REAL ESTATE APPRAISAL REPORT

Client: City of Bloomington, Indiana
C/O Mr. Alex Crowley
Director, Economic & Sustainable Development Department
401 N. Morton Street
Bloomington, Indiana 47404

Property Type: Commercial Offices & Entertainment

Address: 122 S. Walnut Street
Bloomington, Indiana 47404

Owner: Trustees of Ivy Tech Community College of Indiana

Effective Date: November 6, 2020

Report Date: November 12, 2020

Inspection Date: November 6, 2020

Prepared by Shawn M. Patterson, MAI, AI-GRS, AI-RRS

Monroe/Owen Appraisal, Inc.
702 W. 17th Street
P.O. Box 155
Bloomington, Indiana 47404
Telephone (812) 332-5744FAX: (812) 339-2296

PART ONE

INTRODUCTION

MONROE OWEN APPRAISAL, INC.

APPRAISERS | CONSULTANTS

Shawn M. Patterson, MAI, AI-GRS,
AI-RRS Indiana Certified General
Appraiser, CG#49600166

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City of Bloomington, Indiana
C/O Mr. Alex Crowley
Director, Economic & Sustainable Development Department
401 N. Morton Street
Bloomington, Indiana 47404

RE: Appraisal of
122 S. Walnut Street
Bloomington, Indiana

Dear Mr. Crowley,

I have appraised the property referred to above. It is the Ivy Tech / John Waldron Arts Center to the south of the courthouse. The building was made available for the appraisal inspection and many of the notes, photographs, and measurements that were obtained at that time are incorporated into the following appraisal report. No personal property is included in my market value estimate of the real estate. Ivy Tech Community College of Indiana still has a significant amount of personal property in the building.

I have inspected, investigated, gathered, and analyzed the data necessary to perform the appraisal that follows. The appraisal's purpose is to estimate the property's current market value. Its intended use is as part of your due diligence when considering the property's purchase. This appraisal and report have been developed for no other intended uses.

The appraisal report I prepared accompanies this transmittal letter. It has been written in accord with the Uniform Standards of Professional Appraisal Practice, Standard 2-2 (a). Certain points of reason and the data I used to form my opinions and conclusions are summarized for presentation. Supporting documentation and/or data are either retained in my file or are of public record.

Based on my past experience and training, I am competent with respect to completing this assignment.

You should read the entire report and its addenda in order to understand ***all*** of the general assumptions and limiting conditions that this appraisal and value opinion are subject to. Some of the extraordinary assumptions used are summarized as follows:

- The information provided by you and the property owner's representative is assumed accurate, true, and correct.
- No deed restrictions or private restrictions are assumed.
- It is assumed that the improvements comply with all limitations on their use or are

grandfathered otherwise.

The use of assumptions may affect assignment results.

No hypothetical conditions have been used in the appraisal.

Based on my investigation and analysis of the data that was gathered and analyzed with respect to this assignment, my estimate of the subject's market value, as of the effective date is:

Market Value Estimate: $2,800,000.00
Two Million Eight Hundred Thousand Dollars

The appraisal report and its addenda follow this letter. Please contact me if you have any questions. Your consideration for this assignment is appreciated.

Respectfully submitted,

Date: November 12, 2020

Shawn M. Patterson, MAI, AI-GRS, AI-RRS
Indiana Certified General Appraiser
CG#49600166

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SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Client:	City of Bloomington, Indiana C/O Mr. Alex Crowley Director, Economic & Sustainable Development Department 401 N. Morton Street Bloomington, Indiana 47404
Owner:	Trustees of Ivy Tech Community College of Indiana
Property location:	122 S. Walnut Street, Bloomington, Indiana 47404
Type of property:	Commercial Offices & Entertainment
Date of value estimates:	November 6, 2020
Property rights appraised:	Fee simple
Site size and topography:	8,712 square feet per Monroe County GIS and public records / level
Zoning/overlay districts:	Mixed-Use Downtown (MD) / Downtown Core Downtown Character Overlay
Flood zone information:	Does not *appear* to be in a flood zone per Flood Hazard Maps #18105C0141D dated: 12-17-2010.
Census tract information:	Census tract #18105-0001.00 per the US Census Bureau
Improvement data:	The subject is improved with the Ivy Tech / John Waldron Arts Center building. It was originally built in 1915 as Bloomington's City Hall and shared space with the fire department. The structure is three stories, containing classrooms / offices and two theater / stage areas.
Most likely owner:	Investor
Highest and best use:	Vacant: N/A As improved: Continuation of existing use

Market Value Estimate: $2,800,000.00
Two Million Eight Hundred Thousand Dollars

ASSUMPTIONS AND LIMITING CONDITIONS

The certification of appraiser appearing in this appraisal report is subject to the following general assumptions and to such other specific and limiting conditions as set forth by the appraiser in the report. The use of assumptions and/or limiting conditions in the appraisal analysis may affect market value.

- No responsibility is assumed for the legal description provided or obtained or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

- The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.

- The property is assumed to be free and clear of environmental contamination unless otherwise stated.

- Responsible ownership and competent property management are assumed.

- Information furnished by others is believed to be true, factually correct, and reliable. The data collected and researched for this analysis was obtained from sources believed to be reliable and accurate. No warranty is implied for wrong information relied on in the analysis and reported in this document. Where possible, information has been verified by the seller, buyer, lessor, lessee, public records, or real estate-related professional familiar with the property in question, if not in fact, a party in the transaction. The company participates in an appraiser-generated regional database where sales and lease information is shared and exchanged by real estate professionals, which also serves as a source of information that the appraiser feels is reliable for use in appraisal reports. Locally, the appraiser is a member of the Board of Realtors, National Association of Realtors, and the Bloomington MLS Corporation, all of which help to provide access to what is believed to be reliable property transfer and income information. The company keeps and maintains on a continuing basis a record of sales, leases, income, expense, cost new, and related information relevant to the preparation of appraisal analyses.

- Any and all engineering studies that may be in this report are assumed to be correct. Plot plans and illustrative material that may be in this report are only to assist the reader in visualizing the property.

- It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.

- It is assumed that the property is in full compliance with all applicable federal, state, and local environment regulations and laws unless noncompliance is stated, described, and considered in the appraisal report.

- It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless non-conformity has been stated, defined, and considered in the appraisal report.

- It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contained in this report is based.

- It is assumed that the use of the land and improvements is within the boundaries or property lines of the property described and that no encroachment or trespass exists unless noted in the report.

- The existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, certain molds, and other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field if certain determination is necessary or desired

This appraisal report has been made with the following **general limiting conditions**:

- The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

- Possession of this report or a copy thereof does not carry with it the right of publication.

- The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.

- Neither all nor any part of the contents of this report (especially any conclusions to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media, without the prior written consent and approval of the appraiser.

- No liability is assumed for the soundness of the subject property's improvements, their condition, or the adequacy of their component parts or systems. Comments made about such things are based on their appearances as of the inspection date. Inspection of the subject property is limited to use in the appraisal process and does in no way constitute a certified inspection as to the condition of the improvement or any part thereof. The appraiser did not view many components of the structure, especially ones that are covered by finish materials.

- The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

- The appraiser has not made a legal survey nor has he commissioned one to be prepared.

Therefore, references to the sketches, plats, and diagrams appearing in the appraisal report are only for the purposes of assisting the reader to visualize the property.

- Acceptance and use of this appraisal report and its conclusions by the client/intended user constitutes acceptance of the stated Assumptions and Limiting Conditions. The appraiser's liability extends only to the identified client/intended user, not to subsequent parties or other unintended users of the report.

- The calculations presented in this appraisal report and the worksheets presented herein are performed on computer-generated spreadsheets. The various numbers that appear are rounded. However, the computer calculates numbers to many decimal places. If there appear to be small errors in the math, it is due to the exactness of the computer's calculations being rounded for presentation.

- Any opinions of value provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the opinion of value, unless such proration or division of interests has been set forth in the report.

- The use of assumption and/or limiting conditions may affect assignment results. This may or may not be restated in the appraisal report.

- The continued use of the subject property as improved is presumed in this analysis.

- The global outbreak of a "novel coronavirus" known as COVID-19 was officially declared a pandemic by the World Health Organization (WHO). The reader is cautioned and reminded that the conclusions presented in this appraisal report apply only as of the effective date(s) indicated. No representations are made as to the effect on the subject property of any unforeseen event, subsequent to the effective date of the appraisal.

Subject Location Map

APPRAISAL DEVELOPMENT, SCOPE AND REPORTING

The scope of work employed in an appraisal assignment is the type and amount of information that was researched, and the analysis applied to that particular assignment. It is the appraiser's responsibility to determine the appropriate scope of work for an assignment based on the intended user's need for an appraisal as well as the nature of the appraisal problem to be solved. In this case, the scope of work began to take shape when Alex Crowley, the client's representative, engaged Shawn Patterson to appraise the subject property at 122 S. Walnut Street, Bloomington, Indiana. He requested an appraisal report be prepared in narrative fashion, containing an estimate of the property's current market value.

After the client engaged the assignment, a search was initiated in the market to look for information that would support the subject's analysis. Support for the overall commercial real estate market was first sought. Market data was gathered from a number of sources. Then, after the property inspection, a more thorough data search was undertaken. First, however, the subject's market area was defined and researched. Market data and comparable data was gathered from many places including public sale disclosure statements, MIBOR, the Bloomington MLS, IRED (commercial database), other appraisers, the CCIM's Site to do Business, LoopNet, local GIS systems, et cetera.

Arrangements were made through Mr. Crowley to initially view the property on November 6, 2020. Mr. Mark Harp, the owner's representative provided access to the property and a tour of it. Property notes, photographs, and measurements were obtained while there. In the building's western-most 10 feet +/-, WFHB, a local radio station, has offices. Mr. Harp did not provide access to this space. When asked about it, he indicated that IVY Tech Community College has nothing to do with the radio station as far as he was aware. Nothing about it is known except that the radio station indeed has offices within this part of the building.

Based on the market data that was gathered for this assignment, the question of highest and best use was addressed. The highest and best use of the subject property as though vacant as well as on an as improved basis were considered. The as vacant analysis was not deemed applicable to the assignment at hand because a separate estimate of land value is not presented, the continued use of the property as improved is presumed, and the presumption is noted as a limiting condition of the appraisal. The as improved analysis was made based on the cost, sales, and income data found in the market area. A decision was made during the course of the highest and best use as improved analysis that the Sales Comparison Approach and Income Capitalization Approach would be fully developed. The Cost Approach is not applicable because of the subject structure's age and the corresponding difficulty in quantifying depreciation.

The two applicable approaches to value were then developed. The underlying land tract's market value was not estimated for presentation in this report because it is part of the Cost Approach, which, again, is not utilized (but was considered). Comparable sales were developed as part of the Sales Comparison Approach. Likewise, for use in the Income Capitalization Approach, rent comparables were developed in support of the in-place rents at the property. The valuation approaches yielded market value indications to be considered in the final reconciliation.

The final step taken in the appraisal process was that of reconciliation. The value indications were reconciled, and a final market value estimate was made. The preparation of the appraisal report and file were subsequently undertaken. The report was then delivered to the client and the appraisal file was archived.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the subject property's current market value.

INTENDED USE, USER AND FUNCTION OF THE APPRAISAL

The function and use of this report are intended to assist the client and intended user, City of Bloomington, Indiana, during its due diligence while it is considering purchasing or otherwise acquiring the subject property. The client herein named is the only party that is allowed to use the report, its data, analyses, and its conclusions. No unauthorized reproduction or dissemination of the information and/or conclusions contained in this report is allowed in whole or in part.

PROPERTY RIGHTS APPRAISED

Fee simple property rights are appraised. Fee simple estate is defined below:

> "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."[1]

The appraisal does not include personal property.

DATE OF VALUE OPINION

The last property inspection date and the effective date are the same, November 6, 2020. The report date, November 12, 2020, is the date that the written document was completed, prior to delivery to the client.

[1] *The Dictionary of Real Estate Appraisal,* 6th ed. (Chicago, IL: The Appraisal Institute, 2015) Page 90.

DEFINITION OF MARKET VALUE

The following definition of market value is one that is commonly accepted by financial institutions. The client did not provide a market value definition for use in this assignment.

Market value is defined as "the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeable, 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 when:

1. Buyer and seller are typically motivated.
2. Both parties are well informed and acting in what they consider their own best interest.
3. A reasonable time is allowed to offer the property on the open market (exposure time).
4. Payment is made in cash in U.S. dollars or by comparable arrangements.
5. The price represents the typical consideration for the property sold, unaffected by special or creative financing, or sales concessions* granted by anyone associated with the sale.

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays them in virtually all sale transactions. Special or creative financing adjustments can be made to the comparable property by comparison to financing terms offered by a third-party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar-for-dollar cost of the financing or concession; rather, the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

Consideration of exposure time is necessary in this analysis. Exposure time can be defined as "The time a property remains on the market." [2] However, exposure time as applied to the appraisal of the subject property is better defined as follows:

> "The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market." [3]

Sales from within the subject's market area provide some clues with respect to exposure time expectations for the subject property. Exposure time is estimated to be twelve months.

[2] Ibid., p. 83.
[3] Ibid., p. 83.

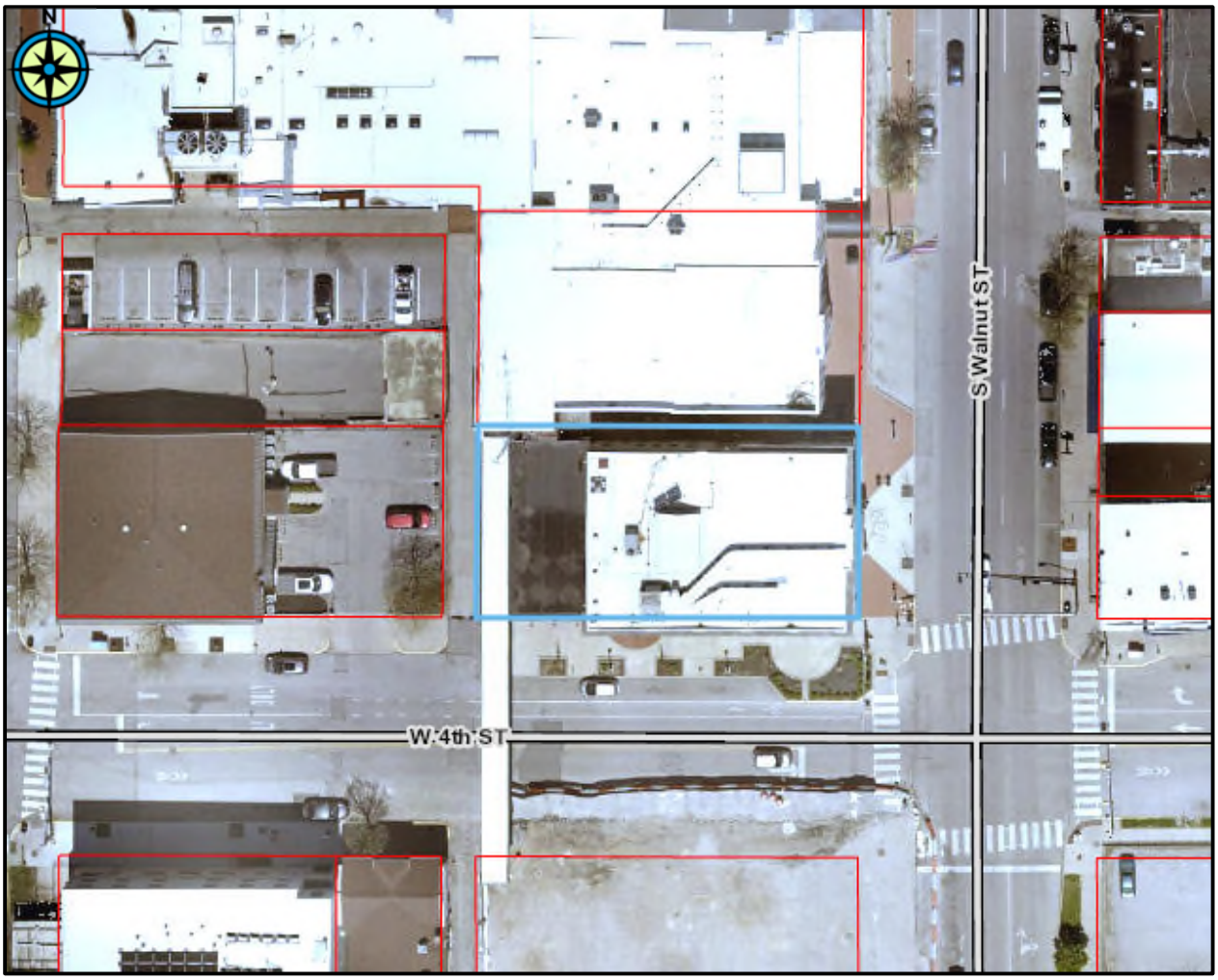
IDENTIFICATION OF THE PROPERTY

The subject property is at 122 S. Walnut Street, Bloomington, Indiana. Its abbreviated legal description is reproduced below from the public records:

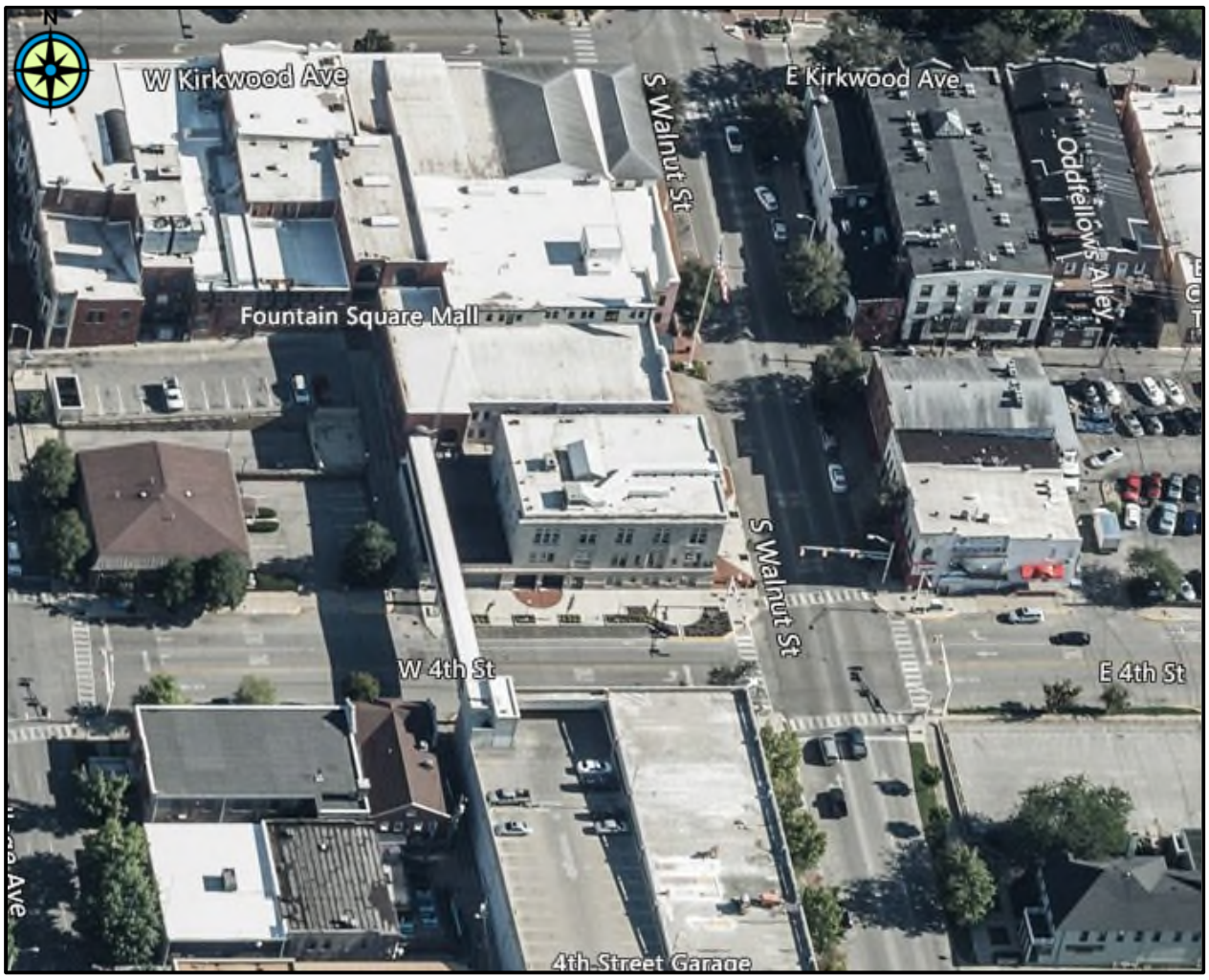
Original Plat Lot 91

Following is an aerial photograph showing the property (outlined in blue) and its surrounding area. It has been copied from the Monroe County GIS website.

GIS Aerial Photograph



Aerial Photograph of Property



HISTORY

The subject property was initially improved with a building and associated site improvements circa 1915 per evidence at the property. From its construction through 1965, it housed Bloomington City Hall and the Bloomington Fire Department. Afterwards, it was converted into the Bloomington Police Department's headquarters which remained there for twenty years, until 1985. Thereafter, it is said to have been mostly vacant until 1990 when the Bloomington Area Arts Council raised money to renovate it. After renovation, the Arts Council experienced difficulties meeting expenses and consequently sold the property to the city in 2010 who then resold it to Ivy Tech Community College in the same year. The building has been under Ivy Tech's ownership ever since. At this time, Ivy Tech and the city are exploring the sale or transfer of it back to the city. No details of the possible transaction are known apart from those that have appeared in the local news media.

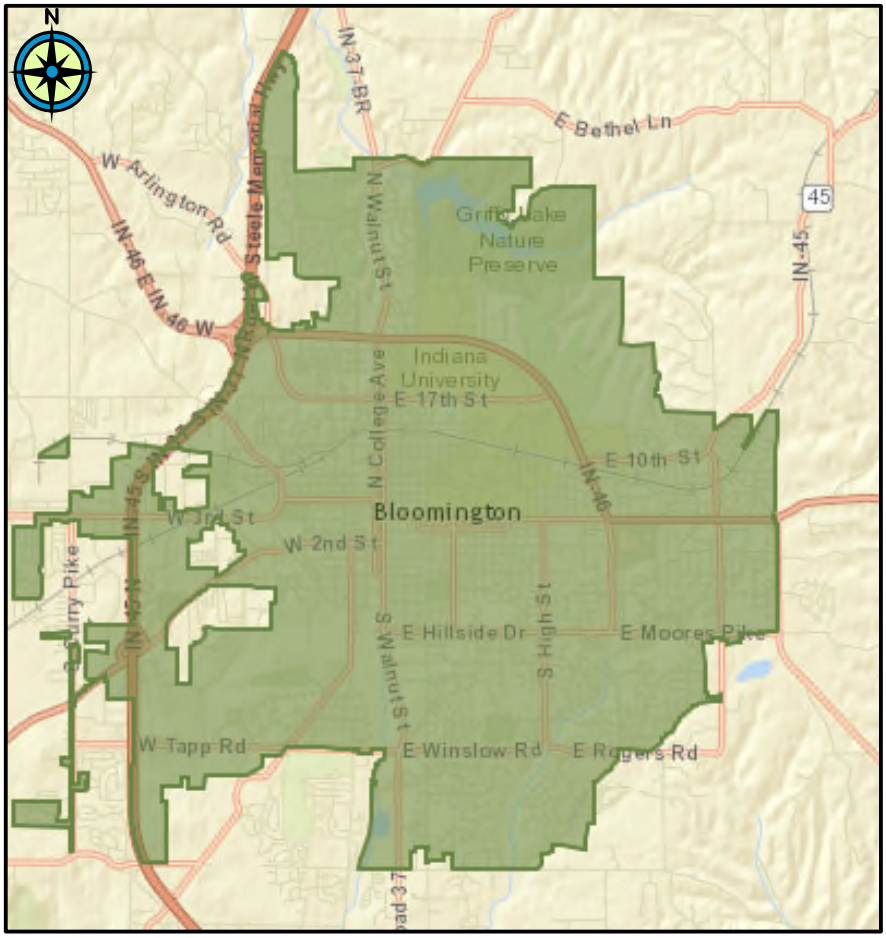
The subject property is not known to have sold within the past three years. There are no other known in-place sale agreements for, planned listings of, or options on the property.

No other subject property history is known.

MARKET AREA AND NEIGHBORHOOD DESCRIPTION

Various forces influence property values around the subject property. It is therefore necessary to delineate boundaries where these forces similarly affect all properties and their market values. As such, an analysis of the subject's market area will be made. The definition of a market area is "The area associated with a subject property that contains its direct competition."[4] The subject property's market area is outlined on the map below.

Market Area Map



Location

The subject property is in Bloomington's immediate downtown area. The area contains residential uses, including multi-family uses, commercial uses, industrial uses, et cetera.

Access and Linkages

Bloomington as a community is accessed via two major roadways. State Road 46 runs east to west across the region, connecting Bloomington to Terre Haute and Interstate 70 approximately 60 miles to the west-northwest. It also connects Bloomington to Columbus, Indiana, and Interstate 65 approximately 35 miles to the east. Interstate 69 passes through the west side of town and is a major route that connects it to

[4] *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago, IL: The Appraisal Institute, 2015) Page 121.

Indianapolis, approximately 50 miles to the north. It also connects Bloomington to Evansville and southern Indiana.

The area in which the subject is located is primarily served by S Walnut Street, W. Kirkwood Avenue, N College Avenue, W 2nd Street, and E 3rd Street. These streets conduct much of the neighborhood's traffic to and from other city streets. West 2nd Street offers a pathway across I-69 to the west and is therefore a heavily traveled street into and out of the larger Bloomington community East 3rd Street provides access to State Road 46 to the east and is likewise a highly traveled route to and from the Bloomington area W. Kirkwood Avenue is a main route to and from the town square area. It is hampered by an on-going road improvement project that slows some of its traffic.

In addition, sidewalks, although sporadic in some places, provide easy pedestrian access in most places.

Bloomington's city bus system provides a form of transportation to and from the subject's market area and the larger community. The city bus has stops generally within walking distance to the subject.

Demand Generators

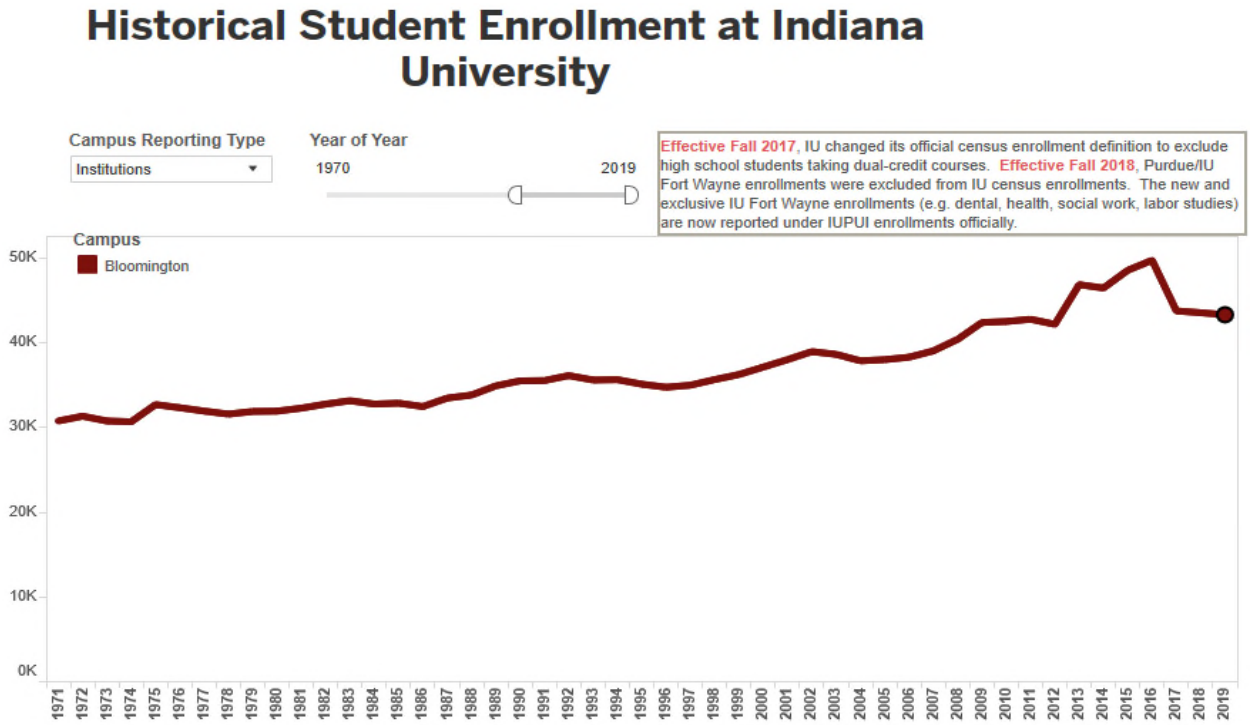
Employers within a community serve as demand generators for properties like the subject. The top fifteen employers in the Bloomington / Monroe County market are summarized in the table below:

	Bloomington's Major Employers	**# of Employees**
1	Indiana University	10,017
2	Cook Group	4,126
3	Indiana University Health	2,300
4	Monroe County Community School Corporation	2,174
5	Kroger Supermarkets	1,056
6	Baxter BioPharma Solutions	880
7	Monroe County - Government	763
8	City of Bloomington - Government	755
9	Catalent Biologics	750
10	Ivy Tech Community College	552
11	Crider & Crider, Inc.	452
12	Hoosier Energy	437
13	Richland-Beam Blossom Community Schools	430
14	Stone Belt ARC	362
15	LJM Enterprises	330

Source: Bloomington Economic Development Corporation

As is easily concluded from the above table, Monroe County and Bloomington are highly dependent on Indiana University as an employer. The university is a major higher education institution, offering over a hundred fields of study with bachelor's, master's, and doctoral programs in many of them. A lot of housing options exist for IU students, including on-campus dorms, Greek housing, and off-campus housing. Off-campus housing includes single-family structures, smaller multi-family structures (often converted SFR), and medium and larger multi-family structures. Freshmen are generally required to live on campus, in the dorms. Sophomores and above are able to live off campus if they choose to do so. Although housing is not a potential use for the subject property, students are noted in some of the surrounding house, providing one contingency of potential traffic to and from the property.

Recent student enrollment data compiled and published by IU Institutional Research and Reporting (https://www.iu.edu/~uirr/reports/standard/enrollment/historical.php) indicates steady to slightly falling headcounts for the first semester (fall) 2019-2020 academic year. The graph below shows historic enrollment at the Bloomington campus.



FIRST SEMESTER HEADCOUNT								
Year	BL	IN	EA	KO	NW	SB	SE	Total
2005-06 - Current Years Excludes Dual Credit								
19-20	43,260	29,537	**3,766**	**3,164**	3,877	5,092	4,882	93,578
18-19	43,503	29,579	3,722	3,123	3,959	5,214	5,144	94,244
17-18[1]	43,710	29,791	3,490	3,029	4,055	5,385	5,238	94,698
16-17	**43,748**	29,804	3,582	2,962	4,177	5,631	5,456	95,360
15-16	43,171	30,105	3,666	2,950	4,582	5,855	5,757	96,086
14-15	42,673	**30,690**	3,612	2,913	4,876	6,093	6,015	96,872
13-14	42,351	30,488	3,479	2,921	5,369	6,233	6,414	97,255
12-13	42,133	30,451	3,287	2,810	5,464	6,723	6,601	97,469
11-12	42,718	30,530	3,032	2,642	5,668	7,022	**7,256**	**98,868**
10-11	42,458	30,566	2,813	2,590	**5,703**	**7,419**	7,178	98,727
09-10	42,345	30,383	2,580	2,521	5,352	7,414	6,840	97,435
08-09	40,351	30,300	2,196	2,372	4,733	6,947	6,482	93,381
07-08	38,989	29,854	2,102	2,554	4,749	6,906	6,241	91,395
06-07	38,245	29,764	2,087	2,533	4,783	6,905	6,183	90,500
05-06	37,956	29,933	2,317	2,731	4,919	7,048	6,164	91,068

The long-term trend is for rising enrollment. It is forecast to continue its ascent; however, the recent COVID-19 virus pandemic may suppress enrollment in the coming fall semester. This is important to the city and to Monroe County because of the large footprint Indiana University has.

Demographic Profile:

esri

Demographic and Income Profile

Bloomington City, IN
Bloomington City, IN (1805860)
Geography: Place

Prepared by Esri

Summary	Census 2010	2019	2024
Population	80,439	86,048	89,234
Households	31,441	33,875	35,341
Families	11,274	11,845	12,207
Average Household Size	2.09	2.10	2.10
Owner Occupied Housing Units	10,398	11,090	11,978
Renter Occupied Housing Units	21,043	22,785	23,363
Median Age	24.1	24.6	24.8
Trends: 2019 - 2024 Annual Rate	**Area**	**State**	**National**
Population	0.73%	0.51%	0.77%
Households	0.85%	0.51%	0.75%
Families	0.60%	0.41%	0.68%
Owner HHs	1.55%	0.78%	0.92%
Median Household Income	2.41%	2.40%	2.70%

	2019		2024	
Households by Income	Number	Percent	Number	Percent
<$15,000	8,623	25.5%	7,861	22.3%
$15,000 - $24,999	4,377	12.9%	4,306	12.2%
$25,000 - $34,999	2,300	6.8%	2,227	6.3%
$35,000 - $49,999	4,716	13.9%	4,835	13.7%
$50,000 - $74,999	4,647	13.7%	5,185	14.7%
$75,000 - $99,999	2,757	8.1%	3,104	8.8%
$100,000 - $149,999	3,830	11.3%	4,581	13.0%
$150,000 - $199,999	1,318	3.9%	1,754	5.0%
$200,000+	1,288	3.8%	1,472	4.2%
Median Household Income	$39,136		$44,076	
Average Household Income	$61,432		$69,465	
Per Capita Income	$24,736		$28,055	

	Census 2010		2019		2024	
Population by Age	Number	Percent	Number	Percent	Number	Percent
0 - 4	3,116	3.9%	2,923	3.4%	3,098	3.5%
5 - 9	2,537	3.2%	2,602	3.0%	2,645	3.0%
10 - 14	2,221	2.8%	2,417	2.8%	2,385	2.7%
15 - 19	11,373	14.1%	11,682	13.6%	11,870	13.3%
20 - 24	25,612	31.8%	25,352	29.5%	25,646	28.7%
25 - 34	12,547	15.6%	14,096	16.4%	14,340	16.1%
35 - 44	5,971	7.4%	6,642	7.7%	7,344	8.2%
45 - 54	5,570	6.9%	5,493	6.4%	5,632	6.3%
55 - 64	5,099	6.3%	5,946	6.9%	6,010	6.7%
65 - 74	2,906	3.6%	4,539	5.3%	5,073	5.7%
75 - 84	2,225	2.8%	2,703	3.1%	3,416	3.8%
85+	1,262	1.6%	1,656	1.9%	1,775	2.0%

	Census 2010		2019		2024	
Race and Ethnicity	Number	Percent	Number	Percent	Number	Percent
White Alone	66,783	83.0%	68,009	79.0%	68,131	76.4%
Black Alone	3,672	4.6%	4,171	4.8%	4,521	5.1%
American Indian Alone	214	0.3%	245	0.3%	261	0.3%
Asian Alone	6,399	8.0%	9,540	11.1%	11,716	13.1%
Pacific Islander Alone	42	0.1%	63	0.1%	74	0.1%
Some Other Race Alone	952	1.2%	1,156	1.3%	1,291	1.4%
Two or More Races	2,377	3.0%	2,864	3.3%	3,240	3.6%
Hispanic Origin (Any Race)	2,825	3.5%	3,683	4.3%	4,304	4.8%

Data Note: Income is expressed in current dollars.

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2019 and 2024.

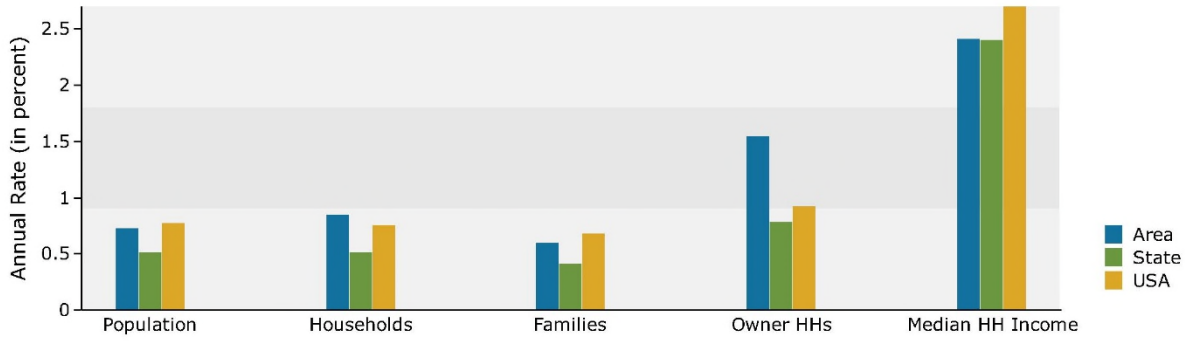
June 29, 2020

Demographic and Income Profile

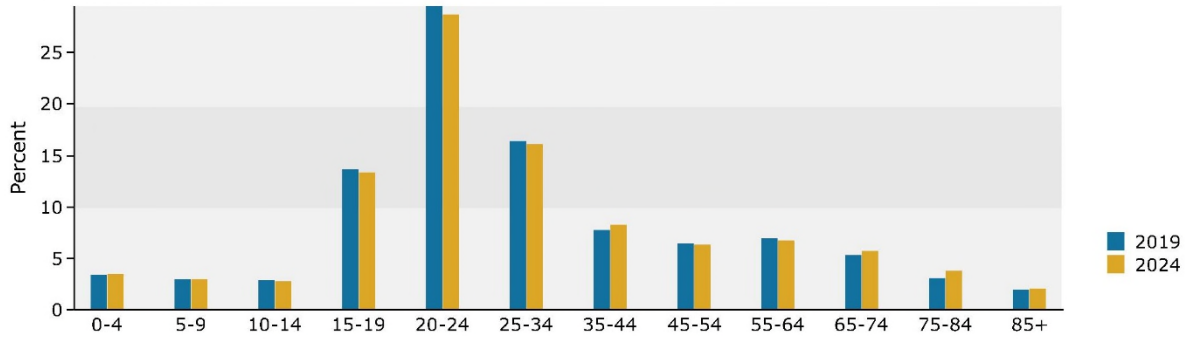
Bloomington City, IN
Bloomington City, IN (1805860)
Geography: Place

Prepared by Esri

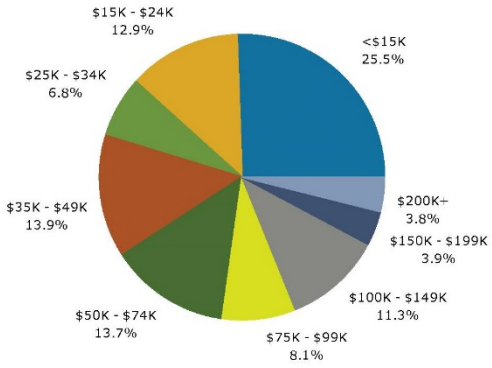
Trends 2019-2024



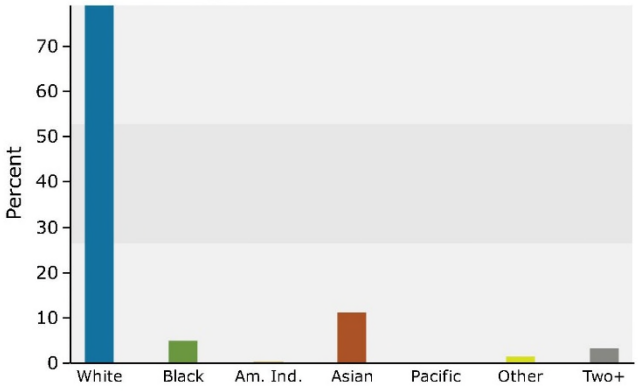
Population by Age



2019 Household Income



2019 Population by Race



2019 Percent Hispanic Origin: 4.3%

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2019 and 2024.

June 29, 2020

Executive Summary

Bloomington City, IN
Bloomington City, IN (1805860)
Geography: Place

Prepared by Esri

	Bloomington c...
Population	
2000 Population	70,811
2010 Population	80,439
2019 Population	86,048
2024 Population	89,234
2000-2010 Annual Rate	1.28%
2010-2019 Annual Rate	0.73%
2019-2024 Annual Rate	0.73%
2019 Male Population	50.6%
2019 Female Population	49.4%
2019 Median Age	24.6

In the identified area, the current year population is 86,048. In 2010, the Census count in the area was 80,439. The rate of change since 2010 was 0.73% annually. The five-year projection for the population in the area is 89,234 representing a change of 0.73% annually from 2019 to 2024. Currently, the population is 50.6% male and 49.4% female.

Median Age

The median age in this area is 24.6, compared to U.S. median age of 38.5.

Race and Ethnicity	
2019 White Alone	79.0%
2019 Black Alone	4.8%
2019 American Indian/Alaska Native Alone	0.3%
2019 Asian Alone	11.1%
2019 Pacific Islander Alone	0.1%
2019 Other Race	1.3%
2019 Two or More Races	3.3%
2019 Hispanic Origin (Any Race)	4.3%

Persons of Hispanic origin represent 4.3% of the population in the identified area compared to 18.6% of the U.S. population. Persons of Hispanic Origin may be of any race. The Diversity Index, which measures the probability that two people from the same area will be from different race/ethnic groups, is 41.3 in the identified area, compared to 64.8 for the U.S. as a whole.

Households	
2019 Wealth Index	60
2000 Households	27,363
2010 Households	31,441
2019 Total Households	33,875
2024 Total Households	35,341
2000-2010 Annual Rate	1.40%
2010-2019 Annual Rate	0.81%
2019-2024 Annual Rate	0.85%
2019 Average Household Size	2.10

The household count in this area has changed from 31,441 in 2010 to 33,875 in the current year, a change of 0.81% annually. The five-year projection of households is 35,341, a change of 0.85% annually from the current year total. Average household size is currently 2.10, compared to 2.09 in the year 2010. The number of families in the current year is 11,845 in the specified area.

Data Note: Income is expressed in current dollars. Housing Affordability Index and Percent of Income for Mortgage calculations are only available for areas with 50 or more owner-occupied housing units.
Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2019 and 2024. Esri converted Census 2000 data into 2010 geography.

June 29, 2020

Executive Summary

Bloomington City, IN
Bloomington City, IN (1805860)
Geography: Place

Prepared by Esri

	Bloomington c...
Mortgage Income	
2019 Percent of Income for Mortgage	25.3%
Median Household Income	
2019 Median Household Income	$39,136
2024 Median Household Income	$44,076
2019-2024 Annual Rate	2.41%
Average Household Income	
2019 Average Household Income	$61,432
2024 Average Household Income	$69,465
2019-2024 Annual Rate	2.49%
Per Capita Income	
2019 Per Capita Income	$24,736
2024 Per Capita Income	$28,055
2019-2024 Annual Rate	2.55%
Households by Income	

Current median household income is $39,136 in the area, compared to $60,548 for all U.S. households. Median household income is projected to be $44,076 in five years, compared to $69,180 for all U.S. households

Current average household income is $61,432 in this area, compared to $87,398 for all U.S. households. Average household income is projected to be $69,465 in five years, compared to $99,638 for all U.S. households

Current per capita income is $24,736 in the area, compared to the U.S. per capita income of $33,028. The per capita income is projected to be $28,055 in five years, compared to $36,530 for all U.S. households

Housing	
2019 Housing Affordability Index	99
2000 Total Housing Units	29,346
2000 Owner Occupied Housing Units	9,916
2000 Renter Occupied Housing Units	17,447
2000 Vacant Housing Units	1,983
2010 Total Housing Units	33,253
2010 Owner Occupied Housing Units	10,398
2010 Renter Occupied Housing Units	21,043
2010 Vacant Housing Units	1,812
2019 Total Housing Units	35,788
2019 Owner Occupied Housing Units	11,090
2019 Renter Occupied Housing Units	22,785
2019 Vacant Housing Units	1,913
2024 Total Housing Units	37,296
2024 Owner Occupied Housing Units	11,978
2024 Renter Occupied Housing Units	23,363
2024 Vacant Housing Units	1,955

Currently, 31.0% of the 35,788 housing units in the area are owner occupied; 63.7%, renter occupied; and 5.3% are vacant. Currently, in the U.S., 56.4% of the housing units in the area are owner occupied; 32.4% are renter occupied; and 11.2% are vacant. In 2010, there were 33,253 housing units in the area - 31.3% owner occupied, 63.3% renter occupied, and 5.4% vacant. The annual rate of change in housing units since 2010 is 3.32%. Median home value in the area is $202,637, compared to a median home value of $234,154 for the U.S. In five years, median value is projected to change by 2.13% annually to $225,122.

Data Note: Income is expressed in current dollars. Housing Affordability Index and Percent of Income for Mortgage calculations are only available for areas with 50 or more owner-occupied housing units.
Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2019 and 2024. Esri converted Census 2000 data into 2010 geography.

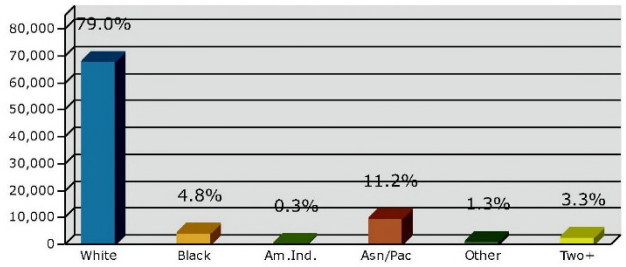
June 29, 2020

Graphic Profile

Bloomington City, IN
Bloomington City, IN (1805860)
Geography: Place

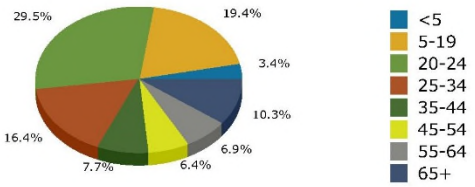
Prepared by Esri

2019 Population by Race

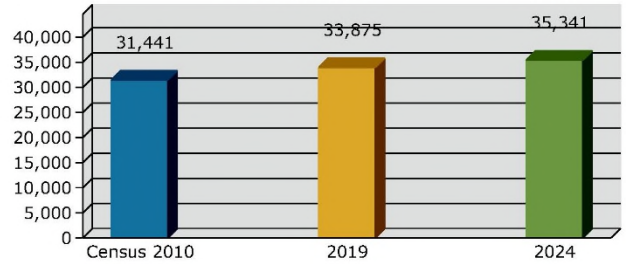


2019 Percent Hispanic Origin:4.3%

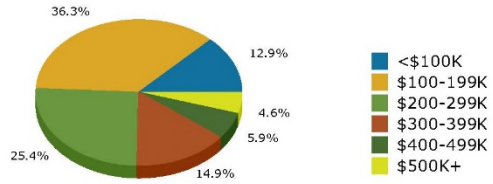
2019 Population by Age



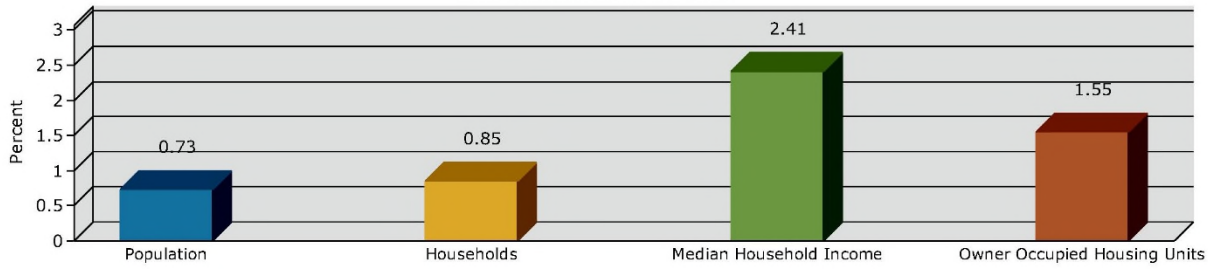
Households



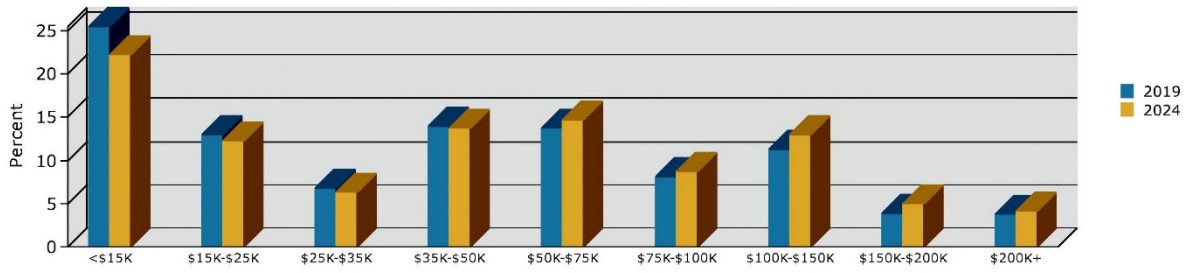
2019 Home Value



2019-2024 Annual Growth Rate



Household Income



Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2019 and 2024.

June 29, 2020

The demographic data and forecasts presented on the previous pages have been reproduced from the CCIM's Site to do Business. They have been assembled from within the market area outlined previously. A review of the population's age patterns, income levels, and housing occupancy therein is representative of a group of people that one would associate with a university and its student population.

Retail and Public Services

Bloomington has two primary retail areas. The College Park Mall is on Bloomington's east side. Surrounding the mall are a plethora of other retail establishments that can be found free standing as well as in strip malls. Big box retailers in the area include Target, Best Buy, Dick's Sporting Goods, Macy's, et cetera. Fast food and quality dining are available in the area. In addition, retail banking is very well represented as are grocery store establishments, including a newer Fresh Thyme.

On Bloomington's west side are several large box retailers such as Lowe's Home Improvements, Wal-Mart, Menard's, and Sam's Club. They are located around the I-69 (State Road 37) corridor. In this area, there are also smaller retailers as well as food establishments. Area grocery store chains include Kroger, Fresh Thyme, Wal-Mart, and Sam's Club. Various hotels are located along State Road 37 including Homewood Suites by Hilton and Holiday Inn Express.

Downtown Bloomington has a Kroger grocery store. Small retail eateries and services surround the downtown square. As well, there are professional offices around the square. Hotel rooms are available downtown from several large chains.

The city and county government centers are located along Morton Street, northwest of the square. Bloomington's police department is on E. 3rd Street.

Land Use

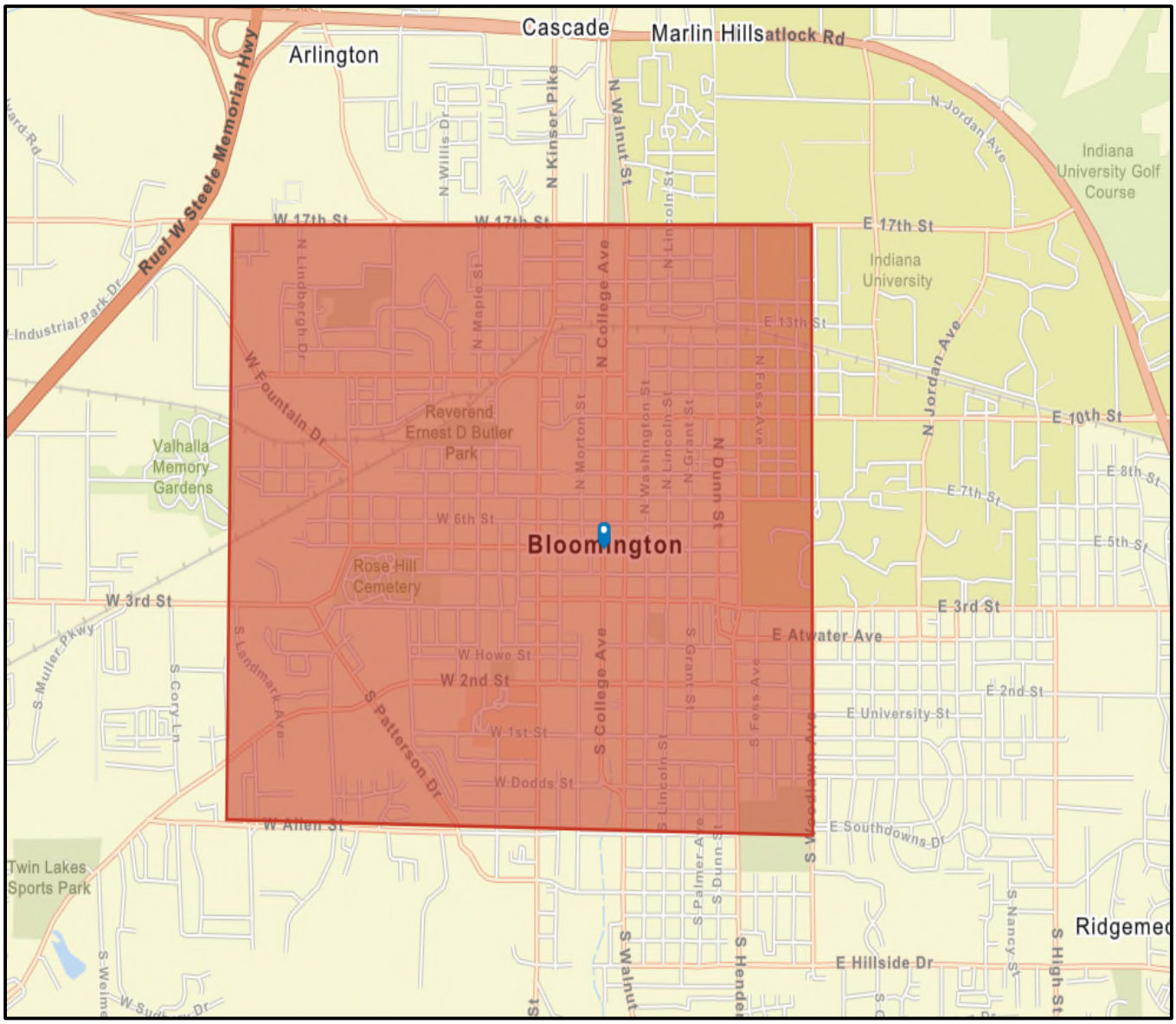
Land use in the area immediately around the subject property is mixed with residential, commercial, industrial, and other land uses noted.

Development Trends

Much of Bloomington's downtown area has experienced rising real estate prices in the past five years. Signs of revitalization have taken place including properties around the central downtown area. New construction has occurred with much of it having non-residential uses on the ground floor with residential uses above. Renovation of existing buildings has also been common. These dynamics are expected to continue, subject to those things that affect the economy and the local real estate market.

Neighborhood

The subject is within Bloomington's downtown area. Its neighborhood boundaries are depicted below:



Demographic Profile

esri

Demographic and Income Profile

Polygon
Area: 2.92 square miles

Prepared by Esri

Summary	Census 2010	2020	2025
Population	15,957	17,627	18,477
Households	7,129	7,841	8,241
Families	1,385	1,431	1,472
Average Household Size	2.04	2.07	2.07
Owner Occupied Housing Units	1,262	1,273	1,317
Renter Occupied Housing Units	5,867	6,568	6,924
Median Age	23.7	23.9	23.9

Trends: 2020-2025 Annual Rate	Area	State	National
Population	0.95%	0.51%	0.72%
Households	1.00%	0.54%	0.72%
Families	0.57%	0.44%	0.64%
Owner HHs	0.68%	0.49%	0.72%
Median Household Income	1.54%	1.30%	1.60%

	2020		2025	
Households by Income	Number	Percent	Number	Percent
<$15,000	2,928	37.3%	2,832	34.4%
$15,000 - $24,999	1,328	16.9%	1,457	17.7%
$25,000 - $34,999	867	11.1%	949	11.5%
$35,000 - $49,999	842	10.7%	935	11.3%
$50,000 - $74,999	830	10.6%	933	11.3%
$75,000 - $99,999	554	7.1%	630	7.6%
$100,000 - $149,999	276	3.5%	291	3.5%
$150,000 - $199,999	170	2.2%	172	2.1%
$200,000+	48	0.6%	41	0.5%
Median Household Income	$21,634		$23,353	
Average Household Income	$36,588		$38,894	
Per Capita Income	$16,678		$17,741	

	Census 2010		2020		2025	
Population by Age	Number	Percent	Number	Percent	Number	Percent
0 - 4	486	3.0%	460	2.6%	487	2.6%
5 - 9	318	2.0%	358	2.0%	350	1.9%
10 - 14	262	1.6%	321	1.8%	305	1.7%
15 - 19	1,084	6.8%	1,153	6.5%	1,245	6.7%
20 - 24	7,903	49.5%	8,415	47.7%	8,744	47.3%
25 - 34	2,746	17.2%	3,172	18.0%	3,141	17.0%
35 - 44	1,017	6.4%	1,221	6.9%	1,422	7.7%
45 - 54	857	5.4%	837	4.7%	904	4.9%
55 - 64	729	4.6%	850	4.8%	852	4.6%
65 - 74	310	1.9%	544	3.1%	635	3.4%
75 - 84	162	1.0%	190	1.1%	275	1.5%
85+	83	0.5%	106	0.6%	119	0.6%

	Census 2010		2020		2025	
Race and Ethnicity	Number	Percent	Number	Percent	Number	Percent
White Alone	14,126	88.5%	15,047	85.4%	15,398	83.3%
Black Alone	566	3.5%	699	4.0%	772	4.2%
American Indian Alone	50	0.3%	58	0.3%	61	0.3%
Asian Alone	566	3.5%	963	5.5%	1,253	6.8%
Pacific Islander Alone	13	0.1%	19	0.1%	20	0.1%
Some Other Race Alone	166	1.0%	220	1.2%	250	1.4%
Two or More Races	470	2.9%	620	3.5%	723	3.9%
Hispanic Origin (Any Race)	578	3.6%	802	4.5%	954	5.2%

Data Note: Income is expressed in current dollars.

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2020 and 2025.

November 06, 2020

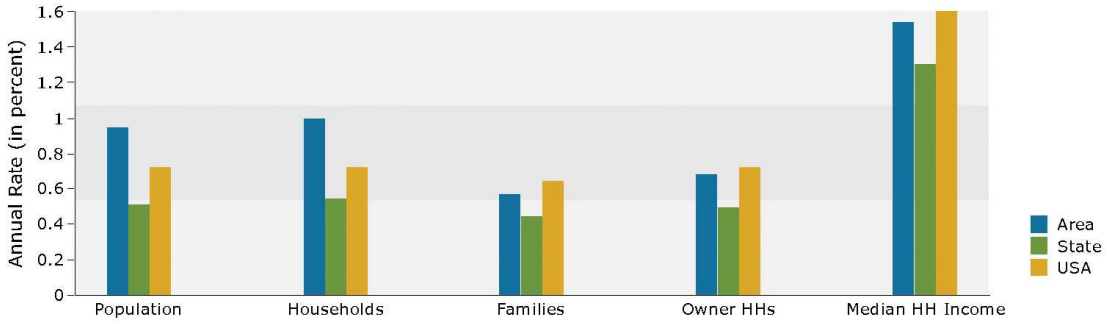
esri

Demographic and Income Profile

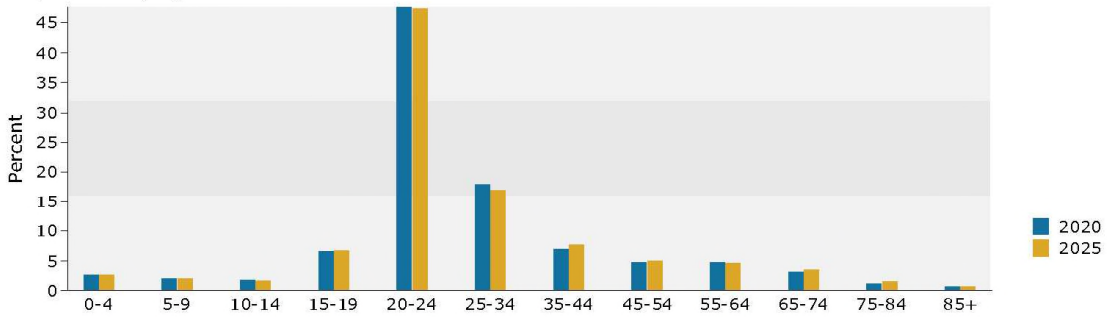
Polygon
Area: 2.92 square miles

Prepared by Esri

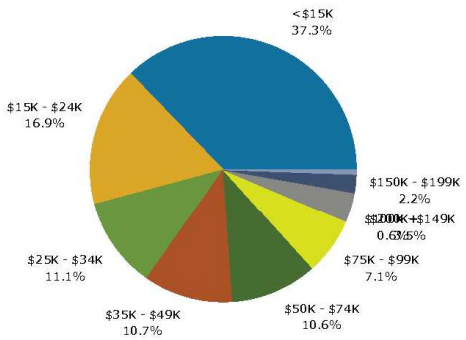
Trends 2020-2025



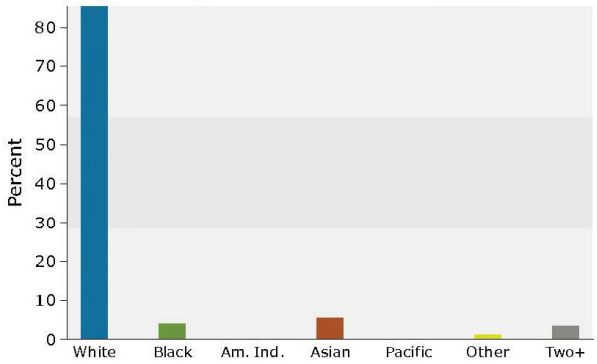
Population by Age



2020 Household Income



2020 Population by Race



2020 Percent Hispanic Origin:4.5%

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2020 and 2025.

November 06, 2020

Executive Summary

Polygon
Area: 2.92 square miles

Prepared by Esri

Population	
2000 Population	15,300
2010 Population	15,957
2020 Population	17,627
2025 Population	18,477
2000-2010 Annual Rate	0.42%
2010-2020 Annual Rate	0.98%
2020-2025 Annual Rate	0.95%
2020 Male Population	54.1%
2020 Female Population	45.9%
2020 Median Age	23.9

In the identified area, the current year population is 17,627. In 2010, the Census count in the area was 15,957. The rate of change since 2010 was 0.98% annually. The five-year projection for the population in the area is 18,477 representing a change of 0.95% annually from 2020 to 2025. Currently, the population is 54.1% male and 45.9% female.

Median Age

The median age in this area is 23.9, compared to U.S. median age of 38.5.

Race and Ethnicity	
2020 White Alone	85.4%
2020 Black Alone	4.0%
2020 American Indian/Alaska Native Alone	0.3%
2020 Asian Alone	5.5%
2020 Pacific Islander Alone	0.1%
2020 Other Race	1.2%
2020 Two or More Races	3.5%
2020 Hispanic Origin (Any Race)	4.5%

Persons of Hispanic origin represent 4.5% of the population in the identified area compared to 18.8% of the U.S. population. Persons of Hispanic Origin may be of any race. The Diversity Index, which measures the probability that two people from the same area will be from different race/ethnic groups, is 33.0 in the identified area, compared to 65.1 for the U.S. as a whole.

Households	
2020 Wealth Index	23
2000 Households	6,501
2010 Households	7,129
2020 Total Households	7,841
2025 Total Households	8,241
2000-2010 Annual Rate	0.93%
2010-2020 Annual Rate	0.93%
2020-2025 Annual Rate	1.00%
2020 Average Household Size	2.07

The household count in this area has changed from 7,129 in 2010 to 7,841 in the current year, a change of 0.93% annually. The five-year projection of households is 8,241, a change of 1.00% annually from the current year total. Average household size is currently 2.07, compared to 2.04 in the year 2010. The number of families in the current year is 1,431 in the specified area.

Data Note: Income is expressed in current dollars. Housing Affordability Index and Percent of Income for Mortgage calculations are only available for areas with 50 or more owner-occupied housing units.
Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2020 and 2025. Esri converted Census 2000 data into 2010 geography.

November 06, 2020

Executive Summary

Polygon
Area: 2.92 square miles

Prepared by Esri

Mortgage Income	
2020 Percent of Income for Mortgage	28.4%
Median Household Income	
2020 Median Household Income	$21,634
2025 Median Household Income	$23,353
2020-2025 Annual Rate	1.54%
Average Household Income	
2020 Average Household Income	$36,588
2025 Average Household Income	$38,894
2020-2025 Annual Rate	1.23%
Per Capita Income	
2020 Per Capita Income	$16,678
2025 Per Capita Income	$17,741
2020-2025 Annual Rate	1.24%

Households by Income

Current median household income is $21,634 in the area, compared to $62,203 for all U.S. households. Median household income is projected to be $23,353 in five years, compared to $67,325 for all U.S. households

Current average household income is $36,588 in this area, compared to $90,054 for all U.S. households. Average household income is projected to be $38,894 in five years, compared to $99,510 for all U.S. households

Current per capita income is $16,678 in the area, compared to the U.S. per capita income of $34,136. The per capita income is projected to be $17,741 in five years, compared to $37,691 for all U.S. households

Housing	
2020 Housing Affordability Index	83
2000 Total Housing Units	6,917
2000 Owner Occupied Housing Units	1,284
2000 Renter Occupied Housing Units	5,217
2000 Vacant Housing Units	416
2010 Total Housing Units	7,458
2010 Owner Occupied Housing Units	1,262
2010 Renter Occupied Housing Units	5,867
2010 Vacant Housing Units	329
2020 Total Housing Units	8,129
2020 Owner Occupied Housing Units	1,273
2020 Renter Occupied Housing Units	6,568
2020 Vacant Housing Units	288
2025 Total Housing Units	8,531
2025 Owner Occupied Housing Units	1,317
2025 Renter Occupied Housing Units	6,924
2025 Vacant Housing Units	290

Currently, 15.7% of the 8,129 housing units in the area are owner occupied; 80.8%, renter occupied; and 3.5% are vacant. Currently, in the U.S., 56.4% of the housing units in the area are owner occupied; 32.3% are renter occupied; and 11.3% are vacant. In 2010, there were 7,458 housing units in the area - 16.9% owner occupied, 78.7% renter occupied, and 4.4% vacant. The annual rate of change in housing units since 2010 is 3.90%. Median home value in the area is $147,036, compared to a median home value of $235,127 for the U.S. In five years, median value is projected to change by 2.29% annually to $164,621.

Data Note: Income is expressed in current dollars. Housing Affordability Index and Percent of Income for Mortgage calculations are only available for areas with 50 or more owner-occupied housing units.
Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2020 and 2025. Esri converted Census 2000 data into 2010 geography.

November 06, 2020

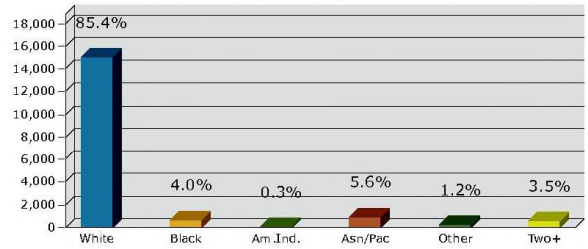
esri

Graphic Profile

Polygon
Area: 2.92 square miles

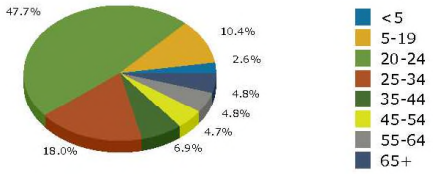
Prepared by Esri

2020 Population by Race

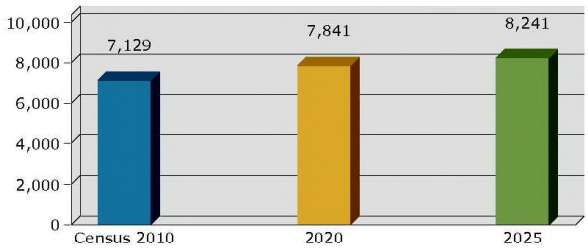


2020 Percent Hispanic Origin:4.5%

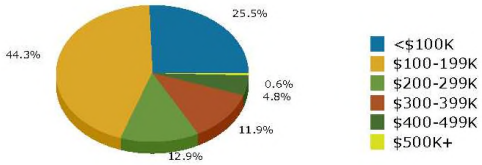
2020 Population by Age



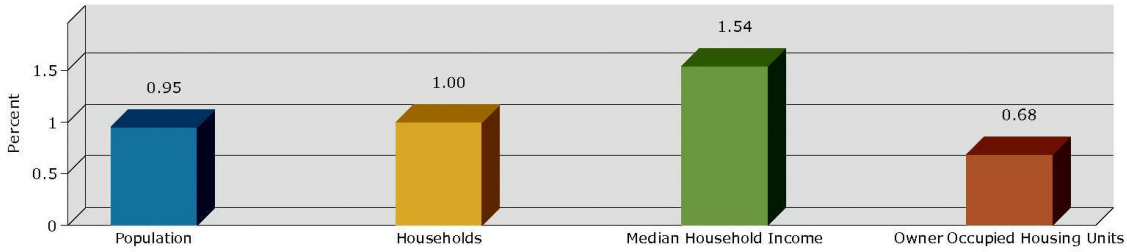
Households



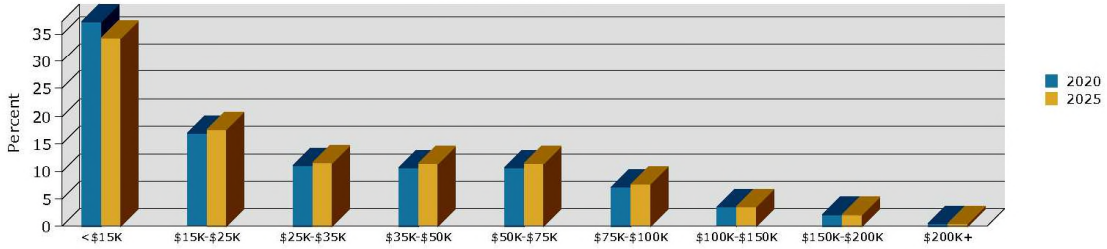
2020 Home Value



2020-2025 Annual Growth Rate



Household Income



Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2020 and 2025.

November 06, 2020

Outlook and Conclusions

Based on the information summarized herein, the outlook for the Monroe County and the Bloomington market areas was healthy prior to the COVID 19 pandemic. It is too early to ascertain the long-term effects of the pandemic on the national, state, and local economies. Real estate can be affected by these larger market forces. As of this report's writing, real estate offered for sale appears to be overwhelmed by buyers in the local market. Historically low interest rates have, undoubtedly, helped to spur this dynamic. The opaqueness of the economy, consumer sentiment, potential COVID 19 resurgence and the like, do not allow a proper local outlook to be concluded. This appraisal is undertaken assumes current market conditions will persist into the near-term future.

A Monroe County and Bloomington overview has been placed in the report's addenda.

PART TWO

FACTUAL DESCRIPTIONS, ANALYSIS, AND VALUE CONCLUSIONS

PROPERTY DATA

Site Description and Analysis:

The subject site is on the northwest corner of East 4th Street and S. Walnut Street in downtown Bloomington.

The site's major characteristics are as follows:

Size:	The site's size is 8,712 square feet (0.20 acres +/-) based on public records.
Shape:	Rectangular – see the Monroe County GIS image elsewhere in this report.
Frontage:	S. Walnut Street and E. 4th Street
Access:	Vehicular access is available via off-site parking. Pedestrian access is easy off the public sidewalks.
Visibility:	Good
Surrounding Land Use:	North – Commercial offices and retail West – Commercial offices East – Commercial offices and retail South – Commercial (public parking garage being built)
Topography:	Level.
Utilities:	Electric – Duke Energy Natural gas – Vectren Cable, telephone, and high-speed internet – Comcast & AT&T Water – City of Bloomington Utilities Sewer – City of Bloomington Utilities
Drainage:	There were no signs of standing water or inadequate drainage problems during the property inspection. Drainage appears to be directed away from the structure.
Proximity To Detrimental Influences:	There were no known nuisances, hazards, or other detrimental influences in the vicinity of the subject site at the time of inspection.
Flood Zone:	According to FEMA map 18105C0141D, dated December 17, 2010 and prepared by the Federal Emergency Management Agency, the property does not appear to be in a Flood Hazard Zone. See the flood map panel in the report's addenda.
Easements/ Encroachments:	No easements or encroachments that are adverse to the property's market value are assumed.
Functional Utility:	The site appears to be typical of downtown commercial sites in the area. No soil analysis was provided as part of this assignment.
Environmental Assessment:	No environmental conditions that would negatively affect market value are known or assumed.

Site Improvements:	No significant site improvements. The building covers the entire site.

Description of Improvements:

The property is improved with what was originally a municipal building. It remains much the same; however, there have been updates and renovations throughout the years. Most recently, the building has been used for classrooms for Ivey Tech Community College and a place for a local stage company to put on plays. The buildings' general qualities and features are summarized as follows:

Substructures: Poured footer with concrete slab foundation.

Superstructures: Frame with limestone veneer.

Insulation is assumed typical of modern building standards.

Ventilation is assumed adequate.

Exterior doors at the building's front along S. Walnut Street, at the building's side along 4th Street, and into the alley adjacent to the property's north side are presumed to meet or exceed all codes, regulations, and/or requirements.

The roof over the building is a flat rubber membrane roof. The roof over the main part of the building was replaced approximately 5 years ago per Mr. Mark Harp, Maintenance Supervisor for Ivy Tech Community College.

Exterior sidewalls are 12 feet per floor according to the public records.

The superstructure contains no known special features.

Building Description: The building's interior contains a combination of office areas (classroom areas) and stage areas for plays. The floor plan depictions that are presented later in this report allow the reader to visualize its layout. They do not show the first floor's western-most 10 feet +/- in width which is occupied by a local radio station, WFHB.

Gross Building Area (GBA) is estimated as follows:

First Floor:	8,100 SF
Second Floor:	5,620 SF
Third Floor:	5,620 SF
Total GBA:	19,340 SF

Elevator access is available to each floor.

Year Built: 1915 per evidence at the property.

General Build Out: Interior ceilings are generally 11-12 feet +/- in height.

Painting throughout the structure is of good quality paint.

Floor coverings consist of hardwood, tile, carpet, and the like.

Interior lighting is laid out in accord with modern standards.

Exterior doorways appear to be of adequate quality. Interior doors are adequate for non-residential use.

Trim is of average quality.

Mechanical/Equipment:

There are various heating (gas) and cooling units throughout the structure. They appear to be mostly forced-air units.

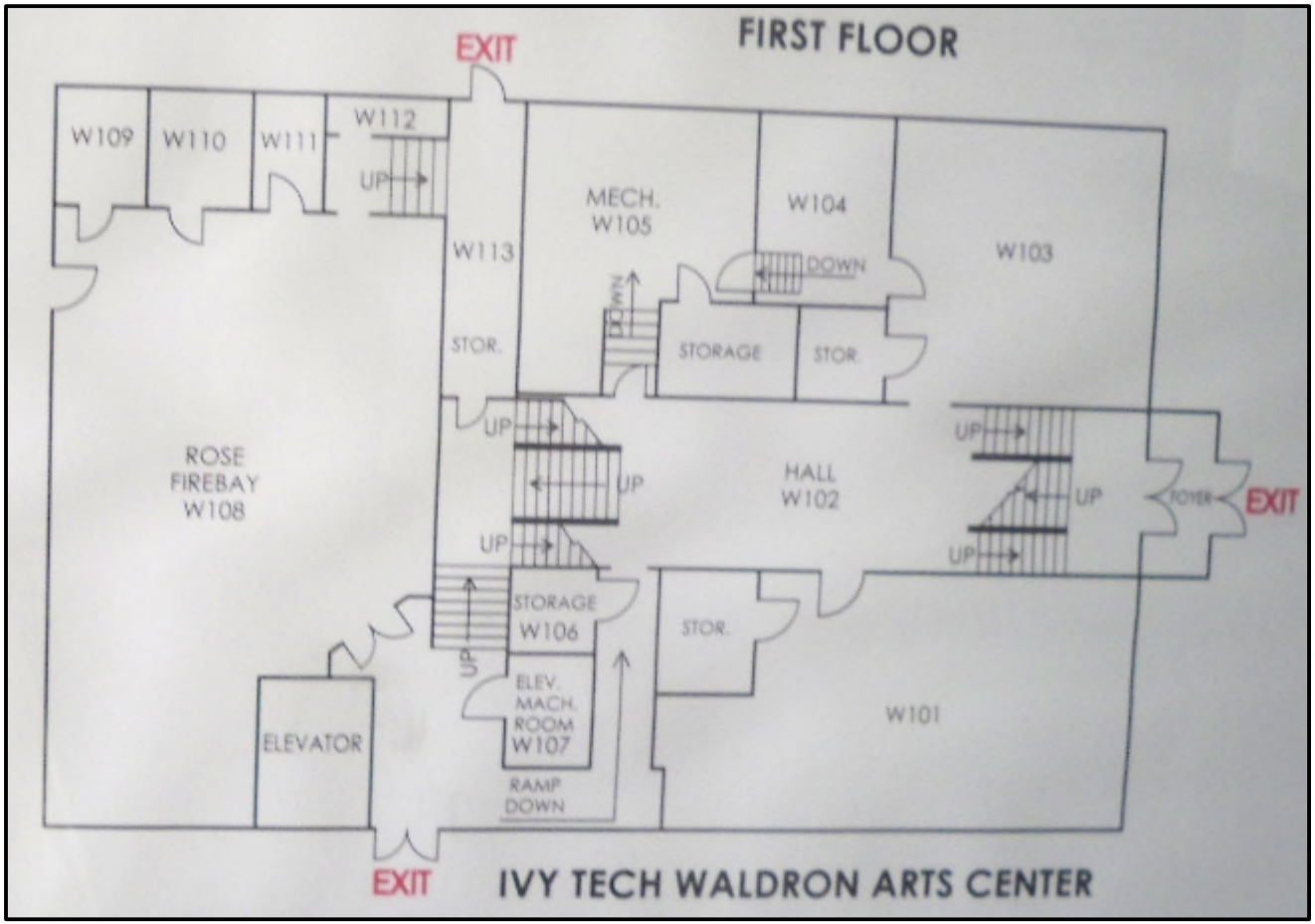
Adequate electric service is assumed throughout the structure with 110v outlets noted as well as various service panels with what appears to be ample power capabilities.

Telephone and cable/internet service are assumed available.

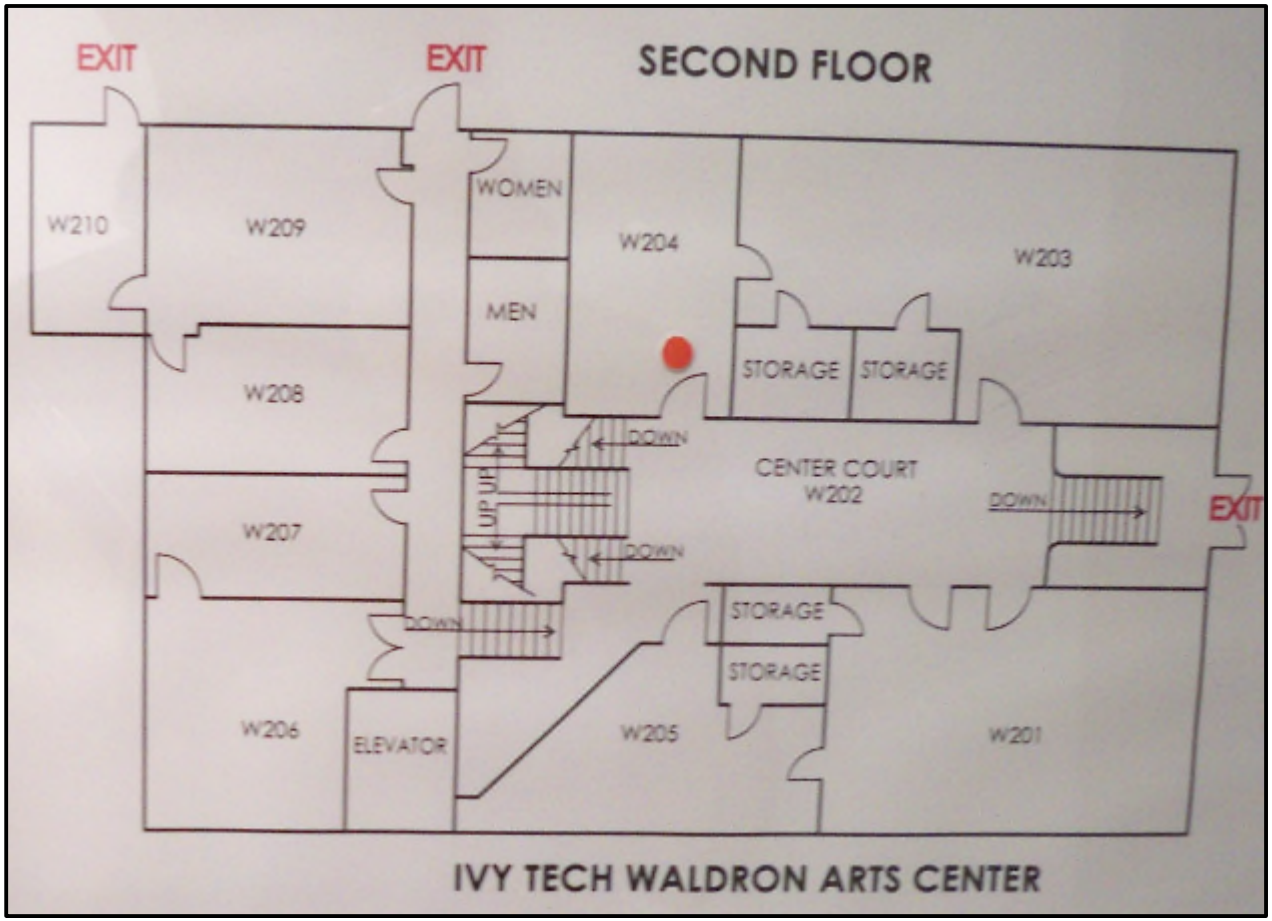
Plumbing fixtures include sinks, stools, and urinals throughout the various restrooms. Several gas water heaters were noted, also.

No special energy-efficient items are known nor are any assumed. There is no known atypical functional or external depreciation/obsolescence in the building. Deferred maintenance includes painting that needs to be redone, hardwood floors and carpeting that need to be refinished or replaced, and other miscellaneous items to be addressed. The appraisal's photographic record shows many of these things.

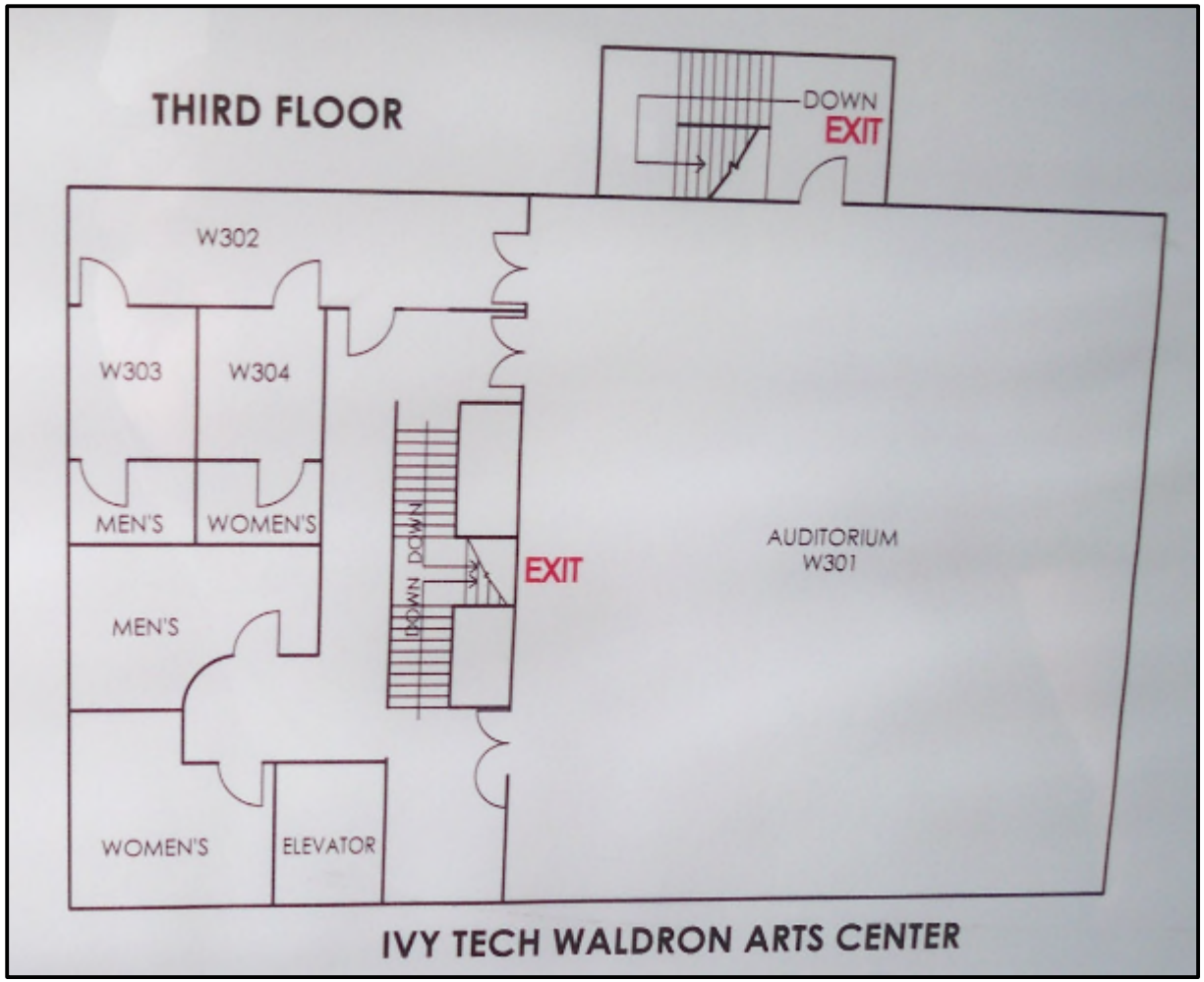
Interior Building Layout, Floor 1



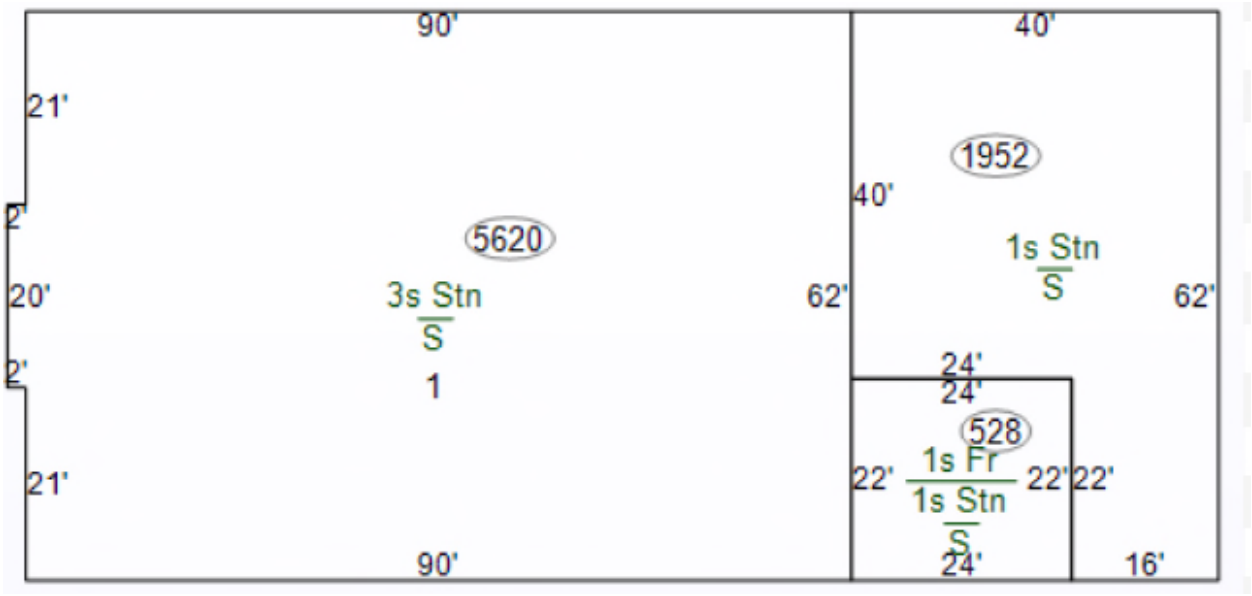
Interior Building Layout, Floor 2
(Room W210 no longer exists)



Interior Building Layout, Floor 3

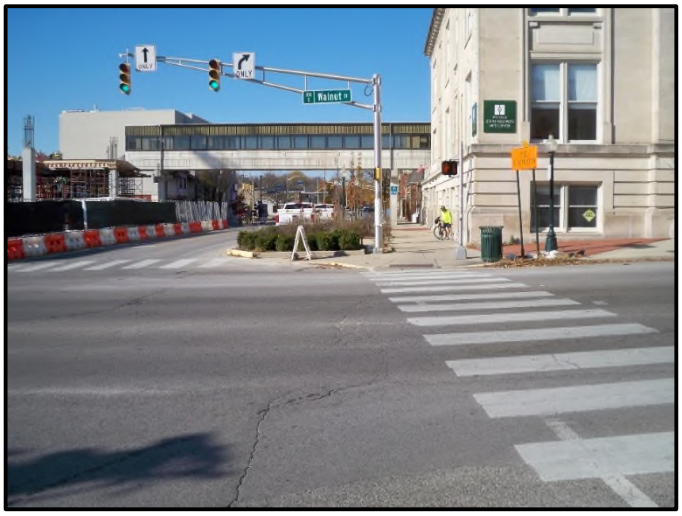


Monroe County Assessor's Building Sketch



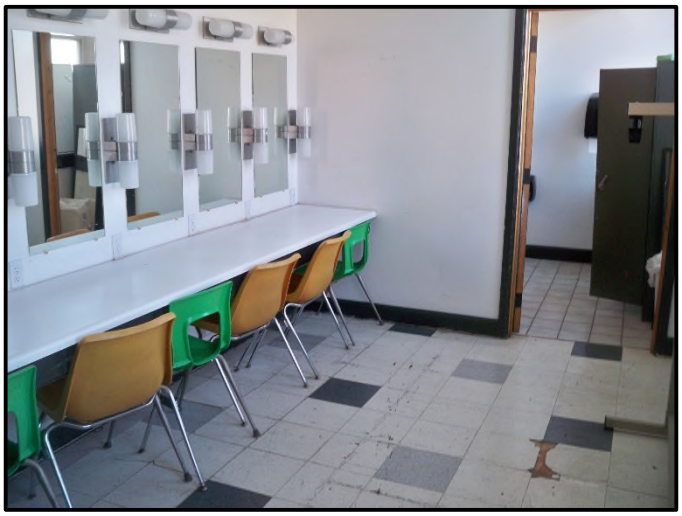
Property Photographs

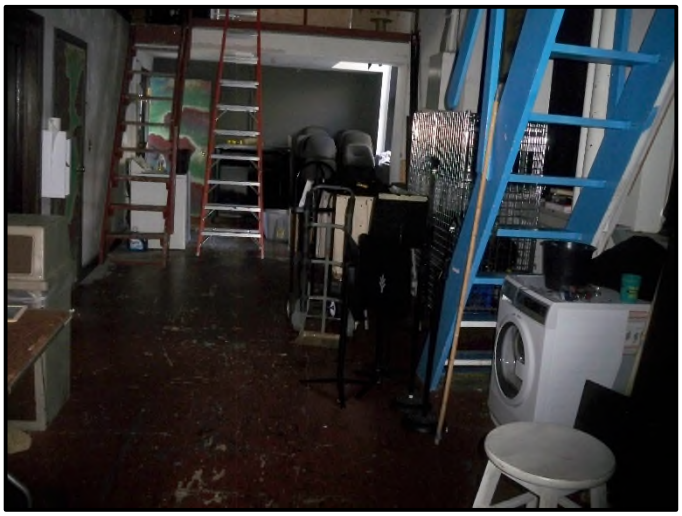

Front view of building


Looking westward along the property's 4th St. frontage

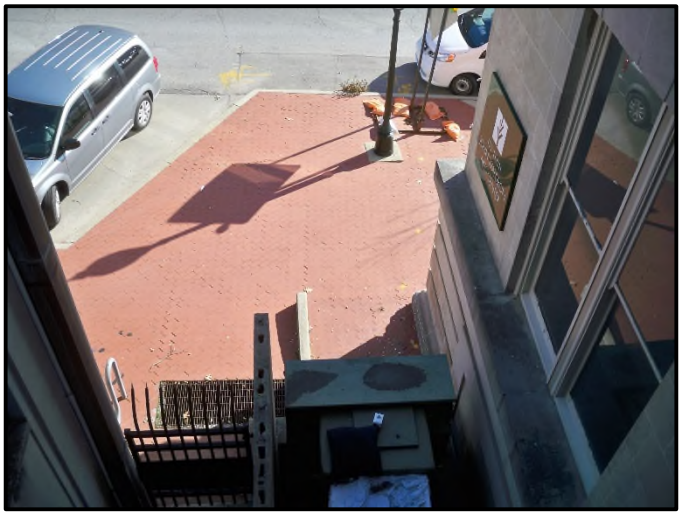

Looking westward along the property's 4th St. frontage

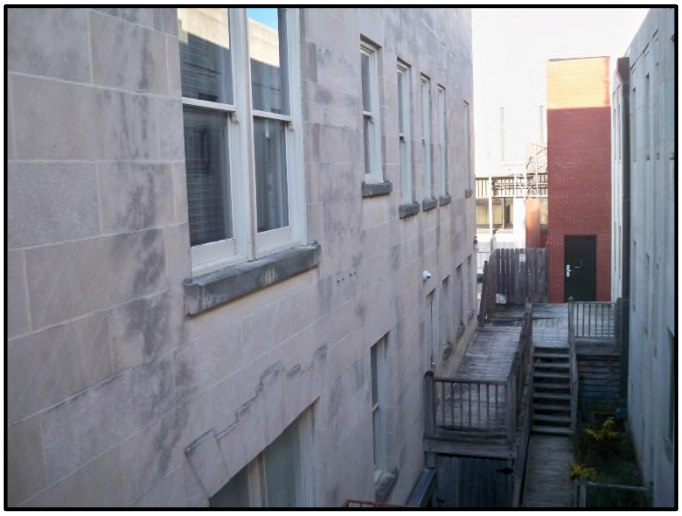

Vestibule off S. Walnut St. sidewalk


3rd floor dressing room


Storage area at west side of building's 3rd floor

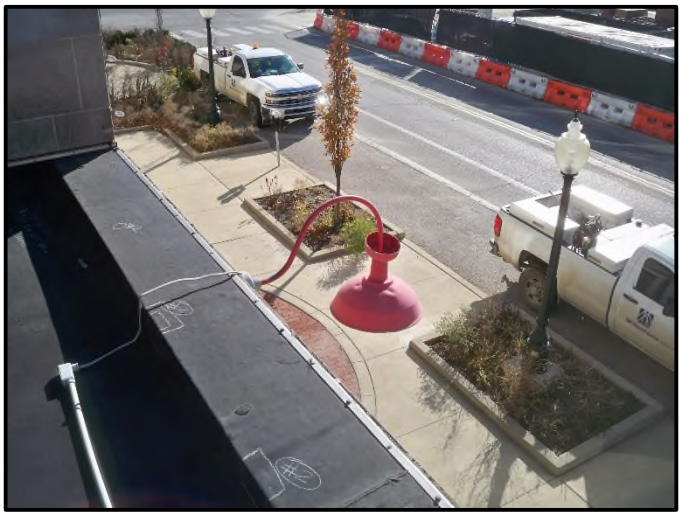
Property Photographs


Looking from fire exit toward S. Walnut St. sidewalk


Looking into alley along north side of building

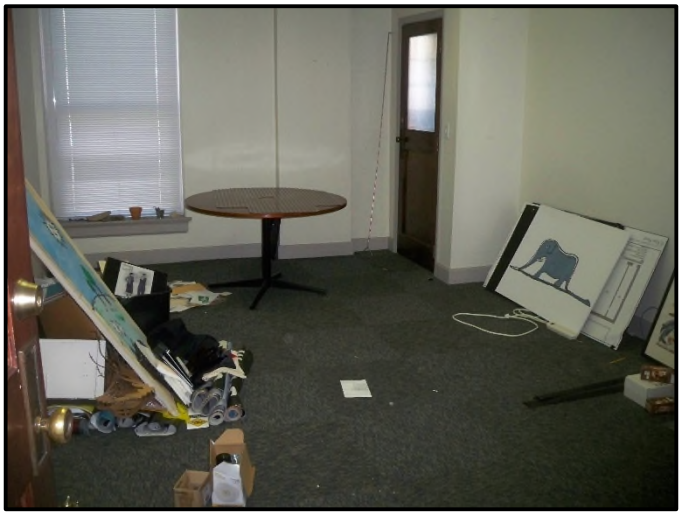

Stage / showroom on 3rd floor


Reception area on 2nd floor

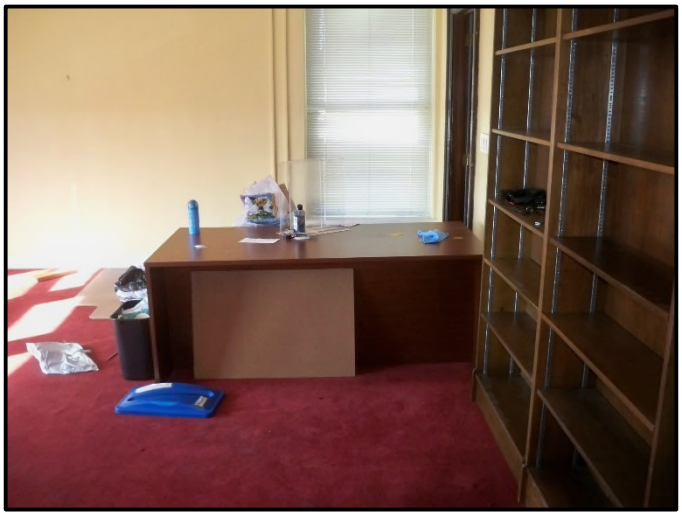

Looking downward onto 4th St. sidewalk from roof


Office

Property Photographs


Office


Office


Office


Elevator door on 2nd floor


Classroom/office

Classroom/office

Property Photographs


Classroom/office


Classroom/office


Stairway up from vestibule area


Classroom/office


Classroom/office


Mechanical area

Property Photographs


Stage area on ground floor


Stage area on ground floor


Seating for stage area on ground floor


Rear view of building and elevated walkway over bldg's west


Mechanical area office


Old vault from City Hall era

Zoning & Other Restrictions:

Per the City of Bloomington Planning and Transportation Department, the subject property is zoned Mixed-Use Downtown (MD) and is subject to the Downtown Core Downtown Character Overlay. The zone is described in Chapter 20.02.030 (g) of the City of Bloomington's Unified Development Ordinance, a copy of which is presented on the following pages.

There are no known private restrictions, including deed restrictions, that affect the subject property, and none are assumed. It is further assumed that the subject's improvements comply with all limitations on their uses or are grandfathered otherwise. This assumption is inclusive of current occupancy permits for full tenancy within the apartment units having been obtained from the appropriate local authorities. The use of assumptions may affect assignment results.

(g) MD: Mixed-use Downtown

(1) Purpose

The MD district is intended to protect and enhance the character of the central business district, to guide new development and redevelopment activities in the downtown area, and to promote a mix of moderate-to high-density development with active street edges. The zoning district is divided into six different Downtown Character Overlays and permitted size and scale of buildings vary among those Downtown Character Overlays to ensure that projects are compatible in mass and scale with historic structures in the surrounding areas.

(2) Other Applicable UDO Sections

All development shall comply with all other applicable regulations in this UDO including, without limitation, the Downtown Character Overlay regulations in 20.02.060(a), the permitted use regulations in Chapter 20.03 and development regulations in Chapter 20.04.

(3) Dimensional Standards

Dimensional standards for the Downtown Character Overlays are shown in Sections 20.02.030(g)(4) through 20.02.030(g)(9) below.

(4) MD-CS: Mixed-Use Downtown - Courthouse Square Downtown Character Overlay

(A) Purpose

The Mixed-Use Downtown Courthouse Square (MD-CS) character area is intended to maintain the historic character of downtown by providing a diverse mix of traditional commercial retail uses at the street level to capitalize on, maintain and enhance the pedestrian activity, and to visually define the sidewalk edges with interesting buildings that respect the established context of traditional commercial storefront buildings.

Figure 29: Illustrative Scale and Character

(B) Dimensional Standards

The following table is a summary of the district-specific dimensional standards. Additional standards from Section 20.04.010 (Dimensional Standards) also apply.

Table 02-16: MD-CS Dimensional Standards

Building Setbacks		
A	Build-to range	0 to 5 feet
B	Building façade at build-to range (minimum)	90%
	Front (maximum)	None
	Side (minimum)	None [1]
	Rear (minimum)	None [1]
Other Standards		
	Front parking setback (minimum)	20 feet behind the primary structure's front building wall
	Impervious surface coverage (maximum)	100%
C	Primary structure height (maximum)	3 stories, not to exceed 40 feet [1] [2] [3] [4]
	Primary Structure height (minimum)	25 feet
	Accessory structure height (maximum)	25 feet

Notes:

[1] Buildings abutting a property in the RE, R1, R2, R3, or R4 zoning district shall comply with the standards in Section 20.04.070(d)(5) (Neighborhood Transition Standards).

[2] Where a nonresidential use is proposed on the ground floor, the minimum floor to ceiling height on the ground floor shall be 12 feet.

[3] See Section 20.04.110 (Incentives) for alternative standards.

[4] Buildings that include one or more dwelling units that meet the definition of "Student Housing or Dormitory" shall be subject to the maximum building heights established in Section 20.03.030(b)(13) (Student Housing or Dormitory).

Figure 30: MD-CS Downtown Character Overlay Dimensional Standards

(5) MD-DC: Mixed-Use Downtown – Downtown Core Downtown Character Overlay

(A) Purpose

The Mixed-Use Downtown Core (MD-DC) character area is intended to draw upon the design traditions exhibited by historic commercial buildings by providing individual, detailed storefront modules that are visually interesting to pedestrians, and to promote infill and redevelopment of sites using residential densities and building heights that are higher in comparison to other character areas within the downtown.

Figure 31: Illustrative Scale and Character

(B) **Dimensional Standards**

The following table is a summary of the character area specific dimensional standards. Additional standards from Section 20.04.010 (Dimensional Standards) also apply.

Table 02-17: MD-DC Dimensional Standards

Building Setbacks		
A	Build-to range	0-5 feet
B	Building façade at build-to range (minimum)	70%
	Adjacent to B-Line (minimum)	10 feet
	Side (minimum)	None [1]
	Rear (minimum)	None [1]
Other Standards		
	Front parking setback (minimum)	20 feet behind the primary structure's front building wall
	Impervious surface coverage (maximum)	100%
C	Primary structure height (maximum)	4 stories, not to exceed 50 feet [1] [2] [3] [4]
	Primary Structure height (minimum)	35 feet
	Accessory structure height (maximum)	25 feet

Notes:

[1] Buildings abutting a property in the RE, R1, R2, R3, or R4 zoning district shall comply with the standards in Section 20.04.070(d)(5) (Neighborhood Transition Standards).

[2] Where a nonresidential use is proposed on the ground floor, the minimum floor to ceiling height on the ground floor shall be 12 feet.

[3] See Section 20.04.110 (Incentives) for alternative standards.

[4] Buildings that include one or more dwelling units that meet the definition of "Student Housing or Dormitory" shall be subject to the maximum building heights established in Section 20.03.030(b)(13) (Student Housing or Dormitory).

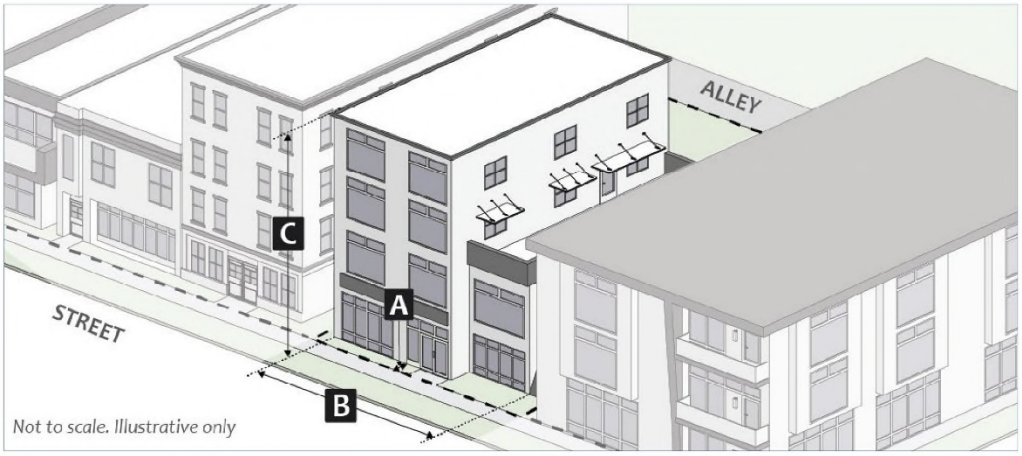


Figure 32: MD-DC Downtown Character Overlay Dimensional Standards

Taxes and assessment:

Property taxes are a primary source of funding revenue for local governments and public services in Indiana. They are an *ad valorem* tax, which means they are allocated proportionately per the value of the real estate being taxed. The property tax and billing cycle begins with the establishment of a property's assessed value by a county or township assessor. The assessment data is then communicated to the county auditor. The auditor applies deductions, exemptions, and other valuation adjustments to the assessment and sums the taxing district's total assessments before submitting them to the Indiana Department of Local Government Finance. The department reviews the auditor's data and converts the assessment values to property tax rates by dividing each local unit's approved budget amounts by the total assessed value within it. The department then transmits the approved tax rates back to the county or taxing district. The auditor and the treasurer then calculate, generate, and mail tax bills to each property owner.

In Indiana properties are valued for assessment purposes using mass appraisal techniques. That is, the property is looked at together with other properties in an area and a market value is estimated for it. Assessors are supposed to consider many of the property's physical features including its age, quality, condition, and et cetera. After a market value for the property has been established, it is adjusted on an annual basis through a process called "trending". The annual adjustment is calculated based on real property sales data that the assessor collects and verifies. Studies are done with the sales data to determine whether the market is appreciating or depreciating and at what rate. The assessment is then adjusted accordingly.

The concept of calculating a tax bill is simple. One multiplies a property's assessed value by the applicable tax rate for a gross tax liability. However, in practice there are several other steps that can complicate the process. For example, in the case of a primary residence, a taxpayer may be eligible for a Homestead Standard Deduction (the lesser of $45,000 or 60% of the gross assessed value) and Supplemental Homestead Deduction (35% of the remainder value up to $600,000; 25% of the remainder value exceeding $600,000). Deductions such as these serve to lower the *gross assessed value* of a property. The resulting *net assessed value* is the value that the tax rate is applied to in order to calculate property taxes. After a tax bill is calculated, it can be further reduced because of property tax credits, which are directly subtracted for a billed amount.

The final step in calculating a tax bill has to do with property tax caps. Homestead properties are capped at 1% of the gross assessed value. Other residential and agricultural properties are capped at 2% and all other properties are capped at 3% of gross assessed value. In essence, if after all deductions and credits have been appropriately applied and the taxes due are still over the cap, the taxpayer receives another credit that brings the tax liability down to the capped rate. In certain instances, things that voters approve by referendum are exempt from the caps.

Property taxes in Indiana are due each year in two installments, one on May 10th and the other on November 10th. The local treasurer is required to mail tax bills at least 15 days prior to May 10th. If a property tax installment is not paid in full by its due date, a penalty is added to the unpaid portion. If the full installment of property taxes is completely paid within 30 days of the due date and no other delinquent taxes are due, a 5% penalty is owed on the delinquent amount. After 30 days, the penalty amount increases to 10% of the delinquent amount. If any taxes remain unpaid at the time the following year's taxes become due, an additional 10% penalty will be added.

The subject's real estate assessments and taxes are summarized as follows. They are expected to show little fluctuation going forward based on the recent trends in Monroe County.

Parcel #:	53-05-33-310-104.000-005
Owner:	Trustees of Ivy Tech Community College of Indiana
True Tax Value – Land:	$ 331,100.00
True Tax Value - Improvements:	$ 799,300.00
Total True Tax Value:	$1,130,400.00
Annual Prop. Taxes:	$0.00 (2019 pay 2020)

The subject's assessment appears to be typical of other properties in the area. It is owned by an exempt organization that is not required to pay property taxes.

HIGHEST AND BEST USE AND IMPROVEMENT ANALYSIS

When estimating the subject's market value, it is important to estimate its highest and best use. Highest and best use may be defined as:

> "The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."[5]

The highest and best use of a specific parcel or tract of land is shaped by the competitive forces within the market where the property is located. Therefore, any analysis and estimation of highest and best use is a study of market forces that are focused on the subject property. Each highest and best use analysis should consider the property as though vacant and as improved. In each scenario, four aspects of the highest and best use should be considered. The four aspects of highest and best use are:

1. The *legal* use of the property.
2. The *physically possible* use of the property.
3. The *financially feasible* use of the property.
4. The use provides the *highest productivity.*

Highest and best use as vacant:

In this appraisal, a separate overall land value is not presented. Continued use of the subject property as improved is presumed going forward and is noted as a limiting condition of the appraisal assignment. Thus, an analysis of the highest and best use as vacant is not applicable to the appraisal problem at hand.

Highest and best use as improved:

Legal Permissibility Analysis – The legal use of the subject property as improved is presumed to include its present use.

Physical Possibility Analysis – The results of this analysis are implicit. The existing use is obviously physically possible, and no known physical modifications need to be considered to continue the subject's use in its present capacity. Physical modifications/additions to augment the existing use may be possible; however, they seem unlikely. Demolition and redevelopment of the site is not likely given that the property improvements are accretive as indicated below.

[5] Ibid. Page 109.

Financial Feasibility Analysis – This analysis has to do with the market demand for the property in its current state. If the existing use creates a positive return on one's potential investment in it, then that use is deemed financially feasible. The tests of financial feasibility have been developed in the approaches to value that are summarized later in this report. In each developed approach to value, the improvements are shown to be accretive. They are not new and thus do not exactly mimic ideal improvements. Removing them from the site, however, is not a financially feasible course of action. No significant curable physical depreciation and/or functional obsolescence were identified or made known, and none are assumed. The condition of improvements in place will be taken into consideration in the different valuation analyses. The continuation of the existing use is a financially feasible course of action.

Maximum Productivity Analysis – The continuation of the subject's existing use is its maximally productive use.

Highest and Best Use as Improved Conclusion – The highest and best use as improved of the subject property is the continuation of its existing use. The property's most likely owner is an investor.

THE VALUATION PROCESS

The valuation process is a procedure that an appraiser follows to answer a client's questions or solve valuation problems pertaining to real property. It begins when the appraiser is engaged to perform particular services and to solve an appraisal problem. The valuation process ends when the conclusion of the analysis is reported to the client. Each parcel of real property is unique unto itself and differing types of value can be estimated for it. By far, the most common appraisal assignment is to estimate the market value of a parcel of real property. The framework for estimating different types of value may be found in the valuation process that is discussed below.

The valuation process is realized via specific steps; the number of steps followed depends on the nature of the assignment as well as the data and other resources available to carry out the task. Investigation and research begins after the appraisal assignment has been defined. Thereafter, subject property data is gathered. Then, all market levels, international, national, regional, community, and market area/trade area (neighborhood), are investigated in order to help the appraiser understand the interrelationships among the principles, forces, and factors that may or may not affect the subject property. This investigation also provides the appraiser a means by which to obtain raw data and to extract quantitative information and other evidence of market trends. Comparable data is then investigated for potential use in the approaches to value discussed below.

In assignments to estimate market value, as is the case with the subject property, the end goal of the valuation process is to estimate a well-supported value conclusion that reflects all of the relevant factors that may influence a property's market value. Market analysis and highest and best use analysis are critical to accomplish this objective. Thereafter, the appraiser studies the property from three different viewpoints, known as the traditional approaches to value: the Cost Approach, the Sales Comparison Approach, and the income approach. It is important to realize that the three approaches are interrelated, and all rely on market data. One or more of the approaches to value may not be applicable to the appraisal assignment or it may be less reliable than another approach due to the characteristics of the property, the appraisal assignment, the needs of the client, and the data that is available. Thus, not all of the valuation approaches are developed for every assignment.

The culmination of the appraisal process integrates the information observed in the market research, the data analysis, and the application of the applicable approaches to form a value

conclusion via final reconciliation. Reconciliations occur at the end of each of the approaches to value, but the final reconciliation weights the strengths and weaknesses of each approach used and its value indication. The relative dependability and applicability of each approach is considered. Explanations for discrepancies between value approaches can be made as well as other hard to quantify considerations in formulating a final value opinion. The final value conclusion may be presented as a single point estimate or as a range of value depending on the need of the client.

SITE VALUE

Land has many uses such as a potential site for a structure, agriculture, recreation, infrastructure site, water storage, natural resource exploration, and et cetera. Depending on one's location, any one of the potential uses identified above and many others that have not been listed can be a driver of value to the property. Also, important as a driver of value are the property rights that are part of the land. Many economic principles are interwoven in the ultimate value of a particular piece of property such as anticipation, supply and demand, change, and substitution. When a piece of land has been improved and is ready to be used for an anticipated purpose, it is called a site. The values of both raw land and sites should be considered and analyzed according to their individual highest and best use unless the scope of the assignment calls for it to be analyzed otherwise.

There are six generally accepted techniques of valuing land commonly used in appraisal practice. The techniques are:

1. The sales comparison method. This technique compares, weights, and relates past sales of similar real estate to the land or site being appraised.

2. The allocation method. This technique utilizes a distribution between land and building values where the total property value is known. It is often times expressed as a ratio.

3. The development method. This process is normally used with undeveloped land. It estimates total value as though the land were subdivided and sold, subtracting total development costs in forecasting cash flows. The cash flows are discounted to a present value indication via yield capitalization techniques.

4. The land residual method. This method seeks to isolate the value of the improvements on a site or parcel of land, which is then deducted from the total property value, leaving the land value as a residual.

5. The extraction method. This technique is similar to the previous one, but the estimate of the depreciated cost of the improvements is subtracted from a property's sale price as a means of estimating land/site value.

6. Straight capitalization or ground rent method. This technique capitalizes the rent potential of a site/land at an appropriate rate in order to calculate a land value indication.

Site value is commonly developed as part of the Cost Approach to value. For reasons discussed elsewhere, the Cost Approach is not applicable to the appraisal problem at hand. Therefore, an estimate of the subject's site value has not been developed for presentation herein.

COST APPROACH

The Cost Approach is one of the three traditional approaches to value. It is based on comparisons like the Sales Comparison Approach and like the Income Capitalization Approach. It compares the potential buyer's cost to construct a new structure on a site with the utility of the subject property. The cost estimate is adjusted for factors like age, utility, condition, and the like. It mirrors many market participants' thinking in relating cost to value. The Cost Approach is defined as follows:

> "A set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple estate in the subject property to reflect the value of the property interest being appraised."[6]

As indicated above, one of two cost bases can be used. The cost bases and their definitions are as follows:

1. *Reproduction cost:* The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building.[7]
2. *Replacement cost:* The estimate cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout.[8]

The cost to construct the subject structure and site improvements is estimated using one or more of three predominant techniques. Cost estimates should include a measure for both hard (direct) and soft (indirect) costs. The techniques and their definitions appear below:

1. *Comparative-Unit Method:* A method used to derive a cost estimate in terms of dollars per unit of area or volume based on known costs of similar structures that are adjusted for time and physical differences; usually applied to total building area.[9]
2. *Unit-in-Place Method*: A cost-estimating method in which total building cost is estimated by adding together the unit costs for the various building components as installed; also called the *segregated-cost method*.[10]
3. *Quantity Survey Method:* A cost-estimating method in which the quantity and quality of all materials used and all categories of labor required are estimated and unit cost figures are applied to arrive at a total cost estimate for labor and materials.[11]

The Cost Approach is particularly useful in evaluating properties with new or newer improvements. It is also a useful method to analyze special-use properties. The subject is improved such that the Cost Approach to value is not believed to be relevant to the appraisal problem at hand. Given the age of the improvements, the necessary depreciation estimates to develop the Cost Approach would be difficult to quantify with certainty. Moreover, the principal of substitution, one of the underlying tenants of the Cost Approach, tends to be less applicable as

[6] Ibid. Page 54.
[7] Ibid. Page 198.
[8] Ibid. Page 197.
[9] Ibid. Page 43.
[10] Ibid. Page 239.
[11] Ibid. Page 183.

a property's structure(s) ages. For these reasons and others, the Cost Approach is not a pertinent tool in evaluating the subject property. It has been considered in the appraisal process, but it is not fully developed herein.

COST APPROACH: Not Applicable

THE SALES COMPARISON APPROACH

The Sales Comparison Approach is used to develop a value indication by analyzing similar properties and comparing those properties to the subject property. This valuation approach is based on the assumption that market value is related to the prices of comparable properties that have sold in the market. The Sales Comparison Approach is defined below:

> "The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available."[12]

In this approach, the elements of comparison are tested in the market in order to estimate how they may or may not affect value. Supply and demand, substitution, balance, and externalities all affect the Sales Comparison Approach.

The Sales Comparison Approach is applicable to virtually all real property types. However, there has to be sufficient, reliable property transfers of a like kind compared to the subject in order to develop the approach. In such a case, the Sales Comparison Approach is the simplest valuation approach to understand and to explain. If insufficient, reliable data is unavailable, other valuation approaches should be employed. Many times, special-purpose properties are better suited to valuation via the Cost Approach rather than the Sales Comparison Approach because of insufficient market transactions in their particular property type. However, with sufficient data, the Sales Comparison Approach commonly provides the best indication of market value for non-income producing properties.

There is a systematic procedure in developing the Sales Comparison Approach. The following are the procedural steps outlined on pages 301 and 302 of the Appraisal Institute's *The Appraisal of Real Estate, 13th ed.*

1. Research the competitive market for information on properties that are similar to the subject property and that have recently sold, are listed for sale, or are under contract. Consider the characteristics of the properties such as property type, date of sale, size, physical condition, location, and land use constraints. The goal is to find a set of comparable sales as similar as possible to the subject property to ensure they reflect the actions of similar buyers. Market analysis and highest and best use analysis set the stage for the selection of appropriate comparable sales.
2. Verify the information by confirming that the data obtained is factually accurate and that the transactions reflect arm's-length market considerations. Verification may elicit additional information about the property and the market so that comparisons are credible.
3. Select the most relevant units of comparison in the market (e.g., price per acre, price per square foot, price per front foot) and develop a comparative analysis for each unit. The

[12] Ibid. Page 207.

appraiser's goal is to define and identify a unit of comparison that explains market behavior.

4. Look for differences between the comparable sale properties and the subject property using all appropriate elements of comparison. Then adjust the price of each sale property, reflecting how it differs, to equate it to the subject property or eliminate that property as a comparable. This step typically involves using the most similar sale properties and then adjusting for any remaining differences. If a transaction does not reflect the actions of a buyer who would also be attracted to the subject property, the appraiser should be concerned about comparability.
5. Reconcile the various value indications produced from the analysis of comparables to a value bracket and then to a single value indication.

Item 3 above has to do with selecting the appropriate unit of comparison, which for the subject is sale price per Gross Building Area (GBA). This method of analysis and unit of measurement has facilitated and provided reliability in this property type's comparison in the past and is anticipated to do so in this analysis.

On the following pages, the Sales Comparison Approach for the subject has been summarized. First, summaries of the comparable sales are presented. Second, explanations of the various adjustments made to the sale comparables are described and explained. Next, the sales comparison worksheet is presented. Finally, the results of the analysis are reconciled, and a value indication is made.

COMPARABLE IMPROVED SALE #1

Address or Location:	400 W. 7th Street Bloomington, Indiana
Sale Date:	November 21, 2019
Sale Price:	$3,445,000.00
Sale Price per SF GBA:	$92.96
Sale Price per SF NRA:	$122.31
Property Rights Conveyed:	Leased fee
Conditions of Sale:	Arm's length
Financing:	Cash equivalent
Land size:	1.133 acres (49,353 SF) +/-
GBA / NRA:	37,059 SF +/- / 28,167 SF +/-
Age:	98 years, built in 1921 +/-
Zoning:	Commercial Downton / Downtown Core Overlay District
Use:	Office building
Topography:	Level
Utilities:	All
Vendor:	Edward W. Burke and Nancy J. Burke, Trustees et al.
Vendee:	400 W. 7th, LLC
Highest and best use:	As improved
Verification:	Indiana Regional MLS, public records, and previous appraisal.

Comments: This property to the northwest of the town square. It is built out with a multi-tenant office building. The tenant spaces and buildouts are typical of the market. The sale also included parking lots and other associated site improvements.

Photograph of Comparable

Pro-Forma Capitalization Rate & Multiplier Abstraction

Address	400 W. 7th Street			
Property Type:	Office			
Sale price:				$3,445,000.00
Potential gross income:				$427,800.00
Vacancy and collection loss:		7%		$29,946.00
Effective gross income:				$397,854.00
Less fixed expenses:		$5.7564		$50,150.00
Less management:		$2.2834		$19,892.70
Less other operating expenses:		$15.7828		$137,500.00
Less reserves:		$2.2834		$19,892.70
Net operating income:				$170,418.60
Indicated capitalization rate:				4.95%
Effective gross income multiplier:				8.66
Net income multiplier:				20.21
Sale date				11/21/2019
Debt financing		71%		$2,446,500.00
Equity financing		29%		$998,500.00
Mortgage interest rate				4.25%
Payment terms				Monthly
Amortization			20.00	Years
Mortgage constant				$181,794.86
Equity capitalization rate				-1.14%

COMPARABLE IMPROVED SALE #2

Address or Location:	209 S. College Avenue Bloomington, Indiana
Sale Date:	August 23, 2019
Sale Price:	$1,450,000.00
Sale Price per SF GBA:	$151.39
Sale Price per SF NRA:	$151.39
Property Rights Conveyed:	Leased fee
Conditions of Sale:	Arm's length
Financing:	Cash equivalent
Land size:	0.200 acres (8,710 SF) +/-
GBA / NRA:	9,578 SF / 9,578 SF
Age:	49 years, built in 1970 +/-
Zoning:	Commercial Downton / Downtown Core Overlay District
Use:	Retail, entertainment, office
Topography:	Level
Utilities:	All
Vendor:	Grace Jackson, LLC
Vendee:	209 S. College, LLC
Highest and best use:	As improved
Verification:	Indiana Regional MLS and public records.

Comments: This property to the southwest of the subject. Prior to its sale, it had recently undergone renovations and was advertised as ready for tenant build-out plans. Within the structure are two areas that could be utilized as entertainment venues, one of which has a stage, like the subject structure. The GBA estimate shown above is inclusive of 3,185 SF of below-grade space utilized by one of the three tenants that occupy it. The property is adjacent to the 4th Street parking garage. The subject sits just northeast of it, across the street.

Photograph of Comparable

Pro-Forma Capitalization Rate & Multiplier Abstraction

Address	209 S. College Avenue			
Property Type:	Retail, entertainment, offices			
Sale price:				$1,450,000.00
Potential gross income (NNN leases):				$87,180.00
Vacancy and collection loss:		7%		$6,102.60
Effective gross income:				$81,077.40
Less fixed expenses:		$0.1295		$1,239.97
Less management:		$0.5079		$4,864.64
Less other operating expenses:		$0.1566		$1,500.00
Less reserves:		$0.5079		$4,864.64
Net operating income:				$68,608.14
Indicated capitalization rate:				4.73%
Effective gross income multiplier:				17.88
Net income multiplier:				21.13
Sale date				8/23/2019
Debt financing		93%		$1,350,000.00
Equity financing		7%		$100,000.00
Mortgage interest rate				4.50%
Payment terms				Monthly
Amortization			20.00	Years
Mortgage constant				$102,489.20
Equity capitalization rate				-33.88%

COMPARABLE IMPROVED SALE #3

Address or Location:	204 N. Walnut Street Bloomington, Indiana
Sale Date:	December 1, 2014
Sale Price:	$1,254,000.00
Sale Price per SF GBA:	$157.50
Sale Price per SF NRA:	$160.77
Property Rights Conveyed:	Leased fee
Conditions of Sale:	Arm's length
Financing:	Cash equivalent
Land size:	0.0606 acres (2,640 SF) +/-
GBA / NRA:	7,962 SF / 7,800 SF
Age:	101 years, built in 1913 +/-
Zoning:	Commercial Downton / Downtown Core Overlay District
Use:	Retail, entertainment, residential
Topography:	Level
Utilities:	All
Vendor:	Mallory Hawes, LLC
Vendee:	Two Zero Five, LLC
Highest and best use:	As improved
Verification:	Indiana Regional MLS, public records, and in-house appraisal.

Comments: This is the Princess Theater building that sits just to the northeast of the courthouse square. At the time of the sale, it was leased to a Mexican restaurant, the ground floor area, and it had three upstairs apartments.

Photograph of Comparable

Pro-Forma Capitalization Rate & Multiplier Abstraction

Address	204 N. Walnut Street		
Property Type:	Retail, entertainment, residential		
Sale price:			$1,254,000.00
Potential gross income (NNN leases):			$107,748.00
Vacancy and collection loss:	7%		$7,542.36
Effective gross income:			$100,205.64
Less fixed expenses:	$1.8573		$14,788.00
Less management:	$0.7046		$5,610.28
Less other operating expenses:	$0.7046		$5,610.00
Less reserves:	$0.7551		$6,012.34
Net operating income:			$68,185.02
Indicated capitalization rate:			5.44%
Effective gross income multiplier:			12.51
Net income multiplier:			18.39
Sale date			12/1/2014
Debt financing	100%		$1,260,000.00
Equity financing	0%		-$6,000.00
Mortgage interest rate			4.75%
Payment terms			Monthly
Amortization		20.00	Years
Mortgage constant			$97,709.01
Equity capitalization rate			492.07%

COMPARABLE IMPROVED SALE #4

Address or Location:	108 W. 6th Street Bloomington, Indiana
Sale Date:	January 9, 2017
Sale Price:	$2,050,000.00
Sale Price per SF GBA:	$235.31
Sale Price per SF NRA:	$235.31
Property Rights Conveyed:	Leased fee
Conditions of Sale:	Arm's length
Financing:	Cash equivalent
Land size:	0.100 acres (4,356 SF) +/-
GBA / NRA:	8,712 SF / 8,712 SF
Age:	118 years, built in 1899 +/-
Zoning:	Commercial Downton / Courthouse Square Overlay District
Use:	Retail, residential
Topography:	Level
Utilities:	All
Vendor:	Downtown Square I LLC
Vendee:	BMI Properties, LLC
Highest and best use:	As improved
Verification:	Indiana Regional MLS and public records

Comments: This property is on the north side of the courthouse square. It had been refurbished prior to the sale. The downstairs space was rented to a bakery on NNN terms. The upstairs had three 3-bedroom apartments. The property is presently offered for lease.

Photograph of Comparable

Pro-Forma Capitalization Rate & Multiplier Abstraction

Address	108 W. 6th Street			
Property Type:	Retail, residential			
Sale price:				$2,050,000.00
Potential gross income (NNN leases):				$204,000.00
Vacancy and collection loss:		7%		$14,280.00
Effective gross income:				$189,720.00
Less fixed expenses:		$5.4624		$47,588.00
Less management:		$1.3774		$12,000.00
Less other operating expenses:		$1.1478		$10,000.00
Less reserves:		$1.0888		$9,486.00
Net operating income:				$110,646.00
Indicated capitalization rate:				5.40%
Effective gross income multiplier:				10.81
Net income multiplier:				18.53
Sale date				12/1/2014
Debt financing		80%		$1,640,000.00
Equity financing		20%		$410,000.00
Mortgage interest rate				4.75%
Payment terms				Monthly
Amortization			20.00	Years
Mortgage constant				$127,176.81
Equity capitalization rate				-4.03%

Subject and Comparable Location Map

Explanation of Adjustments

Property Rights: The property rights transferred are fee simple and required no adjustment.

Sale Conditions: No adjustments for non-arm's length sale conditions are necessary to the comparables.

Financing Terms: All the sale properties are typical of the market, are at conventional market terms and in cash or in cash-equivalent form, requiring no adjustments.

Expenditures Immediately after Purchase: None of the comparables used are known to need adjustment for this category.

Market Conditions: Research shows that the overall real estate market in Monroe County has generally appreciated over the comparable search period. Sale prices across all property types were used in part in evaluating the market conditions change over the search period. Following is a summary of the overall market changes over the past several years in the Monroe County market area:

Time Period	# of Properties Sold	Average Days on Market	Avg. Sale Price
2007	-4.24% (1,898 properties)	124 days	+5.82%
2008	-2.58% (1,849 properties)	121 days	+2.26%
2009	-19.90% (1,481 properties)	129 days	+3.11%
2010	-1.14% (1,464 properties)	128 days	-3.51%
2011	-3.96% (1,406 properties)	91 days	+6.22%
2012	+14.71% (1,624 properties)	97 days	+5.62%
2013	+9.85% (1,784 properties)	Not reported/known	-1.30%
2014	-4.93% (1,696 properties)	Not reported/known	+5.83%
2015	+16.10% (1,969 properties)	Not reported/known	+7.32%
2016	+8.43% (2,135 properties)	Not reported/known	+4.28%
2017	+4.64% (2,234 properties)	Not reported/known	+2.94%
2018	+0.63% (2,248 properties)	Not reported/known	+7.57%
2019	-2.49% (2,192 properties)	Not reported/known	+9.06%
2020*	-5.46% (1,559 properties)	Not reported/known	-0.69%

*Calculated through September 2020.

The data above shows a general decline in the number of properties sold during the time periods from 2007 through 2011. In 2012 and 2013, the trend reversed. In 2014, the number of properties sold decreased again. A common complaint among Realtors in the local market at that time was that there were buyers but not adequate inventory to sell. The 2011 and 2012 periods show solid average sale price increases with stability seen in 2013. In 2014, sale price appreciation was strong again, supporting Realtors' claims that inventory levels had been inadequate. It is worthwhile to note that Monroe County's real estate sale prices were not affected in the same way prices were affected in other parts of the country during the recessionary environment of 2007-2008; however, the market was not totally inoculated from it. This is borne out in the days-on-market and number of properties sold data. The resiliency of this market is demonstrated by having only one year, 2010, in which sale prices meaningfully declined. The 2011 through 2012 periods reflect pent up demand for real estate not only vis-à-vis sale price appreciation but also with respect to the number of properties sold. The market in 2014 and 2015 was characterized as strong by Realtors, not necessarily because of pent up demand, but rather because of an undergirding by a healthier economy. In 2016, Realtors indicated that there was an abundance of willing buyers; however, a willingness to sell was not present. This

carried over into 2017. In 2018 and 2019, the overall market showed signs of weaknesses, and real interest rates began to decrease. Sale prices began to rise precipitously and real estate demand outpaced supply. This was also true of the Monroe County/Bloomington market. This phenomenon carried into 2020. Presently, demand outpaces available inventory according to real estate sales professionals. Prices appear to have leveled off and remained relatively flat for 2020 thus far, perhaps because of the prolonged nature of the low interest rates available and because they have not fallen significantly year to date.

Certain segments of the local real estate market have moved in different magnitudes over the course of the time period from which the comparables have been selected. In general, sufficient data is not available to perform property-type specific analyses except for residential real estate. Some paired sales analyses for various property types are available, but without a sufficient number, it is not reliable to say that one or two are reflective of the larger market. For appraisal purposes, the comparables will be adjusted at 4% annually on a straight-line basis.

Physical Characteristics: The physical amenities are adjusted compared to the sale comparables based on inferior or superior nature of things in question. Generally, these adjustments are based on the contributory value, which may be found by paired sales analysis, considering depreciated cost indications, considering the cost to cure, analysis of income differences, et cetera. In some cases, judgment is used as well.

Location: No separate adjustments are necessary for this element of comparison.

GBA: There is commonly an inverse relationship between the size of a structure and its per-unit sale price. The comparables all required adjustments for this element of comparison. The adjustments are based on market data.

Basement: Separate adjustments for basement differences are not necessary.

Site Influence: No adjustments were made for this element of comparison.

Efficiency Ratio: A building's efficiency with respect to NRA versus GBA can influence a property's sale price. Comparable #1's ratio is considerably different than that of the subject. An appropriate adjustment is made to it. The other comparables did not require adjustment for this element of comparison.

Construction: No adjustments have been made for construction differences between the subject's structure and those of the comparables.

Quality / Condition: In general, there are minor quality differences between the structures under analysis. No adjustments are afforded this element of comparison.

Adjustments for condition differences have, however, been made in each case. The subject structure is presently designed for classrooms and offices. This setup could be incorporated into a modern office building; however, it likely would require renovations and various buildouts. Any deferred maintenance would have to be addressed. The upstairs stage area is a large space that may or may not be incorporated into a future use. If not, it likely would require significant investment to retrofit it for use going forward. The comparables were not as subject to these considerations upon their respective sales. The adjustments are subjective in nature and rely on judgment.

Interior Buildout: No specific adjustments have been made for this element of comparison. Buildout consideration have already been included within the condition adjustments made.

Utilities: No adjustments are necessary for utility availability differences.

Parking: No parking adjustments are necessary. Downtown properties like the subject are generally not accommodative to many on-site parking spaces, and therefore, they are not expected to have them. Comparable #1 is northwest of the downtown square area, having many parking spaces. There is no market evidence that these spaces were seen as a benefit or a detractor comparatively with the subject. No adjustment to it is made as such.

Other: No adjustments for other elements of comparison have been made.

Sales Comparison Approach

	Subject	Comparable Sale #1	Comparable Sale #2	Comparable Sale #3	Comparable Sale #4
Address	**122 S. Walnut St. Bloomington, IN**	**400 W. 7th St. Bloomington, IN**	**209 S. College Ave. Bloomington, IN**	**204 N. Walnut St. Bloomington, IN**	**108 W. 6th St. Bloomington, IN**
Sale Price	$0	$3,445,000	$1,450,000	$1,254,000	$2,050,000
Sale Price/GBA	$0.00	$92.96	$151.39	$157.50	$235.31
Property Rights	Fee simple	Leased fee	Leased fee	Leased fee	Leased fee
Sale Conditions	Arm's length	Arm's length	Arm's length	Arm's length	Arm's length
Financing Terms	Cash equiv	Cash equiv	Cash equiv	Cash equiv	Cash equiv
Date of Sale	Nov-20	Nov-19	Aug-19	Dec-14	Jan-17
Months		12	15	72	46
Physical:					
Location	Downtown	Near downtown	Downtown	Downtown	Downtown
GBA	19,340	37,059	9,578	7,962	8,712
Basement	-	-	Incl. above	Incl. above	-
Site (SF)	8,712	49,353	8,710	2,640	4,356
Site Utility	Average	Average	Average	Average	Average
Land-to-Building Ratio	0.45	1.33	0.91	0.33	0.50
Efficiency Ratio	1.00	0.76	1.00	0.98	1.00
Construction	Frame-limestone	Frame-masonry vnr.	Frame/block-stone vnr	Frame/block-stone vnr	Frame-masonry vnr.
Actual Age	1915	1921	1970	1913	1899
Quality/Condition	Average / fair +	Similar / superior	Similar / superior	Similar / superior	Similar / superior
Interior Buildout	Classroom / office	Office	Retail / office	Retail / residential	Retail / residential
Utilities	All	All	All	All	All
Zoning	CD	CD	CD	CD	CD
Parking	On-street	59 +/- parking spaces	2 +/- parking spaces	On-street	On-street
Other	N/A	N/A	N/A	N/A	N/A
		Adjustments			
Sale Price/GBA		**$92.96**	**$151.39**	**$157.50**	**$235.31**
Property Rights		$0.00	$0.00	$0.00	$0.00
Sale Conditions		$0.00	$0.00	$0.00	$0.00
Financing Terms		$0.00	$0.00	$0.00	$0.00
Expenditures Immediately after Purchase		$0.00	$0.00	$0.00	$0.00
Subtotal		$92.96	$151.39	$157.50	$235.31
Date of Sale	0.003333	$3.72	$7.57	$37.80	$36.08
Adjusted Sale Price/GBA		**$96.68**	**$158.96**	**$195.30**	**$271.39**
Physical Adjustments:					
Location		$0.00	$0.00	$0.00	$0.00
GBA		$9.67	($3.18)	($3.91)	($5.43)
Basement		$0.00	$0.00	$0.00	$0.00
Site Influence		$0.00	$0.00	$0.00	$0.00
Efficiency Ratio		$19.34	$0.00	$0.00	$0.00
Construction		$0.00	$0.00	$0.00	$0.00
Quality/Condition		($24.17)	($23.84)	($39.06)	($94.99)
Interior Buildout		$0.00	$0.00	$0.00	$0.00
Utilities		$0.00	$0.00	$0.00	$0.00
Zoning		$0.00	$0.00	$0.00	$0.00
Parking		$0.00	$0.00	$0.00	$0.00
Other		$0.00	$0.00	$0.00	$0.00
Net adjustment		$4.83	($27.02)	($42.97)	($100.41)
Adjusted Unit Price		**$101.51**	**$131.94**	**$152.33**	**$170.97**
		Mean:	$139.19		
		Median:	$142.13	**Market Val. Indication:**	**$2,901,000**
		Reconciled Value/SF:	$150.00	***Rounded:***	***$2,900,000***

Sales Comparison Approach Summary/Reconciliation

The Sales Comparison Approach is a reliable value indicator after proper reconciliation. The comparables' adjusted sale prices have been resolved to a point estimate. The comparables' primary weaknesses are the number of differences each has compared to the subject. Conversely, the approach's strength is that it provides a summary of primary sales activity for competing properties. The comparables have been selected from the downtown Bloomington area. They were chosen because they are generally within the courthouse square area or close thereto. Comparable #1 is the most dissimilar to the subject given its size and given its location outside the couple-block perimeter surrounding the square. The comparable is well-known for appraisal purposes and yields insight into a market-derived overall capitalization rate. Within the reconciliation process, it is the least weighted value indicator after adjustment. Comparable #2 is across the street from the subject, to the southwest. It is a good indicator of value after adjustment and is given consideration in the final reconciliation process. Comparable #3 is a dated sale; however, it is similar to the subject in that it is just off the courthouse square. The property was appraised in-house prior to its sale and is well-known for comparison purposes. Its finishes and condition were superior to the subject, requiring adjustment. Its indication is weighted after adjustment in the reconciliation similarly to that of Comparable #2. Comparable #4 has a recently refurbished structure that, again, is superior with respect to condition comparatively with the subject. After adjustment, its indication is weighted less than Comparables #2 and #3. The order of weight in the reconciliation from greatest to least is shown below:

Comparable Sales #2 and #3
Comparable Sale #4
Comparable Sale #1

The reconciliation does not exceed the range set forth by the adjusted comparables in the grid.

SALES COMPARISON APPROACH: $2,900,000.00
Two Million Nine Hundred Thousand Dollars

THE INCOME CAPITALIZATION APPROACH

Real estate that produces income is typically purchased as an investment by an investor that has expectations of receiving a future income stream. The Income Capitalization Approach converts an expected future income stream into a present value indication by various mathematical procedures, analyses, and techniques. The Income Capitalization Approach can be developed under two primary methodologies: direct capitalization and yield capitalization. Direct capitalization utilizes one year's income in concluding a value indication. Yield capitalization on the other hand utilizes anticipated cash flows from a series of years or different time intervals plus a reversion value in order to conclude a value indication.

The initial step of both capitalization techniques requires a comprehensive analysis of the subject property's contemporary and historical income and expense. This is combined with a study of comparable properties' income and expense histories. Then, a Reconstructed Operating Income Statement (ROIS) is developed that must reflect the purpose of the appraisal. This is especially true with respect to the property interest being appraised. For example, a leased fee value will reflect the subject's current leases as well as its recent, historical expenses. A fee simple value will reflect a market rent and a market expense structure that may not mirror leased fee value.

Although either a direct capitalization approach or a yield capitalization approach can be developed, there are various steps that are essential precursors to both of these techniques. Prior to either of the capitalization techniques, one should seek to identify net operating income. The steps in developing the income approach are as follows:

1. Research the income and expense data for the subject property and comparables.
2. Estimate the potential gross income of the property by adding the rental income and any other potential income.
3. Estimate the vacancy and collection loss.
4. Subtract vacancy and collection loss from total potential gross income to arrive at the effective gross income of the subject property.
5. Estimate the total operating expenses for the subject by adding fixed expenses, variable expenses, and a replacement allowance (where applicable).
6. Subtract the estimate of total operating expenses from the estimate of effective gross income to arrive at net operating income. (Deductions for capital items may also be necessary at various points in time through the projection period to calculate the cash flow used in discounted cash flow analysis.)
7. Apply one of the direct or yield capitalization techniques to this data to generate an estimate of value via the Income Capitalization Approach.[13]

The appropriate capitalization method in this case is the direct capitalization technique. Direct capitalization is defined as:

> "A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. Direct capitalization employs capitalization rates and multipliers extracted or developed from market data. Only a single year's income is used. Yield and value changes are implied but not explicitly identified."[14]

[13] *The Appraisal of Real Estate,* 14th ed. (Chicago, IL: The Appraisal Institute, 2013) Page 460.
[14] *The Dictionary of Real Estate Appraisal,* 6th ed. (Chicago, IL: The Appraisal Institute, 2010) Page 58.

Direct capitalization is employed via two basic methodologies:

> 1.) Using an overall capitalization rate to estimate value based on the entire property's income, or
> 2.) Utilizing residual techniques that take into consideration different components of a property's income and then using market-based capitalization rates for the particular components.

Direct capitalization is different from yield capitalization because it does not consider cash flows for a property beyond the year being analyzed. Yield capitalization on the other hand considers cash flows over a specific holding period. The choice of capitalization technique should not produce a different value indication if proper analysis of appropriate and correct data is used in both cases. Direct capitalization is used in this analysis.

The leases analyzed herein will be looked at on per-bedroom and per-apartment unit rates. These metrics are typical in the multi-family market and will facilitate reliable analyses in the development of the income approach.

Current Income / Lease Summary

The property is at present not known to be rented. Again, no details pertaining to the radio station that occupies the west part of the ground floor space are known.

Potential Gross Income

The first step in the Income Capitalization Approach is to estimate the subject's Potential Gross Income (PGI). Potential Gross Income is defined as:

> "The total income attributable to the property at full occupancy before vacancy and operating expenses are deducted."[15]

The subject's PGI will be evaluated with rent comparables. Following is an array summarizing office, retail, and similar leases in place around Bloomington. The PGI reconciliations are shown in the operating income statement.

[15] Ibid. Page 173.

Comparable Rent Array

Property Location	Annual Lease	Terms	Area Leased (SF)	Type of Space Leased	Description	Lease Length	Quality/ Condition	Lease Comm. Date	Unadjusted Lease Rate
1004 W. 1st St., Bloomington, IN	$21,348	NNN	1,779	Med. office	Finished office	Unknown	Average/avg	5/31/2016	$12.00
822 W. 1st Street, Bloomington, Indiana	$12,000	NNN	1,200	Med. office	Finished office	Unknown	Average/inf	1/24/2016	$10.00
822 W. 1st Street, Bloomington, Indiana	$14,097	Gross	1,242	Med. office	Finished office	3 years	Average/avg	3/1/2017	$11.35
W 3rd St., Bloomington, Indiana (Confidential)	$224,515	Gross	10,920	Office	Finished office	10 years	Average/avg	3/3/2008	$20.56
W 3rd St., Bloomington, Indiana (Confidential)	$61,200	NNN	3,600	Office	Finished office	10 years	Average/avg	10/22/2007	$17.00
W 3rd St., Bloomington, Indiana (Confidential)	$43,632	NNN	2,400	Med. office	Finished office	10 years	Average/avg	6/1/2015	$18.18
108 W. 6th Street, Bloomington, Indiana	$72,000	NNN	4,389	Retail, rest.	King Dough	3 years	Average/avg +	3/4/2015	$16.40
209 S. College Ave., Bloomington, Indiana	$40,800	NNN	3,831	Retail, bar	Bar	Unknown	Average/avg +	Unknown	$10.65
209 S. College Ave., Bloomington, Indiana	$31,380	NNN	3,352	Retail, lounge	Lounge, bar	Unknown	Average/avg	Unknown	$9.36
209 S. College Ave., Bloomington, Indiana	$15,000	NNN	2,395	Stage-bsmt.	Stage, club	Unknown	Average/avg	Unknown	$6.26
W 3rd St., Bloomington, Indiana (Confidential)	$43,632	NNN	2,400	Med. office	Finished office	10 years	Average/avg	6/1/2015	$18.18
W 3rd St., Bloomington, Indiana (Confidential)	$43,632	NNN	2,400	Med. office	Finished office	10 years	Average/avg	6/1/2015	$18.18
400 W. 7th St., Bloomington, Indiana	$9,000	Gross	530	Office	Finished office	9 years	Average/avg	12/15/2014	$16.98
400 W. 7th St., Bloomington, Indiana	$33,992	Mod g.	2,193	Office	Finished office	15 years	Average/avg	11/14/2014	$15.50
400 W. 7th St., Bloomington, Indiana	$19,907	NNN	1,260	Office	Finished office	3 years	Average/avg	9/1/2015	$15.80
400 W. 7th St., Bloomington, Indiana	$53,100	Gross	3,550	Office	Finished office	5 years	Average/avg	9/1/2014	$14.96
400 W. 7th St., Bloomington, Indiana	$4,200	Gross	172	Office	Finished office	1 year	Average/avg	8/7/2017	$24.42
400 W. 7th St., Bloomington, Indiana	$3,000	Gross	144	Office	Finished office	4 years	Average/avg	7/1/2015	$20.83
400 W. 7th St., Bloomington, Indiana	$18,720	Gross	1,439	Office	Finished office	3 years	Average/avg	7/1/2015	$13.01
400 W. 7th St., Bloomington, Indiana	$13,857	Mod g.	930	Office	Finished office	10 years	Average/avg	2/28/2008	$14.90
400 W. 7th St., Bloomington, Indiana	$14,400	Gross	933	Office	Finished office	3 years	Average/avg	3/1/2017	$15.43
400 W. 7th St., Bloomington, Indiana	$60,123	NNN	8,589	Office	Finished office	15 years	Average/avg	9/1/2017	$7.00
400 W. 7th St., Bloomington, Indiana	$28,178	NNN	1,940	Office	Finished office	5 years	Average/avg	9/1/2014	$14.52
400 W. 7th St., Bloomington, Indiana	$24,600	NNN	2,700	Office	Finished office	5 years	Average/avg	7/1/2015	$9.11
400 W. 7th St., Bloomington, Indiana	$15,536	NNN	1,942	Office	Finished office	30 years	Average/avg	8/1/2006	$8.00

Expense Reimbursements

No expense reimbursements are anticipated at the subject property.

Effective Gross Income

After PGI is addressed, Effective Gross Income (EGI) is estimated. Effective Gross Income is defined as follows:

> "The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income."[16]

The vacancy and collection loss-allowance made in calculating EGI takes into account losses that can be attributable to vacancies, turnover, and nonpayment of rent. It is appropriate to allow this adjustment to income even if little or no historical loss has been realized. These losses can be frictional in nature, which is to say they can occur as a matter of doing business.

The vacancy and collection loss allowed in the analysis is appropriate based on the unit mix in place at the subject property.

Operating Expenses

It is important to note that P&Ls for this property were not provided. The expense estimates made are mostly premised on market data and expense comparables. They may or may not reflect those expenses incurred in the year subsequent to the effective date.

Next, the property's operating expenses must be deducted in order to complete the ROIS that will be used in the direct capitalization technique. Operating expenses are "The periodic expenditures necessary to maintain the real estate and continue production of the effective gross income, assuming prudent and competent management."[17] The operating expense statement that takes out only these expenses will likely differ from statements that an owner or accountant prepares, which may include things like depreciation, depletion, income tax, special costs, capital improvements, and/or interest expense.

Operating expenses are typically classified in one of three categories:

a. Fixed expenses
b. Variable expenses
c. Replacement allowance

Fixed Expenses:

Real estate taxes are fixed expenses. The State of Indiana, Department of Local Government Finance's website was used to estimate 2019 pay 2020 real estate taxes as if they were due. Today, there are no taxes due on the property because it is owned by an exempt organization.

Insurance is another fixed expense. This expense estimate is based on expense comparables.

[16] Ibid. Page 74.
[17] Ibid. Page 163.

Variable Expenses:

A variable expense that many property owners do not account for in their own recordkeeping is that of management. The estimate is based on market data.

A replacement allowance (reserves) is an expense allowed for the periodic replacement of a building or property components that wear out quicker than the building itself. For example, a roof wears out quicker than an overall building in most cases and a replacement allowance provides for the eventual expense of replacing it. The expense is based on work done with short-lived physical elements of a building for other appraisal assignments.

Other variable operating expenses are shown in the operating income statement. The expense estimates are based on expense comparables.

Net Operating Income

Allowed operating expenses are subtracted from the property's EGI to estimate the property's Net Operating Income (NOI). Net Operating Income can be defined as:

> "The actual of anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. Note: This definition mirrors the convention used in corporate finance and business valuation for EBITDA (earnings before interest, taxes, depreciation, and amortization)."[18]

Net operating income is an important number to estimate in the analysis of the subject property because it is one of the two elements used in the capitalization procedure.

Capitalization Rate

The second of the two components of the direct capitalization technique employed herein is the capitalization rate to be used. The basic formula for deriving a value estimate via the direct capitalization technique is as follows:

Value = NOI/Overall Capitalization Rate

Overall capitalization rates may be derived from comparable sales, effective gross income multipliers and net income ratios, band-of-investment or weighted average techniques (based on mortgage and equity components with R_M and R_E or land and building components with R_L and R_B, debt coverage ratios (DCRs), and yield capitalization techniques.

Two methods of estimating the overall capitalization rate are appropriate for the appraisal analysis at hand and will be developed, market abstraction and Band-Of-Investment (BOI). Capitalization rate abstractions from the market are presented in the Sales Comparison Approach and the BOI technique follows. The capitalization abstractions are optimistic for the subject because they were not subject to the potential refurbishment and retrofitting that will be required of the subject if it were to sell. Thus, they are taken into consideration in the rate reconciliation but tempered somewhat for this observation.

[18] Ibid. Page 158.

Band of Investment Technique

Band-of-investment is a technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment. In this case, the overall capitalization rate (R_O) is the sum of the weighted average of the mortgage capitalization rate (R_M) and the equity capitalization rate (R_E). The mortgage capitalization rate is multiplied times the loan-to-value ratio (M) and the equity capitalization rate is multiplied times the equity ratio (E). The basic formula for the BOI technique is as follows:

$$R_O = (M \text{ X } R_M) + (E \text{ X } R_E)$$

For the purposes of this appraisal, the R_M will be estimated based on the following criteria:

a. A 20-year loan term.
b. Monthly installments.
c. Installments at the end of the period.
d. An available 3.75% annual interest rate.

The data used in developing the BOI technique are presented below. The calculation is also presented:

R_M = 0.07114656 (0.00592888 X 12)
M = 75.00%
R_E = 4.00%
E = 25.00%

$$R_O = (0.07114656 \text{ X } 75\%) + (0.04 \text{ X } 25\%) = 0.06335992 \text{ rounded to } 6.34\%$$

The calculations above set forth the basic BOI technique.

Using both the market-abstracted indications and BOI indication, the reconciled OAR estimate is shown in the ROIS.

Reconstructed Operating Income Statement - Direct Capitalization Summary

Potential Gross Income:	Floor	SF-NRA	Rent/SF/YR	Pot. Rent Income		
122 S. Walnut Street	1	8,100	$12.00	$97,200		
N/A	2	5,620	$12.00	$67,440		
N/A	3	5,620	$9.00	$50,580		
N/A	0	0	$0.00	$0		
N/A	0	0	$0.00	$0		
Total Potential Gross Income						$215,220
Expense Reimbursement Revenue:						
Real estate taxes and insurance						$67,082
CAM					+	$0
Potential Gross Income (PGI):						**$282,302**
Less: Vacancy and collection loss:		7.00%			-	$19,761
Effective Gross Income (EGI):						**$262,541**
Less Fixed Expenses:		$/SF NRA	% of EGI			
Real estate taxes		$3.0084	22.16%	$58,182		
Insurance		$0.4602	3.39%	$8,900		
Subtotal		$3.4686	25.55%	$67,082		
Less Operating Expenses:						
Management		$0.8145	6.00%	$15,752		
Repairs and maintenance (exterior)		$0.1810	1.33%	$3,500		
Repairs and maintenance (interior during vacancy)		$0.0569	0.42%	$1,100		
Legal & professional		$0.1241	0.91%	$2,400		
Miscellaneous		$0.0388	0.29%	$750		
Trash/pest control service (during vacancy)		$0.0724	0.53%	$1,400		
Landscaping - Snow removal		$0.0000	0.00%	$0		
Utilities (during vacancy)		$0.0233	0.17%	$450		
Reserves		$0.4912	3.62%	$9,500		
		$1.8021	13.28%	$34,852		
	Overall expense metrics	*$5.2707*	*38.83%*			
		Total Fixed and Variable Expenses			-	**$101,934**
		Net Operating Income (NOI)				**$160,606**
		Overall Rate (OAR)			/	**6.25%**
		Indicated Value, Stabilized				**$2,569,703**
		Less - Curable Deferred Maintenance			-	**$0**
		Less - Lease-up Discount			-	**$0**
		Indicated Value				**$2,569,703**
		Rounded				**$2,600,000**

INCOME CAPITALIZATION APPROACH: $2,600,000.00
Two Million Six Hundred Thousand Dollars

RECONCILIATION AND FINAL VALUE ESTIMATE

The subject property is at 122 S. Walnut Street, Bloomington, Indiana. The purpose of the appraisal is to estimate its current market value. The client intends to use the appraisal in its due diligence while considering whether or not to purchase the property.

The final reconciliation is intended to confirm the consistent application of the valuation approaches applied to the appraisal assignment based on the highest and best use conclusions. Each approach's value indication is shown as follows:

COST APPROACH:	Not Developed
SALES COMPARISON APPROACH:	$2,900,000.00
INCOME CAPITLIZATION APPROACH:	$2,600,000.00

The Cost Approach is not applicable to the appraisal problem at hand. Given the age of the improvements, the necessary depreciation estimates to develop the Cost Approach would be difficult to quantify with certainty. Moreover, the principal of substitution, one of the underlying tenants of the Cost Approach, tends to be less applicable as a property's structures age. For these reasons and others, the Cost Approach is not a useful tool in evaluating the subject. It has been considered in the appraisal process, but it is not fully developed therein.

The Sales Comparison Approach is a quality value indicator for the subject. The weakness of the approach is that differences between the subject and the comparables require adjustment. The adjustments required in the analysis are supported and mostly based in the market. The comparable structures that have been used are good proxies for the subject. Various property features have been bracketed within the analysis. The comparables' adjusted prices provide reasonable bases upon which a reconciliation can be made. The resulting market value indication is considered in the final reconciliation.

The Income Capitalization Approach is also a valid value indicator for the subject property. Its applicability to the appraisal problem is superior to that of the Sales Comparison Approach. The property's income potential was adequately gauged via available market data. Expense estimates were projected mostly via comparables. The capitalization rate was reasonably estimated from market-based sources. This approach to value mirrors the motivation of a would-be investor/buyer. It is considered in the final reconciliation process.

Summary and Final Value Estimate

The Cost Approach is not developed for use in this appraisal. The Sales Comparison Approach's indication and that of the Income Capitalization Approach are considered in the final reconciliation. The Sales Comparison Approach is weighted over the Income Approach based on the lack of in-place leases and a history of expenditures at the property.

Market Value Estimate: $2,800,000.00
Two Million Eight Hundred Thousand Dollars

PART THREE

CERTIFICATION AND ADDENDA

APPRAISER'S CERTIFICATION

The undersigned does hereby certify that, except as otherwise noted in this appraisal report:

- I have no present or contemplated future interest in the real estate that is the subject of this appraisal report.
- I have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved.
- To the best of my knowledge and belief the statements of fact contained in the appraisal report, upon which the analysis, opinion, and conclusions expressed herein are based, are true and correct.
- The appraisal report sets forth all the limiting conditions (imposed by the terms of the assignment or the undersigned) affecting the analysis, opinions, and conclusions contained in the report.
- No one other than the undersigned prepared the analysis, conclusions, and opinions concerning the real estate that are set forth in the appraisal report or otherwise provided significant real property appraisal assistance, unless so stated within the report.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the property that is the subject of this report.
- I have not performed any services on the subject property within the past three years as an appraiser or in any other capacity.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the continuing education program of the Appraisal Institute.

This appraisal is subject to the contingent and limiting conditions contained herein and those in the report's addenda.

Shawn M. Patterson, MAI, AI-GRS, AI-RRS
Indiana License CG#49600166
Indiana Certified General Appraiser
Monroe Owen Appraisal, Inc.

RÉSUMÉ OF APPRAISER'S QUALIFICATIONS

Shawn M. Patterson, MAI, AI-GRS, AI-RRS
Indiana License CG#49600166
Indiana Certified General Appraiser

- Staff appraiser for Monroe Owen Appraisal, Incorporated. Duties include the preparation of residential, commercial, and right-of-way appraisal reports as well as managing the affairs of the business. (November 12, 1997 - Present)

- Fee appraiser for First Appraisal Group, Inc. Duties included the preparation of residential appraisals, commercial appraisals, and the maintenance of a comparable database. (April 1995 - 2002)

- Fee appraiser for Timber Crafts, Inc. Duties included the preparation of residential appraisals, commercial appraisals, and the maintenance of a comparable database. (April 1994 - August 12, 1997)

Appraisal Education:

Appraisal Institute

• The Intersection of Appraising and Transportation	October	2020
• Eminent Domain and Condemnation	May	2020
• IRS Valuation Update	September	2019
• Evaluating Commercial Leases	June	2019
• Uniform Standards of Professional Appraisal Practice	December	2019
• Code of Professional Ethics & Standards – AI	September	2017
• The Yellow Book Seminar: 2016 UASFLA	June	2017
• Review Theory – Residential	May	2017
• Impact of Tax Increment Financing (TIF) on Appraisals	February	2016
• Uniform Standards of Professional Appraisal Practice	December	2015
• Unraveling the Mystery of Fannie Mae Appraisal Guidelines	February	2015
• Review Theory – General	August	2014
• Marketability Studies – Advanced Applications	March	2013
• Marketability Studies – Basic Applications	March	2013
• Analyzing Distressed Real Estate	June	2012
• Real Estate Finance, Value, and Investment Performance	May	2012
• Subdivision Analysis	May	2012
• Business Practices and Ethics	May	2012
• Fundamentals of Separating Real, Personal Property & Intangible Business Assets	March	2012
• Demonstration Appraisal Report Writing	April	2010
• Advanced Applications	Feb.	2010
• Adv. Sales Comparison & Cost Approach	Nov.	2009
• Adv. Report Writing & Valuation Analysis	July	2009
• Indiana Appraiser License Law & HVCC	February	2009
• Code of Professional Ethics & Standards – AI	May	2007
• The Yellow Book Seminar: UASFLA	May	2006
• Uniform Residential Appraisal Report (URAR)	June	2005
• Appraising Manufactured Homes	June	2004
• Highest and Best Use and Marketability Analysis	November	2000
• Litigation Skills for The Appraiser	September	1999

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• Appraisal of Non-Conforming Uses	September	1999
• Highest and Best Use Applications	September	1999
• Appraising from Blueprints and Specs.	March	1998
• Standards of Professional Practice, Part A	November	1997
• Standards of Professional Practice, Part B	November	1997
• Advanced Income Capitalization	August	1996
• General Applications	March	1996
• Basic Income Capitalization	October	1995
• Business Valuation Part 1 and Part 2	November	1995

Center for Real Estate Education and Research, Inc.

• Real Estate Appraisal Principles	February	1994
• Applied Residential Valuation	March	1994
• Small Residential Income Properties	April	1994
• Uniform Standard Appraisal Practices	May	1994
• FHA Appraisal Roster Update Course	December	1994
• Approved Real Estate Salesperson Course	May	1995

Other

• Uniform Standards of Professional Appraisal Practice	March	2009
• INDOT Review Appraiser Training	February	2009
• Houses	July	2003
• Indiana Appraisal Law Update	September	2004
• USPAP Case Studies	October	2004

Education:

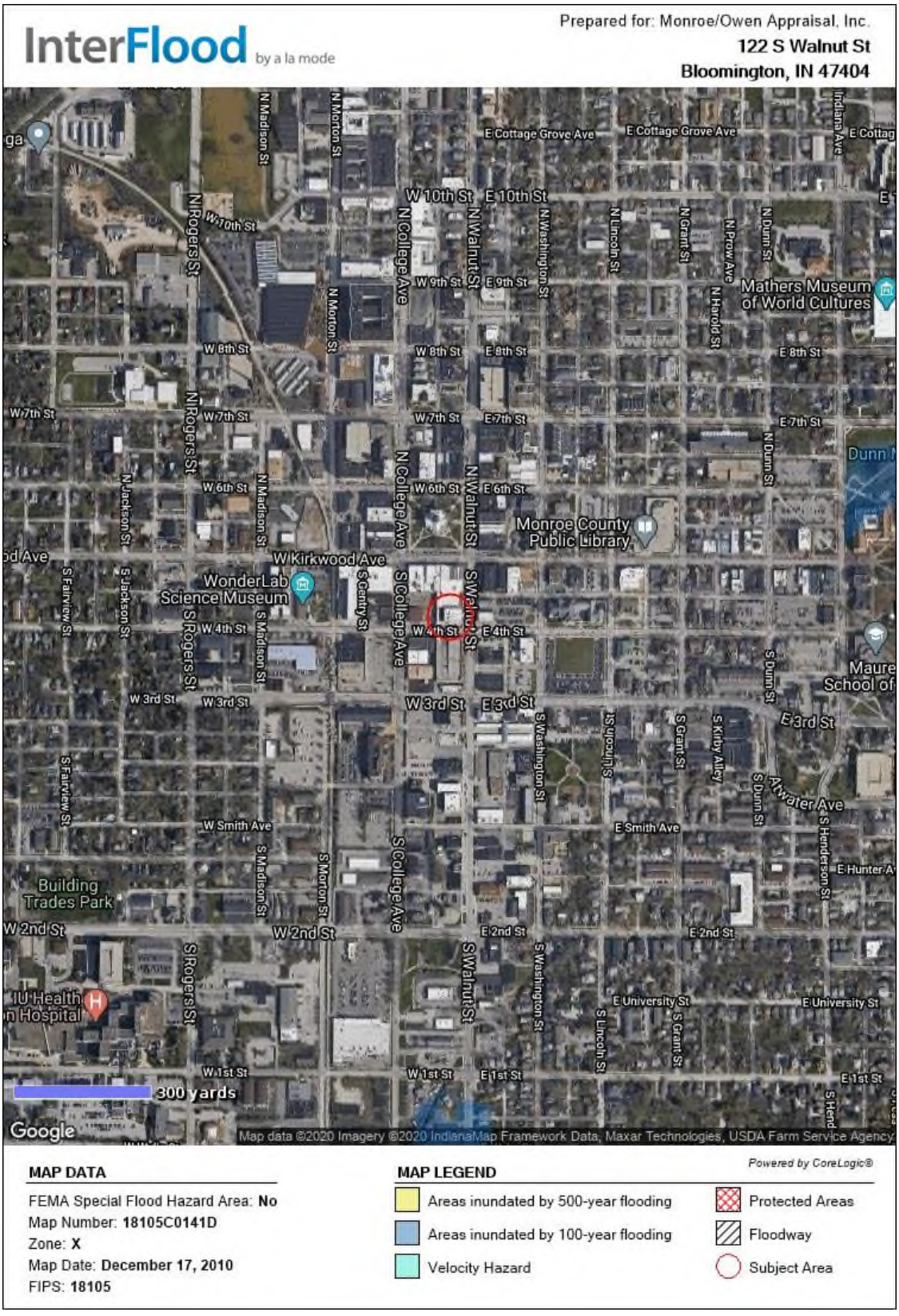
- Indiana University
  Bachelor of Science in Business, Concentration in Finance, May 1992
  Bachelor of Arts, Concentration in Spanish, May 1992

Related Experience:

- Credit Analyst, Bank One, Bloomington, NA. Prepared summaries of commercial loan credits for presentation to loan committee, advised and worked with loan officers on proper structure and policy issues and spread client's financial statement information. Made client calls with loan officers.

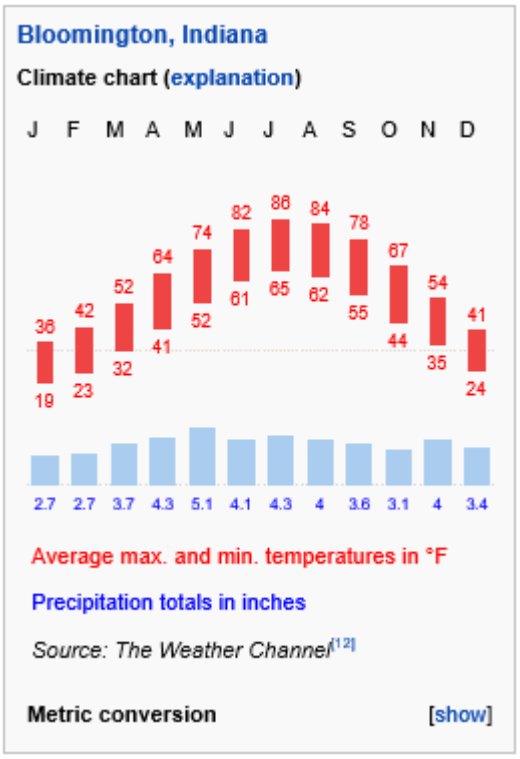
ADDENDA

Flood Map



MONROE COUNTY AND BLOOMINGTON OVERVIEW

The major forces influencing the real estate market, and subsequently the market value of the subject property, are generally categorized as economic, social, environmental, and governmental. Monroe County, Indiana is in the south-central portion of the state, approximately 50 miles south of Indianapolis, the state capital of Indiana and the major urban area closest to the subject. Indiana itself is situated in the eastern most part of the Midwest region of the United States, bordered by Ohio, Kentucky, Michigan, and Illinois. The county comprises a land area of 395 square miles, and has a mean annual temperature of 54.4 degrees, with an average rainfall of 43 inches. Summers are generally hot and humid, while winters are mild with abundant precipitation and occasional periods of severe weather. The chart to the right gives a visual representation of average high and low temperatures for Bloomington on a month-to-month basis.

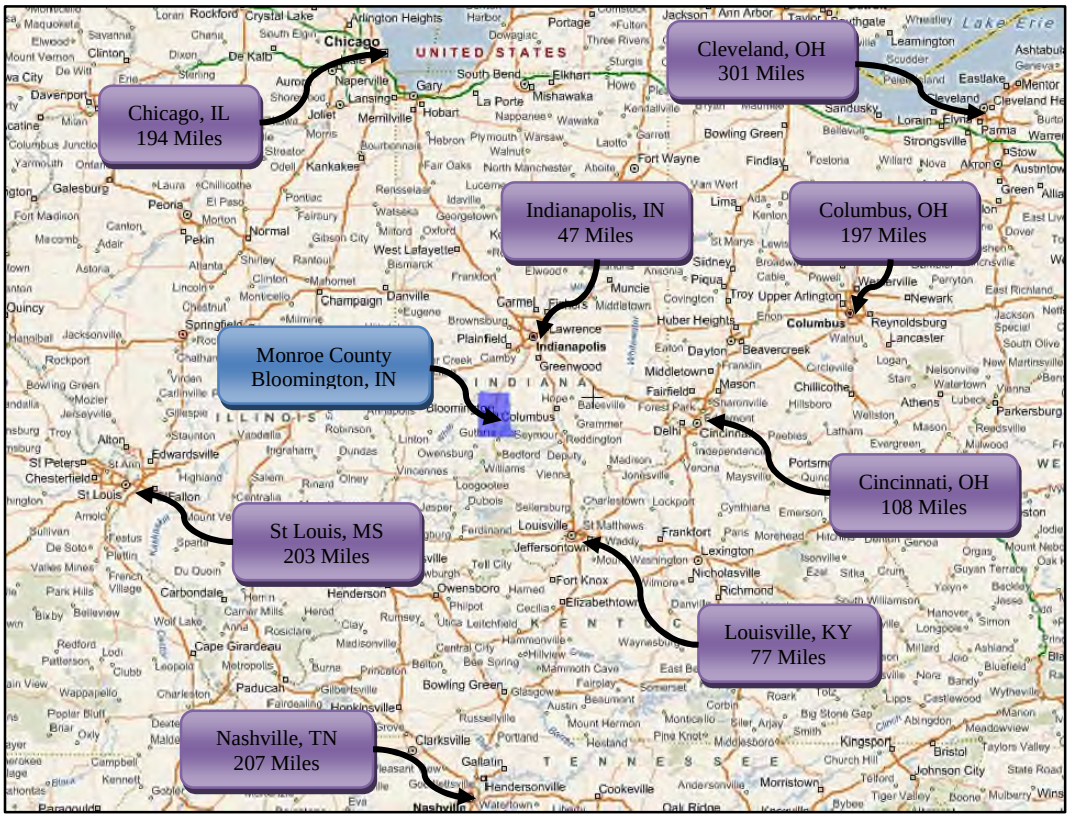


The county's topographic features vary, but the area is predominantly rolling and hilly, with glacial ridges declining steeply to numerous creek beds that feed the White River, a major Indiana waterway. One of the world's few building-grade limestone beds lies under the surface, making the topsoil less fertile than in other parts of the Midwest. Nonetheless, livestock, grain farming and timber production are common. Quarries in Monroe County and Lawrence County (to the south) have produced most of the limestone for the nation's monuments and public buildings.

The county is served by adequate state highways as well as Interstate 69 (I-69), which was recently completed. The construction of I-69 was accomplished in different phases with Section V running through Monroe County and Bloomington. The interstate will eventually connect Evansville, Indiana to Indianapolis, the state capital. It has been built and opened for use from Evansville to just south of Martinsville, in Morgan County. Phase VI is being built from Martinsville northward to Indianapolis. It follows the existing State Road 37 corridor; the state road is being converted into the interstate corridor.

Roadways in addition to I-69 and State Road 37 include State Road 45 running diagonally from the northeast corner of the county to its southwest. State Road 45 used to be a major connector road for those who work at Crane Naval Weapons Surface Warfare base in southeastern Greene County. Its use will likely decrease now that I-69 has been opened, which has an exit at the naval base. State Highway 48 connects Bloomington's west side to western Monroe County and southeastern Owen County. County-maintained roads are also scattered throughout and provide average to above average accessibility to most rural areas. Louisville, Kentucky, is 77 miles southeast from Bloomington; Chicago, Illinois, is 194 miles northwest; Cincinnati, Ohio, is 108 miles southeast, Columbus, Ohio is 197 miles east, St. Louis, Missouri, is 203 miles southwest, Nashville, Tennessee is 207 miles south and Cleveland, Ohio is 301 miles northeast. Please see the Regional Area Location Map below for a visual representation of the proximity of these cities.

Regional Area Location Map



Transportation facilities within the city of Bloomington include limited rail transportation, a municipal bus system, a campus bus system for Indiana University, private transit service to and from Indianapolis International Airport, and various local cab companies. Travel in and around the city is primarily by automobile; however, recent trail projects have provided increased possibilities for walking and bicycle travel. The interstate project mentioned earlier will extend I-69 through the west side of town. Primary intersections with exits into town will include ones at Bloomfield Road, W. Third Street, and State Road 46. Overpasses at Tapp Road, Fullerton Pike, and Vernal Pike will help connect the west side with the downtown area.

The City of Bloomington, Indiana is Monroe County's county seat. It is the seventh-largest city in Indiana and the fifth-largest outside of the Indianapolis metropolitan area. The city was founded in 1818. It is home to Indiana University Bloomington, established in 1820. The Bloomington campus is the original and largest Indiana University campus. Bloomington has been designated as a Tree City for more than 30 years. The city and county both sit on an area of irregular limestone terrain, which provide a contrast to the flatter and level terrains typical of other areas in Indiana.

Government

The Monroe County government is a constitutional body that is granted powers by the Constitution of Indiana and by Indiana Code. A county council is the government's fiscal body, controlling spending and revenue collection. Four elected members represent districts and three members are at-large. The council is charged with setting salaries, budgeting, and special spending. It has limited authority to impose local taxes that are subject to state approval.

The Monroe County Board of Commissioners is the executive and legislative body for the county. It is made up of three members that are elected on a county-wide basis. Their staggered terms are for four-years. The board's president is the county's executive officer. The commissioners set policy and manage some of the day-to-day functions of government.

Other county officials include circuit court clerk, assessor, surveyor, recorder, treasurer, auditor, coroner, and sheriff. They are elected to four-year terms and oversee their specific part of government. The Monroe County Circuit Court system has nine divisions and a court commissioner that handles civil cases. Judges are elected to six-year terms.

Bloomington has a land area of approximately 12 miles square. City of Bloomington governance is by an elected mayor and city council. The city provides municipal water and sewer facilities/services, trash removal, recycling facilities, and management support for all of its services. Bloomington's Transportation and Planning Department along with the County Plan Commission govern land use throughout the area. Police and fire protection services are located throughout both the city and the county and are above average compared to surrounding communities.

Population

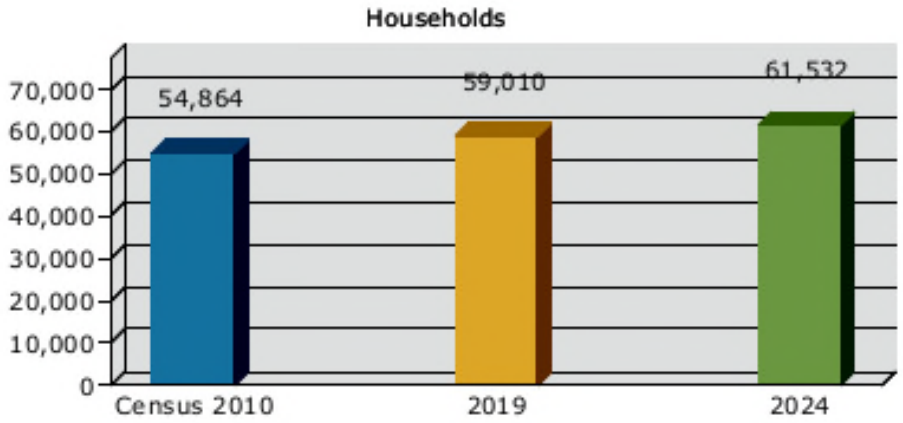
Monroe County's population was estimated to be 148,431 persons for 2019 based on the IN Depth Profile on Stats Indiana, www.stats.indiana.edu, up from 137,959 in 2010. The county's population rose by 7.59% from 2010 to 2019. Esri forecasts for 2020 have the population at 151,396 persons. The City of Bloomington's estimated population for 2019 is 86,048 (Esri) persons, up from 2010 when it was 80,439. The city's population has increased from 42,890 in 1970 to 52,044 in 1980 to 62,015 in 1990 to 71,592 in 2000 to 80,439 in 2010. Bloomington is the seventh largest city in Indiana based on its population.

Overall, Indiana as a state has demonstrated growth as well. In 1990, the US Census Bureau estimated the state's population to be 5,544,156 and the 2000 census figures show the population being 6,080,485. The 2010 census figures show the population being 6,484,136, a difference of 403,651 and a 6.63% increase over 2000. Based on 2010 Census records, Stats Indiana projects 2020 population to be 6,852,121. Population in 2019 was estimated to be 6,732,219. This stands in contrast to the historically low growth rate of the 1980's, which was static to unchanged and even negative overall in the decade of the 1980's; Indiana experienced a net out-migration in the 1980's, with more people moving out of the state than in. The migration patterns changed in the 1990's, with larger numbers of people moving in. This in-migration and natural increases combine to account for larger amounts of economic growth as well as more rapid population growth.

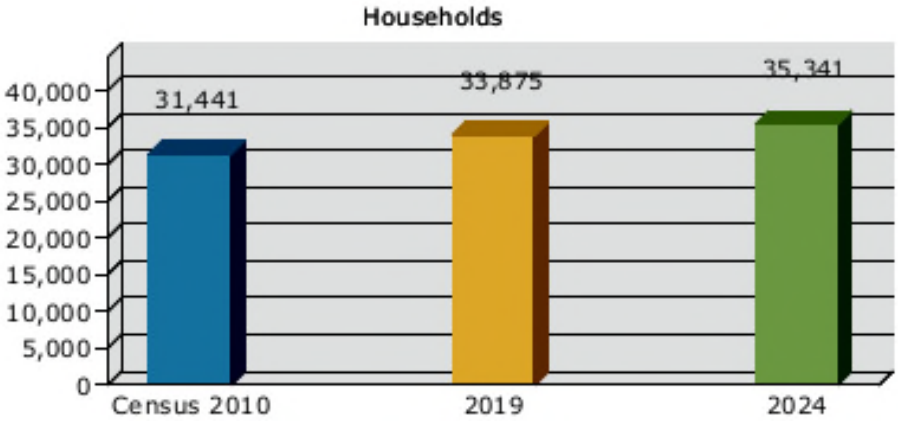
Housing

Using the 2010 US Census Bureau's figures, ESRI forecasts the number of housing units in Monroe County in 2019 totaled 63,466. Of that total, 47.5% were owner-occupied and 45.4% were tenant-occupied and 7.0% were vacant. Growth is expected with 2024 forecasts showing a total of 66,075 housing units. Within the City of Bloomington, ESRI estimates 35,788 total housing units for 2019 with 33.5% being owner-occupied, 63.7% being tenant-occupied and the rest vacant. Total units are expected to grow to 37,296 by 2024. The following represent the number of households per US Census data and Esri forecasts:

Monroe County Households



City of Bloomington Households

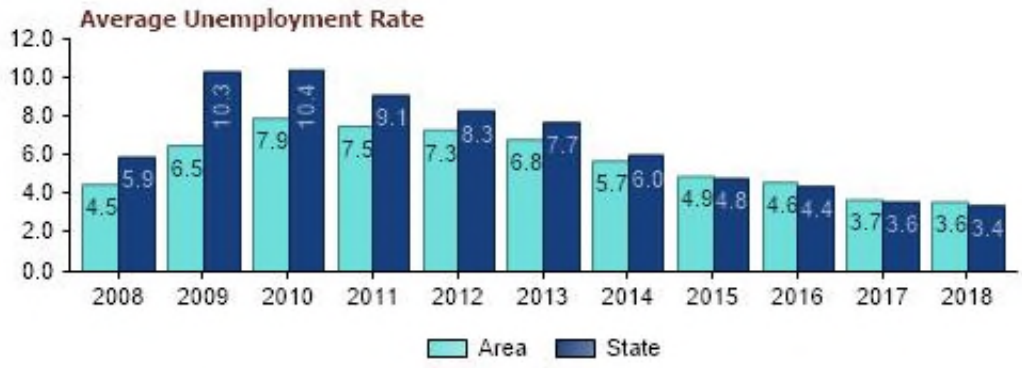


Employment

Monroe County's average labor force size in 2018 (most recent data available) was 69,690 people. The table below has been reproduced from the Indiana Workforce Development website. It also shows the unemployment rate compared to that of the state.

Labor Force Estimates

	Labor Force	Emp.	Unemp.	Area Rate	State Rate
2008	69,809	66,641	3,168	4.5	5.9
2009	70,550	65,986	4,564	6.5	10.3
2010	67,736	62,375	5,361	7.9	10.4
2011	67,561	62,473	5,088	7.5	9.1
2012	66,747	61,899	4,848	7.3	8.3
2013	66,654	62,096	4,558	6.8	7.7
2014	67,449	63,588	3,861	5.7	6.0
2015	67,364	64,049	3,315	4.9	4.8
2016	67,995	64,840	3,155	4.6	4.4
2017	68,556	66,053	2,503	3.7	3.6
2018	69,690	67,180	2,510	3.6	3.4



Source: Bureau of Labor Statistics

Employment distribution across major economic sectors are shown in the table below.

Average Employment by Sector

	2014	2015	2016	2017	2018	5 Year Change	5 Year % Change
Total Employment	50,097	61,792	61,973	62,688	63,298	13,201	26.35%
Total Private Employment	45,499	45,551	45,735	46,329	46,630	1,131	2.49%
Agriculture, Forestry, Fishing, Hunt	75	85	87	96	86	11	14.67%
Mining	156	205	220	219	210	54	34.62%
Construction	2,045	2,302	2,166	2,231	2,285	240	11.74%
Manufacturing	6,808	6,822	6,774	6,883	6,921	113	1.66%
Wholesale Trade	1,401	1,402	1,457	1,395	1,447	46	3.28%
Retail Trade	7,023	7,077	6,936	6,808	6,638	-385	-5.48%
Transport. and Warehousing	961	816	762	787	817	-144	-14.98%
Utilities	367	363	371	368	374	7	1.91%
Information	1,103	1,035	980	974	943	-160	-14.51%
Finance and Insurance	1,377	1,432	1,374	1,292	1,290	-87	-6.32%
Real Estate, Rental, Leasing	1,111	1,100	1,128	1,110	1,262	151	13.59%
Professional and Tech. Servs.	1,707	1,838	1,932	1,934	2,035	328	19.21%
Mgmt. of Companies	360	369	419	431	456	96	26.67%
Admin. and Waste Services	2,008	1,830	1,900	2,091	2,191	183	9.11%
Educational Services	499	472	486	500	515	16	3.21%
Health Care and Social Assistance	8,677	8,388	8,550	8,642	8,809	132	1.52%
Arts, Entertain., and Recreation	402	424	451	479	497	95	23.63%
Accommodation and Food Service	7,436	7,557	7,732	8,051	7,805	369	4.96%
Other Services	1,982	2,036	2,010	2,038	2,051	69	3.48%
Federal, State, & Local Govt.	4,598	16,241	16,238	16,359	16,668	12,070	262.51%

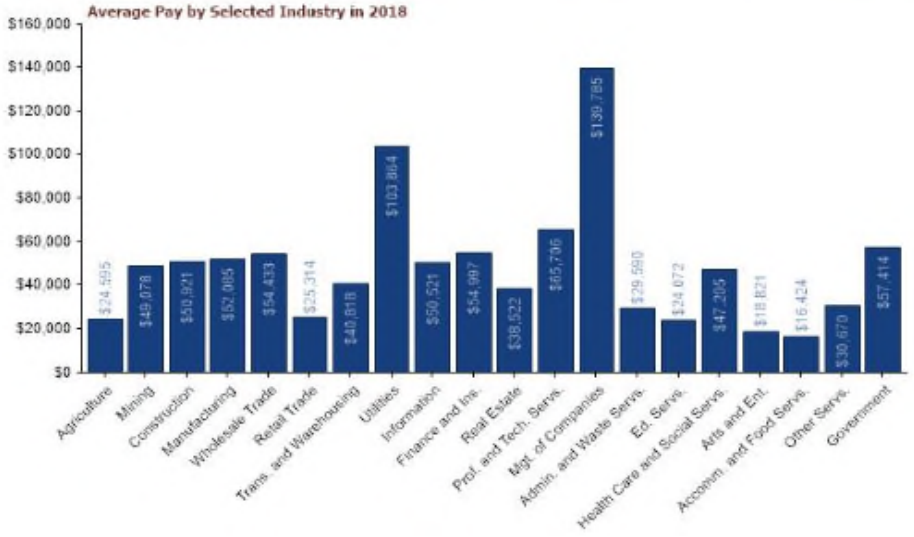
Source: Indiana Workforce Development

Health care and social assistance is the largest private sector employment category in the county. It overtook manufacturing as the largest in 2005. Governmental employment has been and continues to be the overall largest employment sector.

The table below shows Monroe County's average annual earnings by industry.

Average Annual Earnings by Industry

	2014	2018	5 Year	5 Year % Change
All Industries	$34,986	$44,605	$9,618	27.5%
Ag., For., Fishing, & Hunt.	$24,709	$24,595	-$115	-0.5%
Mining	$48,195	$49,078	$883	1.8%
Construction	$47,728	$50,921	$3,193	6.7%
Manufacturing	$47,204	$52,085	$4,881	10.3%
Wholesale Trade	$49,914	$54,433	$4,519	9.1%
Retail Trade	$21,425	$25,314	$3,889	18.2%
Trans. & Warehousing	$31,528	$40,818	$9,291	29.5%
Utilities	$91,460	$103,864	$12,404	13.6%
Information	$43,367	$50,521	$7,154	16.5%
Finance & Insurance	$46,180	$54,997	$8,817	19.1%
Real Est., Rent., Leasing	$31,159	$38,522	$7,363	23.6%
Prof. & Tech. Svcs.	$56,507	$65,706	$9,199	16.3%
Mgt.of Companies	$113,603	$139,785	$26,182	23.0%
Admin. & Waste Svcs.	$28,635	$29,590	$956	3.3%
Education Svcs.	$24,520	$24,072	-$448	-1.8%
Health Care & Social Assist.	$41,228	$47,205	$5,977	14.5%
Arts, Ent. &, Rec.	$19,490	$18,821	-$669	-3.4%
Accom. & Food Svcs.	$13,814	$16,424	$2,610	18.9%
Other Svcs.	$26,841	$30,670	$3,829	14.3%
Fed.l, State & Local Govt.	$35,983	$57,414	$21,432	59.6%



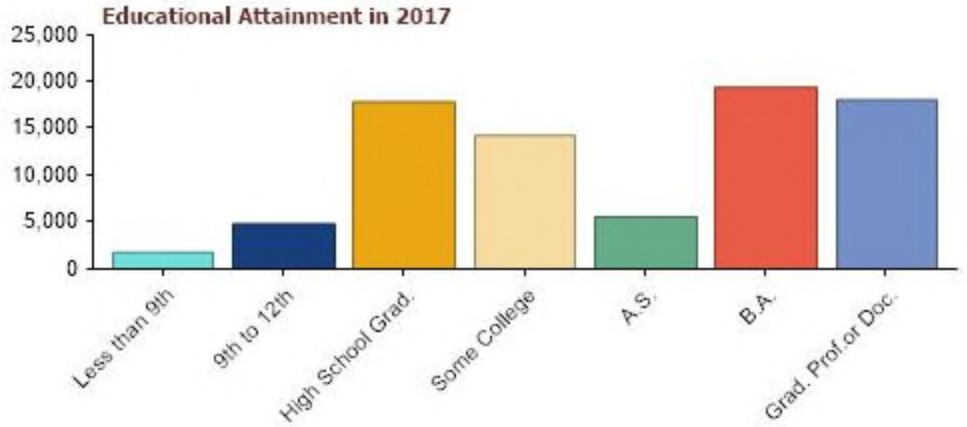
Source: Indiana Workforce Development

Education

The city and county have above-average school systems, influenced by the presence of Indiana University. The Monroe County Community School Corporation system includes three high schools, three middle schools, several alternative, one vocational, and fourteen elementary schools. The Richland Bean Blossom school system has one high school, a middle school, one elementary, and a preschool through kindergarten program. The city's population is significantly more highly educated than state and national averages due to Indiana University.

Educational Attainment

	1970	1980	1990	2000	2017
Total Population 25 and Older	36,380	48,024	57,368	65,489	81,878
Less than 9th Grade	6,682	5,686	2,973	1,854	1,808
9th to 12th, No Diploma	5,757	6,450	7,294	5,683	4,824
High School Graduate (incl. equiv.)	9,833	14,285	15,970	17,140	17,854
Some College, No Degree			9,479	11,669	14,302
Associate Degree			2,767	3,191	5,592
Bachelors Degree			9,017	13,091	19,422
Graduate or Professional Degree*			9,868	12,861	18,076



Source: U.S. Census Bureau & American Community Survey 5 Year Estimates
*Graduate or Professional Degree data include Doctorate Degrees

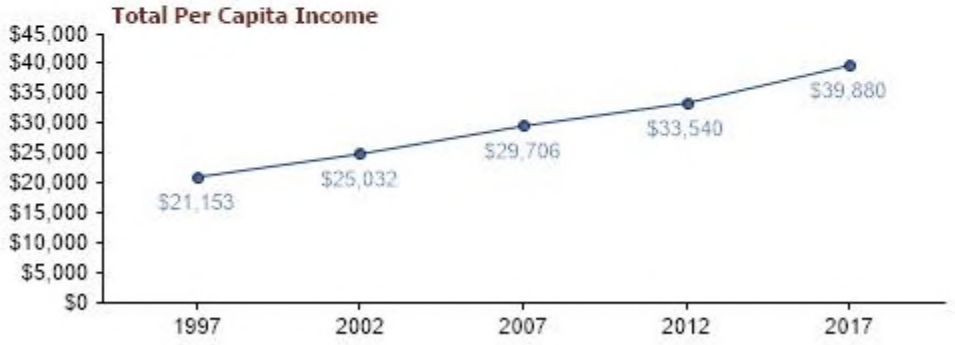
Source: Indiana Workforce Development

Income

Income in Monroe County, Indiana has steadily risen as shown in the table and chart below:

Per Capita Income Over Time

	1997	2002	2007	2012	2017
Total Per Capita Income	$21,153	$25,032	$29,706	$33,540	$39,880
Change Since 1997		$3,879	$8,553	$12,387	$18,727
Pct. Change Since 1997		18.3%	40.4%	58.6%	88.5%



Source: Bureau of Economic Analysis

Source: Indiana Workforce Development

Using US Census Bureau data, Esri forecasts for Monroe County show a 2019 Per Capita Income of $24,736. The summary below from *The Site to Do Business* shows other forecasts/estimates for both 2019 and 2024:

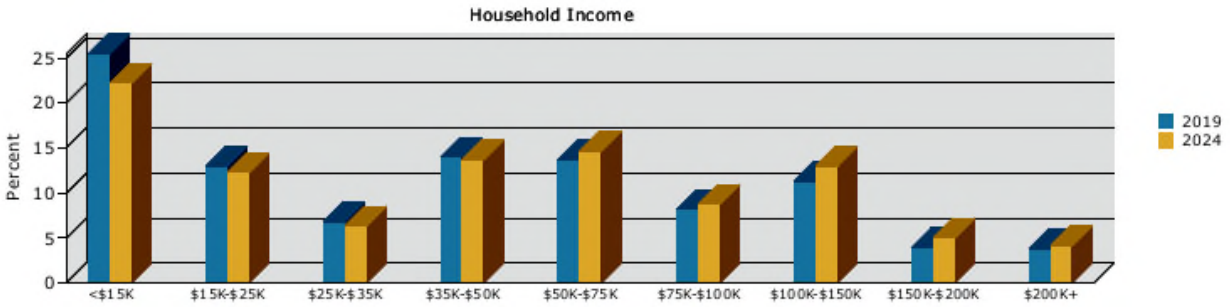
Median Household Income	
2019 Median Household Income	$39,136
2024 Median Household Income	$44,076
2019-2024 Annual Rate	2.41%
Average Household Income	
2019 Average Household Income	$61,432
2024 Average Household Income	$69,465
2019-2024 Annual Rate	2.49%
Per Capita Income	
2019 Per Capita Income	$24,736
2024 Per Capita Income	$28,055
2019-2024 Annual Rate	2.55%
Households by Income	

Current median household income is $39,136 in the area, compared to $60,548 for all U.S. households. Median household income is projected to be $44,076 in five years, compared to $69,180 for all U.S. households

Current average household income is $61,432 in this area, compared to $87,398 for all U.S. households. Average household income is projected to be $69,465 in five years, compared to $99,638 for all U.S. households

Current per capita income is $24,736 in the area, compared to the U.S. per capita income of $33,028. The per capita income is projected to be $28,055 in five years, compared to $36,530 for all U.S. households

A graphical representation of Esri forecast/estimates for Monroe County is presented below:



Infrastructure

Commercial and industrial centers in and around the greater Bloomington area have experienced stable demand with major industrial developments mostly built out.

A significant economic factor is the availability and condition of transportation in the community. The city has good access via the Interstate 69 (I-69) corridor. As mentioned earlier, State Road 37 on Bloomington's west side was recently converted into the I-69 corridor. It will eventually connect Evansville to Indianapolis by passing through Bloomington. New territory has been employed in the construction of the Evansville to Bloomington leg. However, from Bloomington northward it follows the State Road 37 route. Phase VI is being built now in Martinsville, north of Bloomington in Morgan County. The interstate is anticipated to increase Bloomington's economic advantages as a regional destination. In addition, it will open up southwest Indiana, transforming it from what was a localized economy.

In addition to I-69, there are ample state highways leading to and from Monroe County and Bloomington. From the point south of its I-69 intersection, State Road 37 will continue to connect Bloomington with Bedford and Lawrence County and well as south-central Indiana. On the east side of the county, State Road 446 connects to US Highway 50 in Lawrence County, providing a route eastward to I-65 and the southeast part of Indiana as well as the Louisville area. State Road 46 runs east-west through Bloomington, connecting it to Columbus and I-65. Terre Haute to the west is also accessible from State Road 46. State Highway 45 runs northeast to southwest through the county most notably providing a route to Crane Naval Base, a major regional employer in southeast Greene County. The new I-69 route should quickly replace State Highway 45 as the preferred route to Crane because of the time savings to and from Bloomington. Finally, State Highway 48 provides a route to the western part of the county and to eastern Owen and Greene Counties.

The Monroe County Highway Department maintains an adequate system of county roads that serve the population's needs. The county roads are generally well maintained relative to other surrounding counties. The City of Bloomington provides sanitary sewage systems throughout the city's footprint and in some areas on its fringe. In addition, Ellettsville maintains its own sanitary sewage system.

Other means by which transportation is realized include ample carriers and truck terminals that offer competitive rates typical of the region. Rail service is available, but it does not offer an advantage to the area and in fact has been significantly reduced. Indiana Railroad Company is a Class 2 regional freight railroad operating on a 500-mile route which includes terminals at Chicago, Indianapolis, Terre Haute, and Louisville. Air service is lacking since the closest major airport is to the west of Indianapolis, approximately 47 miles away. The Monroe County Airport

has two runways and boasts one that is 6,500 feet in length, long enough for a Boeing 727. However, it remains a regional airport and is not serviced by any major airlines.

Utility availability and costs are positive factors in the local industrial community. Duke Energy provides electrical service, and Vectren Gas Company provides gas service. Electrical costs are generally on par with the national average and are average compared to state costs. Water and sewer costs and capacities are considered average to good. The City of Bloomington provides both of these services. AT&T, Smithville Telephone, and Comcast are the providers of telephone service for the majority of the area. The service is rated good for commercial facilities and typical of other serviced areas. High-speed internet connectivity is available throughout much of the area, in particular in the closer-in areas around Bloomington or Ellettsville. Smithville Telephone continues to install a relatively large system of fiber optic connections that provide a high-quality internet connectivity possibility.

Services

The quality of life is enriched by the caliber of services within the community. Several banks, credit unions, savings banks and over 130 churches serve the community's financial and social needs. Bloomington Hospital (IU Health) provides the region with above-average care for a community of this size, including ample geriatric care facilities. Its hospital is a full-service facility with approximately 275 beds. It offers advanced medical treatment such as MRI, cancer, cardiac and mental health treatments. IU Health has announced the planned relocation of its hospital to the Bloomington southeast side off State Road 46. The relocation will take place over the next several years. In 2006, Monroe Hospital opened on the southwest side of Bloomington. It is a full-service hospital with 32 private rooms. It offers many of the same services as the Bloomington Hospital. Indiana University offers student health services. Their facility has 5 beds. Bloomington has become a center for physical and mental health care and support for the southwestern Indiana area. Based on the pool of professional workers, the community's commitment to provide these services is above average.

The city has four major shopping areas, including the downtown. College Mall and Jackson Creek Plaza are major shopping centers for all of southern Indiana. They are to the east of the downtown area. The Walnut Park and Winslow shopping areas on the south side of town have traditionally had a cluster of retail facilities more or less exclusively. However, in the relative recent past, retail offerings are noted at the intersection of E. Rhorer Road and S. Walnut Street with a large Kroger grocery store having opened there along with supporting retail businesses. On the west side, Sam's Club, Wal-Mart Super-center, Rural King, and the Whitehall area, furnish Bloomington and the surrounding areas with close, convenient shopping services. The Whitehall Shopping Center includes a Lowe's retail store, TJ Maxx, PetSmart, as well as a host of other retail businesses and restaurants. The trade area is estimated to be within a 50-mile radius of Bloomington and includes Brown, Orange, Dubois, Monroe, Morgan, Owen, Greene, Lawrence and Jackson counties. The Bloomington market area is a regional retail center that covers much of south central and southwest Indiana.

Recreation

The availability of recreational and social facilities is above average, compared to other regions similar in size. The Bloomington and Monroe County area contains 700 acres of park land. Recreational activities are abundant and include twenty parks, three lakes and five public golf courses, two swimming pools, an ice/roller skating rink, softball diamonds, tennis courts, soccer fields and a running complex, as well as a variety of events and facilities available at Indiana University. These include Big Ten football, soccer, basketball, and other sports. In addition, there are productions by internationally acclaimed music and opera programs and other performances. The diverse social and cultural amenities usually associated with university towns (restaurants, concerts, foreign films, lectures, etc.) are always available. Lake Monroe, located in southern Monroe County, is the state's largest lake and adjoins two state recreation areas. Lake Monroe supplies greater Bloomington with opportunities for camping, hiking, boating, swimming, fishing and other sports, as do Lake Lemon and Lake Griffy, both just north of the city. The Hoosier National Forest, covering 78,000 acres, is the state's only federally protected wilderness preserve. The area enjoys the opportunity of many fine health clubs, including a 12,000 member YMCA, which has indoor swimming and health facilities. The Bloomington Parks and Recreation Department offers more than 1,500 programs each year aimed at the community youth. Downton, the convention center complex with over 17,500 square feet has enhanced the attractiveness of the area, bringing additional enterprises to the city. Bloomington's downtown area has more than 175 businesses as well as many entertainment and restaurant facilities. Local government officials have been supportive of maintaining and improving the atmosphere of the Downtown area by promoting activities and gatherings such as the Fourth Street Fair held annually.

Forecast and Summary

On a local level, the county has had a steady population growth over the past twenty years. The forecasted population change will increase. The median age of the county is younger than much of the rest of the state due in large part to Indiana University. The employment base is oriented toward the professional and service sectors with an increasingly smaller percentage of manufacturing employment. The economic base is broad and fairly diversified. Monroe County's local economy is influenced by Indiana University, which provides educational facilities, employment, and entertainment venues.

The four forces; governmental, environmental, economic and social have been shown to be a positive influence on the subject's market value. Physically, Bloomington and Monroe County are close to recreational, transportation and educational facilities, which enhance the property values. Social amenities include local hospitals, good schools and good recreational facilities. Local government is quickly responsive to the needs of its populace and its services are well maintained.

The area's economic base is less volatile than that of the region due to the impact of Indiana University, the business types within it, and a non-manufacturing base that is not tied to any particular industry. Bloomington and Monroe County continue to attract diverse small industries and service-oriented organizations. This, together with the potential for attracting larger business because of the new I-69 corridor, bodes well for the future; the area is forecast to have an above-average future and potential for steady growth and sound property values over the next five to ten years. Real estate values are expected to appreciate in accord with recent trends and be reasonably marketable.

FORCES

- ***environmental*** factors are rated average to above average and are better than other regional areas. This is expected to continue and should be a positive influence on value.
- ***social*** forces are rated good and are better than those of the larger the region. This should enhance the value of the subject.
- state and local ***governmental*** forces provide a favorable climate that is expected to continue, which should provide positive support for values.
- ***economic*** forces are generally average to above average compared to the region. At this time, other areas have an advantage for industrial concerns that is expected to dissipate with the full buildout of the I-69 corridor to Indianapolis. Retail markets are vibrant and are expected to remain so going forward. The local economy is expected to be a positive force on the subject's market value.

TRENDS

- population in the local area is expected to increase
- population will be younger than the region and have a higher educational level
- a stable to higher Indiana University enrollment is expected to continue
- above-average quality of life and community environment is expected to continue
- an above average and increasing effort by state and local government to enhance economic support and improve the economic base is expected to continue
- no large increases in local or state tax and levies are expected
- maintenance of a solid regional retail base is expected to continue
- new construction is expected
- industrial development will likely be emphasized locally with a push for high tech manufacturing and support being desired
- The finalization of the I-69 corridor to Indianapolis should encourage economic development across all sectors
- continued diversity in the local economy should continue
- continued economic viability of residential, commercial, and industrial real estate markets is expected with stable to increasing rents and market values expected

SUMMARY

The Bloomington and Monroe County area has experienced average to above-average economic conditions, above-average environmental forces, and a good social climate. Governmental influence on the area is above average as compared to the region. An analysis of the four forces leads to the expectation that growth trends will continue; the area's favorable economic, governmental, social, and environmental forces make it preferable compared to many other regional locations. Market values for properties like the subject are anticipated to be steady or to slowly increase, subject to economic influences reflected in the local real estate market.

Indiana Professional Licensing Agency
Real Estate Appraiser Licensure Board
402 W. Washington Street, W072
Indianapolis, IN 46204

Certified General Appraiser

License Number	Expire Date
CG49600166	06/30/2022

Shawn M Patterson

Eric J. Holcomb
Governor
State of Indiana

Deborah J. Frye
Executive Director
Indiana Professional Licensing Agency

Indiana Professional Licensing Agency
402 W. Washington Street, W072
Indianapolis, IN 46204

Certified General Appraiser

License Number	Expire Date
CG49600166	**06/30/2022**

Shawn M Patterson

Signature _____

Shawn Patterson

From: Alex Crowley <crowleya@bloomington.in.gov>
Sent: Friday, October 23, 2020 11:04 AM
To: Shawn Patterson
Subject: Re: Appraisals needed

Hi Shawn,

We would like you to perform an appraisal of the Waldron, please. Technically: The Ivy Tech/John Waldron Arts Center (parcel: 53-05-33-310-104.000-005; address: 122 S Walnut St, Bloomington, In 47404-6107).

Could you possibly have this completed by Friday 11/13 (three weeks)? I know that tightens your window, but this is time-sensitive for us. Please let me know.

FYI, I will be sending you an "umbrella" services agreement (probably early next week) with these appraisals as addenda because I suspect we'll be doing more appraisals with you in the near future and that will simplify things. Please start the work now referencing this email as your interim approval of the cost/timing.

And finally, please let me know when you need access to the building and we can make arrangements via IvyTech for that access.

Thanks,

Alex

CITY OF BLOOMINGTON

Alex Crowley
Director, Economic & Sustainable Development Department
City of Bloomington, IN
crowleya@bloomington.in.gov
812.349.3477 office
812.360.5566 cell
bloomington.in.gov

On Wed, Oct 21, 2020 at 8:10 AM Shawn Patterson <smpappraiser@gmail.com> wrote:

> Hi Alex!
>
> I believe I can work on any of the properties you have listed below. My fees respectively for each would be $3,000, $2,000, and $2700. I could have any one of them done probably in 30 days and all of them done within 60 days.
>
> If you need anything else, let me know.