

An appraisal of the property located at 205 South Hamilton Street, Madison, Wisconsin. July 31, 1992

Landmark Research, Inc.

[s.l.]: [s.n.], July 31, 1992

<https://digital.library.wisc.edu/1711.dl/XETDN7X5MLUMD9B>

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

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

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

THE LOEB PROPERTY LOCATED AT

205 SOUTH HAMILTON STREET

MADISON, WISCONSIN

PREPARED FOR THE

OFFICE OF THE CORPORATION COUNSEL

OF

DANE COUNTY

Landmark
Research
Inc.

AN APPRAISAL
OF
THE PROPERTY LOCATED AT
205 SOUTH HAMILTON STREET
MADISON, WISCONSIN

AS OF
JULY 31, 1992

PREPARED FOR
DANE COUNTY OFFICE OF THE CORPORATION COUNSEL

PREPARED BY
LANDMARK RESEARCH, INC.
MADISON, WISCONSIN

IN CONJUNCTION WITH

REALTY ADVISORS, INC
BROOKFIELD, WISCONSIN

Landmark
Research
Inc.

Jean B. Davis, President
James A. Graaskamp, 1933-1988

May 31, 1993

Rodney F. Knight
Deputy Corporation Counsel
Office of the Corporation Counsel
Room 419, City-county Building
210 Martin Luther King, Jr. Boulevard
Madison, WI 53709

RE: APPRAISAL OF THE PROPERTY LOCATED AT 205 SOUTH HAMILTON STREET IN THE
CITY OF MADISON, COUNTY OF DANE, AND STATE OF WISCONSIN

Dear Mr. Knight:

Enclosed is the appraisal of the property known as the Loeb Property, a 2½-story wood frame apartment building located at 205 South Hamilton Street in Madison, Wisconsin. This property consists of an older, converted residence with seven apartment units and five on-site parking stalls.

This appraisal was prepared in accordance with the Uniform Standards of Professional Appraisal Practice and the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

This appraisal was completed for the purpose of estimating the market value of the subject property as of July 31, 1992. The property rights appraised with respect to the Loeb Property constitute the fee simple estate.

This appraisal was authorized by the office of the Corporation Counsel pursuant to a letter of understanding dated March 15, 1993. This appraisal is intended to function as part of the process in determining the award for damages resulting from the condemnation of this property for the new Dane County Jail. Based on a personal inspection of the above property (subsequent to the effective date of the appraisal) and giving consideration to the data, research, analyses, and conclusions set forth in the following report, it is our opinion that the market value of the fee simple interest in the property known as the Loeb Property located at 205 South Hamilton Street, in Madison, Wisconsin, as of July 31, 1992 is \$170,000:

ONE HUNDRED SEVENTY THOUSAND DOLLARS

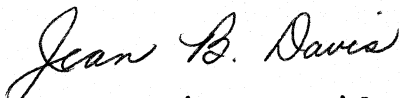
assuming cash to the seller and a reasonable marketing period of one year or less.

Mr. Rodney F. Knight
May 31, 1993
Page Two

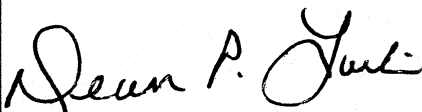
The appraisal report includes this letter of transmittal, a report section which describes the property and the processes by which it was analyzed, exhibits which help explain, illustrate, and support the analysis and conclusions reached herein, and a listing of the assumptions and limiting conditions to which the appraisal is subject. This report also contains appendices which include background information on area and neighborhood analyses, zoning codes, market data, maps and photographs to acquaint the reader with the subject property and the Madison downtown apartment market.

We appreciate the opportunity to be of service and we are available to answer any questions with respect to this report.

FOR LANDMARK RESEARCH, INC.



Jean B. Davis, President
Landmark Research, Inc.
Wisconsin Certified General Appraiser #372



Dean P. Larkin, MAI
Realty Advisors, Inc.
Wisconsin Certified General Appraiser #209

TABLE OF CONTENTS

	PAGE
INTRODUCTION	
Letter of Transmittal	ii
Summary of Salient Facts and Conclusions	1
FACTUAL DESCRIPTION	
Scope of the Appraisal	4
Purpose of the Appraisal	6
Definition of Market Value	6
Property Rights Appraised	7
Use of the Appraisal	8
Identification of the Property	8
History of the Property	10
Area and Neighborhood Analyses	10
Apartment Market Analysis.	12
Office Market Analysis	26
Site Description and Analysis	31
Zoning Analysis	37
Real Estate Assessment and Taxes	40
Improvements - Description and Analysis	41
ANALYSIS AND CONCLUSIONS	
Highest and Best Use	48
Introduction to Valuation	68
The Cost Approach	69
The Sales Comparison Approach	70
The Income Capitalization Approach	84
Reconciliation and Final Value Estimate	85
Certification of Appraisers	88

TABLE OF CONTENTS (Continued)

Assumptions and Limiting Conditions	89
Qualifications of Appraisers	91

LIST OF EXHIBITS

Exhibit 1 - Parcel Map Locating Subject Property	9
Exhibit 2 - Map of Downtown Census Tracts.	14
Exhibit 3 - Population Characteristics - Tract 17	15
Exhibit 4 - Housing Characteristics - Tract 17	16
Exhibit 5 - Survey of Downtown Apartment Rents - 1991-92	21
Exhibit 6 - Summary of 1993 Downtown Apartment Rents	23
Exhibit 7 - Site Maps of Subject Property: Assessor & Survey	32
Exhibit 8 - Map of Direction of Downtown Traffic Flow.	36
Exhibit 9 - Summary of Comparable Sales Data	76
Exhibit 10 - Location of Comparable Sales	77

APPENDICES

Appendix A - Detailed Area and Neighborhood Analyses	93
Appendix B - Apartment Rent Comparable Data Sheets	102
Appendix C - Detailed Zoning Code Information.	117
Appendix D - Subject Property - Photographs, Floor Plan Sketch, and October 1991 Rent Schedule	125
Appendix E - Boeckh Building Cost Calculations	133
Appendix F - Comparable Sales - Data Sheets & Photographs	136
Appendix G - Interviews with Local Real Estate Professionals	156

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Identification: Harry N. Loeb Property
205 South Hamilton Street
Madison, Wisconsin

Purpose of Appraisal: Estimate the fair market value of the fee simple interest in the above property.

Property Rights Appraised: Fee simple interest in real property and any personal property which is normally included in apartment property transactions.

Use of Appraisal: Determine amount of compensation due to titled property owner as of the effective date of the appraisal for the property rights acquired by Dane County for the construction of the Dane County Jail.

Effective Date of Value Estimate: July 31, 1992. This is a retroactive value estimate.

Date of Report: May 31, 1993

Building Description: Wood frame two story structure built in 1899, according to assessment records, as a single family home and reportedly converted to apartments in the 1940s. The building consists of two full stories, a partially finished attic and a full basement. The foundation is built of field-stone and the wood exterior is covered by aluminum siding. There are a total of seven living units: two one-bedroom apartments and one studio apartment on each of the first and second floors, and a one bedroom apartment in the attic.

Size of Improvements: As measured by the appraisers, the gross building area, including the basement, is approximately 5,292 square feet. Excluding the basement, the gross finished building area is approximately 3,710 square feet. The net living area is approximately 2,524 square feet. According to the assessment records, the gross finished area of the subject is 4,002 square feet.

Site Description: According to City of Madison assessment records, the triangular-shaped parcel has

SUMMARY OF SALIENT FACTS AND CONCLUSIONS (Continued)

155 feet of frontage along South Hamilton Street with an altitude of 116.5 feet and a base of 102.5 feet which equates to 5,971 square feet, although the same assessment records allocate 5,832 square feet to the site. The site improvements include an asphalt parking area for five cars and a lawn area surrounding the improvements.

Zoning:

The property is located within the C2, General Commercial zoning district. The current use is considered a ^{conditional} legal non-conforming use within this zoning classification. The subject property is located within the Downtown Fire District, but outside of the Capitol Fire Limits.

Real Estate Assessment:

The 1991 and 1992 real estate assessments, as of January 1, were as follows:

Land	\$ 60,000
Improvements	<u>\$100,000</u>
	\$160,000

Real Estate Taxes:

1991 real estate taxes, payable in 1992, were \$5,336.11. ^{762.30/unit}

Utilities:

The subject site is improved with all typical utilities.

Easements:

No apparent adverse easements.

Flood Plain:

According to City of Madison records, the subject property is not located in a flood plain.

Occupancy as of 7/31/92:

As of this date, it is assumed that all seven units were occupied. As of October, 1991, six of the seven units were occupied.

Rental Structure:

The seven apartment units range in net living area from a 194 square foot studio apartment to a 460 square foot first floor one bedroom apartment and a 508 square foot one bedroom apartment in the attic. As of October, 1991, contract rents ranged from \$250 to \$400 per month.

SUMMARY OF SALIENT FACTS AND CONCLUSIONS (Continued)

Highest and Best Use as of 7/31/92:	Continue existing use as an apartment building.
--	--

Indicated Value Via The Sales Comparison Approach:	\$170,000
---	-----------

Indicated Value Via The Income Capitalization Approach:	\$167,000
---	-----------

Final Value Estimate as of 7/31/92:	\$170,000
--	-----------

SCOPE OF THE APPRAISAL

An appraisal involves a comprehensive program of research and analysis in the application of the valuation process to the subject property. General steps in the valuation process include:

1. Definition of the valuation problem.
2. Preliminary analysis, and data selection and collection.
3. Highest and best use analysis.
4. Land valuation - land as if vacant (if applicable)
5. Application of valuation methodologies.
6. Reconciliation of value indications and rendering of a final value estimate
7. Reporting of analysis and estimated value.

Specific research and analysis completed as a part of this appraisal include the following:

1. As of May 5, 1992, the appraisers reviewed the Perion and Associates, Inc. appraisal of the subject property dated October 16, 1991 (the "Perion Appraisal"). The appraisers inspected the property on November 3, 1992, in the event a second appraisal was required. The description of the site and improvements is from both the appraisers' site inspection, as well as descriptive information contained within the Perion Appraisal. Due to the Dane County Jail Site demolition proceedings which took place subsequently, the improvements did not exist as of the 1993 date of this report.
2. Original blueprints of the improvements were not provided.
3. Regional and city descriptions are based on information assembled from various sources and contained in the files of Landmark Research, Inc. and Realty Advisors, Inc. The description and analysis of the neighborhood and the relevant office and apartment market areas are based on a physical inspection of the area and interviews with professionals such as city officials, area property managers, local developers and investors, real estate brokers.

4. In estimating the value of the subject property, we considered the applicability of the Cost Approach, Sales Comparison Approach, and Income Capitalization Approach to the subject property. A description and definition of each of the valuation approaches is presented in the Valuation section of this report.
5. As part of the valuation process, we collected and analyzed market data. The data sources used include files maintained at the office of Landmark Research and Realty Advisors, Inc., published sources, interviews with assessors, assessment files on the subject property and comparable sale properties, and discussions with area property owners and managers, principals involved in sales transactions, city officials, mortgage brokers and others.
6. We reconciled the final value estimate(s) after analyzing the results of the valuation approaches discussed above, as applicable, with consideration given to the quality of data and reliability of each approach as it relates to the subject property.

Current appraisal standards, as set forth in the Uniform Standards of Professional Appraisal Practice ("USPAP") and the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute require appraisers to have the knowledge and experience to complete an assignment competently. Alternatively, an appraiser is required to disclose the lack of knowledge and/or experience to the client before accepting the assignment. In addition, the appraiser must take all steps necessary or appropriate to complete the assignment competently, and describe in the report the lack of knowledge and/or experience and the steps taken to complete the assignment competently.

The appraisers of the subject property have extensive experience in appraising and analyzing office and apartment properties and, therefore, meet the competency provision of USPAP as required by the Appraisal Institute and the State of Wisconsin Certification and Licensing Regulations.

PURPOSE OF APPRAISAL

The purpose of this appraisal is to estimate the fair market value of the fee simple interest in the subject property as of July 31, 1992. This is a retroactive value estimate.

DEFINITION OF MARKET VALUE

The term Market Value, as used in this report, is the definition established under the Financial Institutions Reform, Recovery and Endorsement Act of 1989 (FIRREA). This definition of market value is:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well-informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹

¹ Federal Register, vol. 55, no. 163, August 22, 1990, pages 34228 and 34229; also quoted in the introduction to the Standards of Professional Appraisal Practice of the Appraisal Institute.

This definition is held by the Appraisal Institute to be compatible with the commonly used definition published in The Dictionary of Real Estate Appraisal (second edition).

Market value is a statement of probable price under the conditions presumed by the definition as stated. One of conditions of the value conclusion contained in this appraisal definition is that the probable price would be obtainable after reasonable exposure presumed to be one year or less. Further, the period of market exposure is assumed to have already occurred prior to the effective date of this report. If the subject property would require a marketing time of greater than one year, this must be addressed and factored into the valuation analysis.

PROPERTY RIGHTS APPRAISED

The opinion of fair market value expressed in this report is the value of the fee simple estate. "The fee simple estate is an absolute ownership unencumbered by any other interest for the estate, subject only to the four powers of government. The four powers of government include eminent domain, taxation, police power, and escheat."²

Included in the estimate of value will be the personal property such as stoves and refrigerators which normally are included in the sale of multi-family residential properties. In this case, the refrigerators and stoves are obsolete and at the end of their economic lives.

² The American Institute of Real Estate Appraisers, The Dictionary of Real Estate, Second Edition.

USE OF THE APPRAISAL

This appraisal is to assist in the determination of the amount of compensation due to the titled property owner as of July 31, 1992 for the property or rights subsequently acquired by Dane County under the provisions of the Wisconsin Statutes for condemnation proceedings involved in the construction of the Dane County Jail.

IDENTIFICATION OF THE PROPERTY

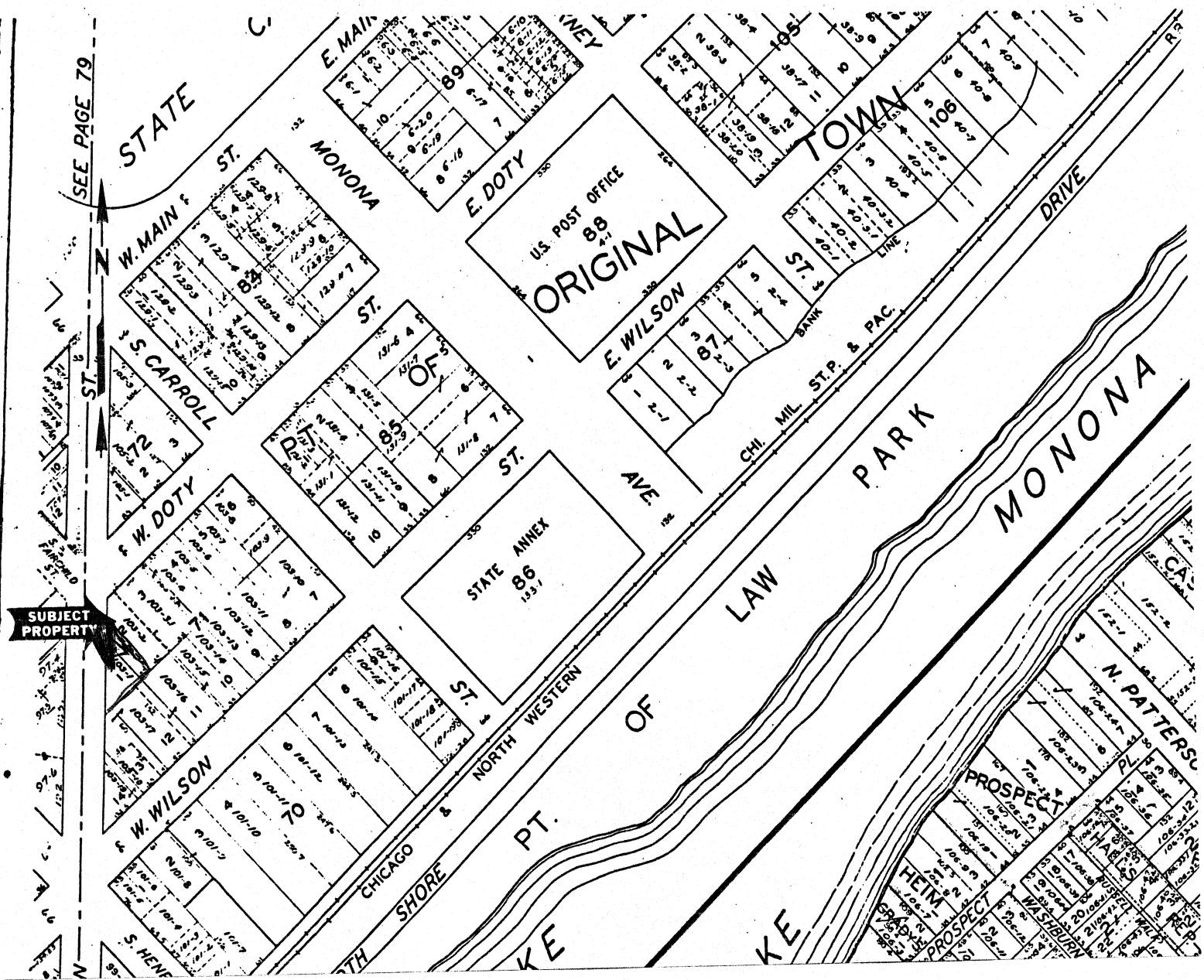
The property being appraised is referred to as the Loeb Property which consists of a two story building with a full basement and a partially finished attic. The apartment building, which was originally constructed as a single family home in 1899, is of wood frame construction with a field-stone foundation, an aluminum siding veneer, and an asphalt shingled roof. The building has an estimated gross living area of 3,710 square feet, as measured by the appraisers. The property is situated on a triangular-shaped 5,971 square foot (more or less) parcel located along South Hamilton Street, just southwest of Doty Street. The property is approximately one block southwest of The Capitol Square. A plat map identifying the subject site is found in **Exhibit 1**.

The property's address is 205 South Hamilton Street, and it is referenced by Tax Parcel Number 0709-242-1007-7. The legal description of the property is as follows:

Lot 1 and the southwest 22' of Lot 2, Block 71, original plat of the City of Madison, Dane County, Wisconsin.

Copyright 1964

EXHIBIT 1
LOCATION OF SUBJECT PROPERTY ON PLAT MAP



HISTORY OF THE PROPERTY

According to Madison assessment records Harry Loeb purchased the property on land contract in February, 1967 and fulfilled the land contract on February 8, 1971. The warranty deed is reported to be recorded in Vol. 227, Page 489 in office of the Dane County Register of Deeds. According to the Perion Appraisal, Mr. Loeb indicated that the property's use as an apartment building dated back to the 1940's.

AREA AND NEIGHBORHOOD ANALYSES SUMMARY

The two main objectives of the area and neighborhood analyses are: 1) to acquaint the reader with both the attributes of the general and local area, and 2) to analyze the general and local data related to the four forces -- social (demographics), economic, government, and environmental -- which influence property values. This analysis will provide the basis for the value conclusions reached later in this report.

Although the client, the Dane County Corporate Counsel, is familiar with the Madison area, current appraisal standards require assignments not be so limited in scope that the resulting appraisal would be misleading or confusing to the client, users of the report, or the public. Further, appraisals need to contain sufficient information to enable those relying on the report to understand it properly.

For the reader less familiar to the area, the more detailed information is found in **Appendix A** and the main points of the area and neighborhood analysis are summarized below.

AREA ANALYSIS SUMMARY

- Dane County and the City of Madison have experienced population increases of 13.5 percent and 12.1 percent, respectively, from 1980 to 1990, and the population is

projected to continue increasing in the future. The highest concentration of the population is in the 18 to 44 year age group. Although Madison area's employment is concentrated primarily within the government and education sectors, there are also large private service and manufacturing employers. This has resulted in the stability of the area's unemployment figures, which are lower than the national averages. The Madison area typically has the lowest unemployment rate in the state with only 2.1 percent of the work force unemployed in 1993.

- Government forces help foster an environment which is generally desirable as a residential and/or a commercial location in Madison.
- The Madison area is well served by transportation systems, utilities and educational institutions. The area's quality of life is enhanced by its proximity to area lakes, parks, and several cultural opportunities.

NEIGHBORHOOD ANALYSIS SUMMARY

- The subject property is a part of the neighborhood known as the Capitol Square, or simply the Square, which is the heart of downtown Madison.
- The Square was regarded as Madison's primary retail district 25 - 30 years ago, but this use is almost extinct and now the Square has the highest concentration of office development in the city and region with an inventory of approximately 3.8 million square feet.
- The primary types of office uses that remain in the downtown area include government, uses that are related to government (e.g., lobbyists, attorneys, trade groups, etc.), financial institutions, and tenants involved in the investment services industry (e.g., real estate professionals, stock brokers, and investment advisors).
- The downtown Square area also has a sizable residential component. The demand for apartment units in the downtown apartment market has continued to be strong for students, downtown employees, and some retired persons. Vacancy in the area for both the older and the newer apartments have been minimal. As more tenants seek privacy, there has been a shift in demand to smaller single or double occupancy apartments.
- Although a decrease in U.W. enrollment is occurring, the only units experiencing some vacancy are those on

the far east side of the isthmus and larger, poorly maintained units in the downtown area. Shared apartments are less popular. Some concessions are reported to have been offered to newer, more expensive student housing near the campus.

- Typically only the area on the outer-ring of the Square has a residential orientation; however, Jerome Mullins has assembled a large portion of the East Mifflin Street block across the street from the Capitol Building and is reportedly planning to develop a luxury condominium project on the site. Although the project has been under consideration for several years, there is no evidence of imminent construction.
- The Square neighborhood is basically 100% built up, with only a few vacant sites available for development. This means that any sort of major development in the area would need to involve land assemblage and the demolition of existing buildings.
- One of the major factors associated with the Square neighborhood is its "unfriendliness" to the automobile. Traffic circulation through and around the Square neighborhood is difficult at best. Past city planning policies intentionally made automobile circulation and parking more difficult in the Square neighborhood in order to discourage the use of the automobile downtown. Traffic counts around the inner and outer rings of the Square from 1982/1983 to 1991 had remained virtually the same over those time periods. oops -
margins
- In addition, parking in the neighborhood of the Square is difficult, given the lack of on-street parking and high demand placed on parking facilities by virtue of the high concentration of office space. The State of Wisconsin, which is a major office user in this area, tends to build or own major buildings without meeting Class A office market standards for on site parking. Also many Class B and C office buildings have no on-site parking.

APARTMENT MARKET ANALYSIS

Population Data and Housing Characteristics

1990 Census data provides information about potential customers for the subject property such as the number of persons residing in the area, their ages, their preference to own or to rent housing, number of persons per household, rate of change in population, and the number of families

with children. Census data also indicates the age and value of the current housing stock.

The Loeb Property is located within Census Tract 17 which extends from Broom Street on southwest to Blair Street on the northeast, and from Lake Monona on the southeast to the edge of Tract 16.01 and Lake Mendota on the northwest as shown in **Exhibit 2**. Relevant characteristics of this census tract are presented as **Exhibits 3 and 4**. In addition, our market research included interviews with area apartment managers, owners, city officials, and real estate brokers to understand the profile of the tenant attracted to the downtown area.

Population characteristics for the subject Census Tract 17 are summarized in **Exhibit 3**. The total population for the census tract represents 3.1% of the City of Madison's total population for 1990. The median age of 25.7 years is reflective of this area's younger population. **Exhibit 3** also notes that almost half (46.6%) of the population in the tract is between 18 to 24 years of age. In addition, over 80% (81.4%) of the population is between 18 and 44 years of age.

The next most significant group represented would be classified as retirees or persons 65 years of age or older, who comprise 11.3% of the tract's population.

Given the boundaries of the tract, which includes some of the denser student housing districts oriented to the University of Wisconsin, this younger population would be expected. In addition, younger professionals working downtown or wishing to maintain in closer proximity to downtown Madison's urban amenities also characterize this census tract.

There is obviously a very limited family orientation in the tract, with only 1% of the tract's population classified as children or persons under 17 years of age.

City of Madison Census Tracts

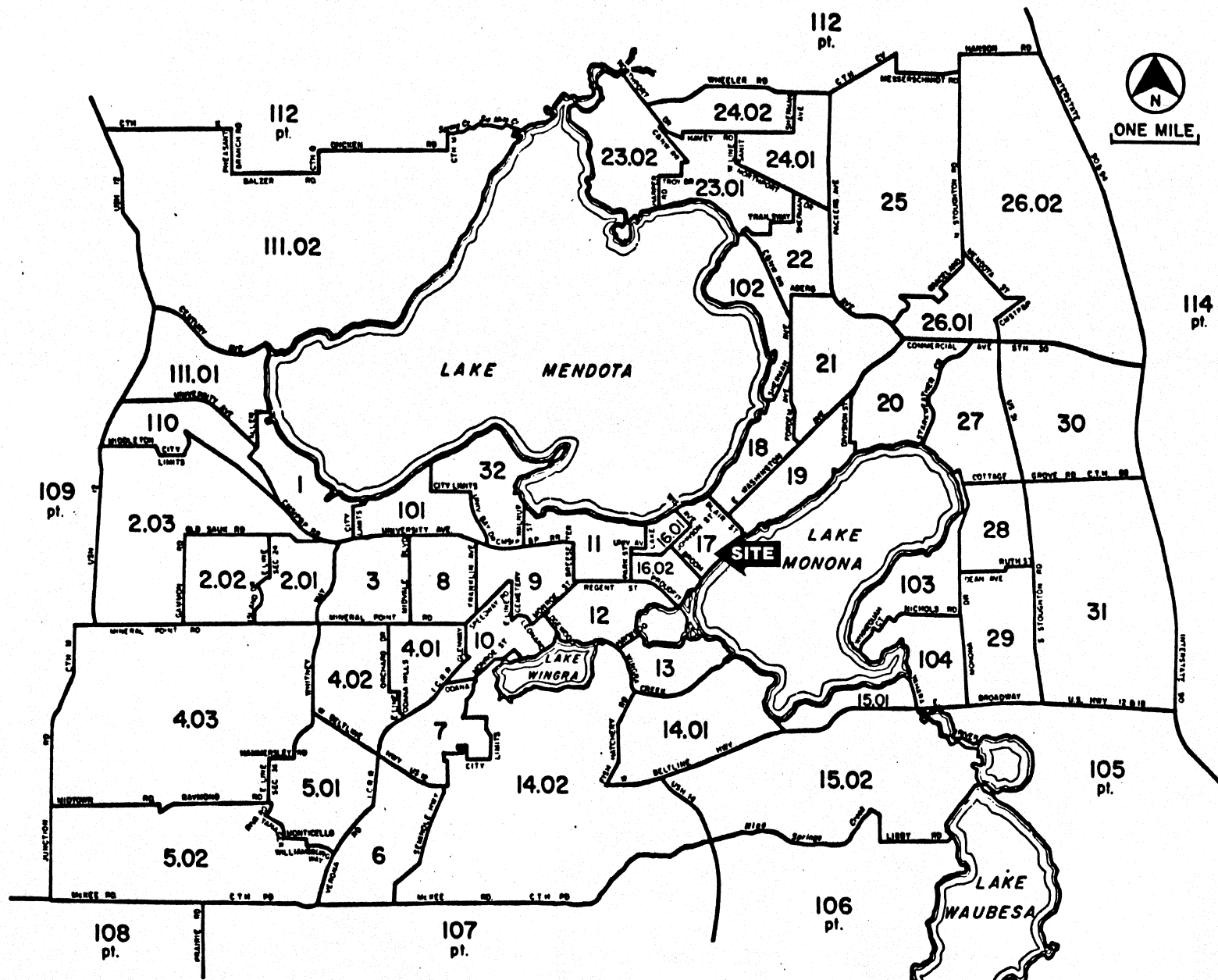


EXHIBIT 2

MAP OF CENSUS TRACTS
Note Census Tract 17

EXHIBIT 3

Population Characteristics Census Tract 17 1990 Census

	<u>Number</u>	<u>Percent</u>
Total Population		
0 - 4 Years	35	0.6%
5 - 17 Years	23	0.4%
18 - 24 Years	2,787	46.6%
25 - 44 Years	2,088	34.9%
45 - 64 Years	370	6.2%
65 Years and Over	673	11.3%
Median Age - Census Tract 17	25.7 Years	
Median Age - City of Madison	. Years	
Median Age - Dane County	. Years	
1990 Population, Dane County	367,085	
1980 Population, Dane County	323,545	
Population Change between 1980-1990	43,540	+13.46%
1990 Population, City of Madison	191,262	
1980 Population, City of Madison	170,616	
Population Change between 1980-1990	20,646	+12.10%
1990 Population, Census Tract 17	5,976	
1980 Population, Census Tract 17	4,552	
Population Change between 1980-1990	1,424	+31.28%

Tenure by Age of Householder

<u>AGE</u>	<u>Number</u>	<u>Percent</u>
15 - 24 Years	1,252	39.9%
25 - 34 Years	779	24.8%
35 - 44 Years	382	12.2%
45 - 54 Years	173	5.5%
55 - 64 Years	114	3.6%
65 - 74 Years	134	4.3%
74 Years and Over	306	9.7%

Housing Characteristics
Census Tract 17
1990 Census

	<u>Number</u>	<u>Percent</u>
Total Households		
1 Person	1,933	61.6%
2 Person	766	24.4%
3 Person	245	7.8%
4 Person	119	3.8%
5 Person	67	2.1%
6 or More Person	10	0.3%
1990 Housing Units (100% Count of Units)	3,301	100.0%
Occupied Units	3,140	95.1%
Owner Occupied	117	3.5%
Renter Occupied	3,023	91.6%
Vacant Units	161	4.9%
<u>Gross Rent/Cash Rent (Cash Rent)</u>	<u>Number</u>	<u>Percent</u>
\$ 0 - \$ 99	0	0.8%
100 - 199	23	9.5%
200 - 299	111	12.3%
300 - 399	195	28.1%
400 - 499	92	16.5%
500 - 599	32	7.9%
600 - 699	10	7.1%
700 - 999	403	13.3%
1000 and Up	110	3.6%
No Cash Rent	24	0.8%
Median Gross Rent	\$ 396	
Renter Occupant Household Size		
Average Household Size	1.6 Persons	
Median Value, Owner Occupied Units	\$67,900	
Median Year Built - All Housing Units	1942	

Exhibit 3 also reflects the relative growth rates, with comparisons shown between the growth rate of the tract as opposed to the growth rate experienced by both the City of Madison and Dane County between 1980 and 1990. The subject census tract experienced a 31 percent growth rate in those ten years compared to the 13.5 percent and 12.1 percent growth rates for Dane County and the City of Madison, respectively. Since Dane County was the fastest-growing county in the State of Wisconsin between 1980 and 1990, the rate of growth in the subject census tract would appear high for not only the Madison area, but for the entire State of Wisconsin as well. It is our opinion that this rate of growth reflects, among other factors, the development of new high-rise and mid-rise apartment projects in the downtown Madison area which has enabled more young professionals and retirees to stay or to return to the central city.

Exhibit 4 presents a summary of housing characteristics for Census Tract 17. This exhibit emphasizes the rental orientation of the area; 91.6% of occupied housing units within Census Tract 17 are renter occupied. The average household size in the district is small, with the average household size of renter occupied households at 1.6 persons. This may reflect a bias toward units with fewer bedrooms per apartment and the small number of families with children in the area.

The housing stock in the area tends to be older, with the median year in which housing units were built estimated to be 1942. While not shown on the exhibit, census information further indicates that almost half (48.7%) of housing units in Census Tract 17 were built before 1940.

Owner occupied housing in the tract has a mean or average value of approximately \$70,000. Owner occupied housing in the neighborhood tends to be mid-priced. Notice that 100% of the owner occupied housing units

within Census Tract 17 have values that fall within a range of \$50,000 to \$100,000 per the census data.

Summary of Recent Downtown Apartment Developments

A mix a new rental housing and condominium units, especially attractive to younger people employed in the downtown area, has been developed over the past few years in the downtown area. The majority of these units offer many more amenities and are priced substantially higher than the subject property; it is unlikely they will be competitive with the subject property.

1. 321 WISCONSIN AVENUE

In 1988, three blocks northwest of the Capitol Square, 12 new apartments were built. The 10 two-bedroom units are a little over 1,000 square feet, and in 1992 rents ranged from \$795/month to \$830/month with the tenant paying heat and electricity. The single one-bedroom unit with 720 square feet rented in 1992 for \$600/month and the single three-bedroom unit with 1,200 square feet rented for \$1,070. The majority of the residents are students.

2. HAMILTON POINT

In 1989, at 323 South Hamilton, a 33 unit project known as Hamilton Point was constructed. The mix of 18 one-bedrooms, 15 two-bedrooms ranged in size from 682 to 1,300 square feet with rents from \$575 to \$995 with per square foot rents from \$0.89/SF for the smaller units to \$0.71/SF for the larger units. The majority of the residents are downtown and University of Wisconsin employees. A number of the units are set aside for low-income residents and have lower than market rents.

3. CANAL PLACE, DOTY ROWHOUSES, AND HANCOCK COURT

Todd McGrath has been an active developer of downtown condominium projects. In 1984-85 Canal Place on South Franklin all 11 units sold within six months; in 1992 the Doty Rowhouse project with six units located on West Doty has sold five units as of May 1993; and the newest project, Hancock Court with 11 new units and 4 rehabilitate units, is currently under construction with seven units already sold. These units compete with the newer, upper-end rental projects.

4. 404 EAST - City Apartment Homes

In 1992 Prentice Prairie Development Corporation completed a new 15 unit apartment project at 404-406 E. Wilson with a mix of four small studio units with 380 square feet, six one-bedroom units including lofts with 550 to 650 square feet, four two-bedroom units with from 765 to 881 square feet and one large two-bedroom unit with 1,140 square feet. In the early spring of 1992 it was expected the studios would rent for about \$375-\$395, the one-bedroom units about \$600-\$650,

the two-bedrooms from \$680 to \$875 depending upon view, and the large unit at \$1,100/month. Rents per square foot were expected at that time to range from approximately \$0.98 to \$1.07/SF for new construction with enclosed parking at \$50/month. Heat and electricity is paid by the tenant.

5. 641 WEST MAIN STREET APARTMENTS

In 1992-93 Madison Mutual Housing completed construction of 60 multi-family housing units on the corner of West Main and Proudfit located in Census Tract 16.02. (See **Exhibit 2** to see the location of Tract 16.02). This project is financed, in part, by Heartland Properties under the low income tax-credit program and, therefore, is targeted to low and moderate income households.

Occupancy Trends

As described previously, 1990 Census data indicates that 91.6 percent of the occupied housing units in Census Tract 17 (bordered by Blair Street and Broom Street) are rental units. The majority of the tenants are younger persons employed by the City, County or State which includes the University of Wisconsin-Madison, students (especially graduate students), professionals, and others who are employed in the downtown area. There has been a slight shift of tenancy in the area between Bedford and Broom Streets south of West Washington. Some of these lower rent, older units are now occupied by low income families with children. On the far east side of the Square there has been a trend of converting two and three flat apartments back into single family homes.

The downtown housing market continues to be stable and/or slightly improving according to many apartment owners and managers interviewed. Occupancy continues to remain at 100 percent for well maintained rental units. This steady occupancy has enabled landlords to increase rents from 3 to 5 percent annually.

Over time, there has been a shift from the larger units, often occupied by unrelated persons, to smaller units which provide more privacy for the tenant.

1992 Rental Ranges

The results of a downtown apartment rent study completed by Landmark Research, Inc. in late 1991 and early 1992 are summarized in **Exhibit 5**. Rents are adjusted, based upon the assumption the landlord pays the heat, water and sewer, and the tenant pays the electricity. To represents market rents as of July 31, 1992, the 1991-92 rents should be increased about four percent to be representative of market rents as of July 31, 1992.

While appraisers prefer precise units of comparison, such as rent/SF/month or price/SF, the Madison apartment market generally does not rent or buy by the square foot. In older buildings, especially, apartment sizes are owner's/manager's "best guesses". Therefore, sizes may be averages and rents per square foot may be reported in ranges and are a check on the reasonableness of contract rents and/or sale prices.

As shown in **Exhibit 5**, efficiencies located at 111 West Wilson Street and at 222 South Carroll Street in the downtown area with 378 to 450 square feet rented for \$330 to \$350/month including heat in late 1991 and early 1992. Smaller one-bedroom units in older structures ranging in size from 540 square feet to 785 square feet were renting from \$425/month to \$525/month; all but the Cardinal Apartments (\$430 for 540 square feet) included heat in the rent. On a per square foot basis, rents for small to average size one bedroom units in older structures ranged from \$0.71/square foot to \$0.82/square foot, assuming the landlord pays heat.

In a later survey completed by Landmark Research Inc. in December, 1992, apartment owners and managers were interviewed to update our files regarding the downtown apartment market, including rental rates, occupancy rates, and apartment buyer pricing behavior.

When asked to apply 1992 market rents to the subject property, it was

DOWNTOWN MADISON RENTAL MARKET - FALL 1991 THROUGH WINTER 1992
 ASSUMPTIONS: TENANT PAYS ELECTRICITY AND PARKING
 LANDLORD PAYS HEAT, SEWER AND WATER

EXHIBIT 5

SELECTED DOWNTOWN APARTMENT DEVELOPMENTS

PROJECT NAME	Effic	AVERAGE SIZE		Effic	AVERAGE MARKET RENT		RENT [1] INCLUDES	ADJUSTED TO INCLUDE HEAT WATER AND SEWER MARKET RENT			AVERAGE ADJUSTED MARKET RENT PER SF PER MONTH		
		One Bd	Two Bd		One Bd	Two Bd		Effic	One Bd	Two Bd	Effic	One Bd	Two Bd
CARDINAL APARTMENTS 416 East Wilson St. 21 Units - 1909 & 1985	N/A	540 SF	760 SF 850 SF	N/A	\$430	\$523 \$560	Water & Sewer	N/A	\$445	\$543 \$580	N/A	\$0.82	\$0.71 \$0.68
BELLVUE APARTMENTS 29 East Wilson St. 36 Units - 1914	N/A	600 SF 1,000 SF	N/A	N/A	\$425 \$500	N/A	Water & Sewer & Heat	N/A	\$425 \$500	N/A	N/A	\$0.71 \$0.50	N/A
CAPITOL CENTRE 344 West Dayton St. 150 Units - 1981	N/A	535 SF 725 SF w/ den	850 SF	N/A	\$525 \$630 w/ den	\$700	Water & Sewer	N/A	\$540 \$645 w/ den	\$720	N/A	\$1.01 \$0.89 w/ den	\$0.85
321 WISCONSIN AVENUE 12 Units - 1988	N/A	720 SF	1,050 SF	N/A	\$600	\$800	Water & Sewer	N/A	\$615	\$820	N/A	\$0.85	\$0.78
HAMILTON POINT 323 South Hamilton St. 33 Units - 1989	N/A	682 SF	1,100 SF	N/A	\$600	\$790	Water & Sewer Parking @ \$40/mo	N/A	\$575	\$770	N/A	\$0.84	\$0.70
BASKERVILLE APTS 121 South Hamilton St. 24 Units - 1913 & 1986	340 SF	450 SF 600 SF	N/A	\$410	\$430 \$465	N/A	Heat	\$422	\$442 \$477	N/A	\$1.24	\$0.98 \$0.80	N/A
TOWNHOUSE APARTMENTS 111 West Wilson St. 60 Units - 1958	450 SF	785 SF	1,200 SF	\$350	\$500	\$700	Water & Sewer Heat	\$350	\$500	\$700	\$0.78	\$0.64	\$0.58
CARPENTER APARTMENTS 222 South Carroll St. 38 Units - 1940	378 SF	585 SF	N/A	\$330	\$410	N/A	Water & Sewer Heat	\$330	\$410	N/A	\$0.87	\$0.70	N/A
LOUGEE HOUSE 620 Ingersoll St. 9 Units - 1908 & 1980s	400 SF	700 SF	N/A	\$357	\$530	N/A	Water & Sewer	\$367	\$545	N/A	\$0.92	\$0.78	N/A

[1] Rent adjustments are estimated at: Heat = \$10/mo. for efficiency, \$15/mo. for 1 bdrm, and \$20/mo. for 2 bdrm. and extra large 1 bdrm.
 Parking = \$40/mo. Water and Sewer = \$12/mo.

SUMMARY OF DOWNTOWN APARTMENT RENT SURVEY

EXHIBIT 5

suggested the appropriate market rent for a very small studio apartment (200 SF, more or less) was from \$250/month to \$275/month with a resulting rent/square foot ranging from approximately \$1.15 to \$1.30/square foot. Smaller units will have the highest rental rate per square foot. In the downtown Madison market, studios or efficiencies are usually larger than 200 square foot and the price per square foot is usually closer to \$1.00/SF. Market rent for a small one-bedroom apartment (approximately 450 to 500 SF) is in the \$400 to \$500/month or \$0.90/SF to \$1.00/SF, depending upon the location, amenities, and responsibility for utilities. Those interviewed indicated the subject property would receive a premium due to its proximity to the Capitol Square.

This conclusion is supported by a review of 1992 asking rents obtained from the University of Wisconsin-Madison Campus Assistance office.

Based on the 1992 Campus Assistance listing of a sample of 29 one bedroom units in 23 converted older houses in downtown Madison, and 16 efficiency units in 10 such buildings, the following 1992 rental ranges were noted.

	<u>High</u>	<u>Low</u>	<u>Average</u>	<u>Plus/Minus</u>
One Bedrooms	\$580	\$265	\$409	\$76
Efficiencies	\$425	\$270	\$345	\$37

A listing of the asking rents for the ⁴⁵~~35~~ units is in **Appendix B**. The range of rental rates, shown above, are consistent with the market information reported by the real estate professionals interviewed in late 1992.

Approximately 50 percent of the units found in Campus Assistance listings were furnished, as would be expected, given the student target market for the 1992 Campus Assistance Center information. In most cases, the tenant pays for electricity and the landlord pays for heat. On-site monthly parking fees ranged from 25/stall to \$40/stall.

EXHIBIT 6
SUMMARY OF 1993 DOWNTOWN APARTMENT RENTS

SURVEY AND INSPECTION OF 1993 APARTMENT RENTALS

H=HEAT, E=ELECTRICITY, F=FURNISHED, P=PARKING

ADDRESS	UNIT TYPE	MONTHLY RENT	RELATIVE SIZE	INCLUDED IN RENT			
				H	E	F	P/Mo.
#1 147 W. Wilson	Eff 1 Bdrm	\$365 \$435	Average Average	Y Y	N N	N N	\$35 \$35
#2 308 W. Wilson	Eff	\$420	Large +	Y	Y	N	\$25
#3 312 W. Wilson	Eff	\$480	Large ++ Like 1-Bdrm	Y	Y	N	\$25
#4 326 W. Wilson	1 Bdrm	\$475	Large +	Y	N	N	\$25
#5 332 W. Wilson	Eff 1 Bdrm	\$350 \$396	Average Very small	Y Y	N N	Y Y	\$40 \$40
#6 507 W. Wilson	Eff 1 Bdrm	\$400 \$535	400 SF 650 SF	N N	N N	N N	\$30 \$30
#7 522 W. Wilson	Eff	\$370-390	Average	Y	N	N	\$30
#8 349/351 W. Doty	1 Bdrm	\$425	Large Small Kitch	Y	Y	N	\$25
#9 525 W. Doty	Eff	\$372-391 Newer units	Average	Y	N	Y	\$40
#10 444 W. Main	1 Bdrm	\$399-\$413	Very small	Y	N	Y	\$40
#11 15 N. Hancock	Eff 1 Bdrm	\$313-413 \$385	Ave.Size 449 SF	N	N	N	\$35
#12 115 S. Hancock	Eff 1 Bdrm	\$405 \$460	500 SF N/A	Y Y	N N	N N	\$40 \$40

While the above rental information provides general background data, the usefulness of this information is limited. The sizes of these units, condition, amenities, etc. are not known.

To better understand the relationship between asking rents, unit types, and conditions in the Madison market, 12 apartments advertising units for rent were visited in May, 1993. A summary of this information is found on the preceding page in **Exhibit 6**. A photograph of each building on a data sheet for each unit is found in **Appendix B**.

There were no very small efficiencies in this group similar to the subject, but many of the one bedroom units were very small with rents within the general range of the subject property. The units described as "roomy", "very large", or "like a one bedroom unit" were asking the highest rents. Monthly parking rates for 1993 clustered around \$35 to \$40 per surface stall for tenants.

Unit sizes are frequently listed for larger apartment projects. Therefore, to refine our focus on the rent potential for the Loeb Property as of July 31, 1992, rents and unit sizes of two neighboring apartment buildings were reviewed. Rental data for the Baskerville Apartments, located at 121 S. Hamilton and for the Carpenter Apartments at 222 South Carroll is shown below. The data for both buildings was first gathered late in 1991 and then revisited in 1992 - 1993. We were given May, 1992 rents for the Baskerville; the Carpenter data was adjusted upward by four percent for inflation. The following 1992 data is as follows:

COMPARATIVE 1992 RENTS FROM NEIGHBORING APARTMENTS

<u>Project</u>	<u>Unit Mix</u>	<u>Unit Size</u> <u>Sq Ft</u>	<u>Average</u> <u>Rent</u>	<u>Rent</u> <u>Per Sq Ft</u> <u>Per Month</u>
Carpenter Apts ¹	25 Eff-1 BATH	378	\$330-345	\$.87-.91
222 N Carroll	13-1 BDRM/1 BATH	575-590	\$405-445 \$ 420	\$.70-.75
Baskerville Apts ²	1 Eff-1 BATH	340(est.)	\$410(est.)	\$1.20
121 S Hamilton	23-1 BDRM/1 BATH	450-600	\$430-465	\$.78-.97

With respect to the Baskerville, \$12 per month is added to the rent to adjust for the tenant paying for water and sewer, the indicated rent per square foot per month for the efficiency increases to \$1.24, with the indicated range in rents for the one bedrooms at \$0.80 to \$0.98.

- ¹ Tenant pays electric. Nine parking stalls, included in rent.
- ² Tenant pays electric plus \$12/Mo for water and sewer.

A third neighboring apartment building owned and operated by the Carpenters and located at 112 West Wilson was inspected in April, 1992 by the appraisers. This older converted home is a three flat with a one bedroom apartment on each of the three floors. The first and second floor units are approximately 850 square feet and rented for \$500 for the first floor and \$420 for the second floor unit. The available living area of the third floor unit is limited by dormers and rented for \$420 per month in 1992. The second floor tenant has been there for over 10 years and does her own refurbishing. Rents include heat, water, sewer, and tenants pay for electricity. As a practice, the owners have kept rents under market to achieve stabilized occupancy.

As reported by the owner, Harry Loeb, on October 14, 1991 in a letter to appraiser Frank Perion (Appendix D), the contract rents for the subject property, as of October, 1991 were as follows:

LOEB PROPERTY
October 1991

<u>APARTMENT</u>	<u>NO. BEDROOMS</u>	<u>CONTRACT RENT</u>	<u>RENT/SF</u>	<u>SF/UNIT</u>
A	1	\$350	\$0.76	460
B	1	\$385	\$0.97	398
C	Efficiency	\$250	\$1.29	194
D	1	\$400	\$1.01	405
E	1	\$385	\$1.04	370
F	Efficiency	\$250	\$1.32	189
G	1	\$385	\$0.75	508
		2405		

Based upon the market rental surveys referenced above, it would appear that, based upon the comparative smaller units, the rents as of October, 1991 for the subject property were close to prevailing market rates for the 1991-1992 rental season with the exception of apartments A and G. It is in the opinion of the appraisers, the 1991 market rent for apartment A should be increased to \$385 per month and apartment G should be at \$400 per month. An increase of four percent per year is considered appropriate to adjust the 1991 rents to July 31, 1992, the effective date of the appraisal.

The 1992 market rents for on-site surface parking for apartment tenants ranged from \$25 to \$40 per stall. Although parking at the subject property is tightly configured, the general shortage of parking downtown and 1992 market rates would indicate a rent of \$25 to \$30 per stall per month as of the date of this appraisal.

The adjusted market rents for the subject property will be calculated and included in the valuation section of this appraisal.

OFFICE MARKET ANALYSIS

The subject property is located in an area zoned C2, General Commercial District. Since office uses are permitted within this zoning classification, the possibility of converting the subject property into an office building must be considered.

The Area and Neighborhood Analyses section of this report points to the fact that Madison has a government and service based economy, and these sectors are major demand generators for office space. Downtown Madison is a center of government, finance, and education for Dane County, and south central Wisconsin. It is also the headquarters for State government.

Recent Construction

Since 1984, the following new office space (all Class A) has been added to the downtown inventory:

<u>NAME OF BUILDING</u>	<u>DATE BUILT</u>	<u>RENTABLE AREA</u>
Manchester Place	1987	101,400
One East Main	1987	89,000
44 East Mifflin	1990 (Addition)	40,000
State Dept. of Adm.	1992	160,000
M&I Bank-Foley Lardner	1994 (Planned)	107,000

Local real estate developers, sensitive to the downtown office market, have not subjected the supply to radical and unjustified new developments, so it has avoided the over-supply conditions that have plagued office markets nationally.

Role of State Government in Supply and Demand

It is obvious that the State of Wisconsin plays a major role in terms of creating demand for office space. Although the State tends to own its major buildings, a review of the State's leased office space indicates it continues to be a major tenant, especially in downtown Class B space.

A major factor that fuels the demand for office space (and apartment units) in downtown Madison is the continued growth of government activities. Office space is needed not only to accommodate expanded government, but also to accommodate those users who must interact with government agencies on a day-to-day basis.

The long lead time involved in State's office planning process to

build new offices generally means that by the time the planning process is completed, the State's needs have grown beyond what was originally planned. This means that the problem of the State leaving leased quarters in a mass exodus, and thereby skewing vacancy figures upward has been avoided.

Another factor affecting supply and demand is the complexity of developing a new downtown office building. Given the lack of vacant sites in downtown Madison, a developer would probably have to assemble a site large enough to accommodate a major office building. This difficulty is compounded by the comprehensive planning and review process required by the City of Madison and the very tight conditions in real estate debt and equity markets.

Finally, the high land costs, coupled with high construction costs, combine to produce development costs of a magnitude that makes projects infeasible at current market rents unless such projects receive some sort of subsidy. Such subsidies have been achieved in Madison via the use of tax incremental financing (TIF) and/or the use of development bonds for debt financing. All of the private sector developments that were mentioned earlier in this report section as additions to the supply of office space since 1984 involved the use of these subsidy vehicles to some degree.

Classification of Office Space

Based upon consumer preference and demand, a Class A building would need to have a lobby of some distinction, adequate elevator service, adequate on-site parking, good quality aesthetics, adequate HVAC with zone controls, and a distinctive location. Without on-site parking, elevators, and acceptable aesthetics, a building may become Class B, and the lack of even more of these critical attributes would place the office into the Class C category.

Downtown Parking Problem

The availability of parking is a critical factor in the Madison office market, especially in the downtown area. In general, most new major office buildings have their own parking ramps, or, at a minimum, adequate on-site surface parking. The City of Madison and Dane County have numerous public parking ramps in the downtown area, including a ramp located one block northwest of the subject. However, the high concentration of office uses makes the current supply of downtown parking inadequate.

Although the City of Madison and Dane County do have ramps in the downtown area, there is no specific provision to allocate this parking in proportion to the amount of office space occupied by government entities. The parking provided by the State for its buildings is far short of market standards for office buildings (they attempt to provide one stall per ten employees); this magnifies parking supply problems, given the volume of office space around the Square occupied by the State. Also, many Class B and C office buildings, as well as downtown retailers, have no on-site or designated parking for their tenants and customers.

While automobile circulation and parking are difficult around the Square, public transportation is good. The City of Madison is served by numerous bus routes, with many of them circulating through the Square neighborhood.

The development of suburban office parks with easier automobile access and free parking has led to an out-migration of office tenants that had no compelling reason to be downtown. Although new office development continues at the periphery of Madison, office space users requiring close interaction with downtown activity generators, such as government and financial institutions, still locate downtown.

Composition of Downtown Employment

In terms of downtown workday population, the 1980 Census indicated that just under 30,000 people worked in the central business district. At that time, almost 16,000 or approximately 53 percent of these people were office workers involved in professional or related services or government and public administration activities. Given the continued growth of government occupancy of office space and construction of new office space in the downtown area, it is assumed that the absolute number and percent of downtown employees with government related jobs has increased also. The rapid rate of population growth in Census Tract 17 over the past ten years lends support to this assumption.

Rental and Vacancy Rates

The vacancy rate for the Square office market for Class A office buildings is currently zero. Class A office rents range from \$16.00 to \$25.00 per square foot. Class B office rents range from \$9.00 to \$16.00 per square foot and the Class C rents range from \$7.00 to \$9.00 per square foot. According to a report published by a local broker, the overall vacancy in the downtown Madison office market for 1992 was reported to average eight percent. The same report indicates a nine percent vacancy in Class B space and a 23 percent vacancy in Class C space. For this broker's purposes, the class of space is determined by the gross lease rate. Class A = Over \$14.00/square foot; Class B = \$11.00/square foot to \$14.00/square foot, and Class C = Under \$11.00/square foot. In our opinion, more of the Class C space would better fit into the Class B category.

Conclusion

The Square neighborhood remains as Madison's premier office district. The high concentration of government uses downtown is expected to remain

intact over the long term. Therefore, the Square neighborhood should continue to provide a stable environment for office uses, especially for Class A and B office space, into the foreseeable future. The highest vacancy continues to be in Class C space.

SITE DESCRIPTION AND ANALYSIS

Site Size

The Loeb Property is situated on a triangular-shaped site that has an indicated area of approximately 5,971 square feet per City of Madison assessment records. The northeast property line is estimated to be 116.5 feet and the southeast property line is estimated to be 102.5 feet. These measurements would indicate that the site has approximately 155 feet of frontage along Hamilton Street which runs in a true north-south direction. The site drawing from the assessment file is found in **Exhibit 7**. Please note that the Perion Appraisal indicates that the site contains 5,513 square feet. The site was surveyed on September 23, 1955 for the First National Bank of Madison; the base and altitude are 106 feet each and the frontage on South Hamilton is shown as 149.9 feet. The surveyor's 1955 map of the site also is found in **Exhibit 7**. The resulting site area would be 5,618 square feet.

For the purposes of this appraisal, the larger site area of 5,971 square feet will be used.

Topography

The site's topography is relatively level with a downward slope toward Hamilton Street. The bordering parcel to the southeast is several feet below the grade of the subject and a retaining wall separates the two sites.

Stammine Rinsade, Inc.

EXHIBIT 7
SKETCH OF SUBJECT SITE
ASSESSOR'S MEASUREMENTS

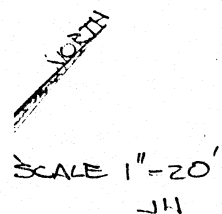


EXHIBIT 7 (Continued)
SURVEY OF SUBJECT SITE
1955 SURVEYOR'S MEASUREMENTS

State of Wisconsin } ss
County of Dane

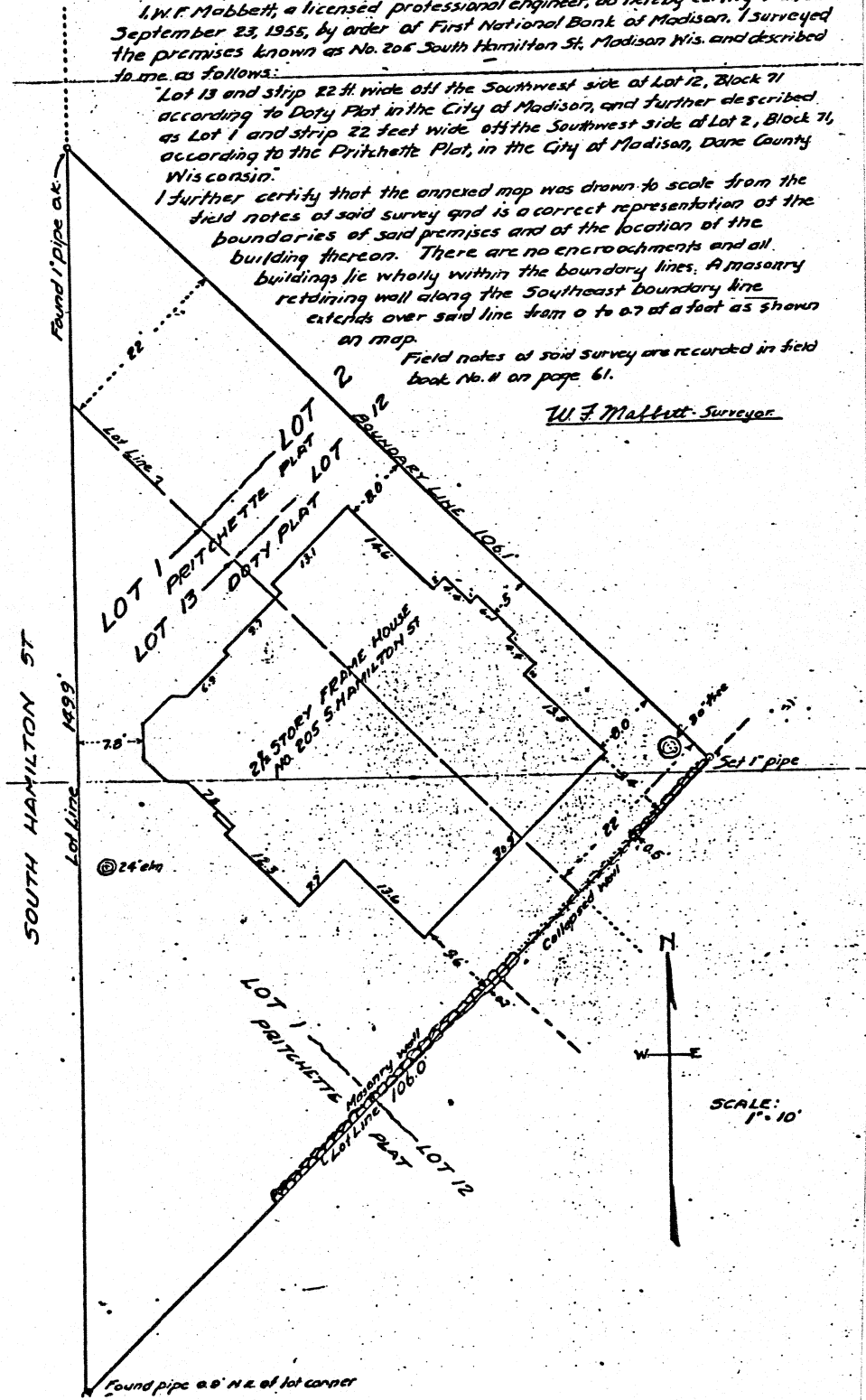
I, W. F. Mabbett, a licensed professional engineer, do hereby certify that, on September 23, 1955, by order of First National Bank of Madison, I surveyed the premises known as No. 205 South Hamilton St. Madison Wis. and described to me as follows:

Lot 13 and strip 22 ft. wide off the Southwest side of Lot 12, Block 71 according to Doty Plat in the City of Madison, and further described as Lot 1 and strip 22 feet wide off the Southwest side of Lot 2, Block 71, according to the Pritchette Plat, in the City of Madison, Dane County Wisconsin.

I further certify that the annexed map was drawn to scale from the field notes of said survey and is a correct representation of the boundaries of said premises and of the location of the building thereon. There are no encroachments and all buildings lie wholly within the boundary lines. A masonry retaining wall along the Southeast boundary line extends over said line from 0 to 0.7 of a foot as shown on map.

Field notes of said survey are recorded in field book No. 4 on page 61.

W. F. Mabbett, Surveyor.



Utility of the Site

The triangular shape of the site presents limitations in terms of its utility. There are a number of triangular sites in downtown Madison, which are created by the overlay of a radial street pattern on a grid pattern. These sites are often improved with triangular-shaped or so-called "flat iron" buildings. This type of building has floor plates that have the potential to offer less utility than more traditional rectangular floor plates. The remaining triangular site area is a small inefficient parking site which lacks maneuverability.

Soil Characteristics and Flood Plain Potential

According to the Dane County Soil Survey issued in 1978 by the United States Department of Agriculture Soil Conservation Service in cooperation with the University of Wisconsin Research Division of the College of Agricultural and Life Sciences, the soil at the subject site is described as McHenry silt loam, 6 to 12 percent slopes, eroded (Mdc2) with a depth to bedrock from 5-10 feet and a seasonal high water table of greater than 10 feet. Soil survey results are less accurate for an urban area that has been subjected to fill over the years compared to a more virgin rural area.

According to the City of Madison Zoning Department, the property is not located within a flood plain.

Availability of Utilities

The site is improved with the typical utilities and services which include municipal sewer and water, natural gas, electricity and telephone service.

Traffic Flow Around the Subject Site

The subject is located just southwest of the outside perimeter of the outer-ring of streets which direct traffic circulation around the Capitol

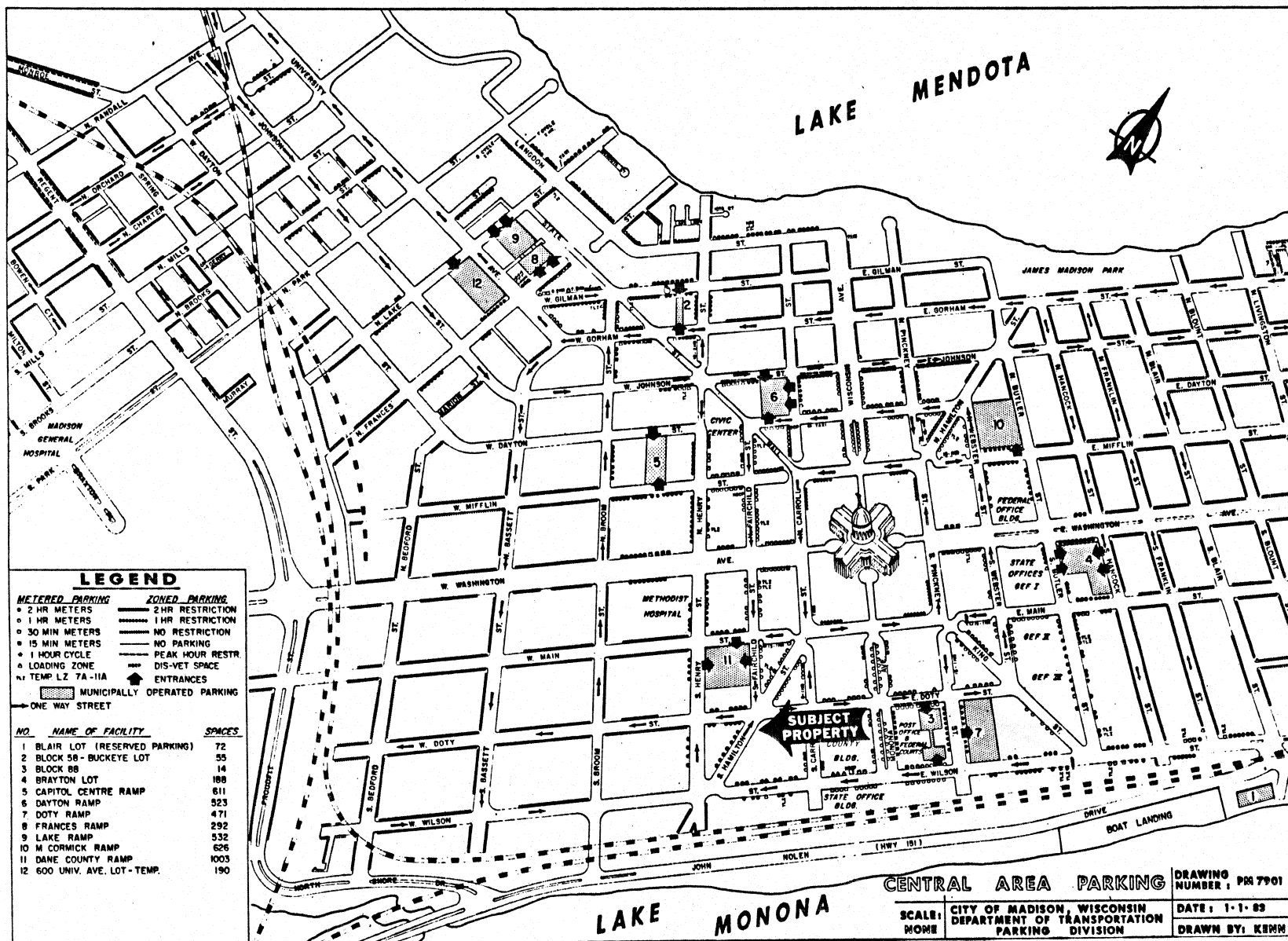
Square. The outer-ring is made up of a series of one-way streets with traffic flow directed in a counter clockwise pattern to promote circulation around the Capitol Square rather than onto the Square itself. In addition, most downtown Madison streets are one-way which sometimes makes automobile access circuitous. South Fairchild Street, which intersects with Doty Street just north of the subject, is a one-way street with four lanes (three through traffic, one parking) with traffic directed to the south. West Doty Street is also a one-way street, but it has a directional change at its intersection with South Fairchild Street. Doty Street is a one-way street for eastbound traffic to the east of South Fairchild Street, and it is a one-way street for westbound traffic to the west of South Fairchild Street. West Doty Street is a four lane street (two through traffic lanes and two parking lanes). South Hamilton Street is a one-way street for northbound traffic travelling to West Doty Street and it is a two way street between West Doty Street and the Square. Streets in the vicinity of the subject are paved with asphalt and have concrete curbs, gutters and sidewalks. (See Exhibit 8 for a street directional map in reference to the subject property).

1991 traffic counts conducted by the City of Madison indicate a traffic volume of 11,250 cars per day on South Fairchild Street in the vicinity of the subject. The traffic volume on West Doty Street is higher at 13,500 per day while the traffic volume on South Hamilton Street is estimated at only 4,650 cars per day along the subject's Hamilton Street frontage.

Conclusions

To conclude, the site's location in the downtown area just southwest of the Square is considered to positively effect its use. The site's frontage along Hamilton Street contributes favorably to its utility.

EXHIBIT 8
MAP SHOWING DIRECTION OF DOWNTOWN TRAFFIC FLOW



However, the site's triangular shape negatively impacts the functional utility of the parcel. Given the limited size and inefficient design of the remaining site that is available for parking, the ease of on-site parking is hampered. Other than the building and parking inefficiencies attributable to its shape, the site does not appear to be hampered by other physical attributes.

ZONING ANALYSIS

To determine the highest and best use of the subject property, the analyst must understand the zoning constraints that are applicable to the subject property and whether or not its current use is a legal, permitted use in terms of current zoning regulations. Also the analyst must understand the permitted uses and limitations on those uses allowed within the district to determine what, if any, alternative uses might be more appropriate for the subject property.

The subject is located within the C2, General Commercial district. This type of commercial zoning district is intended to provide commercial uses located in relative proximity to residential areas and major thoroughfares. Retailing uses as well as uses which furnish other types of services are permitted. Also permitted are all types of office uses. There are no limitations based only on the size of establishments within this district.

The details of the zoning code are found in **Appendix C**, with only a summary of the conclusions that affect the subject property listed below.

1. The subject property is considered a conditional use within this zoning district since buildings with five or more dwelling units, where the dwelling units occupy more than 50% of the total building floor area, are conditional uses in the C1 Zoning

District, and in turn, a permitted C1 use is also a permitted use in the C2 district.

2. Given the subject's site size of 5,971 square feet and current lot area requirements for residential development, only two dwelling units would be allowed to be constructed new on the site. (The site is subject to R-4 regulations which require 2,000 square feet per dwelling unit.) Without dwelling units, lot area requirements would not be an issue for office construction.
3. The minimum lot area requirement for residential use stated above, in addition to the open space requirement of 1,120 square feet, further reinforces that the subject is a legal non-conforming use. Open space requirements would not be development on the site. *sb. conditional use -* office
4. The central area has no specific req parking and therefore, the Loeb Proper off-street parking requirements for eitl use. *non-conforming as to street to bulk (size) requirements* office
5. Given a lot size of 5,971 square feet a io of 5.0 for residential and office development (allowed in a C-2 district within 200 feet of a C-4 district), the largest building size possible on the subject's lot would be a building with a maximum floor area of 29,855 square feet. The subject property is currently in conformance with this requirement since it has a gross living area, including basement, of 5,292 square feet.
6. Since the property at this point is already considered a legal nonconforming use due to lot area uses, an investigation into the sub requirements for residential use is that does not adjoin a residential use in depth is required for buildings height and 30 feet for buildings exc *see note above* residential with yard office use f 10 feet story in height.

For an office development, the above is would indicate that the most controlling factors for such a development would be a FAR of 5.0 and a rear yard requirement of 30 feet for a building of more than one story. In general, the zoning requirements for an office use in this district seem to be less restrictive than for a residential use which would allow only two dwelling units for a lot area of less than 6,000 square feet.

In addition to the C2 Zoning Regulations, the property is also subject to the following:

1. Downtown Fire Safety District

- a. Alterations or additions may be made to existing buildings in the Downtown Fire Limits provided that the fire-resistive rating of any elements of the existing building or structure and the alterations or additions are not less than the required for Metal Frame Unprotected, Type 6 construction in accordance with the Wisconsin Administrative Code, Section 51.02.
- b. Existing frame buildings with the Downtown Fire Limits shall not be enlarged but may be repaired or altered using material similar to that used as part of the existing structure, except that if the cost to repair or rehabilitate a damaged or deteriorated frame building is in excess of fifty percent (50%) of the assessed value, it shall be removed in accordance with the written order issued by the Assistant Director for Development Assistance pursuant to Section 29.11 of the Madison General Ordinances. (Am. by Ord. 7060, 8-7-80)

The above limitations would have an impact on the subject if repair or rehabilitation as mentioned in (b) is in excess of 50% of the assessed value. The limitation on (a) indicates that a new construction must be a Type 6 construction, indicating that there must be a metal frame; however, the code does indicate that there may be wood partitions.

2. Other Regulations

Other regulations that were reviewed, but that DO NOT have an impact on the subject's existing structure include the following:

- a. Capitol View Preservation
 1. According to Section 28.04 of the City's Zoning Code, no portion of any building or structure located within one mile of the center of the State Capitol Building shall exceed 187.2 feet.
- b. Capitol Fire Safety District
 1. The property is **NOT** located within the Capitol Fire Safety District. This factor positively contributes to the property's appeal since alterations to existing structures within this district must be of non-combustible metal studs. Wood framing members in this district are prohibited. This is a restrictive district where these restrictions would have an impact on the redevelopment potential of the property.

Taking into consideration the property's age, it does not seem to be

unusual that the property is a legal non-conforming use according to the C2 zoning classification. In addition to the above restrictions, since the property is considered a legal non-conforming use, it is also subject to restrictions under Section 28.05 of the Zoning Code. This section of the General Zoning Provisions indicates even though normal building repairs can be made, structural alterations can not. A non-conforming building shall not be added to or enlarged unless the additions/enlargements are made to conform to all the regulations of the C2 district. In addition, if a non-conforming building is destroyed or damaged to the extent that the cost of restoration to the condition in which it was before the occurrence shall exceed 50 percent of its full market value, the building shall not be restored unless it conforms to all the regulations of the C2 Zoning District. Finally, if a non-conforming building's use is discontinued for a continuous period of one year, any subsequent use of the building shall conform to the C2 Zoning District Regulation.

Because the property is a legal non-conforming use, the above restrictions for non-conforming buildings will definitely have an impact on the potential alteration or renovation of this building. In addition, the significant limitations imposed by the requirements of the Downtown Fire Safety District will also effect the repair and/or rehabilitation of a damaged or deteriorated frame building.

REAL ESTATE ASSESSMENT AND TAXES

The subject is identified on the City of Madison's Assessment Roll as Tax Parcel Number 0709-242-1007-7. The 1991 and 1992 assessments of the property were the same and are as follows:

Land	\$ 60,000
Improvements	<u>100,000</u>
Total	\$160,000

The 1991 net tax rate for the City of Madison was 0.0333507, for a 1991 tax liability of \$5,336.11, due in 1992. The 1992 net tax rate is 0.03484211, which would have resulted in a 1992 tax liability of \$5,574.74, due in 1993.

The City of Madison's goal is to assesses at 100% of market value so the assessor's estimate of market value of the property equals its assessment. Based upon a gross building area of 3,710 square feet (excluding the basement), the indicated market value of the property including land and improvements, or \$160,000, translates to a unit value of \$43.13 per square foot. Using the assessor's gross finished area measure of 4,002 square feet, the unit value would be \$39.98 per square foot. Based upon a site area of 5,971 square feet, the assessor's opinion of land value is \$10.05 per square foot.

IMPROVEMENTS - DESCRIPTION AND ANALYSIS

The Loeb Property is improved with a 2-1/2 story (two stories plus partial finished attic) residential building with a full basement, wood framing, an aluminum sided exterior, and gable roof with asphalt shingle covering. The total gross finished area of the above-grade area of the building is approximately 3,710 square feet, as measured by the appraisers. As noted previously, the assessor's record shows 4,002 square feet of gross finished area. The main difference between the two numbers is the area allocated to the finished area of the attic.

Assessment records indicate the building was constructed in 1899. The property has been used as a residential income property since the 1940s; the Perion Appraisal references the owner, Mr. Loeb, as the source of this information.

A summary of the size of the Loeb Property, in terms of gross area and

net livable area, is presented in the following tables:

BUILDING AREAS
Loeb Property

<u>Floor</u>	<u>Appraiser's Square Feet of Gross Area *</u>	<u>Assessor's Square Feet of Gross Area*</u>
Basement	1,582	1,601
1	1,588	1,601
2	1,558	1,601
Attic	<u>564</u>	<u>800</u>
Total - Including Basement	5,292	5,603
Total - Without Basement	3,710	4,002

* Gross Living Area. Attic includes extra storage space under a roof slope which was not included in the square footage of the attic area.

<u>Apartment (Floor)</u>	<u>Appraiser's Square Feet of Net Living Area</u>
Basement	N/A
A (1)	460
B (1)	398
C (1)	194
D (2)	405
E (2)	370
F (2)	189
Attic	<u>508</u>
Total	2,524

The above square footage estimates indicate that the building has an efficiency ratio of about 68%, based on the ratio of net livable apartment area or leasable area to gross living area, not including basement. The central hallway is included as part of the livable area in the attic apartment unit (see Floor Plan, Appendix D).

The building is divided into seven apartment units, with five one-bedroom units and two efficiency units, as follows:

APARTMENT UNIT SUMMARY
Loeb Building

<u>Floor</u>	<u>Apartment</u>	<u>Bedrooms</u>	<u>Size (Sq Ft)</u>
1	A	1	460
1	B	1	398
1	C	Efficiency	194
2	D	1	405
2	E	1	370
2	F	Efficiency	189
Attic	G	1	508

The lettering system utilized in the above table to designate apartment units is based upon the Perion Appraisal. The square footages are based on actual measurements taken by the appraisers.

As indicated previously, the preparation of the Loeb Property for the demolition process had started at the time of our inspection. Dane County salvage crews had removed those items that might be reusable. Photographs taken during this inspection are included in **Appendix D**. Therefore, while we were able to ascertain room sizes and building measurements, certain fixtures (e.g., cabinets, stair railings) had been removed. However, many of the finishes were left in place since they apparently had no salvage value. Although the salvage operation had created some disorder and dirt, thereby creating a negative impact on the appearance of these finishes, we were able to ascertain the finishes that existed prior to this operation, and were able to form an opinion as to the relative quality of the apartment units. In addition to our inspection, the Perion Appraisal, as of October 16, 1991, also provided a reference as to the level of finish, condition, and utility of the apartment units.

Overall, the subject property apartments appeared to be of a quality level consistent with those apartments found in older, converted downtown residences. Except for the relatively new 75 gallon hot water heater, most fixtures and mechanical systems date back to the time the building was

converted to multi-tenancy. In fact, the boiler might even have been original, given the notation in the Perion Appraisal that it had been converted some time ago from coal to natural gas. The interior finishes that remained during our inspection appeared dated and were probably in average condition before the salvage operation began. This agrees with the condition summary and photographs contained in the Perion Appraisal. An outline description of the Loeb Property follows. This description is based on the appraisers' inspection, coupled with information obtained from assessment records and the Perion Appraisal.

SUMMARY OF PROPERTY DESCRIPTION

Site Preparation
And Excavation:

The building has a full basement and a foundation system which would have necessitated excavation for this area. Other site preparation would have included the integration of the subject site with the retaining wall system that separates the subject site from the lower site to the south.

Foundation System:

The foundation walls of the Loeb Property are of field-stone, with cut stone walls above grade in the exposed areas. In addition, there is also the use of reinforced concrete and brick for some basement walls. The footing system under these walls is not known. The interior support system of the building is made up of brick columns, with some use of wood columns.

Basement Slab:

The basement slab is of reinforced concrete of unknown thickness.

Basement Finish:

The basement is used primarily to house building mechanicals, with the balance used for storage. It appears that part of the basement was at one time used as a laundry area. The basement ceiling height is low at about six and a half feet.

Frame:

The framing system of the building appears to be a wood stud frame, typical for residential construction of this vintage. The framing system is not exposed to view although the wood post and beam framing in the basement and visible wall construction would indicate typical wood framing. It is believed that hallway walls are probably load-bearing walls, along with exterior walls.

- Exterior Wall System:** The building is sheathed by aluminum siding which mimics the appearance of beveled wood siding. The exterior wall material under the siding and insulation is not known. Typical windows are wood double-hung windows with aluminum combination storms and screens.
- Structural Floors:** Structural floors are believed to be consistent with the general wood framing system of the subject, with wood joists, a wood subfloor, and a wood finished floor.
- Roof:** The roof system consists of asphalt shingle roofing over a wood deck. The roof is a gable roof, with some dormers and overhangs. Assessment records indicate that the building was re-roofed in 1977. The roof appears to be in average condition. The Perion Appraisal noted the presence of some rotting in the soffits that were part of the roof overhang system on the west side of the building. The gutter and downspout system of the building consists of painted galvanized metal gutters and downspouts, which may have been added with the building was sided. The gutters and downspouts appear to be at least 20 to 30 years old and are in average condition for their age.
- Interior Finishes:** Interior finishes include plaster walls and ceilings in the hallways and in the attic apartment. The first and second floor apartments have ceilings of either suspended acoustical tile or ceiling tiles.
- Floor finishes include vinyl tile flooring in the common hallways, with linoleum floors in the apartment kitchens. The kitchen in the attic apartment has a ceramic tile floor. Floors in the apartments are carpeted, with a finished hardwood floor in the attic apartment. Bath floors are ceramic tile. Two apartments had been upgraded with relatively new, (but relatively inexpensive) carpet.
- Based on our inspection plus a review of the Perion Appraisal, the quality of the interior appeared to be average with the condition of those finishes ranging from average to good prior to the arrival of the salvage crews.
- Electrical:** The building is separately metered for the apartments; there is 30 amp service to each apartment, with two additional 60 amp services for common area electric and the boiler. The electrical service is dated. The electrical

panels are shown in a picture that includes the boiler and is found in **Appendix D**.

Plumbing:

The building is served by municipal water and sewer. The building includes one bathroom per apartment unit, with each bathroom equipped with a sink, toilet, and bathtub with shower. Kitchen plumbing includes a sink and counter area in each apartment. Hot water is provided by a relatively new (Perion) hot water heater. Plumbing fixtures appear to be of average quality for apartments of this vintage. A sample of these fixtures is shown in the photographs included in **Appendix D**. Assessment records indicate that the building is has a water softening system.

HVAC:

The building is heated via hot water or steam heat with cast iron radiators in each apartment. The heating plant is an older (perhaps 1940's) boiler that was converted from either coal or oil as a fuel to natural gas some time ago. The building is not served by any sort of air conditioning, although it is common for tenants to provide their own window units in such situations.

Fire Protection:

The building does not have any sort of central fire alarm. Current building codes require individual battery-powered smoke alarms in each apartment unit. However, assessment records do indicate the presence of a fire alarm which was not observed. The building does not have a sprinkler system.

Stairs:

The building has a main stairway in the central hall. In addition, there is also a stairway at the rear of the building at the southwest corner across from the efficiency units. There is also a fire escape on the northeast side of the building that serves the third floor unit.

Site Improvements:

The site is improved with a paved area that provides parking for five cars. The layout of the parking and the triangular shape of the site is such that full occupancy of the parking lot might block the exit of other cars in the lot. The asphalt paving of the parking area was in fair to poor condition when inspected. Site improvements also include sidewalks serving the building entries, small lawn areas along the front and rear of the building, and gardens adjacent to the building at the front.

The overall condition of the Loeb Property appears to be average, based on both our inspection and a review of the Perion Appraisal. The

quality and functional utility of the building is consistent with other older downtown residences that have been converted to multi-family use.

In terms of the utility and desirability of the apartment units themselves, the one bedroom apartments on the first and second floors would be viewed as average relative to one bedroom apartments found in older converted residences. The units suffer from the same functional inadequacies found in other similar units, with the kitchen off the living room area and with no dining room or eat-in areas in the kitchen. The bedrooms are of adequate sizes, with closet space generally limited. The bathrooms in the apartments are small. The attic apartment has limited utility in some areas due to the sloped ceilings which match the roof lines. The kitchen in the attic apartment is small also (5' 6" wide) with no eating area. The attic apartment utilizes the hallway on that floor as part of its area. The attic apartment also has a small additional half bath which was apparently used as a film developing facility. Assessment records indicate there were two living units in the attic in earlier years.

The layout of the building as it exists does not suggest conversion to an alternative use. In addition to high density apartment development, the downtown Madison area also has a high concentration of retail and office uses. While the subject location does not suggest retail as a potential use, office uses are common in the subject neighborhood. The subject's neighboring properties are offices. Some older residences in downtown Madison have been converted to office use. With respect to the subject property, the layout of the building would suggest possibly one or two tenants per floor, with the attic apartment perhaps useable by another office tenant. To compete in the downtown office market, conversion to office use would imply extensive remodeling, such as basic refinishing, the addition of new doors, potential partitioning, and the potential

elimination of kitchens to increase usable space. At best, the building as converted would be classified as Class C office space or below. In addition, such conversion would have zoning, building code, and American with Disabilities Act ("ADA") implications. This is discussed further in the Highest and Best Use section of this report.

The exterior of the building is in good to average condition for a building of its age, with the interior finishes generally in average to fair condition. The effective age of the building would be fairly judged to be between 20 to 30 years. The quality of the general construction of the building is good, which would suggested a remaining physical life of at least 20 to 25 years or more, depending on maintenance.

HIGHEST AND BEST USE

The highest and best use concepts are defined in The Dictionary of Real Estate Appraisal, Second Edition, published by the American Institute of Real Estate Appraisers, as follows:

"Highest and best use: The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

Highest and best use of a site as though vacant: The use of a property based on the assumption that a parcel of land is vacant or can be made vacant through demolition of any improvements.

Highest and best use of property as improved: The use that should be made of a property as it exists."

These concepts are consistent with the current definition and concepts of highest and best use found in The Appraisal of Real Estate, Tenth Edition (see pp. 275-283).

Highest and best use is first determined for the subject parcel as

though vacant. In this analysis, we assume that the subject site is vacant or can be made vacant through the demolition of any and all improvements.

The second analysis of highest and best use is for the property as it exists as of the appraisal date.

The ultimate purpose of highest and best use analysis is to identify the most profitable, competitive use to which the property can be put. This involves the interpretation of the impact of economic forces and the behavior of market participants on the property being analyzed. Identifying the use to which the property would be put, as vacant and as improved, helps the appraiser identify sales (land sales and improved property sales) to be used to help estimate the value of the property. To be considered comparable, properties should be similar in terms of their highest and best use because the market would gauge the economic potential of the subject property by the economic productivity realized by similar properties. A property's current pattern of utilization might have to be altered or changed entirely to achieve its maximum potential. Consideration of such modifications would require an analysis of the feasibility and cost/benefit relationships as part of the highest and best use analysis for that property.

In order to estimate the use that provides the greatest value, four criteria must be met. The use must be physically possible, legally permissible, financially feasible, and maximally productive. These criteria are considered sequentially. Only when there is a reasonable possibility that an unacceptable condition can be changed is it appropriate to proceed with the analysis without meeting the prior criteria. For example, if the current zoning does not accommodate a likely candidate for highest and best use, but there is a possibility the zoning can be changed, the proposed use could be considered on that basis.

HIGHEST AND BEST USE AS THOUGH VACANT

An analysis of the subject's highest and best use as though vacant is necessary to identify appropriate vacant land sales to be used in the land valuation section of the Cost Approach. The accepted definitions of highest and best use include reasonable probability as an initial criterion for the analysis. Our analysis of the neighborhood and market indicate that the logical uses to be considered for the site as if vacant would be residential and office.

Physically Possible

The physical characteristics of the parcel pose the first constraint on its possible uses. The parcel's size, shape and topography are important characteristics of the site that impact its overall utility. The very existence of the subject improvements, along with intensity of development of the surrounding properties, would indicate that a wide variety of uses are probably physically possible.

However, the triangular shape of the site does pose some constraints. Obviously, a triangular-shaped building would maximize the use of the site, but such buildings typically have inefficient floor plates. A more standard rectangular-shaped building imposed on a triangular site would probably create some wasted areas. For example, the site of the current building on the parcel creates an unwieldy parking lot, with a small wasted area at the southwest corner of the site.

It is apparent that the subject site could support improvements of the same basic type as those that existed as of the effective date of this appraisal. The presence of numerous taller buildings are found in the area immediately surrounding the subject would indicate that a taller building could be built on the site if market conditions warranted.

Legally Permissible

The legal constraints that effect the possible uses of the site are represented by the zoning code and other outside legal encumbrances such as easements or other private restrictions placed on the site. In terms of zoning, permitted uses on the site are dictated by the uses allowed in the C2, General Commercial District. (See **Appendix C** for details).

In addition to the use restrictions of the C2 zoning, the other zoning restrictions that would apply to the subject property include lot area requirements, floor area ratio limitations, yard requirements, and useable open space requirements. Notice that in Madison's Central District, there are no specific requirements for off-street parking. The zoning restrictions that would apply to a residential and/or an office use on the site are discussed in a previous section entitled Zoning Analysis and in **Appendix C**. The main points are restated below.

With respect to a residential use of the site, the following must be considered:

1. The lot area requirement are those of a R-4 district which require 2,000 square feet of lot area for each dwelling unit. Given 5,971 square feet, the subject site, as though vacant, would be allowed only two dwelling units.
2. The floor area ratio would be 5.0 because the subject C2 district adjoins the C4 district and would appear to be within 200 feet of such C4 district and the C2 and C4 districts in this area are continuous as a commercial district.
3. Yard requirements in the C2 district for a residential use would be those of the R-5 district. Since the subject is interpreted to only allow two apartment units due to lot area restrictions, it is likely that such a building would only be two stories, which would imply side yards of at least six feet and a combined total of both side yards of 15 feet. Front yard requirements would be not less than 20 feet. With respect to open space requirements, the useable open space requirements in the C1 district apply to the C2 district, which would mean that a residential use would be required to provide useable open space of not less than 160 square feet for each efficiency or one bedroom unit, plus an additional 160 square feet for each additional bedroom in excess of one

in a dwelling unit.

With respect to an office use of the site as though vacant, the following must be considered:

1. Lot area requirements would become moot since no dwelling units would be included as part as an office development.
2. As with residential use, the floor area ratio requirement would again allow a floor area ratio of 5.0.
3. The yard requirement for an office use would be dictated by the fact that the subject does not adjoin a residential use. Therefore, such yard along the rear lot line shall be 10 feet in depth for buildings not exceeding one story in height and 30 feet for buildings exceeding one story in height. Finally, no usable open space would be necessary because no dwelling use would be part of an office development.

The other legal constraints that would impact on the subject site as if vacant would include:

1. The subject is located within the Capitol View Preservation District which was established to promote and enhance the view of the State Capitol Building. Given the height allowed within the Capitol View Preservation District (187.2 feet), the small area of the subject site would not support a building that would conflict with the view of the Capitol, so the Capitol View Preservation District is not a concern.
2. In terms of private legal constraints, no title policy on the subject property was made available for our inspection. We would anticipate the presence of usual utility easements, which would have no negative effect on value.
3. The other restriction that would apply to new development on the subject site would be a building code issue. The subject site is not located within the Capitol Fire Safety District, but is located in the downtown Fire Safety District. The subject's location in this district would have an impact if major rehabilitation were to occur on the site.

The above summary of the legal attributes of the site that have been reviewed to assess what might be legally permissible on the site indicate that a residential use would be more restricted than an office use. A much higher development density would be allowed for office as opposed to residential use on the site. The controlling factor with respect to residential use would appear to be the lot area requirement, which would

apparently only allow two residential units to be built on the site. With respect to office, the controlling factors would be the floor area ratio and the rear yard requirement, which include a FAR of 5.0 and a rear yard of 30 feet per buildings exceeding one story in height.

Financially Feasible

Development scenarios for residential and office uses that would be in conformance with legal constraints summarized in the preceding section were tested for financial feasibility.

A logical scenario for the two allowable dwelling units would be the development of luxury townhouse-style units or a two-story building with large units. A reasonable size estimate for very large apartment units would be 1,300 - 1,500 square feet. In terms of rent potential, only a few luxury apartment projects in Madison are achieving rents that approach or slightly exceed \$1.00 per square foot of apartment area per month, which translates to about \$12.00 per square foot per year. Typically, as the size of a dwelling unit increases, the unit rent (rent per square foot) decreases.

To test the feasibility of a potential development of this type, we utilized assumptions that included the development of two 1,500 square foot luxury apartment units that could be rented at \$1.00 per square foot per month. To develop a proforma, other underwriting criteria that were used included a vacancy rate of 3 percent, with forecasted operating expenses conservatively estimated at 40 percent of effective gross income. To estimate the development costs justified by the forecasted net income, we utilized a cost constant (i.e., overall rate plus entrepreneurial return) of 12 percent. Finally, in order to determine the justified building budget, we allocated land value based on conservative unit value of \$10.00 per square foot for the land. A summary proforma which results in the

justified building cost based on the above assumptions is as follows:

JUSTIFIED BUDGET FOR PERMITTED RESIDENTIAL USE
TWO LUXURY APARTMENTS

Rentable Area (Square Feet)	\$ 3,000
Rent/Square Foot/ Month	\$ x 1.00
Potential Monthly Gross Rent	\$ 3,000
	x 12
Potential Gross Income	\$ 36,000
Vacancy at 3%	(1,080)
Effective Gross Income	\$ 34,920
Operating Expenses at 40% EGI	(13,968)
Net Operating Income	\$ 20,952
Capitalized at 12%	÷ .12
Justified Development Budget	\$174,600
Less Land Value at \$10/sq ft	(59,710)
Indicated Building Budget	\$114,890
Divided by Gross Area (3,000 - .90)	÷ 3,333
Justified Building Cost per Sq Ft GBA	\$ 34.47

The above analysis indicates that the justified building budget would be just under \$35.00 per square foot of gross building area. The type of building contemplated would be more akin to a house, with the added costs required by being located in the Downtown Fire Safety District. New houses today typically cost a minimum of between \$50.00 and \$60.00 per square foot with luxury residences approaching or exceeding \$100.00 per square foot. Clearly, a building of this type would not be feasible, because the rent potential justifies a cost which would be about half of what such a building would cost to build. Therefore, development of the type of apartment building that would be legally allowed on the subject site is judged to be infeasible. In reality, no such buildings have been developed in downtown Madison for many years for this reason.

The same basic scenario would hold true for an office development in spite of the higher density that the zoning would allow for such use. Again, the major limiting factor with respect to the C2 district is the rear yard requirement, with a 30 foot rear yard required for buildings exceeding one story in height. For a multi-story building on the subject

site, this would limit the size of the floor plates to a gross area of 3,287 square feet (calculated below), which is extremely small for a multi-story office building. In addition, the triangular shape of the site would necessitate the construction of a triangular-shaped building in order to maximize the use of the site and any such building would have unwieldy floor plates.

Feasibility of a new office development on the subject site was tested based on a development scenario that maximized the use of the subject site. Based on the zoning, with an FAR of 5.0 and a 30 foot rear yard requirement, the maximum building perimeter would include a 76 foot side along the rear yard (i.e., along the Hamilton Place side of the building), an 86.5 foot side along the side of the building next to the Wisconsin Restaurant Association, and a 115 foot side along Hamilton Street. The building floor size would be a gross area of 3,287 square feet. With an FAR of 5.0, the maximum gross building area would be 29,853 square feet as shown by the following calculations:

Lot Size (Square Feet)	5,971
Floor Area Ratio ("FAR")	x 5.0
Maximum Building Area (Square Feet)	29,855
Maximum Gross Area	
Per Floor (Square Feet)	÷ 3,287
Number of Building Stories	9.08
Rounded to:	9.0
Maximum Gross Area Per Floor	x 3,287
Maximum Gross Office Building	
Area Permitted on Site (Square Feet)	29,583

Even though such a building would have the advantage of being new construction, its off-Square location, small size, and lack of sufficient parking would automatically relegate it to Class B status. A reasonable rent for such a building would be between \$14.00 to \$16.00 per square foot. In addition, some income would be realized from the rental of surface

parking stalls; it is assumed that at least five stalls would fit behind the building in the required rear yard area. At \$75.00 per month per stall, parking income would be \$4,500 per year. The vacancy assumption used in our proforma is five percent, with operating expenses estimated at \$6.50 per square foot. This rental income stream was capitalized at the same cost constant that is used for the residential development scenario postulated earlier, which is an optimistic assumption given the fact that office development would be regarded as more risky at the subject site. The same land value assumption (\$10.00 per square foot) was subtracted from the justified development budget that resulted from the above assumptions, in order to provide an indication of the justified budget for the building alone. A proforma setting forth the calculations based on the above assumptions is shown as follows:

JUSTIFIED BUDGET FOR PERMITTED OFFICE USE

Gross Building Area (Square Feet)	29,583
Efficiency Ratio	x 85%
Rentable Building Area (Square Feet)	25,146
Rent Per Square Foot	\$ x 16.00
Potential Gross Office Income	\$ 402,336
Parking Income	\$ + 4,500
Effective Gross Income	\$ 406,836
Operating Expenses (\$6.50 per NRA)	\$ (163,449)
Net Operating Income	\$ 243,387
Capitalized at 12%	÷ .12
Justified Development Budget	\$2,028,225
Land Value at \$10/sq ft	\$ (59,710)
Indicated Building Budget	\$1,968,515
Gross Building Area	÷ 29,583
Justified Building Cost per Sq Ft	\$ 66.54

Building costs estimated using the Boeckh Building Valuation Manual indicate that such a building would cost about \$97.60 per square foot to build. This estimate is probably reasonable for downtown construction; the new State of Wisconsin Department of Administration Building located at 101 East Wilson reportedly cost \$125 per square foot to build and included some

underground parking. The Boeckh building cost calculations are contained in **Appendix E**. Clearly, this is far in excess of the building costs that are justified by the optimistic assumptions used in our proforma. This means that a new office development for the subject site would not be feasible as of the date of this appraisal. Further, the large differential between supportable and actual cost indicates such a development would not be feasible in the foreseeable future.

Maximally Productive

The above analysis indicates that development of the uses that are suggested as reasonably probable and legal for the site as though vacant are not currently financially feasible. Therefore, testing for maximum productivity is not necessary.

Conclusion

The above analysis indicates that development of the most probable uses for the site as though vacant are not currently feasible. This implies that, if vacant today, the site would probably remain vacant until one of such uses became feasible. The current pattern of utilization in downtown Madison for such sites is to improve them for surface parking as an interim use until a higher and better use becomes feasible.

HIGHEST AND BEST USE AS IMPROVED

An analysis of a property's highest and best use as improved is crucial in identifying the suitability of the improvements for continued use as they currently exist on the date of appraisal. This analysis also helps in identifying comparable properties to be used in the Sales Comparison Approach because similar or comparable properties will have the same highest and best use as the subject property. In addition, this analysis is intended to determine whether or not any alterations can be

made to the existing pattern of utilization to increase economic productivity. The highest and best use of the property as improved must also meet the four tests of being physically possible, legally permissible, financially feasible, and maximally productive.

Physically Possible

It appeared from our inspection of the Loeb Property and from the Perion Appraisal that there are no apparent soil or foundation problems. The fact that the improvements are in overall average to good condition, except for old heating and electrical systems, suggests that the building can remain as-is for some time.

If necessary, the existing building structure can be altered somewhat. Although construction drawings of the Loeb Property were not available for confirmation, it is common for the main hallway walls to be load-bearing in houses of that era. It is therefore likely that some of the interior partitioning within the apartment units, and possibly even between the apartment units, can be altered to create different space layouts. Obviously, additional partitioning can also be added within spaces in the existing structure to allow some degree of flexibility to the interior layout and design.

Legally Permissible

There are three elements that need to be addressed when assessing the legal permissibility of altering the existing improvements. These three general groups of legal constraints include those imposed by the zoning code, the building code, and Title III of the Americans with Disabilities Act.

The current utilization of the Loeb Property as a multi-family apartment building is apparently a legal, non-conforming use within the C2, General Commercial District. Within Madison's commercial districts,

permitted uses of land or buildings shall be restricted to those uses indicated in the current zoning ordinance, with the exception of those uses lawfully established on or before the effective date of the ordinance. Non-conforming uses are governed by Section 28.05 of the Zoning Code. Limitations imposed on non-conforming uses include limitations on repairs and alterations, additions and enlargements, restoration of a damaged building, expansion, discontinuance and change of a non-conforming use. The following is a summary of these codes:

- Basically, ordinary repairs and alterations may be made to a non-conforming building. Additions to a non-conforming building are not allowed unless such additions and enlargements are made to conform to all of the regulations in the district, and unless the building itself is made to conform to applicable regulations concerning lot area per dwelling unit, useable open space, and floor area ratio.
- If damage or destruction is less than 50% of the full market value of a building, restoration may be done, but only if started within one year of the date of partial destruction.
- If a change in use is intended, the non-conforming use of a building that was designed and intended for a use not permitted in the district shall be utilized only for such non-conforming use and shall not be changed to any use other than the use permitted in the district in which the building is located.
- Therefore, the zoning code would indicate that the subject building can receive ordinary repairs and alterations, but that no structural alterations can be made except those required by law or except those required to make the building and use conform to the regulations of the district in which it is located.
- In order to change the use of the building, any new use would have to be permitted in the district in which the building is located. The reader is directed to a copy of the relevant pages of the Zoning Code contained in **Appendix C** for further clarifications.
- The building code has relatively little impact on the subject property if used as an apartment building on an as-is basis. Minor repairs and alterations can typically be done without a building permit. Certain repairs and alterations that might require a permit (e.g., major electrical work, alteration of sanitary facilities, etc.) are not viewed as extraordinary; it is likely that such approvals would be easily obtained in the normal course of doing remodeling or alterations while keeping the existing pattern of utilization intact.
- Therefore, the building code does not appear to pose any major

impediments to the normal remodeling and replacements that would be made as a matter of course if the building's continued use is as a multi-family apartment building.

- However, numerous building code requirements come into play in the event the existing use of the building is changed to a new use. If the building undergoes physical remodeling in its change of use, the building might need to comply with requirements for a barrier free environment, depending on the extent of remodeling, based upon certain percentages set forth in Sub-Paragraph 6 of Section 52.04 of the Wisconsin Administrative Code (which is the State Building Code).
- Remodeling is defined in the Code as: "To remodel or alter, or both, means to change any building or structure which effects the structural strength, fire hazard, internal circulation, or exits of the existing building or structure". This definition does not apply to maintenance, re-roofing, or alterations to the heating and ventilating or electrical systems.
- The applicable code is summarized as follows:

Sub-Paragraph 6, mentioned above, requires that if more than 50% of the gross interior area of the building is remodeled, added to, or both, then the entire building shall comply with all applicable requirements of Section 52.04 of the Code. Section 52.04 sets forth the requirements for a barrier-free environment. If 25% to 50% of the gross interior area of a building is remodeled, added to, or both, that part of the building that is remodeled, added to, or both, shall be provided with certain barrier-free requirements as specified in Table 52.04 and Sub-Paragraph 4 of the Code. If less than 25% of the gross interior area of the building is remodeled, added to, or both, the requirements of Table 52.04 and Sub-Paragraph 4 of the Code need not be provided unless the remodeling or addition involves an entrance or exit or toilet facilities, in which case the entrance or exit or toilet facilities shall comply with Sub-Paragraph 4 of the Code.

Therefore, with respect to the building's interior, the degree to which the building must be remodeled to conform to the requirements set forth in Chapter 52 of the Code depend upon the degree of the remodeling work.

If the Loeb Property were to be changed to office use, it would then become a place of employment. As such, other requirements for barrier-free environments set forth in Chapter 52 of the Code would apparently come into play. The main features of this code are summarized as follows:

- Section 52.04 states that the requirements of that section of the Code are intended to ensure that all public buildings and places of employment shall be accessible and useable by all citizens, including those with functional limitations.
- Sub-Paragraph 2 of Section 52.04 of the Code defines a public entrance as "any major access point to a building used for the purpose of entering the building and gaining access to the primary floor". This section goes on to state that a means of access shall be provided from an ancillary parking facility, street, or alley to the public entrance.

Therefore, since the entrance of the Loeb Property is above-grade, Section 52.04 would indicate that ramping which meets the requirements of the Code would be necessary to provide said access. In addition, where parking spaces are provided, a minimum of one accessible parking space, at least 12 feet wide, shall be provided and designated as specified in Table 52.04-A of the Code.

The State of Wisconsin Building Code has not yet been revised to include the requirements that have been mandated by Title III of the Americans with Disabilities Act ("ADA"). If changed to an office use, the Loeb Property would become a commercial facility as defined by ADA, which includes facilities intended for non-residential use by a private entity whose operations effect commerce. An office is an example of such a use and a summary of ADA applications follows:

- Note that an alteration to a place of public accommodation or commercial facility that is done after January 26, 1992 shall comply with the technical requirements for new construction and alterations set forth in ADA.
- An alteration is defined as "a change that effects or could effect the use of the building or facility such as a remodeling, renovation, rehabilitation, historic restoration, changes or rearrangements in structural parts or elements, or extraordinary repairs". Examples of an alteration include, but are not limited to:
 - * Relocating a door
 - * Replacing a floor
 - * Relocating an electrical outlet
 - * Installing or replacing faucet controls
 - * Replacing door handles or hinges

Only the altered element must comply with ADA requirements (e.g., replacing a faucet does not require making the entire restroom accessible). In alteration work, if full compliance with the technical provisions is technically infeasible, the alteration shall provide accessibility to the "maximum extent feasible".

ADA also sets forth requirements for primary function areas:

- A primary function area is defined as any room or space where the major activities for which the facility is intended are carried out. Examples would include offices and all other work areas in which the activity of the public accommodation or commercial facility are completed. Mechanical rooms, boiler rooms, storage rooms, and restrooms are not considered primary function areas.
- An alteration that effects the useability of, or access to, a primary function area will trigger the obligation to provide an accessible path of travel to the altered area. The restrooms, telephones, and drinking fountains serving the altered area must also be made accessible.
- A path of travel is defined broadly as a continuous, unobstructed route by which the primary function area can be approached, entered, and exited, and which connects the area with the entrance to the facility and other parts of the facility. In some circumstances, the costs of providing an accessible path of travel to an altered area may be disproportionate in comparison to the alteration costs to the primary function area.
- The costs of providing an accessible path will be considered "disproportionate" when the cost exceeds 20% of the overall cost of the alteration to the primary function area. Where the path of travel costs are disproportionate, the path of travel shall be made accessible to the extent that it is not disproportionate. This does not necessarily require an expenditure of the full 20%. Rather, alterations should be made to the extent that they would result in an increase in accessibility. Also, priority would be given to those elements that provide the greatest access.³
- As was the case with building code compliance, the degree to which alterations of the building need to comply with ADA requirements depend on the degree to which the building is altered. The degree of alterations would be the basis upon which the degree of necessary ADA compliance would be measured, with further interpretation necessary based on whether or not any technically infeasible accessibility requirements or disproportionate costs would result from the alteration program.

³Building Owners and Managers Association, ADA Compliance Guidebook, (Washington, DC: BOMA, 1992) pp. 2-9.

- The need to potentially meet ADA requirements places a far greater burden on the owner of the building than would exist if the use of the building remained as-is as a multi-family apartment building.

It should be pointed out that there is a new law which is, in effect, equivalent to ADA which impacts on multi-family residential housing. This is Wisconsin's new Fair Housing Law (1991 Wisconsin Act 295).

Wisconsin Act 295 was signed into law on April 30, 1992, and took effect on September 1, 1992. The Act requires newly constructed multi-family housing to be designed and constructed in a manner that ensures internal and external accessibility. The Act requires specified types of existing multi-family housing undergoing remodeling to meet accessibility requirements similar to the requirements of newly constructed housing, with the extend for the requirements depending on how extensively the housing is being remodeled. Since the Loeb Property was useable as-is as multi-family housing, it would appear that the minor remodeling (refurbishing) necessary to accommodate new tenants over time (painting, recarpeting, adding new appliances, etc.) would not trigger the need to meet the requirements of Wisconsin Act 295.

Financially Feasible

The purpose of this section of the analysis of highest and best use as improved is to determine whether or not any of the physical alterations of the existing improvements suggested by the preceding analysis would be financially feasible. The only alternative use scenario that has been suggested by the preceding analysis is a change in use from multi-family to office use.

Clearly, some building remodeling would be necessary to facilitate this change in use, but the degree necessary is difficult to predict. Therefore, as a starting point to our analysis, we compared the income

potential of the property based upon its existing multi-family use to the income potential that the property might have as if converted to office space justified. If a change to office use indicates a higher value potential than the existing apartment use, the difference in value would set a limit on the amount of remodeling that would be justified as a part of this change. At the time of the Perion Appraisal, the subject property had an indicated annual potential gross income of \$30,360. This matches the income forecast in a letter from Mr. Harry N. Loeb to Mr. Frank Perion, dated October 14, 1991, which was included as an appendix to the Perion Appraisal, and is copied in **Appendix D**. This rent potential would be on a gross basis, with the landlord paying all building expenses except domestic electric and cleaning within the apartment units themselves. Of the \$30,360 annual gross potential income, \$28,860 is from apartment rents and \$1,500 is from parking. A previous section of this report contained a description of the Loeb Property, which included a summary of our measurements of the existing apartment units (see Improvements-Description and Analysis). To recap, the apartment units in the building had the following sizes, as measured by the appraisers:

Loeb Property Net Area Summary

<u>Apartment (Floor)</u>	<u>Net Area (Sq. Ft.)</u>
A (1)	460
B (1)	398
C (1)	194
D (2)	405
E (2)	370
F (2)	189
Attic	<u>508</u>
Total - Net Usable	2,524
Gross Finished Area	3,710
Efficiency Ratio	68%

Based on the potential gross revenue from apartment rent of \$28,860, the average rent per net or useable area (2,524 square feet) would be

\$11.43 per square foot. On the basis of gross finished area (3,710 square feet), the indicated unit rent would be \$7.78 per square foot.

Given the passage of time between the date of the Perion Appraisal and the effective date of this appraisal and the favorable occupancy rates, there would have been an increase in rent. Based upon a four percent increase in rents and a potential 1992 rental revenue of \$30,014, the potential 1992 rental rate would be \$11.89 per square foot of net or useable area.

Given the condition, amenities, and age of this converted single family home, the Loeb Property would be Class C office space if converted. The Office Market Analysis contained earlier in this report indicated that Class C office rents as of the effective date of this appraisal ranged from \$7.00 per square foot to \$9.00 per square foot of net rentable area (NRA). These rents typically are not full service or gross rents; Class C buildings frequently do not include janitorial service in the rent. Since the Loeb Property is separately metered, it is likely that an office tenant would be responsible for his/her own electricity. This can add \$1.00 to \$1.25 per square foot to occupancy costs. Therefore, a gross rent from another building at, say, \$9.00 per square foot where the landlord pays electricity would be adjusted down to \$8.00 per square foot to make it comparable to the subject where the tenant would pay this cost.

The above analysis clearly indicates that the economic potential for the Loeb Property is greater as an apartment building than it is as an office building. The present use as apartments provided a potential gross revenue of \$11.43 per square foot of net rentable area as of 1991; when adjusted for 1992 by an inflation factor of four percent, the gross potential revenue was estimated to be \$11.89 per square foot of NRA. Our market analysis indicates that the rent potential of the building, if

converted to office, is between \$2.50 to \$5.50 less per square foot.

In addition, our research of the local apartment market indicates that as of the date of this appraisal, aggregate vacancies in the subject neighborhood were less than five percent, with most apartment buildings having vacancy rates of between zero to three percent.

However, the market for Class C office space around the Square is not nearly so strong. An occupancy survey performed by a local real estate firm specializing in office leasing (and referenced previously in this report) indicated that as of June of 1992 the vacancy rate for Class B downtown Madison office space was nine percent, with the vacancy for Class C space at 23 percent, based on his definition of Class B and C. While the Class A office market in downtown Madison was very strong at the time of the effective date of this appraisal, there were signs of weakness in the Class B and especially the Class C downtown office markets.

In summary, it is clear that the economic potential of the building converted to offices is less than the current economic potential of the existing use as apartments, given the greater risk implied for Class C office use which has had double digit vacancy rates compared to less than five percent vacancy for apartments. Finally, a change in use to office occupancy would also entail the risk of triggering added construction requirements due to the building code and ADA. Therefore, such a change in use is not currently feasible.

The feasibility of altering the property as improved must also be tested to determine if there are any feasible changes that could be made to the present improvements to increase the property's economic productivity. Examples of typical alterations for apartment buildings include the separate metering of utilities, and/or changing the layout to increase the number of apartment units within a building. However, the

style of most landlords of older buildings in downtown Madison is not to be pro-active in making improvements, but rather to maximize cash flow by only making repairs and replacements when necessary. For example, it is apparent that the boiler for the building is old and will need replacement in the not too distant future. Since this would involve a major capital outlay, it is not likely that an owner would rush to incur this expense in hopes of saving on fuel bills, but would more likely wait until replacement was absolutely necessary.

The only other potential type of alteration that might be possible would be to rearrange the apartment units within the building. However, in our opinion the building has already been maximized in terms of the number of dwelling units and as indicated earlier, creating additional units would not be legally permissible. Since seven dwelling units would require a 14,000 square foot lot (2,000 square feet per unit), making the occupancy of the subject building more intense by adding more dwelling units would not be permissible and would therefore not merit financial feasibility testing.

Maximally Productive

The highest and best use of the property as improved clearly is a continuation of the existing pattern of utilization of the property. Our analysis indicates that there are no logical improvements that can be made to the property as it exists in order to increase or enhance its economic productivity. It is assumed that normal refurbishing (e.g painting) would be done over time on an as-needed basis in order to maximize rent.

Conclusion

It is our conclusion that the highest and best use of the subject property as improved is a continuation of the present pattern of utilization as a seven unit apartment building.

Probable Buyer Profile

An appraisal is an estimate of value and assumes a sale as of the effective date of the appraisal. Given the most probable use of the property as a continuation of its existing use as apartments, it is necessary to identify the most probable buyer to determine the most appropriate pricing methods to be used to value the property.

Our research indicates that small apartment buildings in the subject neighborhood are typically owned by local investors. As will be discussed in the valuation section of this report, local investors who purchase downtown apartment buildings were interviewed to determine the investment criteria appropriate for use in valuing these properties.

INTRODUCTION TO VALUATION

The actual valuation of the subject property is the culmination of the systematic analysis of the property done in the earlier stages of the appraisal process. This process has provided the framework within which the value of the property will be estimated.

There are three traditional methodologies or approaches that are typically used in the valuation of real property, which are briefly summarized as follows:

1. The Cost Approach, which provides a value indication via estimation of the current cost of reproducing or replacing the property's improvements, less any loss in value from all forms of depreciation and obsolescence, plus the land value;
2. The Sales Comparison Approach, in which a value indication for the subject property is derived by analysis of recent sales of comparable properties; and
3. The Income Approach, which involves evaluation of the property's earning potential to derive an estimate of net income, which is then capitalized at an appropriate rate to indicate value.

Although each approach provides a separate value indication for the

property being appraised, the three approaches are interrelated. Analysis and data used in the application of one approach are integrated into the other approaches. The final step of this process is the reconciliation process, which entails an evaluation of the approaches in concert with one another and in the context of the balance of the report to derive a final value estimate.

THE COST APPROACH

The cost approach to value is based on the principle of substitution which holds that a prudent investor would pay no more for a property than the cost of acquiring a site and constructing improvements of equal desirability and utility provided that such improvements can be built without undue delay. The first step in the approach is to estimate land value as if vacant. The estimated cost new for the improvements is then estimated and adjusted for all losses in value found to affect the subject property as a result of all forms of depreciation and obsolescence. Thus, an indicator of the value of the subject property using the cost approach is derived via an estimate of the cost new of the improvements, less depreciation and obsolescence, to which is added the value of the land as if vacant.

The cost approach is held to be a reliable indicator of value when the improvements represent the highest and best use of the land and are relatively new. Also, the cost approach is typically used for special purpose properties. The cost approach is less reliable for properties that are older or which typically suffer from a higher degree of depreciation and/or obsolescence.

The Highest and Best Use analysis contained in this report indicates that no higher and better use of the subject site as if vacant is currently

feasible. Further, given the tremendous disparity exhibited in the analysis between the supportable costs (i.e., the construction cost justified by market rent) for legally permissible uses versus the estimated costs of actually building those improvements suggest it would be some time before such uses might be feasible, if at all. Our analysis of the highest and best use of the property as improved confirmed that the existing pattern of utilization is the property's highest and best use.

These conclusions have two implications. First, an investor buying the Loeb property today would be buying the land and building together as a functional economic unit. This is opposed to the notion of buying the property as a "land play", where the income produced by the improvements would be used to carry the property for some short holding period until a higher and better use of the land became feasible, at which point the improvements would be razed to build the new use. Since the property would be purchased as a functional package (i.e., land and building together), the estimation of a separate land value in this case is superfluous.

The second implication is that an investor buying the property as of the effective date of the appraisal would buy it for its continued utilization as a seven-unit apartment building based upon its income potential, not upon cost to replace. Therefore, the cost approach is not appropriate for this appraisal.

THE SALES COMPARISON APPROACH

The Sales Comparison Approach, or Market Approach, derives an indication of value for the subject property by analyzing recent sales of similar properties. The Sales Comparison Approach rests on the principle that a prudent person would pay no more to buy a property than the cost of buying a comparable or substitute property. This approach is generally

avored when an adequate number of sales and comprehensive information about these sales are available. Another advantage of this approach is that it utilizes actual market transactions and therefore incorporates the actions of buyers, sellers, investors, and/or users.

This approach is only applicable when a sufficient number of sales exist to be analyzed and when sufficient information about those sales can be obtained and verified. This is especially critical in today's marketplace given the complexity of transactions and properties. The appraiser must have sufficient information about all of the comparable sales to be able to adjust for those items of dissimilarity between the comparable and the subject. The approach is considered less reliable when this comparative information is not available.

A variety of units of comparison are used for analysis in the sales comparison approach, depending on the type of property being appraised and the quality of the data available. Typical units of comparison for apartment projects include gross income multipliers, price per gross square foot, price per apartment unit, or in a student oriented market, price per bedroom.

Different types of gross income multipliers are a very popular means of comparison for apartment projects. It should be noted that, according to Appraisal Institute publications and standard usage, the term "gross income multiplier" is used interchangeably as the generic terminology for all gross multipliers as well as having a specific meaning as stated below.

A gross rent multiplier or GRM expresses the relationship between the gross rent and price; i.e., potential gross rent times the gross rent multiplier equals the justified purchase price or estimated value of the property. A second type of multiplier is a gross income multiplier or GIM, which express the relationship between the gross income of a property

(which would include sources other than rent, such as laundry and vending machine income), and price. The third type of multiplier is an effective gross income multiplier or EGIM, which again takes rental and other income into account, but also takes into account an allowance for vacancy.

Caution must be used when attempting to derive and apply gross income multipliers for valuation purposes. First, the properties analyzed must be comparable to the subject property in terms of physical, locational, and investment characteristics. In addition, the properties analyzed must be comparable to one another, especially in terms of operating expense ratios, or the effect of the differences must be considered. For example, an investor might be willing to apply a higher GRM for a property if the tenant pays utilities, because for the given gross income, the owner would receive greater net income. After a gross income multiplier is derived from comparable sales, it needs to be applied on the same basis on which it was derived. In other words, an EGIM obtained from the market must be applied to the projected effective gross income of the subject. In addition, the timing of income must be comparable. If the multipliers were extracted from sales using actual income (historic or prior year income), then the multiplier derived must be applied to the income from the same time frame with respect to the subject.

The gross income multiplier analysis has elements of both the sales comparison and income approach to value. Older appraisal literature included rent multiplier analysis as a sales comparison approach methodology. However, modern appraisal literature views gross income multipliers as a means to compare the income producing characteristics of properties in the sales comparison approach, with application of the approach as a direct capitalization or income approach technique. In this appraisal we are including the analysis as part of the sales comparison

approach, since this is the typical methodology used in the local market.

The first step in applying the sales comparison approach is to research the market for sales of comparable properties. Our market research indicates that there have been numerous sales of apartment projects in the Square neighborhood over the past few years. We concentrated our analysis on those sales most similar to the subject and included the following initial selection criteria:

1. Preferably older residences converted to multi-family use. We also considered sales of older residences converted to office use and/or then back to multi-family use.
2. Multi-family residences larger than a duplex, but not large apartment complexes with 40 or more units.
3. Sales data which could be confirmed by knowledgeable parties such as buyers, sellers, or brokers.
4. Located in the downtown area within a few blocks of the Square, preferably in the immediate neighborhood of the subject property.
5. The rental data should correspond as closely as possible to the date of the sale. For this valuation, only rental and parking income was used in the calculation of the gross rent multipliers (GRM).
6. Apparent speculative apartment purchases by private individuals which involved a quick re-sale at a higher price with no market exposure were not considered.

The ten comparable sales selected for analysis in this appraisal are individually summarized in **Appendix F**. The more detailed information contained on the individual data sheets for each comparable property found in **Appendix F** is critical to this valuation. This sales information is summarized below and in **Exhibit 9** which can be found on page 76. A map identified as **Exhibit 10** and is found on the page following **Exhibit 9**. The square footage of gross finished area for each comparable sale property was taken from the assessment records and also noted for the subject property.

Comparable #1 located at 12 N. Butler sold May 31, 1990 for \$172,000 with cash to the seller. The buyer, Madison Community Co-op, needed to be in possession of the property before the fall rent-up and had been unable to locate a suitable property after a lengthy search. The broker for the buyer worked in the same firm with the seller; the property was not listed on the open market. The resulting GRM of 5.37 was on the high side for the 1990 market. The price per SF was \$47.49 and \$17,200 per unit & per bedroom. The property has five on-site parking stalls.

Comparable # 2 located at 317 E. Gorham sold on August 31, 1990 for \$93,000 with the assumption of the \$66,000 mortgage and a seller's second of \$8,000. Terms not available, but price could reflect possible premium for financing. The resulting GRM of 4.89 at mid to high range for 1990. The price per SF was \$41.85 with the price per unit at \$31,000 and per bedroom at \$18,600. There is no on-site parking. The 1990 buyer listed the property in June of 1992 at \$110,000 which would result in a 5.25 GRM based upon the 1992 rental revenue of \$20,940.

Comparable # 3 located at 404-408 W. Mifflin sold on September 14, 1990 for \$235,200 with cash to the seller. The seller, Firststar Trust Dept. had been managing the property for several years for the Maloof Estate. The resulting GRM was in the mid-range of the 1990 market at 4.44 and the price per SF was \$37.07 with the price per unit at \$21,382 and \$19,600 per bedroom. The property has 19 on-site parking stalls.

Comparable # 4 located 312 N. Bassett sold on April 19, 1991 for \$118,000 on land contract with financing terms at market. The resulting GRM of 5.06 which is representative of market for 1991. The price per SF was \$42.99 with the price per unit at \$23,600 and the price per bedroom at \$16,857. There are two marginally legal parking stalls on-site for which no rent is charged.

Comparable # 5 located at 20 N. Franklin sold on May 16, 1991 for \$118,000 with cash to the seller. The resulting GRM of 4.23 is on the lower end which is typical for rooming houses which have a higher turnover and more management headaches. The price per SF was \$43.27 with the price per unit and per bedroom at \$13,111.

Comparable # 6 consists of three buildings located at 107, 177, and 119 W. Gorham which sold for \$350,000 on September 11, 1991 with cash to the seller. The resulting GRM of 5.59 is on the high end of the market range for 1991; the property had been renovated in 1985 and targeted to the upper end apartment market with amenities not found in the other more comparable apartment sales. The price per SF was \$49.18 with the price per unit at \$43,750 and the price per bedroom at \$35,000. Visual inspection indicates 15 on-site parking stalls.

Comparable # 7 located at 13-15 N. Hancock sold for \$582,900 on April 3, 1992 with cash to the seller. Unlike the subject property and the previous comparable sales, this property was

built as an apartment building. The resulting GRM is 5.13. Above market rent increases after the sale suggest the rents were below market at time of sale, thereby inflating the GRM. The price per SF was \$40.57 with the price per unit and per bedroom at \$18,216. There are six on-site parking stalls.

Comparable # 8 located at 222 N. Pinckney sold for \$99,500 on June 30, 1992 with cash to the seller. The resulting GRM is 4.85 which is probably in the lower mid range. The price per SF was \$40.75 with the unit price per unit at \$24,875 and the price per bedroom at \$16,583. There are two on-site parking stalls.

Comparable # 9 located at 315 S. Henry was selected more as an example of an office use in an older former residence returning to a multi-family use. Since this property was purchased by a non-profit as a shelter for single men, the pricing does not represents what a private investor would pay. This property sold for \$130,000 on March 30, 1992. The previous occupant-owner had experienced bankruptcy and lender bought the property at the Sheriff's sale. The price per SF was \$63.35 and the price per unit and bedroom (based upon the proposed use) was \$16,250. This sale cannot be considered as comparable to the subject property.

Comparable # 10 located at 204 S. Hamilton, across the street from the subject property, is an older former residence that had been converted to Class C office use, but was having vacancy problems. The property sold for \$140,000 on November 2, 1990. The price per SF was \$34.84 and the new owner-occupant spent about \$25,000 for repairs. The total cost of the property for the new owner was \$165,000 or \$41.07 per SF. The sales information was confirmed by one of the sellers who was also a building occupant and is considered very reliable. This sale is not a direct comparable for the valuation of the subject property as apartments, but it gives the reader an indication of the market value of older houses converted to Class C office use.

Before relating the sales data to the subject property, it is critical to understand buyers and sellers interpretation of the market and their pricing behavior. Therefore, interviews were conducted with various real estate professionals. Summaries of these interviews are included in **Appendix G**. Some general trends that were noted from these interviews are as follows:

- The market is viewed as stable or improving slightly.
- Occupancy is very high, nearing 100%.
- Gross rents have been increasing fairly consistently at approximately 3% to 4% per year.

EXHIBIT 9

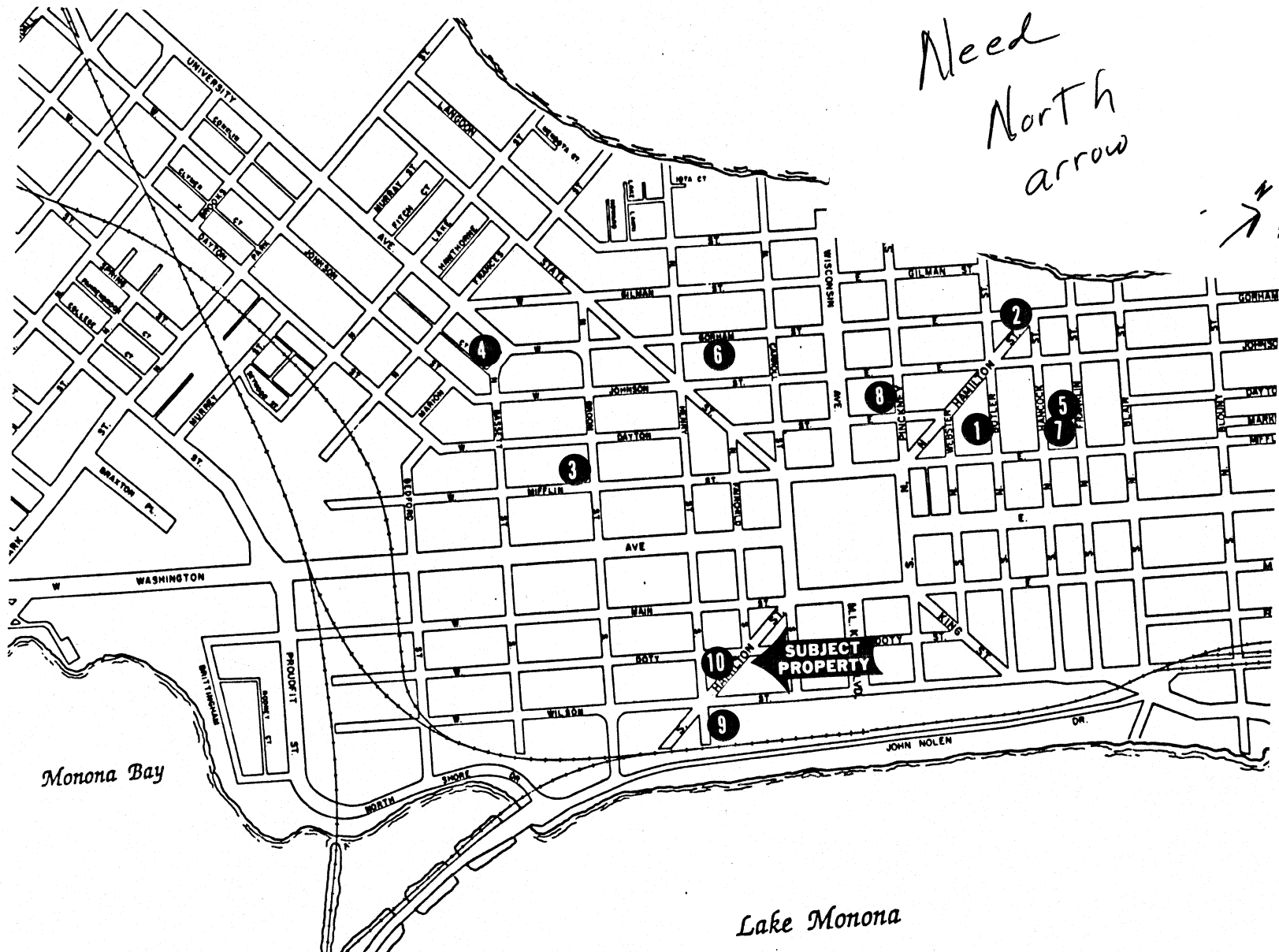
SUMMARY OF
COMPARABLE SALES FOR LOEB PROPERTY

Improved Sale/ Address	Sales Price	Date Sold	Annual Rent & Parking Revenue @Sale Date	Gross Rent Multiplier	Assessor's Gross Finished SF	Sale Price/ Gross Finished SF	No. Units Price/Unit Ave. SF/Unit [1]	No. Bdrms. Price/Bdrm. [2]	Rent Includes	Parking Spaces	Other
#1 12 N. Butler	\$172,000	5/31/90	\$32,045	5.37	3,622	\$47.49	10 \$17,200 362 SF	10 \$17,200	Heat & Elec.	5	Rooming House Not exposed on market
#2 317 E. Gorham	\$93,000	8/31/90	\$19,000	4.89	2,222	\$41.85	3 \$31,000 741 SF	5 \$18,600	Heat & Elec.	None	1-3 Bdrm; 2-1 Bdrm. Land contract; No premium paid
#3 404-408 W. Mifflin	\$235,200	9/14/90	\$52,980	4.44	6,344	\$37.07	11 \$21,382 577 SF	12 \$19,600	Heat	19	Consists of 2 Bldgs. Bank's sale of estate
#4 312 N. Bassett	\$118,000	4/19/91	\$23,340	5.06	2,745	\$42.99	5 \$23,600 549 SF	7 \$16,857	Heat & Elec.	2	2-2 Bdrm.; 2-1 Bdrm; 1 Efficiency
#5 20 N. Franklin	\$118,000	5/16/91	\$27,900	4.23	2,727	\$43.27	9 \$13,111 303 SF	9 \$13,111	Heat & Elec.	1	Rooming House
#6 107-119 W. Gorham	\$350,000	9/11/91	\$62,520 (Projected)	5.60	7,117	\$49.18	8 \$43,750 890 SF	10 \$35,000	None	15	Historic Rehab of 3 bldgs. Condomiums at time of sale
#7 13-15 N. Hancock	\$582,900	4/3/92	\$113,520	5.13	14,368	\$40.57	32 \$18,216 449 SF	32 \$18,216	None	6	Larger bldg with 29 Eff. and 3-1 Bdrms.
#8 222 N. Pinckney	\$99,500	6/30/92	\$20,520	4.85	2,442	\$40.75	4 \$24,875 611 SF	6 \$16,583	Heat & Elec.	2	2-2 Bdrm; 1-1Bdrm; 1 Eff.
#9 315 S. Henry	\$130,000	3/30/92	N/A	N/A	2,052	\$63.35	8 \$16,250 257 SF	8 \$16,250	Heat & Elec. Rm. & Board	3	Was used as office - being converted to SRO housing Purchased by non-profit
#10 204 S. Hamilton	\$140,000	11/2/90	N/A	N/A	4,018	\$34.84	Office N/A	Office	Heat & Elec.	5	Office at time of sale High vacancy at time of sale Deferred maintenance=\$25,000
SUBJECT			Adjusted		3,710 Appraiser						
205 S. Hamilton		7/31/92	\$32,724		4,002 Assessor		7	7	Heat	5	2 Eff and 5-1 Bdrm Smaller units; good location

- [1] Average unit size is calculated by dividing total gross finished square footage by the number of units.
[2] The number of bedrooms is just that; the number does not indicate the number of persons or the number of beds in the bedroom.

EXHIBIT 9
SUMMARY OF COMPARABLE SALES DATA

EXHIBIT 10
LOCATION OF COMPARABLE SALES



- There has been a shift in demand, with smaller units currently in higher demand than larger units.
- Properties that are of lower quality and are located farther away from the Square have not been doing as well as the above indicators would show.
- The most common indicator of value utilized in buyer calculus is the gross rent multiplier, based on market rents. This would imply that rent potential emphasized by buyers.
- Since the common market practice is to derive GRMs from prevailing rents, as of the sale date, they must be applied to the subject in a manner consistent with their derivation. Investors indicate that the term "prevailing rents" means that a buyer will look primarily to the rents in effect at the time of purchase, but would also give some credit to rent increases if such rents can be implemented in the near term.
- Operating expenses can vary greatly, depending on such factors as: 1) the age of the property, 2) who pays for the utilities, 3) type of management (professional or owner), and 4) the amount of "sweat equity" the owner puts into the property. Typically operating expenses are about 45% of gross rent revenue if the tenant pays heat, with probable operating expenses around 50% if the landlord pays heat.
- Many buyers are typically unsophisticated investors as compared with institutional investors such as insurance companies and pension funds.
- Current 1993 GRMs range from 5.0 to 6.0 depending on location, quality, and expense responsibility (i.e., landlord paying heat versus tenant paying heat). About 18 to 24 months ago the range was lower from approximately 4.5 to a little over 5.0 according to interviews conducted in late 1991 and early 1992.
- The gradual increase in GRMs probably have been due to low current interest rates. (This must be tempered somewhat, in that current interest rates are about 0.5% lower than interest rates as of the effective date of the appraisal per average rates published in Appraiser News, a publication of the Appraisal Institute).
- There are a few buyers purchasing properties based on overall capitalization rates, with a 10% overall rate viewed as a central tendency within the range of rates discussed.

Based upon the analysis of the eight apartment sales, **Comparable Sales Numbers 2, 3, 4, 7, and 8** are the most reliable indicators of value of the subject property as of July 31, 1992, the effective date of this appraisal.

Less reliance is placed upon the remaining sales for the following reasons:

- **Sale Number 5** is the sale of a rooming house located at 20 N. Franklin and has the lowest GRM at 4.23. Lower GRM's are typical of rooming houses due to the higher turnover, greater management burden, and the fact that the landlord pays all utilities.
- **Sale Number 1** is also a rooming house, but the property was not exposed on the open market and the buyer was under a time constraint to find a suitable property; therefore the price paid was higher with a resulting GRM of 5.37 which cannot be considered as representative of the market for properties such as the subject property.
- **Sale Number 6** with the highest GRM of 5.60 is a package of three restored houses which were each a condominium at the time of the sale. Unlike the subject property, these apartment units were renovated in 1985 with modern appliances, skylights, fireplaces, spiral staircases, larger units and modern heating systems so the tenants pay the utilities.
- As discussed earlier, **Sales Number 9 and 10** are not considered directly comparable to the subject property, but are useful indicators of market activity.

The five sales selected as the most reliable indicators of value for the subject property have a range of GRMs from 4.44 to 5.13. Less reliance is placed upon the three sales with GRMS of 4.23, 5.37 and 5.60.

The subject is an older building in overall good to fair condition, with certain older mechanical systems (boiler, electric) which may need replacement in the foreseeable future. The current style of occupancy is with the landlord paying heat only, with the electric in the building separately metered. Although the units are relatively small, desired privacy is available at a more modest rent than found in the more modern buildings. The subject property has an excellent location for professional office workers since it is close proximity to the Square. The superior location tends to off-set the older finishes and appliances in the units. The property also provides limited on-site parking, and although not enough for one stall per unit, the proportion of stalls to units is higher for the subject than for most comparable apartments in the downtown area. A

reasonable GRM for the subject based on a comparison with the sales researched would indicate that an appropriate GRM would be at the middle to high end of the range indicated by the comparables, or say 5.0 to 5.2.

As suggested by real estate professionals, GRMs have been increasing over the past year or so due mainly to the low mortgage interest rates which were in effect at the time of this appraisal (e.g., 8.5% to 9%), and therefore, a slightly higher GRM than exhibited by the 1990 and 1991 sales would be appropriate. To account for this effect, a range of GRMs from 5.1 to 5.3 is considered appropriate for the subject property as of the July 31, 1992 date of valuation.

In order to apply these parameters to estimate the value of the subject property, the revenue potential of the subject property as of the effective date of the appraisal must be evaluated. Based upon the analysis of the downtown Madison apartment rental market presented earlier in this report, the rent structure of the subject property is compared to prevailing 1992 market rents.

The first step in analyzing the rent potential for the Loeb Property as of the date of this appraisal was to examine the actual rents for the property. As reported previously in the Apartment Market Analysis section of this appraisal, the only evidence of actual income for the Loeb Property was contained in the letter from Harry N. Loeb to appraiser Frank Perion, dated October 14, 1991. These contract rents are restated as follows:

LOEB PROPERTY
October 1991

<u>Apartment</u>	<u>Number of Bedrooms</u>	<u>Monthly Rent</u>	<u>Rent Per Sq Ft Per Month</u>
A	1	\$ 350	\$0.76
B*	1	385	0.96
C	Efficiency	250	1.29
D	1	400	1.01
E	1	385	1.04
F	Efficiency	250	1.32
G	1	<u>385</u>	0.75
Total Monthly Rent		\$ 2,405	
Parking Income (5 @ \$25)		<u>125</u>	
Total Monthly Income		\$ 2,530	
		<u>x 12</u>	
Gross Annual Income		\$30,360	

*Apartment B was just vacated at the time the letter was written.

Our interviews with area real estate professionals indicated that rents in the downtown neighborhood have been increasing at three percent to four percent per year.

Based upon the comparative smaller units found in the subject property, the rents as of October, 1991 were close to prevailing market rates for the 1991-1992 rental season with the exception of apartments A and G. An increase of four percent per year is appropriate to adjust the rents to July 31, 1992, the effective date of the appraisal.

The adjusted rent schedule is shown first and is followed by the adjustment for inflation:

LOEB APARTMENT RENTS ADJUSTED TO MARKET AS OF OCTOBER 1991

<u>Apartment</u>	<u>Unit Size</u>	<u>Number of Bedrooms</u>	<u>Monthly Rent</u>	<u>Rent Per Sq Ft Per Month</u>
A	460	1	\$ 385	\$0.84
B	398	1	385 (Was \$350)	0.96
C	194	Efficiency	250	1.29
D	405	1	400	1.01
E	370	1	385	1.04
F	189	Efficiency	250	1.32
G	508	1	400 (Was \$385)	0.79
Total Monthly Rent			\$ 2,455	
Parking Income (5 @ \$30)			150 (Was \$25/Stall)	
Total Monthly Revenue			\$ 2,605	
			x 12	
Gross Annual Revenue			\$31,260	

LOEB APARTMENT RENTS ADJUSTED TO MARKET AS OF JULY 31, 1992

Four Percent Increase in Apartment Rents

Parking Increased to \$35/Stall

<u>Apartment</u>	<u>Unit Size</u>	<u>Number of Bedrooms</u>	<u>Monthly Rent</u>	<u>Rent Per Sq Ft Per Month</u>
A	460	1	\$ 400	\$0.87
B	398	1	400	1.01
C	194	Efficiency	260	1.34
D	405	1	416	1.03
E	370	1	400	1.08
F	189	Efficiency	260	1.38
G	508	1	416	0.82
Total Monthly Rent			\$ 2,552	
Parking Income (5 @ \$35)			175	
Total Monthly Revenue			\$ 2,727	
			x 12	
Gross Annual Revenue			\$32,724	

The analysis of comparable sales and recent market trends suggests a reasonable GRM for the Loeb Property might range from 5.1 to 5.3. This is based on the information from the comparable sales combined with the interview information. The estimated values that would result from the

application of the indicated range of GRMs to the 1992 annual gross revenue estimated above are as follows:

SENSITIVITY ANALYSIS

Potential Gross Rent	GRM - 5.1	5.2	5.3
\$32,724	\$166,892	\$170,164	\$173,437

The indicated value range for the subject property, based on our GRM and rental analysis as presented, is \$166,892 to \$173,437. Although the subject is older, has obsolete appliances, and will need certain mechanical replacements, it has an excellent location in relationship to the Square. Therefore, a reasonable conclusion for a final value for this approach would be in the middle of the above range, or \$170,000, rounded. To check the reasonableness of the estimate of value from the Market Comparison Approach, other indicators of value were derived from the comparable sales and tested against the value estimate for the subject property.

The unit values from the comparable sales are summarized below:

	<u>Five Most Comparable Sales</u>	<u>All Apartment Sales</u>
Price per Square Foot* of Gross Finished Area	\$37.07 to \$43.00	\$37.07 to \$49.18
Price per Unit	\$18,216 to \$31,111 ⁵¹⁰	\$13,111 to \$43,750
Price per Bedroom	\$16,583 to \$19,600	\$13,111 to \$38,888 ⁵²⁰

*From assessment records

Based upon an estimate of value of \$170,000 for the subject property, the resulting price per square foot is \$42.48 (based upon square footage from assessment records); the price per unit is \$24,286; and the price per bedroom is \$24,286. Based upon the 3,710 square feet of finished area of

the subject, as measured by the appraiser, the unit price is \$45.82 per square foot. The resulting unit values fall in the mid to upper range of comparable unit values and indicate that \$170,000 is a reasonable estimate of value of the subject property as of July 31, 1992.

INCOME CAPITALIZATION APPROACH

While the GRM analysis has attributes of both the sales comparison approach and income capitalization approach, our market research indicates that another income approach methodology is available for the valuation of the subject property. Our market interviews indicated that some investors are buying properties based on overall capitalization rates of 10 percent applied to net operating income (NOI). Real estate professionals also indicated that operating expenses for apartments in older converted buildings range from 45 percent to 50 percent of effective gross revenue. Given the aging boiler and electrical systems, a prudent manager would establish a reserve for replacements.

In order to estimate NOI, we used the potential gross rent of \$32,544 that was forecast for the Loeb Property as of July, 1992 for the income approach analysis. NOI was forecast based on a vacancy at two percent of potential gross rent and an operating expense ratio of 45 percent. Using the 10 percent capitalization rate indicated by our market research, value is estimated as follows:

Potential Gross Rents	\$ 32,544
Vacancy @ 2%	(651)
Effective Gross Income	\$ 31,893
Operating Expenses @ 45% of EGI	(14,352)
Reserves @ \$10/Unit	(840)
Net Operating Income	\$ 16,701
Capitalized @ 10%	÷ .10
Indicated Value	\$167,010
Rounded to	\$167,000

Using the same analysis, but with an operating expense ratio toward the higher end of the range indicated by our interviews, the following value is estimated:

Potential Gross Rents	\$ 32,544
Vacancy @ 2%	(651)
Effective Gross Income	\$ 31,893
Operating Expenses @ 50% of EGI	(\$ 15,947)
Reserves @ \$10/Unit	(\$ 840)
Net Operating Income	\$ 15,106
Capitalized @ 10%	÷ .10
Indicated Value	\$151,060
Rounded to	\$151,000

The range of values indicated by the above capitalization analysis is \$151,000 to \$167,000. Based on the good location of the subject and the fact that tenants pay their own electricity, the value of \$167,000 at the high end of the range would be appropriate. Therefore, the income capitalization analysis provides reasonable support for the value conclusion indicated by the GRM analysis.

RECONCILIATION AND FINAL VALUE ESTIMATE

The reconciliation process involves an evaluation and summary of the valuation process with the goal of reaching a conclusion to provide an answer to the problem that the appraisal is intended to solve. This appraisal has involved the application of the valuation process to estimate the market value of the fee simple interest in the Loeb Property as of July 31, 1992. This appraisal is intended to be used to help settle the award for damages resulting from the condemnation of the property for the new Dane County Jail.

The analysis in this appraisal indicated that the highest and best use of the property is a continuation of its current utilization as a seven-unit apartment building. Although the property is located in the downtown

Madison area near the Square, economic and market trends in the area do not indicate a likelihood that the property would be razed and redeveloped to an alternative use within the foreseeable future. Therefore, the valuation analysis in this appraisal concentrated on valuing the property for its continued use as an apartment project. Apartment investors in Madison are primarily concerned with the income generated by such projects, along with their appreciation potential. Our research of buyer calculus indicated that apartment investors price apartment projects based on gross rent multipliers (GRMs), which is a technique that has characteristics of both the sales comparison approach and income approach to value. The GRM analysis done in this report was done based on a range of assumptions using the market evidence derived from our research. The final value indicated by the GRM analysis was \$170,000, which was toward the high end of the range indicated by our sensitivity analysis. In terms of another sales comparison approach indicator, the resulting value of \$42.48/\$45.82 per square foot (assessor's SF/appraiser's SF) fell within the range of values per square foot indicated by the comparable sales, reinforcing the validity of this conclusion. In addition to the GRM analysis, an income approach analysis was done using a range in assumptions based on our market research. The capitalization analysis also indicated a range in values, with value again concluded to be at the high end of the range. The value conclusion based on the capitalization analysis was \$167,000.

Since the market relies primarily on GRM analysis as opposed to capitalization analysis, primary consideration is given the GRM analysis. The capitalization analysis done for an income approach to value is viewed more as a check on the reasonableness of the value derived via the GRM analysis.

Therefore, given the above analysis, the market value of the property

known as the Loeb Property, located at 205 South Hamilton Street, in Madison, Wisconsin, as of July 31, 1992 is estimated to be \$170,000:

ONE HUNDRED SEVENTY THOUSAND DOLLARS

assuming cash to the seller and a reasonable marketing period of one year or less.

This value estimate assumes that certain personal property would transfer along with the sale of the property. Such personal property would consist primarily of the appliances used to furnish the apartment units. However, the value of older, used appliances tends to be nominal, so the personal property component of the above value conclusion would also therefore be nominal.

CERTIFICATION OF APPRAISERS

We certify that, to the best of our knowledge and belief:

- We have personally inspected the property that is the subject of this report unless indicated.
- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
- This appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Appraisal Institute's Code of Professional Ethics and the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- No person or persons other than those acknowledged below or in the report prepared the analyses, conclusions and opinions concerning real estate set forth in this report.
- The Appraisal Institute conducts a voluntary program of continuing education for its designated member. MAI's who meet the minimum standards of this program are awarded periodic educational certification. Dean P. Larkin is currently certified under this program.

Date: 6/1/93

Certified By: Jean B. Davis

Jean B. Davis, President
Landmark Research, Inc.

WI Certified General Appraiser #372

Date: 6/1/93

Certified By: Dean P. Larkin

Dean P. Larkin, MAI
Realty Advisors, Inc.

WI Certified General Appraiser #209

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report is subject to the following conditions and to such other specific and limiting conditions which are set forth by the appraiser within the report:

The legal description used in this report is assumed to be correct.

No survey of the property has been made by the appraiser and no responsibility is assumed in connection with such matters. Sketches in this report are included only to assist the reader in visualizing the property.

No responsibility is assumed for matters of a legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and marketable.

Information furnished by others is assumed to be true and correct, and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraiser.

All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report. The property is appraised as though under responsible ownership and management.

It is assumed that there are no hidden or inapparent condition of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

It is assumed that all the mechanicals in any building improvement such as, but not limited to, plumbing, electrical, heating system, air conditioning system, well and pump, and septic system, are operable and sufficient to serve the property under appraisal unless otherwise informed.

It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report. The existence of potentially hazardous material introduced on site or in proximity to the site as a result of nearby existing or former uses in the neighborhood, or the existence of toxic waste or other building materials such incorporated in property improvements must be disclosed by the owner to the appraiser. The appraiser is not qualified to detect such substances nor is he obliged to do so. Nevertheless, the existence of potentially hazardous material found on the subject property or in proximity to the site may have an adverse effect on the value and market price of the property. The property owner or those relying on this appraisal are urged to retain, at their discretion, an expert in this field of hazardous materials.

Since the projected mathematical models used in the appraisal process are based on estimates and assumptions, which are inherently subject to uncertainty and variation depending upon evolving events, we do not represent them as results that will actually be achieved.

It is assumed that all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

It is assumed that the utilization of the land and improvements are within the boundaries or property lines of the property described and that there is not encroachment or trespass unless noted within the report.

The appraiser will not be required to give testimony or to appear in court or any pretrial conference or appearance required by subpoena, with reference to the property in question, unless timely arrangements have been previously made therefore, at prevailing per diem rates.

Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent to the appraiser, and in any event only with property qualification and only in its entirety.

Neither all or any part of the contents of this report, or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales or any other media without written consent and approval of the appraiser. Nor shall the appraiser, firm or professional organization with which the appraiser is affiliated by identified without the written consent of the appraiser.

The distribution of the total valuation in this report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.

No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser retains the right to alter, amend, revise or rescind any of the value opinions based upon any subsequent environmental impact studies, research or investigation.

The appraiser's duties, pursuant to this employment to make the appraisal, are complete upon delivery of the appraisal report.

QUALIFICATIONS

JEAN B. DAVIS

EDUCATION

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

Master of Arts - Elementary Education
Stanford University

Bachelor of Arts
Stanford University (with distinction)

Additional graduate and undergraduate work:
Columbia Teachers College and the University of Wisconsin.

PROFESSIONAL EDUCATION

Society of Real Estate Appraisers
Appraising Real Property Course 101
Principles of Income Property Appraising Course 201

American Institute of Real Estate Appraisers
Residential Valuation (Formerly Course VIII)

Appraisal Institute
Standards of Professional Practice

PROFESSIONAL DESIGNATIONS

MAI (Candidate) - Appraisal Institute

PROFESSIONAL AFFILIATIONS

Appraisal Institute
Urban Land Institute

PROFESSIONAL EXPERIENCE

Trained in appraisal and investment analysis under the guidance of the late James A. Graaskamp, Ms. Davis is President of Landmark Research, Inc., and specializes in market and survey research in order to estimate effective demand for elderly housing, residential development, and for office and retail projects. In addition, she appraises both commercial properties and rehabilitated older commercial properties and she represents property owners in assessment appeals. Ms. Davis has been retained by the State of Wisconsin Investment Board to secure and review appraisals for their portfolio and for selected potential acquisitions.

QUALIFICATIONS OF DEAN P. LARKIN

DEAN P. LARKIN, Age 36, Vice President, Director and Shareholder of First Financial Realty Advisors, Inc. ("FFRA") and Vice President and Director of Realty Advisors, Inc. FFRA is a Brookfield, Wisconsin firm specializing in the acquisition of investment real estate and in real estate consulting. FFRA acts as a general partner of partnerships which own a variety of commercial and industrial properties throughout Wisconsin. Mr. Larkin works in the areas of property management, acquisition, finance, syndication and partnership administration. In addition, Mr. Larkin directs the activities of Realty Advisors, Inc., a wholly-owned subsidiary of FFRA which is involved in the areas of real estate appraisal and tax assessment challenge work. He has a strong background in real estate valuation and finance. His background includes experience in the areas of property acquisition, disposition, finance, syndication, leasing, management, development, and appraisal. His real estate experience includes involvement with all major property types.

Prior to co-founding FFRA, Mr. Larkin was with RAL Asset Management, a Brookfield based real estate investment firm. His duties were primarily in the areas of acquisition, partnership structuring, and partnership administration. Previously, he worked in the income property finance division of the Grootemaat Corporation, a Milwaukee, Wisconsin mortgage banking firm. Duties at Grootemaat included the finding, structuring, and placement of real estate mortgage and equity investments, equity account appraisals, and the sale of securities in private placement real estate investments. Prior to that, Mr. Larkin did appraisals, market studies, and feasibility studies involving all property types for two Milwaukee area firms. He received an M.S. degree in Real Estate Appraisal and Investment Analysis in 1981 and a B.A. degree in Economics in 1978, both from the University of Wisconsin - Madison. Both his undergraduate and graduate course work included a concentration in urban and regional planning.

Mr. Larkin is also on the staff of the University of Wisconsin - Milwaukee School of Business where he has taught Valuation of Real Estate since 1984. Community activities include membership on the Park and Recreation Commission of the Town of Pewaukee and being an alumnus of Future Milwaukee. Professional affiliations include being designated as an MAI (Member, Appraisal Institute, Number 9819). Mr. Larkin is also a Certified General Appraiser (Number 209) and a licensed real estate broker in the State of Wisconsin.

APPENDIX A

AREA AND NEIGHBORHOOD ANALYSES

APPENDIX A

AREA ANALYSIS

Introduction

The purpose of the Area Analysis is two-fold. First, this report section is to acquaint the reader with the general area in which the subject is located. Second, the appraiser needs to analyze the general data related to the four forces that influence property value, which are social, economic, government, and environmental. The analysis of this data provide the basis for the conclusions reached within this report.

The subject property is located in the downtown area of the City of Madison, which is the principal city and county seat of Dane County. Madison is also the capitol of the State of Wisconsin. Madison is located in south central Wisconsin about 80 miles west of Milwaukee.

SOCIAL FACTORS

Social factors are exhibited primarily through population characteristics. In ten years from 1980 to 1990 the population of Dane County increased 13.5 percent, or from 323,545 to 367,085 persons. In the same time period, the population for the City of Madison increased 12.1 percent, or from 170,615 to 191,262 persons. By the year 2000, the county's population is projected to increase to 389,852, an increase of approximately 6 percent.

A breakdown of population figures by age group, for both the City of Madison and Dane County, indicates that the largest concentration of the population is between 18 to 44 years of age.

The projected population growth will continue to have a positive effect on property values in the area.

ECONOMIC FACTORS

Since Madison is the state capital, county seat, and the location of the University of Wisconsin-Madison, both the university and the government play a large role as employers in the area. Service providers such as insurance companies, financial institutions, and medical facilities are also major employers in Madison. These include CUNA Mutual, American Family Insurance, General Casualty, U.W. Hospital and Clinic and Meriter Hospital. Private Madison area manufacturing employers include Oscar Mayer Foods Corporation, Swiss Colony, J.H. Findorff and Sons, Inc., and Ray-O-Vac. These manufacturing firms also play an important role in the area's economy. At the perimeter boundaries of the city, there are several commercial/industrial park locations where growth is expected.

The government and the education sector in the work force have a dramatic effect on the area's employment figures. The unemployment figures for the Madison Metropolitan Statistical Area are the lowest in the state, due to the stability of employment within the government and education sectors. As of January, 1993, the seasonal unadjusted rate was 2.1 percent

in comparison to 2.9 percent as of January, 1992. Information issued from the Wisconsin Department of Industry, Labor and Human Relations indicates that these rates have been between 2.5% and 3% since 1988.

To conclude, the area's economy is dominated by the government and education sectors. However, manufacturing and commerce still play an important role in the area's economy. The strong influence of the government and education employment sectors in the area provides the basis for the area's favorable employment figures. In general, the area's stability is an attraction for employers and new business.

GOVERNMENT

City government is directed by the mayor, who is the chief executive officer of the city, and by the common council. The City of Madison offers full service government with full time police and fire protection.

In terms of the area's property tax, the 1992 mill rate was \$34.84 per \$1,000 of assessed value. All property in Madison is assessed at approximately 100% of market value. It is reasonable to assume that given the increased demand for services, the local mill rate will increase in years to follow unless the Governor's proposed freeze on the mill rate is enacted.

In addition to city government, county government has an impact on the area. The county's largest responsibilities are building and maintaining highways and operating welfare programs.

In summary, the full range of services offered by the City of Madison and Dane County, help foster a more stable environment. This has a positive influence on the subject property.

ENVIRONMENTAL FACTORS

Madison is centrally located in south-central Wisconsin which is the city's location between two lakes, Lake Mendota and Lake Monona, has a definite effect on the area's climate and provides recreational opportunities for residents.

The Madison area has an excellent city-owned bus system that provides the community with a high level of public transit service. The Madison Metro is a national leader in seat-miles per capita provided to its service area. The Madison Metro is designed to service physically disabled persons and has a fringe benefit bus-pass program that offers employers the opportunity to include bus fare as an employee benefit. The city's transportation links, along with the relatively small size of the area, allow for relatively easy commutes to area employment centers.

Automobile access throughout the Madison area is regarded as average. The city lacks an efficient cross-town freeway system. The east-west arterial streets that run through Madison ultimately have to be routed through the isthmus between Lake Mendota and Lake Monona. This 10 block wide stretch of land is densely developed since it was one of the first

areas of the city to be developed in the mid-1800s. Therefore, through traffic attempting to travel east-to-west or vice versa through Madison can sometimes experience congestion when going through the isthmus area. In order to compensate for this poor traffic circulation pattern, the City of Madison and Dane County have been working over the past years to develop a beltline highway system to ring the city. The beltline highway around the east, south, and west sides of the city is now complete. This provides much more efficient traffic circulation in these peripheral areas.

The Madison area is approximately 80 miles west of Milwaukee, 95 miles northeast of Dubuque, 142 miles northwest of Chicago and 256 miles southeast of the Twin Cities. The Madison Metropolitan area is serviced by a network of federal and state highways. Interstate 94 provides access to Milwaukee and north to the Twin Cities. Interstate 90 provides access south to Beloit and northwest to LaCrosse. US Highways 12, 14, 18, 51 and 151, as well as State Highways 30 and 113, also service the area.

The main flow of air traffic for the area is handled at the Dane County Regional Airport/Traux Field. This airport provides air service to Madison and the surrounding region. It is the second largest commercial airport in the state.

SUMMARY

The four forces analyzed generally indicate a favorable investment environment for the Madison area and the subject. Main points previously discussed are summarized as follows:

- Dane County and the City of Madison have experienced population increases of 13.5 percent and 12.1 percent respectively throughout the 80s and the population is projected to continue increasing in the future.
- The area's employment is concentrated primarily within the government and education sectors with strong service and manufacturing components. This has resulted in the stability of the area's unemployment figures, which are lower than the national averages. This area typically has the lowest unemployment rate in the state.
- Government forces help foster an environment that is generally desirable as a residential or commercial location in Madison.
- The Madison area is well serviced by transportation systems, utilities and educational institutions. The area's quality of life is enhanced by its proximity to area lakes, parks and several cultural opportunities.

NEIGHBORHOOD ANALYSIS

The purpose of the Neighborhood Analysis is to refine the focus from the macro orientation of the Area Analysis, which looks at value influences on a regional basis, to a micro viewpoint that examines value influences in the environment immediately surrounding the subject. The neighborhood analysis establishes the context in which the value of the subject property is to be estimated. To perform the neighborhood analysis, one starts with the subject property and investigates the forces that influence value in the search pattern that radiates outward from the property. The appraiser then tries to establish the physical boundaries of the neighborhood. By closely studying the neighborhood, indications as to value trends, life state, and future desirability can be discerned.

A neighborhood is defined as a portion of a larger community, or an entire community, in which there is a homogenous grouping of inhabitants, buildings, or business enterprises. Neighborhood boundaries may consist of well-defined natural or man-made barriers or they may be more or less well-defined by a distinct change in land use or in the character of the inhabitants.¹

The property being appraised is part of a neighborhood that is known as the Capitol Square, or simply "the Square". This neighborhood is the heart of downtown Madison. The name is derived from the central feature of the area, which is the State Capitol Building. The Capitol Building is situated on a four square block site which was chosen due to the fact that it is a prominent hilltop between Lake Mendota to the north and Lake Monona to the south. The slope of this hill drops sharply to the levels of the Square, within a few blocks of these two lakes, which gives prominence to the State Capitol Building and the major buildings located around the Square.

The Square neighborhood consists of an office, government and commercial district that has its primary focus within two blocks of the Capitol Square. The boundary of the neighborhood is established by the so-called "outer ring", which is a one-way traffic route that was established to direct automobile traffic around the Square. The outer ring is defined by Dayton Street on the north, Fairchild Street on the west, Doty Street on the south, and Webster Street on the east. The subject is located just off the intersection of Doty Street and Hamilton Street.

The Square neighborhood is the center for government offices for the State of Wisconsin, Dane County, and the City of Madison. In addition, the Federal Building, which houses the Federal Courthouse and related agencies, is located within one block of the Square neighborhood at 120 North Henry Street.

The Square neighborhood was formerly regarded as Madison's primary commercial neighborhood. The importance of downtown Madison as a retail

¹ The American Institute of Real Estate Appraisers, The Appraisal of Real Estate, pp. 123-124.

district declined during the 1960s, as suburban shopping centers began to be developed. This decline accelerated during the 1970s with the development of regional malls on the western and eastern peripheries of Madison. While retail uses continue to have a significant presence on State Street, retail uses are practically extinct around the Square. However, downtown Madison is still the city's primary office district, with the highest concentration of office development in the city and region. According to published sources, there is approximately 3.8 million square feet of office space in the central Madison area.

Although downtown Madison continues to be the city's primary office district, there has been a significant volume of office development in suburban locations in the past 10 years. This has served to reorient the mix of tenants in downtown Madison. Basically, many of those tenants that had no compelling need to be downtown have left, with those types of tenants that have remained having grown to fill the voids created by this out-migration. The primary types of office uses that remain in the downtown area include government, office uses that are related to government (e.g., lobbyists, attorneys, trade groups, etc.), financial institutions, and tenants involved in the investment services industry (e.g., real estate professionals, stock brokers, investment advisors).

The downtown Square area also has a sizable residential component. The demand for apartment units in the downtown apartment market has continued to strong for students, downtown employees, and some retired persons. Vacancy in the area for both the older and the newer apartments have been minimal. The apartment market is analyzed within the main body of the report.

The development stage and life state of the neighborhood varies with land use type. As indicated, retail uses in the Square neighborhood have experienced an extended decline, with major retail extinct on the Square itself. The Square was formerly the location of Madison's major department stores and other retailers; only a few small retailers and specialty shops now remain. Again, State Street is till a thriving retail center, probably due to its proximity to the university campus.

With respect to office uses, the neighborhood is in a stable to growing life state. The M&I Bank, in conjunction with Foley & Lardner, are in the final planning process for a new building which reportedly will have a total gross area of 160,000 square feet, consisting of 107,000 +/- square feet of new space which will envelop the existing M&I Bank Building. This development will be located on the southwest corner of West Main Street and Martin Luther King, Jr. Boulevard., next door to the Anchor Building.

In addition, the State of Wisconsin recently purchased a newly developed 160,000 square feet building at 101 East Wilson Street. Also, the past decade has witnessed the development of a new building on the site of the former Manchester's Department Store at 2 East Mifflin Street, the redevelopment of the J.C. Penney's Store at 1 East Main Street into offices, and the addition of new office floors to the office building that was developed in the converted Emporium Department Store, known as the AT&T Building.

In terms of hotel uses, this market segment has apparently experienced

a decline over recent years, with the Concourse Hotel having experienced bankruptcy twice during the 1980s. However, there are hopes that this market segment will improve when the development of the downtown convention center, which is slated for a site on John Nolen Drive just south of the Square neighborhood on Lake Monona, comes to fruition.

In terms of residential uses, the Square neighborhood itself does not have a significant residential component. The area surrounding the Square typically does have a residential orientation. However, Mr. Jerome Mullins has assembled a large portion of the East Mifflin Street block across the street from the Capitol Building and is reportedly planning to develop a luxury condominium project on the site.

Building improvements in the Square neighborhood range from post-Civil War buildings that have been preserved or restored to modern mid-rise office buildings that reflect various stages in the evolution of modern architecture. Building improvements on the Square are dominated by the State Capitol Building, and this dominance will continue due to height limitation for buildings around the Square which was enacted to preserve views of the State Capitol Building. The Square neighborhood is basically 100% built up, with only a few vacant sites available for development. This means that any sort of major development in the area would involve land assemblage and the demolition of existing buildings.

Land users in the immediate vicinity of the subject also include the Dane County ramp across the street to the west. There are some older storefronts and smaller commercial users in the 100 West Main Street block to the north. Land uses beyond the outer ring to the south and west are residential.

One of the major factors associated with the Square neighborhood is its "unfriendliness" to the automobile. Traffic circulation through and around the Square neighborhood is difficult at best. Past city planning policies intentionally made automobile circulation and parking more difficult in the Square neighborhood in order to discourage the use of the automobile downtown. Automobile traffic around the Square has been routed to the outer ring, which are the streets mentioned earlier as being those that define the Square neighborhood. The policy of discouraging automobile traffic in the neighborhood has apparently been somewhat successful. We compared traffic counts from 1982 and 1983 to 1991 levels and found that traffic around the inner and outer rings of the Square has not increased but is virtually the same over those time periods. In addition, parking in the Square neighborhood is difficult, given the lack of on-street parking and high demand placed on parking facilities by virtue of the high concentration of office space. Notice also that the State of Wisconsin, which is a major office user in the Square neighborhood, has a tendency to build or own major buildings without making a provision for parking in keeping with office market standards.

A potential planned development is the downtown convention center. Monona Terrace, as the 63.5 million dollar convention center is known, is based on a 1959 design by Frank Lloyd Wright. The Monona Terrace site is located between Olin Terrace and Lake Monona, three blocks southeast of the Provident Building. The design for Monona Terrace features a 42,300 square foot exhibit hall, a 15,000 square foot ballroom and banquet hall, a multi-

media auditorium with seating for more than 900 people, meeting rooms, and a roof-top garden. The State of Wisconsin has pledged \$14 million toward construction of a 550 car parking ramp adjoining the proposed convention center. However, critics of the convention center have pointed out that it lacks an adjacent hotel. It is believed that the addition of a hotel as part of the convention center's facilities would have been politically infeasible, since certain backers of the project have hopes that the convention center will help the existing downtown hotels. Also, there would probably be political resistance to using public dollars to subsidize a hotel that would compete with existing hotels, which have historically performed poorly.

It is not likely that the convention center will have a major impact on the downtown apartment or office markets. It might serve as an amenity factor in that it will provide meeting and banquet space, but at the same time it might serve to worsen the downtown traffic circulation and parking problems. It will probably have a much greater positive effect on the neighborhood hotel, restaurant, and bar business.

The downtown Madison office market is analyzed in greater detail in the main body of this report. However, some background information is necessary to complete an analysis of the neighborhood. In general, the downtown market is healthy with tight market conditions in the Class A sector, and relatively healthy occupancies in the Class B and C sectors as well. The vacancy rate for the Square office market for Class A office buildings is currently zero. Class A office rents range from \$16.00 to \$25.00 per square foot. According to a report published by a local broker, the overall vacancy in the downtown Madison market for 1992 was reported to be 8%. Given the fact that there is no vacancy in the Class A market, any vacancy in the Square market would be found in the Class B and C market segments.

Since parking is such a critical factor, the Square parking market requires discussion. In general, most new major office buildings have their own parking ramps. The City of Madison and Dane County have numerous public parking ramps in the downtown area, including one across the street from the subject. However, the high concentration of office uses makes the supply of downtown parking inadequate. Further, although the City of Madison and Dane County do have ramps in the downtown area, there is no specific provision of a supply of this parking in proportion to the amount of office space occupied by these entities. Further, the parking provided by the State for its buildings is far short of market standards for office buildings (they attempt to provide one stall per ten employees), which magnifies parking supply problems given the huge volume of office space around the Square occupied by the State. Also, many Class B and C office buildings, as well as downtown retailers, have no parking.

While automobile circulation and parking are difficult around the Square, public transportation is good. The City of Madison is served by numerous bus routes, with many of them circulating through the Square neighborhood.

To conclude, the Square neighborhood remains as Madison's premier office district. The decline of retail uses in the Square neighborhood as well as the out-migration of office uses that do not have a compelling

reason to be downtown is probably for the most part complete. The fact that a major office development (the new State Office Building at 101 East Wilson Street) was recently completed coupled with the fact that another major office project is in the final planning stages (the M&I Bank/Foley & Lardner Building) indicates that the office market is in a growth stage, albeit a very gradual one.

In addition, the fact that virtually no vacant land is available along with the restrictive nature of today's financing markets would indicate that despite the tight office market, there should be no radical increase in vacancy due to a rapid addition to supply. The high concentration of government uses downtown is expected to remain intact over the long term. Therefore, the Square neighborhood should continue to provide a stable environment for residential and office uses into the foreseeable future.

APPENDIX B

APARTMENT RENT COMPARABLE DATA SHEETS

147 WEST WILSON



1 Bedroom Apartments - \$435/month (\$405 summer)
Efficiency apartments - \$365/month (\$355 summer)

Average to small in size

Heat included, tenant pays electric

Units are carpeted and adequately maintained

Appliances include refrigerator, stove, and garbage disposal
Efficiencies have murphy beds

Building is security locked and has laundry and storage in basement

Off-street parking is available for \$35/month

22 units in a 2-story red brick building built in the 1960's

Building is adequately maintained and owner managed

Typical tenant is a downtown working person or student

308 WEST WILSON



Efficiency Apartment - \$420/month

Includes utilities

Large efficiency with big kitchen and living room

Average Condition

Hardwood floors

Appliances include refrigerator and stove

Laundry/storage in basement

Parking in rear of building for \$23/month

Landlord requires 1 month security deposit

Converted house

Building is maintained in average condition

Wisconsin Management Company

Typical tenant is downtown working person or student

312 WEST WILSON



Efficiency apartment - \$480/month

Includes utilities

Extremely large efficiency with large living/dining area, full kitchen and small bedroom in sunroom with sliding door to separate; could possibly be categorized as one bedroom

Average to above average condition

Hardwood floors

Appliances include refrigerator and stove

Laundry/storage in basement

Parking in rear of building for \$25/month

Landlord requires one month security deposit

Converted house

Building is maintained in average condition

Wisconsin Management Company

Typical tenant is downtown working person or student

326 WEST WILSON



One Bedroom Apartment - \$475/month

Includes heat but not electricity

Large unit

Average condition

Hardwood floors

Appliances include refrigerator and stove

Laundry/storage in basement

Parking in rear of building for \$25/month

Landlord requires one month security deposit

Older small apartment building

Building is maintained in average condition

Wisconsin Management Company

Typical tenant is downtown working person or student

332 WEST WILSON



Efficiency Apartment - \$350/month furnished
One Bedroom Apartment - \$396/month furnished

Tenant pays electricity (est. \$10/month)

Small apartments: One Bedroom is borderline efficiency - bedroom is alcove with sliding door

Units are adequately maintained and most have newer carpeting

Appliances include refrigerator, stove, garbage disposal, and wall A/C

Furnishings include bed, couch, table, desk, dresser, lamps, etc.

Building has laundry and storage in basement

Off-street parking is available for \$40/month

Landlord requires security deposit for one month rent

Two story brick building

Building is adequately maintained

Apartment Rentals = management company

Typical tenant is downtown working person or student

507 WEST WILSON



One Bedroom Apartment - \$535 lake view, \$485 w/o view
Efficiency Apartment - \$400/month
Two Bedroom Apartments - \$600/month

Tenant pays heat and electricity (reported averages \$25/month)

Units are maintained in average condition and have newer carpeting

Efficiency - 400 SF
One Bedroom - 650 SF
Two Bedroom - 850 SF

Appliances include refrigerator, stove and wall A/C

Building is security locked and has laundry and storage in basement

Off-street parking is available for \$30/month

Landlord requires security deposit of one month rent

Building is adequately maintained

Typical tenant is student or working person

522 WEST WILSON



Efficiency Apartment - \$370-\$390/month

Heat included, tenant pays heat and electricity

Units are maintained in average condition and have newer carpeting

Appliances include refrigerator and stove

Building is security locked and has laundry and storage in basement

Off-street parking is available for \$30/month

Landlord requires security deposit of one month rent

Building is adequately maintained

Run by The Diplomat

Typical tenant is student or working person

349/351 WEST DOTY



One Bedroom Apartment - \$425/month

Includes utilities

Good sized unit, small kitchen

Average or lightly below average condition
Hardwood floors

Appliances include refrigerator and stove

Laundry/storage in basement

Parking in rear of building for \$25/month

Landlord requires one month security deposit

Older converted house

Building is maintained in average to below average condition
Wisconsin Management Company

Typical tenant is downtown working person or student

525 WEST DOTY



Efficiency Apartment - #372-391/month furnished

Tenant pays electricity (est. \$10/month)

Units are adequately maintained and most have newer carpeting

Appliances include refrigerator, stove, garbage disposal, and wall A/C

Furnishings include bed, couch, table, desk, dresser, lamps, etc.

Off-street parking is available for \$40/month

Building is security locked and has laundry and storage in basement

Landlord requires security deposit for one month rent

24 units in 3-story brick building

Building is adequately maintained

Apartment Rentals = management company

Typical tenant is student, some working people

444 WEST MAIN



One Bedroom Apartment - \$399 - \$413/month furnished

Tenant pays electricity (est. \$10/month)

Small apartments

One Bedroom is borderline efficiency - bedroom is alcove with sliding door

Units are adequately maintained and most have newer carpeting

Appliances include refrigerator, stove, garbage disposal, and wall A/C

Furnishings include bed, couch, table, desk, dresser, lamps, etc.

Building is security locked and has laundry and storage in basement

Off-street parking is available for \$40/month

Landlord requires security deposit for one month rent

24 units in 3-story brick building

Building is adequately maintained

Apartment Rentals = management company

Typical tenant is student, some working people

15 NORTH HANCOCK



One Bedroom Apartment - \$385/month
Efficiency Apartment - \$315-\$335/month

Tenant pays electricity (electric heat)

Units are well maintained and most have newer carpeting

Building is security locked and has laundry and storage in basement

Off-street parking is available for \$35/month

Landlord requires security deposit of one month rent

Building is well maintained and owner managed

Typical tenant is working person

115 SOUTH HANCOCK



Efficiency Apartment - \$405/month
One Bedroom Apartment - \$460/month

Includes heat and hot water
Tenant pays electricity

Two-story house with six units

Hardwood floors
Efficiencies are 550 SF
Balcony in front
A/C

Building has laundry and storage in basement

Parking in rear is available for \$40/month

Building appears to be maintained in above average condition
Anchor Property Management

Typical tenant is downtown working person or student

RENTAL RATE SURVEY - 1992 POSTED RENTS
 BASED ON UW-MADISON CAMPUS ASSISTANCE CENTER
 HOUSING VACANCY REPORT FORMS

ADDRESS	APT #	TYPE/#BR	DATE	RENT	FURN.	ELEC.	HEAT	PARKING
23 N. Webster	2	1	4/92	\$450	N	N	Y	N
321 S. Henry	4	1	11/91	\$265	Y	Y	Y	N
543 W. Wilson	2	1	11/92	\$380	Y	Y	Y	\$20/mo
321 S. Henry	3	1	5/92	\$265	Y	Y	Y	N
442 W. Doty	7	1	4/92	\$540	Y	N	N	N
404 W. Doty	2	1	2/92	\$355	Y	N	Y	\$25/mo
332 W. Wilson	n/a	1	2/92	\$383	Y	N	Y	\$35/mo
405 W. Main	n/a	1	12/92	\$550	N	Y	Y	N
442 W. Doty	6	1	4/92	\$455	Y	N	N	N
124 S. Pinckney	n/a	1	6/92	\$325	Y	Y	Y	n/a
437 W. Doty	4	1	2/92	\$465	N	N	Y	N
444 W. Main	n/a	1	2/92	\$399	Y	N	Y	\$35/mo
437 W. Doty	3	1	2/92	\$475	N	N	Y	N
532 W. Doty	n/a	1	9/92	\$325	S	N	Y	N
425 W. Wilson	n/a	1	2/92	\$498	N	N	Y	\$25/mo
444 W. Main	n/a	1	4/92	\$365	Y	N	Y	\$30/mo
425 W. Wilson	n/a	1	2/92	\$450	N	N	Y	\$25/mo
315 W. Wilson	n/a	1	6/92	\$580	N	N	Y	\$30/mo
431 W. Doty	2	1	2/92	\$430	Y	N	N	\$40/mo
322 S. Hamilton	n/a	1	6/92	\$525	N	Y	Y	N
431 W. Doty	n/a	1	2/92	\$490	Y	N	N	\$41/mo
541 W. Doty	2	1	3/92	\$425	N	Y	Y	Free
433 W. Wilson	n/a	1	2/92	\$520	N	N	Y	\$25/mo
525 W. Doty	n/a	1	2/92	\$416	Y	N	Y	\$30/mo
205 S. Henry	#B,D	1	6/92	\$380	Y	Y	Y	N
414 W. Main	n/a	1	2/92	\$425	n/a	N	Y	\$45/mo
209 S. Broom	n/a	1	8/92	\$475	N	Y	Y	Free
444 W. Main	n/a	1	8/92	\$380	Y	N	Y	\$30/mo
321 S. Henry	n/a	1	3/92	\$275	Y	Y	Y	N
446 W. Wilson	n/a	2	2/92	\$780	N	Y	Y	Free
431 W. Doty	n/a	2	2/92	\$720	N	N	N	\$43/mo
442 W. Doty	2	2	4/92	\$648	Y	N	N	N
209 S. Broom	n/a	2	8/92	\$560	N	Y	Y	Free
320 W. Wilson	n/a	2	3/92	\$675	N	N	Y	\$35/mo
407 W. Doty	n/a	2	2/92	\$605	Y	N	Y	Free
209 S. Broom	n/a	2	1/92	\$460	n/a	Y	n/a	Free
442 W. Wilson	n/a	2	2/92	\$460	N	N	N	Free
316 W. Wilson	n/a	2	3/92	\$620	N	N	Y	\$35/mo
433 W. Wilson	n/a	2	2/92	\$560	N	N	Y	\$25/mo
512 W. Doty	2	2	8/92	\$535	N	N	Y	Free
427 W. Main	n/a	2	3/92	\$625	n/a	N	N	\$35/mo
424 W. Main	1	2	2/92	\$565	Y	N	Y	\$20/mo
112 S. Hancock	n/a	2	6/92	\$730	n/a	Y	Y	\$35/mo
424 W. Main	n/a	2	2/92	\$610	Y	N	Y	\$20/mo
431 W. Doty	n/a	2	5/92	\$720	N	N	N	\$43/mo
427 W. Doty	n/a	2	2/92	\$623	Y	N	N	\$40/mo
405 W. Doty	n/a	2	2/92	\$580	Y	N	N	N
325 W. Doty	2	2	7/92	\$460	N	N	N	\$25/mo
525 W. Doty	n/a	Eff	2/92	\$354	Y	N	Y	\$35/mo
418 W. Main	3	Eff	2/92	\$350	N	Y	Y	Free
418 W. Main	1	Eff	2/92	\$365	N	Y	Y	Free

CAMPUS ASSISTANCE CENTER APARTMENT LISTINGS (Continued)
1992

ADDRESS	APT. #	TYPE	DATE	RENT	F	E	H	PARK
427 W. Main	n/a	Eff	8/92	\$330	n/a	N	N	\$35/mo
542 W. Doty	n/a	Eff	7/92	\$339	Y	N	Y	\$35/mo
427 W. Main	n/a	Eff	3/92	\$295	n/a	N	N	\$35/mo
414 W. Main	n/a	Eff	4/92	\$360	n/a	N	Y	Free
147 W. Wilson	n/a	Eff	8/92	\$340	Y	N	Y	\$35/mo
110 S. Hancock	n/a	Eff	3/92	\$310	Y	Y	Y	N
542 W. Doty	n/a	Eff	1/92	\$339	Y	N	Y	\$35/mo
320 W. Wilson	n/a	Eff	3/92	\$390	N	N	Y	\$35/mo
147 W. Wilson	n/a	Eff	8/92	\$355	Y	N	Y	Free
525 W. Doty	n/a	Eff	2/92	\$378	Y	N	Y	\$30/mo
418 W. Main	2	Eff	3/92	\$325	Y	Y	Y	Free
203 S. Henry	2	Eff	6/92	\$270	Y	N	Y	N
24 N. Webster	n/a	Eff	5/92	\$425	n/a	N	Y	N
		High	Low	Average				
EFFICIENCY UNITS		\$425	\$270	\$345				
ONE BEDROOM UNITS		\$580	\$265	\$409				
TWO BEDROOM UNITS		\$780	\$460	\$607				

APPENDIX C

SELECTED PAGES FROM ZONING CODE FOR C1, C2, AND R4

28.09 COMMERCIAL DISTRICTS.

(1) General Requirements.

(a) Permitted Uses. Permitted uses of land or buildings, as herein listed, shall be restricted to the districts indicated and under the conditions specified. No building or tract of land shall be devoted to any use other than a use permitted herein in the zoning district in which such building or tract of land shall be located, with the following exceptions:

1. Uses lawfully established on the effective date of this ordinance; and
2. Conditional uses allowed in accordance with the provisions of 28.09(1)(b) hereunder.

Uses lawfully established on the effective date of this ordinance and rendered nonconforming by the provisions thereof, shall be subject to those regulations of Section 28.05 governing nonconforming uses.

(Am. by Ord. 7085, 9-6-80)

(b) Conditional Uses. Conditional uses, as herein listed, may be allowed in the districts indicated, subject to the issuance of conditional use permits in accordance with the provisions of Section 28.12(10).

(c) Lot Area Requirements. Lot areas shall be provided in accordance with the regulations herein indicated. In addition, the following regulations shall be complied with:

1. No residential use shall be established or hereafter maintained on a lot recorded after the effective date of this ordinance, which is of less area than prescribed herein for such use in the zoning district in which it is to be located.
- * 2. For any lot of record which is less than fifty (50) feet in width or less than six thousand (6,000) square feet in area on the effective date of this ordinance and located in any commercial district, the lot area requirements as established in the R4 district shall apply.
3. No existing residential building shall be converted so as to conflict with or further conflict with the lot area per dwelling unit requirements of the district in which such building is located.

(d) Height Regulations. Maximum height regulations as set forth in the C1 district shall apply to all buildings or structures in such district.

* (e) Floor Area Ratio. Maximum floor area ratio as set forth in the C2, C3 and C4 districts shall apply to all buildings or structures in such districts. However, in the C2 and C3 districts located within the central area, the maximum floor area ratio shall be not more than 4.0, or not more than 5.0 when such districts adjoin the C4 district and are within two hundred (200) feet of such C4 district and are continuous as a commercial district.

- (f) Yard Requirements. Yards shall be provided in accordance with the regulations herein indicated and shall be unobstructed from the ground level to the sky, except as allowed in Section 28.04(6)(e). All additions to a principal building, such as attached garages, shall comply with the yard requirements of the principal building.
- (g) Usable Open Space Requirements. Usable open space shall be provided on each lot, devoted in whole or in part to any residential use, as set forth in each zoning district. Such usable open space provided on the ground level shall be in a compact area of no less than two hundred (200) square feet and having no dimension less than ten (10) feet and having no slope grade greater than ten percent (10%). In calculating the usable open space requirements in the C1, C2 and C3 districts, there may be credited, up to a maximum of fifty percent (50%) of the required open space area, the area of any balconies having a minimum dimension of four feet six inches (4'6"), and on the roof, any open space area having a minimum dimension of fifteen (15) feet and being free of any obstructions and improved and available for safe and convenient use to all occupants of the building, and in the C4 district, there may be credited to the required open space area, the area of up to one hundred percent (100%) of the required open space area in any of the abovementioned balconies and open space on the roof. Also in the C4 district, interior activity spaces such as swimming pools, fitness rooms, etc., which may be used by all residents of the building, may be credited to the required open space. (Am. by Ord. 6052, 11-29-77)
- (h) (R. by Ord. 5831, 5-6-77)
- (i) Off-Street Parking And Loading. In the C1, C2 and C3 districts, off-street parking and loading facilities shall be provided in accordance with applicable regulations herein set forth in Section 28.11, provided however, in the central area, there shall be no specific requirements for off-street parking. In the C4 district, there shall be no specific requirements for off-street parking and loading facilities.
- (2) C1 Limited Commercial District.
 - (a) Statement Of Purpose. The C1 limited commercial district is established to accommodate the shopping needs of residents residing in adjacent residential areas. Within this district, which is located in close proximity to residential areas, are permitted those uses which are necessary to satisfy the daily or frequent shopping needs of the neighborhood consumer. Such uses include the retailing of convenience goods and the furnishing of certain personal services. Also permitted within this district are certain types of offices. Within this district, a limitation is imposed on the size of establishments to prevent the generation of large volumes of vehicular and pedestrian traffic.

* (d) Lot Area Requirements. In the R4 district, there shall be provided not less than two thousand (2,000) square feet of lot area per dwelling unit. However, where the average number of bedrooms per dwelling unit in the building exceeds two (2), an additional five hundred (500) square feet of lot area shall be provided for each bedroom in excess of an average of two (2) bedrooms per dwelling unit.

(e) Height Regulations. In the R4 district, no building or structure shall exceed two and one-half (2 1/2) stories nor thirty-five (35) feet in height except that single-family dwellings, two-family dwellings, and multiple-family dwellings which were constructed prior to April 1, 1975, may be altered to permit occupancy of attic areas provided the area is made to comply with all code requirements. Any roof alterations, resulting in an increased building volume, to provide additional windows, headroom or area shall not be permitted unless approved as a variance by the Zoning Board of Appeals.

However, as a conditional use or as part of a planned residential development where authorized by the Plan Commission because of a superior site plan or design, a building not exceeding three (3) stories may be permitted.

(Am. by Ord. 10,316, 10-24-91)

(f) Yard Requirements. In the R4 district, front, side and rear yards shall be provided, each of which shall be not less than the following:

1. Front yard--twenty-five (25) feet.
2. Side Yards.
 - a. One story buildings--a least side yard of five (5) feet and a combined total of both side yards of twelve (12) feet.
 - b. Two story buildings--a least side yard of six (6) feet and a combined total of both side yards of fifteen (15) feet.
 - c. For buildings containing more than two (2) families, two (2) feet shall be added to the above required widths for each family in excess of two (2) families, but in no case shall a least side yard of more than thirteen and one-half (13 1/2) feet and a combined total of both side yards of thirty (30) feet be required for one story buildings, nor a least side yard of more than fifteen (15) feet and a combined total of both side yards of thirty-four and one-half (34 1/2) feet be required for two story buildings.
 - d. On any zoning lot with a lot width of less than fifty (50) feet, for each foot by which the side walls of a building exceed forty (40) feet (as projected at right angles to the side lot line), the required side yard width shall be increased one and one-half (1 1/2) inches. Such increased width shall apply to the entire length of the side yard.
 - e. On any zoning lot with a lot width of fifty (50) feet or more, for each foot by which the side walls of a building exceed fifty (50) feet (as projected at right angles to the side lot line), the required side yard width shall be increased one and one-half (1 1/2) inches. Such increased width shall apply to the entire length of the side yard.
 - f. Reversed corner lot--twelve and one-half (12 1/2) feet for side yard adjoining street.
3. Rear yard--thirty-five (35) feet.

* (3) C2 General Commercial District.

- (a) Statement Of Purpose. The C2 general commercial district is established to accommodate the shopping needs of a much larger consumer population and area of residency than that served by the C1 limited commercial district. Within this district, which is located in relative proximity to residential areas and to major thoroughfares, is permitted a wider range of uses than in the C1 limited commercial district. Uses permitted in this district include not only the retailing of convenience goods and the furnishing of certain personal services, but also the retailing of durable and fashion goods and the furnishing of other types of services. Also permitted are all types of office uses. Within this district, there is no limitation on the size of establishments as provided in the C1 limited commercial district, except any retail use or any hotel or motel exceeding 50,000 square feet in size must be approved as conditional uses. (Am. by Ord. 8287, 3-16-84)
- (b) General Regulations. Uses permitted in the C2 district are subject to the following conditions:
1. All goods produced on the premises shall be sold at retail on the premises where produced unless approved as a conditional use. (Am. by Ord. 5982, 9-30-77)
 2. All business, servicing or processing shall be conducted within completely enclosed buildings, except for off-street parking, off-street loading, display and sale of farm produce and nursery stock, display of merchandise such as garden, lawn and recreation supplies and equipment for sale to the public, vending machines, establishments of the drive-in type and outdoor eating areas of restaurants approved as a conditional use by the Plan Commission, or display and sale of merchandise in City-owned public parking lots under the control of the Parking Utility wherein such sale is controlled by a lease between the City of Madison and the party or parties displaying and selling the merchandise. (Am. by Ord. 9535, 7-28-88)
 3. Parking of trucks as an accessory use, when used in the conduct of a permitted business listed hereinafter, shall be limited to vehicles of not over one and one-half (1 1/2) tons capacity when located within one hundred fifty (150) feet of a residence district boundary line.
 4. Any major alteration to the exterior face of retail, hotel and motel buildings over 50,000 square feet, including but not limited to painting of an unpainted exterior face, shall be permitted only after Urban Design Commission review and approval. Any action by the Urban Design Commission may be appealed to the City Plan Commission by the applicant or by the Alderman of the District in which the use is located. (Cr. by Ord. 9239, 8-14-87)

ZONING CODE

Sec. 28.09(3)(e)

- * (e) Lot Area Requirements. In the C2 district, the lot area requirements of the C1 district shall apply.
- (f) Floor Area Ratio. In the C2 district, the floor area ratio shall not exceed 3.0.
- * (g) Yard Requirements. In the C2 district, minimum yards shall be provided as follows:
 1. A yard shall be provided where the extension of a front or side lot line abutting a street coincides with a front lot line of an adjacent lot located in a residence district. Such yard shall be equal in depth to the minimum front yard required by this ordinance on such adjacent residential lot. Such yard shall be provided along such front or side lot abutting a street for a distance of at least twenty-five (25) feet, including the width of any intervening alley, from such residential lot.
 2. A yard shall be provided where a side lot line coincides with an alley right-of-way line or a side or rear lot line in an adjacent residence district. Such yard along such side lot line shall be equal in dimension to the minimum side yard which would be required under this ordinance for a residential use opposite such alley right-of-way line or on the adjacent residential lot.
 - * 3. A yard shall be provided where a rear lot line coincides with an alley right-of-way line or a side lot line or rear lot line of an adjacent parcel. Such yard along such rear lot line shall be ten (10) feet in depth for buildings not exceeding one story in height, and thirty (30) feet for buildings exceeding one story in height. (Am. by Ord. 9136, 3-12-87)
 4. For residential uses, there shall be provided side and rear yards as established in the R5 district regulations. For residential uses located above the ground floor, 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 C2 district, the usable open space requirements of the C1 district shall apply.
- (i) (R. by Ord. 5831, 5-6-77)
- (4) C3 Highway Commercial District.
 - (a) Statement of Purpose. The C3 Highway Commercial district is established to furnish the consumer population served by the C2 General Commercial district with a wide variety of goods and services, some of which are not compatible with the uses permitted in the C2 General Commercial district and thus not permitted therein. Within this district are permitted those uses which because of certain locational requirements and operational characteristics are appropriate to locations either in close proximity to major thoroughfares or in areas away from residences.
 - (b) General Regulations. Uses permitted in the C3 district are subject to the following conditions:

- * (f) Height Regulations. In the C1 district, no building or structure shall exceed three (3) stories nor forty (40) feet in height.
- (g) Yard Requirements. In the C1 district, minimum yards shall be provided as follows:
1. A yard shall be provided where the extension of a front or side lot line abutting a street coincides with a front lot line of an adjacent lot located in a residence district. Such yard shall be equal in depth to the minimum front yard required by this ordinance on such adjacent residential lot. Such yard shall be provided along such front or side lot line abutting a street for a distance of at least fifty (50) feet, including the width of any intervening alley, from such residential lot.
 2. A yard shall be provided where a side lot line coincides with an alley right-of-way line or a side or rear lot line in an adjacent residence district. Such yard along such side lot line shall be equal in dimension to the minimum side yard which would be required under this ordinance for a residential use opposite such alley right-of-way line or on the adjacent residential lot.
 3. A yard shall be provided where a rear lot line coincides with an alley right-of-way line or a side lot line or rear lot line of an adjacent parcel. Such yard along such rear lot line shall be twenty (20) feet in depth for buildings not exceeding one story in height, and thirty (30) feet for buildings exceeding one (1) story in height. (Am. by Ord. 9136, 3-12-87)
 4. For residential uses, there shall be provided side and rear yards as established in the R5 district regulations. For residential uses located above the ground floor, 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 C1 district, there shall be provided a usable open space of not less than one hundred sixty (160) square feet for each lodging room, efficiency unit or one bedroom unit, plus an additional one hundred sixty (160) square feet for each additional bedroom in excess of one in a dwelling unit.
- (i) (R. by Ord. 5831, 5-6-77)

APPENDIX D

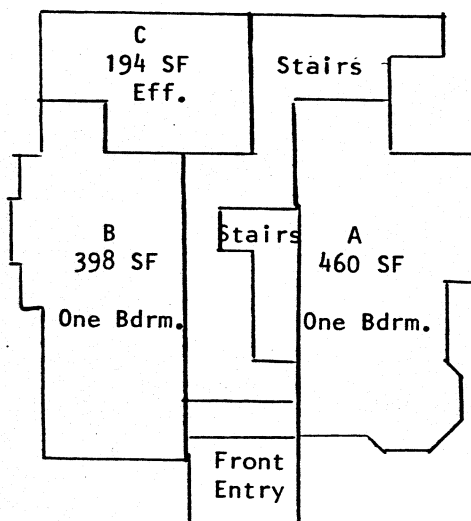
SKETCH OF FLOOR PLAN

PHOTOGRAPHS OF SUBJECT PROPERTY - NOVEMBER 3, 1992

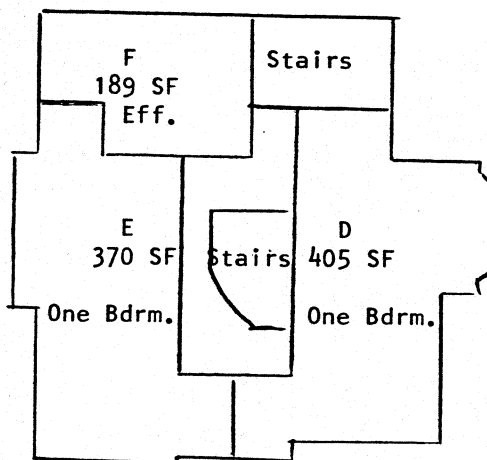
LETTER FROM LOEB TO PERION RE: OCTOBER, 1991 RENTS AND EXPENSES

APPENDIX D
SKETCH OF FLOOR PLANS

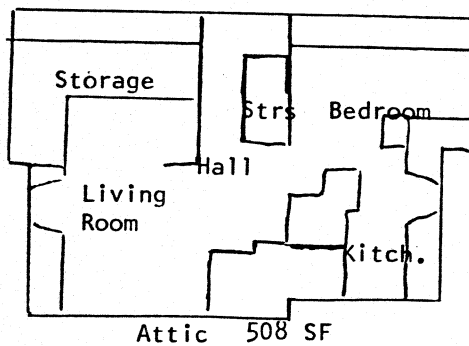
205 South Hamilton Street
Madison, WI



First Floor



Second Floor



Attic 508 SF

PHOTOGRAPHS OF SUBJECT PROPERTY
205 South Hamilton Street



Front entrance



Side entrance off parking lot

PHOTOGRAPHS OF SUBJECT PROPERTY
205 South Hamilton Street



Apartment F - 2nd Floor Efficiency



Apartment F
Bathroom in
Efficiency

PHOTOGRAPHS OF SUBJECT PROPERTY
205 South Hamilton Street



Apartment D - 2nd Floor One Bedroom



Apartment D
Bedroom: Note
Newer Carpet

PHOTOGRAPHS OF SUBJECT PROPERTY
205 South Hamilton Street



Apartment G - Attic - One Bedroom



Apartment G
Kitchen Entrance

PHOTOGRAPHS OF SUBJECT PROPERTY
205 South Hamilton Street



Apartment E - 2nd Floor One Bedroom



Basement - Heating System and Electric Meters

HARRY N. LOEB

SUITE 202
212 E. WASHINGTON AVENUE
MADISON, WISCONSIN 53703
(608) 255-8808
FAX (608) 255-0580

5511 TONYAWATHA TRAIL
MONONA, WISCONSIN 53716
(608) 221-0997

October 14, 1991

Mr. Frank Perion
Perion & Associates, Inc.

Re: 205 South Hamilton

Dear Mr. Perion:

At your request for 1990, I advise that my utility bills totalled \$2,892.00 and my insurance bill was \$675.00. Resident manager receives \$75.00 per month.

With respect to the income generated for the subject property, be advised that the premises is being used as residential rental property only as a holding operation. It was purchased and held for the purpose of using it for my law office because of its zoning, proximity to the courthouse, and the parking on the premises which we believe represents its inherent value.

CURRENT APARTMENT & PARKING RENTS:

Apartment rents:	\$28,860.00
5 Parking stalls: @\$25.00 month	<u>1,500.00</u>
Total	\$30,360.00

1991 Current Rental under Lease:

	<u>Under Lease</u>	<u>Monthly rent</u>	
Apt. A	X	\$350.00	- one bedroom
Apt. B	just vacated	385.00	- one bedroom
Apt. C	X	250.00	- studio
Apt. D	X	400.00	- one bedroom
Apt. E	X	385.00	- one bedroom
Apt. F	X	250.00	- studio
Apt. G	X	385.00	- one bedroom
Monthly gross		\$2,405.00	- Yearly gross
Parking		\$ 125.00	- Yearly gross
Gross Rental Income			<u>\$30,360.00</u>

APPENDIX E

BOECKH BUILDING COST ESTIMATES

APPENDIX E

Replacement Cost Calculations Hypothetical Building Development Boeckh Building Valuation Manual

Model: 0231 Office, 5 to 9 Story, Fireproofed Steel Frame

Area Per Floor: 3,287 Square Feet

Superstructure Area: $3,287 \times 9 = 29,583$ Square Feet

Perimeter: $115 + 86.5 + 76 = 277.5$ Feet

Total Bldg. Perimeter: $277.5 \times 9 = 2,497.5$ Feet

Ratio: $29,583 / 2,397.5 = 11.84$, rounded to 12

Note: Model assumes glass curtainwall system.

Superstructure Base Cost	\$ 49.55
Elevator Adjustment	
$\$55,438 - 29,583 \text{ sq ft} = \$1.87/\text{sq ft}$	
$\$1.87 - \$1.38 = \$0.49$	+ 0.49
Superstructure Base Cost	\$ 50.04
Superstructure Area	x 29,583
Building Cost Subtotal	\$1,480,333
Time/Location Multiplier	1.68
Adjusted Subtotal	\$2,486,959
Architects' Fees (Per Boeckh)	1.061
Current Replacement Costs	\$2,638,664
Other Soft Costs (@ 10% of Adjusted Subtotal)	\$ 248,695
Replacement Cost New	\$2,887,359
Replacement Cost New	
Per Gross Square Foot	\$ 97.60

APPENDIX F
COMPARABLE SALES DATA SHEETS

COMPARABLE SALE NUMBER 1



Location: 12 North Butler Street
Madison, Wisconsin

Tax Key Number: 0709-133-3105-8

Legal Description: SE 24.6' of Lot 4, NW 6' of Lots 5 and 6,
Block 109, Original Plat

Site:

Size	4,039 SF
Dimensions	30.6'x 132'
Zoning	C2
Land to Building Ratio	1.12/1

Sales Date: May 31, 1990

1990 Assessed Value: \$134,000

Sales Price: \$172,000

Per SF of GBA w/o bsmt.	\$47.49
Per Unit	\$17,200
Per Bedroom	\$17,200

Seller: Kevin and Cynthia Bailey

Buyer: Madison Community Co-Op

Recording Data: Vol 14288-Page 50, Warranty Deed

Terms of Sale: Cash to seller

Confirmed By: Al Coffman, Madison Community Coop

Building Description:

Type of Construction	Wood-frame construction with stone foundation, full basement, gable roof with asphalt shingle covering and asbestos-sided exterior walls.
Size	3,622 SF per assessor, with a 1,303 SF basement.
Year Built	1902
Floors	2 1/2 plus basement
Number of Units	Rooming house with 10 units, including single rooms and other efficiency-type units.
Items Included in Rent	All utilities. Laundry available.
Parking Areas	There are (5) parking spaces in the rear of the site. Two are leased at \$60/mo. (1992 rent) to non-residents.

Income Data:

Rental Income	\$30,725/Yr.
Parking	\$ 1,320/Yr. (Assuming rent at \$55/stall in 1990)
Gross Monthly Income	\$ 2,670
Gross Annual Income	\$32,045
Occupancy	14 residents - 100%
GIM/GRM	5.37 GRM

Comments:

This sale involved a situation where the buyer had an urgent time requirement. The buyer is a not for profit organization which provides affordable housing in Madison. They desired to purchase a rooming house-apartment property before the 1990 fall semester and the supply of such properties was extremely limited at the time. In fact, the Co-op already had tenants in line to fully occupy this property. (This property was used to accommodate tenants needing a Kosher kitchen). The Co-op's buyer calculus for a rooming house is such that they feel they can pay \$11,000 to \$12,000 per occupant. They anticipated 15 occupants for this property, so a purchase price between \$165,000 and \$180,000 was within their range. The property accommodated 10 residents before the sale so some conversion was necessary. There were ultimately 14 rooms at the property; the 15th was converted to a pantry instead. The seller (Kevin Bailey) was working as a broker for a local broker/developer, where another employee was engaged in seeking a property for the buyer. The property was not exposed on the open market.

COMPARABLE SALE NUMBER 2



Location: 317 East Gorham
Madison, Wisconsin

Tax Key Number: 0709-144-0509-2

Legal Description: Part of Lot 3, Block 259, Original Plat

Site:

Size	1,971 SF. This is a triangular-shaped lot. According to assessor 2,001 SF.
Zoning	R6
Land to Building Ratio	.89:1

Sales Date: August 31, 1990

1990 Assessed Value:	\$95,000
Sales Price:	\$93,000
Per SF of GBA w/o bsmt.	\$41.85
Per Unit	\$31,000
Per Bedroom	\$18,600

Seller: Robert and Delores Vetter

Buyer: Michael W. Franzen

Recording Data: Vol 14690-Page 11, Warranty Deed

Terms of Sale: Mortgage assumption of \$66,000 and a seller second mortgage of \$8,000

Cash Equivalency Analysis:

Terms not disclosed. The ability to assume existing financing and obtain a second mortgage might cause a buyer to pay a slight premium.

Confirmed By:

Michael Franzen

Building Description:

Type of Construction

2 story frame construction with stone foundation, shake siding, asphalt shingle covered roof and asbestos covered exterior, full basement.

Size

2,222 SF

Year Built

1892

Floors

2

Number of Units

3

Unit Mix

1-three bedroom and 2-one bedroom units

Items Included in Rent

Heat and Electricity

Parking Areas

There is no on-site parking since the improvements occupy the entire lot.

Income Data:

Annual Rental Income

\$19,000 est. 1990 - Was \$20,940
6/5/92

Parking

None

GIM/GRM

4.89 GIM

Comments:

This property is located at the intersections of Gorham, North Hamilton and Hancock Streets and is immediately across the street from James Madison Park, six blocks north of the subject. The Perion Appraisal indicates that the sales price included a real estate commission. The Perion Report also indicates that the property was listed on MLS for three months at a listing price of \$97,900.

COMPARABLE SALE NUMBER 3



Location: 404-408 West Mifflin Street
Madison, Wisconsin

Tax Key Number: 0709-231-1339-7 and 0709-231-1338-9
Two Parcels

Legal Description: Lot 10, NE 1/2 Lot 11, Block 42, Original
Plat & NE 1/2 of Lot 11, Block 42,
Original Plat

Site:

Size	13,068 SF or 8,712 SF + 4,356 SF
Dimensions	66'x 132'/33'x 132'
Zoning	R6
Land to Building Ratio	2.56:1

Sales Date: September 14, 1990

1990 Assessed Value: \$281,000

Sales Price: \$235,200

Per SF of GBA w/o bsmt.	\$37.07
Per Unit	\$21,382
Per Bedroom	\$19,600

Seller: Maloof Estate, et al

Buyer: Robin Associates

Recording Data: Vol 14952-Page 24, Quit Claim Deed

Terms of Sale:

Cash to Seller

Confirmed By:

First Wisconsin (Firststar) Trust Dept.

Building Description:

Type of Construction

The 404 Building is a wood-frame structure with a stone foundation, wood deck roof with asphalt shingle covering and a brick veneer.

The 408 Building is a wood-frame structure, with full basement, gable roof with asphalt shingle covering and insulated brick veneer.

Size

Total square footage above ground of 6,344 SF (The 404 Building has 2,594 SF above ground and the 408 Building has 3,750 SF above ground.)

Year Built

1874/Approx. 1899

Floors

Each building has two stories plus basement. The basement for the 404 property is a partial basement measuring 828 SF.

Number of Units

11

Unit Mix

The 404 Building has four apartments and one sleeping room for a total of 6 bedrooms.

The 408 Building has 6 - one bedroom apartments.

Unit Size

Items Included in Rent

Heat

Parking Areas

Off-street parking for 19 cars.

Income Data:

Rental Income

\$45,000

Parking

\$ 7,980

Gross Annual Income

\$52,980

Occupancy

100%

GIM/GRM

4.44 GRM

Comments:

The property is located three blocks east of the subject. The building was considered to be in average condition for the area at the time of sale. The properties involved in this sale are located in the University rental market area. According to the Perion Appraisal, the property had a list price of \$285,000 and was listed on MLS for three months.

COMPARABLE SALE NUMBER 4



Location: 312 North Bassett Street
Madison, Wisconsin

Tax Key Number: 0709-232-1132-3

Legal Description: Lot 1 Baskerville Replat, Block 36

Site:

Size	1,928 SF
Dimensions	15.5'x 41'x 62.9'x 73.5'
Zoning	R6
Land to Building Ratio	.67:1

Sales Date: April 19, 1991

1991 Assessed Value: \$120,000 (1990 Assessed Value = \$110,000)

Sales Price: \$118,000

Per SF of GBA w/o bsmt.	\$42.22
Per Unit	\$23,600
Per Bedrooms	\$16,857

Seller: D. Hanson

Buyer: M. Edgecomb

Recording Data: Vol 15769-Page 3, Land Contract

Terms of Sale: Downpayment of \$8,500, with the balance of \$109,500 due in May of 1996. Financing terms include 9-1/2% interest with monthly payments of \$920.00.

Cash Equivalency Analysis: Short term LC - Interest rate close to market. No adjustment necessary.

Confirmed By: Ron Stauter - 246-5569

Building Description:

Type of Construction 2-1/2 story wood-frame structure with full basement, stone foundation, hip-style roof with asphalt shingle covering and wood siding.

Size 2,795 SF w/o basement, 3,903 SF w/ basement

Year Built 1908

Floors 2-1/2

Number of Units 5
Unit Mix (2) two bedroom units, (2) one bedroom units, one efficiency unit.

Unit Size Average of 559 SF per unit

Items Included in Rent Heat and Electricity

Parking Areas There are 2 marginally legal off-street parking spaces. No rent is charged for their use.

Income Data:

Annual Rental Income \$23,340
Parking None
Gross Annual Income \$23,340
GIM/GRM 5.06 GRM

Comments:

The property is located approximately five blocks west of the subject, approximately one half block off University Avenue. The property is at the corner of Bassett and Conklin Court. The assessor's notes also mentioned that a portion (26 SF) of the building was used as a store. The Perion Appraisal also notes that the property was listed on MLS between 10 to 12 months at a listing price of \$125,000. According to the Multiple Listing Service an accepted offer was received 84 days after listing. The original listing price was \$125,000.

COMPARABLE SALE NUMBER 5



Location: 20 North Franklin Street
Madison, Wisconsin

Tax Key Number: 0709-133-2013-4

Legal Description: SE 1/2 of NE 1/2 of Lot 2, Block 266,
Original Plat

Site:

Size	3,267 SF per assessor's records
Dimensions	99'x 33'
Zoning	R6
Land to Building Ratio	1.20:1

Sales Date: May 16, 1991

1991 Assessed Value: \$118,000 (1990 Assessed Value = \$134,000)

Sales Price: \$118,000

Per SF of GBA w/o bsmt.	\$42.99
Per Unit	\$13,111
Per Bedroom:	\$13,111

Seller: Anchor Savings and Loan Association

Buyer: Madison Community Co-Op

Recording Data: Vol 15961-Page 15, Warranty Deed

Terms of Sale: Cash to Seller

Confirmed By: Donald Dantine - 246-0906

Building Description:

Type of Construction

2-1/2 story wood-framed structure with full basement, stone foundation, gable roof and asbestos siding.

Size

2,745 SF. per assessor

Year Built

1904

Floors

2-1/2

Number of Units

9

Unit Mix

1 - one bedroom apartment and eight single rooms.

Unit Size

Items Included in Rent

Heat and Electricity

Parking Areas

There is one off-street parking space.

Income Data:

Annual Rental Income

\$27,900

Parking

None

Gross Rental Income

\$27,900

GIM/GRM

4.23 GRM

Comments:

This property is located seven blocks northeast of the subject. Building is a rooming house. Had been acquired by seller in January of 1991 at a Sheriff's sale for \$137,600. According to Multiple Listing Service the property was originally listed at \$124,900 and an accepted offer was received 22 days after listing. This was an arm's length transaction. Operating expenses were reportedly at least 50% of gross income.

COMPARABLE SALE NUMBER 6



Location: 107-119 West Gorham Street
Madison, Wisconsin

Tax Key Numbers: 0709-144-2201-2, 0709-144-2203-8, &
0709-144-2204-6

Legal Description: Block 63, Original Plat. SW 60' of NW 84'
of Lot 8, NE 1/2 of Lot 7, SW 1/2 of Lot,
NE 1/2 of Lot 6.

Site:

Size	18,108 SF per assessor's records
Dimensions	
Zoning	R5
Land to Building Ratio	2.54:1

Sale Date: September 11, 1991

1991 Assessed Value: \$372,300

Sales Price: \$350,000

Per SF of GBA w/o bsmt.	\$49.18
Per Unit	\$43,750
Per Bedroom	\$35,000

Seller: Landsdowne Associates Limited Partnership

Buyer: John W. and Michael J. Gibbs

Recording Data: Vol 16783, Page 39
Terms of Sale: Cash to Seller
Confirmed By: Jerry Pasdo - 238-8888

Building Description:

Type of Construction

This project consists of three buildings on four parcels. Each building is of wood frame construction, gabled roof with asphalt shingle covering and has wood exterior siding. One building is 1-1/2 story, one is a 2 story and one is a 2-1/2 story structure.

Size 7,117 SF total per assessor's records

Year Built 1900, 1894, & 1899

Floors 1-1/2, 2, 2-1/2

Number of Units 8
Unit Mix One garden apartment, seven townhouse units. Brochure speaks of one bedroom lofts and two bedroom flats.

Unit Size Varied, averages 900 SF of gross finished area per unit

Items Included in Rent Water and Sewer

Parking Areas 15 parking stalls behind the buildings

Income Data:

Rental Income \$62,520 Projected
Parking Included
Gross Annual Income \$62,520 Projected
GIM\GRM 5.59 GRM

Comments:

Historic rehab unit redeveloped in 1985 in Mansion Hill Historic District. All units with full appliances, fireplaces, some have skylights, spiral staircases, and modern kitchen and bath. According to MLS, the property was originally listed at \$375,000 and an accepted offer was received after a marketing period of 47 days. This was an arm's length transaction.

According to 1990 and 1991 Madison assessment data, these three parcels were known as Units 107, 117, & 119, Landsdowne Condominiums, Vol 5326, p.45, Register of Deeds and the aggregate 1990 and 1991 assessed value of the three parcels was \$372,300. On the 1992 assessment roll, the parcels were no longer listed as condominiums and the aggregate assessed value was \$344,900.

COMPARABLE SALE NUMBER 7



Location: 13-15 North Hancock Street
Madison, Wisconsin

Tax Key Number: 0709-133-2004-3

Legal Description: NW 1/4 of NE 1/4 of Lot 3, SW 1/2 of Lot 3, SE 9.0 feet of SW 1/2 of Lot 2, Block 266, Original Plat

Site:

Size	10,692 SF per assessor's records
Dimensions	78 feet by 137.8 feet
Zoning	R6
Land to Building Ratio	0.74 per gross finished SF

Sales Date: April 3, 1992

1992 Assessed Value: \$585,000

Sales Price: \$582,900

Per SF GBA w/o unf. bsmt.	\$40.57
Per Unit	\$18,216
Per Bedroom:	\$18,216

Seller: Marjorie A Schwahn

Buyer: Daniel J. and Elizabeth A. Statz

Recording Data: Doc # 2343677, Vol 18567, Page 56 Warranty Deed

Terms of Sale:

Confirmed By:

Cash to Seller

William Wermuth - 231-5858

Building Description:

Type of Construction

Load bearing wall construction with brick masonry and concrete block facade, gabled roof with asphalt shingle covering, full poured concrete foundation.

Size

14,368 SF - Includes 40% of basement area with 4 efficiencies

Year Built

1973

Floors

3 plus units in basement

Number of Units

32

Unit Mix

29 efficiencies and 3 one-bedroom units. 4 eff. in basement, 5 eff. on 1st floor, 10 eff. each on 2nd and 3rd floors, 3-1 bdrm. on 1st floor

Unit Size

Unit size varied, average 449 gross finished SF per unit

Items Included in Rent

Water and Sewer

Parking Areas

6 stall parking lot

Income Data:

Rental Income

\$113,520

Parking

Included

Gross Annual Income

\$114,240 (Includes \$720 from laundry)

GIM/GRM

5.10 GIM/5.13 GRM

Comments:

Located two blocks east of the subject, this is a newer building. Tenants pay electricity which includes electric heat. According to the MLS the property was originally listed at \$575,000 and an accepted offer was received 36 days after listing. Broker claims that the property could have sold for up to \$100,000 more but the buyer no longer wanted to own the property and wanted an immediate sale. Operating expenses \$24,844 for Net Operating Income of \$89,396 for an indicated capitalization rate of 15.34%.

Assessor contends property listed for \$600,000 as of 1/92 and had three offers in area of \$580,000 - \$585,000; seller selected offer with only a financing contingency. If owner had accepted an \$585,000 offer (assessed value), the cap rate would have been 6.54% and the GRM would have been 5.15.

COMPARABLE SALE NUMBER 8



Location: 222 North Pinckney Street
Madison, Wisconsin

Tax Key Number: 0709-144-1614-8

Legal Description: Block 91, Original Plat, NW 45 1/6 foot of
Lot 8 and N 45-1/2 foot of NE 13 foot of
Lot 9

Site:

Size	3,567 SF per assessor's records
Zoning	R6H
Land to Building Ratio	1.46:1

Sales Date: June 30, 1992

1992 Assessed Value: \$105,800 (1991 Assessed Value =
\$100,800)

Sales Price: \$99,500

Per SF of GBA w/o bsmt.	\$40.75
Per Unit	\$24,875
Per Bedroom:	\$16,583

Seller: First Methodist Church

Buyer: Yachung and KinLing Syu

Recording Data: Vol 19476, Page 39, Warranty Deed

Terms of Sale: Cash to Seller

Confirmed By: Dan Keller - 255-6787

Building Description:

Type of Construction	Two-story painted brick load bearing wall construction, with some areas with painted wood siding. gabled roof with asphalt shingle covering, concrete foundation.
Size	2,442 SF per assessor's records
Year Built	1846
Floors	2
Number of Units	4
Unit Mix	Two two-bedroom units, one one-bedroom and an efficiency.
Unit Size	Two bedroom units measure 750 SF, one bedroom measures 370 SF and efficiency measures 370 SF. Feb. 1992 data indicates rents were \$495, \$450, \$375, and \$320/mo. and parking was \$35/mo per stall.
Items Included in Rent	Heat, Electricity, Water and Sewer
Parking Areas	Two surface spaces
Income Data:	
Rental Income	\$19,680
Parking	\$ 840
Gross Annual Income	\$20,520
GIM/GRM	4.85 GRM

Comments:

Located two blocks off the Capitol Square approximately five blocks east of the subject. According to the MLS, the property was originally listed at \$99,500 and an accepted offer was received 59 days after listing at \$94,600. This is \$900 less than shown in public record. Was an arm's length transaction, broker asserts that actual selling price was \$99,500, income information is from broker's files. Operating expenses were \$11,500 in 1991.

COMPARABLE SALE NUMBER 9



Location: 315 South Henry Street
Madison, Wisconsin

Tax Key Number: 0709-242-0131-5

Legal Description: Lot 1, Block 70, Original Plat, SE 30.8
feet of NW 197.3 feet of Block 70 ...

Site:

Size	2,046 SF per assessor's records
Dimensions	30 feet by 66 feet, more or less
Zoning	R6
Land to Building Ratio	1.00:1

Sales Date: March 30, 1992

1992 Assessed Value: \$100,000 (1993 = Tax Exempt)

Sales Price: \$130,000

Per SF of Building	\$63.35
Per Unit	\$16,250
Per Bedroom	\$16,250

Seller: The Home Savings and Loan Asso.

Buyer: Transitional Housing, Inc.

Recording Data: Vol 18375, Page 59, Warranty Deed

Terms of Sale: Cash to Seller

Confirmed By: Joe Klein - 238-0046

Building Description:

Type of Construction

2-1/2 story wood frame structure with wood siding, gabled roof with asphalt shingle covering, full basement, concrete foundation. Converted to office in 1968.

Size

2,052 SF per assessor's records

Year Built

1930

Floors

2-1/2

Number of Units

Used as a law office at the time of sale.

Unit Mix

To be converted to Single Room Occupancy (SRO) - 8 rooms

Parking Areas

1-2 surface parking spaces in driveway

Income Data:

The property earlier had been converted to a law office and was purchased for reconversion to housing. Income data does not apply.

GIM/GRM

N/A

Comments:

This building is located two blocks southwest of the subject. The property was built as a two flat in 1930 and was converted to a law office in 1969-70. Building was foreclosed upon and sold to Home Savings and Loan at a Sheriff's sale for \$139,900 in September 1991. Was listed with Stark Company April of 1991 for \$139,900 and an accepted offer was received in July of 1991. Purchaser intends to re-convert the building to housing. Will offer SRO units for single men. Although this was a sale from a bank to a non-profit organization, the broker asserts that this was an arm's length transaction at market value. There were other offers from more conventional buyers at similar prices which did not close. The buyer attempted to purchase this property from the original owner but could not close prior to foreclosure, this is why the bank is listed as the seller.

COMPARABLE SALE NUMBER 10



Location: 204 South Hamilton
Madison, Wisconsin

Tax Key Number: 0709-231-2005-3

Legal Description: Part of Lots 6, 7, 9, and 10, Block 68,
Original Plat

Site:

Size	4,349 SF
Dimensions	88'x 34.54'x 54.21'x 38'x 140.78'
Zoning	C2, Commercial
Land to Building Ratio	1.08:1

Sales Date: November 2, 1990

1990 Assessed Value: \$140,000 (1990 Assessment had been
\$175,00 - Was successfully appealed)

Sales Price: \$140,000
Per SF of Building \$34.84

Seller: Suite Hamilton Partners

Buyer: Wisconsin Association of Homes for the
Aging, Inc.

Recording Data: Vol 15043-Page 53, Warranty Deed

Terms of Sale: Cash to Seller

Confirmed By: Tom Donsing - 238-1710

Building Description:

Type of Construction

2-1/2 story frame construction with reinforced concrete foundation and aluminum clapboard exterior siding.

Size

4,018 SF per assessor

Year Built

Early 1900's with a major renovation in 1950.

Floors

2-1/2

Parking Areas

There are (5) off-street parking spaces. (6 parking spaces listed in assessor's data).

Income Data:

N/A - Part Owner-Occupied

Comments:

This was a two flat residence that was converted to an office use in the 1960's. This building is classified as Class C office space. At the time of sale, the building was reportedly in fair condition and requiring \$14,000 in foundation repairs plus expenses for cosmetic reasons. The buyer actually ended up spending about \$25,000 on renovations and deferred maintenance items. The Wisconsin Association purchased the building to use the office space. The seller (Mr. Tom Donsing) indicated that at the time of sale 1,100 square feet was under lease to a third party, at a rental rate of \$7.75 per square foot with utilities but not including janitorial. This property is located approximately two blocks southwest of the Square. It is a triangular-shaped corner site. The seller reported that the ownership group had attempted to sell the building numerous times during their ownership period. He further indicated that vacancy within this market sector (Class C) was a chronic problem.

APPENDIX G

INTERVIEWS WITH LOCAL REAL ESTATE PROFESSIONALS

PROFESSIONAL INTERVIEW

Todd McGrath (255-3976)
Property Developer/Owner
May 5, 1993

Summary of Responses:

- The subject area attracts a wide variety of tenant types including graduate and undergraduate students, downtown employees and persons on financial assistance. The subject area does not have a strong sense of neighborhood as do areas such as the Bassett Neighborhood and the First Settlement area. The City is currently considering establishing a TIF district for the Bassett Neighborhood.
- The most recent residential projects in the area are owner-occupied projects including Canal Place, The Doty Rowhouses and Hancock Court. Canal Place is an 11 unit condominium townhouse project located on South Franklin St. and was developed in 1984-1985. All 11 units were sold during the first six months of offering. The Doty Rowhouse project is located on West Doty Street and consists of six rowhouse units. Sales began in 1992 and five units have been sold. The most recent project, Hancock Court, is currently under construction. Located on South Hancock Street, this project consists of 11 new condominium units and four rehabilitated units. To date, seven of the 15 units have been sold.
- Older projects such as the subject are likely to have an operating expenses ratio in excess of 50 percent, with the landlord paying the utilities, but with good management it is possible that an operating expense ratio of 45 percent to 50 percent could be attained.
- The buyers of smaller properties typically do not buy on capitalization rates, but rather on Potential Gross Rent Multipliers. It is difficult to discern true PGRMs from market sales for most buyers acquire properties with the intent of improving them and increasing the rent. If a property were stabilized at market rent, it would likely sell at a PGRM of +/- 5.0.

PROFESSIONAL INTERVIEW

Bob Carpenter (256-5436)
Property Owner/Manager
May 5, 1993

Summary of Responses:

- Bob Carpenter is a co-owner/manager of the Carpenter Apartments at 111 W. Wilson St. and another apartment building at 222 S. Carroll. Each of these properties is somewhat unique in the area in that the typical tenant is either an older working adult or retired. As a result, turnover is very low and occupancy is also typically 100 percent with the exception of a two-week clean-up period between tenants.
- The area has a wide variety of tenants including younger and older working adults, retired persons and college students. While the turnover of older tenants is very low, the turnover for college students is typically 50 percent and 60 percent per year.
- Rents at his buildings range from \$330-\$360/month for efficiencies, \$420-\$500/month for one bedroom units and \$670/month for two bedroom units. Rent includes heat, hot water and cable television. Covered parking is available at \$40/month and surface parking is available at \$30/month. Bob believes that these rents are somewhat below market. This coming year rents on efficiencies at the Carpenter Apts. will be increased by \$10/month and all other units will be increased by \$20/month.
- Although uncertain about the current rates, Bob believes that most buyers purchase properties of this type based upon a rent multiplier.
- Operating expenses are higher for older buildings and higher for converted houses than for conventional apartment buildings. With the landlord paying the utilities, an operating expense ratio for properties such as the subject should be in the range of 40 percent to 45 percent of revenues.

PROFESSIONAL INTERVIEW

Bill Jacobsen (238-1507)
Property Owner/Manager
May 5, 1993

Summary of Responses:

- The area attracts a wide variety of tenants. In his properties he has found that one bedroom units are typically rented to young professionals who work downtown or graduate students, two bedroom units rent to young couples, and three bedroom units rent to college students (usually junior or senior year undergraduates).
- Occupancy is strong. At his properties he consistently operates at 100 percent occupancy. Occupancy is generally strong in the submarket.
- Rental rates at his units are +/- \$15 per unit per month higher this year than last year. One bedroom units are \$460-\$470/month, two bedroom units are \$580-\$695/month and three bedroom units are \$750-\$785/month. the landlord pays the heat and the tenant pays the electricity. These units have recently been remodeled and are well maintained.
- This year Bill only raised rents by \$15 per unit per month. His operating expenses recently decreased and he felt no need to increase them further. In past years he has typically increased rents by four percent per year.
- His 436 and 438 W. Wilson St. properties are relatively similar to the subject. Total operating expenses last year were 33 percent of gross rents at 436 W. Wilson St. and 41 percent of gross rents at 438 W. Wilson St.
- While not familiar with specific recent sales, Bill confirmed that he believed 10 percent capitalization rates and 5.0 to 5.5 Potential Gross Rent Multipliers to be typical for properties of this type.

PROFESSIONAL INTERVIEW

Bob Williams (266-4531)
Real Estate Assessor-city of Madison
May 5, 1993

Summary of Responses:

- The subject area appeals primarily to younger downtown employees who want to walk to work. The market area for these people is a radius of approximately five or six blocks from the Capitol Square. Because most of these people have relatively low incomes, the greatest demand is for low rent units.
- The assessor was familiar with the subject property and commented that rents were at market level and that the subject was suffering from a substantial amount of deferred maintenance.
- Although there have been some new apartment projects in this neighborhood in recent years, there have also been a number of houses/apartments converted to office space, thus resulting in no net gain in the number of units, and perhaps a net loss. This trend will likely continue.
- In recent years vacancy has been fairly stable, with most apartments experiencing a five percent vacancy level or less. SRO housing has higher vacancy because the tenants are more transient and there are more losses due to re-leasing.
- Operating expense ratios for a building such as the subject should be about 48 percent of revenues if the landlord is paying the heat and electricity and 40 percent to 42 percent if the tenant is paying.
- Buyers of these types of properties are very concerned with cash flow and are sensitive to the stability of rental income. Properties with several consecutive years of consistent cash flow will sell at a capitalization rate of 10 percent or lower. In his opinion, the market overprices these types of properties.

PROFESSIONAL INTERVIEW

Curt Brink (257-9113)
Real Estate Consultant
May 4, 1993

Summary of Responses:

- The subject's immediate market area is unique. It does not have many students, but rather is comprised primarily of relatively transient younger working people. This area is not as high of a demand area as locations which are closer to the UW campus.
- Vacancy in the area has been fairly stable in the three percent to five percent range, with older and lower quality units in the seven percent range.
- The contraction of the downtown student population and increase in supply due to new projects has hurt the outlying rental markets. Most strongly hit are the near east side rental markets which are not located close to the Capitol Square or campus.
- In his capacity as a consultant to Jim Korb, he has had a great deal of experience with operating expenses. Because Jim Korb is a large landlord with an efficient operation, his properties are all operated at an operating expense ratio of less than 40 percent. Smaller landlords, particularly those with older buildings will probably have higher operating expense ratios. About 45 percent of total revenue is probably typical, although this can vary substantially.
- He was not aware of any proposed residential projects in the area and commented that sites are scarce.
- Most buyers are no longer so unsophisticated as to use rent multipliers in their calculus of value. Most buyers buy on capitalization rates, with 10 percent being the most appropriate rate for the current market.

PROFESSIONAL INTERVIEW

Rod Matthews (257-4303)
Property Owner
May 4, 1993

Summary of Responses:

- The subject area has remained fairly strong and stable in recent years. Rents for one bedroom units average about \$475/month including utilities and efficiencies are about \$350/month.
- In recent years vacancies in the area have increased slightly and rents have been increasing at about three to five percent per year. Most of the tenants turn-over annually; the area is relatively transient.
- There have been some changes in nearby neighborhoods recently. The area west of the subject, near Proudfit and Bedford Streets was previously student dominated, but it is becoming more low income, non-student oriented.
- There has not been much residential development in the immediate area in recent years and he does not know of anything in the pipeline.
- The development of the Frank Lloyd Wright convention center should have a positive impact on residential properties in the area.
- Operating expenses at his properties are approximately 60 percent with the landlord paying utilities. He believes this is typical for properties of this type in the area.
- Buyers have traditionally based purchase decisions largely on the Potential Gross Rent Multiplier (PGRM) with properties commonly selling in the range of 5.0 to 5.5 times expected rent.

PROFESSIONAL INTERVIEW

Christopher Culver (256-7732)
Downtown Madison Property Manager/Landlord
May 3, 1993

Summary of Responses:

- In recent years the downtown rental market has contracted subsequent to the loss of many MATC students and student enrollment caps. As a result, a number of the more outlying rental units have been converting back into single family residences.
- Market rents downtown have continued to increase despite the increased vacancy problems. He has increased rents for the past three years by +/- four percent on the 300 block of E. Johnson St., and at Gilman and State St. the increases have been +/- eight to nine percent due to the superior location, smaller and more desirable units.
- New projects such as La Ciel, La Ville and properties along Spring St. have established higher quality standards; tenants want better locations (near campus) and more amenities. Therefore marginal properties are suffering as the overall quality of the rental stock improves.
- The tenants realize it is a renters market and are shopping more and renting less far in advance.
- Rents and occupancy levels at well located units with a higher level of amenities will continue to be strong.
- Smaller units are in higher demand. The demand for three bedroom units has decreased as more people want to live alone.
- The subject property is most likely to appeal to young professionals due to its location.
- The operating expense ratio vary widely, but at his properties it is approximately 45 percent. The ratio is higher when the landlord pays the utilities. At two of his properties, the landlord pays all utilities and at one the utilities are passed through to the tenant.
- Downtown rental properties have continued to appreciate in recent years, but at a rate much slower than the seven percent to eight percent experienced by many single family residences. Value is tied to rents which have generally been increasing about four percent per year.
- The purchasers of downtown rental properties buy based on income potential. The most common measure is the PGRM; in his study last year it averaged was 5.14. Although this multiplier is traditional, some of the more sophisticated buyers are moving toward cap rates with 9 percent to 11 percent or +/- 10 percent most common.

PROFESSIONAL INTERVIEW

Jerry Pasdo (238-8888)
Real Estate Developer/Owner/Broker
May 13, 1993

Summary of Responses:

- At present time he is optimistic about residential investment properties, including smaller properties (under \$200,000). Downtown rental rates have seen modest rent increases of three to four percent while campus properties have seen increases of two to three percent. Lower quality properties are being squeezed out.
- Operating expenses (including management expenses and before vacancy) of 50 percent to 52 percent are typical if the landlord pays utilities for older buildings and 45 percent if the tenant pays utilities.
- Buyer calculus
Buyers are not sophisticated enough for cap rates. First five year's cash on cash and loan amortization average 15 percent. He thinks that the broker's view influences buyer's calculus.

PROFESSIONAL INTERVIEW

Chris Monson (255-5701)
Monson Management
May 12, 1993

Summary of Responses:

- Chris owns and manages three building with seven units. His tenants are mostly professional and some students. He attracts a slightly higher quality tenant because he rehabbed his properties approximately five years ago. His properties are at 100 percent occupancy and always have been.
- It is Chris's opinion that one and two bedroom units are easiest to rent. He thinks that the lower quality buildings are more likely to have vacancies and lower rental increases.
- Chris expects operating expenses to range from 38 percent to 40 percent of gross, but vary depending on age and quality of the units. When asked if this percentage was before/after management expense or with/without utilities (heat), he did not know. He manages his properties himself and they are in good condition; therefore his operating expenses are lower.
- Buyers are buying on gross rent multipliers ranging from 5.0 to 6.0, but they are not as high as they once were (in the heydays of real estate). Gross rent multipliers will depend on building condition, age, exterior, size of units, size of buildings, location, parking, etc. He thinks that the GRM is not specific as to who pays utilities, but that it would be reflected in the range of multipliers.

PROFESSIONAL INTERVIEW

Ron Stauter (246-5569)
Broker/Previous owner of properties
May 13, 1993

Summary of Responses:

- The Stauters previously owned 90 units, but have sold all but seven. Their remaining units are not in the downtown/campus area.
- Ron said he was not very familiar with the downtown/campus rental market, but did add a little insight into buyer calculus
 - GRM 5.0 if owner pays utilities
6.0 if tenant pays utilities
 - GRMs are applicable for these type of rental properties because buyers are generally unsophisticated and can understand the GRM as a unit of comparison.

PROFESSIONAL INTERVIEW

Robert Castleberg (256-9011)
Stark Realty
May 13, 1993

Summary of Responses:

- Larger properties
Eight percent cash on cash
- Downtown campus houses
5.5 to 6.0 GRM depending on who pays heat
or if owner is occupant

PROFESSIONAL INTERVIEW

Jim Stopole (251-8777)
Madison Property Management
May 12, 1993

Summary of Responses:

- Downtown rental market is softer than western campus area. Rental increases ranging from three percent to six percent. 100 percent occupancy for their properties.
- Operating expenses 40 percent if tenant pays heat, 45 percent if landlord pays heat.
- Buyer calculus is GRM ranging from 5.0 to 5.5. Lately approaching 5.75, but money hard to find. GRM off of existing rents, range for utilities.

