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LANDMARK RESEARCH, INC

APPRAISAL OF 30 N. CARROLL STREET

Mallory Mullins
Business 856
Prof. James A. Graaskamp
December 15, 1978

APPRAISAL OF 30 N. CARROLL STREET

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Business 856
Prof. James A. Graaskamp
December 15, 1978

Mellory

[Hint: Don't abbreviate "professor."]

1. Your opening statements are in the passive voice; you make a judgment of the.

Middle of p. 1. Better: "assets that may be tied up..."

A "however" might help too.

Remember my page 53, hyphens.

Be sure your client knows what CBD means - or any other initials.

Remember that correct commas aid readability.

Your Ex. 3 communicates so well, but Ex. 7 should be 2 exhibits.

The second part needs better spacing (Katie's too) - perhaps put the other way on the page or the last heading stacked.

You are still using too much passive voice - a habit hard to break.

p. 20. See mine regarding X sign.

p. 30. As I said to Kate, your footnote # should be at the end of the sentence.

Ex. 19. Operational lines don't communicate well.

p. 37. (E) To remove objectionable "is stated earlier," say
"... acceptable because..."

If the typist had used a line guide, she wouldn't have needed those marks at the bottom of the page.

42. NA doesn't need a diagonal.

Why do you say "vendor/purchaser" on Comp. 2?

p. 51. Poor spacing required the objectionable diagonal here. ??

Spelling in I - B

Why did you repeat first page of zoning ordinance? Not necessary.
Put it in appendix only.

You have done a fine job, but concentrate on using a
minimal number of passive & linkage verbs; they don't sell well.
Good luck! - JPL.

December 15, 1978

Wolff Kubly Hirsig & Corporation
901 Watson Avenue
Madison, Wisconsin 53713

Gentlemen:

We are transmitting the appraisal report that you requested on the property commonly called the Wolff Kubly and Hirsig Building, 30 North Carroll Street, Madison, Wisconsin.

In your letter of authorization you indicated that the value conclusion would serve as a reference point for negotiating a sale of the subject property. You also inquired as to the impact of the completion of the Capitol Concourse and the effect of financing terms upon the most probable selling price.

The enclosed report has concluded that the most probable selling price of the Wolff Kubly and Hirsig Building is:

FOUR HUNDRED SIXTY-FIVE THOUSAND DOLLARS (\$465,000)

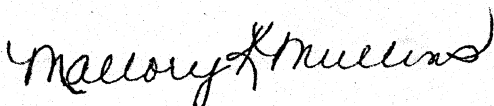
for a cash sale contingent upon the buyer's obtaining financing terms of 25% down, 10.25% interest, and 20 years. The probable transaction zone is from \$462,000 to \$544,000. A buyer with a tenant needing the entire building may pay as much as \$544,000. Renovation costs or financing terms less favorable than those supposed would bring a price near the lower end of the zone. The value conclusions are sensitive to the estimated costs of renovation and remodeling: (1) installation of windows on floors two through four, (2) conformance with the barrier free code, and (3) the conversion of floors two through four into office spaces, the first floor into retail, and the basement into storage. The investment is sensitive regarding the appreciation that will result from the changing face of the Capitol Square area. The long-run impact of the State Street Mall/Capitol Concourse upon the retail consumer is uncertain.

Because no funds were provided for architectural, legal, or engineering fact finding, the feasibility of the most probable use assumption, which is critical to a value estimate, must be regarded as only preliminary. Note the assumptions, limiting conditions, and controls on use that are included in Section V of this report.

You will also note that the present Madison tax assessment of \$610,700 is seriously out of line. This is an overstatement of at least 20% and is contributing an unnecessary \$4,000 per year to your holding costs.

We hope that you will find the details of this report relevant to your decisions, and we would be happy to answer any questions you may have.

Sincerely,

A handwritten signature in cursive script, reading "Mallory K. Mullins". The signature is written in dark ink and is positioned above the printed name.

Mallory K. Mullins

MKM:sk
enclosure

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DIGEST OF FACTS, ASSUMPTIONS, AND CONCLUSIONS

Property: A vacant four story structure known as the Wolff Kubly and Hirsig Building at 30 North Carroll Street, Madison, Wisconsin, in the CBD.

Type of Estate: Fee simple, encumbered by utility easement over rear 12' of lot and building code restrictions.

Present Owner: Wolff Kubly Hirsig & Corporation

Age of Building: 25 years.

City Description: Madison, Dane County, Wisconsin; State Capitol, County Seat, site of University of Wisconsin, second largest city in Wisconsin.

Neighborhood: The original plat of Capitol Square, the Central Business District, facing the State Capitol Building.

Lot Size: Lot 2, Block 75 of original Town of Madison Plot, 66' x 132', 8,712 square feet including 12' alley easement across rear lot line.

Improvements: Four story plus basement masonry and concrete building. Approximately 7,800 first floor retail space and an approximate total of 40,500 gross square feet of floor space. One freight elevator, two passenger elevators, useable vaults underneath sidewalk. No windows except on first floor.

Legal Constraints: Zoning C-4
Capitol Preservation View District
Capitol Fire Zone District
Capitol Concourse Special Assessment District
Building Code Violations (requires occupancy permit)

Most Probable Use: Renovation of the first floor into one retail unit, the basement into storage, and one office space with windows on each of the upper three floors.

Most Probable Buyer: Will be a professional real estate developer who expects to remodel the building and to get a cash sale.

Terms of Sale: Most sales in the Capitol Concourse area are for cash with 25% down, interest of 8.5-9.75%, 20-25 years.

Market Transactions Inference: Comparable sales ranked by price/quality mean price per point model predict a central tendency of \$544,000 with an upper limit of \$625,000 and a lower limit of \$462,000.

Most Probable Selling Price: As of November 1, 1978, the seller might obtain a price of \$465,000 in a cash sale contingent upon the buyer obtaining financing terms of 25% down, 20 years at 10.25% interest.

Current Assessed Value:	Land	\$302,100
	Building	<u>\$308,600</u>
	TOTAL	\$610,700

Total assessment should be appealed as it is at least 20% too high.

1977 Tax payment	\$16,180.50
------------------	-------------

Special Assessment	\$14,376.21
--------------------	-------------

Annual payment	\$ 1,953.27
----------------	-------------

I. PROBLEM ASSIGNMENT

The content of an appraisal report is determined by the problem it must solve, the limiting assumptions inherent in the property, the state of the data base, and other factors in the decision context. This appraisal is made to assist the owners in their expectations of a sales price.

A. The Appraisal Issue

The real estate market for the subject property has been both poor and uncertain for the past several years. However, with the completion of the State Street Mall/Capitol Concourse, several renovations of existing buildings have been proposed or are underway. The former Baskin-Olson and Veerhusen store on North Pinckney Street is being remodeled into a 21,000 square foot office building. The Manchester's Store for Homes on West Mifflin Street is being renovated into 40,000 square feet of office and retail space and The Carley Group Investors are developing the Emporium Building for residential, office, and retail space.

The Wolff Kubly and Hirsig Building, built in 1953, formerly housed the Wolff Kubly and Hirsig Hardware Store. The building has been vacant for four years with the exception of temporary offices for the Madison Civic Center and various political campaign headquarters. When Wolff Kubly and Hirsig closed operations and vacated the building, the central Madison area real estate market was soft. The Wolff Kubly Hirsig & Corporation's position was to wait out the poor market conditions. Since 1974 there has been some activity relative to a sale. In 1974, Commercial State Bank took out an option to buy the property for \$675,000 in order to relocate banking facilities. State Banking Regulations limit the percentage of assets which are tied up in capital expenditures and the acquisition of the subject property would have required an alteration of the bank's equity structure, contrary to the president's wishes. Therefore the option was not exercised. The Carley Capital Group was the next participant in the process. This development group attempted to obtain an option, with a sale contingent upon the state signing a lease for office space. This was unacceptable to the owner of the property and therefore was not taken any further. Fred Mohs, a local developer, then obtained an option on the property and performed a feasibility study with the intention of converting the building to offices. Mohs determined that the price was too high for his requirements and did not exercise the option. Gordon Rice subsequently attempted to obtain an option with plans to lease a portion of the building to Commercial State Bank and convert the remainder to office space but this never materialized.

To secure a purchase price at their terms the owners set up a \$100,000 reserve fund in anticipation of holding costs, which must be paid to maintain a building when it is not generating revenue. They include heat, electricity, insurance, and real estate taxes (Exhibit 1).

EXHIBIT 1

ESTIMATED ONE-YEAR HOLDING COSTS FOR SUBJECT PROPERTY

Cost	Amount
Insurance	\$ 4,500 ^a
Heating	2,200 ^b
Real Estate Tax	<u>16,180^c</u>
Total	\$22,880

^aBased on information provided by Professor James A. Graaskamp.

^bBased on total paid during 1977-78, provided by Madison Gas & Electric Company.

^cBased on taxes paid 1977, City Assessors Office, City County Building, Madison, Wisconsin.

It must be noted that the estimated annual holding costs of \$23,000 for the four-year period has virtually extinguished the fund. This situation puts the sellers in a position to sell soon unless they desire to hold the property at a loss.

B. Special Assumptions

Assumptions that must be considered in this appraisal are that the sellers desire a 25% down payment and a cash sale.

C. Legal Interest to be Appraised

The subject property, 30 North Carroll Street, is legally described as:

Lot 2, Block 75, original plat of Madison, County of Dane, in the State of Wisconsin.¹

The fee is subject to a right-of-way easement strip across the rear 12 feet at the property line. All cabinets and shelving left in the building will be included in the sale. There are no recorded encumbrances on

¹County Clerk's Office, City-County Building, Madison, Wisconsin
Vol. 466, p. 256, Doc. #686274.

the property. The alley to the rear of the building

"shall remain a private alleyway for joint use therein of the heirs, successors, and assigns of Lot 1, 2, 3, 4, 9 and 10 of Block 10. No parking of vehicles or any other obstruction except for unloading for longer than necessary to unload shall be allowed"¹

A variety of codes and public agencies have constrained the future uses of this site as discussed elsewhere in this report.

D. Value Definition

For the purpose of this appraisal the most appropriate definition of value is that of "most probable selling price," as defined by Professor Richard U. Ratcliff:

The most probable selling price is that selling price which is most likely to emerge from a transaction involving the subject property if it were exposed for sale in the current market for a reasonable time at terms of sale which are currently predominant for properties of the subject type.²

E. Implicit Assumptions of the Value Definition

The Ratcliff definition recognizes that prediction of a future sales transaction price is a business forecast under uncertain conditions. It is therefore appropriate to state the value conclusions as a central tendency within a range of alternative price outcomes that reflect the imperfections of the real estate market and the negotiation postures of the buyer and seller. A range of sales prices is more useful to the decision maker than the traditional point estimate of fair market value because it provides the necessary dimensions for establishing listing and bargaining strategy and anticipating probable buyer expectations.

The Ratcliff appraisal method requires the appraiser to determine the most probable use of the property and the most probable buyer-investor for that type of property. From the criteria of most probable use and most probable buyer-investor, the appraiser infers a probable transaction price from recent transactions of similar properties. In the absence of market sales or as a test of value conclusions based on sales data, the appraiser may simulate the buyer calculus in making an offer to purchase.

F. Application to Subject

Sales transactions in the Capitol Concourse and surrounding area of

¹Circuit Court Judgment, Dane County, State of Wisconsin, Register of Deeds March 20, 1972, Vol. 329, page 304.

²James A. Graaskamp, The Appraisal of 25 N. Pinckney, A Demonstration Case For Contemporary Appraisal Methods, Landmark Research, Inc., 1977, p.23.

the subject property have generally been cash sales at terms ranging from 8.5—9.75% interest and from 5-yr. balloon payments to 25-yr. mortgages. The present owner would prefer a cash sale.

Before issuing any occupancy permits, the building might have to be updated to meet current standards as the property has been vacant for four years. The Madison Building Inspector has not made an official inspection of the property. Therefore, certain dollar estimates and projections must be based on the preliminary cost-to-cure assumptions of the appraiser and must be recognized as limitations on the reliability of the most probable value estimate.

II. PROPERTY ANALYSIS TO DETERMINE ALTERNATIVE USES

The first step in determination of the most probable use of the property is to identify and analyze all of its attributes. The attributes include physical characteristics of the site and improvements, legal constraints on the nature and timing of its use, linkages of the site with environmental aspects that might attract or repel users, and the pre-established perceptions of the site that citizens tend to have.

A. Physical Attributes

The subject site, located at 30 North Carroll Street, is on the Capitol Concourse in the center of Madison (Exhibit 2). The site is rectangular with frontage on North Carroll Street of 65'4" (Exhibit 3). The depth of the site is 132'6" and is exposed along West Mifflin Street. The total gross area of the site is 8,745 square feet. A 12' public utility easement along the back of the site limits the useable depth to 120' and the buildable lot area to 7,836 square feet. The site slopes slightly, dropping approximately four feet from east to west, and five feet from north to south. Drainage is toward the southwest corner of the lot. Site elevation is taken from a topographical map prepared by the City of Madison for the development of the Capitol Concourse.

The soil is a well-drained silty loam with moderate permeability and medium water capacity. Depth to water table is more than five feet. Recent construction in the Capitol Concourse area encountered no bedrock at a depth of 35 feet. The soil has a low corrosiveness to concrete or steel. An examination of the existing foundation showed an absence of settling cracks and water stains, indicating that the soil conditions do not present any limitations on site improvements.

The site has a 6" sewer line, 4" water lateral, and 6" gas service running along both the north and south sides of the building. These enter the site through vaults under the sidewalk on West Mifflin Street. These vaults, which run along all street exposures of the subject, were originally planned to be filled with sand for the construction of the pedestrian mall. John Urich of the City Planning Department explained that this procedure could be avoided if the vaults met certain specifications developed by the Building Inspection Department.¹ The vaults have not been filled and can be used for storage, but lack of sidewalk elevators eliminates direct access. Gutter, curb, sidewalk, and mall improvements are maintained by the city.

¹From an interview with John Urich of the City Engineer's Office, October, 1978.

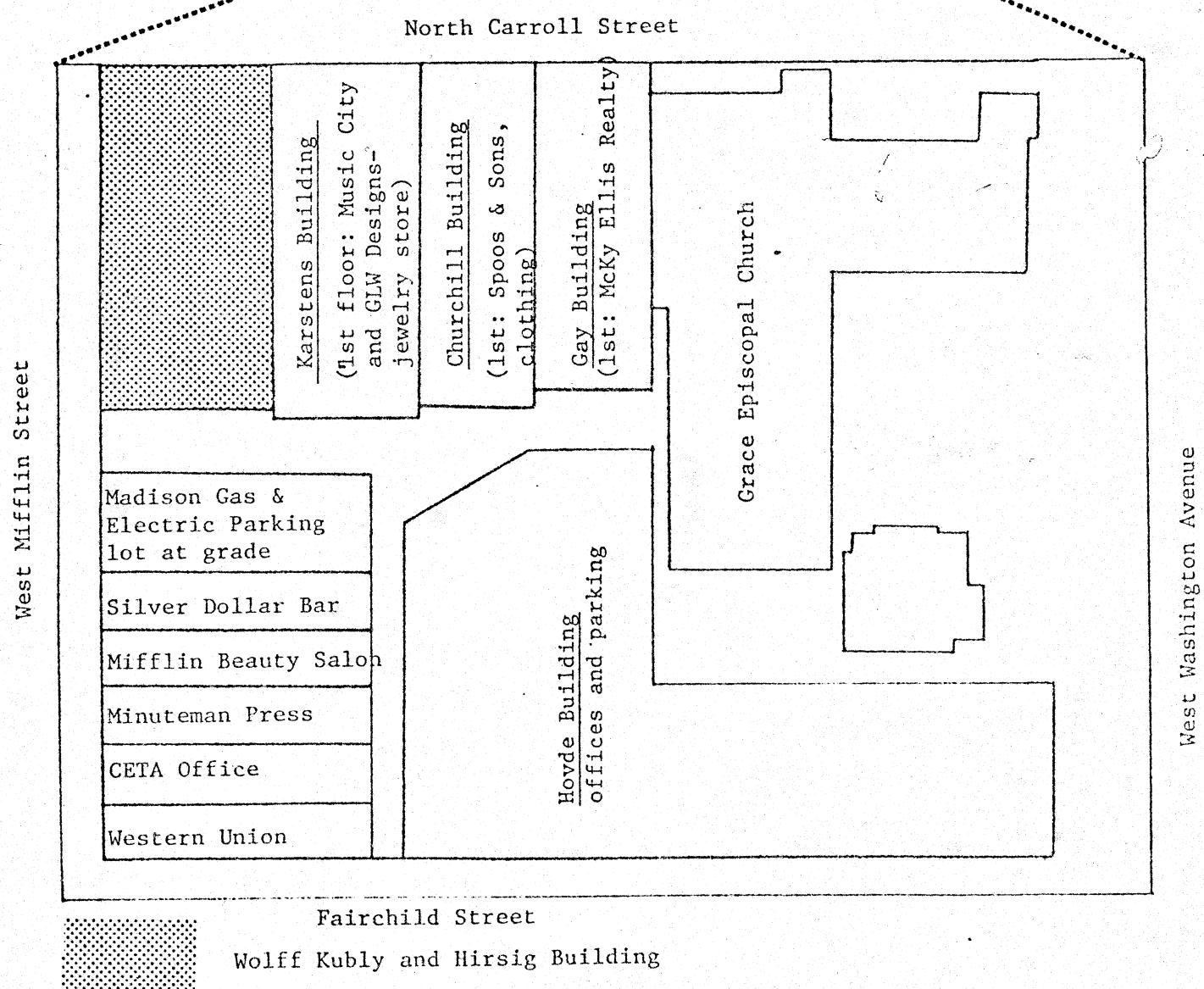
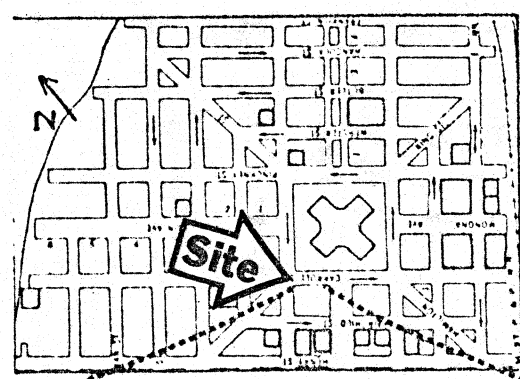
EXHIBIT 2

LOCATION OF THE CBD ON THE MADISON ISTHMUS



EXHIBIT 3

LOCATION OF THE SITE ON THE CAPITOL SQUARE



B. Legal Constraints

Legal constraints are those constraints imposed on the owner of real estate by local, state, and federal regulating bodies. There are no state or federal land use elements impacting the site. Important local controls are zoning, special assessments, and political considerations.

1. Zoning

The zoning governing the use of the site is City of Madison C-4 Central Commercial District. The basic goal of C-4 zoning is to accommodate those uses that are of city-wide, regional, or state significance. This zoning permits retail, service, and office uses characteristic of a Central Business District (CBD). In addition to commercial activities, residential use above the ground floor is permitted and encouraged. No accessory off street parking is required under C-4 zoning. In effort to reduce congestion in the CBD, any off street parking that is provided is controlled by the City of Madison as to the location, type, and size of such a facility. (See Exhibit 4 and Appendix A.)

The present city administration is committed financially and politically to the Capitol Concourse and State Street Mall developments and the recently revised C-4 Central Commercial District zoning reflects this. The administration desires a compatible arrangement of uses that preserve the beauty and other aesthetic qualities of the Capitol Concourse and State Street Mall. Therefore, major alteration of any building under C-4 zoning must conform to remodeling and new construction guidelines established by the City Planning Commission.

2. Special Assessment District

The City of Madison created a special assessment district comprised of property owners in the State Street Mall/Capitol Concourse area as a means of financing this project. (See Exhibit 5.) The goals of this project, as outlined in the city's brochure, State Street/Capitol Concourse Mall, Madison, Wisconsin, prepared by M. Paul Friedburg and Associates, are as follows:

- Improve State Street and the Capitol Concourse as a place for people.
- Provide environmental quality, character, safety, comfort, interaction, and flexibility of use.
- Reduce air and noise pollution.
- Insure commercial-retail viability by increasing the area's attraction as a shopping and entertainment center.
- Strengthen the imagery of downtown Madison in accordance with functional needs and citizen desire.

Sec. 28.09 (4) (e)

ZONING CODE

- (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)

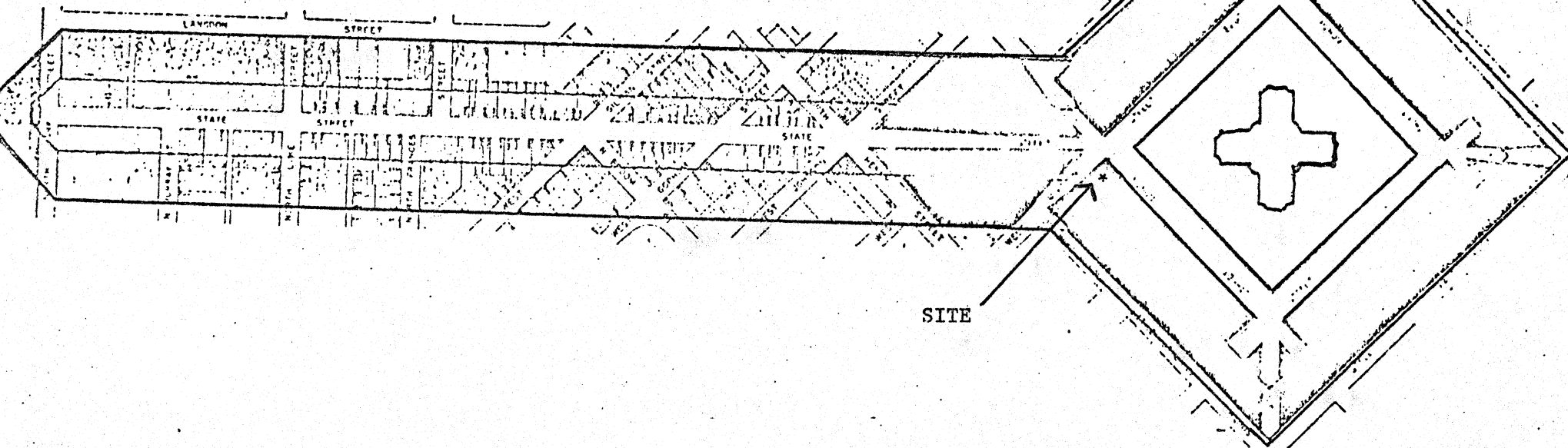
- (b) General Regulations. Uses permitted in the C4 district are subject to the following conditions:

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)
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 Planning Department, provided that any action by the department may be appealed to the City Plan Commission by the applicant.
4. To insure a variety of housing types in the central area, the following point values are established.

Type of Dwelling Unit or Lodging Room	Point Value
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)

EXHIBIT 5
SPECIAL ASSESSMENT DISTRICT FOR
PHASE II OF THE CAPITOL CONCOURSE
PROJECT



- Capitalize upon the unique physical and symbolic attributes of the City, Capitol, and University.

As outlined in the same brochure, these broad goals are to be achieved by "altering the physical character and use patterns of street space from one oriented toward vehicular traffic to that concerned with pedestrian activities."

All major parking facilities in downtown Madison are at least one block away from the shopping areas with no pedestrian circulation between stores and parking. Many businessmen see the lack of free and accessible parking in the Capitol Concourse area as a major factor in the decline of regional retailing. This problem was not addressed by planners of the Capitol Concourse. The brochure discussed plans to alleviate parking problems on State Street, but little mention was made of the Square. The emphasis on bus transportation and the discouragement of the use of the automobile are of top priority to the city administration. The popularity of the suburban shopping centers, where parking is free, is evidence of citizen preference for using the automobile to shop. Unless this problem is confronted realistically, critics of the mall project believe its long-term impact will be little more than a face lift and the consumer will continue to be distracted from the CBD.

The financing of the State Street Mall/Capitol Concourse is being made primarily by properties facing the mall because it is believed that they will have the greatest gain from the expenditures made on the mall project. Yet, the businesses with the highest assessments lose some of the advertising value of their property fronts, and visibility of their locations because of restricted vehicular traffic. The special assessment for the subject property is \$14,376.21 payable over ten years at 6% simple interest. The annual amortized payment is \$1,953.27. Payments may be paid starting October 1978 and the total assessment must be paid by 1988.

3. Political Constraints

Although the present city administration is viewed as anti-business, their commitment to the State Street Mall/Capitol Concourse forces them to cooperate in plans to renovate existing structures in the CBD to make it a more viable area. The city has altered the C-4 zoning ordinances to permit residential uses above the ground floor and is encouraging the use of tax incremental financing (TIF)¹ to aid real estate development in the

¹Under the TIF law, a city or village designates a specific area within its boundaries as a TIF district and develops a plan to improve property values in the district. It then uses all extra taxes generated by the increased property value to pay for land acquisition or public works that it must install, such as sewer lines, street construction, and street lighting.

It is assumed all governmental units that tax the property will eventually benefit from the increased value. In the meantime, because it is developing the improvements, the municipality is allowed to retain the increased taxes generated during the existence of the district to pay the costs of public improvements.

CBD. The former Leath Building on State Street was recently remodeled into the Bittersweet Restaurant because the city allowed some flexibility of the building codes. The owners of the Atrium Building at 25 North Pinckney were able to use the second and third floors of the building and still maintain an atrium. Originally the City's interpretation of the codes would not allow this usage, but the State overruled the city. The Carley Capital Group's plans to redevelop an area six blocks north of the Capitol Square into commercial, residential, and parking usage includes TIF. The city administration seems enthusiastic and is including the financing in their preliminary 1979 budget. Also included in the preliminary 1979 budget is the development of Blocks 53 and 54 (approximately 2 blocks from the subject site) for elderly-handicapped housing, a senior center, a grocery store, and some parking.

C. Linkages

Linkage attributes are the relationships of the site to its immediate environment, activity centers, and Madison's hinterland. The subject site is in Madison's CBD which is on a mile-wide isthmus between two large lakes. The State Capitol occupies the center of the Capitol Concourse which is presently accessible by four avenues and three diagonal streets. The State Street entrance to the Capitol Concourse is limited to public transit. The avenues have four lanes of traffic on the north, south, and west sides, and six lanes on the east side. The narrowness of the isthmus impedes traffic flow to the CBD area. Traffic signals on every corner of the Capitol Concourse and on virtually every corner of the outer ring of streets also severely reduce the ease of auto access to the site (Exhibit 6). The design of the Capitol Concourse has eliminated much of the on-street parking near the subject in addition to closing the entry way from West Mifflin Street that runs along the western side of the subject property.

The availability and accessibility of parking is a crucial element impacting the site. This is a controversial issue between city administrators and area businessmen. While it is the desire of the city administration to have a downtown "for people" not autos, area retailers feel that plentiful and accessible parking is necessary for a successful business operation. The merchants in the 300-600 blocks of State Street actively oppose any further mall construction without firm assurances of additional parking. The Barton-Aschman, Inc. Parking Study, conducted in 1977, concluded that parking shortages do exist in the central Madison area and that by 1985 2,500-3,500 more spaces will be required. Even with maximum emphasis on mass transit, the demand will be reduced by only 3-4%. In response to the objections of the area merchants and the results of the Barton-Aschman Parking study, the City of Madison is currently considering the development of Blocks 53 and 54 for parking. These blocks are located two blocks from the Wolff Kubly Building.

Present parking ramps in the CBD area are the McCormick Ramp, the Dane-County Ramp, and the Dayton Street Ramp. The closest city parking facilities are the Dayton Street Ramp and Blocks 53 and 54. (See Exhibit 7.) The Dayton Street Ramp is one block away from the site and has a capacity for 545 cars. This ramp is often filled and is in high demand by Madison Area Technical College (MATC) students. Blocks 53 and 54 are presently paved

EXHIBIT 6:

TRAFFIC FLOW IN THE CENTRAL BUSINESS DISTRICT

CIRCULATION & TRANSIT

- | | | | |
|---|-------------------------|---|---------------------|
|  | Auto-Transit-Pedestrian |  | Langdon Circulation |
|  | Transit-Pedestrian |  | Divider |
|  | Pedestrian only | | |
|  | Major Traffic Flow | | |
|  | Metro | | |
|  | Shuttle | | |
|  | Bicycle Route | | |
|  | Cul-De-Sac | | |

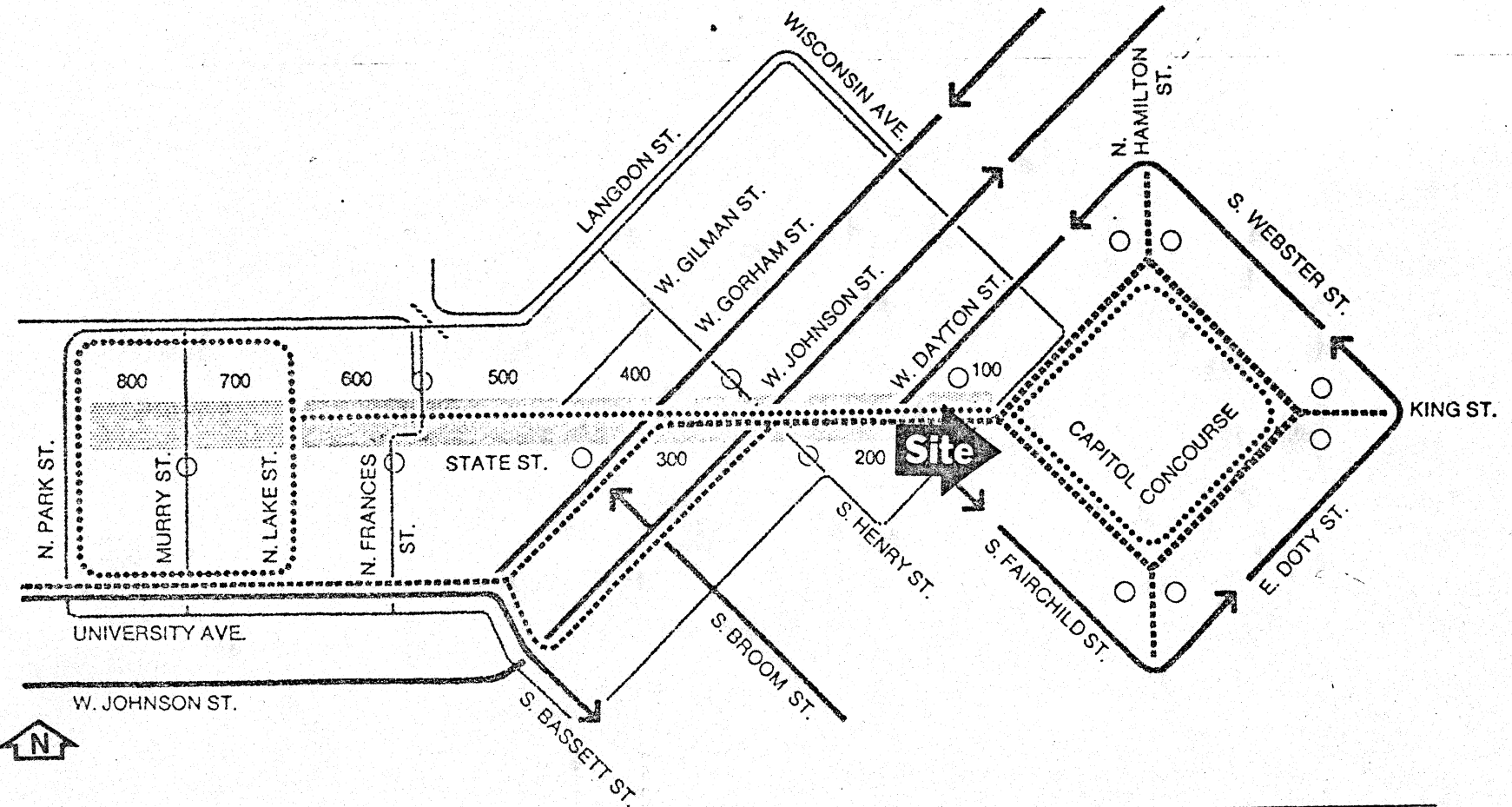
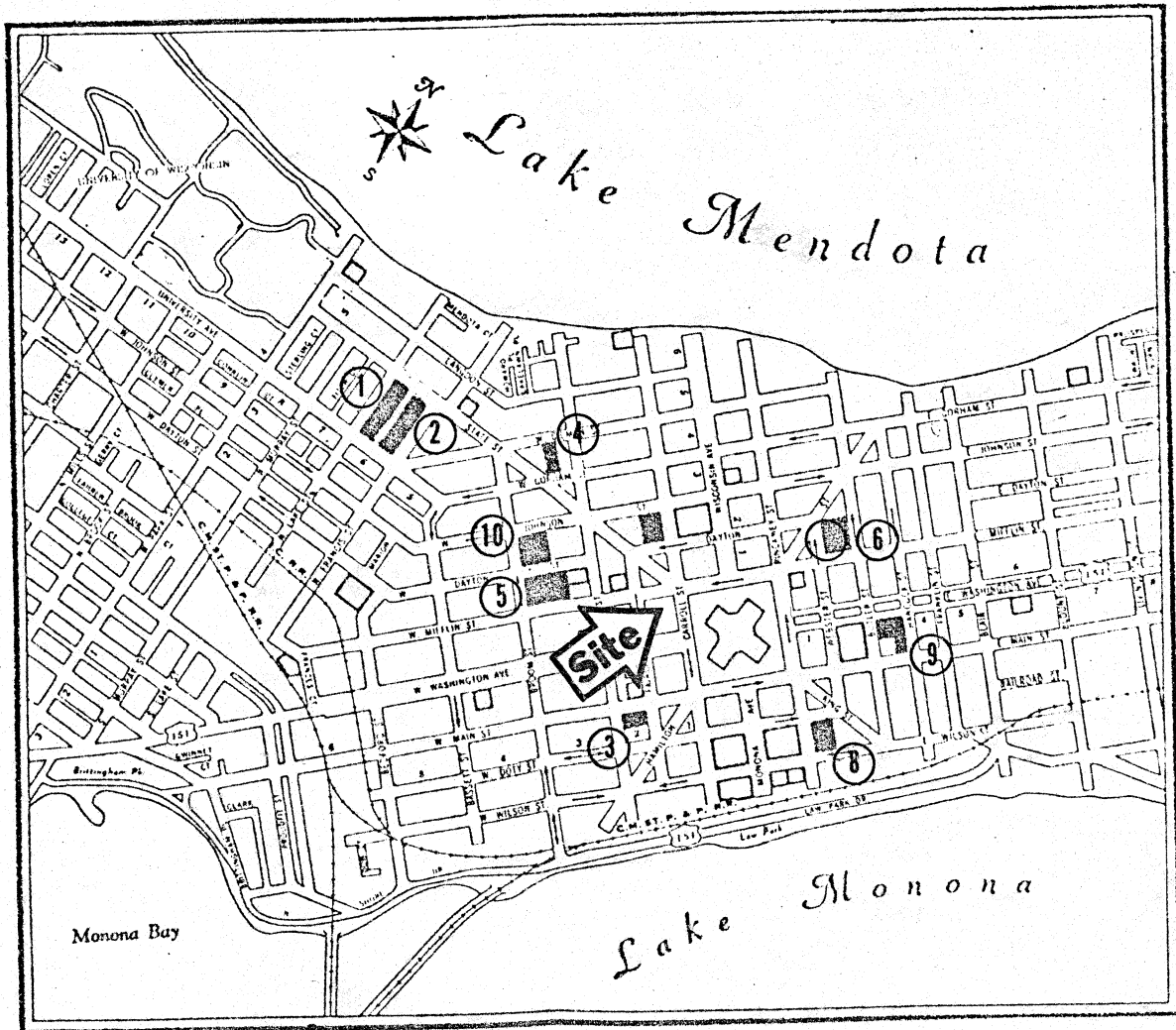


EXHIBIT 7
LOCATION OF PUBLIC PARKING RAMPS IN CBD

14



OCCUPANCY OF MUNICIPAL LOTS AND RAMPS

Facility	Capacity	Occupancy (Percent)		Average Daily Occupied Space-Hours
		Peak Period	Daily Average	
① Lake Street Ramp	536	100%	78%	4,180
② Frances Street Lot	65	100	67	436
③ Dane County Ramp	1,004	99	90	9,036
④ Buckeye Lot	54	98	73	394
⑤ Block 53	267	96	79	2,109
⑥ McCormick Ramp	627	96	49	3,072
⑦ Dayton Ramp	545	95	75	4,088
⑧ Doty Ramp	470	94	73	3,431
⑨ Brayton Lot	200	88	71	1,420
⑩ Block 54	240	83	60	1,440
Total	4,008	96%	74%	29,606

Source: Madison Central Area Parking and Transportation Study.

parking lots with a total of 359 spaces. The short term parking meter, with time allotments of 15 minutes to 2 hours, is predominant in all these ramps. However, the highest demand, as determined by the Barton-Aschman Parking Study, is for long-term parking facilities.

Bus transportation is another important linkage to the site. There is a bus stop with a shelter approximately 50 feet from the site. Madison has a high quality bus service called the Madison Metro Bus System. Fourteen city bus routes stop here and link the site to all areas of Madison. Bus fare is 25 cents for most riders and is cheaper for elderly and students with bus passes. Madison Metro is in full force Monday through Friday with limited Saturday, Sunday, and Holiday service. A shuttle bus, linking the Capitol Concourse and the University of Wisconsin, also stops near the site.

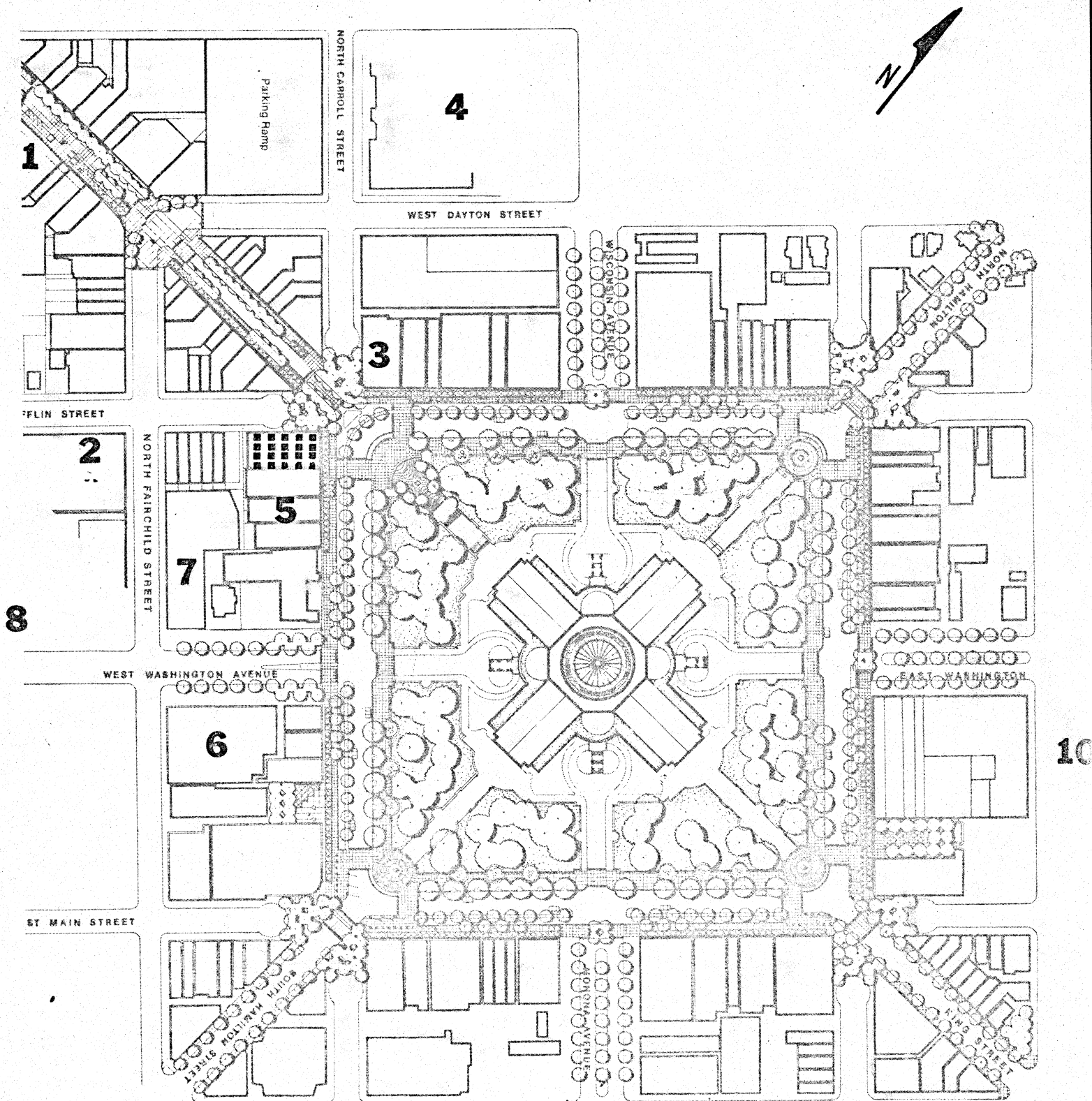
Since the construction of the State Street Mall/Capitol Concourse, there have been no vehicular and pedestrian traffic counts taken. The most recent counts were pedestrian in 1972 and vehicular in 1976. Although these are now inaccurate, the block on which Wolff Kubly is located had the second highest pedestrian count while the vehicular count was the highest on Mifflin Street which is adjacent to the site.

The State of Wisconsin and the City of Madison employ the largest number of workers in the Capitol Concourse area. The State offices are located on the east side while the City-County Building is located on the south side of the Square. Although both offices are located one block off the Square they generate large amounts of pedestrian traffic on the Capitol Concourse. There are several other pedestrian generators in close proximity to the site. These include the Hovde, Churchill, Loraine, 30 On The Square, and United Bank office buildings as well as The Madison Gas & Electric Company, the Madison Public Library, The Wisconsin Telephone Company and MATC (See Exhibit 8). The office buildings can be assumed to hold employees at approximately 300 square feet per employee. Therefore, altogether these offices provide approximately 50,000 employees in the Capitol Concourse area. (See Appendix B.) The Madison Public Library and MATC generate student activity in all age categories. The Federal Office Building, to be built one block from the site, is expected to employ 100 to 150 persons. All of these activity centers generate persons who provide market demands for services, restaurants, financial institutions, and retail outlets.

MATC is completing plans for rebuilding in a suburban location. This move, which is expected to take place within the next 5 years, will have the following impacts on the Capitol Concourse area: (a) the availability of much of the commercial space that is presently rented in El Espanade and 30 On The Square, both of which are near the subject, (b) the opening of approximately 90% of the Dayton Street Parking Ramp, which is one block from the subject, to other users, (c) a loss of retail shoppers and restaurant patrons, and (d) it will empty their present 300,000 sq.ft. building.

The Madison Civic Center, currently under construction and scheduled for completion in 1980, is another linkage with uncertain impact to the Wolff Kubly and Hirsig Building. The Civic Center will offer Madison a

LOCATION OF PEDESTRIAN GENERATORS NEAR THE SUBJECT



Site

- 1 Madison Civic Center
- 2 Madison Public Library
- 3 30 On The Square

9

- 4 MATC
- 5 Churchill Building
- 6 Loraine Building

7 Hovde Building

8 United Bank

9 City-County Building

10 GEF-I

cultural hub of activity. It will have a 2,100-seat and a 400-seat theater, an art center, and community radio and television studios. Main theater events will take place in the evening. The Civic Center should draw people to the CBD thereby increasing the potential viability of the area.

Other immediate linkages impacting the site are the buildings ability for handling truck deliveries. At the rear of the building there is a 12 foot alley with complete clearance for trucks. A freight elevator opens to the alley for direct unloading. This elevator services all floors of the building.

D. Dynamic Attributes

The subject site is located on the western corner of the Capitol Concourse. The visibility of the site is enhanced by the fact that it is on a corner with two street exposures, one on the north and one on the west. Because of its unique corner location, the Wolff Kubly and Hirsig Building is an anchor to the State Street Mall and a focal point on the Capitol Concourse. The high visibility is emphasized in the results of an informal survey of pedestrians on the Capitol Concourse.¹ The survey indicated that a majority of people give verbal directions to various businesses and State Street by naming specific buildings. Wolff Kubly was often named as such in these directions. Not only is the site psychologically visible in citizen's minds, it is also physically visible from a distance of two blocks west on Carroll Street and the entire length of Mifflin Street on the Capitol Concourse. This gives the site excellent advertising value for approaching pedestrian and auto traffic.

E. Existing Improvements

1. Background and Classification

The Wolff Kubly and Hirsig Hardware Store built the existing structure to meet its specific space needs at the height of its economic life. The design was to accommodate a retail store which entailed having completely open space in the basement thru the third floor and administrative offices on the fourth floor. Photographs of subject property are in Exhibit 9.

Gross square footage of the subject is presented in Exhibit 10 and illustrated in Exhibit 11. Floor plans are found in Appendix C. The estimated gross square footage is 40,517. Allowances for mechanical and storage space reduce the gross square footage to 31,260 sq.ft. Vaults under the sidewalks along both exposed exterior foundations are accessible only from the basement. The square footage of the vaults was not included in the above figure.

¹Survey by Kate Elliott and Mallory Mullins, October, 1978.

EXHIBIT 9

PHOTOGRAPHS OF WOLFF KUBLY AND HIRSIG BUILDING

View of site from 30 On The Square:

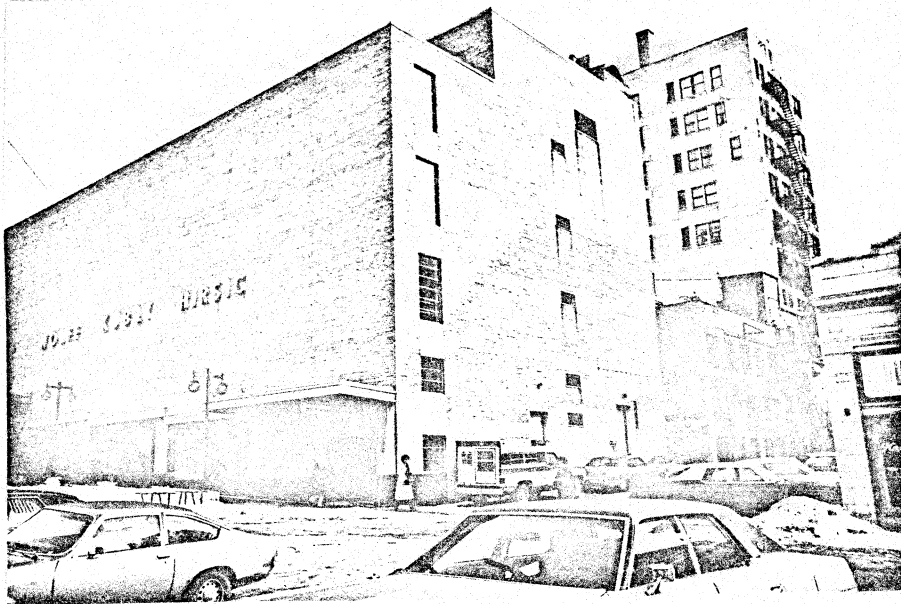


View of site from Capitol Park, 2 blocks north:



EXHIBIT 9--Continued

View of site from southeast showing rear alley and Mifflin Street frontage:



View looking south from site; Mifflin Street Mall improvements:

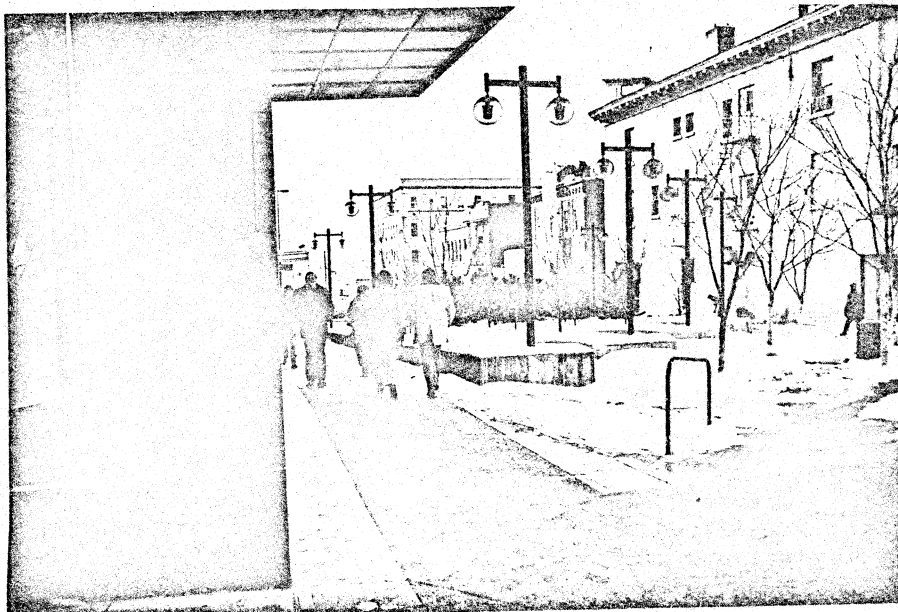


EXHIBIT 10

FOOTAGE OF THE SUBJECT PROPERTY

Area	Net	Space Lost To Mechanics and Storage	Gross Cubic Feet
Basement	5,770	2,115	7,885
1st Floor	4,568	3,247	7,815
2nd Floor	6,611	1,204	7,815
3rd Floor	6,235	1,580	7,815
4th Floor	4,525	3,290	7,815
Penthouse	0	1,372	1,372
TOTAL	27,709	12,808	40,517 sq.ft. x 49' = 1,985,333 cu.ft.

Because the volume of this building exceeds 50,000 cubic feet, all remodeling plans and specifications for design or structure must be prepared and supervised by a Wisconsin registered architect or engineer (Wisconsin Administrative Code 50.07 [2][a].) In addition, because the building's cubic area exceeds 20,000 gross square feet, under both the present and alternative use, the structure must conform to code requirements for a barrier-free environment (Wisconsin Administrative Code 52.04, Register, May 1978, No. 269.) Remodeling is defined on page 22 of the Code Register as:

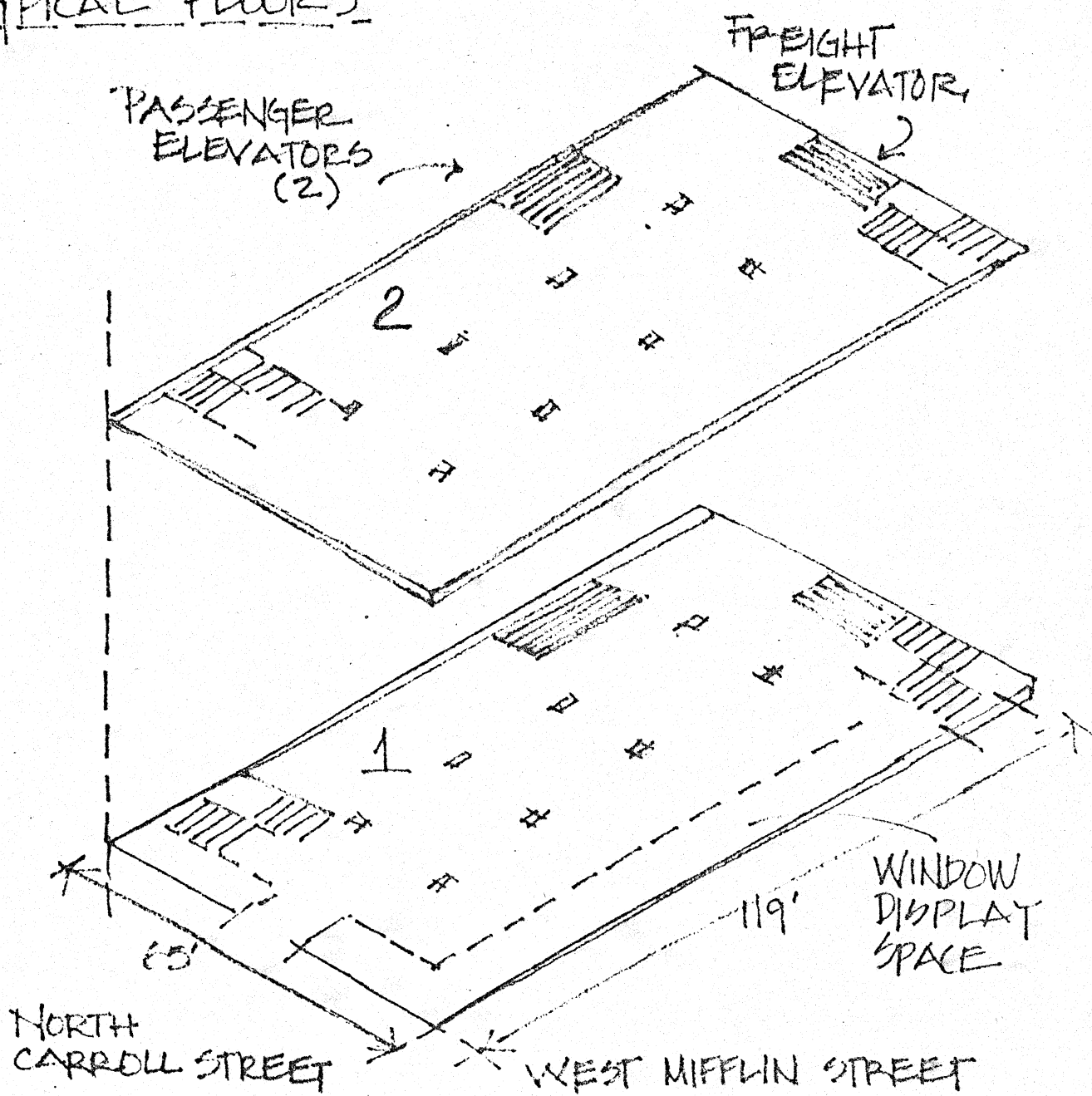
To remodel and/or alter means to change any building or structure which affects the structural strength, fire hazard, internal circulation, or exits of the existing building or structure.

The percentage of an existing structure that is to be remodeled determines the extent of code requirements:

- If less than 25% of the gross interior area of a building is remodeled and/or added, the barrier-free requirements need not be provided unless the remodeling or addition involves an entrance or exit or toilet facilities.
- If more than 50% of the gross interior area of a building is remodeled and/or added, the building will be considered new construction and access to the primary floor and to all public-use areas of the building, both horizontally and vertically.

EXHIBIT 11

DRAWINGS OF THE INTERIOR LAYOUT

TYPICAL FLOORS

- If 25% to 50% of the gross interior area of a building is remodeled and/or added, that part of the building which is remodeled and/or added must conform to the same standards as new construction.

2. Type of Construction

A general description of the property is summarized in Exhibit 12. The appraiser was given plans for the existing layout of the basement through fourth floor (Exhibit 13). The original structure consisted of basement, 1st, 2nd, 3rd, and partial 4th floor. In the latter part of 1952, the fourth floor was extended and a penthouse was added. The general framing is reinforced concrete consisting of poured concrete columns, three bays wide by five bays long, on approximately 20' by 24' centers. The floors are reinforced concrete and joists are poured monolithic with terrazo finish. Exterior walls are solid masonry 13" thick consisting of 4" brick, 1" space, and 8" masonry backup. Interior partitions are hollow tile with plaster on both sides. They are non-load bearing and for the most part removable. All floors have suspended plaster ceilings while the fourth floor has a suspended accoustical tile ceiling also.

The ground floor has 5,700 square feet open area. There is an additional 2,115 square feet used in two stairways, three elevators, men's and ladies' toilets, and a boiler room. The boiler room is 4'6" below the lower level and located at the southwest corner of the building. There is 1,500 square feet of dead storage space (vaults) underneath the sidewalk.

The first floor has 4,568 square feet open area with an additional 1,700 square foot lost to stairways, elevators, shipping room, triple door entrance, and vestibule. There are 1,547 square feet used for window displays that run the full front width and east side length of the building. The second floor has 6,611 square feet of open area; third floor has 6,235 square feet open area and an additional 1,580 square feet used as men's and ladies' toilet rooms. Both toilet rooms have anterooms and structural place tile walls. The men's room is equipped with two waterclosets, one urinal, and one lavatory. The women's room has a lounge, three waterclosets, and two lavatories. The third floor has partial carpeting with protruding electrical outlets. There are also several water faucets on the west wall. The fourth floor has removable paneled partitions, partial carpeting, suspended accoustical tile ceilings, and a kitchen/dining area.

The penthouse is located above the southwest corner of the fourth floor and is accessible by one stairway. It has 1,372 square feet of open area. A lean-to for telephone connections has been added to the penthouse. Elevator controls, a modulated cooling tower, and telephone controls are all housed in the penthouse.

The boiler room has two boilers, two hot water heaters, main power supply, and an incinerator. Each floor has 200 amp circuit breakers for lighting and unit heaters. Each floor also has five rows of suspended florescent strip lighting. Floor-to-ceiling heights are as follows: ground floor: 10'2"; 1st floor: 10'10- $\frac{1}{2}$ "; 2nd floor: 10'1- $\frac{1}{2}$ "; 3rd floor: 10';

EXHIBIT 12

DESCRIPTION OF IMPROVEMENTS IN THE FOUR STORY STRUCTURE,
30 NORTH CARROLL STREET

NUMBER OF STORIES	Four
AGE	Twenty five years
BASEMENT	Full basement, open area with terrazo finished floor and suspended ceilings. Boiler room; vaults.
STRUCTURE	
Foundation	Reinforced concrete
Exterior Walls	Brick and granite
Roof	N/A
Floors	Reinforced concrete, concrete columns, 100 lb./sq.ft. capacity
Store front	Glass display windows, granite columns
HVAC	
Boiler Room	2-Kewanee steam boilers on natural gas, Barber Coleman controls 2-30 gallon gas hot water heaters with condensate pumps, 2-400 amp. main power switches 3-200 amp. lightening circuits 4-wire Y3 phase, incinerator with access from all floors
Penthouse	2-Trane chillers model A514, serial no. 1915. 2-25 hpr., 200 volt, 40 amp., 1765 rpm. 3 phase compressors 1-Modulated cooling tower; Trane evaporative condenser, type 50-50, serial no. D19964 1-400 amp. 3 phase panel
VERTICAL CIRCULATION	
Stairs	Monumental front stair, fire stair in southeast corner
ELEVATORS	
Passenger	2 Montgomery
Freight	1 Montgomery #209E, Berman Kern controls, 125 amp, 5,000 lb. capacity

EXHIBIT 12---Continued

INTERIOR FINISHES

1st floor	Open area, shipping room, storage and window display area
2nd floor	Open area, storage room
3rd floor	Open area, storage room, partial carpeting with protruding electrical outlets
4th floor	Kitchen and dining rooms, private offices
General	All floors terrazo finishes, walls have plaster finishes; bathrooms have structural place tile walls

EXHIBIT 13
EXISTING LAYOUT OF THE SUBJECT

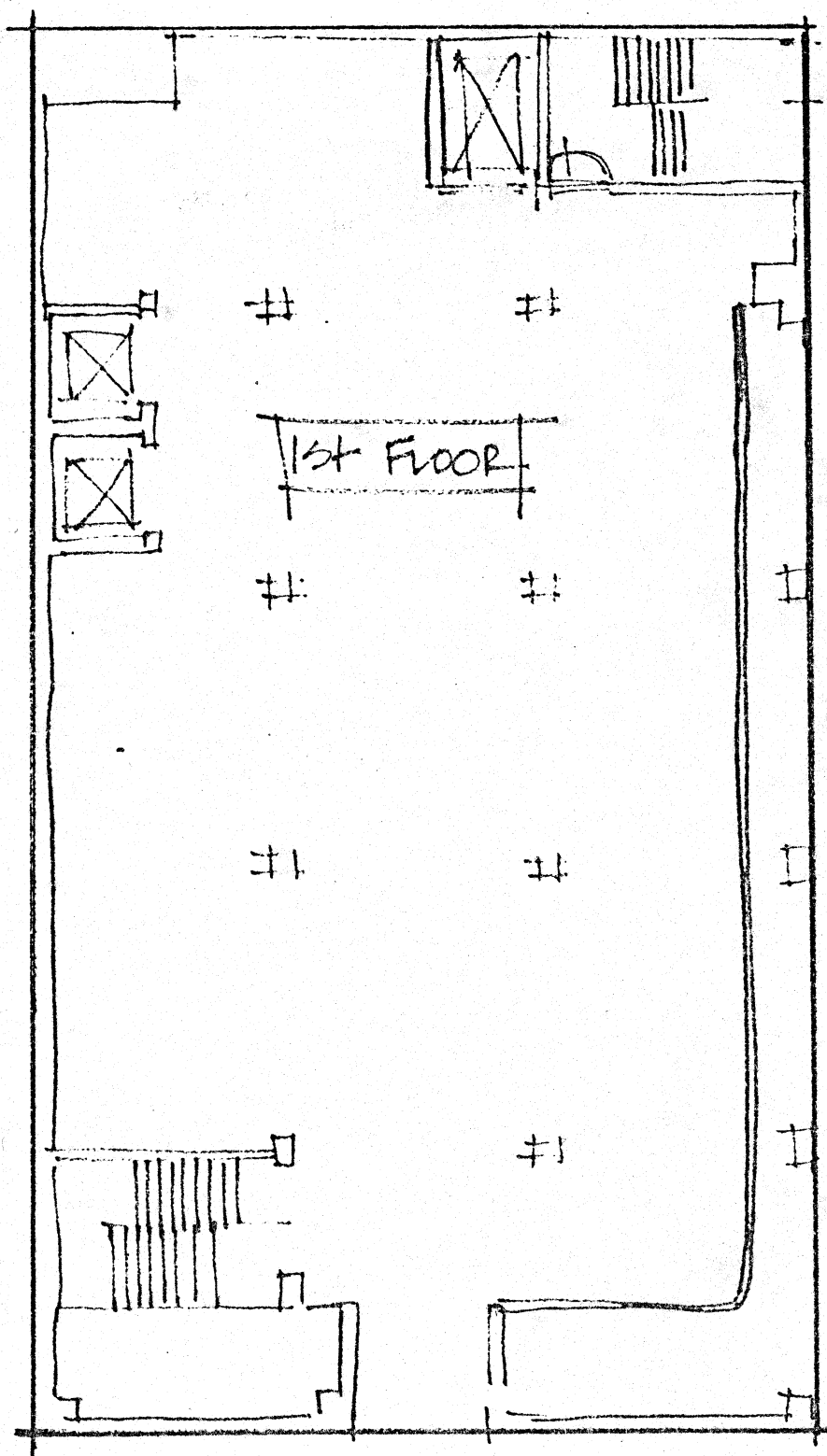
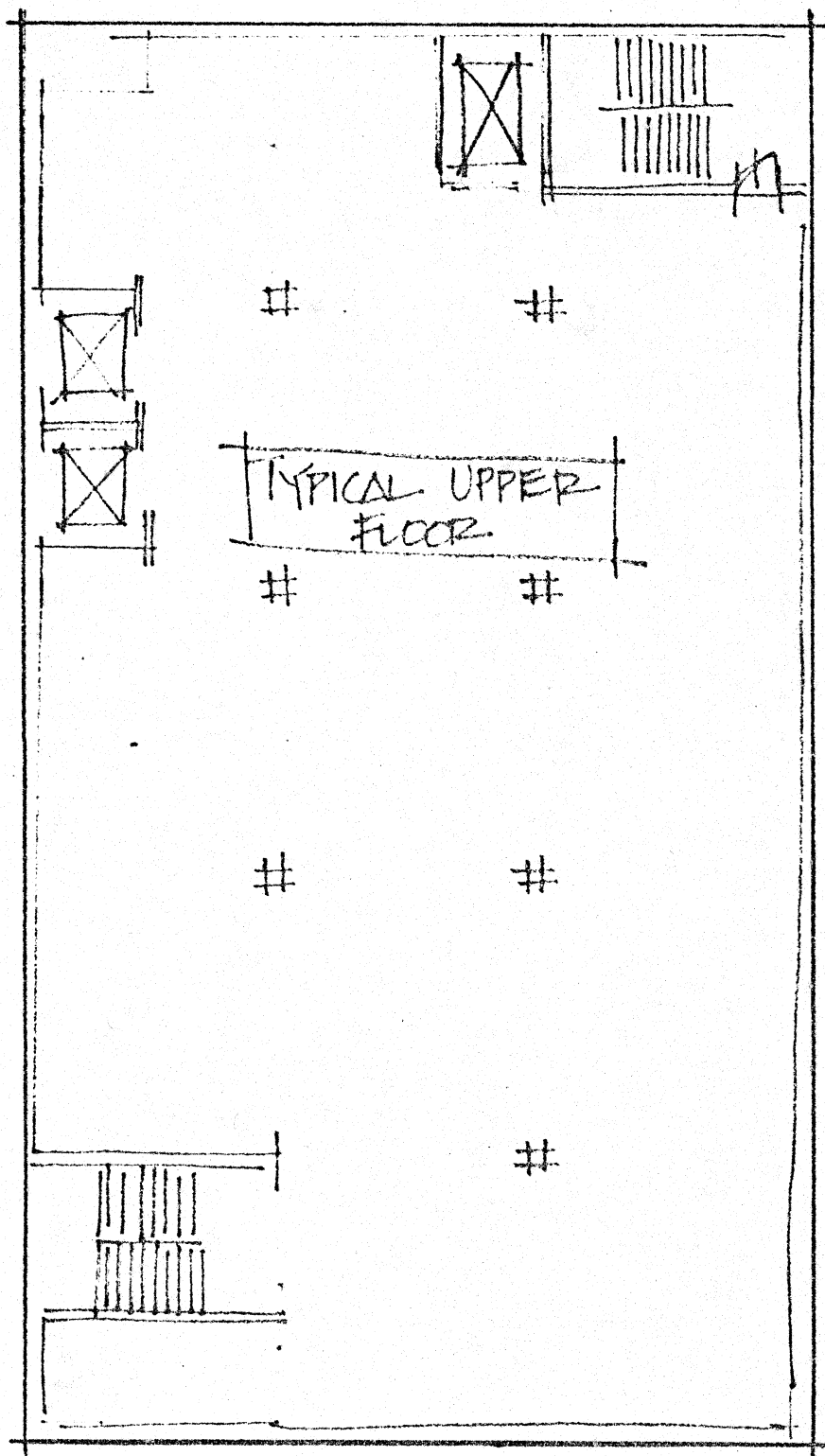


EXHIBIT 13--Continued

4th floor: 10'. The equipment remains as fixture. There are three elevators in the building. Two passenger elevators are located against the west party wall. The elevator entrances are four feet in width but access to the interior of these elevators was denied. A freight elevator is located on the south side of the building. It measures 5'9" in width by 8'11" in length. It has loading on split level between the ground floor and first floor and opens to the alley. All elevators service the entire building.

3. Structural Condition

The structural condition of the building is good as there is no evidence of cracks, water stains, or settling problems in the foundation. Access to the roof was denied for the purposes of this appraisal; however, a Madison architectural firm's preliminary cost-to-cure estimates as of 1976 do not indicate that any roof improvements are needed.¹

4. Code Conformity

Since the building has been vacant for a year prior to sale, the City of Madison Building Inspection Department requires a new occupancy permit to open the building for use. The condition of the occupancy permit will be a formal inspection that may cite a variety of fire and building code violations.

Cost-to-cure minimum deficiencies were estimated in 1976 by the architectural firm Sample and Potter. The estimates were based on remodeling the structure for office rental and include approximately \$35,000 for new toilet facilities and \$65,000 for heating and venting work. Therefore, for the purposes of this appraisal an estimated outlay of \$100,000 will cure minimum structural deficiencies. The existing stairway walls are 2-hour fire proofed. An improvement of these walls to 4-hour fire rating will be necessary to secure a building permit. Other less apparent building code violations both for the City of Madison and State of Wisconsin Building, Heating, and Ventilation Codes might also exist.

5. Interior Finishes

The entire building had been used as a retail store and interior finishes reflect this. Flooring and base are terrazo in good condition but need to be cleaned and buffed. Partial carpeting on the third floor is worn and should be replaced. Florescent strip lighting fixtures are hung from suspended plaster ceilings. Plaster walls are painted with some portions covered with pegboard. Bathrooms have structural place tile walls and need cleaning. The partition walls of the fourth floor offices are painted and paneled. Interior spaces are open and free from retail fixtures and display cases. Wooden fixtures on the fourth floor remnants of employee

¹Sample and Potter Architects, "Wolff Kubly Building, Cost Estimate - Remodel for State Rental," January 15, 1976.

kitchen/dining area, cashiers desk, and private offices. They are in good shape but add nothing to the value of the property.

6. Renovation Problems

Although the building is rated as fireproof, City Fire Codes require the front stairway to remain open and passable. This limits some partitioning alternatives on the first floor. Access must be provided to the passenger elevators to conform with requirements for a barrier-free environment. Some type of ramp for the handicapped might have to be constructed at the Mifflin Street entrance. The Carroll Street entrance is at grade and provides access with minimal problem.

There are no toilet facilities on the first floor. If more than 25% of the gross interior area is remodeled, toilet facilities accessible to the handicapped and conforming to state code must be provided. All bathroom facilities on other floors must also be brought up to code. In addition to remodeling the bathrooms for handicapped usage, elevator controls must be lowered.

Residential use of the upper floors would require window space equal to 10% of the living area. The south and east party wall present structural and layout problems as windows cannot be added or utilized here.

The addition of windows on the upper floors for any use has political ramifications. The Madison General Ordinance 28.04(9) provides in part:

All new building and any alteration of an exterior building face must be approved by the Plan Commission because of the community's objectives to maintain the aesthetic qualities of the districts.

John Urich of the City Planning Department assumes that the building face will need remodeling if the subject will be remarketed to other users. This will provide his office with sufficient leverage to require a retail or service oriented use including a restaurant on the first floor.

III. MOST PROBABLE USE

After completing an inventory of positive attributes of the property, of the legal and political constraints on future use, and of immediate linkages, the appraiser must identify possible uses. Each considered use must exploit the marketable attributes of the property, neutralize its negative characteristics, and must be a justified, prudent investment.

A. General Market Characteristics

The starting point to determine a most probable use is to examine the existing and potential markets for several uses, which are office, retail, restaurant, and residential. The smallest outlay of renovation expenses would be to continue operating the building as a department store. The Manchester Store for Homes, Baskin O & V, and Simpson buildings are prime examples of former large department stores that have been or are being converted to multicommercial and retail uses. (See Exhibit 14). This indicates a strong movement toward smaller retail space users which are generally specialty shops.

EXHIBIT 14

PROPOSED AND CURRENT DOWNTOWN RETAIL SPACE REDEVELOPMENTS^a

Goodman Jewelers Vacant land at 220 State Street	3,000 sq.ft. retail space first floor 3,000 sq.ft. office space on each of three upper floors.
Baskin-Olson Veerhusen 7-13 N. Pinckney Street	21,000 sq.ft. office space on three floors. Possible restaurant on first floor. Atrium approach.
Manchester Store for Homes 14 W. Mifflin Street	40,000 sq.ft. office and retail space. Atrium approach.
Emporium 50 E. Mifflin Street	Five floors of office space; three floors of condominiums; retail retained on first floor.

^aWisconsin State Journal.

Market rents for these small specialty shops range between \$5.00 and \$8.50

a square foot. The lessee is often responsible for utilities and some leases are triple net. A retail use of the building could involve the subdivision of the main floor and/or second floor with the lower level being used as retail, storage, and freight handling. Office use could be on the upper floors. A possible renovation could include an atrium arrangement subdividing the entire building into small medium-size shops. However, the present popularity of atriums by developers in the capitol area severely reduces any monopoly power of having this type of attraction. An atrium put into this building is not a logical renovation procedure for two reasons. First, the building is structurally sound and an atrium would decrease the amount of useable rental space, and secondly, it might be difficult to obtain the necessary permits to meet fire regulations.

Restaurant use is a potential retailing consideration. The existing restaurants in the area are capturing most of the demand for luncheons. Rennebohm's Coffee Shop, Crandall's Restaurant, The Inn on the Park Heritage Room and Coffee Corner, The Normandy & The Fogcutter, the Brathaus II, Bittersweet, and the Upstairs Downstairs Deli, are all located on the same side of the square as the Wolff Kubly and Hirsig Building. Although the future increase in state employees in the area might stimulate a need for more restaurant facilities, this is unlikely as present supply is more than adequate. Interviews with various restaurant owners and managers indicate that their facilities are busy during the noon hour but for the most part, generate little revenue in the evenings.¹ Evening dining requires nearby parking facilities because well dressed guests do not like to walk outdoors on a cold winter evening. This severely limits the potential revenues for a restaurant that is open evenings on this site. However, a potential demand exists for a fast food outlet.

The office rental market is firm and construction is underway to add to the existing vacant supply. Exhibit 15 presents available and under-construction office space in the downtown area and shows about 38,000 sq.ft. of existing vacant space. The relocation of MATC and new construction will more than double the available Class B² office space downtown. Although the office space market will be highly competitive in the future, the prestigious, well recognized subject property, if marketed correctly, could capture a sufficient amount of the demand for CBD office space. The Wolff Kubly and Hirsig Building offers proximity to the Capitol and Civic Center, structurally sound space, and elevators. Lack of parking, lack of auto access for passenger loading and unloading, and minimal window space are the major detractors of the building. The lack of windows on the upper floor might not be as great a handicap as it first seems. Studies have shown that large windows in hallways are often able to satisfy employee's needs to be aware

¹Survey by Mallory Mullins and Kate Elliott, October 1978.

²Class A office space is generally defined as newly remodeled or new offices with janitorial and elevator services and parking.

Class B space is generally space similar to Class A but with no parking.

Class C space is generally space that is not new or newly remodeled.

EXHIBIT 15
DOWNTOWN OFFICE SPACE

Office Building Name & Address	Total Square Feet of Building	Square Feet Available	Rent/Sq. Ft. Plus Extras	Services Provided
Baskin O & V 9 N. Pickney	22,000	22,000	\$4.00-\$8.50	Tenant Pays
102 N. Hamilton	20,000	20,000	Negotiable	Some Services
Tenney Building 110 E. Main	76,000	7,000	\$5.75-\$6.25	Full Service
The Reese Building 302 E. Washington	12,000	220	\$5.50-\$6.00	Full Service
102 N. Franklin	NA	5,500 1st floor	\$3.00-\$4.50	Full Service
Thirty On The Square	71,844	197	\$6.00-\$6.50	Full Service
Karstens Building 22 N. Carroll	5,200	Limited remodeled space	NA	NA
Atrium Building 25 N. Pickney	16,100	3,500	\$4.50 + utilities	Tenant Pays
Gay Building 16 N. Carroll	40,000	Fully Occupied	\$6.25	Janitorial, Heat, Light
Loraine Building 123 W. Washington	NA	Fully Occupied	\$6.00-\$6.50	Full Service
United Bank Tower 222 W. Washington	160,000	Fully Occupied	\$8.75	Full Service

of their outdoor environment.¹ However, several Madison developers indicated that windows in offices have to be installed to achieve \$7.00 per sq.ft. rents for office space in the subject. In the construction of the building, keylocking was left out in various locations to facilitate the addition of windows at a later date. The cost of adding these windows might be excessive and will depend upon the desires of the specific space user.

Present market conditions might allow the second, third, and fourth floors of the building to be remodeled for office space use. Ideally, the building would be marketed to one user per floor or more, however, there are few users in need of this large an area. The subdivision of floors to accommodate several smaller users who desire prestigious space and proximity to the Square is also an alternative for an office design.

Residential is a use that is highly encouraged by the city administration in the State Street Mall/Capitol Concourse area. There is a strong demand for residential space in the CBD and several local developer's plans to build residential units in the area is in answer to that demand. The Carley Capital Group proposes to build condominiums and Gary DiVall plans to build apartments on Pinckney Street.² Several disadvantages in the layout of the Wolff Kubly structure eliminates profitable residential usage. The south party wall with the Karstens building, the layout of the mechanical systems, and the positioning of the freight elevator are deterrents to remodeling for residential space. In addition, each livingroom and bedroom must have an outside window that measures at least 10% of the floor area of the room and the openable area of the window must be not less than 5% of the floor area served. Ventilation must be accomplished by natural, not mechanical, means.³ These factors effectively eliminate a residential use for the subject property.

B. Alternative Uses for the Wolff Kubly and Hirsig Property

A combination of the physical characteristics of the property and the general demand characteristics on the Capitol Concourse suggest the following alternative scenarios for the use of the subject property (Appendix D).

Scenario #1: The building would be converted to use by a single user. This would maximize the net leaseable area (NLA). No major heating, ventilating, or airconditioning (HVAC) changes would be required. The necessary improvements would be increasing the hourly fire ratings of the stairways and making the entrances, passenger elevators, and restrooms accessible by the handicapped.

¹James A. Graaskamp, in lecture, Business 856, Advanced Appraisal Seminar, University of Wisconsin-Madison, October 1978.

²Capital Times, July 1, 1978.

³Wisconsin Administrative Code 52.02 [1], 57.19, 64.07 [1].

Scenario #2: The building would be remodeled for a first floor single retail user with retail storage in the basement and single tenant users for each of the remaining three floors. The office entrance would be the present Mifflin Street entrance. The front stairway would be converted to a firestair with a separate Carroll Street exit. (See Exhibit 16.) This entrance would have to be altered to allow handicapped use. The HVAC system would need reventing and toilet facilities would need to conform to code requirements. Windows would have to be added to increase the marketability of the office areas.

Scenario #3: The building would be remodeled for multiple retail tenants on the first floor and multiple tenants on all upper floors. The basement would be used as storage. The front stairway would be a fire-exit connecting directly to Carroll Street and the Mifflin Street entrance would be treated the same as in Scenario #2. An atrium placed against the West party wall and windows would have to be installed to achieve a competitive market position. Stairways and toilet facilities must be brought up to code as well as making the elevators barrier free (Exhibit 17).

C. Economic Ranking of Alternatives

The probable alternative uses for the subject property can first be ranked in terms of general budget parameters inherent in the revenue and expenses for each. The alternatives that offer the greatest financial return are then screened for effective demand, political acceptability, and risk. The property residual, or back-door approach, is used to convert revenues into a justified investment. The logic for the conversion of rents into a cash dividend flow and debt service flow by the use of a reasonable default point is demonstrated in Exhibit 18). This residual approach can be misleading if there are small errors in the cash flow forecast, but if estimating bias is consistent when applied to the alternative uses, it does rank the alternatives in terms of their ability to pay for the subject property as is. The cost assumptions and calculations are provided for each scenario in Appendix D. A preliminary ranking based upon a cash justified investment demonstrates that Scenario 1 offers the most profitable use (Exhibit 19.)

D. Risk Ranking of Alternatives

Scenario #1 involves the smallest capital outlays for remodeling and therefore involves the least risk relative to a construction budget. However, a certain degree of risk is inherent in the owner's dependency on one tenant. He has effectively locked himself into a situation with either full occupancy or full vacancy.

Scenario #2 requires somewhat larger expenditures for remodeling and therefore involves more construction budget risk. At the same time the owner has diversified his vacancy risk by allowing for multiple tenants.

Scenario #3, involving extensive renovation and remodeling, requires the largest capital budget and the greatest degree of risk of construction over-runs. At the same time, the owner has divided the building into many

MAIN OFFICE
ENTRANCE

FREIGHT
ELEVATOR
ACCESSABLE
WITH KEY

ELEVATOR
CONTROLS
LOWERED

Storage

Restrooms

1st FLOOR

RETAIL
USE

FIRE EXIT
ONLY

RESTROOMS

TYPICAL UPPER
FLOOR

OFFICE
USE

WINDOW

Window

Window

Window

WINDOWS

MAIN OFFICE
ENTRANCE

Restrooms

Storage

1st FLOOR 2

DOOR LOCKABLE
AFTER RETAIL
HOURS; ALLOW
OFFICE USE
THUR REAR DOOR
TO ELEVATORS

1

3

4

FIRE EXIT ONLY
EXITS ON CARROLL
ONLY

#1
Window

EXIT
ONLY

RESTROOMS

STORAGE

TYPICAL UPPER
FLOOR.

ATRIUM

WINDOWS

EXHIBIT 18
BASIC MODEL FOR RANKING ALTERNATE PROGRAM
SCENARIOS BY JUSTIFIED PURCHASE BUDGET

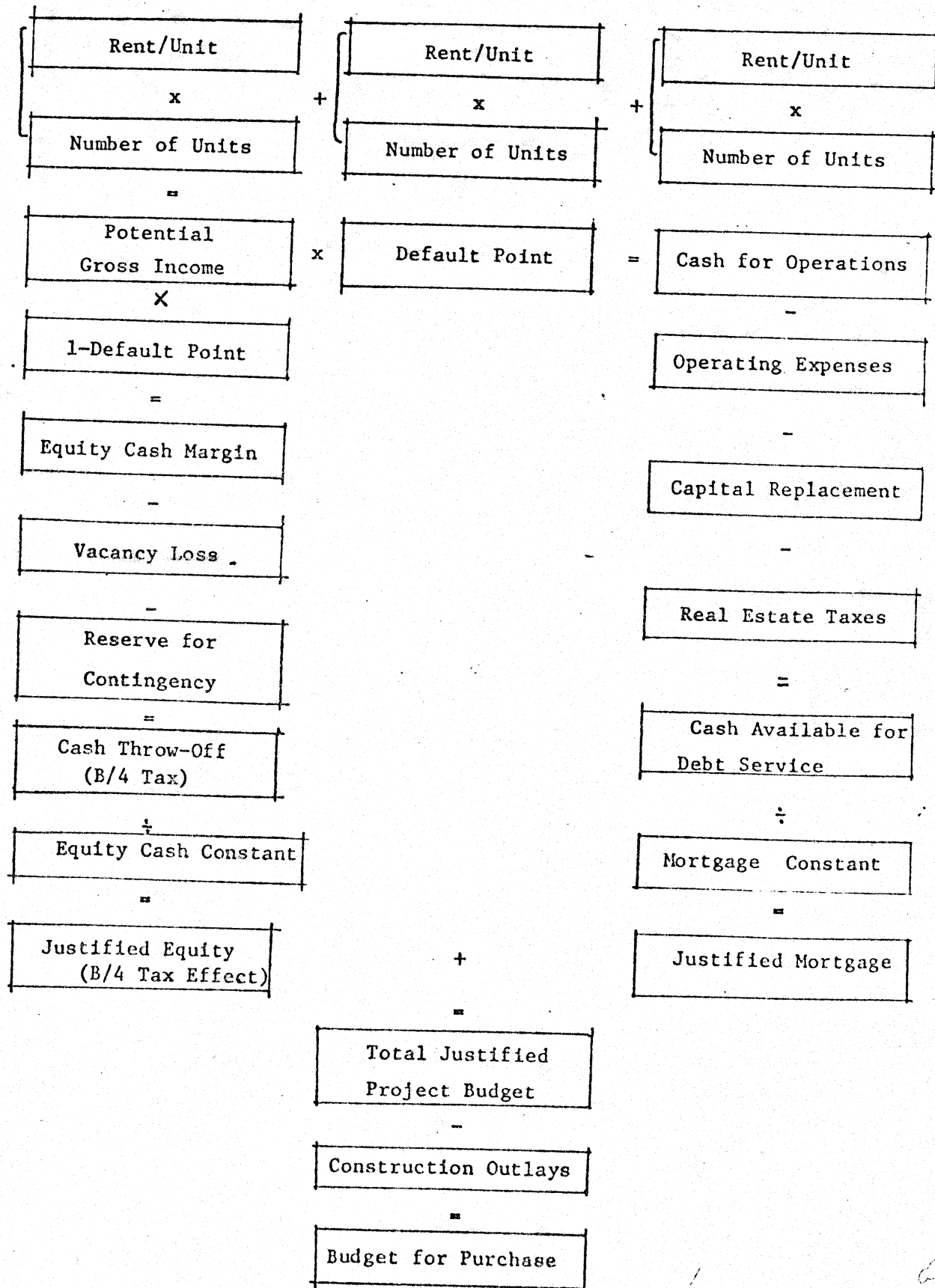


EXHIBIT 19

SUMMARY OF BUDGETS FOR ALTERNATIVE USE SCENARIOS

BUDGET ITEM	SCENARIO #1	SCENARIO #2	SCENARIO #3
1. Up-to code cost and new construction = Total Outlays	\$355,000	\$402,000	\$462,000
2. Justified investment for property as is	<u>\$1,099,693</u>	<u>\$849,710</u>	<u>\$878,683</u>
Total Justified Investment for Subject Property as is	\$744,693	\$447,712	\$416,683

separate marketable areas and has diversified his vacancy risk. The rents required to cover large capital outlays may effectively price the building out of Class B office space market. The building will not be able to compete with Class A space unless parking for tenants can be provided.

E. Political Compatibility of Alternatives

All Scenarios are politically acceptable. The city administration, as stated earlier, strongly favors pedestrian generators on the first floor of buildings contiguous to the Square. Scenario #1 may be less acceptable because it does not allow for a first floor retail use. However, specific tenant characteristics and the extent of exterior renovation necessary to meet the tenant's needs will determine the final degree of political acceptance.

F. Conclusions

A comparison of justified purchase price, economic risks, and political compatibility factors illustrate that Scenario #2 offers the most probable use of the subject property (Exhibit 20). It has the mid-range of justified purchase price, positive political compatibility, and moderate economic risks. Scenario #1 has the highest justified purchase price but also has the highest financial risk due to the necessity of securing a single tenant. The time that must be allotted and revenues forgone in the leasing and renovation of the building for the specific tenant is reflected in the determination of

EXHIBIT 20

SUMMARY MATRIX OF FEASIBILITY OF ALTERNATIVE USES

Feasibility Factor	Scenario #1	Scenario #2	Scenario #3
Justified Investment	\$731,110	\$447,710	\$382,727
Remodeling Risks	Low	Moderate	High
Effective Market Demand	Uncertain	Retail-soft Office-strong	Retail-soft Office-strong
Political Acceptability	Positive	Strongly Positive	Strongly Positive
Financial Risk	High--Depends on the ability of the developer to secure the State or large financial institution as a tenant.	Moderate--Depends on both the strength of retailing in the CBD area and the ability of the developer to secure large space users as tenants. Availability of nearby parking facilities is critical. A well-known fast-food operation would be less risky.	Moderate--Depends on the strength of smaller retailers being able to market to area employees. Parking may be critical for both retail and office.

financial risk. Both Scenarios #2 and #3 have similar financial risks but Scenario #3 has high economic risks due to possible remodeling cost overruns.

The most probable use of the subject property would be conversion to single tenant users per floor with retail use on first floor, offices above, and storage in the basement.

IV. PREDICTION OF PRICE FROM MARKET SALES

The most reliable predictors of the most probable buyer and what he might be willing to pay for a property in the Capitol Concourse area are recent market sales. This section will discuss the market comparison approach to most probable selling price and will provide financial tests of this price.

A. Most Probable Buyer

A review of recent sales around the State Street Mall/Capitol Concourse indicates that buildings with a front footage of 25' or less have been purchased by owner-users who want to relocate and/or expand; larger buildings have been purchased by investor developers who are already involved in downtown properties (Exhibit 21-26).

In profiling the most probable buyer the appraiser must carefully ascertain the current status of the market cycle. Is it at the beginning of an upswing in which the experienced investor is anxious to buy low and wait for the upcoming peak, or is it approaching the peak of the value cycle where unsophisticated investors perceive the vitality of the area and want to hop on the bandwagon before the opportunity passes? Assuming the professional developer is wise in his investments, the amateur attempts to cash-in on a viable market area. However, because of the market's upswing the amateur will have to pay more for and yield less from a property purchased.

The market in the CBD area is coming out of a downswing and period of high uncertainty as to its viability. The amateur investor developer will be strongly influenced by the office space developments currently underway and proposed. However, the Wolff Kubly and Hirsig Building produces several problems for the amateur. First, the layout of the building is structurally such that it will be a difficult and very expensive project to remodel for any type of use other than a single user for the entire building. The present market demand is comprised of many smaller user groups. The only large user group in the city has been the State of Wisconsin. However, with the State Office Buildings now being erected and the purchase of several large office buildings which were previously rented, the State may be a difficult tenant to secure. It will therefore be a large and difficult project for the inexperienced investor. Secondly, a building of this size which has no monopoly power of its own will be dependent on the abilities of the rental agent and of the developer-investor for securing sound and profitable leases. The management of a building of this size is also an important factor of its success. The experienced developer-investor is much more capable of good management than the inexperienced one.

The determination of a most probable buyer must also be sensitive to acquisition of the property for assemblage purposes. A survey of ownership patterns on the block shows that Don Hovde and Fred Mohs, both experienced local developers, control most of the ownership. The assemblage

pattern of Hovde is still going on while Mohs has expressed an interest in the property; both of these developers must be considered specifically as probable buyers.

The most probable buyer will be a professional real estate developer who expects to remodel the subject property. The most probable buyer expects a cash sale.

B. Most Probable Price

In recent years there have been a number of sales of properties in the State Street Mall/Capitol Concourse area that are comparable to the subject property. Therefore it is possible to infer a transaction zone that will include the most probable price of the subject property from the market price behavior of these past transactions. There are significant differences among the properties sold in respect to their location, size, marketability, condition, motivation of buyer, and potential income at the time of the sale. The differences among the comparables must be reduced to a common denominator or unit by deriving a weighted point score for each property. The point system must resemble the system of priorities which is used by the investor/developer in the current market. The total point score for each comparable sale and the subject property can then be related to one another by the average price per point. This simple process will provide a predicted price per point as a central tendency for the subject property. This process also provides a method for estimating the reliability of the sale price prediction through calculation of the standard error of the estimate. A simple linear regression can also be used to predict the price per unit of the subject property. However, because there are only six properties used in the estimation, the regression equation does not specify as closely the sale price of the subject as does the average price per point equation. The simple linear regression process was conducted as a means of checking the average price per point prediction and is illustrated in Appendix E.

C. Market Comparison Approach to Probable Price

The market comparisons (Exhibit 21-27) were screened to fit the following criteria:

- Near the State Street Mall/Capitol Concourse in the C-4 Central Commercial District zone.
- Preferably used for retail purposes on the first floor.
- Preferably of the same type of construction.
- Front footage greater than 25 feet.
- Recent sale.
- Two or three floors above grade.

EXHIBIT 21

COMPARABLE PROPERTY #1



50 EAST MIFFLIN STREET

Date of sale: 4/30/78

Sale price: \$850,000

Recorded: Vol. 942, p. 115 Warrenty Deed

Terms of sale: Subject to mortgage to SWIB, dated 8/12/65; subject to alleyway 10' in width off NW side of land, subject to partywall rights with owner of adjacent property. Leaseback to Emporium Department Store.

Use at time of sale: Department Store

Grantor: J. Jesse Hyman Jr. and Alan R. Hyman, Co-partners, d/b/a The Emporium Company

Grantee: Carley Capital Group

Tax Parcel No.: 0709-144-2411-7

Assessed value: Total \$850,000--land \$258,700, improvements--\$591,300.

Sales price as % of assessed value: 100%

Lot size: 132' deep x 70' wide.

Frontage: 70 feet

Zoning: C-4

Gross building area: 42,500 sq.ft.

1st floor commercial gross footage: 8,500 sq.ft.

Building description: Four story masonry and concrete building; two elevators; freight facilities in rear parking lot.

Locational factors: Two blocks from State Street Mall, four blocks from City County Building, three blocks from GEF-1.

Rental information: None available

EXHIBIT 22

COMPARABLE PROPERTY #2

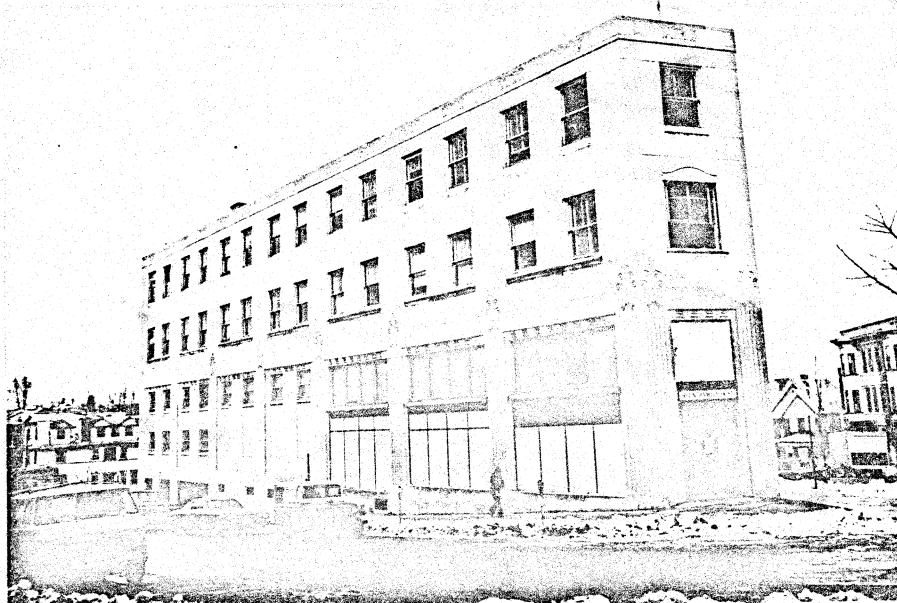


30 ON THE SQUARE

Date of sale: 1/76
 Sale price: \$1,330,000
 Recorded: N/A
 Terms of sale: \$250,000 downpayment, \$1,080,000 assumed.
 Use at time of sale: Office and retail
 Vendor: Gordon Rice
 Purchaser: Thirty On The Square Associates
 Tax Parcel No.: 0709-144-2504-0
 Assessed value: Total \$1,690,000; land--\$305,000, improvements--
 \$1,385,000
 Sales price as % of assessed value: 96%
 Lot size: 7,260 sq.ft.
 Frontage: 66' on Mifflin Street; 110' on Carroll Street
 Zoning: C-4
 Gross building area: 65,000 sq.ft.
 1st floor commercial gross square footage: 6,000 sq.ft. leased to
 Rennebohm Rexall Drug Store @ \$2.00/sq.ft. Lease until -
 Other rentable square feet: 59,000
 Building description: Ten-story, fire-resistant reinforced concrete and
 masonry building; two elevators.
 Present uses: retail first and ground; offices above
 Locational factors: Just off State Street Mall; four blocks from GEF-1,
 three blocks from City County Building, one block from Dayton
 Street Parking Ramp, one block from Civic Center.
 Available rental information: \$7.50/sq.ft./CPI escalators

EXHIBIT 23

COMPARABLE PROPERTY #3



102-110 NORTH HAMILTON STREET, 123 NORTH
PINCKNEY STREET, PARKING LOT

Date of sale: 9/77

Sale price: \$330,000 for three parcels

Recorded:

Terms of sale: 5-year balloon mortgage @ 8- $\frac{1}{2}$ %

Use at time of sale: Vacant

Grantor: M. Jackson

Grantee: Gary DiVall

Tax Parcel No.: 0709-144-1504-1

Assessed value: Total \$284,000; land--\$88,000, improvements--\$196,500

Sales price as % of assessed value: 92%

Lot size: Approximately 11,000 sq.ft.

Frontage: East Mifflin 15 feet, North Hamilton 46 feet, North Pinckney,
132 feet for 102 North Hamilton building

Zoning: C-4

Description of 102 North Hamilton:

Gross building area:	26,000 sq.ft.
1st floor commercial gross square footage:	6,000 sq.ft.
Other rentable square footage:	20,000 sq.ft.

Building description: Concrete and steel structure, three stories plus basement at grade entrance on North Pinckney, first floor has mezzanine, can carry additional floors.

Locational factors: Two blocks from State Street Mall, four blocks from City County Building, 1- $\frac{1}{2}$ blocks from First Wisconsin and Tenney Building.

Rental information: Adjacent property, one of the three parcels, has 1,000 sq.ft. @ \$600/mo. net for restaurant use.

EXHIBIT 24

COMPARABLE PROPERTY #4



WOOLWORTH BUILDING 2 WEST MIFFLIN STREET

Date of sale: 8/26/77

Sale price: \$585,000

Recorded: Vol. 837, p. 217 Special Warranty Deed

Terms of sale: Cash with financing at 9-3/4% interest

Use at time of sale: Retail and office

Grantor: Northwestern Mutual Life Insurance Company

Grantee: Thirty On The Square Associates

Tax Parcel No.: 0709-144-2509-0

Assessed value: Total \$635,000; land--\$371,300, improvements--\$263,700

Sales price as % of assessed value: 92%

Lot size: 136' x 91' for 12,021 sq.ft.

Frontage: 136' Wisconsin Avenue, 91' West Mifflin Street

Zoning: C-4

Gross Building Area: 27,000 sq.ft.

1st floor commercial gross square footage: 9,000

Other rentable square footage: 18,000

Building Description: Two floors front masonry bearing walls, concrete slab flooring, excellent condition

Present uses: Retail first mezzanine and basement, office on second floor

Locational factors: One block from State Street Mall, two blocks from Dayton Street Ramp, three blocks from GEF-1

Available rental information \$60,500/year triple net for whole building, leases sublet office space at \$5.20/sq.ft.

EXHIBIT 25

COMPARABLE PROPERTY #5



22-24 NORTH CARROLL STREET

Date of sale: 1/1/76

Sale price: \$175,000

Recorded: Vol. 638, p. 355

Terms of sale: Land contract, \$15,000 down, 7- $\frac{1}{2}$ % interest

Use at time of sale: Vacant

Grantor: Karstens, Inc.

Grantee: Fred Mohs, local investor

Tax Parcel No.: 0709-231-0904-9

Assessed value at time of sale: \$189,300; land--\$145,000, improvements--\$44,300

Sales price as % of assessed value: 92%

Lot size: 5,800 sq.ft.

Frontage: 44 feet

Zoning: C-4

Gross building area: 16,380 sq.ft.

1st floor commercial gross square footage: 5,461

Other rentable square footage: 10,922

Building description: 60 years old, three floors, all floors have sprinklers and are air conditioned, concrete structure frame and brick facade, separate entry stairway, exterior fire escape, fair alley access.

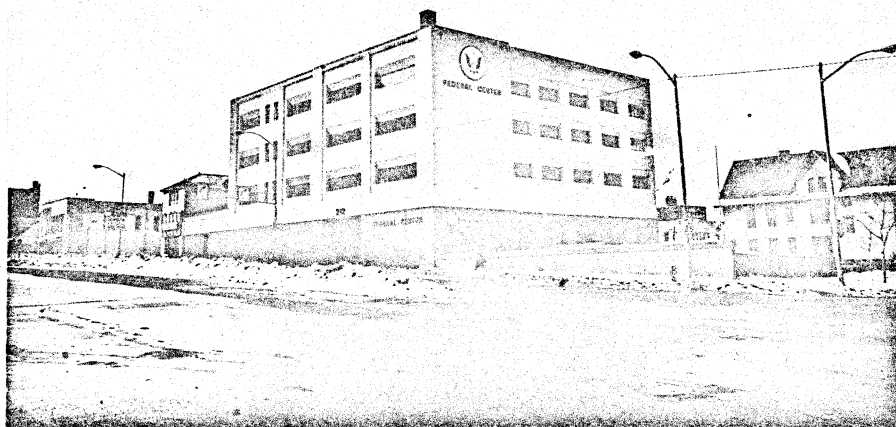
Present uses: Music instrument shop (20' frontage), jewelry store (20' frontage)

Locational factors: Two blocks to nearest parking area, major city bus stops in front of building.

Rental information: Second and third floors rented to Madison Credit Bureau for \$4,440/year, or \$1.50/sq.ft.; first floor \$5.00/sq.ft. plus utilities, tax escalator, and overage

EXHIBIT 26

COMPARABLE PROPERTY #6

212

210 EAST WASHINGTON AVENUE

Date of sale: 6/77

Sale price: \$532,500 472,000 Vol 894 p. 695

Recorded: N/A

Terms of sale:

Grantor: J.J. Mullins

Grantee: Richard Danner d/b/a The Richard Roberts Company

Tax Parcel No.: 0709-133-31-03-2 and 0709-133-31-04-0

Assessed value: Land \$334,400; Building \$335,700; Total \$670,100

Sales price as % of assessed value: 79%

Lot size: 22,680 sq.ft.

Frontage: 189' on East Washington Avenue; 120' on North Butler Street

Zoning: C-4

Gross building area: 48,000 sq.ft. 38,000 NRA

1st floor commercial gross square footage: 12,000 sq.ft.

Other rentable square footage: 36,000 sq.ft.

Building description: Four story, fire resistant concrete and masonry structure, elevator, truck freight access.

Present uses: Offices; adjacent parking lot.

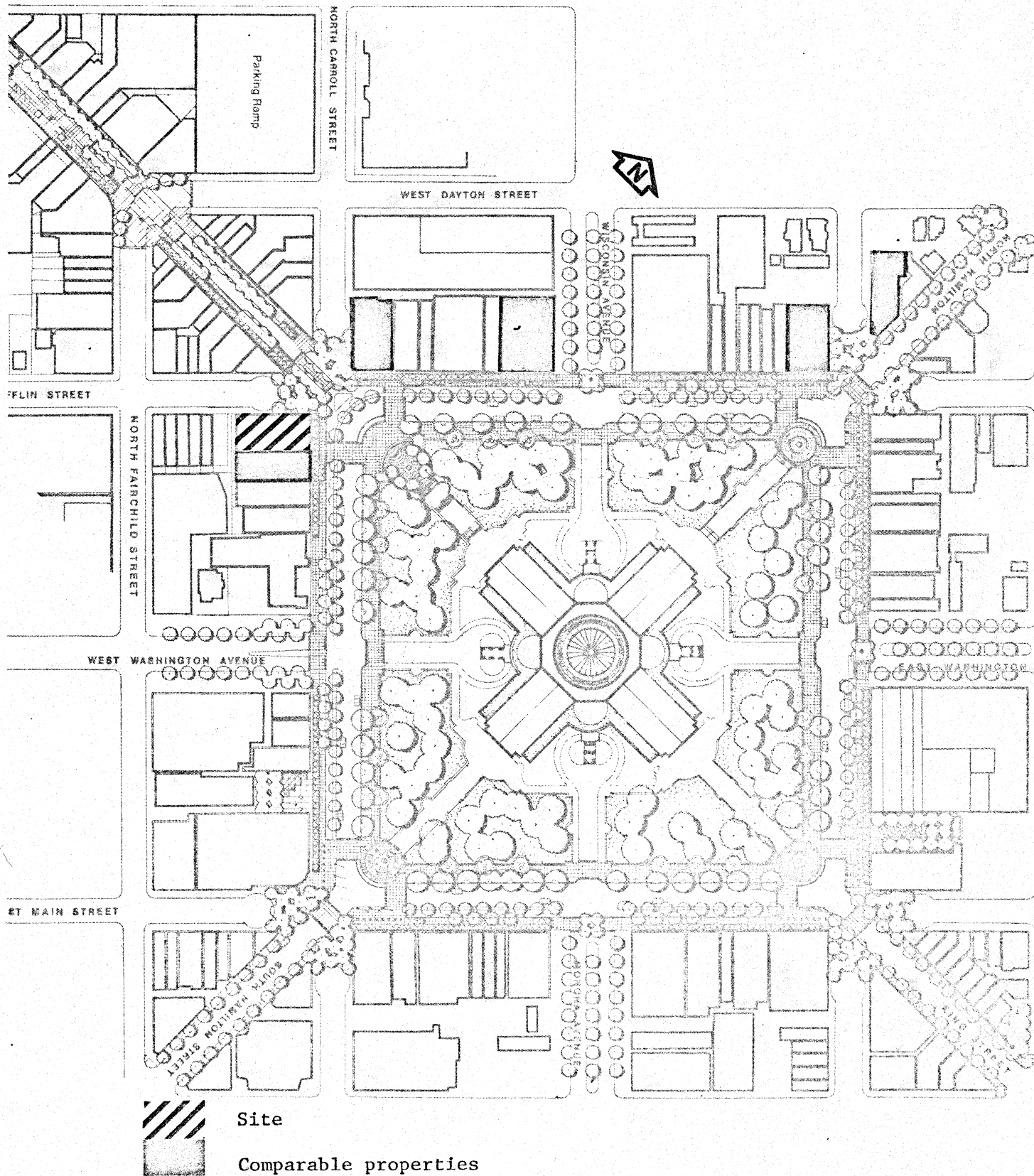
Locational factors: One block from Capitol Concourse, one block from McCormick Parking Ramp, across the street from GEF-1.

Rental information: None available

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EXHIBIT 27

LOCATION OF THE MARKET COMPARABLES IN THE CBD



A point scale to rate the differences between properties is developed to illustrate the characteristics believed to influence buyer behavior (Exhibit 28). A weight is assigned to reflect the relative importance of the characteristic to the investor. The subject property is also scored (Exhibit 29). The State Street entrance to the Capitol Concourse, proximity to state and city employees, and pedestrian traffic flow are considered the most desirable locational attributes in the Square area. A concrete and steel building is also a highly important characteristic for the investor of this type of property.

The most important attribute is the location of the property. Locations that are near strong pedestrian generators such as the Civic Center, State Street Mall, or the State offices are considered the most marketable. Retail attributes, marketability of space on other floors, structural condition, and the extent of remodeling required at the time of the sale are all weighted equally. Poor structural condition and extensive necessary remodeling are recognized as a negative influence on sales price. The concrete or steel building has more versatility in terms of alternative uses due to higher fire ratings and vertical expansion possibilities. Since retail, restaurant, or service oriented use on the first floor of buildings in the State Street Mall/Capitol Concourse area is highly encouraged by the city administration, the first floor layouts of the building and delivery access are influences on sale price. Vacancy and financial condition at time of sale are weighted the least of all six attributes. Although a steady cash flow is important to the investor, commitments to unfavorable leases signed by previous owners is a detriment.

A simple mathematical expression equating the price per point of each comparable is used to determine the average price per point. The average price per point is then used to determine the central tendency of sales price for the subject property. The standard deviation from the average price per point is then calculated to determine the range of possible prices. Both price per first floor area and price per gross building area were used as variables. The net leaseable area of each building was not available to the appraiser and therefore not used as a variable. The variance in price per first floor area is much greater than the price per gross building area in the comparables examined and therefore has less predictive ability than the price per gross building area. The calculations using gross building area are presented in Exhibit 30.

The market comparison price estimate for the subject property is therefore \$545,000. The suggested transaction zone from the market comparable approach is \$462,000 to \$625,000. This initial conclusion must be considered in light of certain external factors and then tested to see if the probable selling price estimate would provide an acceptable yield from income and appreciation when related to most probable use, total cost to most probable buyer, and available financing.

D. External Influence on Most Probable Price

The estimate of the most probable selling price indicated by the mean price per point analysis is based upon the potential income of the subject

EXHIBIT 28

SCALE FOR COMPARABLES ON IMPORTANT INVESTOR CONSIDERATIONS

Location 30%	5 = Within 1-2 blocks of strong pedestrian generators 3 = 2-4 blocks from strong pedestrian generators 1 = More than 4 blocks from strong pedestrian generators
Retail Attributes 15%	5 = Regular space; good delivery access 3 = Regular space; poor delivery access
Marketability of Space on other floors 15%	1 = Large useable space, average rents 3 = Medium size space; average rents 1 = Irregular layout
Structural Condition 15%	5 = Concrete or masonry with concrete/steel framing 3 = Masonry with wood interior framing, well maintained 1 = Masonry with wood interior framing, poorly maintained
Remodeling Required at time of sale 15%	5 = No major remodeling required 3 = Moderate remodeling required 1 = Major remodeling required
Vacancy and Financial Condition at time of sale 10%	5 = Fully rented 3 = Partially rented, unfavorable leases 1 = Vacant

XHI 29

WEIGHTED MATRIX FOR COMPARABLE PROPERTIES

FEATURE/ WEIGHT	#1 50 E. MIFFLIN	#2 30 ON THE SQUARE	#3 102 N. HAMILTON	#4 2 WEST MIFFLIN WOOLWORTH	#5 22-24 N. CARROLL	#6 210 E. WASHINGTON (Ray-O-Vac)	SUBJECT
Location 30%	5 1.5	5 1.5	5 1.5	5 1.5	5 1.5	5 1.5	5 1.5
Retail Attributes 15%	5 .75	5 .75	1 .15	5 .75	3 .45	3 .45	5 .75
Marketability of space on other floors 15%	5 .75	5 .75	3 .45	5 .75	3 .45	3 .45	1 .15
Structure 15%	5 .75	5 .75	5 .75	5 .75	3 .45	5 .75	5 .75
Remodeling 15%	5 .75	5 .75	3 .45	5 .75	1 .15	1 .15	1 .15
Vacancy 10%	3 .30	3 .30	3 .30	5 .50	1 .10	1 .10	1 .10
Total Weighted Score 1.00	4.8	4.8	3.6	5.0	3.1	3.4	3.4
Selling Price	\$850,000	\$1,330,000	\$330,000	\$585,000	\$175,000	\$532,000	N/A
1st Floor GLA	8,500 sq.ft.	6,000 sq.ft.	6,000 sq.ft.	9,000 sq.ft.	5,500 sq.ft.	12,000 sq.ft.	7,800 sq.
Price/Sq.ft. 1st floor GLA	\$100	\$220	\$55	\$65	\$32	\$96	N/A
Total GLA	\$42,500	\$59,000	\$26,000	\$27,000	\$16,400	\$48,000	\$40,500
Price/Sq.ft. GLA	\$20	\$23	\$13	\$22	\$11	\$11	N/A

EXHIBIT 30

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

Comparable Property	Selling Price/- Gross Leaseable Area	Point Score	\$/GLA per point
1	\$20	4.8	4.16
2	\$23	4.8	4.79
3	\$13	3.6	3.60
4	\$22	5.0	4.40
5	\$11	3.1	3.54
6	\$11	3.4	<u>3.24</u>

TOTAL 23.73

$$\text{Mean value} = 23.73 \div 6 = 3.95$$
Standard deviation

$$4.16 - 3.95 = .21$$

$$4.79 - 3.95 = .84$$

$$3.60 - 3.95 = .35$$

$$4.40 - 3.95 = .45$$

$$3.54 - 3.95 = .41$$

$$3.24 - 3.95 = .71$$

$$2.97 \div 5 = .594$$

Value range : 3.95 +/- .594

High estimate: $4.544 = x/40,500 \text{ sq.ft.} \div 3.4 = \$625,708 \text{ or } \$625,000$ Central tendency: $3.95 = x/40,500 \text{ sq.ft.} \div 3.4 = \$543,915 \text{ or } \$544,000$ Low estimate: $3.356 = x/40,500 \text{ sq.ft.} \div 3.4 = \$462,121 \text{ or } \$462,000$

$$SE = .24$$

property. The weighted score assumes a marketability of the entire building upon which the most probable use is determined and the resulting justified purchase price is partially calculated. The realization of projected revenues is dependent on a more detailed engineering analysis which must be done to determine the costs of remodeling. The possible variance in both these estimates represent a significant risk to the buyer. He will wish to purchase the property at a price that covers his risks of a higher renovation cost. The most probable buyer would be most comfortable with a purchase price near \$425,000 in the lower range of predicted sales price and below the central tendency. The seller wants a cash sale and has no intention of financing the buyer. General knowledge holds that the buyer in a cash sale has the stronger negotiation position and therefore the price will be lower than in a sale where financing is provided by the owner. Compounding this with the fact that the sellers holding power is minimal we find that the purchaser is indeed in a strong negotiating position. For these reasons the appraiser has determined a sales price of \$465,000 in the low end of the transaction zone and assumes that the minimum acceptable price will be \$462,000 and maximum offered price will approximate \$544,000.

E. Tests of Preliminary Most Probable Price Determination

Since actual market sales were used for the valuation approach, it is useful to test the probable price based on the marketplace for compatibility with investment valuation in terms of basic yields and risk ratios. Three investment tests will be applied:

- The front-door approach to convert total investment to rents required to provide cash-flow.
- The Ellwood equation to indicate the appreciation needed to provide a minimum acceptable return to the ownership position.
- The BFCF after-tax yield forecasting using a basic cash-flow model provided by Educare.¹

1. Minimum Rent Required

If the probable investor paid \$465,000 for the subject property as is, spent \$460,000 for renovation as the minimum budget estimated in Scenario #1 (Appendix D), and invested a minimum of \$60,000 in contingencies (rent loss and holding costs) during the remodeling period, he would have a total investment of \$927,000 in the property. Under normal financing assumptions he might receive a 75% loan-to-value mortgage of \$695,250 at 10.25% interest for 20 years, which would require cash equity of \$231,750. Exhibit 31 shows the conversion of these capital requirements to required net income. The required income plus other cash requirements reveals that the minimum gross

¹BFCF is found in the library of programs provided by EDUCARE Computer Network, Inc. on GE Time Sharing Services.

EXHIBIT 31

MARKET RENTS REQUIRED BY MOST PROBABLE PURCHASE PRICE OF \$465,000

<u>Capital Budget</u>	
Purchase Price	\$465,000
Minimum Remodeling Budget (Scenario #2)	<u>402,000</u>
Total Capital Investment	\$867,000
Working Capital and contingencies	<u>60,000</u>
Total Investment	\$927,000
Minus mortgage at 75% L-to-V	<u>695,250</u>
Total Cash Equity Required	\$231,750

<u>Operating Budget</u>	
Annual debt service on \$695,250 mortgage (.117797 mortgage constant for 20 yr., 10.25% interest, mo. payments)	\$ 81,898
Debt cover ratio NOI required 1.3	<u>1.3</u>
Net operating income required	\$106,467
Plus:	
Real Estate Taxes (26.495 mills on CI)	\$22,970
Special Assessment	1,953
Operating expenses	40,000
Vacancy allowance	<u>10,237</u>
	<u>75,150</u>
Total Minimum gross rents required	\$181,617
Less: Gross rents expected (Scenario #2)	<u>169,950</u>
Equals deficit out of equity dividend	\$ 13,667
Equity cushion of .3 of debt service (106,476 - 81,898)	<u>24,578</u>
Cash for equity = 4.7	\$ 10,911

rents necessary would be \$181,617. This is \$13,667 more than the gross rents expected in Scenario #2. The \$13,667 would decrease the cash dividend yield and diminish the investor's equity position. The equity investor would have a 4.7% cash-on-cash return and would be dependent on future appreciation of the property in resale for adequate return. A buyer would want to procure firm renovation cost estimates to examine the market for retail and office space more extensively, and to evaluate the projected appreciation levels for this type of property before making an offer at this price.

2. Price and Required Appreciation

The investor in the subject property would be seeking both a cash-on-cash return as well as a capital appreciation over the projected ten year holding period. The Ellwood equation, which relates net income to purchase price at an overall capitalization rate, is helpful but only preliminary in analyzing the necessary appreciation rate of an original purchase price to provide a desired minimum investor return when given a certain debt structure. The calculations in Exhibit 31 show that the total NOI would be \$106,467 with a debt cover ratio of 1.3, an annual debt service of \$81,898, and the total gross rent required would be \$181,617. For this project to yield a 20% equity return over a ten year holding period, the results in Exhibit 32 suggest that an appreciation of 24% or 4.8% per year compounded annually will be required following the completion of the building remodeling. This increment is possible if there is renewed consumer interest in the Capitol Concourse, the retail tenant markets his shop effectively, and if the need for Class B office space continues to grow in spite of GEF II and III, MATC relocation, and the new office space being created in the properties mentioned earlier.

A pretax equity yield of 20% would be greatly modified by the impact of federal and capital gains taxes. Tax deduction resulting from high interest charges and depreciation available from remodeling will offer short-term relief, but capital gains taxes could take over 30% of the anticipated capital gain. These effects will be discussed in the following section.

3. Federal Income Tax and After-Tax Yield

A real estate investment of this magnitude is always affected by the Federal income tax. Assuming that the probable investor has a marginal income rate of 30% and would pay taxes of 35% of the capital gain in excess of \$50,000, it is useful to test the proposed total investment of \$867,000 with a simple after-tax cash flow model designed for investors. BFCF is a computer program that assumes there is only one depreciable asset, in this case 60% of the total \$867,000 investment. The balance of value is attributed to the land; the average useful life of the improvements is about 30 years. A sensitivity analysis was conducted by varying the NOI and property appreciation rate of growth from 3% to 5% per year for the five year holding period (Exhibit 33 and 34). It is important to note that the IRR after-tax under these assumptions ranges from a low of 15.6% to 19.8%. These yields

EXHIBIT 32

APPRECIATION REQUIRED AT MOST PROBABLE PURCHASE PRICE
TO PROVIDE 20% RETURN TO EQUITY

$$V = \frac{\text{NOI}}{Y - MC + \text{Dep/App} \frac{1}{S_n}}$$

V = purchase price + renovation cost,
NOI = net operating income,

Y = equity yield before income tax,

M = mortgage loan-to-value ratio,

C = mortgage coefficient,

Dep/App = depreciation or appreciation during the
holding period, and

$\frac{1}{S_n}$ = the sinking factor.

Example: Most probable purchase price of \$465,000

$$V = \$465,000 + \$402,000 + \$60,000 = \$927,000$$

$$\text{NOI} = \$89,059$$

$$Y = .20$$

$$M = .75$$

$$C = .09555$$

$$\frac{1}{S_n} = .134380$$

$$\$927,000 = \frac{89,059}{.20 - .75(.09555) - \text{App}(.13438)}$$

$$\frac{\$927,000}{89,059} = \frac{1}{.1283375 - \text{App}(.13448)}$$

$$.0960722 - .1283375 = -\text{App}(.13438)$$

$$\frac{-.0322653}{.13438} = -\text{App}.$$

$$.24 = \text{Appreciation}$$

$$\frac{.24}{5} = 4.8\% \text{ appreciation/year}$$

are acceptable when many real estate investment trusts are providing annual cash dividends of 8% or 9% per year, partially sheltered and not dependent on the need for significant asset appreciation over a five year span in a location of some uncertainty. The equity dividend yield of 5% is low in terms of most investor's range of acceptance. The most probable price of \$465,000 does seem to pass the minimum tests of risk investment for capital gains in a five year holding period.

EXHIBIT 33

SENSITIVITY TABLE OF BFCF RESULTS

NOI GROWTH	APPRECIATION RATE	IRR AFTER-TAXES
3%	3%	15.6176%
3%	5%	19.0315%
5%	3%	16.4957%
5%	5%	19.8358%
First year equity dividend: 5.75%		

EXHIBIT 43
BFCF RESULTS
AFTER TAX CASH FLOW PROJECTION
ANALYSIS BY MALLORY MULLING
12-Dec-78

NOI @ 3% annually
Appreciation @ 3% annually

DATA SUMMARY

VALUE:	\$ 867000	MTG. AMT.:	\$ 650250
NOI 1ST YR:	\$ 89060	MTG. INT.:	10.25 %
CRS. EQUITY:	\$ 216750	MTG. TERM:	20 YRS
IMP. VALUE:	\$ 520200	MTG. CONST.:	.117797
INC. TX RATE:	30 %	IMP. LIFE:	30 YRS
SALE YR RATE:	35 %	OWNER:	INDIVIDUAL

YEAR	CASH FLOW	MTG. AMORTZ	BOOK DEP.	TAXABLE INCOME	INCOME TAX	AFTER TAX CASH FLOW
1	12462	10428	17340	5550	1665	10797
2	15134	11549	17340	9343	2803	12331
3	17886	12790	17340	13336	4001	13685
4	20720	14164	17340	17544	5263	15457
5	23640	15686	17340	21986	6596	17044
	\$ 89842	\$ 64617	\$ 86700	\$ 67759	\$ 20328	\$ 69514

DEP. METHOD: STRAIGHT LINE

1ST YR EQ. DIV: 5.74948 %

SALE PRICE	\$ 975816
BASIS	780,300
CAPITAL GAINS	195,516
CAP GAINS TAX	34,215
EXCESS DEP TAX	0
MORTGAGE BALANCE	585,633

AVG DEBT SERV RATIO: 1.23

AFTER TAX EQ REV \$ 355968

IF PURCHASED AS ABOVE, HELD 5 YEARS & SOLD FOR \$ 975816 THEN
I.R.R. IS 18.8497 % BEFORE TAXES; 15.6176 % AFTER TAXES.

NO REPRESENTATION IS MADE THAT THE ASSUMPTIONS RELATIVE TO
CURRENT TAX PROVISIONS USED IN THIS PROJECTION WILL BE
ACCEPTABLE TO TAXING AUTHORITIES.

MODE: ? C
ENTER INPUT LINE NO. TO BE CHANGED: ? 3
NEW N.O.I.: ? 89060, .05
ENTER INPUT LINE NO. TO BE CHANGED: ? 9
NEW RESALE PRICE: ? 975816
ENTER INPUT LINE NO. TO BE CHANGED: ?

I.R.R. BEFORE TAXES IS 20.0227 %.

AFTER TAX I.R.R. IS 16.4957 %.

AVERAGE DEBT SERVICE RATIO IS 1.28492
MODE: ? P

IMP./TOTAL VALUE RATIO & IMP. LIFE: ? .6,30
 DEPRECIATION METHOD: ? 1
 IS OWNER A TAXABLE CORPORATION, Y OR N? N
 ORDINARY INCOME TAX BRACKET & BRACKET IN YR OF SALE: ? .3,.35
 RESALE PRICE: ? 1053843

58

I.R.R. BEFORE TAXES IS 23.6605 %.

AFTER TAX I.R.R. IS 19.9353 %.

AVERAGE DEBT SERVICE RATIO IS 1.28492
 MODE: ? P

EXHIBIT 43 -- Continued

NOI growth @ 5% annually
 Appreciation @ 5% annually

AFTER TAX CASH FLOW PROJECTION
 ANALYSIS BY MALLORY MULLINS
 12-Dec-78

DATA SUMMARY

VALUE: \$ 867000
 NOI 1ST YR: \$ 89060
 ORG. EQUITY: \$ 216750
 IMP. VALUE: \$ 520200
 INC. TX RATE: 30 %
 SALE YR RATE: 35 %

MTG. AMT.: \$ 650250
 MTG. INT.: 10.25 %
 MTG. TERM: 20 YRS
 MTG. CONST.: .117797
 IMP. LIFE: 30 YRS
 OWNER: INDIVIDUAL

YEAR	CASH FLOW	MTG. AMORTZ	BOOK DEP.	TAXABLE INCOME	INCOME TAX	AFTER TAX CASH FLOW
1	12462	10428	17340	5550	1665	10797
2	16915	11549	17340	11124	3337	13578
3	21591	12790	17340	17041	5112	16479
4	26500	14164	17340	23324	6997	19503
5	31655	15686	17340	30001	9000	22655
	\$ 109123	\$ 64617	\$ 86700	\$ 87040	\$ 26111	\$ 83012

DEP. METHOD: STRAIGHT LINE

1ST YR EQ. DIV: 5.74948 %

SALE PRICE \$ 1053840
 BASIS 780,300
 CAPITAL GAINS 273,543
 CAP GAINS TAX 47,870
 EXCESS DEP TAX 0
 MORTGAGE BALANCE 585,633

AVG DEBT SERV RATIO: 1.28

AFTER TAX EQ REV \$ 420340

IF PURCHASED AS ABOVE, HELD 5 YEARS & SOLD FOR \$.105384E 7 THEN
 I.R.R. IS 23.6605 % BEFORE TAXES; 19.9353 % AFTER TAXES.

NO REPRESENTATION IS MADE THAT THE ASSUMPTIONS RELATIVE TO
 CURRENT TAX PROVISIONS USED IN THIS PROJECTION WILL BE
 ACCEPTABLE TO TAXING AUTHORITIES.

NOI @ 3% annually
Appreciation @ 5% annually

AFTER TAX CASH FLOW PROJECTION
ANALYSIS BY MALLORY MULLINS
12-Dec-78

DATA SUMMARY

VALUE: \$ 867000
NOI 1ST YR: \$ 89060
ORG. EQUITY: \$ 216750
IMP. VALUE: \$ 520200
INC. TX RATE: 30 %
SALE YR RATE: 35 %

MTG. AMT.: \$ 650250
MTG. INT.: 10.25 %
MTG. TERM: 20 YRS
MTG. CONST.: .117797
IMP. LIFE: 30 YRS
OWNER: INDIVIDUAL

YEAR	CASH FLOW	MTG. AMRTZ	BOOK DEP.	TAXABLE INCOME	INCOME TAX	AFTER TAX CASH FLOW
1	12462	10428	17340	5350	1665	10797
2	15134	11549	17340	9343	2803	12331
3	17986	12790	17340	13336	4001	13885
4	20720	14164	17340	17544	5263	15457
5	23640	15686	17340	21986	6596	17044
	\$ 89842	\$ 64617	\$ 86700	\$ 67759	\$ 20328	\$ 69514

DEP. METHOD: STRAIGHT LINE

1ST YR EQ. DIV: 5.74948 %

SALE PRICE \$ 1053840
BASIS 780,300
CAPITAL GAINS 273,543
CAP GAINS TAX 47,870
EXCESS DEP TAX 0
MORTGAGE BALANCE 585,633

AVG DEBT SERV RATIO: 1.23

AFTER TAX EQ REV \$ 420340

IF PURCHASED AS ABOVE, HELD 5 YEARS & SOLD FOR \$ 1,053,840 THEN
I.R.R. IS 22.5919 % BEFORE TAXES; 19.0315 % AFTER TAXES.

NO REPRESENTATION IS MADE THAT THE ASSUMPTIONS RELATIVE TO
CURRENT TAX PROVISIONS USED IN THIS PROJECTION WILL BE
ACCEPTABLE TO TAXING AUTHORITIES.

NOI growth @5% annually
Appreciation @ 3% annually

AFTER TAX CASH FLOW PROJECTION
ANALYSIS BY MALLORY MULLINS
12-Dec-78

DATA SUMMARY

VALUE: \$ 667000
NOI 1ST YR: \$ 89060
DRG. EQUITY: \$ 216750
IMP. VALUE: \$ 520200
INC. TX RATE: 30 %
SALE YR RATE: 35 %

MTG. AMT.: \$ 650250
MTG. INT.: 10.25 %
MTG. TERM: 20 YRS
MTG. CONST.: .117797
IMP. LIFE: 30 YRS
OWNER: INDIVIDUAL

YEAR	CASH FLOW	MTG. AMORTZ	BOOK DEP.	TAXABLE INCOME	INCOME TAX	AFTER TAX CASH FLOW
1	12462	10428	17340	5550	1665	10797
2	16915	11549	17340	11124	3337	13078
3	21591	12750	17340	17041	5112	16479
4	26500	14164	17340	23324	6997	19503
5	31635	15636	17340	30001	9000	22635
	\$ 109123	\$ 64617	\$ 86700	\$ 97040	\$ 26111	\$ 23012

DEP. METHOD: STRAIGHT LINE

1ST YR EQ. DIV: 5.74948 %

SALE PRICE \$ 975816
BASIS 780,300
CAPITAL GAINS 195,516
CAP GAINS TAX 34,215
EXCESS DEP TAX 0
MORTGAGE BALANCE 595,633

AVG DEBT SERV RATIO: 1.23

AFTER TAX EQ REV \$ 355968

IF PURCHASED AS ABOVE, HELD 5 YEARS & SOLD FOR \$ 975816 THEN
I.R.R. IS 20.0227 % BEFORE TAXES; 16.4957 % AFTER TAXES.

NO REPRESENTATION IS MADE THAT THE ASSUMPTIONS RELATIVE TO
CURRENT TAX PROVISIONS USED IN THIS PROJECTION WILL BE
ACCEPTABLE TO TAXING AUTHORITIES.

V. APPRAISAL CONCLUSIONS AND LIMITING CONDITIONS

A. Value Conclusion

An appropriate reference point for the most probable selling price of the Wolff Kubly and Hirsig Building can be derived from Ratcliff's "most probable selling price" definition of value:

The most probable selling price is that selling price which is most likely to emerge from a transaction involving the subject property if it were exposed for sale in the current market for a reasonable time at terms of sale which are currently predominant for properties of the subject type.

In order to comply with this definition, we have determined that the market transactions in the Capitol Concourse area occurring during 1977 and 1978 have been predominantly cash sales. Financing terms have ranged from 8.5% to 9.75% interest and from a five year balloon payment to a 25 year amortized mortgage. The most probable price will be influenced by interest rates which have climbed to 10.25%.

On this basis, the conclusion is that the most probable selling price is \$465,000 and will be a cash sale. A buyer with a tenant needing most of the building or several tenants each needing a full floor of space might pay as much as \$544,000. This upper limit, though lower than that established for the transaction zone, is determined by the costs of renovation. If financial terms as favorable as assumed are not secured the purchase price will tend toward the lower end of the range.

We therefore conclude that the most probable selling price of the Wolff Kubly and Hirsig Building is \$465,000 with an upper range of \$544,000 and a lower range of \$462,000, depending upon the attractiveness of the financing terms that a buyer can obtain, the tenants that can be secured, and the actual costs of renovation.

B. Statement of Limiting Conditions

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

1. Contributions of Other Professionals

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

- The appraiser advises that a professional estimate be made of window installation.
- The appraiser did not conduct any engineering analysis of the structural soundness of the building or of the mechanical systems.
- An accurate interpretation of Wisconsin Administrative Code 52.04 regarding barrier-free environments can only be made when remodeling plans are submitted to the Department of Industry and Human Relations. Specific code requirements could affect the estimates of the remodeling costs.
- Any sketches in this report are included to assist the reader in visualizing the property and area. These drawings are for illustrative purposes only and do not represent an actual survey of the property.
- No accounting records of monthly operating costs were made available. Therefore expenses are estimated to be appropriate for normal management of the property but are not represented to be historically based. In addition, fire ratings were not made available to the appraiser. No responsibility is assumed as to the effect on various uses or costs of renovation to current code.
- Because no legal counsel was available, the appraiser assumes no responsibility for legal matters. No opinion of title has been submitted.

2. Facts and Forecasting Under Conditions of Uncertainty

- Information furnished by others in this report is believed to be reliable but is in no sense guaranteed by the appraiser. Although before-tax arithmetic of BFCF model has been handchecked for accuracy, no guarantee of program infallibility can be made by EDUCARE Network, Inc., or by the appraiser.
- All information furnished regarding property for sale, rental, financing, proposed to be constructed, or projections of income or expenses is from sources deemed reliable. No warranty or representation is made regarding the accuracy thereof, and it is submitted subject to errors, omissions, change of price, rental or other conditions prior to sale, lease, financing, or withdrawal without notice.
- The comparable sales data relied upon in this appraisal is assumed to be from believable sources. Though all the comparables were examined, it was not possible to inspect them all in detail. The value conclusions are subject to the accuracy of said data.
- Forecasts of effective demand of retail and office space are based on the best available data concerning the CBD market but are projected under uncertainty. The impacts of the relocation of MATC,

building of GEF II and III, opening of the Civic Center, and City Hall's apparent recognition of the parking shortage on the viability of the Capitol Concourse are all uncertain.

3. Controls on Use of Appraisal

- Values for various components of the subject property and improvements as contained herein are not to be used independently for any purpose and must be considered invalid if so used.
- Possession of this report does not carry with it the right of publication nor may the same be used for any other purpose by anyone without the previous written consent of the appraiser and, in any event, only of its entirety.
- Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent of the author, particularly regarding valuation conclusions, and the identity of the appraiser, or of the firm with which he is connected or any of his associates.

VI. CERTIFICATION OF INDEPENDENT APPRAISAL JUDGEMENT

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

Based upon the information contained in this report my opinion is that the most probable price, as defined herein, of the subject property is

FOUR HUNDRED SIXTY-FIVE THOUSAND DOLLARS (\$465,000)

assuming that the buyer can secure financing with terms as favorable as 25% down, 20 years, and 10.25% interest. A cash transaction would range as low as \$462,000 and as high as \$544,000.

Mallory K. Mullins

Mallory K. Mullins

December 15, 1978

Date

APPENDICES

Sec. 28.09(4) (e)

ZONING CODE

- (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)
 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 Planning Department, provided that any action by the department may be appealed to the City Plan Commission by the applicant.
 4. To insure a variety of housing types in the central area, the following point values are established.

Type of Dwelling Unit or Lodging Room	Point Value
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)

ZONING CODE

Sec. 28.09(5) (c)

- (c) Permitted Uses. Any use permitted in the C2 district, except restaurants, is permitted in the C4 district. (Am. by Ord. 5994, 10-11-77)
- (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.
 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.
 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.
 - 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 Building Inspection Division 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.

(Sec. 28.09(5)(d)15. Am. by Ord. 6101, 1-6-78)

(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.

(Sec. 28.09(5)(f) Am. by Ord. 6052, 11-29-77)

ZONING CODE

Sec. 28.09(5) (g)

- (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 Administrator, Traffic Engineer and Planning Director regarding the relative merits of said rear yard as part of an alleyway system.
 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)

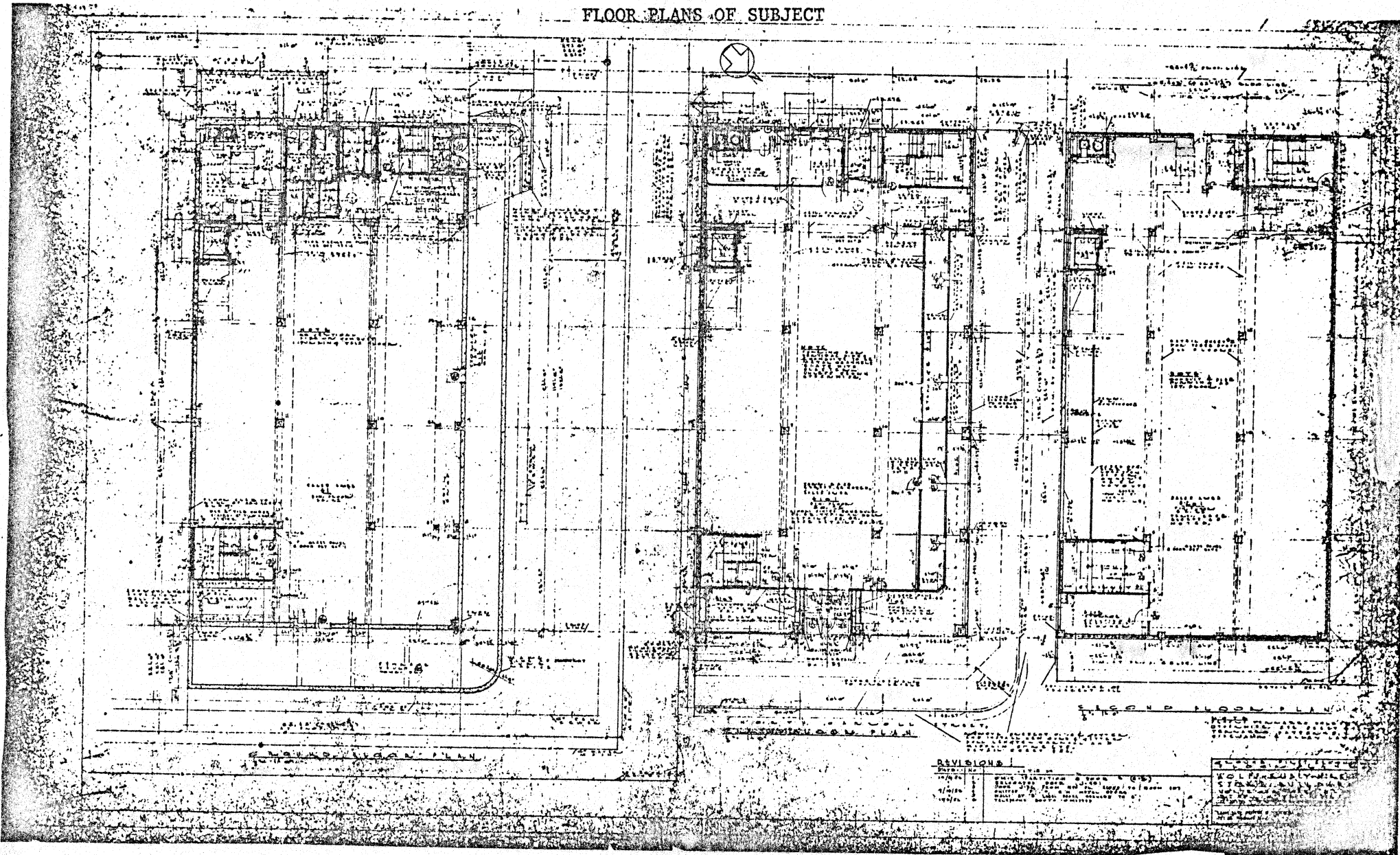
APPENDIX B
CALCULATION OF NUMBER OF EMPLOYEES
IN THE CBD AREA

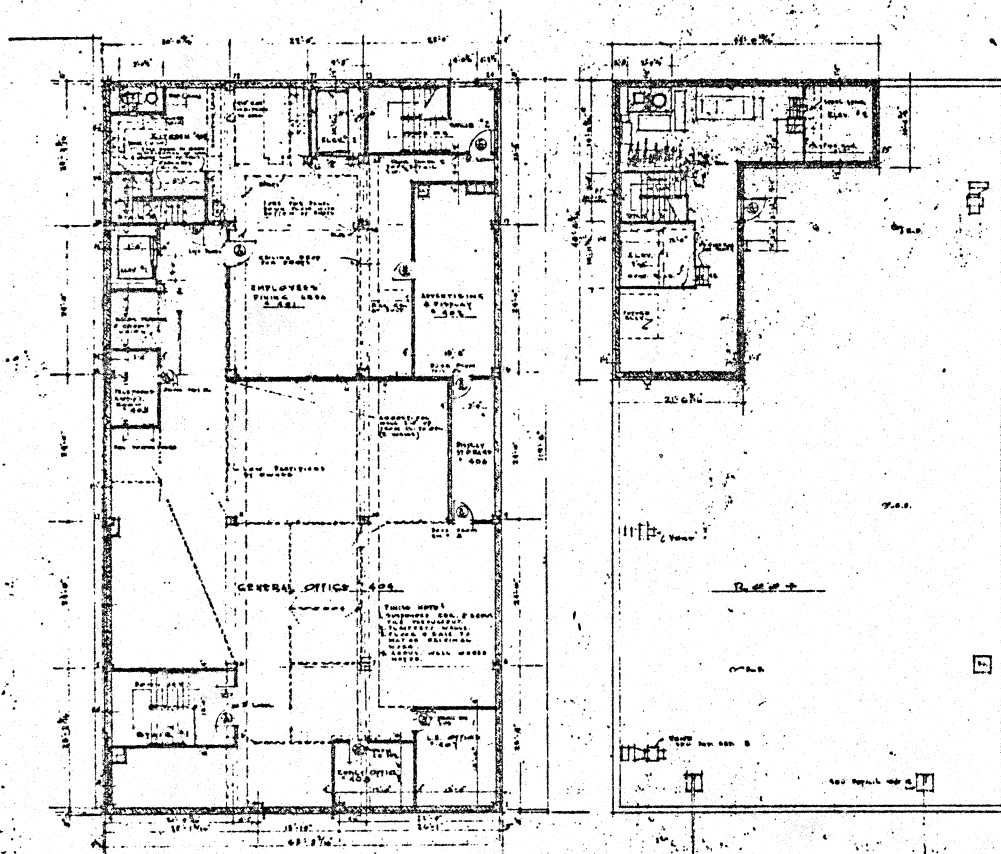
<u>BUILDING</u>	<u>ESTIMATED GROSS SQUARE FOOTAGE</u>
30 On The Square	72,000
102 N. Hamilton St.	20,000
Tenney Building	76,000
Anchor Building	120,000
First Wisconsin Plaza	170,000
Gay Building	40,000
Hovde Building	120,000
United Bank Building	120,000
Wisconsin Telephone Company	120,000
James Wilson Plaza	<u>130,000</u>
	988,000 sq.ft.

$$988,000 \text{ sq.ft.} \div 150 \text{ sq.ft./employee} = 6586$$

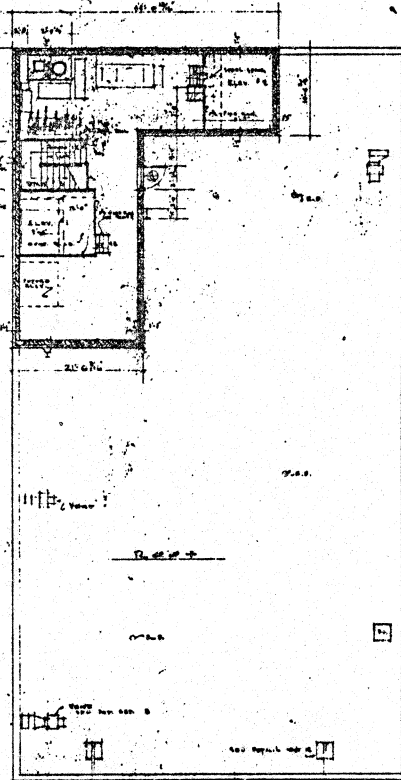
State Employees	22,000
City-County Employees	5,000
Miscellaneous	12,000
Above figure	<u>6,600</u>
TOTAL EMPLOYEES IN THE CBD AREA:	<u>45,600</u>

APPENDIX C
FLOOR PLANS OF SUBJECT

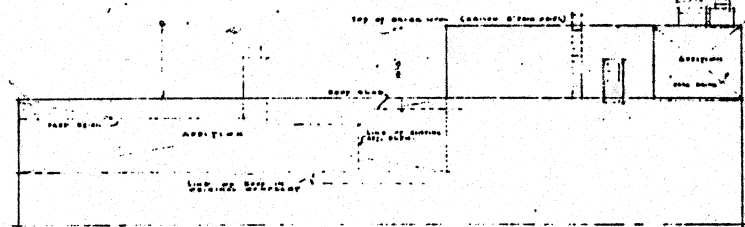




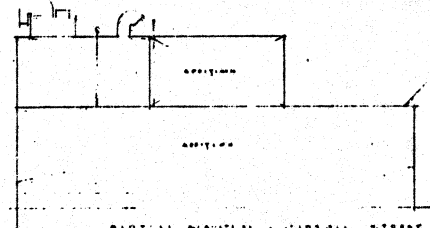
FOURTH FLOOR PLAN



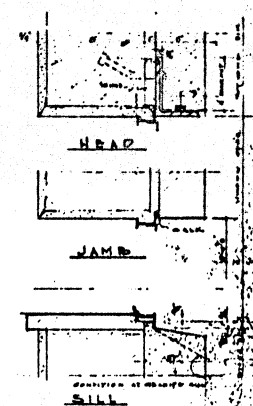
PENTHOUSE & ROOF PLAN



PARTIAL ELEVATION - WEST HIFFELIN STREET



PARTIAL ELEVATION - MARSHALL STREET



WINDOW DETAILS

NOTE
ALL WORKMANSHIP TO BE
CONFORM WITH THE SPECIFICATIONS
FOR THE CONSTRUCTION OF
BUILDINGS AND THE CODES
AND STANDARDS THEREOF
AND THE CITY OF CHICAGO
AND THE STATE OF ILLINOIS
AND THE FEDERAL GOVERNMENT
AND THE UNITED STATES OF AMERICA

ADDITION & REVISIONS TO ORIGINAL PLANS

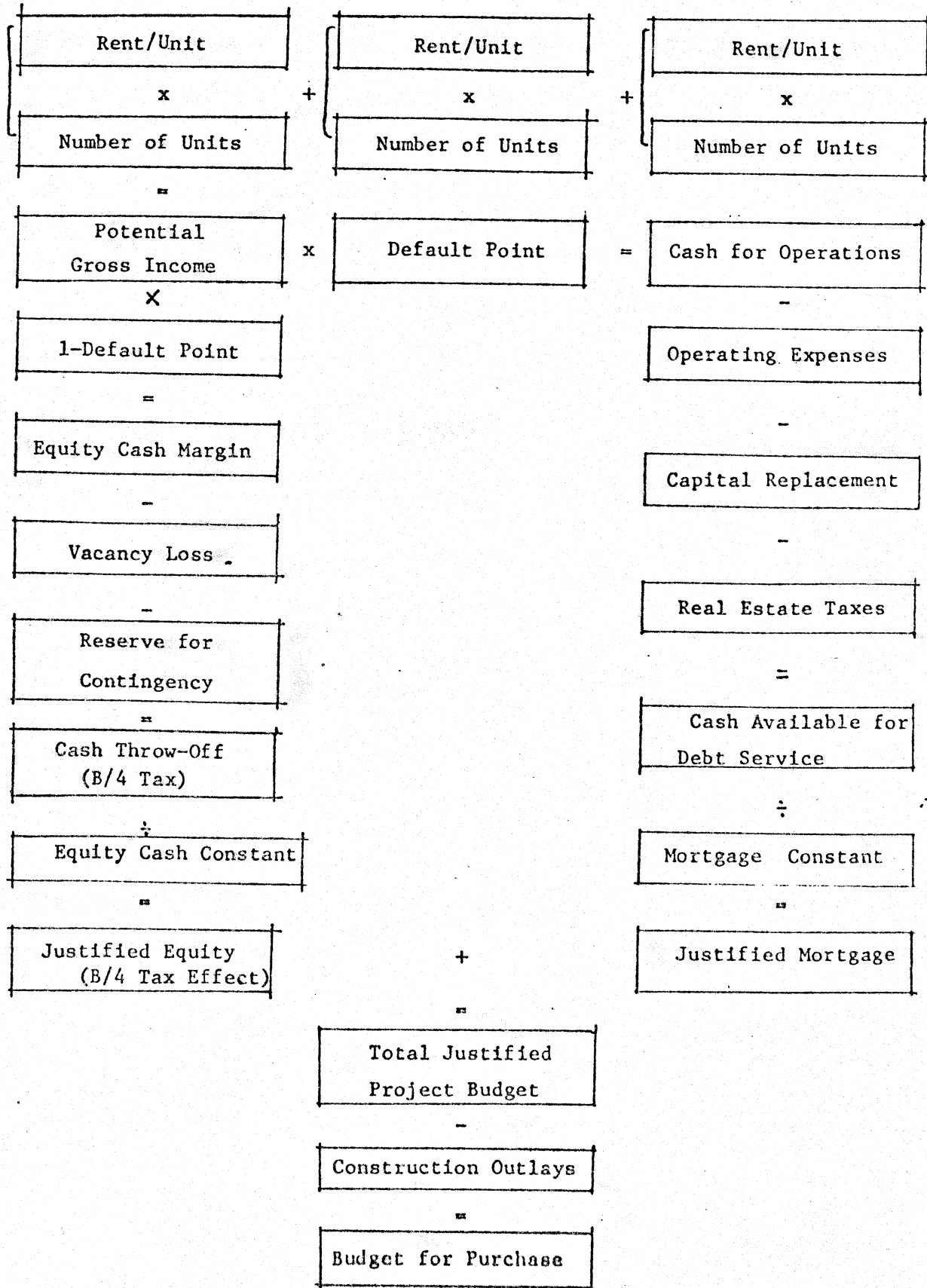
WOLFF-KIMBLE-BIRD
ARCHITECTS
121 N. WABASH ST.
CHICAGO, ILL.

DETAILS OF REVISED DOOR JAMBS
TO NEW WINDOWS

REVISED ELEVATION - ALLEY

IN PLACE REVISED 10/10/50
BY JAMES H. BIRD

APPENDIX D
BASIC MODEL FOR RANKING ALTERNATE PROGRAM
SCENARIOS BY JUSTIFIED PURCHASE BUDGET



SCENARIO #1

1. PROGRAM:
Renovation of building into use by a single tenant.
2. CAPITAL OUTLAYS:

First floor window area alteration	\$25,000
HVAC	60,000
Barrier free and Code requirements	20,000
Plumbing	12,000
Interior finishes	<u>238,000</u>
TOTAL CAPITAL OUTLAYS:	<u>\$355,000^a</u>
3. REVENUE UNITS AND POTENTIAL ANNUAL INCOME:

Basement: 5,700 sq.ft. @ \$3.00/sq.ft.	\$17,100
1st floor: 4,500 sq.ft. @	31,500
2nd-4th floor: 6,500 sq.ft. @	<u>136,500</u>
TOTAL POTENTIAL ANNUAL INCOME:	<u>\$185,100</u>
4. PROJECTED ANNUAL EXPENSES:

Operating expenses	\$46,000
Real estate taxes	26,700
Special assessment taxes	<u>1,950</u>
TOTAL PROJECTED ANNUAL EXPENSES:	<u>\$74,650</u>
5. TERMS OF FINANCING:
20 year, 10.25%, mortgage constant = .117797

^aBased on information given by Jerome Mullins, C.E., Architect, and local real estate developer.

<u>Item</u>	<u>Approximate cost \$/sq.ft. NLA</u>
Heat	\$.80
Electricity	.75
HVAC	3.00
Carpeting	1.00
Lights and ceiling	4.00
Partitioning	3.00
Plumbing	.40

All figures are approximate, but do not apply to most commercial rehabilitation projects in the Madison area.

SCENARIO #2

1. PROGRAM:

Renovation of building for:
 Single retail tenant first floor,
 Single commercial tenant on each upper floor
 Basement: storage

2. CAPITAL OUTLAYS:

Installation of windows on upper floors	\$80,000
HVAC	90,000
Barrier-free and code requirements	20,000
Plumbing	12,000
Interior finishes, new exit on Carroll Street	<u>200,000</u>
TOTAL CAPITAL OUTLAYS:	\$402,000

3. REVENUE UNITS AND POTENTIAL ANNUAL INCOME:

Basement	5,700 sq.ft. @ \$3.00/sq.ft.	\$17,100
1st floors	4,000 sq.ft. @ \$7.00/sq.ft.	28,000
2nd-4th floor	5,850 sq.ft. @ \$7.00/sq.ft.	<u>122,850</u>
TOTAL		\$167,950
Less Vacancy: 1st floor; 30 mo.; 5,850 sq.ft.		
@ \$7.00 x .25 =		<u>10,237</u>
TOTAL POTENTIAL ANNUAL INCOME		\$157,713

4. PROJECTED ANNUAL EXPENSES:

Operating expenses	\$40,000
Real estate taxes	26,700
Special assessment taxes	<u>1,953</u>
TOTAL ANNUAL EXPENSES	\$68,653

5. TERMS OF FINANCING:

20-year, 10.25%, mortgage constant = .117797

SCENARIO #3

1. PROGRAM:
 - Multiple first-floor retail tenants
 - Multiple office tenants on all upper floors
 - Basement: storage

2. CAPITAL OUTLAYS:

Installation of atrium and windows	\$100,000
HVAC	80,000
Barrier free and code requirements	20,000
Interior finishes and exits	250,000
Plumbing	12,000
TOTAL CAPITAL OUTLAYS:	\$462,000

3. REVENUE UNITS AND POTENTIAL ANNUAL INCOME:

Basement: 5,700 sq.ft. @ \$3.00/sq.ft.	\$17,100
1st floor: 1,000 sq.ft. x 4 units @ \$7.50/sq.ft.	30,000
2nd-4th floor: 5,500 sq.ft. x 3 floors @ \$7.50/sq.ft.	123,750
TOTAL	\$170,850
Less vacancy:	
1 retail unit; 3 mo.: .25 x \$7.50 x 1,000	1,875
2 office spaces; 3 mo.: .25 x \$7.50 x 1,100 x 2	4,125
TOTAL POTENTIAL ANNUAL INCOME:	\$164,850

4. PROJECTED ANNUAL EXPENSES:

Operating expenses	\$46,000
Real estate taxes	26,700
Special assessment taxes	1,953
TOTAL PROJECTED ANNUAL EXPENSES:	\$74,653

5. TERMS OF FINANCING:
 - 20 year, 10.25%, mortgage constant = .117797

APPENDIX E

REGRESSION ANALYSIS OF MOST PROBABLE SELLING PRICE

The purchase price of each building was divided by the gross leaseable area of the building. . . This dollar per square foot figure was then used as the dependent variable and the total weighted score for each building was used as the independent variable in the regression equation. A graph of the linear relationship of the two variables is provided. Computation of the linear regression coefficients, the price prediction for the subject property, and the standard error of the estimate are also provided. The regression analysis yields a coefficient of determination adjusted for degrees of freedom, or r^2 , of .94; the r^2 indicates that there is 94.5% less uncertainty in making predictions about price per square foot of the gross square foot area of the building than when the weighted point score is not considered.

The computed regression equation is:

$$\begin{aligned}\text{Price/Sq. Ft.} &= -10.2074 + 6.5281 (3.4) \\ &= 11.988 \\ &= 40,500 \times 11.988 = \$485,514 \text{ (central tendency)}\end{aligned}$$

$$11.988 \pm 1.32 =$$

$$\text{Low point} = 10.668 \times 40,500 = \$432,054$$

$$\text{High point} = 13.308 \times 40,500 = \$538,974$$

Ready

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MINITAB

*** MINITAB II ***

MTB>SET C1

MTB>4.8 4.8 3.6 5 3.1 3.4

MTB>SET C2

MTB>20 23 13 22 11 11

MTB>SET C4\4\3

MTB>204000,283200,93600,135000,50840,163200

MTB>A\A\SET C4

MTB>850000,1330000,330000,585000,175000,532000

MTB>REGRESS C2 1 C1

	COLUMN	COEFFICIENT	ST. DEV. OF COEF.	T-RATIO = COEF/S.D.
	--	-10.2074	2.9426	-3.47
X1	C1	6.5281	0.7027	9.29

THE ST. DEV. OF Y ABOUT REGRESSION LINE IS

S = 1.32

WITH (6 - 2) = 4 DEGREES OF FREEDOM

R-SQUARED = 95.6 PERCENT

R-SQUARED = 94.5 PERCENT, ADJUSTED FOR D.F.

ANALYSIS OF VARIANCE

DUE TO	DF	SS	MS=SS/DF
REGRESSION	1	150.36	150.36
RESIDUAL	4	6.97	1.74
TOTAL	5	157.33	

ROW	X1 C1	Y C2	PRED. Y VALUE	ST.DEV. PRED. Y	RESIDUAL	ST.RES.~0
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MTB>PLOT C2 C1

