

**FINSTAD APPRAISALS**  
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**WI & MN Certified**

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November 12, 2009

Mr. Scott Kluver  
City Administrator  
City of Washburn, Wisconsin  
119 Washington Avenue  
Washburn, Wisconsin 54891

RE: DuPont Civic Center  
3 West Bayfield Street  
Washburn, Wisconsin 54891

Dear Mr. Kluver:

Pursuant to your request this report was developed for council in regards to the above referenced property. The scope of my assignment was to determine the economic feasibility of renovation of the Civic Center. I have inspected the subject property, reviewed available sales and rental data, and reviewed the report provided by ProSource Technologies, Inc. Following a review of this data, and taking into consideration matters which may affect the subject, I submit the following.

A review of sales data would suggest that the subject would have limited if any value in its present condition. Generally, the cost of renovation would exceed the value of the subject property when completed. I was provided an estimate of 1.6 million dollars to renovate the subject property. With a floor print of +/- 5,200 square feet, this would relate to a cost of \$307.69 per square foot. National Cost Guides, adjusted to the local market, would suggest that a new building offering similar utility offering over 10,000 square feet could be built for that 1.6 million dollar figure. Therefore, a typical investor or buyer would reasonably build a new building with almost twice the size, rather than renovate an older building.

Properties similar to the subject are for the most part used as income producing properties in the local market. Due to the size of the subject +/- 5,200 Square Foot (floor print), it is too large for most single tenant uses, and would be more likely divided into a multi-tenant configuration. To determine if a property is economically feasible as an income producing property, potential income less expenses are estimated to arrive at net income. With a cost of 1.6 million for renovation, under current available financing, assuming a 9% interest rate, the monthly mortgage would be \$16,228.27 or \$194,739.18 annually. Based on a triple net lease tenant(s) paying utilities, taxes, insurance, and

maintenance, an annual rent per square foot of \$37.45 would be required. This does not include any yearly profit for the property owner. The high end for commercial rentals of non specific purposes building in the region, are found in the Miller Mall area of Duluth, MN. Rates for new or nearly new buildings presently average less than \$20.00 per square foot annually. If the renovation work could be completed for even one third the estimated cost of \$1.6 million say \$533,333. A triple net lease rate of \$12.48 would be required.

Available tenants that would pay these levels of rents are not available in the subject's location. Again, these figures do not include any profit for the property owner, which would increase these rates. Based on the above information, it does not appear that it would be economically feasible to renovate the subject property.

The undersigned has completed reports on many similar type buildings in the region. I have also served on the city council, plan commission, harbor commission, and currently serve on board of review for the City of Superior, Wisconsin. I have also served on the metropolitan interstate commission, which studies regional transportation issues. Therefore, I have a background in governmental relationships with similar buildings. In the past some communities have found buyers for buildings similar to the subject, usually at a very limited cost to the buyers. In some cases this has ended up creating problems, as the buildings have sat vacant and deteriorated. Later, trying to complete condemnations has been problematic in numerous cases. Most municipal governments now require potential buyers to supply complete business plans on how and when renovation would be completed, and some type of bond or guarantee that financing is in place. As the subject site is a prime location in the community with high visibility, I would recommend similar type guarantees being in place prior to any potential sale. You certainly don't want an eyesore in the middle of your business community.

As previously noted, it is my opinion that it is not economically feasible to renovate the subject property. It is also my opinion that any proposal submitted to renovate the subject property includes a bond or some other guarantee of completion.

Should you have any questions please do not hesitate to contact me.

Sincerely,



Robert P. Finstad

DEFINITION OF MARKET VALUE - CERTIFICATION - CONTINGENT & LIMITING CONDITIONS

DEFINITION OF MARKET VALUE: The most probable price 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 sale is not affected by undue stimulus. Implicit in this definition is the consummation of the 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 is 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 terms of cash in U.S. Dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale.

PREPARER(S) CERTIFICATION: The preparer(s) certify and agree that:

- 1. This report was prepared according to the standards established by the client. Unless otherwise indicated, it does not conform to the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.
2. I/We have taken into consideration the factors that have an impact on value in the development of the estimate of market value in the report. I/We have not knowingly withheld any significant information from the report, and I/We believe, to the best of my/our knowledge, that all statements and information in the report are true and correct.
3. I/We have stated in the report only my/our own personal, unbiased, and professional analysis, opinions and conclusions, which are subject only to the contingent and limiting conditions specified on this form.
4. I/We have no present or prospective interest in the property that is the subject of this report, and I/We have no present or prospective personal interest or bias with respect to the participants in the sale or loan. I/We did not base, either partially or completely, the analysis or the estimate of market value in the report on the race, color, or national origin of either the prospective owners, occupants or mortgagees of the subject property or the present owners or occupants of the properties in the vicinity of the subject property.
5. I/We have no present or contemplated future interest in the subject property, and neither my/our current or future employment nor my/our compensation for performing this evaluation is contingent on the estimated value of the property.
6. I/We were not required to report a predetermined value or direction in value that favors the cause of the client or any related party, the amount of the value estimate, the attainment of a specific result, or the occurrence of a subsequent event in order to receive my/our compensation and/or employment for performing the evaluation. I/We did not base the report on a requested minimum valuation, a specific valuation, or the need to approve a specific mortgage loan.
7. I/We have personally inspected the exterior areas of the subject property (and its interior if so indicated in the report). I/We further certify that I/We have noted any apparent or known adverse conditions in the subject improvements, on the subject site, or on any site within the immediate vicinity of the subject property of which I/We are aware, and have made adjustments for these adverse conditions in my/our analysis of the property value to the extent that I/We had market evidence to support them. I/We have also commented about the effect of the adverse conditions on the marketability of the subject property.
8. I/We personally prepared all conclusions and opinions about the real estate that were set forth in the report. If I/We relied on significant professional assistance from any individual or individuals in the performance of the evaluation or the preparation of the report, I/We have named such individual(s) and disclosed the specific tasks performed by them. I/We certify that any individual so named is believed to be qualified to perform these tasks. I/We have not authorized anyone to make a change to any item in the report; therefore, if an unauthorized change is made to the report, I/We will take no responsibility for it.

CONTINGENT & LIMITING CONDITIONS: The certification above and in the report are subject to the following conditions:

- 1. The preparer(s) will not be responsible for matters of a legal nature that affect either the property being evaluated or the title to it. The evaluator(s) assume that the title is good and marketable and, therefore, will not render any opinions about the title. The property is evaluated on the basis of it being under responsible ownership.
2. If the preparer(s) have provided a sketch in the report, it is to show approximate dimensions of the improvements and the sketch is included only to assist the reader of the report in visualizing the property.
3. The preparer(s) will not give testimony or appear in court because he or she made an evaluation of the property in question, unless required to do so by a court of law.
4. The preparer(s) have noted in the report any adverse conditions (such as, but not limited to, hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the normal research involved in performing the evaluation. Unless otherwise stated in the report, the preparer(s) have no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions (including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable, and have assumed that there are no such conditions and make no guarantees or warranties, express or implied, regarding the condition of the property. The preparer(s) will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the preparer(s) are not experts in the field of environmental hazards, the report must not be considered as an environmental assessment of the property.
5. The information, estimates, and opinions that were expressed in the report are from sources that are considered to be reliable. No responsibility is assumed for the accuracy of such items that were furnished by other parties.
6. The preparer(s) will not disclose the contents of the report, without permission of the client, except as required by law.
7. If the preparer(s) have made the valuation subject to satisfactory completion of repairs or alterations it is on the assumption that completion of the improvements will be performed in a workmanlike manner.
8. Written consent and approval must be obtained before the report (or any part of it) can be conveyed by anyone or to the public through advertising, public relations, news, sales, or other media unless required by law.

PREPARER

Signature: [Handwritten Signature]

Name: Robert P. Finstad

Address: 3 West Bayfield Street

Washburn, WI 54891

Date Signed: November 12, 2009

ADDITIONAL PREPARER/CO-SIGNER (if applicable)

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Date Signed: \_\_\_\_\_