITH USPAP COMPETENCY PROVISION. . . . .	8
MUNICIPALITY DATA . . . . .	10
COUNTY DATA. . . . .	13
NEIGHBORHOOD DATA AND MARKET TREND ANALYSIS. . . . .	16
SITE DATA. . . . .	19
DESCRIPTION OF THE IMPROVEMENTS. . . . .	22
HIGHEST AND BEST USE. . . . .	24
 PART II	
SALES COMPARISON APPROACH. . . . .	27
INCOME APPROACH. . . . .	33
RECONCILIATION AND CONCLUSIONS TO VALUE. . . . .	43
 ADDENDA	
Engagement Letter	
Zoning Regulations	
Flood Map	
Appraiser Qualifications	

# PART I

## VALUATION REPORT

### 1.1 IDENTIFICATION OF THE SUBJECT PROPERTY

The subject of this appraisal report is the light industrial property located at 531 Commerce Parkway in the City of Verona, Dane County, Wisconsin.

The subject property is improved with a building that was constructed in stages. The original building of 12,000 square feet was built during 1985, with an additional 12,000 square feet being added in 1986, and a second building addition of 25,000 square feet constructed during 1988. The total building size is therefore some 49,000 square feet. The entire building consists of warehouse and storage type space, with the exception of about 970 square feet of office area.

The building has been leased on a mostly gross basis to a total of three tenants, with additional portions of the facility being used for automobile storage on a "per car, per month" basis. Two of the tenants are anticipated to vacate the property over the next several months. The third tenant is currently in negotiations to purchase the property, with the intention to owner-occupy the facility.

The property is comprised of 263,474 square feet of land area, approximately 6.05 acres. However, a significant portion of the site, to the southwest of the existing building, is reported to be located in a flood plain. The flood plain area was estimated in conjunction with a previous appraisal at roughly 100,000 square feet in size. Net of this area, the useable portion of the subject site is estimated at roughly 163,000 square feet in size +/-, or about 3.7 acres.

According to information obtained from the "Access Dane" web site, the legal description appears to be as follows.

*Lots 28-30, Excepting the Part of Lot 28 that is part of Certified Survey Map No. 14633, Industrial Plat No. 2, City of Verona, Dane County, Wisconsin*

*Outlot 1, Certified Survey Map No. 14633, City of Verona, 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.**



VIEW OF NORTHEASTERN SUBJECT BUILDING ELEVATION



VIEW OF SOUTHEASTERN SUBJECT BUILDING ELEVATION

## **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 valuation factors as of July 25, 2019, which is the date the property was observed and is the appraisal's effective date. The appraisal does not evaluate any business operations within the property and does not provide an opinion of the market value of any going concern or business interest that may be present.

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, Ms. Barbara Drury, for the function and intended use of internal business considerations by the client in conjunction with a potential sale of the property. No other use or users are intended by the appraiser. No other use or users are intended by the appraiser. 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.

To comply with the client's request, the appraisal incorporates an extraordinary assumption that is described in the ASSUMPTIONS AND LIMITING CONDITIONS section of this report. An extraordinary assumption is defined by USPAP as, "an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis, which if found to be false, could alter the appraiser's opinions or conclusions." ***The client is advised that use of extraordinary assumptions might affect the assignment results.***

## **1.3 DEFINITION OF "MARKET VALUE"**

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

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

- 1. Buyer and seller are typically motivated;*
- 2. Both parties are well informed or well advised; and acting in what they consider their best interests;*

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

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (2015); 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 Dane County records as per the "Access Dane" web site, the property is currently owned by Die Pfeife, LLC, and has not been sold in the past three years. The owner's representative reports that the subject property is not under current agreement or option and is not offered for sale on the open market.

A land area that was formerly a portion of the subject site was recently sold. The sale date was October 17, 2017. Die Pfeife, LLC was the Seller and the Buyer was Beale Enterprises LLC. The parcel transferred is legally described as Lot 1 of Certified Survey map No. 14633, and is located just to the south of the subject property, with frontage along Commerce Parkway. The sales price was \$225,000 and the amount of land transferred was 43,665 square feet. The unit sales price is calculated at **\$5.15 per square foot** of land area. This was reported to be an arms-length transaction that would be considered consistent with the definition of market value for a land sale. However, as the subject property is currently improved and the Cost Approach to value is not utilized within this report, the pricing of this sale is not considered directly relevant to the valuation analysis herein.

One of the tenants in the subject property is reportedly negotiating to purchase the property. However, no specific sale price has been concluded, and it cannot be known with any certainty whether, when, or at what price a potential sale of the property may take place.

#### **1.5 PROPERTY RIGHTS APPRAISED**

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

- The appraiser previously appraised the subject property during 2008. The owner's representative stated that no material changes to the property have taken place since that date, with the exception of the selling off of a portion of the subject site. Basic subject property information contained in the 2008 appraisal and workfile was reviewed for relevance and included herein, with items that may have changed being re-confirmed as appropriate.
- In conjunction with the present appraisal, Kent E. Reames personally observed the subject property and took sufficient photographs to adequately identify the property. Interviews with a representative of the property owner were conducted, and documents provided thereby were reviewed, regarding the history of the property, recent renovations, historical and projected income and expense figures, and other factual and financial issues related to the property. Online municipal 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, 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 another appraiser employed by the D. L. Evans Company, Inc. made cursory observations of the properties utilized in a comparable sales analysis. If practical and permissible, comparable properties were surveyed from a vantage point on the property; otherwise, the comparable property was observed from the vantage point of an adjoining property or a public right-of-way such as a public street. Photographs taken during an observation of a comparable property may or may not be representative of the condition of the building and/or buildings as of the date the property was sold.
- This appraisal report is presented with the understanding that development of value opinions and reporting formats vary greatly. In conjunction with the terms of the appraiser's engagement with the client, this Appraisal Report is written in a narrative format.
- Any possible noncompliance with the requirements of the ADA was not considered within the scope of this appraisal report.



- The scope of this report is considered sufficient for its purpose and function. However, there may be other sale or rent comparables, which may be more recent or more similar but were not discovered and, therefore, were not included in this report. No data that was discovered and thought to be relevant to the value conclusion was omitted from the development of the appraisal. Please refer to the Certification, Assumptions and Limiting Conditions of this report.
- Except where explicitly noted, no extraordinary assumptions have been made that would have an impact on the final value estimate.
- The scope of this appraisal did not include a zoning compliance analysis to determine 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. USPAP defines exposure time as: *"estimated length of time that 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 the following comment in the definition: *"Exposure time 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 or at a benchmark price during the period immediately after the effective date of an appraisal". USPAP further notes that "exposure time occurs before the effective date of the appraisal, whereas marketing time occurs after the effective date."

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 9 months to 15 months. Exposure time is presumed to be 12 months. These estimates are considered generally typical for industrial types of property in the local market, although not many transactions of this specific type take place in any given year.

#### **1.9 CONFORMANCE WITH USPAP COMPETENCY PROVISION**

The appraiser has been actively involved in the appraisal of real estate in Wisconsin for a number of years. Specifically, the appraiser is experienced in the appraisal of commercial and industrial properties such as the subject. The subject property is located in the Dane County 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.



STREET SCENE - VIEW FACING SOUTH OF COMMERCE PARKWAY



STREET SCENE - VIEW FACING WEST OF S. NINE MOUND ROAD

## **AREA AND NEIGHBORHOOD DATA**

### **2.1 MUNICIPALITY DATA**

#### **City of Verona**

The City of Verona is located a few miles southwest of the City of Madison. As of the 2010 Census, the population is reported at 10,619, a full 50.6 percent above the 2000 population of 7,052. Verona has experienced considerable business and industrial growth for an extended period.

The largest employer in Verona, Epic Systems, Inc., a medical software provider, continues to grow at a rapid pace. Epic moved from Madison to a new complex in Verona in August, 2005. As of early 2017, Epic's Verona office housed approximately 9,000 employees, roughly 3,000 more than was the case about 5 years earlier. The rapid growth of Epic has had a dramatic impact on the Verona and greater Dane County real estate market, including both commercial and residential development.

Verona is well known for its extensive natural resources and parks and recreational facilities. The Military Ridge State Park trail begins in Verona. Badger Prairie county Park, the largest in Dane County's park system, borders the northeastern edge of Verona. Swimming is found at the school district's indoor pool as well as the beach at Fireman's Park on the City's south side. Verona is also home to one of only three Olympic-sized ice-skating rinks in Wisconsin. The Madison Area Youth Soccer Association soccer fields are located on the north edge of the City.

Verona has good access to major transportation routes, including Interstates 39/90/94 and U.S. Highways 12, 14 and 18/151. The 18/151 bypass runs along the southern and eastern edge of Verona. Three interchanges provide easy access to the City's industrial parks and commercial park.

There are a variety of health services in the City, including two medical clinics and several dental, optometry and chiropractic offices. Physicians Plus-Verona is a family practice clinic offering pediatrics, obstetrics, minor office surgery and preventative medicine services. Emergency medical services are provided by volunteers and paid staff of the Fitch-Rona EMS, which is part of the county's 911 system.

Income in Verona is well above statewide averages. According to Census data, Verona's per capita income during 2005-2009 was \$33,854, while median household income was \$77,905. These income statistics range from about 28 percent to about 51 percent higher than the comparable statewide figures. The Census also estimated the median value of owner-occupied housing units as of 2005-2009 at \$244,300, or about 47 percent higher than the statewide median.

A study of single-family housing sales and prices in the City of Verona indicates the following trends. All information is taken from Multiple Listing Service (MLS) data.

<b>Closing Date</b>	<b># of Sales</b>	<b>Change</b>	<b>Median Price</b>	<b>Change</b>
2006	152	NA	\$274,745	NA
2007	171	12.5%	\$274,000	-0.3%
2008	120	-29.8%	\$290,479	6.0%
2009	104	-13.3%	\$267,350	-8.0%
2010	105	1.0%	\$262,500	-1.8%
2011	126	20.0%	\$288,750	10.0%
2012	161	27.8%	\$272,500	-5.6%
2013	182	13.0%	\$301,300	10.6%
2014	195	7.1%	\$293,729	-2.5%
2015	186	-4.6%	\$302,000	2.8%
2016	169	-9.1%	\$321,719	6.5%
2017	209	23.7%	\$330,000	2.6%
2018	196	-6.2%	\$365,215	10.7%

The MLS data indicates that the rate of sales within the City declined by roughly 40 percent over the period 2007-2010, before rebounding strongly to reach new highs in recent years. Median sales prices declined about 10 percent from the high in 2008 to the low in 2010, but has increased strongly since that date. Median pricing as of 2018 was about 25 percent higher than the 2008 peak.

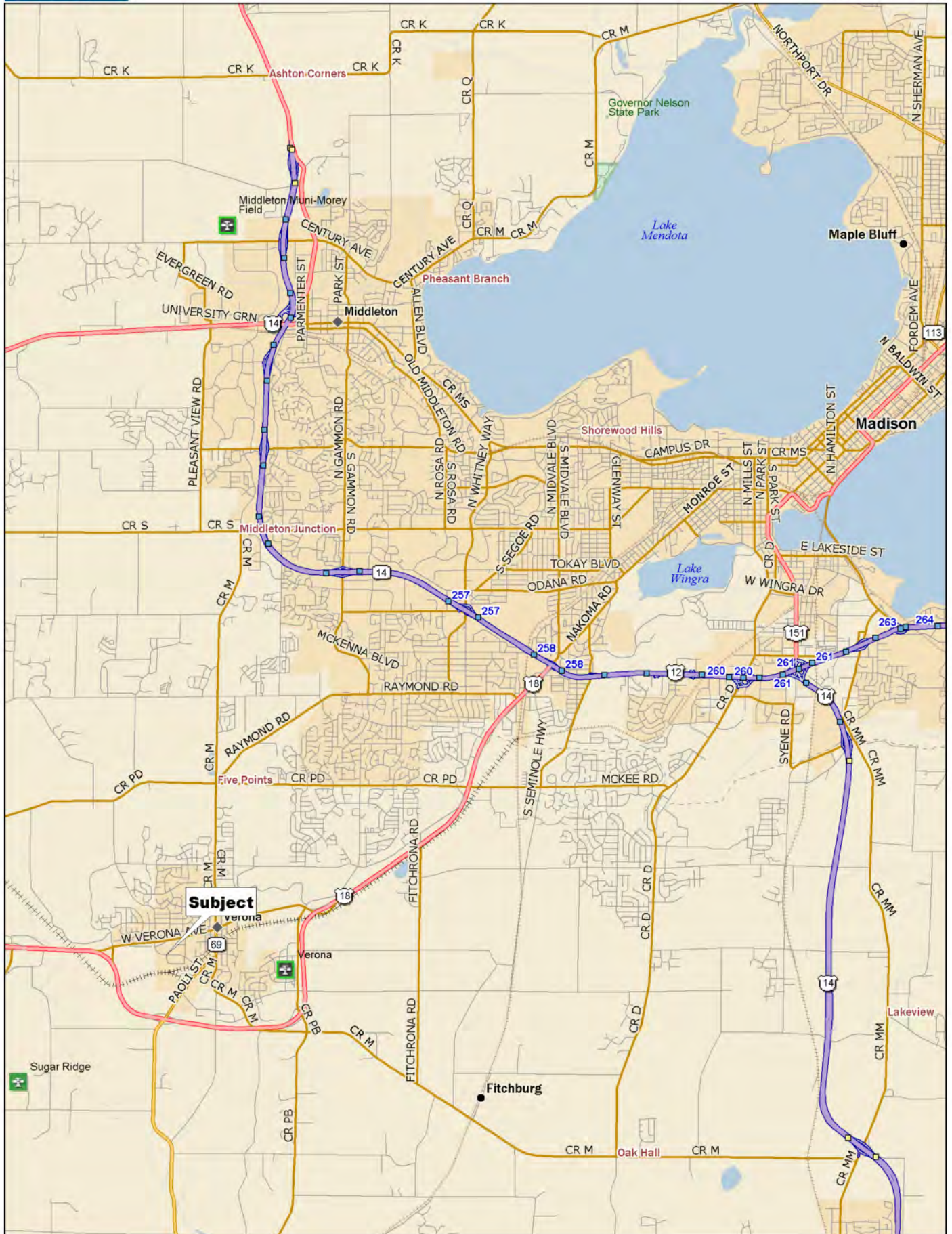
### **City of Madison**

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 a Ph.D. degree. Madison also ranked third nationally in the percentage of its population over age 25 with at least a bachelor's degree.

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

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

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

## **2.2 COUNTY DATA**

### **Dane County**

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

Outside of the City of Madison, Dane County contains 7 cities and 20 villages. Madison has 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. According to the US Census, around 67,500 workers commuted to the City of Madison from other Dane County communities during 2011.

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 2012 Dane County had 504,420 acres of farmland and 2,749 farms. The average farm size was about 183 acres. However, a significant amount of farmland is being converted to non-farm uses, both residential and commercial, as Dane County's population continues to grow. The amount of farmland in Dane County declined by 2.1 percent between 2002 and 2012.

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 20 percent as of 2011.

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. As of 2012, Dane County ranked 9<sup>th</sup> in all counties in the United States with respect to growth of technology and information sector jobs, with nearly 25% growth in this area over the period 2007-2012. It was one of only two counties in the Midwest to rank in the top 25 counties nationwide in this regard.

The largest public-sector employer in the county is the University of Wisconsin-Madison, which has a reported count of faculty and staff in excess of 21,000 as of 2015. As of 2015, about 14,000 additional employees work for the State of Wisconsin outside the University. Roughly 5,000 people are 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 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 August 2018, were listed by "In Business" Magazine as follows:

- 1 UW Health
- 2 Epic Systems
- 3 SSM Healthcare of Wisconsin
- 4 American Family Insurance
- 5 WPS Health Solutions
- 6 Covance
- 7 CUNA Mutual Group
- 8 UnityPoint Health - Meriter
- 9 PPD
- 10 Woodman's Markets
- 11 Exact Sciences Corporation
- 12 TDS Telecom
- 13 Sub-Zero Group
- 14 Stoughton Trailers
- 15 Electronic Theater Controls, Inc.
- 16 Promega Corporation
- 17 Zimbrick, Inc.
- 18 J.H. Findorff & Son Inc.

- 19 Great Lakes Higher Education Corporation
- 20 Alliant Energy Corp.
- 21 Madison Gas & Electric
- 22 Spectrum Brands
- 23 Hy-Vee
- 24 Agrace HospiceCare
- 25 Group Health Cooperative

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. As of July 2018, Dane County had a reported unemployment rate of 2.4 percent, compared to 2.9 percent for Wisconsin as a whole and 3.9 percent nationally. The area's low unemployment 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.

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 property is located within the Verona Industrial Park, a mature industrial park, in south central portions of Verona. Surrounding improvements include light industrial properties to the south, north and east. To the southwest is undeveloped land that is influenced by the Dry Tributary to Badger Mill Creek, in proximity to a flood plain. A short distance to the south of the subject is the former Chicago and Northwestern railroad right of way, which is now part of the Military Ridge State Trail. The primary east-west traffic artery through central portions of the City of Verona is Verona Avenue, which can be accessed approximately 2-3 blocks to the north of the subject property.

The subject enjoys proximity to a variety of commercial and light industrial properties and the business synergies created therein. There is good access to transportation linkages including U.S. Highway 18/151, State Highway 69 and County Highway M.

The neighborhood is in a period of stability and is considered to be built-up, with little vacant land still available for further development. There is a good supply of residential back-up found in adjoining neighborhoods.

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.

Demand for new home construction has showed clear improvement since about 2012, based on conversations with local municipal officials and market participants as well as publicly available statistics reported on both a national and a local level. New home construction remains at relatively low levels compared to historical figures. Full year new home starts in Dane County in recent years, based on statistics compiled by the Wisconsin Builders Association, have been as follows. (Note: data includes single-family and two-family starts and is based on data collected from over 300 sites in Wisconsin; data shows trends but may not include all new home starts.)

<u>Year</u>	<u>New Home Starts</u>
2005	2,489
2006	1,767
2007	1,271
2008	704
2009	674
2010	674
2011	662
2012	778
2013	1,111
2014	1,102
2015	1,199
2016	1,258
2017	1,397
2018	1,219

With respect to single-family residential sales activity, both the number of closings and sales pricing have shown recovery in recent years. Wisconsin Realtors Association data indicates the following data with respect to home sales, both in Wisconsin and in Dane County.

<b>Year</b>	<b>Home Sales (Wisconsin)</b>	<b>Median Price (Wisconsin)</b>	<b>Home Sales (Dane County)</b>	<b>Median Price (Dane County)</b>
2007	67,756	\$162,900	6,796	\$217,500
2008	55,191	\$154,000	5,372	\$215,000
2009	55,242	\$142,500	5,546	\$201,000
2010	51,640	\$140,000	5,068	\$207,000
2011	51,906	\$132,000	4,833	\$206,000
2012	62,804	\$134,000	6,159	\$200,000
2013	69,744	\$143,500	7,641	\$211,000
2014	68,828	\$148,000	7,213	\$220,000
2015	76,742	\$155,800	8,197	\$231,000
2016	81,434	\$164,900	8,357	\$245,000
2017	83,018	\$174,000	8,341	\$262,900
2018	83,065	\$184,000	8,332	\$279,900

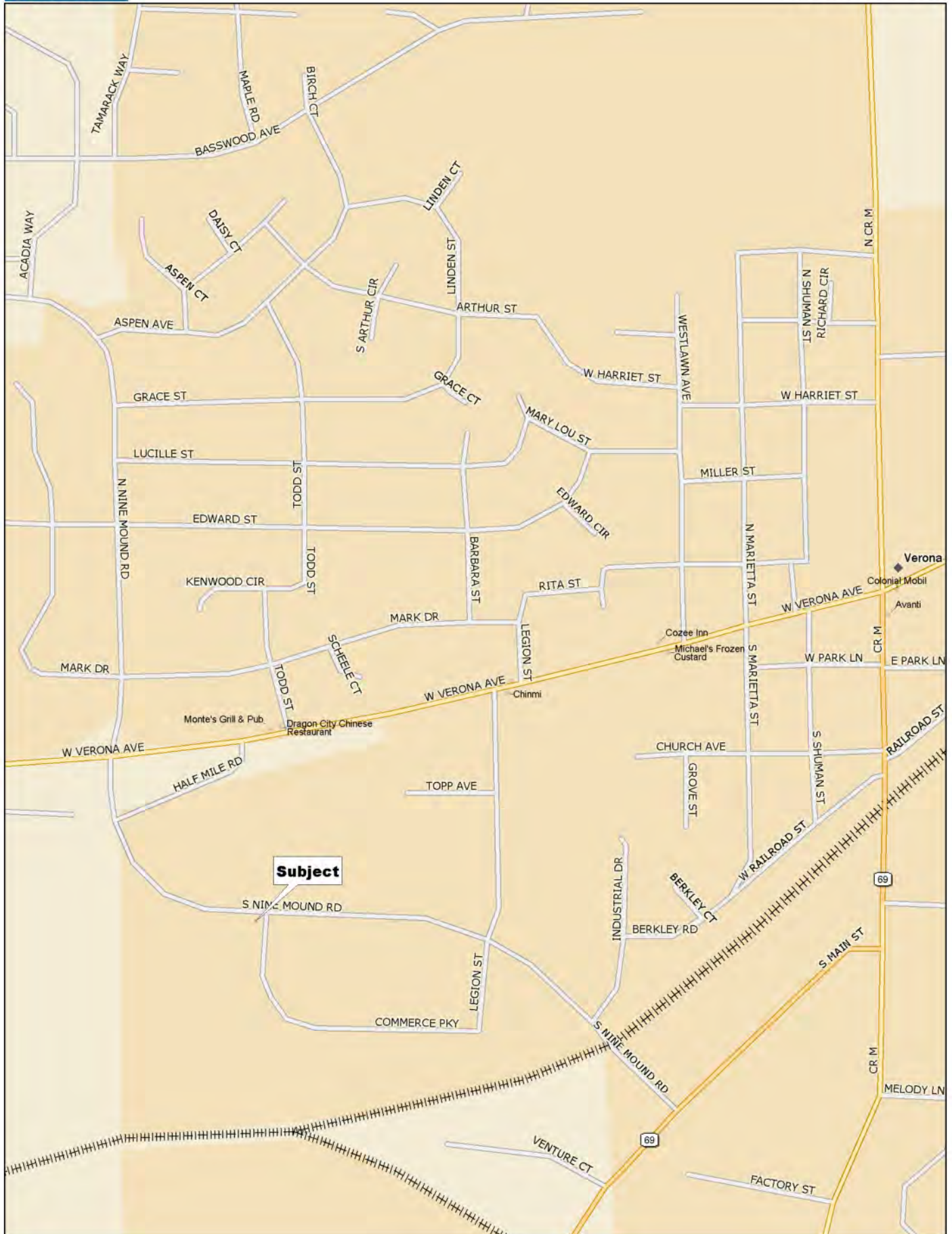
Again, the data indicates recovery during 2012-2018 relative to previous years. As of 2018, median home pricing in Dane County and statewide is significantly above the levels seen during 2007, prior to the recession.

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 2013-2015. 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 markets appear to remain relatively weak, with overall supply appearing to remain 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.

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





## SITE DATA

### 3.1 DIMENSIONS AND AREA

The subject property consists of four legally described and adjoining parcels. The overall site is quite irregular in shape and has approximately 440 feet of frontage on South Nine Mound Road, its northern boundary, as well as approximately 275 feet of frontage on Commerce Parkway, its eastern boundary.

According to an interview with the Assessor for the City of Verona conducted as of 2008, the three lots that comprise the subject as of that date contained a total of 307,139 square feet, or about 7.05 acres. During 2017, a portion of the site was sold that was 43,665 square feet in size. Thus, the current site size is calculated at **263,474 square feet**, or about 6.05 acres. However, a significant portion of the property is located in a flood zone. As noted in Section 3.6 of this report, below, approximately one-third of the overall subject site was estimated to be located in the flood zone, or roughly 100,000 square feet +/- . Therefore, the useable area of the subject site, net of the flood zone areas, is believed to be roughly **163,000 square feet +/-**.

### 3.2 TOPOGRAPHY

The subject site is generally level to slightly rolling in topography, except that there is a significant drop in elevation along southwestern portions of the site, near the flood zone portion of the property. The site is near the grade of the roadways noted above as well as with the adjoining properties.

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 improvements.

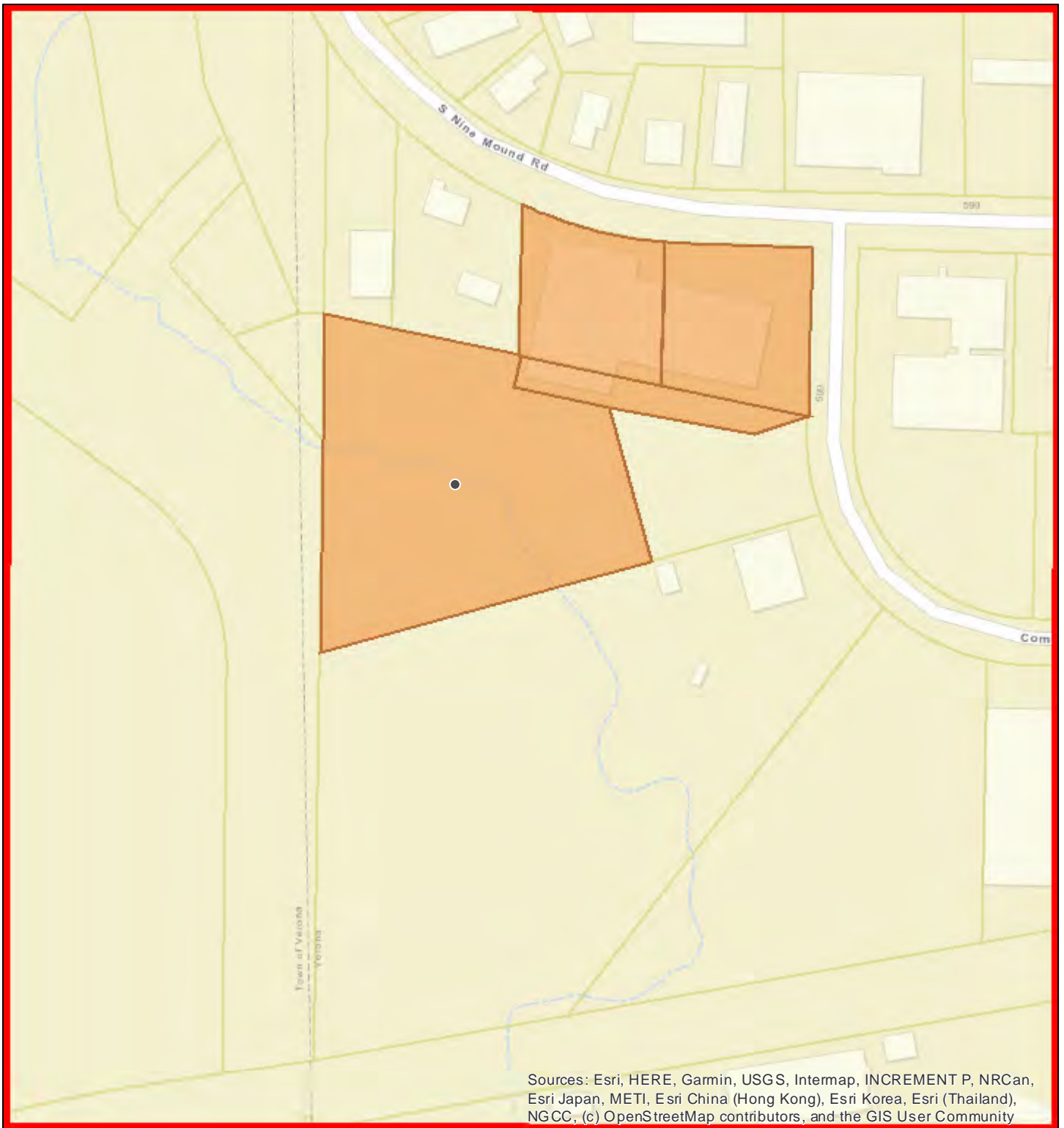
### 3.3 UTILITIES

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 improvements.

### 3.4 ACCESS

The subject has direct access into its northern parking lot from two driveway cuts along South Nine Mound Road, and access into its eastern parking lot areas from two driveway cuts on Commerce Parkway.

# Parcel Map



 Tax Parcels

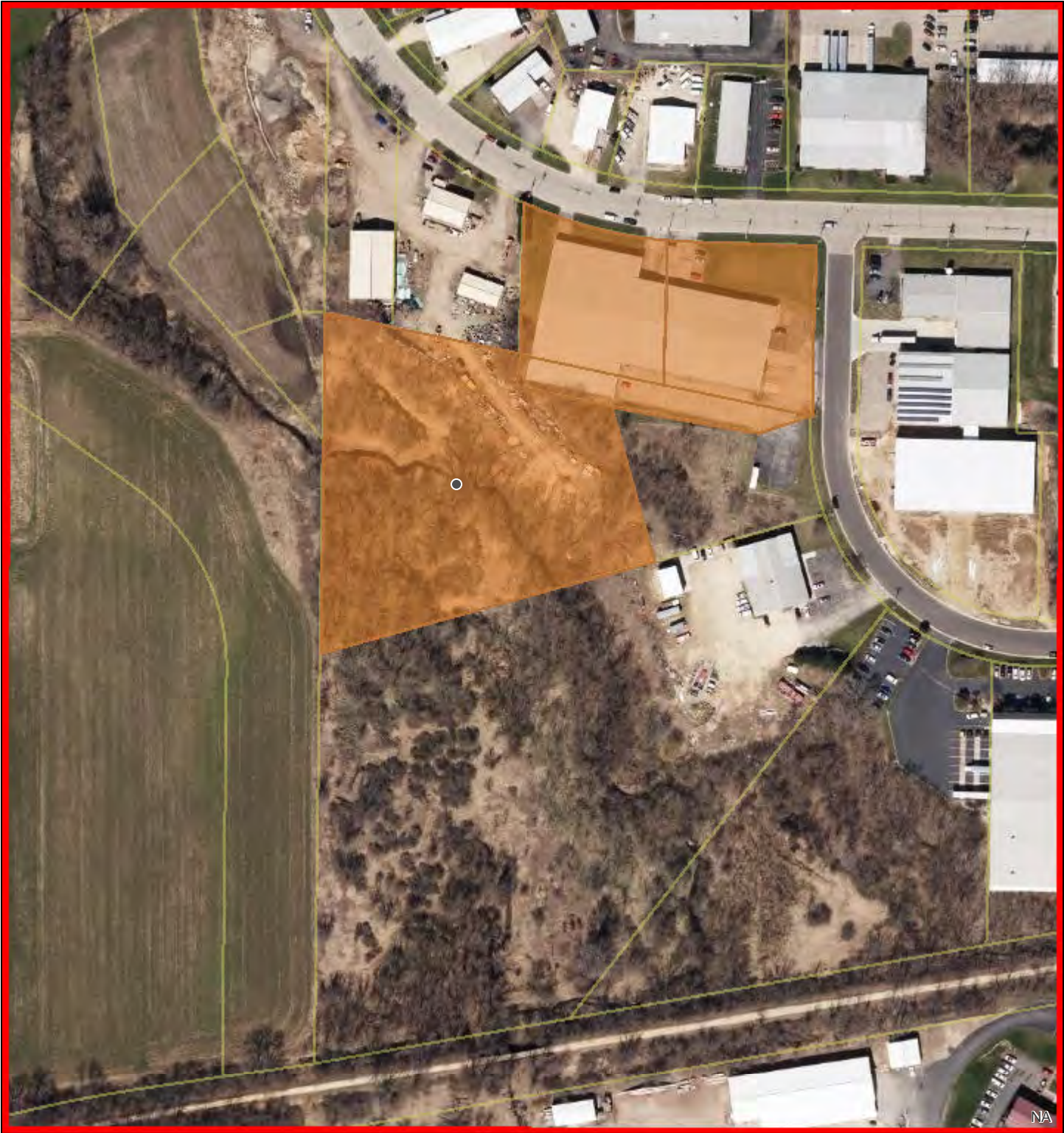
0 125 250 500 Feet


N  
▲

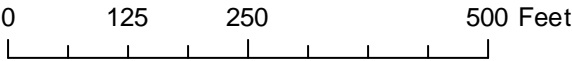
D. L. Evans COMPANY, INC.

Parcel Map

Aerial Map



 Tax Parcels



The subject enjoys good access to West Verona Avenue within about two blocks to the northwest, and reasonable access to US Highways 18/151 via Paoli Street.

Overall, access is considered adequate for industrial use and consistent with similar properties in the neighborhood.

### **3.5 ZONING**

According to online zoning map information, the subject property is zoned UI, Urban Industrial District, pursuant to the City of Verona zoning ordinances. Office, indoor storage, distribution and light industrial uses are all permitted uses as per these zoning regulations. Thus, generally speaking, the current uses of the property appear legally permissible, although the business operations of the various tenants were not scrutinized to confirm whether the specific business practices occurring on the property are legally permissible.

Relevant portions of the zoning ordinance can be found in the Addenda to this report.

Issues such as building setbacks and required parking and green space areas are presumed to have been confirmed during the building permitting and approval process with the appropriate municipal officials.

### **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.

The subject property is part of flood panel number 55025C0556G, effective January 2, 2009. As per the FEMA website as well as the "Access Dane" website, most of the subject property is located in "Zone X" and is considered outside of the 500 year flood plain. However, it is also apparent that much of the western portions of the property are located in an area considered to be within the flood plain. (See the flood map exhibit, via "Access Dane," on the following page.)

In conjunction with a 2008 appraisal assignment, the appraiser discussed this matter with Mr. Ron Rieder, Director of Public Works at the City of Verona, who provided an approximate delineation of the flood zone, which appears to show that approximately 33 percent of the subject site is in the flood plain, or roughly 100,000 square feet +/- . However, in the absence of exact boundaries delineating how much of the subject property is contained within the flood zone, it is impossible for the appraiser, who is not an expert in this field, to ascertain how much of the subject is contained within the flood zone. **The appraiser recommends the client seek a professional opinion as to the subject's flood plain status and the exact amount of area that is considered to be directly**

affected by this status. The appraiser must reserve the right to modify this appraisal report and any conclusions contained herein if it is found that the amount of unusable land for the construction of building improvements affected by the flood plain differs significantly from the above estimate.

### **3.7 ASSESSMENTS AND TAXES**

Information obtained from Dane County's "Access Dane" web site indicates that the subject property is identified as Parcel Nos. 0608-211-0259-2, 0608-211-0239-2, 0608-211-0269-4, and 0608-211-0290-7. The 2019 assessments for the subject property were as follows. (Three of the parcels are combined into a single assessment.)

	<u>2019 Assessed Values</u>			<u>2018 Taxes</u>
	<u>Land</u>	<u>Improvements</u>	<u>Total</u>	
0608-211-0259-2	\$188,100	\$0	\$188,100	\$4,420.47
0708-253-0303-8	<u>297,000</u>	<u>1,252,700</u>	<u>1,549,700</u>	<u>36,329.61</u>
<b>Totals</b>	<b>\$485,100</b>	<b>\$1,252,700</b>	<b>\$1,737,800</b>	<b>\$40,750.08</b>

The subject property appears to be assessed at a level somewhat below the opinion of the fee simple market value reported in this appraisal. This can often be the case in smaller municipalities, where the assessment departments are understaffed and often behind in property re-evaluations. Generally, assessments of commercial and light industrial properties in these markets are brought up to market value when a sale of the property takes place and the assessor is able to utilize transfer tax data to update the file.



### **3.8 DESCRIPTION OF THE IMPROVEMENTS**

The subject improvements consist of a one-story multi-tenant light industrial type building constructed in 1985, 1986 and 1988. The building is designed for use as a warehouse type facility with ancillary office space.

The building's floor plan includes 970 square feet of office area, which is divided into several private offices as well as a reception area. The remainder of the building is warehouse and storage type space, and is divided into three tenant areas, with minimal interior dividers within the various tenant spaces. The property also contains a total of six restrooms (three men's and three women's). The average height of the building is estimated at about 16 feet.

During the tour of the property, the building improvements were observed to be in generally good condition for their age. Only minor outstanding repairs or deferred maintenance were observed during the limited building tour. It was reported that a rubber membrane covering was added to about ½ of the roof area during 2018, and that a restroom was added during 2017. It should be noted that the tour was casual in nature and employees of the D. L. Evans Company, Inc. are not trained or qualified to conduct a property inspection involving evaluation of structural or other physical building systems.

The irregular structure has various exterior building dimensions. The gross floor area was reported to be 49,000 square feet. [See Exhibit]

#### **Building Areas**

49,000 Square Feet Gross Floor Area

970 Square Feet Office Area

48,030 Square Feet Warehouse/Storage Areas

#### **Specifications**

Exterior:

Foundation: Poured concrete

Frame: Pre-engineered steel

Walls: Metal / Face brick

Roof: Pitched metal / Pitched rubber membrane over metal

Windows: Metal-framed fixed and slide-by

Interior:

Floors: Carpet (Office) / Concrete

Walls: Drywall / Wood / Exposed insulation

Ceiling: Suspended acoustical tile (Office) / Exposed insulation and metal framing

Lighting: Recessed and suspended fluorescent

Mechanicals:

HVAC: Gas-fired forced-air furnaces with air conditioning (Office) / Radiant heating / Space heaters

Electric: Reported adequate for the use of the facility

Plumbing: Minimal; reported adequate for the use of the facility

Other  
Features: Fully sprinklered  
Four drive-in overhead doors  
Five truck dock overhead doors

**Land Improvements**

The principal land improvements on the subject site are asphalt parking and drives located to the north, east, and northeast of the building. There is estimated to be parking for about 40 vehicles. Landscaping includes lawns, trees and shrubbery.



VIEW OF SOUTHERN SUBJECT BUILDING ELEVATION



VIEW OF NORTHWESTERN SUBJECT BUILDING ELEVATION





SUBJECT INTERIOR - OFFICE AREA



OFFICE AREA



WAREHOUSE AREA (AUTOMOBILE STORAGE)



WAREHOUSE AREA (AUTOMOBILE STORAGE)



WAREHOUSE AREA



WAREHOUSE AREA





WAREHOUSE AREA



BREAK ROOM IN WAREHOUSE AREA

#### **4.1 HIGHEST AND BEST USE**

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

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

1. *The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.*
2. *The use of an asset that maximizes its potential and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating that the price that it would be willing to bid. (IVS)*
3. *[The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)*

#### **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 located in an established, primarily light industrial neighborhood with good access and linkages to transportation systems, employment centers, shopping districts and residential neighborhoods.

Demand for industrial property by business owners, tenants and investors in the subject's market area appears stable. New construction is ongoing at a moderate pace, consistent with general economic conditions and the size of the local market. The majority of the subject site's direct competition comes from other vacant industrial sites in Verona, and to a lesser extent in nearby municipalities. The availability of financing for commercial developments is reasonably good and can be found at competitive rates primarily from local sources. Projects that involve a significant speculative component are generally facing stiffer underwriting standards than stabilized projects with a strong operational history.

The primarily light industrial orientation of the subject neighborhood, as well as the Urban Industrial zoning of the subject 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 light industrial use.

#### **Highest and Best Use as Improved**

The subject property is improved with a multi-tenant light industrial building. The subject improvements appear to be well constructed and maintained, capable of continuing to serve their purpose well. Rental spaces within the building should be readily absorbed by new occupants during periods of tenant turnover. In general, the building is viewed as being competitive within its market.

The land and building improvements contribute significant value to the property. Therefore, neither demolition nor major renovation of the existing improvements is seen as the maximally productive use of the subject site at this time.

The economic feasibility of the property will be evaluated in the Income Approach section of this report that estimates a sales price (i.e., value) given an appropriate return and income projections. This is intended to satisfy the economic feasibility test.

The Highest and Best Use as improved is determined to be for a light industrial facility consistent with its present development.

## PART II

### VALUATION

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

Using the Cost Approach, value is derived by estimating the costs to replace the utility of the buildings and improvements based on today's material, labor and overhead rates. From this replacement cost, an appraiser deducts depreciation for physical wear, functional inutility or obsolescence, and any external obsolescence. The value of the improvements as depreciated is then added to the market value of the underlying land to arrive at a final value. The Cost Approach to value was carefully considered. However, the subject building improvements are in excess of 30 years old. In this type of situation, estimates of physical and functional depreciation are typically quite large and difficult or impossible to estimate reliably. In addition, a typical purchaser of the property would not place material reliance on estimates of depreciated cost to construct in developing an offering price for this property. For these reasons, the Cost Approach could not be reliably applied to this specific appraisal assignment.

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

The Income Approach is of primary importance in discerning the value of income-producing properties and is usually the principal indicator of value for investors in this type of property. Under this approach, value is defined as the present worth of future cash flows. Using this approach, the appraiser establishes economic rents for the property, deducts all reasonable operating expenses, and then determines the present value of the resulting net income stream. The Income Approach was determined to be applicable to the valuation of the subject property and is included in the following valuation analysis.

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

## **5.1 SALES COMPARISON APPROACH**

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

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

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

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

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



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

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

The attributes of the comparable properties are evaluated relative to the similar characteristics possessed by the subject property.

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

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

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

**Building**

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

**Building**

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

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

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

**Conditions**

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

### COMPARABLE BUILDING SALE



Address	4601 Tompkins Drive
Municipality	Madison
Building Use	Office / Warehouse
Frame	Pre-engineered steel
Exterior	Block / Metal
Year Built	1990 - 2000
No. Stories	1
Building Size	60,200 Square Feet
Land Size	126,370 Square Feet
Zoning	IG, Industrial-General District
Sale Date	March 21, 2018
Sale Price	\$2,150,000
SP/SF	\$35.71
Transfer Document	Warranty Deed, Document No. 5397000
Source	City of Madison Assessor, Appraiser's Files
Seller	Wisconsin Foam Products
Buyer	4601 Tompkins Drive LLC
Comment	Located in an established industrial park area in southeastern Madison, a few blocks from the intersection of Pflaum Road at S. Stoughton Road. There was limited office area of only 1,139 square feet or about 2 percent of the building. The facility had been owner-occupied and was renovated after the purchase in order to construct additional office and showroom spaces as well as provide for the potential for multi-tenant occupancy. There is also some storage mezzanine space in the building. Building and site size per City Assessor.

### COMPARABLE BUILDING SALE



Address	3103 Watford Way
Municipality	Madison
Building Use	Storage Warehouse
Frame	Pre-Engineered Steel
Exterior	Steel
Year Built	1970, 1979
No. Stories	1
Building Size	22,440 Square Feet
Land Size	37,938 Square Feet
Zoning	I-G, Industrial - General District
Sale Date	April 29, 2016
Sale Price	\$880,000
SP/SF	\$39.22
Transfer Document	Warranty Deed, Document No. 5230741
Source	Xceligent, Assessor, Title Company
Seller	The Saunders Clan, LLC
Buyer	Starved Rock Casework LLC
Comment	Located in an established light industrial area in south Madison, south of the Beltline and west of Fish Hatchery Road. Office area at 1,440 square feet or about 6% of the building. Clear heights near 16 feet in the warehouse area. Building size and age and site size per City of Madison. Arms'-length transaction per Xceligent.

COMPARABLE BUILDING SALE



Address	219 Paoli Street
Municipality	Verona
Building Use	Office, Shop, Bus Barn
Frame	Metal / Pole
Exterior	Metal
Year Built	1987
No. Stories	1
Building Size	16,008 Square Feet
Land Size	146,049 Square Feet
Zoning	UI, Urban Industrial District
Sale Date	August 4, 2015
Sale Price	\$670,000
SP/SF	\$41.85
Transfer Document	Warranty Deed, Document No. 5174598
Source	Title Company, Assessor, Xceligent
Seller	Monroe Properties, Inc.
Buyer	Meier Badger Holding Co., LLC
Comment	Two buildings on three adjoining lots. Total building and site size per assessor. The largest building is an unheated bus barn with pole frame. The second building has relatively modest office and shop space. Eave height estimated at about 14' for the bus barn and 12' for the shop. Located in far southwestern Verona on Paoli Street (State Highway 69) with very good access to US Highways 18/151. High land-to-building ratio provides significant exterior bus parking.

### COMPARABLE BUILDING SALE



Address	710 Watson Avenue
Municipality	Madison
Building Use	Office / Warehouse
Frame	Pre-engineered steel
Exterior	Steel
Year Built	1996
No. Stories	1
Building Size	27,200 Square Feet
Land Size	62,192 Square Feet
Zoning	IL, Industrial-Limited District
Sale Date	December 4, 2017
Sale Price	\$1,192,000
SP/SF	\$43.82
Transfer Document	Warranty Deed, Document No. 5375597
Source	City of Madison Assessor, Redicomps, Listing
Seller	TM Watson, LLP
Buyer	MNP Investment, LLC
Comment	Located in an established industrial park area just south of the Beltline Highway, near Syene Road. Per listing documents, there is 1,892 square feet of office area with the remainder being warehouse space. The building has 20 foot eave heights, 7 loading docks, and 2 drive-in doors, and has sprinklers.



### COMPARABLE BUILDING SALE



Address	4702 Helgesen Drive
Municipality	Madison
Building Use	Office / Warehouse
Frame	Pre-Engineered Steel
Exterior	Steel / Face brick
Year Built	1991, 2012
No. Stories	1
Building Size	34,122 Square Feet
Land Size	139,000 Square Feet
Zoning	IL, Industrial-Limited District
Sale Date	November 4, 2016
Sale Price	\$1,745,000
SP/SF	\$51.14
Transfer Document	Warranty Deed, Document No. 5282179
Source	City of Madison & State Assessors, Redicomps
Seller	T&G Helgesen, LLC
Buyer	Klein-Dickert Milwaukee, LLC
Comment	Located in an established light industrial area in southeastern Madison. Average clear height is about 23 feet. There is 2,613 square feet of office area with the remainder being warehouse space. State records indicate the Seller used the facility for paper recycling. Building size is per City of Madison records, and includes a mezzanine loft area.

**SALES SUMMARY - IMPROVED PROPERTIES**

<b>Sale No.</b>	<b>Location of Comparable</b>	<b>Sale Date</b>	<b>Sale Price</b>	<b>Size (Sq. Ft.)</b>	<b>Price/ Sq. Ft.</b>
1	4601 Tompkins Drive, Madison	Mar-18	\$2,150,000	60,200	\$35.71
2	3103 Watford Way, Madison	Apr-16	\$880,000	22,440	\$39.22
3	219 Paoli Street, Verona	Aug-15	\$670,000	16,008	\$41.85
4	710 Watson Avenue, Madison	Dec-17	\$1,192,000	27,200	\$43.82
5	4702 Helgesen Drive, Madison	Nov-16	\$1,745,000	34,122	\$51.14

On a unit basis, the comparable building sale properties range in sale price from \$35.71 to \$51.14 per square foot of building area. Differences in building and site characteristics between each comparable and the subject have been presented on the table below. 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. The following attributes of each sale were considered in comparison to the subject based on the criteria described above.

	<b>Sale 1</b>	<b>Sale 2</b>	<b>Sale 3</b>	<b>Sale 4</b>	<b>Sale 5</b>
<b>Price/Sq. Ft.</b>	\$35.71	\$39.22	\$41.85	\$43.82	\$51.14
<b>Market Conditions</b>	SIMILAR	SIMILAR	SIMILAR	SIMILAR	SIMILAR
<b>Location</b>	SIMILAR	SIMILAR	SUPERIOR	SIMILAR	SIMILAR
<b>Effective Age / Condition</b>	INFERIOR	INFERIOR	SIMILAR	SUPERIOR	SUPERIOR
<b>Size</b>	INFERIOR	SUPERIOR	SUPERIOR	SUPERIOR	SUPERIOR
<b>Office Ratio</b>	2%	6%	SEE TEXT	7%	8%
	SIMILAR	SIMILAR	SUPERIOR	SIMILAR	SIMILAR
<b>Building Height</b>	20 FEET	16 FEET	13 FEET	20 FEET	23 FEET
	SUPERIOR	SIMILAR	INFERIOR	SUPERIOR	SUPERIOR
<b>Land:Building Ratio</b>	2.1	1.7	9.1	2.3	4.1
	INFERIOR	INFERIOR	SUPERIOR	INFERIOR	SUPERIOR
<b>Construction</b>	SIMILAR	SIMILAR	INFERIOR	SIMILAR	SIMILAR



The subject property is located in an industrial park in the City of Verona. This is considered a typical interior type site with adequate but not outstanding visibility and highway access. Comparables 1, 2, 4, and 5 are all interior industrial park locations within Madison, within several blocks of the Beltline Highway and/or US Highway 51. The competing locations are seen as generally similar in desirability to the subject. Comparable 3 is located in Verona but has good visibility and highway access, within a block or so of US Highways 18/151, and the location is seen as superior to the subject.

The subject property was constructed between 1985 and 1988 and thus is about 31 to 34 years old. The property was observed to be in generally good condition for its age. Comparable 1 was slightly newer than the subject but required significant renovations as of the sale date. The overall condition and effective age are rated inferior to the subject. Comparable 2 is somewhat older than the subject and is also rated inferior. Comparable 3 is most similar overall to the subject with respect to age and overall condition. Comparables 4 and 5 are both newer and are seen as superior in this regard, to varying degrees.

The subject property includes 970 square feet of office area or about 2 percent of the building area. Comparables 1, 2, 4, and 5 all have about 2% to 8% office ratios and are rated generally similar in this respect to the subject. The exact office ratio of Comparable 3 is not known, but it is markedly higher than the subject, as a significant portion of one of the buildings is office space. However, the office areas in this competing property are relatively modest in quality.

The average subject building height is estimated at about 16 feet. As shown in the table, Comparables 1, 4, and 5 are superior to the subject in this regard, while Comparable 3 is inferior. Comparable 2 is most similar in this regard.

A final consideration is the land-to-building ratio of the property. The subject has an estimated 163,000 square feet of useable land area and 49,000 square feet of building area, for a land-to-building ratio of about **3.3 to 1**. As shown in the table above, Comparables 1, 2, and 4 are inferior to the subject in this regard, to varying degrees, while Comparable 5 is slightly superior. Comparable 3 has very high land-to-building ratio and is markedly superior in this regard.

A final note is that Comparable 3 consists primarily of unheated bus barn type space and is considered inferior to the subject with respect to overall building quality. All of the other comparables are more typical office/warehouse properties and are more similar to the subject.

Overall, Comparable 1 is seen as clearly inferior to the subject, while Comparable 5 is rated clearly superior. Comparable 4 is also seen as somewhat superior overall to the subject.

Given current market pricing, the unit value of the subject is seen as falling within a range from \$38.00 to \$42.00 per square foot. Based upon the data and analysis summarized above, the Market Value of the subject property is estimated at \$40.00 per square foot of gross building area or:

49,000 Square Feet @ \$40.00/Square Foot	=	\$1,960,000
	Say	\$1,960,000

<b>INDICATED VALUE BY THE SALES COMPARISON APPROACH</b>	<b>\$1,960,000</b>
---	--------------------

## **6.1 INCOME APPROACH**

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

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

Because the property is presumed to receive a stabilized net income for the foreseeable future, the property is presumed to generate relatively consistent cash flows over time. Thus, a direct capitalization of stabilized net income is felt to be a reasonable income valuation approach.

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

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

### **Market Value and Investment Value**

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

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

### **Potential Gross Income**

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

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

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

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

### Contract Rent

A rent roll was provided by a representative of the owner and is summarized as follows. Note all of the leases are reportedly written on a mostly gross basis, with the landlord responsible for effectively all costs of occupancy.

Attainment Company, Inc. leases 27,500 square feet of warehouse space and pays monthly rent of \$17,192.62. The rental amount equates to **\$7.50 per square foot per year**. This lease expires October 31, 2019.

Hughes Flooring leases another 6,000 square feet of warehouse space, at a rental rate of \$3,375 per month. The rental rate equates to **\$6.75 per square foot per year**. This lease expires May 31, 2020. This tenant is in negotiations to purchase the property and owner-occupy the entire facility.

Finally, Howard Schlueter leases 1,600 square feet of space, which includes office and warehouse areas. The monthly income is \$972.83 per month, which equates to **\$7.30 per square foot per year**. This lease is written on a month to month basis, and the tenant indicated that the suite will be vacated over the near term.

The owner reports that the remainder of the building is used for storage of automobiles on a "per month, per car" basis and is currently generating **\$320 per month** in additional income.

Total reported income for the leased tenant suites (not including the automobile storage area) is **\$21,540.45 per month** or about **\$285,485 per year**, and equates to **\$7.36 per square foot** of currently rented area. However, a significant portion of the building generates only minimal income of \$320 per month on 13,900 square feet of building area, or just **\$0.28 per square foot**.

The overall reported income, inclusive of the automobile storage area, is **\$262,325 per year**, or **\$5.35 per square foot** taken against the 49,000 square feet of building area.

### Market Rent

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

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

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

<u>Location</u>	<u>Available Area (SF)</u>	<u>Asking Rent/SF</u>	<u>Comments</u>
<b>NNN Askings</b>			
2305 Daniels Street, Madison	46,735	\$3.75 whs	Metal building constructed during 1979 with 16' clear height. Heated, sprinklered. CAM est. @ \$1.50/SF.
4525 Pflaum Road, Madison	17,550	\$4.00 blended	3,800 SF of office and the remainder is warehouse/production space, some of which is unheated. Metal buildings, 15' clear height.
816 Walsh Road, Madison	2,775	\$4.50 whs \$9.00 off	Small office/warehouse suite. 16' eaves in warehouse. Brick/metal exterior. One overhead door.
2417 W. Badger Road, Madison	40,000 - 101,300	\$4.60 whs	Large building, near Beltline, sprinklered. Very small office area about 1%. Built 1987. CAM est. @ \$1.00/SF.
1155 Clarity Street, Verona	2,164 - 2,500	\$8.00 blended	New open shop/storage space with restroom, 14' overhead door, 20' ceiling height. Growing commercial area in southern Verona with access to Hwy 18/151.
807 Liberty Drive, Verona	2,883	\$8.00 - \$10.00 flex/retail	New flex/retail/shop space. 14' overhead door. 20' ceiling height. Growing commercial area in southern Verona with access to Hwy 18/151.
275 Bruce Street, Verona	2,124	\$8.50 blended	Two-story office/warehouse space in multi-tenant building. 50% office, 50% warehouse. Industrial park location near subject. Built 2000.
<b>Gross / Modified Gross Askings</b>			
8605 Fairway Place, Middleton	4,000	\$4.50 whs	Warehouse suite, modest quality, 17' eave height.
275 Bruce Street, Verona	3,107	\$8.50 blended	Office/warehouse space in an industrial park in Verona. Higher overall quality than subject.
403 Venture Court, Verona	2,992	\$11.63 blended	Office/warehouse space in multi-tenant building. Metal & brick siding, 12 foot overhead door. Roughly 50% office space. Modified gross.

The results of the rental market investigation indicate that in the Verona and greater Madison market, space viewed having some similarities to the subject is currently being marketed for lease in the range from \$3.75 to as high as \$10.00 per square foot on a triple net basis, with gross and modified gross askings being reported in a range of \$4.50 per square foot to as high as \$11.63 per square foot. The higher end of this range represents combined or "blended" rates for space that includes a mix of office and warehouse areas. Pure warehouse rents generally run significantly lower than space that includes significant office areas.

Rents are generally higher for newer buildings and smaller spaces. Building location also plays a significant role in rental rates. Buildings located in busy commercial corridors or proximate to major roadways tend to command higher rents than similar buildings in less desirable locations. These observations are confirmed by contract lease data accumulated by the appraisal firm in the course of appraisals of similar properties, and contained within the D. L. Evans Company, Inc. files.

The subject property consists almost entirely of warehouse space. The building is now older construction and has limited ceiling heights and very little office space. The building is seen as being most similar to buildings with asking rents toward the low end of the range, based on the various factors influencing rents, such as property location, building age, size of the rental space, quality of construction and interior finishes, and other factors.

#### **Summary - Stabilized Rents**

In view of the range of competing rental space outlined above, the leased portions of the subject space appear to be generating income generally consistent with market rent levels. However, the portions being utilized for automobile storage are generating income much lower than the remainder of the facility. Overall, current income is seen as being slightly lower than market levels.

Considering subject rents and comparable market rents and understanding that actual contract rents for a given property may be lower than the respective asking rents, stabilized rents for the subject property are estimated to be **\$6.00 per square foot** on a gross basis. It is understood some areas within the subject building may have a higher market rent and some space may have a lower rate. However, the market rent estimate is intended to reflect an average rental rate for the entire building.

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

49,000 Square Feet	@	\$6.00/Square Foot	=	\$294,000
--------------------	---	--------------------	---	-----------

### **Vacancy and Collection Loss**

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

In light of the research, a 10.0 percent vacancy factor was assigned to the subject as a stabilized rate.

### **Operating Expenses**

Historical operational expense data provided for the subject building was reviewed. Comparable building expenses were also reviewed and related to the subject.

In the local market, operating expenses can range from a low of about 30 percent to near 50 percent of Effective Gross Income, or roughly \$5.00 to \$10.00 per square foot. Expenses include such items as repairs and maintenance, building management and administration, supplies, grounds care and snow removal, real estate taxes, property and liability insurance, and utilities. Also included is a reserve replacement account. The table below summarizes the historical operating expense information.

<b>Year</b>	<b>Reported Income</b>	<b>Reported Operating Expenses</b>	<b>Expense Ratio</b>
2018	\$250,080	\$77,193	30.87%
2017	\$223,731	\$78,632	35.15%

Not listed on the list of expenses is building insurance. In addition, repairs and maintenance costs have been quite low each of the last two years. Note also that on a "dollars per year" basis, historical expenses are likely markedly lower due to the lack of significant expenses associated with the automobile storage portions of the facility. For these reasons, stabilized expenses for the subject are seen as being higher than the reported historical expenses.

Considering the age and condition of the subject improvements, historical data and a likely increase in property taxes, it was estimated that expenses should run between 35 and 45 percent of effective income. An amount equal to the midpoint of the range at 40 percent of the effective gross income was employed in the analysis. This is about \$2.16 per square foot of rentable building area.



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

**STABILIZED NET OPERATING INCOME STATEMENT**

Potential Gross Income		\$294,000
Less Vacancy & Collection Loss @	10.0%	<u>(29,400)</u>
Effective Gross Income (EGI)		\$264,600
Expenses (% of EGI)	40.0%	<u>(105,840)</u>
<b>Stabilized Net Operating Income:</b>		<b>\$158,760</b>

**The Capitalization Process**

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

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

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

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

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

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

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

Where:

R = Overall Capitalization Rate

M = Mortgage loan to value percentage

I = Mortgage Constant rate

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

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

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

M	=	75.00%
Loan Interest Rate	=	6.00%
Amortization Period	=	20 years
I	=	0.0860
Y	=	7.00%

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

$$\begin{aligned} R &= (M \times I) + [(1-M) \times Y] \\ R &= (0.7500 \times 0.0860) + [(1 - 0.7500) \times 0.0700] \\ R &= 0.0645 + 0.0175 \\ R &= 0.0820 \\ R &= 8.20\% \end{aligned}$$

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

For the 1<sup>st</sup> quarter of 2019, overall capitalization rates for National Warehouse properties ranged from 3.0 to 6.25 percent, with the average being 4.64 percent. The PwC survey primarily includes institutional type properties in major metropolitan areas. Accordingly, a much higher overall rate would be expected for the subject due to the differing investment risk profiles. In recent quarters, PwC had reported that rates for non-institutional properties in this category were averaging approximately 133 basis points higher than institutional properties, with a range of 50 to 250 basis points of difference reported. Similar data was not available for the 1<sup>st</sup> quarter of 2019.

Xceligent sales data for industrial and flex properties in the greater Wisconsin market was also researched with respect to reported capitalization rates. For all sales between 2012 and 2017, a range of capitalization rates was reported between 7.0 percent and 12.02 percent, with a median of 8.74 percent. The Verona location of the subject as well as the relatively moderate contract rental rates suggest a lower than average risk profile for the subject, and thus a capitalization rate below the median is seen as reasonable.

Based upon the data and analysis summarized above, a reasonable range of capitalization rates for the subject property is concluded about 8.0 percent to 8.50 percent. Market value is estimated utilizing an overall rate at the midpoint of this range, or 8.25 percent, as follows:

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

$$\text{Value} = \frac{\$158,760}{8.25\%}$$

$$\begin{array}{lcl} \text{Value} & = & \$1,924,364 \\ \text{Say} & & \$1,920,000 \end{array}$$

**INDICATED VALUE BY THE INCOME APPROACH**

**\$1,920,000**

## **7.1 RECONCILIATION AND CONCLUSIONS TO VALUE**

In the valuation of the light industrial property located at 531 Commerce Parkway in Verona, Wisconsin, the three approaches to value were considered; however, due to the nature and age of the improvements, only the Sales Comparison Approach and Income Approach were deemed applicable.

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

The indicated value of the subject by the three approaches to value concluded as follows:

<b>Cost Approach</b>	<b>Not Applicable</b>
<b>Sales Comparison Approach</b>	<b>\$1,960,000</b>
<b>Income Approach</b>	<b>\$1,920,000</b>

The Cost Approach, where the land value is estimated and added to the replacement costs of the improvements less depreciation, was carefully considered. However, the subject building improvements are in excess of 30 years old. In this type of situation, estimates of physical and functional depreciation are typically quite large and difficult or impossible to estimate reliably. In addition, a typical purchaser of the property would not place material reliance on estimates of depreciated cost to construct in developing an offering price for this property. For these reasons, the Cost Approach could not be reliably applied to this specific appraisal assignment.

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

The Sales Comparison Approach is based upon historical data. There is sufficient sales activity in the greater Dane County market from which to make reasonable comparisons with the subject. The indicated range of value for comparable properties sharing various attributes of the subject is from about \$35 to \$50 per square foot of building area. The subject is estimated to fall slightly below the midpoint of this range.

In considering the quality and quantity of reliable data available, similar weight was given to both of the applicable valuation approaches in the final reconciled value estimate.

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 **ONE MILLION NINE HUNDRED FORTY THOUSAND DOLLARS (\$1,940,000)**.

## **ADDENDA**

# D. L. Evans COMPANY, INC.

REALTORS® • APPRAISERS • COUNSELORS

5402 Mineral Point Road • Madison, Wisconsin 53705  
(608) 274-4141 • FAX (608) 274-4145  
www.dlevanscompany.com

July 16, 2019

Ms. Barbara Drury  
Die Pfeife, LLC

RE: Appraisal of the light industrial property located at 531 Commerce Parkway in Verona, Wisconsin

Dear Ms. Drury:

Pursuant to your request, we submit for your consideration a proposal for the appraisal of the light industrial property located at 531 Commerce Parkway in Verona, Wisconsin. We have appraised this property in the past and would be pleased to complete a current appraisal for you.

The purpose of the appraisal will be to develop an opinion of the Market Value of the fee simple interest in the property as of the date of property observation, which will be the effective date of the appraisal.

The intended use of the appraisal is understood to be for internal business considerations by the client in conjunction with a potential sale of the property. The appraisal will be prepared for the sole and exclusive use of the client, Ms. Barbara Drury. No other use or users are intended by the appraiser. The appraiser and the D. L. Evans Company, Inc. are not responsible for any unintended use of this report.

The Appraisal Report will be in a narrative written format and will be prepared in accordance with our understanding of the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP). Also please find attached a copy of the Assumptions and Limiting Conditions that will be incorporated into the appraisal.

The estimated completion date of the appraisal is by July 31, 2019. Because we are continually receiving requests for appraisal services, we can only reasonably expect to meet this completion time frame if we receive your authorization within the next five business days. Additionally, we can only complete the appraisal by this date if we receive from you in a timely manner any relevant information needed for the preparation of the report.



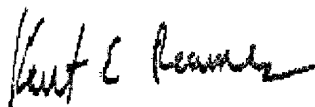
We will furnish you with an electronic (.pdf) copy of the appraisal report. Our fee for this appraisal will be \$ . Please note that the cited fee amount does not contemplate any additional work being performed by the D. L. Evans Company, Inc. other than the preparation of the appraisal report. Should additional work be required, our additional time will be billed at a rate of \$ per hour. A retainer in the amount of \$ must be paid to this office before we can commence the preparation of this report. The balance of \$ is due upon delivery of the report. Interest on overdue payments will be charged at the rate of 12.0 percent per annum.

We will proceed with the preparation of the appraisal upon receipt of a signed copy of this engagement letter and the retainer amount. Please contact us with any questions you may have.

Thank you for considering the D. L. Evans Company for your real estate valuation needs.

Sincerely,

**D. L. EVANS COMPANY, INC.**



Kent E. Reames  
Wisconsin Certified General Appraiser #1505

Engagement Letter  
Accepted:

  
Ms. Barbara Drury

7-18-19  
Date

### ASSUMPTIONS AND LIMITING CONDITIONS

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

- In conjunction with a previous appraisal of the subject property, written during 2008, the appraiser found that National Flood Insurance preliminary map panel 55025C0556F, dated September 20, 1999, appeared to show that part of the appraised property was located in "Zone X" and was considered outside of the 500 year flood plain by that agency. However, it was also apparent that the western part of the property was located in "Zone AE", an area considered to be within the flood plain. At that time, the appraiser discussed this matter with Mr. Ron Rieder, Director of Public Works at the City of Verona, who provided an approximate delineation of the flood zone, which appeared to show that approximately 33 percent of the subject site was in the flood plain. However, in the absence of exact boundaries delineating how much of the subject property is contained in "Zone AE", it is impossible for the appraiser, who is not an expert in this field, to ascertain how much of the subject is contained within the flood zone. **The appraiser recommends the client seek a professional opinion as to the subject's flood plain status and the exact amount of area that is considered to be directly affected by this status. The appraiser must reserve the right to modify this appraisal report and any conclusions contained herein if it is found that the amount of unusable land for the construction of building improvements affected by the flood plain differs significantly from the above estimate.**
- 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. The valuation analysis in this appraisal report did not consider possible compliance or noncompliance with the requirements of the ADA.
- Client, along with its successors and assigns, agrees to indemnify, defend and hold harmless the appraiser and D. L. Evans Company, Inc. staff and their successors and assigns from and against any and all debts, liens, claims, causes of action, administrative orders and notices, costs (including, without limitation, taxes, fines, penalties and assessments), losses, damages, liabilities, demands, interest, and expenses, including reasonable attorneys fees and expenses, consultants' fees and expenses, court costs and all other out-of-pocket expenses, suffered or incurred by the appraiser, the D. L. Evans Company, Inc. and their successors and assigns in any manner in connection with the use of the appraisal report by or on behalf of any party, except only for such claims resulting directly from the gross negligence of the employees of the D. L. Evans Company, Inc.
- In any event, the maximum damages recoverable from the appraiser and the D. L. Evans Company, Inc., relative to this engagement shall be the amount of the moneys actually collected by the D. L. Evans Company, Inc., for this assignment and under no circumstances shall

any claim for consequential damages be made. In addition, there is no accountability or liability to any third party.

- All information contained in this report regarding the sale, rental, financing, or projections of income of properties is made from sources deemed reliable. No warranty or representation is made as to the accuracy of this information and it is subject to errors, omissions, change of price, rental or other conditions, prior sale, lease, financing, or withdrawal without notice.
- This appraisal report was prepared for the exclusive benefit of the client. It may not be used or relied upon by any other party or for any use other than that use specifically stated in the body of this report.
- All addenda, exhibits, photographs and other information contained within or attached to this report are considered a part of the report. The report cannot be completely understood or relied upon without inclusion and consideration of this data.

(a) **Description and Purpose.**

- (1) **Purpose.** This district is intended to permit both large and small scale industrial and office development at an intensity which is consistent with existing transition and urban intensity development. Beyond a relatively high minimum Green Space Ratio (GSR), the primary distinguishing feature of this district is that it is geared to indoor industrial activities which are not typically associated with high levels of noise, soot, odors and other potential nuisances for adjoining properties. In order to ensure a minimum of disruption to residential development, no development within this district shall take direct access to a local residential street or a residential collector street.
- (2) **Rationale.** This district is intended to provide a location for urban intensity light industrial land uses such as assembly operations, storage and warehousing facilities, offices, and light manufacturing which are protected from potential nuisances associated with certain development permitted within the Heavy Industrial (HI) District. In addition, uses shall comply with the minimum performance standards presented in Article H.

(b) **List of Allowable Land Uses** (per Article C).

- (1) **Land Uses Permitted by Right** [per [Section 13-1-81\(b\)](#)].
  - a. Cultivation [per [Section 13-1-87\(a\)](#)].
  - b. Selective Cutting [per [Section 13-1-87\(f\)](#)].
  - c. Passive Outdoor Public Recreation [per [Section 13-1-88\(a\)](#)].
  - d. Public Services and Utilities [per [Section 13-1-88\(e\)](#)].
  - e. Office [per [Section 13-1-89\(a\)](#)].
  - f. Indoor Maintenance Service [per [Section 13-1-89\(e\)](#)].
  - g. Indoor Storage or Wholesaling [per [Section 13-1-90\(a\)](#)].
  - h. Off-Site Parking Lot [per [Section 13-1-91\(a\)](#)].
  - i. Distribution Center [per [Section 13-1-91\(d\)](#)].
  - j. Light Industrial [per [Section 13-1-92\(a\)](#)].
- (2) **Land Uses Permitted as Conditional Use** [per [Section 13-1-81\(c\)](#)].
  - a. Clear Cutting [per [Section 13-1-87\(g\)](#)].
  - b. Group Day Care Center (9+ children) [per [Section 13-1-89\(m\)](#)].
  - c. Vehicle Repair and Maintenance [per [Section 13-1-89\(q\)](#)].
  - d. Outdoor Storage or Wholesaling [per [Section 13-1-90\(b\)](#)].
  - e. Personal Storage Facility [per [Section 13-1-90\(c\)](#)].
  - f. Airport/Heliport [per [Section 13-1-91\(b\)](#)].
  - g. Communication Tower [per [Section 13-1-92\(c\)](#)].
  - h. Outdoor Display [per [Section 13-89\(d\)](#)].
  - i. Personal or Professional Services [per [Section 13-1-89\(b\)](#)].
- (3) **Land Uses Permitted as Accessory Uses** [per [Section 13-1-81\(d\)](#)].
  - a. Land Uses Permitted by Right.
    1. Company Cafeteria [per [Section 13-1-93\(e\)](#)].
    2. Indoor Sales Incidental to Light Industrial Use [per [Section 13-1-93\(i\)](#)].
  - b. Land Uses Permitted as Conditional Use.
    1. Company Provided On-Site Recreation [per [Section 13-1-93\(f\)](#)].
- (4) **Land Uses Permitted as Temporary Uses** [per [Section 13-1-81\(e\)](#)].
  1. Outdoor Assembly [per [Section 13-1-94\(b\)](#)].

(c) **Regulations Applicable to Residential Uses.** Not Applicable.

(d) **Regulations Applicable to Nonresidential Uses.**

- (1) **Nonresidential Density and Intensity Requirements.**
  - a. Minimum Landscape Surface Ratio (LSR): .100.
  - b. Maximum Building Size (MBS): na.
- (2) **Nonresidential Bulk Requirements.** (Bold letters refer to diagram)
  - a. Minimum Lot Area: 6,500 sf. **(A)**
  - b. Minimum Lot Width: 100 feet. **(B)**
  - c. Minimum Setbacks.
    1. Building to Front or Street Side Lot Line: 25 feet. **(C)**
    2. Building to Residential Side Lot Line: 10 feet. **(D)**
    3. Building to Residential Rear Lot Line: 20 feet. **(E)**
    4. Building to Nonresidential Side Lot Line: 10 feet or 0 feet on zero lot line side. **(F)**
    5. Building to Nonresidential Rear Lot Line: 20 feet. **(G)**
    6. Peripheral Setback: See [13-1-249\(d\)\(2\)](#) along zoning district boundary. **(H)**
    7. Minimum Paved Surface Setback: 5 feet from side or rear; 10 feet from street. **(I)**
  - d. Minimum Building Separation: 20 feet. **(J)**

e. Maximum Building Height: 45 feet. (K)

f. Minimum Number of Off-Street Parking Spaces Required on the Lot. See parking lot requirements per specific land use in Sections 13-1-85 through 13-1-95. (L)

(3) **Nonresidential Landscaping Requirements (Nonresidential, Two-Family and Multifamily).**

a. 20 landscaping points per 100 linear feet of building foundation.

b. 5 landscaping points per 1,000 sf of gross floor area.

c. 20 landscaping points per 100 linear feet of street frontage.

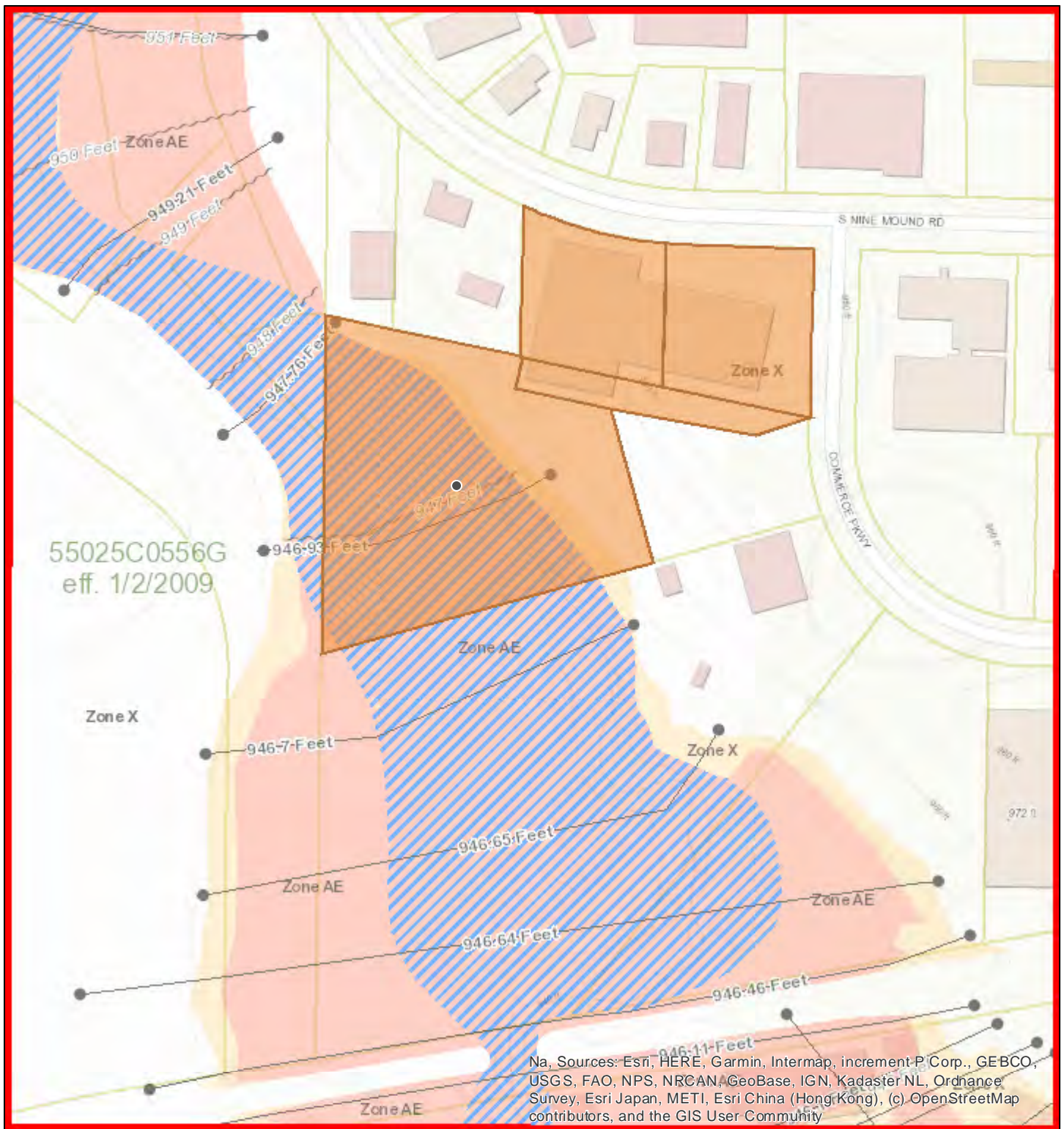
d. 40 landscaping points per 10,000 sf paved area/20 stalls.

(4) **Nonresidential Performance Standards** (See Article H).










(5) **Nonresidential Signage Regulations** (See Article I).

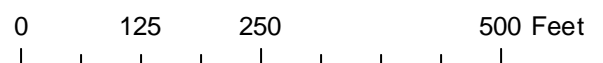
(Ord. No. 06-717, § 1, 5-11-06; Ord. No. 14-481, § I, 4-14-14)

# Flood Zone Map



July 19, 2019

- |   |                                   |   |                                      |
|---|-----------------------------------|---|--------------------------------------|
|  | FEMA FIRM Panel                   |  | Floodway Areas in Zone AE            |
|  | Special Flood Hazard Text         |  | 1 Percent Annual Flood Chance Area   |
|  | Base Elevation                    |  | 0.2 Percent Annual Flood Chance Area |
|  | Base Line                         |  | Tax Parcels                          |
|  | Cross Section Lines and Elevation |   |                                      |





## **QUALIFICATIONS OF**

**Kent E. Reames, Ph.D.**

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. Reames has been employed by the D. L. Evans Company, Inc., since 2002, developing expertise in commercial and residential real estate appraising and real estate consultation. He has been a Wisconsin Certified General Appraiser since 2007.

Before coming to the D. L. Evans Company, Mr. Reames worked as a professor at various colleges and universities in Indiana, Illinois and Minnesota, teaching classes in philosophy, ethics, and religious studies.

### Licenses, Designations and other Qualifications

Certified General and Licensed Appraiser - State of Wisconsin

### Education

Ph.D., Ethics. University of Chicago. December, 1997

M.A., Religious Studies. University of Chicago. April, 1993

B.A. Carleton College, Northfield, MN. June, 1991

Graduated from West High School. Madison, Wisconsin. June, 1987

### 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.