



# LIBRARIES

UNIVERSITY OF WISCONSIN-MADISON

## **[Sigma Chi fraternity house, 221 Langdon Street, Madison, Wisconsin, 53703].**

Landmark Research, Inc.

[s.l.]: [s.n.], [s.d.]

<https://digital.library.wisc.edu/1711.dl/XO2FDBTSTGXOK8I>

<http://rightsstatements.org/vocab/InC/1.0/>

The libraries provide public access to a wide range of material, including online exhibits, digitized collections, archival finding aids, our catalog, online articles, and a growing range of materials in many media.

When possible, we provide rights information in catalog records, finding aids, and other metadata that accompanies collections or items. However, it is always the user's obligation to evaluate copyright and rights issues in light of their own use.

Landmark  
Research  
Inc.

Landmark  
Research  
Inc.

September 10, 1968

Thomas L. Turk  
James A. Graaskamp

Board of Directors, Sigma Chi House Corp.  
c/o William A. Chatterton, Attorney  
321 S. Hamilton Street  
Madison, Wisconsin 53703

Gentlemen:

In accordance with Mr. Chatterton's letter of instruction and retainer of June 20, 1968 I have undertaken and completed an appraisal of the unencumbered fee simple title to the recently constructed Sigma Chi fraternity house at 221 Langdon Street, City of Madison, Dane County, Wisconsin.

The purpose of the appraisal has been to estimate the fair market value of the subject property defined as the highest price in money terms which could be expected for the property if offered for sale, allowing reasonable time to find a purchaser with knowledge of all the uses to which it is adapted and for which it is capable of being used.

After analyzing all matters relative to forecasting a fair market value, it is my opinion that the market value of the property herein described as of May 1, 1968 is

TWO HUNDRED SIXTY THOUSAND DOLLARS

(\$260,000.00)

This appraisal is subject to certain limiting conditions and assumptions:

1. The legal description furnished is assumed to be correct.
2. No responsibility is assumed for matters legal in character, nor is any opinion rendered as to title, which is assumed to be marketable.
3. The property has been appraised as though free and clear of mortgage indebtedness, assessments, or liens of any sort other than taxes.
4. To the best of the appraiser's knowledge and belief, the statements and opinions contained in this report are supportable. The factual data has been compiled by the appraiser from sources deemed reliable, but no responsibility is assumed for its accuracy.
5. 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. This applies particularly to value conclusions, to the

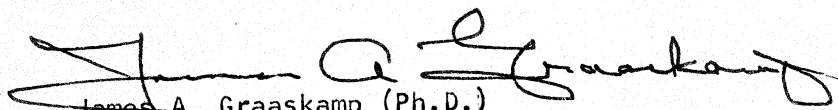


identity of the appraiser or the University with which he is connected.

6. The appraiser may be required to give testimony or to appear in court by reason of this appraisal only with reference to the property in question, subject to prior arrangements. Additional consultation with other parties affected must be by specific contract.
7. The fee received for this assignment is in no manner contingent upon the estimate of value reported.

I appreciate the confidence which you have in my ability to be of service and I am available to discuss this report with you at your convenience.

Sincerely Yours, .

  
James A. Graaskamp (Ph.D.)  
Urban Land Economist

LANDMARK RESEARCH, INC.



## TABLE OF CONTENTS

	Page
Letter of Transmittal	
Table of Contents . . . . .	2
Table of Tables . . . . .	3
Notes on the Comparative Market Approach to Value . . . . .	5
Notes on Comparable Sales Identified on Chart II. . . . .	7
Notes on the Income Approach to Value . . . . .	11
Footnotes to Chart IV . . . . .	14
Notes on Cost Approach to Value . . . . .	15
Conclusions . . . . .	20
Certificate of Appraisal. . . . .	21
Map	
Photographs	

## TABLE OF TABLES

	Page
I--Comparison of Current Total Assessments to Bed Capacities of Fraternities and Sororities in Langdon Street Area . . . . .	4
II--Comparable Sales of Fraternities and Sororities in Langdon Street Area. . . . .	6
III--Comparable Market Value of Recent Fraternity House Sales Expressed Per Bed, as House Capacity Is Basic Limit of Fra- ternity Economic Power . . . . .	10
IV--Income Approach to Value of Sigma Chi Fraternity House at 221 Langdon Street . . . . .	13
V--Cost Approach to Value of Sigma Chi Fraternity House at 221 Langdon Street . . . . .	17
VI--Change in Student Enrollments at University of Wisconsin Compared to Total Greek Membership for Fall Semesters from 1962-63 to 1967-68 on Madison Campus . . . . .	18
VII--Recent Conversions of Private Dormitories to State Office Space. . . . .	19

# CHART I

## COMPARISON OF CURRENT TOTAL ASSESSMENTS TO BED CAPACITIES OF FRATERNITIES AND SORORITIES IN LANGDON STREET AREA

<u>Address</u>	<u>Total Assess.</u>	<u>House Bed Cap.</u>	<u>Assess. Per Bed</u>	<u>1967 Bldg. Assess.</u>	<u>Bldg. Assess. Per Bed</u>
233 Lake Lawn	\$81,500	40	\$2,038	\$48,850	\$1,221
237 Lake Lawn	69,800	34	2,052	43,450	1,277
12 Langdon	76,500	40	1,912	35,000	875
252 Langdon	65,500	39	1,679	46,250	1,185
Average	\$73,325	38	\$1,920	\$43,387	\$1,139
Sigma Chi (221 Langdon)	219,700	64	3,432	174,000	2,718
Ratio of Sigma Chi to average			178%		238%



## NOTES ON THE COMPARATIVE MARKET APPROACH TO VALUE

Chart III provides an abbreviated determination of market value which deserves further comment.

Market comparability does not require comparison of new construction to other new construction, but rather, comparison of the functional efficiencies and other attributes which make properties realistic alternatives to a particular group of purchasers such as a fraternity or sorority. Therefore this report disagrees with the assertion in previous tax hearings in regard to this property that there were no market comparable sales. Highest and best use as a fraternity house assumes comparison of reasonable functional alternatives in the market and not photographic facsimiles.

The power of a fraternity to pay for its fraternity house is a function of the number of residents which can live there, i. e. bed capacity, and more precisely on its ability to fill its available capacity. It is increasingly difficult to maintain a large group of fraternity members, particularly members who wish to live in the house, due to the removal of housing restrictions by the University. The Sigma Chi house with a capacity of 64 is therefore too big for stable financing, 40% bigger than the other fraternity house purchased.

An average price of \$4600 per unit of bed capacity is too generous in application to the subject property due to its awkward size and due to change in circumstances for the Greeks since the high sales were realized in 1964. The premium price of \$5000 paid for Comparable #3 reflects a superior site and the mutual exaggerations of a trade while the high price paid for Comparable #2 probably reflects the excessive prices that appeared in the Langdon St. area from 1962-64 in anticipation of private student dormitories, a land rush chilled by the failure of Wisconsin Hall on Langdon St. and other private dormitories near the campus.

Chart VI documents the decline in Greek membership which will affect all Greek capacity to pay for facilities. The change in University policy regarding approved housing has forced the conversion of private new dormitories (the equal of the subject property) to convert to state-leased office space. This trend will be examined further in the income approach development. Finally, there are a number of national fraternities and sororities whose long-term status on campus is probationary pending amendment of their national charters to eliminate discrimination. Should it be necessary for these groups to go local, it will soon follow that their facilities will be on the market so that the demand for fraternity houses as such is not what it was in 1964. Indeed the most recent sale in June, 1966 of a unit without lake access is \$2000 per bed less than the 1964 sales.

A value indicated by market comparison of \$4600 per bed average seems excessive for the Sigma Chi house and represents a highly speculative view of resale value in 1968. Therefore the average has been adjusted to 90% to reflect change in conditions and market approach to value is determined as:

$$64 \text{ beds} \times \$4600 \times .9 = \$265,000$$

LANDMARK RESEARCH, INC.

## CHART II

COMPARABLE SALES<sup>1</sup> OF FRATERNITIES AND SORORITIES IN LANGDON STREET AREA

	Date of Sale	Grantor	Grantee	Address	Vol.	Page	Location	W.D. #	Rev. St.	Value
1)	4/30/64	Carl J. Stemrich	Lambda Chapter Bldg Corp. of TKE	233 Lake Lawn Place	776	376	Lot 11, Freeman-Allen Replat	1100094	none	\$190,000 *
2)	8/31/64	Theta Bldg. Assn.	Alpha Beta Zeta House Corp. of LXA	237 Lake Lawn Place	785	90	Lots 9 & 10, Freeman-Allen Replat	1111282	\$205.15	186,500
3)	2/19/65	Bldg. Assn. of Theta Chapter of AZA, Inc.	Wisc. Beta <del>EØE</del> Chapter	12 Langdon	794	480	Blk. 78, Lot 4 Orig. Plat of Madison	1124802	220.00	200,000
4)	11/5/65	Wis. Chapter House Assn. of <del>ØAØ</del>	Acacia Found. of Wisc.	222 Langdon	812	76	Lots 7 & 8, Freeman-Allen Replat	1151443	176.55	160,100 **
5)	6/15/66	Alpha Nu, Inc. (SAT)	<del>ΔØE</del> Corp.	252 Langdon	819	536	Lot 8, Lake Lawn Subdivision	1163168	132.00	120,000

\* Confirmed sale price of \$200,000 including \$10,000 of personal property in conversation with John H. Weingandt.

\*\* This sale price confused by trade and other factors and was determined not to be a free market sale. It is omitted from further analysis.

(1) See attached detail sheets for full comparison.

## NOTES ON COMPARABLE SALES IDENTIFIED ON CHART II

- 1) Fraternity house of Tau Kappa Epsilon at 233 Lake Lawn Place was purchased from Carl K. Stemrich and deed was dated April 30, 1964. A telephone conversation with John H. Weingandt, president of the Lambda Chapter Building Corp., revealed that the house was purchased for \$200,000 including furnishings which he valued at \$10,000. He stated the house was in good condition and was built of concrete about 1928 by J. H. Findorff. Designed as a fraternity house, it did not require any remodeling or reconditioning. There is a first mortgage to Anchor Savings and Loan, Document No. 1100095, Vol. 1068, page 227, in the amount \$140,000 and a second mortgage, Document No. 1100587, Vol. 1068, page 483, to the TKE House Fund, Inc. in the amount of \$15,000.

The house enjoys lake frontage, a feature generally more desirable to a fraternity than a Langdon Street address.

The following tax figures were supplied by Edward O'Hara, Clint Johnson, and Frank Hayden of the City Assessor's Office.

1967 assessed value:	Land	\$32,650
	Building	<u>48,850</u>
	Total assessed value	\$81,500

The lot is of irregular shape with 6,666 sq. ft. of area having 55 ft. of lake frontage. Lake frontage at this point is valued for assessment at \$550 per front ft. and a depth factor of 1.08 is then applied. A 65% equalization factor implies a market value of \$50,262 or \$7.54/sq. ft. for land, a not unreasonable figure.

- 2) Fraternity house of Lambda Chi Alpha at 237 Lake Lawn Place was purchased from the Theta Building Corp. and the deed was dated August 31, 1964. Revenue stamps of \$205.15 indicated sales price of \$186,500. Russell Wedeking, a local real estate appraiser and treasurer of the House Corp., confirmed the price and stated that it included only land and building. Conversation with James Churchill, financial advisor to the Organization of Student Affairs, confirmed the opinion of Mr. Wedeking that the house was in excellent condition due to the maintenance program of the previous sorority owner and no remodeling expenses had been incurred since 1964 to date. The tract index shows a purchase money mortgage for \$136,500 recorded August 10, 1964 in Vol. 1081 of mortgages, page 334.

The Office of Student Housing at the University lists the capacity of this building at 22 but their attorney, Don Huggett, and James Churchill each confirm that the house capacity was 34 men and it was rented in full from September of 1967 to June of 1968. Therefore its capacity is rated at 34 rather than 22.



This house enjoys access to the lake via a one-quarter interest in an adjacent lot.

The following tax figures were supplied by Edward O'Hara, Clint Johnson, and Frank Hayden of the City Assessor's Office.

1967 assessed value:	Land	\$26,350
	Building	<u>43,450</u>
	Total assessed value	\$69,800

This parcel consists of two lots and a one-half interest in the north-east one-half of Lot 6 to provide lake access. There is 8,108 sq. ft. of land in the two basic lots with 55.8 feet of frontage on Lake Lawn Place valued at \$350 per front ft. and adjusted by a depth factor of 1.12 and a corner influence factor of 10%. The land assessment also includes \$2,723 as one-quarter of the assessed value of \$10,890 for Lot 6. A 65% equalization factor implies a market value of \$4.50/sq. ft. for this interior site.

- 3) Fraternity house of Sigma Phi Epsilon at 12 Langdon St. was purchased from the sorority Alpha Zeta Delta as part of a trade involving the fraternity house on a deed dated February 19, 1965. Revenue stamps on the deed indicated a sale price of \$200,000 while Alpha Zeta Delta bought the Sigma Phi house for \$120,000 and subsequently tore it down to build a new sorority house.

This transaction was confirmed by Harland Klipstein, secretary of Wisconsin Beta Sigma Phi Epsilon Corp. He said the price was for land and building only and that some personal property and furniture involved was handled separately. He said the house was built in 1926 and was in excellent condition and required no significant repairs.

The house enjoys lake frontage, convenient access to the Edgewater and Kennedy Manor bars, and proximity to other major fraternities, making its location superior to that of the Sigma Chi house.

The following tax figures were supplied by Edward O'Hara, Clint Johnson, and Frank Hayden of the City Assessor's Office.

1967 assessed value:	Land	\$41,500
	Building	<u>35,000</u>
	Total assessed value	\$76,500

This parcel has 66 feet of lake frontage valued at \$550 per front ft. for assessment purposes and adjusted for a depth factor of 1.2 and an additional \$3500 for the 10 ft. of alley reaching Langdon St. In all, there is 23,310 sq. ft. of land valued at \$63,850 by implication from the 65% equalization rate or \$2.74/sq. ft. which seems low despite the 1200 sq. ft. of land which is an alley to Langdon St.

- 4) Fraternity house of Delta Theta Sigma at 252 Langdon St. was purchased from Sigma Delta Tau and deed was dated June 15, 1966. Revenue stamps on the deed of \$132 indicated a purchase price of \$120,000. Telephone conversation with David Wieckert, president of Delta Theta Sigma Corp., confirmed the sale price and said that additional personal property was purchased for \$20,000. The building had been extensively remodeled just prior to selling of the house and no repairs or significant decorating were required. There is a mortgage with Madison Bank and Trust Co. of \$50,000 recorded as Document 1163164, Vol. 1150, page 551, dated May 31, 1966.

This building is on a small lot and without benefit of lake access or prominent visibility on Langdon St.

The following tax figures were supplied by Edward O'Hara, Clint Johnson, and Frank Hayden of the City Assessor's Office.

1967 assessed value:	Land	\$19,250
	Building	<u>46,250</u>
	Total assessed value	\$65,500

This is a narrow lot with 41.55 ft. of frontage on Langdon St. valued at \$425 per front ft. for assessment purposes with an adjustment of 10% for the 150 ft. depth. By implication the market value for this 6,233 sq. ft. of land is about \$4.75/sq. ft., which seems reasonable.

# CHART III

COMPARABLE MARKET VALUE OF RECENT FRATERNITY HOUSE SALES EXPRESSED PER BED, AS HOUSE  
CAPACITY IS BASIC LIMIT OF FRATERNITY ECONOMIC POWER

House	Address	Sales Price	Bed Capacity	Acquisition Cost per Bed
Tau Kappa Epsilon	233 Lake Lawn Place	\$190,000	40	\$4,750
Lambda Chi Alpha	237 Lake Lawn Place	186,500	34	5,485
Sigma Phi Epsilon	12 Langdon	200,000	40	5,000
Delta Theta Sigma	252 Langdon	120,000	39	3,076
				\$4,577 average
Sigma Chi	221 Langdon	374,000	64	5,844

Market approach to value of Sigma Chi house might reflect average price per bed, although in 1968 Greek house prices will be depressed relative to 1964-66 prices due to declining membership and unknown status of at least 4 national fraternity charters on campus.  $64 \times \$4600 \times .9 = \$264,960$ , rounded to \$265,000. Indicated assessment at 63% equalization rate would be \$185,800 or \$2900 per bed as compared to average \$1920 per bed on chart I of 4 other recent sales.



## NOTES ON THE INCOME APPROACH TO VALUE

Chart IV provides a summary of the capitalized income investment value of the Sigma Chi house converted to office space leased to the State of Wisconsin. Previous tax assessment hearings and court presentations were characterized by a mutual assumption that the income approach to value would not work on a fraternity house for a variety of reasons including the non-profit nature of a fraternity, the combination room and board income of a private boarding house operated by a resident owner, and the confusion as to accounting methods appropriate to defining market rents and normal operating income. However, since the original tax hearings were held, events have clearly demonstrated that a private dormitory operated for a profit is not feasible at this time because of the change in University housing regulations eliminating the need for supervised approved housing for all but freshmen and because of the student preference for apartment living.

Chart VII identifies the private dormitories in many ways comparable to the subject property in terms of student facilities available per student roomer which have been forced by high room vacancies to convert to office space leased to the State. Thus these comparables both demonstrate the lack of the man for modern dormitory space and a reasonable alternative use for this investment property. Indeed a State office lease may be the only alternative use in an effort to minimize financial losses on facilities made obsolete by change and the student rental market. Use of a former dormitory as an office building with inadequate parking and debatable characteristics can hardly be termed "highest and best use of the site" but it is a feasible alternative use to minimize an investment error. Such a description of the facts, in my opinion, characterizes the present circumstance of the Sigma Chi fraternity house. For this reason the income approach to value from the viewpoint of investor-speculator may be most representative of the market value of the subject property.

These dormitories provide a firm precedent in conversion of the Sigma Chi house were it to be sold as an investment. Since the Wisconsin Tax Law requires valuation on the assumption of resale to another user, and since resale to a fraternity is only a speculative possibility, it is reasonable to measure its resale value under the income approach to value, in terms of conversion to State office space.

Some additional comments on Chart IV and its footnotes are in order: An extensive interview with David Ward revealed that in each case of dormitory conversion the owner renovated or remodeled the dormitory structure at his own cost to fit the building to State purposes. The State has taken whatever parking that is available but lack of parking has not been a deterrent to rentals. Zoning has been no problem for the State in leasing office space in distressed dormitories as temporary conditional use permits have been granted for situations like Wisconsin Hall, only a block from subject on Langdon Street. The owner is expected to provide all building maintenance including the furnace except that the extent of custodial care for items like floor polishing is open to negotiation and thus may be reflected in the rent.

The highest rental that might be paid by the State of \$4.25 per sq. ft. of

LANDMARK RESEARCH, INC.

leasable area has been assumed and the area of leasable space has been estimated from blueprints on a generous basis. Operating expenses are conservative in view of the negotiable factor of custodial care of floors, etc. in a small building such as this.

To recognize the positive value impact of leverage on these investments the Ellwood capitalization rate has been used and a 75% 15-year purchase money mortgage at 8% interest is a reasonable assumption for a building enjoying conditional use as an office and little prospect for return as a dormitory. A 2% decline in value for depreciation per year is an optimistic assumption of a 50-year useful life.

A net income of \$34,500 projected for ten years without allowance for vacancy is overstating the prospects for income for this structure while the Ellwood rate required understates the depreciation and return on equity that could be expected for this property. The resulting indicated income value of \$260,000 must be adjusted for remodeling costs of at least \$10,000 (\$13,000 or more on the basis of other dormitory conversions). Therefore an income value of \$260,000 is definitely the highest probable price that could be realized for this building under this set of assumptions. The value has been deliberately left as an overstatement to avoid challenge by the City Review Board on the grounds that the valuation has been slanted to the benefit of the taxpayer.

## CHART IV

INCOME APPROACH TO VALUE OF SIGMA CHI FRATERNITY  
HOUSE AT 221 LANGDON STREET

Assume: Conversion to office space for lease to a State of Wisconsin agency.

Gross lease income estimate (\$4.25/sq. ft. <sup>1</sup> x 13,000 sq. ft. <sup>2</sup> )	\$55,250
Operating expenses @ \$.75 per ft. of GLA <sup>3</sup>	10,750
Real estate taxes, estimated <sup>4</sup>	<u>10,000</u>
Net income before debt service	\$34,500

## Ellwood Capitalization Rate

Assume: 75%, 15-year purchase money mortgage at 8% interest. A 20% pre-tax return on equity and 20% decline in resale value in 10 years.

Basic cap rate assuming no depreciation <sup>5</sup>	.1208
Adjustment for depreciation	<u>.0077</u>
Overall Ellwood cap rate	.1285

Capitalized income value  
\$34,500/.1285 = \$268,482 or rounded \$270,000

Adjustment for capital cost of remodeling for conversion to office space	10,000
--	--------

Capitalized income value of structure as is	260,000
---	---------

Indicated assessment @ 63% equalization rate would be \$163,800 or \$2,560 per bed.

Footnotes on following page



## FOOTNOTES TO CHART IV

<sup>1</sup>\$4.25/sq. ft. is the top price for office building space on Langdon St. according to interview between Lawrence Sager and David Ward, State of Wisconsin Leasing Officer on July 23, 1968. Mr. Ward also stated that the State had not leased any former dormitory space which had not required extensive remodeling. He further indicated remodeling would cost no less than \$1.00/sq. ft. of leasable space to be paid by landlord.

<sup>2</sup>Leasable area determined by review of blueprints as follows:

Basement:	Barroom 30 x 30	900 SF
	Chapter room 30 x 30	900
	Rec. room 30 x 27	800
	Miscellaneous storage area	600
		<hr/>
		3200 SF
First floor:	Living room 30 x 30	900 SF
	Dining room 30 x 30	900
	Center area	300
	Storage area	900
		<hr/>
		3000 SF
Second floor:	4 dormitory wings 800 SF each	3200 SF
	Useable center area	300
		<hr/>
		3400 SF
Third floor:	same as second floor	3400 SF
Total gross leasable area		13,000 SF

<sup>3</sup>Expenses estimated on comparable small State-leased office building at 146 W. Wilson St.

<sup>4</sup>1967 taxes adjusted to anticipate mill rate increase anticipated for 1968 and thereafter.

<sup>5</sup>Page 301, Ellwood Tables, Second Edition.

## NOTES ON COST APPROACH TO VALUE

The original cost of construction and land purchase in 1963, apparently the basis for present assessed valuation, is the least desirable approach to value, particularly of a building of such special use and increasing obsolescence as a fraternity house. However, the result is even more inaccurate when adjustment for depreciation is not handled correctly.

Therefore to demonstrate more representative application of cost approach to assessment value, Chart V provides a summary of a cost appraisal approach to value of the subject property. To determine cost to reproduce the building in 1968, it is adequate for these purposes to take the 1963 costs which are historical fact and adjust upward to reflect increasing construction costs for the mechanical elements of the building. The four-year inflation adjustment was estimated as 10% of original completed cost overall, although the past year has seen an increase of 4%.

Depreciation consists of curable and incurable physical deterioration, curable and incurable functional obsolescence due to inherent design features, and economic obsolescence due to environmental factors exogenous to the subject property.

- A. Physical depreciation of a fraternity house is a foregone conclusion but the scuffs and other signs of wear of a building for active young men is a constant due to deferred maintenance and negligence of youth. Rather than attempt to measure a refurbishing budget, physical depreciation has simply been measured in terms of the passing of time of five years on a property which began with a 50-year useful life. A straight-line approach of 2% per year or a cumulative decline of 10% is a conservative estimate since the remaining need for fraternity houses for the next 50 years is in doubt.
- B. It must be presumed that a fraternity house built in 1963 with advanced styling has not suffered any significant functional obsolescence relative to the purpose for which it was designed, assuming that to be the highest and best use of the property.
- C. Economic obsolescence of the fraternity system, however, can be measured and certain information on the decline of fraternities and sororities is pertinent for the 1962-68 period relating to this particular property. Reference to Chart VI will indicate that during this span the University increased nearly 52% in enrollment here in Madison, undergraduate enrollment excluding special students increased 31.5% during this same time, while the total number of fraternity and sorority members declined by 1/2% overall, declined slightly in absolute numbers, and declined drastically in terms of pledges and new actives in 1967 and 1968. The exact number of the decline is regarded as confidential by the Office of Student Affairs, but it is clear that the relative position of Greek membership to total undergraduate enrollment is slipping at about 10% a year and that the influx of new members, freshmen and sophomores who are the primary tenants of Greek dormitory capacity, is declining.

ing at an even more precipitous rate. With knowledge of the rate of obsolescence in terms of the demand for fraternity-sorority amenities by Wisconsin undergraduates, my opinion that the rate of obsolescence has been 10% a year for 1966, 1967, and 1968 is conservative.

According to appraisal theory the depreciated cost of building replacement represents the highest price a buyer would pay for substitute facilities, i.e. cost approach represents the highest limit on the range of alternatives to a knowledgeable buyer under no compulsion to buy. (In 1962 when Sigma Chi was forced to relocate by the University take-over of the lakefront property, it was not in position of a buyer with acceptable alternatives as other fraternity houses were not then available. The land rush had begun on Langdon Street so that the original cost of construction represented the upper limit of value and not market value of a fraternity house even in 1963.)

The market value of land along Langdon Street is a speculative exercise in appraisal at best given the recent sharp upward and downward fluctuation in speculations along that street. The Sigma Chi lot has 14,520 sq. ft. of lot area with good frontage and sufficient size to take some advantage of zoning bonuses for student apartments constructed in this sector of R-6 zoning. Our studies show that investors can afford to pay \$7 per sq. ft. for land in such an area (although transactions are more likely to be in the neighborhood of \$6 a sq. ft.). For this reason it is our opinion that the value of the site as though vacant is still equal to its original purchase value of \$100,000 in 1962 and so this market value has been applied in Chart V.

The indicated value by the cost approach of \$281,000 represents an upper limit of value for this fraternity house and suggests a total assessment value at 63% equalization rate of \$177,000 or \$2765 per bed.

## CHART V

COST APPROACH TO VALUE OF SIGMA CHI FRATERNITY  
HOUSE AT 221 LANGDON STREET

1. Original cost of construction--1963	\$274,000
2. Increase in cost to reproduce due to rising prices--1968	<u>27,400</u>
3. Cost to reproduce in 1968	301,400
4. Depreciation	
A. Physical depreciation--50 year useful life (5 years) or 10% of 1968 cost to replace	30,100
B. Functional obsolescence	none
C. Economic obsolescence due to decline of fraternity sor- ority system as documented on Chart VI at rate of 10% per year for 1966, 1967, and 1968	<u>90,300</u>
D. Total depreciation	120,400
5. Depreciated cost of building replacement	181,000
6. Market value of land	<u>100,000</u>
7. Indicated value by cost approach	281,000
8. Indicated total assessment value at 63% equalization rate would be \$177,000 or \$2765 per bed.	

CHART VI

% CHANGE IN STUDENT ENROLLMENTS AT UNIVERSITY OF WISCONSIN COMPARED TO TOTAL GREEK MEMBERSHIP  
FOR FALL SEMESTERS FROM 1962-63 TO 1967-68 ON MADISON CAMPUS

<u>Year</u>	<u>Total Student Enrollment</u>	<u>% Change from Prev- ious Year</u>	<u>Undergraduate Enrollment</u>	<u>% Change from Prev- ious Year</u>	<u>Total Greek Membership</u>	<u>% Change from Prev- ious Year</u>
1962-63	21,733		16,312		3,276	
1963-64	24,275	+11.7	16,866	+10.1	3,362	+2.6
1964-65	26,293	+ 8.3	17,651	+ 4.7	3,403	+1.2
1965-66	29,299	+11.4	19,769	+12.0	3,548	+4.3
1966-67	31,120	+ 6.2	20,605	+ 4.2	3,547	
1967-68	33,000	+ 6.0	21,465	+ 4.1	3,259	-8.1
6-year period (1962-63 to 1967-68)		+51.8		+31.5		- .5

# CHART VII

## RECENT CONVERSIONS OF PRIVATE DORMITORIES TO STATE OFFICE SPACE (1)

<u>Name of Dormitory</u>	<u>Address</u>	<u>Date Leased To St. of Wis.</u>	<u>Lease Expir.</u>	<u>Sq. Ft. Rented</u>	<u>Annual Rent</u>	<u>Rent Per Sq. Ft.</u>	<u>Service</u>	<u>Parking Space</u>
Princeton House	1815 University Ave.	6/16/66	6/30/69	36,500	\$130,080	\$3.56	In full by owner	21
Wisconsin Hall	126 Langdon St.	7/1/67	6/30/73	63,000	269,832	4.28	In full by owner	4
Masters Hall	415 W. Gilman	2/1/68	7/31/72	32,600 (portion of bldg.)	109,200	3.15	State pays for janitor and utilities	12
The Towers	606 State St.	9/7/65 (T 3&4) 9/1/66 (F 5,6,7&8) 12/1/67 (F 2) 7/1/67 (F 9&10)	6/30/69	40,000	134,964	3.37	State pays for janitor and electricity	3
Regent House	1404 Regent	2/1/66	7/31/69	21,759	82,648	3.83	In full by owner	0
Rooming house	1308 W. Dayton St.	2/1/68	7/1/71	7,640	22,800	2.98	State pays janitor & electricity	0

(1) Leasing information source David Ward, State Leasing Office, Madison, Wisconsin, July 23, 1968



## CONCLUSIONS

Appraisal value indicated by market approach	\$265,000
Appraisal value indicated by capitalized earnings approach	260,000
Appraisal value indicated by cost approach	281,000

In my opinion value reached by the cost approach is an upper limit to value and a conclusion which depends on rather interpretive analysis of current 1968 building costs and depreciation factors. If one had chosen to use a cost approach relative to development of a four-story office building, there would have been no discount for economic obsolescence but a heavy charge for functional obsolescence due to inflexible room layouts, lack of an elevator, inflexible utilities, and inadequate parking for a commercial office building.

The market approach has attempted to recognize utilization of the fraternity house as a fraternity relative to the alternatives and capacities of Greek groups not presently well housed or located. Although it recognizes only 90% of the average price paid per bed since 1964 for Greek facilities, it does not emphasize the depressed market price represented by the 1967 sale of a property (at 252 Langdon) virtually across the street from the subject property. Nevertheless, there is no reason for optimism in regard to fraternity and sorority economic powers. Students prefer apartment living and reflect increasing distaste for anything reflecting the class society establishment. Moreover, the numbers of fraternities and sororities on campus is vulnerable to administrative decisions on the legality of individual national charters. It is not unreasonable to expect some sacred cows may be sacrificed by the University officialdom because it is politically expedient to demonstrate sympathy for the intellectual left. In short, \$265,000 would be in the upper range of probable market prices paid by a fraternity group.

Therefore, the investment value of the building at \$260,000 represents a value with the fewest soft assumptions. After careful consideration of all the factors which influence value, it is my opinion that the fair market value of the Sigma Chi fraternity house on May 1, 1968 is \$260,000. This sum may be allocated as follows:

Fair market value of land	\$100,000
Fair market value of building	<u>160,000</u>
Total	\$260,000

## CERTIFICATE OF APPRAISAL

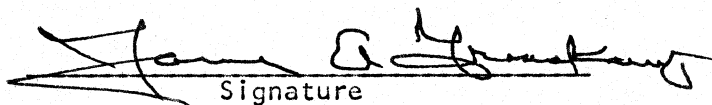
I hereby certify that I have no interest, present or contemplated, in the property and that neither the employment to make the appraisal nor the compensation is contingent on the value of the property. I

certify that I have personally inspected the property and that according to my knowledge and belief, all statements and information in this report are true and correct, subject to the underlying assumptions and contingent conditions.

Based upon the information contained in this report and upon my general experience as an appraiser, it is my opinion that the Market Value, as defined herein, of this property as of May 1, 1968 is

TWO HUNDRED SIXTY THOUSAND DOLLARS

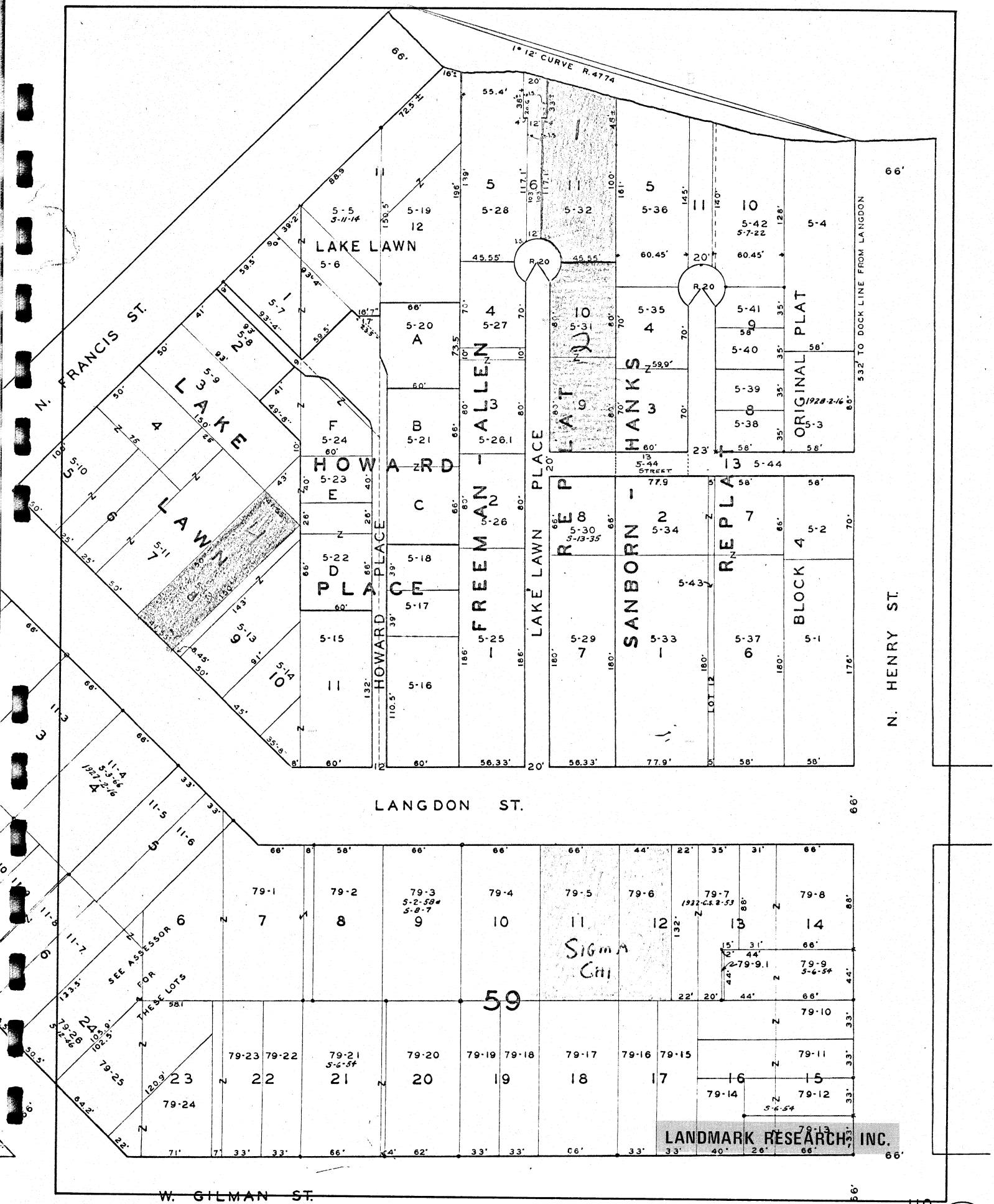
(\$260,000)

  
Signature

9-10-68

Date

LANDMARK RESEARCH, INC.



LANDMARK RESEARCH INC.







SALE # 1



SALE # 2





SALE # 3



SALE # 4





*SUBJECT PROPERTY*



LANDMARK RESEARCH, INC.



