

Hi Jennifer –

Thank you for keeping me in the loop regarding the questions related to our appraisal. I will address some issues that were raised and try to keep it simple and concise, so at least you have some talking points for the Common Council and Alderpersons:

1. **Disposition Value:** An opinion of disposition value is developed if requested by the client. An opinion of fair market value was the only valuation scenario requested. It is not incumbent upon the appraiser to make this determination. An exception could be if the client is unsure what is needed to satisfy the purpose and intended use and if a disposition value could satisfy these criteria it could be suggested. However, the client understood what was needed to satisfy their intended use of the appraisal. There is simply no USPAP violation in this regard.
2. **Hypothetical Condition:** The appraisal values 514 and 526 Pinney St together and does not assume a zoning change. As can be seen on the exhibits in the report, the future development plans keep this area of 514 Pinney as park and open space. In theory, the value assigned to these two parcels combined could have just been assigned to the 526 parcel. This value would still be supported based upon density considerations. It is not a hypothetical condition because it assumes continued park and open space as zoned. The thought process is that a developer would be deeded both parcels but only develop on one of the parcels and the remainder would be park and open space. There is no USPAP violation in this regard.
3. As a tertiary point, the engagement request from the City of Madison includes the language "...a full narrative report is not necessary. The appraiser may use a form/format of their choosing, so long as it produces a credible result." The report provided is very detailed and comprehensive, and all aspects of the appraisal research and analysis are not necessarily shown. The report meets the reporting requirements of our client.
4. **Same development comparable sales:** The information provided suggests that three sales in the same development were not applied. It is our understanding that two of the sales were not arms-length and it was concluded that the sale from 2015 was simply too old for comparison purposes. Market conditions have dramatically changed since 2015.

5. **Transmission line easement:** The valuation of 526 Pinney St. was primarily a function of the proposed development density. The conceptual building layouts appear to factor-in the location of the transmission line easement.
6. **State law requires assessed values to be within 10% of market values:** I am not familiar with that law, but if you chart out every commercial property sale in the City of Madison over the last few years and the assessed value at the time of sale, you will likely find many discrepancies that are much greater than 10%.
7. **Guide Notes and USPAP:** There are references to Guide Notes, but Guide Notes are not part of USPAP. Guide Notes are just advice, but do not constitute any type of USPAP Standards.
8. **Comparable Selection in a Declining Market:** There is a reference to a Guide Note for this condition, but I do not think that anyone would characterize Madison as being a declining market.
9. I think there may be confusion over the appraisal's presentation of a "bulk value" and "retail values". An important distinction is that a "subdivision" is characterized as five or more lots/units. When there are five or more lots/units (as-is the case here...) a bulk value is typically required. Bulk value and retail value have specific appraisal-related definitional terms. The discount associated with a bulk value is still a market value and is only a disposition value if identified as such. This is where the 4.71% discount applies. It could be confusing to some readers, but it is applied correctly.
10. **Exposure time comments:** These types of properties, in many instances, are not necessarily exposed to the market in the conventional agent/listing sense. Many times, real estate brokers are approaching property owners and attempting to assemble properties or purchase them off-market. We perform many appraisals of pending sales that were never actually listed on the open market. An additional comment is that many sales close prior to full approvals being in-place. Another view of exposure time that could be more reasonable as a basis for comparison is the time on the market prior to being under contract. This development has been marketed more as a build-to-suit development than specific lot selloff.
11. **Soft costs:** It is suggested that soft costs did not have independent verification. Note that all appraisals have an assumption and limiting condition that

“Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.” We also have sales of land that included entitlements incurred to-date, and these clearly sold for premiums over other comparable properties due to the time and cost savings for the buyer, being closer to turn-key development. We could show our client numerous examples of soft costs on comparable projects and how they compare.

12. There is a suggestion that a disposition value should be developed and would require different comparables. This seems to imply that the comparables should only represent distressed sales where the seller has atypical compulsion to sell. I am not aware of any vacant land purchased for multi-family development or commercial development (office, retail, clinic, etc.) that is comparable and represents a distressed situation.

It is our opinion that our appraisal is USPAP compliant and satisfies the purpose and intended use of our client. Thank you for your time and consideration.

Andy

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