MARKET VALUE APPRAISAL

Prepared for

Mr. Lee D. Peterson
Community Planning & Economic Development
CPED Real Estate Appraiser
Crown Roller Mill, 105 Fifth Avenue South
Suite 200
Minneapolis, MN 55401

Property Description

HENNEPIN STAGES
824 Hennepin Avenue
Minneapolis, MN 55403

Effective Date of Appraisal

July 20, 2010

Owned by:

City of Minneapolis

Prepared by:

Massopust Appraisals, LLC

David H. Massopust, MAI
Chief Manager

August 2, 2010

Mr. Lee D. Peterson
Community Planning & Economic Development
CPED Real Estate Appraiser
Crown Roller Mill, 105 Fifth Avenue South
Suite 200
Minneapolis, MN 55401

IN RE: **Market Value Appraisal**
Hennepin Stages
824 Hennepin Avenue
Minneapolis, MN

Dear Mr. Peterson:

At your request, I have made an investigation and analysis of the above referenced property for the purpose of estimating the market value of the fee simple interest in it as of July 20, 2010. This appraised real estate is briefly described as the Hennepin Stages, and is hereinafter referred to as the "subject property", or "subject". This appraisal was prepared for the Community Planning and Economic Development (CPED) Department of the City of Minneapolis. The intended use of the report is to provide information that will assist in the potential disposition of the property.

It should be noted that I completed a previous limited appraisal analysis on the subject property on May 25, 2007, that had an effective date of the appraisal as of May 9, 2007. The intended use of the previous report was to also to provide information that would assist in the potential disposition of the property.

The development process for the current report was considered to constitute a complete appraisal analysis as all meaningful approaches to value were evolved. The report is conveyed in a Summary Report format. This summary format complies with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file.

The following report of the investigation, analysis, and reasoning employed in our determination of value has been made in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation and the Code of Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

DAVID H. MASSOPUST, MAI, SRA

14241 St. Croix Trail North ⟡ Stillwater, Minnesota 55082 ⟡ 651.430.0614 telephone ⟡ 651.430.0513 fax ⟡ dave@massopustappraisals.com

The Appraisal Institute conducts a program of continuing education for its designated members. MAI's and SRA's who meet the minimum standards of this program are awarded periodic educational certification. David H. Massopust is currently certified under this continuing education program.

The appraisal assignment and appraisal opinion are subject to the following specific requirements, assumptions and limiting conditions, as well as others described in the following appraisal report.

- **Any outstanding special assessments levied against the subject property after the current year installments are assumed to be paid-in-full at the appraised market value.**
- **This value estimate is predicated on the assumption that there is no hazardous material on, in, or potentially affecting the subject property that would cause a loss in value.**

Based upon an inspection of the property and after careful consideration of the many factors influencing market value, it is my opinion that the market value of the subject property, as of July 20, 2010 was:

Eight Hundred and Fifty Thousand Dollars

$850,000

Please contact the firm if you have any questions or comments after reading this appraisal report. It has been a pleasure being of service on this assignment.

Sincerely,
Massopust Appraisals, LLC

David H. Massopust, MAI, SRA
Chief Manager
Certified General Real Property Appraiser
MN License No. 4000841
WI License No. 771

PART ONE - INTRODUCTION

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EXHIBITS AND ADDENDA

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Assignment:	**Hennepin Stages**
Address:	824 Hennepin Avenue Minneapolis, MN
Effective Date of Valuation:	July 20, 2010
Date of Inspection:	July 20, 2010

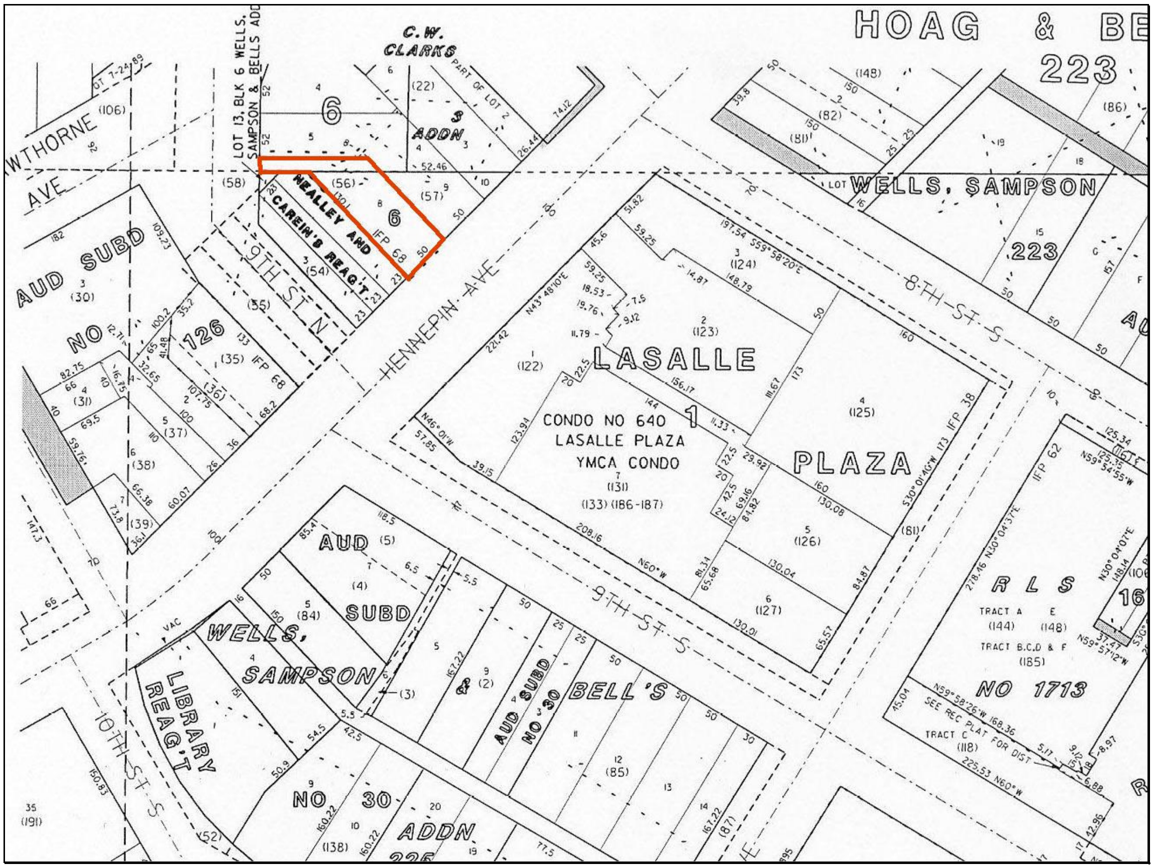
Land Data:

A. Site Size:	Irregular shaped parcel with ±7,325 square feet, or 0.17 acres (per Minneapolis Assessor's Office)
B. Frontages:	50 feet along Hennepin Avenue, ±19.68 feet along 9th Street North
C. Zoning:	B4S-2, Central Service District
D. Land Coverage:	±5,400 square feet (per Minneapolis Assessor's Office)
E. Land/Bldg. Ratio:	0.45 to 1
F. Highest & Best Use:	The highest and best use of the property was considered a restaurant or nightclub.

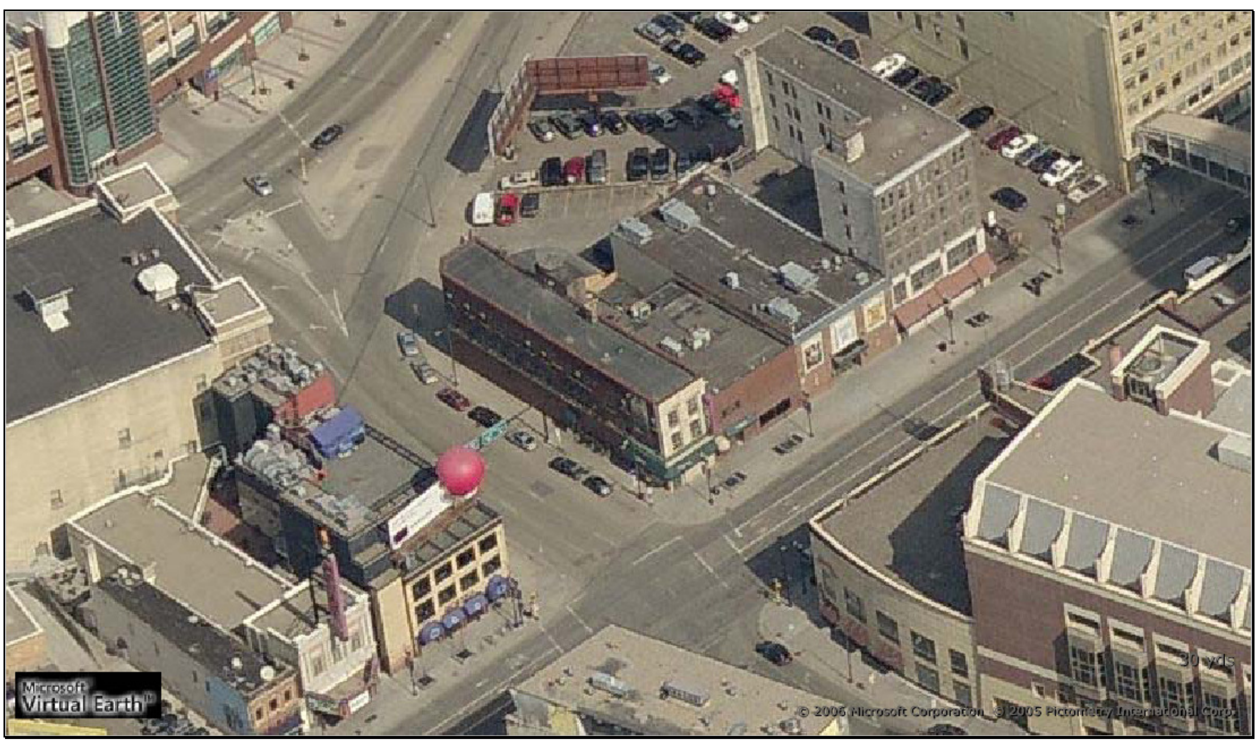
Building Data:

A: Gross Area:	±16,200 square feet (per Minneapolis Assessor's Office)
B. Leaseable Area:	±15,000 square feet per lease. The lease square footage was considered approximate.
C. Age:	1910, with improvements made in the late 1990's and early 2000's.
D. Number of Stories:	Two, plus basement
E. Story Height:	Basement – 9 feet First Floor – 14 feet Second Floor – 12 feet
F. Construction:	Brick exterior, with wood floor joist construction.
G. HVAC:	Roof top HVAC system
H. Other:	±5 parking spaces
I. Property ID:	27-029-24-12-0056

Final Value Estimate:	**$850,000**
Date of Valuation:	**July 20, 2010**



Hennepin Stages Plat



Hennepin Stages Aerial

SUBJECT PHOTOS

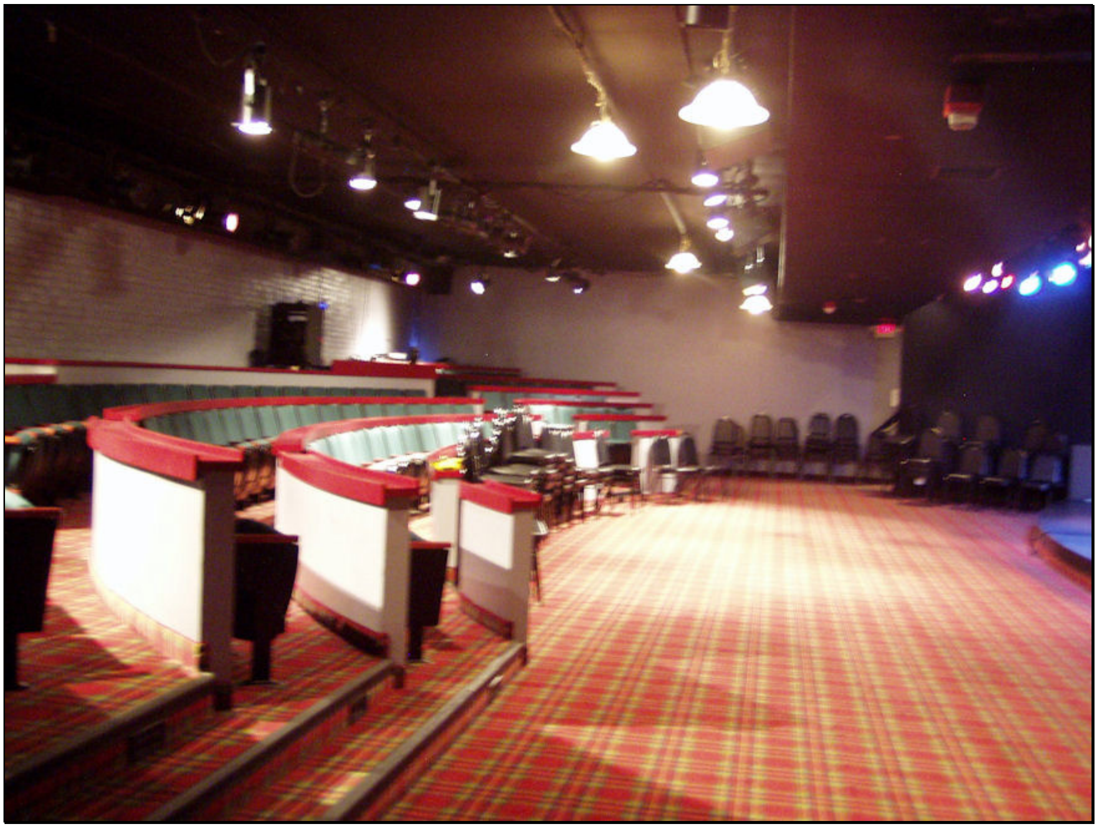
Photograph of Hennepin Stages facing northwesterly from Hennepin Avenue.

Photograph of the rear of the Hennepin Stages building facing east.

SUBJECT PHOTOS

Photograph of the Hennepin Stages first floor area.

Photograph of the Hennepin Stages first floor area.



Photograph of the Hennepin Stages first floor area.

Photograph of the Hennepin Stages second floor area.

CERTIFICATION

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

- David H. Massopust has made an inspection of the property that is the subject of this report. The subject property was inspected on July 20, 2010. David H. Massopust has also made a field inspection of the comparable sales relied upon in making this appraisal.

- The estimated fair market value specified below is my independent opinion for the subject property on the date specified.

- In making this appraisal, I have disregarded any increase or decrease in the before value caused by the project for which the property is being acquired.

- No one other than the person signing this report has provided significant professional assistance to the analyses, conclusions and opinions set forth herein, except as otherwise noted in the report.

- My engagement in this assignment and 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.

- I have no present or prospective interest or bias with respect to the property that is the subject of this report and have no personal interest or bias with respect to the parties involved.

- To the best of the appraiser's knowledge and belief, the statements of fact contained in this report are true and correct. The reported analyses, opinions and conclusions are limited only by the assumptions and limiting conditions set forth in the report and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.

- The undersigned certifies that the reported analyses, opinions and conclusions were developed, and this report has been prepared, in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation and the Code of Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

- The Appraisal Institute conducts a formal program of continuing education for its designated members. MAI's who meet the minimum standards of this program are awarded periodic educational certification. As of the date of this report, David H. Massopust has completed the requirements under the continuing education program of the Appraisal Institute. David H. Massopust is a licensed Certified General Real Property Appraiser within the State of Minnesota - MN License No. 4000841 - Expiring 8/31/2011. He is licensed to perform appraisals of all types of property.

- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

- To the best of the appraiser's knowledge and belief, based on the foregoing analyses and subject to the limitations and conditions of this report, the Estimated Market Values for the subject properties as of July 20, 2010 was:

Eight Hundred and Fifty Thousand Dollars

$850,000

Sincerely,
Massopust Appraisals, LLC

David H. Massopust, MAI, SRA
Chief Manager
Certified General Real Property Appraiser
MN License No. 4000841
WI License No. 771-010

PART TWO - PREMISES OF THE APPRAISAL

ASSUMPTIONS AND LIMITING CONDITIONS

The certification of the Appraiser appearing in this appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Appraiser in this report:

- The Appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor does the Appraiser render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership and management. Existing liens or encumbrances have been disregarded, and the property has been appraised as though free and clear of existing indebtedness, unless otherwise stated and discussed in the report.

- Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The Appraiser assumes no responsibility for its accuracy. The Appraiser has made no survey of the property. The legal description used in this report is assumed to be correct.

- The appraiser was not aware of the presence of soil contamination on the subject property, unless otherwise noted in this appraisal report. The effect upon market value, due to contamination was not considered in this appraisal, unless otherwise stated. The appraiser was not aware of the presence of asbestos or other toxic contaminants in the building(s), unless otherwise noted in this report. The effect upon market value, due to contamination was not considered in this appraisal, unless otherwise stated. Unless otherwise stated in this 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 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 any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

- Information, estimates, and opinions furnished to the Appraiser, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, responsibility for accuracy of such items furnished the Appraiser cannot be assumed by the Appraiser.

- Disclosure of the contents of the Appraisal report is governed by the Bylaws and Regulations of the professional appraisal organization with which the Appraiser is affiliated.

- On all appraisals involving proposed construction subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusion are contingent upon completion of the proposed improvements in a workmanlike manner essentially in accordance with the plans and specification submitted for review to the Appraiser.

- The Appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made for such a service.

- The market value herein reported is based on economic and market conditions, which are applicable as of the date of the appraised value. This market value may be the same but also may vary at a later date due to changing market or economic conditions. It is the Appraiser's opinion that the subject property would sell in an appropriate time period should it be offered on the open real estate market at the date of appraisal at about the appraised value subject to the appraisal assumptions; but a guarantee of such a sale is not implied or warranted.

- Neither all, nor any part of the contents of the report, or copy thereof (including conclusions as to the property value, the identity of the Appraiser, professional designations, reference to any professional appraisal organizations, or the firm with which the Appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the borrower if appraisal fee paid by same, the mortgagee or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, any department, agency, or instrumentality, of written consent of the Appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the Appraiser.

- This appraisal report and its contents must be regarded as a whole and any excerpts from this appraisal cannot be used separately, and if used separately, invalidate this appraisal. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

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

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

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

- It is assumed that the utilization of the land is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted within the report.

- No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise or rescind any of the value opinions based upon any subsequent environmental impact studies, research or investigation.

ASSUMPTIONS AND LIMITING CONDITIONS

- Americans with Disabilities Act of 1990 (ADA) is effective as of January 26, 1992, and is a federal civil rights law for individuals with disabilities, which prohibits discriminatory practices in design and operation of places of business. Owners, landlords, tenants, and operators of business property are jointly and severally responsible for compliance and should undertake audits to determine the extent to which facilities are affected by Title III. To the best of our knowledge, an ADA audit has not been completed for the subject improvements. If such an audit was conducted, there may be significant costs necessary to comply with ADA. The appraiser, however, is not qualified to detect any such non-compliance items, if present, which may negatively affect the value of the subject property. This value estimate is predicated upon the assumption that there is no such ADA non-compliance items on, in, or potentially affecting the subject property that would cause a loss in value. No responsibility is assumed for any such non-compliance conditions or for any expertise or engineering knowledge required to discover ADA non-compliance conditions. The client or subsequent users of this report are urged to retain experts in this field if desired or concerned about these issues.

- Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

APPRAISAL DEVELOPMENT AND REPORTING PROCESS

In preparing this appraisal, the appraiser first inspected the subject property, and then proceeded to gather and confirm further physical, transactional, and economic data on both the subject and comparable properties. The development process for the report was considered to constitute a complete appraisal analysis under Standards Rule 1 of USPAP as all pertinent approaches to value were developed.

The report is conveyed in a Summary Report format. This summary format complies with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraisers' file. The depth of discussion contained in this report specific to the needs of the client and has been done at the client's request.

Sources of data that were utilized in this analysis include information from office files, discussions with other real estate professionals including sales and leasing brokers, mortgage bankers, property managers, other appraisers, and buyers and sellers. All pertinent approaches to value for the subject property have been considered and the findings and analyses are contained on the following pages.

PURPOSE AND INTENDED USE OF THE APPRAISAL

The function and objective of this appraisal is to estimate the market value of the subject real estate as of July 20, 2010. It is understood that the opinion of value evolved in this report will be used by the City Minneapolis in connection with the potential disposition of the property. The scope of this assignment included an inspection of the subject property on July 20, 2010. The intended user of this report is the Community Planning and Economic Development (CPED) Department of the City of Minneapolis.

PROPERTY RIGHTS BEING APPRAISED

The real property rights to be considered in this appraisal are those of the fee simple estate ownership interest in the real estate. For purposes of this analysis, the 'fee simple estate interest', is as defined on page 140 of The Dictionary of Real Estate Appraisal, third edition, published by the Appraisal Institute, 1993, as:

> *"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."*

DEFINITION OF MARKET VALUE

"Market Value" as used in this report, is as defined under FIRREA Appraisal Standards in the Federal Register, Vol. 55, No. 165, August 24, 1990, "Rules and Regulations", 34.42 as below:

> *"Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably 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 from seller to buyer under conditions whereby:*
>
> 1) *Buyer and seller are typically motivated;*
> 2) *Both parties are well informed or well advised and acting in what they consider their own best interest;*
> 3) *A reasonable time is allowed for exposure in the open market;*
> 4) *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
> 5) *The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."*

Another frequently relied on definition is from the Eleventh Edition of The Appraisal of Real Estate reading as follows:

> *"The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress."*

EXTRAORDINARY ASSUMPTIONS

USPAP defines an extraordinary assumption as:

> *An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusion.*

There were no extraordinary assumptions made for this appraisal.

HYPOTHETICAL CONDITIONS

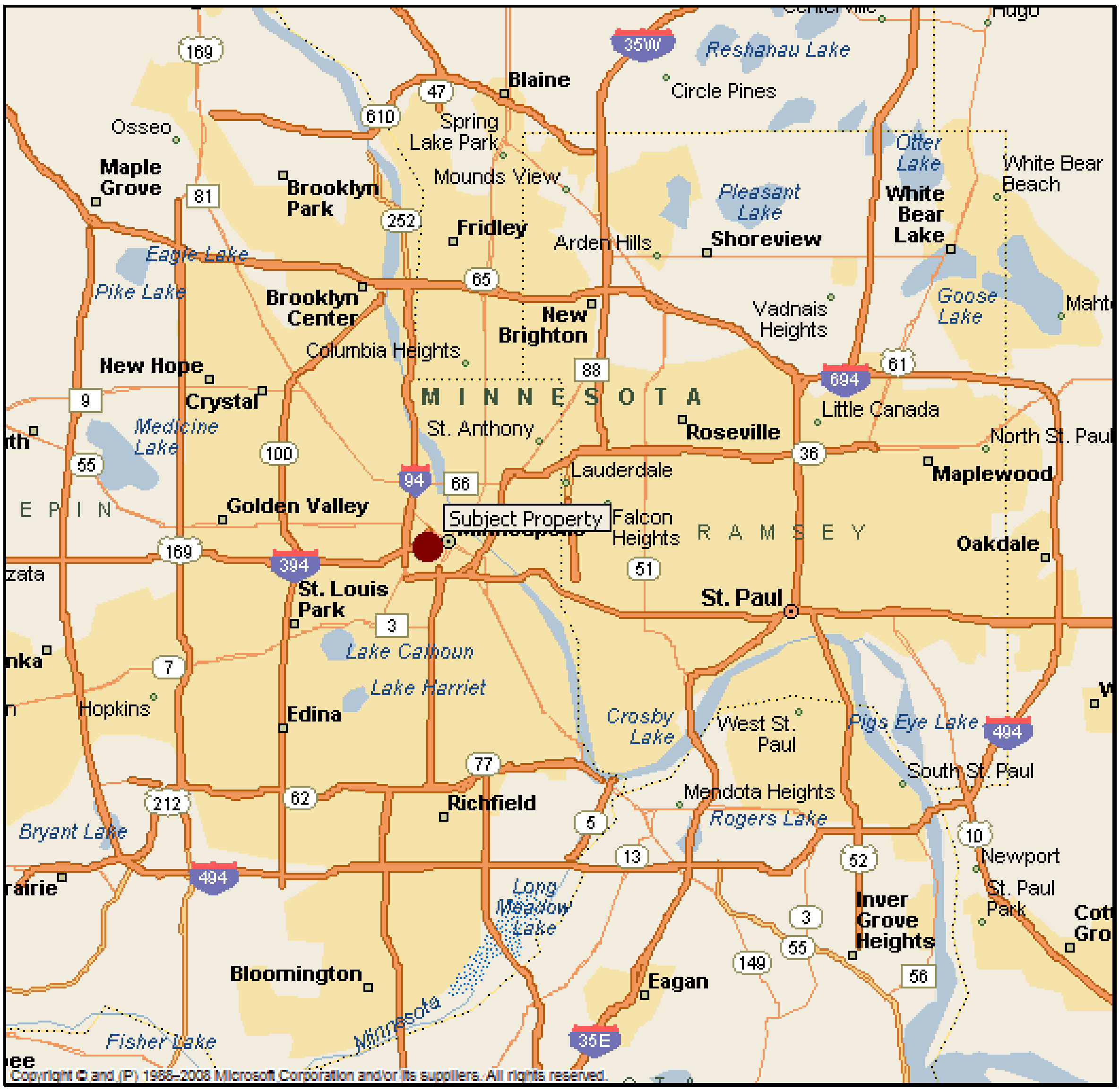
USPAP defines a hypothetical condition as:

> *That which is contrary to what exists but is supposed for the purpose of analysis.*

There were no hypothetical conditions made for this appraisal.

PART THREE - PRESENTATION OF DATA

The subject properties lies in the city of Minneapolis, Hennepin County, Minnesota. Hennepin County is part of the thirteen-counties that make up the Minneapolis/St. Paul Twin Cities Metropolitan Area (TCMA). According to the Metropolitan Council, the 2007 population estimates indicate that the TCMA ranks 16th in size among metropolitan areas nationwide. The Twin Cities has had the fastest growth rate of any other MSA in the upper Midwest. Of the thirteen counties that make up the TCMA, eleven are located in Minnesota and two in Wisconsin. The core of the TCMA consists of a seven-county area.



While each of the incorporated communities within the Twin Cities Metropolitan Area (TCMA) has its own unit of government, comprehensive planning within the Twin Cities metropolitan area is controlled by the Metropolitan Council. The Metropolitan Council was set up as a regional planning agency that provides essential services to the region. The Metropolitan Council operates the regional bus and light rail system, collects and treats wastewater, manages regional water resources, plans regional parks and administers funds that provide housing opportunities for low- and moderate-income individuals and families.

The Twin Cities is a mature, relatively self-sufficient economy, providing goods and services to the surrounding regions, the rest of the U.S., and the world. The TCMA functions as both an economic and cultural center for the Upper Midwest geographical area. This economic diversity sets the TCMA apart from major industrialized regions of the nation. No one manufacturer or single industry dominates the local economy. The State of Minnesota is the largest employer in the State, with the United States Government, Mayo Foundation and University of Minnesota ranked second, third and fourth, respectively. The following table lists the top 20 publicly held companies in Minnesota. Revenue estimates reported by the StarTribune ranks them by their 2008 sales volume as follows:

Top Minnesota Companies Ranked

Company	Location	Ticker Symbol	2008 Rank	2008 Revenue (in mil.)	2007 Rank	2008 % return on revenue
UnitedHealth Group Inc.	Minnetonka	UNH	1	$75,431	1	6.2
Target Corp.	Minneapolis	TGT	2	$63,367	2	4.5
Supervalu Inc.	Eden Prairie	SVU	3	$43,962	4	1.3
Best Buy Co. Inc.	Richfield	BBY	4	$39,504	3	3.6
Travelers Companies Inc.	St. Paul	TRV	5	$26,017	5	17.7
3M Co.	Maplewood	MMM	6	$24,462	6	16.7
U.S. Bancorp	Minneapolis	USB	7	$13,936	7	31.0
Medtronic Inc.	Fridley	MDT	8	$12,935	9	17.2
General Mills Inc.	Golden Valley	GIS	9	$12,890	10	9.1
Northwest Airlines Corp.	Eagan	NWA	10	$12,528	8	16.7
Xcel Energy Inc.	Minneapolis	XEL	11	$10,034	11	5.8
Ameriprise Financial Inc.	Minneapolis	AMP	12	$8,654	12	9.4
C.H. Robinson Worldwide Inc.	Eden Prairie	CHRW	13	$7,316	13	4.4
Mosaic Co.	Plymouth	MOS	14	$7,162	15	13.2
Hormel Foods Corp.	Austin	HRL	15	$6,310	14	5.0
Ecolab Inc.	St. Paul	ECL	16	$5,470	16	7.8
Nash Finch Co.	Edina	NAFC	17	$4,533	17	0.9
PepsiAmericas Inc.	Minneapolis	PAS	18	$4,480	18	4.7
Alliant Techsystems	Edina	ATK	19	$4,052	19	5.3
St. Jude Medical Inc.	Little Canada	STJ	20	$3,779	20	14.8

Source: StarTribune.com/Minneapolis-St. Paul

Minneapolis is the headquarters for the Ninth Federal Reserve District Bank. Additionally, the TCMA is one of the country's leading money centers being home to U.S. Bancorp (formally First Bank System) and the Midwest headquarters of Wells Fargo and Company two of the largest bank holding companies in the country.

Some of the TCMA's assets are its geographic location and transportation services. The Minneapolis/St. Paul Metropolitan Area has a strategic location at the head of navigation on the Mississippi River. As the distribution hub for the upper Midwestern states, the TCMA comprises the nation's seventh largest distribution center in the nation.

TCMA Population Trends

Real estate development and investment opportunities are most directly influenced by the population characteristics of a particular market area. The strength of that market area's current population base and the prospects for future growth are key factors in projecting the short and long-term potential for real estate.

The following table shows population growth for the thirteen-county area from 1980 to 2008 as well as population projections for 2010. The 2010 projections are the most recent projections reported by the Metropolitan Council and the Wisconsin and Minnesota Demographic Service Centers. These projections are based on metro sewer expansions and the growth and development expectations of local government planners. According to these 2008 estimates, the Twin Cities thirteen county area had an estimated population of 3.29 million people, which is an increase of 10.7% or 318,335 people since the 2000 census. This growth is equivalent to adding more than three cities the size of Bloomington to the region in eight years.

Population Estimates

Thirteen County Metropolitan Area

	Census Data			2008	Forecast	% Change	% Change Proj.
	1980	1990	2000	Estimate	2010	2000-2008	2000-2010
Anoka County	195,998	243,688	298,084	332,751	352,070	11.6%	18.1%
Carver County	37,046	47,915	70,205	89,615	100,830	27.6%	43.6%
Chisago County	25,717	30,521	41,101	50,384	59,180	22.6%	44.0%
Dakota County	194,279	275,227	355,904	398,487	414,100	12.0%	16.4%
Hennepin County	941,411	1,032,431	1,116,206	1,169,151	1,149,270	4.7%	3.0%
Isanti County	23,600	25,921	31,287	39,059	45,080	24.8%	44.1%
Pierce County (Wisc.)	31,149	32,765	36,804	40,523	41,695	10.1%	13.3%
Ramsey County	459,784	485,765	511,035	517,398	494,700	1.2%	-3.2%
St. Croix County (Wisc.)	43,262	50,251	63,155	79,702	87,123	26.2%	38.0%
Scott County	43,784	57,846	89,498	128,500	154,520	43.6%	72.7%
Sherburne County	29,908	41,945	64,417	87,894	101,570	36.4%	57.7%
Washington County	113,571	145,896	201,130	234,348	240,980	16.5%	19.8%
Wright County	58,681	68,710	89,986	119,335	136,130	32.6%	51.3%
TCMA (13 County)	**2,198,190**	**2,538,881**	**2,968,812**	**3,287,147**	**3,377,248**	**10.7%**	**13.8%**
Minneapolis	370,951	368,383	382,747	390,131	402,000	1.9%	5.0%
St. Paul	270,230	272,235	286,840	288,055	305,000	0.4%	6.3%

Source: US Department of Commerce, Bureau of the Census, Metropolitan Council, MN & WI Demographic Service Centers

It is evident by the statistics that area growth is moving away from the core counties of Hennepin and Ramsey to surrounding counties. The growth of each county has been primarily the result of exceptional growth spurts in just a few cities. It should be noted that the communities with the best freeway access and most available sewered acreage lead in housing construction.

According to the Metropolitan Council, the top 10 communities in population growth between April 1, 2000 and April 1, 2007 were in rank order; Shakopee, Blaine, Woodbury, Lakeville, Maple Grove, Eden Prairie, Rosemount, Farmington, Prior Lake and Chaska.

As a group these communities accounted for 42% of the growth in the seven county Twin Cities Metropolitan Area. Population gains during this period resulted from "natural growth", births outpacing deaths, and international immigration. Residents leaving Minnesota was greater than the number people coming from other parts of the country.

TCMA Household Trends

The following table shows household growth for the thirteen-county area from 1980 to 2007 as well as household projections for 2010. The 2010 projections are the most recent projections reported by the Metropolitan Council and the Wisconsin and Minnesota Demographic Service Centers. According to these 2007 estimates, the Twin Cities thirteen county area had 1.27 million households, which is an increase of 11.8% or 134,578 households since the 2000 census. The greater household growth has resulted from longer life expectancies and the aging of the baby boomers, leading to smaller household sizes and a larger empty-nest population.

Household Estimates

Thirteen County Metropolitan Area

	Census Data			2007	Forecast	% Change	% Change Proj.
	1980	1990	2000	Estimate	2010	2000-2007	2000-2010
Anoka County	60,716	82,437	106,428	119,973	132,570	12.7%	24.6%
Carver County	12,011	16,601	24,356	31,729	36,120	30.3%	48.3%
Chisago County	8,347	8,810	14,454	17,856	21,770	23.5%	50.6%
Dakota County	64,087	98,293	131,151	150,295	157,910	14.6%	20.4%
Hennepin County	365,536	419,060	456,131	482,265	472,630	5.7%	3.6%
Isanti County	7,503	8,810	11,236	14,416	16,690	28.3%	48.5%
Pierce County (Wisc.)	9,828	11,536	13,015	14,718	15,389	13.1%	18.2%
Ramsey County	170,505	190,500	201,236	207,678	197,720	3.2%	-1.7%
St. Croix County (Wisc.)	14,078	18,519	23,410	30,292	32,970	29.4%	40.8%
Scott County	13,501	19,367	30,692	43,963	53,820	43.2%	75.4%
Sherburne County	8,971	13,643	21,581	29,542	35,470	36.9%	64.4%
Washington County	35,001	49,246	71,462	85,632	90,300	19.8%	26.4%
Wright County	18,426	23,013	31,465	42,836	48,000	36.1%	52.6%
TCMA (13 County)	788,510	959,835	1,136,617	1,271,195	1,311,359	11.8%	15.4%
Minneapolis	161,858	160,682	162,352	167,367	172,000	3.1%	5.9%
St. Paul	106,223	110,249	112,109	114,409	120,000	1.7%	7.0%

Source: US Department of Commerce, Bureau of the Census, Metropolitan Council, MN & WI Demographic Service Centers

Similar to the national trend, the Twin Cities Region experienced a significant decrease in the number of residential housing permits in 2008. The high production levels and price appreciation earlier in the decade were unsustainable over the long term and the current slower pace of construction is expected to remain until the excess supply is absorbed. According to the following Metropolitan Council building permit statistics, residential building permits in 2008 were down by approximately 47.7% from 2007. Residential building permits in 2007 were down by approximately 32.4% from 2006.

Seven County Metropolitan Statistical Area **Residential Building Permits**						
	2008			**2007**		
	Single Family (Units)	**Multi-Family (Units)**	**Total Units**	**Single Family (Units)**	**Multi-Family (Units)**	**Total Units**
Location	***% Change***	***% Change***	***% Change***	***% Change***	***% Change***	***% Change***
Anoka	489	30	519	852	282	1,134
	-42.6%	-89.4%	-54.2%			
Carver	214	90	304	581	44	625
	-63.2%	104.5%	-51.4%			
Dakota	364	339	703	861	375	1,236
	-57.7%	-9.6%	-43.1%			
Hennepin	900	661	1,561	1,383	1,261	2,644
	-34.9%	-47.6%	-41.0%			
Ramsey	198	16	214	244	541	785
	-18.9%	-97.0%	-72.7%			
Scott	338	0	338	657	165	822
	-48.6%	-100.0%	-58.9%			
Washington	648	171	819	994	286	1,280
	-34.8%	-40.2%	-36.0%			
Total	3,151	1,307	4,458	5,572	2,954	8,526
	-43.4%	-55.8%	-47.7%			
Single-family units include townhouse and 2 to 4 units						
Source: Metropolitan Council						

As was the case in 2005, 2006 and 2007 residential construction activity declined in every county in the Metropolitan area in 2008. In Hennepin County, new units were down 41.0% at 1,561, accounting for 35.0 percent of the region's total. New units in Anoka County were down 54.2%, Carver County was down 51.4%, Dakota County was down 43.1%, Ramsey County was down 72.7%, Scott County was down by 58.9% and Washington County was down by 36.0%. The City of Minneapolis had the highest total with 362 new units (317 multi-family units) down from 953 new units in 2007 and 1,757 new units in 2006. The city of Woodbury had the next highest total with 342 new units. Other top ten cities for unit growth include— Maple Grove (327), Lakeville (286), Blaine (190) and Hugo (190).

Historical permit data as reported by the Metropolitan Council has been included on the following page. The 2007 and 2008 Metropolitan Council statistics have not been finalized.

7 County Metropolitan Area Residential Permits				
Year	**Single-Family (1)**	**Multi-Family**	**Total**	**% Change**
1994	11,833	2,372	14,205	
1995	10,805	3,151	13,956	-1.8%
1996	11,613	2,485	14,098	1.0%
1997	10,655	2,579	13,234	-6.1%
1998	12,826	2,991	15,817	19.5%
1999	13,727	3,952	17,679	11.8%
2000	11,970	4,468	16,438	-7.0%
2001	12,318	5,995	18,313	11.4%
2002	11,862	8,073	19,935	8.9%
2003	13,973	7,375	21,348	7.1%
2004	13,376	6,456	19,832	-7.1%
2005	11,232	6,389	17,621	-11.1%
2006	8,442	4,169	12,611	-28.4%
2007	5,572	2,954	8,526	-32.4%
2008	3,151	1,307	4,458	-47.7%
15 year Average	**10,890**	**4,314**	**15,205**	
5 Year Average 2004- 2008	**8,355**	**4,255**	**12,610**	

(1) Includes Duplex and Townhouse
Source: Metropolitan Council

Preliminary permit data from the Builders Association report 4,405 units in the Twin Cities Area in 2009 with approximately 45% of the units being multi-family.

Twin Cities Area Housing Values History

The following housing statistics are based on closed existing home sales as reported by the Regional Multiple Listing Service of Minnesota, Inc. and includes existing single-family homes, condominiums, and townhomes in the 13-county metropolitan area. The table below compares closed homes sale data for the TCMA from January through December 2007, 2008 and 2009.

13 County TCMA — *Closed Home Sales*	2009	2008	2007
New Listings	83,288	93,560	105,044
% Change	-11.0%	-10.9%	-2.8%
Number of Closed Sales	45,200	38,746	40,049
% Change	16.7%	-3.3%	-16.4%
Dollar Volume of Closed Sales	$9,013,064,487	$9,180,679,488	$11,002,764,547
Average Sale Price of Closed Sales	$199,404	$236,945	$274,733
% Change	-15.8%	-13.8%	-1.3%
Median Sale Price	$166,000	$195,000	$225,000
% Change	-14.9%	-13.3%	-2.2%

Source: Regional Multiple Listing Service of Minnesota, Inc.

Year end home sale data from 1998 through 2009 has been summarized as follows:

12-Year Review of Average TCMA Area Home Sale Prices

Year	Listings Processed	Total Dollar Volume (in Billions)	Unit Sales	Average Sale Price	Sale Price % Change Over Prior Year
1998	64,280	$7.09	47,836	$147,346	7.49%
1999	57,573	$7.62	46,675	$163,277	10.81%
2000	59,618	$8.76	48,208	$181,605	11.23%
2001	71,861	$10.22	50,298	$203,136	11.86%
2002	73,940	$11.33	52,231	$221,275	8.93%
2003	86,378	$13.48	56,528	$238,446	7.76%
2004	97,737	$14.92	58,233	$256,252	7.47%
2005	99,211	$15.61	57,283	$272,522	6.35%
2006	108,022	$13.34	47,906	$278,462	2.18%
2007	105,044	$11.00	40,049	$274,733	-1.34%
2008	93,560	$9.18	38,746	$236,945	-13.75%
2009	83,299	$9.01	45,200	$199,404	-15.84%
12-yr Average	83,377	$10.96	49,099	$222,784	3.59%

Source: Regional Multiple Listing Service of Minnesota, Inc.

Analysis of this data clearly indicates the following:

> *The inventory of listings on the market decreased by over 10,000 properties compared to last year. This was accompanied by a corresponding decrease in the total dollar volume. The number of closed sales increased in 2009 and there was a significant decrease in the average sale price of 15.8% over last year.*

According to the Minneapolis Area Association of Realtors, lender-mediated properties made up 44.8% of the closed sales in December 2009. The median sales price of lender owned sale properties was $120,650 in December 2009, which was a decrease of 2.6% from December 2008. The median sales price of short sale properties was $149,900 in December 2009, which was a decrease of 9.2% from December 2008. The median sale price for more traditional properties was $209,900 in December 2009, which was a decrease on only 0.9% from the prior year.

<u>TCMA Employment Trends</u>

The population of the Twin Cities area is characterized by having high participation rates in the labor force. The following table shows historical labor force statistics for 1990 through June 2010 for the Twin Cities Metropolitan Area, State of Minnesota and United States.

Historical Labor Force Data
Twin Cities Metro Area, Minnesota, United States
(000's)

	Twin Cities Metropolitan Area				Minnesota				United States			
Year *	Labor Force (000's)	Empl. (000's)	Unempl. (000's)	Unempl. Rate	Labor Force (000's)	Empl. (000's)	Unempl. (000's)	Unempl. Rate	Labor Force (000's)	Empl. (000's)	Unempl. (000's)	Unempl. Rate
1990	1,483	1,423	60	4.0%	2,401	2,284	118	4.9%	125,635	118,110	7,525	6.0%
1995	1,640	1,596	44	2.7%	2,625	2,530	95	3.6%	132,008	125,136	6,872	5.2%
2000	1,775	1,731	44	2.5%	2,830	2,742	88	3.1%	143,110	137,846	5,264	3.7%
2001	1,788	1,715	73	4.1%	2,860	2,734	126	4.4%	144,042	136,269	7,773	5.4%
2002	1,786	1,713	73	4.1%	2,869	2,745	123	4.3%	144,807	136,599	8,209	5.7%
2003	1,812	1,733	79	4.3%	2,896	2,759	137	4.7%	146,501	138,556	7,945	5.4%
2004	1,828	1,757	71	3.9%	2,905	2,782	124	4.3%	147,877	140,278	8,149	5.5%
2005	1,838	1,770	68	3.7%	2,914	2,794	121	4.1%	149,874	142,918	6,956	4.6%
2006	1,848	1,777	72	3.9%	2,926	2,800	126	4.3%	152,571	146,081	6,491	4.3%
2007	1,851	1,716	83	4.5%	2,924	2,781	144	4.9%	153,705	146,334	7,371	4.8%
2008	1,834	1,744	117	6.4%	2,938	2,737	201	6.8%	154,349	143,350	10,999	7.1%
2009	1,844	1,712	132	7.2%	2,946	2,729	217	7.4%	152,693	137,953	14,740	9.7%
Jun-10	1,875	1,748	127	6.8%	2,983	2,779	204	6.8%	154,767	139,882	14,885	9.6%

** Figures are stated as year-end averages for 1990-2009; 2010 figures are as of June..*
Source: MN Department of Employment and Economic Development (DEED)

For the TCMA, between year-end 2006 and 2009 total employment decreased by ±65,082 jobs, or 21,694 jobs per year. The 7.2%, the unemployment rate in the TCMA at the end of 2009 was higher than at any time in the past 20 years. Unemployment in the TCMA decreased to 6.8% as of June 2010.

Regional Conclusion

The TCMA has historically been one of the leaders in economic prosperity. Regional factors that directly affect housing demand include the population growth patterns and corresponding employment growth. While the economic conditions in the near term are uncertain, long term economic conditions are expected to remain strong as the area's population and employment market are expected to continue to grow.

The primary factors affecting the demand for the subject include the population, employment and regional growth patterns impacting its markets. The subject's location within the downtown Minneapolis CBD predisposes the subject real estate to a future where market demand will remain stable. Specific information on the subject's market area will be addressed in greater detail elsewhere in this report.

The subject neighborhood is located within the western fringe of the Downtown Minneapolis Business District, approximately three blocks southwest of the four Downtown central most blocks intersecting at South 7th Street and Nicollet Avenue.

Downtown Minneapolis is comprised of the Downtown core or central business blocks and several sub-market neighborhoods based upon activity concentration and real estate focus. Of these neighborhoods, clearly the most important is the core Downtown Central Business District containing the city's and region's highest concentration of office, retail, and hotel properties. Surrounding this compact core Downtown are several complementary sub-neighborhoods, each containing a different focus and one predominant property that acts as an anchor draw for the entire sub-neighborhood. In addition to the Downtown core, eight additional sub-neighborhoods have been identified as follows:

Minneapolis Central Business District

1. Downtown Core

Sub-Neighborhoods of the Greater Downtown Minneapolis Business District

2. Nicollet Mall Retail Corridor
3. Government Sector
4. Entertainment/Warehouse District
5. Riverfront District
6. Metrodome Area
7. Health Services District
8. Convention Center District
9. Education Corridor

The subject property lies within the Entertainment/Warehouse District. The south portion of this sub-neighborhood is known as the Butler Quarter, and is developed with a number of older, multi-story warehouse buildings and the Target Center Arena; home of the Minnesota Timberwolves National Basketball Association franchise and recently constructed Target Field, home to the Minnesota Twins. Target Field has re-energized this neighborhood and there have been a number of new restaurants and bars constructed nearby.

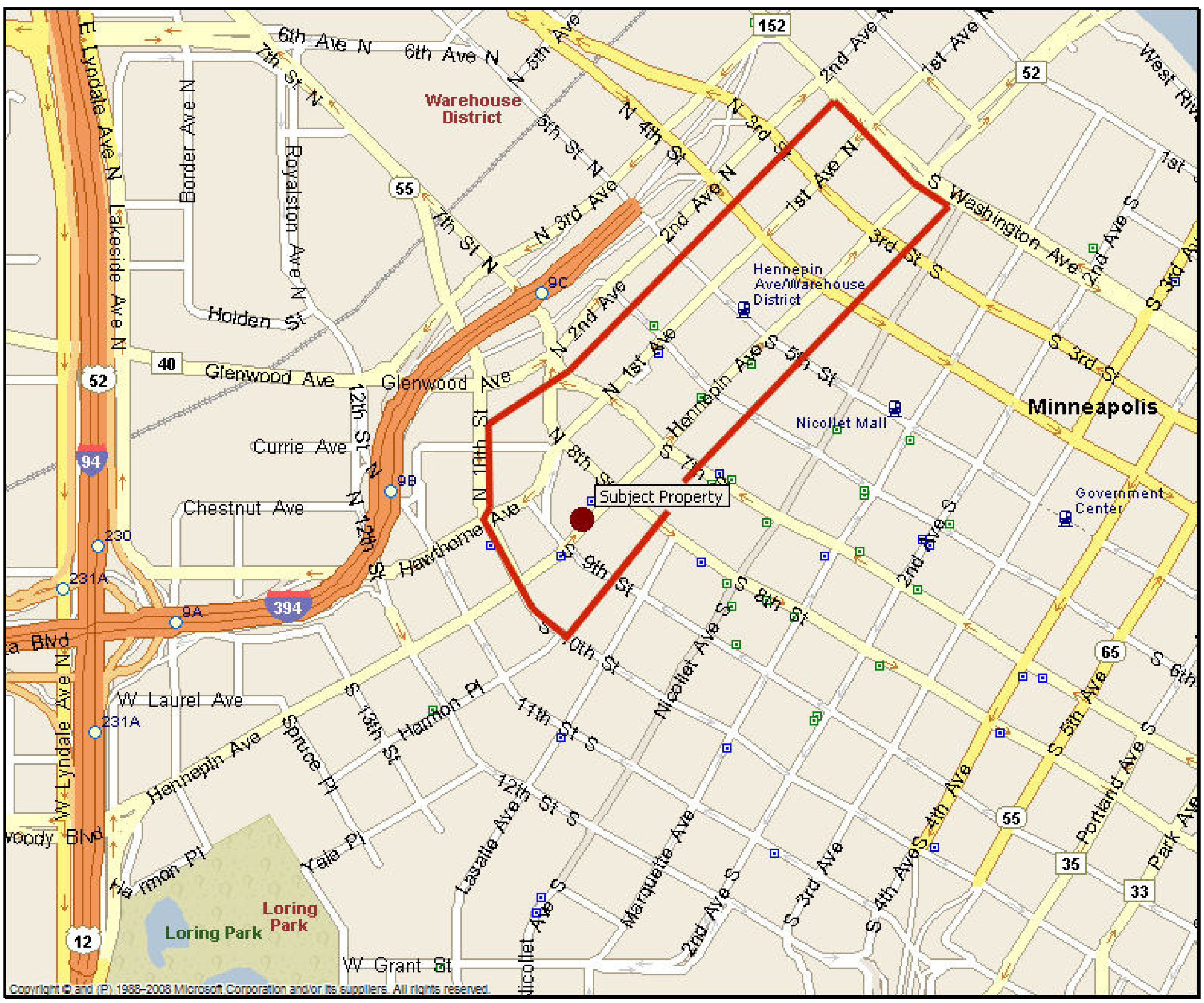
The older, loft warehouse buildings constructed for the most part in the early 1900's have been converted to studio, office and various retail/commercial applications. The entire area is heavily tenanted by restaurants and nightclubs, and draws extremely heavy traffic on evenings and weekends. Some of these older warehouse buildings have also been converted to general office use with the leading example being the Butler Building.

The Theater District along Hennepin Avenue is a distinct sub-neighborhood within the Entertainment/Warehouse District. The Hennepin Theater District is made up of a group theaters, which includes the State, Orpheum, Pantages, Hennepin Stages and the Illusion Theater. In addition, the Schubert Theater is currently being renovated. This district is the center for some of the area's best entertainment, as well as, some of the Minneapolis-St. Paul's top restaurants.

Block E, located between Sixth and Seventh Street, is an enclosed shopping and entertainment mall that was constructed in 2001. Tenants within Block E include the AMC Theater, Kieran's Irish Pub, Hooters, Applebee's and the Hard Rock Cafe. Block E has recently lost some key tenants and it was recently announced that it has been sold to an investment group Alatus, LLC. Alatus will acquire the property from Union Labor Life Insurance Co. (ULLICO), a Washington D.C.-based lender that recently took over ownership of the center from the developer, Chicago-based McCaffery Interests, Inc. The five-star Grave's 601 luxury hotel occupies the majority of the block's frontage along First Avenue. The Grave's 601 hotel was not part of the Block E sale transaction.

Property uses adjacent to the subject block include the Target Center to the northwest, Block E-two blocks to the north, City Center-two blocks to the northeast, Skyway Theater, Witt and Mitchell Buildings to the northeast, the Le Meridien Chambers Hotel to the southeast, the State Theater/LaSalle Plaza and the Capital Grill to the east, the International Education Center to the north and the Orpheum Theater and Solera Restaurant to the south.

<u>Neighborhood Map</u>



NEIGHBORHOOD DATA

According to The Appraisal of Real Estate, Tenth Edition, published by the Appraisal Institute, on page 174, land uses typically evolve through four stages:

1. Growth - a period during which the neighborhood gains public favor and acceptance.
2. Stability - a period of equilibrium without marked gains or losses.
3. Decline - a period of diminishing demand.
4. Revitalization - a period of renewal, modernization, and increasing demand.

The subject neighborhood exhibits characteristics that would be best described as being stable. While the new Target Field has created renewed optimism for increased activity in the subject neighborhood, the current recession continues to cast a shadow on new development opportunities. There are several vacant store fronts along Hennepin Avenue in close proximity to the subject property. The oversupply of this competing vacant space will undoubtedly have a negative impact on the market potential of the subject property.

IDENTIFICATION OF THE PROPERTY

The property being appraised is two story commercial building that has been operated as a theater. It is located in a mid-block location along Hennepin Avenue between Eighth and Ninth Streets in Downtown Minneapolis. The property will be referred to as either “Hennepin Stages”, or as the “subject property”.

OWNERSHIP AND PROPERTY HISTORY

According to public records, the subject property was purchased by the current owner, the City of Minneapolis, formerly the Minneapolis Community Development Agency (MCDA) in 1995 for $500,000. Prior to their purchase, the property was operated for many years as a Hirshfield’s Paint Store.

After purchasing the property, the MCDA entered into a lease with Hey City Stage Company. There were a substantial amount of improvements made to the building in 1995. The Hey City Stage Company lease document indicated that there was approximately $1,200,000 in Lessor and Tenant Improvement Costs contracted to be made to the premises. The City of Minneapolis was obligated to pay $690,000 towards the costs of these improvements and the tenant was to pay for all costs in excess of $690,000. These costs included a new rubber membrane roof, new restrooms and interior improvements, new HVAC units, electrical upgrades and a new brick façade for the front of the property along Hennepin Avenue.

The Hey City Stage Company occupied the building from 1995 to 2004 and initially they were very successful with the performance of Tony and Tina’s Wedding. This show ran for many years, but according to John Hey, they struggled with a variety of subsequent performances. Mr. Hey stated that he attempted to re-negotiate the lease with the City, because he did not feel the theater operations could support the contract rental rate terms. After unsuccessful lease re-negotiations, Mr. Hey made the decision to terminate the lease and abandon the Theater premises.

OWNERSHIP AND PROPERTY HISTORY

The Historic Theatre Group took over management in September 2004 after the Hey City Stage Company. The Theater Management Agreement with the Historic Theatre Group called for payments based upon revenue generated from the operation of the theater.

LEGAL DESCRIPTION

EXHIBIT A

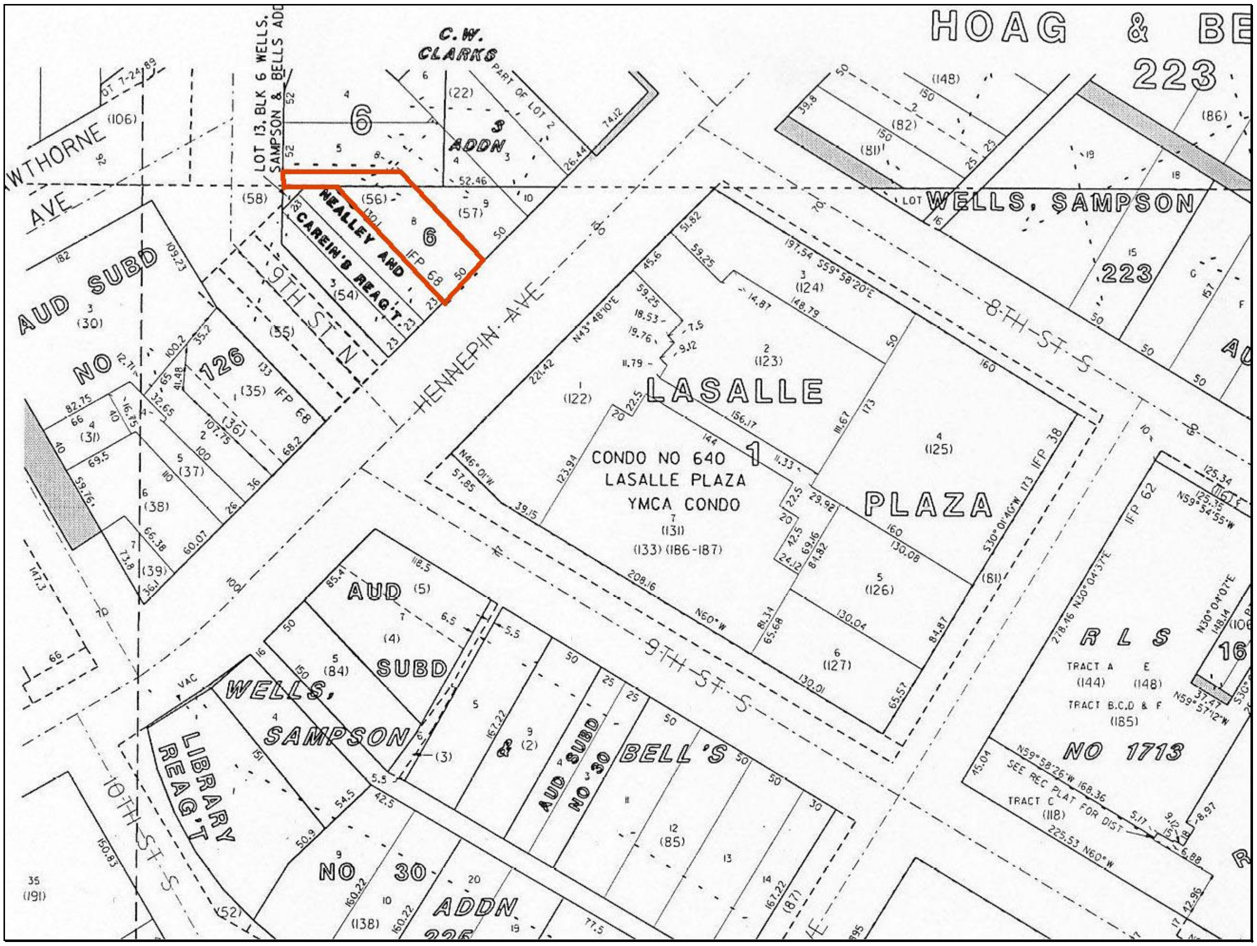
LEGAL DESCRIPTION

All that certain parcel or parcels of land located in the City of Minneapolis, County of Hennepin, State of Minnesota, more particularly described as follows:

Commencing at the point of intersection of the Northwesterly line of Hennepin Avenue with the dividing line between Lots 7 and 8 in Block 6, Wells, Sampson & Bell's Addition to Minneapolis; thence Northeasterly along the Northwesterly line of said Hennepin Avenue a distance of 50 feet to an intersection with the dividing line between Lots 8 and 9 in said Block 6; thence Northwesterly along the dividing line between said Lots 8 and 9 and same extended a distance of 116 feet to a point in Lot 5 of Block 6, Hoag and Bell's Addition to Minneapolis; thence Southwesterly parallel with the Northwesterly line of Hennepin Avenue eight feet to an intersection with a line drawn parallel with and 19.68 feet North of the South line of said Lot 5 in Block 6, Hoag & Bell's Addition to Minneapolis; thence Westerly parallel with the South line of said Lot 5 a distance of 85.7 feet, more or less, to the Easterly line of Ninth Street; thence South along the Easterly line of Ninth Street 19.68 feet to the Southwest corner of Lot 5, Block 6, Hoag & Bell's Addition to Minneapolis; thence East along the South line of said Lot 5 to its intersection with the dividing line between Lots 7 and 8 in Block 6, Wells, Sampson & Bell's Addition to Minneapolis; thence Southeasterly along said dividing line to the point of beginning. Above described premises comprising all of Lot 8 in Block 6, Wells, Sampson & Bell's Addition to Minneapolis, and part of Lot 5 in Block 6, Hoag & Bell's Addition to Minneapolis, according to the recorded plat thereof, and situate in Hennepin County, Minnesota.

For visual reference please refer to the plat map on the following page.

PLAT MAP



TAXES AND ASSESSMENTS

The subject property tax code identification number (PID) is 27-029-24-12-0056. According to Hennepin County, the property is listed as being tax-exempt. The property's tax-exempt status is likely due to its ownership by the MCDA, a governmental entity.

Hennepin Stages ***Real Estate Tax Assessment Data***							
	Land Value	**Bldg Value**	**Total Value**	**Base Taxes**	**Solid Waste**	**Assessments**	**Total**
PID NO.	**|-----AEMV as of 1-2-08-----|**			**|-----2009 Taxes Payable-----|**			
27-029-24-12-0056	$626,600	$693,400	$1,320,000	$0	$0	$6,961.94	$6,961.94
	|-----AEMV as of 1-2-09-----|			**|-----2010 Taxes Payable-----|**			
	$626,600	$693,400	$1,320,000	$0	$0	$8,694.08	$8,694.08
	|-----AEMV as of 1-2-10-----|			**|-----2011 Taxes Payable-----|**			
	$557,000	$697,000	$1,254,000	N.A.	N.A.	N.A.	N.A.

The zoning bearing on the subject property is B4S-2, Central Service District. According to the zoning code, the B4S Downtown Service District is established to provide an environment that promotes the development of mixed-use neighborhoods in a higher density, transit- and pedestrian-oriented, urban environment with a wide range of retail and office activities and high density residential uses and hotels. The B4S District also allows supportive goods and services not allowed in the B4 District.

Permitted and conditional uses in the B4S District shall be as specified in section 549.30 and Table 549-1, Principal Uses in the **Downtown Districts. (See Section 549.30 and Table 549-1 in the Addenda of this report).**

Other provisions of the B4S Downtown Service District are as follows:

The B4S District is divided into two sub-districts for building bulk requirements, the B4S-1 District and the B4S-2 District. The minimum and maximum floor area ratio of all structures in the B4S District shall be as specified in Table 549-5, B4S Downtown Service District Building Bulk Requirements.

Table 549-5 B4S Downtown Service District Building Bulk Requirements

B4S-1 District	**B4S-2 District**
Minimum floor area ratio 2.0 (Non-residential) 2.0 (Dwellings & Hotels)	**Minimum floor area ratio 2.0**
Maximum floor area ratio 4.0 (Non-residential) 8.0 (Dwellings & Hotels)	**Maximum floor area ratio 8.0**

(2006-Or-123, § 7, 10-20-06)

General District Regulations: The following conditions govern uses in the B4S District:

(1) Drive-through facilities permitted. Drive-through facilities shall be prohibited in the B4S Districts.

(2) *Outdoor speakers permitted.* Outdoor speakers shall be permitted, provided that speaker boxes shall not be audible from a residence or office residence district boundary or from a permitted or conditional residential use.

(3) *Automobile sales.* Automobile sales shall be limited to new and vintage passenger automobiles only, except that leased automobiles and used automobiles received in trade may be sold as an accessory use. The storage and dispensing of fuels and outdoor display is prohibited.

(4) *Production, processing and storage.* Production, processing, and storage uses shall be limited to four thousand (4,000) square feet of gross floor area.(5) Parking garages. The ground floor of principal and accessory parking garages shall have commercial, residential, office, or hotel uses located between the parking garage and any public sidewalk except where frontage is needed to provide vehicular and pedestrian access to the facility.

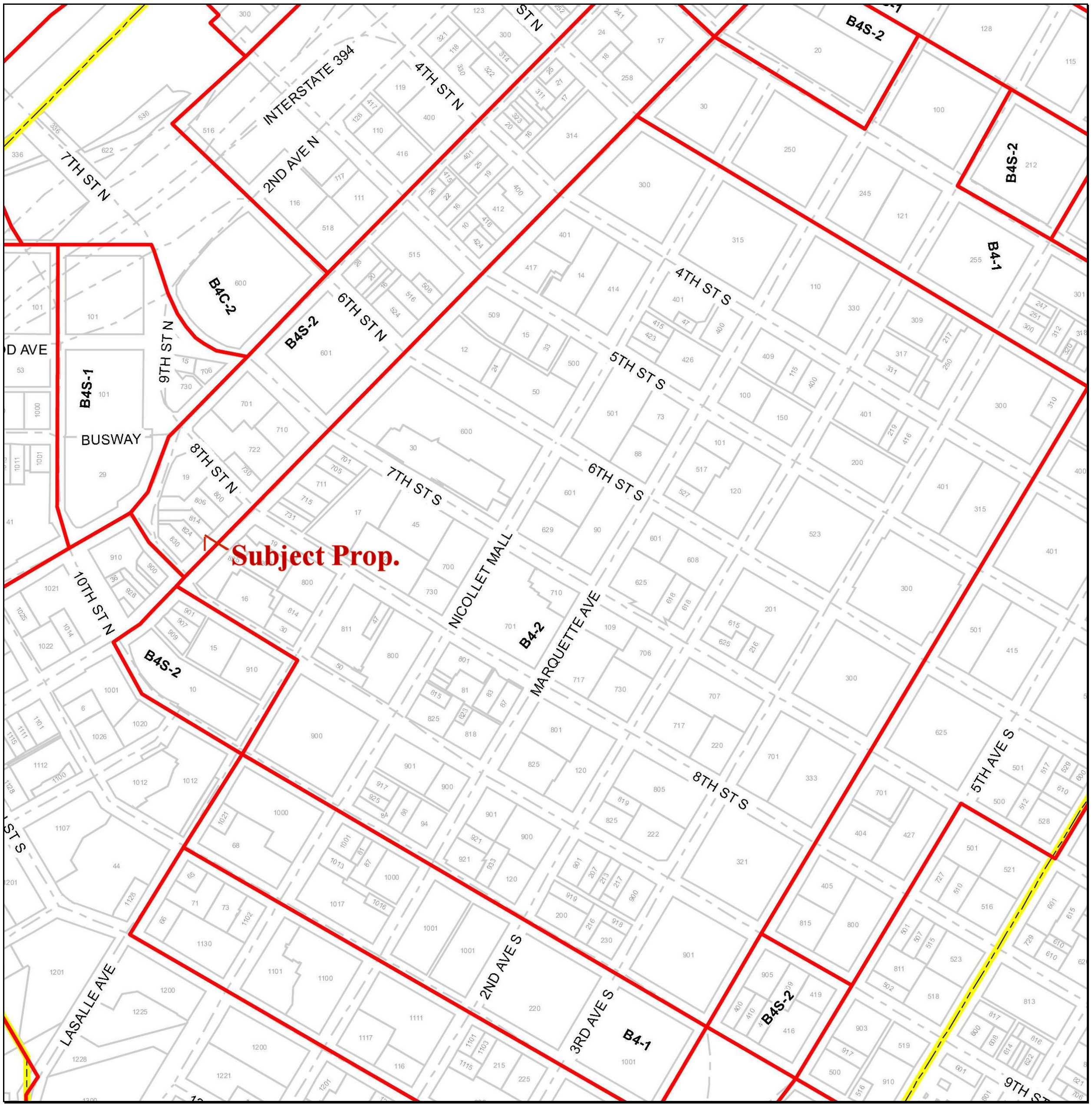
Principal parking garages shall have all parking spaces located entirely below grade except where the garage includes integrated transit facilities within the structure.

Truck and commercial vehicle parking for nonresidential uses. Outdoor parking of trucks and other commercial vehicles shall be limited to single rear axle vehicles of not more than fifteen thousand (15,000) pounds gross vehicle weight. All outdoor parking of trucks shall be screened from view, as specified in this zoning ordinance.

Included in the Addenda of this report are the general provisions for the Downtown Zoning Districts.

A downtown Minneapolis Zoning Map has been included on the following page:

SUBJECT ZONING MAP



SITE DESCRIPTION

The subject property is situated in a mid-block location on the west side of Hennepin Avenue, between Eighth and Ninth Streets. It is an irregular shaped parcel that has 50.0 feet of frontage along Hennepin Avenue and 19.68 feet of frontage along 9th Street North. According to the Minneapolis assessor's office the site contains a land area of approximately 7,325 square feet, or .17 acres.

There is access to the rear of the building from 9th Street North. Approximately 4 to 5 parking spaces are available along the rear of the building. The first floor of the building contains approximately 5,400 square feet which leaves approximately 1,925 square feet of vacant land in the rear that is utilized for a trash enclosure, parking and driveway access. Based upon the building's gross building area of 16,200 square feet, the site has a floor area ratio (FAR) of 2.21 to 1.0.

Hennepin Avenue is a 100-foot wide thoroughfare, which extends from State Highway 280 in north Minneapolis to West 36th Street in south Minneapolis. The topography of the site is, for the most part, level and at street grade with both North 9th Street and Hennepin Avenue. The subject neighborhood is considered to be located within the Theater District in Downtown Minneapolis containing the Orpheum, State and Pantages Theaters, all within one block from the subject site.

The subject improvement's footprint covers approximately 73.7% of the site area and the land to gross building area ratio is 0.45 to 1.

Land Area:	7,325 square feet, or 0.17 acre (Based upon the Minneapolis Assessor's office)
Land/Building Ratio:	.45 to 1
Topography:	The topography of the site is mostly level and at the grade of the surrounding streets.
Floodplain Status:	The site is not located within a floodplain.
Utilities:	Municipal water and sewer, natural gas, electricity, and telephone.
Sidewalks:	There are public sidewalks along all four sides of the block.
Curb and Gutter:	There are concrete curbs and gutters along all four sides of the block.
Access onto Site:	There is a curb cut along 9th Street North that provides access to the rear of the building.
Visibility:	The subject building has good visibility and exposure from Hennepin Avenue.
Site Improvements:	Asphalt paving in rear parking lot and driveway.

SITE DESCRIPTION

From inspection of the property, no boundary encroachment irregularities were evident. Soil tests of the land parcel were not available for the appraiser's review, but it is assumed the land is capable of supporting building loads typical of its neighborhood. The subject land is not located in a flood plain. All of the typical urban utilities are available to the site. The appraiser makes no representation regarding the existence or non-existence of hazardous or toxic wastes or substances on-site or underground storage tanks on the property and has not determined what notices may be required to be given, if any. The subject land conforms well to surrounding land parcels in size, shape, and developed use.

DESCRIPTION OF THE IMPROVEMENTS

The subject property includes a two story commercial building that is owned by the City of Minneapolis. The City has contracted the Historic Theatre Group, LTD to operate and manage the Theater as a live entertainment venue. The Historic Theatre Group took over management in September 2004 after the former tenant, Hey City Stage Company, defaulted on their lease and abandoned the Theater premises.

The Hey City Stage Company occupied the building from 1995 to 2004. They were initially very successful with the performance of Tony and Tina's Wedding. This show ran for many years, but they struggled with a variety of subsequent performances and the operation of the theater became financially unfeasible. According to John Hey, were unable to re-negotiate their lease to a more financially feasible rate and as a result, he felt he was forced to abandon the premises.

The building is designed to have performances on both the first and second floors; however, simultaneous performances are rarely if ever done due to noise issues. The first floor contains a small waiting area inside the entry that includes a ticket booth and a movable counter on the south side, adjacent to the second floor stairway, that provides a service area for beverages. The building is designed so that separate performances can be conducted simultaneously on each floor.

Both the first and second floors are primarily open areas for theater performances. There is no built-in seating on the first floor and the second floor has a combination of built-in seating (3 rows) and movable furniture.

There are dressing rooms located on the second floor and a back area on the first floor that contains two stainless steel sinks and an ice machine that provides ice to a bar area that is located inside the first floor performance space. The basement level is partitioned with several office areas, dressing rooms, a men's and women's restroom, a utility room and a kitchen area.

There were a substantial amount of improvements made to the building in 1995. The Hey City Stage Company lease document indicated that there was approximately $1,200,000 in Lessor and Tenant Improvement Costs contracted to be made to the premises. The City of Minneapolis was obligated to pay $690,000 towards the costs of these improvements and the tenant was to pay for all costs in excess of $690,000. These costs included a new rubber membrane roof, new HVAC units, electrical upgrades and a new brick façade for the front of the property along Hennepin Avenue. Overall, the condition of the property is considered to be good, but the interior finish needs some updating.

DESCRIPTION OF THE IMPROVEMENTS

Gross Building Area:	Basement:	5,400
	First Floor:	5,400
	Second Floor:	5,400
	Total:	16,200

Construction Class: Class "C" - Masonry with combination brick and concrete block walls, wooden floor joists, and stone and brick foundation.

Year Built: 1910 original construction with improvements made in 1995.

Elevator: One 2,500 pound capacity Lagerquist hydraulic elevator that services all three floors

Foundation: Combination of stone and brick.

Number of Stories: Two plus basement

Clear Ceiling Height:	Basement:	9 feet
	First floor:	14 feet
	Second floor:	12 feet

Frame: Brick exterior and load bearing walls, with wood floor joist construction.

Roof: Flat roof, rubber membrane.

Electrical System: 600 amps, 3 phase 240 volts

HVAC System: Heating and cooling for the facility are supplied by four roof-mounted units.

Restrooms: A set of men's and women's restrooms in the basement and on the second floor

Lighting: Fluorescent in office areas; theatrical and incandescent in theater spaces

Windows: There are windows located along the far-westerly wall that were replaced in 1995.

Overall Condition: The building appears to structurally sound with new restrooms, a new roof and HVAC system installed in 1995. The current tenant recently spent over $40,000 in sewer system and plumbing repairs/upgrades. According to the current tenant, there are no required major capital expenditures anticipated for the building in the near term.

PART FOUR - ANALYSIS OF DATA AND CONCLUSIONS

HIGHEST AND BEST USE ANALYSIS

This analysis identifies the most profitable use to which the property can be developed. The use of a property greatly influences value and all factors that influence and contribute to value must be considered. Highest and Best Use is defined in The Dictionary of Real Estate Appraisal, Third Edition, by the Appraisal Institute, copyright 1993, page 171 as follows:

> *"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability."*

Highest and Best Use as Vacant is defined on page 171 as follows:

> *"Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements."*

Highest and Best Use as Improved is defined on page 171 as follows:

> *"The use that should be made of a property as it exists. An existing property should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one."*

The second definition above applies specifically to the highest and best use of land. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until the land value in its highest and best use exceeds the total value of the improved property in its existing use.

Implied within these definitions is recognition of the contribution of that specific use to community environment or to community development goals in addition to wealth maximization of individual property owners. Also implied is that the determination of highest and best use results from the appraisers' judgment and analytical skill, *i.e.,* that the use determined from analysis represents an opinion, not a fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based. In the context of most probable selling price (market value) another appropriate term to reflect highest and best use would be most profitable use.

Highest and Best use is based on the application of four tests of the land as though vacant and of the property as improved. They are as follows:

- Legally Permissible,
- Physically Possible,
- Financially Feasible, and
- Maximally Productive

AS VACANT

Legally Permissible - The first factor to be considered are the legal constraints. This test relates to what is legally permitted to be constructed on the site. The subject property is zoned B4S-2, Central Service District. Those uses permitted in the B4S-2 district include those uses in the B4, Central Retail District; B3, Community Retail District; B2, Neighborhood Retail District; B2S, Neighborhood Service District; and B3S, Community Service District. Together, these districts include a very wide range of commercial applications including ramp parking, office, retail, hotel, and restaurant. The subject's B4S-2 zoning does not allow for as dense of a development as is allowed in the B4 and B3 districts. The above zoning districts do not allow for industrial or single family applications without a conditional use permit. A copy of the zoning ordinance has been included in the addendum of this report.

Physically Possible - Given the range of legally permitted uses and in consideration of the subject property's position located on a block adjacent to the intensely developed office and retail core to the east and the entertainment oriented applications existing and expanding in the subject neighborhood to the west, the appraiser believes that over the long term, a hotel or entertainment/retail related facility, would be the most appropriate application for the site. The subject property is located in the entertainment corridor between Hennepin Avenue and First Avenue North. This area is comprised of many restaurants, theaters and nightclubs. The physical and locational characteristics of the subject site, within the Entertainment District and near the Target Center and Target Field, is considered suitable for either a restaurant or nightclub, or possibly a hotel application through an assemblage.

Financially Feasible - This test relates to the financial feasibility of the legally permitted uses on the site. As previously mentioned, it is believed that over the long term a restaurant or night club, or perhaps a hotel use with a parking ramp component would be the most appropriate application for the site as assembled. With respect to restaurant space there is an abundant supply of privately owned competitive buildings with first floor retail/restaurant space available at rental rates well below the level necessary to support new construction. Most operating restaurants are in older renovated buildings or in newer, larger, mixed use developments. In addition, there are a significant number of restaurants, bars and nightclubs currently operating within a three-block distance of the subject property creating tremendous competition. Given this competitive environment and the substantial risk in establishing and operating a restaurant, it was concluded that the site would not be developed in the near future with a new restaurant.

A surface parking use is considered one potential interim use until demand warrants the development of the site, by itself, or through an assemblage to a more intense use such as a mixed-use hotel/retail development. An assemblage would create a more utile site and increase the value of the subject property by increasing its development or floor area ratio (FAR) potential.

Maximally Productive - This test relates to that use which is financially feasible and most productive based on the dollars invested. For the subject property as vacant, an interim parking use is considered to be the most maximally productive use.

AS IMPROVED

Legally Permissible - The first factor to be considered are the legal constraints. This test relates to what is legally permitted to be constructed on the site. The subject property is zoned B4S-2, Central Service District. This district includes a very wide range of commercial applications including ramp parking, office, retail, hotel, and restaurant.

Physically Possible - Given the range of legally permitted uses and in consideration of the subject property's position located on a block adjacent to the intensely developed office and retail core to the east and the entertainment oriented applications existing and expanding in the subject neighborhood to the west, the appraiser believes that an entertainment/retail related facility, would be the most appropriate application for the building. The subject property is located in the entertainment corridor between Hennepin Avenue and First Avenue North. This area is comprised of many restaurants, theaters and nightclubs. The building's layout and design would be best suited for either a restaurant or nightclub.

Financially Feasible - This test relates to the financial feasibility of the legally permitted and physically possible uses within the building. As previously mentioned, the appraisers believe that over the long term a restaurant or night club would be the most appropriate application for the property, as improved. As previously discussed, there are a significant number of restaurants, bars and nightclubs currently operating within a three-block distance of the subject property creating tremendous competition. The subject property has physical characteristics that would make it an attractive restaurant or nightclub. The size of the building is attractive for this use and, given its 2 story building height, the roof has a potential for a deck, which reportedly is in demand today.

While the new Target Field has created renewed enthusiasm for further downtown entertainment opportunities, current economic realities have stifled most new business ventures. There are a number of available buildings for lease in the neighborhood, which is an indication of the weak demand that exists.

Given the location of the subject property within the Entertainment District, the highest and best use of the property was considered a restaurant and/or nightclub. The highest and best use of the basement space was considered as office/support for the tenant occupying the first and second floors.

Maximally Productive - This test relates to that use which is financially feasible and most productive based on the dollars invested. For the subject property as improved, a restaurant and/or nightclub is considered to be the most maximally productive use.

SALES COMPARISON APPROACH

The Sales Comparison Approach produces an indication of value by comparing the prices paid, asked and offered in the marketplace on properties that bear characteristics similar to the property being appraised. It represents the actions of informed buyers, sellers and investors in the marketplace. The basis of the approach is the principle of substitution, which implies that a prudent purchaser will not pay more for a property than it will cost to buy a similar substitute property.

The application of the approach requires the appraiser to correlate and analyze the market data of similar properties. A common denominator or unit of comparison between a similar or comparable property and the subject property must be determined. Units of comparison, such as price per gross square foot, price per unit, or the gross rent multiplier, are commonly employed in appraisal practice. The soundness of the method depends upon the following considerations:

a) The comparability to the subject of each sale being analyzed.
b) The accuracy of the sale data.
c) The terms of the sale.
d) The date of the sale.

Adjustments for these elements are often made to the comparable properties for each aspect that the comparable property differs from that corresponding aspect of the subject property based on market extracted data and/or sound judgment and reasoning. The adjustment for cash equivalency is made first in order to adjust for atypical market financing. Then, the adjustment for market conditions or time is usually made in order to bring the varying transaction dates of the comparables to an equal status current with the appraisal date. Adjustments are then made for other elements including conditions of sale and physical, locational, and economic characteristics. Those comparables requiring the least overall adjustment are most often held to bear the greatest resemblance to the subject, and therefore, are accorded the most emphasis in the valuation analysis.

Quantitative adjustments are most applicable to properties which are fairly similar, such as vacant land or more conventional office or industrial properties. Adjustments can often be abstracted through a paired sales analysis as there are often many sales to rely on. For an older commercial property like the subject, the market is much smaller. The ability to adjust for differences between the comparables and the subject is often undermined by the sheer number of differences between the properties. Age, area, efficiency, market vacancy, quality, size, tenant credit strength and the strength of the market are just a few of the characteristics that differ from property to property. Buyers and sellers rarely rely on quantitative adjustments when considering a transaction. More often, buyers and sellers typically compare properties on a more subjective basis. In this case, a quantitative adjustment was made for time of sale, but because adequate market data did not exist to support quantitative adjustments, an overall qualitative adjustment was made between the subject and comparable sale. This analysis was considered sufficient in order to provide a probable range in an estimated market value for the subject property.

An investigation into the sale of similar commercial properties located in Downtown Minneapolis was conducted for the application of this approach. Those transactions considered to offer the greatest overall similarity and timeliness to the subject have been analyzed on the following pages.

Improved Sale Comparable No. 1

Name:	**Ping's Bar and Grill**
Location:	1401 Nicollet Avenue Minneapolis, Minnesota
Sale Date:	March 3, 2010
Seller:	Gary & Karen Kirt
Buyer:	Tran Holdings, LLC
Land Area:	5,604 square feet, or 0.13 acres
Year Built:	1920
Gross Building Area:	8,536 square feet
Basement Area:	4,100 square feet
First Floor:	4,436 square feet
Upper Floors:	N.A.
Land/Building Ratio:	.66/1
Zoning:	C-1, Commercial District
Stories:	One Story, plus basement
Sale Price:	$820,000
Price/Square Foot of GBA:	$96.06
Sale Terms:	Cash
Comments:	This property is located along the southeast corner of Nicollet Avenue and 14th Street South. It is a one story restaurant with an unfinished basement that is used for storage.

Improved Sale Comparable No. 1

The property was not listed with a real estate broker. The buyer was the tenant in the building, who acquired the property upon expiration of their lease. The landlord was not interested in renting the building any longer and offered the property to the tenant. The tenant was paying an annual rental of $72,000, or $16.23 per square foot of first floor area, in the last year of their rental term.

The building quality and condition was considered superior to the subject building, but the location was considered somewhat inferior.

Aerial of 1401 Nicollet Avenue

Improved Sale Comparable No. 2

Name:	**The Unbank**
Location:	727 Hennepin Avenue Minneapolis, Minnesota
Sale Date:	February 25, 2009
Seller:	Zel-Wel, LLC
Buyer:	Unbank Property 12, LLC
Land Area:	3,750 square feet, or 0.09 acres
Year Built:	1922
Gross Building Area:	21,600 square feet
Basement Area:	3,600 square feet
First Floor:	3,600 square feet
Upper Floors:	14,400 square feet
Land/Building Ratio:	0.17/1
Zoning:	B4-2, Downtown Business District
Stories:	Five Stories, plus basement
Sale Price:	$1,000,000
Price/Square Foot of GBA:	$46.30
Sale Terms:	Cash

Improved Sale Comparable No. 2

Comments: This property is located along the east side of Hennepin Avenue between 7th Street South and 8th Street South. It is a five story building that the buyer acquired with the intent of renovating the first level for use as an Unbank.

At the date of the sale property was vacant and in poor condition.

Aerial of 727 Hennepin Avenue

Improved Sale Comparable No. 3

Name:	**Gay 90's**
Location:	400 Hennepin Avenue Minneapolis, Minnesota
Sale Date:	May 20, 2008
Seller:	Gay Nineties, LP
Buyer:	PJM Properties, LLC
Land Area:	14,893 square feet, or 0.34 acres
Year Built:	1921
Gross Building Area:	33,480 square feet
Basement Area:	3,680 square feet
First Floor:	14,900 square feet
Upper Floors:	14,900 square feet
Land/Building Ratio:	.44/1
Zoning:	B4S-2, Downtown Service District
Stories:	Two Stories, plus basement
Sale Price:	$2,000,000
Price/Square Foot of GBA:	$59.74
Sale Terms:	Cash

Improved Sale Comparable No. 3

Comments: This property is located along the southwest corner of Hennepin Avenue and 4th Street North. It is a two story building that has been utilized as a nightclub for many years.

Aerial of 400 Hennepin Avenue

Improved Sale Comparable No. 4

Name:	**Former Nate's Clothing Store**
Location:	401 First Avenue North Minneapolis, Minnesota
Sale Date:	May 14, 2008
Seller:	Manufacturers Building, LLC
Buyer:	The 401 Group, LLC
Land Area:	8,515 square feet, or 0.20 acres
Year Built:	1921
Gross Building Area:	50,135 square feet
Basement Area:	8,515 square feet
First Floor:	8,120 square feet
Upper Floors:	33,500 square feet
Land/Building Ratio:	.17/1
Zoning:	B4S-2, Downtown Service District
Stories:	Five Stories, plus basement
Sale Price:	$3,645,000
Price/Square Foot of GBA:	$72.70
Sale Terms:	Cash
Comments:	This property is located along the southeast corner of First Avenue North and 4th Street North. It is a five story building occupied by Nate's Clothing on the first floor at the time of sale.

Improved Sale Comparable No. 4

The upper floors were sparsely occupied with a printing business and a few other tenants. The space was in fair condition.

The buyer plans on renovating the property with restaurant on the first floor and offices on the upper floors. Overall the building structure was considered superior to the subject property, but its condition was considered inferior.

Aerial of 401 First Avenue North

Improved Sale Comparable No. 5

Name:	**200 North First Street**
Location:	200 North First Street Minneapolis, Minnesota
Sale Date:	May 12, 2008
Seller:	Deerfield Warehouse Developers, LLC
Buyer:	The Draft Group, LLC
Land Area:	6,804 square feet, or 0.16 acres
Year Built:	1881
Gross Building Area:	17,220 square feet
Basement Area:	5,740 square feet
First Floor:	5,740 square feet
Upper Floors:	5,740 square feet
Land/Building Ratio:	.40/1
Zoning:	C3A, Community Activity Center District
Stories:	Two Stories, plus basement
Sale Price:	$865,000
Price/Square Foot of GBA:	$50.23
Sale Terms:	Cash
Comments:	This property is located along the northwest corner of First Street North and Second Avenue North. It is a two story building that was vacant and in poor condition at the time of sale.

Improved Sale Comparable No. 5

Aerial of 200 North First Street

Improved Sale Comparable No. 6

Name:	**113 Washington Ave.**
Location:	113 Washington Avenue North Minneapolis, Minnesota
Sale Date:	March 17, 2008
Seller:	John Rimarcik
Buyer:	113 Washington Avenue North LLC
Land Area:	3,564 square feet, or 0.08 acres
Year Built:	1900
Gross Building Area:	8,760 square feet
Basement Area:	3,000 square feet
First Floor:	2,880 square feet
Land/Building Ratio:	.41/1
Zoning:	B4C-1, Downtown Commercial District
Stories:	Two-Story, plus basement
Sale Price:	$1,037,500
Price/Square Foot of GBA:	$118.44
Sale Terms:	Cash
Comments:	This property is located in a mid-block location along the south side Washington Avenue North Between First Avenue North and Second Avenue North. This is an older rehab sold for partial owner occupancy

Improved Sale Comparable No. 6

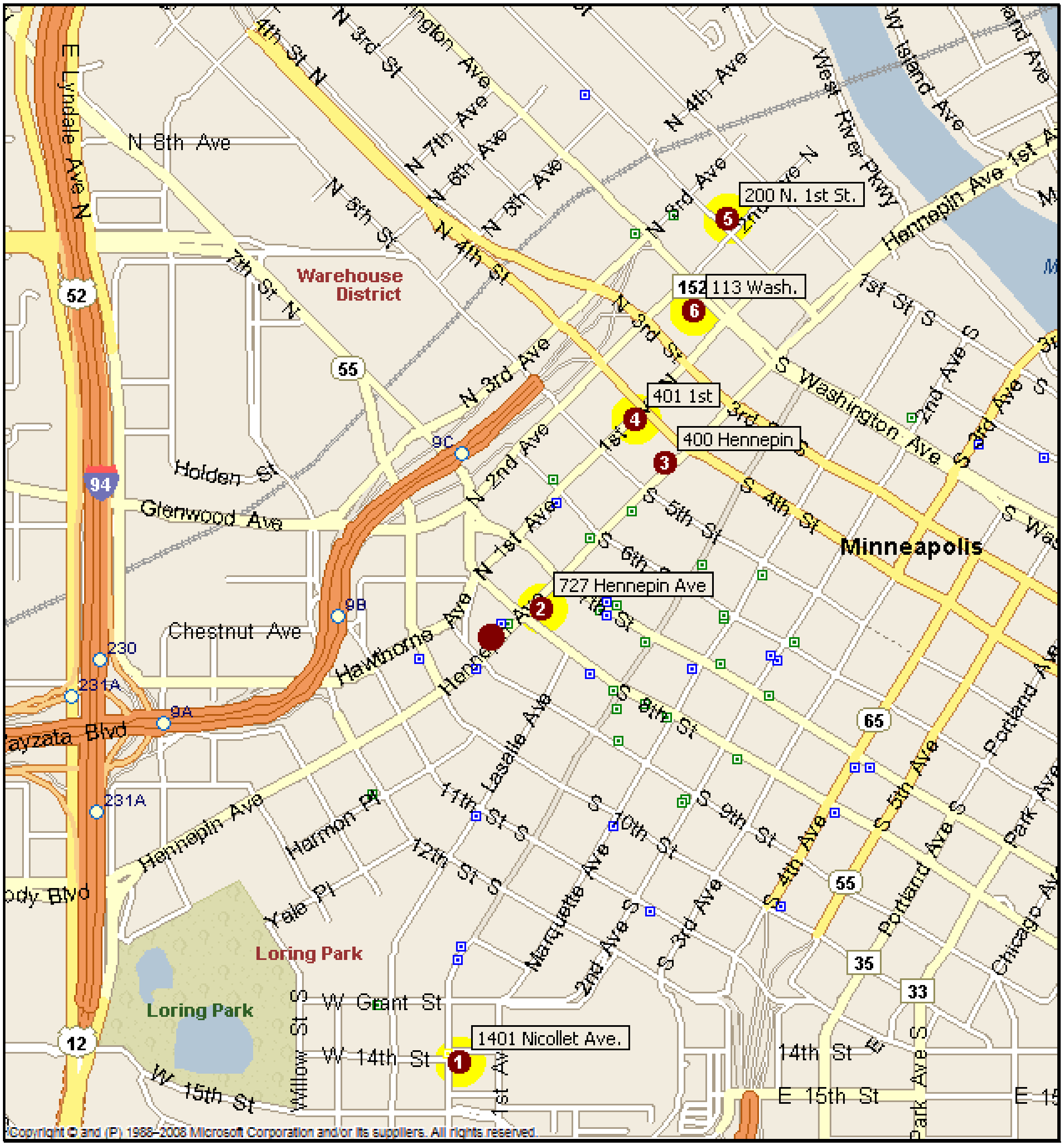
Aerial of 113 Washington Avenue North

Building Sale Analysis
Hennepin Stages
Valuation Date: July 20, 2010

Comp. No.		1	2	3	4	5	6	Subject
Name		*Ping's Bar & Grill*	*The Unbank*	*Gay 90's*	*Former Nate's*	*200 Nortth First St.*	*113 Washington*	*Hennepin Stages*
Address		1401 Nicollet Ave. Minneapolis	727 Hennepin Ave. Minneapolis	400 Hennepin Ave. Minneapolis	401 1st Ave. No. Minneapolis	200 North 1st St. Minneapolis	113 Washington Avenue North Minneapolis	824 Hennepin Ave. Minneapolis
Sale Date]		Mar-10	Feb-09	May-08	May-08	May-08	Mar-08	
Land Area	-Sq. Ft.	5,604	3,750	14,893	8,515	6,804	3,565	7,325
	-Acres	0.13	0.09	0.34	0.20	0.16	0.08	0.17
# of Stories		1+ Bsmt.	5+ Bsmt.	2+ Bsmt.	5+ Bsmt.	2+ Bsmt.	2+ Bsmt.	2+ Bsmt.
Basement Area		4,100	3,600	3,680	8,515	5,740	3,000	5,400
1st Floor Area		4,436	3,600	14,900	8,120	5,740	2,880	5,400
Upper Floor Area		0	14,400	14,900	33,500	5,740	2,880	5,400
Total Gross Building Area-SF		8,536	21,600	33,480	50,135	17,220	8,760	16,200
Basement Percentage		48%	17%	11%	17%	33%	34%	33%
Basement Use		Unfinished	Unfinished	Storage	Storage	Unfinished	Storage	Office/Storage
Upper Floor Percentage		0%	67%	45%	67%	33%	33%	33%
Land/Building Ratio		0.66	0.17	0.44	0.17	0.40	0.41	0.45
Sprinklered		None	Yes	Yes	No	No	None	100%
Condition		Good	Poor	Fair	Average	Poor	Average	Average
Year Built		1920	1922	1921	1914	1881	1900	1910
Sale Price		$820,000	$1,000,000	$2,000,000	$3,645,000	$865,000	$1,037,500	
Sale Price/SF - GBA		$96.06	$46.30	$59.74	$72.70	$50.23	$118.44	
Sale Terms		Cash	Cash	Cash	Cash	Cash	Cash	
Months fron Appraisal Date		5	17	26	26	26	28	
Time Adj. %		1.00	1.00	0.80	0.80	0.80	0.80	
Adj. Sale Price/SF		**96.06**	**46.30**	**47.79**	**58.16**	**40.19**	**94.75**	
Overall Comparison to Subject		**Superior**	**Inferior**	**Similar**	**Similar**	**Inferior**	**Superior**	

Time Adjusted Price/SF - GBA	
Minimum $/SF	$40.19
Maximum $/SF	$96.06
Mean $/SF	$63.87
Median $/SF	$52.98

BUILDING SALE LOCATION MAP



SUMMARY

Through the application of the Sales Comparison Approach, sale data pertaining to six commercial properties located in the Downtown Minneapolis has been analyzed for the purpose of estimating the market value of the subject property as of July 20, 2010. The sales occurred between March 2008 and March 2010.

After a time adjustment the time adjusted price per square foot of these eight sales ranged from $40.19 to $96.06 per square foot of gross building area. The average was found to be $63.87 per square foot and the median was $52.98 per square foot.

Building Sale Analysis
Hennepin Stages

Comp. #	Name	Time Adj. $/SF	Location	Age/Condition	Const. Quality Size	Overall Adjustment
1	**Ping's Bar and Grill**	**$96.06**	Inferior	Superior	Superior	Superior
6	**113 Washington**	**$94.75**	Similar	Superior	Superior	Superior
4	**Former Nate's**	**$58.16**	Similar	Inferior	Superior	Similar
3	**Gay 90's**	**$47.79**	Similar	Similar	Similar	Similar
2	**The Unbank**	**$46.30**	Similar	Inferior	Inferior	Inferior
5	**200 North First Street**	**$40.19**	Inferior	Inferior	Inferior	Inferior

Sale Comparable Nos. 1 and 6, were generally considered superior to the subject property. Comparable Sale No. 1 is an operating restaurant that was acquired by the tenant. As such, there may have been a captive buyer influence present. The building also has a higher percentage of superior first floor area.

Comparable Sale No. 6 sold at a time when the market was much more active. It is a brick and mill constructed building that was generally considered superior to the subject in size, condition and overall construction quality.

Sale Comparable Nos. 2 and 5, were considered inferior to the subject property. Comparable Sale No. 2 is located along Hennepin Avenue one-half block north of the subject. It is a five story building with a higher percentage of inferior upper floor space and was in very poor condition at the time of sale. Comparable Sale No. 5 is located along North First Street in an inferior location to the subject and was in very poor condition at the time of sale.

The two sales that were considered most similar to the subject property, Sale Comparable Nos. 3 and 4, sold within a range of from $48 to $58 per square foot.

Comparable Sale No. 3 is located along Hennepin Avenue four blocks north of the subject. It is a nightclub that has been operating for many years. The property sold at a time when the market was much more active. Overall, the building was considered to be in fair condition slightly inferior to the subject, but its quality of construction was considered superior. It was considered slightly inferior to the subject given its larger size.

Comparable Sale No. 4 is located along First Avenue North five blocks northwest of the subject. It is a five story building that was previously occupied by Nate's Clothing for many years. The property sold at a time when the market was much more active. The buyer plans on renovating the property with restaurant on the first floor and offices on the upper floors. Overall the building structure was considered superior to the subject property, but its condition was considered inferior. It was considered slightly inferior to the subject given its larger size.

Based upon the physical characteristics of the subject building an estimated market value within the mid-point of the range of the six sale comparables was considered probable. For purposes of this analysis, an overall market value of $53.00 per square foot of gross building area was estimated for the Hennepin Stages. Based upon this analysis, a market value estimate can be summarized as follows:

Hennepin Stages
Sales Comparison Approach

Gross Building Area - SF	x	Estimated Market Value Per Square Foot	=	Indicated Market Value
16,200	x	$53	=	$858,600
Estimated Market Value of the Subject Property by the Sales Comparison Approach to Value - Rounded to,				**$860,000**

INCOME APPROACH

The Income Approach to value is most applicable to types of real estate that are owned for investment purposes. The Principle of Anticipation is fundamental to this approach. According to The Appraisal of Real Estate, Tenth Edition, on page 33, *"…anticipation is the perception that value is created by the expectation of benefits to be derived in the future."* The Income Approach to value consists of analyzing a property's ability to generate income and to convert such income into an indication of present value. The market value of a particular property can usually be derived from the quantity, quality, and durability of the income stream the property produces.

The following steps have been employed to arrive at a market value indication by the Income Approach:

1) Potential Gross Income has been estimated based on current market rentals being charged and/or offered in the marketplace on properties comparable to the subject. Potential Gross Income is most often comprised of rent and reimbursable operating expenses.

2) A deduction for vacancy is applied to the Potential Gross Income estimate to arrive at an Effective Gross Income figure.

3) Next, expenses for the operation of the property including fixed expenses such as taxes and insurance and variable expenses such as utilities, management, and replacement reserves are estimated, totaled and then deducted from Effective Gross Income to arrive at a Net Operating Income Estimate.

4) An appropriate capitalization rate, based on market data, is then applied to the Net Operating Income resulting in an indication of value.

The Net Income is money that is left to pay mortgage debt service, equity return and income taxes, if depreciation is insufficient to cover income tax liability. Capitalization is the procedure of taking the net income stream and converting it into an indication of value. There is no one consistent right way to capitalize net income. It is the appraiser's job to select the appropriate rate and method for the particular property being appraised. Given the type of property and most likely buyer, a direct capitalization rate analysis was considered the most reliable technique in developing a market value estimate for the Hennepin Stages.

MARKET RENT ESTIMATE

A table has been included on the following page, which lists comparable rental properties available in the City of Minneapolis. Current rental rates for first floor retail/restaurant space are being quoted within a range of from $15 to $20 per square foot. The two most comparable buildings would be the Witt Mitchell Building at 701 Hennepin Avenue and the Former Café Di Napoli building located next door to the subject property. According to leasing agents familiar with the Downtown Minneapolis retail market, the subject property's first floor space should command a market rental rate at $15.50 per square. Second floor space generally has a market rent potential at approximately 50% of the first floor space. For purposes of this analysis the market rate was estimated at $7.75 per square foot for the second floor space.

Hennepin Stages

Market Rent Comparables

No.	Name/Location	Quoted Rate	Type	Available Sq. Ft.	Location of Space	Net Rate/Sq. Ft.	Total Expenses/SF	Listing Company	Comments
1	***Henn. Steam Bldg.*** 116-120 1st Avenue North Minneapolis	Jul-10	Retail	6,935	1st Floor Upper Flr.	\$18.00 \$10.00	\$7.56	Sherman Group	There are a considerable number of posts that support the upper floors that impede the open character of the first floor space. TI costs projected at \$30 to 40/SF.
2	***Laurel Village*** 1200 Hennepin Avenue Minneapolis	Jul-10	Retail	7,215	1st Floor	\$12.00 to \$18.00	\$6.97	Transwestern	Newer retail space located in Laurel Village.
3	***2548 Nicollet Avenue*** 2548 Nicollet Avenue Minneapolis	Jul-10	Retail	4,000	1st Floor	\$16.20	\$4.50	Java Properties	Former restaurant space.
4	***Block E*** 600 Hennepin Avenue Minneapolis	Jul-10	Retail	34,012	1st Floor	\$17.00	\$12.50	Cushman & Wakefield	Former Gameworks Space
5	***Witt Mitchell Bldg.*** 701-705 Hennepin Ave. Minneapolis	Jul-10	Retail	9,965	1st Floor	\$22.00 to \$24.00	\$14.97	NorthMarq	Former Chevy's Restaurant space.
6	***300 First Ave. N.*** 300 First Ave. N. Minneapolis	Jul-10	Retail	3,960	1st Floor	\$15.00	\$8.35	Cambridge	Former Café Brenda space. FF & E is included.
7	***Stage Apts.*** 814 Hennepin Avenue Minneapolis	Jul-10	Retail	4,600	1st Floor	\$15.00	\$6.50	Upland	Newer renovated retail space in adjacent building. 1st 6 months base rent free.
8	***Former Shinders Books*** 731 Hennepin Avenue Minneapolis	Jul-10	Retail	21,950 ±7,300 per flr.	2 st. + bsmt.	\$15.00	N.A.	NAI Welsh	Rehab costs over \$1 million to get to a shell condition. Depending on tenant, landlord would contribute an additional \$10 to \$40/SF in T.I.'s.

The Hennepin Stages basement was considered to also have some rental potential as this space contains restroom facilities, office space, dressing rooms and has elevator access. For purpose of this analysis, a market rent of $3.50 per square foot has been estimated for the basement space.

VACANCY ANALYSIS

Given the subject properties location within the "heart" of the Entertainment District, adjacent to the Orpheum, State and Pantages Theaters, a relatively strong demand was considered probable for the first floor restaurant/retail space. This space would be suitable for either an owner user or lessee.

According to the Cassidy Turley, Second Quarter 2010, Market Report, the Minneapolis CBD had negative absorption of 11,477 square feet for the first half of 2010 and a vacancy rate that climbed from 14.8% to 15.7% The average rental rate was reported to have increased from $18.22 to $18.36 per square foot.

For purposes of this analysis, a stabilized vacancy rate of 15% was applied.

EXPENSES

The fixed expenses for the subject property include real estate taxes and insurance. Variable operating expenses include such costs as common area utilities, management, building maintenance, and snow removal. These expense items are all considered to be typical for commercial buildings, and are most often reimbursable by the tenant.

All the preceding expenses are generally reimbursable by the tenant. The landlord's expense exposure is limited to an expense on vacant space, structural repairs and maintenance and non-reimbursable expenses such as advertising and legal fees.

Vacancy Expenses **-** In considering the vacancy and loss allowance applicable to the subject property, it was estimated that a 15% vacancy factor would be appropriate. In estimating an expense for vacancy, the appraisers have utilized the current expense estimate of $7.50 per square foot for real estate taxes, utilities, and basic maintenance during the vacant periods. Based upon this estimate, a stabilized annual expense estimate was projected at $1.13 per square foot ($7.50 x 15% vacancy = $1.13). This expense would be lower than the expense typical for an occupied building.

Replacement Reserves/Landlord Expenses - A line item for both replacement reserves and landlord expenses was included for ongoing costs and allowances associated with ownership. Replacement reserves of $0.15 per square foot of gross building area have been included for affecting future repairs to the structure as they become necessary.

In addition, a landlord expense amount of $0.15 per square foot of gross building area has been included for items such as administrative and promotional expenses, as well as legal and professional fees.

Leasing Costs **–** Because the subject building will be vacant when acquired, there will be tenant improvement and leasing commissions required, prior to attaining full occupancy.

Generally retail/restaurant space is rented in a "shell" condition with the tenant responsible for all interior improvements; however, it was considered probable that the owner would need to make some upgrades as part on the lease negotiations. Generally the subject building is believed to be structurally sound with relatively recent upgrades to the HVAC and electrical systems. The roof was replaced around fifteen years ago and new windows were installed along the west wall. Overall the building was considered to be in average condition for its age.

For purposes of this analysis, landlord improvement costs to bring the building to a tenantable condition were estimated as follows:

First Floor: $20.00 to $30.00 per square foot - $25.00/SF applied
Second Floor: $10.00 to $15.00 per square foot - $12.50/SF applied

Leasing commissions were estimated at a rate of $5.00 per square foot of upper floor area.

CAPITALIZATION OF THE NET INCOME STREAM

Capitalization is the conversion of income into value. Direct capitalization is used to convert a single year's income expectancy or an annual average of several years' income expectancies into an indication of value by the application of an appropriate rate or factor. The most common rate is the Overall Rate (R_O), which is derived by dividing a property's sale price into the property's annual net income for a given period.

Real Estate Research Corporation conducts quarterly investment surveys of major institutional investors. Their survey includes the investors' objectives with respect to Internal Rates of Return (IRA's), "going-in" and terminal capitalization rates, income and expense growth projections, and demand by property type. The most current survey findings for the Minneapolis Market are as follows:

REAL ESTATE INVESTMENT CRITERIA
1st Quarter 2010 - First Tier Investment Properties
Minneapolis Market

	Pre-Tax Yield %			Going-in Cap Rate %			Terminal Cap Rate %			Anticipated Growth 1-Year Rates	
	RERC Est.	Midwest Region	U.S.	RERC Est.	Midwest Region	U.S.	RERC Est.	Midwest Region	U.S.	Midwest Value	Midwest Rents
CBD	9.9	10.8	10.2	8.5	8.7	8.4	9.0	9.3	8.9	-5.0	-5.1
Suburban	10.4	11.3	10.5	8.7	9.0	8.6	9.1	9.5	9.1	-6.8	-5.5
Warehouse	9.5	10.2	10.1	8.3	8.8	8.5	8.7	9.2	8.9	-1.9	-2.9
R&D	10.2	10.6	10.5	9.0	9.2	8.8	9.1	9.5	9.2	-2.6	-2.5
Fex	10.5	10.9	10.5	9.0	9.1	8.8	9.4	9.6	9.3	-4.2	-4.2
Regional Mall	9.4	10.0	10.1	8.1	8.6	8.4	8.5	9.2	9.0	-6.3	-4.6
Power Center	9.8	10.0	10.1	8.5	8.6	8.5	8.9	9.3	9.1	-5.3	-5.5
Neigh/Comm.	10.2	10.6	10.3	8.7	9.1	8.7	9.2	9.7	9.3	-6.0	-5.6
Apartment	8.9	9.7	9.5	7.6	8.0	7.8	7.9	8.3	8.3	-0.1	0.5
Hotel	11.8	12.2	11.9	10.1	10.2	9.7	10.3	11.2	10.5	-5.3	-3.4
Average	**10.1**	**10.6**	**10.4**	**8.7**	**8.9**	**8.6**	**9.0**	**9.5**	**9.2**	**-4.3**	**-3.9**

Source: RERC Investment Survey

For purposes of this analysis, we believe that capitalization rates for Office CBD and Retail-Community Centers would be the best indication for the probable capitalization rate for the subject property. Based on the 1st Quarter 2010 Survey, going-in capitalization rates for Office CBD and Retail-Community Centers averaged 8.5% and 8.7% in the Minneapolis Metropolitan area. The surveyed information is for first-tier investment properties which are defined as new or newer quality construction in prime to good locations. Second-tier investment properties generally have higher investment rate parameters that can be 0.5% to 1% greater than the above rates. Going-in capitalization rates in the 1st Quarter 2010 Survey, for Second Tier Office CBD and Retail-Community Centers, averaged 9.7% in the Midwest Region.

REAL ESTATE INVESTMENT CRITERIA BY PROPERTY TYPE
MIDWEST INVESTMENT CRITERIA - SECOND TIER INVESTMENT PROPERTIES
1st Quarter 2010

		OFFICE		INDUSTRIAL		RETAIL			APARTMENT	HOTEL
		CBD	Suburban	Warehouse	Flex	Regional Mall	Power Center	Neighborhood/ Community	Apartment	Hotel
Pre-Tax Yield (IRR) (%)										
	Range**	10.0-15.0	10.0-15.0	9.5-13.0	10.0-15.0	9.0-13.0	9.5-13.0	9.0-15.0	8.3-13.0	10.5-15.0
	Average	12.6	12.5	11.2	11.9	11.5	10.9	11.8	10.6	13.3
Going-In Cap Rate (%)										
	Range**	8.0-12.0	8.8-12.0	8.3-11.0	8.5-12.0	7.8-11.0	8.0-11.0	8.0-12.0	7.3-11.0	9.0-13.0
	Average	9.7	9.9	9.4	9.7	9.1	9.3	9.7	8.5	11.3
Terminal Cap Rate (%)										
	Range**	9.0-12.5	9.0-12.5	8.8-12.0	9.0-13.0	8.5 - 12.0	9.0-12.0	8.5-13.0	8.0-12.0	10.0-14.0
	Average	10.5	10.5	9.9	10.3	9.9	10.1	10.4	9.0	11.9

Second-tier investment properties are defined as aging, formerly first-tier properties, in good to average locations.

Source: Real Estate Research Corporation

Based upon the above surveys and interviews with real estate brokers active in the Downtown Minneapolis market, an overall capitalization rate of 9.2% was estimated.

SUMMARY

Based upon the preceding analysis, the Income Approach to value has been completed as follows:

Hennepin Stages							
Direct Capitalization							
			Rentable Area/Sq. Ft.	x	Net Rent/Sq. Ft.	=	Gross Potential Rental Income
Gross Potential Rental Income							
	Basement		5,400		$3.50		$18,900
	First Floor		5,400		$15.50		$83,700
	Upper Floor		5,400		$7.75		$41,850
	Total		16,200		$8.92		$144,450
Less:	Vacancy and Collection Loss @	15.0%					$21,668
Effective Gross Income							$122,783
Less:	Landlord Expenses						
	Expenses on Vacant Space	@	$1.13 /SF	=	$18,225		
	Replacement Reserves/Structural	@	$0.15 /SF	=	$2,430		
	Miscellaneous Administrative	@	$0.15 /SF	=	$2,430		
Total Expenses			$1.43 /SF				$23,085
Net Operating Income							$99,698
Divided by Overall Capitalization Rate							9.20%
Indicated Market Value							$1,083,668
Less: Leasing Commissions							$54,000
Less: Tenant Improvement Costs		@ $25/SF 1st flr. and $12.55/SF for 2nd flr.					$202,500
							$827,168
						Rounded to,	$830,000
						or $/SF,	$51.23

FINAL VALUE ESTIMATE

This study has developed, through the application of two of the three standard appraisal approaches to value, the following indications of market value for the Hennepin Stages:

Market Value Estimates

Cost Approach	N.A.
Sales Comparison Approach	$860,000
Income Approach	$830,000

These value indications have been reconciled to a single value estimate. According to The Appraisal of Real Estate, Tenth Edition on page 559, *"Reconciliation is the analysis of alternative conclusions to arrive at a final value estimate"*.

In arriving at a Final Value Estimate the quality and quantity of the data relied on in the development of each approach was considered. It should be noted that the data relied on in the development of this analysis is believed to be accurate based on personal interviews, verification of recorded data, and physical inspections.

The Cost Approach develops an indication of value by estimating the construction cost new to replace or reproduce the subject property with one of equal utility. In this particular case, the Cost Approach was not considered to be appropriate given the subject building's age and the difficulty in measuring accrued depreciation.

One of the weaknesses of the Cost Approach is not a function of the methodology or resulting value indication, but rather in the fact that buyers and sellers do not typically rely on it, especially when analyzing income producing properties. Another weakness involves the measurement of accrued depreciation. Since buyers are not relying on the Cost Approach in their decision to purchase real estate, the measure of deterioration or obsolescence is oftentimes based on subjective reasoning. Since the estimate of accrued depreciation is most often derived from the analysis of market sales, the Cost Approach becomes a direct function of the Sales Comparison and Income Approaches to Value. In this case, a Cost Approach analysis was not developed.

The Sales Comparison Approach investigated sales of commercial properties that were considered comparable to the subject in Downtown Minneapolis. The most reliable unit of comparison extracted from these comparable buildings was the price per square foot of gross building area. This unit of comparison allows for adjustment of price based on variances between the comparable sales.

Through the application of the Sales Comparison Approach, sale data pertaining to six commercial properties located in the Downtown Minneapolis has been analyzed for the purpose of estimating the market value of the subject property as of July 20, 2010. The sales occurred between March 2008 and March 2010.

After a time adjustment, the time adjusted price per square foot of these six sales ranged from $40.19 to $96.06 per square foot of gross building area. The average was found to be $63.87 per square foot and the median was $52.98 per square foot. Generally the sales that were considered most similar to the subject property sold within a range of from $48 to $58 per square foot.

Based upon the physical characteristics of the subject building, an estimated market value within the mid-point of the range of the six sale comparables was considered probable. For purposes of this analysis, an overall market value of $53.00 per square foot of gross building area was estimated for the Hennepin Stages.

Based upon these factors, an overall market value range of $860,000 was estimated for the Hennepin Stages. In this particular case, the Sales Comparison Approach was considered to be a reliable method of valuation for a commercial property like the subject.

The Income Approach considers the property as a capital investment from which a desired return of money in the form of both capital recapture and interest (or profit) is expected. It comprises the future benefits upon which investors place great emphasis as they make deliberate decisions to buy or sell real estate in the everyday marketplace. It is an individual property's ability to generate and return a specific desired income level that is most often the key factor in determining its value in the open market.

The Income Approach also uses information from the market. The Income Approach resulted in a fee simple market value estimate of $830,000, which supports the market value conclusion from the Sales Comparison Approach to Value.

In the final valuation analysis, the most weight was placed on the Sales Comparison Approach to Value. Based on this reasoning and analysis, it was concluded that the market evidence best substantiates a Final Value Estimate for the subject property as of July 20, 2010 as follows:

FINAL MARKET VALUE ESTIMATE

Hennepin Stages

$850,000

PART SIX
EXHIBITS AND ADDENDA

Present Position:

Chief Manager
Massopust Appraisals, LLC
Real Estate Appraisers and Consultants
14241 St. Croix Trail North
Stillwater, MN 55082
651-430-0614 (Phone)
651-430-0513 (Fax)
dave@massopustappraisals.com

Appraisal/Consultation Experience:

Over thirty years of appraisal experience which has encompassed a wide variety of real estate assignments including single family homes, townhouses, condominiums, apartments, office buildings, corporate headquarters, medical clinics, industrial buildings, shopping centers, car dealerships, restaurants, service stations, subdivisions and a variety of special purpose facilities.

Appraisal clients include government and non-profit agencies, banks, mortgage companies, attorneys, corporations, churches, private individuals and partnerships.

Appraisal assignments have encompassed a wide range of review, consulting and appraisal services for mortgage loan underwriting, real estate tax abatement, condemnation, estate valuation, charitable contributions, acquisition/disposition, litigation, expert witness testimony and investment feasibility analysis.

Professional Real Estate Experience:

Chief Manager Massopust Appraisals, LLC, July 2005

Principal and shareholder of Nicollet Partners, Inc., 2001-2005.

Principal and shareholder of Lunz Massopust Reid DeCaster & Lammers, Inc., 1991-2001.

Assistant Vice President, Towle Real Estate Co., Appraisal/Consultation Division, 1986 - 1991.

Staff Appraiser, Peter J. Patchin & Associates, Inc., 1983-1986.

Property Appraiser, City of St. Louis Park, 1978-1983.

Educational Background:

Bachelor of Arts Degree from Colorado State University, Fort Collins, Colorado

Completion of required course work for the MAI and SRA Designations, Accredited Minnesota Assessor Designation and Real Estate Broker's License.

Currently certified as a General Real Property Appraiser with the State of Minnesota and Wisconsin and the voluntary continuing education program of the Appraisal Institute.

Recent Seminars/Courses:

Uniform Appraisal Standards for Federal Land Acquisitions

National Uniform Standards of Professional Practice

Introduction to Appraisal Review

Appraisal Review Under USPAP

Appraising Conservation Easements

Subdivision Valuation

Eminent Domain

Seminar Instructor:

Minnesota Institute Legal Education – Development Cost Approach to Land Value
Multi-Housing Association – Discounted Cash Flow Analysis

Professional Affiliations and Designations:

Member, Appraisal Institute (MAI, SRA), 1994-1996 Metro/MN Chapter Director, 2000 Chapter President.

Member, St. Paul Area Association of Realtors

Licensed Certified General Real Property Appraiser (No. 4000841), State of Minnesota

Licensed Certified General Real Property Appraiser (No. 771-010), State of Wisconsin

Licensed Real Estate Broker, State of Minnesota

Testimony Experience:

Qualified before District Courts, Tax Courts and Real Estate Commissioner Hearings in the Twin Cities Metropolitan Area.

Clients: Consultation Studies and Appraisal Reports have been completed for the following clients:

Alliance Bank
Associated Bank
Bank of America
Berkshire Mortgage
Best & Flanagan LLP
Blue Cross./Blue Shield of MN
Burlington Northern Railroad
Citicorp Real Estate, Inc.
City of Bloomington
City of Minneapolis
City of St. Paul
City of River Falls
Connecticut Mutual
Control Data Corporation
Cooperative Power Assoc.
Deluxe Corporation
Dorsey & Whitney
Excel Bank
First State Bank and Trust
Foley-Belsaw
Fredrickson & Byron, P.A.
Healtheast
Hennepin County
Japs Olson Company
Kraus Anderson
Leonard Street and Deinard
M & I Bank
Medtronic
Metropolitan Council
Mpls. Comm. Development Agency (now CPED)
Minneapolis Employees Retirement Fund
MN Department of Natural Resources (MN DNR)
MN Department of Transportation
Minnesota Vikings
Onan Corporation
Pillsbury/Grand Met
Principal Financial Group
Prudential Realty Group (PRISA)
Riverside Bank
Rottlund Homes
St. Paul Port Authority
Teachers Insurance & Annuity Assoc. (TIAA)
The Trust for Public Land
The Nature Conservancy
US Bank
Washington County
Wells Fargo Bank
U.S. Fish & Wildlife Service

Photograph of the Hennepin Stages ticket booth.

Photograph of the front stairway to second floor theater in Hennepin Stages.

Photograph of office space in the basement of Hennepin Stages.

Photograph of Women's restroom in the basement of Hennepin Stages.

Photograph of dressing room on the second floor of Hennepin Stages.

Photograph of HVAC units on the roof of Hennepin Stages.

CHAPTER 549. DOWNTOWN DISTRICTS

ARTICLE I. GENERAL PROVISIONS

549.10. Purpose. The downtown districts are established to provide a range of retail, entertainment, office, employment, residential, institutional and governmental activities of citywide and regional significance. The regulations recognize the unique qualities of downtown as the business and cultural center of the region, as a community of high-density residential choices, and as a place where the combined environment attracts businesses, workers, shoppers, visitors, tourists, and residents. (2006-Or-123, § 1, 10-20-06)

549.20. District names. The downtown district names are:
B4 Downtown Business District
B4S Downtown Service District
B4C Downtown Commercial District

549.30. Principal uses for the downtown districts.(a) *In general.* Table 549-1, Principal Uses in the Downtown Districts, lists all permitted and conditional uses in the downtown districts.

(b) *Permitted uses.* Uses specified with a "P" are permitted as of right in the district or districts where designated, provided that the use complies with all other applicable provisions of this ordinance. Persons wishing to establish a permitted use shall obtain a zoning certificate for such use as specified in Chapter 525, Administration and Enforcement.

(c) *Conditional uses.* Uses specified with a "C" are allowed as a conditional use in the district or districts where designated, provided that the use complies with all other applicable provisions of this ordinance. Persons wishing to establish or expand a conditional use shall obtain a conditional use permit for such use, as specified in Chapter 525, Administration and Enforcement.

(d) *Prohibited uses.* Any use not listed as either "P" (permitted) or "C" (conditional) in a particular district or any use not determined by the zoning administrator to be substantially similar to a use listed as permitted or conditional shall be prohibited in that district.

(e) *Specific development standards.* Permitted and conditional uses specified with an "✓" under the Specific Development Standards column shall be subject to the specific development standards of Chapter 536, Specific Development Standards.

(f) *General use categories.* Table 549-1 employs general use categories for some types of uses. A particular use may be determined to be within a general use category if not listed specifically elsewhere in Table 549-1 and if not determined to be within another general use category. Determination of whether a particular use is included within a general use category shall be made by the zoning administrator in the manner provided for in Chapter 525, Administration and Enforcement, governing determination of substantially similar uses.

(1) *General retail sales and services.* General retail sales and services uses include the retail sale of products or the provision of services to the general public that produce minimal off-site impacts. General retail sales and services include but are not limited to the following uses:

a. Bakery.
b. Barber shop/beauty salon.
c. Bicycle sales and repair.
d. Clothing and accessories.
e. Drug store.
f. Dry cleaning pick-up station.
g. Electronics.
h. Film developing.
i. Furniture store.
j. Hardware store.
k. Interior decorating/upholstery.

l. Jewelry store.
m. Locksmith.
n. Picture framing.
o. Radio and television service and repair.
p. Shoe repair/tailor.

(2) *Limited production and processing.* Limited production and processing uses include activities that are consistent and compatible with retail sales and services. These uses produce minimal off-site impacts due to their limited nature and scale. Limited production and processing shall not include any use which may be classified as a medium industrial use or a general industrial use or any use which is first allowed in the I2 or I3 Districts. Limited production and processing is allowed as a principal use provided the use shall not exceed the maximum floor area as set forth in each downtown district, and the main entrance shall open to a retail or office component equal to not less than fifteen (15) percent of the floor area of the use, except in the B4C District where such district standards shall apply. Limited production and processing includes but is not limited to the following uses:

a. Apparel and other finished products made from fabrics.
b. Computers and accessories, including circuit boards and software.
c. Electronic components and accessories.
d. Food and beverage products, except no live slaughter, grain milling, cereal, vegetable oil or vinegar.
e. Precision medical and optical goods.
f. Signs, including electric and neon signs.
g. Watches and clocks.
h. Wood crafting and carving.
i. Wood furniture and upholstery.

Table 549-1 Principal Uses in the Downtown Districts

Use	B4	B4S	B4C	Specific Development Standards
COMMERCIAL USES				
Retail Sales and Services				
General retail sales and services	P	P	P	
Antiques and collectibles store	P	P	P	
Art gallery	P	P	P	
Art studio	P	P	P	✓
Bank or financial institution	P	P	P	
Bookstore, new or used	P	P	P	
Building material sales			P	
Child care center	P	P	P	✓
Consignment clothing store	P	P	P	✓
Contractor's office	C	C	C	
Currency exchange		P	P	✓

Day labor agency			C	✓
Dormitory	C	C	C	✓
Exterminating shop			P	
Farmers' market	P	P	P	✓
Firearms dealer			C	✓
Funeral home		P	P	✓
Greenhouse, lawn and garden supply store			P	
Grocery store	P	P	P	✓
Laundry, self service	P	P	P	
Office supplies sales and service	P	P	P	
Pawnshop			P	✓
Performing, visual or martial arts school	P	P	P	
Pet store	P	P	P	✓
Photocopying	P	P	P	
Rental of household goods and equipment		P	P	
Secondhand goods store		P	P	✓
Shopping center	P	P	P	✓
Small engine repair			P	✓
Tattoo and body piercing parlor		P	P	
Tobacco shop	P	P	P	✓
Veterinary clinic	P	P	P	✓
Video store	P	P	P	
Offices	P	P	P	
Automobile Services				
Automobile convenience facility		C	C	✓
Automobile rental	C	C	C	✓
Automobile repair, major			C	✓
Automobile repair, minor		C	C	✓
Automobile sales	C	C	C	✓
Car wash			C	✓
Food and Beverages				
Catering	P	P	P	

Coffee shop, with limited entertainment	P	P	P	✓
Liquor store, off-sale	P	P	P	✓
Nightclub	P	P	P	✓
Restaurant, delicatessen	P	P	P	✓
Restaurant, fast food	P	P	P	✓
Restaurant, sit down, including the serving of alcoholic beverages, with general entertainment	P	P	P	✓
Commercial Recreation, Entertainment and Lodging				
Hotel	P	P	P	
Indoor recreation area	P	P	P	
Outdoor recreation area	C	C	C	✓
Radio or television station	P	P	P	
Reception or meeting hall	P	P	P	
Regional sports arena			P	
Sports and health facility, major	P	P	P	
Sport and health facility, minor	P	P	P	
Theater, indoor	P	P	P	✓
Medical Facilities				
Blood/plasma collection facility			C	
Clinic, medical or dental	P	P	P	
Hospital		C	C	✓
Laboratory, medical or dental	P	P	P	
Planned Commercial Development	C	C	C	✓
Transportation				
Ambulance service			C	
Limousine service			C	
Package delivery service		C	C	✓
Truck, trailer, boat, recreational vehicle or mobile home sales, service and rental			C	
PARKING FACILITIES				
Parking facility	C	C	C	
RESIDENTIAL USES				
Dwellings				

Cluster development	C	C	C	✓
One (1) to four (4) dwelling units, as part of a mixed use building	P	P	P	
Multiple-family dwelling, five (5) units or more	P	P	P	
Planned Residential Development	C	C	C	✓
Congregate Living				
Community residential facility serving seven (7) to sixteen (16) persons	C	C	C	✓
Community residential facility serving seventeen (17) to thirty-two (32) persons	C	C	C	✓
Board and care home/Nursing home/Assisted living	C	C	C	✓
Dormitory	C	C	C	✓
Hospitality residence	P	P	P	✓
Inebriate housing		C	C	✓
Residential hospice	C	C	C	✓
Supportive housing	C	C	C	✓
INSTITUTIONAL AND PUBLIC USES				
Educational Facilities				
College or university	C	C	C	✓
Early childhood learning center	P	P	P	✓
Preschool	P	P	P	✓
School, grades K--12	C	C	C	✓
School, vocational or business	P	P	P	✓
Social, Cultural, Charitable and Recreational Facilities				
Club or lodge, with general entertainment	P	P	P	
Community center	P	P	P	
Community garden		P	P	
Convention center, public		P	P	
Developmental achievement center		P	P	
Library	P	P	P	
Mission			C	✓
Museum	P	P	P	
Park, public	P	P	P	

Religious Institutions				
Convent, monastery or religious retreat center	P	P	P	✓
Place of assembly	P	P	P	
PRODUCTION, PROCESSING AND STORAGE				
Limited production and processing	P	P	P	
Dry cleaning establishment		C	C	✓
Film, video and audio production	P	P	P	✓
Furniture moving and storage			P	
Industrial machinery and equipment sales, service and rental			C	
Laundry, commercial		P	P	✓
Packaging of finished goods		P	P	
Printing and publishing	P	P	P	
Self-service storage			C	
Wholesaling, warehousing and distribution	P	P	P	
PUBLIC SERVICES AND UTILITIES				
Bus turnaround	C	C	C	
Electric or gas substation	C	C	C	
Fire station	C	C	C	
Garage for public vehicles			C	
Heating or cooling facility	C	C	C	
Mounted patrol stable			C	✓
Passenger transit station	P	P	C	
Police station	P	P	P	
Post office	P	P	P	
Pre-trial detention facility, adult			C	✓
Pre-trial detention facility, juvenile			C	✓
Railroad right-of-way	C	C	C	
Regional financial service center	P	P	P	
Stormwater retention pond	C	C	C	
Street and equipment maintenance facility			C	
Telephone exchange	P	P	P	
Water pumping and filtration facility	C	C	C	

(2000-Or-046, § 1, 5-19-2000; 2001-Or-014, § 1, 2-2-01; 2006-Or-016, § 1, 2-10-06; 2006-Or-090, § 1, 7-21-06; 2006-Or-123, § 2, 10-20-06)

549.40. Accessory uses and structures. Accessory uses and structures shall comply with the provisions of Chapter 537, Accessory Uses and Structures.

549.50. Maximum occupancy.(a) *Dwelling units.* The maximum occupancy of a dwelling unit located in the downtown districts shall not exceed one (1) family plus four (4) unrelated persons living together as a permanent household, provided that the family plus the unrelated persons shall not exceed a total of five (5) persons.

(b) *Rooming units.* The maximum occupancy of a rooming unit shall be as regulated by Chapter 244 of the Minneapolis Code of Ordinances, Housing Maintenance Code.

549.60. Hours open to the public.(a) *In general.* All uses located in the downtown districts, except residential uses, religious institutions, hotels, colleges and universities, hospitals and parking facilities, shall comply with the following regulations governing maximum hours open to the public, except where the city planning commission further restricts such hours:

Sunday through Saturday, from 6:00 a.m. to 1:00 a.m.

(b) *Extension of hours open to the public.* The hours open to the public may be extended by conditional use permit, as provided in Chapter 525, Administration and Enforcement. In addition to the conditional use standards, the city planning commission shall consider, but not be limited to, the following factors when determining the hours open to the public:

(1) Proximity to permitted or conditional residential uses.

(2) Nature of the business and its impacts of noise, light and traffic.

(3) Conformance with applicable zoning regulations, including but not limited to use, yards, gross floor area and specific development standards.

(4) History of complaints related to the use.

(c) *Uses licensed to sell alcoholic beverages.* The hours open to the public for uses licensed to sell alcoholic beverages shall be those permitted by the liquor, wine or beer license and any special late hours entertainment license approved for the facility. Hours open to the public beyond those permitted by the license may be requested by applying for a conditional use permit.

(d) *Operations not open to the public.* Operations incidental to and commonly associated with the use and performed during the hours the use is closed to the public, for example production or processing activities or the stocking of inventory, may occur.

549.70. Parking and loading requirements. Parking and loading requirements for uses in the downtown districts shall be as set forth in Chapter 541, Off-Street Parking and Loading.

549.80. Truck and commercial vehicle parking.(a) *Residential uses.* Parking of commercial vehicles shall be prohibited.

(b) *Nonresidential uses.* Regulations governing the parking of trucks and other commercial vehicles accessory to permitted or conditional nonresidential uses shall be as specified in each downtown district. These regulations shall apply only to vehicles that are parked regularly at a site and shall not apply to pick-up and delivery activities or to the temporary use of vehicles during construction. Outdoor storage of motorized equipment other than motor vehicles in operable condition shall be prohibited.

549.90. Signs. Sign requirements for uses in the downtown districts shall be as set forth in Chapter 543, On-Premise Signs, and this chapter.

549.100. Lot dimension and building bulk requirements.(a) *Maximum floor area* *ratio.* The maximum floor area ratio of all structures located in the downtown districts shall be as set forth within each downtown district

(b) *Minimum lot dimension requirements.* Lot dimension requirements for all uses located in the downtown districts shall be as specified in Table 549-2, Lot Dimension Requirements in the Downtown Districts.

(c)

Table 549-2 Lot Dimension Requirements in the Downtown Districts

Use	Minimum Lot Area (Square Feet)	Minimum Lot Width (Feet)
COMMERCIAL USES		
Retail Sales and Services	None	None
With drive-through facility	12,000	100
Offices	None	None
Automobile Services	None	None
With car wash or fuel pump	12,000	100
Automobile sales	12,000	100
Food and Beverages	None	None
With drive-through facility	12,000	100
Downtown Recreation, Entertainment and Lodging	None	None
Medical Facilities	None	None
Planned Commercial Development	2 acres	None
Transportation	12,000	100
PARKING FACILITIES	5,000	40
RESIDENTIAL USES		
Dwellings	5,000	40
Planned Residential Development	2 acres	As approved by C.U.P.
Congregate Living	5,000	40
Institutional and Public Uses	None	None
PRODUCTION, PROCESSING, AND STORAGE	None	None
PUBLIC SERVICES AND UTILITIES	As approved by C.U.P.	As approved by C.U.P.

549.110. Density bonuses.(a) *Bonus for enclosed parking.* The maximum floor area ratio of multiple-family dwellings may be increased by twenty (20) percent if all required

parking is provided within the building, entirely below grade, or in a parking garage of at least two (2) levels.
(b) *Bonus for affordable housing.* The maximum floor area ratio of new cluster developments and new multiple-family dwellings of five (5) units or more may be increased by twenty (20) percent if at least twenty (20) percent of the dwelling units meet the definition of affordable housing. (2002-Or-184, § 1, 11-22-02)

549.120. Yard requirements.(a) *In general.* Unless subject to the provisions of subsections (b) and (c) below, uses located in the downtown districts shall not be subject to minimum yard requirements.
(b) *Downtown districts near residence and office residence districts.*
(1) *Front yard requirements.* Where a street frontage includes property zoned as a residence or office residence district and property zoned as a downtown district, a front yard equal to the lesser of the front yard required by such residence or office residence district or the established front yard shall be provided in the downtown district for the first forty (40) feet from such residence or office residence district boundary.
(2) *Side yard requirements.* Where a side lot line abuts a side or rear lot line in a residence or office residence district, a yard equal to the minimum side yard that would be required for a conditional use on the abutting residential lot shall be provided along such side lot line.
(3) *Rear yard requirements.* Where a rear lot line abuts a side or rear lot line in a residence or office residence district, a yard equal to the minimum side yard that would be required for a conditional use on the abutting residential lot shall be provided along such rear lot line.
(4) *Reverse corner side yard requirements.* Where the extension of a corner side lot line coincides with a front lot line in an adjacent residence or office residence district, a yard equal to the lesser of the front yard required by such residence or office residence district or the established front yard shall be provided along such side lot line for the first forty (40) feet from such residence or office residence district boundary.
(c) *Side yard and rear yard requirements for residential uses and hotels.* Unless subject to a greater yard requirement in section (b) above, or in Chapter 535, Regulations of General Applicability, residential uses and hotels containing windows facing an interior side yard or rear yard shall provide an interior side yard or rear yard of at least five (5) feet plus two (2) feet for each story above the first floor provided that this section (c) shall not require a minimum interior side yard or rear yard greater than fifteen (15) feet.
(2000-Or-046, § 2, 5-19-00; 2005-Or-107, § 1, 11-4-05)

549.130. Prohibition on decreasing front yards. The established front yard of residential structures or structures originally designed as such shall not be decreased, except as a permitted obstruction, as specified in Chapter 535, Regulations of General Applicability, or as a variance of yard requirements, as specified in Chapter 525, Administration and Enforcement.

549.140. Landscaped yards for nonresidential uses. Required yards for nonresidential uses shall be landscaped as specified in Chapter 530, Site Plan Review. Notwithstanding the obstructions permitted in Chapter 535, Regulations of General Applicability, required interior side yards shall remain unobstructed from the ground level to the sky, except that fencing shall be allowed. Where a rear yard abuts a required side yard, such rear yard shall remain unobstructed from the ground level to the sky, except that fencing shall be allowed.

549.150. Separate access required for commercial and residential uses. In structures containing both nonresidential and residential uses, entrances and hallways for the residential uses shall be separated from those of the nonresidential uses.

549.160. Enclosed building requirement.(a) *In general.* All production, processing, storage, sales, display or other business activity shall be conducted within a completely enclosed building, except as otherwise provided in subsections (b) and (c) below or elsewhere in this ordinance.

(b) *Outdoor dining.* Outdoor dining shall be allowed, provided the following conditions are met:

(1) The outdoor dining area shall be no closer than twenty (20) feet from an adjacent residence or office residence district boundary or from an adjacent ground floor permitted or conditional residential use, and shall be screened from such district boundary, as specified in Chapter 530, Site Plan Review.

(2) Sidewalk cafes shall comply with the requirements contained in Chapter 265 of the Minneapolis Code of Ordinances, Special Permits for Specific Businesses and Uses.

(c) *Outdoor sales and display.* The following may include outdoor sales and display provided such outdoor sales and display area shall be no closer than twenty (20) feet from an adjacent residence or office residence district boundary or from an adjacent ground floor permitted or conditional residential use, and shall be screened from such district boundary or residential use, as specified in Chapter 530, Site Plan Review:

(1) Automobile sales in the B4C District only.
(2) Direct refueling of motor vehicles.
(3) Lawn and garden sales in the B4C District only.
(4) Permitted drive-through facilities.
(5) Building material sales in the B4C District only.
(6) Truck, trailer, boat or recreational vehicle sales, service or rental, subject to the regulations of the B4C District governing the outdoor parking of trucks and other commercial vehicles. (2002-Or-091, § 1, 9-13-02)

549.170. Bicycle facilities in new developments. (a) *In general.* All developments containing five hundred thousand (500,000) square feet or more of new or additional gross floor area shall include secure bicycle parking spaces, shower facilities and clothing storage areas as provided in Table 549-3, Required Bicycle Facilities. Such facilities shall be for the use of the employees and occupants of the building. Where a development includes automobile parking spaces that are monitored or are covered or weather protected, bicycle parking spaces required by this section shall be provided on the same basis. For the purposes of this section, a secure bicycle parking space shall include a bicycle rack that permits the locking of the bicycle frame and one (1) wheel to the rack, and that supports the bicycle in a stable position without damage to wheels, frame or components.

(b) *Exceptions.* This section shall not apply to buildings used primarily as hotels or for retail or residential purposes.

Table 549-3 Required Bicycle Facilities

Minimum Required Facilities	Building Area				
	At Least 500,000 sq. ft.	At Least 750,000 sq. ft.	At Least 1,000,000 sq. ft.	At Least 1,250,000 sq. ft.	At Least 1,500,000 sq. ft.
Bicycle Parking Spaces	30	45	60	75	90
Showers*	4	5	6	7	8
Full-Size Lockers*	15	22	30	37	45

*The minimum required shall be distributed between men's and women's facilities.

549.180. Compliance with performance standards. All uses in the downtown districts shall comply with all general performance standards contained in Chapter 535, Regulations of General Applicability, and with all other applicable regulations or law.