Appraisal of 110 East Main Street.

Landmark Research, Inc.
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Landmark
Research
Inc.

2575 University Avenue, Madison, Wisconsin 53705

APPRAISAL OF 110 EAST MAIN STREET

October 31, 1979

Mr. George J. Maloof
110 East Main Street
Madison, Wisconsin 53703

Dear Mr. Maloof:

With this letter we are transmitting to you the appraisal of the Tenney Building at 110 East Main Street, Madison, Wisconsin, requested as a measure of fair market value as of January 1, 1979, for purposes of contesting the proposed assessment by the City of Madison Assessor.

My associate, Jean B. Davis, real estate appraiser and analyst, and I have inspected the building and have talked on several occasions with the building manager, Pat Maloof; with the building engineer, Jack Stone; and with representatives of the former building owners, the First Wisconsin Development Corporation. We were provided a monthly accounting history, but it was necessary to reconstruct these records from the general journal and from assumptions in accordance with appraisal methods. We were provided with information regarding lease terms, rental rates, and occupancy data since October 1, 1976, when the building was purchased by the Tenney Building Company. Adjustments to revenue were made for space rented for lower than market rates to value the fee unencumbered by leasehold interests. Rents were imputed to areas occupied by the owner.

The present use of the site is assumed to be its most probable use. The inefficient size and shape of the Tenney site would limit a new office building to that of investment for income, rather than to corporate or institutional headquarters.

Our total value assumes a cash sale of the property rather than a sale at non-market financial terms supplied by the seller as were extended to the present owner.

Our estimate is based upon the market comparison approach to value, substantiated by the income approach, using the discounted cash flow methodology, with somewhat optimistic cash revenue and cash outlay forecasts (specific details provided within the report). As further explained in the report, the cost approach to value was inapplicable to this building as of January 1, 1979.

Based upon the assumptions and limiting conditions presented in the attached report, it is the opinion of the appraiser that the highest probable price in dollars and fair market value of the subject property which might be obtained as of January 1, 1979, is the amount of:

ONE MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS ($1,150,000)

We are pleased to have been of service, and Ms. Davis and I remain available to answer any specific questions you may have regarding this report. Please give us adequate notice to date, time and location of presentations to the Madison Assessor, the Madison Appeal Board, or hearings related thereto.

Sincerely yours,

James A. Graaskamp, Ph.D., SREA, CRE
Urban Land Economist

Jean B. Davis

Jean B. Davis, MS
Landmark Research, Inc.

[redacted]

TABLE OF CONTENTS

TENNEY BUILDING
110 East Main Street
Madison, Wisconsin

LIST OF EXHIBITS

I. PROBLEM ASSIGNMENT

The content of an appraisal report is determined by the decision for which it will serve as a benchmark and by the limiting assumptions inherent in the property, data base, or other factors in the decision context.

This appraisal is requested as a measure of fair market value as of January 1, 1979, to serve as a basis for assessment of land and buildings at 110 East Main St. in the City of Madison, Dane County, Wisconsin.

A. The Appraisal Issue

The proposed assessment of the subject property as of January 1, 1979, by the City of Madison Assessor is $1,450,000. This is a 16% increase in the assessed value of $1,250,000 as of May 1, 1978, or an increase in fair market value of 2% a month.

1. Test for Investment Yield

To test the economic reasonableness of the assessed value of $1,450,000 of the subject property as of January 1, 1979, the income approach, using the discounted cash flow methodology, is appropriate. (See Section IV for a discussion of the discounted cash flow methodology). Using a conservative set of parameters favoring the assessor's viewpoint, purchase of the subject property for $1,450,000 in January 1, 1979 would produce a yield to equity before income and capital gain taxes of 2.6 %, or 4% after taxes, if held for five years and sold for the same handsome price. (Exhibit I).

2. Analysis of Test Results

An overall rate of return to equity of 10% after income and capital gains taxes is the minimum required by a most probable investor of an older refurbished building, subject to significant blocks of space leased on short term or to government agencies.

If the purchase price was $1,450,000, as proposed by the City of Madison Assessor, the before-tax yield of 2.6% and after tax yield of 4.0% would be clearly unacceptable, even to the most unsophisticated investor (Exhibit I). Only tax savings on losses are a source of some yield.

3. Definition of Assessed Value

The controlling statute in Wisconsin is Section 70.32 for real property valuation, which provides in part the following definition:

> Real estate, how valued. (1) Real property shall be valued by the assessor from actual view or from the best information that the assessor can practicably obtain, at the full value which could ordinarily be obtained, therefore, at a private sale. Such a sale implies another user and not the original owner-builder. "Full value" as that term is used

[redacted]

EXHIBIT 1

IMV TEST FOR ECONOMIC REASONABLENESS
OF ASSESSED VALUE OF SUBJECT
PROPERTY--OUTPUT AND INPUT

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IMV          12:37CDT     10/23/79


WHAT IS YOUR DATA FILE NAME?
                              $5.00 LIB CHG APPLIED
AFTER TAX YIELD(IRR)      3.38%
BEFORE TAX YIELD(IRR)     1.38%
DO YOU WANT DETAIL (0=NO,1=YES)?



INVESTMENT MARKET VALUE ANALYSIS    10:15CST 10/30/79

TENNEY BUILDING - MADISON, WISCONSIN
110 EAST MAIN STREET
VALUATION AS OF JANUARY 1,1979

******************************************************
AFTER TAX YIELD(IRR) :    3.38%
BEFORE TAX YIELD(IRR):    1.38%

INVESTMENT MARKET VALUE:                    $  1450000
******************************************************

FINANCING:

  MORTGAGES:
  1.   1ST MONTH  10.500%  20 YRS  0 MONS   $  1015000

  EQUITY CASH:                              $   435000

RESALE OF INVESTMENT IN  5 YEARS:

        ESTIMATED RESALE PRICE              $  1450000

          LESS: MORTGAGE BAL.                   916735
                SALES COMMISSION                 58000

        CASH REVERSION BEFORE TAXES         $   475265

          LESS: CAPITAL GAINS TAX(STD.)          92738
                TAX ON RECAPTURED DEPR.              0
                TAX PREFERENCE TAX                6273

        CASH REVERSION AFTER TAXES          $   376254
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YR	NET INCOME	MORTGAGE INTEREST	BOOK DEPR.	TAXABLE INCOME	INCOME TAX	CASH FLOW BEFORE TAX	CASH FLOW AFTER TAX
1	134140	105830	66599	-38289	-21326	12538	33864
2	106670	104092	66599	-64021	-35659	-14932	20727
3	107030	102162	66599	-61731	-34384	-14572	19812
4	125240	100020	66599	-41379	-23048	3638	26686
5	126020	97641	66599	-38220	-21288	4418	25706

[redacted]

EXHIBIT 1 -- Continued

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TENNEY       12:42CDT      10/23/79

100 TENNEY BUILDING -- MADISON, WISCONSIN
101 110 EAST MAIN STREET
102 VALUATION AS OF JANUARY 1,1979
103 I,1450000[1]
104 AD,0,5,.04[2]
105 134140,106670,107030,125240,126020[3]
110 5,.50,.114,.114[4]
111 4,340000[5]
112 .60,1,30,.20,1[6]
113 .40,1,10,.10,1[6]
122 1,.70,.105,240,0,1[7]
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[1]Line 103; I = command to solve for equity yield; $1,450,000 = proposed 1979 assessment of subject property

[2]Line 104; AD = resale value is determined by appreciation or depreciation rate; 0 = no appreciation/depreciation is assumed; for a building of this age appreciation due to inflation will be offset by increasing repair bills, functional obsolescence and increased utility rates; 5 = holding period is 5 years; .04 = cost of sale

[3]Line 105; The numbers are the projected NOI for five years using the 1978 net mill rate of 24.153 and the proposed assessed value of $1,450,000 with a 5% inflation factor to compute real estate taxes. (See Exhibit 28 NOI before R.E. taxes)

[4]Line 110; 5 = a non-corporate owner who applies operating losses to other investments; .50 = the assumed marginal Federal tax rate of the purchases; .114 = the assumed marginal Wisconsin income and capital gains tax of the purchaser

[5]Line 111; 4 = 100% recapture of capital gain over straight line; $340,000 = the most current appraised value of the land done for IRS

[6]Line 112 & 113; .60 = the value of the structure is assumed to be 60% of the total improvements; .40 = the value of the HVAC, surface parking and other improvements are 40% of the total improvements; 1 = straight line depreciation method is used for all improvements; 30 = the structure has a 30 year economic life; 10 = the other improvements have a 10 year economic life; .20 = the structure has a salvage value of .20 of its value; .10 = the other improvements have a salvage value of .10 of their value; 1 = starting month of asset as part of property

[7]Line 122; 1 = mortgage is % of investment market value; .70 = mortgage is 70% of value; .105 = interest rate; 240 = mortgage term in months; 0 = annual constant (program solves for this); 1 = starting month of mortgage

[redacted]

in the above-quoted statute means "Fair market value"; that is, the amount for which the property in question could be sold on the open market by an owner willing but not compelled to sell to a purchaser willing, but not obligated to buy.[1]

The IMV test for equity yield demonstrates that it is economic nonsense for the subject property to have an assessment of $1,450,000 because no investor would pay that price at a private sale. He would be better off putting the same dollars in Madison municipal bonds at a tax-exempt yield of 6%.

4. Conclusion

Since it is economically unreasonable for the assessed value to be $1,450,000 as of January 1, 1979, the appraisal issue is to estimate a proper fair market value of the subject property as of January 1, 1979.

B. Legal Interest to be Appraised

1. Property Identification

The subject property of this appraisal is the TENNEY BUILDING in downtown Madison, Wisconsin, identified as 110 East Main Street (see Exhibit 2 for location on Madison Square), and more specifically identified for tax purposes as tax parcel number 0709-133-2901-1.

2. Legal Description

The legal description of the subject property as of October 1, 1979, taken from the Warranty Deed, Document Number 1489472, Vol. 731, p. 356, in the Dane County Register of Deeds, in which title of the subject property was transferred from First Wisconsin Development Corporation to the Tenney Building Company, is as follows:

> Lot Seven (7) and Eight (8) and the Southeast forty-two (42) feet of Lot Six (6), Block One Hundred Two (102) in the City of Madison, Dane County, Wisconsin. (Exhibit 3)

3. Qualification of Property Interests

The appraisal is to include only the real estate interests at the above location and will, therefore, exclude the value of all personalty subject to the personal property tax, whether utilized in general building operations or specialized for tenant leasehold improvements.

C. Selection of Fair Market Value Appraisal Methodology

1. Value Definition

For the purpose of this appraisal, the most appropriate definition of

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[1] State ex. rel. Lincoln F. Warehouse v. Board of Review (1973), 60 Wis., (2d) 84, 89.

[redacted]

fair market value is:

> Fair market value is the most probable selling price that is likely to emerge from a transaction involving the subject property if it were exposed for sale in the current market for a reasonable time at terms of sale which are currently predominant for properties of the subject type. Both buyer and seller are assumed to be knowledgeable about the property, to act prudently, in his own best interests, to be typically motivated, and to be free of unusual duress.

2. Appraisal Method

The appraisal process would prefer to base valuation estimates on actual sales of comparable property where buyer and seller were under no special duress and where no special financing, not obtainable in the market-place, was provided by the seller. If market sales are inappropriate the Dane County Court stresses the income approach.

a. Market Comparable Sales Approach

Seven sales of properties on or adjacent to the Capitol Square in recent years, purchased by investors for use as multi-tenant office space, are used to provide a benchmark of fair market value (see Section III). Because there is variance in the comparability of these sales to the subject, the income approach, using the discounted cash flow methodology, is also used to substantiate the values determined by the market comparable approach to valuation.

b. Relevance of the Income Approach

An office building is a vehicle for purchase of investment income and appreciation, not unlike any other cash cycle investment with a series of returns. The relationship of outlays and receipts in time and quantity determines investor rate of return. Conversely, if the investment return desired is assumed and net receipts can be estimated, the relationship can be reversed to determine the maximum outlay, i.e. probably purchase price, which could be justified by the investor. (see Section IV).

In Dane County Circuit Court, Judge George R. Currie instructed the City of Madison Board of Review in Case #140-201, Wild, Inc., the relator, relative to the office building VIP Plaza, as follows:

The Property Assessment Manual for Wisconsin Assessors published by the Wisconsin Department of Revenue states (at p. 29), that for "Apartment Buildings", "Office Buildings", and "Store Buildings", the "Income Approach" to valuation is the "most applicable" where actual sales date of the property of comparable property is unavailable. This manual is issued pursuant to sec. 73.02 (2a), Stats., and is for use of assessor in assessing real property.

The use of an income approach to valuation in arriving at the fair market value of property has often been approved by the Wisconsin Supreme Court. State ex rel. Garton Toy Co. v. Mosel, supra, 259; State ex rel. I.B.M. Corp., supra, 311-313; Rahr Malting Co. v. Manitowoc (1937), 225 Wis. 401, 405; State ex rel. Northwestern Mutual Life Ins. Co. v. Weiher, supra, 450.

Moreover, it must always be kept in mind that in attempting to arrive at the fair market value of real property for tax assessment purposes the yardstick is the amount for which the property could be sold on the open market by an owner willing but not compelled to sell to a purchaser willing but not obligated to buy. In purchasing an investment property, such as the V.I.P. Plaza or el Esplanade, the prospective purchaser-investor will expect a fair return on his investment and is sure to be more interested in the potential income of the property than the cost of its brick and mortar. This is equally true whether he is purchasing a completed building or one only half completed.

c. Limitations of the Cost Approach

The cost approach to value is limited to those situations where improvements are new and represent the optimum use of the site in question. The subject property was built in 1928; its equipment is obsolete; and its layout does not lend itself to efficient modernization. It violates the basic conditions required for the cost approach.

II. PHYSICAL ANALYSIS OF SUBJECT PROPERTY

The market value of the property depends on its comparability to substitute investments or its income investment productivity which can be attributed to the interrelationship of the physical site and the improvements.

In analyzing the subject property, it is useful to review the physical attributes and improvements, the legal attributes constraining use of the parcel, the linkages of the property location to generators of office and retail demand which will determine its revenue potential, and the dynamic attributes of the site, that is, how people perceive and behave relative to the property.

A. <u>Physical Attributes of the Site</u>

The subject property is located on the northeast corner of East Main and South Pinckney Streets, extending through to Webster Street on the east as identified on the general area map of Exhibit 2, and dimensioned on the parcel map of Exhibit 3.

1. Area

The Tenney Building parcel includes corner Lot 8 (66 x 132 ft.) fronting on S. Pinckney St. and E. Main St.; corner Lot 7 (66 x 132 ft.) fronting on Webster St. and E. Main; and Lot 6 (42 x 132 ft.) fronting on Webster St. This site area totals 22,968 square feet. In addition, the Tenney Building site enjoys the privilege of certain vaulted spaces below the sidewalk of East Main Street (transformer vaults and storage) and on the South Pinckney Street frontage (boiler room and related storage), totaling approximately 1600 square feet.

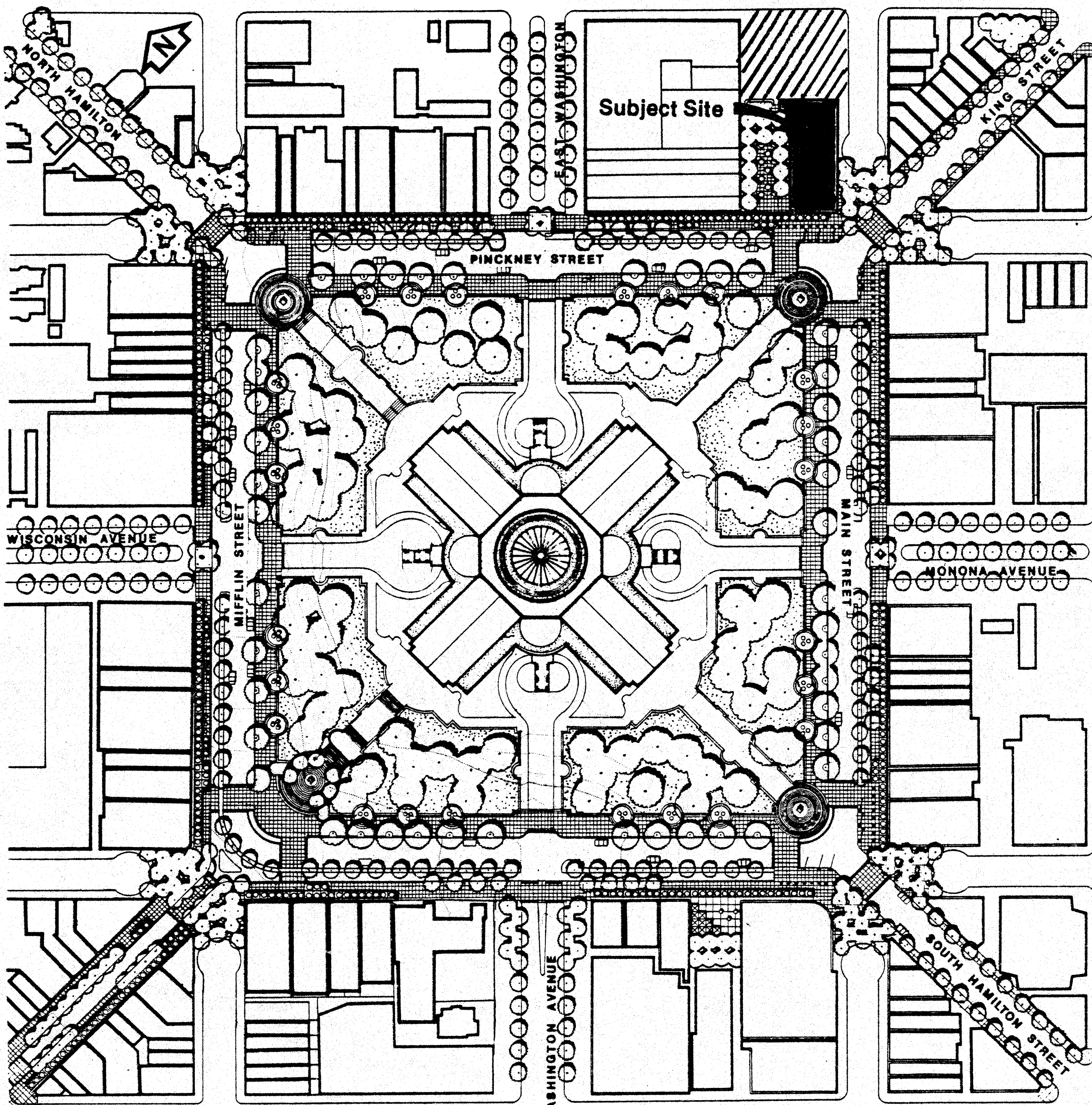
2. Topography

The Capitol Square area is a hill between Lake Mendota to the north and Lake Monona to the south. The hill drops sharply to almost lake level within three blocks of the Square, giving prominence to the Capitol and major business buildings at the City's center. Accent on this elevation is strengthened by controls on building height within a mile of the Capitol. (See Section B-1 on Legal Attributes of Site).

The subject site (see Exhibit 4) slopes from Pinckney to Webster approximately 8 feet so that the main lobby on the East Main Street side is approximately three feet below the main floor level opening on Pinckney Street, and there is no at-grade entrance to the parking lot at the rear of the site. Indeed, the original desingers of the building were unable to provide an adequate loading dock to the former alley so that all materials

EXHIBIT 2

LOCATION OF SUBJECT SITE RELATIVE TO CAPITOL SQUARE



-- Building

-- Surface Parking

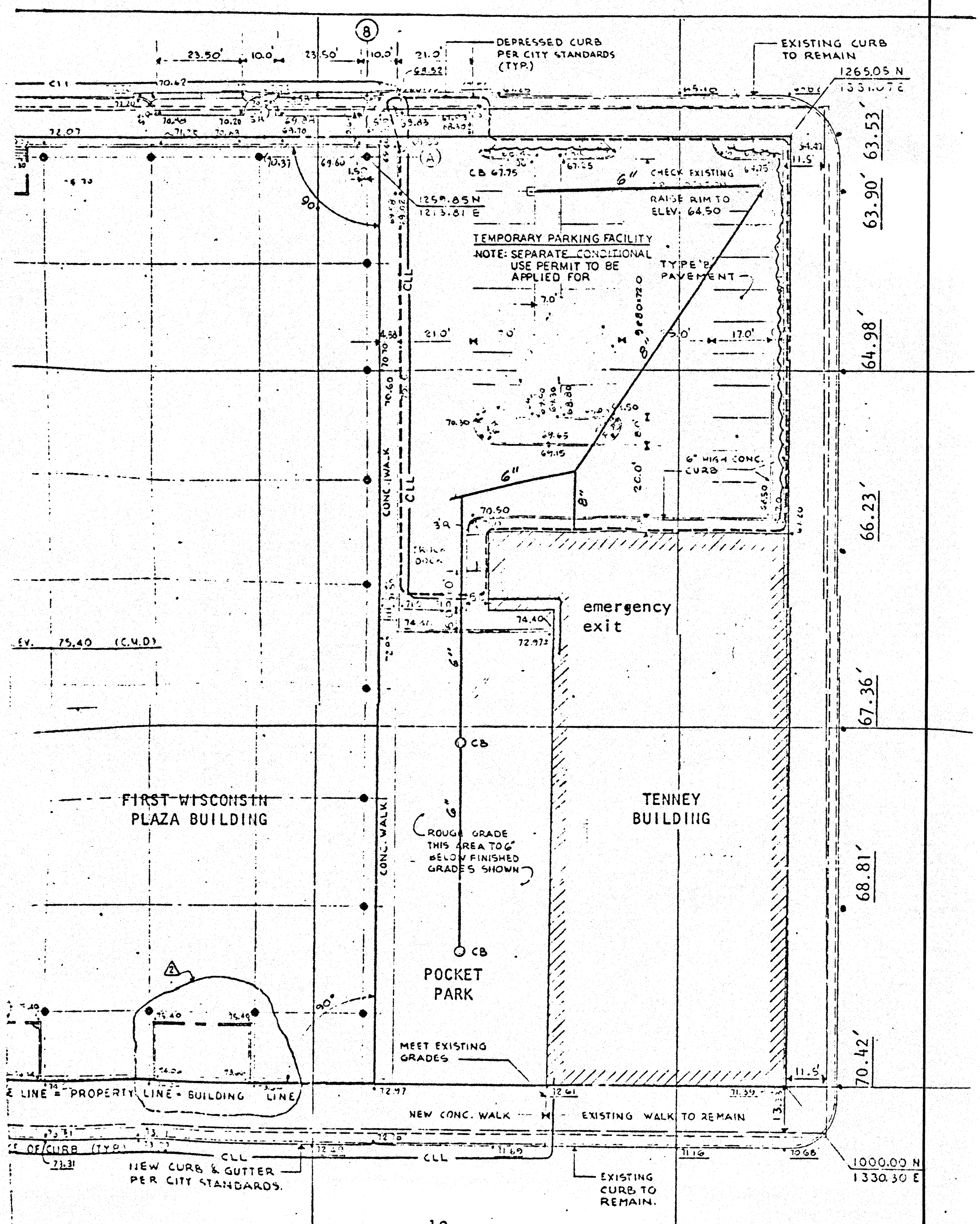
[redacted]

EXHIBIT 3
SUBJECT SITE IN
ORIGINAL MADISON PLAT
PT OF ORIGINAL
SEE PAGE 72
N. HANCOCK
E. JOHNSON
N. BUTLER
N. WEBSTER
E. MIFFLIN
N. HAMILTON
N. PINCKNEY ST.
E. WASHINGTON
STEWARD'S SUB
S. PINCKNEY ST.
S. WEBSTER
S. BUTLER
S. HANCOCK
S. FRANKLIN
E. MAIN ST.
STATE CAPITOL
KING ST.
ST. PATRIC
Subject
N

[redacted]

EXHIBIT 4

SITE PLAN OF SUBJECT PROPERTY



for building operations must arrive through the front lobby or through a sharply pitched ramp and stairs dropping some eighteen feet to the second sub-basement. This next entrance can be reached by truck from parking lot opening on Webster.

3. Soils

Soil conditions are essentially sandy loan and very suitable for high rise construction.

4. Sewer Service

There is an 8-inch sewer main on East Main Street and a new 6-inch lateral to the subject property to replace sewer and storm water lines that were in an alley easement vacated to permit construction of the First Wisconsin Plaza. There is a single 4-inch water line serving the subject property from East Main Street.

5. Storm Water Access

Reference to Exhibit 4 will indicate storm water lines and catch basins serving the pocket park, existing building, and temporary parking facility, with 8-inch lines to a catch basin at the southeast corner of the parcel and connected to storm water collector on East Webster Street.

6. Other City Services

The tax parcel receives City of Madison fire and police protection and city maintenance and plowing of sidewalks 11.5 ft. wide on the East Main cul de sac and 13 ft. wide on South Pinckney Street. Unfortunately angle parking is available only on the opposite side of East Main. No parking or stopping is permitted at the entrance to the subject property.

7. Special Site Improvements

In addition to the Tenney Building, which occupies ground area of 65.6 x 155 ft., plus a service area of 22 x 18 ft., or a total of 10,564 sq. ft., there is a temporary parking lot for 24 cars, which is approximately 110 x 99 ft. or 10,890 sq. ft. In May, 1977, an automatic parking gate was installed at an approximate cost of $10,000. Approximately 176.5 sq. ft. are part of a paved walkway serving a fire exit as noted in Exhibit 4. The parking lot is screened with a hedge of honeysuckle shrubs and honey locust trees within a 6-inch concrete curbing. The parking lot is temporary according to terms of conditional use permit discussed under legal attributes.

The vest pocket park adjoining the Tenney Building is part of the First Wisconsin Bank Plaza Building. There is no access to this mall from the Tenney Building except for the emergency exit fire door at the rear of the mall.

There is an electrical transformer vault below the sidewalk on East Main at the rear of the building and additional storage vaults below the sidewalk for a width of 10 ft. and a distance of 132 ft. to the corner of the building at East Main and Pinckney Streets (see basement floor diagram, Appendix A). These vaults encroach on the City of Madison right-of-way by privilege of the City Council, and no rents are paid. The City Engineering Office required the present owner in 1977 to waterproof the vault roofs and to rebuild and reinforce the sidewalks over them. Extra concrete was poured along the vault walls between S. Pinckney and the office entrance to stem some water leaks. The cost to the property owner was approximately $6,500.

8. Adaptability as Office Building Site

The shape and size of the Tenney site is relatively inefficient for a prestige, institutional home office building with adequate underground parking. Moreover any new building on the site would be dominated by the glass overstatement made by the First Wisconsin Building adjoining the subject property. Even a new office building on the site would be of investment grade, rather than an institutional tour de force.

B. Legal-Political Attributes of Site

The subject property is zoned C-4, Central Commercial District. This district is intended to accommodate uses which are of city-wide, regional or governmental significance. In addition, retailing and specialized commercial activity such as restaurants are appropriate. All new construction and any major alteration of an exterior building face must be approved because of the community's objective to develop and maintain this district as a community and state-wide center for business, service and government. However, broad zoning or permissible uses under C-4 will be modified by a variety of statutory and administrative factors peculiar to downtown Madison at this time.

1. Capitol View Preservation

According to Section 28.04 (14) (B) of the Madison General Ordinance: All buildings or structures erected, altered or enlarged shall be subject to the following regulation:

No portion of any building or structure located within one mile of the center of the State Capitol Building shall exceed the elevation of the base of the columns of the Capitol or one hundred eighty-seven and two-tenths (187.2) feet.

This subsection was established to preserve, as well as to promote and enhance the view of the State Capitol Building. The Tenney Building roof is just within the elevation limit, but elevator housings encroach on the Capitol view zone by approximately 17 feet.

2. Madison Planning Commission

Any new construction or any major alterations of the exterior face of the buildings located downtown, shall be permitted only when approved by the Madison Planning Commission.

3. Capitol Concourse Project

The City of Madison has completed two phases of the Capitol Concourse/ State Street Mall project designed to refurbish the retail core area of its Central Business District (CBD). The original plans are detailed in Exhibits 5 and 6 as of January 1, 1979. Phase III has not been started; city construction activity in 1978-79 has concentrated on the completion of the Madison Civic Center just northeast of the proposed (but now discarded) location of the bus terminal in Exhibit 5.

Originally, Concourse planners proposed the closing of the Capitol Square to private automobiles (Exhibit 6), but because downtown property owners were expected to finance the project through special assessments, many compromises were made; the final traffic pattern is detailed in Exhibit 7. The lack of parking in the CBD is the most serious and most frequently stated complaint about the downtown area. This deficiency has continued to plague investors in Class B office buildings such as the subject property.

During the construction period prior to the reopening of the Concourse in November, 1977, many retail stores closed; as of January 1, 1979, only the larger retail spaces of 5,000-6,000 sq. ft. (except the King Shoe Store, which must be sold as one parcel with Dartmouth Direct) are still vacant (Exhibits 10 and 11).

The Capitol Concourse project is being financed by a special assessment prorated by land area and its proximity to the Capitol Square. The subject property was given a final assessment of $15,954.02 on September 12, 1978. The principal amount is amortized over a 10-year period at 6% with the first annual payment of $2,167.04 due on January 1, 1979.

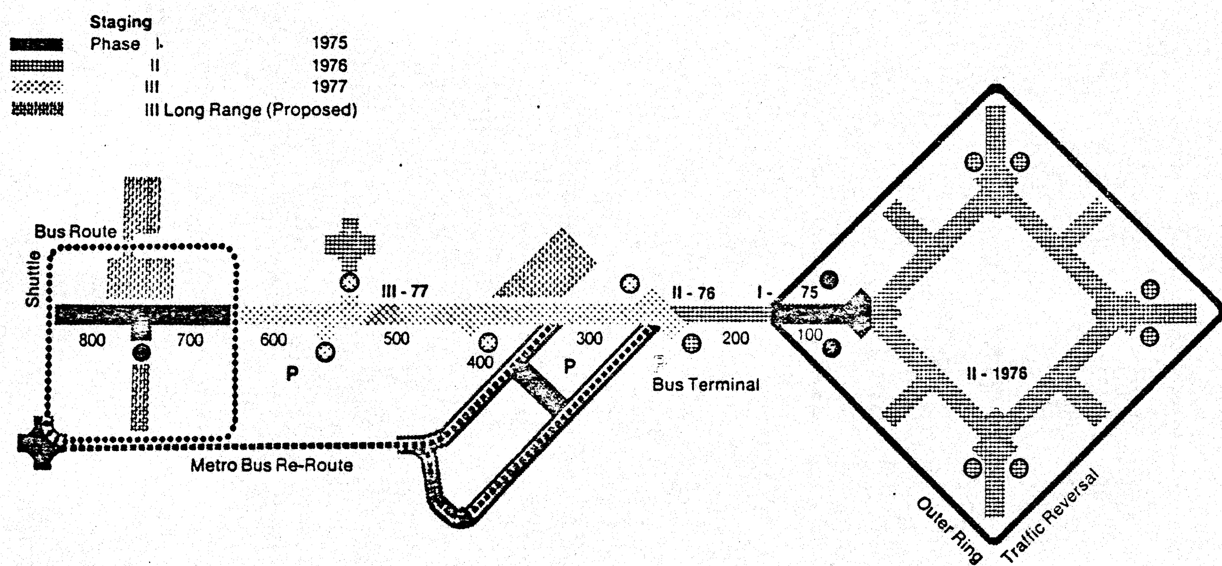
To encourage pedestrian activity and movement on the completed Concourse, John Urich of the City of Madison Planning Department has indicated his department will attempt to discourage by administrative review and, if possible, by new ordinances, the use of ground floor space for private office facilities. Restaurants, banking tellers, retail stores, theaters and the like will create the desired pedestrian activity over broader spans of day and night than office space. Thus, there is an administrative constraint of alternative uses of the street level floor area of the subject property if it were not used for retail.

4. Conditional Use Permit for Parking

The surface parking for 24 cars presently provided on the East Main and South Webster corner is based on a conditional use permit which would expire should it not be used for parking for a period of six months. It was

EXHIBIT 5

PROPOSED CAPITOL CONCOURSE PLAN



Long range proposals which cannot be assigned a time frame at this time include: 1. Performance plaza with its parking ramp, low-rise residence and shopping arcade, 2. Library Mall and a one story parking deck below grade and, 3. Eventual "back door" service provision for the north frontages of the 500 and 600 blocks of State Street.

Construction costs were determined by estimating 1974 figures for Phase I, adding escalation, and extrapolating these costs to the Phase II and III areas. The schedule shows $550,000 for the 700-800 block, and $320,000 for the 100 block, totalling $870,000 for Phase I, $5,400,000 for Phase II, and $2,200,000 for Phase III, totalling $8,470,000. The overall costs break down to $10.50 per square foot and $740.00 per linear foot. These unit costs compare well with other malls of this type with partial or full canopies. In view of the present monthly escalation of construction costs of 1.5% it is critical that the schedule be maintained to achieve the budget goals.

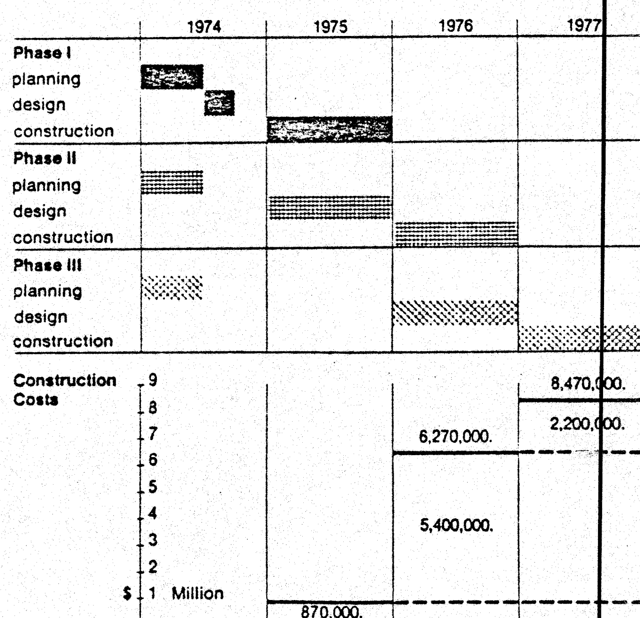
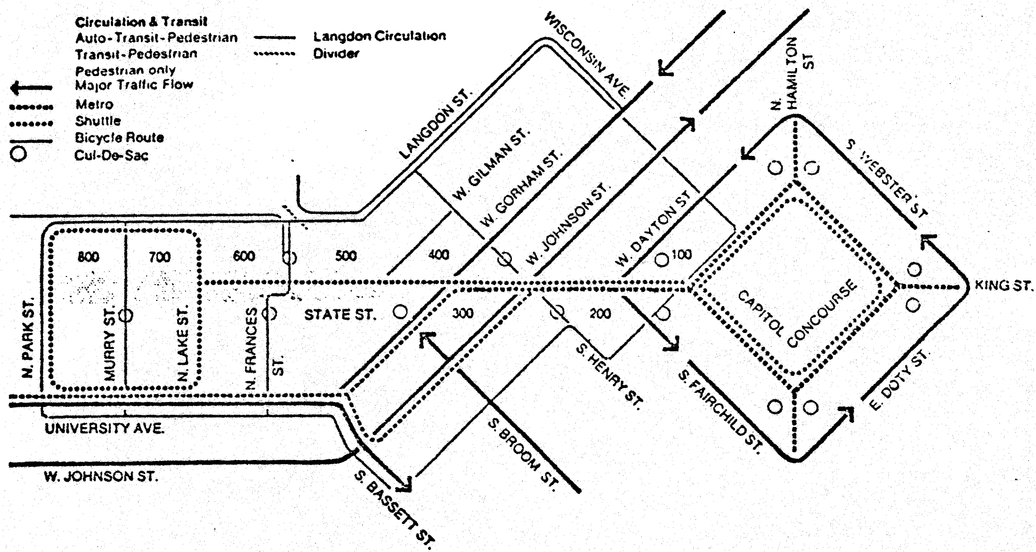


EXHIBIT 6

PROPOSED PARKING FOR CONCOURSE PLAN



Parking

The plan's recommendations for parking are to be viewed as a strategy for attaining a comprehensive off-street parking program. Proposed is one approach — a program of enlargement of the existing public parking space pool. Surface lots would be expanded in the following locations: Buckeye Lot — 58 cars; Madison Motor's property — 119 cars; Lake Street ramp extension — 117 cars. Total space to be provided will be 294 cars, which represents 211 additional parking spaces for the downtown when the existing 83 State Street curb spaces are removed. Acquisition and site improvement costs for the Madison Motor property and that adjacent to the Buckeye Lot is $850,000. Money presently is budgeted by the parking utility for purchase of the Lake Street expansion site. Therefore, no charge will accrue to the project for this improvement.

Temporary parking would be provided in the cul-de-sac streets, with the exception of Frances Street, during the initial phases of the project. A total of 150 such spaces can be provided at virtually no cost. They will minimize disruption, assist in the transition period when on-street parking is removed, and later revert back to a pedestrian and service function.

An alternate approach would be the coordinated development of the many small surface lots in private ownership. This would require commitments and cooperation among businesses and owners to share parking use of the lots and action by the city to acquire public easements for access and provide public services. The organization of these parcels by the Central Madison Committee or other business groups represents one opportunity to contribute to the project by defraying its total cost. Public and private sector partnership is critical to the success of this approach.

Long-range recommendations for a parking ramp to be constructed in conjunction with the future University Library Mall will accommodate 165 cars, or about 50 more than those to be removed from Murray Street and the Student Union Lot. The deck proposal in the 400 block area will hold 135 cars and serve the new shops, housing, and performance plaza, as well as that section of State Street where present parking is least adequate. Estimated cost is $4,000 per space or $540,000.

A future bus terminal site at West Dayton and South Henry Streets is now under consideration by the City. Parking provided at the terminal also will serve the Art Center and Auditorium during off-peak hours. The number of spaces to be provided is as yet undetermined.

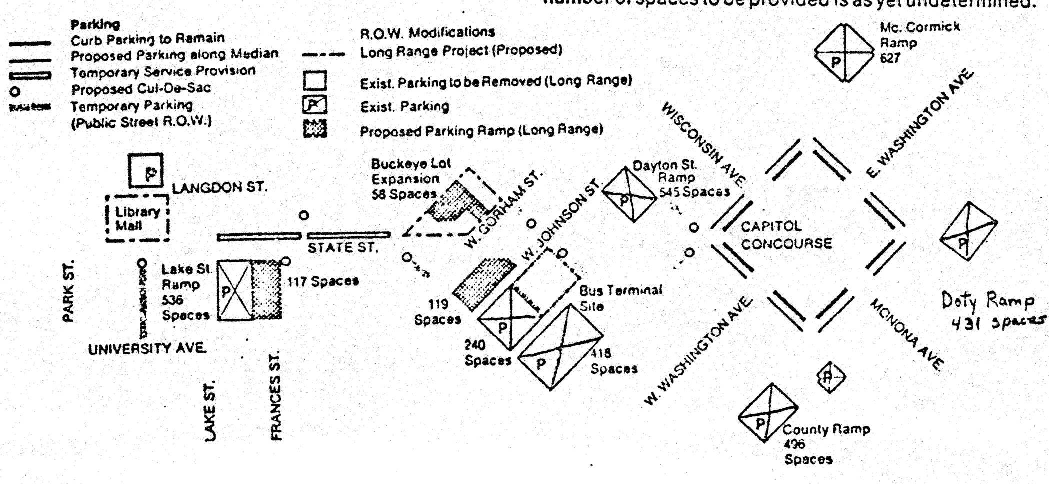
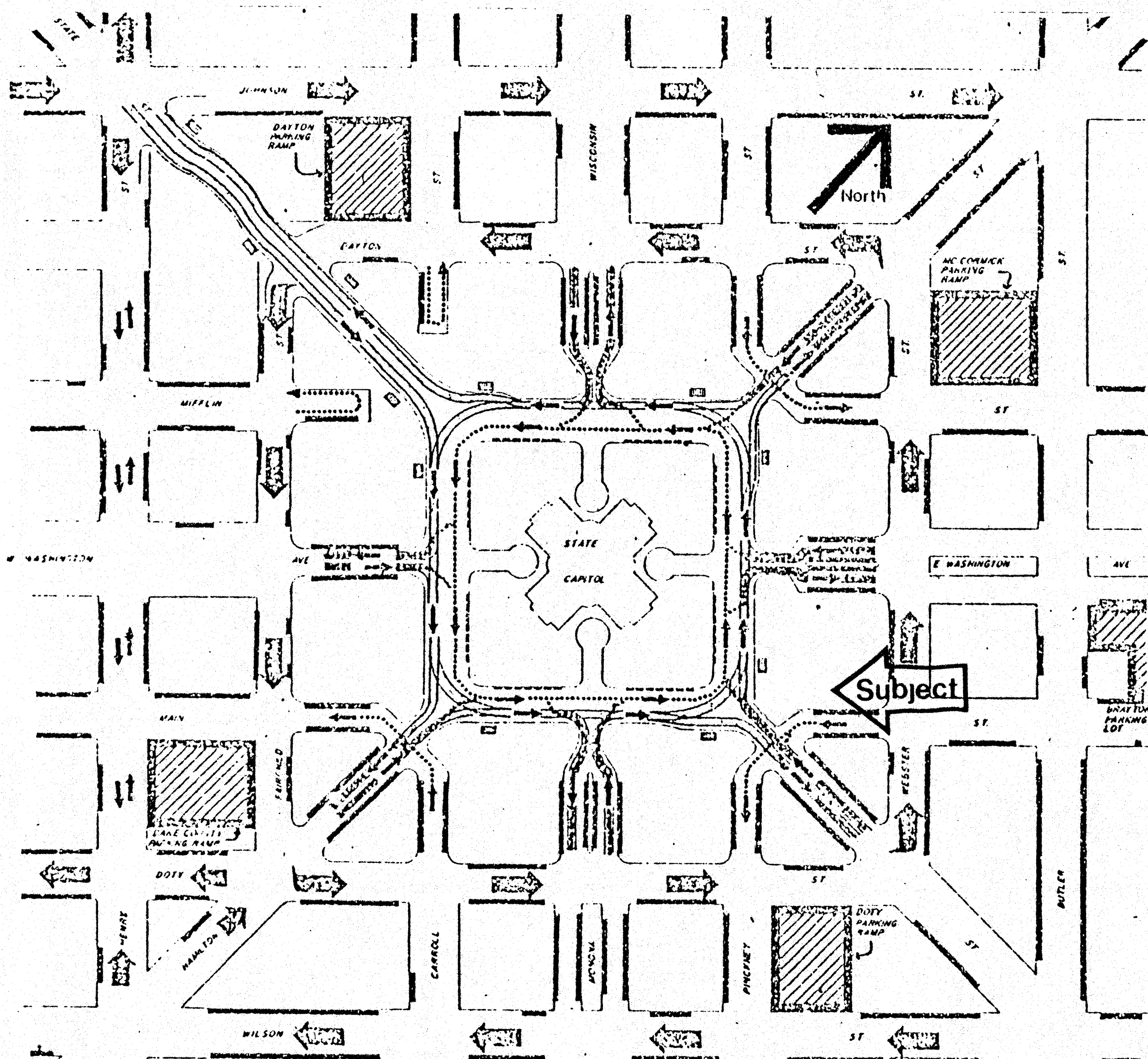


EXHIBIT 7

TRAFFIC PATTERNS AND PUBLIC PARKING UPON COMPLETION OF CAPITOL CONCOURSE



CAPITOL CONCOURSE STATE STREET MALL

TRAFFIC PATTERNS AND AREA PUBLIC PARKING

Legend

- PERMITTED BICYCLE AND BUS MOVEMENT
- PERMITTED AUTO MOVEMENT
- ON-STREET PARKING
- LEGISLATIVE-PARKING ONLY
- BUS STOP SHELTER

Explanation

With the reopening of the Capitol Square Wednesday, motorists will discover several changes in the traffic pattern, as shown on the map.

First, the streets around the Square have been reduced in width, resulting in a single lane for auto traffic. On the store side a wide traffic lane has been provided for buses and bicycles. Autos are not allowed in the lane except to pick up or drop off passengers or to make a right turn onto one of the avenue intersections.

Autos can enter the Square from any of the three diagonal streets — King, S. Hamilton and N. Hamilton — and from the four avenues — E. Washington, W. Washington, Monona and Wisconsin.

Autos can leave the Square only at one of the avenues by weaving into the bike-bus lane on the right side a half block before reaching the avenue exit.

State St. cannot be used for entering or leaving the Square.

The only parking on the Square will be on the Capitol side of the street and is reserved for legislators.

However, on street parking is available on all streets just off the Square and in the four public ramps one block from each corner of the Square.

Motorists traveling through central Madison are urged not to use the Square; they are advised to use the outer ring of streets which have been the "detour" streets for several months.

issued as part of the construction permit requirements relative to the First Wisconsin Plaza and goes with the property. City planners would prefer enclosed parking on the approaches to the Concourse.

5. Tenant Lease Encumbrances

Of the 83 rental space units in the Tenney Building, 50 units have leases that can be terminated in 1979 or in 1980, and 23 units have no leases or are vacant. Only 10 offices have leases longer than a 2-year term (Exhibit 25). A possible buyer could be a developer who would like the freedom to move tenants around as remodeling progressed, or a government agency which would evict most tenants and convert the building to government offices.

The price of these short term leases will be higher tenant turnover and unstable income estimates which would suggest higher capitalization rate and lower investment values. On the other hand, the relative freedom to alter occupancy and rate would make the building more marketable to its most probable buyers. It is unusual to have an office building of this size with such a short average unexpired lease term, providing both a highly unstable rent roll and a speculative marketing opportunity.

6. Constraints on Future Uses and Disposition

An agreement between the First Wisconsin Development Corporation and the Tenney Building Company, the present owner of the subject property, dated September 13, 1976, includes: 1) a first right of refusal by the First Wisconsin Development Corporation should the present owner receive a bona fide offer to purchase the subject property; 2) a limit to substantially the same present uses of the premises as an office building, with a retail or food operation in the first level of the building; and 3) the need for present and future owners to obtain the approval of the First Wisconsin Development Company to construct a parking structure on the lot adjacent to the existing office building. The latter two constraints were agreed to by the Tenney Building Company for itself, its successors and assigns.

The constraints set forth in this agreement would decrease the flexibility a most probable buyer would have for options to alter the subject property to maximize its marketability, thus depressing its value.

C. Linkage Attributes of Site

The subject site has strong linkages to government centers: It is directly across the street from the State Capitol Building, a long two blocks to the old Federal Post Office Building and the City-County Building, a block east of the new Federal Center Building, and just to the southeast of a State Office Building complex, GEF-I, and GEF-II and III, which is under construction, and each of which occupy a square block. However, access by auto is circuitous (see Exhibit 7). The driver, unfamiliar with Madison, will circle the Square on the outer one-way link, rather than turning at the stop sign at Webster

Street and then turning left on Main Street to reach the main entrance of the subject property.

On the same block the Tenney Building enjoys the positive influence of the dramatic First Wisconsin Plaza and a contiguous vest pocket plaza. Across the street is the handsome Capitol Building and heavily wooded park. Unfortunately, the East Main Street facade faces an area of seedy bars and poorly maintained low rise buildings from the turn-of-the-century (Exhibit 8). The first block on East Main Street is anchored by Penney's and Kresge's and is a moderately viable area. Nevertheless, the retail trend is to gravitate toward the opposite side of the Square on the State Street access, while most new office space is on the West Washington Avenue side of the Square. Its strongest linkage is to the First Wisconsin Plaza, but this natural tie is completely frustrated by the physical layout of the Tenney Building, which lacks a cross-access corridor to the bank building which would permit people to move between the buildings while remaining inside.

D. <u>Dynamic Site Attributes</u>

The subject property is at the foot of a long two-block run of East Main Street, so that the building is in direct view of drivers for some time. Surveys have shown that most Madison residents can identify the corner and the Tenney Building from recollection. It is located in an area of the Capitol Square and perimeter street which is flat, so that the pedestrian on foot does not face an uphill grade, but the entrance to the building is on East Main Street and is hidden from the Square, three to four feet below grade (Exhibit 4).

Because the First Wisconsin Plaza slopes back from the street and is only four stories high opposite the Tenney Building, the latter is fully visible to the pedestrian anywhere on Pinckney Street. Fortunately, these facades were constructed of glazed brick above the fourth story level so the appearance of the Tenney Building is clean, even if out-of-date.

E. <u>Physical Attributes of the Structure</u> (See Exhibit 9)

The Tenney Building was constructed by the Findorff Company as general contractors in two sections in 1926-1928 and 1929-1931. Concrete structure for the rear portion was constructed for all ten floors and then the front two-thirds was built of reinforced concrete. The result is a structure 65 ft. wide and 154 ft. long, plus a small wing ten floors high 22 x 18 ft. The exterior is cut limestone on the Main and Pinckney Street facades, with green glazed terra cotta spandrels below the windows. Parapet walls are highlighted with triangular light brackets in what might be termed the Art Deco style of commercial building design in the late 20's. Rear facades are done with glazed yellow brick. Complete floor plan sketches are provided in Appendix A, and general mechanical details follow:

1. Fenestration

First floor retail windows and entrances were redone in 1972 with

EXHIBIT 8

VIEW ACROSS THE STREET FROM THE
EAST MAIN OFFICE ENTRANCE
OF THE SUBJECT PROPERTY

EXHIBIT 9

CURRENT PHOTOGRAPHS OF SUBJECT PROPERTY

Front facade facing southwest from
Pinckney St. and E. Main St.
intersection

Rear facade facing northeast
from Webster St. and E. Main St.

EXHIBIT 9 -- Continued

Rear facade facing northeast from Webster St. and E. Main St. Note automatic parking gate.

Side facade facing south from E. Main St. Note main entrances to offices on this side.

bronze anodized, Kewaneer systems and plate brass. The second floor and above still retain a 6 x 4 pane steel industrial sash. Each 4 x 4 panel tilts inward to permit washing from within the building. Single-glazed, these windows are relatively inefficient as to heat loss characteristics.

2. Interior Partitioning

Most interior office partitions are of Pyro-Bar gypsum block or terra cotta block with plaster finish. Most doors and trim are of dark stained and varnished walnut and oak. Only recent partitioning is of 2 x 4 and drywall and modern hollow core doors.

3. Floors

Most floors are terrazzo in public areas; some basement storage space has composition tile, while tenants have generally chosen carpet.

4. Heating System

Heating system depends on hot water radiators, each of which has its own thermostat. Most are manual, but a few deluxe tenant layouts have added individual automatic thermostats to their radiators. Much of the mill work at window sill level has been expertly joined to provide access to radiators behind finished grill work. The oil fired boilers can be described as:

a. Kewaunee Boilers, 2-55 horsepower, low pressure of 6 lbs., approximate age - 49 years, standard - FE 143.

b. There are three Ray oil burners - one for stand-by.

c. Boilers were completely overhauled 12 years ago.

d. Fire pots and burners were overhauled six years ago.

e. Oil storage - 15,000 gals. of No. 2 oil.

Related heating equipment

a. A Bock 200-gallon hot water heater, oil fired, approximately 19 years old to provide hot water for washrooms.

b. There are two antique 150-gallon water softeners of a brand unknown even to the building engineer. Each alternates to deliver soft water, while the other is in the recycling process. Only the hot water is soft water, but cold water resupplies to the furnace are chemically treated.

In 1978, major repairs were made to the boilers; controls were rewired for approximately $5,500.

5. Air Conditioning

There is no central air conditioning. The summer heat is modified and controlled by water cooled air conditioners located either in each suite of offices or distributed by ducts from larger areas to smaller areas. Some are controlled by thermostats, and others are controlled by timers. There are seventy units in the Tenney Building, which were installed approximately ten years ago. Only five rental units have no access to air cooling units.

The lack of modern central air conditioning is a competitive disadvantage relative to renovated structures of similar age, such as the Hovde Building. The National Mutual Benefit Insurance Building has installed a window air conditioning system as part of a window frame replacement unit for better energy conservation.

6. Elevators

Two 2,500-lb. capacity automatic Westinghouse passenger elevators were installed in the latter part of 1977; each is a Zonamatic overhead gearless machine, with a speed of 500 feet per minute. The cost of the elevators was approximately $118,000. The Industrial Commission permitted the retention of the ornate bronze elevator doors on the first floor, but required replacement and reconstruction of obsolete glass doors on all other stops. It was anticipated that the installation of the automatic passenger elevators would achieve significant payroll economies; but the need to hire security guards in the evenings and on weekends minimized the savings. (See Notes to Exhibit 28).

The freight elevator, a 2,500 lb. capacity Montgomery, is manually operated, with front and rear access in order to reach the basement floor maintenance area, a sub-basement storage area and the boiler room area. These sub-basements are at various levels, requiring three additional stops for the freight/service elevator.

7. Fire Exits

Appendix A indicates that on the second floor, one of the fire stairs terminates in a long fire tunnel and stairway to rear fire exits in order to preserve all of the front portion of the first floor for unobstructed retail use. From the third to the tenth floor, the pattern of corridor and fire exit is more consistent with office layout efficiency.

8. Restrooms

The building has a convenient and well maintained set of restrooms. The basement floor has one set for maintenance personnel and another for employees of the large retail center for the first floor of the building. There is a third for the public on the basement elevator lobby to serve those using basement office rental space or those entering main floor lobby. The main floor has no facilities for the two small shops facing Main Street. Each floor from second through tenth has a single washroom with three water closets and two sinks, with two urinals in each men's room; the washroom for men and women are on alternate floors. All restrooms above grade have window ventilation. In addition, there is a large maintenance room with sink on each floor except the first.

9. Special Features

The second through the tenth floors do offer sufficient head room to permit modern ceilings, lighting, and air distribution systems on a floor-by-floor basis, together with adequate service space to contain air conditioning equipment. All retail shops open at grade at the cost of variable ceiling heights for basement areas in southeast corner of building. The straight-lined limestone exterior blends well with government architecture on the Square although it is a sharp counterpoint to the adjacent Bank Plaza. The building has been well maintained over the years, but the division of space, especially in the first floor retail area is outdated. Elevator lobbies are spacious and corridors are relatively bright due to design preference for opaque glass panels and doors used for office layouts in the 1930's. Many corridor walls feature marble wainscoating. The wide corridors are a negative feature today due to wasted potential rental space, and higher energy and maintenance costs. To remain competitive in the private market, especially, refurbishing and remodeling will be necessary in the near future.

F. Market Demand for Tenney Building Location and Facilities

The retail vacancies on the Square as of January 1, 1979, are noted in Exhibits 10 and 11. The larger retail spaces, vacated during the construction of the Capitol Concourse, have been subdivided and remodeled and are now occupied; this is especially evident on the Mifflin Street side of the Square.

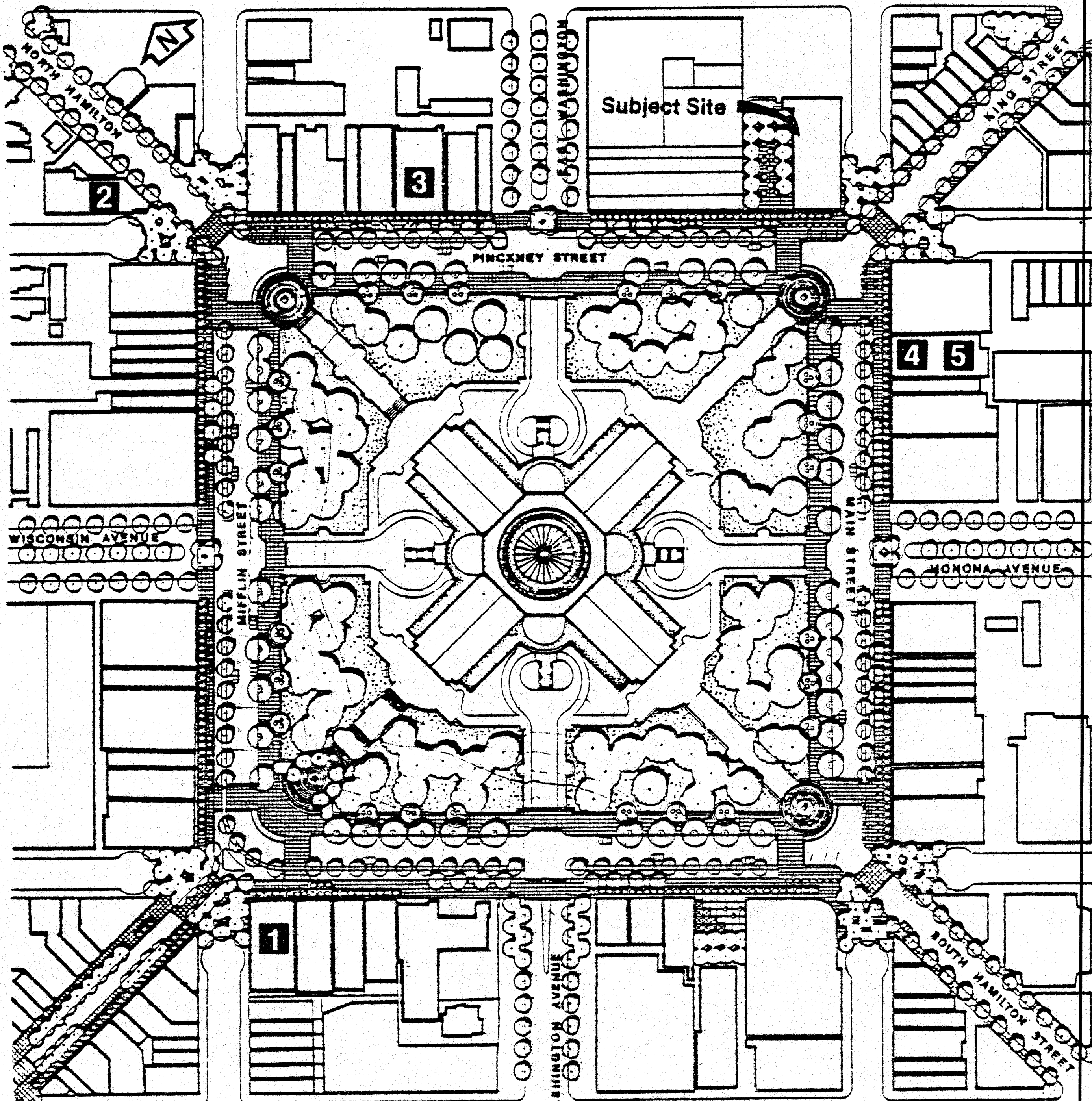
The 5,500 sq. ft. of first floor retail space in the Tenney Building has a lease with only five months remaining as of January 1, 1979. The tenant had given notice almost seven months prior, and the space has remained vacant through 1979.

The retail space is comparatively clean and modern in terms of ceiling, floors, and window area (which would not require special displays), and it is highly visible to automobile and pedestrian traffic approaching on East Main Street and waiting for the stoplight at the intersection of Main and Pinckney. The two small retail areas east of the entrance are of marketable size, with 1,000 sq. ft. for the larger and 454 sq. ft. for the smaller unit, but the large block of 5,500 sq. ft. cannot be evenly subdivided as there is a single entrance facing Pinckney Street and the falling grade on Main Street will make a second entrance structurally difficult. An alternative layout might be an arcade of glass front retail shops off a large corridor utilizing the Pinckney Street entrance. The first floor of the Hovde Building at 122 W. Washington offers an example of such a floor plan.

[redacted]

EXHIBIT 10

LOCATION OF FIRST FLOOR
RETAIL VACANCIES ON
THE CAPITOL SQUARE



1 Wolff Kubly - 20 N. Carroll

2 Jackson - 102 N. Carroll

3 Baskin O and V - 7 N. Pinckney

4 Dartmouth Direct - 17 E. Main

5 King Shoe Store - 21 E. Main

EXHIBIT 11

FIRST FLOOR RETAIL VACANCIES ON THE SQUARE
EXISTING OR KNOWN TO BE AVAILABLE
AS OF JANUARY 1, 1979

Building	Address	Approximate Square Footage	Period of Vacancy
Wolff Kubly	20 N. Carroll	6,000	48 months
Jackson	102 N. Carroll	6,000	40 months
Baskin O and V	7 N. Pinckney	4,400 (In process of being remodeled)	14 months
Dartmouth Direct	17 E. Main	5,630	18 months
King Shoe Store	21 E. Main	2,550	20 months
		24,580	

The vacancy rate for full-service downtown office space in Class B buildings in the Capitol Square area of Madison remains at approximately 14%, whereas Class A space with adequate on-site parking is approximately 1%. (Exhibit 12). The Jackson Building with 20,000 sq. ft. of unremodeled, vacant office space accounts for a large percentage of the supply. As of January 1, 1979, the Tenney Building is experiencing only a 4% vacancy rate in its office inventory, the Churchill Building is fully occupied and 30 on the Square reports less than 10% vacancy, but there is a continuing increase in the supply with the conversion of vacant retail stores into office space. Examples include:

- The Atrium, 23 N. Pinckney (formerly Simpson's)
- Centre Seven, 7 N. Pinckney (formerly Baskin O & V), and
- The Frautschi Furniture Store just off the Square at 219 King St.

The State continues to be a large user of private office space; the State leases approximately 950,000 sq. ft. of office, warehouse lab, etc., space in the City of Madison. With the opening of the General Executive Facilities II and III early in 1980, the State will vacate almost 3,500 sq. ft. of space in the Tenney Building, but will still occupy 26,380 sq. ft. or 41% of the Tenney Building's net rentable office space.

At the present time, the State has made no further budget allocations for the acquisition of office space, but the threat of the loss of the State's tenancy is ever present. When the City of Madison seemed to be wavering on the renovation of the Post Office Building on Monona Avenue, the State expressed an interest in its purchase as described in Exhibit 13.

The State requires Class B or C space that is accessible to the handicapped, and prefers space that is competitive in rental rates, and is neither ostentatious nor in need of extensive renovation. With a supply of $9 to $10 a sq. ft. Class B office space coming on line, there will be a larger supply of $6.25 - 8.00 space available for the State; the market for Class B State occupied space, such as the Tenney Building, will become more competitive.

Thus, the Tenney Building will need to lessen its dependency upon the State as a source of revenue and compete more effectively in the private sector through active refurbishing and remodeling, and an improved marketing plan.

G. Most Probable Use of Site and Structure

Review of the market for Class B office and retail space, inspection of the existing Tenney facilities, and analysis of its suitability for modernization, and study of subject property site characteristics leads to the conclusion that the most probable use of the property as of January 1, 1979, is its continued use as an office building for rental income.

The most probable buyer of the building in its January 1, 1979, condi-

EXHIBIT 12

MADISON DOWNTOWN OFFICE SPACE[1]
As of January 1, 1979

Building	Location	Total Square Feet Rentable	Vacant Space	Annual Rental Rate[2] Per Square Foot	Services Provided
Class A					
United Bank	222 W. Washington Ave.	160,000	0	$9.50-10.00	Full Services
First Wisconsin Bank	1 S. Pinckney St.	350,000	0	10.82	Full Services
Anchor Savings & Loan	25 W. Main St.	90,000	0	7.25-8.50 (New Bldg.)	Full Services
James Wilson Plaza	135 W. Wilson St.	98,000	0	9.00	Full Services
Verex Office	150 E. Gilman	145,000	6,000	9.25-10.50	Full Services
Total		843,000	6,000 (.01)		
Class B					
Churchill	16 N. Carroll St.	40,000	0	6.25	Janitorial Heat & Light
Tenney Bldg.	110 E. Main St.	74,000	3,200	5.75-7.25	Full Services
National Mutual Benefit	119 Monona Ave.	42,000	0	5.50-7.00	Full Services
30 On The Square	30 W. Mifflin St.	71,844	7,000	7.50-8.00	Full Services
Jackson	102 N. Hamilton	20,000	20,000	Negotiable	Some Services
Norris Lea	111 King St.	12,000	1,585	6.00	Heat
Karstens	24 N. Carroll	5,200	673	7.00	Services as Required
Atrium	23 N. Pinckney	16,100	1,900	6.00-9.00	Net
Manchester's Store for Homes	14 W. Mifflin	30,000	8,100	7.80	Full Services
Reese	302 E. Washington Ave.	12,000	3,500	5.00-6.50	Full Services
Total		323,144	45,958 (.14)		

[1] As reported to Joel Peterson, City Planning Dept., City-County Bldg., Madison, and published in Office Space, as of January 1, 1979. For some buildings, such as Churchill and Tenney, retail area has been included in the number of total square feet rentable.

[2] Rental rate per square foot is the typical rate prior to modification by rent escalators, price indices or other prorate charges unique to each building and dependent upon the negotiation power of tenants.

EXHIBIT 13

EXPRESSION OF STATE'S
INTEREST IN POST OFFICE
BUILDING--WISCONSIN
STATE JOURNAL ARTICLE

8/18/79

State expresses interest in buying old post office

By Thomas W. Still
Of The State Journal

The state is interested in buying the downtown post office if the city of Madison opts against remodeling the building, State Sen. Fred Risser, D-Madison, said Friday.

Risser, vice-chairman of the state Building Commission, told Mayor Joel Skornicka the state would like to consolidate its scattered judicial offices in the four-story building.

"I personally approve of the city remodeling the post office, because I think it's ideal for city purposes," Risser said. "But if there's any possibility of the city changing its mind — and that's always a possibility — I want the state to be in first in line."

In a letter to Skornicka, Risser reminded city officials that $2 million in state bonding authority to buy the post office was set aside last year. Since the city paid $1.75 million for the building, he said, enough state money is available to make sure the city breaks even.

Risser made a similar offer to former Mayor Paul Soglin a year ago, but city council support for remodeling the building was stronger at the time. Skornicka and a new council were elected in April, and attempts to scuttle the project intensified.

When remodeling bids came in last week 10 percent under budget, however, Skornicka said he saw no alternatives to going ahead with the project.

The council will vote Sept. 4 on proceeding with the first of two remodeling stages intended to consolidate city offices across from the City-County Building on Monona Avenue. Renovation will cost an extra $4 million.

"We keep hearing noises out the city council that they might not go along with the remodeling plans," Risser said. "I would like them to remember the state is standing by."

The state's judical operations — the Supreme Court and its administrative agencies; the Court of Appeals; the state law library and the Attorney General's office — currently are scattered around downtown Madison.

Much of the space is rented, Risser said, and many offices are overcrowded.

"The courts are split . . . and I think it would be a good idea to consolidate them," he said. "We could save the money we're now spending on leases and provide facilities that are convenient to the public, as well as the courts."

The Supreme Court is "busting at the seams," Risser said, and the Attorney General's office — which is split between the State Capitol and the Lorraine Building on West Washington Avenue — "is overflowing."

According to figures supplied by Risser's office, the state pays $103,681 annually to rent judicial office space in Madison.

The Court of Appeals rents 4,270 square feet of space in the Verex Corporation Building, at a cost of $30,744 per year; the Supreme Court administrator rents 7,721 square feet in the Tenney Building at a cost of $51,731 annually; the Board of Professional Responsibility and Competance rents 2,147 square feet in the Tenney Building for $14,492 per year; the Judicial Commission rents 355 square feet in the Tenney Building for $2,308 annually; and the Judicial Council rents 731 square feet from Anchor Savings & Loan for $4,466 per year.

tion would be a professional developer capable of instituting a refurbishing and modernization program together with a leasing program which would extend the average term significantly, and bring the rental rates in line with the market where necessary. The buyer might serve as a general partner for small partnership group of five or less.

III. MARKET COMPARISON APPROACH TO VALUE

The preferred method of appraisal in the Wisconsin system is inference of value of the subject property from actual sales of comparable property where neither buyer nor seller were under duress, and both parties were knowledgeable as to future uses of the property.

There have been several sales of buildings on or near the Capitol Square in recent years, but there is some variance in their comparability to the Tenney Building and the terms of sale. The descriptive data for each comparable is given, and the significant characteristics of each property are scored relative to the quality of the Tenney Building. Each characteristic is given a weight, according to its significance to the professional investor in Madison. The resulting analysis brackets the most probable price an investor will pay for the subject property.

A. Significant Characteristics of Comparable Sales

1. 30 on the Square - 30 West Mifflin (Exhibits 14 and 15)

Thirty on the Square is a modern 10-story office building, built on a 66 x 132 ft. corner site, adjacent to the State Street Mall.

Ninety percent interest in the property was sold on December 30, 1977, to the partnership, Mifflin Associates. Terms included a sale price of $2,300,000 for the undivided interest subject to both favorable existing financing and a thirty-year land contract at 8% interest. This building is comparable to the subject property, but is a newer, more efficient structure built in 1965. It is still encumbered by some leases at below market rental rates, and the lobby area has been subject to some security problems in the past. The site provides no parking, but tenants can obtain contract underground parking at the adjacent Concourse Hotel.

2. The Emporium - 50 East Mifflin (See Exhibits 14 and 16)

The Emporium is a four-story building on a 70 x 122 ft. site. At the time of sale the building was only partially occupied; the upper two floors were vacant with a department store on the first two floors. The building is on a corner site, as is the subject.

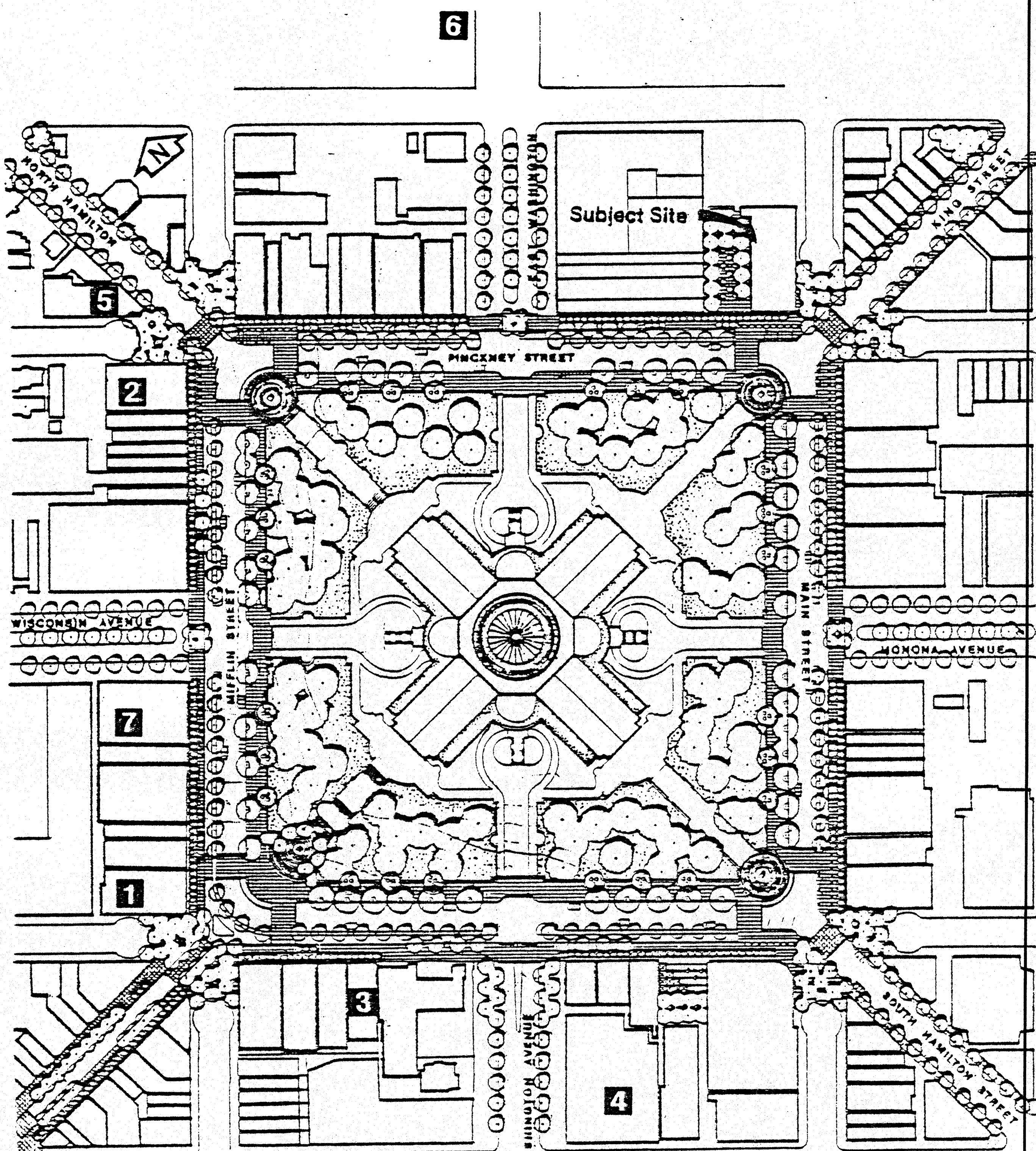
The buyers purchased the property with the intent of converting the three upper floors to office space with intensive renovation; they have also retained the option of adding six floors of condominium residential space as a future bonus. The sellers have leased back the first floor and basement to continue their retailing operation.

There is no on-site parking presently, but the owners also purchased the Senate Bar site at 118 North Pinckney just north of the Emporium to assure the availability of some surface parking for the office tenants. The City has expressed interest in providing a public parking ramp adjacent to

[redacted]

EXHIBIT 14

LOCATION OF COMPARABLE SALES
ON OR NEAR CAPITOL SQUARE



1	30 on the Square	- 30 W. Mifflin
2	Emporium	- 50 E. Mifflin
3	Churchill	- 16 N. Carroll
4	Lorraine	- 123 W. Washington
5	Jackson	- 102 & 110 N. Hamilton
6	Federal Center	- 212 E. Washington
7	Woolworth	- 2 W. Mifflin

EXHIBIT 15

COMPARABLE PROPERTY #1

30 WEST MIFFLIN

Date of Sale: 12/30/77
Sale Price: $2,555,500
Recorded: Vol. 900, p. 468, Land Contract
Terms of Sale: 8% interest, 30 year term
Use at Time of Sale: Office, with first floor retail
Grantor: Thirty-On-the-Square Associates
Grantee: Mifflin Associates
Tax Parcel Number: 0709-144-2504-0
Assessed Value at Time of Sale: Total $1,505,000; land $305,000, improvements $1,200,000.
Sales Price as % of Assessed Value: 170%
Frontage: West Mifflin St. 61 ft, North Carroll St. 110 ft.
Zoning: C-4
Gross Building Area: 71,844 sq. ft.
First Floor Gross Area: 6,000 sq. ft.
Net Rentable Area: 65,720 sq. ft.
Building Description: Ten-story, fire resistant, reinforced concrete and masonry building; two automatic elevators.
Present Uses: Retail first and below grade; offices above.
Locational Factors: Just off State Street Mall, 4 blocks from GEF-I, 4 blocks from City-County Building.
Available Rental Information: Average $6.00-6.50, with full services; CPI escalators; Rennebohm lease until 1981, with 10-20 year option for 11,044 gross sq. ft. @ $2.72/sq. ft. + 3% gross sales over $1,000,000 base year for R. E. taxes 1966.

EXHIBIT 16

COMPARABLE PROPERTY #2

50 EAST MIFFLIN STREET

Date of sale: 4/30/78
Sale price: $850,000
Recorded: Vol. 942, p. 115 - Warranty Deed
Terms of Sale: Cash sale; leaseback to Emporium Department Store
Use at time of sale: Department store
Grantor: J. Jesse Hyman, Jr. and Alan R. Hyman, copartners
d.b.a. Emporium Co.
Grantee: Carley Capital Group
Tax Parcel No.: 0709-144-2411-7
Assessed Value at time of sale: Total $850,000 - land $258,700 - Improvements $591,300
Sale Price as % of Assessed Value: 100%
Lot Size: 132 ft. x 70 ft.
Frontage: 70 ft. on W. Mifflin
Zoning: C-4
Gross building area: 42,500 sq. ft.
First floor gross area: 8,500 sq. ft.
Net rentable area: 38,500 sq. ft.
Building description: Four-story masonry and concrete building; two elevators; freight facilities in rear parking lot; structure can carry more floors.
Present uses: Retail 1st floor; extensive remodeling of three upper floors for office space.
Locational factors: Two blocks from State Street Mall; four blocks from City-County Building; three blocks from GEF-I; four blocks from GEF- II and III.

the Emporium through tax incremental financing to encourage the construction of residential space in the CBD.

3. The Churchill Building - 16 North Carroll (See Exhibits 14 and 17)

The Churchill Building is comparable to the subject in terms of rent structure, in terms of image as an established office address on the Square and absence of adequate parking. It is also of a similar age. At the time of purchase the rental space at grade was vacant.

The property was purchased in two distinct transactions separated in time by three years. The purchase of the improvements on a leasehold occurred in 1974; financing involved an installment sales contract @ 7% interest and an exchange as a partial down payment. In 1977 the fee underlying the leasehold was purchased to merge land and building into a single interest.

The Churchill Building common areas were refurbished with carpeting, indirect lighting and wallpaper by the buyer. Occupancy as of January 1, 1979, was 100%, with vacancies less than 10% in the previous few years.

4. The Lorraine Building - 123 West Washington (See Exhibits 14 and 18)

The building was originally built as a hotel in the 1920's by the Schroeder Hotel chain; a two-story ballroom and vaulted marble lobbies and mezzanine were characteristic of its grand style. It was sold in 1968 by the administrators of the Schroeder estate to a Madison group of investors for the conversion to office space. The hotel operation was gradually phased out, and by 1975, the entire space, completely renovated, was leased to the State of Wisconsin for offices.

In 1978 the State, by then the building's only tenants, purchased the property for $2,896,000; a land contract was engineered to provide an installment sale which produced certain income tax parameters to the sellers. The land contract is payable in five annual installments, with interest at 4.4% tax exempt. This would be equivalent to an 8.8% interest rate to a seller in the 50% tax bracket.

The Lorraine has twice as much main street frontage as the subject, but both are located on corner sites. The site lacks parking, and none is available at the nearby Inn on the Park. The property's location near other large office complexes is equivalent to that of the Tenney Building.

5. The Jackson Building - 102 North Hamilton-110 North Hamilton (See Exhibits 14 and 19)

The Jackson Building purchase included three separate parcels; the building, a restaurant and a parking lot. The three-story structure was formerly a Montgomery Ward department store which was converted to office space for a banking operation. It was vacant at the time of purchase in 1977, as it is now, and requires extensive renovation to be competitive. The concrete and steel structure is capable of carrying more floors. The restaurant, which occupied the 1st floor of an adjacent two-story structure was leased at the time of purchase.

EXHIBIT 17

COMPARABLE PROPERTY #3

16 NORTH CARROLL

Date of Sale: 9/13/74 improvements; 10/77 land
Sale Price: $560,270 improvements; $55,000 land
Recorded: Vol. 533, p. 847, Agreement acknowledges installment sales contract for improvements and leasehold.
Vol. 873 pp. 47, 50, 52, 54 Warranty Deeds
Fee underlying leasehold was purchased.
Terms of Sale: improvements: installment sale $7,963 down, $150,000 traded in equity in unidentified project, with balance of $402,307 payable in 10 years at 7% interest, with 20-25 years amortization schedule.
Use at Time of Sale: Office, retail space on first floor vacant.
Grantor: Gay Building Company
Grantee: Hovde Realty, Inc.
Tax parcel no.: 0709-231-0902-3
Assessed value at time of sale: 1974 total $328,308; land $139,385; improvements $188,923; 1977 total $888,000; land $145,300 improvements $742,700
Sale Price as % of assessed value; 1974 improvements only: 297%
1977 land only: 38%
Lot Size: 44 ft. x 132 ft.
Frontage: 44 ft. on N. Carroll
Zoning: C-4
Gross Building Area: 42,250 sq. ft.
Net Rentable Area: 35,725 sq. ft.
Building Description: Masonry and concrete structure, two automatic elevators
Rental Information: At time of sale of improvements $4.75-5.00 sq. ft, with janitorial service, heat and light included; 1,000 sq. ft. vacant. At time of land sale $6.25 sq. ft. with same services included; fully occupied.

EXHIBIT 18

COMPARABLE PROPERTY #4

123 WEST WASHINGTON

Date of Sale: 4/3/78
Sale Price: $2,896,000
Recorded: Vol. 929, p. 51, Land Contract
Terms of Sale: $689,526 down, balance in 5 year installments @ 4.4% tax-exempt interest; annual principal payment $441,294.0, annual interest payment $19,416.97
Use at Time of Sale: Office space with limited retail use at grade level.
Grantor: Lorraine Associates
Grantee: State of Wisconsin
Tax Parcel No. 0709-231-1006-2
Assessment at Time of Sale: Total $2,652,700; land $483,400; improvements $2,169,300; now tax exempt.
Sales Price as % Assessed Value: 134%
Lot Size: Approximately 132 ft. x 198 ft.; 24,132 sq. ft.
Frontage: West Washington 132 ft., and South Fairchild 198 ft.
Zoning: C-4
Gross Building Area: 186,000 sq. ft.
Net Rentable Area: 138,000 sq. ft.
Building Description: Ten-story masonry, steel, and concrete structure, two automatic elevators.
Locational Factors: 3 1/2 blocks from City-County Building; 4 1/2 blocks from GEF-1; 1 1/2 blocks from State Street Mall
Rental Information: $6.00-6.50/sq. ft., with full service; fully occupied.

EXHIBIT 19

COMPARABLE PROPERTY #5

102 NORTH HAMILTON, 110 NORTH HAMILTON STREET, PARKING LOT

Date of Sale: 7/29/77
Sale Price: $330,000 for three parcels
Recorded: Vol. 846, p. 371, Warranty Deed
Terms of Sale: 5 year balloon mortgage @ 8 1/2% interest
Use at time of sale: 102 N. Hamilton vacant, 110 N. Hamilton restaurant
Grantor: Jackson Realty Corp.
Grantee: Gary J. DiVall
Tax Parcel No.: 0709-144-1504-1
Assessed Value at Time of Sale: Total $360,000; land $153,900, improvements $206,500
Sale Price as % Assessed Value: 92%
Lot Size: Approximately 11,000 sq. ft.
Frontage: East Mifflin 15 ft, N. Hamilton 46 ft., N. Pinckney 132 ft. for 102 N. Hamilton Building
Zoning: C-4
Description: 102 N. Hamilton, gross building area 28,000 sq. ft., first floor gross area 6,700 sq. ft.
Description: 110 N. Hamilton, gross building area 1,100 sq. ft., one story above grade
Total Gross Building Area: 27,000 sq. ft.
Estimated Net Rentable Area: 28,000 sq. ft.
Building Description of 102 N. Hamilton: Concrete and steel structure, 3 stories, plus basement at grade entrance on N. Pinckney, 1st floor plus mezzanine; structure can carry more floors, automatic elevators.
Locational Factors: 2 blocks from State Street Mall, 4 blocks from City-County Building, 2 blocks from GEF-I, 1 1/2 blocks to First Wisconsin Plaza and Tenney Building
Rental Information: Adjacent property, one of three parcels, has 1,000 sq. ft. @ $600/mo. net for restaurant use.

The buildings are set back from the main streets of the Square, are less visible and have weaker linkages to government centers than does the subject property. The available surface parking, though smaller in area, is similar to the Tenney Building.

6. The Federal Center (formerly Ray-O-Vac) - 212 East Washington (See Exhibits 14 and 20)

The old Ray-O-Vac Building had been vacant for several years at the time of sale. The seller, a Madison investor, was committed to other projects, while the buyer had a line on various Federal agencies seeking to relocate from the post office and other structures. The building had to be totally renovated before it was suitable for tenants.

The property has similar surface parking space to the subject, and both are across the street from the new state offices. The building was in need of extensive renovation at the time of purchase.

7. The Woolworth Building - 2 West Mifflin (See Exhibits 14 and 21)

The Woolworth Building is a relatively modern structure built and owned by Northwestern Mutual Life Insurance Co. Like other retailers on the Square, Woolworth had retrenched by closing its basement cafeteria and related services; it also reduced its office requirements to 50% of the second floor for which there is an elevator. Northwestern Mutual was determined to reduce its investment on the Madison Square, and the purchaser was involved in an assemblage of what he perceived as the 100% retailing block on the Square. The property's corner site, with 99 ft. of frontage on Mifflin Street is superior in pedestrian count and exposure to the subject property. There is no on-site parking, but contract parking is available in the same block at the Concourse Hotel. The lease to the Woolworth Company was retained by the purchaser; the rent is triple net at $60,500/year, and the lessee sublets office space @ $4.20 sq. ft., a below-market rental rate.

While the Tenney Building is perceived primarily as an office building, the image of the Woolworth Building is that of a retail store. The 2nd floor was originally built as office space for the sole tenant to use in its retailing operation. Therefore this sale is not included in the determination of the most probable price of the subject property.

B. <u>Most Probable Buyer</u>

Except for the Lorraine, the other five comparable properties were purchased by local investors and/or developers. Three required extensive renovation, two were built within the last 25 years, and the other required refurbishing only. Three were purchased on land contract, and the others were cash sales. All were purchased as investments; none were purchased exclusively for personal use.

THEREFORE, THE MOST PROBABLE BUYER WILL BE A LOCAL INVESTOR/DEVELOPER WHO EXPECTS TO REMODEL AND REDIRECT THE MARKETING OF THE SUBJECT PROPERTY.

EXHIBIT 20

COMPARABLE PROPERTY #6

212 EAST WASHINGTON

Date of Sale: 12/13/77
Sale Price: $472,000
Recorded: Vol. 894, p. 695, Warranty Deed
Terms of Sale: Seller took a $140,000 second mortgage; property also subject, at time of sale, to $190,000 mortgage with Wisconsin Alumni Research Foundation and $175,000 mortgage with Affiliated Bank. Grantee agreed to assume and pay latter two mortgages.
Use at Time of Sale: Offices for Ray-o-Vac Co.
Grantor: Carol M. and Jerome J. Mullins
Grantee: Washington Associates
Tax Parcel No.: 0709-133-3103-2
Assessed Value: Total $670,100; land $334,000, improvements $335,700
Sale Price as % of Assessed: 70%
Lot Size: 22,680 sq. ft.
Frontage: 189 ft. on E. Washington Ave.; 120 ft. on N. Butler
Zoning: C-4
Gross Building Area: 48,000 sq. ft.
First Floor Gross Area: 12,000 sq. ft.
Net Rentable Area: 38,000 sq. ft.
Building Description: Four-story, fire resistant concrete and masonry structure, elevator
Present Use: Office space; adjacent parking lot
Locational Factors: 1 block from Square, 4 1/2 blocks from City-County Building, directly across street from GEF-I, 4 1/2 blocks from State Street Mall.
Rental Information: None available

EXHIBIT 21

COMPARABLE PROPERTY #7

2 WEST MIFFLIN

Date of Sale: 7/31/78
Sale Price: $596,200
Recorded: Vol. 980, p. 318, Warranty Deed
Terms of Sale: Subject to 7/15/77 mortgage, undivided; 90% interest in and to partnership
Use at Time of Sale: Retail and office
Grantor: Thirty-on-the-Square Associates
Grantee: Mifflin Associates
Tax Parcel No.: 0709-144-2509-0
Assessed Value at Time of Sale: Total $635,000, land $371,300, improvements $263,700
Sales Price as % of Assessed Value: 94%
Lot Size: 12,376 sq. ft.
Frontage: West Mifflin St. 91 ft., Wisconsin Avenue 136 ft.
Zoning: C-4
Gross Building Area: 38,640 sq. ft.
First Floor and Mezzanine Gross Area: 13,880 sq. ft.
Net Rentable Area: Approximately 24,000 sq. ft.
Building Description: Two floors, masonry bearing walls; concrete slab flooring, in excellent condition; elevator.
Present Uses: Retail, 1st, mezzanine, and basement; office, 2nd floor.
Locational Factors: 5 blocks from City-County Building, 3 blocks from GEF-I.
Rental Information: $60,500/yr. triple net for whole building; lessee sublets office space @ 4.20 sq. ft.

C. Most Probable Price

Although the comparable sale properties are predominantly office buildings on or near the Square, there are significant differences among them. It is necessary to select those characteristics that are price sensitive, such as the availability of parking, location, strength of the first floor retail lease, need for renovation, visual quality of the office entrance and existing office vacancies at time of purchase (Exhibit 22); the differences among the comparables can then be reduced to a common denominator by deriving a weighted point score for each property (Exhibit 23).

Office buildings constructed in the 1920's and 30's are often less efficient in use of space than more modern structures; with wider corridors, thicker walls, and more spacious lobbies, so there is less rentable area in relationship to the gross building area. To account for this difference, the purchase price of each comparable property is reduced to a price per net rentable area. The price per net rentable area is then divided by the weighted point score to find the price per point score. The average price per point score is used to determine the central tendency of the sales price for the subject property. The standard deviation from the average price per point is then calculated to determine the range of possible prices. The calculation of the most probable price, using the mean price per point score equation is presented in Exhibit 24.

The market comparison price estimate for the subject property is, therefore, $1,150,000. The suggested transaction zone from the market comparison approach is from $1,100,000 to $1,230,000. The Tenney Building, though in need of some remodeling to improve marketability, is an ongoing entity with proven revenue potential in a market that has been extremely competitive and unpredictable, due to rapid changes in the CBD. The cost of remodeling can be fairly accurately estimated to lessen the risk to the investor. The appraiser, therefore, has determined that the most probable price is represented by the central tendency of $1,150,000.

THEREFORE THE MARKET APPROACH INDICATES THE FAIR MARKET VALUE AS

OF JANUARY 1, 1979 IS:

ONE MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS

($1,150,000)

Since actual market sales were used for the valuation approach, it is useful to test the most probable price based upon market sales for compatibility with investment valuation. The income approach to valuation using the discounted cash flow methodology is discussed in the following section.

EXHIBIT 22

SCALE FOR SCORING COMPARABLES ON IMPORTANT INVESTOR CONSIDERATIONS FOR OFFICE/RETAIL SPACE IN MADISON C-4 ZONE

Parking 25%	5 = Ample private parking on site or available on contract within the same block. 3 = Limited parking on premises 0 = Little or no surface parking on premises.
Location 20%	5 = In the blocks of East and West Mifflin St. or North and South Carroll St., across from the Capitol Square 3 = In the blocks of North and South Pinckney St., across from the Capitol Square, or in the 100 block of West Washington, or adjacent to General Executive Facilities. 1 = Off of the Capitol Square
First Floor Retail Lease in Place at Time of PUrchase 15%	5 = Strong lease in place. 3 = Strong lease in place for part of first floor. 0 = Lease expires in less than 6 months or vacant.
Need for Renovation of Office Space at Time of Purchase 15%	5 = No renovation required. 3 = Modest renovation required. 1 = Intensive renovation required.
Visual Quality of Office Entrance 10%	5 = Excellent design and location. 3 = Indifferent design and/or location. 1 = Poorly defined and/or adjacent to incompatible uses.
Vacancies in Existing Office Space at Time of Purchase 15%	5 = Less than 10% of net rentable area (NRA). 3 = More than 10% of NRA. 0 = Vacant

EXHIBIT 23

WEIGHTED MATRIX FOR COMPARABLE PROPERTIES

FEATURE/ WEIGHT	Rating/Weighted Rating #1 30 W. Mifflin	#2 50 E. Mifflin	#3 16 N. Carroll	#4 123 W. Washington	#5 102 N. Hamilton	#6 212 E. Washington	Subject 110 E. Main
Parking 25%	5/1.25	3/.75	0/0	0/0	3/.75	3/.75	3/.75
Location 20%	5/1.00	5/1.00	5/1.00	3/.60	1/.20	3/.60	3/.60
First Floor Retail Lease in Place 15%	5/.75	5/.75	0/0	3/.45	3/.45	0/0	1/.15
Need for Renovation 15%	5/.75	1/.15	3/.45	5/.75	1/.15	1/.15	3/.45
Visual Quality of Office Entrance 10%	5/.50	3/.30	3/.30	5/.50	3/.30	3/.30	1/.10
Vacancies in Existing Office Space 15%	5/.75	0/0	5/.75	5/.75	0/0	0/0	1/.15
Total Weighted Score	5.00	2.95	2.50	3.05	1.85	1.80	2.20
Selling Price	$2,555,500	$850,000	$615,270	$2,896,000	$330,000	$472,000	X
Total Net Rentable Area (NRA)	65,000 sq. ft.	38,500 sq. ft.	35,725 sq. ft.	138,000 sq. ft.	28,000 sq. ft.	38,000 sq. ft.	74,000 sq. ft.
Price Per Square Foot (NRA)	$39.30	$22.10	$17.20	$21.00	$11.80	$12.40	
Price Per Square Foot of NRA / Total Weighted Score	7.86	7.49	6.88	6.89	6.38	6.89	

[redacted] ~~EXHIBIT 24~~

CALCULATION OF MOST PROBABLE PRICE USING MEAN PRICE PER POINT EQUATION METHOD

Comparable Property	Selling Price/ per NRA	Point Score	Price per NRA per Total Weighted Score
1	$39.30	5.00	7.86
2	22.10	3.45	7.49
3	17.20	2.50	6.88
4	21.00	3.05	6.89
5	11.80	1.85	6.38
6	12.40	1.80	6.89
		TOTAL	42.39

Mean Value = 42.39 ÷ 6 = 7.07

Standard Deviation

7.86 - 7.07 = .79 $(.79)^2$ .62
7.49 - 7.07 = .42 .18
6.88 - 7.07 = .19 .04
6.89 - 7.07 = .18 .03
6.38 - 7.07 = .69 .48
6.89 - 7.07 = .18 .03
2.45 ÷ 5 = .49 1.38 ÷ 5 = .276 $\sqrt{.276}$ = .53

Value Range: 7.07 ± .49

High Estimate: 7.56 = (X/74,000[1] sq. ft.) ÷ 2.2[2], ∴ X = 1,230,770 or $1,230,000

Central Tendency: 7.07 = (X/74,000 sq. ft.) ÷ 2.2, ∴ X = 1,150,996 or $1,150,000

Low Estimate: 6.58 = (X/74,000 sq. ft.) ÷ 2.2, ∴ X = 1,071,224 or $1,100,000

1 74,000 sq. ft. = NRA of subject property
2 2.2 = Weighted point score for subject property

IV. THE DISCOUNTED CASH INCOME APPROACH TO VALUE

The income approach using discounted cash flow methodology is used as a check on the reasonableness of the most probable price estimated by the market comparison approach.

A. <u>The Selection of the Income Approach Methodology</u>

The income approach selected assumes the fair market value of the property is the most probable price the subject will bring if offered in the marketplace as an investment property for a reasonable period of time and sold subject to financing terms typically available for such an investor at the time of sale. Both buyer and seller are assumed to have full knowledge of the property and neither is under duress.

1. Cash Flow Characteristics

The investor will purchase the project for cash income as a return to his own cash invested and for a deferred cash return to be realized upon sale from equity accumulation, which is attributed to amortization of mortgage debt, to an increase in cash earnings from the building due to effective management and marketing, and, possibly, to general inflationary price increases. Cash returns are, therefore, not level but will vary from year to year, hopefully increasing as certain current problems in building management and marketing are corrected. A variety of assumptions will need to be made for revenues and expenses, as well as future resale values.

2. Income Parameters Required by Institutional Lenders

Sophisticated lenders place more emphasis on a property's net income-producing ability than its resale potential; therefore, the debt cover ratio is the primary determinant of the amount of debt a property can successfully carry, rather than the loan-to-value ratio.

Not only is the subject property an older-styled building subject to mechanical upset, but also unusual variance in revenues can occur because the majority of the leases are short term, a large percentage of the tenants are government agencies, the leases lack escalators, although the cost of energy is increasing at unpredictable rates, and the market for Class B office space is highly competitive. A debt cover ratio of 1.3 is assumed to be the minimum a lender will allow for a property such as the Tenney Building. Thus, a larger equity contribution will be required than for a newer property.

3. Impact of Income Tax and Equity Requirements Upon Purchase Price

A private investor is influenced by his income tax status, but not to the degree supposed by the layman. For office buildings such as the subject property, the Internal Revenue Service (IRS) code limits second owners to a straight-line depreciation method only; moreover, there is full recapture of depreciation shelters in excess of straight line for new capital improvements made by the second owner.

Though an owner wants some annual cash return on the equity contribution, this type of owner is more interested in the long-term capital gain from the investment. Thus, the owner is assumed to be willing to accept a minimum of 6% before tax cash on cash. The lender's requirement of a debt cover ratio of 1.3 will have a greater impact upon value than will the cash-on-cash requirement or the income tax consequences.

The after tax present value of the project at the end of the five-year holding period is determined by the discount factor (the overall rate of return to equity) and is the cumulative sum of the present value of each year's spendable cash after taxes, the present value of the net worth of the property less taxes due at the time of sale, and the original amount of any outstanding mortgages.

4. Computerized Appraisal System Selected

To discount the cash flows from earnings and resale to both a tax exempt or a taxable purchaser, a computerized system has been selected called MRCAP. The MRCAP system is an advanced discounted cash flow program designed to provide for the simulation of a wide array of investment strategies associated with real estate ownership; in this case the program solves for justified project value. This system is available in the library of the National EDUCARE Network, a computer timesharing service operated for and under the control of the three leading appraisal organizations, The American Institute of Real Estate Appraisers, The International Society of Real Estate Appraisers, and the American Society of Real Estate Counselors. As another check on the most probable price a discounted cash flow system from the EDUCARE Network Library called Investment Market Value (IMV) is used.

Both systems utilize a discounted cash flow system which will reflect the proportionate interests of those financing the purchase, the municipality seeking its prorata share of economic productivity, and the cash and reversion returns to the ownership position after prior claims of real estate taxes and mortgage lenders have been met. The systems provide values on both a before- and after-tax basis to the ownership position.

B. Implementation of Discounted Cash Flow Methodology

To determine the present value of a series of possible negative and positive cash flows before income tax to an investor/purchaser of the Tenney Building as of January 1, 1979, a projection is made of the revenues and expenses.

1. Identification of Revenue Producing Units

All spaces in the Tenney Building are identified floor by floor as to square footage and use to determine net assignable and, hence, rentable areas (Exhibit 25). In addition, the records of lease terms and rental rates were

TENNEY BUILDING

Schedule of Rental Revenues[1] for the Period of January 1, 1979 Through December 31, 1983

Occupancy as of January 1, 1979	Space Sq. Ft.	Annual Rent Per Sq. Ft.[2]	Lease Term as of 1/1/79[3]	ANNUALIZED GROSS RENTAL REVENUES 1979	1980	1981	1982	1983
Lower Levels & Roof								
B Level Vault-Vacant	700	3.00	---	$ 2,100	$ 2,100	$ 2,300	$ 2,540	$ 2,540
B Level-Showroom & Office	4000	2.60	5/31/79	10,400	11,500	12,700	12,700	14,000
A Level-Storage	400	4.00	6/30/80	1,600	1,680	1,860	1,860	2,050
Blue Cab-Roof Antenna	--	--	--	480	480	480	530	530
Honeywell Phone Box	--	--	--	480	480	480	530	530
	5100			$15,060	$16,240	$17,820	$18,160	$19,650
First Floor								
Jones, Inc.[4]	5500	5.00	5/31/79	$27,500	$32,500	$37,500	$42,500	$47,500
Chez Vous-112	454	4.80	9/31/81	2,180	2,180	2,180	2,400	2,400
Chez Vous-114	1000	4.80	9/31/81	4,810	4,810	4,810	5,300	5,300
	6954			$34,490	$39,490	$44,490	$50,200	$55,200
Second Floor								
201 Vacant	150	6.70	--	$ 1,000	$ 1,110	$ 1,110	$ 1,220	$ 1,220
202 State	600	6.50	6/30/79	3,900	4,300	4,300	4,700	4,700
203-4 Dr. Doolittle	543	6.00	8/31/79	3,250	3,600	3,600	3,980	3,980
205-6 State	506	7.00	9/30/80	3,540	3,540	3,910	3,910	4,320
207-8 Homecrafts	386	6.50	12/31/81	2,500	2,500	2,500	2,760	2,760
209-10 State	451	6.25	10/31/79	2,810	2,810	3,100	3,100	3,420
211 Dr. Regez	219	6.50	--	1,420	1,570	1,730	1,900	1,900
212-14 Dr. Wierwill	700	6.55	3/31/81	4,590	4,590	4,950	5,070	5,070
215 Dr. M Meng	415	6.70	6/1/79	2,780	3,070	3,070	3,390	3,390
216 UPI	500	6.50	4/30/80	3,250	3,470	3,590	3,590	3,960
218-19 Dr. McDermott	816	5.90	6/30/79	4,810	5,310	5,310	5,870	5,870
220-21 State	1400	6.25	11/30/79	8,750	8,750	9,660	9,660	10,680
	6686			$42,600	$44,620	$46,830	$49,150	$51,270
Third Floor								
301 Vacant	150	7.30	--	$ 1,100	$ 1,100	$ 1,200	$ 1,200	$ 1,340
302-3 State[5]	1179	5.75	--	6,780	7,490	7,490	8,270	8,270
304 State[5]	230	6.70	--	1,540	1,700	1,700	1,880	1,880
305-8 State[5]	942	6.70	--	6,300	6,970	6,970	7,700	7,700
309 The Journal Co.	232	6.70	8/31/80	1,550	1,600	1,600	1,760	1,760
310-11 State[5]	456	6.70	--	3,050	3,350	3,350	3,700	3,700

EXHIBIT 25 -- Continued

TENNEY BUILDING

Schedule of Rental Revenues[1] for the Period of January 1, 1979 Through December 31, 1983

Occupancy as of January 1, 1979		Space Sq. Ft.	Annual Rent Per Sq. Ft.[2]	Lease Term as of 1/1/79[3]	ANNUALIZED GROSS RENTAL REVENUES 1979	1980	1981	1982	1983
Third Floor (con't.)									
312	Vacant	234	8.10	--	$ 1,900	$ 2,100	$ 2,100	$ 2,300	$ 2,300
313-14	Dr. R. Meng	482	6.75	5/31/79	3,250	3,590	3,590	3,970	3,970
315	Vacant	731	6.00	--	4,430	4,890	4,890	5,400	5,400
316-19	Wisc. Builders Assoc.	1091	6.30	12/31/79	6,870	7,590	7,590	8,400	8,400
320-4	Dr. G. Maloof	1363	6.85	--	9,340	10,320	10,320	11,400	11,400
		7090			$46,110	$50,700	$50,800	$55,980	$56,120
Fourth Floor									
401	Vacant	150	6.75	--	$ 1,010	$ 1,010	$ 1,110	$ 1,110	$ 1,230
402	Furst, Carlson Inc.	648	6.50	4/30/80	4,220	4,520	4,660	4,660	5,150
403-12	State	2349	6.35	12/31/81	14,910	14,910	14,910	16,470	16,470
413-14	Wisc. Alliance of Cities	679	6.60	5/31/80	4,500	4,770	4,970	4,970	5,500
415	State	259	7.00	2/28/81	1,820	1,820	1,980	2,010	2,010
416-19	State	1370	6.00	6/30/80	8,290	8,720	9,160	9,160	10,120
420-22	State	844	6.70	6/30/79	5,650	5,940	6,240	6,240	6,890
423-24	Ed Konkol	340	6.60	8/31/79	2,240	2,500	2,500	2,760	2,760
		6639			$42,640	$44,190	$45,530	$47,380	$50,130
Fifth Floor									
501	E.C. Barton	150	6.90	--	$ 1,040	$ 1,040	$ 1,150	$ 1,150	$ 1,270
502-5	Cooper, Kamp, Lantis	1652	6.90	3/31/79	11,380	12,570	12,570	13,900	13,900
506-19	State	3922	6.25	10/31/79	24,510	24,510	27,000	27,000	29,800
520	Wisc. Board of Aging	555	6.50	6/30/79	3,600	3,600	3,970	3,970	4,390
521-22	Dr. Coryell	339	7.00	6/30/79	2,370	2,620	2,620	2,890	2,890
523-23	Green Bay Press-Gazette	337	7.50	8/31/82	2,550	2,550	2,550	2,550	2,810
		6955			$45,450	$46,890	$49,860	$51,460	$55,060
Sixth Floor									
601	Devine Insurance	150	6.50	8/31/79	$ 970	$ 1,070	$ 1,070	$ 1,180	$ 1,180
602-4	State	1473	6.00	6/30/79	8,840	8,840	9,760	9,760	10,790
605	John Bell & Assoc.	204	7.00	--	1,430	1,570	1,570	1,740	1,740
606-10	State	1000	6.70	6/30/80	6,720	7,070	7,420	7,420	8,200
611	The Evjue Foundation	286	6.50	11/30/79	1,860	2,050	2,050	2,270	2,270

TENNEY BUILDING

Schedule of Rental Revenues[1] for the Period of January 1, 1979 Through December 31, 1983

Occupancy as of January 1, 1979		Space Sq. Ft.	Annual Rent Per Sq. Ft.[2]	Lease Term as of 1/1/79[3]	ANNUALIZED GROSS RENTAL REVENUES 1979	1980	1981	1982	1983
Sixth Floor (cont.)									
612-14	State	647	6.25	10/31/79	4,040	4,040	4,460	4,460	4,920
615	Tenney Bldg. Co.	344	6.80	--	2,340	2,580	2,580	2,850	2,850
616	John Barsness	850	5.80	2/28/79	4,930	4,930	5,440	5,440	6,000
617	Bill Ward	250	6.70	--	1,670	1,840	1,840	2,000	2,000
618-19	Vacant	494	5.50	--	2,740	3,030	3,030	3,340	3,340
620-4	Devine Insurance	1,262	6.60	8/31/80	8,290	8,570	9,160	9,160	10,120
		6,960			$43,830	$45,590	$48,380	$49,620	$53,410
Seventh Floor									
701	Lawton & Cates	150	5.75	5/31/83	$ 860	$ 860	$ 860	$ 860	$ 860
702-19	Lawton & Cates	5,417	5.75	5/31/83	32,190	32,190	32,190	32,190	32,190
720-24	Vacant	1,106	7.00	--	7,740	8,550	8,550	9,450	9,450
		6,673			$40,790	$41,600	$41,600	$42,500	$42,500
Eighth Floor									
801	Vacant	150	7.40	--	$ 1,110	$ 1,110	$ 1,220	$ 1,220	$ 1,350
802-5	State	1,536	6.20	10/31/79	9,560	9,560	10,560	10,560	11,670
806-7	Dr. Mannis	470	7.00	8/31/79	3,290	3,630	3,630	4,010	4,010
808-22	State	4,580	6.00	6/30/79	27,160	27,160	30,000	30,000	33,000
823-24	Dr. Boyle	339	7.50	8/31/80	2,540	2,620	2,620	2,890	2,890
		7,075			$43,660	$44,080	$48,030	$48,680	$52,920
Ninth Floor									
901	Millman & Robertson	150	7.20	12/31/79	$ 1,080	$ 1,190	$ 1,190	$ 1,310	$ 1,310
902	Wis. Insurance Alliance	864	6.50	5/31/79	5,610	6,200	6,200	6,850	6,850
903-6	Mulcahy and Wherry	980	8.00	12/31/81	7,840	7,840	7,840	8,660	8,660
907	United Madison Community Fund	225	6.75	--	1,510	1,510	1,670	1,670	1,850
908-10	Lawrence Hall	700	4.70	5/31/79	3,290	3,630	3,630	4,010	4,010
911	Dr. Schmitz	248	7.50	12/31/80	1,860	1,860	2,050	2,050	2,270
912-19	State	2,580	5.25	11/30/79	13,540	13,540	14,960	14,960	16,540

TENNEY BUILDING

Schedule of Rental Revenues[1] for the Period of January 1, 1979 Through December 31, 1983

Occupancy as of January 1, 1979	Space Sq. Ft.	Annual Rent Per Sq. Ft.[2]	Lease Term as of 1/1/79[3]	ANNUALIZED GROSS RENTAL REVENUES 1979	1980	1981	1982	1983
Ninth Floor (cont.)								
921 State	575	6.75	11/30/79	3,880	3,880	4,280	4,280	4,730
922-23 Judicial Commission	355	6.50	8/31/79	2,300	2,300	2,540	2,540	2,800
924-25 Dr. Rundell	339	6.80	5/31/79	2,300	2,540	2,540	2,800	2,800
	7,016			$43,210	$44,490	$46,900	$49,130	$51,820
Tenth Floor								
1001 Victor Lind	150	6.80	10/31/79	$ 1,020	$ 1,120	$ 1,120	$ 1,240	$ 1,240
1002 Wisc. Assoc. Independent Colleges	864	6.50	12/31/79	5,610	6,200	6,200	6,850	6,850
1003-4 Wisc. Canners and Freezers	756	6.25	4/30/79	4,720	5,220	5,220	5,770	5,770
1005-8 Boelter Co.	911	6.80	11/30/79	6,190	6,840	6,840	7,560	7,560
1009-10 State[5]	455	6.50	--	2,950	2,950	3,260	3,260	3,600
1011-13 Dr. Doll	729	6.25	5/31/79	4,540	5,020	5,020	5,550	5,550
1014 Vacant	229	6.25	--	1,430	1,580	1,580	1,740	1,740
1015-18 State	1,616	6.25	10/31/79	10,100	10,100	11,160	11,160	12,330
1019-21 Murray Dropkin Co.	680	6.70	2/29/80	4,550	4,950	5,020	5,020	5,550
1022 F. Halsy-Kraege	171	7.50	12/31/79	1,280	1,410	1,410	1,560	1,560
1023-24 Dane Co. Advocates for Battered Women	331	6.75	7/31/79	2,230	2,230	2,470	2,470	2,720
	6,892			$44,620	$47,620	$49,300	$52,180	$54,470
Annual Totals for Tenney Building	374,038 sq. ft.			$442,460	$465,510	$489,540	$514,440	$542,550

EXHIBIT 25 -- Continued

TENNEY BUILDING

Notes to Schedule of Rental Revenues for the Period of January 1, 1979 Through December 31, 1983

[1]The annualized gross revenue for 1979 is consistent with actual lease terms as of January 1, 1979. Yearly increases in rentals are assumed to take place at lease renewal dates, and are based on the last five years' average of the All Item Consumer Price Index of 10.5%. Though state agencies have tried in the past to keep annual rental increases to no more than 5%, the current inflationary trend has made this impossible.

[2]The annual rental rate is given as of January 1, 1979.

[3]Of the 83 leaseable units in the Tenney Building as of January 1, 1979, there are 60 leases in place, but 38 of those terminate within a year. Nineteen terminate in one to two years and three are for a three to four year period.

[4]Rental increase for the first floor retail area are assumed to be $5,000 annually based upon operating expense increases.

[5]The state has given notice that these tenants will vacate as of February, 1980.

reviewed to estimate revenue lost to future vacancies. A schedule of existing vacancies as of January 1, 1979, altered by additional rentals and/or vacancies in 1979 through 1983 are provided in Exhibit 26.

2. Projection of Revenues

Assignable areas, rental rates set by existing leases and market rents for vacant space are then combined to produce a schedule of revenues with supporting footnotes in Exhibit 25. It should be noted that rental increases are projected on different standards, depending on their tenancy. Private office tenants' leases are renewed with the rental rate subject to the change in the All Item Consumer Price Index for all cities, and this has been projected at 10.5 percent per annum without compounding as in Exhibit 27. Space rented to Jones, Inc., prior to the termination of this lease as of May 31, 1979, was subject to a prorata share of operating expenses (see Notes to Exhibit 26).

3. Pro Forma Income Statement

The projection of gross potential revenues for five fiscal years and projected vacancy losses are then combined with operating expenses to produce Exhibit 28, a Schedule of Projected Revenues and Expenses for the Five Fiscal Years Staring January 1, 1979 through 1983. The pro forma income statement provides a forecast of net cash income before payment of real estate taxes, debt service, income taxes and the yield on investment plus recovery of equity capital necessary to justify the capital investment of the buyer.

With the completion of GEF II and III in 1979-80, there will be a shift in many State offices. The Tenney Building will be affected by the loss of tenants from the Department of Health and Social Services who will move to space vacated by the Department of Administration at 1 West Wilson; vacancy is expected to increase by 3,260 sq. ft. from these shifts alone. Jones, Inc. will vacate 5,500 sq. ft. of first floor retail space and 4,000 sq. ft. of basement showroom space at the end of May, 1979. These known future vacancies, plus the anticipated termination of other leases, lead to the assumption a purchaser will refurbish and remodel to increase marketability. It is estimated an additional loan of $150,000 for five years at 12% interest will be required to make the Tenney Building more viable in an increasingly competitive market for Class B office space in the CBD of Madison.

That investment, together with the projected gradual increase in occupancy by 1981 and 1982, will have a pronounced impact upon effective office rent. The increase will be greatly tempered by rapidly increasing utility and heat expenses which are expected to escalate at no less than 12% per year (See Notes to Exhibit 28).

4. Conversion of Net Income to Present Value

The MRCAP program from the National EDUCARE library of programs, previously described, is used to convert net income to a present value after taxes as of January 1, 1979, for the Tenney Building at the end of a five-year holding period.

TENNEY BUILDING

Schedule of Vacancies By Floor and By Lease Terms
for the Period of January 1, 1979 Through December 31, 1983

	Space Sq. Ft.[2]	% Vacant	Annual Rental Rate Per Sq. Ft.	# of Months Vacant	Projection Period 1979	1980	1981	1982	1983
Lower Level[1]									
B Level - Vault	700	100	3.00	12	$ 2,100				
	700	75	3.00	12		$ ~~1,570~~ 2100			
	700	50	3.30	12			$ 1,150		
	700	50	3.60	6				$ 630	
	700	50	3.60	6					$ 630
B Level Showroom and Office	4,000	100	2.60	7	6,060				
	4,000	50 100	2.90	~~9~~ 12		~~4,350~~			
	4,000	50	3.20	~~6~~ 9		11 600	~~3,170~~ 4800		
A Level - Storage	400	50	4.20	~~6~~ 12		420			
	400	50	4.65	~~9~~ 12		840	700		
	400	25	4.65	~~6~~ 9				230	
	400	25	5.10	6					250
Total - Lower Level				Rate 51.2%	$ 8,160	$ ~~6,340~~ $14,540	$ 5,020 5950	$ 860	$ 880
First Floor									
Large Retail Space[3]	5,500	100	5.00	7	$16,040				
	5,500	50 .36	5.90	~~8~~ 12		$ ~~8,110~~			
	5,500	25 .36	6.80	6		11,700	$ 4,670		
112 East Main	454	100	4.80	3				$ 550	
	454	100	5.30	3					$ 600
114 East Main	1,000	100	4.80	3				1,200	
	1,000	100	5.30	3					1,320
Total - First Floor				46.5%	$16,040	$ ~~8,110~~ 11700	$ 4,670	$ 1,750	$ 1,920

EXHIBIT 26

TENNEY BUILDING

Schedule of Vacancies By Floor and By Lease Terms
for the Period of January 1, 1979 Through December 31, 1983

Second Floor	Space Sq. Ft.[2]	% Vacant	Annual Rental Rate Per Sq. Ft.	# of Months Vacant	Projection Period 1979	1980	1981	1982	1983	
201	150	100	6.70	12	$ 1,000					
	150	100	7.40	12		$ 1,110				
	150	100	7.40	12			$ 1,110			
	150	100	8.10	12				$ 1,220		
	150	100	8.10	12					$ 1,220	OK. 1220
203-4	543	100	6.00	4	1,070					
	543	100	6.60	6		1,790				
	543	50	6.60	6			900			
205-6	506	100	7.00	3 6		880 1770				
	506	50	7.70	12			1,950			
	506	50	7.70	6				970		
	506	50	8.50	6					1,070	
215	415	100	6.70 → 7.40	6 6	1,390	1530				
	415	100	8.20	12				3,390		
	415	100	8.20	6					1,690	
216	500	100	7.00	8 12		2,330 3500				
	500	100	7.00	12			3,590			
	500	100	7.00	12				3,590		
	500	100	7.90	6					1,970	1970
218-19	816	100	5.90	5	2,000					
	816	100	6.50	12		5,300				
	816	100	6.50	12			5,300			
	816	50	7.20	12				2,940		
	816	50	7.20	12					2,940	
220-21	1,400	50	6.00 7.60	12		4200			~~5,320~~	2940
Total - Second Floor			8.40	6 12.87%	$ 5,460	$11,410	$12,850	$12,110	$14,210	
						19,200	[illegible]	12,110	8890	6130

EXHIBIT 26 -- Continued

TENNEY BUILDING

Schedule of Vacancies By Floor and By Lease Terms
for the Period of January 1, 1979 Through December 31, 1983

Third Floor[4]	Space Sq. Ft.[2]	% Vacant	Annual Rental Rate Per Sq. Ft.	# of Months Vacant	Projection Period 1979	1980	1981	1982	1983
301	150	100	7.30	12	$ 1,100				
	150	100	7.30	12		$ 1,100			
	150	100	8.00	12			$ 1,200		
	150	100	8.00	12				$ 1,200	
	150	100	8.90	12					$ 1,340
302-3	1,179	100	6.35	10 (6)		~~6,240~~			
	1,179	50	6.35	12		3740	3,750		
	1,179	50	7.00	6				4,130	
	1,179	50	7.00	6					4,130 2080
304	230	100	7.40	10 (6)		~~1,410~~ 850			
	230	100	7.40	12			1,700		
	230	100	8.20	6					940
305-8	942	100	7.40	10		5,810			
	942	50	7.40	12			3,480		
	942	50	8.20	12				3,860	
	942	50	8.20	6					1,930
310-11	456	100	7.35	10		2,790			
	456	50	7.35	12			1,670		
	456	50	8.10	6				920	
312	234	100	8.10	12	1,890				
	234	100	8.10	6		950			
315	731	100	6.00	12	4,390				
	731	100	6.70	12		4,890			
	731	100	6.70	6			2,450		
Total - Third Floor				16%	$ 7,380	$23,190	$14,250	$10,110	$ 8,340 ~~8340~~ 6280
						- 3060			
						20,130			

EXHIBIT 26 -- Continued

TENNEY BUILDING

Schedule of Vacancies By Floor and By Lease Terms
for the Period of January 1, 1979 Through December 31, 1983

	Space Sq. Ft.[2]	% Vacant	Annual Rental Rate Per Sq. Ft.	# of Months Vacant	Projection Period 1979	1980	1981	1982	1983
Fourth Floor									
401	150	100	6.75	12	$ 1,010				
	150	100	6.75	12		$ 1,010			
	150	100	7.40	12			$ 1,110		
	150	100	7.40	12		4620		$ 1,110	
	150	100	8.20	12			5070		$ 1,230
416-419	1370	100	6.25	6					
420-22	844	100	7.00	6		2,970			
	844	100	7.40	12			6,240		
	844	100	7.40	6				3,120	
	844	50	8.20	6					1,720
Total - Fourth Floor				Rate 2.4%	$ 1,010	$ 3,980	$ 7,350	$ 4,230	$ 2,950
						8,600			
Fifth Floor									
502-5	1,652	100	6.90	2	1,900				
	1,652	75	7.60	12		9,410			
	1,652	50	7.60	12			6,280		
	1,652	50	8.40	6				3,470	
	1,652	25	8.40	3					860
Total - Fifth Floor				4.2%	$ 1,900	$ 9,410	$ 6,280	$ 3,470	$ 860
Sixth Floor									
606-10	1,000	100	7.10	6		3,530			
	1,000	100	7.40	12			7,420		
	1,000	50	7.40	12				3,710	
	1,000	50	8.20	6					2,050
	204	12	7.00 7.40			1500	750	0	
605	286	12	6.50 7.20			2060	1030	0	
611	250	6	6.70 7.40			920	920	0	
617									
620-624	1262	6	6.60 7.30			4600	4600	0	
						12610	14720	3710	

EXHIBIT 26 -- Continued

EXHIBIT 26 -- Continued

TENNEY BUILDING

Schedule of Vacancies By Floor and By Lease Terms for the Period of January 1, 1979 Through December 31, 1983

	Space Sq. Ft.[2]	% Vacant	Annual Rental Rate Per Sq. Ft.	# of Months Vacant	Projection Period 1979	1980	1981	1982	1983	
Sixth Floor (cont.)										
618-19	494	100	5.50	12	$ 2,740	12 610				
	494	100	6.10	6		$ 1,510				
Total - Sixth Floor				6.7%	$ 2,740	$ ~~5,040~~ 14 120	$ 7,420	$ ~~3,710~~ 3710	$ 2,050	2050
Seventh Floor										
720-24	1,106	100	7.00	12	7,740					
	1,106	50	7.75	12		4,270				
	1,106	50	7.75	6	18.9%		2,140	2140	0	0
Total - Seventh Floor					$ 7,740	$ 4,270	$ 2,140	ø	ø	ø
Eighth Floor										
806-7	470	100	7.70	6		1,810				
	470	100	7.70	12			3,630			
	470	100	8.50	12				4,010		
	470	100	8.50	9	0%				3,000	
Total - Eighth Floor					0	$ 1,810 ø	$ 3,630	$ 4,010	$ 3,000	3000
Ninth Floor										
921	575	100	7.45	12			4,280			
	575	100	7.45	12		525	ø	4,280		
	575	100	8.20	6		6020	ø	ø	2,360	
907 912-919	225 2580		7.00	4						
Total - Ninth Floor				0%	0	6545 0	$ 4,280	$ 4,280	$ 2,360	2360
Tenth Floor										
1009-10	455	100	6.50	~~10~~ 6		~~2,460~~ 1480				
	455	100	7.20	12			3,260			
	455	50	7.20	12				1,630		
	455	50	7.90	6					900	900
1019-20	680		6.70 7.00	12		4556	2380	ø	ø	

TENNEY BUILDING

Schedule of Vacancies By Floor and By Lease Terms
for the Period of January 1, 1979 Through December 31, 1983

	Space Sq. Ft.[2]	% Vacant	Annual Rental Rate Per Sq. Ft.	# of Months Vacant	Projection Period 1979	1980	1981	1982	1983
Tenth Floor (cont.)									
1014	229	100	6.25	12	$ 1,430				
	229	100	6.90	12		1,580			
	229	100	6.90	6			790	850	430
	229	100	7.50	6					
Total - Tenth Floor	229	50		6 3.2%	$ 1,430	$ ~~4,040~~ 6036	$ ~~4,050~~ 6430	$ ~~1,630~~ ~~2480~~	$ 900 900 1330
TENNEY BUILDING TOTALS[5]					$51,860	$77,600	$71,940	$46,160	$37,470
				Projected Vacancy rates overall	11.72% Total	16.7%	14.7%	9.0%	6.9%

TENNEY BUILDING

Notes to Schedule of Vacancies by Floor and by Lease Terms
For the Period of January 1, 1979 Through December 31, 1983

[1] The lower level space has a record of vacancy; it is assumed that until the space is remodeled in 1980 to increase marketability, the rents will not keep pace with the Consumer Price Index.

[2] It is assumed that the smaller office spaces from 300-700 sq. ft. will experience less overall loss of revenues due to vacancy than the larger spaces. With the rapidly rising cost of operations, tenants will not expand into larger spaces as quickly. Those tenants assumed most likely to vacate their space have clients who need parking; doctors, dentists, and lawyers are examples.

[3] The first floor retail area will need to be subdivided to meet the market demand for small retail space; Exhibit 11 shows that most of the retail vacancies around the Square are for spaces larger than 4,000 sq. ft.

[4] In 1980 when GEF II and III are complete, the state will vacate 2,800 sq. ft. of space on the third floor and 455 sq. ft. on the tenth floor; thus there is a dramatic increase in vacancies projected for that year. A most probable buyer will have to anticipate a large capital investment in 1980 to remodel and refurbish the Tenney Building to make it competitive in the Class B office market that has a large supply of space available.

[5] Vacancies are assumed to gradually decrease in 1982 and 1983 as a result of capital investment in 1980-81 to improve marketability.

[redacted]

EXHIBIT 27

Average Rate of Increase in Consumer Price Index All Items 1973-January 1, 1979

A 66 PRICES □ FEBRUARY 1974

CONSUMER PRICES [1]

(1967 = 100)

Period	All items	Food	Housing: Total	Housing: Rent	Housing: Home-ownership	Housing: Fuel oil and coal	Housing: Gas and electricity	Housing: Furnishings and operation	Apparel and upkeep	Transportation	Health and recreation: Total	Health and recreation: Medical care	Health and recreation: Personal care	Health and recreation: Reading and recreation	Health and recreation: Other goods and services
1929	51.3	48.3	......	76.0	......	......	......	......	48.5	......	......	......	......	......	......
1933	38.8	30.6	......	54.1	......	......	......	......	36.9	......	......	......	......	......	......
1941	44.1	38.4	53.7	57.2	......	40.5	81.4	......	44.8	44.2	......	37.0	41.2	47.7	49.2
1945	53.9	50.7	59.1	58.8	......	48.0	79.6	......	61.5	47.8	......	42.1	55.1	62.4	56.9
1960	88.7	88.0	90.2	91.7	86.3	89.2	98.6	93.8	89.6	89.6	85.1	79.1	90.1	87.3	87.8
1965	94.5	94.4	94.9	96.9	92.7	94.6	99.4	95.3	93.7	95.9	93.4	89.5	95.2	95.9	94.2
1966	97.2	99.1	97.2	98.2	96.3	97.0	99.6	97.0	96.1	97.2	96.1	93.4	97.1	97.5	97.2
1967	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1968	104.2	103.6	104.2	102.4	105.7	103.1	100.9	104.4	105.4	103.2	105.0	106.1	104.2	104.7	104.6
1969	109.8	108.9	110.8	105.7	116.0	105.6	102.8	109.0	111.5	107.2	110.3	113.4	109.3	108.7	109.1
1970	116.3	114.9	118.9	110.1	128.5	110.1	107.3	113.4	116.1	112.7	116.2	120.6	113.2	113.4	116.0
1971	121.3	118.4	124.3	115.2	133.7	117.5	114.7	118.1	119.8	118.6	122.2	128.4	116.8	119.3	120.9
1972	125.3	123.5	129.2	119.2	140.1	118.5	120.5	121.0	122.3	119.9	126.1	132.5	119.8	122.8	125.5
1973	133.1	141.4	135.0	124.2	146.7	136.0	126.4	124.9	126.8	123.8	130.2	137.7	125.2	125.9	129.0
1972—Dec.	127.3	126.0	131.2	121.0	142.6	119.4	122.5	122.3	125.0	121.3	127.5	134.4	121.5	124.0	126.5
1973—Jan.	127.7	128.6	131.4	121.5	142.6	120.7	124.1	122.2	123.0	121.0	127.8	134.9	121.8	124.1	126.7
Feb.	128.6	131.1	132.0	122.1	142.9	127.2	124.5	122.6	123.6	121.1	128.1	135.3	122.4	124.3	127.1
Mar.	129.8	134.5	132.3	122.6	143.2	127.8	125.0	123.0	124.8	121.5	128.6	135.8	123.1	124.5	127.6
Apr.	130.7	136.5	132.8	123.0	143.6	128.3	125.5	123.6	125.8	122.6	129.2	136.2	123.8	125.2	128.2
May	131.5	137.9	133.3	123.5	144.2	129.3	125.7	123.9	126.7	123.5	129.6	136.6	124.4	125.6	128.5
June	132.4	139.8	133.9	123.9	145.0	131.6	125.4	124.7	126.8	124.6	130.0	137.0	124.9	125.9	129.0
July	132.7	140.9	134.2	124.3	145.2	131.7	125.5	125.0	125.8	124.8	130.3	137.3	125.3	126.2	129.5
Aug.	135.1	149.4	135.2	125.0	147.0	132.8	125.8	125.3	126.5	124.5	130.5	137.6	125.7	126.1	129.4
Sept.	135.5	148.3	136.6	125.4	149.2	133.6	126.5	126.1	128.3	123.9	131.1	138.3	126.3	126.8	129.9
Oct.	136.6	148.4	138.1	125.9	151.5	141.1	127.4	126.7	129.6	125.0	132.1	140.6	127.3	127.2	130.3
Nov.	137.6	150.0	139.4	126.3	152.6	155.6	129.8	127.5	130.5	125.8	132.6	140.9	128.1	127.5	130.8
Dec.	138.5	151.3	140.5	126.9	153.6	172.8	131.0	128.0	130.5	126.7	133.0	141.4	129.2	127.6	131.3

NOTE.—Bureau of Labor Statistics index for city wage-earners and clerical workers.

Prices A51

2.15 CONSUMER AND PRODUCER PRICES [2]

Percentage changes based on seasonally adjusted data, except as noted.

Item	12 months to— 1977 Dec.	12 months to— 1978 Dec.	3 months (at annual rate) to— 1978 Mar.	1978 June	1978 Sept.	1978 Dec.	1 month to— 1978 Aug.	1978 Sept.	1978 Oct.	1978 Nov.	1978 Dec.	Index level Dec. 1978 (1967 = 100)[2]
	Consumer prices[3]											
1 All items	6.8	9.0	9.3	11.4	7.8	7.9	.6	.8	.8	.5	.6	202.9

[1] Excludes intermediate materials for food manufacturing and manufactured animal feeds.
[2] Not seasonally adjusted.
[3] Beginning Jan. 1978 figures for consumer prices are those for all urban consumers.
[4] The Producer Price Index has been revised back to 1974.

SOURCE. Bureau of Labor Statistics.

[1]Federal Reserve Bulletin, Vol. 60, No. 2, Feb. 1974, p. 66
[2]Federal Reserve Bulletin, Vol. 65, No. 2, Feb. 1979, p. 51

$$\frac{\dfrac{202.9 - 133.1}{133.1}}{5 \text{ years}} = \frac{.524}{5} = 10.48$$

OR

10.5% Annual Rate of Price Increase 1973 - 79

TENNY BUILDING

Schedule of Projected Revenues and Expenses from
January 1, 1979 Through December 31, 1983

	1979	Actual	1980	1981	1982	1983	
Revenues:							
Gross Office Rents	$442,460		$465,510	$489,540	$514,440	$542,550	(Line 122, Exhibit 30)
Less: Vacancies	(51,860) (.12)		(77,600) (.17)	(71,940) (.14)	(46,160) (.09)	(37,470) (.07)	
Effective Office Rent	390,600		387,910	417,600	468,280	505,080	
Parking Rentals	10,800		10,800	10,800	11,900	11,900	(Line 124, Exhibit 30)
Total	$401,400	actual 400 237	$398,710	$428,400	$480,180	$516,980	
Leasehold Advantages[1]	3,470		3,470	3,470	3,470	3,470	(Line 124, Exhibit 30)
Total Revenues	$404,870		402,180	$431,870	$483,650	$520,450	
Expenses:							
Accounting & Legal	3,680	8,200 includes 2700 appraisal	4,060	4,480	4,950	5,460	
Building Security[2]	19,110	combine w/ wages	21,110	23,320	25,760	28,460	
Insurance	6,130	9000	6,770	7,480	8,260	9,130	
Maintenance[3]	25,240	26,580	27,890	30,810	34,040	37,610	
Wages & Salaries	51,470	107100	56,870	62,840	69,440	76,730	
Office Expenses	4,070	6000	4,490	4,960	5,480	6,050	
Repairs	13,020	12,000	14,380	15,880	17,540	19,400	
Taxes payroll	10,060	9,000	11,110	12,270	13,560	14,980	
Telephone	1,410	1,700	1,550	1,710	1,880	2,070	
Utilities & Heat[4]	75,950	66,000 underinsulated	85,060	95,260	106,700	119,500	
Management[5]	23,400		23,280	25,050	28,090	30,300	
Concourse Special Assessment	2,170		2,170	2,170	2,170	2,170	
Total Expenses Before Taxes	$235,710	269100 266450	$258,740	$286,230	$317,870	$351,860	(Line 134, Exhibit 30)
Net Income Before Real Estate Taxes[6] Income Taxes & Debt Service	$169,160		$143,440	$145,640	$165,780	$168,590	

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EXHIBIT 28

TENNEY BUILDING

Notes to Schedule of Projected Revenues and Expenses from January 1, 1979 Through December 31, 1983

[1]Leasehold Advantages

For those rentable units locked into a long-term lease at lower than market rent or rented consistently at lower then market rents from year to year, the difference between market rent and actual rent was computed and added to revenue.

[2]Building Security

Management had anticipated that the installation of automatic elevators in 1977 would reduce the need for security personnel who also operated the passenger elevators. This assumption did not prove correct because of increased vandalism and the need to check building mechanicals each hour; building security continues to be hired from 10 p.m. to 6 a.m. on weekdays and 24 hour coverage on the weekends. The building is open to the public from 6 a.m. to 6 p.m. each weekday.

[3]Maintenance

The account includes a maintenance contract at $8,400 a year for the elevators.

[4]Utilities and Heat

At present, the Tenney Building consumes approximately 75,000 gallons of No. 2 fuel oil per year. The cost as of January 12, 1979, was 43 cents per gallon plus sales tax; the cost as of October 1, 1979, was 77 cents per gallon plus sales tax, amounting to a 79% increase in 9 months. To counter the unpredictable and rapidly escalating fuel costs, it is assumed that management will institute fuel-saving techniques such as lower night temperatures in an attempt to lower consumption over the next five years to 70,000 gallons per year.

Madison Gas and Electric reports price increases totaling 19.8% for natural gas and 3.9% for electricity in the first 10 months of 1979; requests for another 8.9% price increase on gas and 19.1% price increase on electricity have been made and should be approved by November 15, 1979. To stablize heating/utility costs it is assumed management will place energy cost escalators in renewed leases; therefore, in the pro forma income statement, utility and heating costs are escalated at 12% annually.

TENNEY BUILDING

[5]Management

Except for 1976, management is computed as 6% of effective gross office revenue with 4% allowed for management and 2% for leasing commissions for space turnover.

[6]Net Income

The annual net income before real estate taxes, income taxes, and debt service figures are used to calculate the projected net operating income (NOT) after real estate taxes inputted on Line 105 of the IMV program shown in Exhibits 1 and 31.

EXHIBIT 28 -- Continued

C. Assumptions Used in MRCAP

The MRCAP discounted cash flow program can solve for a justified project value by specifying the ratio of net income to debt service acceptable to an institutional mortgage lender. Given the interest rate and term available as of January 1, 1979, the program will solve for the justified amount of mortgage and for the justified cash equity, assuming typical before-tax cash-on-cash investor requirements for office buildings, with potential for inflation sensitive rents. Exhibit 29 is a simplified flow chart depicting the steps in solving for the justified project budget.

On January 1, 1979, prudent lenders will require a minimum debt cover ratio of 1.3 and equity investors expect no less than 6% cash-on-cash.

1. Inputs into MRCAP Program (See Exhibit 30)

   a. Debt cover ratio = 1.3
   b. Before tax cash on cash requirements = 6%
   c. Project holding period = 5 years
   d. Real estate taxes = tested at 8%, 7.5%, 7% and 6.5% of first year's gross with an annual inflation factor of 5% (see assumptions discussed below)
   e. Discount rate = 10% (present value factor used to discount cash flow)
   f. Reinvestment rate = 6% after tax rate applied to after tax cash flow
   g. Resale price = 10 times gross income in year of sale
   h. Resale cost rate = 4%
   i. Equity reserves to cover one month's expenses = $30,000
   j. Investor marginal income tax rate = 50%
   k. Land = $340,000, as of most recent appraisal for IRS
   l. Buildings = 60% of total improvement value
   m. Mechanicals and site improvements = 40% of total improvement value
   n. Elevators = remaining book value of $100,000
   o. Refurbishing = $70,000 for carpeting of corridors in 1980
   p. Electrical fixtures = $30,000 for installation of indirect lighting in corridors in 1980
   q. Renovation for tenants = $50,000 for emphasis upon retail area in 1980
   r. Mortgage = principal amount determined by debt cover ratio; interest rate a minimum of 10.5% with a 20-year term paid monthly on the first mortgage and 12% interest and 5-year term for the second mortgage.

2. Real Estate Tax Assumptions

Real taxes are a function of assessed value and the net mill rate; assessed value is the appraisal issue, therefore, real estate taxes are estimated as a function of gross rental income. During the past three years, real estate taxes have been between 7% and 8% of the Tenney Building's potential gross rental income; a range of these values, 6.5%, 7%, 7.5% and 8% are tested.

[redacted]

EXHIBIT 29

REVENUE JUSTIFIED CAPITAL BUDGET
DEBT COVER RATIO APPROACH

GROSS RENT POTENTIAL

\-

VACANCY LOSS

=

EFFECTIVE GROSS REVENUE

\-

OPERATING EXPENSES

\-

REAL ESTATE TAXES

\-

CASH REPLACEMENTS

=

NET OPERATING INCOME AVAILABLE FOR DEBT PAYMENT, INCOME TAX, CASH DIVIDENDS

-	÷
DEBT SERVICE CASH	DEBT COVER RATIO REQUIRED BY LENDERS
=	=
CASH AVAILABLE FOR INCOME TAX AND INVESTORS	CASH AVAILABLE FOR DEBT SERVICE
÷	÷
REQUIRED PRE-TAX CASH DISTRIBUTION RATE	DEBT SERVICE CONSTANT
=	=
JUSTIFIED CASH EQUITY INVESTMENT	JUSTIFIED MORTGAGE LOAN

\+

TOTAL JUSTIFIED INVESTMENT

\-

EXISTING CLAIMS OR PLANNED IMPROVEMENT BUDGET

=

PROCEEDS AVAILABLE FOR PROPERTY PURCHASE AS IS

MRCAP is programmed to use a percentage of the first year's gross rental income to compute the first year's real estate taxes and then provides for a growth factor to increase or decrease the taxes each year thereafter. A 5% growth factor is used to reflect the average rate of increase in gross rental revenue.

D. Analysis of Test Results

Four runs of the MRCAP program were done, using different assumptions about the amount of real estate taxes that would be paid on the subject property. Taxes and net mill rates for the past three years on the subject property have been:

Year	1976	1977	1978
Real Estate Taxes	$31,458.13	$33,118.75	$32,504.59
Net Mill Rate	27.3549	26.495	24.153

Real estate taxes estimated at various percentages of the first year's projected gross and inflated at 5% a year gave these results in the MRCAP runs:

Percentage of First Year's Gross Rental Revenue	Real Estate Taxes				
	1979	1980	1981	1982	1983
8.0	$35,400	$37,170	$39,029	$40,980	$43,029
7.5	33,188	34,847	36,589	38,419	40,340
7.0	30,975	32,524	34,150	35,857	37,650
6.5	28,763	30,201	31,711	33,296	34,961

The real estate taxes estimated as 7.5% of the first year's gross rent best approximates the pattern of increase shown from 1976 to 1978. However, a 5% rate of growth in following years assumes a slight increase in the rate of escalation of real estate taxes because state aids for schools and municipalities are expected to peak out, and rising costs of local government can be expected to be borne by the local taxpayer.

The input and output for the MRCAP program using the real estate taxes estimated as 7.5% of gross rental revenue are found in Exhibit 30.

If taxes are 7.5% of gross rental revenue, MRCAP substantiates the fair market value of $1,150,000, determined by the market comparison approach.

E. Test of Equity Yield at Estimated Fair Market Value

As the reader may recall, an initial test of the proposed assessment of $1,450,000 on IMV produced most unrealistic overall returns to equity of 1.4% before taxes and 3.4% after taxes (See Exhibit 1).

[redacted]

EXHIBIT 30

MRCAP INPUT AND OUTPUT--
JUSTIFIED CAPITAL BUDGET WITH
REAL ESTATE TAXES AT 7.5% OF
FIRST YEAR'S GROSS RENT

MRCAP 09:56CDT 10/27/79

ENTER INPUT FILE NAME?

THE PROGRAM MRCAP IS THE PROPERTY OF
MICHAEL L. ROBBINS
C/O REAL ESTATE DYNAMICS INC.
4701 WINNEQUAH RD.
MONONA, WISC.

USER NO. 66

(608)-221-1120

NO REPRESENTATION IS MADE THAT THE ASSUMPTIONS OR
COMPUTATIONAL FORMAT USED IN THIS PROJECTION WILL
BE ACCEPTABLE TO TAXING AUTHORITIES.

*$10.00 LIB CHG APPLIED

P R O F O R M A
INVESTMENT ANALYSIS OF

TENNEY APPRAISAL

FOR

DAVIS

R E P O R T S E C T I O N N U M B E R 1 PAGE 1
==

* GROSS RENT	$ 505610.	* RATE OF GROWTH OF GROSS RENT	0.0513
* EXPENSES	$ 290082.	* RATE OF GROWTH OF EXPENSES	0.1054
* R E TAXES	$ 36676.	* RATE OF GROWTH OF R E TAXES	0.0500
INCOME TAX RATE	0.5000	PROJECT VALUE GROWTH OF	2.0000
* VACANCY RATE	0.1145	WORKING CAPITAL LOAN RATE	0.1200
EQUITY DISCOUNT	0.1000	EXTRAORDINARY EXPENSES $	0.
RESALE COST	0.0400	REINVESTMENT RATE	0.0600
WKG CAPITAL RS $	30000.	CAPITAL RESER INTEREST RATE	0.
INITIAL COST $	932321.	INITIAL EQUITY REQUIRED $	648637.

ALL '*' VALUES ARE AVERAGE AMOUNTS FOR HOLDING PERIOD. OF 5 YRS.

INITIAL COST DERIVED THROUGH BACKDOOR TYPE 3 USING 2 MORTGAGES

R E P O R T   S E C T I O N   N U M B E R   2   PAGE 1

===

C O M P O N E N T   S U M M A R Y

TITLE	PCT. DEPR	BEGIN USE	USEFUL LIFE	DEPR METHOD		COST	SCH
LAND	0.00	1	25.	0	$	340000.	0
BUILDING	0.80	1	30.	2	$	295393.	0
HVAC	0.90	1	10.	2	$	196929.	0
ELEVATORS	0.90	1	5.	2	$	100000.	0
REFURRBISHING	1.00	2	6.	4	$	70000.	0
ELECTRICAL FIXTURES	0.90	2	10.	4	$	30000.	0
RENOVATION FOR TENAN	0.90	2	10.	4	$	50000.	0

M O R T G A G E   S U M M A R Y

TITLE	INTR RATE	BEGIN YR.	END YR.	TERM		ORIG BALC	PCT VALUE
FIRST MORTGAGE	0.1050	1	20	20	$	313684.	0.336
SECOND MORTGAGE	0.1200	2	7	5	$	150000.	0.110

R E P O R T   S E C T I O N   N U M B E R   3   PAGE 1

===

CASH FLOW ANALYSIS

==================

		1979	1980	1981	1982	1983
1	GROSS RENT	456770.	479770.	503770.	529770.	557970.
2	LESS VACANCY	51860.	77600.	71940.	46160.	37470.
3	LESS REAL ESTAE TAXES	33188.	34847.	36589.	38419.	40340.
4	LESS EXPENSES	235710.	258740.	286230.	317870.	351860.
5	NET INCOME	136013.	108583.	109011.	127321.	128300.
6	LESS DEPRECIATION	43601.	73101.	66926.	62114.	60814.
7	LESS INTEREST PMTS	32707.	48916.	45365.	41374.	36888.
8	TAXABLE INCOME	59705.	-13434.	-3280.	23832.	30598.
9	PLUS DEPRECIATION	43601.	73101.	66926.	62114.	60814.
10	LESS PRINCIPAL PMTS	4874.	28705.	32256.	36247.	40733.
11	CASH THROW-OFF	98431.	30962.	31390.	49700.	50679.
12	LESS INCOME TAXES	29853.	95.	0.	11916.	15299.
13	LESS RESERVES	0.	0.	0.	0.	0.
14	CASH FROM OPERATIONS	68579.	30867.	31390.	37784.	35380.
15	WORKING CAPITAL LOAN	0.	0.	0.	0.	0.
16	DISTRIBUTABLE CASH AFTER TAX	68579.	30867.	31390.	37784.	35380.
17	TAX SAVINGS ON OTHER INCOME	0.	6717.	1640.	0.	0.
18	SPENDABLE CASH AFTER TAXES	68579.	37584.	33030.	37784.	35380.

EXHIBIT 30 -- Continued

MARKET VALUE & REVERSION
========================

CASH FLOW ANALYSIS
==================

		1979	1980	1981	1982	1983
19	END OF YEAR MARKET VALUE	1360125.	1085831.	1090108.	1273213.	1283004.
20	LESS RESALE COST	54405.	43433.	43604.	50929.	51320.
21	LESS LOAN BALANCES	308810.	430105.	397849.	361602.	320869.
22	PLUS CUM. CASH RESERVES	30000.	30000.	30000.	30000.	30000.
23	BEFORE TAX NET WORTH	1026910.	642293.	678655.	890683.	940815.
24	CAPITAL GAIN (IF SOLD)	266999.	66145.	132718.	370966.	442833.
25	CAPITAL GAINS TAX	53400.	13229.	26544.	74193.	88567.
26	MINIMUM PREF. TAX	0.	0.	0.	0.	0.
27	INCOME TAX OM EXCESS DEP.	0.	5317.	7546.	7369.	6543.
28	TOTAL TAX ON SALE	53400.	18546.	34089.	81563.	95109.
29	AFTER TAX NET WORTH	973510.	623748.	644565.	809120.	845705.

BEFORE TAX RATIO ANALYSIS
=========================

CASH FLOW ANALYSIS
==================

		1979	1980	1981	1982	1983
30	RETURN ON NET WORTH B/4 TAX	0.7349	-0.1983	0.1055	0.3857	0.1132
31	CHANGE IN NET WORTH B/4 TAX	378273.	-384617.	36361.	212028.	50132.
32	ORIG EQUITY CASH RTNB/4 TAX	0.1518	0.0477	0.0484	0.0766	0.0781
33	ORIG EQUITY PAYBACK B/4 TAX	0.1057	0.1533	0.2017	0.2600	0.3145
34	B/4 TAX PRESENT VALUE	1336722.	1109577.	1112223.	1244633.	1251925.

AFTER TAX RATIO ANALYSIS
========================

CASH FLOW ANALYSIS
==================

		1979	1980	1981	1982	1983
35	RETURN ON NET WORTH AFR TAX	0.6066	-0.3207	0.0863	0.3139	0.0889
36	CHANGE IN NET WORTH AFR TAX	324873.	-349763.	20818.	164555.	36585.
37	ORIG EQUITY CASH RTNAFR TAX	0.1057	0.0579	0.0509	0.0583	0.0545
38	ORIG EQUITY PAYBACK AFR TAX	0.1057	0.1637	0.2146	0.2728	0.3274
39	AFTER TAX PRESENT VALUE	1261038.	1072584.	1066177.	1160352.	1154797.

CASH FLOW ANALYSIS
==================

		1979	1980	1981	1982	1983
40	NET INCOME-MARKET VALUE RTO	0.1000	0.1000	0.1000	0.1000	0.1000
41	LENDER BONUS INTEREST RATE	0.0000	0.0000	0.0000	0.0000	0.0000
42	DEFAULT RATIO	0.6710	0.7737	0.7949	0.8191	0.8420

[redacted]

EXHIBIT 30 -- Continued

INPUT FILE

```
JANU1          09:55CDT     10/27/79

100 1,TENNEY APPRAISAL,              DAVIS
110 10,1979,3,1,1.0,5,74000
120 20,3,2,1.3,.06,1,5
122 40,442500,465500,489500,514400,542600
124 50,14270,14270,14270,15370,15370
130 60,51860,77600,71940,46160,37470
132 70,.08,.05,*
134 80,235710,258740,286230,317870,351860
136 100,.10,.50,.06
138 101,0,10,2
140 102,.12,1,.04,0
142 103,0,30000,0,0
144 200,1,LAND
146 201,1,340000,0,0
148 202,1,1,25,0
150 200,2,BUILDING
152 201,2,.60,.80,2
154 202,2,1,30,0
156 200,3,HVAC
158 201,3,.40,.90,2
160 202,3,1,10,0
162 200,4,ELEVATORS
164 201,4,100000,.90,2
166 202,4,1,5,0
168 200,5,REFURBISHING
170 201,5,70000,1.0,4
172 202,5,2,6,0
174 200,6,ELECTRICAL FIXTURES
176 201,6,30000,.90,4
178 202,6,2,10,0
180 200,7,RENOVATION FOR TENANTS
182 201,7,50000,.90,4
184 202,7,2,10,0
186 300,1,FIRST MORTGAGE
188 301,1,.70,.105,0,20
189 302,1,12,1,20,0
190 303,1,0,0,0,0
192 300,2,SECOND MORTGAGE
193 301,2,150000,.12,0,5
194 302,2,12,2,7,0
196 303,2,0,0,0,0
198 400,1,1,1,1,1,1,0,0,0,0
200 403,99,1,2,3,4,5
210 999
220 70,.075,.05,* (output exhibited)
230 999
240 70,.07,.05,*
250 999
260 70,.065,.05,*
270 999
```

[redacted]

EXHIBIT 30 -- Continued

INPUT FORM

1. TENNEY APPRAISAL (Project Title), DAVIS (User Name)

10. 1979 (Starting Year), 3 (Data Sets), 1 (Classification), 1.0 (% Owned Yr. 1), 5 (Holding Period), 74000 (Units/Year)

40. 442500 (Fixed Income), 465500 (2), 489500 (3), 514400 (4), 542600 (5) .05

60. 51860 (Vacancy Rate), 77600 (2), 71940 (3), 46160 (4), 37470 (5)

70. .075 (Real Estate Tax), .05 (2), * (3), (4), (5)

90. 235710 (Fixed Expenses), 258740 (2), 286230 (3), 317870 (4), 351860 (5)

100. .10 (Discount Rate), .50 (Income Tax Rate), .06 (Reinvestment Rate)

101. 0 (Extraordinary Exp.), .10 (Project Growth Rate), 2 (Project Growth Type)

102. .12 (Working Capital Loan), 1 (Ownership), .04 (Resale Cost Rate), 0 (Charge New Capital)

COMPONENT ENTRIES

200.	1.	LAND (Title (20 character maximum))		
201.	1.	340 000 (Original Cost)	0 (% Depreciable)	0 (Depreciation Method)
202.	1.	1 (Starting Year)	25 (Useful Life)	0 (Switching)
200.	2.	BUILDING (Title)		
201.	2.	.60 (Original Cost)	.80 (% Depreciable)	2 (Depreciation Method)
202.	2.	1 (Starting Year)	30 (Useful Life)	0 (Switching)
200.	3.	HVAC (Title)		
201.	3.	.40 (Original Cost)	.90 (% Depreciable)	2 (Depreciation Method)
202.	3.	1 (Starting Year)	10 (Useful Life)	0 (Switching)
200.	4.	ELEVATORS (Title)		
201.	4.	100000 (Original Cost)	.90 (% Depreciable)	2 (Depreciation Method)
202.	4.	1 (Starting Year)	5 (Useful Life)	0 (Switching)
200.	5.	REFURBISHING (Title)		
201.	5.	70000 (Original Cost)	1.0 (% Depreciable)	4 (Depreciation Method)
202.	5.	2 (Starting Year)	6 (Useful Life)	0 (Switching)
200.	6.	ELECTRICAL FIXTURES (Title)		
201.	6.	30000 (Original Cost)	.90 (% Depreciable)	4 (Depreciation Method)
202.	6.	2 (Starting Year)	10 (Useful Life)	0 (Switching)
200.	7.	RENOVATION FOR TENANTS (Title)		
201.	7.	50000 (Original Cost)	.90 (% Depreciable)	4 (Depreciation Method)
202.	7.	2 (Starting Year)	10 (Useful Life)	0 (Switching)

MORTGAGE ENTRIES

300.	1.	FIRST MORTGAGE (Title (20 character maximum))			
301.	1.	.70 (Principal Amount)	.105 (Annual Interest)	0 (Payment Period)	20 (Term)
302.	1.	12 (Payments/Year)	1 (Year Began)	20 (Year End)	0 (Refinanced by #)
303.	1.	0 (Bonus Interest)	0 (Base Amount)	0 (Base Type)	0 (Mortgage Factor)
300.	2.	SECOND MORTGAGE (Title)			
301.	2.	150000 (Principal Amount)	.12 (Annual Interest)	0 (Payment Period)	5 (Term)
302.	2.	12 (Payments/Year)	2 (Year Began)	7 (Year End)	0 (Refinanced by #)
303.	2.	0 (Bonus Interest)	0 (Base Amount)	0 (Base Type)	0 (Mortgage Factor)

1/1/80

	1	2	3	4	5	6	7	8	9	10
400	1	1	1	1	1	1	0	0	0	0
403	99	1	2	3	4	5				

999,99

[redacted]

EXHIBIT 30 -- Continued

INPUT FORM

50, 14270 , 14270 , 14270 , 15370 , 15370
Variable Income

	Back-Door	Back-Door Loans	Investment Default	B/4 Tax	Beginning Year	End Year
20.	3	2	1.3	.06	1	5

= Back Door

0 = Do Not process through Back Door
1 = Derive value based on Default Ratio
2 = Derive value based on Loan-to-Value Mortgage
3 = Derive value based on Debt Coverage Ratio

	Default Ratio	Cash-On-Cash	Year	% Change	Equity B/4 Tax	Reserve B/4 Tax
30.						

	Reserves Witheld	Equity Reserves	Equity Reserve Rate	Reserve Maximum
103.	0	30006	0	0

Line #201, Field #5 = Depreciation Method

0 = no depreciation
1 = sum of the years digits
2 = straight line
3 = 125% declining balance
4 = 150% declining balance
5 = 200% declining balance
6 = reverse sum of years digits
9 = equity modification
"-" = remove equity
"+" = add equity

= Bonus Basis Type

1 = fixed income - base amount
2 = gross rent - base amount
3 = effective gross rent - base amount
4 = fixed income - fixed expense - base amount
5 = net income - base amount
6 = cash throw - base amount * bonus interest rate
7 = market value - base amount * bonus interest rate
8 = B/4 net worth - base amount * bonus interest rate
9 = after tax net worth - base amount * bonus interest rate

Report Field Identifiers

Field #	Report Title	Field #	Report Title
1.	Summary of Income & Expense	6.	After Tax Ratios
2.	Component Summary	7.	Modified Internal Rate of Return
3.	Cash Flow	8.	Mortgage Amortization
4.	Market Value	9.	Depreciation Schedules
5.	Before Tax Ratios	10.	Partnership Report

* = Position #1 of Card 400

5 = Auto 1, 2, 3, 4, 5, 6, 7, 10

9 = Auto All

3 = Select Specific Line #'s (10 maximum)

PRINT YEARS (Enter any year number 1-25, in any order)

403 ____ , ____ , ____ , ____ , ____ , ____ , ____ , ____ , ____ , ____

99 = first entry line 403 means 10 year wide carriage output option.

To repeat the initial test, using a fair market value of $1,150,000 as of January 1, 1979, will indicate an internal rate of return to equity of 10.6% before taxes and 7.6% after taxes, the minimum acceptable return, and thus the highest possible price that would be paid by a knowledgeable investor (Exhibit 31).

These conclusions continue the assumptions of a 70% mortgage, 10.5% interest and a 20-year term, as well as the revenue and expense estimates used previously. As in the initial test, the real estate taxes are assumed to be at the 1978 mill rate of 24.153, an understatement of the actual case.

[redacted]

EXHIBIT 31

IMV TEST OF EQUITY YIELD AT
ESTIMATED FAIR MARKET VALUE

```
TEST         21:50CST     10/29/79 (See Exhibit 1 for explanation of inputs)
100 TENNEY BUILDING - MADISON, WISCONSIN
101 110 EAST MAIN STREET
102 VALUATION AS OF JANUARY 1,1979
103 I,1150000
104 AD,0,5,.04
105 141380,114270,115010,133620,134820
110 5,.50,.114,.114
111 4,340000
112 .60,1,30,.20,1
113 .40,1,10,.10,1
122 1,.70,.105,240,0,1

 IMV          21:51CST     10/29/79

 WHAT IS YOUR DATA FILE NAME?
                                    $5.00 LIB CHG APPLIED
 AFTER TAX YIELD(IRR)       7.58%
 BEFORE TAX YIELD(IRR)     10.57%
 DO YOU WANT DETAIL (0=NO,1=YES)?

 INVESTMENT MARKET VALUE ANALYSIS     10:19CST 10/30/79

 TENNEY BUILDING - MADISON, WISCONSIN
 110 EAST MAIN STREET
 VALUATION AS OF JANUARY 1,1979

 *****************************************************
 AFTER TAX YIELD(IRR) :     7.58%
 BEFORE TAX YIELD(IRR):    10.57%

 INVESTMENT MARKET VALUE:                       $   1150000
 *****************************************************

 FINANCING:

   MORTGAGES:
   1.    1ST MONTH   10.500%   20 YRS   0 MONS   $    805000

   EQUITY CASH:                                  $    345000

 RESALE OF INVESTMENT IN  5 YEARS:

         ESTIMATED RESALE PRICE                  $   1150000

           LESS: MORTGAGE BAL.                         727066
                 SALES COMMISSION                       46000

         CASH REVERSION BEFORE TAXES             $     376934

           LESS: CAPITAL GAINS TAX(STD.)                67673
                 TAX ON RECAPTURED DEPR.                    0
                 TAX PREFERENCE TAX                      3378

         CASH REVERSION AFTER TAXES              $     305883
```

YR	NET INCOME	MORTGAGE INTEREST	BOOK DEPR.	TAXABLE INCOME	INCOME TAX	CASH FLOW BEFORE TAX	CASH FLOW AFTER TAX
1	141380	83934	48599	8847	4927	44937	40010
2	114270	82556	48599	-16885	-9404	17827	27231
3	115010	81025	48599	-14614	-8139	18567	26706
4	133620	79326	48599	5695	3172	37177	34005
5	134820	77440	48599	8781	4891	38377	33486

V. VALUE CONCLUSION

Correlating the market approach and the MRCAP income approach suggests a value of $1,150,000.

The cost approach is inappropriate to the subject property, since the majority of the improvements are obsolete, and there is a less than optimum fit of the improvements to the site.

Based upon the assumptions, limiting conditions and property tax estimates as presented, it is the opinion of the appraiser that the highest probable price in dollars and fair market value of the subject property described herein as of January 1, 1979, is:

ONE MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS

($1,150,000)

assuming cash to the seller, with 70% financing at 10.5% interest for a 20-year term.

STATEMENT OF LIMITING CONDITIONS

This appraisal has been made subject to certain conditions, caveats and stipulations, either expressed or implied in the prose, as well as the following:

1. Contributions of Other Professionals

   . Because the budget did not provide for a consulting engineer or architect, the appraiser applied limited structural analysis to the problem, and cost estimates must be considered nonprofessional.

   . The appraiser did not conduct any engineering analysis of the structural components or of the site, of costs to replace, or of other related factors. Monthly operating and construction accounting date were provided, but all income and expense estimates were reconstructed to include inputed rents to areas occupied by the owner and expenses deemed to be appropriate for skillful management of the property.

   . Sketches in this report are included to assist the reader in visualizing the property. These drawings are for illustrative purposes only and do not represent an actual survey of the property.

   . The appraiser assumes no responsibility for matters which are legal in nature nor is any attempt made to render an opinion on the title. The property has been appraised as if title to the subject property were in fee simple, legal ownership with no regard for the existing structure of split ownership within a larger holding company, leasebacks, mortgage loans or other liens or encumbrances.

2. Facts and Forecasts Under Conditions of Uncertainty

   . Information furnished by others in this report, while believed to be reliable, is in no sense guaranteed by this appraiser. Although before-tax arithmetic of the IMV model has been handchecked for accuracy, no guarantee of program infallibility can be made by EDUCARE Network, Inc., or by the appraiser.

   . All information furnished regarding property for sale, rental, financing or projections of income and expense is from sources deemed reliable. No warranty or representation is made as to the change of price, rental or other conditions, prior sale, lease, financing, or withdrawal without notice.

   . Forecasts of effective demand of retail and office space are based on the best available data concerning the downtown Madison market, but are projected under uncertainty. The impacts of the completion of GEF II and III, of the continuing parking shortage and the unpredictable increases in automobile use upon the viability of the Capitol Concourse are all uncertain.

- The comparable sales data relied upon in this appraisal is assumed to be from reliable sources. Though all the comparables were examined, it was not possible to inspect them all in detail. The value conclusions are subject to the accuracy of said data.

3. Controls on Use of Appraisal

- Values for various components of the subject parcel and improvements as contained within the report are valid only when making a summation and are not to be used independently for any purpose and must be considered invalid if so used.

- Possession of this report or any copy thereof does not carry with it the right of publication, nor may the same be used for any other purpose by anyone without the previous written consent of the appraiser or the applicant, and in any event, only in its entirety.

- Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without the written consent and approval of the author, particularly as to the valuation conclusions, the identity of the appraiser of the firm with which he is connected, or the identity of any of his associates.

CERTIFICATE OF APPRAISAL

I hereby certify that I have no interest, present or contemplated, in the property and that neither the employment to make the appraisal nor the compensation is contingent on the value of the property. I certify that I have personally inspected the property and that according to my knowledge and belief, all statements and information in this report are true and correct, subject to the underlying assumptions and limiting conditions.

Based upon the information and subject to the limiting conditions contained in this report, it is my opinion that the Fair Market Value, as defined herein, of this property as of January 1, 1979, is:

ONE MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS

($1,150,000)

James A. Graaskamp, SREA, CRE

10-30-79

Date

QUALIFICATIONS OF APPRAISER

JAMES A. GRAASKAMP
Landmark Research, Inc.
Suite 202
3240 University Avenue
Madison, Wisconsin 53705

EDUCATION:

University of Wisconsin, Madison, Wisconsin
Ph.D. (1964) Urban Land Economics and Risk Management

Marquette University, Milwaukee, Wisconsin
M.B.A. (1957) Finance major

Rollins College, Winter Park, Florida
A.B. (1955) English major

ACADEMIC HONORS:

Chairman, Department of Real Estate and Urban Land Economics
University of Wisconsin Fellow, Omicron Delta Kappa
Lambda Alpha - Ely Chapter
Beta Gamma Sigma, William Henry Kiekhofer Teaching Award (1966)
Urban Land Institute Research Fellow

UNIVERSITY TEACHING SPECIALTIES:

Urban Land Economics, Undergraduate and Graduate appraisal theory and method courses, Real Estate Investment and Finance, Real Estate Marketing Research, Residential and Commercial Property Development, Principles of Risk Management.

RESEARCH INTERESTS:

Development of a variety of after-tax cash flow investment simulation models for real estate; research of innovative tax assessment techniques; recreational real estate development, techniques of feasibility analysis.

EXPERIENCE IN PRIVATE INDUSTRY:

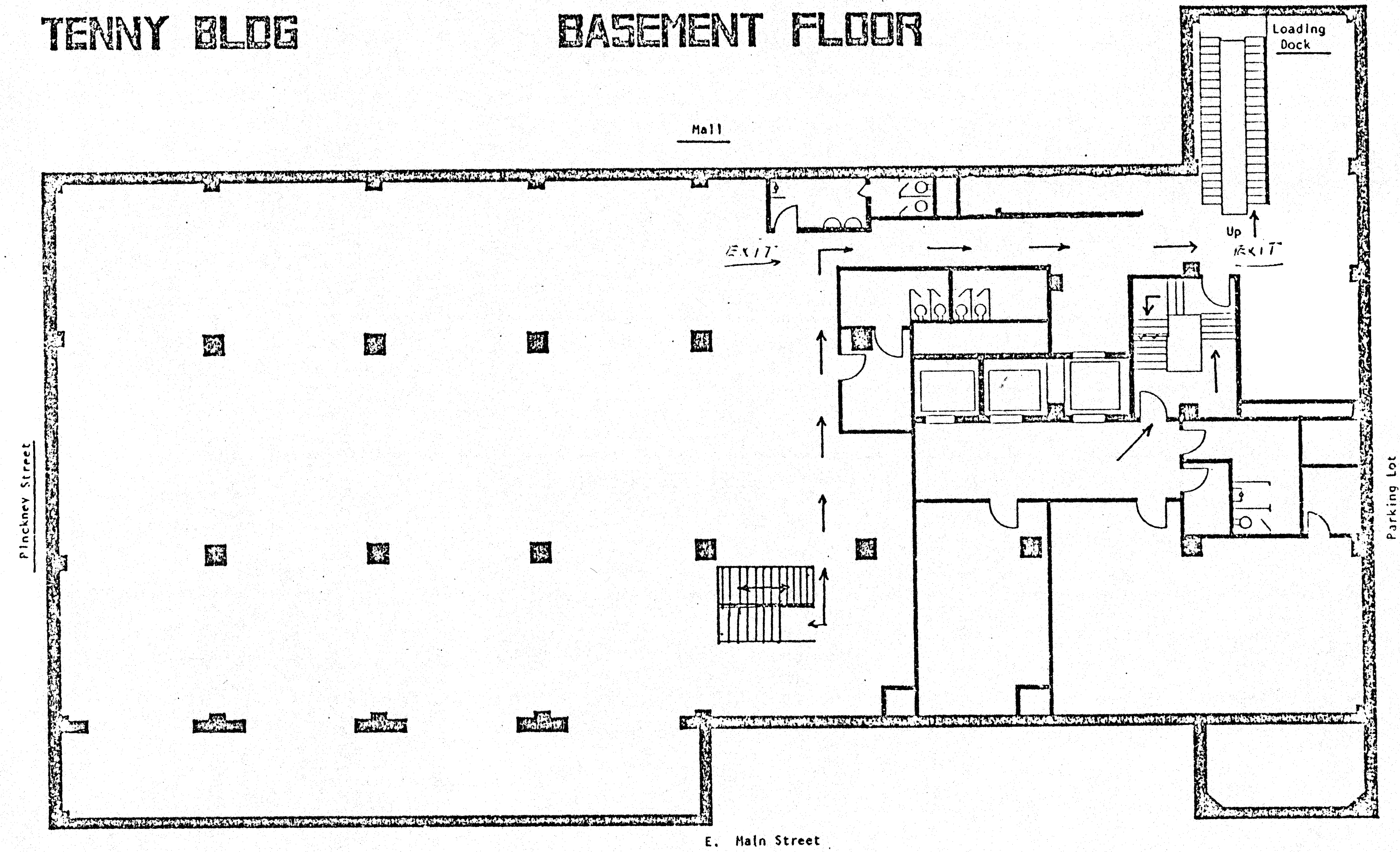
Co-founder of general contracting firm in Madison, a land development firm in Madison, and a farm investment corporation. Member - Board of Directors - Wisconsin Housing Finance Agency. Work includes investment counseling in insurance companies and banks in Wisconsin, court testimony as expert witness, and projects for various Wisconsin municipalities, as well as private investors. Co-designer and instructor of EDUCARE teaching program for computer terminal applications in real estate.

PROFESSIONAL DESIGNATIONS:

Senior Real Estate Analyst - SREA; American Society of Real Estate Counselors - CRE; College of Property Underwriters - CPCU

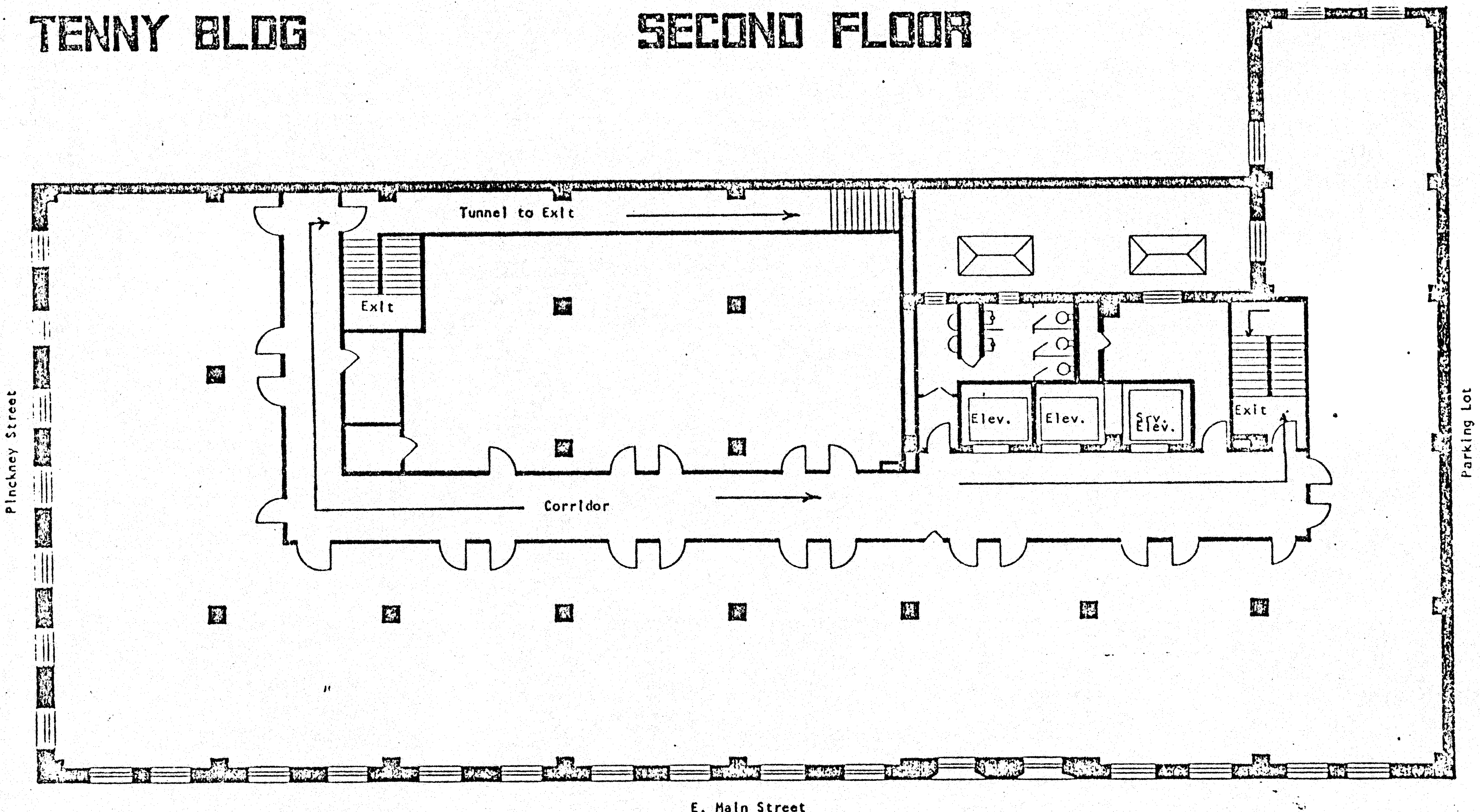
APPENDIX A

TENNY BLDG BASEMENT FLOOR



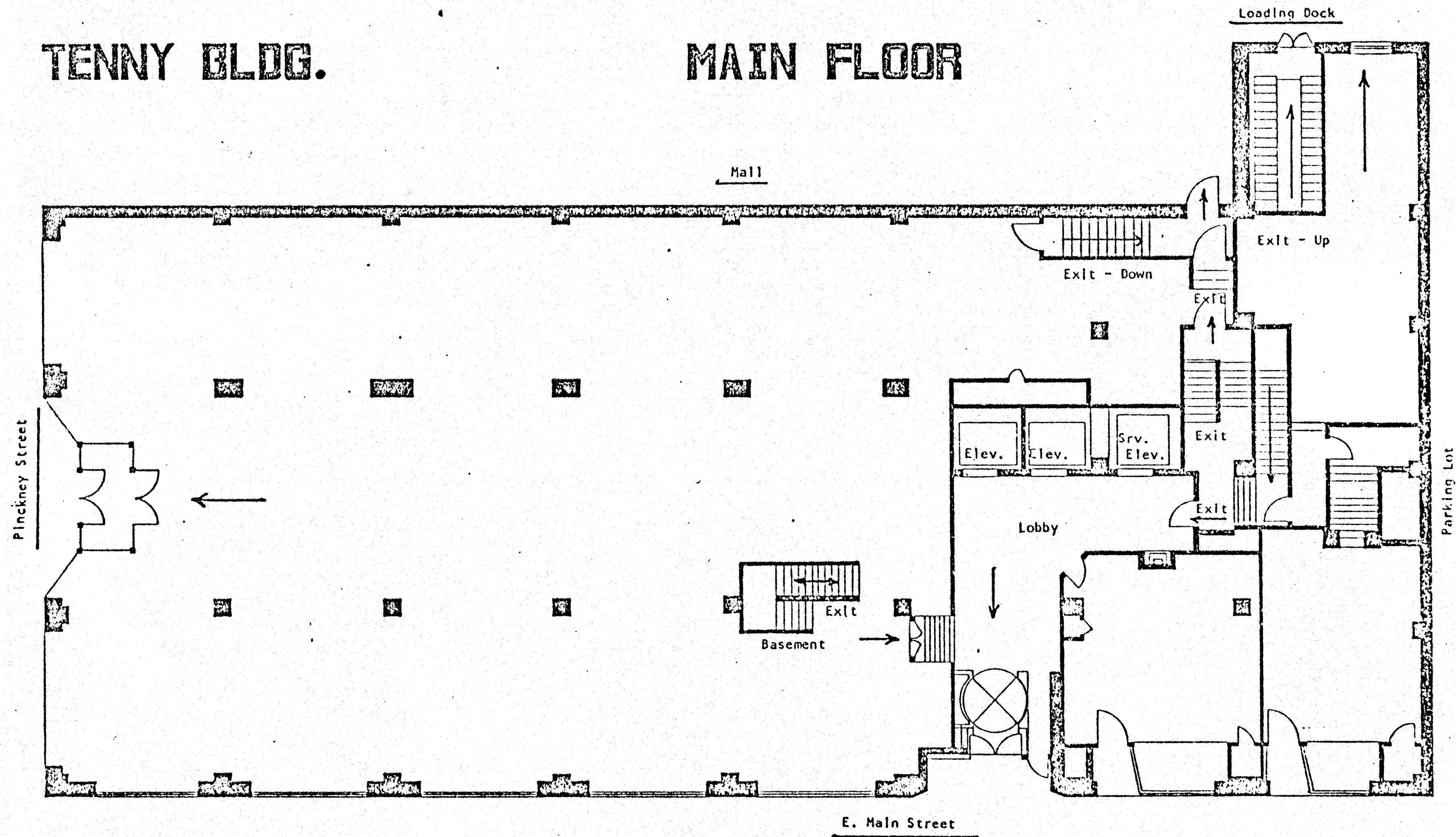
APPENDIX A

TENNY BLDG SECOND FLOOR



APPENDIX A - Continued

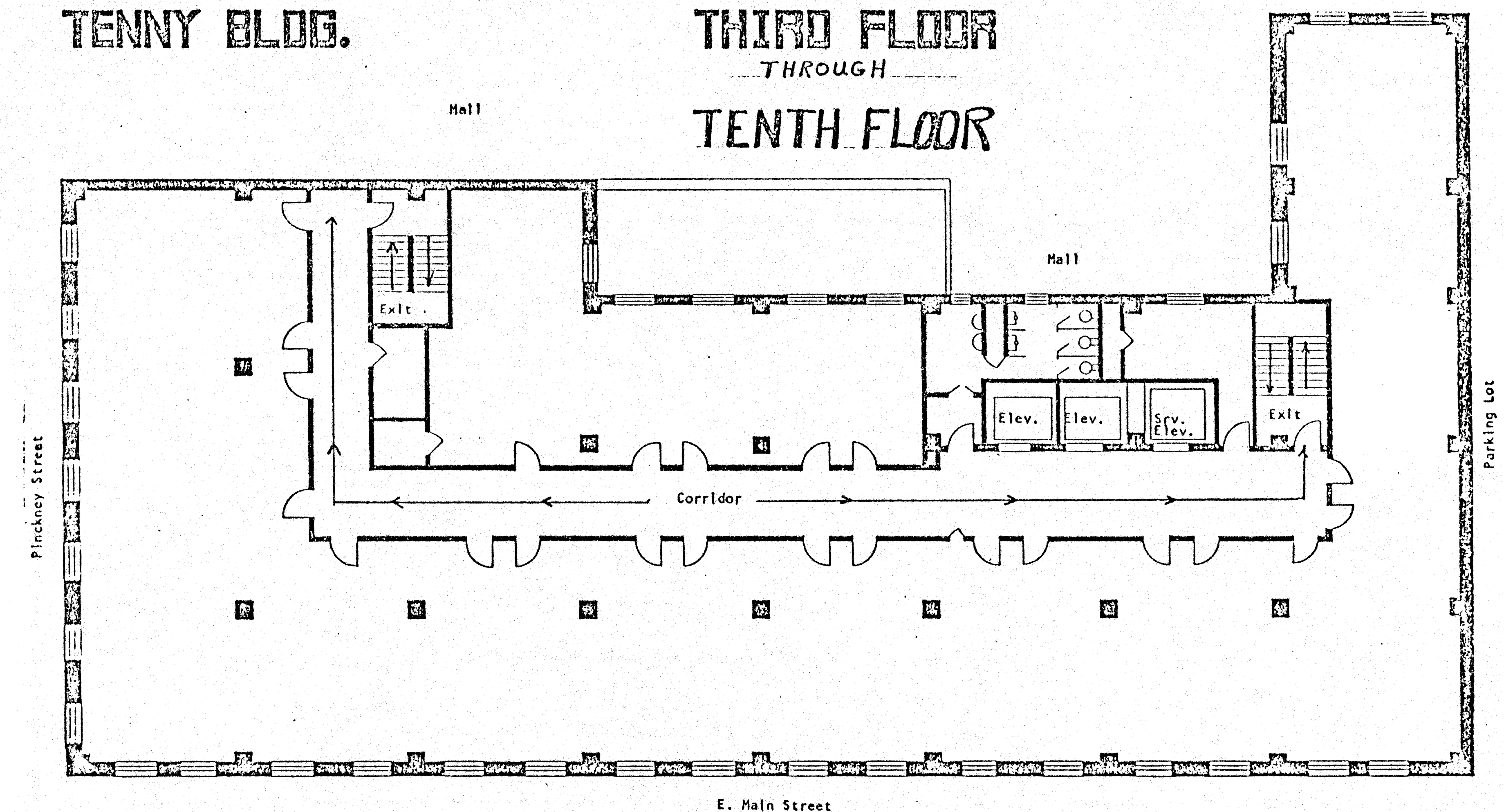
TENNY BLDG. MAIN FLOOR



APPENDIX A - Continued

TENNY BLDG.

THIRD FLOOR THROUGH TENTH FLOOR



APPENDIX A - Continued