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An appraisal of the Woolworth Building, 2 West Mifflin Street, Madison, Wisconsin. May 1, 1985

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AN APPRAISAL OF
THE WOOLWORTH BUILDING
MADISON, WISCONSIN

Landmark
Research
Inc.

AN APPRAISAL OF
THE WOOLWORTH BUILDING
2 WEST MIFFLIN STREET
MADISON, WISCONSIN

AS OF
MAY 1, 1985

PREPARED FOR
MADISON REAL ESTATE INVESTMENT FUND

PREPARED BY
LANDMARK RESEARCH, INC.
JAMES A. GRAASKAMP, PH.D., SREA, CRE
JEAN B. DAVIS, MS

Landmark
Research
Inc.

May 20, 1985

James A. Graaskamp, Ph.D., S.R.E.A., C.R.E.

Jean B. Davis, M.S.

Messrs. Gordon and Greg Rice
Executive Management, Inc.
6000 Gisholt Drive
P.O. Box 8685
Madison, WI 53708

Gentlemen:

With this letter we are transmitting our appraisal of the Woolworth Building, a retail and office building located at 2 West Mifflin Street, in the City of Madison, Dane County, Wisconsin, as requested by you in your capacity as representatives of the property owners, Madison Real Estate Investment Fund (MREIF). In this case, the appraisal report should be read in connection with the appraisal requested for 30 ON THE SQUARE, an office building located at 30 West Mifflin Street, and also owned by MREIF. Your attention is called to Section V, pages 109 through 130, of the 30 ON THE SQUARE appraisal as of May 1, 1985, in which the Woolworth property, as is currently leased, and the Woolworth site, as if vacant, are included in the value estimate of 30 ON THE SQUARE.

The appraisers have inspected the subject property on several occasions and have no vested interest, present or future, in the properties owned by the Madison Real Estate Investment Fund (MREIF) except, of the 374,204 total MREIF shares outstanding as of January 10, 1985, James A. Graaskamp owns 60 shares and Jean B. Davis owns 100 shares. This ownership position pre-dates any appraisal assignment by six or more years.

We have established Market Value as of May 1, 1985, assuming cash to the seller, and sale as an independent property, subject to the assumptions and limiting conditions noted throughout the report.

Market Value as of May 1, 1985, subject to existing leases, but sold for cash, is:

FOUR HUNDRED THOUSAND DOLLARS

(\$400,000)

assuming a buyer can obtain financing at 13 percent interest for a 20-year term with a five-year balloon, and in an amount of \$250,000, based upon a current and reasonable underlying land value of approximately \$20 per square foot.

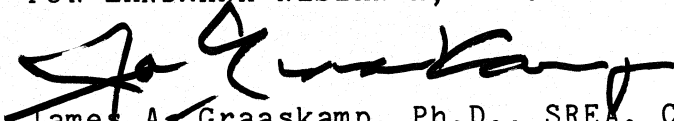
Messrs. Gordon and Greg Rice
Page Two
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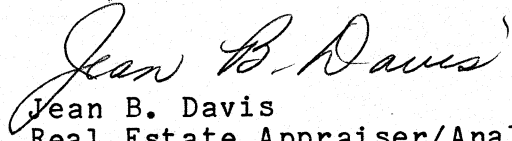
We have also suggested marketing strategies for the property as sold to potential buyers who already have interests in nearby properties in the same block.

Upon completion of the appraisal of each of the individual properties owned by MREIF, a portfolio price will be set for all of the MREIF properties, including the Woolworth Building as a single purchase, allowing for a reduction in opportunity costs and transaction risks for the seller and the possibility of a more stabilized income risk position for the buyer.

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

FOR LANDMARK RESEARCH, INC.


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


Jean B. Davis
Real Estate Appraiser/Analyst

Enclosures

jc

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I. INTRODUCTION

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

A. Issue for Which the Appraisal is Required

The issue for which this appraisal is required is the possible sale and liquidation of the portfolio of properties currently owned by the Madison Real Estate Investment Fund (MREIF) of which the subject property is a part. This appraisal has been requested by the current owner of the subject property which is located at 2 West Mifflin Street, in the City of Madison, Dane County, Wisconsin, in order to determine the most probable selling price of the property, subject to existing leases, as of May 1, 1985, and assuming cash to the seller.

B. Real Estate Interests Appraised

The real estate to be appraised is the fee simple title encumbered by certain leases and special district assessments described in this report. The subject property, known as the Woolworth Building, at 2 West Mifflin Street, consists of the

site, building improvements, and the benefit of an implied sidewalk vault easement. The legal description is [1]:

The Northeast 91 feet of Lot 6 and Lot 7, and the Northeast 91 feet of the Southeast 4 feet of Lot 5, all in Block 83, in the City of Madison. Together with the easement dated August 28, 1937, recorded December 2, 1937, in Vol. 131 of Misc., page 282, Document No. 603380.

Right of Way

A strip of land 10 feet in width beginning at the northwesterly corner of the above described property and extending southwesterly along the line dividing Lots 8, 9 and 10 from Lots 1, 2 and 3 in said Block 83, said 10 foot strip being across the southeasterly 4 feet of Lots 1, 2 and 3 and the northwesterly 6 feet of Lots 8, 9 and 10 in said Block 83. [2]

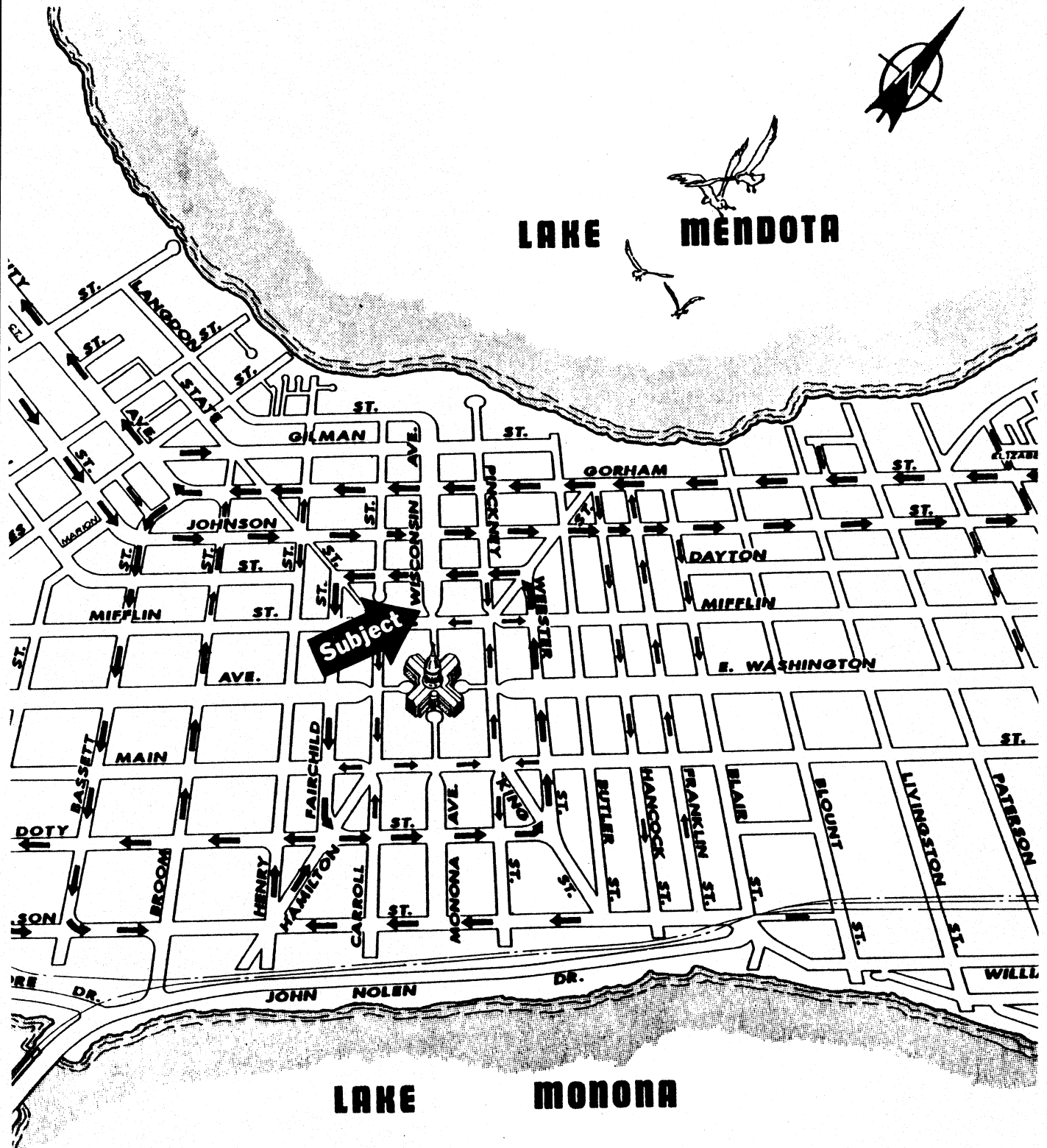
The property is located on the Square facing the State Capitol as indicated on the map in Exhibit I-1 and consists of an assemblage of Lots 6 and 7 plus part of Lot 5 in Block 83 from the original Madison plat as detailed in the map in Section II, Exhibit II-2. The appraisal does not include kitchen equipment, merchandise, or maintenance equipment, which is the property of the major tenant, the Woolworth Company, operator of a variety store on the first floor and mezzanine.

[1] Legal description obtained from lease dated January 3, 1985, between Madison Real Estate Investment Fund, and F. W. Woolworth Company.

[2] See Section II, Exhibit II-2, for diagram of right-of-way.

EXHIBIT I-1

SITE LOCATION OF SUBJECT PROPERTY



C. Definition of Value and Date of Sale

The appraised value shall be fair market value as defined in Exhibit I-2 as of May 1, 1985, if sold subject to the existing lease to the Woolworth Company dated February 1, 1985, and which is abstracted in Exhibit I-3. It is assumed that the buyer will seek financing from a third party and the seller will receive all cash. A modified value representing increments which could be achieved if the property were sold to either contiguous land owners or as part of a package which included 30 ON THE SQUARE could be the result of a subdivision of uses with public financing described in Section V as a counseling comment on pricing strategy as opposed to fair market value.

D. Appraisal Issues

The appraisal process is first dependent on highest and best use as defined in Exhibit I-4, and secondly on an orderly market where anticipated outcomes can be forecast with reasonable certainty. In this case, the immediate environs of the subject property, especially the four square blocks within the dotted lines as shown in Exhibit I-5, are in a state of flux and in transitional uses of uncertain direction and consequence. Retail trade has steadily declined on the Mifflin Street frontage, but major retail vacancies on the East Mifflin block (Block A) are proposed for demolition and for replacement with a mixed use/office building project which will link the

EXHIBIT I-2

FAIR MARKET VALUE DEFINITION

A current definition of market value is:

The most probable price in cash, terms equivalent to cash, or in other precisely revealed terms, for which the appraised property will sell in a competitive market under all conditions requisite to fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.

Fundamental assumptions and conditions presumed in this definition are

1. Buyer and seller are motivated by self-interest.
2. Buyer and seller are well informed and are acting prudently.
3. The property is exposed for a reasonable time on the open market.
4. Payment is made in cash, its equivalent, or in specified financing terms.
5. Specified financing, if any, may be the financing actually in place or on terms generally available for the property type in its locale on the effective appraisal date.
6. The effect, if any, on the amount of market value of atypical financing, services, or fees shall be clearly and precisely revealed in the appraisal report.

Source: American Institute of Real Estate Appraisers,
The Appraisal of Real Estate, Eighth Edition,
Chicago, IL, 1983, p. 33.

EXHIBIT I-3

SUMMARY OF THE WOOLWORTH LEASE
OF THE SUBJECT PROPERTY

LESSOR: Madison Real Estate Investment Fund

LESSEE: F.W. Woolworth Company

LOCATION OF
LEASED PREMISES: 2-8 West Mifflin Street
Madison, Wisconsin 53703

LEASE TERM: February 1, 1985, through January 1, 1990

RENT: Base rent of \$60,600 per year from
February 1, 1985, through April 30, 1985,
and \$50,000 per year thereafter, due
monthly. Additional rent of 4 percent of
annual gross receipts (as defined) which
exceeds annual base rent.

DEMISED PREMISES: Basement and sidewalk vaults.
First floor and mezzanine except elevator
and stair lobby to second floor on
southwest corner of building and stairs
at northeast corner of building.
Approximately 3,000 square feet of the
second floor on north side of building.

RENTAL ESCALATOR: None

RESPONSIBILITY
FOR OPERATING
EXPENSES:

Utilities: Tenant reimburses landlord for
all separately metered utilities
used on demised premises.

Insurance: Tenant reimburses landlord
67 percent of the annual
insurance premiums.

Real Estate
Taxes: Landlord pays base real estate
tax of \$19,709 and the tenant
pays 75 percent of any increases
in real estate taxes over base
amount. Landlord pays all
special assessments and
maintenance fees.

Repairs: Landlord responsible for all
exterior and interior
structural repairs.
Tenant responsible for main-
taining interior in good repair.

OPTION FOR
RENEWAL: None

EXHIBIT 1-4

DEFINITION OF HIGHEST AND BEST USE

That reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal.

Alternatively, that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

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

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

Source: Byrl N. Boyce, Real Estate Appraisal Terminology, Revised Edition, AIREA, SREA, Ballinger, Cambridge, Mass., 1981, p. 107-108.

The map shows a grid of streets including Mifflin, Dayton, Wisconsin, and Carroll. A large black arrow points to Block D, which is labeled 'Subject'. The map also shows various numbered locations (1-15) and a compass rose indicating North.

- | | | | | | |
|----|------------|----------------------|-----|------------|-------------------------------|
| 2 | W. Mifflin | Woolworth's | 18 | E. Mifflin | Condon Jewelers |
| 10 | W. Mifflin | Vacant | 19 | E. Mifflin | Fanny Farmer |
| 12 | W. Mifflin | Fairchild's Hallmark | 22 | E. Mifflin | Bonsett-Neal Optometrists |
| 14 | W. Mifflin | Kwik Copy Printing | 24 | E. Mifflin | Moseley's |
| 20 | W. Mifflin | Vacant | 50 | E. Mifflin | Emporium |
| 22 | W. Mifflin | The Hub | -- | | Surface Parking |
| 30 | W. Mifflin | Rennebohm-Walgreen | 203 | Wisconsin | First United Methodist Church |
| 1 | W. Dayton | Concourse Hotel | 211 | N. Carroll | MATC |
| 2 | E. Mifflin | Vacant | 301 | Wisconsin | Masonic Temple |
| 14 | E. Mifflin | Vacant | 315 | Wisconsin | Christian Science Church |
| 16 | E. Mifflin | Strand Theater | 312 | Wisconsin | Bethel Lutheran Church |

east block into a megastructure by means of an interior spine for pedestrian movement. The block occupied by the Masonic order (Block B) is the subject of a number of alternative redevelopment plans including possible relocation of the Masonic order, development of elderly housing, and historical restoration of old homes. The existing Madison Area Technical College (MATC) (Block C) is funded for substantial demolition, replacement with parking to support a reduced educational function, or possible redevelopment into exhibition space to support downtown Madison as a convention center. The Concourse Hotel, which occupies the back half of the block (Block D), contiguous to the subject property, is slated for major expansion of rooms in 1986-87. Thus, the recent renewal of the Woolworth lease on the subject property must be regarded as an interim use. Both the City of Madison Planning and Development Department and private developers are speculating on the feasibility of clearance and redevelopment of the Woolworth site plus contiguous properties for parking and mixed commercial uses.

MREIF, the owner of the subject property, also owns a ten-story office building, 30 ON THE SQUARE, located at the opposite end of the West Mifflin block which is in need of tenant parking support if it is to avoid increasing locational obsolescence. Therefore, market value of the subject property,

if sold as an independent property, is clouded by the potential opportunity costs to the market value of the office building at 30 ON THE SQUARE. These issues need to be addressed by first valuing fee title of the Woolworth property as an independent property, encumbered only with existing leases and special assessments. Then the appraiser must suggest scenarios which would result in increments in value that could be attributed to plottage realized by sale of the subject property to owners of the Concourse, owners of the adjacent Brathaus II, or if sold, as a package with 30 ON THE SQUARE. Specific plottage opportunities for 30 ON THE SQUARE have been estimated for the client in a separate appraisal report for 30 ON THE SQUARE dated April 1, 1985. There is a conflict between the concept of fair market value of the subject parcel, which assumes sale to a neutral third party purchaser and the concept of investment value, defined in terms of contemporary appraisal concepts, which would consider the broader issues of inter-property relationships and redevelopment potential.

E. Preferred Appraisal Methodology

Before the advent of unstable money markets, creative financing, and the syndication of real estate, the market comparison approach was the favored method to estimate the most probable selling price of a specific property. It is based upon the assumption that buyers will pay a similar price for

comparable properties which offer similar utilities to the buyers. As sale terms and conditions become more complex and often undisclosed, the direct sales comparison approach has been less reliable, although still a useful indication of a range of values for which the subject property will sell.

The cost approach to value is most effective when used to estimate the value of a new, efficient, and well-located structure. The serious functional and economic obsolescence of the Woolworth Building renders the cost approach unsuitable as an appraisal methodology.

The income approach, using the discounted cash flow methodology, permits greater sensitivity to the special income and expense characteristics of the subject property which are reflective of the functional and economic obsolescence inherent in the subject property, given its current design and locational problems.

Therefore, both the market comparison approach and the income approach to value are used, but with greater reliance placed upon the more sensitive income approach.

II. PROPERTY DESCRIPTION AND ALTERNATIVE USES

The value of the subject property depends on its income investment productivity which can be attributed to the interrelationship of the physical site and its improvements.

In analyzing the subject property, it is necessary to review the site attributes, improvement or building attributes, legal constraints, dynamic attributes and linkages..

A. Physical Attributes of Site

1. Dimensions and Site Area

The subject property is located at the southeast corner of the block bordered by Wisconsin Avenue, West Mifflin Street, North Carroll Street, and West Dayton Street. The subject property enjoys 136.93 feet of frontage on Wisconsin Avenue and 91 feet of frontage on West Mifflin Street, in a rectangular lot providing 12,460 square feet of land. (See Exhibit II-1.) An alley easement reduces the buildable depth to 126.93 feet on Wisconsin Avenue, but the building footprint of 11,550 square feet of area is expanded by an easement providing insulated basement storage vaults below the sidewalk on street right-of-way totaling 3,072 square feet. (See Exhibit II-2.) These vaults were permitted to remain after construction of the Concourse mall when most others were removed as structurally

EXHIBIT 11-1

LOCATION OF SUBJECT PROPERTY

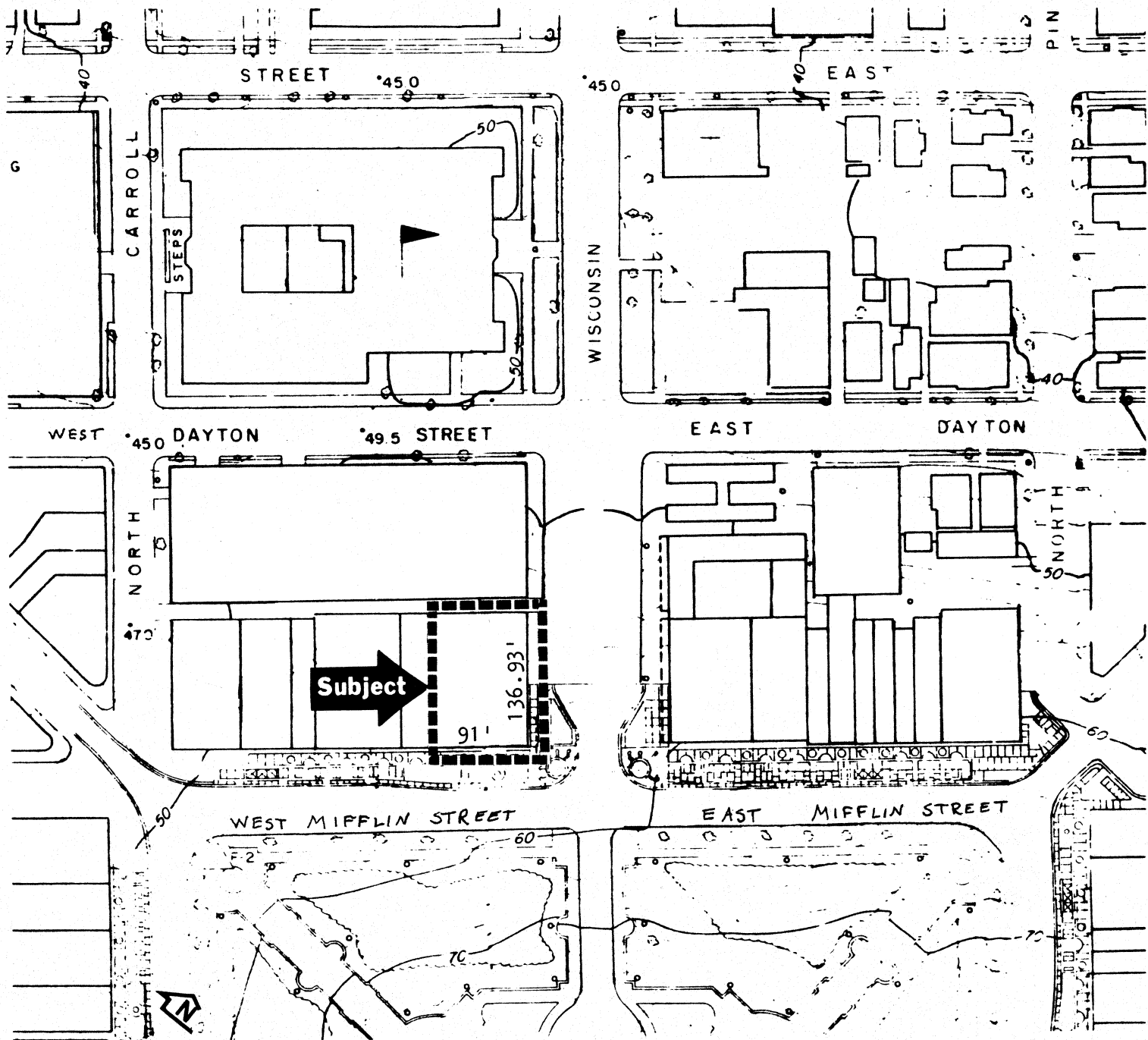
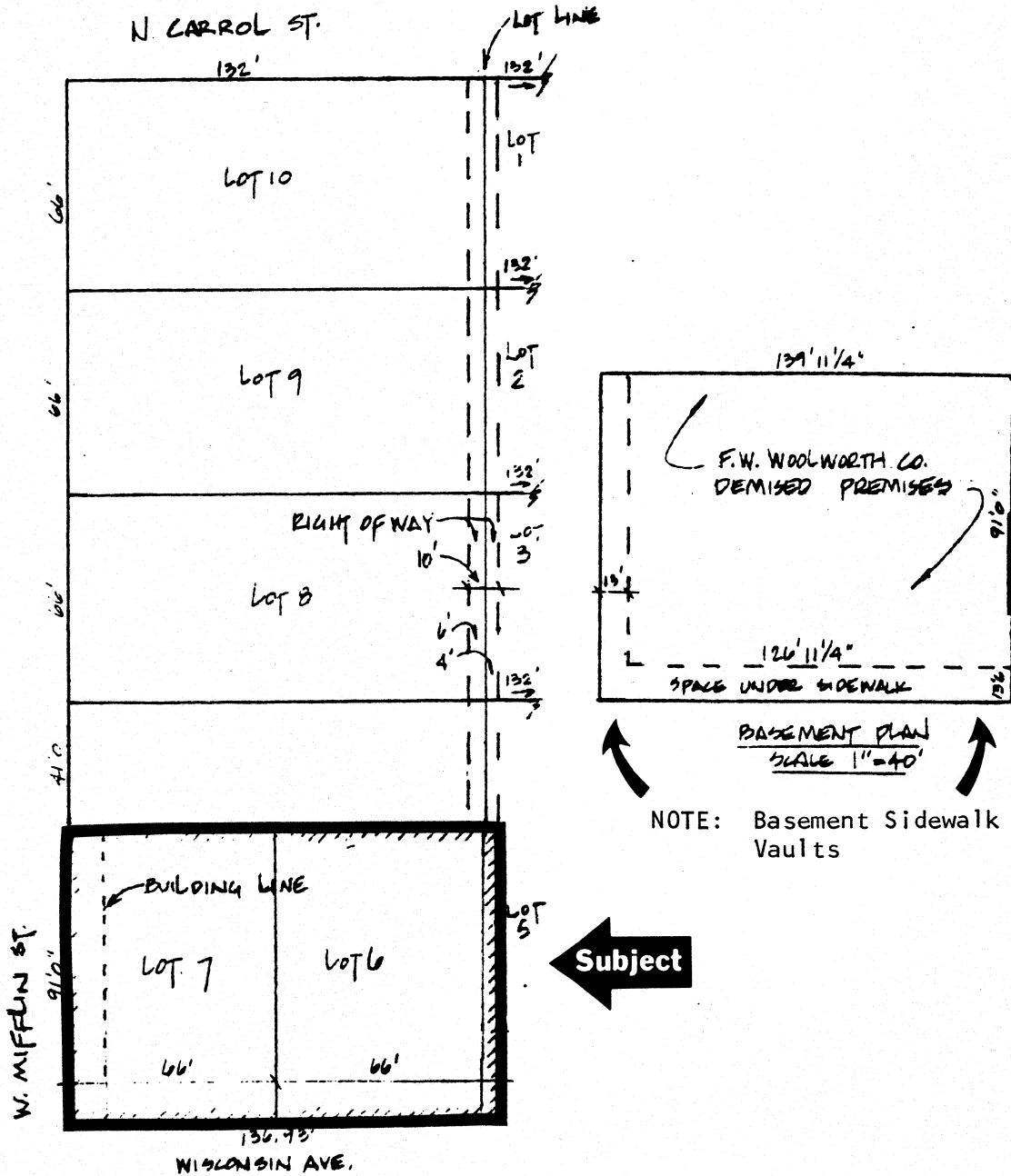


EXHIBIT 11-2

LOCATION OF SITE BOUNDARIES AND
BASEMENT SIDEWALK VAULTS



unsound. However, there appears to be no lease between the City and the property owner for use of the right-of-way below grade.

The lot slopes from an elevation of 58.2 feet at the West Mifflin Street/Wisconsin Avenue intersection to an elevation of 54 feet at an alley (Madison datum 0 equals 857 feet above sea level). The subject property is governed by the Capitol Viewshed Ordinance (see Exhibit II-3) which limits the maximum height of a building to 187 feet, allowing a maximum building height including elevator housings of 129 feet on the subject property.

2. Topography, Geology, and Soils

The Capitol Square area is a gravel drumlin located between Lake Mendota to the north and Lake Monona to the south, giving prominence to the State Capitol Building and major business buildings at the City's center. The subsoil is a Drumlin Glacial Drift and the bedrock is Pottsam Sandstone at depths of 8 feet and 190 feet, respectively. The Soil Survey of Dane County Wisconsin, published by the U. S. Department of Agriculture, Soil Conservation Service, shows the soil type as Dodge Silt Loam, with 2 to 6 percent slopes (DnB). The Dodge Series consists of deep, well-drained, gently sloping soils on glaciated uplands. Foundation excavations in the immediate block have revealed a deep sand and gravel base ideal for high-rise construction and low corrosion of concrete and steel.

EXHIBIT 11-3

CAPITOL VIEWSHED ORDINANCE

The City of Madison Zoning Code section regarding height limitations for buildings is as follows:

All buildings or structures erected hereafter, all structures occurring hereafter, and all enlargements of or additions to existing buildings or structures occurring hereafter shall be subject to the following regulation:

No portion of any building or structure located within one mile of the center of the State Capitol Building shall exceed the elevation of the base of the columns of said Capitol Building or one hundred eighty-seven and two-tenths (187.2) feet, City datum. Provided, however, this prohibition shall not apply to any flagpoles, communication towers, church spires, elevator penthouses and chimneys exceeding such elevation, when approved as conditional uses. For the purpose of this subsection, City datum zero (0.00) feet shall be established as eight hundred forty-five and six-tenths (845.6) feet above sea level as established by the United States Coast and Geodetic Survey. [1]

The subject property improvements conform to this ordinance and are limited by it.

[1] City of Madison Zoning Code, Sec. 28, pp. 28 - 26.

3. Water and Sewer Service

Although there is a 10 inch water main on Mifflin Street, original building plans show a 3 inch water service connection to a 4 inch water main on Wisconsin Avenue. A 6 inch vitrious sewer line runs diagonally under the building to the alley and Wisconsin Avenue and thence 100 feet to a city manhole. Gas service enters the building from the center of the Mifflin Street sidewalk vaults where there are multiple meters to serve kitchens, boilers, and water heater. Storm water above sidewalk vaults is picked up by a 2 inch line running to a 12 inch storm water line in the alley between the subject property and the Concourse Hotel.

4. Other City Services

City of Madison Fire and Police serve the site with a central police station four blocks distant and the central fire station three blocks distant, but this proximity does not reflect the circuitious traffic routes for public safety vehicles to access Wisconsin Avenue and Mifflin Street.

The City provides a series of special activities on the Mall throughout the year, particularly during the summer months, to generate intense pedestrian activity for concerts, the Farmers' Market, parades, festivals, and art fairs. Wisconsin Avenue is a major pedestrian approach route. The

sidewalks adjacent to the subject property are equipped with electrical outlets to support decorative lighting, vendors, and acoustical equipment. The City provides special security and cleanup services which are funded by the maintenance assessment on property owners as described below.

B. Legal/Political Attributes

The subject property is zoned commercial C-4 (as cited in Appendix A) which is nominally a very liberal statement of commercial uses. In practice, all uses are conditional uses requiring approval of the City of Madison Planning Commission and the City Council. These agencies strongly prefer retail uses on the first floor of buildings facing the Square, oppose demolition for parking purposes, and are inclined to provide incentives in the form of tax exempt financing or grants to advance City plans for redevelopment of the block. A report by Real Estate Research Corporation dated August 1984 specified a festival food mart as a possible use for the subject property. That whimsy may color planning reviews of future uses for the subject property.

As reported earlier, the subject property currently has 3,072 square feet of reinforced concrete basement vaults under the sidewalk which are located within the dedicated right-of-way, the street. A similar situation permits the First Wisconsin Building to extend basement parking below the

sidewalk on the Square, subject to a specific lease agreement with the City of Madison. No such lease agreement exists between the Woolworth property owners and the City so that any change in status of the current property may require negotiation of a lease or removal or filling of the vaults at the owner's expense. On the other hand, the extended building footprint below grade could be an incentive for underground parking development.

The site is within the Capitol Concourse District and subject to a special assessment for capital improvements and a special assessment for maintenance of the Capitol Concourse Mall.

The ten-year mall special assessment commenced in 1978 and will terminate in 1987. The payment schedule is as follows:

DATE OF ASSESSMENT	PAYMENT DATE	BEGINNING BALANCE DUE	ANNUAL PRINCIPAL PAYMENT	INTEREST ON DECLINING BALANCE AT 6%	TOTAL ANNUAL PAYMENT	
1983	1984	\$10,315.39	\$2,063.08	+	\$618.92	\$2,682.00
1984	1985	8,252.31	2,063.08		495.14	2,558.22
1985	1986	6,189.23	2,063.08		371.35	2,434.43
1986	1987	4,126.15	2,063.08		247.57	2,310.65
1987	1988	2,063.07	2,063.08		123.78	2,186.86

In 1982 the City of Madison began to charge property owners, already subject to the Mall special assessment, a Mall maintenance fee. The City budgets a fixed amount for the total

Mall maintenance fee budget and then property owners are assessed proportionately to the size of their site. Adjustments are made the following year if the budgeted amount is over or under actual expenditures. The charges to the Woolworth Building have been as follows:

1982	\$433.78	
1983	738.56	
1984	603.55	(includes a rebate from 1983 overestimated budget)

The maintenance fee is expected to run between \$600 and \$700 in 1985 and due to the labor intensive nature of Mall maintenance, the expense is expected to inflate at 8 percent per year.

The property is subject to a 12 foot wide reciprocal alley easement, which does provide access to a double freight door at the inside corner of the building at the alley; future redevelopment uses might need to vacate the easement to allow for contemporary development concepts.

C. Linkage Attributes

Linkage attributes relate the the physical network of services and proximity of relationships generating a flow of goods, services, and people to and from the subject parcel. Physical linkages include sidewalks, roads, and other ties, while locational linkages have to do with accessibility to ancillary and supportive land uses.

1. Contiguous Uses

At one time the subject parcel might have been considered the 100 percent retail corner on the Square, located midway between the Manchester Department Store, the Wolff-Kubly Store, and the prime menswear and womenswear shops. Only The Hub men's store survives on the subject block. Retail vacancies and tenancies are identified in Exhibit I-5 in the previous section of this appraisal. The dominant relationship on the block today is the Concourse Hotel, which turns its back on the subject parcel. The other generators of pedestrian activity would be the State Capitol Building, located on a knoll across the street, or 30 ON THE SQUARE at the opposite end of the block on Mifflin Street, at the foot of a slight downward slope.

2. Pedestrian Linkages

Pedestrian movement is favored by wide new sidewalks, installed as part of the Capitol Redevelopment Plan in 1978. The subject property exploits the change of grade on Wisconsin Avenue by providing a mid-level entrance to the lower mezzanine as well as a main store entrance at grade on West Mifflin Street. Pedestrian flows at the front of the store have two entry points. Wide sidewalks are obstructed with plantings and street hardware.

3. Auto Linkages

Automobile traffic has been curtailed by the redesign of the North Wisconsin Avenue Boulevard to four parking lanes and one traffic lane each way, entering the Square at a stoplighted intersection. Only busses can use the Mifflin Street curb lane, and there are limited parking spaces on the Square so that the driver of an auto has a difficult time dropping off passengers or finding a place to park.

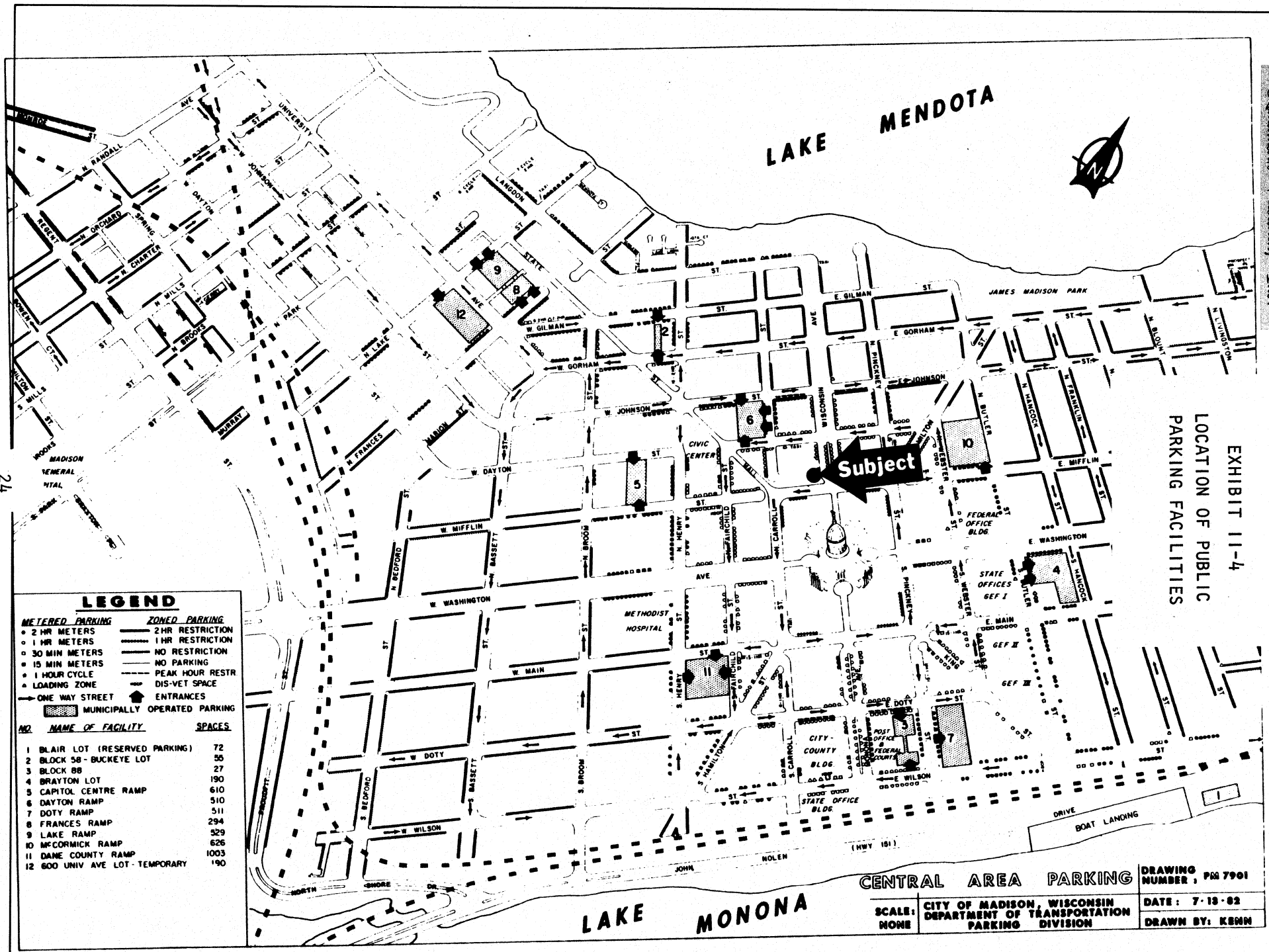
4. Public Parking

There are four major parking ramps available to tenants and visitors to the subject property, and all of these options are poor. The Dayton Street Ramp is two blocks away on Carroll Street. A few lower level parking spaces are metered, but the majority of daytime spaces are controlled with an automatic ticket system and parking control arm with the result that these spaces are monopolized by students and faculty attending MATC. Currently tenants in the subject property might lease space monthly in the ramp of the Concourse Hotel, but this opportunity will evaporate when expansion plans for the hotel are completed. An eight-story city parking ramp has recently constructed in the 300 block of West Mifflin Street, four blocks from the subject property, to serve the new Federal Courthouse and the Madison Civic Center. Despite the eight

stories of spaces, the ramp was built without elevators for purposes of economy, but due to public criticism, an elevator has been installed. The McCormick Ramp, located between Webster and North Butler Streets, and three blocks east of the Woolworth Building, offers the most frequently available parking, but the uphill climb to the Square can be a deterrent to many shoppers, office tenants and clients, especially in inclement weather. In summary, those intending to visit tenants in the subject property or to be a tenant find parking inconvenient, unpredictable, distant, and expensive. (See Exhibit II-4 for map of public parking facilities serving the Square.)

5. Delivery Access

Truck drivers are not permitted to make deliveries across the Mifflin Street Mall sidewalk so that merchandise, building supplies, and daily food deliveries must utilize the mezzanine entrance at the alley or the double door freight entrance at the southwest corner of the building. There is a motorized conveyor belt leading to the basement at the freight door and a small dumb waiter connecting the basement to the mezzanine level. The alley on which delivery trucks depend is not well maintained. There is no freight door at grade which would permit use of garbage dumpsters or other material handling equipment.



LEGEND

- METERED PARKING**
- 2 HR METERS
 - 1 HR METERS
 - 30 MIN METERS
 - 15 MIN METERS
 - 1 HOUR CYCLE
 - ▲ LOADING ZONE
 - ONE WAY STREET
- ZONED PARKING**
- 2HR RESTRICTION
 - 1HR RESTRICTION
 - NO RESTRICTION
 - NO PARKING
 - PEAK HOUR RESTR
 - DIS-VET SPACE
 - ENTRANCES
- MUNICIPALITY OPERATED PARKING

NO.	NAME OF FACILITY	SPACES
1	BLAIR LOT (RESERVED PARKING)	72
2	BLOCK 58 - BUCKEYE LOT	55
3	BLOCK 88	27
4	BRAYTON LOT	190
5	CAPITOL CENTRE RAMP	610
6	DAYTON RAMP	510
7	DOTY RAMP	511
8	FRANCES RAMP	294
9	LAKE RAMP	329
10	MCCORMICK RAMP	626
11	DANE COUNTY RAMP	1003
12	600 UNIV AVE LOT - TEMPORARY	190

CENTRAL AREA PARKING

SCALE: NONE
CITY OF MADISON, WISCONSIN
DEPARTMENT OF TRANSPORTATION
PARKING DIVISION

DRAWING NUMBER: PM 7901
DATE: 7-13-82
DRAWN BY: KENN

Future value of the site depends on how well future uses can support linkages to the Concourse, 30 ON THE SQUARE, and 14 West Mifflin Street, as well as the normal pedestrian activity on Mifflin Street.

D. Dynamic Attributes

Dynamic attributes are those which exist in the mind's eye of the observer, such as prestige, and attractiveness. The primary dynamic attribute of the subject property is its long side exposure to the double-wide street right-of-way of Wisconsin Avenue where it intersects with the Square. As a result, the property is easily seen for some distance by motorists looping the Square or circling the Square on the outer loop of Dayton Street. The intersection is well known as a point of reference for Madisonians.

The corner has not been identified with the loitering and social misfits which characterize the opposite end of the block, but pedestrian flows continue to decline following the closing of the Manchester's store on the opposite side of Wisconsin Avenue. The double-wide street right-of-way will tend to isolate the site from whatever occurs to redevelop the East Mifflin block. The sharp climb to the Capitol tends to disconnect the corner from potential customers within the Capitol, who prefer the level approaches on the Main Street side of the Capitol.

E. Environmental Attributes

Off-site environmental impacts of the subject site are minimal, except for rainwater runoff to the alley. There is adequate capacity for storm water in the reconstructed Wisconsin Avenue Mall component. Air conditioning and air handling blowers are contained within a masonry utility room on the second floor at the center of the building so that noise and vibrations do not affect adjacent building occupants.

F. Building Attributes

The Woolworth Building is a concrete clad steel frame structure with block and masonry walls, which was built in 1954-55 on a build-to-suit lease basis for the Woolworth Company by Northwestern Mutual Life Insurance Company. The gross footage and net usable spaces are documented in Exhibit II-5 and a summary of structural and equipment fundamentals is provided in Exhibit II-6. Exterior and interior photographs of the Woolworth Building are found in Exhibit IV-7.

The most notable characteristics of the structure reflect the significant changes in merchandising and product mix which have occurred since construction of the building 30 years ago. A heavy investment was made in insulated poured concrete sidewalk vaults for merchandise storage and there is a huge basement area which also served as a warehouse. These areas are largely vacant as inventory policies have changed to favor

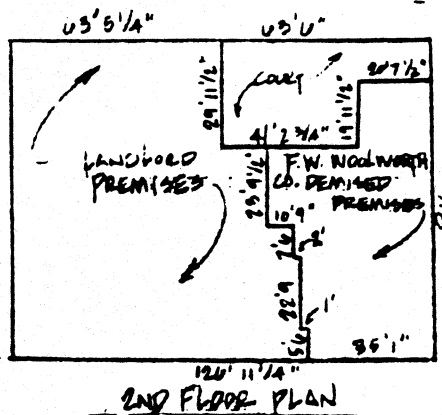
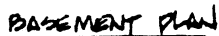
EXHIBIT 11-5

GROSS FOOTAGE OF THE SUBJECT PROPERTY
AND ALLOCATION TO WOOLWORTH

LEVEL	TOTAL SQUARE FEET		CEILING HEIGHTS	ESTIMATED CUBIC FEET
Basement	11,551	x	9.0 feet (average)	103,959
Basement vaults under sidewalk	3,072	x	9.0 feet (average)	27,648
First Floor	11,551	x	15.0 feet	173,265
Mezzanine	2,889	x	9.5 feet	27,446
Second Floor	<u>10,006</u>	x	10.0 feet	<u>100,060</u>
TOTAL	39,069			432,378
Rounded	39,000 SF =====			430,000 CF =====

ALLOCATION OF GROSS SQUARE FOOTAGE
TO WOOLWORTH

	WOOLWORTH		GROSS BUILDING AREA AVAILABLE TO OFFICE TENANTS	
Basement	14,623 SF		0	
First Floor	11,282		269	SF (elevator lobby)
Mezzanine	2,889		0	
Second Floor	<u>2,920</u>		<u>7,086</u>	(assume 80% efficiency, therefore net leasable is 5,880 SF)
TOTAL (100%)	31,714 SF (81%)		7,355 SF (19%)	
ROUNDED:	31,650 SF =====		7,350 SF =====	



SUMMARY OF BUILDING SPECIFICATIONS
AND EQUIPMENT

FOUNDATIONS:

1. Sixteen inch poured concrete basement walls around the perimeter of the site enclosing vaults under sidewalk.
2. Twelve inch poured concrete walls between vault and basement.
3. Interior of vault walls and basement perimeter walls have 1 inch rigid insulation.

STRUCTURE:

1. Steel beam and lally column on a bay space of 30 feet by 21 feet. Steel purloins and bar joists support poured concrete floors.

EXTERIOR WALLS:

1. Eight inch block and four inch brick facing.

INTERIOR WALLS:

1. Majority are metal mesh and plaster.
2. More recent office partitioning is steel stud and drywall.
3. Mechanical rooms enclosed with terra cotta tile.

VERTICAL CIRCULATION: Vertical circulation is very complex to serve mixed use of building.

1. STAIRS:
 - a. Two flights of stairs between main retail floor and the upper and lower mezzanine.
 - b. Long ramp for pushcarts connecting lower mezzanine and main retail floor. A separate stair leads to the roof from the office tenant hall as a secondary fire escape.

EXHIBIT II-6 (Continued)

STAIRS:

(Cont.)

At the northeast corner (interior on Wisconsin Avenue) opening to the alley off Wisconsin Avenue is the second required fire stair serving the second floor rental office. Office and lounge space occupied by Woolworth has private stair down to upper mezzanine for security; lounge area has one-way locked exit to rental office corridor for second escape route.

Southwest corner (interior corner on Mifflin Street) provides elevator to second floor for rental office use plus primary stair to rental office use. Reverse stair to basement public washrooms is accessible only to store customers.

2. ELEVATORS: One passenger elevator - Otis #2000 serves the second floor office area from a separate office lobby.
3. CONVEYOR BELT: Alley freight entrance has motorized conveyor to basement storage area.
4. DUMB WAITERS: Large basement storage area poorly served by one dumb waiter at northeast corner for mezzanine and basement. Counter food service is connected to full basement kitchen equipped with two dumb waiters.

HEATING, VENTILATING, AND AIR CONDITIONING
EQUIPMENT (HVAC):

1. Kewaunee twin steam boilers in basement--only one unit gas-fired and operational.
2. Retail floor heated and cooled through ceiling air diffusers supplied by 22,000 cfm air exchange handling equipment in second floor utility room using steam line to basement boilers. Return air not in center of ceiling with fan so that return air is augmented and recirculated with 5 HP fan.
3. Hot water heat Trane convectors below each window handling system in second floor offices.
4. Utility rooms and bathrooms on second floor have cast iron radiators and ceiling air conditioning diffusers.

EXHIBIT II-6 (Continued)

6. Air conditioning is supplied by 75 HP Carrier on second floor, using heating ceiling diffusers.
7. Second floor men's and women's bathrooms have separate air handling exhaust system.
8. Basement kitchen and luncheonette area on retail floor have exhaust system mounted in light well of second floor featuring 22 inch by 32 inch duct with American Blower Utility set to exhaust kitchen 6,550 cfm with 1.5 HP fan motor.

BATHROOMS: Hot water heaters for second floor bathrooms and separate heater for customer and employee bathrooms in basement corner. Both have water softeners. Copper piping throughout.

Women's bathroom on second floor has four stalls (1 for handicapped) and four sinks.

Men's bathrooms on second floor has four stalls and one urinal.

Janitor's closet with sink on both second floor and first floor.

EXHIBIT II-7

PHOTOGRAPHS OF THE SUBJECT PROPERTY



Looking across West Mifflin Street at the subject property from the Capitol Square.



View of the subject property from the intersection of Wisconsin Avenue and East Mifflin Street.

EXHIBIT II-7 (Continued)



View of the Woolworth rear entrance on Wisconsin Avenue.
Note alley to the right of this entrance.



Looking downward from the Concourse Hotel at
Woolworth Building's roof.

EXHIBIT II-7 (Continued)



View of the luncheonette area located on the main floor of the retail store.



Looking from the main floor towards the mezzanine in the retail store.

EXHIBIT II-7 (Continued)



View overlooking the retail area on the main floor from the mezzanine.



View of the lower retail level.

EXHIBIT II-7 (Continued)



View showing the front entry to the offices.



Looking down the upstairs office hallway which has been scheduled for painting and carpeting.

EXHIBIT II-7 (Continued)



Looking at typical renovated office space.



View showing an office kitchen;
one of which several offices have.

rapid turnover, frequent deliveries, and display/storage racks. Employee bathrooms are provided in the southwest corner of the basement. There are facilities for a complete commercial bakery in the basement which, in yesteryears, supported the fountain service on the first floor with homemade pastries and full-meal service. Today, fountain service is a form of fast foods, prepackaged breads, and pastries. Sidewalk elevators to supply the basement were cut off by redevelopment of the Capitol Concourse. Merchandise is now displayed on self-service racks with cash register controls at the front entrance and the lower level mezzanine entrance.

The rear of the second floor, occupied by Woolworth, includes a large area for training of sales personnel, locker rooms for a relatively large number of employees (who are no longer required), as well as offices for the store manager and staff. Second floor space, occupied by office tenants, benefits from a special entrance and elevator on the southwest corner of the building. There is an interior light well on the second floor to provide windows to offices located on the inside of the corridor. Second story office windows feature small, double-hung metal frames which do little to introduce light into relatively deep office space. These were originally subdivided into small cubicles for medical offices before the change in medical practice in Madison led to consolidation into

group practices and clinics. Bay sizes and window sizes combine to make the second floor obsolete for first class offices, and the space is limited to Class C rentals for low budget government sponsored operations and lobbyists.

Until recently, the Woolworth Company leased the entire building and was responsible for sub-leasing surplus space. The lease, which became operational February 1, 1985, reserves basement, main floor, mezzanines, and approximately 3,000 square feet of second floor office and locker room areas accessible directly from the store area and segregated from the rentable office area. Ownership is now segregating water, electricity, and gas to separate meters. Woolworth is required to reimburse owners for 67 percent of the insurance premium and 75 percent of the increase in real estate taxes. The higher insurance premiums required of property associated with retailing and real estate assessments, which are currently overstated and in need of appeal, point to lease terms unfavorable to the landlord.

G. Legal/Political Attributes of the Building

Site and improvements are encumbered by a five-year lease commencing February 1, 1985. Terms of that lease are abstracted in the previous Section I, Exhibit I-4, and the financial consequences are further detailed in Section IV, in the investment income approach to value. The effect of the lease is

to restrict the flexibility of owners in redevelopment of the building into rental spaces or uses more compatible with current opportunities and constraints on the rental markets of downtown Madison.

H. Linkage Attributes of the Building

The significant linkage attributes of the subject property are its lack of convenient access for delivery, parking, or layouts which fit current market needs. The inaccessible basement space and vacant sidewalk vaults are further indications of a dated and obsolete structure. The building immediately adjacent to the subject property is currently vacant, but an assemblage of a larger development plot is made unlikely by heavy renovation costs recently invested in 14 West Mifflin Street.

I. Highest and Best Use Conclusions

Alternative courses of action for best use of the site or the structure are sharply circumscribed by the recently signed five-year lease with Woolworth. THE CURRENT USE MUST BE REGARDED AS AN INTERIM USE, AND THE FUTURE USE OF THE SITE MUST ANTICIPATE DEMOLITION OF EXISTING IMPROVEMENTS AND REPLACEMENT WITH A MIXED USE FACILITY. A new structure would provide some retail space connecting parking ramp development for the Concourse Hotel, direct linkages to the salvagable buildings

from 14 to 30 West Mifflin, plus special commercial space such as an exhibition hall linked to the Concourse Hotel at the ballroom level. See Section V for preliminary sketches and further comment.

J. Most Probable Buyer of the Subject Property

The conclusion that highest and best use is an interim use as leased to Woolworth followed by demolition and redevelopment suggests two possible types of bidders for the subject property:

1. Purchaser of 30 ON THE SQUARE may require that the subject property be included in the package to retain control of redevelopment plans for the block.
2. A consortium of owners led by the Concourse Hotel ownership would acquire the site to expand parking and exhibition space necessary to support convention capacity and room expansion at the hotel. In addition, it would permit the Hotel lobby to have a direct outlet on Mifflin Street, flanked with tourist shopping, to improve weather protected hotel linkages to the State Capitol and the Square.

III. MARKET COMPARISON APPROACH TO VALUE

Since the cost approach is not relevant to the Woolworth Building, due to serious functional and economic obsolescence factors, the appraiser must rely on either the market approach to value or the income approach using a discounted cash flow methodology. The market approach will provide a general benchmark of the value that buyers have attached to building area or land area units, after adjusting for differences in motivation, financing, and attributes of comparable sales. The market approach provides an indication of the average price which might be paid for the subject property in terms of cash to the seller, i.e., fair market value. However, the discounted cash flow approach in Section IV will permit greater sensitivity to the special income and expense characteristics of the subject property and the timing of interim uses and eventual redevelopment.

A. Sales of Comparable Buildings On or Near the Capitol Square

The long-term decline of retailers on the Square has resulted in the sale of several large retail or department store structures followed by their conversion to alternative uses. The following properties were selected as comparable sales and are located on the map in Exhibit III-1.

=====		
	GROSS BUILDING AREA (GBA) SF	DATE OF SALE

1. WOLFF-KUBLY STORE 30 North Carroll Street	41,000	07/17/80
2. MANCHESTER'S HOME STORE BUILDING 14 West Mifflin Street	40,000	02/27/84
3. CENTRE 7 5 and 7 North Pinckney Street	26,000	12/31/77
4. EMPORIUM STORE 50 East Mifflin Street	42,500	04/30/78
5. WOOLWORTH BUILDING 2 West Mifflin Street	39,000	07/31/78

The pertinent physical data, leasing information, and transaction details for each of these properties is provided in Exhibits III-2 through III-6. Gross selling prices must be adjusted for financing provided by the seller or other non-market considerations, time of sale, and certain other factors. Comparables No. 1 and 5 were adjusted to cash equivalency and the computations are provided in Exhibits III-2 and III-6. No adjustment was made for time, even though the sales span from December 1977 to February 1984. The appraisers believe that the investment and redevelopment market in downtown Madison has been flat for ten years due to collapse of the retailing segment of the Square, high interest rates, and

LOCATION OF COMPARABLE SALES

LAKE MENDOTA

44



EXHIBIT III-2
COMPARABLE PROPERTY NO. 1



30 NORTH CARROLL STREET

DATE OF SALE: July 17, 1980

SALE PRICE: \$735,000

RECORDED: Volume 2055, Page 14, Dane County Register of Deeds

DOCUMENT: Warranty Deed

TERMS OF SALE: \$735,000 cash at closing. \$625,000 paid by State based on appraisal value; balance of \$110,000 contributed from gifts to State Historical Society.

CASH EQUIVALENT PRICE: \$625,000 based on appraised value

USE AT TIME OF SALE: Single tenant retail space - department store - vacant.

GRANTOR: Capitol Square Associates - Carley Capital Group Managing Partner

GRANTEE: State of Wisconsin

EXHIBIT III-2 (Continued)

COMPARABLE PROPERTY NO. 1

TAX PARCEL NO.: 0709-231-0905-7

ASSESSMENT AT
TIME OF SALE: Land \$300,000
Improvements \$230,000
Total \$530,000 (1980 Assessed Value)

SALE PRICE AS % OF
ASSESSED VALUE: 139%

CASH EQUIVALENT PRICE AS
% OF ASSESSED VALUE: 118%

LOT SIZE: 8,646 square feet

FRONTAGE: 65.5 feet on Carroll Street, 132 feet on Fairchild
Street

ZONING: C-4

YEAR BUILT: 1953

TOTAL GROSS
BUILDING AREA: 41,000 square feet

NET RENTABLE AREA: 32,500 square feet

BUILDING DESCRIPTION: Four stories plus basement; windows wrap around
first level; light brick veneer exterior; building in
excellent condition. Constructed of reinforced
concrete frame, brick, and block. Two passenger
elevators and one freight elevator.

PRESENT USES: Under major renovation for use as State of
Wisconsin Historical Society Museum

RATIO OF GROSS BUILDING
AREA TO LOT SIZE: 4.74

LOCATIONAL FACTORS: Corner lot; 100 percent corner of Square; two blocks
from two major parking facilities; at the top of
State Street; two blocks from Civic Center.

AVAILABLE RENTAL
INFORMATION: None - Vacant

PARKING: None

CONDITION AT
TIME OF SALE: Vacant

EXHIBIT III-3

COMPARABLE PROPERTY NO. 2



14 WEST MIFFLIN STREET

DATE OF SALE: February 27, 1984

SALE PRICE: \$750,000

RECORDED: Volume 5382, Page 10

DOCUMENT: Warranty Deed

TERMS OF SALE:

- (1) Buyer took over from seller a stream of lease payments due of \$3,550 per month for 15 months at no interest, but discounted at buyer's opportunity cost of money at approximately 10 percent for a present value of approximately \$50,000.
- (2) Seller took back a 2nd mortgage of \$22,000 due in April 1985 at 10 percent interest only paid quarterly.
- (3) Borrowed \$650,000 @ 13 percent variable rate to be reviewed in one year. Conventional financing.
- (4) Buyer put down \$28,000 (probably as brokerage fees)

EXHIBIT III-3 (Continued)

COMPARABLE PROPERTY NO. 2

CASH EQUIVALENT PRICE: \$750,000

USE AT TIME OF SALE: Retail on 1st floor
Offices on 2nd floor
Tanning Spa with 582 square feet on lower level

GRANTOR: Mendota Block Venture

GRANTEE: 14 West Mifflin Associates, Martin Rifkin

TAX PARCEL NO.: 0709-144-2507-4

ASSESSMENT AT TIME OF SALE:

Land	\$300,000	
Improvements	<u>505,000</u>	
Total	\$805,000	(1984 Assessed Value)

SALE PRICE AS % OF ASSESSED VALUE: 93%

CASH EQUIVALENT PRICE AS % OF ASSESSED VALUE: 93%

LOT SIZE: 10,720 square feet (Assessor's records)

FRONTAGE: 80 feet on West Mifflin Street; depth of 134 feet

ZONING: C-4

YEAR BUILT: 1924 - Assessor's records

TOTAL GROSS BUILDING AREA: Approximately 10,000 square feet gross buildable area per floor.
Approximately 30,000 square feet above grade plus 10,000 square feet in lower level. Includes atrium.

BUILDING SIZE: 80 feet x approximately 122 feet

NET RENTABLE AREA: 27,000 square feet

BUILDING DESCRIPTION: Modern art-deco with three stories plus lower level

TYPE OF CONSTRUCTION: Ordinary mill

PRESENT USES: Retail on 1st floor
Offices on 2nd and 3rd floors
Offices and Retail at lower level

EXHIBIT III-3 (Continued)

COMPARABLE PROPERTY NO. 2

RATIO OF GROSS BUILDING
AREA TO LOT SIZE:

3.73

LOCATIONAL FACTORS:

Located across from the Capitol and near the State Street Mall. Heavy pedestrian traffic due to frequent buses, but most pedestrians are either work or home bound.

AVAILABLE RENTAL
INFORMATION:

Rents range from \$4.50 per square foot in the lower level to \$11.77 upstairs.

PARKING:

None available.

CONDITION AT TIME
OF SALE:

Fully renovated on 1st and 2nd floors with atrium in place. Some remodeling in process in lower level.

EXHIBIT III-4

COMPARABLE PROPERTY NO. 3



5 - 7 NORTH PINCKNEY STREET

DATE OF SALE:	December 31, 1977
SALE PRICE:	\$240,000
RECORDED:	Volume 1001, Page 272
DOCUMENT:	Testimentary Trust by Company Trustees
TERMS OF SALE:	Cash to seller
USE AT TIME OF SALE:	Commercial
GRANTOR:	Baskin Robbins Olsen & Veerhusen
GRANTEE:	Rifken and Campbell Associates, a Wisconsin Partnership
TAX PARCEL NO.:	0709-133-3003-4

EXHIBIT III-4 (Continued)

COMPARABLE PROPERTY NO. 3

ASSESSMENT AT TIME OF SALE:	Land	\$126,700	
	Improvements	<u>153,300</u>	
	Total	\$280,000	(1977 Assessed Value)
SALE PRICE AS % OF ASSESSED VALUE:	86%		
CASH EQUIVALENT PRICE AS % OF ASSESSED VALUE:	86%		
LOT SIZE:	8,712 square feet including 12 foot easement.		
FRONTAGE:	66 feet on North Pinckney Street		
ZONING:	C-4		
YEAR BUILT:	1946		
TOTAL GROSS BUILDING AREA:	26,000 square feet		
NET RENTABLE AREA:	20,500 square feet		
BUILDING DESCRIPTION:	Two-story wood frame		
TYPE OF CONSTRUCTION:	Part fire resistant concrete, part ordinary construction		
PRESENT USES:	Retail 1st floor Office on upper two floors		
RATIO OF GROSS BUILDING AREA TO LOT SIZE:	2.98		
LOCATIONAL FACTORS:	Located mid-block on the Capitol Square, no on-site parking.		
AVAILABLE RENTAL INFORMATION:	None		
PARKING:	None		
CONDITION AT TIME OF SALE:	Vacant at time of sale		

EXHIBIT III-5

COMPARABLE PROPERTY NO. 4



50 EAST MIFFLIN STREET

DATE OF SALE: April 30, 1978

SALE PRICE: \$850,000

RECORDED: Volume 942, Page 115

DOCUMENT: Warranty Deed

TERMS OF SALE: \$654,064, 5.25 percent long-term mortgage was assumed. Seller took back a note for \$65,936.23, 10 year, 8 percent interest paid semiannually subject to a 10-year lease, 1/30/78 to 1/29/88 at \$2.37 per square foot. 14,767 net area to the Emporium, with 5 percent of sales \$500,000 - \$1,000,000; 4 percent of sales over \$1,000,000.

CASH EQUIVALENT PRICE: \$686,000. Discounted mortgage assumption at 8 percent minus 5.25 percent contract rate (2.75 percent) plus \$65,936.23 seller financed note plus \$130,000 cash.

USE AT TIME OF SALE: Retail first floor; extensive remodeling of upper floors for office space.

EXHIBIT III-5 (Continued)

COMPARABLE PROPERTY NO. 4

GRANTOR: J. Jesse Hyman, Jr., and Alan R. Hyman, partners
d.b.a. Emporium Company

GRANTEE: Carley Capital Group

TAX PARCEL NO.: 0709-144-2411-7

ASSESSMENT AT TIME
OF SALE:

Land	\$258,700
Improvements	<u>591,300</u>
Total	\$850,000 (1978 Assessed Value)

SALE PRICE AS % OF
ASSESSED VALUE: 100%

CASH EQUIVALENT PRICE AS
% OF ASSESSED VALUE: 81%

LOT SIZE: 132 feet by 70 feet, or 9,240 SF

FRONTAGE: 70 feet on East Mifflin Street

ZONING: C-4

YEAR BUILT: 1966

TOTAL GROSS
BUILDING AREA: 49,755 square feet *42,500* *37*

NET RENTABLE AREA: 38,500 square feet

BUILDING DESCRIPTION: Four-story masonry and concrete building; two
elevators; freight facilities in rear parking lot;
structure can carry additional floors.

PRESENT USES: Retail first floor; extensive remodeling of three
upper floors for office space.

RATIO OF GROSS BUILDING
AREA TO LOT SIZE: 5.38

LOCATIONAL FACTORS: Two blocks from State Street Mall; four blocks from
City-County Building; three blocks from GEF-I; four
blocks from GEF-II and III; corner lot.

EXHIBIT III-5 (Continued)

COMPARABLE PROPERTY NO. 4

AVAILABLE RENTAL
INFORMATION:

Not available

PARKING:

No on-site parking available, but owners purchased the Senate Bar at 118 North Pinckney just north of the Emporium to assure availability of some surface parking for the office tenants.

CONDITION AT TIME
OF SALE:

Partially occupied; upper two floors were vacant with a department store on the first two floors.

EXHIBIT III-6

COMPARABLE PROPERTY NO. 5



2 WEST MIFFLIN STREET

DATE OF SALE:	July 31, 1978
SALE PRICE:	\$596,200 for 90% partnership interest
RECORDED:	Volume 980, Page 318
DOCUMENT:	Warranty Deed
TERMS OF SALE:	Subject to July 15, 1977, mortgage, undivided; 90 percent interest in and to partnership.
CASH EQUIVALENT PRICE:	\$662,444: \$596,200 divided by 90 percent partnership interest
USE AT TIME OF SALE:	Retail and Office
GRANTOR:	Thirty-On-The-Square Associates
GRANTEE:	Mifflin Associates
TAX PARCEL NO.:	0709-144-2509-0

EXHIBIT III-6 (Continued)

COMPARABLE PROPERTY NO. 5

ASSESSMENT AT TIME OF SALE:	Land	\$371,300	
	Improvements	<u>263,700</u>	
	Total	\$635,000	(1978 Assessed Value)
SALE PRICE AS % OF ASSESSED VALUE:	94%		
CASH EQUIVALENT PRICE AS % of ASSESSED VALUE:	104%		
LOT SIZE:	12,460 SF		
FRONTAGE:	91 feet on West Mifflin Street; 136.93 feet on Wisconsin Avenue		
ZONING:	C-4		
YEAR BUILT:	1955		
TOTAL GROSS BUILDING AREA:	39,000 SF		
NET RENTABLE AREA:	24,000 square feet		
BUILDING DESCRIPTION:	Three-story brick shell space		
TYPE OF CONSTRUCTION:	Two-story, masonry bearing walls; concrete slab flooring; elevator.		
PRESENT USES:	Retail on first, mezzanine, and basement; Office on second floor		
RATIO OF GROSS BUILDING AREA TO LOT SIZE:	3.2		
LOCATIONAL FACTORS:	Located five blocks from City-County Building, three blocks from GEF-I.		
AVAILABLE RENTAL INFORMATION:	\$60,500 per year triple net for whole building; lessee sublets office space at \$4.20 per square foot		
PARKING:	None		
CONDITION AT TIME OF SALE:	Well-maintained on the exterior. Office area on second floor underutilized.		

slow growth in the private office rental market in the Madison downtown. The use of a dummy variable for time in the preliminary analysis confirmed the hypothesis that there is no correlation between time of sale and price.

B. Adjustments for Qualitative Differences
Among Comparable Properties

Each property has certain attributes which are observable and significant to the investor. However, specific unit dollar adjustments for the degree of presence or absence of these attributes cannot be measured by the appraiser. Therefore it is appropriate to set up an ordinal scoring matrix which can be converted to a weighted average score per unit in order to build a pricing algorithm for the subject property. As price sensitive attributes, the appraisers chose location, expansion potential, condition at time of sale, number of elevators in place, and upper level fenestration, since several of the former department stores had used the modern configuration of windowless brick perimeter walls.

Each of the sales was then ranked for relative value of location, expansion potential, condition at time of sale, number of elevators, and the availability of windows on the upper floors. The scoring system is detailed in Exhibit III-7. The weights assigned the attributes were generated from a

EXHIBIT III-7

WOOLWORTH BUILDING
SCALE FOR SCORING COMPARABLES ON
IMPORTANT INVESTOR CONSIDERATIONS FOR
OFFICE - RETAIL SPACE IN MADISON
C-4 ZONING

LOCATION
10%

- 5 = High visibility
- 3 = Corner visibility limited
- 1 = Inside lot

EXPANSION POTENTIAL
30%

- 5 = Potential for significant increases of floor space and supportive city planning
- 3 = Flexible layouts due to bay spacing and elevator position and supportive city planning
- 1 = Inflexibility of layout due to old bearing walls, and elevator shafts or non-supportive city planning

CONDITION AT
TIME OF PURCHASE
25%

- 5 = Fully renovated and leased
- 3 = Long-term retail leases in place. Serviceable as retail in tired space.
- 1 = Vacant and in need of total rehabilitation. Short-term lease or large vacancy in need of total rehabilitation.

ELEVATORS AT
TIME OF PURCHASE
20%

- 5 = Two passenger and freight
- 3 = Two passenger
- 1 = One passenger

FENESTRATION ON UPPER LEVEL
15%

- 5 = Large windows facing the Square
- 3 = Limited window area
- 1 = No windows

nonparametric statistics formula developed by Gene Dilmore. [1] The total weighted score given each of these Capitol properties can be found in Exhibit III-8. The adjusted selling price, date of sale, gross building area, and adjusted price for gross building area including basement area are provided in the lower half of Exhibit III-8.

It should be noted that the scores assigned the Woolworth Building at the time of sale in 1978 and as a subject property valued as of May 1, 1985, differ for expansion potential and condition at time of sale. Recognized retail needs on the Square have changed because redevelopment of the 100 Block of East Mifflin Street is underway and will absorb demand for small boutique space and fast-food outlets for the lunch crowd. Therefore, expansion potential has been reduced in a building already obsolete due to poor bay spacing and layout. Condition at time of sale has been reduced because the landlord is now responsible for refurbishing and marketing the second floor office space; when Woolworth leased the entire building, little was done to modernize the office area sublet to other tenants.

[1] A member of the American Institute of Real Estate Appraisers (MAI) and of the Society of Real Estate Appraisers (SRPA) who has special expertise in statistics.

EXHIBIT III-8

WOOLWORTH BUILDING
WEIGHTED MATRIX FOR COMPARABLE PROPERTIES
SCORE/WEIGHTED SCORE

ATTRIBUTE	WEIGHT	COMPARABLE NO. 1 30 N. CARROLL WOLFF KUBLY	COMPARABLE NO. 2 14 W. MIFFLIN	COMPARABLE NO. 3 5 & 7 E. MIFFLIN CENTRE SEVEN	COMPARABLE NO. 4 50 E. MIFFLIN EMPORIUM	COMPARABLE NO. 5 2 W. MIFFLIN WOOLWORTH	SUBJECT
LOCATION	10%	3/0.30	1/0.10	1/0.10	3/0.30	5/0.50	5/0.50
EXPANSION POTENTIAL AT TIME OF SALE	30%	3/0.90	1/0.30	1/0.30	5/1.50	3/0.90	1/0.30
CONDITION AT TIME OF SALE	25%	1/0.25	5/1.25	1/0.25	3/0.75	3/0.75	1/0.25
ELEVATORS IN PLACE	20%	5/1.00	3/0.60	1/0.20	3/0.60	1/0.20	1/0.20
FENESTRATION ON UPPER FLOORS	15%	1/0.15	5/0.75	5/0.75	1/0.15	3/0.45	3/0.45
TOTAL WEIGHTED SCORE	100%	2.60	3.00	1.60	3.30	2.80	1.70
ADJUSTED SELLING PRICE		\$625,000	\$750,000	\$240,000	\$850,000	\$662,500	
DATE OF SALE		7/17/80	2/27/84	12/31/77	4/30/78	7/31/78	
GROSS BUILDING AREA (GBA)		41,000 SF	40,000 SF	26,000 SF	42,500 SF	39,000 SF	39,000 SF
ADJUSTED PRICE/GBA		\$15.24	\$18.75	\$ 9.23	\$20.00	\$16.99	
ADJUSTED PRICE/GBA/ WEIGHTED POINT SCORE		\$5.86	\$6.25	\$5.77	\$6.06	\$6.08	

The object of the weighted scoring method is to divide the total weighted score into the adjusted price per square foot of gross building area to arrive at the adjusted price per square foot of gross building area per point. This number would be identical for each comparable if all the differences among the comparables could be correctly recognized and adjusted, an ideal which is not likely to happen. Therefore, the appraisers use the mean or average price per point per foot of gross building area as the pricing algorithm for the subject property.

Since the first objective is to reduce dispersion of the price per point per unit of building area, a computer program developed by Gene Dilmore is utilized to test the initial weights assigned by the appraisers to each price sensitive qualitative attribute until that combination of weights is found which best predicts the adjusted prices of the comparable property. The justification of the resulting comparable price formula is provided in Exhibit III-9, and it will be noted that a very close fit is obtained between the predicted price and the actual price, without exception. Therefore, the price per weighted point per square foot algorithm provides a basis for forecasting the market price of the Woolworth Building in 1985. The computer output of the Dilmore quantitative point weighting

JUSTIFICATION OF COMPARABLE PRICE FORMULA FOR
WOOLWORTH BUILDING
BY MEANS OF ANALYSIS OF VARIANCE OF ACTUAL SALE PRICE VS. PREDICTED PRICE
OF COMPARABLES USING MEAN PRICE PER POINT EQUATION METHOD

NO.	COMPARABLE PROPERTY	WEIGHTED POINT SCORE	MEAN PRICE PER POINT SCORE	PREDICTED PRICE/ SF GBA	ACTUAL PRICE/ SF GBA	VARIANCE	% OF VARIANCE TO ACTUAL PRICE
1	WOLFF KUBLY 30 N. Carroll Street	2.60	\$6.00	\$15.60	\$15.24	\$ 0.36	2.4%
2	14 W. Mifflin Street	3.00	6.00	18.00	18.75	- 0.75	4.0
3	CENTRE SEVEN 5 & 7 N. Pinckney Street	1.60	6.00	9.60	9.23	0.37	4.0
4	EMPORIUM 50 E. Mifflin Street	3.30	6.00	19.80	20.00	- 0.20	1.0
5	WOOLWORTH 2 W. Mifflin Street	2.80	6.00	16.80	16.99	- 0.19	1.1
						NET VARIANCE	\$ - 0.41

EXHIBIT 111-9

program for the F. W. Woolworth comparable sales is shown in Appendix B.

C. Conclusion

Having determined the pricing algorithm that predicts the price of the comparable sales to a reasonable degree, it is then possible to apply the mean price per point per square foot of gross building area to the subject property as detailed in Exhibit III-10. Note that the base price per point per gross building area score is \$6 and the standard error of the mean is plus or minus \$0.19. Since the gross building area of the subject is 39,000 square feet including a full basement, and the total weighted point score for Woolworths is 1.7, in its present condition in the current market, using the same standards applied to the comparable properties, the market comparison price or cash value can be estimated as:

High
Estimate: $\$6.19 \times 1.7 \times 39,000 \text{ SF} = \$410,397$, or \$410,000
(\$10.52/SF)

Central
Tendency: $\$6.00 \times 1.7 \times 39,000 \text{ SF} = \$397,800$, or \$400,000
(\$10.20/SF)

Low
Estimate: $\$5.81 \times 1.7 \times 39,000 \text{ SF} = \$385,203$, or \$385,000
(\$9.88/SF)

THEREFORE THE APPRAISERS CONCLUDE THAT THE MARKET COMPARISON APPROACH FAIR MARKET VALUE WITH CASH TO THE SELLER WOULD SUGGEST A PRICE OF \$400,000 AS OF MAY 1, 1985.

EXHIBIT III-10

WOOLWORTH BUILDING

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

COMPARABLE PROPERTY	SELLING PRICE PER SF OF GBA	POINT SCORE	PRICE PER SF OF GBA/ TOTAL WEIGHTED
			SCORE (x)
1	\$15.24	2.60	\$ 5.86
2	18.75	3.00	6.25
3	9.23	1.60	5.77
4	20.00	3.30	6.06
5	16.99	2.80	<u>6.08</u>
TOTAL			\$30.02

Total of $\frac{\text{Price Per SF of GBA}}{\text{Total Weighted Score}} = \30.02

Mean Value (\bar{x}) = $30.02 \div 5 = \$6.00$

Standard Deviation of the Mean = $\sqrt{\frac{\sum (x - \bar{x})^2}{n-1}} = \0.19 where:

x	\bar{x}	$(x - \bar{x})$	$(x - \bar{x})^2$	n	n-1
\$5.86	\$6.00	= - \$0.14	0.0196	5	4
6.25	6.00	= 0.25	0.0625		
5.77	6.00	= - 0.23	0.0529		
6.06	6.00	= 0.06	0.0036		
6.08	6.00	= 0.08	<u>0.0064</u>		
			0.1450		

$$\sqrt{\frac{0.1450}{4}} = \sqrt{0.03625} = 0.190394 \text{ or } \$0.19$$

EXHIBIT III-10 (Continued)

ESTIMATE OF RANGE OF MOST PROBABLE
SELLING PRICE OF THE WOOLWORTH BUILDING

Value Range of Price/Point Score: \$6.00 ± \$0.19

Since GBA of subject is 39,000 square feet and total weighted point score of subject is 2.3, then:

High

Estimate: $\$6.19 \times 1.7 \times 39,000 \text{ SF} = \$410,397 \text{ or } \$410,000$
(\$10.52/SF)

Central

Tendency: $\$6.00 \times 1.7 \times 39,000 \text{ SF} = \$397,800 \text{ or } \$400,000$
(\$10.20/SF)

Low

Estimate: $\$5.81 \times 1.7 \times 39,000 \text{ SF} = \$385,203 \text{ or } \$385,000$
(\$9.88/SF)

IV. THE INCOME APPROACH TO VALUE

The subject property is in the waning years as an investment for income and capital appreciation so that it must be valued as a stream of income for the interim period plus a somewhat speculative reversion value. Reversion value would also reflect the impact of the site on the income of related properties such as the Concourse Hotel or the office buildings at 14 and 30 West Mifflin Street. Therefore, primary reliance to value will be placed on the discounted cash flow. Because the majority of the property is subject to a single existing lease negotiated in November of 1984 and effective in February of 1985, the estimate of value using the discounted cash flow will represent investment value, but not necessarily market value of the property unless contract rents prove to be equivalent to economic or market rents. The property will be sold without any assumable financing, and since the purpose of the appraisal is to provide a benchmark of cash to be realized on liquidation, it will be appraised assuming the buyer must find third party financing so that the seller receives all cash at the closing.

The income approach includes the establishment of projected revenues for the five years beginning May 1, 1985, estimates of the operating expenses which are now allocated to the landlord, and the conversion of net income and the reversion value of the

property to a specific discounted cash flow value. Revenues reflect the existing lease for retail space and the prospective rent from future marketing of second floor office space. Expenses reflect the new complications of cost allocation under the terms of the new lease with F. W. Woolworth Company and the necessity to forecast costs associated with second floor office space which are the responsibility of the landlord for the first time in the history of the building.

A. Rental Revenue Forecast

1. Retail Space Revenues

Under the terms of the new lease which expires January 31, 1990, the F. W. Woolworth Company will pay \$50,000 per year as a flat rent without cost escalators or renewal options. There is a percentage of sales clause providing for 4 percent of adjusted sales, but there is faint hope of that being realized during the lease term. As described in Section II, Exhibit II-6, the Woolworth Company will occupy 11,282 square feet of first floor and lower mezzanine area, 2,889 square feet of upper mezzanine area, and 2,920 square feet of second floor office and personnel space for a total of 17,091 square feet. The contract rent represents \$2.92 per square foot, say \$3 per square foot. The basement of 14,600 square feet is included in the Woolworth lease on that basis for free. The contract rent would first appear to be disadvantageous to the landlord in

light of small shop rentals on the Square ranging from \$6 to \$12 per square foot, excluding utilities, but featuring escalators and percentage sales adjustments. However, the Woolworth building is the largest single floor retail area remaining on the Square, and at least fifty percent larger than Rennebohm's or the surviving stores. The retail trend is for shops ranging from 600 to 1,500 square feet. As indicated earlier, many of these smaller shops are also vacant, so that the appraiser concludes that the contract rent for the retail space is also market rent for the space as it exists.

2. Office Space Revenues

Under the terms of the new lease, which expires January 31, 1990, the building owner will be responsible for leasing and maintenance of the front areas of the second floor totaling 7,086 square feet, serviced by a utilitarian elevator and stairway from a first floor lobby labeled as 8 Mifflin Street. Approximately 80 percent of the second floor area not under control of Woolworths is leasable, say 5,880 square feet. A basic diagram of the existing layout is provided in Section II, Exhibit II-6. Note that the second required stairway exit at the northeast corner of the building is awkward and relatively insecure.

The base rent for office buildings on the Square without enclosed parking are reported in Exhibit IV-1; the majority of

these buildings are basically Class B property, whereas the subject is classified as Class C office space. The present owners of the Woolworth Building are in the process of providing new cosmetic improvements to the corridor, elevator lobbies, and public spaces with fresh vinyl wall coverings, painting over of outmoded plywood finishes, and carpeting. Available vacant space is largely subdivided into cubicles which will have to be gutted and upgraded with new tenant improvements as rented. The existing tenants have been provided with glass store front doors and additional glazing to provide a view of the hall which should improve security and reduce the claustrophobic character of the corridor. Existing tenants pay \$5.50 per square foot negotiated prior to corridor cosmetics and new tenants will pay from \$6 to \$7 per square foot plus a share of second floor electrical charges of approximately \$0.50 per square foot. Leases will range from three to five years. Janitorial services will be provided for corridors and restrooms keyed for tenants' access only.

B. Operating Expense Forecast

There is no actual operating history of the building under the new lease format so that detailed estimates must be based on benchmarks from similar properties or reimbursements from Woolworth as projected under the terms of the lease. These details are provided in full in the financial footnotes to the

SURVEY OF CLASS B-C OFFICE
BUILDINGS ON THE SQUARE

BUILDING	LOCATION	NET LEASEABLE SQUARE FEET	VACANT SPACE IN SQUARE FEET	PERCENT OF VACANT SPACE	ANNUAL RENTAL RATES PER SQUARE FEET	PARKING	ENCLOSED OR SURFACE PARKING	UTILI- TIES INCL.	JANI- TORIAL INCL.	AMENITIES INCLUDED [1]
<u>CLASS B & C</u>										
HOVDE BUILDING	122 W. Washington Ave.	64,000	3,200	5%	\$10.50	None [5]	—	Heat— no elec.	Yes	8
30 ON THE SQUARE	30 W. Mifflin Street	62,503	11,502	18%	\$6.50 - \$12.50 (ave. \$9-\$10.50)	None	None	Yes	Yes	8
THE TENNEY BUILDING	110 E. Main Street	76,000	31,500 [2]	41%	\$12.50 - \$17	136 stalls @ \$65/month [3]	Will be enclosed	Yes	Yes	8, 11
625 W. WASHINGTON AVE.	625 W. Washington Ave.	21,000	0	0%	\$7.20 - \$8.50	44 stalls @ \$0 month	Surface	Yes	No	5, 8
NATIONAL MUTUAL BENEFIT	119 Monona Avenue	41,500	0	0%	\$9.50 - \$10.50	35 stalls @ \$52.50/month	Surface	Yes	Yes	6, 7, 8, 10
CENTRE SEVEN	7 N. Pinckney Street	20,533	1,027	5%	\$9.25 - \$15.00	None	—	Yes	Some	8
14 WEST MIFFLIN	14 W. Mifflin Street	27,000	5,000	18.5%	\$4.50 (lower level) - \$11.77	None	—	Most	Most	8
70 ATRIUM	23 N. Pinckney Street	14,968	500	3%	\$9.25 - \$15.00	None	—	Some	Some	—
CHURCHILL BUILDING	16 N. Carroll Street	36,000	14,400	40%	\$9	None [5]	—	Heat—	Yes	—
125 W. DOTY STREET	125 W. Doty Street	9,300	1,900 [2]	20%	\$10.00	10 stalls @ \$43/month	Surface	Yes	Yes	1, 6, 8
FIRE STATION NO. 2	301 N. Broom Street	8,400	0	0%	\$8.00 - \$13.00	13 stalls @ \$45/month	Surface	Heat— no elec.	Yes	8
AAA BUILDING	435 W. Washington Ave.	26,500	0	0%	\$6.46	50 spaces @ \$0/month	Surface	No	No	8
147 S. BUTLER STREET	147 S. Butler Street	3,800	1,800 (2nd floor)	47%	\$9.43	None	—	None	Yes	8
122 S. PINCKNEY ST. [4]	122 S. Pinckney Street	2,000	0	0%	\$4.00	2 stalls @ \$52.50/month	Surface	Yes	Yes	None
103 N. HAMILTON STREET	103 N. Hamilton Street	1,766	0	0%	\$10.48	4 stalls @ \$40/month	Surface	Yes	No	8, 10
44 ON THE SQUARE [6]	44-50 E. Mifflin Street	28,000	0	0%	\$15.75 - \$16.41	33 stalls @ \$50/month	Surface	Yes	Yes	8
TOTAL - ALL BUILDINGS		380,767	59,327	15.6%						
TOTAL - EXCLUDING BUILDINGS IN REMODELING PROCESS		295,467	25,927	8.8%						

Sudman Research, Inc.

EXHIBIT IV-1

EXHIBIT IV-1 (Continued)

- | | | |
|-----|---------------------------------|---|
| [1] | 1 = Shared secretarial services | 7 = Window air conditioning |
| | 2 = Word processing | 8 = Central air conditioning |
| | 3 = Shared copy services | 9 = Office furniture |
| | 4 = Receptionist | 10 = Showers |
| | 5 = Conference room(s) | 11 = Exercise equipment/
health club |
| | 6 = Kitchen facilities | 12 = Restaurant |
- [2] Planned vacancy to remodel building.
- [3] There is no parking currently. New ramp will be completed by June 1985.
- [4] This building is very run down. They rent out first floor, but use second floor only for storage space.
- [5] There are a few spaces two to three blocks from building @ \$60/space/month.
- [6] Data from 7/84 survey.

Schedule of Revenues and Expenses from May 1, 1985, through April 30, 1990, shown in Exhibit IV-2, but certain items deserve special reference.

In order to close the 70 percent vacancy gap, the initial rent is set at competitive rates, and when the office space is fully rented, it is assumed that rents will escalate annually at 5 percent. General expenses are indexed as follows:

Utilities - 4 percent increase per year from 1985 base

Repairs and Maintenance - 8 percent increase per year, including an accelerated painting and recarpeting program.

Insurance - increase at 4 percent per year from a new base of \$0.07 per square foot as reported insurance costs are low and the Rating Bureau is anticipating substantial increases in 1986.

General Management - 5 percent of effective gross rent in addition to leasing commissions which are 3 percent of effective gross rent.

Real estate taxes and insurance costs represent special problems. The 1984 assessment valuation was \$775,000 and, given a 1984 mill rate of 0.0254305, the tax payment is \$19,709. Under the terms of the lease, Woolworth will pay 75 percent of any increase over the base tax payment of \$19,709. Unfortunately, the property is grossly overassessed and 1985 assessments should be vigorously appealed. The appraisers assume that the resulting assessment should be no more than \$600,000 and even if real estate taxes increase 6 percent per

year thereafter, taxes should not exceed the base tax payment until 1990.

Insurance premiums have been set on the basis of 4.2 cents per square foot of the 7,300 square feet of gross office area, and at 7.5 cents per square foot of the 31,700 square feet of retail area for a total of \$2,680 in 1985 for basic fire, extended coverage and landlord liability. Tenants are responsible for insuring contents and Woolworths will be responsible for boiler insurance because they have retained responsibility for heating and air conditioning. These insurance costs reflect a presumption of relatively low burnable values as much of the property value is in the land.

C. Valuation Assumptions and Conclusions for
Discounted Cash Flow

The revenue and expense projections, which are the result of the foregoing set of assumptions, have been processed into two spreadsheet computer formats which are provided in Exhibits IV-2 and IV-3. The first projections reflect a calendar year with a short year starting May 1, 1985, and five full calendar years thereafter; these are found in Exhibit IV-2. These estimates have been converted to a five-year fiscal basis from May 1, 1985, through April 30, 1990, and are found in Exhibit IV-3. Although the Woolworth lease terminates January

EXHIBIT IV-2

WOOLWORTH BUILDING
SCHEDULE OF REVENUES AND EXPENSES
FROM MAY 1, 1985, THROUGH DECEMBER 31, 1990

	1985 ANNUAL	1985 [1]	1986	1987	1988	1989	1990
REVENUES							
Woolworth	50000	33335	50000	50000	50000	50000	50000
Office	36750	24501	38588	40517	42543	44670	46903
Office Vacancy	18375	12250	5788	4052	4254	4467	4690
Effective Gross Revenue (EGR)	68375	45586	82800	86465	88289	90203	92213
REIMBURSABLES							
Electricity-Office Tenants	2940	1960	3058	3180	3308	3440	3577
Utilities-Woolworth	28431	18991	29624	30809	32041	33323	34656
Insurance-Woolworth	1796	1197	1868	1943	2020	2101	2185
Real Estate Tax Increase Over Base of \$19709 (1984)	0	0	0	0	0	0	710
Total Reimbursables	33167	22148	34550	35932	37369	38864	41128
TOTAL EFFECTIVE GROSS REVENUE	101542	67734	117350	122397	125658	129067	133341
EXPENSES							
Repairs & Maintenance	3900	2600	4212	4549	4913	5306	5730
Utilities	35100	23400	36504	37964	39483	41062	42705
Insurance	2680	1787	2787	2899	3015	3135	3261
Real Estate Taxes	19709	13140	16174	17144	18173	19263	20419
Mall Special Assessment	2558	1705	2434	2311	2187	0	0
Mall Maintenance	600	400	648	700	756	816	882
Management @ 5% EGR	5077	3387	5867	6120	6283	6453	6667
Leasing @ 3% EGR	3046	2032	3520	3672	3770	3872	4000
TOTAL EXPENSES	72670	48451	72147	75359	78579	79908	83664
NET OPERATING INCOME	28872	19283	45202	47038	47079	49159	49677

[1] Partial year from 5/1/85 to 12/31/85

FOOTNOTES TO THE SCHEDULE OF
REVENUES AND EXPENSES
FROM MAY 1, 1985, THROUGH APRIL 30, 1990

- [1] The appraisal date is as of May 1, 1985, so therefore 1985 revenues and expenses are for eight months only, or 66.67 percent of 1985. The 1985 revenues and expenses are combined with 33.33 percent of the 1986 revenues and expenses for the revenues and expenses for the fiscal year. The procedure is followed for each consecutive fiscal year.
- [2] A new lease executed between the lessor and F. W. Woolworth Company commenced on February 1, 1985, and expires on January 31, 1990. On November 14, 1984, prior to the new lease, Woolworth relinquished occupancy rights to a part of the second floor office area as shown in Exhibit IV-2 on the condition that the utilities presently serving this second floor subtenant space be segregated from Woolworth's demised premises and that the rent be reduced from \$60,600 per year to \$50,000 on May 1, 1985. There are no rent escalators or renewal options in the new lease. Even though the lease expires January 31, 1990, for purposes of this appraisal, the remaining 3 months' revenue is assumed to remain constant.
- [3] The net leasable area (NLA) of the second floor office space is approximately 5,880 square feet, or 80 percent of 7,350 square feet of GBA. (See Exhibit II-6.) Remodeled space is assumed to lease for \$6.25 per square foot base rent on the average with the tenant also reimbursing charges for electricity prorated on NLA at \$0.50 per square foot. Existing tenants currently pay approximately \$5.50 per square foot and new tenants will start from \$6 to \$7 per square foot on two to three nonrenewable leases. Janitorial services will be provided in the common areas.
- [4] Currently the second floor office area is 70 percent vacant and the landlord is redecorating the elevator/stair, lobby, and vacant office space. It is assumed that by the end of 1985 vacancy will be reduced to 50 percent and in 1986 vacancy will be further reduced to 15 percent and thereafter many will be stabilized at 10 percent.
- [5] Office tenants reimburse electricity prorata on the square footage leased. Electricity is assumed to be reimbursed at \$0.50 per square foot of NLA and inflates at 4 percent per year. Even though vacancy is high in 1985 and 1986 and electricity usage will be lower, the full reimbursable is credited to revenues and the full

EXHIBIT IV-2 (Continued)

charge is included in the expenses, with only a negligible overstatement of management and leasing fees which are percentages of effective gross revenue.

- [6] Woolworth is required to pay for all of its utilities which are separately metered to the demised premises including, but not limited to, water, electricity, and gas. At \$0.90 per square foot, Woolworth's share for 31,650 square feet is \$28,485 x 0.6667, or \$18,991 for eight months of 1985. Utilities are assumed to inflate at 4 percent per year.
- [7] Woolworth is required, by the terms of the lease, to reimburse 67 percent of the insurance premium paid by the lessor for fire and extended coverage. Insurance premiums are assumed to inflate at 4 percent per year.
- [8] Woolworth is required to pay for 75 percent of the increases in real estate taxes over a base of \$19,709, which resulted from a 1984 assessment of \$775,000 and a mill rate of \$0.0254305. It is assumed the assessment for 1985 will be reduced to at least \$600,000 and that taxes will increase 6 percent per year thereafter. Therefore taxes will not increase over the 1984 lease until 1990 (see footnotes No. 12).
- [9] The landlord is responsible for all structural repairs and maintenance to the building except for the heating plant and air conditioning, but including the elevators. The landlord is also responsible for janitorial services to the common areas for the second floor office area. These expenses are estimated to be approximately \$0.10 per square foot of GBA and due to their labor intensiveness, these expenses are inflated at 8 percent per year.
- [10] Utilities are segregated by separate meters for Woolworth's demised premises and the rest of the building, but are assumed to be paid by the lessor and reimbursed by the lessees. Utility charges include water, sewer, gas, and electricity, and are estimated to be \$0.90 per square foot of GBA in 1985 and inflated at 4 percent per year.

EXHIBIT IV-2 (Continued)

[11] Insurance premiums for fire and extended coverage are paid by the lessor with 67 percent of the premium reimbursed by Woolworths. Insurance premiums are estimated to be \$0.042 per square foot of 7,350 square feet of GBA of the office area and \$0.075 per square foot of 31,650 square feet of GBA of retail area, or \$2,680 for 1985. For eight months of 1985 the premium is \$1,787. Premiums are assumed to inflate at 4 percent per year.

[12] The 1984 assessment of \$775,000 is considered to be excessive based upon comparable sales and investment value. Therefore the 1984 real estate taxes of \$19,709, payable in 1985, are assumed to be reduced when the 1985 assessment is reduced to no more than \$600,000 including leasehold value. The lease with Woolworth's establishes \$19,709 as the 1985 base amount with 75 percent of the tax increases over the base to be reimbursed by Woolworths. A reduction of the assessed value in 1985 to \$600,000 and an increase in the mill rate of 6 percent per year (based upon the 1984 mill rate of 0.0254305) results in no tax increase over the 1985 base amount until 1990.

[13] The ten-year mall special assessment commenced in 1978 and will terminate in 1987. The payment schedule is as follows:

DATE OF ASSESSMENT	PAYMENT DATE	BEGINNING BALANCE DUE	ANNUAL PRINCIPAL PAYMENT	INTEREST ON DECLINING BALANCE AT 6%	TOTAL ANNUAL PAYMENT	
1983	1984	\$10,315.39	\$2,063.08	+	\$618.92	\$2,682.00
1984	1985	8,252.31	2,063.08		495.14	2,558.22
1985	1986	6,189.23	2,063.08		371.35	2,434.43
1986	1987	4,126.15	2,063.08		247.57	2,310.65
1987	1988	2,063.07	2,063.08		123.78	2,186.86

[14] In 1982 the City of Madison began to charge property owners subject to the Mall special assessment a Mall maintenance fee. The City budgets a fixed amount for the total Mall maintenance fee budget and then property owners are assessed proportionate to the size of their site. Adjustments are made the following year if the

EXHIBIT IV-2 (Continued)

budgeted amount is over or under actual expenditures. The charges to the Woolworth Building have been as follows:

1982	\$433.78	
1983	738.56	
1984	603.55	(includes a rebate from 1983 overestimated budget)

The maintenance fee is expected to run between \$600 and \$700 in 1985 and due to the labor intensive nature of Mall maintenance, the expense is inflated at 8 percent per year.

- [15] Management fees and leasing fees are estimated to be 5 percent and 3 percent, respectively, of effective gross revenue.

WOOLWORTH BUILDING
SCHEDULE OF REVENUES AND EXPENSES
FROM MAY 1, 1985, THROUGH APRIL 30, 1990

	YEAR ONE 5-1-85 TO 4-30-86	YEAR TWO 5-1-86 TO 4-30-87	YEAR THREE 5-1-87 TO 4-30-88	YEAR FOUR 5-1-88 TO 4-30-89	YEAR FIVE 5-1-89 TO 4-30-90
REVENUES					
Woolworth	50000	50000	50000	50000	50000
Office	37363	39231	41192	43252	45414
Office Vacancy	14179	5209	4119	4325	4541
Effective Gross Revenue (EGR)	73183	84022	87073	88927	90873
REIMBURSABLES					
Electricity-Office Tenants	2979	3099	3223	3352	3486
Utilities-Woolworth	28829	30019	31220	32469	33767
Insurance-Woolworth	1820	1893	1968	2047	2129
Real Estate Tax Increase Over Base of \$19709 (1984)	0	0	0	0	237
Total Reimbursables	33628	35011	36411	37867	39619
TOTAL EFFECTIVE GROSS REVENUE	106811	119032	123484	126794	130492
EXPENSES					
Repairs & Maintenance	4004	4324	4670	5044	5447
Utilities	35568	36991	38470	40009	41610
Insurance	2716	2824	2937	3055	3177
Real Estate Taxes	18531	16497	17487	18537	19649
Mall Special Assessment	2517	2393	2270	1458	0
Mall Maintenance	616	665	719	776	838
Management @ 5% EGR	5341	5952	6174	6340	6525
Leasing @ 3% EGR	3204	3571	3705	3804	3915
TOTAL EXPENSES	72496	73218	76432	79022	81160
NET OPERATING INCOME	34315	45814	47052	47772	49332

31, 1990, it is assumed revenues and expenses continue as projected from February 1, 1990, through April 30, 1990.

To estimate the discounted cash value of these projections, several assumptions are required, including financing that might be available to the buyer and minimum acceptable return required to attract equity, capital and risk exposure. Since real estate investment is affected by after tax considerations, the assumptions detailed in Exhibit IV-4 are provided in order to utilize an income valuation program called AFTER TAX VALUATION (ATV).

A summary of the after tax valuation results is provided in Exhibit IV-5. Using the NOI for each fiscal year, as shown in Exhibit IV-3, and the assumptions summarized in Exhibit IV-4, the total property value using the discounted income approach would range from \$375,000 to \$425,000, depending on the probable range of land value assigned as of May 1, 1990. However, the income streams presume a progressive reduction in vacancy over the first three years which will require significant tenant improvements. The schedule and cost of tenant improvements over the first three years are shown in Exhibit IV-6. An additional equity commitment of \$16,800, the present value of tenant improvements discounted at 13 percent bank funding rate will be required. Allowance for tenant improvements shifts the value range toward \$360,000 to \$410,000

EXHIBIT IV-4

ASSUMPTIONS USED IN AFTER-TAX VALUATION

Equity Yield Rate	16%	
Holding Period	5 yrs.	
Loan Number	1	
Interest Rate	13%	
Loan Term	20 yrs.	
Payments per Year	12	
Loan Amount	\$250,000	[1]
Tax Rate	50%	
Capital Gains Tax Rate	20%	
Resale Price	\$500,000	[2] & [3]
Land Value	\$240,000	[4]
Depreciation Method	Straight Line	
Cost Recovery Period	18 yrs.	
Net Operating Income-Year One	\$34,315	
Change in NOI	0.43762	
Income Adjustment Factor *	YR	
Selling Cost	4%	

* (Enter each year's income - Exhibit IV-3)

- [1] On the basis of a reasonable land value it was assumed a purchaser could obtain a \$250,000 loan at 13 percent interest, monthly payment amortized for 20 years and ballooning in 5 years.
- [2] The loan available to a prospective purchaser must be secured by the income or the land value. Since purchase is motivated by an interim use followed by redevelopment of the site, the critical collateral value is the land. Assuming the land is worth \$50 per square foot in 1990, to parallel the 1985 value of the Manchester site, the land will ultimately be worth \$610,000 before it is cleared for redevelopment. A 1985 estimate for demolition from Terra Engineering and Construction Corporation Corp. was \$88,000 plus, depending on the presence of asbestos or other DNR requirements. (See Appendix C.) Inflating by 5 percent to 1990 leads to a demolition charge estimate of approximately \$115,000 or a residual value to the land before demolition of \$495,000, say \$500,000 in 1990 when the Woolworth lease expires.
- [3] Each additional \$100,000 of land value realized in 1990, net of demolition costs, would add approximately \$47,600 of value at 16 percent of return to 1985 dollars.
- [4] A land value of \$240,000 in 1985 is approximately \$20 per square foot, a relatively low estimate which reflects the current uncertainty of redevelopment plans for the Square. Internal Revenue Service will undoubtedly pressure the next buyer on the allocation of purchase price between land and depreciable buildings, so that tax shelter may be minimal from depreciation or the write-off of the building in five years may be unsuitable for the business purpose of the tenant.

Landmark Research, Inc.

COMPUTER OUTPUT OF AFTER TAX
VALUATION PROGRAM FOR SUBJECT PROPERTY

INPUT FILE

WOOLWORTH-\$250000 MORTGAGE-\$240000 LAND
2 W. MIFFLIN ST.
MADISON , WI 53703

By LANDMARK RESEARCH-GRAASKAMP/DAVIS

EQUITY YIELD RATE 16.00000
HOLDING PERIOD 5
LOAN NUMBER 1
INTEREST RATE 0.13000
LOAN TERM 20.00000
PAYMENTS PER YEAR 12
LOAN AMOUNT 250,000
TAX RATE 0.50000
CAPITAL GAINS TAX RATE 0.20000
RESALE PRICE \$500,000.
LAND VALUE \$240,000.
DEPRECIATION METHOD SL
COST RECOVERY PERIOD 18
NET OPERATING INCOME \$34,315.
CHANGE IN NOI 0.43762
INCOME ADJUSTMENT FACTOR YR
SELLING COST 0.04000

VALUE \$375,566.
AFTER TAX YIELD 16.00000
OVERALL RATE 0.09137
MORTGAGE CONSTANT 0.14059
MORTGAGE VALUE \$250,000.
BUILDING VALUE \$135,566.
EQUITY VALUE \$125,566.
EQUITY DIVIDEND -0.00663

CASH FLOW SUMMARY

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
NOI	\$34,315.	\$45,814.	\$47,052.	\$47,772.	\$49,332.
DEBT SER#1	-\$35,147.	-\$35,147.	-\$35,147.	-\$35,147.	-\$35,147.
BTCF	-\$832.	\$10,667.	\$11,905.	\$12,625.	\$14,185.
NOI	\$34,315.	\$45,814.	\$47,052.	\$47,772.	\$49,332.
INTEREST 1	-\$32,336.	-\$31,948.	-\$31,507.	-\$31,004.	-\$30,433.
DEPREC	-\$7,531.	-\$7,531.	-\$7,531.	-\$7,531.	-\$7,531.
TAXABLE	-\$5,553.	\$6,334.	\$8,014.	\$9,236.	\$11,368.
TAXES	-\$2,776.	\$3,167.	\$4,007.	\$4,618.	\$5,684.
ATCF	\$1,944.	\$7,500.	\$7,898.	\$8,007.	\$8,501.

RESALE PRICE \$500,000.
SELLING COST -\$20,000.
LOAN BALANCE # 1 -\$231,493.

RESALE PRICE \$500,000.
SELLING COST -\$20,000.
ADJUSTED BASIS -\$337,909.
TAXABLE GAIN \$142,091.
LONG TERM GAIN \$142,091.
ORDINARY TAXES \$0.
CAPITAL GAINS TAX \$28,418.

BEFORE TAX PROCEEDS \$248,507.
TAXES -\$28,418.
AFTER TAX PROCEEDS \$220,089.

EQUITY CASH FLOW SUMMARY

YEAR	CASH FLOW
0	-\$125,566.
1	\$1,944.
2	\$7,500.
3	\$7,898.
4	\$8,007.
5	\$228,590.

EXHIBIT IV-6

SCHEDULE AND COST OF TENANT IMPROVEMENTS
SECOND FLOOR
WOOLWORTH BUILDING1985 Tenant Improvements

70% of 5,880 SF vacant as of 5/1/85	=	4,116	SF
50% of 5,880 SF vacant as of 12/31/85	=	<u>2,940</u>	SF
NLA Improved During 1985		1,176	SF
1,176 SF of NLA x \$5/SF		\$5,880	
		=====	

1986 Tenant Improvements

50% of 5,880 SF vacant as of 1/1/86	=	2,940	SF
15% of 5,880 SF vacant as of 12/31/86	=	<u>882</u>	SF
NLA Improved During 1986		2,058	SF
2,048 SF of NLA x \$5/SF		\$10,290	
		=====	

1987 Tenant Improvements

15% of 5,880 SF vacant as of 1/1/87	=	<u>882</u>	SF
Remaining NLA improved during 1987	=	882	SF
882 SF of NLA x \$5/SF		\$4,410	
		=====	

EXHIBIT IV-6 (Continued)

The net present value of this stream of expenditures, allocated by fiscal years, and discounted at the current 13 percent bank funding rate, is as follows:

		ALLOCATED COSTS	NET PRESENT VALUE
YEAR 1	5/1/85 - 4/30/86	\$ 9,276	\$ 8,209
YEAR 2	5/1/86 - 4/30/87	8,349	6,538
YEAR 3	5/1/87 - 4/30/88	2,955	2,048
YEAR 4	5/1/88 - 4/30/89	0	0
YEAR 5	5/1/89 - 4/30/90	0	0
		\$20,580	\$16,795

The net present value of the tenant improvements is \$16,800, rounded.

if the property is purchased by an independent buyer, rather than by the same purchaser who acquired 30 ON THE SQUARE or by a consortium representing the Concourse/ Exhibition hall concept. These most probable buyers can afford to pay a premium for the subject property but at the same time must anticipate making a substantial payment to the F.W. Woolworth Company to buy out the lease, say one year's rent of \$50,000.

THE APPRAISERS CONCLUDE THAT THE DISCOUNTED CASH FLOW APPROACH AND SPECULATIVE RESIDUAL LAND VALUE WOULD JUSTIFY A PURCHASE PRICE OF \$400,000 FOR THE SUBJECT PROPERTY ENCUMBERED BY THE WOOLWORTH LEASE AND PROGRESSIVELY ENCUMBERED BY OFFICE LEASES, ALL OF WHICH WOULD EXPIRE NO LATER THAN MAY 1, 1990.

V. ALTERNATIVE SELLING STRATEGIES
AND POSSIBLE SPECIAL NEGOTIATED VALUES

A cash sale price of \$400,000 for the property as an independent parcel could be modified by the sale of partial interests in the site. The unique linkages and the size of the land parcel would permit a horizontal diversion of interests along the following lines if combined with the vacant Brathaus II site:

1. The Concourse Hotel would purchase subsurface areas to permit expansion of their existing parking ramp below the hotel which is accessed from the existing parking ramp control entry. (See schematic cross-section in Exhibit V-1 and parking layout in Exhibit V-2.)
2. The 30 ON THE SQUARE office building and the office and retail space at 14 West Mifflin Street requires parking to solve significant vacancy and pricing problems. Parking could be provided by interlocking with that provided for the Concourse in such a way that approximately 150 stalls would have their own separate access where the present alley intersects Wisconsin Avenue.
3. The Mifflin Street frontage at street level would provide retail space to a depth of 50 feet in three 22 foot bays. In addition there would be room for a

PRELIMINARY SKETCH OF ALTERNATIVE USE
OF SUBJECT SITE FOR PARKING AND
RETAIL AND CONVENTION EXHIBITION HALL

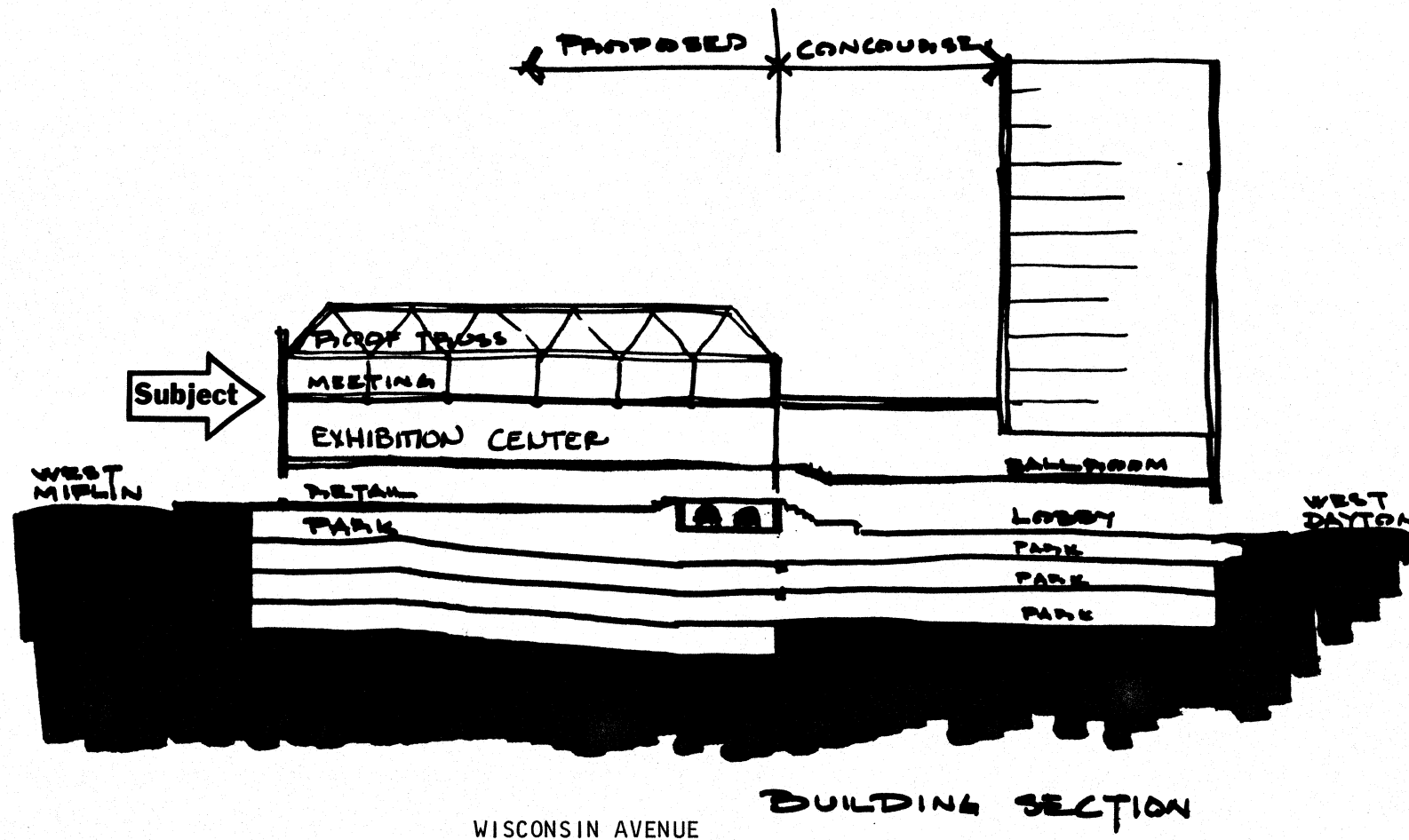
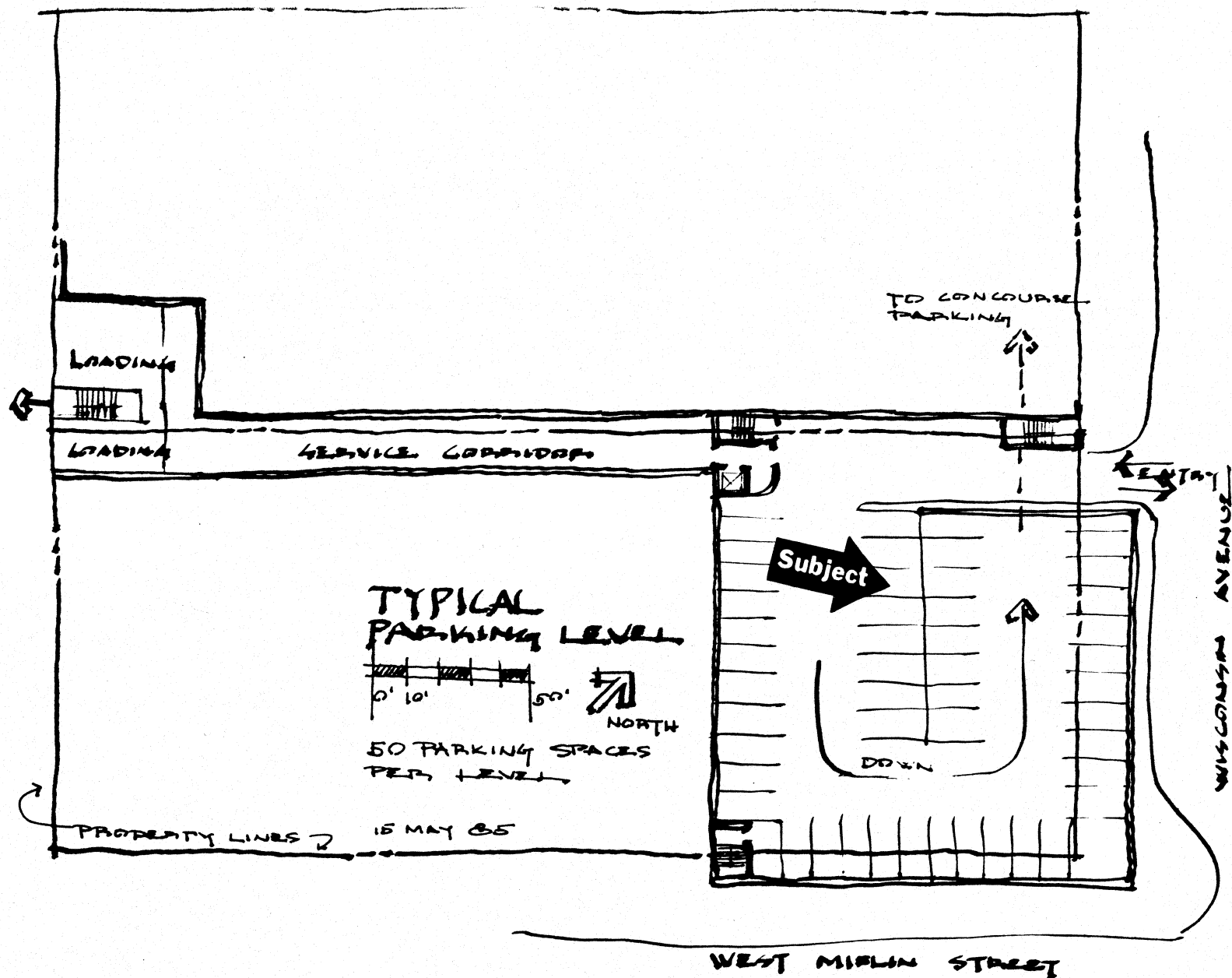


EXHIBIT V-1

PRELIMINARY SKETCH OF ALTERNATIVE USE OF SUBJECT SITE
TYPICAL PARKING LAYOUT

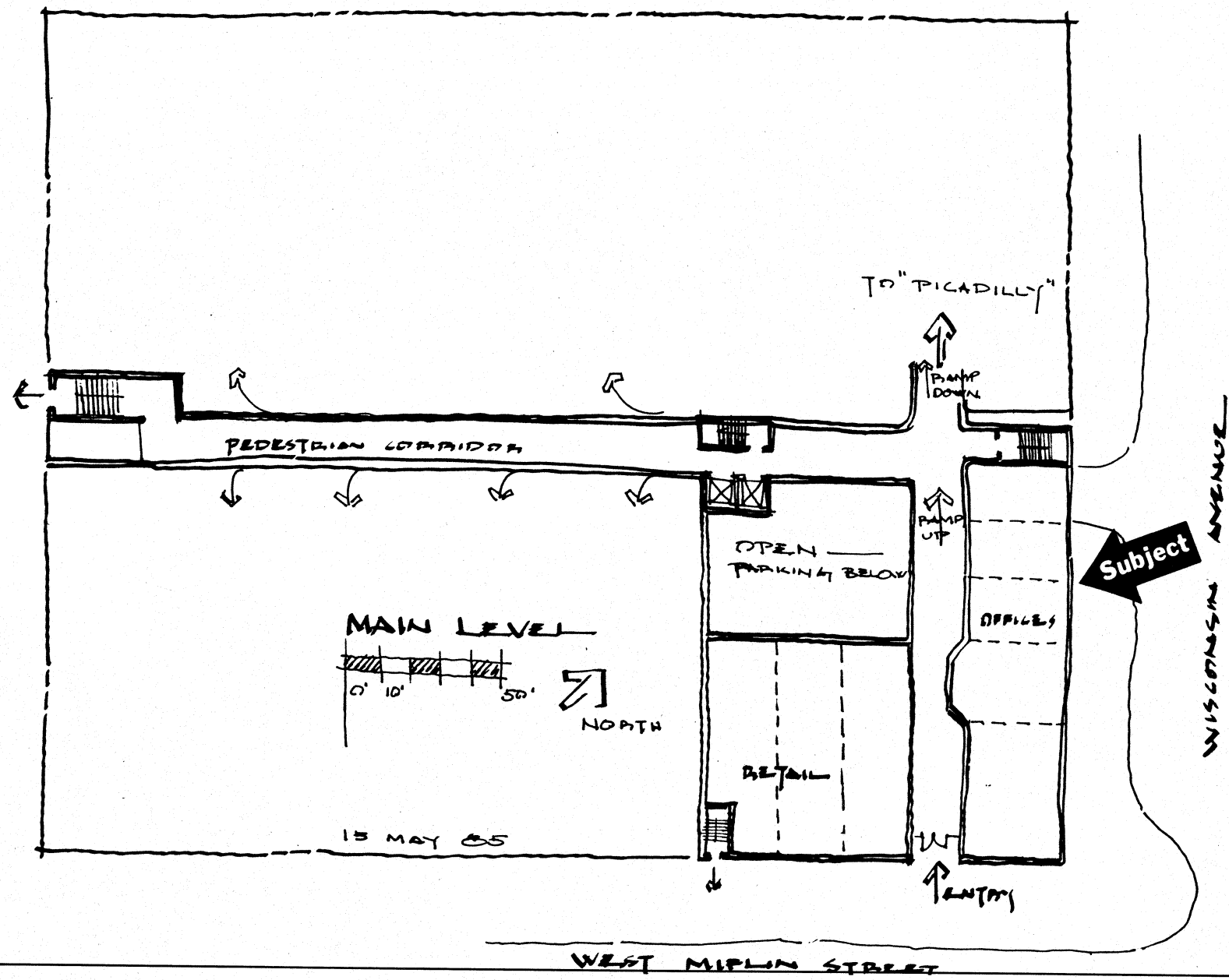
BLOCK 83



pedestrian galleria connecting to the Concourse and office space 30 feet wide for the full length of the Wisconsin Avenue frontage. (See schematic floor plan in Exhibit V-3.)

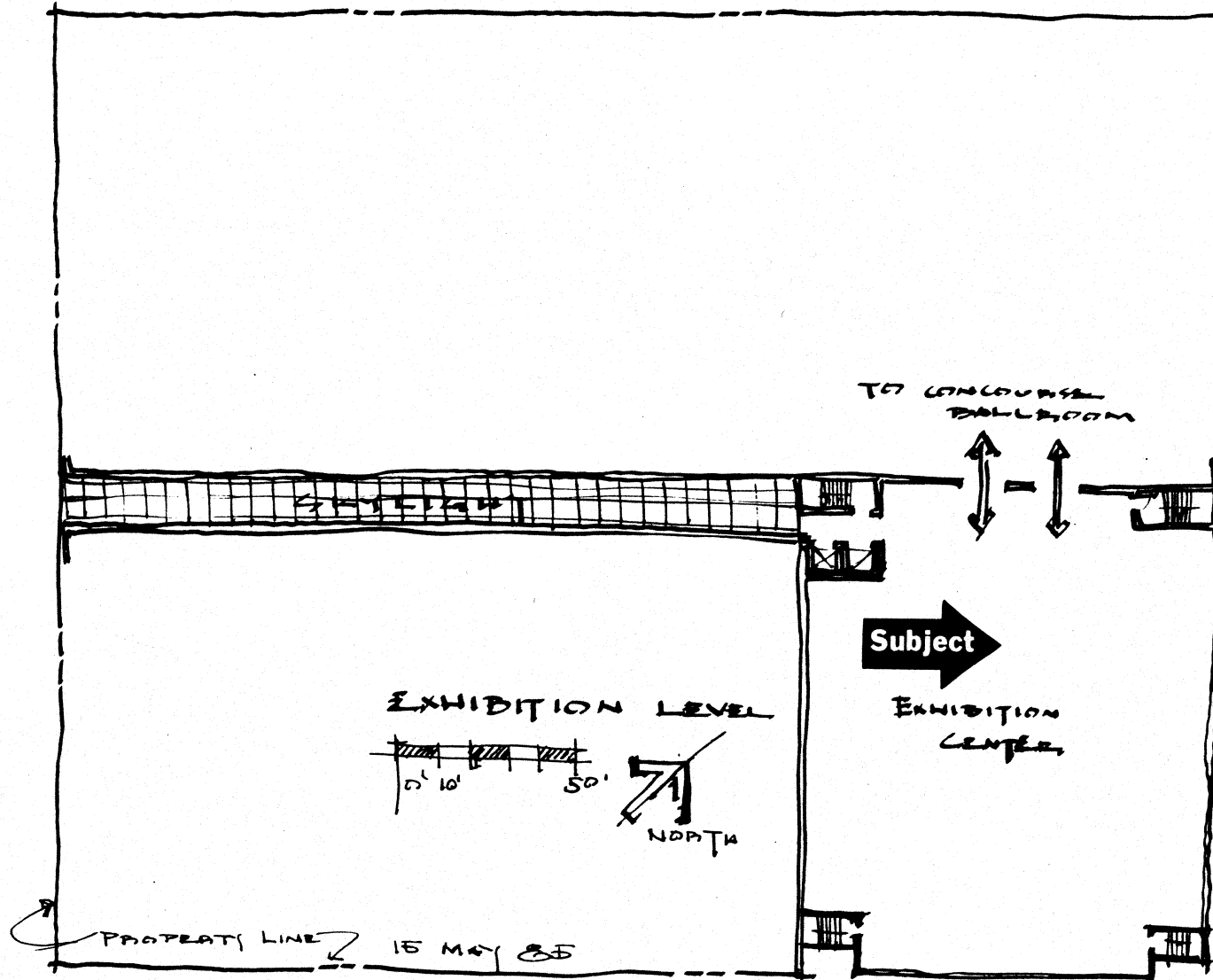
4. The City of Madison Convention Bureau wishes to find a site for a 15,000 square foot clear-span exhibition hall in the downtown area to support a broader base for conventions. In addition, an equal amount of meeting room space is needed to augment existing meeting rooms at the Concourse and at the Inn on the Park. Reference to the cross-section sketch in Exhibit V-1 and the layouts in Exhibit V-4 show that these needs could be placed above the first level of retail in such a way that the convention space would tie directly to the ballroom level of the Concourse. The ballroom level of the Concourse already has a special freight elevator for moving exhibits as large as a full size car.
5. The City of Madison would favor conversion of the alley to an indoor pedestrian core. The same core is needed to tie office parking on the Woolworth site to 30 ON THE SQUARE and 14 West Mifflin. See the site plan in Exhibits V-2 and V-3 for the two-level concept in which a truck dock on Carroll Street at the lower level provides delivery service to the HUB and other

PRELIMINARY SKETCH OF ALTERNATIVE USE OF SUBJECT SITE
MIFFLIN STREET LEVEL RETAIL AND OFFICE LAYOUT
BLOCK 83



PRELIMINARY SKETCH OF ALTERNATIVE USE OF THE SUBJECT SITE
LAYOUT OF EXHIBITION CENTER AND MEETING ROOM FLOORS

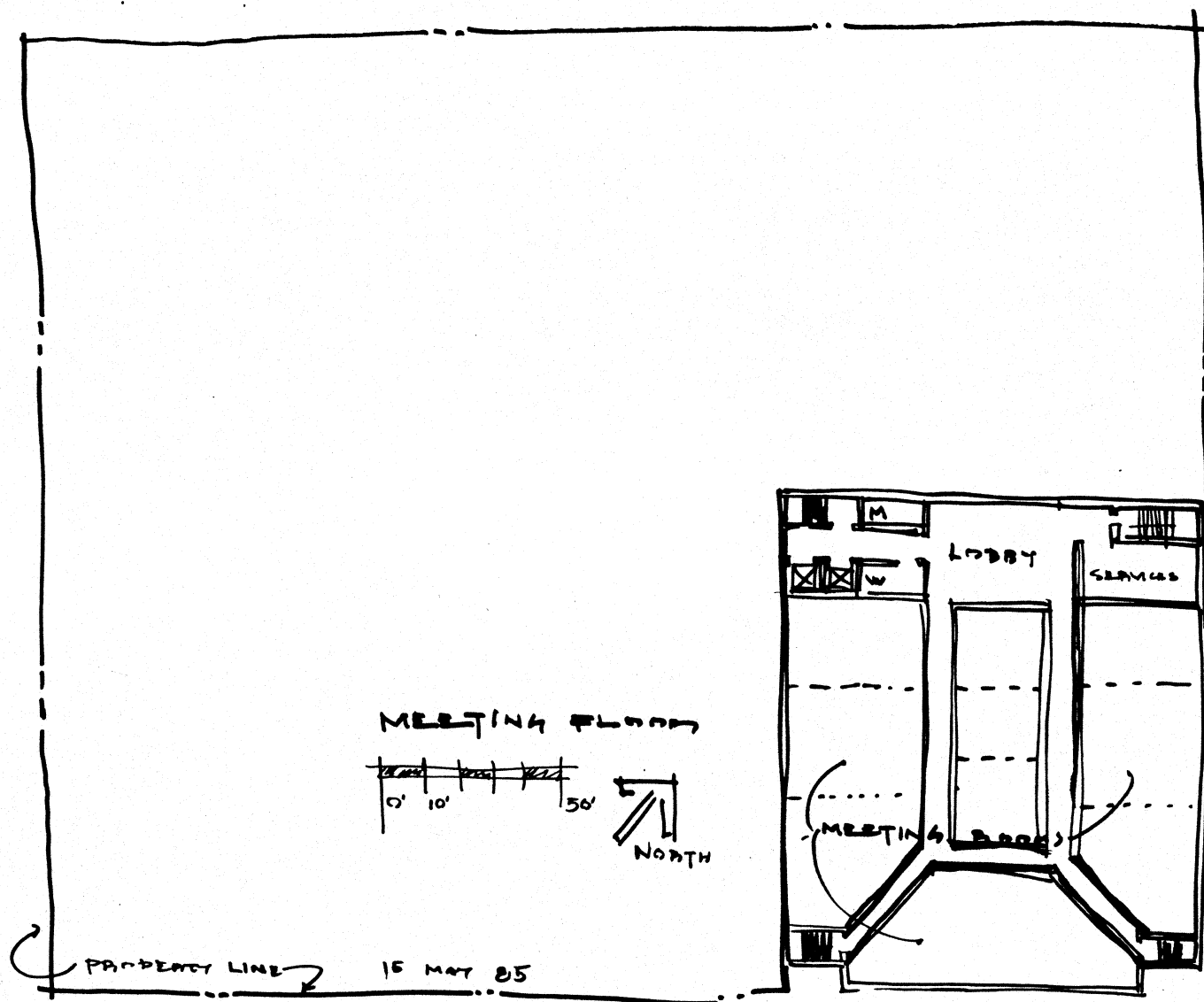
BLOCK 83



Landmark Research, Inc.

EXHIBIT V-4

BLOCK 83



remaining retail stores facing Mifflin Street. The upper level becomes a sky-lighted pedestrian galleria with ties to the Concourse Hotel lobby and the buildings on West Mifflin Street including 30 ON THE SQUARE. This galleria has the potential of linking to the redevelopment of the 100 East Mifflin block already underway and possible redevelopment of the El Esplande block on State Street. Each of these horizontal elements has significant economic value to particular parties who could provide access to special financing or public grants related to Tax Incremental Financing (TIF) potential of the expansion of the Concourse Hotel which is under construction.

The sum of the economic parts may produce a value for the Woolworth site greater than the \$400,000 established for its interim value. In particular, it was noted in the appraisal report of 30 ON THE SQUARE as of May 1, 1985, and dated April 1, 1984, for MREIF, that 150 units of parking would create more than a \$500,000 increase in net value for 30 ON THE SQUARE.

This mixed use concept was not part of the appraisal assignment. However, exploration of the concept by the appraiser is implied in the ultimate objective of reviewing portfolio values for MREIF. Initial concepts for the mixed use development were explored by a University of Wisconsin-Madison

graduate student team and architectural sketches fitted to a cross-section of the Concourse and site elevations were provided by architect Arlan Kay and Associates of Madison.

CERTIFICATION OF VALUE

We hereby certify that we have no interest, present or contemplated, in the property owned by the Madison Real Estate Investment Fund (MREIF) except, of the 374,204 total MREIF shares outstanding as of January 10, 1985, James A. Graaskamp owns 60 shares and Jean B. Davis owns 100 shares. This ownership predates any appraisal assignment by six or more years. We also certify that neither the employment to make the appraisal nor the compensation is contingent on the value of 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.

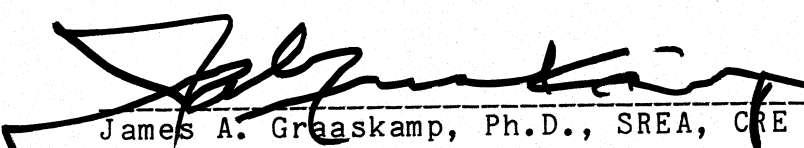
Based on the information and subject to the limiting conditions contained in this report, it is our opinion that the value, as defined herein, for the property known as the Woolworth Building, sold individually and subject to existing leases as of May 1, 1985, is as follows:

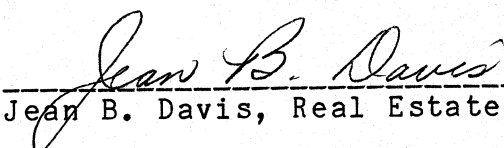
The Fair Market Value of the leased fee of the Woolworth Building, based on the Market Comparison Approach and the Income Approach is:

FOUR HUNDRED THOUSAND DOLLARS

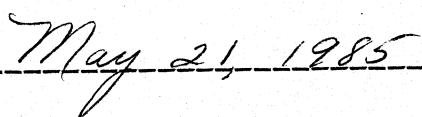
(\$400,000)

as leased and assuming cash to the seller.


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


Jean B. Davis, Real Estate Appraiser/Analyst

Date


May 21, 1985

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 Management - University of Wisconsin
Master of Business Administration Security Analysis - Marquette University
Bachelor of Arts - Rollins College

ACADEMIC AND PROFESSIONAL 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)
Urban Land Institute Trustee

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, a land development company, and a farm investment corporation. He is formerly a member of the Board of Directors and treasurer of the Wisconsin Housing Finance Agency. He is currently a member of the Board and Executive Committee of First Asset Realty Advisors, a subsidiary of First Bank Minneapolis. He is the 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 Columbia Teachers
College and the University of Wisconsin

PROFESSIONAL EDUCATION

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 A

ZONING CODE

Sec. 28.09(4)(d)5.

ZONING CODE

5. Taxicab business. (Cr. by Ord. 7872, 11-29-82)
 6. Any production, processing, cleaning, servicing, testing or repair of materials, goods or products, limited to the following uses or products when located less than 150 feet from a Residence District:
 - a. Cameras and other photographic equipment.
 - b. Cosmetics and toiletries, drugs, perfumes and perfumed soaps and pharmaceutical products.
 - c. Electrical appliances.
 - d. Electrical equipment assembly.
 - e. Electrical supplies, manufacture and assembly.
 - f. Musical instruments.
 - g. Orthopedic and medical appliances.
 - h. Silverware, plate and sterling.
 - i. Sporting goods.
 - j. Textiles.
 - k. Tools and hardware.
- (Sec. 28.09(4)(d)6. Cr. by Ord. 8321, 5-11-84)
- (e) Lot Area Requirements. In the C3 district, the lot area requirements of the C1 district shall apply.
 - (f) Floor Area Ratio. In the C3 district, the floor area ratio shall not exceed 3.0.
 - (g) Yard Requirements. In the C3 district, the yard requirements of the C2 district shall apply.
 - (h) Usable Open Space Requirements. In the C3 district, the usable open space requirements of the C1 district shall apply.
 - (i) (R. by Ord. 5831, 5-6-77)
- (5) C4 Central Commercial District.
- (a) Statement Of Purpose. The C4 Central Commercial district is established to accommodate those uses which are of City-wide, regional or state significance. Within this district, which is located in close proximity to the State Capitol Building and State Street, and which is readily accessible by public transportation from all parts of the City, are permitted the retail, service and office uses characteristic of a central business district. In addition to commercial activities, residential use above the ground floor is permitted and encouraged. No accessory off-street parking is required in this district, and any off-street parking which is provided is controlled as to the location, type and size of such facility so as to reduce congestion on streets within or leading to this district. All new buildings and any major alteration of an exterior building face must be approved by the Plan Commission because of the community's objective to maintain the aesthetic qualities of the district. (Am. by Ord. 6052, 11-29-77)
 - (b) General Regulations. Uses permitted in the C4 district are subject to the following conditions:
 1. All business, servicing or processing, except for off-street parking, off-street loading, automobile service station operation, drive-in banks and outdoor eating areas of restaurants approved as a conditional use by the Plan Commission, shall be conducted within completely enclosed buildings. (Am. by Ord. 4304, 8-29-73)

rev. 5/15/84

24 - 106

Source: City of Madison Zoning Code

ZONING CODE

Sec. 28.09(5)(b)2.

2. Establishments of the drive-in type are not permitted, except automobile service stations and drive-in banks.
3. Any major alteration of the exterior face of a building shall conform to the remodeling and new construction guidelines for State Street and the Capitol Square adopted as administrative guidelines by the City Plan Commission on September 23, 1968 and as modified on December 7, 1970 and shall be permitted only after the written approval of the City Department of Planning and Development, provided that any action by the department may be appealed to the City Plan Commission by the applicant. (Am. by Ord. 6568, 3-22-79)
4. To insure a variety of housing types in the central area, the following point values are established.

<u>Type of Dwelling Unit or Lodging Room</u>	<u>Point Value</u>
Lodging Room	0
Efficiency Unit	0
One Bedroom Unit	1
Two Bedroom Unit	2
Three or More Bedroom Unit	3

In any building, the average point value for all dwelling units and lodging rooms shall be not less than 1.5. (Cr. by Ord. 6052, 11-29-77)

5. All new buildings and any major alteration of an exterior building face shall be considered by the Urban Design Commission and their recommendations regarding design and appearance shall be submitted to the City Plan Commission. (Cr. by Ord. 8107, 9-19-83)
- (c) Permitted Uses. The following uses are permitted in the C4 district:
1. Any use permitted in the C2 district, except restaurants, is permitted in the C4 district.
 2. Dwelling units and lodging rooms located above ground floor. (Am. by Ord. 7870, 11-29-82)
- (d) Conditional Uses. The following conditional uses may be allowed in the C4 district subject to the provisions of Section 28.12(10):
1. Any new construction of a building or addition to an existing building.
 2. Any production, processing, cleaning, servicing, testing or repair of materials, goods or products, limited to the following uses or products:
 - a. Jewelry.
 - b. Medical, dental and optical supplies.
 - c. Products from the following previously prepared materials: bone, canvas, cellophane, cloth, cork, feathers, felt, fiber, fur, glass, hair, horn, leather, paper, plastic, precious or semiprecious stones, rubber, shell and yarn.
 - d. Scientific and precision instruments.
 3. Outdoor eating areas of restaurants. (Am. by Ord. 5198, 10-31-75)
 4. Dwelling units and lodging rooms located on the ground floor.
 5. Parking facilities, accessory and located within the central area, where the number of parking spaces in such facilities exceeds the requirement set forth in Section 28.11(3)(b) for similar uses.
 6. Parking lots, garages and structures, nonaccessory and publicly owned and operated, for the storage of private passenger automobiles only, subject to the applicable provisions of Section 28.11.
 7. Public service signs.

Sec. 28.09(5)(d)8.

ZONING CODE

8. Public utility and public service uses as follows:
 - a. Bus terminals and bus turnaround areas.
 - b. Electric substations.
 - c. Gas regulator stations, mixing stations and gate stations.
 - d. Police stations.
 - e. Radio and television towers.
 - f. Railroad passenger stations.
 - g. Railroad rights-of-way, but not including railroad yards and shops, freight and service buildings, or rights-of-way for switch, lead, spur or team tracks.
 - h. Telephone exchanges, microwave relay towers and telephone transmission equipment buildings.
 - i. Jail facilities. (Cr. by Ord. 7470, 7-30-81)
9. (R. by Ord. 5831, 5-6-77)
10. Wholesaling establishments.
11. Adult entertainment establishments, subject to the following conditions:
 - a. All exterior windows in any premises occupied by such establishment shall be blackened to the extent necessary to make them opaque.
 - b. No such establishment shall be located within five hundred (500) lineal feet of a church, or a private or public elementary, secondary or vocational school, or a public park, or within five hundred (500) lineal feet of any residence district.
 - c. Such establishment may have only one (1) nonflashing business sign, which sign may only indicate the name of the business and identify it as an adult entertainment establishment.
- (Sec. 28.09(5)(d)11. Cr. by Ord. 5717, 12-28-76)
12. 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 contains a setback area which will be planted and landscaped and which conforms to screening regulations, and
 - b. 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
 - c. 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
 - d. That no residential building shall be located on such lot.
- (Sec. 28.09(5)(d)12. Cr. by Ord. 5904, 7-7-77)
13. Parking facilities, nonaccessory and publicly or privately owned and operated for parking of private passenger automobiles only, subject to the provisions of Section 28.11 and limited to those areas paved as of January 1, 1977, or those owned by the City Parking Utility as of January 1, 1977. (Cr. by Ord. 5945, 8-15-77)
14. Vending carts and kiosks located on private property. (Cr. by Ord. 6137, 2-13-78)
15. Restaurants, except adult entertainment taverns, provided:
 - a. That the Traffic Engineer shall, prior to the approval of such restaurant, submit a report and recommendation regarding traffic, parking and pedestrian needs and conditions within the area including the adequacy of the sidewalk to facilitate pedestrian flow.

ZONING CODE

Sec. 28.09(5)(d)15.b.

- b. That the design and appearance shall conform to the current remodeling and new construction guidelines for State Street and the Capitol Square.
- c. That the likely impact of changes in noise levels, smell or lights on the occupants of adjacent properties as a result of the establishment of the restaurant be considered by the Plan Commission.
- d. That the Inspection Unit of the department of Planning and Development shall, prior to the approval of such restaurant, submit a report and recommendation regarding inside and outside waste receptacles and trash and refuse pick-up and storage including offsite pick-up with the objective of eliminating the adverse effects on the neighborhood and lakes and streams of the paper and other disposable products. The Plan Commission may, after consideration of the above report and recommendations, limit the restaurant to washable and reusable dishes and silverware for serving foods and liquids.
(Am. by Ord. 8081, 7-29-83)
- (e) Lot Area Requirements. In the C4 district, there shall be no lot area requirements. (Am. by Ord. 6052, 11-29-77)
- (f) Height Regulations. In the C4 district, building heights shall be limited by Section 28.04(14) of this code and by the following regulations:
 - 1. Buildings on zoning lots having street frontage on State Street shall be not less than two (2) stories nor more than four (4) stories in height.
 - 2. Buildings on zoning lots having street frontage on the Capitol Square or on the East Washington, West Washington, Wisconsin or Monona Avenues and buildings on zoning lots fronting on the Southeast side of East and West Wilson Streets shall be not less than three (3) stories nor more than ten (10) stories in height.
 - 3. Buildings on zoning lots in this district not having frontage on any of the aforementioned streets shall have a maximum height of eight (8) stories.
 - 4. Additions to any existing buildings may exceed the height limitations in paragraphs 1., 2., and 3., above, provided the following:
 - a. Such additions shall not exceed the height of any portion of the existing building;
 - b. Such additions shall have been originally proposed as a part of the existing building, and the building shall have been structurally designed and constructed to accommodate such additions; and
 - c. Such additions shall be approved by the Plan Commission pursuant to the conditional use procedure established in Sec. 28.12(10).
- (Sec. 28.09(5)(f)4. Cr. by Ord. 7106, 9-25-80)
- (g) Yard Requirements. In the C4 district, the yard requirements shall be as follows:
 - 1. A minimum rear yard of ten (10) feet shall be provided for the purpose of loading and unloading from future alleyway systems. However, this rear yard requirement may be waived by the Zoning Board of Appeals only upon its findings that such rear yard is not necessary as a part of an alleyway system, provided such findings shall be made only after receipt of recommendations from the Zoning

Sec. 28.09(5)(g)2.

ZONING CODE

- Administrator, Traffic Engineer and Director of Planning and Development regarding the relative merits of said rear yard as part of an alleyway system. (Am. by Ord. 6568, 3-22-79)
2. Where dwelling units, lodging units or hotel or motel sleeping rooms have windows facing any interior lot lines, yards as required in the R5 district shall be provided. Such yards shall begin at a level no higher than the level of the finished floor of the lowest residential unit.
 - (h) Usable Open Space Requirements. In the C4 district, there shall be provided a usable open space of not less than one hundred (100) square feet for each dwelling unit. (Am. by Ord. 6052, 11-29-77)
 - (i) R. by Ord. 5831, 5-6-77)
 - (6) C3L Commercial Service And Distribution District (Nonresidential).
 - (a) Statement Of Purpose. The C3L commercial service and distribution district is established to furnish a wide variety of goods, services and distribution activities. Within this district, residential development is prohibited because most of the permitted uses are not compatible with nontransient residential development. A full range of retail, service, wholesale, warehouse and distribution activities is permitted.
 - (b) General Regulations. Uses permitted in the C3L district are subject to the following conditions:
 1. All business, servicing or processing, except for offstreet parking, off-street loading, display of merchandise for sale to the public, establishments of the drive-in type and outdoor eating areas of restaurants approved as a conditional use by the Plan Commission, shall be conducted within completely enclosed buildings unless otherwise indicated hereinafter. (Am. by Ord. 4306, 8-29-73)
 2. Parking of trucks as an accessory use, when used in the conduct of a permitted business listed hereinafter, shall be limited to vehicles of not over one and one-half (1 1/2) tons capacity when located within one hundred fifty (150) feet of a residence district boundary line.
 3. All storage within one hundred (100) feet of a residence district, arterial or collector street, except for motor vehicles in operable condition, shall be within completely enclosed buildings or effectively screened with screening not less than six (6) feet nor more than eight (8) feet in height, provided no storage located within fifty (50) feet of such screening shall exceed the maximum height of such screening; further provided, however, the Zoning Administrator may approve alternate landscaping/screening plans meeting the general intent, purpose and guidelines of the revised "New Approach to Parking Lot Landscaping" adopted by Substitute Resolution No. 37,915. (Am. by Ord. 8300, 4-16-84)

APPENDIX B

COMPUTER OUTPUT

DILMORE QUANTITATIVE POINT

WEIGHTING PROGRAM

**** WOOLWORTH DEMONSTRATION ****

Attributes = 5

Attribute Names, Prelim. Weights ← Preliminary weights selected by the appraisers

LOCATION 20
EXPANSION POTENTIAL 20
CONDITION AT TIME OF SALE 20
ELEVATORS IN PLACE 20
FENESTRATION ON UPPER FLOORS 20

of Observations = 5 ← Comparable sales with score for each attribute

Observ. # 1 WOLFF-KUBLY-30 N. CARROLL Price 15.24

LOCATION 3
EXPANSION POTENTIAL 3
CONDITION AT TIME OF SALE 1
ELEVATORS IN PLACE 5
FENESTRATION ON UPPER FLOORS 1

Observ. # 2 14 W. MIFFLIN Price 18.75

LOCATION 1
EXPANSION POTENTIAL 1
CONDITION AT TIME OF SALE 5
ELEVATORS IN PLACE 3
FENESTRATION ON UPPER FLOORS 5

Observ. # 3 CENTRE SEVEN-5 & 7 N. PINCKNEY Price 9.23

LOCATION 1
EXPANSION POTENTIAL 1
CONDITION AT TIME OF SALE 1
ELEVATORS IN PLACE 1
FENESTRATION ON UPPER FLOORS 5

Observ. # 4 EMPORIUM-50 E. MIFFLIN Price 20

LOCATION 3
EXPANSION POTENTIAL 5
CONDITION AT TIME OF SALE 3
ELEVATORS IN PLACE 3
FENESTRATION ON UPPER FLOORS 1

Observ. # 5 WOOLWORTH-2 W. MIFFLIN Price 16.99

LOCATION 5
EXPANSION POTENTIAL 3
CONDITION AT TIME OF SALE 3
ELEVATORS IN PLACE 1
FENESTRATION ON UPPER FLOORS 3

The Matrix:

20	20	20	20	20
10	10	10	10	10
15	15	15	15	15
25	25	25	25	25
30	30	30	30	30

← Test matrix to select optimal combination of weights

Median = 5.861538 ← Initial results using
Mean = 5.913863 appraiser's weights
Standard Deviation = .5837666

Weights: ← Appraiser's initial weights
LOCATION = 20
EXPANSION POTENTIAL = 20
CONDITION AT TIME OF SAL = 20
ELEVATORS IN PLACE = 20
FENESTRATION ON UPPER FL = 20

Final Results: ← Iterations to select
Number of Combinations = 3125 optimal weight
Number of Combinations Adding to 100% = 381

Median = 6.060606 ← Final results using
Mean = 6.00175 optimal weights
Standard Deviation = .1893479

Weights: ← Optimal weights
LOCATION = 10
EXPANSION POTENTIAL = 30
CONDITION AT TIME OF SAL = 25
ELEVATORS IN PLACE = 20
FENESTRATION ON UPPER FL = 15

APPENDIX C

COST ESTIMATE FOR
DEMOLITION OF WOOLWORTH BUILDING

TERRA

ENGINEERING & CONSTRUCTION CORPORATION

2201 Vondron Road • Madison, Wis. 53704-6795

Phone: 608—221-3501



March 5, 1985

Landmark Research, Inc.
4610 University Avenue
Suite 105
Madison, WI 53705

Attn: Jean B. Davis

RE: F. W. Woolworth Company
Building at 2 W. Mifflin St.

Subject: Demolition and Removal Estimate

Dear Ms. Davis:

We have reviewed the above mentioned project with regards to the demolition and removal of the building; leaving the building void as is, for new construction.

The Proposal Is As Follows

- A. Building wrecking and utility disconnection permits are included.
- B. Fencing off the area to protect the public .
- C. Sidewalk closing permits and protecting the walks is included.
- D. Demolition of the building and removal of all building rubble.
- E. All building rubble to be removed from site and taken to a DNR license landfill.
- F. All required demolition insurance is included.
- G. All work per City of Madison Specifications.
- H. No filling of the basement void.

Total Estimate \$87,974.00

March 4, 1985

RE: F. W. Woolworth Company
Building at 2 W. Mifflin St.

Alternate: Removal of asbestos per DNR requirements.

Add To Total Estimate \$25,820.00.

An accurate estimate on asbestos would require breaking holes in all walls and ceilings to investigate properly; but at the present it's impossible to do. The estimate on asbestos is as close as I can come up with. I hope this estimate can serve your purpose.

Sincerely,
TERRA ENGINEERING & CONSTRUCTION CORP.

James A. Wolfe x.m

James A. Wolfe, Vice President Estimating

JAW:km

