An appraisal of Fitchburg Ridge Shopping Center, Fish Hatchery Road, Fitchburg, Wisconsin. September 23, 1983

Landmark Research, Inc.
[s.l.]: [s.n.], September 23, 1983

AN APPRAISAL OF

FITCHBURG RIDGE SHOPPING CENTER

BEFORE AND AFTER THE TAKING BY

DANE COUNTY, WISCONSIN

Landmark Research Inc.

Landmark Research, Inc.

AN APPRAISAL OF

FITCHBURG RIDGE SHOPPING CENTER

FISH HATCHERY ROAD

FITCHBURG, WISCONSIN

AS OF

SEPTEMBER 23, 1983

PREPARED FOR:

John Flad, President
Flad Development and Invesment Corp.
4200 University Avenue
Madison, Wisconsin

PREPARED BY:

Landmark Research, Inc.
James A. Graaskamp, Ph.D., SREA, CRE
Frederick A. Rendahl

4610 University Avenue, Suite 105, Madison, Wisconsin 53705, 608-233-6400

Landmark Research Inc.

James A. Graaskamp, Ph.D., S.R.E.A., C.R.E.
Jean B. Davis, M.S.

September 23, 1983

Mr. John Flad, President
Flad Development and Investment Corporation
4200 University Avenue, Suite 2110
Madison, WI 53705

Dear Mr. Flad:

With this letter we transmit our appraisal of the Fitchburg Ridge Shopping Center, Fish Hatchery Road, Fitchburg, Wisconsin. At your request, this appraisal considers the market value of the property before and after the taking of a portion of the property for the widening of Fish Hatchery Road. The difference between these values represents loss and damage which result from the taking. The value conclusions subject to our assumption and limiting conditions as of September 23, 1983, are as follows:

Value of the Fitchburg Ridge Property - Before the Taking

TWO MILLION DOLLARS
($2,000,000)

Value of the Fitchburg Ridge Property - After the Taking

ONE MILLION SEVEN HUNDRED FIFTY THOUSAND DOLLARS
($1,750,000)

The loss and damage accruing as a result of this taking is then estimated to be $100,000 in direct damage and $150,000 in severance damages or:

TWO HUNDRED FIFTY THOUSAND DOLLARS
($250,00)

This appraisal has been made in compliance with the requirements of the state and federal governments with respect to valuation for eminent domain purposes.

Mr. John Flad
Page Two
September 23, 1983

We are pleased to have been of service to you and remain available to answer questions you may have regarding this appraisal.

Respectfully submitted,

James A. Graaskamp

James A. Graaskamp, Ph.D., SREA, CRE
Urban Land Economist

Frederick A. Rendahl

Frederick A. Rendahl
Appraiser and Investment Analyst

Enclosures

jc

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APPENDICES

LIST OF EXHIBITS

I. PURPOSE OF THE APPRAISAL

An appraisal is a defensible estimate of a property's value that is derived from a systematic process in which the problem is defined and the necessary data is gathered, analyzed, and interpreted. The organization of this report parallels the appraisal process and attempts to convey its main components and conclusions.

A. The Appraisal Problem

This appraisal has been requested by John Flad, President of Flad Development and Investments Corporation, the owner of the Fitchburg Ridge Shopping Center. It is intended to estimate the loss and damage accruing to the subject property as a result of the taking of a 1.145 acre strip of land from the property by Dane County for the widening of Fish Hatchery Road.

The appraisal is made in compliance with the statutory and administrative requirements of the State of Wisconsin. The market value of the property is first appraised before the taking and then reappraised after the taking. The difference between these market value estimates is the estimated loss and damage to the subject property as a result of the taking. This loss and damage is then allocated between direct loss due to the area taken and the severance damages to the remainder if such damages exist. Damages which are not legally compensable are excluded from this analysis.

B. Date of Appraisal

This appraisal is made as of September 23, 1983. Its analysis and conclusions are applicable on that date. The date of appraisal corresponds to the appraiser's final inspection of the subject property.

C. Definition of Market Value

As used in this appraisal and report, the term "market value" is defined as:

> The most probable price in terms of money which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, 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 each acting in what they consider their own best interest.
> 3. a reasonable time is allowed for exposure in the open market
> 4. payment is made in cash or its equivalent.
> 5. financing, if any, is on terms generally available in the community at the specified date and typical for the property type in its locale.

6. the price represents a normal consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs, or credits incurred in the transaction. [1]

D. Assumptions and Limiting Conditions

1. Contributions of Other Professionals

Information furnished by others in this report, while believed to be reliable, is in no sense guaranteed by the appraisers.

Because excellent legal advice is available to the property owner, the appraiser assumes no responsibility for legal matters.

All information furnished regarding property for sale or rent, financing, or projections of income and expenses is from sources deemed reliable. No warranty or representation is made regarding the accuracy thereof, and it is submitted subject to errors, omissions, change of price, rental or other conditions, prior sale, lease, financing, or withdrawal without notice.

2. Facts and Forecasts Under Conditions of Uncertainty

The comparable sales data relied upon in this appraisal is believed to be from reliable sources. Though all the comparables were examined, it was not possible to inspect them all in detail. The value conclusions are subject to the accuracy of said data.

Forecasts of the effective demand for space are based upon the best available data concerning the market, but are projected under conditions of uncertainty given the assumption that that the past suggests the future.

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[1] Byrl N. Boyce, Real Estate Appraisal Terminology, Revised Edition, AIREA, SREA, Ballinger, Cambridge, Mass., 1981, pp. 160-161.

Engineering analyses of the subject property were neither provided for use nor made as a part of this appraisal contract. Any representation as to the suitability of the site for uses suggested in this analysis is therefore based only on a rudimentary investigation by the appraiser and the value conclusions are subject to said limitations.

Sketches in this report are included to assist the reader in visualizing the property. These drawings are for illustrative purposes only and do not represent an actual survey of the property.

3. Controls on Use of Appraisal

Values for various components of the subject parcel as contained within the report are valid only when making a summation and are not to be used independently for any purpose and must be considered invalid if so used.

Possession of this report or any copy thereof does not carry with it the right of publication nor may the same be used for any other purpose by anyone without the previous written consent of the appraiser or the applicant and, in any event, only in its entirety.

Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the author, particularly regarding the valuation conclusions and the identity of the appraiser, of the firm with which he is connected, or any of his associates.

This report shall not be used in the client's reports or financial statements or in any documents filed with any governmental agency, unless: (1) prior to making any such reference in any report or statement or any document filed with the Securities and Exchange Commission or other governmental agency, the appraiser is allowed to review the text of such reference to determine the accuracy and adequacy of such reference to the appraisal report prepared by the appraiser; (2) in the appraiser's opinion the proposed reference is not untrue or misleading in light of the circumstances under which it is made; and (3) written permission has been obtained by the client from the appraiser for these uses.

II. DESCRIPTION AND ANALYSIS OF THE FITCHBURG RIDGE SHOPPING CENTER BEFORE THE TAKING

The Fitchburg Ridge Shopping Center is a 50,302 square foot gross leaseable area (GLA) neighborhood shopping center that is situated on a 378,972 square foot (8.70 acre) site. [2] It contains 12 stores including a supermarket, a drug store, and a hardware store. The center was built in 1979 and 1980 and is approximately 95 percent occupied. A 1.291 acre portion of the site that is located adjacent to the corner of Fish Hatchery Road and Post Road was leased to First Federal Savings and Loan. They operate a branch office on the parcel.

The entire subject property is pictured in Exhibit 1.

A. Identification of the Property and the Property Rights Appraised

Before the taking the subject property contains a gross area of 9.44 acres. It is located on the west side of Fish Hatchery Road between Post Road on the north and Traceway Drive on the south. A plat of this parcel is shown as Exhibit 2.

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[2] This area is exclusive of the existing Fish Hatchery Road right-of-way easement which encumbers 0.737 acres of the subject site.

EXHIBIT 1

PHOTOGRAPHS OF SUBJECT PROPERTY

Front view of Fitchburg Ridge Shopping Center

Front view of the center looking southwesterly

View of anchor grocery store
located on north end of center

View of the main drive from
Fish Hatchery Road looking into the center

Traceway Drive entry at southern end of center

Service drive behind stores, looking north

Entry drive from Post Road,
at north end of center

Looking south, view of
service drive from Post Road

View showing outlot and its
entrance drive at north end of the site

TYME machine located at
perimeter of parking lot

View from main drive off Fish Hatchery Road
looking north along the taking

Looking along Fish Hatchery Road going south, from
main entry drive, along the taking area

Looking easterly along Post Road
toward Fish Hatchery intersection

Looking south over proposed
taking area from Post Road

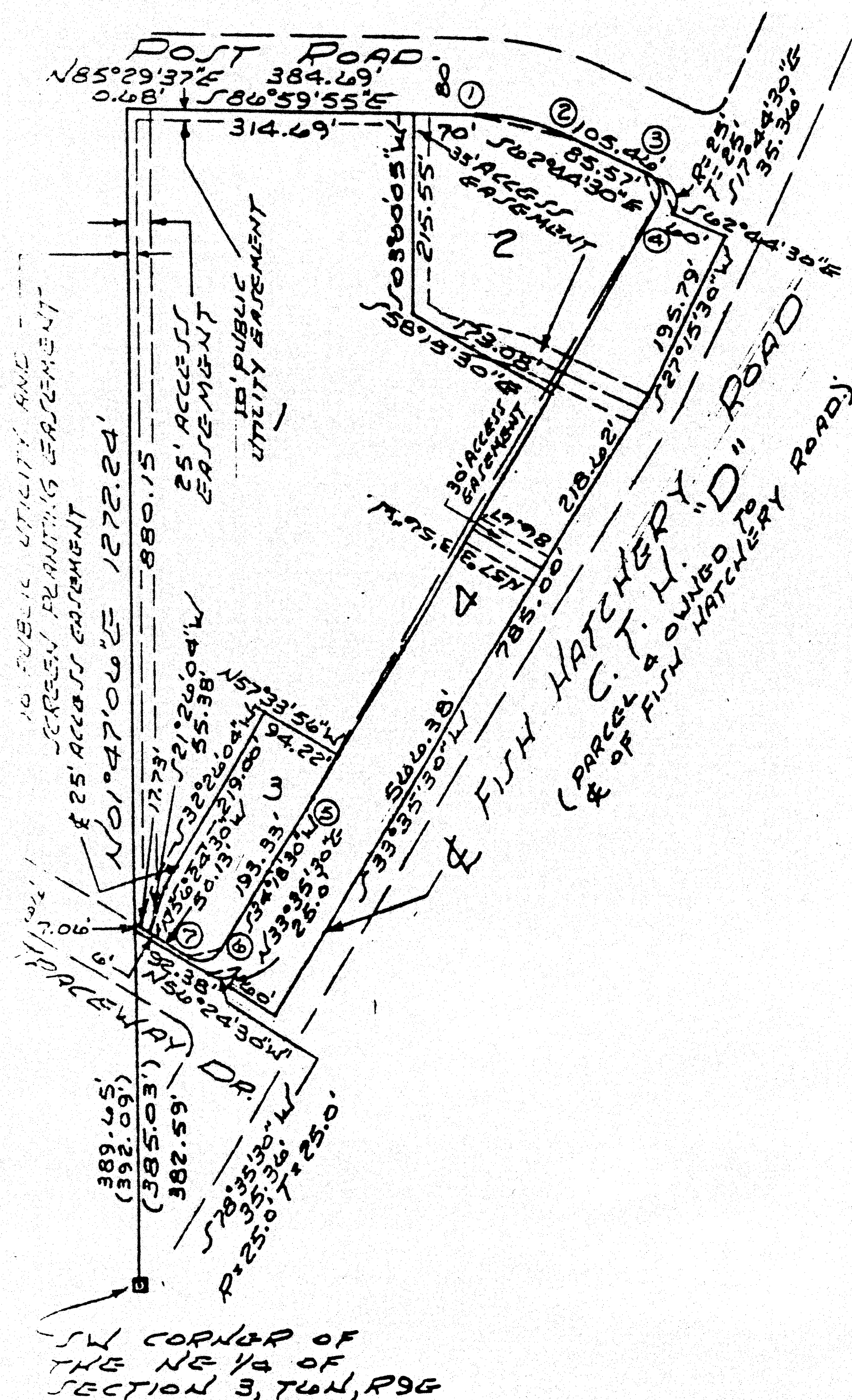
View of the corner of Traceway Drive and
Fish Hatchery Road, looking north along the taking

From parking area, overlooking the
site of proposed office building

Looking southeast across subject's office building
site toward Fish Hatchery Road and Traceway Drive intersection

Looking east along Traceway Drive
toward Fish Hatchery Road

EXHIBIT 2
PLOT PLAN OF THE SUBJECT PROPERTY
BEFORE THE TAKING



The easterly 33 feet of the site is currently encumbered with a 0.737 acre easement for the Fish Hatchery Road right-of-way which reduces the net area of the site to 8.70 acres.

A legal description of the subject property, including the highway easement, is as follows:

> A parcel of land located in the SW1/4 of the NW 1/4 of Section 3, T6N, R9E, Town of Fitchburg, Dane County, Wisconsin, to-wit:
> Commencing at the Southwest corner of said NE1/4 of said Section 3; thence N01 degrees 47'06"E, 385.03 feet to the point of beginning; thence N01 degrees 47'06"E, 887.21 feet; thence N85 degrees 29'37"E, 0.68 feet; thence S86 degrees 59'55"E, 384.69 feet to a point of curve; thence Southeasterly on a curve to the right which has a radius of 250.00 feet and a chord which bears S74 degrees 52'12"E, 105.05 feet; thence S62 degrees 44'30"E, 105.46 feet to a point of curve; thence Southeasterly on a curve to the right which was a radius of 25.00 feet and a chord which bears S17 degrees 44'30"E, 35.36 feet; thence S62 degrees 44'30"E, 60.00 feet; thence S27 degrees 15'30"W, 195.79 feet; thence S33 degrees 35'30"W, 785.00 feet; thence N56 degrees 24'30"W, 60.00 feet; thence N33 degrees 35'30"E, 25.00 feet to the start of a curve; thence Southwesterly on a curve to the right which has a radius of 25.00 feet and a chord which bears S78 degrees 35'30"W, 35.36 feet; thence N56 degrees 24'30"W, 92.38 feet to the point of beginning. This parcel contains 9.44 acres. [3]

A search of the subject property's title was neither made nor provided for use in this appraisal. However, a review of available plats shows several utility and access easements. These are recorded in Volume 1558 of Records, Page 50; Volume 1612 of Records, Page 14; and Volume 1288 of Records, Page 47;

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[3] David M. Kottke, Land Surveyor, Job No. 78 07 133

all in the Dane County Registry. These easements are typical of those required to provide access and utility services to a shopping center operation and they do not adversely effect the utility of the property.

The property is appraised in fee simple title subject to these easements.

B. Location and Linkages

The Fitchburg Ridge Shopping Center is located on the south side of the Madison metropolitan area in the newly incorporated City of Fitchburg. This area, shown in Exhibit 3, is approximately four miles southwest of Madison's central business district and approximately one mile southwest of the Beltline Highway (U.S.H. 12 and 14) and Fish Hatchery Road intersection. The Beltline is a part of the area's main circumferential highway system and provides excellent access to the entire metropolitan area. Fish Hatchery Road itself runs in a general north-south direction and provides good access to downtown and the University of Wisconsin campus via linkage with South Park Street. A map showing the location of the subject property relative to its neighborhood is shown in Exhibit 4.

The area south of the subject is best characterized as being mixed rural residential and agricultural land uses. Scattered residential subdivisions are interspersed with the

EXHIBIT 3

METROPOLITAN AREA LOCATION MAP

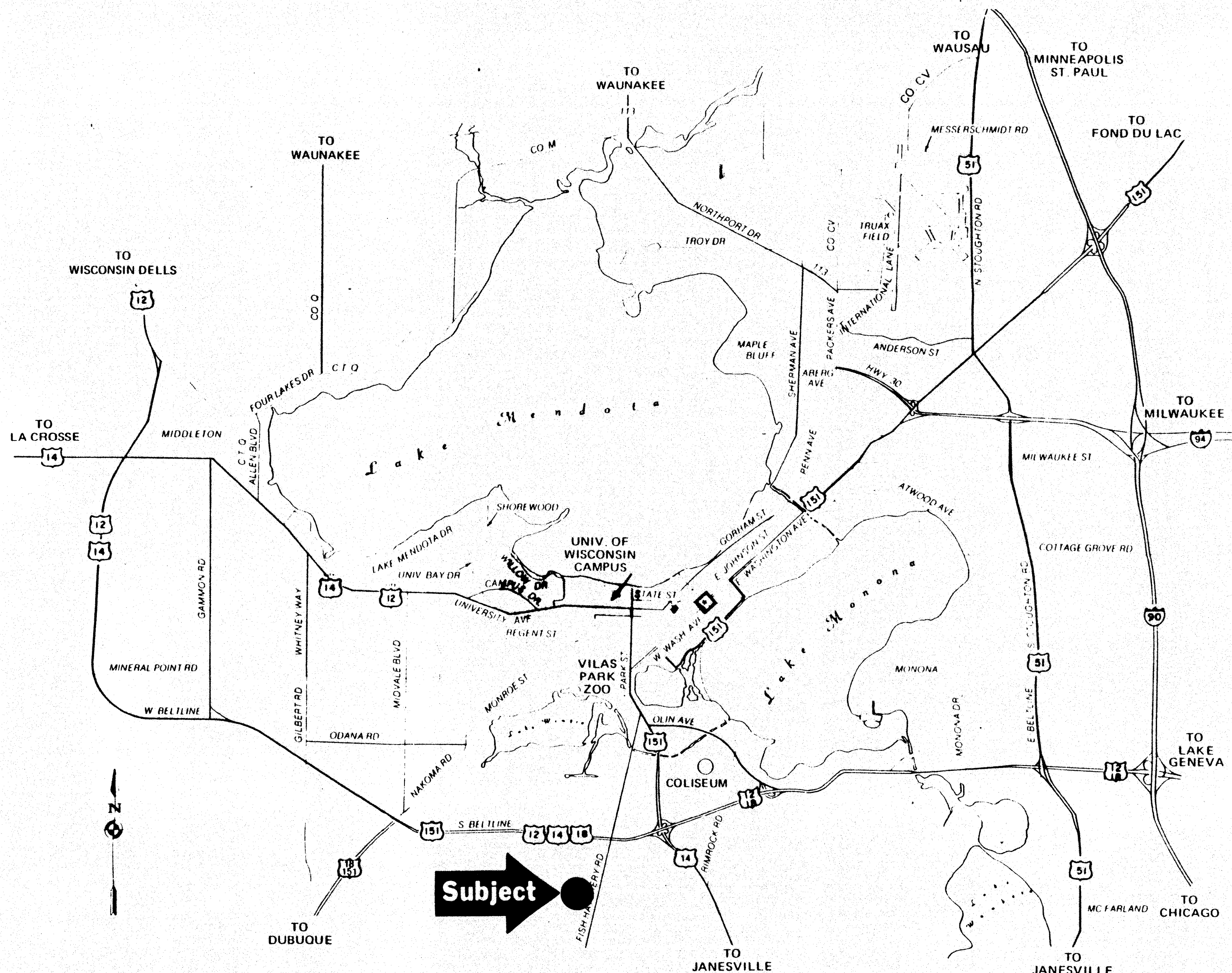
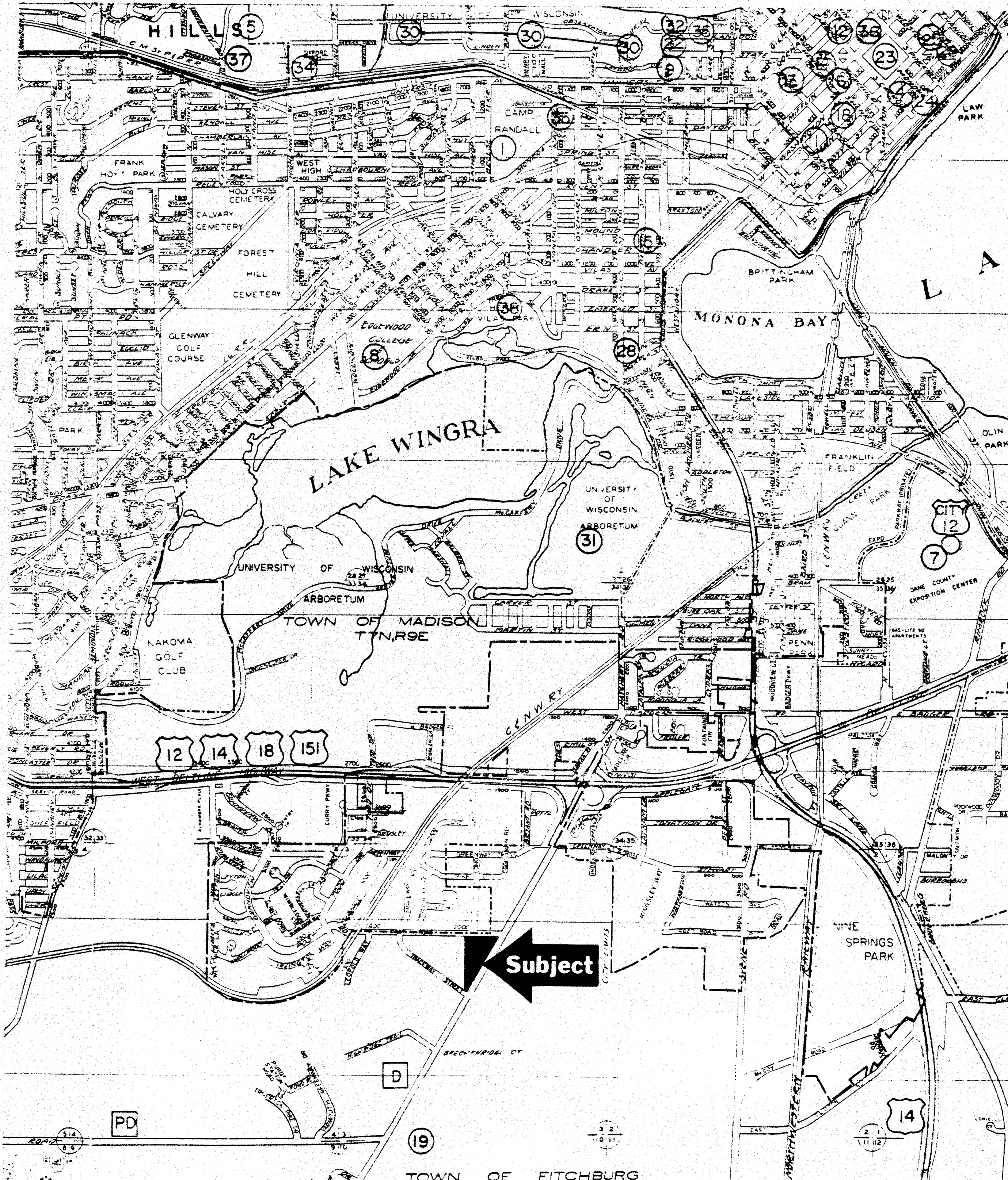


EXHIBIT 4

NEIGHBORHOOD LOCATION MAP



remaining farm operations. Some commercial establishments are sprinkled along Fish Hatchery Road.

The most notable uses in the immediate area of the subject property are the large garden apartment complexes which were developed by Walter Kassuba and others in the late 1960s and early 1970s. Nearly 2,000 middle market apartment units are located within a mile of the subject property and the residents of these properties are an important part of the subject's primary market.

Fish Hatchery Road currently has an average daily traffic count of 16,800 vehicles. The area north of the subject has, since the late 1970s, been the site of a number of new commercial establishments including McDonald's, Hardee's, and Kentucky Fried Chicken drive-in restaurants, plus a new SuperAmerica gasoline station. The subject property was constructed in 1979 and 1980 near the south end of this commercial area.

The subject area is served by a full complement of urban services and utilities that are adequate to support its continued urbanization.

During the 1970s, Fitchburg Township, now incorporated as the City of Fitchburg, was one of the fastest growing areas in metropolitan Madison. During the past decade its population increased by 154.5 percent to its current level of 11,973 persons. This growth rate may subside somewhat during the 1980s, but should remain strong relative to the county as a whole and increase demand for goods and services in the area.

C. Use and Operation of the Fitchburg Ridge Shopping Center

Fitchburg Ridge is a 50,302 square foot GLA neighborhood shopping center which houses 12 tenants that include a supermarket, a drug store, a hardware store, and nine other shops.

The 8.70 acre (net area) site was acquired by Flad Development and Investment Corporation from First Federal Savings and Loan Association of Madison in August 1979. The purchase price was $456,160 or $1.20 per square foot of net site area which includes land within the proposed taking. At the time of this acquisition the property was improved only with the First Federal branch office, which remains at the northeast corner of the site.

A ground lease from Flad to First Federal for a 1.291 acre (56,236 square foot) parcel that contains the Savings and Loan office was negotiated simultaneously with the sale of the site. This lease is for a term of 86 years, including the lessees renewal options. The rental payment is determined by a formula that sets the monthly rental rate at $6,555.83 times the current month's rate of interest on six-month U.S. Treasury

Bills plus one percent. As of the date of this appraisal, this formula yields a monthly rental of approximately ($6,444.83 x 0.11) $720, and an annual rental of approximately $8,640. First Federal pays all expenses including property taxes and insurance associated with this lease. No escalation provisions are provided. In addition to basic lease provisions it allows for non-exclusive access easements across the purchased property.

The existing shopping center facility, which contains a total floor area of 51,155 square feet, was constructed during 1979 and 1980 at a total cost of $31.16 per square foot of GLA.

At the time of the subject center's development, plans for the widening of Fish Hatchery Road were well known and potential use of a portion of the site was limited to parking lot use by virtue of its inclusion within an "Officially Mapped Area." Characteristics of an officially mapped area are as follows:

(a) No zoning permit shall be issued under this chapter for any lands lying within any officially mapped area of Dane County unless the proper permit from the appropriate city or village shall have been first obtained.

(b) Every applicant for the issuance of any permit required under this chapter shall state in writing that he or she has made diligent inquiry of the applicability of any official map to the applicant's lands; that no such official map is applicable, or if such map is applicable the approval of the appropriate city or village has been obtained; that the applicant understands the possible adverse consequences of erecting a structure within an officially mapped area without the proper approval of the city or village involved; and that the applicant has not relied upon any statements of county employees in giving such written assurances.

(c) If an applicant seeks a zoning permit for lands located within an officially mapped area, a zoning permit may be issued only after a permit from the appropriate city or village has been issued under Section 62.23 (6) (d) of the Wisconsin Statutes.

(d) Any zoning permit issued under this chapter shall be void if applicable to lands located within an officially mapped area for which the applicant has not obtained the proper permit from the appropriate city or village. In the event of an error in any application or any misstatement in any application, the zoning administrator shall issue stop work orders if the administrator discovers any official map to be applicable to the lands in question. [4]

As a result of this restriction, and as a result of the developer's desire to minimize the adverse effects of the eventual taking of the shopping center, Fitchburg Ridge was constructed entirely on that portion of the subject property that was outside of the area of the proposed taking. This left a strip of unused land between the shopping center and the existing Fish Hatchery Road right-of-way. The owners have continued to pay taxes and to maintain this area.

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[4] Dane County Code of Ordinances, "Chapter 10 Zoning", Section 10.255 (6), p.43.

Shopping center tenants currently pay an average annual rental of $4.57 per square foot; rentals range from a low of $2.85 to a high of $6.50 per square foot per year. Additional rental income is obtained from the lease of a Tyme Machine pad for $3,600 per year. All tenants pay for heat and electricity within their leased space. Moreover, all are assessed a share of the property insurance, real estate taxes, and common area charges prorated on the basis of the area of their space as a percentage of total GLA within the center. A summary of the current rental data for each tenant is shown in Exhibit 5.

At the present time, 2,430 square feet of space (4.8 percent of the center's total) is vacant and available. The Copper Rivet jean shop vacated this space at the end of their three year lease. Most other tenants are on the original terms of their leases and no history of vacancy rates is available. However, nearly 60 percent of the center's gross leaseable area, which accounts for 50 percent of its gross income, is leased for terms of at least 15 years.

Exhibit 5 also shows that four leases contain provisions for the owner's participation in the gross sales proceeds of the tenant's business. All other leases call for scheduled increases in the base rent paid by the tenants.

In return for the rental, the tenant receives space that has a concrete floor, taped gypsum board demising walls, and a

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EXHIBIT 5

SUMMARY OF CURRENT LEASES AND INCOME FOR FITCHBURG RIDGE SHOPPING CENTER

TENANT	LEASE TERM (YEARS)	LEASE DATE	OCCUPANCY DATE	GROSS LEASEABLE AREA (SQ.FT.)	% OF CENTER	BASE RENTS AT OCCUPANCY	CURRENT RENTS	PRESENT YEARLY RENT	PRESENT YEARLY COMMON AREA CHARGE	PRESENT YEARLY INSURANCE	PRESENT YEARLY REAL ESTATE TAXES
Bergman Drug	15	5-14-79	6-06-80	6,255	12.43	3.50 [a]	4.70	$29,281.68	$2,439.48	$688.00	$2,697.84 [e]
Family Book Store	4	4-02-81	6-15-81	2,430	4.93	5.00	6.00	$14,580.00	$ 947.76	$276.36	$1,215.00
Dr. David Warnel, DMV	4	8-01-83		1,985	3.95	5.75	5.75	$11,413.75			
Woodworks	4	12-23-80	2-01-81	1,063	2.11	3.50	3.75	$ 3,986.25 }	$ 774.55	$218.49	$ 993.03
	4	11-15-80	5-10-81	1,985	3.95	5.00	5.50	$10,917.50 }	$1,188.29	$335.19	$1,523.49
Buffo Floral	2	5-02-80	7-07-80	1,756	3.49	5.00	5.50	$ 9,657.96	$ 684.84	$193.80	$ 878.04
Paul Kanter, O.D.	3	12-17-79	3-01-80	1,367	2.72	6.50	6.50	$ 8,885.52	$ 553.16	$150.36	$ 683.52
Ridge Liquors	5	11-29-79	5-16-80	3,027	6.02	5.00	5.75	$17,405.28	$1,180.56	$333.00	$1,513.44
Roundy's Inc.	20	9-14-79	5-01-80	16,589	32.98	4.00 [b]	4.00	$66,356.28	$6,469.68	$1,824.84	$8,294.52
Vacated 7-31-83				2,430	4.83		5.75 [f]	$13,972.50	$ 947.76	$267.36	$1,215.00
Scot Lewis	7	4-22-80	9-15-80	1,985	3.95	4.75 [c]	5.00	$ 9,924.96	$ 774.12	$218.40	$ 992.50
Aurora Gifts	4	2-14-80	5-15-80	2,430	4.83	5.00	5.50	$13,365.00	$ 947.76	$267.36	$1,215.00
Our Own Hardware	15	1-21-80	4-19-80	7,000	13.92	2.85 [d]	2.85	$19,950.00	$1,400.00	$560.04	$3,500.00
TOTAL				50,302				$229,696.68			

X = 4.56/SF

[a] + % (1982 = $5,390.73) @ 4% of gross $475,000 - $575,000 [b] 3% of gross over $575,000
[b] + % (not achieved) $66,356.28/.0125 = $5,308,502 up to $8,308,502 ($3,000,000 is at 1.25%); up to $11,308,502 ($3,000,000 is at 1%)
[c] + % (not achieved) 6% of total gross sales in excess of $120,000, paid quarterly
[d] + % (not achieved) 3% of total gross sales from $575,000 annually
[e] Taxes not to exceed $1,863.20/year
[f] Estimated

suspended tile ceiling with flourescent lighting. Heating and ventilating systems are provided by the landlord, but their maintenance is the responsibility of the tenant. Additional finishing has sometimes been made as a rental inducement.

Excluding the area that is lost to the proposed taking, the subject is efficiently planned and laid out. The Floor Area Ratio (FAR) of the property, excluding the area leased to First Federal, is (51,155/378,972) 0.135. If the taking area is excluded from the site area, the FAR increases to (51,155/329,096) 0.154. These ratios are relatively low for neighborhood type shopping centers, which often have an FAR as high as 0.25. This excess space provides ample room for expansion of the center.

Specific plans for an office building addition to the center have been formalized. Complete plans and approved building permits are currently in force and enable the construction of a 5,400 square foot office building at the south corner of the subject property, adjacent to Fish Hatchery Road and Traceway Drive. However, high interest rates and concerns over the effect of the proposed highway widening have suspended the project. If the office building were constructed prior to the taking, it would face classification as a legally nonconforming once the right-of-way was widened. A variance based upon hardship, if granted, could mitigate the legal effects of nonconformance, but the subject structure would be located very close to the widened highway and, as a result, would be difficult to market.

Just prior to the date of this appraisal the owners of Fitchburg Ridge were able to finalize an agreement for a commercial pad tenant who will construct and operate an ice cream parlor and restaurant.

This ground lease to Shar-Lee, Inc., (former operators of Bridgeman's) of a 4,154 square foot tract shown in Exhibit 6, is for a term of nine years plus four five-year extension options (29 years total). The rental rate for the first two years is $6,000 per year but it will increase thereafter at one-half the annual rate of change in the Consumer Price Index (CPI). The tenant will pay all taxes and insurance on the leased parcel. Moreover, the tenant has the option to purchase the parcel for $46,200 ($11.12 per square foot of leased area) during the first two years of this lease. This option continues thereafter, but the option price increases at a rate equal to one-half the annual rate of increase in the CPI.

It is significant to note that the subject property, before the taking, has adequate area to permit additional pad tenants of this type; McDonald's, Pizza Hut, and others have reportedly expressed interest in a pad site on the Fitchburg Ridge property but were discouraged by the potential condemnation

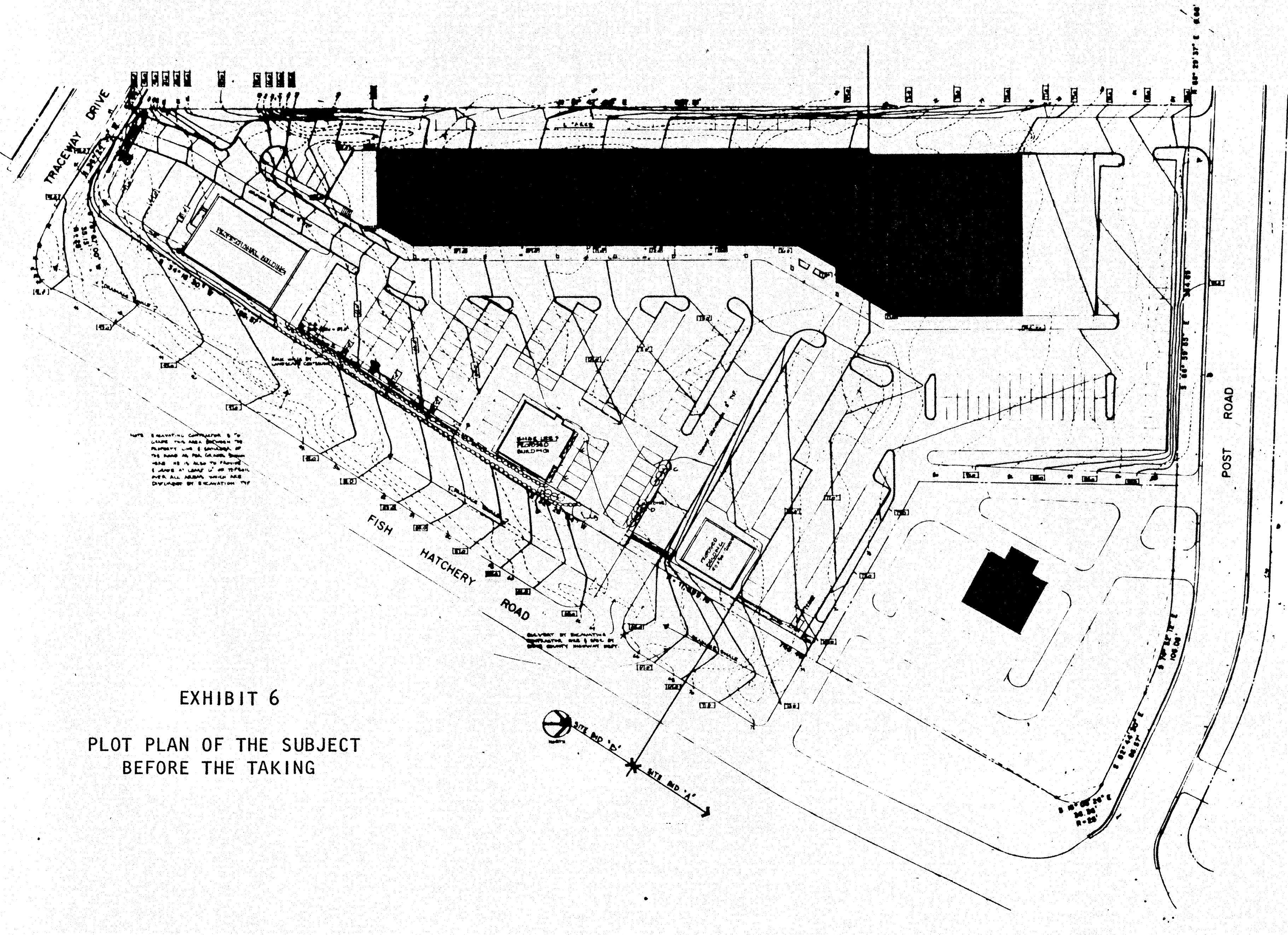

EXHIBIT 6

PLOT PLAN OF THE SUBJECT
BEFORE THE TAKING

action and its effects. Flad Development and Investment Corporation subsequently sold a nearby $176,000 site (see Comparable Land Sale No. 10) to McDonald's for a store which McDonald's now operates.

The design of the center also allows for up to a 6,000 square foot addition to the north end of the existing Fauerbach Food store. Under the terms of this lease, the lessee may order this addition at any time within 20 years after the signing of the lease. The area is now grass and is served by all necessary parking.

The subject property is currently assessed by the City of Fitchburg as tax parcel 15-01-45. The 1983 real estate assessment is as follows:

Land	$ 375,000
Improvements	1,165,000
Total	$1,540,000

Taxes of $32,882.31 were paid in December 1982.

D. The Subject Site

1. Physical Characteristics

a. Size and Shape

The triangularly shaped subject site, a plot plan of which was shown in Exhibit 2, contains a gross site area of 9.44 acres (411,206 square feet) and a net usable site area of approximately 8.70 acres (378,972 square feet) exclusive of the existing Fish Hatchery Road right-of-way easement. It is bounded on the north by Post Road, on the southeast by Fish Hatchery Road, on the south by Traceway Drive, and on the west by a large garden apartment complex.

b. Topography and Drainage

The subject site slopes somewhat steeply down in a southerly direction. The total difference in elevation between the north and south ends of the site is approximately 44 feet and the grade is approximately 4.5 percent. This grade differential is very close to the maximum gradiant that can naturally be accommodated by retail developments because public walks with a gradiant greater than five percent must have handrails and rest platforms; these are not compatible with shopping center operations. [5] The site is situated several feet above the grade of both Fish Hatchery Road and Traceway Drive. Site work to level the site has, however, resulted in the northerly portion of the property being somewhat below the grade of both Post Road and the site that is now leased to the Savings and Loan. This slope causes few, if any, problems and provides excellent drainage.

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[5] Section Ind. 52.04 Wisconsin Administrative Code

c. Soil and Subsoil Conditions

Soil studies were neither made nor provided for use in this appraisal. However, an investigation of available information indicates that the subject property's soils are reasonably well suited to urban development and do not limit the uses to which the property can be put. [6]

2. Access

Direct vehicular access to the subject property is currently available from both the north and the south bound lanes of Fish Hatchery Road, as well as Post Road and Traceway Drive. All roadways are hard surfaced, but the former does not have curb and gutter. The subject property is clearly visible from all directions of approach. The access is free from hazardous traffic conditions that could cause anxiety among potential patrons and thereby reduce the desirability of the site.

3. Utilities and Public Services

A full complement of urban services and utilities are available to the subject property. The service capacity of

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[6] United States Department of Agriculture, Soil Survey of Dane County, Wisconsin, (January 1978), shows the subject to be comprised of Dodge (DnB) and St. Charles (ScC2) series soils.

each is adequate for all uses to which the subject property could reasonably be put; utilities, therefore, impose no constraints upon the property's use.

4. Legal and Political Characteristics

The subject property is classified by the City of Fitchburg as being within a B-1 Local Business zoning district under the Dane County ordinance, which Fitchburg has adopted. This classification permits a variety of retail and service uses and is included in Appendix A. The specifications of this classification that are most significant to the subject prpoerty are summarized as follows:

Building Height: 4 stories or less for business buildings, however, a conditional use permit is required for any building that provides more than two stores devoted to office space.

Area, Frontage and Population Density Regulations: No minimum lot width or area limitations for buildings used exclusively for business purposes. No building shall, however, occupy more than 40 percent of the area of the lot.

Setback Requirements: Class B Highway--75 feet from the centerline or 42 feet from the right-of-way line, whichever is greater.

Side yard Requirements: 10 feet on each side of buildings used exclusively for business purposes.

Rear yard Requirements: 10 feet for buildings used exclusively for business purposes.

Off-street Parking: Retail or local places of business shall provide one (1) parking space for each 300 square feet of floor space devoted to retail sales.

Banks, Office Buildings, and Clinics: Shall provide one (1) space for each 300 square feet of floor area.

As previously noted, needed approvals currently exist for an office building that has been planned for the south corner of the subject site. The building's plans have been approved by the state; County Zoning Board approval was given on November 8, 1982; a building permit good for one year was issued in March of 1983. Concerns about the pending widening of Fish Hatchery Road and economic conditions have, however, caused these plans to be suspended.

E. The Subject Improvements

1. The Shopping Center Structure

The subject property is improved with a 50,302 square foot GLA neighborhood shopping center facility that was constructed in 1979-80. It contains a gross floor area of 51,155 square feet. A plan of the structure is shown in Exhibit 7. Materials and workmanship are of average quality and remain in excellent condition. The building is functionally efficient and suffers no obsolescence. Its basic specifications are summarized as follows:

Foundation: Poured concrete footings and foundation walls.

Frame: Load bearing concrete block exterior walls with steel interior columns. The structure is not fireproof construction.

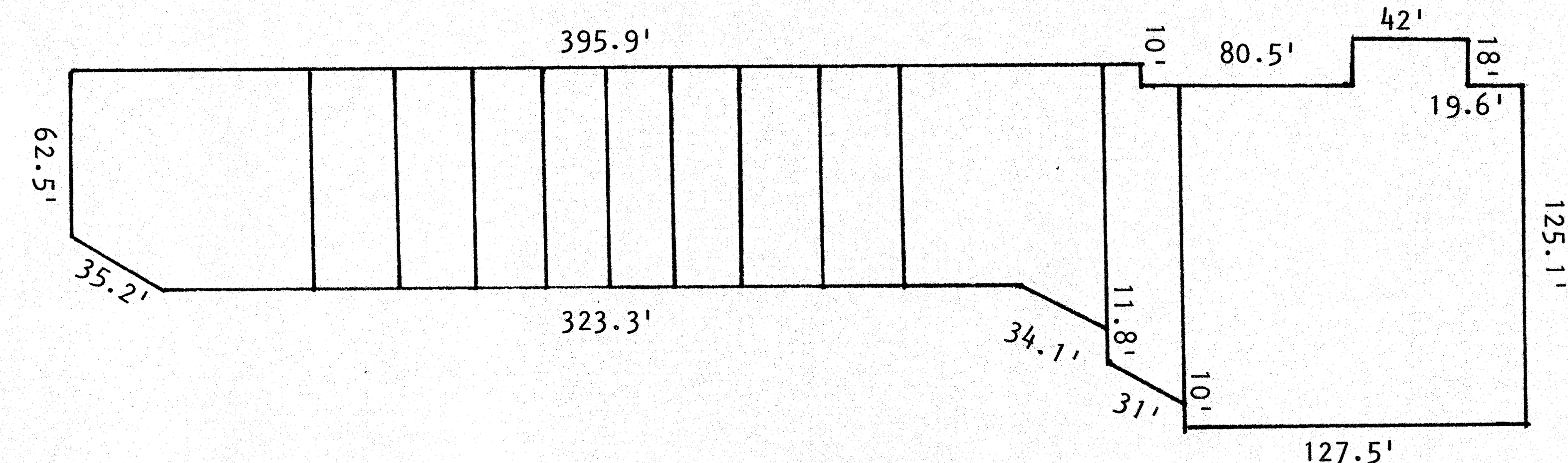

EXHIBIT 7

PLAN OF THE SHOPPING CENTER STRUCTURE

Floor Structure: Reinforced poured concrete floor slab on ground.

Floor Cover: By tenants.

Ceiling: Suspended acoustical panel.

Interior Construction: Steel stud demising walls clad with taped gypsum board.

Plumbing: White water closet and sink in each shop.

Heating, Cooling, and Ventilation: Roof mounted gas-fired forced air heating with refrigerated cooling.

Electrical: Ceiling suspended florescent lighting fixtures, common quality fixtures and outlets, stub service to individual meters in each shop.

Exterior Walls: 12 inch painted concrete block with plate glass and diagonal cedar siding store front along the east elevation.

Roof Structure: Open web steel joist with corrugated steel deck.

Roof Cover: Built up roofing over rigid insulation.

Miscellaneous: Entire structure is sprinklered and has a fire alarm system.

2. Site Improvements

The subject site is improved with an asphalt paved parking lot that covers an area of approximately 155,365 square feet and will accommodate 282 cars (550 square feet of pavement per car). This parking provides a current parking index of 5.61 cars per 1,000 square feet of existing GLA. If a 6,000 square foot addition to the Fauerbach Food Store were to be completed, the index would decline to 5.01. Construction of the proposed office building and pad tenants would also serve to reduce this ratio. According to the Urban Land Institute's Shopping Center Council, a normal ratio for one to three year old neighborhood shopping centers is 5.3 stalls per 1,000 square feet of GLA. [7] Only 10 percent of the 65 neighborhood centers included in the survey have a ratio of less than 3.7 stalls per 1,000 square feet of GLA. The current parking area therefore sets a limit on the ability to expand the center. Additional parking could, however, be provided in the taking area and would expand the area to 377 stalls thereby increasing the current index to 7.50.

It is very significant to note that the existing and the actual functional requirements for parking are far in excess of the zoning requirements which specify that the center provide only 123 stalls (see Appendix B).

The parking lot is lighted by 11 double fixture area lights on anodized aluminum poles.

Concrete curbing is used extensively around drive entries and parking lot islands.

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[7] Urban Land Institute, Dollars and Cents of Shopping Centers: 1981, Table 8 I-5, p. 309.

Approximately 86,265 square feet of the site's area has been either sodded or seeded with grass. Small trees and shrubs are placed around the site perimeter and in the parking lot islands.

Other site improvements include several low stone retaining walls, fencing, and a large Fitchburg Ridge identification sign.

All of these site improvements are of average quality and are in very good to excellent physical condition.

F. Highest and Best Use

Highest and Best Use is defined as "that reasonable and probable use that will support the highest present value, as defined as of the effective date of appraisal." [8] Implicit in this definition is the assumption that the use will be (1) physically possible, (2) legally permissable, (3) effectively in demand, (4) financially feasible, and (5) appropriate, given its contribution to the community's environment and development goods.

Considering the subject site as if it were vacant and available for use, its highest and best use is for the development of a neighborhood shopping center complex. This use

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[8] Ibid, p. 126.

implicitly includes the main shipping center structure as well as the pad/outlot sites for uses such as branch banks, savings and loan offices, fast food outlets, and office buildings. These outlot and pad uses are now commonly associated with shopping center developments.

Logical placements of pad and outlot tenants are as follows:

- an outlot for commercial or office development at the corner of Fish Hatchery Road and Post Road.
- an outlot for office development at the narrow southerly portion of the subject site adjacent to the intersection of Fish Hatchery Road and Traceway Drive. The slope of this site precludes commercial development on this site.
- a commercial pad tenant on the north side of the center's main entry driveway off of Fish Hatchery Road.
- a commercial pad tenant on the south side of the center's main entry driveway off of Fish Hatchery Road.

A site plan showing a possible placement of buildings, outlots, and pad tenant areas consistent with this proposed highest and best use was shown in Exhibit 6.

More specifically, the shape of the subject site dictates a strip-type shopping center located parallel to the rear or westerly property line. This strip center could be approximately 650 to 700 feet in length. With a typical store depth of 60 to 80 feet, the total area of the center itself would contain approximately 40,000 to 60,000 square feet of floor area. With a parking index of 4.0 to 5.0 stalls per 1,000 square feet GLA, the center alone would require 160 to 300 parking stalls. This configuration leaves a large portion of the subject site available for pad and outlot tenants. A center of this size can easily be accommodated with a large amount of surplus parking area. Some 367 parking stalls could be placed on the subject site with the existing improvements. While the Fitchburg Zoning Ordinance falls far short of the functional requirements for the center, it requires only 123 spaces based on one stall for every 150 square feet of sales area. The balance of the site would then logically be used for pad and outlot tenants.

The principle of Highest and Best Use also applies to the entire subject property (site and existing improvements). In this case, the existing shopping center represents the highest and best use of the property, but the 8.70 acre site is not utilized to its maximum intensity. As noted previously, this underutilization is due to anticipation of the pending acquisition of a portion of the subject site for the Fish Hatchery Road right-of-way, sometimes called the "cloud of eminent domain." The Highest and Best Use of the property is then for continued operation of the existing center facility with the addition of outlot and pad uses until the functional parking requirements for the center preclude the addition of new users.

III. VALUATION OF THE FITCHBURG RIDGE SHOPPING CENTER BEFORE THE TAKING

The appraisal process provides three standard approaches to value. These are (1) the Sales Comparison Approach, (2) the Income Approach, and (3) the Cost Approach. Each is based on somewhat different assumptions and, therefore, arrives at a value estimate via a different path. When applied, each approach serves as a check upon the others. If, as is frequently the case, the values derived from each of these approaches differ, the relative strengths and weaknesses of each, as applied to the problem at hand, must be considered. The result of this reconciliation process is a final value estimate that best reflects all available information. Application of this valuation process begins with the Cost Approach to Value.

A. The Cost Approach to Value

The Cost Approach to Value is an appraisal technique that derives an overall property value estimate from the sum of the individual estimates of the subject property's site value and the reproduction cost of the subject's improvements less accrued depreciation. This approach is most reliable when the improvements are new and represent the highest and best use of the subject site. Application of this approach begins with the derivation of the subject site's market value.

1. Valuation of the Subject Site

The market value of the subject site is estimated based upon the supposition that it is currently vacant and available for use in accordance with its highest and best use. The estimate is derived via a Sales Comparison technique. Here recent sales of similar sites are investigated, analyzed, and compared to the subject. Where differences exist, each comparable price is adjusted to reflect the price it would be expected to bring were it identical to the subject. The results of this adjustment process for each sale are then reconciled to yield a final site value estimate.

Data on the sales of comparable properties used in this process are summarized in Exhibits 8 through 11. A map showing the location of each of these properties is presented in Exhibit 12.

Each of the four comparable sales transactions described and analyzed here have been adjusted to reflect the price that the comparable would have brought on the date of this appraisal if it had characteristics that were essentially identical to those of the subject and was sold under conditions requisite to market value. These adjusted per square foot price estimates as shown in Exhibit 13 range from a low of $1.70 per square foot to a high of $2.32 per square foot of site area. The average of these adjusted prices is $2.09 per square foot.

EXHIBIT 8

Comparable Site Sale Number 1

Sale Price:	$456,150 ($1.20/SF)
Location:	West side of Fish Hatchery Road, between Post Road and Traceway Drive, Fitchburg, Wisconsin.
Sale Date:	August 1978
Site Area:	378,972 SF (8.70 acres)
Zoning:	B-1 Local Business (Dane County Ordinance)
Highest and Best Use:	Shopping Center
Actual Use:	Fitchburg Ridge Shopping Center
Seller:	First Federal Savings & Loan Association of Madison
Buyer:	John J. Flad
Recorded Volume:	Volume 1648, Page 46

Analysis of Sale:

This is the sale of the subject property to its current owner. The transaction occurred in August 1978, approximately five years prior to the date of this appraisal. Inflation and real appreciation during this time period require an upward adjustment of the comparable price.

The time adjustment factor must contain two elements, a real rate of appreciation (depreciation) and the inflationary growth reflected in the changing value of the dollar. Based upon an analysis of the subject market, real growth in the area has been negligible. The effects of inflation can, however, be evaluated by the change in any of several price indexes. The most broadly based of these measures is the Gross National Product (GNP) Implicit Price Deflator. During the five years between the date of this sale and the date of appraisal, the GNP price deflator increased approximately 40 percent (from

153.45 to 215 ±). An upward adjustment of the comparable price by approximately $0.48 per square foot is therefore required.

As a condition of this sale, the seller obtained a favorable land lease agreement on a 56,236 square foot (1.291 acre) portion of the sale property that contained their existing branch office facility. This lease, which allows the lessee to occupy the site for up to 86 years, is based upon a $1.40 per square foot ($78,669.96) site value. This value does not change over the term of the lease. The annual rental as a percentage of stated value varies with the Treasury Bill rate and is within the range of typical market ratios.

However, comparable sales of similar properties that occurred within the subject area at the time that this lease was signed suggest that the market value of the leased site was approximately $2.00 per square foot or $112,000 overall. This implies that the seller retained a leasehold interest of approximately $33,330. The price paid for the subject property must therefore be adjusted upward by approximately $0.09 per square foot to reflect the price he could have been expected to pay if this encumberance was not present.

It is also significant to recognize that this property was subject to a pending condemnation action when it was acquired. This action, which necessitated this appraisal five years later, encumbered a taking area which the purchaser held but was not able to effectively use for a period of at least five years. During this period the purchaser paid taxes on the property and was forced to forego returns on the investment in the area that is to be acquired. In this way, the encumbrance led to a discount in the sales price paid for the property that is not now present and therefore gives rise to an upward adjustment.

The amount of this adjustment is reasonably represented by a 14 percent return on the price paid for the 49,876 square feet are encumbered by the taking. The return consists of a 12 percent return to the owner plus 2 percent for property taxes. The price attributable to the taking area is ($1.20/SF x 49,876 SF) $59,851. The annual charge was therefore ($59,851 x 0.14) $8,379 per year. Assuming that this cost was paid for five years and was discounted at 12 percent to yield its effect on value, the overall adjustment is computed to be $30,205 or $0.08 per square foot of net site area.

Finally, this property required rather extensive regrading to cure the slope problems associated with the natural topography of the site. These topography problems are cured for the property as it exists at the date of this appraisal and an upward adjustment to the price paid is needed to reflect its improved condition. The purchaser's records indicate that more than $70,000 ($0.18 per square foot) was spent with Hammersley Construction to regrade the site.

EXHIBIT 9

Comparable Site Sale Number 2

Sale Price:	$493,100 ($4/SF)
Location:	The southwest corner of Whitney Way and Odana Road, Madison, Wisconsin.
Sale Date:	June 1981
Site Area:	123,275 SF (2.830 acres)
Zoning:	C3-L Highway Commercial District - Limited
Highest and Best Use:	Shopping Center
Actual Use:	Heritage Square Shopping Center
Seller:	Westside Business Men's Association
Buyer:	Heritage Square Joint Venture
Recorded:	Volume 3359, Page 50

Analysis of the Sale:

This site was optioned approximately two years prior to the date of this appraisal and closed six months later. Once again, a time adjustment to compensate for this time difference is required. This time adjustment has two components. The first is necessary to reflect the inflationary devaluation of the dollar purchase price. Between the date that the option fixed the sales price and the date of this appraisal, the GNP Implicit Price Deflator increased by approximately 11 percent (from 193.17 to approximately 215). In current dollars this comparable sale price is then $4/SF x 1.11) $4.44 per square foot. The second component of this time adjustment considers changes in the market conditions which would effect the real rate of change in the comparable property's value between the date of sale and the date of appraisal. However, invesigation of market conditions in the subject area suggests that no significant change in the comparable properties real value has occurred during the past two years and no additional time adjustment will be made.

The acquisition of this property was partially funded by a second mortgage from the seller. This financing was at a below market interest rate and contributed to the price paid. A downward adjustment of $0.64 per square foot to the sales price to reflect the contribution of this financing is therefore made.

The location of this comparable property is superior to that of the subject. The comparable is situated at the intersection of two major roadways in a well established, upper middle income trade area. As a result of this location, the comparable site would be expected to sell at a higher price than the comparable and is therefore adjusted downward by $1.50 per square foot.

The small size of this comparable, which is only one-third of the subject's size, is also responsible for a higher sale price and gives rise to a $0.25 per square foot downward adjustment of the comparable's price.

The comparable site also has a somewhat irregular shape that is less desirable than the subject. The rear lot line of the property was configured to exclude the Westside Swim Club pool facility and required that the center building be moved close to the street and, thereby, reduced available parking. Because of the problems inherent in this shape, a $0.25 upward adjustment to the comparable's price will be made.

EXHIBIT 10

Comparable Site Sale Number 3

Sale Price:	$625,000 ($2/SF)
Location:	North side of the West Beltline Highway frontage road east of Todd Drive, Madison, Wisconsin.
Sale Date:	August 1979
Site Area:	312,100 SF (7.165 acres)
Zoning:	C-2 Dane County Ordinance
Highest and Best Use:	Retail
Actual Use:	American of Madison retail store
Seller:	Schappe Pontiac, Inc.
Buyer:	Leonard S. Mattioli & George Reuhl
Recorded Volume:	Volume 1089, Page 63

Analysis of Sale:

This sale occurred approximately four years prior to the date of this appraisal. Once again, the change in the purchasing power of the dollar, inflation, and an allowance for the change in market conditions, and real growth must be considered. During this five-year period, the GNP Implicit Price Deflator increased by 28.6 percent (167.20 to 215). An upward adjustment by $0.57 per square foot is therefore required to compensate for the effects of inflation. The second element in the time adjustment, real growth or decline, was negligible during this period and requires no adjustment to the comparable's price.

This property was acquired on a land contract under terms that were very close to typical market rates, and moreover the land contract was satisfied within a month of its signing. As a result, the terms of this sale were equivalent to cash, and no adjustment is required.

The location of this comparable property is considered to be somewhat superior to the subject because of the viability and accessability afforded by its Beltline location which exposes the site to a daily traffic count of more than 50,000 vehicles. However, the comparable site is just to the south of the University of Wisconsin Arboretum and lacks the residential market backup present at the subject site. The comparable property is, therefore, more oriented toward highway commercial rather than neighborhood commercial uses. The comparable price is adjusted by $0.50 per square foot to reflect its superior location.

This sale property contains 7.165 acres of site area (312,100 square feet) and is in the same size category as the subject. Therefore, no size adjustment is required.

The comparable property does, however, have less than 450 feet of frontage on the Beltline service road and extends to an average depth of approximately 750 feet. This frontage to depth ratio is inferior to that of the subject and, therefore, gives rise to a $0.25 per square foot upward adjustment of the comparable's price.

This comparable property is generally equivalent to the subject in other significant respects.

EXHIBIT 11

Comparable Sale Number 4

Sale Price:	$871,500 ($1.95/SF)
Location:	Southwest corner of West Broadway and Gisholt Drive, Monona, Wisconsin.
Sale Date:	March 1981
Site Area:	446,577 SF (10.252 acres)
Zoning:	Community Development District (CDD)
Highest and Best Use:	Retail Shopping
Actual Use:	Shopko Department Store
Seller:	Bonnie M. Livesey
Buyer:	Shopko Stores, Inc.
Recorded Volume:	Volume 2647, Page 27

Analysis of Sale:

This transaction occurred 29 months prior to the date of this appraisal and must be adjusted for time. The inflation component of this adjustment, again represented by the change in the GNP Implicit Price Deflator, is 13 percent (215/190.07). No real change in the comparable's value was observed and a further time adjustment is unnecessary.

This property was acquired for cash and therefore needs no financing adjustments.

Shopko acquired this site to construct a department store facility which is to anchor the South Towne Mall Shopping Center. This is a community type facility that was being planned by the seller. Because of the high visability, high traffic volume, and the attractiveness of center location, this parcel is locationally more desirable than the subject and requires a $0.50 per square foot downward adjustment of the price paid.

This comparable, at 10.252 acres, is in the same size category as the subject and, therefore, obviates any adjustment of the per square foot price for size.

The shape of this comparable is irregular in part because a 0.982 acre outlot site, which was subsequently sold to McDonald's Corporation for $209,000 ($4.94/SF), was excluded from the corner of the property at West Broadway and Gisholt Drive. The size of the property, its corner location, and the connecting retail space serve to eliminate any disutility associated with the site's shape. Therefore, no adjustment is required.

EXHIBIT 12

MAP SHOWING LOCATION OF COMPARABLE SALES 1-4

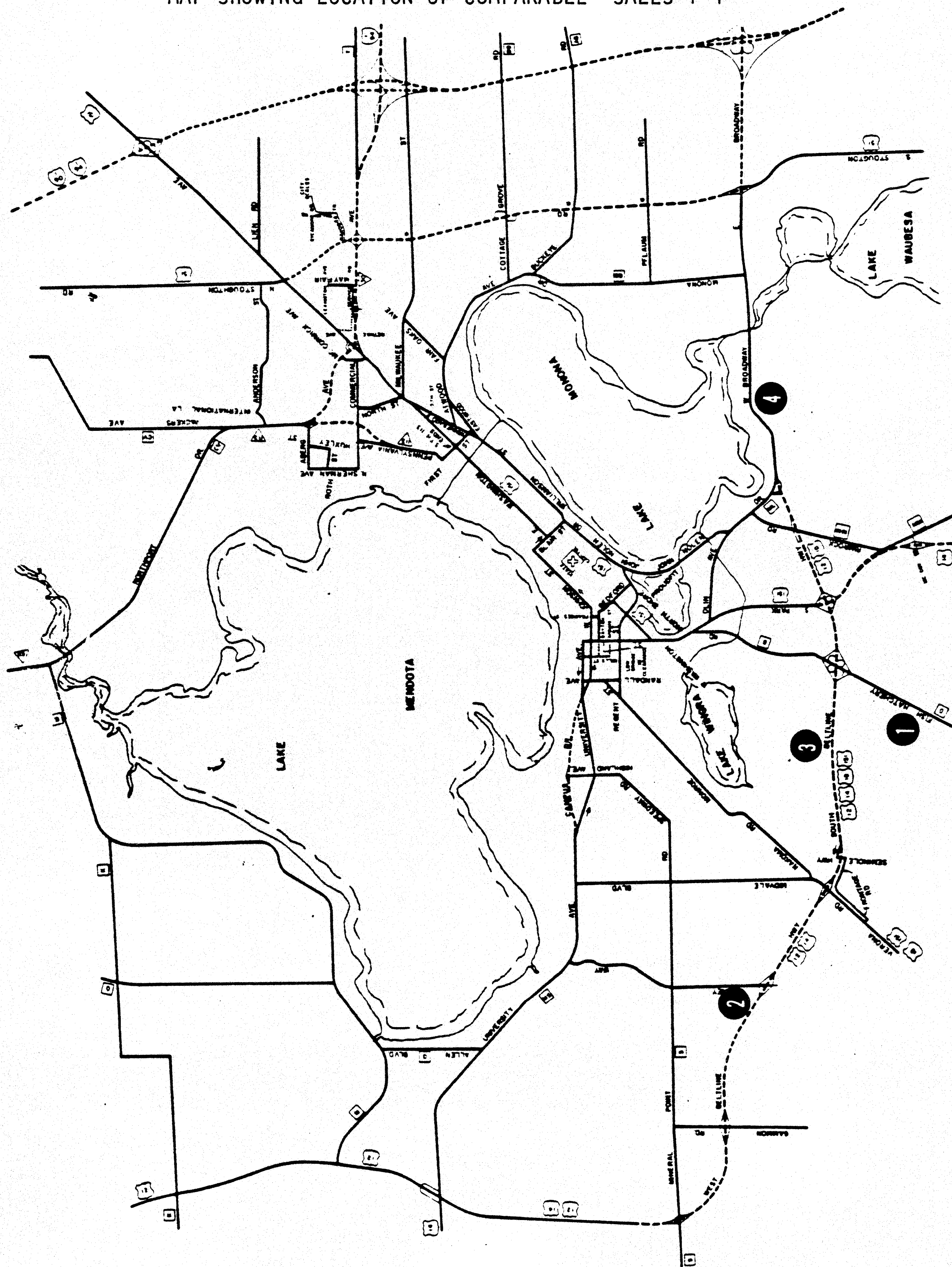

EXHIBIT 13

SUMMARY OF COMPARABLE SITE SALES, ADJUSTMENTS AND ADJUSTED SALES PRICES

ACTUAL SALES PRICE	$1.20	$4.00	$2.00	$1.95
Time of Sale	+ .48	+ .44	+ .57	+ .25
Terms of Sale	+ .09	- .64	0	0
Encumbered Land	+ .08	0	0	0
Site Preparation	+ .18	0	0	0
Location	0	- 1.50	- .50	- .50
Size	0	- .25	0	0
Shape	0	+ .25	+ .25	0
NET ADJUSTMENT	+$0.83	-$1.70	+$0.32	-$0.25
ADJUSTED SALES PRICE	$2.03	+$2.30	$2.32	$1.70

These four adjusted sales prices are, however, not equally reliable estimators of the value of the subject. The most reliable sale is the one that has the most reliable group of adjustments. Using this criteria, Comparable Sale Number 1, of the subject property itself, is believed to be most reliable and provides the best estimate of the subject's current market value. Comparable Sales 3 and 4 are both highway oriented commercial/retail sites. As a result, they require locational adjustments that make their adjusted sales prices somewhat less reliable than Comparable Sale Number 1. Finally, Comparable Sale Number 2 required a large locational adjustment, a shape adjustment, and a size adjustment which make it the least reliable of the four sales.

Based upon these adjusted sales prices and the credence given to each, the estimated market value of the subject site, considered as if it was vacant and available for use before the taking is $2.00 per square foot overall or ($2.00 per square foot x 378,972 square feet) $757,944, which is rounded to $760,000.

2. Reproduction Cost of the Site Improvements

Data for the subject's site improvements was obtained from Means Construction Cost Data 1983.

The estimated reproduction cost of the subject's site improvements are as follows:

	REPRODUCTION COST
Asphalt Paving	$160,000
Concrete Curbing	16,250
Concrete Flatwork	18,500
Area Lighting	14,850
Fencing	700
Landscaping	45,000
TOTAL	$255,300

3. Reproduction Cost of the Building Improvements

The second step in the Cost Approach to Value is the derivation of the reproduction cost of the subject improvements. The term reproduction cost is defined as the current cost of producing an exact duplicate of the subject structure and its site improvements.

Actual costs for the project, which was constructed during 1979 and 1980 were as follows:

Direct Construction Cost	$1,335,000
Architectural/Engineering Fees	100,000
Construction Interest	80,000
Miscellaneous	52,200
Total	$1,567,200

This reflects a cost of $30.64 per square foot of gross floor area including site improvements. If these actual costs are adjusted to current levels using the Marshall Valuation Service's "Comparative Cost Multipliers," (Section 98, Page 9, July 1983) and using July 1979 as a base, the current reproduction cost of the improvements including the site improvements is estimated to be ($30.64 per SF x 1.186) $36.33 per square foot of gross floor area.

The reproduction cost estimates for the subject property that will serve as the basis for the appraisal were derived from the <u>Marshall and Swift Valuation Service Calculator Cost Model</u> for shopping centers (Section 13). These cost estimates are summarized as follows:

Retail Shops	
34,143 SF x $32.26/SF =	$1,101,453
Supermarket	
17,012 SF x $29.11/SF =	$ 495,219
Total Reproduction Cost	$1,596,672

This reproduction cost for the structure alone translates to ($1,596.672/51,155 square feet) $31.21 per square foot of gross building area.

4. Accrued Depreciation

Accrued depreciation is defined as loss in value from any cause. It is employed in this report to estimate the difference between the present value of the improvements and their reproduction cost. The three major types of accrued depreciation are physical deterioration, functional obsolescence, and environmental (economic) obsolescence.

a. Physical deterioration is loss in value from actual physical deterioration of the improvements.

b. Functional obsolescence is loss in value from conditions existing within the property which make the property functionally inadequate or superadequate for its intended use.

c. Environmental (economic) obsolescence is loss in value from causes outside the property.

A method of estimating accrued depreciation that encompasses all of these aspects is the age-life technique. Here, data on the normal economic life of the subject structure is obtained. Based upon the subject building's physical condition, location, and site value, its effective age is then forecast. The total accrued depreciation is calculated as the effective age divided by the total economic life.

As applied herein, the best estimate of the expected economic life of the Fitchburg Ridge facility is 40 years. The property is approximately four years old and in excellent physical condition. It is well designed, and except for excess land in the taking area, it is functionally efficient. Its location is within a developing section of the Madison area and offers no environmental obsolescence. Because of this, the effective age of the improvements is forecast to be four years.

Accrued depreciation is then calculated as follows:

$$\frac{\text{Effective Age}}{\text{Economic Life of Structure}} = \frac{4}{40} = 0.10 = 10\%$$

This translates to $159,667 ($1,596,672 x 0.10) of accrued depreciation to the subject structure.

The depreciation accrued to the site improvements is as follows:

	REPRODUCTION COST	DEPRECIATION PCT.	$
Asphalt Paving	$160,000	33%	$52,800
Concrete Curbing	16,250	20%	3,250
Concrete Flatwork	18,500	10%	1,850
Area Lighting	14,850	20%	2,970
Fencing	700	30%	210
Landscaping	45,000	10%	4,500
Total Accrued Depreciation to Site Improvements			$65,580

5. Summary and Conclusion of the Value by the Cost Approach

The estimated value of the subject property by the Cost Approach to Value before the taking is summarized as follows:

Reproduction Cost of the Structure	$1,596,672
Less: Accrued Depreciation of Structure	159,667
Estimated Value of the Structure	$1,437,005
Reproduction Cost of Site Improvements	$ 255,300
Less: Accrued Depreciation of Site Improvements	65,580
Estimated Value of the Site Improvements	$ 189,720
Estimated Site Value	$ 760,000
Indicated Value of the Subject Property by the Cost Approach to Value	$2,386,725
Rounded to	$2,390,000

B. Income Approach to Value

Shopping centers are purchased as investment vehicles based upon the returns that can be expected on invested equity capital. The typical investor/purchaser will establish a maximum price for the property at an amount where expected cash flows are adequate to provide the return required on the debt and equity used to acquire the property. This model is referred to as the income approach to value.

Income capitalization is the most common method for applying this approach. It is mathematically formulated as follows:

$$V = NOI/R$$

where V = Value
NOI = Net Operating Income
R = Capitalization Rate

Both Net Operating Income (NOI) and the Capitalization Rate (R) are considered to be the result of actual property characteristics and market forces. These are, however, subject to the following assumptions:

1. Competent management of the property;
2. Normalized operation free from cyclical fluctuation and aberations common to individual operating periods, and;
3. Maximum use of the debt capital that is generally available for properties of the subject's type and class.

An additional assumption is of critical importanace to the subject property. That is that all of the real estate assets that make up the subject property are, at the date of appraisal, producing an income stream or can readily have an income imputed to them.

An example of a case which fails to meet this criteria is as follows. Assume that an income producing property includes a vacant tract of land that is reserved for expansion of the existing building. Without some income being imputed to this vacant area, its contribution to the property's value will not be considered by the capitalization of current income.

When such vacant land exists, as it does on the subject, the appraiser has two alternatives. First, he can impute a market rental to the land, adjust the operating expenses to reflect the increased revenues and then capitalize the resulting property income to yield an accurate estimate of the property's value. When the income attributable to the vacant land cannot be readily or accurately estimated, the appraiser must use the second technique. This alternative requires an independent estimate of the value of the excess land; typically derived by means of sales comparison techniques. The value of the entire property is then obtained by adding this land value to the capitalized value of the income stream. Both of these techniques will be applied to the subject property. The market rental will be estimated for the pad and outlot parcels of the property. The value of the taking area, which was withheld from development to minimize the damages to the center when the area was acquired, will be valued directly and added to the capitalized value of the balance of the property.

As applied here, the income approach will first estimate the net operating income obtainable from the property.

1. Net Operating Income

The term Net Operating Income is defined as "annual net income remaining after deducting all fixed and operating expenses but before deducting financial charges such as recapture or debt service." [9]

The Net Operating Income (NOI) that can be expected from the subject property is a function of rental revenues, vacancies and collection losses, and operating expenses. Each of these items is considered below.

a. Gross Income

Fitchburg Ridge Shopping Center derives income from two sources: (1) store/shop rentals, and (2) ground lease rentals. Each of these is considered as follows:

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[9] Byrl N. Boyce, Real Estate Appraisal Terminology, Revised Edition, AIREA, SREA, Ballinger, Cambridge, Mass., 1981, p. 173.

(1) Store/Shop Rental Income--The subject center contains 50,302 square feet of GLA, which is divided into 33,713 square feet of shop space and a 16,589 square foot supermarket. A summary of the existing space and rental rate structure was previously shown in Exhibit 5. As noted previously, all leases were negotiated and signed within the past four years. Assuming a market rental rate of $5.75 per square foot for the 2,430 square foot area that is now vacant, the average rental rate for the entire center is $4.57 per square foot.

A review of existing rentals shows that larger tenants such as Roundy's, Inc., operators of the Fauerbach Food store (16,589 square feet), Our Own Hardware (7,000 square feet), and Bergman Drug (6,255 square feet), pay a significantly lower rental rate than the smaller shop tenants. The average rental for shop tenants is currently $5.56 per square foot, while the large tenants pay an average rental rate of $3.87 per square foot.

These rental rates have increased significantly since the center opened in 1980. Original shop leases were written at an average rate of approximately $5 per square foot, but have generally been adjusted upward by stepped increases during the lease term. However, they have remained slightly lower than the most recent rental at $5.75 per square foot.

This $5.75 per square foot rate is consistent with other modern centers. A lease has recently been signed at the Middleton Springs center on Allen Boulevard in Middleton, Wisconsin, for $6 per square foot. This facility is very similar to the subject in nearly all respects. Retail leases in the West Towne area are, however, at somewhat higher rates, $7 to $8.50 per square foot of GLA, because of that area's superior location.

The current rentals at the subject property and the general market, therefore, support a current market rental rate of $5.75 per square foot for the subject's shop space.

Comparable data on market rental rates for larger tenants is more difficult to obtain. There are several reasons for this problem. First, relatively few such spaces were recently rented. Second, the parties to these negotiations are frequently unwilling to disclose data because in a relatively limited market of landlords and tenants such information could undermine future negotiations between the parties. Heavy reliance will, therefore, be placed on the existing subject rentals as an indicator of market rates.

If the same rate of rental increase that has prevailed in the shop areas ($5.75/5.00 - 1), 15 percent, is applied to the average base rental now paid by the larger tenants, $3.87 per square foot, an adjusted rate of $4.45 per square foot results.

This rate will then be used on the estimated market rental rates for the large tenants within the Fitchburg Ridge Center.

Retail store leases also often include overage or participation clauses that provide contingent rental income. In the case of the subject property, all three major tenants have lease provisions for the owner's participation in the gross sales revenue over a base amount. However, only one tenant is currently paying these premiums. Moreover, with an increase to current market rental rates, the base level of sales required to trigger the participations would also be expected to increase and the participations would be deferred. Therefore, participations will not be included in this estimate of potential gross income.

(2) <u>Ground Lease Income</u>--Under the land use pattern identified in the highest and best use section of this report, the subject property has four sites that are available for lease to pad and outlot tenants. Two of these sites are now leased. One is occupied by First Federal Savings and Loan, and the other was recently leased to Shar-Lee's, Inc., a restaurant/ice cream parlor, a pad site north of the main driveway and an outlot at the south corner of the property remain available. The former is appropriate for a retail sales or a service facility, while the latter, because of its topography, is best suited for an office building development.

The First Federal site contains 56,236 square feet of site area and is leased for approximately $8,640 per annum, based upon a base year value of approximately $79,000 or $1.40 per square foot of land area. The annual rental rate is indexed only to the cost of money and not to changes in the property value. This means that the value of the site could increase during a period of declning interest rates and the rental payments would drop.

A more common land lease technique is to fix the annual rental as a percentage of the site value and then to periodically revalue the site by means of a price index or an appraisal. Historically, this land lease rate has been relatively constant in the range of 10 to 13 percent of the site's value. The recent lease to Shar-Lee's, Inc., charges a rental rate equal to 13 percent of the price for which they have the option to purchase the property. An equivalent rate is now applied to the site underlying the Gordy Boucher Lincoln-Mercury dealership on Odana Road. At the low end of this range is the lease underlying the Factory Outlet Center on Verona Road, which is based on 10 percent of the site's market value.

This data indicates that a rate equal to 12 percent of the site's value fairly represents the current market. This rate presumes that the lessor will receive a fully net rental and the lessee will pay all real estate taxes, insurance, and other expenses associated with the property.

After establishing the market rental rate at 12 percent of site value, it is necessary to establish the market value of the available sites. A summary of significant land sales in the subject area is presented in Exhibit 14. These sales, as shown in Exhibit 15, are all located within the subject neighborhood and all occurred within the past five years. The commercial/retail sites with frontage on Fish Hatchery Road show prices that range from $2 to $3.79 per square foot of site area, while those on side streets, which are oriented more towards office use, ranged from $1.90 to $2.17 per square foot. The price paid for these properties appears to have appreciated over time. Comparable Sales 6 and 8 are adjacent properties that sold nine months apart at a price difference of $0.50 per square foot. The smaller size of the parcel involved in the latter sale is, however, in part responsible for the per unit price increase. The most recent sale, to McDonald's at $3.79 per square foot, is further evidence of this appreciation. However, the purchaser was reportedly anxious to obtain a property in the area and, as a result, paid a premium price.

Based upon these sales, the current market value of the First Federal Savings and Loan site, located on Fish Hatchery Road, on a corner site adjacent to a modern shopping center, is

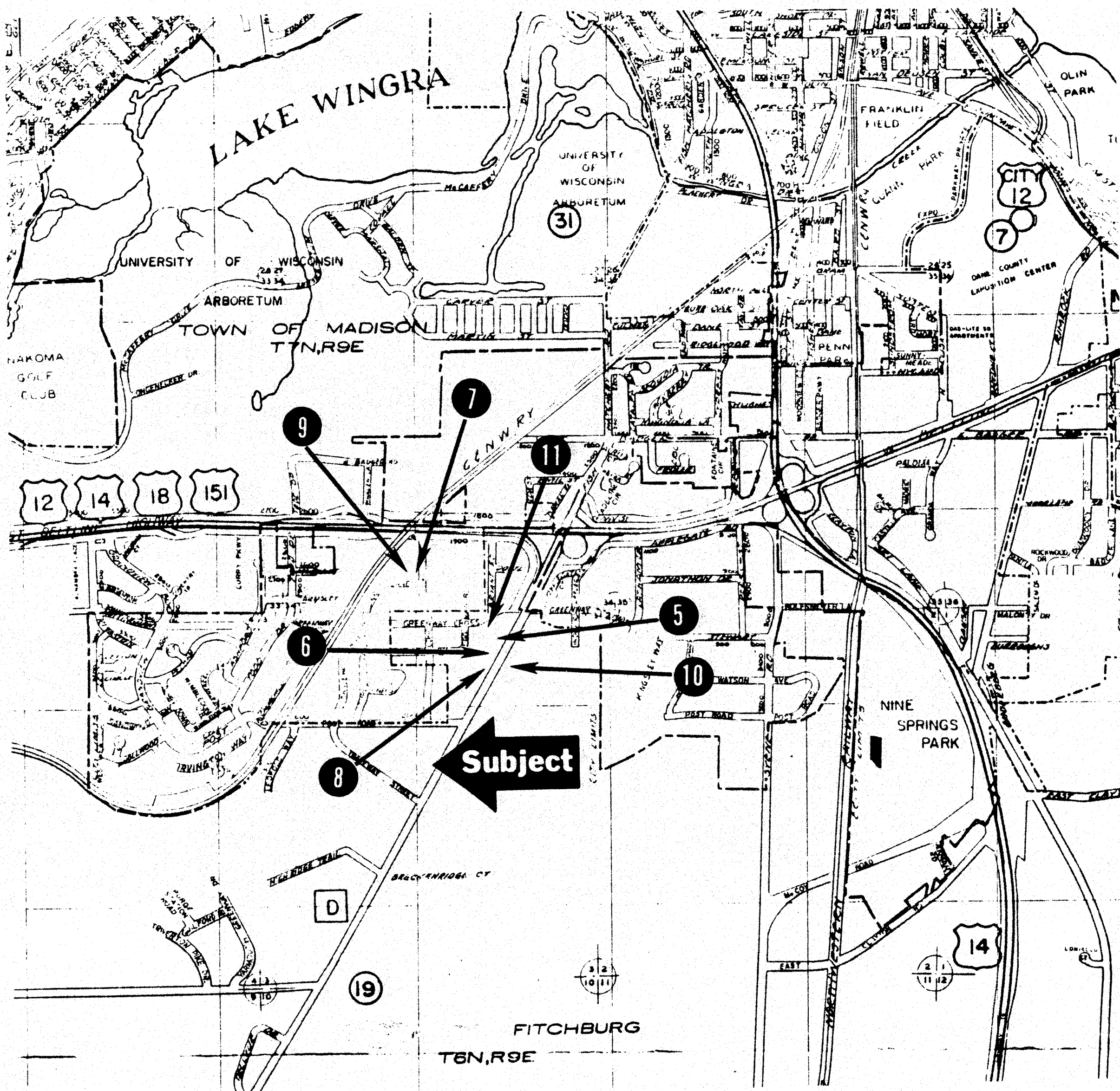
EXHIBIT 14
SUMMARY OF NEIGHBORHOOD COMMERCIAL
SITE SALES

SALE NUMBER	LOCATION	SELLER/BUYER	SALE DATE	ZONING	SIZE (SQ.FT.)	SALE PRICE ($)	SALE PRICE ($/SF)	COMMENTS
5	2810 Fish Hatchery Rd	Southdale Venture/ SuperAmerica Stations	3/78	B-1 (a)	75,000	$170,000	$2.27	Acquisition of SuperAmerica gas station site
6	2844 Fish Hatchery Rd	Southdale Venture/ J. Carlson, et. al.	9/78	B-1 (a)	66,460	$132,920	$2.00	Hardee's Restaurant site
7	Northwest corner of Luann & Coho	D. Wild/ K. Kimport	6/79	C-2 (b)	39,000	$ 74,100	$1.90	
8	2846 Fish Hatchery Rd	Southdale Venture/ J. Carlson, et. al.	6/79	B-1 (a)	35,977	$ 90,000	$2.50	Addition to Hardee's Restaurant
9	Luann Ln	D. Wild/ Johnson Controls	6/80	C-2 (b)	58,500	$117,000	$2.00	
10	2845 Fish Hatchery Rd	Flad/ McDonald's Corporation	8/80	B-1 (a)	46,469	$176,000	$3.79	Acquisition of McDonald's site
11	Southwest corner of Greenway Cross & Bryant Rd. extension	SuperAmerica Stations	9/83	B-1 (a)	29,720	$ 65,000	$2.19	Sale of surplus lands

(a) Dane County Zoning Ordinance
(b) City of Madison Zoning Ordinance

EXHIBIT 15

MAP SHOWING LOCATION OF COMPARABLE SALES 5-11



estimated to be $3.25 per square foot or (56,236 square feet x $3.25 per square foot) $182,767, say $182,000.

The estimated annual net ground lease rental for this site at market rental rates is then ($182,000 x 0.12) $21,840.

The subject property also includes an office building site that contains approximately 24,219 square feet and is located at the south end of the subject property adjacent to the Fish Hatchery Road/ Traceway Drive intersection. To reiterate, the slope of this parcel precludes its use as the site of a retail sales facility. In terms of its highest and best use, this property is then most comparable to Comparable Sales 7, 9, and 11 (see Exhibit 14). These three sales occurred between June 1979 and September 1983. The most recent of them occurred approximately one week prior to the date of this appraisal and is highly indicative of market conditions on the appraisal date. This most recent sale, which occurred at a price of $2.19 per square foot, is approximately the same size as the subject. It is considered to be less desirable than the subject because it is an interior lot that does not have frontage on Fish Hatchery Road. Sales 7 and 9, respectively, occurred four and three years prior to this date of appraisal and must not be considered as indicative of current price levels. Remaining sites in the subdivision that contains these comparables (St. Joseph's Plat) are currently listed for $2.50 per square foot.

Both of these properties are larger than the subject and, as a result, reflect a slightly lower per square foot price.

Based upon these sales and the preceding analysis, the estimated value of the subject property's remaining outlot office site is $2.50 per square foot of site area or (24,219 square feet x $2.50 per square foot) $60,547, say $60,500 overall.

The estimated annual net ground lease rental for the site is then ($60,500 x 0.12) $7,260.

The current market rental for the two pad tenants areas is well established by the September 1, 1983, lease to Shar-Lee's, Inc. This lease produces an annual net rental of $6,000 per year and escalates at a rate equal to one-half of the annual rate of increase in the Consumer Price Index. The leased area includes a 4,154 square foot pad plus the right to use parking spaces within the center's parking lot. Under terms of this lease, the pad will become a separate tax parcel and the tenant will pay property taxes, insurance, and maintenance on the site and improvements.

The potential net market rental income from the two commercial pad sites that can be developed on the subject property is then $6,000 per year each, or $12,000 overall.

Additional rental income is currently provided from the lease of a small pad area for a TYME machine computerized banking facility. This lease provides a net annual rental of $3,600.

b. Vacancy and Collection Loss

During the course of its operation the subject property will fail to deliver its full potential gross income because rentable areas will be vacant and/or tenants will fail to meet their rental obligations while occupying the property. The likelihood of either occurrence varies with type of space rented. Large tenants such as Roundy's (Fauerbach Foods), Bergman Drugs, and Our Own Hardware have long term leases and can be expected to remain in place for at least the base lease term. All have made large capital expenditures to improve their stores. Should a vacancy occur, it could be lengthy. However, both the drug and hardware stores could be subdivided and leased to smaller tenants. A reasonable vacancy and collection loss for the area occupied by the subject property's large tenants is therefore estimated to be 2 percent.

The smaller shops are generally leased for three to five year terms. Tenant business are generally small operations that are highly dependent upon individual owners and managers. Because of the time required to find another tenant every time this type of business closes or relocates, and because the probability of default is higher than for larger operations, the vacancy and collection loss estimate must also be higher.

For this space it is estimated that two of the nine existing shops will be vacant or rents will not be collected for a six month period during each three year cycle of lease rollovers. This indicates an average vacancy rate of 12 rental months out of each 324 months that are available. The vacancy rate indicated by these assumptions is (12 months/324 months) 3.70 percent, say 4.0 percent of potential gross income.

Once pad tenants and outlot lessees have made expensive leasehold improvements to their leased properties they are generally very stable, long term occupants. However, recognition must be given to the vacancy losses which are typically incurred during the early stages of development, before these tenants can be found. A reasonable projection for the rate of rental would be one site per year. This would imply a two year absorption for the unrented pad and outlot sites. If we assume a typical lease period of 50 years after each site is initially leased and apply a 12 percent discount rate to the lease proceeds, an 8 percent vacancy allowance is appropriate.

The TYME machine lease is for a special purpose property guaranteed by a large banking institution. No vacancy will accrue to this facility.

c. Operating Expenses

The market rental rates estimated above (as well as the actual leases in place on the subject site) are based upon lease terms in which the real estate taxes, property insurance, liability insurance, and all common area maintenance charges are completely passed through to the tenant. This pass-through is based upon a proration formula that allocates these expenses in direct proportion to the tenant's GLA as a percentage of the total GLA within the center. Outlot and pad tenants are not included in these computations and are entirely responsible for all expenses assigned to their areas. Separate tax parcels are assumed for the outlot and pad areas.

The lessor is responsible for prorated expenses passed through to any vacant space, structural repairs, contributions to tenant association activities, general management and administration of the project, and leasing expenses. Actual operating expenses for the subject property during the past two years are as follows:

YEAR	$	$/SF OF GLA
1981	$63,871	$1.27
1982	$67,980	$1.35

Information contained in Dollars & Cents of Shopping Centers: 1981, [10] an income and operating expense experience exchange report covering 329 neighborhood shopping centers

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[10] Urban Land Institute, Dollars and Cents of Shopping Centers: 1981,

located throughout the United States, shows a median operating expense of $1.01 per square foot of GLA for one to three year old centers during the 1979 operating year. [11] When this figure is adjusted to 1983 levels via the GNP Implicit Price Deflator [12], a current estimate of $1.31 per square foot of GLA results. Operating expenses of $1.31 per square foot of GLA result in an overall expense estimate of (50,302 square feet x $1.31 per square foot) $65,895 for the subject center. This norm is very close to the actual expenses incurred by the subject property during the past two years.

Based upon this Urban Land Institute data and adjustments of actual operating results to current price levels, total stabilized operating expenses of approximately $1.40 per square foot or $70,000 are attributable to the subject property.

Property management and administration constitutes $14,225 of these expenses and is equal to 5 percent of the project's Effective Gross Income.

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[11] Based on 75 reporting units in Table 6-14, p. 173.

[12] The current index is approximately 215. Using the average index from the second and third quarters of 1981, which were 163.81 and 167.20, respectively, the total adjustment is 29.9 percent.

d. <u>Conclusion and Estimate of Net Operating Income</u>

Based upon the market rental rates, vacancy and collection loss, and stabilized operating expenses estimated above, the Stabilized Net Operating Income from the Fitchburg Ridge Shopping Center property as shown in Exhibit 16 is $214,490 per annum.

2. The Capitalization Rate

The Capitalization Rate (R) is the ratio of a property's Net Operating Income to its Market Value. This rate is a function of an equity investor's desired equity rate of return and the terms and conditions of available mortgage financing. For a given type and class of property, this ratio remains relatively constant.

This rate, frequently referred to as the Overall Rate, can be obtained by several alternative techniques. The most simplistic is by direct extraction from market transactions where the property's sale price and NOI are both known. The principal drawback to this technique stems from its failure to specifically consider the effects of variations in financing parameters and desired equity yield rates, which can change significantly between the date of appraisal and the date on which the comparable sale took place. As a result, a rate extracted in this way may not represent the current market.

EXHIBIT 16

STABILIZED INCOME STATEMENT FOR
FITCHBURG RIDGE SHOPPING CENTER
BEFORE THE TAKING

Large Store/Supermarket	(29,844 SF x $4.45/SF)		$132,806
Small Shop Rental	(20,458 SF x $5.75/SF)		117,633
Outlot/Pad Tenants			
Outlot		$21,840	
Office Building Site		7,260	
Pad Sites		12,000	
			41,100
TYME Machine Rental			3,600
Potential Gross Income			$295,139
Less: Vacancy and Collection Loss			
Large Store/Supermarket (2%)		$2,656	
Small Shops (4%)		4,705	
Outlot/Pad Tenants (8%)		3,288	
TYME Machine (0%)		-0-	
			10,649
Effective Gross Income			$284,490
Less: Stabilized Operating Expenses			70,000
NET OPERATING INCOME			$214,490

This problem is made more acute by the need for more than one sale to substantiate general market conditions.

An alternative technique avoids the limitations of the Direct Extraction Technique by synthesizing a rate from known market information about current financing and required equity rates. The Investment Bulletin, [13] is one such source of information. This publication provides detailed quarterly reports on the mortgage loans made by 20 major American life insurance companies. The most recent of these, covering loans made during the first quarter of 1983, gives the following information with respect to loans made on shopping center properties containing five or more stores.

No. of Loans	29
Average Interest Rate	
- By Number	12.69%
- By Dollar Amount	12.52%
Average Loan to Value Ratio (M)	74.20%
Average Capitalization Ratio (M)	11.30%
Average Debt Coverage Ratio (DCR)	1.20%
Average Percent Constant (f)	12.70%

The averge interest rates reported here are nominal rates and do not include participations by the lender. Effective rates would, as a result, be slightly higher. Reports indicate that interest rates have, however, declined slightly since the

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[13] American Council of Life Insurance Investment Bulletin, No. 855, Washington, D.C., (July 26, 1983). Table L.

first quarter of the year. Therefore, these rates are believed to be representative of the effective rate now being charged. For purposes of this analysis, an annual interest rate of 12.6 percent is believed to be available for a mortgage loan on the date of this appraisal.

The average loan to value ratio was 74.2 percent. The maximum loan to value ratio generally available is the 75 - 80 percent range. A loan of 73.75 percent of the subject property's value would be available at this time to maintain the required coverage ratio at the 1.20 average cited in this report.

Typically these mortgage loans are amortized over a period of 30 years with a balloon repayment due sooner. This report indicates that the average loan was called in just over 10 years.

Given the 12.6 percent interest rate and a 30 year amortization schedule, a borrower would face a 12.9 percent annual constant. This is somewhat higher than the reported average which was 12.7 percent.

The average capitalization rate for the properties on which these loans were made is given to be 11.3 percent. With this information and data on typical loan terms, the equity return rate required by a typical investor can be derived.

This rate, known as the equity dividend (d) rate is computed to be approximately 7.25 percent. [14] A review of past Investment Bulletin reports and available comparable sales data indicates that this rate has remained relatively stable over the past year and is justifiably applicable to the date of this valuation.

The Capitalization Rate applicable to the subject property on the date of this appraisal can then be calculated as the weighted cost of the available mortgage capital and the required equity return. The former is measured in terms of the annual loan constant while the latter is the required equity dividend rate. The computation is as follows:

$$R = (M \times f) + [(1 - M) \times d]$$

$$= (0.7375 \times 0.129) + [(1 - 0.7375) \times 0.0725]$$

$$R = 0.1142 \quad \text{or} \quad 11.42\%$$

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[14] $d = [R - (M \times f)] / (1 - M)$

$d = [0.113 - (0.742 \times 0.127)] / (1 - 0.742)$

$d = 0.0727$ say 7.25%

3. Indicated Value by the Income Approach

The value of the subject property by the Income Approach to Value is then equal to the NOI divided by the Capitalizaton Rate, or:

$$V = NOI / R$$
$$= \$214,490 / 0.1142$$
$$V = \$1,878,197$$

This capitalization process then results in an estimated value of $1,878,197, for the subject shopping center. However, as noted in the introduction to this approach, Income Capitalization does not measure any value inherent in the unused portion of the subject site, such as that which lies in the taking area and was by reason of the impending taking not incorporated directly into the center's operation. This value must, therefore, be recognized by means of another measure. In this case, the per square foot value of the entire site area has already been computed to be $2.00 per square foot (see the Site Valuation section of the Cost Approach to Value). Application of this per square foot value to the undeveloped portion of the subject site, which contains 49,876 square feet, yields an overall value estimate of $99,752. To accurately represent the value of the whole property, the $99,752 vacant land value must be added to the capitalized value of the center. This results in an overall value for the subject property of ($1,878,197 + $99,752) or $1,977,949, say $1,980,000.

C. Comparable Sales Approach

The Comparable Sales Approach is an appraisal technique that derives an estimate of the market value of the subject property by comparing it to other similar properties that recently sold in arm's length, market transactions. Its applicability is, therefore, dependent upon the availability of adequate sales data.

Our search for sales of similar centers throughout the State of Wisconsin produces the transactions listed in Exhibit 17. Each transaction was unique in terms of financing assumed, bargaining position of the seller, quality of the leases, and average household income of the retail trade area. Because of this, valid adjustments for differences could not be applied. These sales do reveal a pattern of $19.74 to $52.92 per square foot of GLA that can serve as a reference for the validity of the approaches to value in this report.

D. Reconciliation and Final Value Estimate Before the Taking

The preceding analysis has considered the three standard approaches to value. Of these, only the Cost and Income

EXHIBIT 17

SUMMARY OF SHOPPING CENTER SALES DATA

Name of Center	Wisconsin Community	Population 1980 Census	Date of Sale	Price	Terms	Cash Equivalent Price (CEP)	NOI	Net Income/SF	Price/SF (CEP)	Size of Center	Size of Site	Floor Area Ratio	Remarks and Source of Data
Washington Mall	West Bend	21,484	1982	5,220,000	$1,520,000 Down 2,900,000 1st 309,000/yr. = debt service 800,000 2nd 63,000/yr. = debt service	5,052,000	530,000	4.79	45.62	110,737 SF	10 acres (435,600 SF)	0.256	Change of partnership interests Source: Dwight Ziegler
Ridgeview Plaza	LaCrosse	48,347	12/80	3,200,000	N/A	N/A	344,750	5.70	52.92	60,468 SF	7.11 acres (310,000 SF)	0.195	Sources: Ken Robert - Assessor, LaCrosse Jan Levraus - Assistant Assessor, LaCrosse
Northpoint Shopping Center	Stevens Point	22,970	2/81	2,506,000	Very short term Land contract	2,506,000	260,000	4.22	40.69	61,584 SF	5 acres (203,485 SF)	0.303	Source: Mike Maney, Northco, Ltd. Minneapolis, MN
Pilgrim Village	Menomonee Falls	N/A	2/81	4,200,000	N/A	4,200,000	316,895	1.72	22.83	184,000 SF	22 acres (958,320 SF)	0.192	Source: David Westby, Madsen Corp. Madison, WI
Frontier Shopping Center	West Bend (1700 East Washington)	21,484	5/82	$ 390,000	$200,000 Down 90,000 1st @ 16% 100,000 2nd Seller @ 9% 2 yrs.	$ 382,000	$ 44,745	$4.47	$38.20	10,000 SF	1.8 acres (78,400 SF)	0.128	Source: Steve Wagner - Continental Properties
Menomonee Plaza	Menomonee Falls	27,845	10/82	3,500,000	Nothing Down $1,600,000 1st assumed 1,900,000 2nd Seller @ 8% 10 yrs.	2,924,000	398,080	5.31	38.99	75,000 SF	7 acres (325,710 SF)	0.233	Room for 25,000 SF of NRA on top of parking garage; then site will have no further expansion potential Source: Steve Wagner - Continental Properties
Sun Rise Plaza	Rhinelander	7,873	7/81	2,800,000	$ 280,000 Down 2,520,000 2nd Seller @ 10.5% 5 yrs.	2,497,000	290,000	2.32	19.98	125,000 SF	30.3 acres (1,410,770 SF)	0.088	15 acres available for development Source: Dean Larkin - Rooney Group Peter Jungbacker - Century Capital Group
Marshland Mart	Horicon	3,584	6/78	750,000	$150,000 Down 600,000 1st @ 9 3/4% 30 yrs.	cash to seller	62,000 (actual)	1.63	19.74	38,000 SF	6 acres (261,360 SF)	0.145	Center has experienced high vacancies since purchase Sources: Bob Molus - Century Management Peter Jungbacker - Century Capital Group
Washington Square	Germantown	10,729	9/80	2,200,000	$ 300,000 Down 1,900,000 Seller: 1,775,000 wrap @ 11 3/4% 125,000 @ 6% 5 yrs.	1,961,000	203,800	3.09	29.71	66,039 SF	9.4 acres (409,464 SF)	0.161	Sources: Jeffrey Keileiber and Mike Sweete - Decade 80-I Tim Warner - Security Spring & Boe

Approaches to Value were found to be applicable. The value estimates that result from these approaches is as follows:

Cost Approach..........$2,390,000

Income Approach........$1,980,000

Of these two approaches, the Income Approach provides the most reliable indication of the subject property's current market value. Its credibility stems from its ability to directly consider the investment characteristics of the property. It is these characteristics that are of primary importance to a potential purchaser. Moreover, the income and capitalization rate forecasts upon which this approach is based are well supported by current market data. For these reasons the Income Approach is given the greatest weight in formulating the final value estimate.

The Cost Approach is given less weight because it is an indirect measure of the property's investment characteristics, and because of the imprecise nature of two of its major components. First, the estimate of the reproduction cost is derived from a somewhat generalized national cost service and is not sensitive to the significant variation in reproduction costs that can be achieved by relatively minor changes in the quality of materials and construction techniques. Second, a dearth of actual comparable sales information makes the estimate of accrued depreciation somewhat arbitrary.

Based upon the relative weight given to each of these approaches, the estimated market value of the subject property before the taking, as of September 23, 1983, is:

TWO MILLION DOLLARS

($2,000,000)

IV. THE TAKING

The taking consists of an 83 foot wide strip of vacant land that lies parallel to Fish Hatchery Road along the entire front of the subject site. It contains a gross area of 1.882 acres (81,980 square feet). However, 0.737 acres (32,104 square feet) is already subject to the Fish Hatchery Road right-of-way easement and the net area of the taking is 1.145 acre (49,876 square feet). The location and configuration of this taking is shown in Exhibit 18. A legal description of the area is as follows:

> Fee title in and to a parcel of land in the SW 1/4 of the NE 1/4 of Section 3, T 6, R 9 E, Township of Fitchburg, Dane County, Wisconsin.
>
> Said parcel includes all that land of the owner contained in the following traverse: Commencing at the NE corner of Section 3; thence N89 degrees 39'10"W along the north line of said section, 1173.87 feet; thence S27 degrees 38'03"W, 1442.53 feet; thence S27 degrees 14'12"W, 646.73 feet to the owner's northeasterly property corner, said corner being the point of beginning; thence continuing S27 degrees 14'12"W along the easterly property line, 188.91 feet; thence S33 degrees 36'27"W, 409.72 feet; thence S34 degrees 00'40"W, 376.43 feet to the extension of the northerly right-of-way of Traceway Drive; thence N56 degrees 21'26"W along said right-of-way, 108.54 feet to a point of curve; thence northeasterly on a curve to the left which has a radius of 25.00 feet and a long chord of 35.13 feet that bears N79 degrees 00'35"E to a point of tangency; thence N34 degrees 22'37"E, 192.90 feet to a point of curve; thence northeasterly on a curve to the left which has a radius of 11,399.16 feet and a long chord of 746.32 feet that bears N32 degrees 30'04"E to a point of compound curve; thence northwesterly on a curve to the left which has a radius of 25.00 feet and a long chord of 36.39 feet that bears N16 degrees 04'09"W to a point of tangency on the southerly right-of-way of Post Road; thence S62 degrees 45'48"E along said

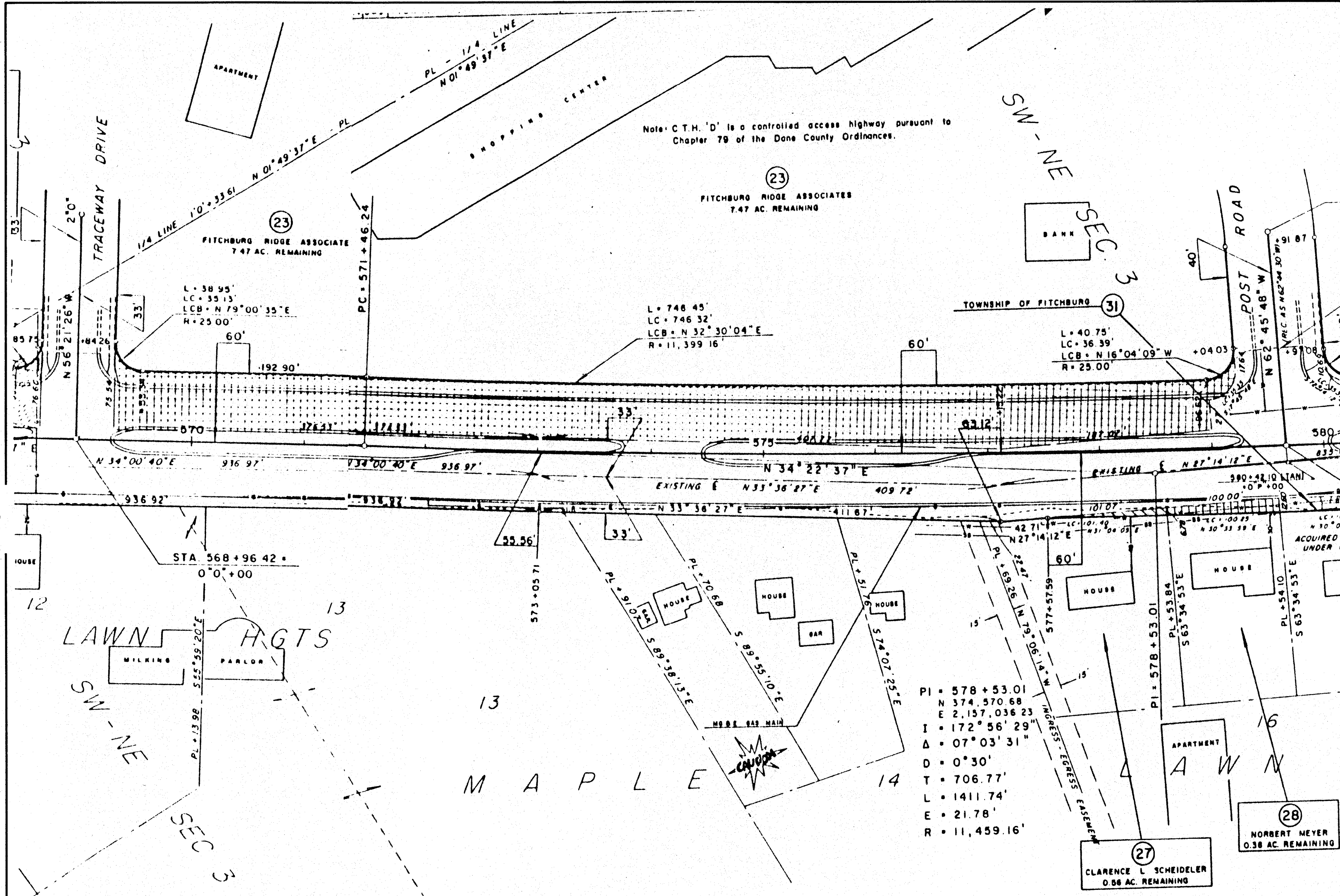

EXHIBIT 18

PLAN OF THE TAKING AREA

Landmark Research, Inc.

right-of-way, 17.64 feet to a point a curve; thence southeasterly on a curve to the right which has a radius of 25.00 feet and a long chord of 35.35 feet that bears S17 degrees 45'48"E to a point of tangency; thence S62 degrees 45'48"E, 60.00 feet to the point of beginning.

Said parcel contains 1.882 acres, of which 1.145 acres are not already dedicated and in use for highway purposes.

V. DESCRIPTION AND ANALYSIS OF THE FITCHBURG RIDGE SHOPPING CENTER AFTER THE TAKING

A. Description of the Property

After the taking, Fitchburg Ridge Shopping Center will be comprised of a 50,302 square foot GLA shopping center building which is unchanged by the taking, and a 329,096 square foot (7.555 acre) site. The site will have approximately 990 feet of frontage on Fish Hatchery Road and will be somewhat above the grade of the roadway, which will be a four lane boulevard. The northbound lane of Fish Hatchery Road will have left turn lanes at Traceway Drive, Post Road, and at the main entry drive for the subject center.

The taking will not provide the legal basis for termination of any of the center's existing leases, and it will not give rise to an adjustment of any existing rentals.

After the taking, the roadway will be moved and will be adjacent to that portion of the subject site that is now developed and improved with the parking lot, both outlots, and both of the available commercial pad sites. The vacant strip will be lost and the required building setback lines will be moved onto the improved portion of the subject site. This required setback is 42 feet, as measured from the edge of the right-of-way (see the Dane County Zoning Ordinance, which has been adopted by the City of Fitchburg). It will extend over approximately 40 feet of the improved area of the subject property. The effects of this setback requirement have a significant impact upon the ability to expand the subject center.

As a direct result of the taking and the relocated setback, any reasonably sized improvement on the now vacant office building outlot and on both commercial pad sites will be illegal. As shown in Exhibit 19, the 42 foot building setback will extend to within 38 feet of the existing driveway which permits ingress and egress to the center via Traceway Drive. Since this driveway cannot be relocated, any building on this outlot site would necessarily have to be less than 38 feet deep. However, even the 38 foot depth is not realistic given the functional requirements for a building's operation. For example, some room, at least seven feet, must be provided between the rear of the building and the driveway. This is needed for pedestrian entry/exits, walkways, snow removal, and to protect the building from driveway traffic, particularly given the slope of the driveway. This requirement means that the building must then have a depth of 31 feet or less. It is difficult to conceive of any use which could reasonably be made of this size structure. This problem is made even more complex

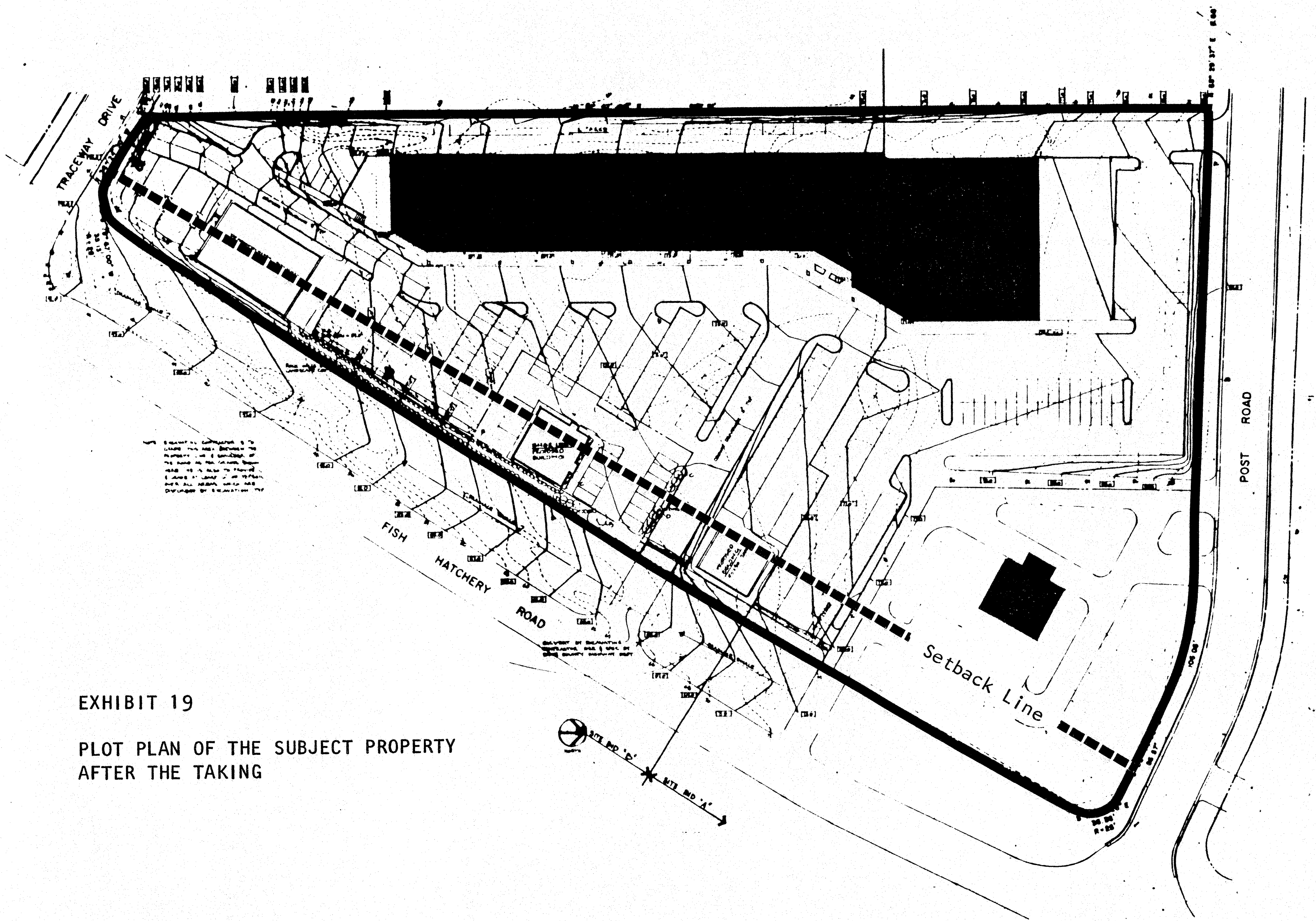

EXHIBIT 19

PLOT PLAN OF THE SUBJECT PROPERTY
AFTER THE TAKING

by the downward sloping topography of the buildable area of the site. The northerly end of the outlot site is 14 feet higher that its southerly end and the grade, of nearly 7 percent, will preclude retail uses because of the access and ramp requirements that would result. This grade will also prove very problematic for an office building. The minimum depth for an office building with a double loaded central corridor is 60 feet. [15] The subject could, therefore, accommodate only a single row of office units. The long narrow configuration of such a building adds to what would already be high site preparation costs. Moreover, the individual office suites would require private restrooms if common facilities could not be provided. Common lavoratories would require some type of hallway to connect the row of suites and would itself be very expensive and would reduce the efficiency of the building. A common corridor would also require all of the office suites to be placed at a single level. This implies that the site would need to be leveled. Because of these additional costs and the irregular nature of the resulting space, the office use is clearly not feasible.

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[15] Based upon a 5 foot wide central corridor plus office space on either side that is sufficiently deep to allow for a 12 foot wide outside office and a 12 foot wide interior office separated by a 3 foot hallway to link adjacent offices.

A zoning variance would allow a standard building such as that which has been planned for the subject site. However, several significant factors limit the ability of this variance to solve the problems created by the relocation of the roadway. First, the ability to obtain such a variance is questionable. Although zoning officials have stated that the "hardship" created by this taking would be legitimate grounds for a variance request, the outcome is in no case guaranteed. In addressing the issue of conjectural and speculative evidence, the Federal Courts have stated that:

> Where fears or hopes are based on underlying contingencies that have not developed in reasonably firm and concrete form, the resulting effects on market value are insufficient to warrant judicial determination of the legality of the unformed possibility. [16]

The possibility of a zoning variance to obviate the limitations of the relocated setback requirements is clearly not firm and concrete. In this regard, a rational purchaser or lessee would clearly not acquire this outlot at anything near its full price without a zoning contingency to nullify the purchase contract if the zoning variance could not be obtained. The extent to which this possible variance could offset damages

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[16] Hinton v. Udall, 364 F. 2d 676, 681 (C.A. D.C. 1966).

can, therefore, not be considered in determining the value of this parcel.

The effect of the variance on the feasibility of a possible office structure, assuming that the variance is granted, must also be examined. A 60 foot wide office building with a 7 foot setback from the driveway would place the southeast wall of the building within within 6 or 7 feet of the relocated Fish Hatchery Road right-of-way. This distance is extremely close to traffic and seriously undermines the marketability of at least one-half of the office space in the building. If a building was in place prior to the road being relocated this close to it, the building's owner could clearly claim proximity damages. Using the existing plans for the building, it can be demonstrated that any rental loss equal to or greater than $1.43 per square foot of net rentable floor area with the proposed building would completely wipe out the site's value. These computations are shown as follows:

Estimated Site Value Before the Taking
$2.25/SF x 24,219 SF..............................$54,493

Gross Floor Area of Proposed Building............5,400 SF

Net Rentable Floor Area (Assume 80% Efficiency)..4,320 SF

Site Cost/SF of Net Rentable Floor Area
($54,493/4,320 SF)...............................$12.61/SF

Annual Income per Square Foot of Rentable Floor
Area Attributable to the Site
($12.61/SF x 0.~~1134~~)...........................~~$1.43/SF~~
.1142 1.44/SF

An even smaller income loss would wipe out the site value if a larger building were constructed.

Given an average per square foot rental of $9 per square foot, a revenue loss of less than 16 percent of potential gross revenues would accomplish this reduction. The loss could be manifested through reduced rental rates, higher tenant turnover rates and vacancies, and/or increased operating expenses.

Finally, even if the variance were granted, the building would be legally nonconforming under the zoning ordinance and thereby face several serious restrictions for the remainder of its economic life. These restrictions are found in Section 10.21 and 10.23 of the Dane County Ordinance. The most significant of these restrictions are summarized as follows:

1. Any future additions or structural alterations shall conform to the provisions of the ordinance.

2. If destruction by fire, explosion, act of God, or act of public enemy shall exceed fifty (50) percent of the assessed valuation of such structure for the year in which such destruction occurs, the future use, location, height, setback, rear and side yards shall conform to the ordinance.

These restrictions often serve to undermine the willingness of lenders to finance such a legally nonconforming use and increase the property's operating expenses due to the need to carry demolition cost insurance on the building.

Based upon these factors, it is reasonable to conclude that the subject's office outlot, with or without a zoning variance, is not buildable after the taking.

A similar situation exists for the two commercial pad tenants contained within the subject property. After the taking, both will be almost entirely within the required setback area and therefore unbuildable after the taking without a zoning ordinance. The effects of the proximity to the roadway would, however, be less severe for a typical commercial use than it would be for an office building. This improved situation stems from the ability to orient these buildings away from the roadway. However, the ability to obtain both of the needed variances remains highly speculative. Moreover, the effects of the legal restrictions continue to limit the desirability of the sites even if the variances were obtained.

The adverse effects of the relocated setback line which results after the taking could be mitigated if the pads could be relocated away from the front boundary of the remaining site. However, several factors preclude this from happening. First, the pad tenants and the shopping center itself must share the limited number of parking stalls available on the remaining property. Relocation of the pad sites away from the property boundary would serve to reduce the number of available stalls because of greater need for aisles and drives to circulate traffic around the pads. Second, relocation of the pads would reduce the utility of the parking stalls which were located on the highway side of pads because of the poor access to the shopping center stores that they would provide. Third, the pad tenants require perimeter locations to obtain needed visability from the street. Finally, the remaining subject site is relatively shallow and relocation of the pads away from the front of the site would crowd them toward the main center shops and thereby create a congested environment.

Because of these constraints, the subject property's two pad sites are also considered to be unusable after the taking.

The effects of the taking on the First Federal Savings and Loan site is negligible.

B. Highest and Best Use

The Highest and Best Use of the subject site after the taking is for the development of a shopping center project. However, setback requirements will limit the development to a single shopping center structure along the rear boundary of the site. One office or commercial outlot could be established at the intersection of Fish Hatchery Road and Post Road.

The Highest and Best Use of the subject property after the taking as currently improved is for continued operation of the subject shopping center and the leased site now occupied by First Federal Savings and Loan.

VI. VALUATION OF THE FITCHBURG RIDGE SHOPPING CENTER AFTER THE TAKING

Once again the three standard approaches will be considered in the valuation of the subject property after the taking. This valuation process will begin with the Cost Approach to Value.

A. The Cost Approach to Value

1. Valuation of the Subject Site

The same four sales used in the valuation of the subject site before the taking will be used to derive its value after the taking. Although the size of the subject site is reduced to 7.555 acres, it remains in the same category and requires no modification of the previous adjustments. All other relationships are also unchanged. The adjusted sales prices are therefore the same as in the preceding analysis. The resulting value estimate is than $2.00 per square foot of site area or ($2.00/SF x 329,096 SF) $658,192, which is rounded to $660,000.

2. Reproduction Cost of the Site Improvements

The estimated reproduction cost of the subject property's site improvements are unchanged from those which were computed before the taking. These costs are again summarized as follows:

REPRODUCTION COST

Asphalt Paving	$160,000
Concrete Curbing	16,250
Concrete Flatwork	18,500
Area Lighting	14,850
Fencing	700
Landscaping	45,000
TOTAL	$255,300

3. Reproduction Cost of the Building Improvements

The reproduction cost of the subject improvements are the same as those calculated in the before value. The reproduction cost after the taking is then $1,596,672, or approximately $31.21 per square foot of building area.

4. Accrued Depreciation

After the taking, the accrued depreciation due to physical deterioration remains unchanged from the before valuation and can again be computed on an age-life basis. This is computed as follows:

$$\frac{\text{Effective Age}}{\text{Economic Life of Structure}} = \frac{4}{40} = 0.10 = 10\%$$

This translates to ($1,596,672 x 0.10) $159,667 in physical deterioration.

Additional consideration must, however, be given to the functional obsolescence which has accrued to the property. This obsolescence stems from the excess capacity of the site and parking lot improvements which are now not supported by the additional pad outlot tenants. This loss in value is effectively measured by the capitalized value of the income loss to the property. This income loss is equal to the annual pad and outlot rental which now cannot be realized. The gross rental income from these sites was previously estimated (see Exhibit 16 as follows:

Office Outlot...........	$ 7,260
Pad No. 1...............	6,000
Pad No. 2...............	6,000
TOTAL REVENUE LOSS	$19,260

Deductions from these rentals for vacancy and operating expenses must, however, be made. As in the before analysis, vacancies are estimated at 8 percent of the potential gross income or ($19,260 x 0.08) $1,541. Operating expense charges against these fully net ground leases are limited to management and administration charges of 5 percent or ($19,260 x 0.05) $963 per year. The net income loss is then equal to the potential gross income from the property less vacancy and operating expense charges of ($19,260 - $1,541 - $963) $16,756 per annum.

The estimated accrued depreciation due to functional obsolescence is then the capitalized value of this rental loss. The appropriate Capitalization Rate for the subject property was previously estimated in the Income Approach to Value and is 11.42 percent. The depreciation due to functional obsolescence is then estimated to be ($16,756/0.1142) $146,725.

Depreciation accrued to the site improvements is equal to that estimated in the before valuation and is as follows:

	REPRODUCTION COST	DEPRECIATION PCT.	$
Asphalt Paving	$160,000	33%	$52,800
Concrete Curbing	16,250	20%	3,250
Concrete Flatwork	18,500	10%	1,850
Area Lighting	14,850	20%	2,970
Fencing	700	30%	210
Landscaping	45,000	10%	4,500
Total Accrued Depreciation to Site Improvements			$65,580

5. Summary and Conclusion of the Value by the Cost Approach

The above estimates of site value, reproduction costs, and accrued depreciation are combined as follows to yield the estimated value of the subject property by the Cost Approach.

Reproduction Cost of the Structure		$1,596,672
Less: Accrued Depreciation		
Physical Deterioration	159,667	
Functional Obsolescence	146,725	
		(306,392)
Estimated Value of the Structure		$1,290,280
Reproduction Cost of the Site Improvements	$255,300	
Less: Accrued Depreciation to Site Improvements	65,580	
Estimated Value of the Site Improvements		$ 189,720
Site Value - After the Taking		660,000
Indicated Value of the Subject Property by the Cost Approach to Value		$2,140,000

B. Income Approach to Value

The Income Approach to Value is also applicable to the valuation of the subject property after the taking. The first step in its application is the derivation of the Net Operating Income that can be expected from the property.

1. Net Operating Income

a. Gross Income

The potential gross income from the rental of the store/shop areas will be the same after the taking as it was before. These rentals are as follows:

Large Store/Supermarket (29,844 SF x $4.45/SF)	$132,806
Small Shops (20,458 SF x $5.75)	117,633
Total Store Rental	$250,439

After the taking the subject property will have ground lease income only from the outlot site at Fish Hatchery Road and Post Road and the TYME machine site. The estimated market rental for both of these sites will be the same as in the before value as follows:

Outlot/Pad Tenants	
Outlot ($182,000 x 12%)	$21,840
TYME machine	3,600
Total	$25,440

The Potential Gross Income obtainable from the rental of the subject property as it will exist after the taking is then ($250,439 + $25,440) $275,879.

b. Vacancy and Collection Loss

Vacancy and Collection charges for the shopping center structure are estimated to be the same both before and after the taking. These estimates are 2 percent for the large store and supermarket area and 4 percent for the small shops.

Vacancy and collection losses attributable to the remaining outlot are, however, eliminated after the taking because it is now rented under terms of a long term lease that is collateralized by a major leasehold improvement. No vacancy or collection loss will, therefore, be assigned to either the outlot or the TYME machine.

c. Operating Expenses

Operating Expenses for the subject property after the taking are estimated to be $69,201 per annum. This reduction from the figure used in the before value results from a reduction of management and administrative expenses due to a lower Effective Gross Income. The effects of this taking on the operating expenses are relatively small because the tenants are responsible for the payment of real estate taxes and this expense item would be most significantly reduced by the taking.

d. Conclusion and Estimate of
Net Operating Income

Based upon the market rental rates, vacancy and collection loss, and stabilized operating expenses estimated above, the Stabilized Net Operating Income from the Fitchburg Ridge Shopping Center, after the taking, as shown in Exhibit 20, is $199,317.

2. The Capitalization Rate

The Capitalization Rate applicable to the subject property after the taking is 11.42 percent. This is unchanged from the before value.

EXHIBIT 20

STABILIZED INCOME STATEMENT FOR
FITCHBURG RIDGE SHOPPING CENTER
AFTER THE TAKING

Large Store/Supermarket	(29,844 SF x $4.45/SF)		$132,806
Small Shop Rental	(20,458 SF X $5.75/SF)		117,633
Outlot/Pad Tenants			
Outlot			21,840
TYME Machine Rental			3,600
Potential Gross Income			$275,879
Less: Vacancy and Collection Loss			
Large Store/Supermarket (2%)		$2,656	
Small Shops (4%)		4,705	
Pad Tenants (0%)		-0-	
TYME Machine (0%)		-0-	
			7,361
Effective Gross Income			$268,518
Less: Stabilized Operating Expenses			69,201
NET OPERATING INCOME			$199,317

3. Indicated Value by the Income Approach

The value of the subject property by the Income Approach to Value is then equal to the NOI divided by the Capitalization Rate, or:

$$V = NOI/R$$

$$= \$199,317/0.1142$$

$$V = \$1,745,332$$

(say) $1,745,000

There is now no excess land with the subject property that has productive potential that is unmeasured by the income estimates provided above. The Capitalized Value of this income stream, therefore, accurately measures the value of the property. The indicated value of the subject property by the Income Approach to Value is therefore concluded to be $1,745,000.

C. Comparable Sales Approach

The Comparable Sales Approach to Value is not applicable to the valuation of the subject property after the taking for the same reasons cited in the before valuation.

D. Reconciliation and Final Value Estimate After the Taking

The preceding analysis has considered the three standard approaches to value. Of these, only the Cost and Income Approaches were found to be applicable. The value estimate that results from each of these approaches is as follows:

Cost Approach $2,140,000

Income Approach $1,745,000

As in the before value, the Income Approach is far more reliable than the Cost Approach. As a result, it will once again be given the greatest weight in arriving at the final value estimate for the Fitchburg Ridge Shopping Center after the taking. The resulting estimate of the market value of the subject property after the taking, and as of September 23, 1983, is:

ONE MILLION SEVEN HUNDRED FIFTY THOUSAND DOLLARS

($1,750,000)

VII. ESTIMATED LOSS AND DAMAGES AS A RESULT OF THE TAKING

The loss and damages to the Fitchburg Ridge Shopping Center as a result of the proposed taking are represented by the difference between the estimated value of the subject property before the taking and the estimated value of the property after the taking. The estimated damages as of September 23, 1983, are then computed as follows:

Estimated Value - Before the Taking	$2,000,000
Estimated Value - After the Taking	1,750,000
Estimated Loss and Damage	$ 250,000

This loss can be allocated between the amount that is a direct result of the taking and severance damages to the remaining parcel. The allocation to the direct loss is equal to the value of the area taken, which is ($49,876 SF x $2/SF) $99,752, say $100,000. The balance of the damages are then classified as severance. These severance damages are ($250,000 - $100,000) $150,000. They are attributable to the loss of potential ground lease income from an office building site and two retail pad sites that were rendered unbuildable by the relocation of front yard setback that resulted from the taking.

VIII. CERTIFICATE OF APPRAISAL

We hereby certify that we have no interest, present or contemplated, in the property and that neither the employment to make the appraisal nor the compensation is contingent on the value of the property. We certify that we have personally inspected the property and that to the best of our knowledge all statements and information in the report are true and correct.

Based on the information and subject to the limiting conditions contained in this report, it is our opinion that the market value, as defined herein, of this property - before the taking as of September 23, 1983, is:

TWO MILLION DOLLARS
($2,000,000)

The estimated market value of this property - after the taking as of September 23, 1983, is:

ONE MILLION SEVEN HUNDRED FIFTY THOUSAND DOLLARS
($1,750,000)

The loss and damage accruing as a result of this taking as of September 23, 1983, is then estimated to be $100,000 in direct damages and $150,000 in severance damages or:

TWO HUNDRED FIFTY THOUSAND DOLLARS
($250,000)

LANDMARK RESEARCH, INC.

James A. Graaskamp
James A. Graaskamp, Ph.D., SREA, CRE

Frederick A. Rendahl
Frederick A. Rendahl, Appraiser

September 23, 1983
Date

APPENDIX A

DANE COUNTY B-1 ZONING CLASSIFICATION

SECTION 10.11 B-1 LOCAL BUSINESS DISTRICT

(1) PERMITTED USES.

(a) Retail and service uses including but not limited to grocery stores, drugstores, appliance and furniture stores, barbershops, beauty shops, but not including any business or service for which the items offered for sale or service are stored or displayed outside of a building.

(b) Self service laundries and dry cleaning establishments.

(c) Warehousing and storage incidental to a retail or service use on the premises but not to serve any other business or location.

(d) Medical, dental and veterinary clinics.

(e) Banks, offices and office buildings devoting not more than two (2) floors of office space.

(f) Utility services.

(g) Rooming and boarding houses.

(h) Schools and educational facilities that are privately owned and operated for profit. Instructional activities shall take place within a building.

(2) CONDITIONAL USES permitted in the B-1 Local Business District.

(a) Single family residences, duplexes, multi-family residences.

(b) Banks, offices and office buildings providing more than two (2) floors of office space.

(c) Motels, hotels, taverns, funeral homes and drive-in establishments. In addition to the standards established in 10.255 (2) (g) the following additional standards shall apply to drive-in establishments.

In addition to the standards and conditions set forth in Section 10.255 (2) (g), no application for a drive-in establishment conditional use permit shall be granted by the Committee unless the Committee shall find that all of the following conditions are met:

1. The Committee shall consider the number, density and proximity of other drive-in establishments in the area to determine whether the needs of the community are being adequately provided for.

2. Maintenance of the property in a clean and sanitary condition free from debris.

3. All trash, waste materials and obsolete parts shall be stored within a separate enclosure or enclosures, impervious to sight behind the principal structure and such storage enclosure shall be maintained in a clean and sanitary condition.

4. All activity necessary for or incidental to the operation of a drive-in establishment shall be conducted entirely within the building or within the automobile with the following exceptions:

   A. Emergency services and tire changing.

   B. Dispensing of gasoline and other motor vehicle fuels and those minor services which are customarily performed where dispensing gasoline.

   C. Drive-in restaurant, outdoor patio eating where tables are furnished.

5. All new and used materials, goods, merchandise, parts or supplies except those necessary for the minor service functions customarily performed while dispensing gasoline shall be kept or stored or displayed entirely within the building or within the trash and waste material enclosure or enclosures.

APPENDIX A (Continued)

6. Any illumination provided shall be installed and maintained in a manner so as to preclude the reflection or glare onto adjoining premises used for residential purposes or in any way to impede highway safety.

7. Open dead storage of junk or inoperable motor vehicles or vehicles without a valid license in excess of one (1) business day shall not be permitted.

(d) Hospitals, nursing homes, convalescent centers, extended care facilities.

(e) Mobile home parks, subject to special conditions as provided for in 10.08 (10).

(f) Conference and convention centers.

(g) Day care centers.

(h) Governmental uses.

(3) BUILDING HEIGHT LIMIT.

(a) For business buildings, including offices, the maximum building height shall be four (4) stories, provided, however, that any building that provides more than two (2) stories devoted to office space, a conditional use permit shall be required.

(b) Lots or building sites for residential purposes or for combined business and residential uses shall comply with the requirements of the R-4 Residence District.

(4) AREA, FRONTAGE AND POPULATION DENSITY REGULATIONS.

(a) For building or sites to be used exclusively for business purposes, no minimum lot width or area limitations. No such building shall occupy in excess of 40 percent (40%) of the area of an interior or corner lot.

(b) Lots or building sites for residential purposes or for combined business and residential uses shall comply with the requirements of the R-4 Residence District.

(5) SETBACK REQUIREMENTS. Setback from front lot line or highway right-of-way shall comply with the provisions of Section 10.17.

(6) SIDE YARD REQUIREMENTS.

(a) For buildings to be used exclusively for business purposes that are located on interior lots, a side yard of 10 feet for each side shall be provided. For buildings located on corner lots, the setback provisions of Section 10.17 shall apply on the street sides.

(b) For residential buildings, or buildings to be used for combined residential and business purposes, the side yards shall be the same as in the R-4 Residence District.

(7) REAR YARD REQUIREMENTS.

(a) For buildings to be used exclusively for business purposes the minimum depth of any rear yard shall be 10 feet.

(b) For residential buildings, or buildings combining residential and business uses, the minimum depth of any rear yard shall be 25 feet.

(8) OFF-STREET PARKING. Off street parking space shall be provided in accordance with the provisions of Section 10.18.

(9) SCREENING PROVISIONS. On lots adjacent to or abutting land in a residence district, the screening provisions of Section 10.16 (8) shall be complied with prior to the issuance of a Certificate of Compliance.

(This district, Section 10.12 is in effect in the following towns: Blooming Grove, Bristol, Burke, Middleton, Oregon, Primrose, Springdale, Windsor.)

APPENDIX B

LETTER FROM DANE COUNTY ZONING DEPARTMENT REGARDING PARKING REQUIREMENTS - FITCHBURG RIDGE SHOPPING CENTER

County of Dane
Zoning Department
Madison, Wisconsin
53709

210 MONONA AVENUE
CITY-COUNTY BUILDING
608/266-4266

ADMINISTRATOR

May 25, 1983

RECEIVED
FLAD DEVELOPMENT
& INVESTMENT CORP.
MAY [illegible] 1983
ROUTE:

Flad Development &
Investment Corporation
Attn: Steven P. Hoff
4200 University Avenue, Suite 2110
Madison, WI 53705

RE: Parking Requirements - Fitchburg Ridge Shopping Center.

Dear Mr. Hoff:

We have reviewed the parking requirements as per the current Zoning Ordinance. You are correct in that you do have adequate parking spaces without the necessity of a variance.

There is a slight discrepancy between your computation and ours; we computed as follows:

				(spaces)
Zoning Permit #31516 -	Food Store	14,300 sq. ft.		
	Shopping Center	22,360 sq. ft.		
	TOTAL	36,660 sq. ft.	/300 =	123
Zoning Permit #34573 -	Office Bldg.	5,400	/300 =	18
-- -	Proposed Ice Cream Parlor	1,200	/ 50 =	24
	TOTAL SPACES REQ'D.		=	165
Total spaces provided as per plans Variance #1133			=	269
Surplus Pky.			=	104

As to consideration of the fee paid for the variance, I am sorry but I am certain a refund would not be approved. The public notice was printed, notices mailed to adjoining property owners, the Board of Adjustment made their field inspection and the public hearing was held, all of which involve costs that the fee is intended to allay. Your firm is always one of the better prepared with accurate computations and we just did not think to question the information presented.

Very truly yours,

William Fleck

William Fleck,
"Acting" Zoning Administrator

WF:kw

JAMES A. GRAASKAMP

PROFESSIONAL DESIGNATIONS

SREA, Senior Real Estate Analyst, Society of Real Estate Appraisers

CRE, Counselor of Real Estate, American Society of Real Estate Counselors

CPCU, Certified Property Casualty Underwriter, College of Property Underwriters

EDUCATION

Ph.D., Urban Land Economics and Risk Management - University of Wisconsin
Master of Business Administration Security Analysis - Marquette University
Bachelor of Arts - Rollins College

ACADEMIC AND PROFESSIONAL HONORS

Chairman, Department of Real Estate and Urban Land Economics, School of Business, University of Wisconsin
Urban Land Institute Research Fellow
University of Wisconsin Fellow
Omicron Delta Kappa
Lambda Alpha - Ely Chapter
Beta Gamma Sigma
William Kiekhofer Teaching Award (1966)
Urban Land Institute Trustee

PROFESSIONAL EXPERIENCE

Dr. Graaskamp is the President and founder of Landmark Research, Inc., which was established in 1968. He is also co-founder of a general contracting firm, a land development company, and a farm investment corporation. He is formerly a member of the Board of Directors and treasurer of the Wisconsin Housing Finance Agency. He is currently a member of the Board and Executive Committee of First Asset Realty Advisors, a subsidiary of First Bank Minneapolis. He is the co-designer and instructor of the EDUCARE teaching program for computer applications in the real estate industry. His work includes substantial and varied consulting and valuation assignments to include investment counseling to insurance companies and banks, court testimony as expert witness and the market/financial analysis of various projects, both nationally and locally, and for private and corporate investors and municipalities.

FREDERICK A. RENDAHL

EDUCATION

Bachelor of Business Administration - Real Estate and Urban Land Economics, University of Wisconsin

Master of Science (in progress) - Real Estate Appraisal and Investment Analysis, University of Wisconsin

PROFESSIONAL EDUCATION

Society of Real Estate Appraisers (SREA)

Course 101: Appraising Real Property
Course 201: Principles of Income Property Appraising
R-2 Examination

American Institute of Real Estate Appraisers (AIREA)

Course 1A: Principles of Appraising
Course 1B: Capitalization Theory and Techniques
Course 2: Urban Properties
Course 6: Introduction to Real Estate Investment Analysis

PROFESSIONAL EXPERIENCE

Mr. Rendahl is currently associated with Landmark Research, Inc. as an appraiser and consultant. He has over ten years experience in a variety of valuation, marketability, land use and project feasibility studies. He has served individual corporate, and governmental clients, concerning commercial, industrial, and residential properties throughout the United States. These services include court testimony as an expert witness. Mr. Rendahl has been a member of the Society of Real Estate Appraisers, Young Advisory Council and an instructor of the SREA's 101 and 201 courses.