SPECIAL BENEFIT
CONSULTING ANALYSIS

Proposed Reconstruction of Broadway Avenue North
From Civic Center Drive to 13th Street Northwest
Rochester, MN

October 31, 2019

HAC19040-00

HOSCH
Appraisal & Consulting, Inc.

October 31, 2019

Mr. Brian Malm
Principal Engineer
Bolton & Menk
2900 43rd Street NW, Suite 100
Rochester, MN 55901

RE: Broad Market Research into Potential Impacts on Market Value and Maximum Supportable Special Benefit by Major Property Classification Resulting from the Proposed Broadway Avenue North Street Reconstruction Project

Dear Mr. Malm:

As you requested, we have conducted a consulting analysis that explores the general impacts on market value and maximum supportable special benefits for various property classifications resulting from the proposed Broadway Avenue North reconstruction project. The proposed Broadway Avenue reconstruction project that is the subject of the report is further outlined in the feasibility report prepared by the Rochester City Engineering Department, dated February 20, 2019, which we have relied on for detailed project information. The conclusions of this analysis refer to general property classifications only and are not intended to provide conclusions of market value impacts for any one property.

This consulting report has not been limited in scope and has been written with the intent of meeting the reporting requirements of the Uniform Standards of Professional Appraisal Practice, 2018-2019 Edition (effective January 1, 2018). This consulting report has also been prepared in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.

This consulting report presents only a summary of the data, reasoning, and analyses that were used in the consulting process to develop our conclusions. Some of the supporting documentation concerning the data, reasoning, and analyses is included herein, with other resource information retained in the work files and our office. This consulting report has been written for the intended use of the City of Rochester, Bolton & Menk, Inc. and any other parties authorized by the City of Rochester or Bolton & Menk for the intended use of this consulting analysis herein and the report is intended for internal decision making purposes.

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EXECUTIVE SUMMARY OF CONCLUSIONS

Based on our broad market research and analysis of the subject project, it is our opinion that most property classifications within the project area will benefit from increased market values to some extent as a result of the project. Additionally, there are sub-project improvements that are expected to benefit some property classifications more than others and one sub-project type for which our research and analysis was unable to support any measurable special benefit.

CLIENT IDENTITY AND INTENDED USER(S) OF THE ANALYSIS

Our client is Bolton & Menk, Inc. and the intended users of this analysis are the City of Rochester, Bolton & Menk, Inc. and any other parties authorized by the City of Rochester or Bolton & Menk, In. in direct connection with the intended use of this consulting analysis.

The depth of discussion contained in this consulting report is specific to the needs of this client and for their intended use only. Hosch Appraisal & Consulting, Inc. is not responsible for the unauthorized or improper use of this report.

INTENDED USE OF ANALYSIS

The intended use of our analysis is internal decision making purposes in direct connection with developing proposed special assessments resulting from the subject project.

DATES OF IMPORTANCE

This consulting analysis has an effective date of January 2, 2019. The date of inspection was July 30, 2019. The date of the consulting report is October 4, 2019.

PROBLEM TO BE SOLVED

We have been asked to provide a consulting analysis that explores broad market research into potential impacts on market value for general real estate classifications within the subject project area. Specifically, we have been asked to provide an opinion of maximum supportable special benefits due to increased real estate market values resulting from benefits associated with the subject project.

SCOPE OF WORK

This consulting analysis was not limited in scope and was based upon the generally accepted appraisal consulting practices in order to comply with current USPAP Standards. Per prior agreement with the client, we have explored the impacts (either positive, negative or none measurable) to real estate values of general property classifications resulting from completion of the subject project. Specifically, we have been asked to provide an opinion as to whether increased real estate market values may result from benefits associated with the subject project. The conclusions of this analysis refer to general property classifications only and are not intended to provide conclusions of market value impacts or the reasonableness of the proposed assessment for any one property. Furthermore, we have completed the following functions and procedures.

- Made an inspection of the subject project area;

- Familiarized ourselves with the neighborhood and analyzed the surrounding property trends;

- Identified general property classifications adjacent to the subject project area;

- Reviewed detailed information regarding the scope of the subject project;

- Identified sub-project areas based on differences in proposed improvements and resulting supportable maximum benefits to property classifications within the project area;

- Analyzed sub-project areas and identified property classifications adjacent to the sub-project areas;

- Conducted broad market research into the potential impacts to market value for various property classifications resulting from similar public improvement projects by reviewing literature and conducting industry research about the general impacts to market value and other benefits of various public improvement projects, conducting interviews with market participants about the perceived impacts on market value of various public improvement projects and researching and analyzing available sales and market data of properties along similar public improvement project areas;

- Utilized Assessor's Estimated Market Values for properties adjacent to the subject project area in order to provide an aggregate market value indication for general property classifications adjacent to the subject project since recent sales ratio studies show that assessed values are generally falling between 83.8% and 94.0% of actual selling prices; and

Scope of Work - Continued

- Analyzed the subject project and sub-project areas and related impacts to the market value of general property classifications by applying the results of the broad market research and reconciled to an appropriate range of maximum supportable special benefit by property classification for properties adjacent to the subject project area.

Sources utilized to obtain this information include, but are not limited to: information contained in our office files; experience in appraising and consulting with clients over the years involving properties and projects necessitating similar analyses; interviews with brokers, buyers, sellers and developers specializing in various property classifications; information provided by the client; public records; various documents and files provided by Bolton & Menk, Inc., such as construction project maps, project descriptions, adjacent property data, etc.; and personal inspection of the subject project area.

SUBJECT PROJECT DESCRIPTION

The subject of this consulting analysis is the Broadway Avenue North reconstruction project. According to the Feasability Report provided by the City of Rochester the project includes:

> Reconstruction of Broadway Avenue North from Civic Center Drive to 13th Street NW. The proposed project will replace deteriorated pavement, replace existing signal systems, address aging sanitary sewer and watermain utilities, provide pedestrian enhancements, add protected bike lanes (cycle track), add landscaped medians and boulevards, replace the street lighting system, construct enhanced bus stop facilities, and incorporate public art into the corridor. The scope of the project also includes the reconstruction of alleys adjacent to this section of Broadway Avenue North, and the side streets between Broadway Avenue North and the alleys.
>
> The project includes full depth pavement reconstruction within the project limits between Civic Center Drive and 13th Street NW, with construction extending to the south end of the Silver Lake bridge deck. The project also includes full depth pavement reconstruction on the adjacent side streets, from Broadway Avenue to the alley, and along the alleys adjacent to Broadway Avenue. The total length of the proposed construction is approximately 2.0 miles, including side streets and alleys. The existing right-of-way along Broadway Avenue is 100 feet wide, decreasing to 75 feet wide along the side streets and is 15 feet wide along the alleys.

Subject Project Description - Continued

In addition to street and alley reconstruction the subject project also includes the following:

Transit Improvements - Eight local system bus stops, which will include amenities such as heated shelters, decorative lighting, benches, wayfinding/route signage, bike racks, mobile device charging stations, and landscaping. The bus stops at 7th Street North will be designed as local stops for the proposed project, but accommodations will be made to facilitate the expansion of these stops for future Bus Rapid Transit service.

Lighting Improvements - existing streetlighting system will be replaced with new LED streetlights consisting of 30-ft tall light poles at the intersections and regularly spaced 15-ft decorative light poles between the intersections and at the bus stops for additional roadway and pedestrian/bicycle facility lighting.

Signal Improvements - existing traffic signal systems at 13th Street NW/Silver Lake Drive and 7th Street North will be removed and replaced with new traffic signal systems accommodating the new roadway geometry. New fiber-optic cable will be installed along the corridor for signal interconnection. Rectangular Rapid Flashing Beacons (RRFB) will also be provided for the mid-block pedestrian crossings between 9th Street North and 10th Street North, and at 5th Street NW.

Landscaping Improvements and Public Art - Boulevard tree plantings, median and boulevard perennial and shrub plantings, and decorative pavers and plantings within the sidewalk and cycle track buffer zone. Tree plantings will consist of varied species of ornamental and overstory trees. An irrigation system will be installed for the planting areas. Accommodations for public art will be included at the 5th Street North, 10th Street North, and 13th Street North bus stop locations.

Sanitary Sewer Improvements - Sanitary sewer improvements will consist of the removal and selected abandonment of obsolete trunk sewer lines and installation of a new 12-inch diameter sanitary sewer main along the length of Broadway Avenue, along with 8-inch sewer connections at the side streets along Broadway Avenue. Existing active sewer services along the project will be replaced with new 6-inch diameter sewer services to accommodate potential future redevelopment.

Watermain Improvements - Removal of the existing 6-inch and 8-inch cast iron watermain, originally installed in the late 1800s and early 1900s and installation of a new 12-inch diameter ductile iron watermain along the length of the project. New hydrants and valves will also be installed within the project limits.

The subject project is located just north of Downtown Rochester and runs through a neighborhood that is characterized by its commercial/retail uses. Other uses in the neighborhood include: single-family residential, multi-family residential, industrial/manufacturing, commercial land and park land.

A map of the project area is provided on the following page.

BROADWAY AVENUE RECONSTRUCTION — **Figure 1: Project Location Map**

CITY OF ROCHESTER, MINNESOTA — January 2019

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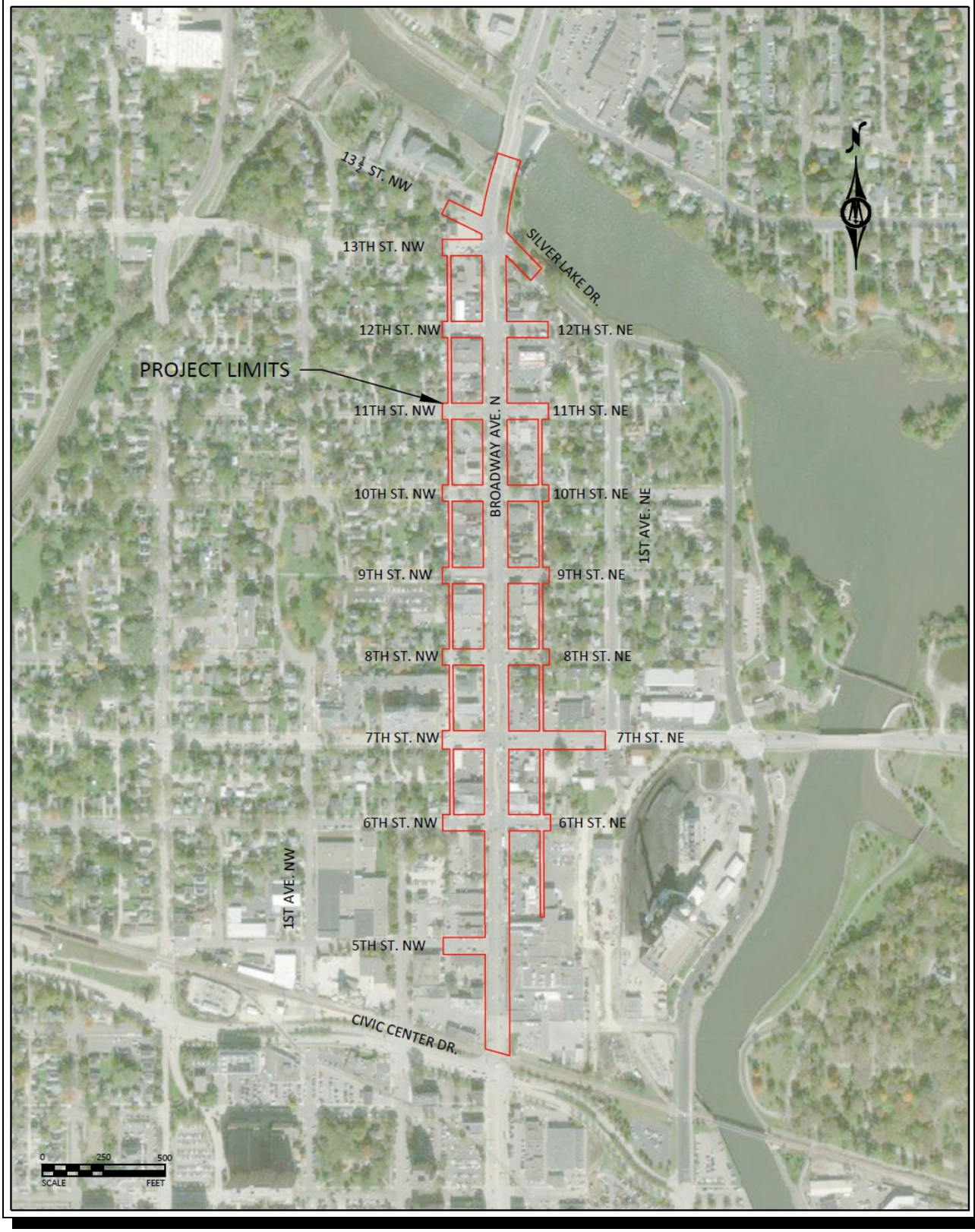


BROAD RESEARCH OF IMPACTS TO MARKET VALUE

The subject project consists of a street reconstruction project that includes the reconstruction of driving surfaces and installation of new pedestrian and cyclist amenities such as transit upgrades, upgraded lighting, bike lanes, and safer accessibility components which will result in superior conditions and amenities once the project is completed compared to the existing conditions before the project.

Based on the type of project, we have conducted broad market research into the impacts on market value of various property classifications adjacent to comparable street reconstruction projects. The research provides a guide to potential general ranges of market value impacts which can be applied to various specific projects and general property classifications, and can be used to analyze the project impacts and reconcile maximum supportable special benefits for various property classifications within various sub-project areas. Our conclusions assume that all project construction is complete, and that all necessary acquisitions, including temporary easements, are completed and/or vacated or expired, after the project.

In order to determine the broad effects of street reconstruction projects on the market values of the surrounding real estate, we conducted research through three main channels; literature review and industry research, market interviews and sales research/market data analysis. The broad market research indicates that most property classifications that are adjacent to street reconstruction improvement projects that address deteriorating street and pedestrian improvements generally realize increased property values resulting from the project. A summary of our research findings and general conclusions is provided below.

Literature Review and Industry Research

We have reviewed numerous journal articles, presentations, studies and news articles as well as online information about the relationship between street reconstruction projects and other improvements in public areas, sometimes referred to as investment in the public realm, and real estate market values for various property types. Most of the research and literature we reviewed relates to public improvement projects in general while some of the research involved investment in only pedestrian-oriented improvements. As a result, we focused on further research and analysis of the literature pertaining to the most similar types of public realm improvement projects; those which addressed street improvement projects that incorporated pedestrian-related improvements and enhancements. All of the literature we reviewed pointed to a net positive contribution to property value and increased economic development in areas that received investment in the public realm. Examples of some of the conclusions drawn from our review of literature are outlined below:

> *Paved with Gold: The Real Value of Good Street Design*, published by the Commission for Architecture and the Built Environment in 2007 indicates that better streets result in higher market prices. The research shows that an achievable improvement in street design quality can add an average of 5.2% to residential prices and an average of 4.9% to retail rents.

Broad Research of Impacts to Market Value - Continued

Literature Review and Industry Research - Continued

Grant Avenue in Odessa, Texas: A Downtown Streetscape Success, published by William E. Frawley, AICP and William L. Eisele, P.E., PhD for the 2nd Urban Street Symposium (Anaheim, California) in 2003 included the study of a street reconstruction/modification project in Downtown Odessa, Texas. Adjacent land uses consisted of commercial, office, retail and government buildings. Impacts included increased redevelopment of business activity, upward pressure on property values, increasing occupancy rates of adjacent buildings, increased retail sales along the corridor, as well as property owner (and tenant) and public acceptance.

Safer Streets, Stronger Economies, published by Smart Growth America in 2015 included the study of 37 "Complete Streets" street reconstruction projects throughout the United States. In terms of economic returns, the limited data available suggests the projects were related to broader economic gains like increased employment and higher property values. Of the 37 projects included in the survey, the study was able to examine changes in employment in 11 places, and changes in business impacts, property values, and/or total private investment in 14 places. It was found that employment levels rose after Complete Streets projects—in some cases, significantly. Communities reported increased net new businesses after Complete Streets improvements, suggesting that Complete Streets projects made the street more desirable for businesses. In eight of the ten communities with available data, property values increased after the Complete Streets improvements. Where property values did increase, the rate was sometimes striking: In Dubuque, IA, property values increased 111 percent. Eight communities reported their Complete Streets projects at least partly responsible for increased investment from the private sector.

Cities Alive: Towards a Walking World, published by Arup Group in June 2016 included analysis of 80 case studies from around the world and outlines 50 drivers of change, 50 benefits and proposes 40 actions cities can take to create more livable environments and boost economic activity. The report cites economic benefits resulting in increased real estate values that are tied to higher levels of safety, accessibility and livability. Street transformation projects that increase pedestrianisation can lead to increases of $9 per square foot for annual office rents, $7 per square foot for retail rents, $82 per square foot for home values, and over $300 per month for apartment rents. Further economic benefits have been measured by academics that show that a close proximity to a walkable urban realm (as measured by a Walk Score) directly translates into increases in home values of between $700 and $3,000 for each point, out of a total possible score of 100. Other benefits outlined in the report include reduced vacancies and increased foot traffic in areas that have undergone recent transportation projects with improved pedestrian amenities.

Broad Research of Impacts to Market Value - Continued

Literature Review and Industry Research - Continued

In addition to the sources cited on the previous pages we also found the following literature to be relevant to our analysis:

- *Impact of Pedestrianization and Traffic Calming on Retailing*, published by Transport Policy, Volume 1, Number 1 (1993), authored by Carmen Hass-Klau
- *Smoothing Wrinkles in the Spread: Special Assessment Issues*, published by The Appraisal Journal (2000), authored by Marcus T. Allen, PhD, and Harry C. Newstreet
- *Economic Benefits of Good Walking Environments*, published by the Central London Partnership (2003), authored by Llewelyn-Davies
- *Curbing Cars: Shopping, Parking and Pedestrian Space in SoHo*, Prepared for Transportation Alternatives (2006), authored by Schaller Consulting
- *Economic Impact of the Public Realm*, published and authored by ECOTEC Research and Consulting (2007)
- *The Economic Value of Good Design*, published and authored by PlacesMatter! (2009)
- *Urban Infrastructure and Economic Development: Experimental Evidence from Street Pavement*, authored by Marco Gonzalez-Navarro and Climent Quintana-Domeque (2010)
- *Shared Space, Shared Surfaces and Home Zones from a Universal Design Approach for the Urban Environment in Ireland*, published and authored by TrinityHaus (Trinity College Dublin) (2011)
- *Hedonic Price Effects of Pedestrian- and Transit-Designed Development*, published by the Journal of Planning Literature (2011), authored by Keith Bartholomew and Reid Ewing
- *An Economic Analysis of the Value of Local Street Improvements In Springfield, Oregon*, presented to the Department of Economics, University of Oregon (2012), authored by Ethan Rasmussen and Famery Yang
- *The Economic Benefits of Sustainable Streets*, published by New York City DOT (2013), authored by New York City DOT and Bennett Midland, LLC
- *Retail Streetscape Redevelopment*, published by Development Magazine (2016), authored by Sam Black

Research and analysis of literature points to a number of economic benefits of better designed public streets and spaces and their interaction within local economies. Economic benefit streams that were identified as recurring throughout multiple sources include:

- Attracting business
- Increasing land / property values
- Attracting visitors / customers / employees
- Increasing tourism
- Improving productivity
- Enhancing image
- Maintenance cost savings

Streets and their adjacent pedestrian improvements are just a small part of the public realm that works in concert with parks, plazas, bicycle routes and other public areas. By improving the design and condition of street and adjacent pedestrian areas along the subject project the public realm is also improved. While much of the literature reviewed doesn't specifically reflect a dollar amount or percentage range of benefit to overall property value attributable to a recently improved street and pedestrian improvements, almost all of the literature and industry research does reflect that there is upward pressure on value resulting from such projects. Furthermore, several sources pointed out that a lack of investment in public realm improvements can be detrimental to property value.

Broad Research of Impacts to Market Value - Continued

Market Interviews

To provide better indications of the potential effects on market value of the street reconstruction project on various property classifications we interviewed local market participants about the anticipated impacts a property owner or potential buyer would anticipate when purchasing or selling a property affected by such a project and how those impacts relate to market value in general. Market participants included prominent local and regional commercial and industrial real estate brokers, investors, developers, buyers, sellers, and property owners as well as residential real estate agents and investors and buyers and sellers of residential real estate. We explained the existing street condition and types of deterioration prior to the project and the scope of the project in order to develop general market perceptions and indications of potential market value impacts resulting from the project.

The consensus of our market interviews indicates that street reconstruction projects generally have an upward influence on property value. For example, one prominent commercial real estate broker explained that in general, properties will benefit from a superior location and increased marketability resulting from these types of street reconstruction projects. Another interviewee, a seller of a commercial building along a street that is to undergo a similar type of project, indicated that cleaning up curb appeal is always a good thing and is viewed as a benefit. He also stated that people spend a lot of money to improve curb appeal and the street condition is part of the equation. He also went on to say that, all else being equal, he would pay more for a property on a newly completed street than one on a deteriorating street.

The majority of market participants also viewed such improvement projects as a benefit to value from the perspective of curing an existing deficiency, e.g., failing streets or alley surfaces, while indicating that there is also some benefit related to the extent that new improvements are superior to what they are replacing, such as upgrading lighting and adding bike lanes where they previously did not exist. Additionally, it was indicated that the amount of benefit must be tied directly to the existing condition before the project and that property owners, users and potential buyers generally don't view streets or alleys that are in average or good working condition to be a drag on value and as a result properties with adequate street or alley improvements will receive a smaller benefit or no benefit at all from similar replacement or reconstruction projects.

The information and data we collected through market interviews indicates that public improvements that benefit neighborhood aesthetics, or "neighborhood feel" as some market participants called it, generally carry the most weight as they relate to benefitting property values. This is due simply to the ease of viewing and comparing the improvements to what previously existed as well as to other properties in other neighborhoods. It is easy for owners and users to see increased curb appeal from new streets and streetscapes. Safety improvements and other less-noticeable improvements, such as wider sidewalks or ADA accessibility, carry less weight according to market interviews, but are still viewed as contributing to increased property values. Improved lighting was generally considered to add the most value when considering safety improvements. Items that were indicated to add the least value were hidden improvements such as water and sewer improvements or improvements that blend into the surrounding infrastructure, like traffic signal upgrades.

Broad Research of Impacts to Market Value - Continued

Market Interviews - Continued

Results of the market interviews indicate that in general a positive impact on the market value of properties adjacent to a street reconstruction project are expected as a direct result from the project. While most respondents indicated it would be hard to estimate the net benefit to a specific property in total dollars or as a percentage of value, most of the respondents agreed that there will be a positive impact on market value. Anticipated benefits of the street reconstruction project that were brought up by market interviewees include:

- An improved general location and curb appeal
- Increased marketability
- Improved safety
- Lower risk of ownership

According to the interviewees these factors are expected to have an upward influence on property market values of various property classifications along street reconstruction projects. These factors relate to upward influences on market values by improving a property's overall location and overall competitiveness in relation to other similar properties, creating upward pressure on land and building values as well as upward pressure on rental rates, decreasing pressure on vacancy, increasing pressure on renewal rates and decreasing pressure on capitalization rates.

Broad Research of Impacts to Market Value - Continued

Sales Research and Market Data Analysis

We have also completed research of sales information and other market data for various property classifications in order to find and analyze sales that occurred immediately before and after similar types of public improvement projects. In completing our sales research and market data analysis we reviewed numerous recent and similar projects that were completed in Rochester and reviewed sales that occurred along the project areas that occurred between the year immediately before and the year immediately after completion of each project. We also reviewed similar street reconstruction projects in other communities and major metropolitan areas and researched sales along those project areas in order to identify and analyze any sales or other market data that could be related to the subject project. Unfortunately, we were unable to find any paired sales of properties that sold before and after a similar improvement project that were similar enough to be compared to an extent that is capable of producing credible results. Although we were unable to find sales that were suitable to analyze via the paired sales method, we did discover numerous sales of single-family residential properties and several sales of multi-family residential and commercial properties that sold either immediately before or after similar public improvement projects. As a means of analyzing these sales we interviewed parties involved with several of the transactions and the results are included with the market interview results referenced earlier in this report. Additional market data analysis was also performed for single-family residential types as better data is available for this property classification. Results of this research indicate that single-family properties that are located on unpaved streets with the fewest amenities sell for significantly less on average than single-family properties on paved streets with average amenities. This would reflect a maximum benefit resulting from a street reconstruction project with other types of street projects falling lower on the benefit spectrum. Further analysis of this data reveals that the market expects a certain level of street condition and pedestrian amenities which can differ by area and that if market expectations are not met then property values can suffer.

General Conclusions of Impacts to Market Value

Applying the broad market research to the commercial/retail, single-family residential, multi-family residential, industrial/manufacturing, commercial land and park land property classifications along the subject project indicates that the general impact to market value could be as high as approximately 15% of property value for commercial/retail properties, up to approximately 15% for single-family properties, up to approximately 10% for multi-family residential properties, and up to approximately 7% for industrial/manufacturing properties. Impacts to commercial land can vary depending on use but are generally considered to be similar to improved commercial/retail properties. These ranges of impacts to market value include the maximum results indicated by our research and would apply in the *most extreme* scenario where the existing street was in the poorest condition with the lowest level of pedestrian amenities and was completely reconstructed with high quality materials and the highest level of pedestrian amenities. In order for a property to benefit to this extent the existing street condition would have to be deteriorated to the greatest extent with little or no existing lighting, sidewalks, bike paths/lanes, etc. This street would then have to be improved to the greatest extent possible with the inclusion of all possible pedestrian amenities.

Broad Research of Impacts to Market Value - Continued

General Conclusions of Impacts to Market Value - Continued

Consensus within the research and analysis of benefits associated with typical street reconstruction projects creates a tighter general range of impact to market value than what is indicated by the maximum research results and is more appropriate and applicable to projects like the subject project. This is due to the fact that most streets are not completely deteriorated to the fullest extent possible prior to reconstruction and most streets already have some level of pedestrian improvements that provide some existing benefit. Considering the central tendency of research results and more typical levels of project-related benefits and improvements, a general range of impact to value of up to approximately 10% of market value for commercial/retail properties, up to approximately 7% of market value for single- and multi-family properties and up to approximately 5% for industrial/manufacturing properties is considered more appropriate for these types of projects.

Furthermore, we found that special consideration should be given to properties on corner lots or properties that have multiple frontages. These properties may not benefit equally from similar street reconstruction projects along all frontages on a pro-rata basis. Although the overall benefit may be slightly higher than general conclusions if all street frontages were reconstructed at the same time, the benefit per frontage would likely be lower. The direction of building orientation and access is important when considering the impacts to market value on a property-by-property basis.

Additionally, special consideration should also be given to lower value properties as the buyer profiles for lower value properties may be willing to accept lower quality streets and pedestrian improvements and amenities. Generally, as values increase the likelihood of market benefits generally increases.

ANALYSIS OF SUBJECT PROJECT AND MAXIMUM SUPPORTABLE BENEFIT

In applying our research and analyzing the subject project area we have determined that it is appropriate to break down the project area into sub-project areas due to varying conditions and levels of improvements and benefits for property classifications within the project area. Benefits to properties in the project area can be broken down based on property frontage and the anticipated resulting benefits along different components of the overall project. The types of frontage in the project area include:

1. Broadway Avenue North (Civic Center Drive to 13th Street NW)
2. 7th Street Northeast (Broadway Avenue N to 1st Avenue NE)
3. Side Street Frontage (all side streets except 7th Street NE)
4. Alleys

A brief description of each type of property frontage is discussed on the following page.

Analysis of Subject Project and Maximum Supportable Benefit - Continued

1. Broadway Avenue North (Civic Center Drive to 13th Street NW)

This section of the project replaces an old, deteriorating bituminous-paved street that has sidewalks on both sides and outdated lighting with a new concrete-paved road surface with cycle tracks and sidewalks on both sides, upgraded lighting, transit improvements and landscaping and public art. Signal improvements and sanitary sewer and watermain improvements are also included. Properties with frontage along this portion of the project will benefit from increased curb appeal and general neighborhood esthetics, improved driveability and improving pedestrian and bicycle access and safety.

2. 7th Street Northeast (Broadway Avenue N to 1st Avenue NE)

This section of the project replaces an old, deteriorating bituminous-paved street that has sidewalks on both sides with a new concrete-paved road surface with sidewalks on both sides. Properties with frontage along this portion of the project will benefit from increased curb appeal and general neighborhood esthetics, improved driveability and improving pedestrian safety.

3. Side Street Frontage (all side streets except 7th Street NE)

These sections of the project will replace bituminous- and concrete-paved streets that have sidewalks on both sides with improvements similar to the existing conditions and the addition of curb extensions at intersections along Broadway Avenue North to increase pedestrian and cyclist safety. While inspecting these portions of the subject property we found that the existing road surface was in average to good condition and replacement based on condition alone is not warranted. While properties with frontage along these portions of the project may realize some benefit, our research concludes that it is not measurable.

4. Alleys

These sections of the project were old, deteriorating bituminous-paved alleys with new concrete-paved alleys that include curb entrance extensions to allow for better sight lines past side street parking. While inspecting these portions of the project we found that the existing alleys were in poor to average condition. However, the change in grade at the alley and side street intersections was severe at many locations and there was evidence of vehicles bottoming out and scraping their undercarriages as witnessed by deep cuts in the alley surface. It is also expected that these alley intersections would cause serious safety concerns in the winter months due to expected ice buildup. Properties with frontage along these portions of the project will benefit from increased direct property access, increased curb appeal, improved driveability and improving pedestrian safety.

Analysis of Subject Project and Maximum Supportable Benefit - Continued

Given the four different types of frontage we were able to further analyze the project area and have developed seven sub-project areas as they relate to properties within the project, the types of frontage they have and their estimated benefits to market value. The seven sub-projects are broken down by frontage type as follows:

1. Broadway Ave With Alley and 7th Street NE - This sub-project area includes properties classified as commercial/retail.

2. Broadway Ave With Alley (Includes properties with and without side streets, excluding 7th Street NE) - These sub-project areas include properties classified as commercial/retail, single-family residential and multi-family residential.

3. Broadway Ave, No Alley (Includes properties with and without side streets, excluding 7th Street NE) - These sub-project areas include properties classified as commercial/retail, single-family residential and multi-family residential, industrial/manufacturing, commercial land and park land..

4. 7th Street NE, With Alley - This sub-project area includes properties classified as commercial/retail.

5. 7th Street NE, No Alley - This sub-project area includes properties classified as commercial/retail.

6. Alley Only (Includes properties with and without side streets, excluding 7th Street NE) - These sub-project areas include properties classified as single-family residential and multi-family residential.

7. Side Street Only (All side streets except 7th Street NE) - These sub-project areas include properties classified as commercial/retail and single-family residential.

In applying the broad market research applicable to the Broadway Avenue North reconstruction project we have analyzed the scope of the project and focused on general property classifications within the project area and sub-project areas. Research conclusions of general market value impacts have been applied to the various sub-project areas by analyzing and adjusting the previously concluded broad indications of market value impacts for the property classifications adjacent to the sub-project area based on the anticipated benefits resulting from project in order to develop project-specific indications of maximum supportable benefit. The reconciled project-specific general market value impacts were then applied to the aggregate assessor's estimated market value as a percentage of market value for each property classification to determine the total maximum supportable special benefit for the entire project.

Analysis of Subject Project and Maximum Supportable Benefit - Continued

In analyzing the project-specific impacts on market values of the property classifications adjacent to the subject project and reconciling to a range of benefit for each property classification, we have considered the existing condition of the project area before the project, the scope of the project and the anticipated benefits to various property classifications resulting from the project. The results of the project-specific analysis can then be compared to the previously reconciled range of broad market value impact for each property classification which corresponds to the maximum perceived market value impacts associated with these types of projects. After analyzing the subject project and applying the broad market research to the sub-project areas and property classifications adjacent to the subject project, we have concluded to a supportable maximum special benefit for each property classification under each sub-project area and have concluded to an overall maximum supportable special benefit for the entire Broad Avenue North street reconstruction Project.

The aggregate pre-project market value indication is based on the Olmsted County Assessor's estimated market value as of January 2, 2019, for real estate taxes payable in 2020. According to the most recent available Twelve Month Sales Ratio Study published by the Minnesota Department of Revenue, the Olmsted County Assessor's Office has mean sales ratios ranging from 83.8 to 94.0 for the most common property types in Rochester, Minnesota, indicating that on average properties in Rochester are assessed at approximately 83.8% to 94.0% of actual sales prices. Since the sales ratio study indicates that the assessor's market values provide a reasonable measure of support for market value, we have determined that use of the assessor's market values is appropriate for this analysis. A table showing our concluded aggregate supportable maximum special benefit as it relates to aggregate property values by property classification and sub-project area is provided on the following page.

SUMMARY OF MAXIMUM SUPPORTABLE SPECIAL BENEFIT BY PROPERTY CLASSIFICATION

Property Classification	Aggregate Pre-Project Market Value of Assessed Properties*	Maximum Special Benefit as Percentage of Pre-Project Market Value*	Aggregate Maximum Supportable Special Benefit
Broadway Ave With Alley and 7th Street NE			
Commercial/Retail	$919,200	7.0%	$64,344.00
Broadway Ave With Alley (Includes properties with and without side streets, excluding 7th Street NE)			
Commercial/Retail	$11,826,800	6.0%	$709,608.00
Multi-Family Residential	$1,236,500	4.0%	$49,460.00
Single-Family Residential	$139,900	4.0%	$5,596.00
Subtotal	$13,203,200	5.8%	$764,664.00
Broadway Ave, No Alley (Includes properties with and without side streets, excluding 7th Street NE)			
Commercial/Retail	$6,493,400	5.0%	$324,670.00
Multi-Family Residential	$5,607,200	3.0%	$168,216.00
Single-Family Residential	$254,100	3.0%	$7,623.00
Industrial/Manufacturing	$4,414,500	2.0%	$88,290.00
Commercial Land	$1,243,600	5.0%	$62,180.00
Park Land	$17,400	Inconclusive	$0.00
Subtotal	$18,030,200	3.6%	$650,979.00
7th Street NE, With Alley			
Commercial/Retail	$763,000	4.0%	$30,520.00
7th Street NE, No Alley			
Commercial/Retail	$2,538,100	3.0%	$76,143.00
Alley Only (Includes properties with and without side streets, excluding 7th Street NE)			
Multi-Family Residential	$11,927,600	2.0%	$238,552.00
Single-Family Residential	$2,093,600	2.0%	$41,872.00
Subtotal	$14,021,200	2.0%	$280,424.00
Side Street Only (All side streets except 7th Street NE)			
Commercial/Retail	$214,600	0.0%	$0.00
Single-Family Residential	$235,900	0.0%	$0.00
Subtotal	$450,500	0.0%	$0.00
GRAND TOTAL	**$49,925,400**	**3.7%**	**$1,867,074.00**

* Market value based on Olmsted County Assessor's Estimated Market Value as of January 2, 2019.

Analysis of Subject Project and Maximum Supportable Benefit - Continued

Summary and Conclusions

After analyzing the Broadway Avenue North Street Reconstruction Project and applying the broad market research to the project area and property classifications adjacent to the subject project we have developed the conclusions of maximum supportable special benefits outlined on the previous page.

As detailed in the chart on the previous page, we concluded that certain property classifications and sub-project areas will benefit from the project to a greater extent than others. For instance, our research and analysis revealed that commercial/retail owners are more cognizant of street conditions and curb appeal compared to owners and users of single-family and multi-family residential properties. Likewise, we found that commercial property owners are more concerned about curb appeal, street condition and pedestrian safety, due to higher customer levels and foot traffic, compared to industrial properties. In general, our research indicates that owner/user properties that have higher levels of pedestrian foot traffic, higher numbers of outside visitors (non-employee users) typically benefit most from street reconstruction projects.

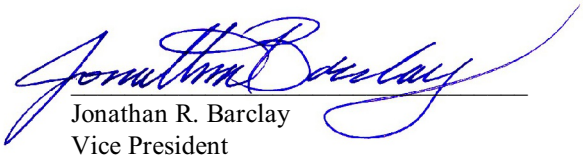
Additionally, we found that the benefit to vacant commercial land from these types of projects is based on the development potential and end use of the property. As a result, we have estimated the supportable special benefit for vacant commercial land to be similar to other commercial/retail properties which we believe provides a conservative estimated benefit for an end user, since development of any structure on the land would increase value and, in turn, increase the supportable maximum benefit in dollars.

The special benefit of the street reconstruction project attributable to vacant public park land is inconclusive since there is no market for this property type in this area or evidence of buyers of this property type other than city or other government units. Although the special benefit to public park land is inconclusive, our research suggests that park land and its users still benefit from street reconstruction projects for many of the same reasons as other property types since public parks still provide economic benefits and utility to the community; though we are unable to support a quantifiable conclusion.

We hope this information is helpful. Feel free to call us with any questions, comments or additional information requests at (612) 331-1688.

Very truly yours,

HOSCH APPRAISAL & CONSULTING, INC.



Jonathan R. Barclay
Vice President
Certified General Real Property Appraiser
MN License #40022330

Stephen T. Hosch, MAI
President
Certified General Real Property Appraiser
MN License #4002903

CERTIFICATION

I certify that, to the best of my knowledge and belief:

1. I have taken into consideration the factors that have an impact on our conclusions in my development of this consulting analysis. I have not knowingly withheld any significant information from the consulting analysis and I believe, to the best of my knowledge, that all statements and information in the consulting analysis are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.

3. I have not provided any services regarding the subject project in the prior three years.

4. I have no present or prospective interest in the results of the analysis that is the subject of this consulting report, and I have no personal interest or bias with respect to the parties involved.

5. I have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.

6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

7. My compensation for completing this assignment is not contingent upon the developing or reporting of a predetermined conclusion or direction in special benefit that favors the cause of the client, the amount or existence of any potential impact, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal consulting assignment.

8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the ***Uniform Standards of Professional Appraisal Practice*** that were approved and published by the Appraisal Standards Board of The Appraisal Foundation effective January 1, 2018.

9. I have made a personal inspection of the project area and neighborhood that is the subject of this consulting assignment.

10. No one provided significant professional assistance to the person(s) signing this consulting letter.

11. As of the date of this report, Stephen T. Hosch, MAI has completed the requirements under the continuing education program of the Appraisal Institute.

12. Consulting fees are in no way contingent upon conclusions and observations by Hosch Appraisal & Consulting, Inc.

13. Hosch Appraisal & Consulting, Inc. and/or the undersigned have previous experience related to special benefit analysis and consulting. Therefore, I have the knowledge and experience to meet the competency provision of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

14. The use of this analysis is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. The consultant will not disclose the contents of the consulting analysis except as provided for in the Uniform Standards of Professional Appraisal Practice.

Jonathan R. Barclay
Certified General Real Property Appraiser
MN License #40022330

Stephen T. Hosch, MAI
Certified General Real Property Appraiser
MN License #4002903

QUALIFICATIONS OF JONATHAN R. BARCLAY

Biographical Data and Education

Raised in Inver Grove Heights, Minnesota. Graduated from Simley Senior High School. Bachelor of Science, University of Wisconsin - River Falls, in Business Management.

Successfully completed the following real estate courses and seminars:

- Construction Principles
- Real Estate Appraisal Principles
- Real Estate Appraisal Practices
- Standards of Professional Practice
- Residential Market Analysis Highest and Best Use
- Residential Site Valuation and Cost Approach
- Real Estate Finance Statistics and Valuation Modeling
- Business Practices & Ethics - May 2017
- General Appraiser Market Analysis and Highest and Best Use
- General Appraiser Site Valuation and Cost Approach
- General Appraiser Sales Comparison Approach
- General Appraiser Income Approach (Parts 1 and 2)
- General Appraiser Report Writing and Case Studies
- Advanced Market Analysis and Highest and Best Use
- Advanced Income Capitalization
- Advanced Concepts and Case Studies

Professional Qualifications or Associations

Certified General Real Property Appraiser
Licensed Appraiser - State of Minnesota, License #40022330, Expires August 31, 2020

Appraisal Institute - Candidate for Designation

Notary Public - State of Minnesota, License #20531475, Expires January 31, 2020

Professional Experience

Hosch Appraisal & Consulting, Inc., Minneapolis, Minnesota
Vice President March 2018 - present
Real Estate Appraiser October 2007 – February 2018

NETCO, Inc., Minneapolis, Minnesota
Title Abstractor and Closing/Escrow Officer May 2005 - July 2007

Duties and Responsibilities: Prepare professional valuations and market analysis of real estate and intangible property rights. Real estate assignments involve numerous types of commercial, multiple family, industrial, and special purpose properties as well as land subdivisions, bulk acreage and proposed developments. The specific purposes of these assignments have included highest and best use studies, mortgage financing, condemnation, feasibility analysis, investment counseling, potential sales and purchases, lease and rental analyses, internal management decisions, real estate tax appeals, special assessment appeals, allocation of purchase price and providing litigation support.

QUALIFICATIONS OF JONATHAN R. BARCLAY - CONTINUED

Partial Client List

ALL, Inc.
Ames Construction
Anchor Bank
Ann Kennedy Law
BANKWEST
Babcock, Neilson, Mannella & Klint
Best & Flanagan, LLP
Boundary Waters Bank
Bremer Bank
Bridgewater Bank
Briggs and Morgan, P.A.
Capitol Region Watershed District
Chestnut Realty
City of Maplewood
City of Osseo
City of Sioux Falls Public Works
City of Saint Paul
City of Victoria
Courey, Kosanda & Zimmer, P.A.
Cozen O'Connor
Dunlap & Seeger, P.A.
Fabyanske, Westra, Hart & Thomson, P.A.
Faegre Baker Daniels, LLP
Falcon National Bank
First National Bank of Elk River
Fredrikson & Byron, P.A.
Gregerson, Rosow, Johnson & Nilan, Ltd.
Hajek & Beauclaire, LLC
Halleland Habicht, P.A.
Image Trend, Inc.
James M. Neilson, Attorney at Law
Kennedy & Graven, Chartered
Kraus-Andersen Realty Company
Larkin Hoffman
LeVander, Gillen & Miller, P.A.
Liberty Mutual Insurance Company
LifeLink III
Lindquist & Vennum, PLLP
Malkerson Gunn Martin, LLP
Marathon Petroleum Company
Menards
Messerli & Kramer, P.A.
Minnesota Department of Natural Resources (Mn/DNR)
Minnwest Bank
Molex Copper Flex
Moss & Barnett
Nilsson Brandt, P.A.
Oppenheimer Wolff & Donnelly, LLP
Oslund Law
Otto Law, P.A.
Peterson, Fram & Bergman, P.A.
Pheasants Forever
Pro-Tech Security Systems
RE/MAX Results
Rutzick Law Office, P.A.
Siegel Brill, P.A.
Spire Federal Credit Union
The Askman Law Firm
Torborg Builders
Touchmark National Bank
Trinity Lutheran of Lake Johanna
Union Pacific Railroad
United Products Corporation
Vermillion Bank
Veit & Company
Village Bank
Wiley Enterprises
Winthrop & Weinstine, P.A.

QUALIFICATIONS OF STEPHEN T. HOSCH, MAI

Biographical Data and Education

Born and raised in Columbia Heights, Minnesota, and graduated from Columbia Heights High School. Attended St. Cloud State University and graduated with a Bachelor of Science degree in Real Estate with an emphasis in appraisal.

Successfully completed numerous real estate appraisal courses offered by the Appraisal Institute, as well as attended several seminars covering specialized appraisal topics, some of the more recent of which are highlighted below:

20th Annual Real Estate Trends Seminar - May 2018
19th Annual Real Estate Trends Seminar - May 2017
Contracts in a Real Estate Lending Context - January 2017
Business Practices & Ethics - July 2016
18th Annual Real Estate Trends Seminar - May 2016
2015 IRS Seminar - Valuation of Donated Real Estate Including Conservation Easements
IREM - 2013 Annual Forecast - January 2013
13th Annual Real Estate Trends Seminar - May 2011
7th Annual Land Development Conference - May 2011
IREM - 2010 Annual Forecast - January 2010
Eminent Domain and Condemnation - September 2009
Annual RERC - Industry Forecast: 2009 - January 2009
4th Annual Minnesota Land Development Conference - May 2008

Professional Qualifications or Associations

Certified General Real Property Appraiser
Licensed Appraiser - State of Minnesota, License #4002903, Expires August 31, 2021

Member - Appraisal Institute (MAI) Holding MAI Designation

The MAI membership designation is held by appraisers who are experienced in the valuation and evaluation of commercial, industrial, residential and other types of properties, and who advise clients on real estate investment decisions. MAI members are the preferred choice among lawyers to serve as expert witnesses in trials, hearings, and other litigation matters.
The Appraisal Institute conducts a mandatory program of continuing education for its designated members and also requires that they comply with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute. MAI's and RM's who meet the minimum standards of this program are awarded periodic educational certification. I am currently certified under the Appraisal Institute education program through December 31, 2021.

Member - National Association of Certified Valuators and Analysts (NACVA), formerly Institute of Business Appraisers (IBA)

Qualified as a court-appointed commissioner in Anoka County, Wright County, Hennepin County and Scott County

Professional Experience

Hosch Appraisal & Consulting, Inc., Minneapolis, Minnesota
President, February 2005 - present

Duties and Responsibilities: Prepare professional valuations and market analysis of real estate, businesses and intangible property rights. Real estate assignments involve numerous types of commercial, multiple family, industrial, and special purpose properties as well as land subdivisions, bulk acreage and proposed developments. Business valuation and consulting assignments have included both operating and holding companies. The specific purposes of these assignments have included highest and best use studies, mortgage financing, condemnation, tax abatement proceedings, feasibility analysis, investment counseling, potential sales and purchases, lease and rental analyses, bankruptcy proceedings, charitable donations, internal management decisions, special assessment appeals, gift tax, and allocation of purchase price. Court experience involves testifying at commissioner hearings, depositions and trials, preparation of affidavits, and providing litigation support.

Shenehon Company, Minneapolis, Minnesota
Senior Vice President - Director of Real Estate, November 2003 - January 2005; Shareholder
Senior Vice President - Co-Director of Real Estate, September 2002 - November 2003; Shareholder
Vice President - Co-Director of Real Estate, April 2001 - September 2002; Shareholder
Appraiser/Analyst from June 1991 to March 2001

QUALIFICATIONS OF STEPHEN T. HOSCH, MAI - CONTINUED

Author/Co-Author or Guest Speaker of:

"Real Estate Appraisals as They Relate to Business Valuation," **Smith Schafer Educational Seminar, November 30, 2017**
"Appraisal Issues in Litigation," **Various Minneapolis Law Firms, December 2007**
"Creative Opportunities in the Current Real Estate Market," **Valuation Viewpoint, Summer 2004**
"Business Components and the Valuation of Real Estate," **Valuation Viewpoint, Winter 2004**
"Challenging Issues in Commercial and Industrial Valuation," **Commercial Real Estate Financing Conference, March 13, 2002**
"Market Valuation & Appraisals," **Minnesota Commercial Association of Realtors, January 22, 2002**
"Fundamentals of Special Assessments in Appraisal," **Valuation Viewpoint, Spring 1999**
"A Perspective on Subdivision Appraisal," **Valuation Viewpoint, Winter 1997**

Partial Client List

Accent Homes
Allied Waste Industries
Allina Hospitals & Clinics
Ames Construction
Anchor Bank
BANKWEST
Bard and Bard, Ltd.
BPK&Z/Smith Schafer Associates, Ltd.
Best & Flanagan, LLP
BNSF Railway Company
Bremer Bank
Bridgewater Bank
Briggs and Morgan
Boundary Waters Bank
Builders Development & Finance
Capmark Finance, Inc.
Capitol Region Watershed District
City of Anoka
City of Arden Hills
City of Chaska
City of Columbia Heights
City of Eagan
City of Fargo
City of Lake Elmo
City of Maplewood
City of New Hope
City of Osseo
City of Rosemount
City of St. Cloud
City of St. Paul
City of Shoreview
City of Sioux Falls
City of Victoria
Fabyanske, Westra, Hart & Thomson P.A.
Falcon National Bank
Fargo Public School District No. 1
Felhaber Larson, Attorneys at Law
First National Bank of Elk River
First Resource Bank
Fredrikson & Byron P.A.
Gopher Resources
Gregerson, Rosow, Johnson & Nilan, Ltd.
Grossman Investments, LLC
Hajek & Beauclaire, LLC
Harstad Development
Hennepin County
Henson & Efron
Hinshaw & Culbertson LLP
Home Federal Savings Bank
James M. Neilson, Attorney at Law
Kennedy & Graven
Kraus-Anderson Realty Co.
Larkin Hoffman Daly & Lindgren
LeVander, Gillen & Miller, P.A.
Lincoln National Life Insurance Co.
Lindquist & Vennum
Malkerson Gunn Martin LLP
McGrann Shea Anderson Carnival Straughn & Lamb
Merchants Bank, N.A.
Messerli & Kramer P.A.
Metropolitan Airports Commission (MAC)
Minnesota Department of Transportation (Mn/DOT)
Minnesota Department of Natural Resources (DNR)
Minnesota State Colleges and Universities
Minnwest Bank
Moss & Barnett
MPCA
National Park Service
Olympic Steel, Inc.
Oppenheimer Donnelly & Wolff LLP
Pace Realty Advisors, LLC
Peterson, Fram & Bergman, P.A.
Peterson, Peterson & Associates, PLC
Pheasants Forever
Pinnacle Commercial Capital
Pipestone County
Prairie Island Indian Community
Premier Bank
Ramsey County
Rosemount National Bank
Roseville Area Schools
St. Cloud State University
Sherburne County
Siegel Brill, P.A.
Sioux Steel Company
SouthWest Transit
Sovereign Bank
Speedway SuperAmerica
State Bank of Hamel
Stearns Bank
Stinson Leonard Street
Swift County
The Business Bank
The Trust for Public Land
Three Rivers Park District
Union Pacific Railroad Company
United Prairie Bank
University of Minnesota
U.S. Bank
U.S. Department of the Interior
U.S. Small Business Administration
Veit & Company
Village Bank
Warchol Law Office
Wells Fargo/RETECHS
White Castle System, Inc.
Wiley Enterprises
Winthrop & Weinstine
Xcel Energy