



SHENEHON
BUSINESS & REAL ESTATE VALUATIONS

July 28, 2017

Mr. Carl Runck
Ryan Companies
Directory of Real Estate Development
533 South Third Street, Suite 100
Minneapolis, MN 55415

RE: Estelle Towers Proposed Development

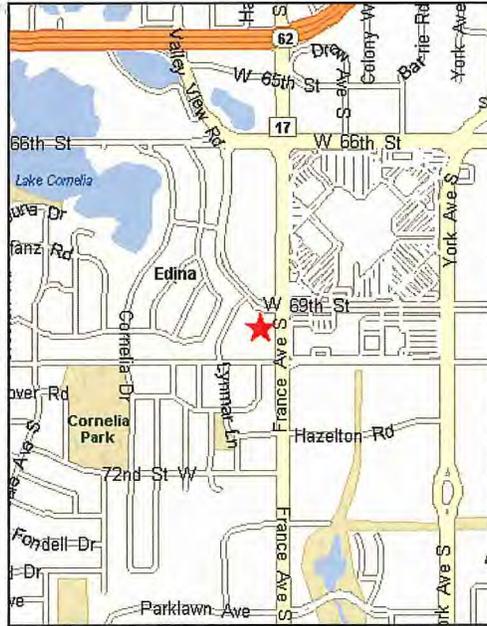
Dear Mr. Runck:

Luigi Bernardi and Ryan Companies have proposed a new mixed-use development at the corner of France Avenue South and 69th Street West. The proposed project, Estelle Edina, consists of two condominium towers along France Avenue that are anchored by retail on the ground level, and buffered in the rear by townhomes. A map of the parcel, along with a site plan, is below.

At your request, we analyzed the impact on property values of nearby single-family homes as a result of the proposed residential towers and mixed-use development. Based upon our analysis summarized in this letter, it is our opinion that there will be no measurable impact on property values of nearby single-family properties if the Estelle Edina is constructed as proposed.

It is possible that the increased offerings and improvement in amenities could be perceived by many in the marketplace as a neighborhood benefit, which could increase property values, especially considering the already existing proximity to the vibrant commercial district.

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IMPACT OF PROPERTY VALUES ON SURROUNDING PROPERTY

Neighbors may be concerned the mixed-use development will affect property values and ruin what is now a peaceful environment and neighborhood. This is no different than the initial concerns some neighbors may have when a residential subdivision, office building, solar garden, or something else is developed on vacant land. We researched issues relating to property values and found no conclusive evidence that suggests the proposed mixed-use development will diminish property values. In particular, we studied visual impact including views and shadows, noise, and traffic. We briefly discuss each issue below.

VISUAL IMPACT

The client is proposing a mixed-use development which consists of two condominium towers along France Avenue that are anchored by retail on the ground level, and buffered in the rear by townhomes. As proposed, the two condominium towers, situated on France Avenue, would be twenty-four and twenty stories tall. Neighbors are concerned about the visual impact of the proposed development, which includes, views and shadows. The nearest single-family homes are approximately 450 feet across Valley View Road, with existing mature vegetation as a natural buffer. Even in the winter, the woody parts of the trees and brush will provide screening. The towers are planned to be situated on France Avenue with low-density townhomes along the back of the property as another buffer, along with additional landscaping. The townhomes will only be three and a half stories, with private backyards that will provide more buffer for surrounding homes. The towers have been designed to taper as they rise, to limit shadows on surrounding properties. The client has already performed shadow studies showing minimal effect on the neighboring homes.

TRAFFIC AND NOISE

Although the proposed development will bring more car and foot traffic to the site, we believe it will have a nominal effect on surrounding single-family homes. The development proposal shows the main vehicle access point on France Avenue, with two smaller driveways on West 69th Street and Valley View Road. As a result, the majority of the traffic would remain on France Avenue, and not affect the neighboring single-family homes. Finally, the surrounding single-family homes are already near a highly commercial area and France Avenue, which has high daily traffic counts, according to the Minnesota Department of Transportation.

In addition, we relied on the Traffic Impact Study conducted by Spack Consulting for the purpose of determining traffic impacts associated with the Estelle Edina development project. The formal study concludes that “the redevelopment adds minimal traffic...with a negligible difference in queue lengths” at surrounding stop lights. The study found that “the proposed redevelopment is expected to generate approximately 1,464 new daily trips” on the surrounding roads. Assuming most of the additional traffic will be on France Avenue, that constitutes a nominal increase of 5% in daily traffic (1,464 new trips/28,500 existing traffic count=5% increase).

We conclude that the proposed development is in keeping with the surrounding commercial district, and would not severely alter the existing nature of the neighborhood and the nearby homes. The conclusion is the same for noise concerns. Most noise from increased car and foot traffic will be confined to the France Avenue side of the development. There will be more foot traffic as well, but it will be contained to the retail and restaurant options along France Avenue. We don't believe there will be measurable noise generated from the residential towers.



MnDOT Daily Traffic Counts, Existing as of July 2017

MARKET RESEARCH ON PROPERTY VALUES

We conducted market research on single-family property values near recently constructed large developments in the West Metro. The goal of this market research was to determine how single-family home prices are affected by large development projects. We identified six recently constructed towers that are situated near single-family residential, and researched home sales four years prior to and following the development project, within a quarter mile radius and a half mile radius.

	1	2	3
Building	Optum Tower 1	Optum Tower 2	City Bella on Lyndale
Street Address	11020 Optum Circle	11000 Optum Circle	6600 Lyndale Ave S
City	Eden Prairie	Eden Prairie	Richfield
Stories	8	15	15
Height (feet)	138	238	177
Year Built	2014	2015	2004
Distance from nearest SF home (approx feet)	630	1,000	460
RESEARCH & FINDINGS			
Number of home sales in study	51	43	225
Years studied	2010-2017	2011-2017	2000-2008
Difference in home sale prices before vs. after development			
0-0.25 mile radius	-0.4%	24.9%	30.9%
0.25-0.5 mile radius	8.3%	-7.6%	26.4%

	4	5	6
Building	Gramercy Park Coop	The Lakes Apartments	The Edgewater Calhoun
Street Address	6711 Lake Shore Drive	2622 Lake Street West	1805 Lake Street West
City	Richfield	Minneapolis	Minneapolis
Stories	12	8	6
Height (feet)	125	N/A	83
Year Built	2000	2015	2005
Distance from nearest SF home (approx feet)	230	130	30
RESEARCH & FINDINGS			
Number of home sales in study	186	96	183
Years studied	1996-2004	2011-2017	2001-2009
Difference in home sale prices before vs. after development			
0-0.25 mile radius	-6.5%	14.9%	21.8%
0.25-0.5 mile radius	42.5%	-0.1%	20.5%

Based on our market study, four out of six projects had a significant positive impact on surrounding single-family home sales within a quarter mile radius, with rising prices in the four years following the development versus the four years prior. As a result of this relevant, current, local evidence, we conclude that there will be no measurable negative impact on property values of nearby single-family properties if the Estelle Edina is constructed as proposed. In fact, our market research supports the possibility that the increased offerings and improvement in amenities could be perceived by many in the marketplace as a neighborhood benefit, which could increase property values, especially considering the already existing proximity to the vibrant commercial district.

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Along with local market research, we reviewed articles written about similar projects around the country. We referenced several studies and have summarized their conclusions:

Study: The Impact of Commercial Development Surrounding Residential Property Values
By: Jonathan A. Wiley, Ph.D., Department of Real Estate, Georgia State University
Conclusion: "...retail development is the most likely to be considered a neighborhood amenity and an important aspect to community revitalization...Perhaps most surprising is the lack of evidence for negative and significant impacts of commercial developments on housing values. Scores of political arguments to the contrary are voiced at local debates across the nation, yet this research does not find substantive evidence of a negative interaction."

Study: The Impact of Multifamily Development on Single Family Home Prices in the Greater Boston Area
By: Arah Schuur, which was written in pursuit of graduate degrees in Science in Real Estate Development and City Planning at the Massachusetts Institute of Technology
Conclusion: "In the four cases..., no negative effects in the impact zone were found."

Article: No, Large Apartment Buildings Won't Devalue Your Home
By: Alex Cecchini, mechanical engineer, for Streets.MN
Conclusion: "...Five of the seven studies found dense development, including affordable and market-rate, had negligible or positive effects on home values."

Study: Examining the Impact of Mixed-Use/Mixed Income Housing Developments in the Richmond Region
By: Lisa A. Sturtevant, Ph.D. and John McClain, AICP, Center for Regional Analysis, George Mason University
Conclusion: "Overall, this analysis of mixed income/mixed-use house shows that the development have positive impacts on the surrounding neighborhoods, with relatively strong home price appreciation and lower crime levels...The home prices and assessments of nearby single-family homes were not adversely impacted by the presence of mixed income/mixed-use developments."

Article: What Does That New Luxury Building in Your Neighborhood Mean for Your Home's Value?
By: Devon Thorsby, US News
Conclusion: "If the area's up and growing and there's a lot of activity, and it's making the area better, it should make home values go up." (Matt Nixon, COO, Pendley & Pendley Appraisers in Cumming, Georgia)

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Book: Real Estate Damages: An Analysis of Detrimental Conditions
Chapter 3 Case Study

By: Randall Bell, MAI and Orell C. Anderson, MAI

Conclusion: "Based upon the paired sales analysis, no correlation exists between home values and adjacent... shopping centers."

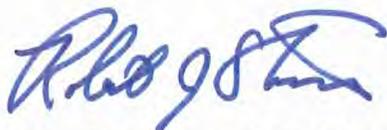
CONCLUSION

Considering our research and findings, we conclude that there will be no measurable negative impact on property values of nearby single-family properties if the Estelle Edina is constructed as proposed.

In fact, our market research supports the possibility that the increased offerings and improvement in amenities could be perceived by many in the marketplace as a neighborhood benefit, which could increase property values, especially considering the already existing proximity to the vibrant commercial district.

Respectfully,

SHENEHON COMPANY



Robert J. Strachota, MAI, MCBA, CRE®
President, Shareholder
Minnesota License No. 4000882
Certified General Appraiser
value@shenhon.com

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the 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.
8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
9. I have made a personal inspection of the property that is the subject of this report.
10. Katherine A. Ostlund provided significant real property appraisal assistance to the person signing this certification. She gathered and verified information about the property that is the subject of this report, and gathered and analyzed information on the market conditions for this property.
11. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

13. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.



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