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An appraisal of the properties located at 404-406 West Mifflin Street and 408 West Mifflin Street. April 30, 1980

Landmark Research, Inc.

[s.l.]: [s.n.], April 30, 1980

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THE APARTMENTS LOCATED AT
404 - 406 WEST MIFFLIN STREET
AND
408 WEST MIFFLIN STREET

PREPARED FOR
THE ESTATE OF GEORGE J. MALOOF

Landmark
Research
Inc.

AN APPRAISAL
OF
THE PROPERTIES LOCATED AT
404 - 406 WEST MIFFLIN STREET
AND
408 WEST MIFFLIN STREET

AS OF
APRIL 30, 1980

PREPARED FOR
THE ESTATE OF GEORGE J. MALOOF

PREPARED BY
LANDMARK RESEARCH, INC.

JAMES A. GRAASKAMP

JEAN B. DAVIS

December 1, 1980

James A. Graaskamp, Ph.D., SREA, CRE
Tim Warner, MS, MAI, SRPA
Jean B. Davis, MS

R. Christian Davis
Trust Account Manager
First Wisconsin National Bank of Madison
One South Pinckney Street
Madison, Wisconsin 53703

Dear Mr. Davis:

With this letter we are delivering the appraisals of the apartment buildings located at 404-406 West Mifflin Street and at 408 West Mifflin Street in the City of Madison and further described within this report. The appraisals are requested as a measure of fair market value as of April 30, 1980, for the purpose of settling the estate of George J. Maloof.

My associate, Jean B. Davis, real estate appraiser and analyst, and I have inspected the properties. Because of the extensive architectural barriers, Ms. Davis completed the interior inspections on my behalf. Recent buyers or brokers of similar properties were interviewed to confirm sale and property information and to compile a buyer profile.

The most probable use of each of the subject properties is to continue as residential income property with students as the primary tenants. The most probable buyer of each of the properties is an individual investor who seeks appreciation potential, tax shelter, and a positive cash flow. He will probably manage the property himself and he will want to maximize the income potential of the property by keeping rents at market levels. Maintenance and alterations will be done as needed to maximize the rental income.

Our estimate is based upon the market data approach to value using the gross rent multiplier as the unit of comparison. The appraised values assume a land contract sale for each property.

The properties are designated as Subject A located at 404-406 West Mifflin Street and as Subject B located at 408 West Mifflin Street for purposes of this appraisal.

Based upon the assumptions and limiting conditions presented in the attached report, it is the opinion of the appraiser that the

Mr. R. Christian Davis
December 1, 1980
Page Two

highest probable price in dollars and fair market value of Subject A which might be obtained as of April 30, 1980, is the amount of

EIGHTY ONE THOUSAND FIVE HUNDRED DOLLARS

(\$81,500)

and the highest probable price in dollars and fair market value of Subject B which might be obtained as of April 30, 1980, is the amount of

ONE HUNDRED SEVENTEEN THOUSAND DOLLARS

(\$117,000)

assuming a land contract for each sale with 12 percent down, interest at 11 percent and a balloon payment at the end of a five year term.

We are pleased to have been of continuing service to you, and Ms. Davis and I remain available to answer any specific questions you may have regarding this report.

FOR LANDMARK RESEARCH, INC.

James A. Graaskamp, Ph.D., SREA, CRE

Jean B. Davis

Jean B. Davis, MS



SUBJECT A
404-406 WEST MIFFLIN STREET



SUBJECT B
408 WEST MIFFLIN STREET

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SUMMARY OF IMPORTANT FACTS, ASSUMPTIONS, AND CONCLUSIONS

| | <u>SUBJECT A</u> | <u>SUBJECT B</u> |
|--|--|-----------------------------------|
| Address of Property | 404-406 W. Mifflin | 408 W. Mifflin |
| Date of Valuation | April 30, 1980 | April 30, 1980 |
| Type of Property | 2 Story Multi-family Residential | 3 Story Multi-family Residential |
| Type of Estate | Fee simple, encumbered by zoning and building code restrictions | |
| Improvements | 5 Dwelling Units 6 Bedrooms | 6 Dwelling Units 6 Bedrooms |
| Age of Building | Approx. 125 years | Approx. 100 years |
| Zoning | R-6 General Residence District | |
| Site Dimensions | 66' x 132' 8,712 SF | 33' x 132' 4,356 SF |
| Gross Building Area | 2,320 SF | 3,640 SF |
| Gross Annual Market Rent | \$11,640 | \$17,140 |
| Unit of Comparison - Gross Rent Multiplier: | 7.0 | 6.8 |
| Most Probable Use: | Student Housing Private Sector | Student Housing Private Sector |
| Most Probable Buyer: | Individual investor seeking appreciation, tax shelter, and cash flow | |
| Probable Terms of Sale: | Land Contract 10-20% down, 10-1/2-12% interest, 3-10 year term | |
| Value Estimated | Market Value | Market Value |
| Market Value Approach (GRM) | \$81,500 | \$117,000 |

1904 - 22222222

Assessors

3824 - 3 floors
above
grade

| | <u>SUBJECT A</u> | <u>SUBJECT B</u> |
|--|------------------|------------------|
| Central Tendency of Regression Analysis | \$81,500 | \$116,600 |
| Final Estimate of Value | \$81,500 | \$117,000 |
| Current Assessed Value (1980) | | |
| Land | \$47,900 | \$26,100 |
| Improvements | 22,100 | 55,900 |
| (100% of Market) | \$70,000 | \$82,000 |

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 April 30, 1980, of each of the properties located at 404 - 406 West Mifflin Street and 408 West Mifflin Street in the City of Madison, for the purpose of settling the estate of George J. Maloof.

A. Legal Interests to be Appraised

The legal interest to be appraised is the fee simple interest in each of the subject properties.

1. Property Identification

The subjects are each residential income properties currently rented as student housing. The 404 - 406 West Mifflin Street property is located at the corner of West Mifflin Street and Broom Street and is subsequently referred to in this appraisal as Subject A. The 408 West Mifflin Street property is located west southwest to and is contiguous to Subject A and is subsequently referred to in this appraisal as Subject B. (See Exhibit 1.)

The tax parcel identification numbers are as follows:

Subject A 0709-231-1339-7

Subject B 0709-231-1338-9

EXHIBIT 1

LOCATION OF SUBJECT PROPERTIES



2. Legal Descriptions

Subject A is described as: Lot Ten (10), Block Forty-two (42) of the Original Plat in the City of Madison.

Subject B is described as: The Northeast Half (1/2) of Lot Eleven (11), Block Forty-two (42) of the Original Plat in the City of Madison.

The legal descriptions are taken from the City of Madison assessment roll and concur with the legal descriptions provided by the Dane County Title Company.

3. Qualifications of the Properties to be Appraised

This appraisal is to include the real estate interest at the above address; since all comparable sales of this type of property include the refrigerators and stoves in the sale, the estimate of fair market value of the subject properties will assume inclusion of these personalty items.

B. Selection of Fair Market Value Appraisal Methodology

1. Value Definition

The fundamental purpose of an appraisal assignment is most usually to estimate value. Conventionally, the value required is Market Value, defined as:

The most probable price in terms of money which a property is expected to bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.
2. Both parties are well informed or well advised, and each acting in what he considers his own best interest.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in cash or its equivalent, if market conditions indicate that cash sales prevail.
5. Financing, if any, is on terms generally available in the community at the specified date and typical for the property type in its location.
6. The price represents a normal consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs,¹ or credits incurred in the transaction.¹

This definition assumes a perfect market where a number of fully informed, reasonably prudent buyers and sellers are acting rationally and logically to maximize their financial well-being. It also assumes payment in cash if cash sales prevail.

In this case it will be shown that monetary and banking conditions as of April 30, 1980, necessitated the use of land contracts as the predominant sale instrument with down payments from 10 to 20 percent and terms from three to six years on the average.

¹THE REAL ESTATE APPRAISER, Nov. - Dec. 1977, p. 18.

[REDACTED]

For the purposes of this appraisal, the terms of fair market value and most probable selling price will be considered synonymous.

2. Preference for the Market Data Approach

The appraisal process prefers to base valuations on actual sales of comparable property where buyer and seller were under no unusual duress and where no special financing, that is, financing not obtainable in the marketplace was provided by the seller.

Fourteen sales of residential income property located in the Original Plat, City of Madison, were examined to select those bona fide sales most comparable to the subject property and, therefore, benchmarks of value for the subject properties.

Statistical analysis, using multiple regression to determine which independent variables best explain the variation in the selling prices of the comparable sales, substantiates the market's use of the gross rent multipliers as the best predictor of selling price.

Gross rent multipliers derived from market data simply express the ratio between the sales price of a residential income property and its gross rental income. A property's capacity to generate gross rent is presumably attributable to the real estate itself; its characteristics, its condition and utility, its use potential, and its location. Thus, the gross rental income is used as the primary unit of comparison for the market data approach.

Since market rents, as opposed to contract rents which may be under market, are used to determine fair market value, fifteen

residential income properties located near the subject properties were studied to determine the current level of market rent being realized by comparable rental units as of April 30, 1980. Multiple regression results were used to compare the rents of the subject properties with those in the market.

3. The Income Approach

The Madison residential income property market prefers the use of the gross rent multiplier as a measure of property value. This method is sometimes referred to as the income approach.

Technically, the application of a multiplier to periodic gross income to estimate value is not income capitalization. In the appraisal of real estate, the term income capitalization is reserved for the process of applying the appropriate rate of capitalization to the annual net income forecast for the subject property to derive an estimate of present worth or value.¹

Since the gross rent multiplier is the predominant benchmark of value in the Madison residential income market, the income approach using capitalization is not appropriate for this appraisal assignment.

4. 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 improvements on both subject sites are not

¹An Introduction to Appraising Real Property, Society of Real Estate Appraisers, 1975, p. 12-2.

new; Subject A is approximately 125 years old and Subject B is approximately 100 years old. Thus the improvements, though still the highest and best use of the site, are neither new nor optimum, as will be discussed in Section II. Therefore, the cost approach to value is irrelevant and inappropriate for this appraisal.

II. PHYSICAL ANALYSIS OF THE SUBJECT PROPERTY

The market value of residential income property is determined by the physical attributes of the site and its improvements; the legal attributes constraining use of the property; the linkages of the property which determine the functional relationship of its users with a community; and the dynamic attributes which are determined by how people perceive and behave relative to the property.

A. Physical Attributes

1. Site Data

The corner site of Subject A has 66 frontage feet along West Mifflin Street and 132 feet along Broom Street for a total of 8,712 square feet. Subject B measures 33 front feet along West Mifflin Street with 132 feet depth for a total of 4,356 square feet. The sites of Subject A and B are contiguous and level.

Site improvements include public sidewalks along both West Mifflin and Broom Streets. The sidewalk from the street to the front entry of Subject A is chipped and eroded and in need of repair. Subject B's entry sidewalk is in average condition.

The rear yards of both sites are graveled as is the majority of the east side yard of Subject A.

Access to the rear yard of Subject B is through Subject A's yard; there is no driveway located on Subject B's site. The rear yards are currently used for parking, but there is uncertainty regarding this future parking use. (See Section II, B, 2.)

2. Improvements

Both Subject A and Subject B's improvements are wood frame buildings with asphalt siding, gabled asphalt shingled roofs, gutters and downspouts, and combination aluminum storms on all functional windows. Subject B has large dormers at the third floor level which is finished with wood shingles.

Subject A is approximately 125 years old and has a partial basement with a stone foundation that shows evidence of surface deterioration. Evidence of settling is apparent with ill-fitting doors at interior entry ways and uneven floors throughout the building.

Subject B is approximately 100 years old with a full basement in average to good condition.

Subject A has steam heat distributed by radiators and Subject B has hot water heat distributed by radiators. Both buildings use oil for heating and natural gas for hot water.

The first floor of Subject A is subdivided into three separate dwelling units. (See Exhibit 2.) A one story addition at the rear of the building, once used for storage, is rented as an efficiency unit without kitchen facilities. Its single access is through a small common foyer at the side of the building. The larger rear apartment is accessed through a separate entry near the front of the building (406 West Mifflin Street) and also through the common foyer near the rear. The front apartment is accessed through the

[REDACTED]

main entry hallway (404 West Mifflin) that also leads to the two upstairs apartments.

The kitchen facilities in the four apartments are minimal. A single free standing sink with little or no counter space and minimal cabinets, a four burner gas stove and small refrigerator are the dominant features. The bathrooms are equipped with toilet, lavatory, and tub; none of the units have showers.

Though a small room (less than 80 square feet) off the entry hall of 406 West Mifflin is used as a bedroom, its closet facilities are located in the entry hallway. Its size and lack of closet space make designation as a bedroom questionable. The rear apartment on the second floor has two bedrooms of adequate size each with a closet, but no living room. Therefore, for the purposes of this appraisal, Subject A is considered to have six bedrooms.

The overall interior maintenance of the real estate is average to below average for this type of housing; the exterior maintenance is average. Double stairways and/or porches not more than ten feet from grade serve as the required exits for the building.

The schedule of contract rents for Subject A as of April 30, 1980, are as follows:

| | |
|-------------|-----------------|
| Apartment 1 | \$190 per month |
| Apartment 2 | \$205 per month |
| Apartment 3 | \$220 per month |
| Apartment 4 | \$90 per month |
| Apartment 5 | \$220 per month |

[REDACTED]

Subject B is subdivided into two separate dwelling units on each of the three floors. (See Exhibit 2.) The configuration of the living room areas are more traditional than in Subject A with a living room, bedroom, bath, and kitchen in each unit. One unit uses a living room area as a bedroom. Since this room does not have a closet, it is not included in the bedroom count. For purposes of this appraisal, Subject B is considered to have six bedrooms.

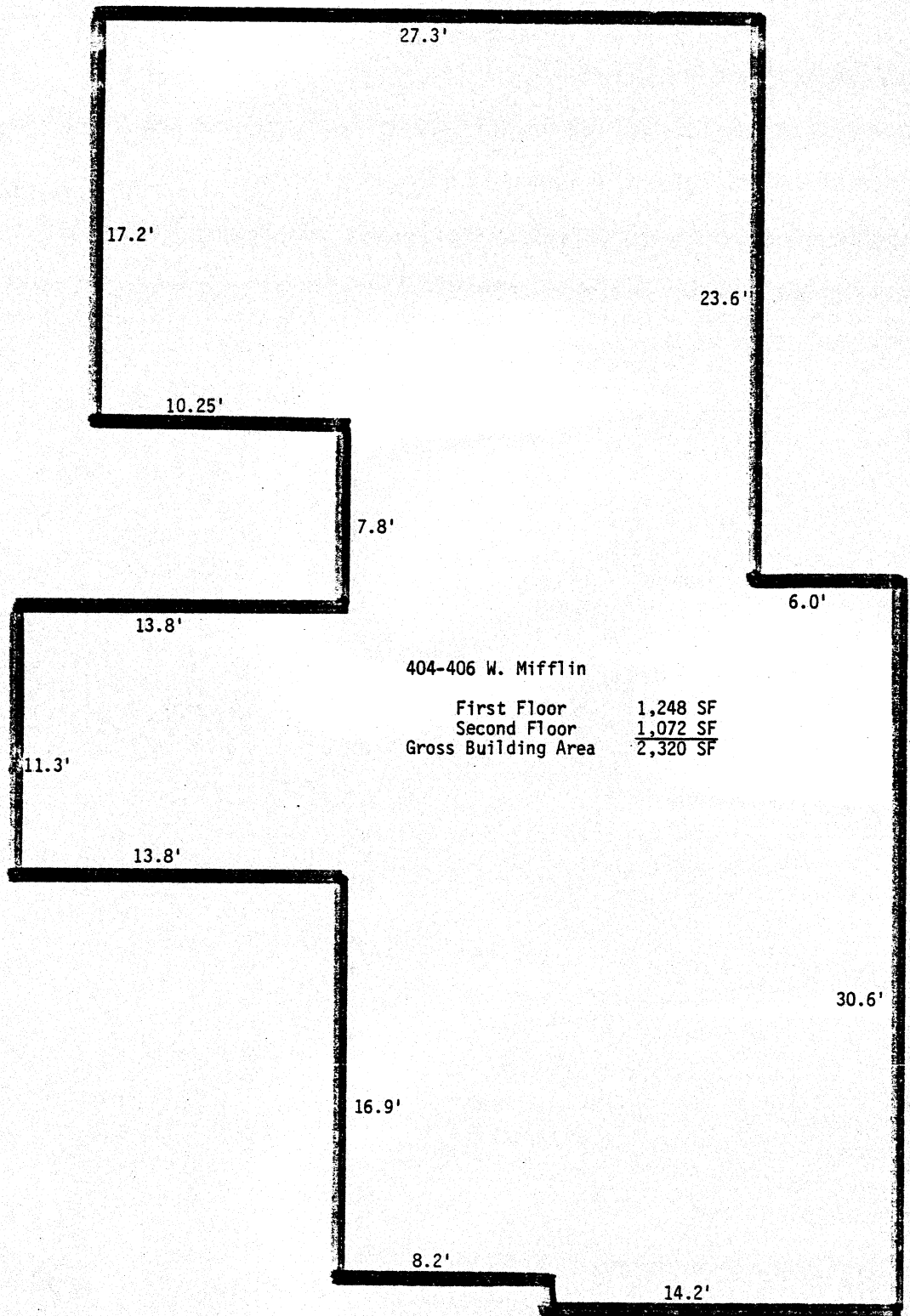
The kitchens have cabinets and counter tops adjacent to the built-in sinks with small gas stoves and electric refrigerators. The kitchens vary in size but each has space for a table. The bathrooms have the usual toilet and lavatory with a combination tub and shower. The shower walls and bathroom floors are finished with ceramic tile.

The plaster walls are in good repair in general. The interior maintenance is average to good for this type of property. The exterior maintenance is average with some deterioration found in the wooden porches at the rear of the building and around a few of the window frames.

A metal fire escape serves as the required second exit for the front third floor apartment. Double interior stairways and/or porches not more than ten feet from grade meet the exit requirements for the other dwelling units.

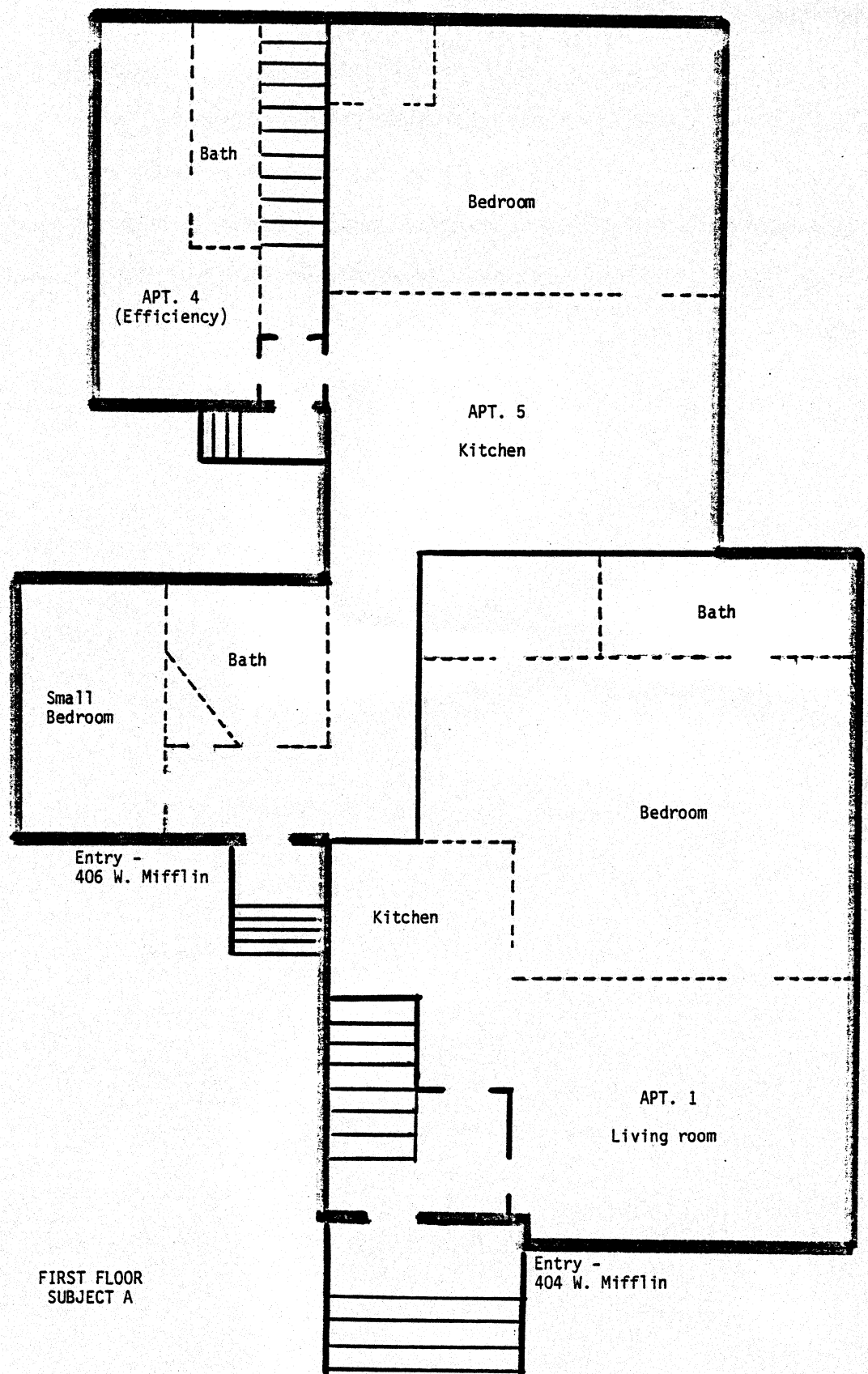
The schedule of contract rents for Subject B as of April 10, 1980 are as follows:

EXHIBIT 2
SKETCHES OF FLOOR PLANS
FOR SUBJECT A AND SUBJECT B



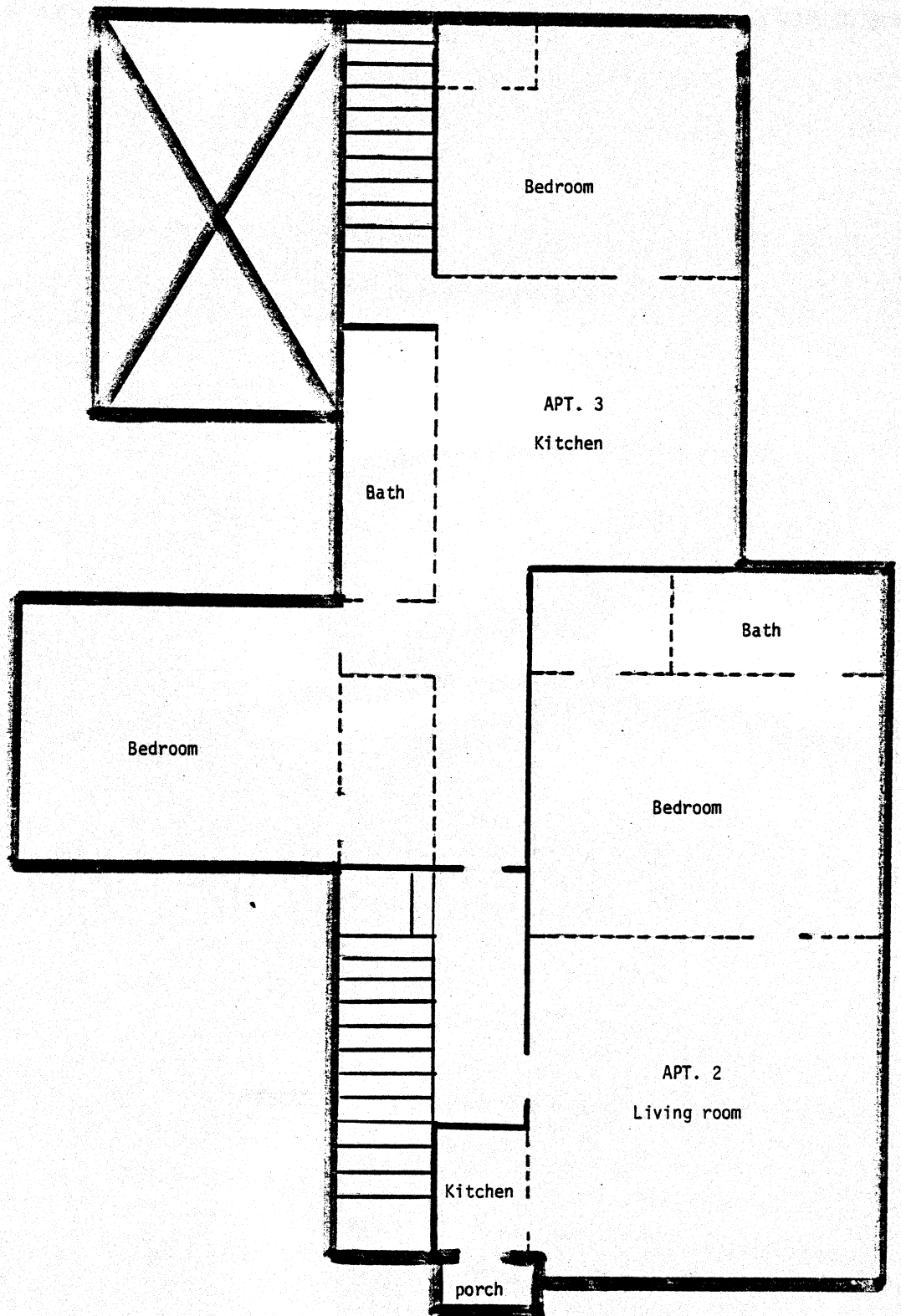
SUBJECT A

EXHIBIT 2 (Continued)



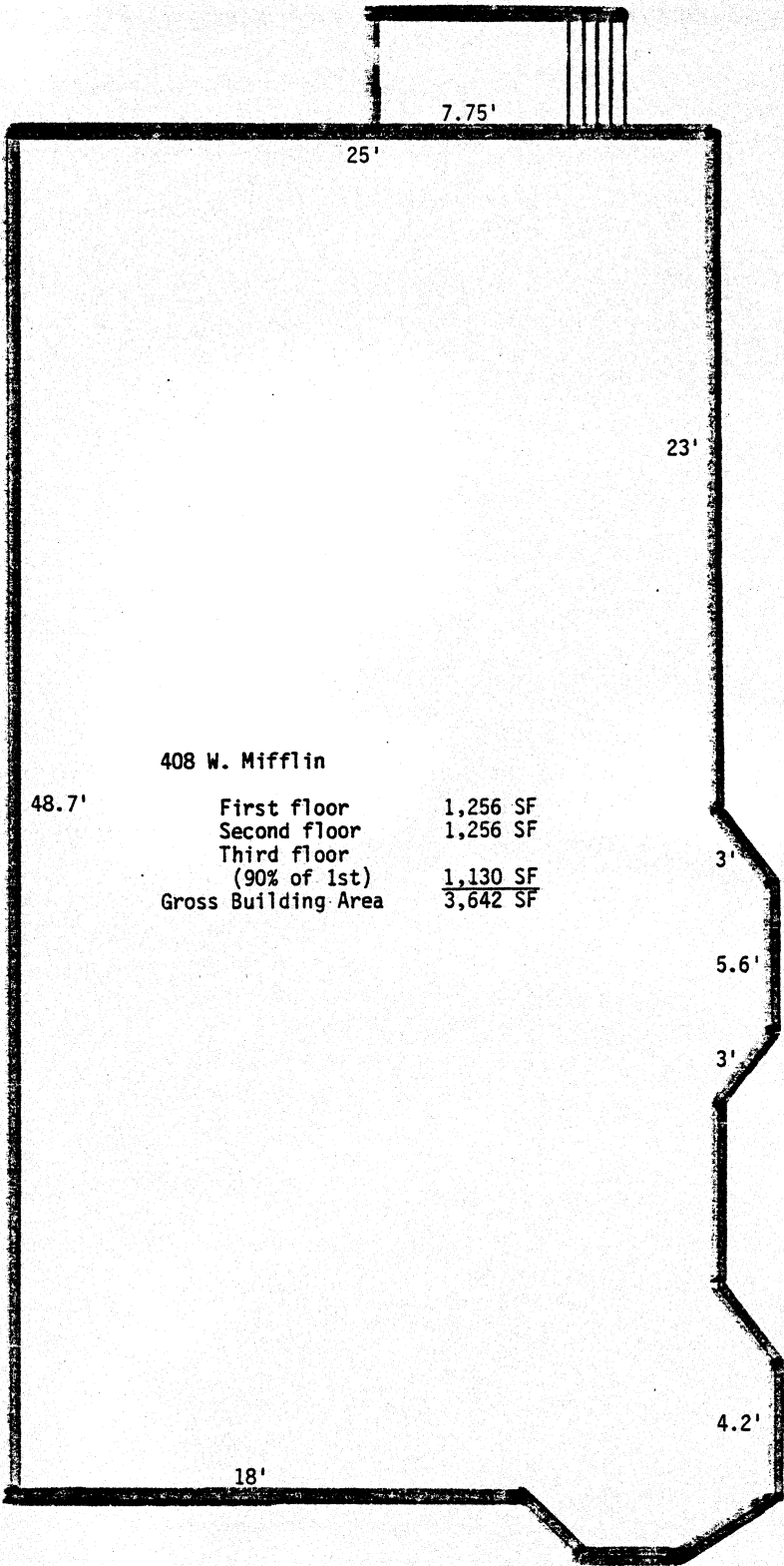
FIRST FLOOR
SUBJECT A

EXHIBIT 2 (Continued)



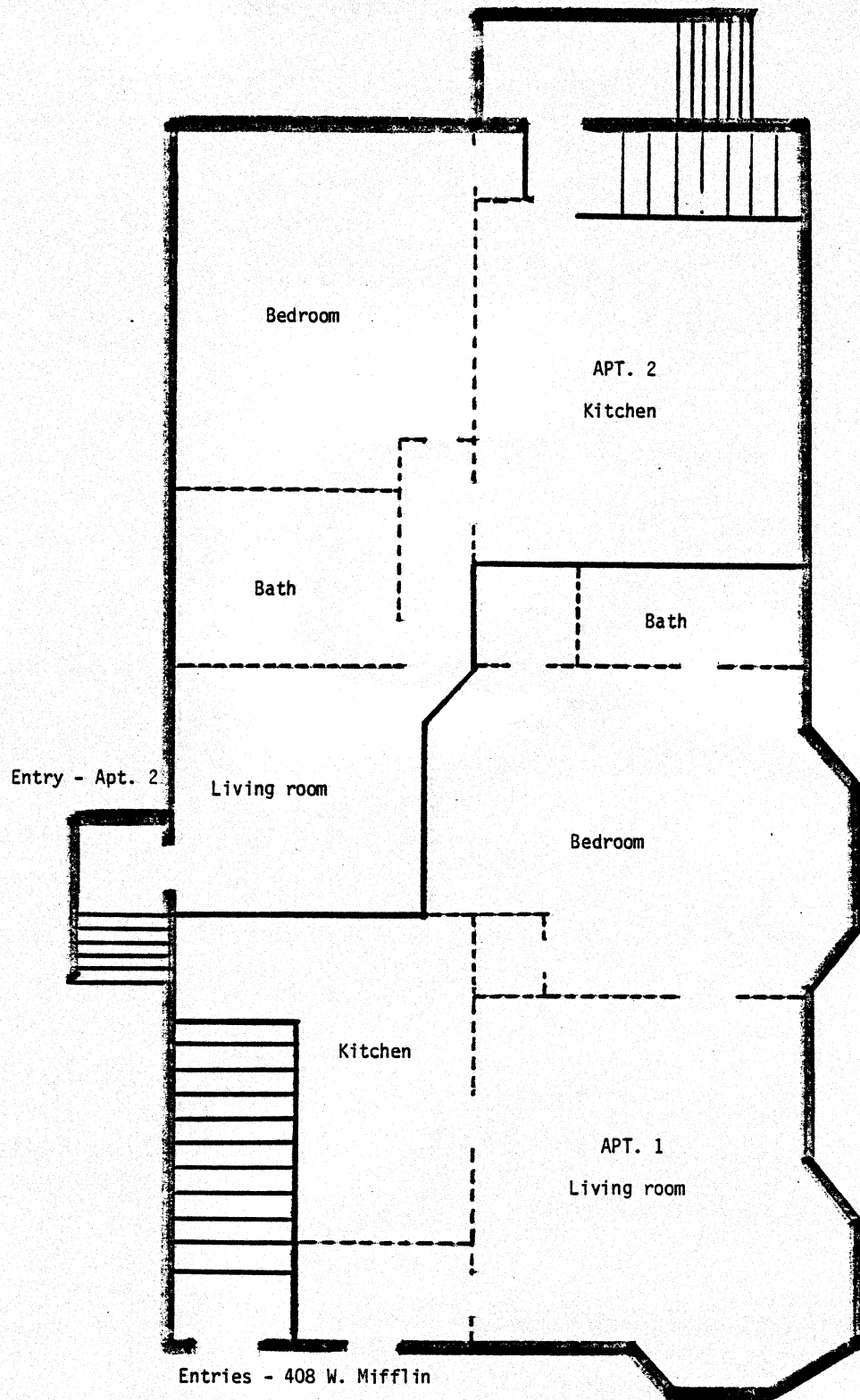
SECOND FLOOR
SUBJECT A

EXHIBIT 2 (Continued)



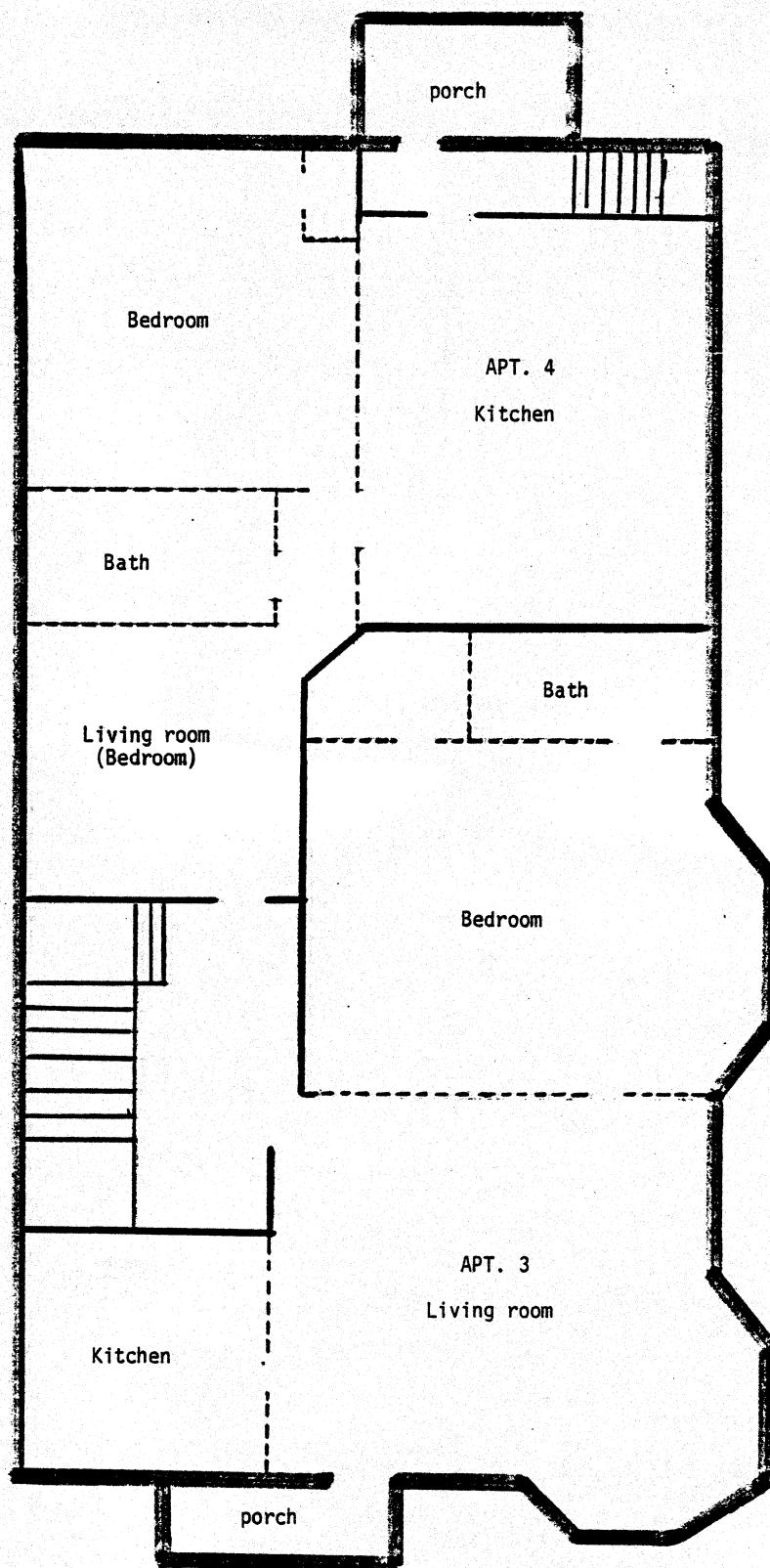
SUBJECT B

EXHIBIT 2 (Continued)



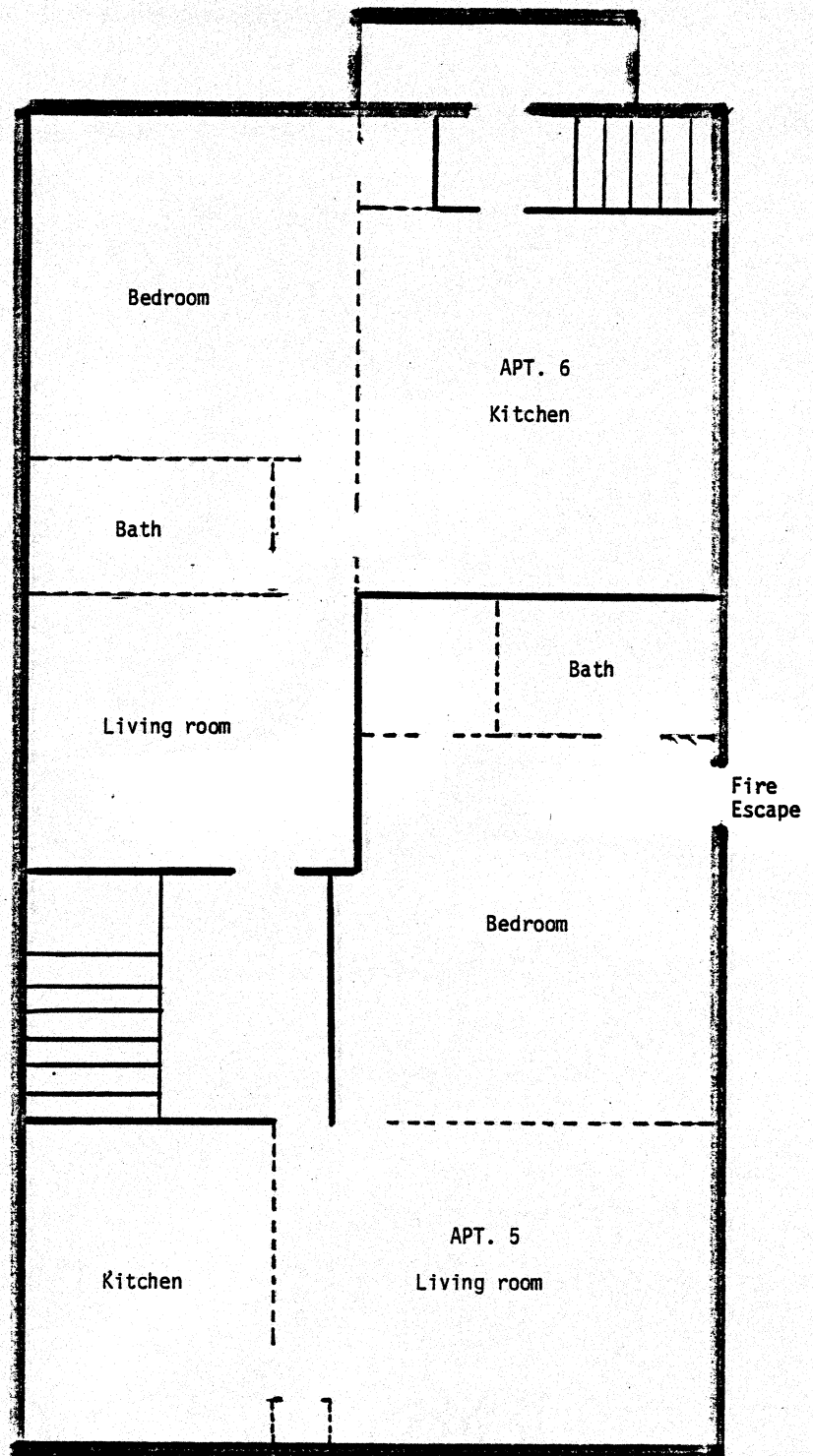
FIRST FLOOR
SUBJECT B

EXHIBIT 2 (Continued)



SECOND FLOOR
SUBJECT B

EXHIBIT 2 (Continued)



THIRD FLOOR
SUBJECT B

Apartment 1 \$240 per month
Apartment 2 \$240 per month
Apartment 3 \$225 per month
Apartment 4 \$240 per month
Apartment 5 \$240 per month
Apartment 6 \$240 per month

Sketches of the floor plans for Subject A and Subject B are found in Exhibit 2. Photographs of both properties are found in Exhibit 3.

Subjects A and B are rented as unfurnished, but each has some assorted pieces of furniture available to tenants.

B. Legal-Political Attributes

1. Zoning

Both subject properties are located in an R6 General Residential District where multifamily housing is a conditional use. The statement of purpose for an R6 district is:

The R6 general residence district is established to stabilize and protect the essential characteristics of the central part of the City, and to promote and encourage, insofar as compatible with the intensity of land uses, a suitable environment for a predominantly adult population, and in those central areas located in close proximity to the central campus of the University of Wisconsin, to promote and encourage a suitable environment for student housing facilities.

R6 zoning permits a family plus four unrelated roomers or five unrelated persons to occupy each dwelling unit. Conditional uses now in effect are passed with the transfer of title when a property is sold.

Though older properties may have less open space than required by current zoning ordinances, the present ground cover

EXHIBIT 3

PHOTOGRAPHS OF SUBJECT A



Front view from
West Mifflin Street



Side view from
Broom Street

EXHIBIT 3 (Continued)



Rear view -
Single story addition
is efficiency apartment

View of Subject A and
Subject B from West
Mifflin Street



EXHIBIT 3 (Continued)
PHOTOGRAPHS OF SUBJECT B



Front view from
West Mifflin Street

Rear view
Note third floor dormers



EXHIBIT 3 (Continued)



View from corner of
West Mifflin Street and Broom Street

ratio goes with the title and is permitted as long as there is no further reduction of the open space.

No off street parking is required for the student housing area in which the subject properties are located. (See Appendix for Zoning Code Excerpts.)

2. Parking

Zoning ordinances written and approved in 1966 state that accessory use of parking facilities on a site must be utilized only by the occupants of the building on the site; such parking spaces may not be rented to non-residents. Approximately one and a half years ago the City began to enforce this ordinance in earnest; this action resulted in an uproar amongst the community and the City Council put a moratorium on enforcement. No decision has been made to date regarding the continuation of this ordinance.

There are approximately 14 parking spaces in the combined rear yards of the two subject properties. This equates to approximately one space per bedroom for the two properties. But the probability is low that all student tenants will be in need of parking spaces. If the properties are sold separately, Subject B would have to obtain an easement from Subject A to have access to the parking at the rear of Subject B.

According to appraisers and brokers, the availability of off-street parking is not a large contributing factor to property value. But by comparison; Subject A, situated on a double lot

with 8,712 square feet, has more parking space potential than any of the comparable sales or rentals.

Thus, parking is another potential source of income, but the uncertainty of this cash flow reduces its importance in the valuation of properties in the Mifflin-Bassett Street area. Only Subject A's extra large lot will be given consideration as a contributor to value.

3. Minimum Housing and Property Maintenance Code

All housing in Madison is subject to the Minimum Housing and Maintenance Code. Inspections can be initiated by tenants and by owners. With the permission of the owner, potential buyers and lenders can also initiate building inspections. According to Albert Code, of the City of Madison Building Inspection Department, the city hopes to initiate a systematic inspection of the Mifflin-Bassett Street area soon. He concurs with the appraiser that building maintenance and housekeeping have improved in this student housing area in the past several years.

4. Easements and Encroachments

There are no apparent easements or encroachments observed which would adversely affect marketability of the subject properties.

C. Linkage Attributes

The subject sites are centrally located in downtown Madison, three blocks west of the Capitol Square, three blocks south of State Street, and seven blocks east of the University of Wisconsin.

[REDACTED]

City buses are accessible less than three blocks away from the sites. (See Exhibit 1.)

The student housing area in which the subject sites are located is bounded by Wilson Street on the south, Bedford Street on the West, Henry Street on the east, and Johnson Street on the north. This area is bounded on the north by more student housing which includes fraternities, sororities, dormitories, modern apartments, and some older homes converted to apartments similar to the subjects.

A large parking lot, several city blocks in size, is on the east side of Broom Street. This is the proposed site for the Capitol Center; plans for the Center include subsidized elderly housing, a supermarket, a senior citizen's center, and family housing.

D. Dynamic Attributes

The Mifflin Street area in downtown Madison's west side has long been known as a major student housing area. Though a few older residents still remain in their homes it is unlikely any middle or upper class non-student Madisonian would seek housing in this area.

The stereotype created by the riots and hippies of the late 1960s and early 1970s still remain in the minds of many Madison residents. Slum landlords, belligerent tenants, drugs, hostile

attitudes toward property, and general irresponsibility are all parts of this stereotype.

Others more recently in touch with the area find properties fairly well kept, the residents of varied backgrounds, and for the most part, friendly and responsible. Recently block parties have been held in the area without incident. This part of town is no longer the subject of feature stories in the local newspapers.

III. MOST PROBABLE USE

Having completed an inventory of the subject properties' positive and negative attributes, the limitations on future uses, and the immediate linkages of the location, the appraiser must identify the most probable use of the properties.

A. General Market Characteristics

Interviews with investors and brokers active in the student housing market reveal that there are very few vacancies during the regular school year. Some investors use a 3 percent vacancy rate in income calculations to cover uncollected rents. Landlords attempt to write twelve month leases so the responsibility for summer rental is transferred to the tenant.

According to Thomas H. Hoover, Registrar of the University of Wisconsin-Madison, projections for University of Wisconsin-Madison reveal a stable enrollment of 41,000 between 1981 and 1983. In 1984 a 7 percent decline to 38,300 students is expected. The decline will continue until an approximate 15 percent decline is reached and then another rise will occur in 1993. The University has no plans to build new dormitory space.

Investors believe the Mifflin Street area will continue to be used as student housing for many years to come. It is predicted that the high cost of fuel and parking expenses will cause the younger professionals, office workers, and retailers to gradually

move from the suburbs to the downtown Madison area. The demand for two and three bedroom flats will then increase. This type of tenant will prefer dwelling units that can accommodate family living. The smaller single bedroom units and efficiencies with unconventional configurations will have less appeal for this group.

The gradual influx of suburban tenants will constrict the housing available to the student population to the less conventional dwelling units found in the Mifflin Street area. Even with a decline in the student population, the demand for housing such as the subject properties will remain high and vacancies will continue to be minimal.

B. Alternative Uses

There is general agreement that demolition followed by new construction is economically unfeasible at this time for this area of Madison.

C. Conclusion

The most probable and fitting use of the subject properties presently and in the foreseeable future is the current use as rental housing for the student population.

IV. THE MARKET DATA APPROACH

Recent market sales in a given area are the most reliable predictors of the most probable buyer and what he might be willing to pay for another property in that area. This section will discuss the market data approach using the gross rent multiplier as the unit of comparison. A statistical test will be performed on the market data to check the most probable selling price of each of the subject properties.

A. Most Probable Buyer

Professional investors who syndicate package purchases and individuals seeking tax shelter plus appreciation as an inflation hedge are active in the student housing market.

The professional investor seeks a product that has good room configuration with remodeling potential to meet a changing market and to obtain the most favorable financing. It is predicted by some that the demand for efficiencies and one bedroom units will decrease with an increased demand for two and three bedroom units due to the gradual influx of young career oriented tenants who will leave the suburbs. The four and five bedroom flats have this potential flexibility and are given a premium in the market.

The professional investor's strategy includes buying on short term money with small payments and a balloon in five or

[REDACTED]

more years using a line of credit to improve the property and maximize its rent potential in the interim. When the money market is favorable and/or at the end of the land contract, the property is refinanced so money is available for reinvestment. The professional ideally attempts to keep the debt service less than 40 percent of the net operating income, a difficult goal in today's market.

The Federal Housing Authority (FHA) Section 203 will not finance multiple family housing with more than four dwelling units. Because of the importance of refinancing in the investor's strategy, the investor prefers the residential income properties with the fewest split units per flat.

The individual buyer who owns and manages one to a few residential income units is more likely to prefer the property that currently maximizes the income potential of the space available and is less concerned about refinancing or changing marketing strategies.

Thus, the most probable buyer of the subject properties, either separately or as a unit, is the small investor who buys for appreciation, tax shelter, and lastly, cash flow. He knows the future of the student housing market is assured for the Mifflin Street area and will rent units as currently designed with the minimum maintenance required. He will manage the apartments himself. He also will recognize the potential value of a larger site that permits future alterations to the improvements and possible income from parking spaces rented to residents. He will pay no more

[REDACTED]

than other buyers are paying and will use the annual gross rent as the measure of value.

B. Most Probable Price

There has been a significant level of market activity in the purchase and sale of income residential property in the Mifflin Street area. Therefore, it is possible to infer from market price behavior of past transactions the most probable price the probable buyer will pay.

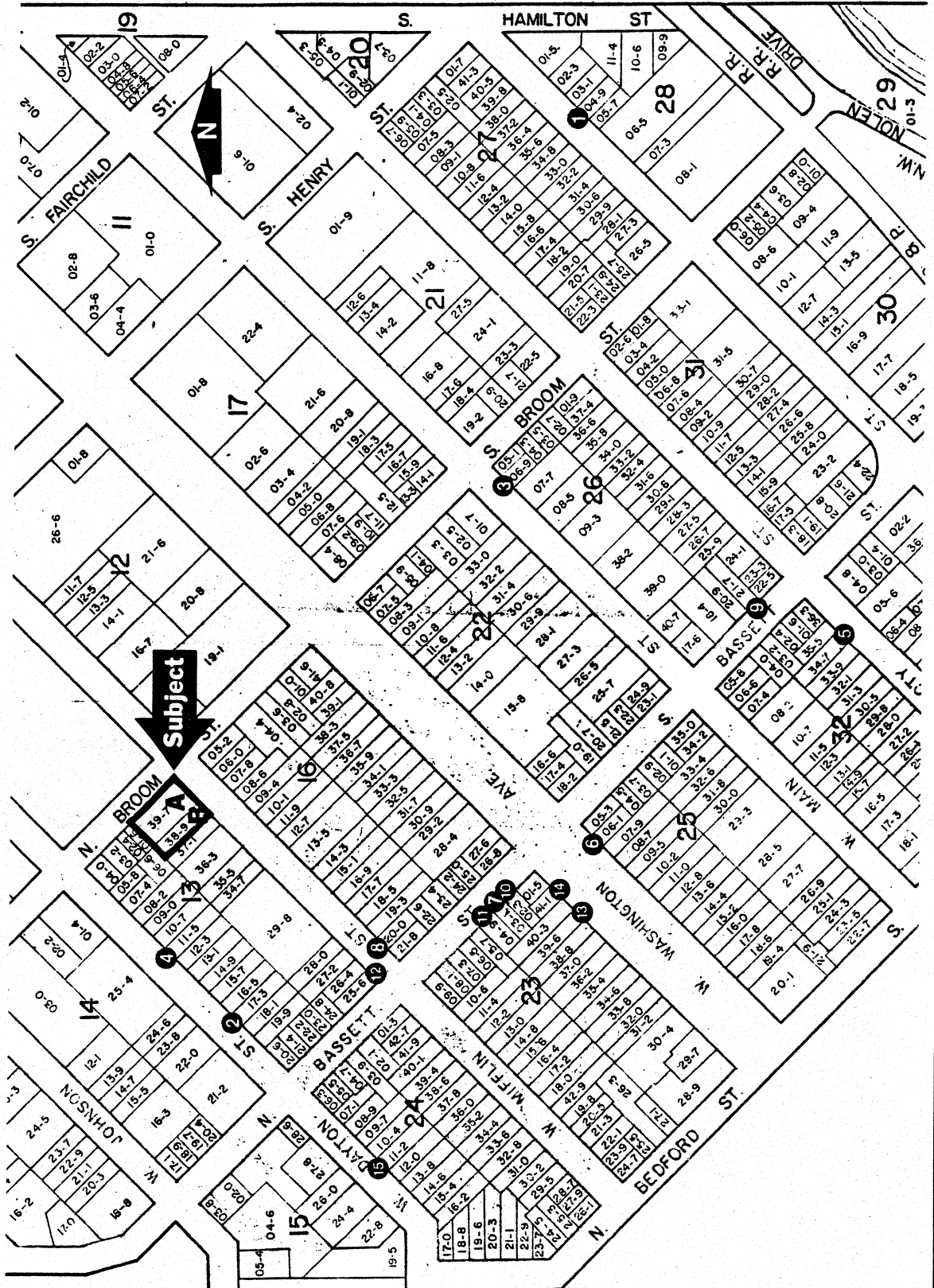
C. Market Data Approach to Probable Price

To use the gross rent multiplier as the unit of comparison to estimate market value for the subject properties, the current market or economic rent for similar properties must be determined.

1. Determination of Market Rent

It is assumed that students seek housing well located to their educational and recreational needs that offers primarily a place to sleep and eat. It is also assumed that the amount the student is willing to pay for his bedroom is proportional to the amount of living space that comes in his rental package.

Fifteen rental properties similar in locational and physical attributes to the subject properties are studied; their locations are shown in Exhibit 4. The number of bedrooms, the gross building area (GBA), and the current monthly rent are determined for each of the fifteen comparable rentals. A monthly rent per bedroom and a GBA per bedroom is calculated for each comparable property.



[REDACTED]

(See Exhibit 5.) The comparable rental data is then summarized in Exhibit 6.

The regression analysis is done to determine which of the property attributes contributes to the monthly rent per bedroom, the dependent variable. Off-street parking, payment of utilities, furnishings available, and size of the rental package (GBA/bedroom) are used as the independent variables. Only the size of the rental packages is significant with a T ratio of 3.63 (2.0 is considered significant) and a correlation of 84 percent with monthly rent/bedroom.

To predict what the market rents for the subject properties should be, given the independent variable GBA per bedroom for each, a simple regression analysis is done with monthly rent per bedroom as the dependent variable and GBA per bedroom as the independent variable. When GBA per bedroom is the only independent variable, the T ratio is 5.50 and the R² is almost 70 percent. The correlation of determination, R², measures the proportion of variation in Y that is associated with the variation in X. The results of this regression are shown in Exhibit 7.

A plot of monthly rent per bedroom on the Y axis and GBA per bedroom on the X axis shows this relationship graphically in Exhibit 8.

2. Determination of Gross Rent Multiplier (GRM)

The gross rent multiplier is a unit of comparison for residential income properties. A property's capacity to generate gross rent is presumably attributable to the real estate itself:

EXHIBIT 5

COMPARABLE RENTAL DATA

COMPARABLE RENTAL NO. 1



Location: 325 West Wilson Street

Description of
Rental Units

Three Units

| | |
|------------------------|-----------------|
| Apt. 1 - Five Bedrooms | \$500 per month |
| Apt. 2 - Four Bedrooms | \$425 per month |
| Apt. 3 - Two Bedrooms | \$280 per month |

Current Annual Gross Rent: \$14,460

Approximate Gross Building Area (GBA): 2,700 square feet

Monthly Rent/Bedroom: \$110

GBA/Bedroom: 245 square feet

Utilities: Landlord pays all

Off-street Parking: None

Furnished: Yes

EXHIBIT 5 (Continued)

COMPARABLE RENTAL NO. 2



Location: 439 West Dayton Street

Description of Rental Units:

| <u>Three Units</u> | |
|-------------------------|-----------------|
| Apt. 1 - Three Bedrooms | \$420 per month |
| Apt. 2 - Three Bedrooms | \$420 per month |
| Apt. 3 - Three Bedrooms | \$400 per month |

Current Annual Gross Rent: \$14,880

Approximate Gross Building Area (GBA): 3,000 square feet

Monthly Rent/Bedroom: \$137

GBA/Bedroom: 333 square feet

Utilities: Landlord pays heat

Off-street Parking: Four to five spaces at rear of building

Furnished: Yes

EXHIBIT 5 (Continued)

COMPARABLE RENTAL NO. 3



Location: 405-407 West Main Street

Description of Rental Units:

| <u>Two Units</u> | |
|------------------------|-----------------|
| Apt. 1 - Two Bedrooms | \$310 per month |
| Apt. 2 - Five Bedrooms | \$650 per month |

Current Annual Gross Rent: \$11,520

Approximate Gross Building Area (GBA): 2,420 square feet

Monthly Rent/Bedroom: \$137

GBA/Bedroom: 345 square feet

Utilities: Landlord pays heat

Off-street Parking: Driveway only

Furnished: No

EXHIBIT 5 (Continued)

COMPARABLE RENTAL NO. 4



Location: 423-425 West Dayton Street

Description of Rental Units:

Three Units

Apt. 1 - Two Bedrooms)

Apt. 2 - Three Bedrooms)

Apt. 3 - Four Bedrooms)

\$1,243 per month

Current Annual Gross Rent: \$14,916

Approximate Gross Building Area (GBA): 3,200 square feet

Monthly Rent/Bedroom: \$138

GBA/Bedroom: 355 square feet

Utilities: Landlord pays heat

Off-street Parking: Four or five cars at rear of building

Furnished: N/A

EXHIBIT 5 (Continued)

COMPARABLE RENTAL NO. 5



Location: 512 West Doty Street

Description of Rental Units:

| <u>Two Units</u> | |
|-----------------------|-----------------|
| Apt. 1 - Two Bedrooms | \$320 per month |
| Apt. 2 - Two Bedrooms | \$320 per month |

Current Annual Gross Rent: \$7,680

Approximate Gross Building Area (GBA): 1,272 square feet

Monthly Rent/Bedroom: \$160

GBA/Bedroom: 318 square feet

Utilities: Landlord pays heat

Off-street Parking: Driveway only

Furnished: No

EXHIBIT 5 (Continued)

COMPARABLE RENTAL NO. 6



Location: 503-505 West Washington Avenue

| | | |
|------------------------------|------------------------|-----------------|
| Description of Rental Units: | <u>Two Units</u> | |
| | Apt. 1 - Four Bedrooms | \$660 per month |
| | Apt. 2 - Four Bedrooms | \$670 per month |

Current Annual Gross Rent: \$15,960

Approximate Gross Building Area (GBA): 2,600 square feet

Monthly Rent/Bedroom: \$166

GBA/Bedroom: 325 square feet

Utilities: Landlord pays heat and gas

Off-street Parking: Driveway only

Furnished: No

EXHIBIT 5 (Continued)

COMPARABLE RENTAL NO. 7



Location: 10 North Bassett Street

Description of Rental Units:

| <u>Two Units</u> | |
|-------------------------|-----------------|
| Apt. 1 - Three Bedrooms | \$500 per month |
| Apt. 2 - Three Bedrooms | \$500 per month |

Current Annual Gross Rent: \$12,000

Approximate Gross Building Area (GBA): 2,340 square feet

Monthly Rent/Bedroom: \$167

GBA/Bedroom: 390 square feet

Utilities: Landlord pays heat and gas

Off-street Parking: Approximately eight spaces at rear; parking space shared with 14 N. Bassett

Furnished: No

EXHIBIT 5 (Continued)

COMPARABLE RENTAL NO. 8



Location: 449 West Mifflin Street

Description of Rental Units:

Three Units

| | |
|-------------------------|-----------------|
| Apt. 1 - Three Bedrooms | \$525 per month |
| Apt. 2 - Three Bedrooms | \$540 per month |
| Apt. 3 - Two Bedrooms | \$350 per month |

Current Annual Gross Rent: \$16,980

Approximate Gross Building Area (GBA): 2,950 square feet

Monthly Rent/Bedroom: \$177

GBA/Bedroom: 368 square feet

Utilities: Landlord pays heat; tenant pays electric heat in Apt. 3

Off-street Parking: None

Furnished: No

EXHIBIT 5 (Continued)

COMPARABLE RENTAL NO. 9



Location: 117 South Bassett Street

Description of Rental Units:

| <u>Three Units</u> | | |
|-----------------------|--|-----------------|
| Apt. 1 - Two Bedrooms | | \$355 per month |
| Apt. 2 - Two Bedrooms | | \$355 per month |
| Apt. 3 - Two Bedrooms | | \$355 per month |

Current Annual Gross Rent: \$12,780

Approximate Gross Building Area (GBA): 2,230 square feet

Monthly Rent/Bedroom: \$178

GBA/Bedroom: 372 square feet

Utilities: Landlord pays heat

Off-street Parking: None

Furnished: N/A

EXHIBIT 5 (Continued)

COMPARABLE RENTAL NO. 10



Location: 8 North Bassett Street

Description of Rental Units:

| <u>Two Units</u> | | |
|------------------|--------------|-----------------|
| Apt. 1 - | Two Bedrooms | \$360 per month |
| Apt. 2 - | Two Bedrooms | \$360 per month |

Current Annual Gross Rent: \$8, 640

Approximate Gross Building Area (GBA): 2,060 square feet

Monthly Rent/Bedroom: \$180

GBA/Bedroom: 515 square feet

Utilities: Landlord pays heat and gas

Off-street Parking: Driveway only

Furnished: No

EXHIBIT 5 (Continued)

COMPARABLE RENTAL NO. 11



Location: 14 North Bassett Street

Description of Rental Units:

| <u>Two Units</u> | |
|-------------------------|-----------------|
| Apt. 1 - Three Bedrooms | \$550 per month |
| Apt. 2 - Three Bedrooms | \$530 per month |

Current Annual Gross Rent: \$12,960

Approximate Gross Building Area (GBA): 2,210 square feet

Monthly Rent/Bedroom: \$180

GBA/Bedroom: 368 square feet

Utilities: Landlord pays heat; tenant pays electricity in Apt. 2 and electricity plus gas in Apt. 1

Off-street Parking: Approximately eight to ten spaces at rear of building; space is shared with 10 N. Bassett

Furnished: No

EXHIBIT 5 (Continued)

COMPARABLE RENTAL NO. 12



Location: 454 West Mifflin Street

Description of Rental Units:

Three Units

| | |
|-------------------------|-----------------|
| Apt. 1 - Two Bedrooms | \$400 per month |
| Apt. 2 - Three Bedrooms | \$540 per month |
| Apt. 3 - Two Bedrooms | \$350 per month |

Current Annual Gross Rent: \$15,480

Approximate Gross Building Area (GBA): 2,760 square feet

Monthly Rent/Bedroom: \$184

GBA/Bedroom: 394 square feet

Utilities: Landlord pays all utilities

Off-street Parking: Driveway only

Furnished: No

EXHIBIT 5 (Continued)

COMPARABLE RENTAL NO. 13



Location: 512 West Washington Avenue

Description of Rental Units:

| <u>Two Units</u> | | |
|-----------------------|--|-----------------|
| Apt. 1 - Two Bedrooms | | \$380 per month |
| Apt. 2 - Two Bedrooms | | \$380 per month |

Current Annual Gross Rent: \$9,120

Approximate Gross Building Area (GBA): 1,710 square feet

Monthly Rent/Bedroom: \$190

GBA/Bedroom: 428 square feet

Utilities: Landlord pays heat and gas

Off-street Parking: Driveway only

Furnished: No

EXHIBIT 5 (Continued)

COMPARABLE RENTAL NO. 14



Location: 506 West Washington Avenue

Description of Rental Units:

| <u>Two Units</u> | | |
|-----------------------|--|-----------------|
| Apt. 1 - Two Bedrooms | | \$380 per month |
| Apt. 2 - Two Bedrooms | | \$380 per month |

Current Annual Gross Rent: \$9,120

Approximate Gross Building Area (GBA): 1,700 square feet

Monthly Rent/Bedroom: \$190

GBA/Bedroom: 425 square feet

Utilities: Landlord pays heat and gas

Off-street Parking: Driveway only

Furnished: No

EXHIBIT 5 (Continued)

COMPARABLE RENTAL NO. 15



Location: 521 West Dayton Street

Description of Rental Units:

Four Units

| | |
|----------------------|-----------------|
| Apt. 1 - One Bedroom | \$229 per month |
| Apt. 2 - One Bedroom | \$229 per month |
| Apt. 3 - One Bedroom | \$229 per month |
| Apt. 4 - One Bedroom | \$229 per month |

Current Annual Gross Rent: \$10,990

Approximate Gross Building Area (GBA): 2,520 square feet

Monthly Rent/Bedroom: \$229

GBA/Bedroom: 630 square feet

Utilities: Landlord pays all

Off-street Parking: Detached garage at rear of building

Furnished: N/A

SUMMARY OF COMPARABLE RENTAL DATA

| | <u>Subject A</u> | <u>Subject B</u> | <u>325 W.Wilson No. 1</u> | <u>439 W.Dayton No. 2</u> | <u>405-407 W.Main No. 3</u> | <u>423-425 W.Dayton No. 4</u> | <u>512 W.Doty No. 5</u> | <u>503-505 W.Washington No. 6</u> |
|-------------------------------|------------------------|----------------------|-----------------------------------|-----------------------------------|-------------------------------------|---------------------------------------|---------------------------------|---|
| Number of Bedrooms: | 6 | 6 | 11 | 9 | 7 | 9 | 4 | 8 |
| Building Size(GBA): | 2,320 SF | 3,640 SF | 2,700 SF | 3,000 SF | 2,420 SF | 3,200 SF | 1,270 SF | 2,600 SF |
| Current Annual Gross Rent: | \$11,640 (Adjusted) | \$17,140 (Actual) | \$14,460 | \$14,880 | \$11,520 | \$14,916 | \$7,680 | \$15,960 |
| Monthly Rent/ Bedroom: | \$162 | \$238 | \$110 | \$137 | \$137 | \$138 | \$160 | \$166 |
| GBA/Bedroom: | 387 SF | 607 SF | 245 SF | 333 SF | 345 SF | 355 SF | 318 SF | 325 SF |
| Utilities: | L = Heat | L = Heat | L = All | L = Heat | L = Heat | L = Heat | L = Heat | L = Heat, Gas |
| Off-street Parking: | Yes | Yes | No | Yes | No | Yes | No | No |
| Furnished: | No | No | Yes | Yes | No | N/A | No | No |

EXHIBIT 6

SUMMARY OF COMPARABLE RENTAL DATA

| <u>10</u> <u>N.Bassett</u> <u>No. 7</u> | <u>449</u> <u>W.Mifflin</u> <u>No. 8</u> | <u>117</u> <u>S.Bassett</u> <u>No. 9</u> | <u>3</u> <u>N.Bassett</u> <u>No. 10</u> | <u>14</u> <u>N.Bassett</u> <u>No. 11</u> | <u>454</u> <u>W.Mifflin</u> <u>No. 12</u> | <u>512</u> <u>W.Washington</u> <u>No. 13</u> | <u>506</u> <u>W.Washington</u> <u>No. 14</u> | <u>521</u> <u>W.Dayton</u> <u>No. 15</u> |
|---|--|--|---|--|---|--|--|--|
| 5 | 8 | 6 | 4 | 6 | 7 | 4 | 4 | 4 |
| 2,340 SF | 2,950 SF | 2,230 SF | 2,060 SF | 2,210 SF | 2,760 SF | 1,710 SF | 1,700 SF | 2,520 SF |
| \$12,000 | \$16,980 | \$12,780 | \$8,640 | \$12,960 | \$15,480 | \$9,120 | \$9,120 | \$10,990 |
| \$167 | \$177 | \$178 | \$180 | \$180 | \$184 | \$190 | \$190 | \$229 |
| 390 SF | 368 SF | 372 SF | 515 SF | 368 SF | 394 SF | 428 SF | 425 SF | 630 SF |
| L = Heat, Gas | L = Heat except Apt. No. 3 | L = Heat | L = Heat, Gas | L = Heat ¹ | L = All | L = Heat, Gas | L = Heat, Gas | L = All |
| Yes | No | No | No | Yes | No | No | No | Yes |
| No | No | N/A | No | No | No | No | No | N/A |

EXHIBIT 6 (Continued)

¹See Comparable Rental No. 11 for further details

EXHIBIT 7

REGRESSION ANALYSIS OF MONTHLY RENT PER BEDROOM AND GROSS BUILDING AREA PER BEDROOM

NTB>REGRESS C3 1 C4 C12 C13

THE REGRESSION EQUATION IS

$$Y = 64.6 + 0.267 X1$$

| | COLUMN | COEFFICIENT | ST. DEV. OF COEF. | T-RATIO = COEF/S.D. |
|----|--------|-------------|----------------------|------------------------|
| | -- | 64.5711 | 19.3185 | 3.342 |
| X1 | C4 | 0.2675 | 0.0487 | 5.50 |

THE ST. DEV. OF Y ABOUT REGRESSION LINE IS

$$S = 16.4$$

WITH (15- 2) = 13 DEGREES OF FREEDOM

R-SQUARED = 69.9 PERCENT

R-SQUARED = 67.6 PERCENT, ADJUSTED FOR D.F.

ANALYSIS OF VARIANCE

| DUE TO | DF | SS | MS=SS/DF |
|------------|----|--------|----------|
| REGRESSION | 1 | 8160. | 8160. |
| RESIDUAL | 13 | 3509. | 270. |
| TOTAL | 14 | 11668. | |

| ROW | X1 C4 | Y C3 | PRED. Y VALUE | ST. DEV. PRED. Y | RESIDUAL | ST. RES. |
|-----|----------|---------|------------------|---------------------|----------|----------|
| 1 | 245. | 110.0 | 130.1 | 8.1 | -20.1 | -1.41 |
| 2 | 333. | 137.0 | 153.6 | 5.0 | -16.6 | -1.06 |
| 3 | 345. | 137.0 | 156.9 | 4.7 | -19.9 | -1.26 |
| 4 | 355. | 138.0 | 159.5 | 4.5 | -21.5 | -1.36 |
| 5 | 318. | 160.0 | 149.6 | 5.4 | 10.4 | 0.67 |
| 6 | 325. | 166.0 | 151.5 | 5.2 | 14.5 | 0.93 |
| 7 | 390. | 167.0 | 168.9 | 4.2 | -1.9 | -0.12 |
| 8 | 368. | 177.0 | 163.0 | 4.3 | 14.0 | 0.88 |
| 9 | 372. | 178.0 | 164.1 | 4.3 | 13.9 | 0.88 |
| 10 | 515. | 180.0 | 202.3 | 7.5 | -22.3 | -1.53 |
| 11 | 368. | 180.0 | 163.0 | 4.3 | 17.0 | 1.07 |
| 12 | 394. | 184.0 | 170.0 | 4.3 | 14.0 | 0.88 |
| 13 | 428. | 190.0 | 179.1 | 4.7 | 10.9 | 0.69 |
| 14 | 425. | 190.0 | 178.3 | 4.6 | 11.7 | 0.74 |
| 15 | 630. | 229.0 | 233.1 | 12.5 | -4.1 | -0.39 X |

X DENOTES AN OBS. WHOSE X VALUE GIVES IT LARGE INFLUENCE.

EXHIBIT 7 (Continued)

Predicted Market Rent for Subject A

(6 bedrooms, 2,320 SF of GBA)
(Gross monthly rent of \$925 as of 4/30/80)

When

$$Y = 64.6 + 0.267X_1$$

Where

Y = Monthly rent per bedroom
 X_1 = Gross building area per bedroom

Where

$$X_1 = 387 \text{ SF per bedroom}$$

Then

$$Y = 64.6 + (0.267) (387)$$
$$Y = \$167.93 \text{ per bedroom}$$

$$S_{yx} = \$16.4$$

Range of Y = $\$168 \pm \16
or \$152 to \$184 monthly rent per bedroom

Actual Y = \$154 actual average monthly rent per
bedroom for Subject A.

Conclusion: Monthly contract rents per bedroom as of 4/30/80 for Subject A are somewhat below the central tendency of market rents and therefore some adjustments will be made in the contract rents of Subject A to equate them with market rents. Apartments 1, 2, 3, and 5 are assumed to rent for \$220 per month and Apartment 4 is assumed to continue to rent for \$90 per month. The average monthly rent per bedroom is then \$162 per month which is only slightly below the central tendency of \$168; since these apartments have poor configurations and only fair maintenance, this rent is well within the market. Value will be based upon an annual gross income of \$11,640.

EXHIBIT 7 (Continued)

Predicted Market Rent for Subject B

(6 bedrooms, 3,640 SF of GBA)
(Gross monthly rent of \$1,425 as of 4/30/80)

When

$$Y = 64.6 + 0.267X_1$$

Where

Y = Monthly rent per bedroom

X_1 = Gross building area per bedroom

Where

$$X_1 = 607 \text{ SF per bedroom}$$

Then

$$Y = 64.6 + (0.267) (607)$$

$$Y = \$226.67$$

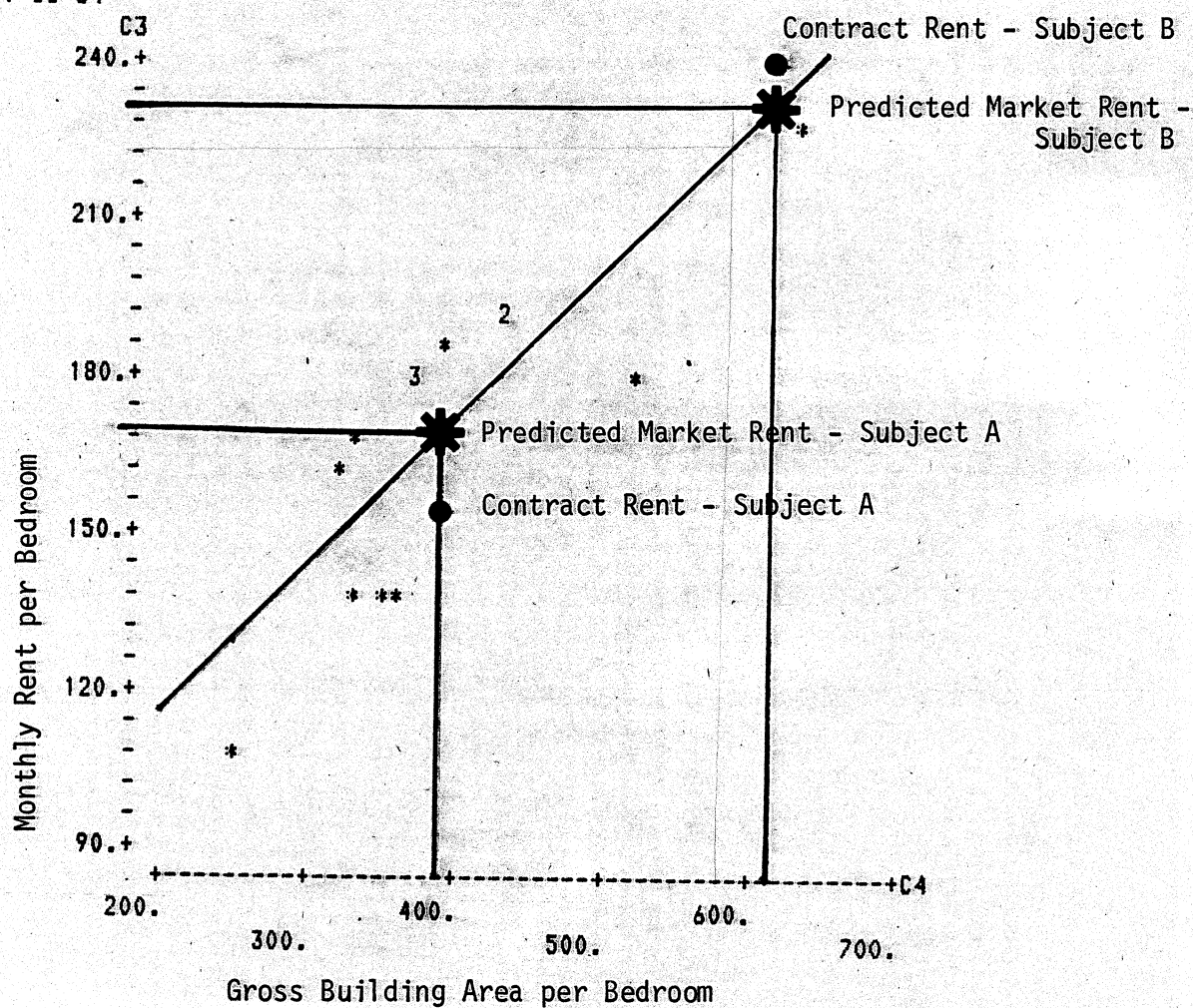
$$S_{yx} = \$16.4$$

$$\text{Range of } Y = \$227 \pm \$16 \text{ or } \$211 \text{ to } \$243$$

Actual Y = \$238 actual average monthly rent per
bedroom for Subject B.

Conclusion: Monthly contract rents per bedroom as of 4/30/80 for Subject B are slightly above the central tendency of market rents. Therefore the contract rents of \$238 per bedroom will be used as the market rents for Subject B. Value will be based upon an annual gross income of \$17,140.

GRAPH OF MONTHLY RENT PER BEDROOM AS A
FUNCTION OF GROSS BUILDING AREA PER BEDROOM



[REDACTED]

its physical characteristics, its utility, its use potential, and its location. No adjustments are made to the comparables in the calculation of the GRM.

Fourteen sales of properties located in the general area of Mifflin Street are reviewed. (See Exhibits 9 and 10.) The data is summarized in Exhibit 11.

In discussions with brokers and appraisers familiar with the student housing market in the Mifflin Street area, there is general agreement that the availability of off-street parking has little effect upon value. There seems to be a small increase in rents, and therefore an accompanying decrease in GRM, if the landlord pays all of the utilities as opposed to the landlord paying just the heat.

There is disagreement as to the rental dollar value of furnishings in this market. The degree and quality of furnishings have a wide range of variance; some landlords do not differentiate rents if furniture is provided in some apartments and not in others within the buildings. But on the average the landlord who provides all of the furniture can charge \$10 to \$20 a month more in rent, and therefore, the gross rents are higher and the GRM is correspondingly lower, all other factors being equal. Most landlords want to get out of the furniture business.

There appears to be a relationship between remodeling done before or after the sale. If the property was extensively remodeled before the sale, the buyer is willing to pay a higher

EXHIBIT 9

LOCATION OF COMPARABLE SALES

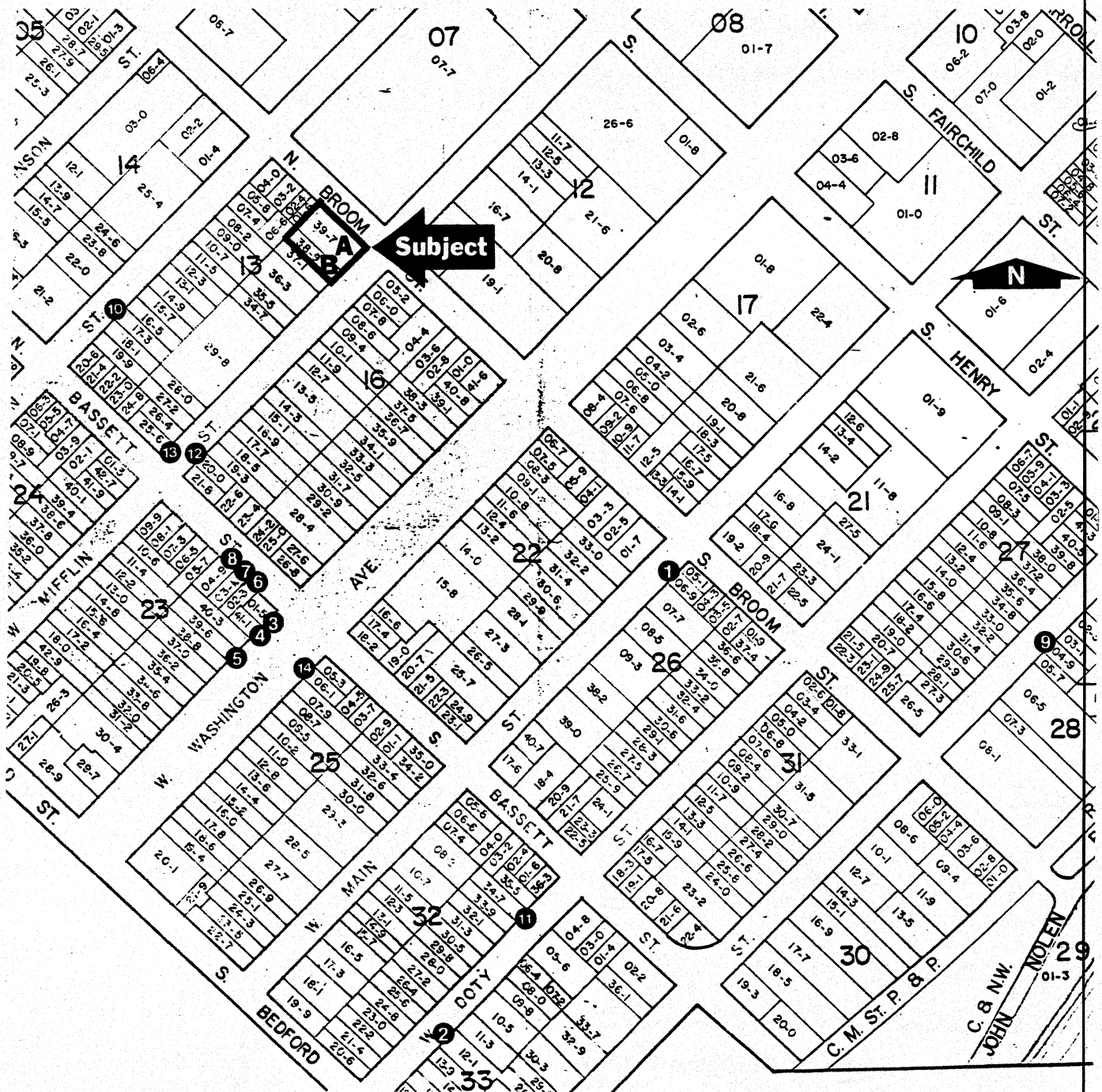


EXHIBIT 10

COMPARABLE SALES DATA

COMPARABLE SALE NO. 1
405-407 WEST MAIN STREET



Sale Date: April 1, 1980
Sale Price: \$83,265
Grantor: James F. Higgins
Grantee: Kurt D. Luedtke
Legal Description: SW 33' of NW $\frac{1}{2}$ of Lot 9, Block 45, Original Plat

Terms of Sale: Land Contract, 21% down, 12% interest, 2.71 year term
Recorded: Vol. 1811, p. 38
Frontage: 33 feet
Lot Size: 2,178 square feet
Approximate Gross Building Area: 2,420 square feet

Sale Price/Square Foot: \$34.41
Annual Gross Rent: \$11,520
Gross Rent Multiplier: 7.2
Rental Units: 1 - 2 bedroom
 1 - 5 bedroom

| | | |
|------------------|--------------|----------|
| 1980 Assessment: | Land | \$10,900 |
| | Improvements | 43,200 |
| | Total | \$54,100 |

Remarks: Property was on the market for 197 days; seller had wanted cash.
Landlord pays heat.

EXHIBIT 10 (Continued)

COMPARABLE SALE NO. 2
537-539 WEST DOTY STREET



Sale Date: May 5, 1980
Sale Price: \$110,000
Grantor: David N. Johnson
Grantee: Yin, Peter Yi-ming and Hua-nien Chien, et. al.
Legal Description: NE $\frac{1}{2}$ of Lot 3 and SE 16 $\frac{1}{2}$ ' of Lot 4, Block 30, Original Plat

Terms of Sale: Land Contract, 27% down, 11% interest, 3 year term
Recorded: Vol. 1898, p. 90
Frontage: 49.5 feet
Lot Size: 6,534 square feet
Approximate Gross Building Area: 537 W. Doty = 2,000 square feet
539 W. Doty = 680 square feet

Sale Price/Square Foot: \$41.00
Annual Gross Rent: \$14,280
Gross Rent Multiplier: 7.70
Rental Units: 1 - 4 bedroom)
1 - 1 bedroom) 537 W. Doty
1 - 3-4 bedroom 539 W. Doty

| | | |
|------------------|--------------|-----------------|
| 1980 Assessment: | Land | \$32,600 |
| | Improvements | 40,300 |
| | Total | <u>\$72,900</u> |

Remarks: Sale involves two separate buildings. Units extensively remodeled and insulated before sale. Disposal in each unit. Landlord pays heat. Furniture provided.

COMPARABLE SALE NO. 3
504 WEST WASHINGTON AVENUE
(a.k.a. 2 NORTH BASSETT STREET)



Sale Date: February 21, 1980
Sale Price: \$59,000
Grantor: Marvin S. Marcus and Robert W. Aagaard, Trustee
Grantee: Peter M. Nichols and Elliott M. Ross
Legal Description: NE 45½ feet of the SE 59 feet of Lot 10, Block 33
in the City of Madison

Terms of Sale: Land Contract, blended rate of 10.75% interest, 6 year term,
debt service structured to parallel vendors' debt differential
Recorded: Vol. 1687, p. 19 - 27
Frontage: 45 feet
Lot Size: 2,684 square feet
Approximate Gross Building Area: 1,350 square feet

Sale Price/Square Foot: \$43.70
Annual Gross Rent: \$8,400
Gross Rent Multiplier: 7.0
Rental Units: 1 - 2 bedroom
1 - 2 bedroom

| | | |
|------------------|--------------|----------|
| 1980 Assessment: | Land | \$13,400 |
| | Improvements | 27,000 |
| | Total | \$40,400 |

Remarks: First floor currently being used as offices for Presidential Properties, but will be rented as 2 bedroom unit at \$380/month when offices are moved. This sale and the following six sales were part of a package purchase in which price was based upon annual gross rents. Landlord pays heat.

EXHIBIT 10 (Continued)

COMPARABLE SALE NO. 4
506 WEST WASHINGTON AVENUE



Sale Date: February 21, 1980
Sale Price: \$59,000
Grantor: Marvin S. Marcus and Robert W. Aagaard, Trustee
Grantee: Peter M. Nichols and Elliott M. Ross
Legal Description: Parts of Lots 10 and 11, Block 33 in the City of Madison

Terms of Sale: Land Contract, blended rate of 10.75% interest, 6 year term,
debt service structured to parallel vendors' debt differential
Recorded: Vol. 1687, p. 19 - 27
Frontage: 37 feet
Lot Size: 2,414 square feet
Approximate Gross Building Area: 1,700 square feet

Sale Price/Square Foot: \$34.70
Annual Gross Rent: \$8,400
Gross Rent Multiplier: 7.0
Rental Units: 1 - 2 bedroom
1 - 2 bedroom

| | | |
|------------------|--------------|----------|
| 1980 Assessment: | Land | \$12,100 |
| | Improvements | 27,500 |
| | Total | \$39,600 |

Remarks: This sale is part of a package purchase involving comparable sales 3 through 8. Landlord pays heat and gas.

EXHIBIT 10 (Continued)

COMPARABLE SALE NO. 5
512 WEST WASHINGTON AVENUE



Sale Date: February 21, 1980
Sale Price: \$57,700
Grantor: Marvin S. Marcus and Robert W. Aagaard, Trustee
Grantee: Peter M. Nichols and Elliott M. Ross
Legal Description: SW 14.7' of Lot 11 and the NE 16.5' of Lot 12, Block 33,
City of Madison

Terms of Sale: Land Contract, blended rate of 10.75% interest, 6 year term,
debt service structured to parallel vendors' debt differential
Recorded: Voo. 1687, p. 19 - 27
Frontage: 31 feet
Lot Size: 5,148 square feet
Approximate Gross Building Area: 1,710 square feet

Sale Price/Square Foot: \$33.75
Annual Gross Rent: \$8,280
Gross Rent Multiplier: 7.0
Rental Units: 2 - 2 bedroom

| | | |
|------------------|--------------|----------|
| 1980 Assessment: | Land | \$25,700 |
| | Improvements | 34,000 |
| | Total | \$59,700 |

Remarks: Part of package deal involving comparable sales 3 through 8.
Landlord pays heat and gas.

EXHIBIT 10 (Continued)

COMPARABLE SALE NO. 6
8 NORTH BASSETT STREET



Sale Date: February 21, 1980
Sale Price: \$58,100
Grantor: Marvin S. Marcus and Robert W. Aagaard, Trustee
Grantee: Peter M. Nichols and Elliott M. Ross
Legal Description: Parts of Lots 10 and 11, Block 33, in the City of Madison

Terms of Sale: Land Contract, blended rate of 10.75% interest, 6 year term,
debt service structured to parallel vendors' debt differential

Recorded: Vol. 1687, p. 19 - 27
Frontage: 50 feet
Lot Size: 2,491 square feet
Approximate Gross Building Area: 2,060 square feet

Sale Price/Square Foot: \$28.20
Annual Gross Rent: \$8,280
Gross Rent Multiplier: 7.0
Rental Units: 2 - 2 bedroom

| | | |
|------------------|--------------|-----------------|
| 1980 Assessment: | Land | \$12,500 |
| | Improvements | 35,300 |
| | Total | <u>\$47,800</u> |

Remarks: Part of package purchase involving comparable sales 3 through 8.
Landlord pays heat and gas.

EXHIBIT 10 (Continued)

COMPARABLE SALE NO. 7
10 NORTH BASSETT STREET



Sale Date: February 21, 1980
Sale Price: \$77,700
Grantor: Marvin S. Marcus and Robert W. Aagaard, Trustee
Grantee: Peter M. Nichols and Elliott M. Ross
Legal Description: Parts of Lot 10 and Lot 11, Block 33, in the City of Madison

Terms of Sale: Land Contract, blended rate of 10.75% interest, 6 year term,
debt service structured to parallel vendors' debt differential

Recorded: Vol. 1687, p. 19 - 27
Frontage: 33 feet
Lot Size: 2,722 square feet
Approximate Gross Building Area: 2,340 square feet

Sale Price/Square Foot: \$33.20
Annual Gross Rent: \$11,040
Gross Rent Multiplier: 7.0
Rental Units: 2 - 3 bedroom

| | | |
|------------------|--------------|-----------------|
| 1980 Assessment: | Land | \$13,600 |
| | Improvements | 37,200 |
| | Total | <u>\$50,800</u> |

Remarks: Part of package purchase involving comparable sales 3 through 8.
Parking for approximately 8 to 10 cars available at the rear of
10 and 14 North Bassett Street. Landlord pays heat and gas.

EXHIBIT 10 (Continued)

COMPARABLE SALE NO. 8
14 NORTH BASSETT STREET



Sale Date: February 21, 1980
Sale Price: \$79,200
Grantor: Marvin S. Marcus and Robert W. Aagaard, Trustee
Grantee: Peter M. Nichols and Elliott M. Ross
Legal Description: Parts of Lot 10 and Lot 11, Block 33, in the City of Madison

Terms of Sale: Land Contract, blended rate of 10.75% interest, 6 year term,
debt service structured to parallel vendors' debt differential

Recorded: Vol. 1687, p. 19 - 27
Frontage: 50 feet
Lot Size: 3,300 square feet
Approximate Gross Building Area: 2,210 square feet

Sale Price/Square Foot: \$35.84
Annual Gross Rent: \$11,280
Gross Rent Multiplier: 7.0
Rental Units: 2 - 3 bedroom

| | | |
|------------------|--------------|-----------------|
| 1980 Assessment: | Land | \$16,500 |
| | Improvements | 34,300 |
| | Total | <u>\$50,800</u> |

Remarks: Part of package purchase involving comparable sales 3 through 8.
Parking available for 8 to 10 cars at rear of 10 and 14 North
Bassett Street. Landlord pays heat.

EXHIBIT 10 (Continued)

COMPARABLE SALE NO. 9
325 WEST WILSON STREET



Sale Date: January 18, 1980
Sale Price: \$94,000
Grantor: Richard F. Epping and David L. Leubbens
Grantee: Ronald L. and Phyllis F. Shinde
Legal Description: Part of Lots 5 and 6, Block 48, Original Plat

Terms of Sale: Land Contract, 11% down, 11% interest on \$53,000 and 9.6% interest on \$31,000, 3 year term with 1 year option

Recorded: Vol. 1585, p. 10

Frontage: 34.9 feet

Lot Size: 3,228 square feet

Approximate Gross Building Area: 2,700 square feet

Sale Price/Square Foot: \$34.80

Annual Gross Rent: \$14,460

Gross Rent Multiplier: 6.50

Rental Units: 1 - 5 bedroom
1 - 4 bedroom
1 - 2 bedroom

| | | |
|------------------|--------------|----------|
| 1980 Assessment: | Land | \$19,400 |
| | Improvements | 79,700 |
| | Total | \$99,100 |

Remarks: Landlord pays all utilities. Furniture provided.

EXHIBIT 10 (Continued)

COMPARABLE SALE NO. 10
439 WEST DAYTON STREET



Sale Date: November 12, 1979
Sale Price: \$82,900
Grantor: Elzie M. and Julia L. Snittler
Grantee: Dennis M. and Marilyn K. Catterson
Legal Description: SW $\frac{1}{2}$ of Lot 3, Block 42, in City of Madison

Terms of Sale: Land Contract, 12% down, 10 $\frac{1}{2}$ % interest, 10 year term
Recorded: Vol. 1915, p. 13
Frontage: 33 feet
Lot Size: 4,356 square feet
Approximate Gross Building Area: 3,000 square feet

Sale Price/Square Foot: \$27.63
Annual Gross Rent: \$13,400
Gross Rent Multiplier: 6.19
Rental Units: 3 - 3 bedroom

| | | |
|------------------|--------------|----------|
| 1980 Assessment: | Land | \$21,800 |
| | Improvements | 51,200 |
| | Total | \$73,000 |

Remarks: Property was on the market for approximately seven months. Buyer converted from oil to gas heat and put escalators in leases for heat expenses which exceed a minimum base. Heating costs have been greatly reduced. Furniture provided.

EXHIBIT 10 (Continued)

COMPARABLE SALE NO. 11
512 WEST DOTY STREET



Sale Date: August 15, 1979
Sale Price: \$55,900
Grantor: Timothy J. and Margaret A. Kohl
Grantee: Diane, John J., George W. and Anne Leunig
Legal Description: SW $\frac{1}{2}$ of Lot 11, Block 31 in the City of Madison

Terms of Sale: Cash, warranty deed
Recorded: Vol. 1089, p. 239
Frontage: 33 feet
Lot Size: 4,356 square feet
Approximate Gross Building Area: 1,270 square feet

Sale Price/Square Foot: \$44.00
Annual Gross Rent: \$7,680
Gross Rent Multiplier: 7.27
Rental Units: 2 - 2 bedroom

| | | |
|------------------|--------------|----------|
| 1980 Assessment: | Land | \$21,800 |
| | Improvements | 31,300 |
| | Total | \$53,100 |

Remarks: Remodeled before sale. Landlord pays heat.

EXHIBIT 10 (Continued)

COMPARABLE SALE NO. 12
449 WEST MIFFLIN STREET



Sale Date: September 15, 1978
Sale Price: \$92,000
Grantor: Donald G. Zinke
Grantee: Peter M. Nichols, et. al.
Legal Description: NW 85' of NE $\frac{1}{2}$ of Lot 1, Block 43, in City of Madison

Terms of Sale: Land Contract, 11% down, interest 9% 1st year, 9 $\frac{1}{2}$ % 2nd year,
10% 3rd and 4th years, 10 $\frac{1}{2}$ % 5th and 6th years with balloon at
end of 6 year term

Recorded: Vol. 995, p. 17
Frontage: 33 feet
Lot Size: 2,805 square feet
Approximate Gross Building Area: 2,950 square feet

Sale Price/Square Foot: \$31.20
Annual Gross Rent: \$13,590
Gross Rent Multiplier: 6.77
Rental Units:
1 - 3 bedroom
1 - 3+ bedroom
1 - 2 bedroom

| | | |
|------------------|--------------|-----------|
| 1980 Assessment: | Land | \$14,000 |
| | Improvements | 89,500 |
| | Total | \$103,500 |

Remarks: Purchased together with comparable sales 13 and 14. Landlord pays heat except in Apt. 3.

EXHIBIT 10 (Continued)

COMPARABLE SALE NO. 13
454 WEST MIFFLIN STREET



Sale Date: September 15, 1978

Sale Price: \$82,500

Grantor: Donald G. Zinke

Grantee: Peter M. Nichols, et. al.

Legal Description: SW 33' of the SE 99' of Lot 18, Block 42, in City of Madison

Terms of Sale: Land Contract, 16% down, interest 9% 1st year, 9½% 2nd year, 10% 3rd and 4th years, 10½% 5th and 6th years, balloon at end of 6 year term

Recorded: Vol. 995, p. 13

Frontage: 33 feet

Lot Size: 3,267 square feet

Approximate Gross Building Area: 2,760 square feet

Sale Price/Square Foot: \$29.90

Annual Gross Rent: \$12,870

Gross Rent Multiplier: 6.41

Rental Units: 2 - 2 bedroom
1 - 3 bedroom

| | | |
|------------------|--------------|----------|
| 1980 Assessment: | Land | \$16,300 |
| | Improvements | 68,900 |
| | Total | \$85,200 |

Remarks: Purchased together with comparable sales 12 and 14. Landlord pays all utilities.

EXHIBIT 10 (Continued)

COMPARABLE SALE NO. 14
503 WEST WASHINGTON AVENUE



Sale Date: September 15, 1978
Sale Price: \$85,000
Grantor: Donald G. Zinke
Grantee: Peter M. Nichols, et. al.
Legal Description: SW 33' of the NW 90' of Lot 9, Block 32, in City of Madison

Terms of Sale: Land Contract, 16% down, interest 9% 1st year, 9½% 2nd year,
10% 3rd and 4th years, 10½% 5th and 6th years, balloon at end of
6 year term

Recorded: Vol. 995, p. 21
Frontage: 33 feet
Lot Size: 2,970 square feet
Approximate Gross Building Area: 2,600 square feet

Sale Price/Square Foot: \$32.70
Annual Gross Rent: \$12,350
Gross Rent Multiplier: 6.88
Rental Units: 2 - 4 bedroom

| | | |
|------------------|--------------|-----------------|
| 1980 Assessment: | Land | \$14,900 |
| | Improvements | 67,100 |
| | Total | <u>\$82,000</u> |

Remarks: Purchased together with comparable sales 12 and 13. Landlord pays heat and gas.

SUMMARY OF COMPARABLE SALES DATA

| | <u>Subject A</u> | <u>Subject B</u> | <u>405-407 W. Main No. 1</u> | <u>537-539 W. Dcty No. 2</u> | <u>504 W. Washington No. 3</u> | <u>506 W. Washington No. 4</u> | <u>512 W. Washington No. 5</u> |
|---|------------------------|----------------------|--------------------------------------|--------------------------------------|--|--|--|
| Sales Price: | N/A | N/A | \$83,625 | \$110,000 | \$59,000 | \$59,000 | \$57,700 |
| Sales Date: | 4/30/80 | 4/30/80 | 4/1/80 | 5/5/80 | 2/21/80 | 2/21/80 | 2/21/80 |
| Sales Instrument: | N/A | N/A | L. C. | L. C. | L. C. | L. C. | L. C. |
| Frontage: | 66 ft. | 33 ft. | 33 ft. | 49.5 ft. | 45 ft. | 37 ft. | 31 ft. |
| Lot Size: | 8,712 SF | 4,356 SF | 2,178 SF | 6,534 SF | 2,684 SF | 2,414 SF | 5,148 SF |
| Building Size: | 2,320 SF | 3,640 SF | 2,420 SF | 2,680 SF | 1,350 SF | 1,700 SF | 1,710 SF |
| Number of Rental Units | 5 | 6 | 2 | 3 | 2 | 2 | 2 |
| Number of Bedrooms: | 6 | 6 | 7 | 8 | 4 | 4 | 4 |
| Annual Gross Rent: (at time of sale) | \$11,640 (Adjusted) | \$17,140 (Actual) | \$11,520 | \$14,280 | \$8,400 | \$8,400 | \$8,280 |
| Sales Price/SF: | N/A | N/A | \$34.40 | \$41.00 | \$43.70 | \$34.70 | \$33.75 |
| Gross Rent Multiplier: | N/A | N/A | 7.2 | 7.7 | 7.0 | 7.0 | 7.0 |
| Parking: ¹ | Yes | No | No | Yes | No | No | No |
| Utilities: | L = Heat | L = Heat | L = Heat | L = Heat | L = Heat | L = Heat | L = Heat |
| Furnished: | No | No | No | Yes | No | No | No |
| Remodeled: ² | No | No | No | Yes-1 | No | No | No |

¹Parking refers to availability of rental parking spaces

²Yes-1 means remodeled before sale
Yes-2 means remodeled after sale

EXHIBIT 11

SUMMARY OF COMPARABLE SALES DATA

| 8 N.Basnett No. 6 | 10 N.Basnett No. 7 | 14 N.Basnett No. 8 | 325 W.Wilson No. 9 | 439 W.Dayton No. 10 | 512 W.Doty No. 11 | 449 W.Mifflin No. 12 | 454 W.Mifflin No. 13 | 503 W.Washington No. 14 |
|-------------------------|--------------------------|--------------------------|--------------------------|---------------------------|-------------------------|----------------------------|----------------------------|-------------------------------|
| \$58,100 | \$77,700 | \$79,200 | \$94,000 | \$82,900 | \$55,900 | \$92,000 | \$82,500 | \$85,000 |
| 2/21/80 | 2/21/80 | 2/21/80 | 1/18/80 | 11/12/79 | 8/15/79 | 9/15/78 | 9/15/78 | 9/15/78 |
| L. C. | L. C. | L. C. | L. C. | L. C. | W. D. | L. C. | L. C. | L. C. |
| 50 ft. | 33 ft. | 50 ft. | 34.9 ft. | 33 ft. | 33 ft. | 33 ft. | 33 ft. | 33 ft. |
| 2,491 SF | 2,722 SF | 2,491 SF | 3,228 SF | 4,356 SF | 4,356 SF | 2,805 SF | 3,267 SF | 2,970 SF |
| 2,060 SF | 2,340 SF | 2,210 SF | 2,700 SF | 3,000 SF | 1,270 SF | 2,950 SF | 2,760 SF | 2,600 SF |
| 2 | 2 | 2 | 3 | 3 | 2 | 3 | 3 | 2 |
| 4 | 6 | 6 | 11 | 9 | 4 | 8 | 5 | 8 |
| \$8,280 | \$11,040 | \$11,280 | \$14,460 | \$13,400 | \$7,680 | \$13,590 | \$12,870 | \$12,350 |
| \$28.20 | \$33.20 | \$35.80 | \$34.80 | \$27.63 | \$44.00 | \$31.20 | \$29.90 | \$32.70 |
| 7.0 | 7.0 | 7.0 | 6.5 | 6.2 | 7.3 | 6.8 | 6.4 | 6.9 |
| No | Yes | Yes | No | Yes | No | No | No | No |
| L = Heat | L = Heat | L = Heat | L = All | L = Heat | L = Heat | L = Heat | L = All | L = Heat |
| No | No | No | Yes | Yes | No | No | No | No |
| No | No | No | No | Yes-2 | Yes-1 | No | No | No |

EXHIBIT 11 (Continued)

price, anticipating a potential to raise rents at the next renewal period. If the property is in need of remodeling, the buyer is willing to pay less knowing the investment needed to maintain the flow of market rents will be immediate.

Investors and appraisers agree there is no premium for the plottage value gained in selling the two properties as a unit. The market is concerned with rent potential, not development potential at this point in time. The plottage value is too far into the future, given the current demand for student housing and the high cost of new construction.

When the properties are screened on the basis of comparability to the subject properties, these selection criteria are used:
(See Exhibit 11.)

Building size > 2,000 SF
Utilities = Landlord pays heat
Furnished = No
Remodeled = No

The following properties are used to determine the GRM for the subject properties:

| <u>Comparable No.</u> | <u>GBA</u> | <u>GRM</u> |
|-----------------------|------------|------------|
| 1 | 2,420 SF | 7.2 |
| 6 | 2,060 SF | 7.0 |
| 7 | 2,340 SF | 7.0 |
| 8 | 2,210 SF | 7.0 |
| 12 | 2,950 SF | 6.8 |
| 14 | 2,600 SF | 6.9 |

Comparable 6, 7, and 8 are a part of a package purchase;

the values paid are based upon a GRM of 7.0, so therefore, equal weighting is not given to these three sales.

While the poorer physical condition and configuration of Subject A discounts its value, the double lot adds more than the usual amount of yard space found in the other comparables for potential building alterations or for parking for residents. Therefore, a GRM of 7.0 is considered appropriate for Subject A.

The estimated value of the most probable selling price of Subject A located at 404-406 West Mifflin Street is

$$7.0 \times \$11,640 = \$81,480$$

or \$81,500 (rounded)

Subject B is in average physical condition, has average interior configurations, but it lacks access to its parking area unless an easement is purchased from Subject A. Subject B with 3,642 square feet of GBA is larger than any of the comparable sales. A review of the summary of comparable sales (Exhibit 11) shows that the larger buildings with three floors of living area have a lower GRM which ranges from 6.2 to 6.9. Some of these GRMs are partially affected by furnishing and utilities provided by the landlord or by the need for remodeling at time of purchase. Comparable 12 (449 West Mifflin) with 2,950 square feet of GBA, and included in the final screening as most comparable, has a GRM of 6.8. Its current annual gross rent of \$16,980 also compares favorably with Subject B which is at \$17,280 dollars per year. Thus, more weight is placed upon the GRM of this comparable sale.

A GRM of 6.8 is considered appropriate for Subject B.

The estimated value of the most probable selling price of Subject B located at 408 West Mifflin Street is

$$6.8 \times \$17,140 = \$116,552$$

or \$117,000 (rounded)

D. Statistical Check of Final Value Estimates

The selling price of each of the six most comparable sales is entered as the dependent variable in a simple regression analysis ^{with} ~~for~~ the annual gross rental revenue entered as the independent variable. The data is as follows:

| <u>Comparable Sales</u> | <u>Selling Price</u> | <u>Gross Annual Rental Revenue</u> |
|-------------------------|----------------------|------------------------------------|
| 1 | \$83,265 | \$11,520 |
| 6 | 58,100 | 8,280 |
| 7 | 77,700 | 11,040 |
| 8 | 79,200 | 11,280 |
| 12 | 92,000 | 13,590 |
| 14 | 85,000 | 12,350 |

The results of the regression analysis and the predicted selling price of the subject properties are shown in Exhibit 12.

A plot of the selling price on the Y axis and the annual gross rental income on the X axis graphically shows the relationship of these two variables in Exhibit 13. The most probable selling prices of the subject properties are highlighted.

EXHIBIT 12

REGRESSION ANALYSIS OF SELLING PRICE AND ANNUAL GROSS RENTAL INCOME

MTB>REGRESS C1 1 C2 C10 C11

THE REGRESSION EQUATION IS
Y = 6072. + 6.45 X1

| | COLUMN | COEFFICIENT | ST. DEV. OF COEF. | T-RATIO = COEF/S.D. |
|----|--------|-------------|----------------------|------------------------|
| | -- | 6071.6875 | 5445.7485 | 1.115 |
| X1 | C2 | 6.4478 | 0.4753 | 13.57 |

THE ST. DEV. OF Y ABOUT REGRESSION LINE IS
S = 1876.
WITH (6- 2) = 4 DEGREES OF FREEDOM

R-SQUARED = 97.9 PERCENT
R-SQUARED = 97.3 PERCENT, ADJUSTED FOR D.F.

ANALYSIS OF VARIANCE

| DUE TO | DF | SS | MS=SS/DF |
|------------|----|------------|------------|
| REGRESSION | 1 | 647390784. | 647390784. |
| RESIDUAL | 4 | 14072427. | 3518107. |
| TOTAL | 5 | 661463232. | |

| ROW | X1 C2 | Y C1 | PRED. Y VALUE | ST.DEV. PRED. Y | RESIDUAL | ST.RES. |
|-----|----------|---------|------------------|--------------------|----------|---------|
| 1 | 11520. | 83265. | 80350. | 770. | 2915. | 1.70 |
| 2 | 8280. | 58100. | 59459. | 1645. | -1359. | -1.51 X |
| 3 | 11040. | 77700. | 77255. | 779. | 445. | 0.26 |
| 4 | 11280. | 79200. | 78802. | 766. | 398. | 0.23 |
| 5 | 13590. | 92000. | 93697. | 1314. | -1697. | -1.27 |
| 6 | 12350. | 85000. | 85702. | 903. | -702. | -0.43 |

X DENOTES AN OBS. WHOSE X VALUE GIVES IT LARGE INFLUENCE.

EXHIBIT 12 (Continued)

Estimate of Most Probable Selling Price for Subject A

$$Y = 6072 + 6.45X_1$$

when $X_1 = \$11,640$ (Subject A annual gross rental revenue)

then $Y = 6072 + (6.45) (11,640)$

$$Y = \$81,150$$

$$S_{yx} = \$1,876$$

$$\begin{aligned} \text{Range of } Y &= \$81,150 \pm \$1,876 \\ &\text{or } \$79,275 \text{ to } \$83,026 \end{aligned}$$

The value of \$81,500 estimated by the GRM falls within this value range.

EXHIBIT 12 (Continued)

Estimate of Most Probable Selling Price for Subject B

$$Y = 6072 + 6.45X_1$$

when $X_1 = \$17,140$ (Subject B annual gross rental revenue)

then $Y = 6072 + (6.45) (17,140)$

$$Y = \$116,625$$

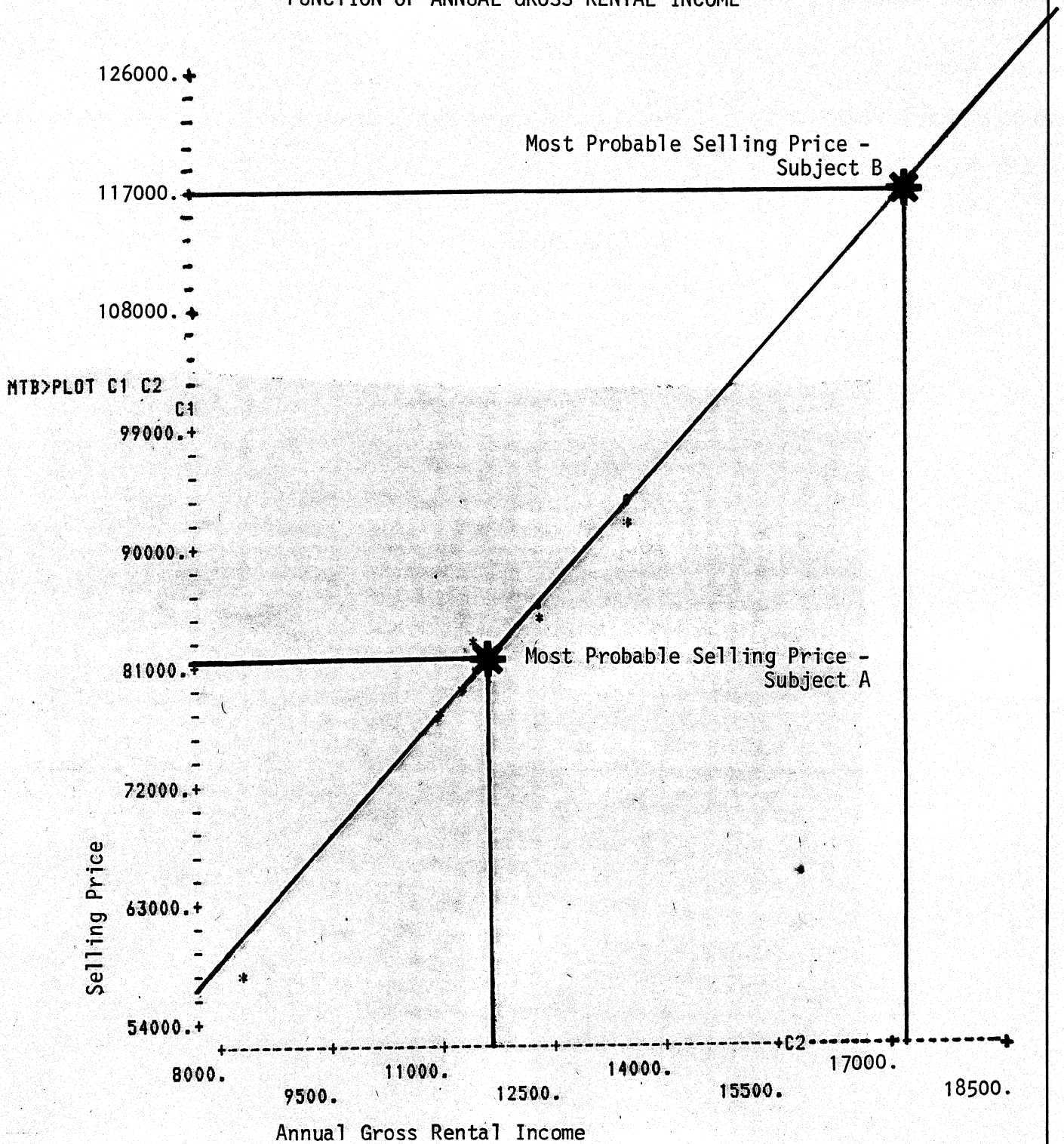
$$Syx = \$1,876$$

$$\begin{aligned} \text{Range of } Y &= \$116,625 \pm \$1,876 \\ &\text{or } \$114,749 \text{ to } \$118,500 \end{aligned}$$

The value of \$117,000 estimated by the GRM falls within this range.

EXHIBIT 13

GRAPH OF SELLING PRICE AS A
FUNCTION OF ANNUAL GROSS RENTAL INCOME



V. CONCLUSION

The market approach suggests a value of \$81,500 for Subject Property A and \$117,000 for Subject Property B.

The cost approach is inappropriate for improvements that are over 100 years old and not optimum for the site.

The income approach which applies the appropriate rate of capitalization to the annual net income is generally not used in the Madison student housing residential market to determine value.

Based upon the assumptions and limiting conditions presented, it is the opinion of the appraiser that the market value or most probable selling prices of the subject properties described herein as of April 30, 1980, are:

Subject A

Located at 404-406 West Mifflin Street

EIGHT-ONE THOUSAND FIVE HUNDRED DOLLARS

(\$81,500)

Subject B

Located at 408 West Mifflin Street

ONE HUNDRED SEVENTEEN THOUSAND DOLLARS

(\$117,000)

assuming a land contract from the seller with 12 percent down at 11 percent interest with a balloon payment at the end of a five year term.

STATEMENT OF LIMITING CONDITIONS

This appraisal is made subject especially to the following conditions and stipulations:

1. Contributions of Other Professionals

- . The legal descriptions furnished are assumed to be correct.
- . 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 mortgage loans or other liens or encumbrances.
- . The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. The appraiser assumes no responsibility for such conditions or for the engineering which might be required to discover such factors.
- . The maps and drawings in this report are included to assist the reader in visualizing the property. These visual aids are for illustrative purposes only and do not represent an actual survey of the property.

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.
- . All information furnished in this appraisal including property sales and rentals, financing, and land use restrictions are deemed reliable. No warranty or representation is made regarding the accuracy thereof, and it is submitted subject to errors, omissions, change of price, rental or conditions, prior sale, lease, financing, or withdrawal without notice.

3. Controls on Use of Appraisal

- . 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 regarding the valuation conclusions and the identity of the appraiser, or of the firm with which he is connected or any of his associates.
- . The authors will not be required to give testimony or to appear in court by reason of this report, with reference to the property in question, unless timely arrangements have been previously made with fees set at prevailing per diem rates.
- . Landmark Research, Inc., will expect to be held harmless from any and all claims that might be brought by third parties which might relate in any way to claims for injury or damage suffered as the result of the implementation of any advice we may have given or services we may have rendered in this connection.

CERTIFICATE OF APPRAISAL

We hereby certify that we 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. We certify that we have personally inspected the property and that according to our knowledge and belief, all statements and information in the 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 our opinion that the Fair Market Value, as defined herein, for these properties as of April 30, 1980, are:

SUBJECT A

EIGHTY-ONE THOUSAND FIVE HUNDRED DOLLARS
(\$81,500)

SUBJECT B

ONE HUNDRED SEVENTEEN THOUSAND DOLLARS
(\$117,000)

James A. Graaskamp, Ph.D., SREA, CRE

Jean B. Davis
Jean B. Davis, MS

December 19, 1980
Date

J A M E S A. G R A A S K A M P

PROFESSIONAL DESIGNATIONS

SREA, Senior Real Estate Analyst, Society of Real Estate Appraisers

CRE, Counselor of Real Estate, American Society of Real Estate
Counselors

CPCU, Certified Property Casualty Underwriter, College of Property
Underwriters

EDUCATION

Ph.D., Urban Land Economics and Risk Managment - University of Wisconsin

Master of Business Administration - Marquette University

Bachelor of Arts - Rollins College

ACADEMIC HONORS

Chairman, Department of Real Estate and Urban Land Economics,
School of Business, University of Wisconsin

Urban Land Institute Research Fellow

University of Wisconsin Fellow, Omicron Delta Kappa

Lambda Alpha - Ely Chapter

Beta Gamma Sigma, William Kiekhofer Teaching Award (1966)

PROFESSIONAL EXPERIENCE

Dr. Graaskamp is the President and founder of Landmark Research, Inc., which was established in 1968. He is also co-founder of a general contracting firm, and land development company and a farm investment corporation. He is co-designer and instructor of the EDUCARE teaching program for computer applications in the real estate industry. His work includes substantial and varied consulting and valuation assignments to include investment counseling to insurance companies and banks, court testimony as expert witness, and the market/financial analysis of various projects, both nationally and locally and for private and corporate investors and municipalities.

J E A N B . D A V I S

EDUCATION

Master of Science - Real Estate Appraisal and Investment Analysis,
University of Wisconsin

Master of Arts - Elementary Education, Stanford University

Bachelor of Arts - Stanford University (with distinctions)

Additional graduate and undergraduate work at Colombia Teachers
College and the University of Wisconsin

PROFESSIONAL EDUCATION AND MEMBERSHIPS

Society of Real Estate Appraisers

| | |
|--|------------|
| Appraising Real Property | Course 101 |
| Principles of Income Property Appraising | Course 201 |

American Institute of Real Estate Appraisers

Residential Valuation (formerly Course VIII)

Certified as Assessor I, Department of Revenue,
State of Wisconsin

PROFESSIONAL EXPERIENCE

With a significant background in education, practiced in California, Hawaii and Wisconsin, Ms. Davis is currently associated with Landmark Research, Inc. Her experience includes the appraisal and analysis of commercial and residential properties, significant involvement in municipal assessment practices, and market and survey research to determine demand potentials.

APPENDIX

ZONING CODE

Sec. 28.08(6)(i)

(i) Off-Street Parking And Loading.

1. For Buildings With Side Yards. Parking shall be provided according to regulations in Section 28.11. No parking will be permitted in the required front or street side yards.
2. For Buildings With Zero Side Yards. Enclosed off-street parking and loading facilities may be located only inside principal buildings and access to such enclosed facilities may be taken only from the front yard or, in the case of a corner lot, the side yard adjoining the street. No vehicular access shall be permitted either to or from the rear yard at such enclosed facility. Unenclosed off-street parking and loading facilities for new buildings shall be located in required front yards or side yards adjoining public streets with screening provided as follows:
 - a. Such screening shall be provided continuously along all sides of any parking area not adjoined by a building or not required as a driveway opening.
 - b. Such screening shall be constructed of the same masonry material as that which is predominant in the front elevation of the building, unless otherwise approved by the City Planning Department.
 - c. Such screening shall be built with at least seventy-five percent (75%) opacity, that is seventy-five percent (75%) opaque surfaces to a maximum twenty-five percent (25%) openings as viewed in elevation.
 - d. Such screening shall be built no less than four (4) feet high along all sides of parking areas, except that it shall be reduced to a height of two (2) feet for vision clearance within ten (10) feet of a driveway crossing a lot line.

(Sec. 28.08(6)(i)2. Am. by Ord. 6479, 1-26-79)

(7) R6 General Residence District.

- (a) Statement Of Purpose. The R6 general residence district is established to stabilize and protect the essential characteristics of certain of the highest density residential areas normally located in the central part of the City, and to promote and encourage, insofar as compatible with the intensity of land uses, a suitable environment for a predominantly adult population, and in those central areas located in close proximity to the central campus of the University of Wisconsin, to promote and encourage a suitable environment for student housing facilities.
- (b) Permitted Uses. The following uses are permitted in the R6 district:
 1. Single and two family dwellings.
 2. Offices, business and professional in a building where the principal use is residential, provided that in no case shall the total floor area devoted to such use exceed one thousand five hundred (1,500) square feet.
 3. Community living arrangements provided such facilities meet the conditions of Section 28.08(4)(b)3. (Cr. by Ord. 5636, 11-3-76)
 4. Educational, recreational, and offices used as follows, provided such uses are located in school buildings or buildings which are owned by or under the jurisdiction of the Madison Metropolitan School District or the City of Madison and further provided the City Real Estate Officer shall first receive a written report and recommendations from the City Department

Sec. 28.08(7)(b)4.

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of Transportation regarding the traffic and parking impact with recommendations for either resolving adverse impacts prior to occupancy or not allowing such occupancy:

- a. Nursery schools or day care centers.
- b. Elementary and secondary schools.
- c. Business or trade schools.
- d. Colleges and universities.
- e. Other public educational facilities.
- f. Music and dance schools.
- g. Recreational buildings and community centers, nonprofit.
- h. Offices for State, County, City, Village, Town or other taxing municipality.
- i. Offices for health, medical, welfare and other institutions or organizations qualifying as nonprofit under the laws of the State of Wisconsin.

(Sec. 28.08(7)(b)4. Cr. by Ord. 6207, 3-29-78)

(c) Conditional Uses. The following conditional uses may be allowed in the R6 District subject to the provisions of Section 28.12(10).

1. Any use allowed as permitted or conditional use in the R5 district excepting community parking lots and any use specified as a permitted use in the R6 District in Section 28.08(7)(b) above. (Am. by Ord. 5164, 9-29-75)
2. Any development on parcels adjacent to landmarks so designated by the Landmarks Commission.
3. Any development of a through lot. (Cr. by Ord. 4214, 5-15-73)
4. Outdoor eating areas of restaurants serving only nonalcoholic beverages and food. (Cr. by Ord. 4300, 8-29-73)
5. New multiple-family residential buildings provided said structures conform to the following standards:
 - a. Open Space.
 - i. Plans shall include the design and treatment of all usable open space. Rear yards shall be developed and landscaped to encourage their use by the building's occupants.
 - ii. Whenever possible contiguous rear yard areas shall be consolidated by agreement of the owners and should be developed as a unit.
 - iii. Fences shall not be permitted between contiguous rear yard areas developed under the zero-lot-line concept except when required to enclose swimming pools.
 - b. Landscaping.
 - i. Plans shall show the location, size and species of all existing trees on the site. Whenever possible, healthy trees will be saved.
 - ii. Areas shall be provided in and around parking courts for landscaping which will include at least two canopy shade trees 1 1/2" - 2" caliper.
 - c. Parking Courts.
 - i. Parking court screen walls shall relate to the building itself in terms of building material and proportion.
 - ii. If refuse bins are proposed in the parking courts, their location shall be designated on the plan and adequate screening shall be provided.
 - iii. Driveway openings shall be sixteen (16) feet wide except on Johnson, Gorham, Broom and Bassett Streets where the driveway width shall be increased to twenty-two (22) feet.

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Sec. 28.08(7) (c) 5.c.iv.

- iv. Screen walls shall be set back five (5) feet adjacent to the driveway opening for a minimum distance of ten (10) feet on both sides of the driveway.
 - d. Building Exteriors. The front and rear elevations of buildings are considered to be of equal visual importance.
 - i. The use of exposed concrete block on the front and rear elevations is prohibited.
 - ii. Exterior material used in the front and rear elevations shall be returned five (5) feet along the end walls of buildings on interior lots.
 - iii. The exposed end walls of a building located on a corner lot shall be of the same material as used on the front and rear elevations. When concrete block is used on end elevations, it shall be painted a color similar to the building material used in the front and rear elevations.
 - e. Building Interior. All dwelling units and lodging rooms allowed under this ordinance shall be located above the basement story and the floor level of all such dwelling units and lodging rooms shall be at or above the natural level or grade adjacent to the exterior of the building walls which contains said dwelling unit or lodging room unless otherwise approved by the Zoning Board of Appeals.
 - f. Building Height Over Four Stories. In reviewing plans for buildings in excess of four (4) stories, the following standards shall be considered:
 - i. The predominant building type which exists within three hundred (300) feet of the proposed structure.
 - ii. The future building types in the area based upon existing structural conditions and proposed land use.
 - iii. The usable open space and recreational opportunities.
 - iv. The type of parking accommodations, if provided.
 - v. The traffic generation anticipated.
 - vi. The relationship of the building to topography of the area.
 - vii. The safety and security designed into the building.
 - viii. The architecture of the building's exterior.
 - ix. The interference with significant views.
 - x. The extent to which usable open space, both private and public, is shadowed by the building.
- (Sec. 28.08(7) (c) 5.f. Cr. by Ord. 4681, 8-7-74)
- 6. Offices, business and professional, in a building where the principal use is residential, in excess of one thousand five hundred (1,500) square feet, provided that in no case shall the total floor area devoted to such use exceed three thousand (3,000) square feet. (R. & Recr. by Ord. 5166, 9-29-75)
 - 7. Retail food shops, beauty shops, barber shops, art galleries, photography shops, book shops, gift shops, tailor shops, shoe repair shops, primarily for walk-in trade, located in a building where the principal use is residential, provided that each business establishment shall not exceed three thousand (3,000) square feet of floor area and each business establishment is permitted a single identification sign, not exceeding two (2) square feet in area for all identification signs on each building and indicating only the name and address of the occupant. (Am. by Ord. 6375, 9-29-78)
 - 8. Restaurants, drugstores and valet shops in a multiple-family dwelling, provided these uses shall be accessible to the public only through a lobby and no advertisement or display shall be visible from outside the building. (Cr. by Ord. 5166, 9-29-75)

9. Attendant or metered automobile parking facilities solely for the short term (3 hours or less) use of patrons and other visitors of retail, service, office, cultural and recreational uses in the vicinity of the State Street Mall and Capitol Concourse provided:
 - a. That such lot is within three hundred (300) feet of the limits of the C4 Central Commercial District, and
 - b. That such lot contains a setback area which will be planted and landscaped and which conforms to screening regulations, and
 - c. That the Traffic Engineer shall, prior to the approval of such facility, submit a report and recommendation regarding traffic and parking conditions within the area, and
 - d. That such lot, at its location, does not defeat the adopted objectives and policies of the City nor the purposes of the zoning district, and
 - e. That no residential building shall be located on such lot.

(Sec. 28.08(7)(c)9. Cr. by Ord. 5906, 7-7-77)

10. Offices, business and professional, provided such uses are located in school buildings or buildings owned by or under the jurisdiction of the Madison Metropolitan School District or the City of Madison. (Cr. by Ord. 6207, 3-29-78)

- (d) Lot Area Requirements. In the R6 District, lot area shall be provided in accordance with the following requirements:

1. Dwelling Units.

| <u>Minimum Lot Area Per Dwelling Unit</u> | <u>Type of Dwelling Unit</u> |
|---|----------------------------------|
| 300 square feet | Efficiency |
| 450 square feet | One bedroom |
| 600 square feet | Two bedroom |

Plus an additional one hundred fifty (150) square feet of lot area for each additional bedroom in excess of two (2) in a dwelling unit.

2. Lodging Rooms - minimum lot area of two hundred (200) square feet per lodging room.

- (e) Floor Area Ratio. In the RS district, the floor area ratio shall not exceed 2.0 and the lot coverage by building or buildings shall not exceed forty percent (40%) of the lot area.

- (f) Yard Requirements.

1. Front Yard. Not less than ten (10) feet, provided that any building not exceeding four (4) stories in height shall be varied in front setback distance from abutting buildings built with zero side yards not less than five (5) feet.
2. Side Yards.
 - a. For building not exceeding four (4) stories in height a total side yard of five (5) feet shall be provided. The Plan Commission in its consideration of the conditional use application shall determine the specific apportionment of the five (5) feet between the side yards. (R. & Recr. by Ord. 4273, 8-22-73)
 - b. For buildings exceeding four (4) stories in height:
 - i. Each side yard shall be not less than ten (10) feet or twenty percent (20%) of the building height, whichever is greater.

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Sec. 28.08 (7) (f) 2. b. ii.

- ii. On a corner lot the side yard adjoining the street shall be not less than ten (10) feet or twenty percent (20%) of the building height, whichever is greater, but no more than twenty (20) feet shall be required.
- iii. For each foot by which the side walls of a five (5) or more story building exceed seventy-five (75) feet (as projected at right angles to the side lot line) the minimum required side yard width shall be increased one and one-half (1½) inches. Such increased width shall apply to the entire length of the side yard.
- c. For corner lots, side yards shall be provided of not less than ten (10) feet only on sides adjacent to streets.
- 3. Rear Yard and Area Adjacent to the Building. In the R6 District the entire area between the rear lot line, the side lot lines and the exterior of the side and rear building walls shall be usable open space. It is intended that when development of any block or portion thereof has been completed according to the provisions of this section, the central part of the block should be considered by owners and tenants to be unimpeded usable open space. Responsibility for maintenance of this space shall rest with the individual owner unless otherwise agreed to by abutting property owners. The following requirements shall apply to the above area created under the provisions of this ordinance.
 - a. The rear yard shall be no less than forty (40) feet deep at its least depth or forty-five percent (45%) of the building height, whichever is greater.
 - b. No portion of any such usable open space area may be paved for use as a driveway or parking area and no motor vehicle of any kind, except emergency, may be parked or driven in any usable open space area.
 - c. Any fence erected along or in any usable open space area shall be provided with as many gates as are required to permit fire access from all side lot lines and rear lot lines.
- (Section 28.08 (7) (f) 3. R & Recr. by Ord. 4274, 8-22-73)
- (g) Usable Open Space. In the R6 district there shall be provided a usable open space of not less than the larger of either the area specified above or seventy (70) square feet for each lodging room, efficiency unit or one bedroom unit, plus an additional seventy (70) square feet for each additional bedroom in excess of one in a dwelling unit. (R. & Recr. by Ord. 4272, 8-22-73)
- (h) (R. by Ord. 5831, 5-6-77)
- (i) Off-Street Parking And Loading. Enclosed off-street parking and loading facilities may be located only inside principal buildings and access to such enclosed facilities may be taken only from the front yard or, in the case of a corner lot, the side yard adjoining the street. No vehicular access shall be permitted either to or from the rear yard at such an enclosed facility.

When not enclosed, off-street parking and loading facilities for new buildings, regardless of height, shall be located in required front yards or side yards adjoining public streets with screening provided as follows:

 - 1. Such screening shall be provided continuously along all sides of any parking area not adjoined by a building or not required as a driveway opening.
 - 2. Such screening shall be constructed of the same masonry material as that which is predominant in the front elevation of the building, unless otherwise approved by the City Planning Department.

3. Such screening shall be built with at least seventy-five percent (75%) opacity, that is seventy-five percent (75%) opaque surfaces to twenty-five percent (25%) openings as viewed in elevation.
4. Such screening shall be built no less than four (4) feet high along all sides of the parking areas, except that it shall be reduced to a height of two and one-half (2½) feet as required by the Traffic Engineering Division for vision clearance adjacent to driveway openings.
- (j) Refuse Storage. In the R6 District all refuse receptacles, cans, dumpster carts or bins will be screened from view from the street and abutting property. (Cr. by Ord. 4275, 8-22-73)
- (8) OR Office Residence District.
 - (a) Statement Of Purpose. The office residence district is created to provide for the integrated development of residential, convenience shopping, transient accommodations and offices in or near the central part of the City and along approaches to the downtown area. Development in this district is expected to enhance the aesthetic quality of these major approach streets and the central part of the City.
 - (b) Permitted Uses. The following uses are permitted in the OR district:
 1. Any use permitted in the R6 district.
 2. Hotels and motels, including but not limited to accessory uses such as restaurants, gift shops, drugstores, valet shops, beauty shops and barbershops.
 3. Offices, business and professional, including but not limited to accessory uses such as restaurants, gift shops, drugstores, valet shops, beauty shops and barbershops.
 - (c) Conditional Uses. Any use allowed as a conditional use in the R6 district may be allowed in the OR district, subject to the provisions of Section 28.12(10).
 - (d) Lot Area Requirements. In the OR district the lot area requirements of the R6 district shall apply.
 - (e) Floor Area Ratio. In the OR district, the floor area ratio shall not exceed 2.0.
 - (f) Yard Requirements. In the OR district the yard requirements of the R6 district shall apply.
 - (g) Usable Open Space. In the OR district the usable open space requirements of the R6 district shall apply.
 - (h) (R. by Ord. 5831, 5-6-77)
 - (i) Off-Street Parking And Loading. In the OR district the regulations governing off-street parking and loading in the R6 district shall apply.
- (9) R4L Limited General Residence District.
 - (a) Statement Of Purpose. The R4L limited general residence district is established to stabilize and protect the essential characteristics of certain medium density residential areas normally located in some inlying urban parts of the City, and to promote and encourage a suitable environment for family life where children are members of most families. Development in the R4L limited general residence district is limited primarily to residential uses such as single-family, two-family and multiple-family dwellings.

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professional offices therein, except that on a corner zoning lot two (2) such signs, one facing each street, shall be permitted. (Am. by Ord. 5249, 12-24-75)

- (c) Conditional Uses. The following conditional uses may be allowed in the R5 district subject to the provisions of Section 28.12(10).
1. Any use allowed as a conditional use in the R4 district unless permitted in (b) above. (Am. by Ord. 4650, 8-2-74)
 2. Any development of parcels adjacent to landmarks, landmark sites or historic districts designated by the Landmarks Commission.
 3. Colleges and universities, but not including business colleges or trade schools.
 4. Institutions for the aged and for children.
 5. Offices of health, medical and welfare institutions qualifying as non-profit institutions under the laws of the State of Wisconsin, provided that the activities of such institutions shall be conducted predominantly by mail.
 6. Any building built with zero side yards in the R5 zero side yard area described in 28.08(6) (f) 2.f.
 7. Any development of a through lot. (Cr. by Ord. 4215, 5-15-73)
 8. (Reserved For Future Use.)
 9. Multiple-family dwellings. (Cr. by Ord. 5907, 7-7-77)
 10. Offices for insurance or real estate organizations provided that the zoning lot shall be located on an arterial or collector street with a right-of-way not less than eighty (80) feet and further provided that in no case shall the total floor area exceed three thousand (3,000) square feet, and further provided that the building was designed and intended for nonresidential occupancy.
(Cr. by Ord. 5922, 7-29-77)
- (d) Lot Area Requirements. In the R5 district, lot areas shall be provided in accordance with the following requirements.
1. Dwelling units.

| Minimum Lot Area Per Dwelling Unit | Type of Dwelling Unit |
|---------------------------------------|--------------------------|
| 700 square feet | Efficiency |
| 1,000 square feet | One bedroom |
| 1,300 square feet | Two bedroom |

plus an additional three hundred (300) square feet of lot area for each additional bedroom in excess of two (2) in a dwelling unit.

2. Lodging rooms--minimum lot area of four hundred (400) square feet per lodging room.
- (e) Height Regulations. In the R5 district, no building or structure shall exceed three (3) stories nor forty (40) feet in height.
- (f) Yard Requirements.
1. Front Yard. Not less than twenty (20) feet, provided that any building built with zero side yards shall be varied in front setback distance from abutting buildings by not less than five (5) feet.
 2. Side Yards. (For zero side yards, see 2.f. below)
 - a. Buildings not exceeding three (3) stories in height:
 - i. One story buildings--a least side yard of five (5) feet and a combined total of both side yards of twelve (12) feet.
 - ii. Two story buildings--a least side yard of six (6) feet and a combined total of both side yards of fifteen (15) feet.
 - iii. Three story buildings--a least side yard of eight (8) feet and a combined total of both side yards of twenty (20) feet.

