



An appraisal of 30 on the Square, Madison Wisconsin. November 1, 1982

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AN APPRAISAL OF
30 ON THE SQUARE
MADISON, WISCONSIN

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AN APPRAISAL OF
30 ON THE SQUARE
MADISON, WISCONSIN

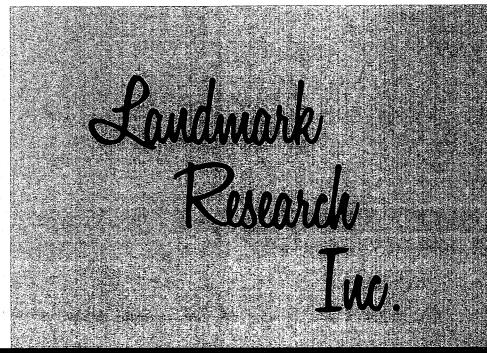
As of
November 1, 1982

Prepared for

Mifflin Associates
c/o Dr. Thomas L Carter
325 Lakewood Boulevard
Madison, Wisconsin

Prepared by

Landmark Research, Inc.
1501 Monroe Street
Madison, Wisconsin



James A. Graaskamp, Ph.D., SREA, CRE
Jean B. Davis, MS

December 6, 1982

Mifflin Associates
c/o Dr. Thomas L. Carter
325 Lakewood Boulevard
Madison, Wisconsin 53704

RE: 30 On The Square Values as of November 1, 1982

Dear Messrs. Carter, Klipsch, and Logan:

At your request we have appraised the fair market value as well as most probable sales price of your property at 30 On The Square considering long-term trends in the downtown Madison office market and the value added by entitlement to an assumable, non-recourse land contract of approximately \$2,070,000 at 8 percent interest and approximately 31 years to maturity.

In response to your specific questions, our appraisal analysis has provided the following estimates of project value as of November 1, 1982:

1. Cash sale to buyer expected to provide his own financing for what is termed fair market value has an investment value of:

ONE MILLION SIX HUNDRED THOUSAND DOLLARS
(\$1,600,000)

2. Sale of the present land contract for a cash downpayment of \$90,000 to a buyer who would assume the balance with 31 years remaining, more or less, at the current rate of interest and provide a letter of credit for \$175,000 to cover potential operating deficits during the first three years has a most probable price of:

TWO MILLION ONE HUNDRED SIXTY THOUSAND DOLLARS
(\$2,160,000)

Mifflin Associates
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December 6, 1982

3. Sale at the nominal price of \$2,620,000 including the land contract as in Scenario 2 plus notes totaling \$350,000 at 9 percent for six years, a \$200,000 downpayment, and a letter of credit for \$290,000 to cover potential deficits during the first three years of operation has a net investment value of:

TWO MILLION THREE HUNDRED FORTY THOUSAND DOLLARS
(\$2,340,000)

When these building values are allocated:

Total Value	\$1,600,000	\$2,160,000	\$2,340,000
Partnership Interest	.90	.90	.90
Mifflin Associates	\$1,440,000	\$1,944,000	\$2,106,000
Klipsch	\$ 677,647	\$ 914,823	\$ 991,059
Carter	423,529	571,765	619,412
Logan	<u>338,824</u>	<u>457,412</u>	<u>495,529</u>
Mifflin Associates	\$1,440,000	\$1,944,000	\$2,106,000

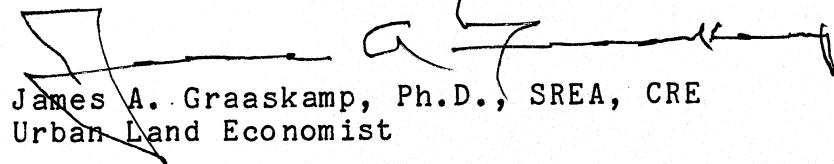
The critical problem underlying these evaluations is the recent appearance of substantial vacancies in the building attributable in some measure to loss of government or government-subsidized agencies during a time of more spartan legislative budgets. Government agencies do not necessarily require parking as a criteria for office rental and therefore make ideal tenants for the subject property which lacks a competitive parking amenity. The appraisal assumes a net increase in leased area of approximately 7 percent a year from the private sector, but it could be that higher rents on Class A and B buildings which have better parking would make the subject property very attractive where people were willing to trade off parking convenience for two or three dollars a square foot rental advantage. Since members of Mifflin Associates and Square Associates control most of the subject block facing the Square, some improvement of the parking situation may be possible.

Mifflin Associates
Page Three
December 6, 1982

These appraisal estimates are subject to the key limiting assumptions and conditions specified at the back of the report, and in the absence of a budget for engineering issues. In any event, it would seem that plans to sell partnership interests are premature and should be postponed until substantial rentals are made of vacant space.

We look forward to the opportunity to answer your questions and be of further service.

FOR LANDMARK RESEARCH, INC.


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

30 ON THE SQUARE

30 West Mifflin Street
Madison, Wisconsin

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LIST OF APPENDICES

I. APPRAISAL ASSIGNMENT

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

A. Statement of the Issue

This appraisal is requested as a measure of fair market value as of November 1, 1982, of the property located at 30 West Mifflin Street, in the City of Madison, Dane County, Wisconsin. This appraisal has been requested by the present owners of the subject property in order to determine the fair market value of the property if sold with conventional financing and to estimate the most probable price premium if sold subject to non-market terms. In short, the appraisal problem will provide the price in event of:

1. Cash sale to buyer expected to provide his own financing for what is termed fair market value as of November 1, 1982.
2. Sale of the present land contract for cash to a buyer who would assume the balance with 31 years remaining, more or less, at the current rate of interest.
3. Sale of your land contract as in Scenario 2 plus notes totaling \$350,000 at 9 percent for six years and a \$200,000 down payment.

B. Date of Appraisal

This appraisal is made as of November 1, 1982.

C. Legal Interest to be Appraised

1. Property Identification

The subject of this appraisal is the property known as 30 On The Square in downtown Madison, Wisconsin. It is identified as 30 West Mifflin Street. See Exhibit 1 for the location of the subject property in downtown Madison. It is more specifically identified as tax parcel No. 0709-144-2504-0.

The 1981 real estate assessed values on the subject property are as follows:

1981 Assessed Value	
Tax Parcel No. 0709-144-2504-0	
Land	\$ 305,000
Improvements	<u>2,235,000</u>
Total	\$2,540,000

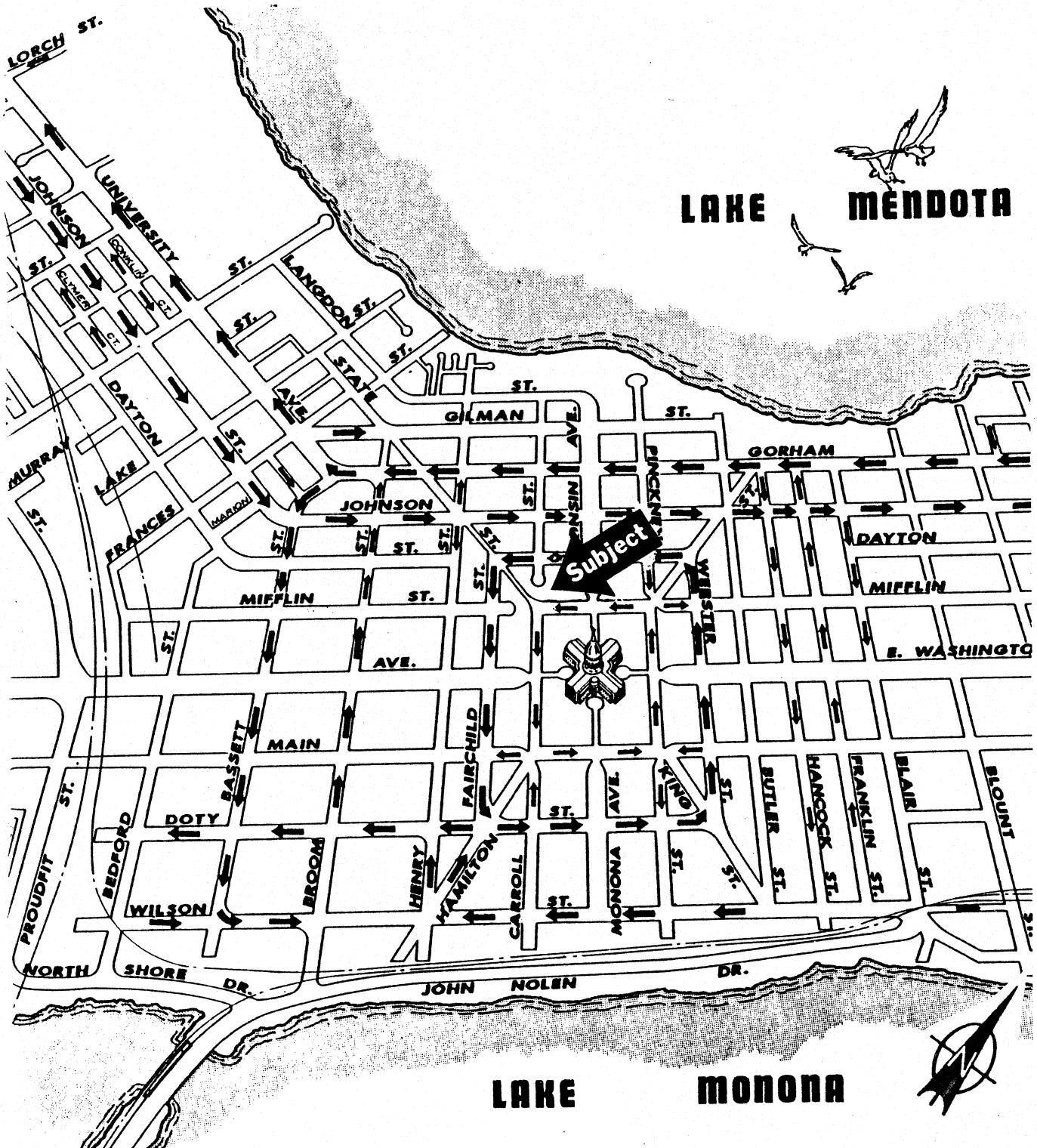
The 1982 assessed value for the subject property is unchanged from the 1981 amount. The City of Madison reports that they assess at 100 percent of market value.

2. Legal Description

The legal description for the subject property as found in Volume 900, page 468 of Records in the Register of Deeds Office for Dane County, Wisconsin, is as follows:

EXHIBIT 1

SITE LOCATION OF SUBJECT PROPERTY



Lot 10, Block 83, in the City of Madison, Dane County, Wisconsin. Subject to and together with the easements confirmed and created in Volume 131 of Miscellaneous, page 282, as document #603380. Easement grants a permanent alley of 12 feet across the north end of Lot 10, reducing the buildable area to approximately 120 feet by 66 feet.

3. Qualification of Legal Interests

Fee simple title is encumbered by a series of leases, not all of which are currently at market rent. The appraised value will recognize existing leasehold encumbrances on the fee. In addition, alternative values will assume sale of the equity position subject to an existing mortgage, subject to an assumable land contract with a remaining balance of \$2,070,000 payable over the next 31 years, more or less, at 8 percent interest.

Title is further encumbered by a special assessment district for the development and maintenance of the Capitol Concourse and State Street Malls. The initial capital charge for the subject property was \$14,522.90 in 1978. This was to be repaid by annual principal payments of \$1,452.29 over ten years plus interest at six percent on the unpaid principal balance. The 1982 payment is \$1,975.11 (\$1,452.29 plus six percent of \$8,713.74 principal balance which is \$522.82). The principal balance due after the 1981 payment was \$8,713.74 and the approximate sum of the interest amounts due for the years

1982 through 1987 is \$1,829.88. Thus, principal plus future interest totals \$10,543.62. In addition, the City of Madison levies a maintenance assessment which was \$470.44 or about five cents per square foot in 1981 and \$305.36 or 3.5 cents per square foot in 1982. The lower amount in 1982 reflected a credit on unspent funds in 1981. Substantial increases are projected for this year's budget for the maintenance assessment.

4. Qualification of Property to be Appraised

Appraisal of the encumbered fee, described above, includes personality necessary to the operation and maintenance of the building, but excludes all tenant improvements which may be removed under the terms of the existing leases.

D. Selection of Fair Market Value
Appraisal Methodology

1. Value Definition

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

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

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

1. buyer and seller are typically motivated.
2. both parties are well informed or well advised, and each acting in what they consider their own best interest.
3. a reasonable time is allowed for exposure in the open market.
4. payment is made in cash or its equivalent.
5. financing, if any, is on terms generally available in the community at the specified date and typical for the property type in its locale.
6. the price represents a normal consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs, or credits incurred in the transaction.

(1)

Fair market value, as defined, assumes a market in which the bargaining position of buyers and sellers is well balanced in terms of their perceived alternative choices, understanding of the property, and their ability to make logical decisions in their self-interest. It also assumes that the seller will be compensated in cash if cash sales prevail.

(1) Byrl N. Boyce, Real Estate Appraisal Terminology, Revised Edition, AIREA, SREA, Ballinger, Cambridge, Mass., 1981, pp. 160-161.

This appraisal will look at both fair market value, as already defined, as well as at Investment Value, defined as:

Value to a particular investor based upon individual investment requirements, as distinguished from the concept of market value, which is impersonal and detached. (2)

Investment value will be analyzed in terms of the purchase of the equity subject to the existing land contract of \$2,070,000 and alternatively, with the required down payment to the existing land contract split between a \$200,000 down payment and a note of an amount to be determined at 9 percent, interest only, for six years, issued by the present owners.

(2) Ibid., p. 140.

II. PHYSICAL ANALYSIS

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

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

A. Physical Attributes of the Site

1. Site Dimensions and Area

The subject site, located at 30 West Mifflin Street, is rectangular in shape. It has approximately 66 feet of frontage on Mifflin Street and the depth of the property is approximately 132 feet. The 132 feet fronts on the Carroll Street right of way and along a portion of one of the State Street Mall/Capitol Concourse landscaped areas (which was previously a part of Carroll Street). The total lot area is about 8,712 square feet, of which 7,920 square feet is available for a building footprint. An easement grants a permanent alley of 12 feet across the north end of the parcel, reducing the buildable area to approximately 120 feet by 66 feet.

2. Topography

The subject property is located at 30 West Mifflin on the Capitol Square in downtown Madison, hence its logo, 30 On The Square. See Exhibit 1 for the location of 30 On The Square on Mifflin Street. The Capitol Square area is a gravel drumlin located between Lake Mendota to the north and Lake Monona to the south. The slope drops sharply to lake level within two blocks of the Square, giving prominence to the State Capitol Building and major business buildings at the City's center. Accent on this elevation is strengthened by controls on building height within a mile of the Capitol. (See Section II, part B).

3. Soils

The Soil Survey of Dane County, Wisconsin, published by the United States Department of Agriculture, Soil Conservation Service, shows the soil type as Dodge silt loam, two to six percent slopes (DnB). The Dodge series consists of deep, well-drained, gently sloping and sloping soils on glaciated uplands. Foundation excavations in the immediate block have revealed a deep sand and gravel base ideal for high rise construction and low corrosion of concrete and steel.

4. Water and Sewer Service

There is a ten inch water main on Mifflin Street and a

four inch water main on Carroll Street according to the City of Madison Water Utility. The City of Madison Engineering Office reports that there is a six inch sanitary sewer on Mifflin Street in front of the subject property, a six inch sanitary sewer main on Carroll Street and a private six inch sanitary sewer main behind the subject building (which may be where the subject property connects).

5. Storm Sewer

There is a 12 inch storm sewer running in front of the subject property on Mifflin Street. There is also a 12 inch storm sewer line behind the building, which is where the City Engineering Office thought that the subject property was probably connected. There is a storm sewer inlet near the Carroll Street entrance of the alleyway which runs behind the subject property.

6. Other City Services

City of Madison Fire and Police serve the site, with a central police station 3 1/2 blocks away and the central fire station three blocks away.

7. Street Hardware

As part of the Concourse Mall, the City of Madison has flanked the subject property on the Carroll and Mifflin Street sides with 32 feet textured sidewalks which feature

an enclosed bus stop, bench areas, low landscaped planters, and a large raised garden area featuring major evergreens and specimen hardwood trees. The park atmosphere of the Capitol grounds is thus carried across Mifflin Street to the business frontage. Unfortunately, the street hardware conceals the storefront and the office building entrance as well as inviting loitering.

B. Legal-Political Attributes of the Site

The subject property is zoned C-4, Central Commercial District. The statement of purpose for the C4 Central Commercial District is as follows:

The C4 Central Commercial district is established to accommodate those uses which are of City-wide, regional or state significance. Within this district, which is located in close proximity to the State Capitol Building and State Street, and which is readily accessible by public transportation from all parts of the City, are permitted the retail, service and office uses characteristic of a central business district. In addition to commercial activities, residential use above the ground floor is permitted and encouraged. No accessory off-street parking is required in this district, and any off-street parking which is provided is controlled as to the location, type and size of such facility so as to reduce congestion on streets within or leading to this district. All new buildings and any major alteration of an exterior building face must be approved by the Plan Commission because of the community's objective to maintain the aesthetic qualities of the district. (Am. by Ord. 6052, 11-29-77) (3)

(3) City of Madison Zoning Code, p. 26-106.

For more information on the C4 Central Commercial District Zoning, see Appendix A.

As was mentioned earlier, the Zoning Code also has a section regarding height limitations for buildings as follows:

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

No portion of any building or structure located within one mile of the center of the State Capitol Building shall exceed the elevation of the base of the columns of said Capitol Building or one hundred eighty-seven and two-tenths (187.2) feet, City datum. Provided, however, this prohibition shall not apply to any flagpoles, communication towers, church spires, elevator penthouses and chimneys exceeding such elevation, when approved as conditional uses. For the purpose of this subsection, City datum zero (0.00) feet shall be established as eight hundred forty-five and six-tenths (845.6) feet above sea level as established by the United States Coast and Geodetic Survey. (4)

C. Linkage Attributes of the Site

1. Government Office Ties

The Capitol Square area is a center for government offices on many levels--federal, state, county and city. In fact, the State Capitol Building is located to the southeast of the subject property, directly across Mifflin Street.

(4) Ibid., p. 28-26.

On the contiguous block with the subject property is the City's largest hotel, the Concourse, the oldest established men's shop, the Hub, and as seen by reference to Exhibit 2, a series of small retailers in high turnover space reflecting the instability of retailing on the Square. The anchor on Mifflin Street at the other end of the block is a Woolworth store which it is rumored may be closed as part of the Woolco retrenchment. See Exhibit 3 for photographs of street scenes near 30 On The Square.

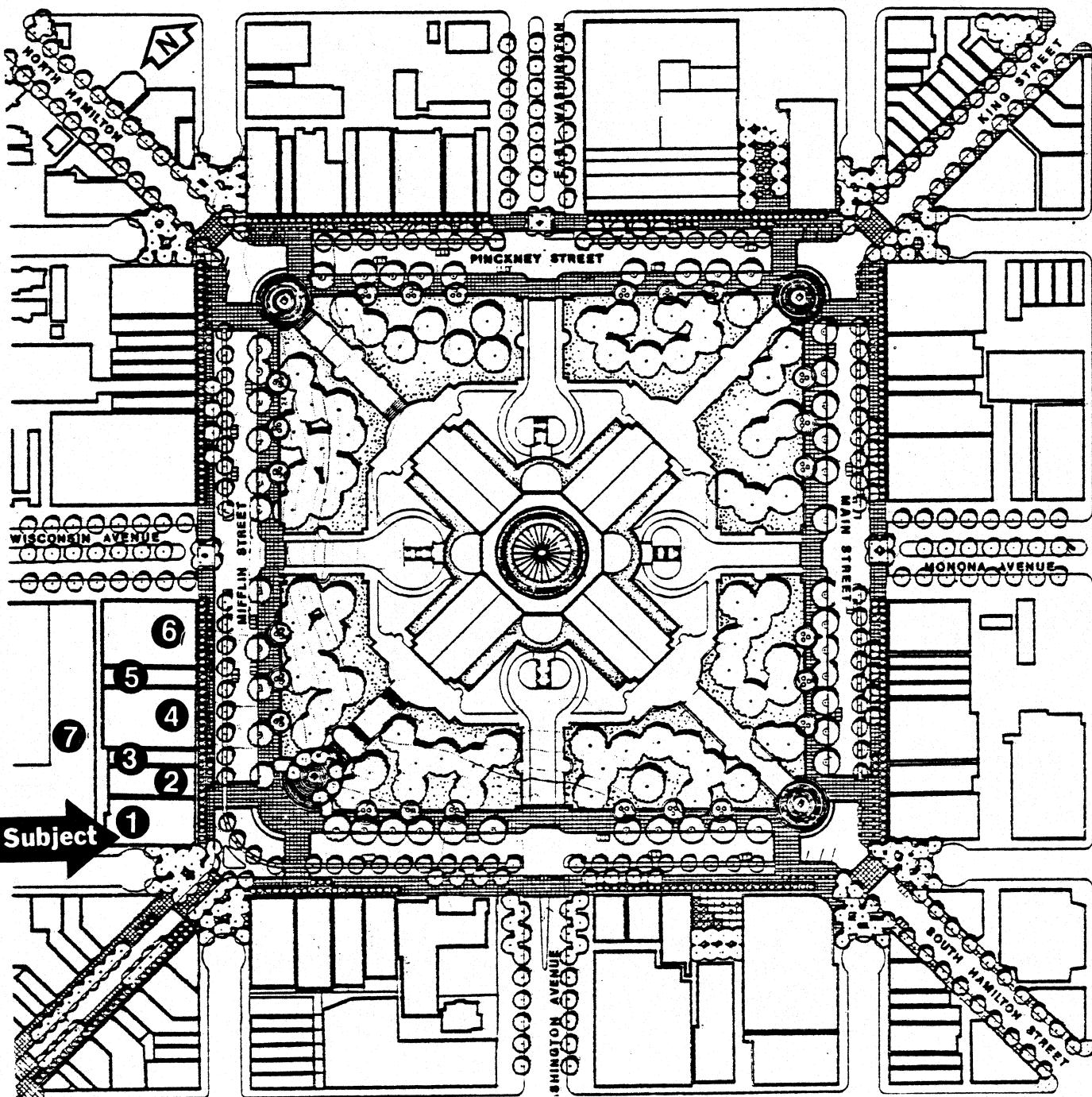
2. Pedestrian Linkages

The subject property is situated at the Capitol Square end of State Street, the principal pedestrian corridor between the Capitol Square and the University of Wisconsin. Thus, considerable pedestrian traffic passes by the subject property. Pedestrian traffic is also generated by the multitude of bus routes that stop near the subject property. Many passengers embark or disembark directly in front of the subject property.

The departure of Manchester's Department Store from the Square has yet to be filled, therefore much vacant retail space remains on Mifflin Street as on other sides of the Square. The former Wolff Kubly hardware store, across from the subject property, has been vacant for quite some

EXHIBIT 2

LOCATION OF FIRST FLOOR
RETAILERS ON SUBJECT BLOCK



1	30 W. Mifflin	Rennebohm-Walgreen	4	12 W. Mifflin	Fairchild's Hallmark Store
2	22 W. Mifflin	The Hub	5	10 W. Mifflin	Brathaus Restaurant
3	20 W. Mifflin	Limpert Color Lab	6	2 W. Mifflin	Woolworth's
4	14 W. Mifflin	Jan's Haberdashery	7	1 W. Dayton	The Concourse
4	14 W. Mifflin	Great White Bear (Vacated 1982)			

EXHIBIT 3
SUBJECT PROPERTY STREET SCENES

View from Wisconsin Ave. looking south-west on West Mifflin St.
Note Concourse Hotel at upper right of photo.



View from corner of
West Washington Ave.
and South Carroll St.
looking toward 30 On
The Square

time although it is undergoing a slow conversion to exhibit and display space as a part of the Wisconsin State Historical Society operations. Thus, although the subject property is located at the intersection of State Street and the Capitol Square, a busy site for pedestrian traffic, the downtown area does not have the prominence as a retail center that it once had.

Pedestrian access to the subject property is frequently impeded or enhanced by the presence of sidewalk vendors, art shows, and special events intended to attract Madison residents downtown. Often these events interfere with retail sales of the subject property's first floor tenant and normal business access of the office tenants.

3. Automobile Linkages

Although at one time three streets (Mifflin Street, State Street, and Carroll Street) intersected at the subject property, with many options possible for automobile traffic, at present automobiles must merely follow the flow of traffic counter clockwise around the Capitol Square as it is no longer possible to head northwest onto Carroll Street or to continue southwest on Mifflin street as these options were closed off as part of the Capitol Concourse project. Since State Street was converted to more of a mall as a part of the Capitol Concourse project, traffic on

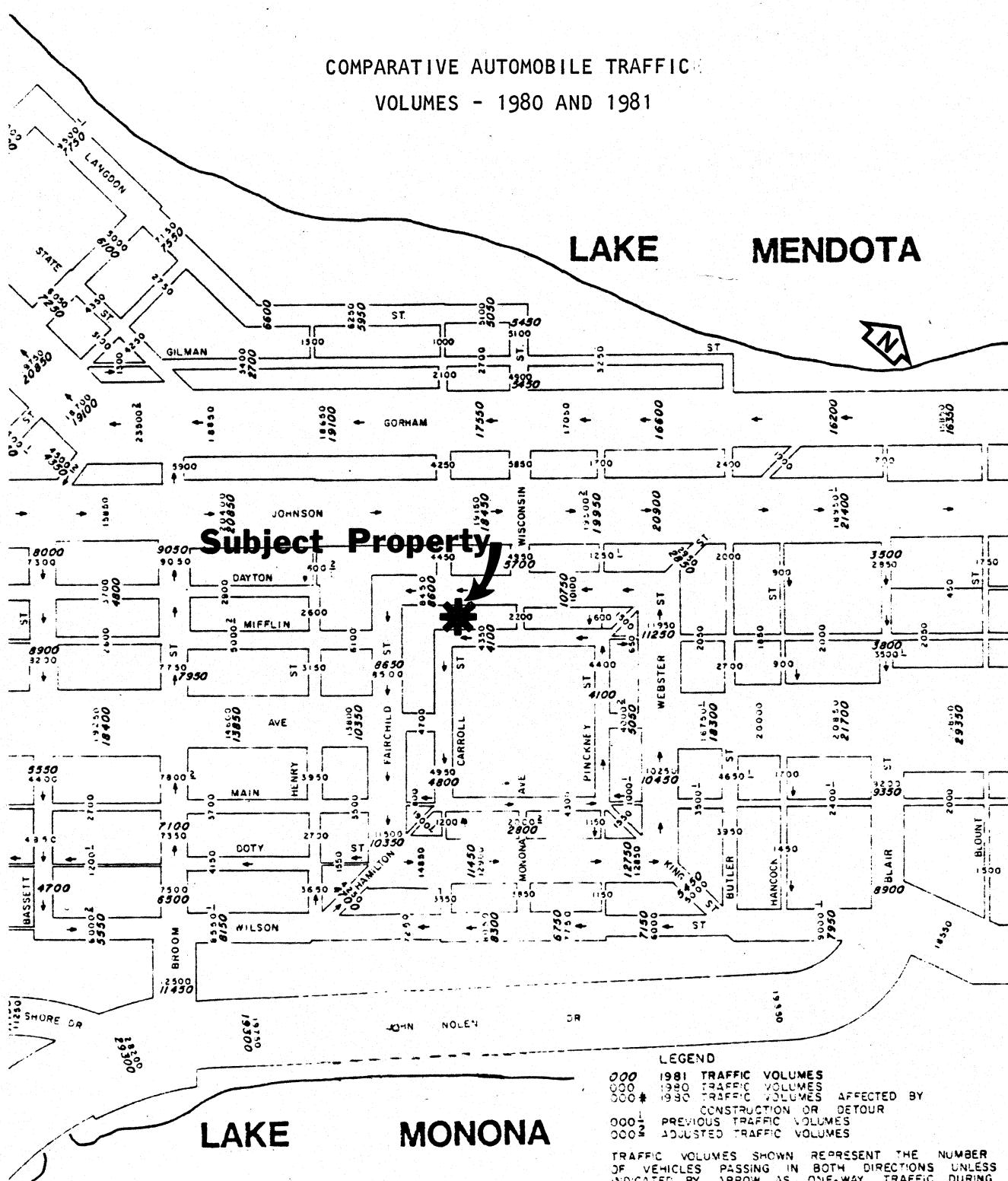
it is limited to buses and bicycles and automobile traffic is prohibited. As you can see from the 1981 downtown traffic count map in Exhibit 4, traffic around the Square decreased from 1980 to 1981, with the average 24 hour weekday traffic count in the subject's block of West Mifflin Street being 4,350 in 1980 and 4,100 in 1981.

4. Delivery Truck Linkages

The Concourse Mall ordinances prohibit delivery of goods across the sidewalk so the only delivery access is from the Carroll Street cul de sac at the alley. This delivery point is congested by angle parking, armored truck delivery to the Commercial Marine Bank, kitchen deliveries to the Concourse Hotel, and a drive-in teller facility. Thus Rennebohm's, the retail tenant in the subject property, and building services are limited to a sidewalk elevator and an alley door leading to a conveyor belt to the basement.

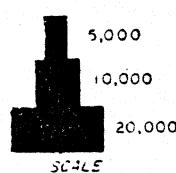
5. Public Parking

Entrance to the subject property is one block southeast of the Dayton Street city parking ramp on the northwest corner of Dayton and Carroll Streets. Some lower level parking is metered but the majority of daytime spaces are controlled by a parking control arm and ticket system and

COMPARATIVE AUTOMOBILE TRAFFIC
VOLUMES - 1980 AND 1981

	1981	CENTRAL BUSINESS & CAMPUS AREA TRAFFIC FLOW MAP	DWG. NO.
SCALE NOTED			TS8201
		1 of 1	
		2-15-82	
		J.E.L.	

CITY OF MADISON, WISCONSIN
DEPARTMENT OF TRANSPORTATION
DIVISION OF TRAFFIC ENGINEERING



are monopolized by students and faculty attending Madison Area Technical College (MATC). Some tenants in the subject property find it more convenient to lease space monthly in the ramp of the Concourse Hotel. A second eight story city ramp without elevators has just been completed in the Capitol Centre, two blocks from the subject property in the 300 block of West Mifflin Street. In general, those intending to visit tenants in the subject property find parking inconvenient, unpredictable, and distant from their destination. See Exhibit 5 for a detailed map of public parking facilities.

6. Bus Transportation

The subject site has excellent public transportation linkages to every route in the city except three special circulator routes (two serving the University of Wisconsin and one called the Johnson/Gorham Shuttle) going by the subject property. See Exhibit 5 for a detailed map of downtown Madison bus routes and protected bus shelters.

D. Dynamic Attributes of the Site

Dynamic attributes are those characteristics of a property which exist in the mind of the beholder, the citizenry, the prospective tenant, and the investor. In past years the

DETAILED MAP OF PUBLIC PARKING FACILITIES

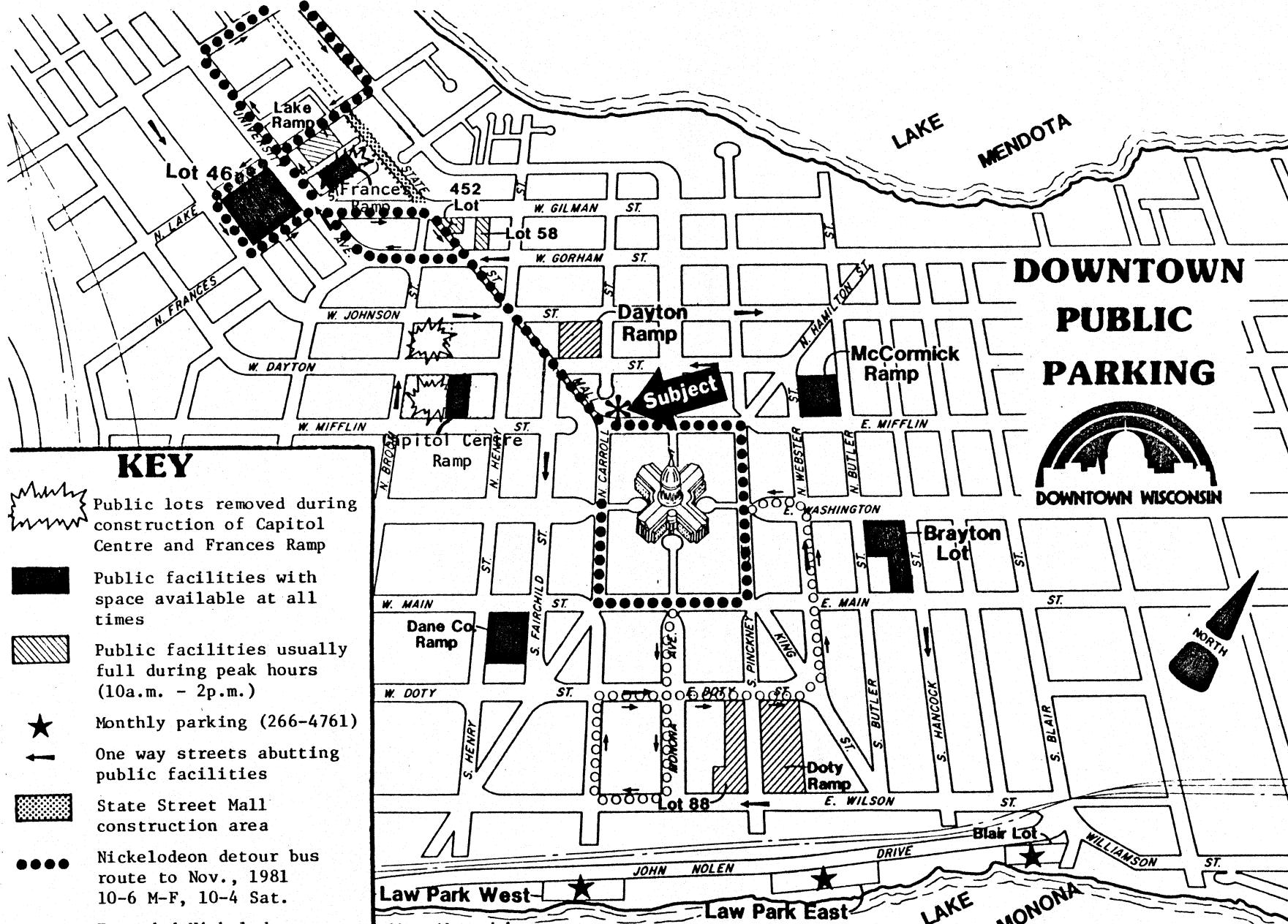
DOWNTOWN
PUBLIC
PARKING

DOWNTOWN WISCONSIN

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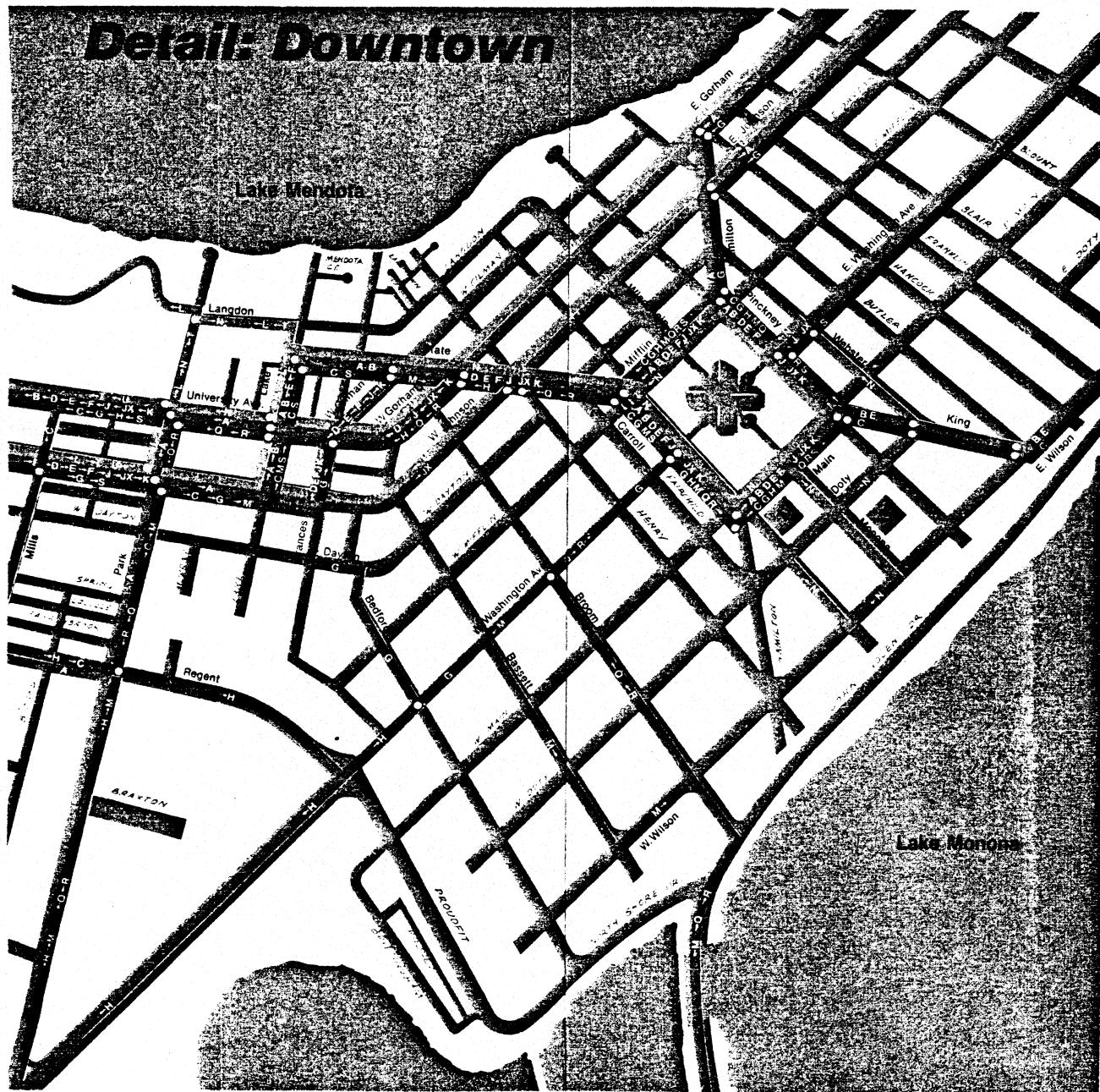
20

- Public lots removed during construction of Capitol Centre and Frances Ramp
- Public facilities with space available at all times
- Public facilities usually full during peak hours (10a.m. - 2p.m.)
- Monthly parking (266-4761)
- One way streets abutting public facilities
- State Street Mall construction area
- Nickelodeon detour bus route to Nov., 1981 10-6 M-F, 10-4 Sat.
- Extended Nickelodeon route, 11-2 Weekdays only



distributed by
CENTRAL MADISON COUNCIL
255-1008

DETAILED MAP OF DOWNTOWN MADISON
BUS ROUTES AND PROTECTED BUS SHELTERS



intersection of State Street and the Capitol Square was the 100 percent corner for retailing and place recognition in downtown Madison. In recent years suburban development took away the shoppers; planners removed the automobile; social engineers removed the social stability of the area by subsidizing an influx of chronically mentally ill, chronically unemployed, and chronically desperate people into housing adjacent to the Square. These people gravitate toward the coffee shop of the first floor tenant, Rennebohm-Walgreen, a drug store chain which has recently failed to register overage rent on sales for the first time.

The average citizen perceives the corner as a place of harrassment, social discomfort, and occasional crime.

As a result, the aesthetics of the Concourse have not contributed to the marketability of the space. The building is at the farthest corner from the preferred commercial points on the Square at the Anchor Building or the First Wisconsin Plaza, which connect, in turn, to the City-County office complex and the State General Executive Facility (GEF) complex.

The 30 On The Square building is sheathed in vertical sheets of Kosata stone and tinted glass, devoid of architectural ornamentation or nostalgic historic trim to form a strong image in the minds of the Madison public. Hence the office building is utilitarian, class B space, suitable for

government agencies and private tenants whose clients seldom visit their offices.

E. Environmental Attributes of the Site

With the exception of the adverse catalytic impact of Rennebohm-Walgreen on the social environment and the congestion of truck deliveries referred to earlier, 30 On The Square has no adverse off-site impacts in terms of storm water, solar interference, traffic congestion, or the other customary measures of adverse environmental consequences.

F. Physical Attributes of the Structure

Thirty On The Square is a ten story concrete frame structure with a utility core of stairs, elevators, and utility shafts on the inside wall of the corner site. The outside walls are 3 inch Kosata stone panels in vertical strips backed by 8 inch concrete block, faced on the inside with 2 inch foamglass insulation and finished with 1/2 inch Sheetrock with sand finish. Windows are fixed, single pane tinted glass in a metal frame system to create an inexpensive curtain wall (see Exhibit 6 for a summary of building specifications).

The property rented slowly in the first half of 1966, although the entire rear half of the block was a paved parking lot, later developed for the Concourse Hotel. Thirty On The Square was the first new high-rise office building on the

EXHIBIT 6

DESCRIPTION OF IMPROVEMENTS IN TEN-STORY STRUCTURE
30 WEST MIFFLIN STREET

Number of Stories: Ten stories

Age: Approximately 17 years

Use:

 Ground Floor: Store (7722 sq.ft.)

 Floors 2-10: Commercial office space (approximately 6000 sq.ft. per floor)

 Lower Level: Kitchen support space and cafeteria (now vacant)

Exterior:

 Walls: Kosata Stone

 Roof: 9" Concrete, 2" Styrofoam, 4 ply tar and gravel

 Store front: Glass in metal frame system.

Foundations: Spread footings extending 3' into street right of way on North Carroll, West Mifflin and alley sides.

Floors: 5" Concrete with carpet or vinyl floor covering as the finished surface

Structure: Reinforced concrete wall below grade-10" spread footings

Outside Walls: 3" stone, 8" block, 2" foamglass, 1/2" Sheetrock. Windows are fixed single pane in metal frame system. Sunscreen on south and west - facing windows.

Basement: Full basement; unfinished except Patio Room; floor concrete except quarry tile in Patio Room. Access from store sales floor, rear stairwell and cellar access hatch at the rear of the building.

Elevators: Two - 5'x7' - 20 passenger - 2,000 lb. capacity.
One - 6'x6' elevator - 3,000 lb. capacity.

Heating: Gas fired steam - "Kewaunee"; ceiling plenum forced air. Penthouse location.

EXHIBIT 6 (Continued)

Air Conditioning: York Open Turbopack, liquid chilling system. Penthouse location.

Utilities: 4" water service
8" city sanitary service

Square in 35 years and was touted as the prestige address. It featured an exclusive restaurant on the top floor, public in the evening and a luncheon club at noon to compete with the Madison Club. The restaurant failed and the leasing program struggled until the developer also failed, despite leasing concessions to such tenants as Rennebohm's, which damaged the income power and image of the building for more than a decade. Northwestern Mutual Life Insurance, the underlying first mortgagee, reported to the appraiser that the structure was the lowest cost per square foot mid-rise building they had ever financed. Construction shortcomings have been continuously corrected as part of the current professional management program.

The building is currently used as a retail drugstore on the first floor and as commercial office space on floors two through ten. (See Appendix B for floor plans.) The drugstore occupies the entire first floor (less the office lobby) and a portion of the basement where the kitchen, kitchen storage, fountain equipment, restaurant restrooms and dumbwaiter elevator are located. The drugstore operations spill over into a few storage/utility areas which are not technically part of the leased space. This year Rennebohm's installed two 70 gallon gas water heaters (Bock) and a water softener. This ends the large expense to the building of supplying hot water

from the penthouse water heaters. Rennebohm's used to lease the Patio Room (2,000 square feet) which is now (slowly) being converted into mini-warehouse lockers which should amount to approximately 1,500 square feet net, renting at about \$14 per square foot. The utility rooms house the water, gas, electric services, and chiller pumps. Access to the basement is available from the retail sales floor with the use of tokens available from the lunch counter, from the rear stairwell, and from the shipping access hatch at the rear of the building. Control of the basement bathrooms, by the use of tokens to unlock the washroom doors, has proven counterproductive as some people use the hall.

The mechanical systems are centralized in two roof top penthouses; one is for HVAC and one is for the elevators. The utility penthouse is occupied by the boiler in the north half and the chiller in the south half. The chiller is a York Turbopack and the furnace is a Keweenaw gas/steam. The boiler was rebuilt this last year following some problems which developed subsequent to improper original installation. HVAC control is automated to the extent that a solid-state multi-time period control unit is in control. It is not, however, computerized control in terms of the state of the art today. However, energy conservation programs further described below have been more effective than computerized controls.

The elevator penthouse serves two Otis five foot by seven foot 20 passenger elevator cabs with double entry door systems which open to face the street entrance but unload into cramped interior lobbies in the basement and floors two through ten. The heavy duty service elevator is located at the rear of the building service core but lacks access to a loading dock or a convenient receiving area for furniture and packages so that it is underutilized for building management and a free amenity for Rennebohm-Walgreen.

Both penthouses were reroofed this past summer with reflective pebble finish, a significant improvement over the original. All top-side mechanical areas are impeccably clean.

Management has diligently pursued energy conservation measures, including:

- Window sunscreens for south and west exposures
- Shift of hot water restaurant requirements to Rennebohm-Walgreen as part of redrafted lease
- Refinishing with light wall colors and bright carpeting to permit sharp reduction in corridor lighting wattage (See Exhibit 7 for interior photographs.)
- New ceiling system installed as space is renovated for tenants permits better use of ceiling plenum and fine-tuning of HVAC zones

In addition to renovation of systems, management is taking

EXHIBIT 7

INTERIOR PHOTOGRAPHS OF SUBJECT PROPERTY



Interior corridor with new ceiling system but otherwise unrenovated. Dark colors cause the space to feel small.



Renovated interior corridor. Use of light colors adds feeling of spaciousness. Fewer fluorescent tubes are required without perceived loss of lighting.



Newly renovated office. Private offices on outside wall surround large open plan clerical office. Again, light colors work well.

opportunity of the unfortunately high vacancy rate to update decor and replace dated, dumpy, claustrophobic interiors inherited from the original developer. Marketing problems inherent in decor and obsolete office layouts are more easily corrected than the marketing dilemma of providing convenient and adequate parking for tenants to nullify the competitive advantage of alternative buildings and to bypass entry to the building from the Mifflin Street turf of socially displaced persons.

While the building is landlocked, the ownership is not since the partnership has other significant holdings on the block. Ownership should give consideration to conversion of the Woolworth site and adjacent structure to a combination structure of parking and shallow retail to enhance rental levels and marketability of all properties which they own on the block by means of internal, interlocking circulation corridors at the basement or first floor level. This would shift primary access to Wisconsin Avenue and away from the ambiguities of Carroll and Mifflin.

G. Most Probable Use of the Site and Structure

Given the intensive development of the site as a nine story office building plus a retail first floor, the appraiser concludes that the most probable use is its current use as generic utilitarian office space. However, it is less clear as

to whether or not space will remain as multi-tenant rental space or will become an institutional owner/occupied facility in the future.

H. Most Probable Buyer of the Subject Property

Recent transactions for purchase of Class B office buildings on the Square suggest three possible bidders for the subject property:

1. A financial institution such as a bank, savings & loan, or a credit union which could convert the first floor to a banking floor and take advantage of drive-in banking facilities available immediately to the rear of the subject site in the Concourse Hotel. A partial vacancy including the street floor would be attractive to this group of buyers.

2. A government agency which is not required to provide on site parking for employees, students, or clients. The availability of public parking in the 300 block of West Mifflin or the 200 block of North Carroll would be considered appropriate. State agencies such as Wisconsin Housing Finance Authority (WHFA), Wisconsin Investment Board, and Citizens Utility Board (CUB) would all realize

significant savings in occupancy costs. Major vacancies and/or eminent lapse of existing leases would be a necessity, rather than a liability. Moreover, government agencies tend to be influenced by the cost to replace.

3. A third possible bidder would be private investors purchasing the existing multi-tenant income stream to exploit favorable financing, 15 year depreciation, and the appreciation potential inherent in currently vacant space. Additional appreciation is possible if retail redevelopment of Mifflin Street frontage occurs as part of the Concourse Hotel expansion to include the alley, Galleria, and additional underground parking. This group will discount values as a result of significant vacancies.

Given the vacancy problem which will be shown to exist for the subject property, it would be preferable if a financial institution or government agency might be currently seeking a property such as the subject. Unfortunately, it is doubtful that the first floor would be available for financial institutions or that the State Building Commission would approve another excursion into the Madison office market. Therefore, one must conclude that the most probable buyer as of November 1, 1982, would be a representative of a group of private investors purchasing the existing building and tenant roll because of

the possibility of appreciation inherent in the renting of currently vacant space, providing a better pool of reserve parking space, and achieving a better accommodation to the Mifflin-State-Carroll Street corner.

III. MARKET COMPARISON APPROACH TO VALUE

Market transactions offer the appraiser the most reliable predictor in determining the most probable buyer. A determination of the most probable buyer will lead to insights as to the most probable price of another property of the same type in the same area. By applying the market comparison approach an estimate of value for the subject property can be derived and tested.

There have been several sales of buildings on or near the Capitol Square in recent years, but there is some variance in their comparability to 30 On The Square and in the terms of sale. The descriptive data for each comparable is given, and the significant characteristics of each property are scored relative to the quality of the subject property. Each characteristic is given a weight, according to its significance to the most probable buyer. The resulting analysis brackets the most probable price an investor will pay for the subject property.

A. Market Demand for 30 On The Square Location and Facilities

While the demand for Class A office space in the Madison central business district has remained strong, Class B and C space has been soft for several years. See Exhibit 8 for a summary of the inventory of Madison downtown office space.

MADISON DOWNTOWN OFFICE SPACE
AS OF NOVEMBER, 1982

<u>Building</u>	<u>Location</u>	<u>Net Leaseable Square Feet</u>	<u>Vacant Space in Square Feet</u>	<u>Percent of Space Vacant</u>	<u>Annual Rental Rates Per Square Foot</u>	<u>Utilities Included</u>	<u>Janitorial Included</u>
<u>Class A</u>							
First Wisconsin Plaza	1 S. Pinckney St.	286,066	3,900*	1.4%	\$9.00-\$16.25	Yes	Yes
United Bank	222 W. Washington Ave.	154,000	12,782	8.3%*	\$9.50-\$14.00	Yes	Yes
Verex	150 E. Gilman St.	104,000	None	None	\$10.00-\$16.00	Yes	Yes
James Wilson Plaza	131 W. Wilson St.	103,000	6,180	6.0%*	\$11.00-\$13.00	Yes	Yes
Anchor Savings & Loan	25 W. Main St.	89,499	3,000*	3.4%	\$10.25-\$11.50	Yes	Yes
National Guardian Life	2 E. Gilman St.	68,240	None	None	\$10.25-\$11.25	Some(1)	Yes
Investors Services	217 S. Hamilton St.	37,120	5,900*(2)	15.9%	\$10.50-\$11.90	Yes	Yes
44 On-the-Square	44 E. Mifflin St.	36,600	None	None	\$15.00+	Yes	Yes
TOTALS		878,525	31,762	3.6%			
<u>Class B & C</u>							
The Tenney Building	110 E. Main St.	72,500	14,852*(3)	24.0%	\$6.75-\$10.00(4)	Some(5)	Yes
Thirty On the Square	30 W. Mifflin St.	64,277(6)	21,033*	32.7%	\$6.00-\$11.50(7)	Yes	Yes
National Mutual Benefit	119 Monona Ave.	40,800	9,000*	22.0%	\$8.50	Yes	Yes
14 W. Mifflin St.	14 W. Mifflin St.	28,940	11,287	39.0%*	\$8.50-\$10.00(8)	Yes	Yes
Centre Seven	7 N. Pinckney St.	20,533	1,200*(9)	5.8%	\$8.75-\$11.75	Yes	Varies
Atrium	23 N. Pinckney St.	14,968	None	None	\$8.75-\$11.75	Varies	Varies
125 W. Doty St.	125 W. Doty St.	9,300	3,100	33.3%*	\$7.20-\$10.09	Yes	Yes
Fire Station No. 2	301 N. Broom St.	8,400	None	None	\$11.00-\$13.00(10)	Some(11)	Yes
Jackman	111 S. Hamilton St.	7,500(12)	2,250	30.0%*	\$6.00-\$9.00	No	Yes
147 S. Butler St.	147 S. Butler St.	4,025	None	None	\$6.00-\$9.00	No	Varies
122 S. Pinckney St.	122 S. Pinckney St.	2,000	None	None	\$3.00	Yes	Limited
103 N. Hamilton St.	103 N. Hamilton St.	1,766(13)	1,766*	100.0%	\$9.50	Yes	No
TOTALS		275,009	64,488	23.4%			

EXHIBIT 8 (Continued)

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- * If vacant space was referred to as a square footage amount, it is *ed. Then, the percent of space vacant amount was calculated by Landmark Research, Inc. If vacant space was described as a percent, then it is *ed and the corresponding square feet of vacant space was calculated.
- (1) All utilities but electric are included except that one tenant pays for their own water since their data processing equipment uses water for cooling.
- (2) There is also an additional 6,000 square feet of non-office space vacant on the first floor, formerly housing The Library Restaurant and Lounge.
- (3) 14,852 square feet of office space are vacant for an office space vacancy rate of 24%. 4,400 square feet of lower level space is vacant plus 1,200 square feet of first floor space is vacant so the overall building vacancy is 28.2%
- (4) These are rates for office space rents. Retail rents are presently from \$6 to \$10 per square foot.
- (5) Most tenants pay their own electric, but heat is provided.
- (6) This includes first floor retail space.
- (7) The rent range is for office space, not retail space.
- (8) Office space is \$8.50 per square foot if facing the atrium or \$10 per square foot if facing the capitol. Retail space is \$10 per square foot.
- (9) As of January 1, 1983, they will have 1,200 square feet vacant (unless they fill it).
- (10) One tenant pays about \$8 per square foot, but the others are in the \$11 to \$13 range.
- (11) Heat is provided as is water, but electricity is separately metered.
- (12) There is an additional 2,000 to 2,500 square feet which would require correction of code violations before it could be rented as office space.
- (13) This building contains apartments with 1,766 square feet of first floor office space, pretty much for one occupant.

SOURCE: Interviews with lessors or from other sources.

Of the 878,500 square feet of Class A office space surveyed, less than 32,000 square feet or 3.6 percent is currently vacant. Rents range from \$9.00 to \$16.25 per square foot with a median range of \$10.00 to \$11.50 per square foot and are usually full service to the tenants. The General Casualty Building, currently vacant and for sale, would add another 60,000 square feet to the market if purchased for rental income for investment purposes as contrasted to purchase as corporate headquarters by a firm relocating to Madison.

Of the 275,000 square feet of Class B and C space recently surveyed, 23.4 percent or 64,500 square feet are vacant. Rents generally range from \$6.00 to \$11.75 per square foot with one newly renovated building obtaining \$13.00 per square foot. Only in the \$6.00 per square foot space is the heat excluded; usually leases are full service. The median range is from \$8.00 to \$10.00 per square foot.

Coming on-line in this market is the newly renovated Frautschi Building scheduled for late 1982 or early 1983 occupancy with over 20,000 square feet at \$8.50 to \$9.00 per square foot plus pass-throughs. Other vacant buildings include the Jackson Building at 102 North Hamilton, and the Manchester Building at Two East Mifflin, for which intermittent efforts are made at marketing the space to suit a key tenant.

B. Significant Characteristics of Comparable Sales

1. 435 West Washington Avenue (See Exhibit 9)

This building is most comparable in age and building quality to the subject property, however, it is more accessible and enjoys adequate surface parking. Extended terms provided by the seller were adjusted to a cash equivalency price of \$1,280,000 using a 15 percent discount factor on cash payments received at the end of each year.

2. 210 West Mifflin Street (See Exhibit 10)

This comparable is most similar to the subject property in terms of its location close to the Capitol Square, but enjoys better access to traffic on the outer loop of the Square. In addition it has some basic parking for banking customers. When purchased, building decor was dated and the purchase price was influenced by the necessity of Madison Gas and Electric Company, the grantor, remaining on the top three floors until completion of their new corporate headquarters in Madison. Marine Bank intends to renovate the top two floors for the rental market and anticipates rents approaching \$12.50 per square foot which includes some parking.

EXHIBIT 9

COMPARABLE PROPERTY #1



435 WEST WASHINGTON AVENUE

Date of Sale: October 1, 1981

Sale Price: \$1,850,000

Recorded: Volume 3183, page 1

Document: Affidavit of Interest in Land Contract

Terms of Sale: \$1,850,000 total; \$300,000 cash down, \$550,000 at 14% Guardian Life, \$1,000,000 at 6% on land contract for a blended rate of 9.18%. \$50,000 per year principal payments on second tier of financing.

Use at Time of Sale: Headquarters for Wisconsin Division of American Automobile Association who has a triple net master lease for 9 years on the building. They in turn rent about 2,500 to 3,000 square feet to Geisler and Kay, SC (Attorneys)

Vendor: Norman T. Bailes, Milford A. Newman, James C. Geisler, Allen M. Denson

Purchaser: 431-443 West Washington Avenue Associates

EXHIBIT 9 (Continued)

Tax Parcel Number: 0709-231-2215-8

Assessed Value at Time of Sale: Total \$1,360,000; land
\$200,000, improvements \$1,160,000 (1981 assessment)

Sale Price as % of Assessed Value: 136%

Lot Size: 25,080 square feet

Frontage: 165 feet on West Washington Avenue

Zoning: R6

Total Gross Building Area: 33,000 square feet

Building Description: Five stories plus basement

Type of Construction: Brick and concrete construction

Present Uses: Headquarters for Wisconsin Division of American
Automobile Association and law offices for Geisler and
Kay, SC

Ratio of Gross Building Area to Lot Size: 1.32

Locational Factors: 4 blocks from Capitol Square

Available Rental Information: The Wisconsin Division of the
American Automobile Association is the lessee of the
building under a master lease. They occupy the majority of
the building and sublet 2,500 to 3,000 square feet to
Geisler and Kay, SC

Parking: There are 24 parking spaces around the building and
34 spaces on the West Main Street lot for a total of 58
spaces. Geisler and Kay, SC, receive 3 spaces as a part of
their lease and the balance is used by AAA for employee and
guest parking.

Condition at Time of Sale: Mr. William Sadler, Assistant to
the General Manager of AAA, said that the building was in
good condition at the time of sale. He said that AAA did
some internal remodeling on the first, third, and fifth
floors in December, 1981.

EXHIBIT 10

COMPARABLE PROPERTY #2



210 WEST MIFFLIN STREET

Date of Sale: July 15, 1981

Sale Price: \$1,100,000

Recorded: Volume 2938, page 15

Document: Warranty Deed

Terms of Sale: Cash

Use at Time of Sale: Offices for Madison Gas & Electric Company

Grantor: Madison Gas & Electric Company

Grantee: The Marine Corporation

Tax Parcel Number: 0709-231-0201-9 and 0709-231-0219-2

Assessed Value at Time of Sale: Property was exempt and not assessed at time of sale.

Sale Price as % of Assessed Value: Not available

Lot Size: 9,768 + 3,492 = 13,260 square feet

EXHIBIT 10 (Continued)

Frontage: 109 feet on West Mifflin Street

Zoning: C4 and C2

Total Gross Building Area: 35,915 square feet or approximately 36,000 square feet

First Floor Gross Area: 7,190 square feet

Estimated Net Rentable Area: About 80% of gross which would be 28,800 square feet

Building Description: 4 story building plus a basement

Type of Construction: Concrete frame with classic Italianate sandstone and poured stone exterior

Present Uses: Marine Bank offices are on the first floor and in the basement with Madison Gas & Electric still a tenant on the top three floors. The basement is presently finished and is used for a lunch room, cafeteria, vaults, etc.

Ratio of Gross Building Area to Lot Size: 2.71

Locational Factors: 1 block from Capitol Square

Available Rental Information: Madison Gas & Electric, the former building owner, is still a tenant of the top three floors. However, they are planning to move out about April 1, 1983. At that time Marine Bank plans to renovate the second floor for themselves and they will probably lease out the top two floors and a part of the basement. Mr. Ron Estervig, in Marine Bank's Atwood Office, thought they probably could get \$8 per square foot for the space that Madison Gas & Electric presently occupies but hope to bring it up to the \$12.50 to \$13 per square foot range with renovation.

Parking: The parking lot has from 80 to 100 spaces although they owned most of it before acquiring the property from Madison Gas & Electric.

Condition at Time of Sale: Mr. Estervig said that the building is in good shape but has fairly ancient - 1960's - decor. They have already renovated the first floor and added a drive-up facility.

3. 4610 University Avenue (See Exhibit 11)

The Pyare Square comparable has parking, prominence, and potential for appreciation greatly superior to the subject property. Unfortunately it also had a past. The business public of potential tenants was well aware of the deficiencies in the HVAC system. Moreover, the grantor was in default on his mortgage and prospective purchasers were aware of intensive remodeling requirements. Nevertheless, buyer expectations were influenced by the availability of industrial bond financing from the Village of Shorewood Hills. Parking will be less adequate when the building is fully rented and in addition, access from the eastbound lanes of University Avenue is blocked by the median strip. The exit onto University Avenue is complicated by a steep slope up from the parking lot. Some of these problems have been mitigated since the negotiated purchase of additional ~~additional~~ exit points through the state property to the west and a Village of Shorewood Hills road to the east. It should be noted that significant amounts of newly refurbished space with excellent views are available at \$8.00 per square foot and up to compete with the Square.

EXHIBIT 11

COMPARABLE PROPERTY #3



4610 UNIVERSITY AVENUE

Date of Sale: April 16, 1981

Sale Price: \$1,800,000

Recorded: Volume 3901, page 50

Document: Warranty Deed

Terms of Sale: Cash

Use at Time of Sale: Vacant at time of sale

Grantor: Pyare Square Company

Grantee: Lee & Lee Limited Partnership

Tax Parcel Number: Village of Shorewood Hills 54-01-690.1.1A

Assessed Value at Time of Sale: Total \$900,000; land \$243,200,
improvements \$656,800 (1981 assessed values)

Sale Price as % of Assessed Value: 200%

Lot Size: 82,580 square feet

Frontage: 125 feet on University Avenue

Zoning: C-2, Commercial

Total Gross Building Area: 94,200 square feet

EXHIBIT 11 (Continued)

Type of Construction: Concrete reinforced with steel

Present Uses: Presently about 50% rented as office space

Ratio of Gross Building Area to Lot Size: 1.14

Locational Factors: Approximately four miles from Capitol

Square on main arterial

Available Rental Information: Presently about 50% rented with rents ranging from \$6.50 per square foot to \$12.50 per

square foot. Leases are primarily for 3 years with 2

3-year options.

Parking: There are 235 surface parking spaces in the parking lot.

Condition at Time of Sale: The HVAC was not operating due to collapse of vertical shaft insulation panels with resulting fall in air pressure causing failure of ceiling plenum system. Building was previously built to meet a rental contract for long term lease by a state agency at a time when rapidly rising construction costs forced developers to utilize shoddy fenestration, detailing, and building finishes. State agency had heavily utilized movable wall panels for economy and to avoid further imbalancing of the HVAC system.

4. 1617 Sherman Avenue (See Exhibit 12)

The alternative to high rise in the suburbs is this institutional headquarters building on an eight acre campus. Although attractively maintained on the outside, overcrowding by the previous owner and fragmented building HVAC systems required significant investment for updating at the time of purchase. This location is somewhat remote from ancillary or complementary commercial activity and was therefore a prime candidate for a corporate or institutional headquarters.

5. ~~20 South Park Street~~ (See

5. 20 South Park Street (See Exhibit 13)

This building is suspect as a comparable sale because the sale was prompted by a financial restructuring of the original corporation. Although there are more parties involved in the partnership than were stockholders in the previous corporation, some were in both and all partners are tenants in the building. However, the transaction was monitored closely by the Internal Revenue Service (IRS) which has apparently accepted the value as fair market value and the transaction price was consistent with "fair market value" estimated by the assessor. The building is superior in location, parking, specialized fittings for medical practice, and general construction quality.

EXHIBIT 12

COMPARABLE PROPERTY #4



1617 SHERMAN AVENUE

Date of Sale: November 6, 1979

Sale Price: \$1,325,000

Recorded: Volume 1411, page 51

Document: Warranty Deed

Terms of Sale: Cash

Use at Time of Sale: Offices for World Council of Credit Unions, Inc.

Grantor: World Council of Credit Unions, Inc.

Grantee: Wisconsin Physicians Service Insurance Corporation

Tax Parcel Number: 0709-124-0096-1 and 0709-124-0097-9

Assessed Value at Time of Sale: Overall Total \$1,149,100, land \$356,900, improvements \$792,200 (1979 assessments):

#0709-124-0096-1 total \$149,100, land \$149,100, improvements 0, and,

#0709-124-0097-9 total \$1,000,000, land \$207,800, improvements \$792,200

EXHIBIT 12 (Continued)

Sale Price as % of Assessed Value: 115%

Lot Size: $148,990 + 207,580 = 356,570$ square feet or
approximately 8.2 acres

Frontage: $50 + 365 = 415$ feet on Sherman Avenue

Zoning: C2

Total Gross Building Area: Approximately 45,000 square feet
plus 4,200 square feet in the shed on the back

Estimated Net Rentable Area: Approximately 30,000 or 32,000
square feet

Building Description: Mr. John Heinrichs at Wisconsin
Physicians Service thought that the original building was
dedicated by Harry Truman in about 1946. The wings were
added in the late 1950's. It is a 2 story building with a
pleasant view and amenities.

Type of Construction: Steel and masonry construction. Built
on a slab except for the furnace area which is in a
basement.

Present Uses: All of the building is presently used for
Wisconsin Physicians Service offices.

Ratio of Gross Building Area to Lot Size: 0.126

Locational Factors: Located approximately 2 miles from the
Capitol Square. Isolated from major commercial area.

Available Rental Information: Not Applicable

Parking: About a year ago Wisconsin Physicians Service added
to the parking and there are now about 250 total spaces.

Condition at Time of Sale: Mr. John Heinrichs said that the
building was in average condition at the time they
purchased it. He called it a good solid building and said
they are glad they got it. They have given the most
substantial attention to the HVAC system. When they put
more people in the building, they decided that the air
conditioning especially needed changing. The wings had a
separate system from the original building and he thought
that they now have one system throughout. He said that the
people who work there like the location with the trees,
woods, and nice view among other things.

EXHIBIT 13

COMPARABLE PROPERTY #5



20 SOUTH PARK STREET

Date of Sale: June 28, 1979

Sale Price: \$2,750,000

Recorded: Volume 1073, page 235

Document: Warranty Deed

Terms of Sale: Cash

Use at Time of Sale: Medical related offices

Grantor: Madison Medical Center, Inc.

Grantee: Madison Medical Center Partnership

Tax Parcel Number: 0709-233-0201-5

Assessed Value at Time of Sale: Total \$2,700,000, land
\$306,300, improvements \$2,393,700 (1979 assessment)

Sale Price as % of Assessed Value: 102%

Lot Size: 122,380 square feet

Frontage: 365 feet on Park Street

Zoning: C2, Commercial

EXHIBIT 13 (Continued)

Total Gross Building Area: Approximately 60,000 square feet including the penthouse which houses mechanical equipment
Estimated Net Rentable Area: Approximately 48,000 net rentable area including hallways

Building Description: Retail space at grade level of five story building

Type of Construction: Reinforced concrete construction, built on a slab but has small basement for gas meter and sump pump. Completed in about 1966.

Present Uses: All tenants must be related to medical services. It is primarily doctors offices.

Ratio of Gross Building Area to Lot Size: 0.49

Locational Factors: Prime corner plus identification with Madison's largest hospital center, Madison General, in an urban renewal district reserved for medical type buildings.

Available Rental Information: Rents are about \$12.99 per square foot with parking included (parking is figured on the basis of 2 cents per square foot per month, based on square footage of office space). Most leases are 1 to 3 years. They started out with 10 year leases. Rent includes heat, A/C, and janitorial but electricity is passed through based on square footage. They do not have escalators because the terms are short and they try to price the rents so escalators are not necessary.

Parking: 282 surface parking spaces

Condition at Time of Sale: Mr. Alex Schwartz of Schwartz Pharmacy thought that they paid about \$2 per square foot for the land in about 1965. They bought it from Madison Redevelopment. There are more people involved in the partnership than were in the corporation but many were in both. Mr. Schwartz wasn't sure if they had it appraised or if the sale price relied on assessed value. All of the partners rent space in the building from the partnership. They have almost always been full. They would like to add on if they could get the money.

6. 905 University Avenue (See Exhibit 14)

This thrice-renovated building demonstrates proximity without accessibility and the fortress store-front which appeared in Madison in the late 1960s. The location is similar to the subject property in that it enjoys corner prominence and heavy pedestrian traffic with virtual isolation from the auto traffic surrounding it. The University of Wisconsin Foundation might be considered a captive buyer as the University has been assembling the block, albeit intermittently, for ten years. Price was definitely excessive in terms of investment potential based upon market rentals due to lack of access to motor vehicles except from the alley, a handicap it shares with the subject property.

C. Most Probable Price with Cash to the Seller

Although the comparable sale properties are all multi-story office buildings located within approximately four miles of the subject property, there are significant differences among them. It is necessary to select those characteristics that are price sensitive, such as the availability of parking, proximity to a major business center, strength of first floor retail lease, need for renovation, quality of the office entrance, and existing office vacancies at time of purchase (Exhibit 15).

EXHIBIT 14

COMPARABLE PROPERTY #6



905 UNIVERSITY AVENUE

Date of Sale: 1978
Sale Price: \$800,000

Recorded:

Document: Warranty Deed

Terms of Sale: Cash

Use at Time of Sale: 1st and 2nd floors vacant due to
relocation of bank; basement occupied by U.W. Speech
Therapy Center. Other space occupied by general market
tenants.

Grantor: First Wisconsin Development Corporation

Grantee: University of Wisconsin Foundation

Tax Parcel Number: 0709-232-0716-6

Assessed Value at Time of Sale: Total \$790,000, land
\$325,400, improvements \$464,600 (1978 assessment)

Sale Price as % of Assessed Value: 101%

Lot Size: 21,810 square feet

EXHIBIT 14 (Continued)

Frontage: 106 feet on University Avenue and 165 feet on North Park Street

Zoning: C2, Commercial

Total Gross Building Area: 39,603 square feet

First Floor Gross Area: 10,110 square feet

Estimated Net Rentable Area: 28,255 square feet, including the basement

Building Description: Presently a four-story building plus basement. The original structure provided for a two-story banking lobby at the second floor, surrounded by balconies, which in 1967 was converted to the 2nd and 3rd floors.

Type of Construction: Basic structure is poured concrete with floors poured over metal pans to provide an integrated purlin system between beams. All original building partitions were done with Pyrobar while more recent non-load bearing partitions were done with 4" concrete blocks. Exterior is cut limestone on the University Avenue and Park Street facades with rear facades done with cement brick. In 1972 the all glass facade of the bank was modified with pre-cast masonry panels and narrow strip windows of unbreakable plastic. The drive-in addition and street facades at ground level were finished in black and pink cut Wisconsin granite and pre-cast panels have rough granules of sandstone for finish.

Present Uses: Tenants mixed between general business and University related agencies.

Ratio of Gross Building Area to Lot Size: 1.82

Locational Factors: On the corner of University Avenue and Park Street in the UW Campus area. Although pedestrian count and traffic is high at this location, parking in the campus area is difficult to find, making vehicular access to the site inconvenient.

Parking: Limited

Condition at Time of Sale: Mechanicals sound; needed adaptation to general tenant requirements.

EXHIBIT 15

SCALE FOR SCORING COMPARABLES ON IMPORTANT INVESTOR CONSIDERATIONS
FOR OFFICE/RETAIL SPACE IN MADISON

Parking
20%

- 5 = Adequate private parking on site
- 3 = Public parking ramp or contract parking within one block
- 1 = Limited parking on premises
- 0 = No surface parking on premises

Location
20%

- 5 = Facing Capitol Square or major business center
- 3 = Second tier Madison downtown location
- 1 = Suburban non-commercial location

First Floor
Retail Lease
In Place
10%

- 5 = Strong lease in place
- 3 = Some tenant turnover and vacancy
- 1 = Vacant at time of sale
- 0 = Retail leasing inappropriate or insignificant

Need for
Renovation
30%

- 5 = Space operational, some renovation on lease turnover
- 3 = Significant vacancy requiring renovation & tenant improvements
- 1 = Mostly vacant with intensive retrofitting required

Quality of
Office Entrance
10%

- 5 = Well-defined design with accessibility
- 3 = Indifferent design and/or location
- 1 = Poorly defined and/or adjacent to incompatible uses

EXHIBIT 15 (Continued)

Significance of
Vacancy to
Seller or Buyer
10%

- 5 = Buyer requires vacant space for own use or seller-occupant liquidating surplus property
- 3 = Straight investment in operational project
- 0 = Seller under financial pressure to restructure overall real estate ownership
- 3 = Seller liquidating under financial distress caused by vacancy

Since the office building market was flat from 1979 to the present due in part to the growing awareness in the investment community of the increasing oversupply of Class B space, no adjustments are made for appreciation or depreciation over time. The differences among the comparables are then reduced to a common denominator by deriving a weighted point score for each property (Exhibit 16).

The cash on cash equivalent purchase price of each comparable is reduced to a price per square foot of gross building area. The price per square foot of gross building area is then divided by the weighted point score to find the price per point score. The average price per point score is used to determine the central tendency of the sales price for the subject property. The standard deviation from the average price per point is then calculated to determine the range of possible prices. The calculation of the most probable price, using the mean price per point score equation, is presented in Exhibit 17.

The market comparison price estimate for the subject property is \$2,160,000. The suggested transaction zone from the market comparison approach is from \$2,250,000 to \$2,070,000. The 30 On The Square Building, though in need of a solution to its lack of on-site parking and plagued with increasing vacancy, is an ongoing entity with proven revenue

WEIGHTED MATRIX FOR COMPARABLE PROPERTIES

Ludmark
Realty, Inc.

EXHIBIT 16

FEATURE/ WEIGHT	Rating/Weighted Rating						SUBJECT 30 W. Mifflin
	#1 435 W. Washington	#2 210 W. Mifflin	#3 4610 University	#4 1617 Sherman	#5 20 South Park	#6 905 University	
Parking 20%	5/1.00	5/1.00	5/1.00	5/1.00	5/1.00	1/.20	0/0
Location 20%	3/.60	3/.60	5/1.00	1/.20	5/1.00	3/.60	5/1.0
First Floor Retail Lease In Place 10%	5/.50	0/0	3/.30	0/0	5/.50	1/.10	5/.50
Need for Renovation 30%	5/1.50	3/.90	1/.30	3/.90	5/1.50	3/.90	5/1.50
Quality of Office Entrance 10%	5/.50	3/.30	3/.30	5/.50	3/.30	3/.30	3/.30
Significance of Vacancy to Seller or Buyer 10%	3/.30	5/.50	-3/-.30	5/.50	3/.30	0/0	0/0
Total Weighted Score	4.40	3.30	2.60	3.10	4.60	2.10	3.30
Adjusted Selling Price	\$1,280,000	\$1,100,000	\$1,800,000	\$1,325,000	\$2,750,000	\$800,000	
Total Building Area (GBA)	33,000 SF	36,000 SF	94,000 SF	45,000 SF	60,000 SF	39,600 SF	72,000 SF
Price Per Square Foot of GBA	\$38.80	\$30.55	\$19.15	\$29.45	\$45.85	\$20.20	
Price Per Square Foot of GBA	\$8.82	\$9.26	\$7.36	\$9.50	\$9.97	\$9.62	
Total Weighted Score							

EXHIBIT 17

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

Comparable Property	Selling Price Per SF of GBA	Point Score	Price Per SF of GBA/ Total Weighted Score (x)
1	\$38.80	4.40	\$8.82
2	30.55	3.30	9.26
3	19.15	2.60	7.36
4	29.45	3.10	9.50
5	45.85	4.60	9.97
6	20.20	2.10	<u>9.62</u>
		TOTAL	54.53

Total of Price Per SF of GBA = 54.53
Total Weighted Score

Mean Value (\bar{x}) = $54.53 \div 6 = 9.088$ or 9.09

Standard Error of Mean Deviation = $\sqrt{\frac{\sum (x-\bar{x})^2}{n-1}} = .38$ where:
 \sqrt{n}

x	\bar{x}	$(x-\bar{x})$	$(x-\bar{x})^2$	n	<u>n-1</u>
8.82	9.09	= -.27	.07	6	5
9.26	9.09	= .17	.03		
7.36	9.09	= 1.73	2.99		
9.50	9.09	= .41	.17		
9.97	9.09	= .88	.77		
9.62	9.09	= .53	.28		
			4.31		

$$\sqrt{\frac{4.31}{5}} = .9284396 = .3790339 \text{ or } .38$$

$$\sqrt{6} = 2.4494897$$

EXHIBIT 17 (Continued)

Value Range: 9.09 ± .38

Since GBA of subject is 72,000 square feet and total weighted point score of subject is 3.6, then:

High Estimate: 9.47 x 3.3 x 72,000 = \$2,250,072 or \$2,250,000

Central Tendency: 9.09 x 3.3 x 72,000 = \$2,159,784 or \$2,160,000

Low Estimate: 8.71 x 3.3 x 72,000 = \$2,069,496 or \$2,070,000

potential in a market that has been extremely competitive and unpredictable due to rapid changes in the downtown area. The appraiser has determined that the most probable price is represented by the central tendency of \$2,160,000.

THEREFORE THE MARKET APPROACH INDICATES THE MOST PROBABLE CASH PRICE AS OF NOVEMBER 1, 1982 IS:

TWO MILLION ONE HUNDRED SIXTY THOUSAND DOLLARS
(\$2,160,000)

Since actual market sales were used for the valuation approach, it is useful to test the most probable price based upon market sales for compatibility with investment valuation. The income approach to valuation using the discounted cash flow methodology is discussed in the following section.

IV. THE DISCOUNTED CASH INCOME APPROACH TO VALUE

Since an office building is a vehicle for the purchase of investment income and appreciation, the quality of the cash flow is a determining factor in the purchase price decision. Therefore, the income approach using discounted cash flow methodology is used to substantiate the reasonableness of the most probable price estimated by the market comparison approach.

A. The Selection of the Income Approach Methodology

The income approach selected assumes the fair market value of the property is the most probable price the subject will bring if offered in the marketplace as an investment property for a reasonable period of time and sold subject to financing terms typically available for such an investor at the time of sale. Both buyer and seller are assumed to have full knowledge of the property and neither is under duress.

1. Cash Flow Characteristics

The investor will purchase the project for cash income as a return on his own cash invested and for a deferred cash return to be realized upon sale from equity accumulation, which is attributed to amortization of mortgage debt, to an increase in cash earnings from the building due to effective management and marketing, and

possibly, to general inflationary price increases. Cash returns are, therefore, not level but will vary from year to year, hopefully increasing, as certain current problems in building management and marketing are corrected. A variety of assumptions will need to be made for revenues and expenses, as well as future resale values.

2. Effect of Financing

Fair market value of fee simple does not reflect the value of the entitlement to an assumable land contract with a remaining term of approximately 31 years at 8 percent interest wrapped around a more favorable mortgage from Northwestern Mutual Life amortized from land contract payments. These entitlements are generally priced on the market by capitalizing the cash throw-off to the investor after debt service at a market rate of 8 percent, the capital sum of which is added to the land contract balance plus any additional notes at non-market terms provided by the seller. This is termed pricing the equity to the debt and will be utilized to value second and third alternative valuation questions in the appraisal assignment. The general effect of such financing is to raise the nominal price of the property relative to the cash price of fair market value. However, this effect is blunted where vacancy causes net income to be inadequate to meet increased debt

service dollars of the non-market rate financing from the seller since leverage is ineffective without positive cash flow.

3. Computerized Appraisal System Selected

To discount the cash flows from earnings and resale to either a tax exempt or to a taxable purchaser, a computerized system has been selected called MRCAP. The MRCAP system is an advanced discounted cash flow program designed to provide for the simulation of a wide array of investment strategies associated with real estate ownership; in this case the program solves for justified project value.

MRCAP utilizes a discounted cash flow system which will reflect the proportionate interests of those financing the purchase, the municipality seeking the pro rata share of economic productivity, and the cash and reversion returns to the ownership position after prior claims of real estate taxes and mortgage lenders have been met. The systems provide values on both a before- and after-tax basis to the ownership position.

B. Implementation of Discounted Cash Flow Methodology

To determine the present value of a series of possible negative and positive cash flows before and after income tax to

an investor/purchaser of 30 On The Square as of November 1, 1982, a projection must be made of the revenues and expenses for six years.

1. Identification of Potential Revenue Units and Market Rent Potential

All spaces in the 30 On The Square Building are identified floor by floor as to square footage and use to determine net rentable areas (Exhibit 18), to which market rents were assigned if space were available for rent as of November 1, 1982. The aggregate of these rents by floors is termed gross potential market rent, which is estimated to be \$607,272 for the fiscal year 1983. Market potential must be reduced to actual revenues by deduction of losses due to the gap between contract rents of leases in place and market rents and due to vacant spaces converted to losses at the market rental rates. As shown in Exhibit 18 the total loss of potential revenue for 1983 is \$237,149, of which \$181,356 is attributed to vacant space and \$55,793 is attributable to space leased below market. Exhibit 18 is used to relate the income approach to fair market value while the revenue projections which follow focus upon the actual business problem of effective rents.

2. Projection of Revenues

The appraiser chose to make a six year forecast of revenues by taking each leased unit and by computing the

EXHIBIT 18

IDENTIFICATION OF POTENTIAL REVENUE
UNITS AND MARKET RENT POTENTIAL

30 ON THE SQUARE		Lease Expiration Date	Total Rentable Space	Leased Space in SF	Vacant Space in SF	% Vacant	Actual Monthly Rent	Actual Annual Rent	Actual Annual Rent/SF	Market Rent/SF	Potential Gross Mkt Rent	Vacancy Loss	Leasehold Loss	EGR	
Suite #	Tenants														
10	Storage Lockers		2000	2000											
100	Rennebohm-Walgreens	1-31-91	7722	7722			3083.33	37000	4.79	9.00	69498	0	32498	37000	
201	Vacant		3918	3918											
210	Wisconsin Private Initiative	8-31-83	2162	2162			1501.10	18013	8.33						
			6080	2162	3918	64		18013		9.00	54720	35262	1445	18013	
301	Senator William Proxmire	6-30-83	507	507			437.29	5247	10.35						
302	Wis. Manufacturers & Commerce	11-30-86	1848	1848			1540.00	18480	10.00						
308	Vacant		2093	2093											
310	Vacant		1323	1323											
312	Freedom from Religion	10-31-83	400	400			300.85	3610	9.03						
			6171	2755	3416	55		27338		9.50	58625	32452	-1165	27338	
401	Vacant		5249	5249											
408	Aetna Casualty & Surety	2-28-83	830	830			638.00	7656	9.22						
			6079	830	5249	86		7656		9.50	57751	49866	229	7656	
500	Vacant		4263	4263											
508	Wis. Coalition for Advocacy	10-31-85	1267	1267			620.00	7440	5.87						
512	Nursing Home Forfeiture...	7-31-85	550	550			446.88	5363	9.25						
			6080	1817	4263	70		12803		9.50	57760	40499	4459	12803	
601	Bailey, Platz & Clifford	8-31-84	1659	1659			1294.02	15528	9.36						
610	Wisconsin Independent Bank	5-31-85	3021	3021			2319.42	27823	9.21						
612	Reynolds, Gruber, Herrick,...	2-28-84	1400	1400			1085.00	13020	9.30						
			6080	6080	0	0		56372		9.50	57760	0	1388	56372	
701	Dr. Lyons	12-31-82	507	507			480.00	5760	11.36						
702	U.S. Department of Labor	9-4-84	2815	2815			1951.22	23415	8.32						
710	Wis. Merchants Federation	2-28-86	2142	2142			1960.46	23526	10.98						
712	Vacant		494	494											
			5958	5464	494	8		52700		10.00	59580	4940	1940	52700	
801	The Blaney Institute, Inc.	4-30-83	630	630			552.82	6634	10.53						
802	Lippert, Lippert & Lippert	7-31-86	1221	1221			814.00	9768	8.00						
804	WATC	6-30-83	4229	4229			3573.69	42884	10.14						
			6080	6080	0	0		59286		10.25	62320	0	3034	59286	
901	Pasch Law Office	1-31-83	1017	1017			941.60	11299	11.11						
905	Youth Policy & Law Center	4-30-85	2875	2875			2255.00	27040	9.41						
906	Vacant		571	571											
908	Wis. Ass'n Family & Child...	8-31-84	754	754			500.00	6000	7.96						
910	Wis. Catholic Conference	6-30-85	860	860			732.22	8787	10.22						
			6077	5506	571	9		53146		10.50	63809	5996	4667	53146	
1000	Wis. Council on Criminal...	6-30-83	4828	4828			3817.46	45810	9.49						
1010	Vacant		1122	1122											
			5950	4828	1122	19		45810		11.00	65450	12342	7298	45810	
			64277	43244	21033	33		370123		9.45	607272	181356	55293	370123	
											237149				

This does not include any rental revenues for storage lockers in the basement area. Monthly rents are as shown on the rent roll as of 11/17/82 except that any storage locker rent was subtracted.

monthly rent to each anniversary date, and increasing the monthly base rent by four percent representing the expected increase in the Consumer Price Index (CPI) currently used. We believe the CPI index will gradually be replaced by stop-loss pass-throughs in the Madison market because the excess supply of Class B space will not permit automatic increases unjustified by increased expenses. As a result, forecasted net operating income falls slightly by 1988, representing the point in time when operating expenses may be expected to be rising at approximately the same amount as rents. Annual worksheets for fiscal years 1983 through 1988 are provided in Appendix C. The average rents per square foot projected per floor are indicated in Exhibit 19.

Reference to total vacancy losses in dollars for each year, found in Appendix C, provide a base for stating vacancy as a percentage of potential market rents for MRCAP. These vacancy percentages drop progressively: 39, 33, 27, 21, 15 and 13. By the sixth year, the only lease at less than market is the Rennebohm-Walgreen lease where the leasehold loss represents five percent of gross potential revenue. Thus only eight percent of the square footage is vacant, an optimistic target for management in

EXHIBIT 19

PROJECTED AVERAGE MARKET
RENT BY FLOOR -- 1983 - 1988

PROJECTED MARKET RENTS BY FLOOR

FLOOR	1983	1984	1985	1986	1987	1988
1	9.00	9.36	9.73	10.12	10.53	10.95
2	9.00	9.36	9.73	10.12	10.53	10.95
3	9.50	9.88	10.28	10.69	11.11	11.56
4	9.50	9.88	10.28	10.69	11.11	11.56
5	9.50	9.88	10.28	10.69	11.11	11.56
6	9.50	9.88	10.28	10.69	11.11	11.56
7	10.00	10.40	10.82	11.25	11.70	12.17
8	10.25	10.66	11.09	11.53	11.99	12.47
9	10.50	10.92	11.36	11.81	12.28	12.77
10	11.00	11.44	11.90	12.37	12.87	13.38

the Class B market on the Square without parking as an amenity.

3. Projection of Expenses

The operating history of 30 On The Square was analyzed over the past three years and evaluated in light of operating efficiencies recently achieved and the possibility of costs varying with occupancy. Exhibit 20 shows the base year 1983 expenses assumed for operation. Repairs and maintenance assumed by the appraiser represents a substantial reduction of \$30,000 from past years, since deferred maintenance on the mechanicals has been completed as reported in Section II, Part F. The remaining \$50,000 is still higher than earlier years, but can be assumed to include tenant improvements in newly leased areas. The Concourse assessment has been substantially increased by \$500 for 1983 at the suggestion of City officials. Other expense items reflect levels appropriate to third quarter 1982 prices. These expense amounts by category in 1983 were then projected forward at varying rates per annum as summarized in Exhibit 20 and detailed in the footnotes to that exhibit. It was assumed that 90 percent of expenses are fixed and 10 percent are variable with effective gross, not including management fees. Therefore, 90 percent of total expenses in Exhibit 20 was

EXHIBIT 20

SCHEDULE OF PROJECTED REVENUES AND EXPENSES FOR
SIX FISCAL YEARS STARTING NOVEMBER 1, 1982, THROUGH OCTOBER 31, 198830 ON THE SQUARE
PRO FORMA REVENUE AND EXPENSE STATEMENT

	1983	1984	1985	1986	1987	1988
EFFECTIVE GROSS REVENUE	370436	433069	504353	576732	656871	681004
EXPENSES						
Operations						
Electric & Gas	4200	51500	58710	66929	76300	86981
Water & Sewer	4200	2530	2758	3006	3276	3571
Rubbish Removal	4200	1500	1635	1782	1943	2117
Janitorial (Grounds Maintenance Included)	4200	45000	49050	53465	58276	63521
Repairs & Maintenance	4200	50000	54500	59405	64751	70579
Elevator Maintenance	4200	15600	17004	18534	20202	22021
Leasing & Management Fees	4200	20374	23819	27739	31720	36128
Administrative Costs (Office, Legal & Accounting)	4200	1800	1890	1985	2084	2188
Concourse Assessment & Maintenance	4200	2800	3052	3327	3626	3952
Total Operating Expenses	4200	191104	212417	236172	262179	291059
Fixed						
Insurance	4200	4200	4368	4543	4724	4913
Real Estate Tax Net of Reimbursement	4200	46000	47840	49754	51744	53813
Total Fixed Expenses	4200	50200	52208	54296	56468	58727
Total Expense Estimate at Normal Occupancy	4200	241304	264625	290468	318647	349786
90 Percent Expenses Fixed 5 Percent Variable Expense Times Effective Gross Revenue	4200	217174	238163	261421	286782	314808
Total Expense Adjusted for Occupancy	4200	18522	21653	25218	28837	32844
NET OPERATING INCOME (See line #5 on MRCAP)	4200	235695	259816	286639	315619	347651
	134741	173253	217714	261113	309220	304353

Schedule of Annual Percentage Increases

802

Electric & Gas	14% from 1982 annualized estimate of \$46,000
Water & Sewer	9% from 12% increase estimate due to increased occupancy
Rubbish Removal	9% 1983 estimate - \$1,500
Janitorial (Grounds Maintenance Included)	9% 1983 estimate - \$45,000: item now tied to occupancy
Repairs & Maintenance	9% 1983 estimate - \$50,000, see text
Elevator Maintenance	9% from 1982 annualized fee of \$15,630
Leasing & Management Fees	5.5% of each year's estimated effective gross revenue
Administrative Costs (Office, Legal & Accounting)	5% from 1983 estimate of \$1,800
Concourse Assessment & Maintenance	9% from 1983 fixed \$1,887 + estimated maintenance fee of \$940 = \$2,827
Insurance	4% from 1983 estimate of \$4,200
Real Estate Tax Net of Reimbursement	\$55,000 estimated real estate tax @ 22.2436 less approximately 4% \$9,000 reimbursed by tenants

entered as fixed expenses in MRCAP and the balance was entered as five percent of effective gross revenue to provide sensitivity for utility costs, the renegotiated janitorial contract, and the unique leasing commission based on cash throw-off, all of which vary with occupancy.

4. Pro Forma Income Statement

The projection of potential gross revenues for six fiscal years and projected vacancy losses are then combined with operating expenses to produce Exhibit 20, a Schedule of Projected Revenues and Expenses for the Six Fiscal Years Starting November 1, 1982 Through October 31, 1988. The pro forma income statement provides a forecast of net cash income before payment of real estate taxes, debt service, income taxes, and the yield on investment plus recovery of equity capital necessary to justify the capital investment of the buyer.

C. Assumptions Used on MRCAP

The pro forma revenue and expense estimates resulting in forecasted net operating income for the next six years can then be converted to an estimate of capitalized income value by means of a MRCAP program using net income to justify capital investment given a specific set of financial criteria and resale assumptions in the sixth year. A schematic flow of the

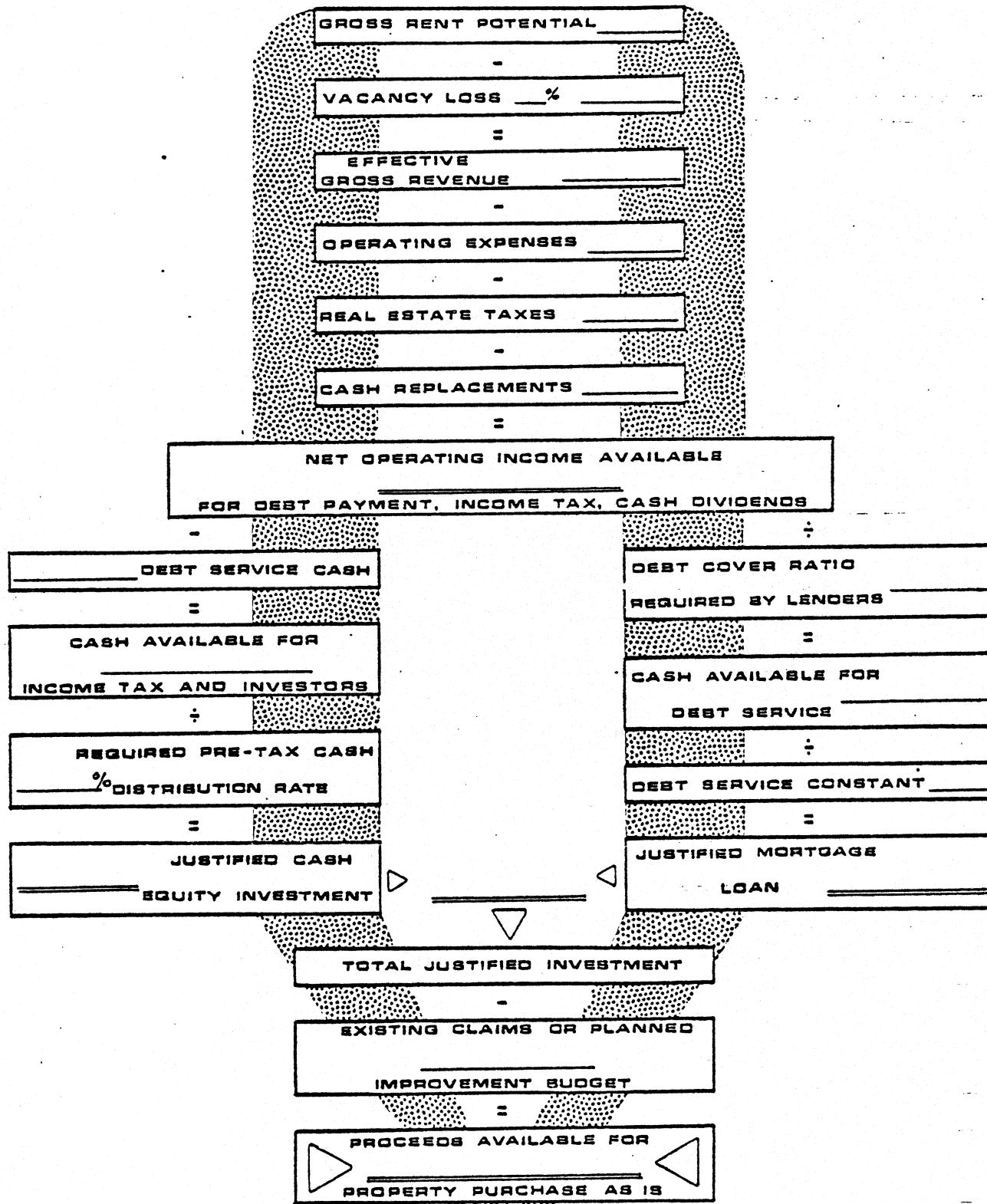
backdoor logic is provided in Exhibit 21 and the critical assumptions on finance, sale, and taxes are as follows:

1. Inputs into MRCAP program

- a. Project holding period = 6 years
- b. Discount rate = 14% (present value factor used to discount cash flow)
- c. Reinvestment rate = 12% after taxes - equivalent of a Grade B municipal bond alternative
- d. Resale price = 10.25 times net operating income or a capitalization factor of .0975. This is the capitalization rate or net income multiplier at which the United Bank Building sold on Tuesday, November 30, 1982. The United Bank Building is superior to the subject property and could be developed with a second tower so that resale of the subject property is fully priced to anticipate that Executive Management will solve current marketing problems in terms of parking and Mall social problems.
- e. Resale cost rate = 5%
- f. Annual reserves withheld = 5% of cash throw-off less income tax (after tax income) to reach a maximum reserve of \$200,000.
- g. Initial equity reserve deposit = \$175,000 in computer run #2 and \$290,000 in computer run #3. This cash represents a general partners guaranty, a sellers guaranty of zero cash throw-off, or serial notes from the limited partners to fund expected negative cash flows.
- h. Investor marginal income tax rate = 50%
- i. Land = \$135,000 or \$17/sq.ft. of the 7,920 effective square feet after subtracting easement from 8,712 square foot gross.

REVENUE JUSTIFIED CAPITAL BUDGET
DEBT COVER RATIO APPROACH

DEBT COVER RATIO APPROACH



- j. Mortgage terms for computer run #1, fair market value, were assumed at 13.5% interest, 25-year amortization, 15-year balloon with 15% participation in positive cash throw-off and resale value after mortgage balances. Maximum mortgage permitted was expected to produce a debt cover ratio of 1.2, a loan to value ratio of 75%, and a cash dividend to equity of 8%.
- k. For computer run #2, the existing land contract balance of \$2,070,000 at 8% for 31 years is assumed transferred to the buyer.
- l. Other financing - Note taken by seller for \$350,000 at 9% for 6 years plus \$200,000 downpayment was assumed for third computer run.
- m. Since MRCAP solves for value and land value is known, the difference between fair market value and land has been allocated 60% to building with 15-year useful life and 40% to all mechanicals with a 10-year useful life assuming sale of the partnership entity. Tax shelter would be slightly less if building and mechanicals were depreciated over 15-year life for computer runs 1 and 2.
- n. For computer run #3, a front door approach tested the assumption that the building could be sold for \$2,620,000 if the seller accepted \$200,000 cash and \$350,000 six-year note at interest.

D. Market Value Using Income Approach and MRCAP

Market value using the income approach in the conventional appraisal process was derived from computer run #1. The imput file is shown in Exhibit 22 and the value estimate appears in line 34 of Exhibit 23 under the year 1988. \$1,586,610 or \$1,600,000 rounded represents the present value of equity dividends, plus the equity reversion before taxes plus the original mortgage if the property is held for 6 years, sold for a price of \$2.28 million in 1988, and financed to provide a

EXHIBIT 22

MRCAP INPUT FILE -- RUN NO. 1

DIS 30.10

1,30 ON THE SQUARE,MIFFLIN ASSOCIATES
10,1983,0,1,1.0,6,64277
20,3,1,1.2,.08,1,5
30,.85,10000,2,.1,.08,0
40,607272,636866,672471,703332,729857
41,756671
60,.39,.33,.27,.21,.15
61,.13,*
70,48000,.04,*
80,235695,259816,286639,315619,347651
81,376651
100,.14,.50,.12,1
101,0,10.25,2
102,0,1,.05,0
103,.05,50000,0.0,100000
200,1,LAND
201,1,135000,0,0
202,1,30,0
200,2,BUILDING
201,2,.60,1.0,2
202,2,1,15,0
200,3,MECHANICALS
201,3,.4,1.0,2
202,3,1,10,0
300,1,MORTGAGE
301,1,1.0,.135,0,25
302,1,12,1,25,0
303,1,.15,0,6,0
400,5
403,99
999,99

EXHIBIT 23

MRCAP OUTPUT -- RUN NO. 1
CONVENTIONAL FINANCING

PRO FORMA

INVESTMENT ANALYSIS OF

30 ON THE SQUARE

FOR

MIFFLIN ASSOCIATES

REPORT SECTION NUMBER 1

PAGE 1

* GROSS RENT	\$ 684412.	* RATE OF GROWTH OF GROSS RENT	0.0450
* EXPENSES	\$ 303679.	* RATE OF GROWTH OF EXPENSES	0.0983
* R E TAXES	\$ 53064.	* RATE OF GROWTH OF R E TAXES	0.0400
* INCOME TAX RATE	0.1400	PROJECT VALUE GROWTH TYPE	2.0000
* VACANCY RATE	0.2467	WORKING CAPITAL LOAN RATE	0.0000
EQUITY DISCOUNT	0.1400	EXTRAORDINARY EXPENSES	\$ 0.
RESALE COST	0.0500	REINVESTMENT RATE	0.1200
WKG CAPITAL RS\$	50000.	CAPITAL RESER INTEREST RATE	0.0000
INVESTOR TAX CLASS	1	OWNERSHIP FORM	1
INITIAL COST \$	1220046.	INITIAL EQUITY REQUIRED	\$ 366103.

ALL '*' VALUES ARE AVERAGE AMOUNTS FOR HOLDING PERIOD. OF 6 YRS.
INITIAL COST DERIVED THROUGH BACKDOOR TYPE 3 USING 1 MORTGAGES

REPORT SECTION NUMBER 2

PAGE 1

COMPONENT SUMMARY

TITLE	PCT.	BEGIN	USEFUL	DEPR			
	DEPR	USE	LIFE	METHOD			
LAND	0.00	11	40.	0	\$	135000.	0
BUILDING	1.00	1	15.	2	\$	732028.	0
MECHANICALS	1.00	1	10.	2	\$	488018.	0

MORTGAGE SUMMARY

TITLE	INTR	BEGIN	END	TERM	ORIG	PCT
	RATE	YR.	YR.		BALC	VALUE
MORTGAGE	0.1350	1	25	25	\$	903943. 0.741

EXHIBIT 23 (Continued)

REPORT SECTION NUMBER 3

PAGE 1

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
1 GROSS RENT	607272.	636866.	672471.	703332.	729857.	756671.
2 LESS VACANCY	236836.	210166.	181567.	147700.	109479.	98367.
3 LESS REAL ESTAE TAXES	48000.	49920.	51917.	53993.	56153.	58399.
4 LESS EXPENSES	235695.	259816.	286639.	315619.	347651.	376651.
5 NET INCOME	86741.	116964.	152348.	186020.	216574.	223253.
6 LESS DEPRECIATION	97604.	97604.	97604.	97604.	97604.	97604.
7 LESS INTEREST PMTS	121749.	121075.	124190.	128359.	131934.	131782.
8 TAXABLE INCOME	-132612.	-101714.	-69446.	-39943.	-12963.	-6132.
9 PLUS DEPRECIATION	97604.	97604.	97604.	97604.	97604.	97604.
10 LESS PRINCIPAL PMTS	4692.	5366.	6137.	7019.	8027.	9181.
11 CASH THROW-OFF	-39700.	-9477.	22021.	50642.	76613.	82290.
12 LESS INCOME TAXES	0.	0.	0.	0.	0.	0.
13 LESS RESERVES	0.	0.	1101.	2532.	3831.	4115.
14 CASH FROM OPERATIONS	0.	0.	20920.	48110.	72783.	78176.
15 WORKING CAPITAL LOAN	0.	0.	0.	0.	0.	0.
16 DISTRIBUTABLE CASH AFTER TAX	0.	0.	20920.	48110.	72783.	78176.
17 TAX SAVINGS ON OTHER INCOME	0.	0.	0.	0.	0.	0.
18 SPENDABLE CASH AFTER TAXES	0.	0.	20920.	48110.	72783.	78176.

MARKET VALUE & REVERSION

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
19 END OF YEAR MARKET VALUE	889095.	1198883.	1561567.	1906703.	2219886.	2288348.
20 LESS RESALE COST	44455.	59944.	78078.	95335.	110994.	114417.
21 LESS LOAN BALANCES	899251.	893885.	887747.	880728.	872701.	863520.
22 PLUS CUM. CASH RESERVES	10300.	823.	1924.	4456.	8287.	12401.
23 BEFORE TAX NET WORTH	-44311.	245878.	597666.	935096.	1244477.	1322811.
24 CAPITAL GAIN (IF SOLD)	-277802.	114101.	556254.	981737.	1376864.	1539507.
25 CAPITAL GAINS TAX	0.	0.	87026.	226813.	356335.	406656.
26 MINIMUM PREF. TAX	0.	0.	0.	0.	0.	0.
27 INCOME TAX ON EXCESS DEP.	0.	0.	0.	0.	0.	0.
28 TOTAL TAX ON SALE	0.	0.	87026.	226813.	356335.	406656.
29 AFTER TAX NET WORTH	-44311.	245878.	510639.	708283.	888143.	916155.

BEFORE TAX RATIO ANALYSIS

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
30 RETURN ON NET WORTH B/4 TAX	-1.1210	-6.5489	1.5203	0.6493	0.4128	0.1291
31 CHANGE IN NET WORTH B/4 TAX	-410414.	290189.	351788.	337430.	309381.	78334.
32 ORIG EQUITY CASH RTNB/4 TAX	-0.1084	-0.0259	0.0601	0.1383	0.2093	0.2248
33 ORIG EQUITY PAYBACK B/4 TAX	-0.1084	-0.1343	-0.0742	0.0642	0.2734	0.4982
34 B/4 TAX PRESENT VALUE	830249.	1051021.	1280097.	1460326.	1592807.	<u>1586610.</u>

AFTER TAX RATIO ANALYSIS

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
35 RETURN ON NET WORTH AFR TAX	-1.1210	-6.5489	1.1619	0.4813	0.3567	0.1196
36 CHANGE IN NET WORTH AFR TAX	-410414.	290189.	264762.	197643.	179860.	28013.
37 ORIG EQUITY CASH RTNAFR TAX	0.0000	0.0000	0.0571	0.1314	0.1988	0.2135
38 ORIG EQUITY PAYBACK AFR TAX	0.0000	0.0000	0.0571	0.1886	0.3874	0.6009
39 AFTER TAX PRESENT VALUE	865074.	1093138.	1262730.	1365908.	1445623.	1437353.

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
40 NET INCOME-MARKET VALUE RTD	0.0976	0.0976	0.0976	0.0976	0.0976	0.0976
41 LENDER BONUS INTEREST RATE	0.0000	0.0000	0.0043	0.0101	0.0154	0.0166
42 DEFAULT RATIO	0.6754	0.6849	0.6973	0.7180	0.7450	0.7612

MODIFIED INTERNAL RATE OF RETURN ANALYSIS

RETURN ANALYSIS WITHOUT SALE

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
43 CUM. AFR TAX SPENDABLE CASH	0.	0.	20920.	71540.	152907.	249432.
44 MOD. I.R.R. ON ORIG EQUITY	0.0000	0.0000	-0.6148	-0.3351	-0.1602	-0.0620
45 MOD. I.R.R. ON CUM. EQUITY	0.0000	0.0000	-0.6148	-0.3351	-0.1602	-0.0620

RETURN ANALYSIS WITH SALE

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
46 CUM. CASH LESS ORIG EQUITY	-410414.	-120226.	165456.	413720.	674947.	799484.
47 CUM. CASH LESS CUM. EQUITY	-410414.	-120226.	165456.	413720.	674947.	799484.
48 MOD. I.R.R. ON ORIG EQUITY	0.8790	-0.1805	0.1324	0.2081	0.2325	0.2129
49 MOD. I.R.R. ON CUM. EQUITY	0.8790	-0.1805	0.1324	0.2081	0.2325	0.2129

debt cover ratio of 1.2, a loan to value ratio of 75 percent and an 8 percent cash on cash dividend on the average cash flow from operations for the first 5 years. While this value might be increased by approximately \$150,000 to represent the present value of leasholds recognized by the Wisconsin real estate tax unity of interest rule, the significance of market value with conventional financing is that it indicates the building is over-assessed at \$2.5 million. Thus it is recommended that a real estate tax appeal be considered, particularly during this current phase of high vacancy.

E. Market Value Including Sale of Existing Land Contract Financing

If the partnership were to sell the building and the partnership unit subject to the existing land contract, the buyers might retain the accounting values of component appreciation as well as the unusually favorable 8 percent interest rate. Because income tax matters do weigh on the mind of the buyer, the appropriate value number is the after-tax present value at 14 percent of spendable cash to the owner, after-tax net worth and the value of the land contract balance. In short, buyers would pay \$2,125,000, suggesting that the land contract adds almost \$500,000 to the financial value

of the investment, but not to the real estate. Initial reserves of \$175,000 (See Exhibit 25, first page, Report Section Number 1) are required to carry a project through early cash flow losses so the total equity required by the buyer would be \$492,000. (See Exhibit 24 for MRCAP input file and Exhibit 25 for MRCAP output file).

F. Investment Value Inflated by
Third Level Financing by Seller

The third question of value was the incremented value achieved by providing a minimum downpayment of \$200,000 and additional financing of \$350,000 by the seller. Again, cash deficits in the early years require provision of a working capital reserve of \$290,000 as part of the initial equity required (See Exhibit 27, first page, Report Section Number 1). In this event the after tax present value is found on line 39 of Exhibit 27 at its highest attained value for 1987 of \$2,340,000, assuming the investors want a minimum 14 percent after-tax rate of return. Because assumptions on rent-up are conservatively slow and operating expenses not fully passed through, the 14 percent after-tax discount may be lower than justified by the risk inherent in marketing of the subject property. Therefore, the \$2,340,000 must be considered fully priced. (See Exhibit 26 for MRCAP input file and Exhibit 27 for MRCAP output file.)

EXHIBIT 24

MRCAP INPUT FILE -- RUN NO. 2

DIS 30.220

1,30 ON THE SQUARE,MIFFLIN ASSOCIATES
10,1983,0,1,1.0,6,64277
20,3,1,1.2,.08,1,5
30,.85,10000,2,.10,.08,0
40,602722,636866,672471,703332,729857
41,756671
60,.39,.33,.27,.21,.15
61,.13,*
70,48000,.04,*
80,235695,259816,286639,315619,347651
81,376651
100,.14,.50,.12,1
101,0,10.25,2
102,0,1,.05,0
103,.05,175000,0.0,100000
200,1,LAND
201,1,135000,0,0
202,1,30,0
200,2,BUILDING
201,2,.60,1.0,2
202,2,1,15,0
200,3,MECHANICALS
201,3,.4,1.0,2
202,3,1,10,0
300,1,MORTGAGE
301,1,2070000,.08,14629.07,31
302,1,12,1,31,0
303,1,.15,0,6,0
400,5
403,99
999,99

EXHIBIT 25

MRCAP OUTPUT -- RUN NO. 2
ASSUMPTION OF LAND CONTRACT

RUN NUMBER

0

PRO FORMA

INVESTMENT ANALYSIS OF

30 ON THE SQUARE

FOR

MIFFLIN ASSOCIATES

REPORT SECTION NUMBER 1

PAGE 1

* GROSS RENT	\$ 684412.	* RATE OF GROWTH OF GROSS RENT	0.0450
* EXPENSES	\$ 303679.	* RATE OF GROWTH OF EXPENSES	0.0983
* R E TAXES	\$ 53064.	* RATE OF GROWTH OF R E TAXES	0.0400
* INCOME TAX RATE	0.1400	PROJECT VALUE GROWTH TYPE	2.0000
* VACANCY RATE	0.2467	WORKING CAPITAL LOAN RATE	0.0000
EQUITY DISCOUNT	0.1400	EXTRAORDINARY EXPENSES	\$ 0.
RESALE COST	0.0500	REINVESTMENT RATE	0.1200
WKG CAPITAL RS\$	175000.	CAPITAL RESER INTEREST RATE	0.0000
INVESTOR TAX CLASS	1	OWNERSHIP FORM	1
INITIAL COST \$	2386103.	INITIAL EQUITY REQUIRED	\$ 491103.

ALL '*' VALUES ARE AVERAGE AMOUNTS FOR HOLDING PERIOD. OF 6 YRS.
INITIAL COST DERIVED THROUGH BACKDOOR TYPE 3 USING 1 MORTGAGES

REPORT SECTION NUMBER 2

PAGE 1

COMPONENT SUMMARY

TITLE	PCT.	BEGIN USEFUL	DEPR			COST	SCH
				DEPR	USE		
LAND	0.00	11	40.	0	\$ 135000.	0	
BUILDING	1.00	1	15.	2	\$ 1431662.	0	
MECHANICALS	1.00	1	10.	2	\$ 954441.	0	

MORTGAGE SUMMARY

TITLE	INTR	BEGIN	END	TERM	ORIG	PCT
MORTGAGE	0.0800	1	31	31	\$ 2070000.	0.868

EXHIBIT 25 (Continued)

REPORT SECTION NUMBER 3

PAGE 1

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
1 GROSS RENT	607272.	636866.	672471.	703332.	729857.	756671.
2 LESS VACANCY	236836.	210166.	181567.	147700.	109479.	98367.
3 LESS REAL ESTAE TAXES	48000.	49920.	51917.	53993.	56153.	58399.
4 LESS EXPENSES	235695.	259816.	286639.	315619.	347651.	376651.
5 NET INCOME	86741.	116964.	152348.	186020.	216574.	223253.
6 LESS DEPRECIATION	190888.	190888.	190888.	190888.	190888.	190888.
7 LESS INTEREST PMTS	165227.	164370.	163442.	164008.	167503.	167327.
8 TAXABLE INCOME	-269374.	-238294.	-201983.	-168877.	-141817.	-134961.
9 PLUS DEPRECIATION	190888.	190888.	190888.	190888.	190888.	190888.
10 LESS PRINCIPAL PMTS	10322.	11179.	12106.	13111.	14199.	15378.
11 CASH THROW-OFF	-88808.	-58585.	-23201.	8900.	34872.	40549.
12 LESS INCOME TAXES	0.	0.	0.	0.	0.	0.
13 LESS RESERVES	0.	0.	0.	445.	1744.	2027.
14 CASH FROM OPERATIONS	0.	0.	0.	8455.	33128.	38521.
15 WORKING CAPITAL LOAN	0.	0.	0.	0.	0.	0.
16 DISTRIBUTABLE CASH AFTER TAX	0.	0.	0.	8455.	33128.	38521.
17 TAX SAVINGS ON OTHER INCOME	0.	0.	0.	0.	0.	0.
18 SPENDABLE CASH AFTER TAXES	0.	0.	0.	8455.	33128.	38521.

MARKET VALUE & REVERSION

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
19 END OF YEAR MARKET VALUE	889095.	1198883.	1561567.	1906703.	2219886.	2288348.
20 LESS RESALE COST	44455.	59944.	78078.	95335.	110994.	114417.
21 LESS LOAN BALANCES	2059678.	2048500.	2036393.	2023282.	2009082.	1993704.
22 PLUS CUM. CASH RESERVES	86192.	27607.	4407.	4852.	6595.	8623.
23 BEFORE TAX NET WORTH	-1128846.	-881953.	-548498.	-207062.	106404.	188848.
24 CAPITAL GAIN (IF SOLD)	-1350575.	-865387.	-329949.	188818.	677230.	933157.
25 CAPITAL GAINS TAX	0.	0.	0.	0.	70239.	146698.
26 MINIMUM PREF. TAX	0.	0.	0.	0.	0.	0.
27 INCOME TAX ON EXCESS DEP.	0.	0.	0.	0.	0.	0.
28 TOTAL TAX ON SALE	0.	0.	0.	0.	70239.	146698.
29 AFTER TAX NET WORTH	-1128846.	-881953.	-548498.	-207062.	36165.	42150.

EXHIBIT 25 (Continued)

BEFORE TAX RATIO ANALYSIS

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
30 RETURN ON NET WORTH B/4 TAX	-3.2986	-0.2187	-0.3781	-0.6387	-1.6823	1.1559
31 CHANGE IN NET WORTH B/4 TAX	-1619949.	246893.	333456.	341435.	313466.	82444.
32 ORIG EQUITY CASH RTNB/4 TAX	-0.1808	-0.1193	-0.0472	0.0181	0.0710	0.0826
33 ORIG EQUITY PAYBACK B/4 TAX	-0.1808	-0.3001	-0.3474	-0.3292	-0.2582	-0.1757
34 B/4 TAX PRESENT VALUE	1001882.	1268385.	1561139.	1814032.	2010004.	2059251.

AFTER TAX RATIO ANALYSIS

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
35 RETURN ON NET WORTH AFR TAX	-3.2986	-0.2187	-0.3781	-0.6379	-1.3346	1.2307
36 CHANGE IN NET WORTH AFR TAX	-1619949.	246893.	333456.	341435.	243227.	5985.
37 ORIG EQUITY CASH RTNAFR TAX	0.0000	0.0000	0.0000	0.0172	0.0675	0.0784
38 ORIG EQUITY PAYBACK AFR TAX	0.0000	0.0000	0.0000	0.0172	0.0847	0.1631
39 AFTER TAX PRESENT VALUE	1079784.	1391366.	1699780.	1952409.	2110995.	<u>2128965.</u>

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
40 NET INCOME-MARKET VALUE RTO	0.0976	0.0976	0.0976	0.0976	0.0976	0.0976
41 LENDER BONUS INTEREST RATE	0.0000	0.0000	0.0000	0.0008	0.0030	0.0036
42 DEFAULT RATIO	0.7562	0.7620	0.7645	0.7773	0.8022	0.8164

MODIFIED INTERNAL RATE OF RETURN ANALYSIS

RETURN ANALYSIS WITHOUT SALE

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
43 CUM. AFR TAX SPENDABLE CASH	0.	0.	0.	8455.	42598.	86231.
44 MOD. I.R.R. ON ORIG EQUITY	0.0000	0.0000	0.0000	-0.6378	-0.3867	-0.2517
45 MOD. I.R.R. ON CUM. EQUITY	0.0000	0.0000	0.0000	-0.6378	-0.3867	-0.2517

RETURN ANALYSIS WITH SALE

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
46 CUM. CASH LESS ORIG EQUITY	-1619949.	-1373056.	-1039601.	-689710.	-412340.	-362721.
47 CUM. CASH LESS CUM. EQUITY	-1619949.	-1373056.	-1039601.	-689710.	-412340.	-362721.
48 MOD. I.R.R. ON ORIG EQUITY	-1.2986	-0.3401	-0.0375	0.2025	-0.3065	-0.2004
49 MOD. I.R.R. ON CUM. EQUITY	-1.2986	-0.3401	-0.0375	0.2025	-0.3065	-0.2004

EXHIBIT 26

MRCAP INPUT FILE -- RUN NO. 3

DIS 30.4V

1,30 ON THE SQUARE,MIFFLIN ASSOCIATES
10,1983,0,1,1.0,6,64277
30,.90,10000,2,.10,.08,0
40,607272,636866,672471,703332,729857
41,756671
60,.39,.33,.27,.21,.13
61,.13,*
70,48000,.04,*
80,235695,259816,286639,315619,347651
81,376651
100,.14,.50,.12,1
101,0,10.25,2
102,0,1,.05,0
103,.05,290000,0.0,100000
200,1,LAND
201,1,135000,0,0
202,1,30,0
200,2,BUILDING
201,2,1835000,1.0,2
202,2,1,15,0
200,3,MECHANICALS
201,3,650000,1.0,2
202,3,1,10,0
300,1,MORTGAGE
301,1,2070000,.08,14629.07,31
302,1,12,1,31,0
303,1,.15,0,6,0
300,2,NOTE
301,2,350000,.09,1.0,6
302,2,12,1,6,0
400,5
403,99
999,99

EXHIBIT 27

MRCAP OUTPUT -- RUN NO. 3
ASSUMPTION OF LAND CONTRACT & SELLER FINANCING

PRO FORMA

INVESTMENT ANALYSIS OF

30 ON THE SQUARE

FOR

MIFFLIN ASSOCIATES

REPORT SECTION NUMBER 1 PAGE 1

* GROSS RENT \$ 684412.	* RATE OF GROWTH OF GROSS RENT 0.0450
* EXPENSES \$ 303679.	* RATE OF GROWTH OF EXPENSES 0.0983
* R E TAXES \$ 53064.	* RATE OF GROWTH OF R E TAXES 0.0400
* INCOME TAX RATE 0.1400	PROJECT VALUE GROWTH TYPE 2.0000
* VACANCY RATE 0.2433	WORKING CAPITAL LOAN RATE 0.0000
EQUITY DISCOUNT 0.1400	EXTRAORDINARY EXPENSES \$ 0.
RESALE COST 0.0500	REINVESTMENT RATE 0.1200
WKG CAPITAL RS\$ 290000.	CAPITAL RESER INTEREST RATE 0.0000
INVESTOR TAX CLASS 1	OWNERSHIP FORM 1
INITIAL COST \$ 2485000.	INITIAL EQUITY REQUIRED \$ 355000.

ALL '*' VALUES ARE AVERAGE AMOUNTS FOR HOLDING PERIOD. OF 6 YRS.

REPORT SECTION NUMBER 2 PAGE 1

COMPONENT SUMMARY

TITLE	PCT. DEPR	BEGIN USE	USEFUL LIFE	DEPR METHOD	COST		SCH
					11	40.	
LAND	0.00	11	40.	0	\$ 135000.	0	
BUILDING	1.00	1	15.	2	\$ 1835000.	0	
MECHANICALS	1.00	1	10.	2	\$ 650000.	0	

2420000

MORTGAGE SUMMARY

TITLE	INTR RATE	BEGIN YR.	END YR.	TERM	ORIG		PCT VALUE
					BALC	VALUE	
MORTGAGE	0.0800	1	31	31	\$ 2070000.	0.833	
NOTE	0.0900	1	6	6	\$ 350000.	0.141	

3420000

EXHIBIT 27 (Continued)

REPORT SECTION NUMBER 3

PAGE 1

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
1 GROSS RENT	607272.	636866.	672471.	703332.	729857.	756671.
2 LESS VACANCY	236836.	210166.	181567.	147700.	94881.	98367.
3 LESS REAL ESTAE TAXES	48000.	49920.	51917.	53993.	56153.	58399.
4 LESS EXPENSES	235695.	259816.	286639.	315619.	347651.	376651.
5 NET INCOME	86741.	116964.	152348.	186020.	231171.	223253.
6 LESS DEPRECIATION	187333.	187333.	187333.	187333.	187333.	187333.
7 LESS INTEREST PMTS	196727.	195870.	194942.	193938.	196468.	194102.
8 TAXABLE INCOME	-297319.	-266239.	-229928.	-195251.	-152630.	-158181.
9 PLUS DEPRECIATION	187333.	187333.	187333.	187333.	187333.	187333.
10 LESS PRINCIPAL PMTS	10322.	11179.	12106.	13111.	14199.	15378.
11 CASH THROW-OFF	-120308.	-90085.	-54701.	-21029.	20504.	13774.
12 LESS INCOME TAXES	0.	0.	0.	0.	0.	0.
13 LESS RESERVES	0.	0.	0.	0.	1025.	689.
14 CASH FROM OPERATIONS	0.	0.	0.	0.	19479.	13085.
15 WORKING CAPITAL LOAN	0.	0.	0.	0.	0.	0.
16 DISTRIBUTABLE CASH AFTER TAX	0.	0.	0.	0.	19479.	13085.
17 TAX SAVINGS ON OTHER INCOME	0.	0.	0.	0.	0.	0.
18 SPENDABLE CASH AFTER TAXES	0.	0.	0.	0.	19479.	13085.

MARKET VALUE & REVERSION

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
19 END OF YEAR MARKET VALUE	889095.	1198883.	1561567.	1906703.	2369507.	2288348.
20 LESS RESALE COST	44455.	59944.	78078.	95335.	118475.	114417.
21 LESS LOAN BALANCES	2409678.	2398500.	2386393.	2373282.	2359083.	2343705.
22 PLUS CUM. CASH RESERVES	169692.	79607.	24907.	3878.	4903.	5592.
23 BEFORE TAX NET WORTH	-1395346.	-1179953.	-877998.	-558036.	-103148.	-164183.
24 CAPITAL GAIN (IF SOLD)	-1453027.	-971394.	-439511.	75702.	702699.	812930.
25 CAPITAL GAINS TAX	0.	0.	0.	0.	69802.	96781.
26 MINIMUM PREF. TAX	0.	0.	0.	0.	0.	0.
27 INCOME TAX ON EXCESS DEP.	0.	0.	0.	0.	0.	0.
28 TOTAL TAX ON SALE	0.	0.	0.	0.	69802.	96781.
29 AFTER TAX NET WORTH	-1395346.	-1179953.	-877998.	-558036.	-172950.	-260963.

Landmark Research, Inc.

EXHIBIT 27 (Continued)

BEFORE TAX RATIO ANALYSIS

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
30 RETURN ON NET WORTH B/4 TAX	-4.9306	-0.1544	-0.2559	-0.3644	-0.8519	0.4582
31 CHANGE IN NET WORTH B/4 TAX	-1750346.	215393.	301955.	319961.	454888.	-61035.
32 ORIG EQUITY CASH RTNB/4 TAX	-0.3389	-0.2538	-0.1541	-0.0592	0.0578	0.0388
33 ORIG EQUITY PAYBACK B/4 TAX	-0.3389	-0.5927	-0.7467	-0.8060	-0.7482	-0.7094
34 B/4 TAX PRESENT VALUE	1090479.	1337214.	1615605.	1865375.	2152855.	2137902.

AFTER TAX RATIO ANALYSIS

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
35 RETURN ON NET WORTH AFR TAX	-4.9306	-0.1544	-0.2559	-0.3644	-0.7250	0.4332
36 CHANGE IN NET WORTH AFR TAX	-1750346.	215393.	301955.	319961.	385086.	-88014.
37 ORIG EQUITY CASH RTNAFR TAX	0.0000	0.0000	0.0000	0.0000	0.0549	0.0369
38 ORIG EQUITY PAYBACK AFR TAX	0.0000	0.0000	0.0000	0.0000	0.0549	0.0917
39 AFTER TAX PRESENT VALUE	1196012.	1512064.	1827377.	2089598.	<u>2340292.</u>	<u>2317187.</u>

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
40 NET INCOME-MARKET VALUE RTO	0.0976	0.0976	0.0976	0.0976	0.0976	0.0976
41 LENDER BONUS INTEREST RATE	0.0000	0.0000	0.0000	0.0000	0.0015	0.0010
42 DEFAULT RATIO	0.8081	0.8114	0.8113	0.8199	0.8419	0.8518

MODIFIED INTERNAL RATE OF RETURN ANALYSIS

RETURN ANALYSIS WITHOUT SALE

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
43 CUM. AFR TAX SPENDABLE CASH	0.	0.	0.	0.	19479.	34902.
44 MOD. I.R.R. ON ORIG EQUITY	0.0000	0.0000	0.0000	0.0000	-0.4404	-0.3206
45 MOD. I.R.R. ON CUM. EQUITY	0.0000	0.0000	0.0000	0.0000	-0.4404	-0.3206

RETURN ANALYSIS WITH SALE

CASH FLOW ANALYSIS

	1983	1984	1985	1986	1987	1988
46 CUM. CASH LESS ORIG EQUITY	-1750346.	-1534953.	-1232998.	-913036.	-508471.	-581062.
47 CUM. CASH LESS CUM. EQUITY	-1750346.	-1534953.	-1232998.	-913036.	-508471.	-581062.
48 MOD. I.R.R. ON ORIG EQUITY	-2.9306	-0.8231	-0.3523	-0.1197	0.1544	0.0725
49 MOD. I.R.R. ON CUM. EQUITY	-2.9306	-0.8231	-0.3523	-0.1197	0.1544	0.0725

V. VALUATION CONCLUSION

Review of the most probable market comparison price as \$2,160,000 and the determination that investment value including sale of the existing land contract would approach \$2,125,000, the appraiser must reconcile these values for a final conclusion. The market comparison approach is relatively insensitive to the recent large increase in vacancy suffered by the subject building and at the same time the income approach penalized early cash deficits heavily because initial equity is consumed while property goes through a prolonged rent-up phase. Nevertheless, investors would tend to be relatively optimistic about the short term aberration in occupancy due to cutbacks in government programs related to those who were tenants.

THEREFORE, WE CONCLUDE THAT THE MOST PROBABLE PRICE AT WHICH THIS PROPERTY WOULD SELL SUBJECT TO THE EXISTING LAND CONTRACT WOULD BE, AS OF NOVEMBER 1, 1982:

TWO MILLION ONE HUNDRED SIXTY THOUSAND DOLLARS

(\$2,160,000)

WITH ASSUMPTION OF THE 8 PERCENT, 31 YEAR LAND CONTRACT.

STATEMENT OF LIMITING CONDITIONS

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

1. Contributions of Other Professionals

- The appraiser did not conduct any engineering analysis of the structure components or of the site, of costs to replace, or of other engineering factors.
- Annual operating accounting data was provided, but all income and expense estimates were reconstructed to include market rents to vacant areas and expenses deemed to be appropriate for skillful management of the property.
- Sketches in this report are included to assist the reader in visualizing the property. These drawings are for illustrative purposes only and do not represent an actual survey of the property.
- The appraiser assumes no responsibility for matters which are legal in nature nor is any attempt made to render an opinion on the title.

2. Facts and Forecasts Under Conditions of Uncertainty

- Information furnished by others in this report, while believed to be reliable, is in no sense guaranteed by this appraiser.
- All information furnished regarding property for sale or rent, financing, or projections of income and expense is from sources deemed reliable. No warranty or representation is made regarding the accuracy thereof, and it is submitted subject to errors, omissions, change of price, rental or other conditions, prior sale, lease, financing, or withdrawal without notice.
- Forecasts of effective demand of retail and office space are based on the best available data concerning the downtown Madison market, but are projected under uncertainty. The impacts of the continuing parking shortage and of unpredictable increases in automobile use upon the viability of the Capitol Concourse are all uncertain.

- The comparable sales data relied upon in this appraisal is assumed to be from reliable sources. Though all the comparables were examined, it was not possible to inspect them all in detail. The value conclusions are subject to the accuracy of said data.

3. Controls on Use of Appraisal

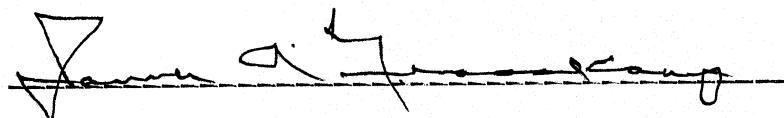
- Values for various components of the subject parcel and improvements as contained within the report are valid only when making a summation and are not to be used independently for any purpose and must be considered invalid if so used.
- Possession of this report or any copy thereof does not carry with it the right of publication, nor may the same be used for any other purpose by anyone without the previous written consent of the appraiser or the applicant, and in any event, only in its entirety.
- Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without the written consent and approval of the author, particularly as to the valuation conclusions, the identity of the appraiser or the firm with which he is connected, or the identity of any of his associates.
- The authors will not be required to give testimony or to appear in court by reason of this report, with reference to the property in question, unless timely arrangements have been previously made with fees set at prevailing per diem rates.
- Landmark Research, Inc., will expect to be held harmless from any and all claims that might be brought by third parties which might relate in any way to claims for injury or damage suffered as the result of the implementation of any advice we may have given or services we may have rendered in this connection.

- This report shall not be used in the client's reports or financial statements or in any documents filed with any governmental agency, unless: (1) prior to making any such reference in any report or statement or any document filed with the Securities and Exchange Commission or other governmental agency, appraiser is allowed to review the text of such reference to determine the accuracy and adequacy of such reference to the appraisal report prepared by the appraiser; (2) in the appraiser's opinion the proposed reference is not untrue or misleading and is adequate for the purposes intended in light of the circumstances under which it is made; and (3) written permission has been obtained by the client from the appraiser for these uses.

CERTIFICATE OF APPRAISAL

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

Based upon the information and subject to the limiting conditions contained in this report, it is my opinion that the fair market value, as defined herein, of this property as of November 1, 1982, is \$2,160,000, assuming assumption of the 8 percent, 31 year land contract.



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

December 8, 1982

Date

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

PROFESSIONAL DESIGNATIONS

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

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

CPCU, Certified Property Casualty Underwriter, College of Property Underwriters

EDUCATION

Ph.D., Urban Land Economics and Risk Management - University of Wisconsin
Master of Business Administration Security Analysis - Marquette University
Bachelor of Arts - Rollins College

ACADEMIC AND PROFESSIONAL HONORS

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

Urban Land Institute Research Fellow

University of Wisconsin Fellow, Omicron Delta Kappa

Lambda Alpha - Ely Chapter

Beta Gamma Sigma, William Kiekhofer Teaching Award (1966)

Urban Land Institute Trustee

PROFESSIONAL EXPERIENCE

Dr. Graaskamp is the President and founder of Landmark Research, Inc., which was established in 1968. He is also co-founder of a general contracting firm, a land development company and a farm investment corporation. He is formerly a member of the Board of Directors and treasurer of the Wisconsin Housing Finance Agency. He is currently a member of the Board and Executive Committee of First Asset Realty Advisors, a subsidiary of First Bank Minneapolis. He is the co-designer and instructor of the EDUCARE teaching program for computer applications in the real estate industry. His work includes substantial and varied consulting and valuation assignments to include investment counseling to insurance companies and banks, court testimony as expert witness and the market/financial analysis of various projects, both nationally and locally, and for private and corporate investors and municipalities.

APPENDIX A

C4 CENTRAL COMMERCIAL DISTRICT ZONING

(d) Conditional Uses. The following conditional uses may be allowed in the C3 district subject to the provisions of Section 28.12(10).

1. Any use allowed as a conditional use in the C2 district.
2. Any production, processing, cleaning, servicing, testing or repair of materials, goods or products, limited to the following uses or products: Machine shops and fabrication of metals not more than ten (10) gauge in thickness.
3. Cartage establishments, but not including motor freight terminals.
4. Adult entertainment taverns, subject to the following conditions:
 - a. No such establishment shall be located within five hundred (500) lineal feet of a church, or any private or public day care center, preschool center, or school, or a public park, or any library, or any Residential District, or any Planned Developments, or any tavern, or any other adult entertainment tavern.
 - b. The establishment shall acquire and maintain an adult entertainment tavern permit pursuant to Section 9.10(17) or 9.11(19) of these ordinances prior to issuance of an occupancy permit.

(Sec.28.09(4)(d)4. Cr. by Ord. 6101, 1-6-78)

(e) Lot Area Requirements. In the C3 district, the lot area requirements of the C1 district shall apply.

(f) Floor Area Ratio. In the C3 district, the floor area ratio shall not exceed 3.0.

(g) Yard Requirements. In the C3 district, the yard requirements of the C2 district shall apply.

(h) Usable Open Space Requirements. In the C3 district, the usable open space requirements of the C1 district shall apply.

(i) (R. by Ord. 5831, 5-6-77)

(5) C4 Central Commercial District.

(a) Statement Of Purpose. The C4 Central Commercial district is established to accommodate those uses which are of City-wide, regional or state significance. Within this district, which is located in close proximity to the State Capitol Building and State Street, and which is readily accessible by public transportation from all parts of the City, are permitted the retail, service and office uses characteristic of a central business district. In addition to commercial activities, residential use above the ground floor is permitted and encouraged. No accessory off-street parking is required in this district, and any off-street parking which is provided is controlled as to the location, type and size of such facility so as to reduce congestion on streets within or leading to this district. All new buildings and any major alteration of an exterior building face must be approved by the Plan Commission because of the community's objective to maintain the aesthetic qualities of the district. (Am. by Ord. 6052, 11-29-77)

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

1. All business, servicing or processing, except for off-street parking, off-street loading, automobile service station operation, drive-in banks and outdoor eating areas of restaurants approved as a conditional use by the Plan Commission, shall be conducted within completely enclosed buildings. (Am. by Ord. 4304, 8-29-73)
2. Establishments of the drive-in type are not permitted, except automobile service stations and drive-in banks.
3. Any major alteration of the exterior face of a building shall conform to the remodeling and new construction guidelines for State Street and the Capitol Square adopted as administrative guidelines by the City Plan Commission on September 23, 1968 and as modified on December 7, 1970 and shall be permitted only after the written approval of the City Department of Planning and Development, provided that any action by the department may be appealed to the City Plan Commission by the applicant. (Am. by Ord. 6568, 3-22-79)
4. To insure a variety of housing types in the central area, the following point values are established.

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

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

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

(d) Conditional Uses. The following conditional uses may be allowed in the C4 district subject to the provisions of Section 28.12(10):

1. Any new construction of a building or addition to an existing building.
2. Any production, processing, cleaning, servicing, testing or repair of materials, goods or products, limited to the following uses or products:
 - a. Jewelry.
 - b. Medical, dental and optical supplies.
 - c. Products from the following previously prepared materials: bone, canvas, cellophane, cloth, cork, feathers, felt, fiber, fur, glass, hair, horn, leather, paper, plastic, precious or semiprecious stones, rubber, shell and yarn.
 - d. Scientific and precision instruments.
3. Outdoor eating areas of restaurants. (Am. by Ord. 5198, 10-31-75)
4. Dwelling units and lodging rooms located on the ground floor.
5. Parking facilities, accessory and located within the central area, where the number of parking spaces in such facilities exceeds the requirement set forth in Section 28.11(3)(b) for similar uses.
6. Parking lots, garages and structures, nonaccessory and publicly owned and operated, for the storage of private passenger automobiles only, subject to the applicable provisions of Section 28.11.
7. Public service signs.

8. Public utility and public service uses as follows:
 - a. Bus terminals and bus turnaround areas.
 - b. Electric substations.
 - c. Gas regulator stations, mixing stations and gate stations.
 - d. Police stations.
 - e. Radio and television towers.
 - f. Railroad passenger stations.
 - g. Railroad rights-of-way, but not including railroad yards and shops, freight and service buildings, or rights-of-way for switch, lead, spur or team tracks.
 - h. Telephone exchanges, microwave relay towers and telephone transmission equipment buildings.
 - i. Jail facilities. (Cr. by Ord. 7470, 7-30-81)
9. (R. by Ord. 5831, 5-6-77)
10. Wholesaling establishments.
11. Adult entertainment establishments, subject to the following conditions:
 - a. All exterior windows in any premises occupied by such establishment shall be blackened to the extent necessary to make them opaque.
 - b. No such establishment shall be located within five hundred (500) lineal feet of a church, or a private or public elementary, secondary or vocational school, or a public park, or within five hundred (500) lineal feet of any residence district.
 - c. Such establishment may have only one (1) nonflashing business sign, which sign may only indicate the name of the business and identify it as an adult entertainment establishment.

(Sec. 28.09(5)(d)11. Cr. by Ord. 5717, 12-28-76)

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

(Sec. 28.09(5)(d)12. Cr. by Ord. 5904, 7-7-77)

13. Parking facilities, nonaccessory and publicly or privately owned and operated for parking of private passenger automobiles only, subject to the provisions of Section 28.11 and limited to those areas paved as of January 1, 1977, or those owned by the City Parking Utility as of January 1, 1977. (Cr. by Ord. 5945, 8-15-77)
14. Vending carts and kiosks located on private property. (Cr. by Ord. 6137, 2-13-78)
15. Restaurants, except adult entertainment taverns, provided:
 - a. That the Traffic Engineer shall, prior to the approval of such restaurant, submit a report and recommendation regarding traffic, parking and pedestrian needs and conditions within the area including the adequacy of the sidewalk to facilitate pedestrian flow.

- b. That the design and appearance shall conform to the current remodeling and new construction guidelines for State Street and the Capitol Square.
- c. That the likely impact of changes in noise levels, smell or lights on the occupants of adjacent properties as a result of the establishment of the restaurant be considered by the Plan Commission.
- d. That the Development Assistance Unit of the department of Planning and Development shall, prior to the approval of such restaurant, submit a report and recommendation regarding inside and outside waste receptacles and trash and refuse pick-up and storage including offsite pick-up with the objective of eliminating the adverse effects on the neighborhood and lakes and streams of the paper and other disposable products. The Plan Commission may, after consideration of the above report and recommendations, limit the restaurant to washable and reusable dishes and silverware for serving foods and liquids. (Am. by Ord. 7060, 8-7-80)

(e) Lot Area Requirements. In the C4 district, there shall be no lot area requirements. (Am. by Ord. 6052, 11-29-77)

(f) Height Regulations. In the C4 district, building heights shall be limited by Section 28.04(14) of this code and by the following regulations:

- 1. Buildings on zoning lots having street frontage on State Street shall be not less than two (2) stories nor more than four (4) stories in height.
- 2. Buildings on zoning lots having street frontage on the Capitol Square or on the East Washington, West Washington, Wisconsin or Monona Avenues and buildings on zoning lots fronting on the Southeast side of East and West Wilson Streets shall be not less than three (3) stories nor more than ten (10) stories in height.
- 3. Buildings on zoning lots in this district not having frontage on any of the aforementioned streets shall have a maximum height of eight (8) stories.
- 4. Additions to any existing buildings may exceed the height limitations in paragraphs 1., 2., and 3., above, provided the following:
 - a. Such additions shall not exceed the height of any portion of the existing building;
 - b. Such additions shall have been originally proposed as a part of the existing building, and the building shall have been structurally designed and constructed to accommodate such additions; and
 - c. Such additions shall be approved by the Plan Commission pursuant to the conditional use procedure established in Sec. 28.12(10).

(Sec. 28.09(5)(f)4. Cr. by Ord. 7106, 9-25-80)

(g) Yard Requirements. In the C4 district, the yard requirements shall be as follows:

- 1. A minimum rear yard of ten (10) feet shall be provided for the purpose of loading and unloading from future alleyway systems. However, this rear yard requirement may be waived by the Zoning Board of Appeals only upon its findings that such rear yard is not necessary as a part of an alleyway system, provided such findings shall be made only after receipt of recommendations from the Zoning

Administrator, Traffic Engineer and Director of Planning and Development regarding the relative merits of said rear yard as part of an alleyway system. (Am. by Ord. 6568, 3-22-79)

2. Where dwelling units, lodging units or hotel or motel sleeping rooms have windows facing any interior lot lines, yards as required in the R5 district shall be provided. Such yards shall begin at a level no higher than the level of the finished floor of the lowest residential unit.

(h) Usable Open Space Requirements. In the C4 district, there shall be provided a usable open space of not less than one hundred (100) square feet for each dwelling unit. (Am. by Ord. 6052, 11-29-77)

(i) R. by Ord. 5831, 5-6-77)

(6) C3L Commercial Service And Distribution District (Nonresidential).

(a) Statement Of Purpose. The C3L commercial service and distribution district is established to furnish a wide variety of goods, services and distribution activities. Within this district, residential development is prohibited because most of the permitted uses are not compatible with nontransient residential development. A full range of retail, service, wholesale, warehouse and distribution activities is permitted.

(b) General Regulations. Uses permitted in the C3L district are subject to the following conditions:

1. All business, servicing or processing, except for offstreet parking, off-street loading, display of merchandise for sale to the public, establishments of the drive-in type and outdoor eating areas of restaurants approved as a conditional use by the Plan Commission, shall be conducted within completely enclosed buildings unless otherwise indicated hereinafter. (Am. by Ord. 4306, 8-29-73)

2. Parking of trucks as an accessory use, when used in the conduct of a permitted business listed hereinafter, shall be limited to vehicles of not over one and one-half (1 1/2) tons capacity when located within one hundred fifty (150) feet of a residence district boundary line.

3. All storage within one hundred (100) feet of a residence district, arterial or collector street, except for motor vehicles in operable condition, shall be within completely enclosed buildings or effectively screened with screening not less than six (6) feet nor more than eight (8) feet in height, provided no storage located within fifty (50) feet of such screening shall exceed the maximum height of such screening. (Cr. by Ord. 4766, 10-24-74)

(c) Permitted Uses. The following uses are permitted in the C3L district:

1. Any use permitted in the C3 district excepting dwelling units and lodging rooms located above the ground floor.

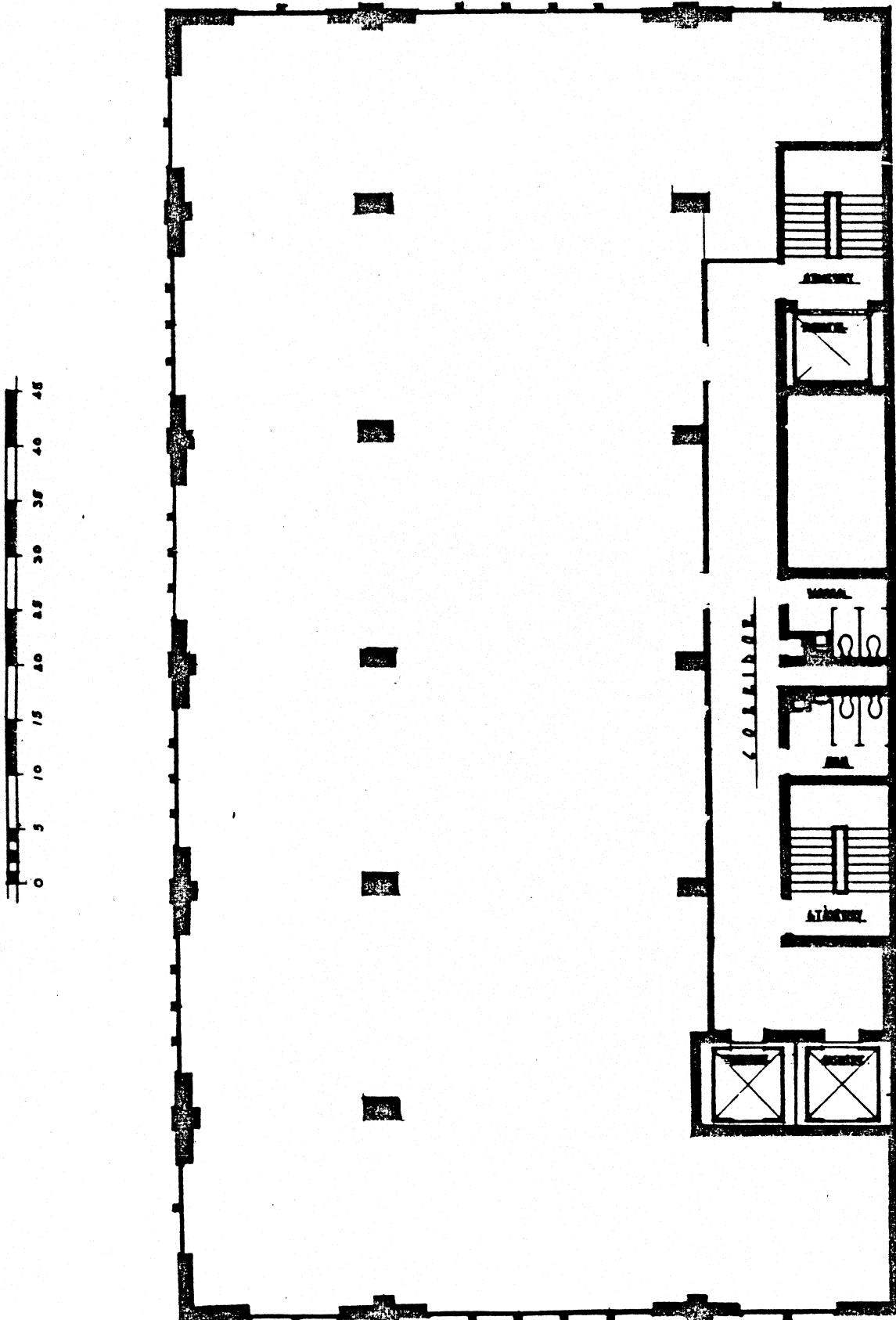
2. Dwelling units for watchmen and their families located on the premises where they are employed.

(d) Conditional Uses. Any use allowed as a conditional use in the C3 district, excepting dwelling units and lodging rooms located on the ground floor, may be allowed in the C3L district, subject to the provisions of Section 28.12(10).

Landmark Research, Inc.

30 ON THE SQUARE GENERAL FLOOR PLAN INCLUDING COLUMN LOCATIONS, EXTERIOR WALLS, AND UTILITY COSTS

"30 ON THE SQUARE", 30 W. MIFFLIN ST., MADISON, WIS.



APPENDIX C

Landmark Research, Inc.

ANNUAL RENT ROLLS -- 1983-1988

1983 ESTIMATED LEASE REVENUES - 30 ON THE SQUARE

1.04 factor to increase by (4%/year)

TENANTS	LEASE EXPIRES	SQUARE FEET	MONTHLY RENT	# OF MONTHS	ANNUAL RENT \$	RENT \$/SF
100 Rennebohm Drug Stores, Inc.	1/31/91	7722	3083.33	12	37000	4.79
210 Wisconsin Private Initiative	8/31/83	2162	1561.14	8	12489	8.66
			1621.50	4	6486	9.00
						8.78
301 Senator William Proxmire	6/30/83	507	437.29	6	2624	10.35
			401.38	6	2408	9.50
						9.93
302 Wis. Manufacturers & Commerce	11/30/86	1848	1570.80	11	17279	10.20
			1602.22	1	1602	10.40
						10.22
312 Freedom from Religion	10/31/83	400	300.85	10	3009	9.03
			316.67	2	633	9.50
						9.10
408 Aetna Casualty & Surety	2/28/83	830	638.00	2	1276	9.22
			680.00	10	6800	9.83
						9.73
508 Wis. Coalition for Advocacy	10/31/85	1267	620.00	10	6200	5.87
			644.80	2	1290	6.11
						5.91
512 Nursing Home Forfeiture Appeals Board	7/31/85	550	446.88	12	5363	9.75
601 Bailey, Platz & Clifford	8/31/84	1657	1294.02	8	10352	9.36
			1319.90	4	5280	9.55
						9.42
610 Wisconsin Independent Bank	5/31/85	3021	2318.62	5	11593	9.21
			2364.99	7	16555	9.39
						9.32
612 Reynolds, Gruber, Herrick, Flesch & Kasdorf	2/28/84	1400	1106.70	2	2213	9.49
			1128.83	10	11288	9.68
						9.64
701 Dr. Lyons	12/31/82	507	422.50	12	5070	10.00
702 U.S. Dept. of Labor	9/04/84	2815	1951.22	8	15610	8.32
			1978.88	4	7916	8.44
						8.36
710 Wis. Merchants Federation	2/28/86	2142	1960.46	2	3921	10.98
			2038.88	10	20389	11.42
						11.35
801 The Blaney Institute, Inc.	4/30/83	630	552.82	4	2211	10.53
			538.13	8	4305	10.25
						10.34
802 Lippert, Lippert & Lippert	7/31/86	1221	814.00	7	5698	8.00
			915.75	5	4579	9.00
						8.42
804 MATC	6/30/83	4229	3573.69	6	21442	10.14
			3612.27	6	21674	10.25
						10.20
901 Pasch Law Office	1/31/83	1017	941.60	1	942	11.11
			889.88	11	9789	10.50
						10.55
905 Youth Policy & Law Center	4/30/85	2875	2255.00	4	9020	9.41
			2345.20	8	18762	9.79
						9.66
908 Wis. Association of Family & Children's Agencies	8/31/84	754	500.00	8	4000	7.96
			520.00	4	2080	8.28
						8.06
910 Wis. Catholic Conference	6/30/85	860	732.22	1	732	10.22
			761.51	11	8377	10.63
						10.59
1000 Wis. Council on Criminal Justice	6/30/83	4828	3817.46	6	22905	9.49
			4425.67	6	26554	11.00
						10.24
TOTALS			43244		377713	8.73

APPENDIX C (Continued)

1984 ESTIMATED LEASE REVENUES - 30 ON THE SQUARE

1.04 factor to increase by (4%/year)

TENANTS	LEASE EXPIRES	SQUARE FEET	MONTHLY RENT	# OF MONTHS	ANNUAL RENT \$	\$/SF
100 Rennebohm Drug Stores, Inc.	1/31/91	7722	3083.33	12	37000	4.79
210 Wisconsin Private Initiative	8/31/83	2162	1686.36	12	20236	9.36
301 Senator William Proxmire	6/30/83	507	417.43	12	5009	9.88
302 Wis. Manufacturers & Commerce	11/30/86	1848	1602.22	11	17624	10.40
			1634.26	1	1634	10.61
						10.42
312 Freedom from Religion	10/31/83	400	329.33	12	3952	9.88
408 Aetna Casualty & Surety	2/28/83	830	683.37	12	8200	9.88
508 Wis. Coalition for Advocacy	10/31/85	1267	644.80	10	6448	6.11
			670.59	2	1341	6.35
						6.15
512 Nursing Home Forfeiture Appeals Board	7/31/85	550	446.88	12	5363	9.75
601 Bailey, Platz & Clifford	8/31/84	1659	1319.90	8	10559	9.55
			1365.91	4	5464	9.88
						9.66
610 Wisconsin Independent Bank	5/31/85	3021	2364.99	5	11825	9.39
			2412.29	7	16886	9.58
						9.50
612 Reynolds, Gruber, Herrick, Flesch & Kasdorf	2/28/84	1400	1128.83	2	2258	9.68
			1152.67	10	11527	9.88
						9.85
701 Dr. Lyons	12/31/82	507	439.40	12	5273	10.40
702 U.S. Dept. of Labor	9/04/84	2815	1978.88	8	15831	8.44
			2439.67	4	9759	10.40
						9.09
710 Wis. Merchants Federation	2/28/86	2142	2038.88	2	4078	11.42
			2120.43	10	21204	11.88
						11.80
801 The Blaney Institute, Inc.	4/30/83	630	559.65	12	6716	10.66
802 Lippert, Lippert & Lippert	7/31/86	1221	915.75	7	6410	9.00
			966.62	5	4833	9.50
						9.21
804 MATC	6/30/83	4229	3756.76	12	45081	10.66
901 Pasch Law Office	1/31/83	1017	925.47	12	11106	10.92
905 Youth Policy & Law Center	4/30/85	2875	2345.20	4	9381	9.79
			2439.01	8	19512	10.18
						10.05
908 Wis. Association of Family & Children's Agencies	8/31/84	754	520.00	8	4160	8.28
			686.14	4	2745	10.92
						9.16
910 Wis. Catholic Conference	6/30/85	860	761.51	1	762	10.63
			791.97	11	8712	11.05
						11.02
1000 Wis. Council on Criminal Justice	6/30/83	4828	4602.69	12	55232	11.44
TOTALS			43244		396120	9.16

APPENDIX C (Continued)

1985 ESTIMATED LEASE REVENUES - 30 ON THE SQUARE

1.04 factor to increase by (4%/year)

TENANTS	LEASE EXPIRES	SQUARE FEET	MONTHLY RENT	# OF MONTHS	ANNUAL RENT \$	\$/SF
100 Rennebohm Drug Stores, Inc.	1/31/91	7722	3083.33	12	37000	4.79
210 Wisconsin Private Initiative	8/31/83	2162	1753.81	12	21046	9.73
301 Senator William Proxmire	6/30/83	507	434.13	12	5210	10.28
302 Wis. Manufacturers & Commerce	11/30/86	1848	1634.26	11	17977	10.61
			1666.95	1	1667	10.82
						10.63
312 Freedom from Religion	10/31/83	400	342.51	12	4110	10.28
408 Aetna Casualty & Surety	2/28/83	830	710.70	12	8528	10.28
508 Wis. Coalition for Advocacy	10/31/85	1267	670.59	10	6706	6.35
			1084.89	2	2170	10.28
						7.01
512 Nursing Home Forfeiture Appeals Board	7/31/85	550	446.88	7	3128	9.75
			470.95	5	2355	10.28
						9.97
601 Bailey, Platz & Clifford	8/31/84	1659	1420.55	12	17047	10.28
610 Wisconsin Independent Bank	5/31/85	3021	2412.29	5	12061	9.58
			2586.78	7	18107	10.28
						9.99
612 Reynolds, Gruber, Herrick, Flesch & Kasdorf	2/28/84	1400	1198.77	12	14385	10.28
701 Dr. Lyons	12/31/82	507	456.98	12	5484	10.82
702 U.S. Dept. of Labor	9/04/84	2815	2537.25	12	30447	10.82
710 Wis. Merchants Federation	2/28/86	2142	2120.43	2	4241	11.88
			2205.25	10	22053	12.35
						12.28
801 The Blaney Institute, Inc.	4/30/83	630	582.04	12	6984	11.09
802 Lippert, Lippert & Lippert	7/31/86	1221	966.62	7	6766	9.50
			1017.50	5	5088	10.00
						9.71
804 MATC	6/30/83	4229	3907.03	12	46884	11.09
901 Pasch Law Office	1/31/83	1017	962.49	12	11550	11.36
905 Youth Policy & Law Center	4/30/85	2875	2439.01	4	9756	10.18
			2720.90	8	21267	11.36
						10.96
908 Wis. Association of Family & Children's Agencies	8/31/84	754	713.59	12	8563	11.36
910 Wis. Catholic Conference	6/30/85	860	791.97	1	792	11.05
			813.90	11	8953	11.36
						11.33
1000 Wis. Council on Criminal Justice	6/30/83	4828	4786.80	12	57442	11.90
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TOTALS		43244			418266	9.67

APPENDIX C (Continued)

1986 ESTIMATED LEASE REVENUES - 30 ON THE SQUARE

1.04 factor to increase by (4%/year)

TENANTS	LEASE EXPIRES	SQUARE FEET	MONTHLY RENT	# OF MONTHS	ANNUAL RENT \$	\$/SF
100 Rennebohm Drug Stores, Inc.	1/31/91	7722	3083.33	12	37000	4.79
210 Wisconsin Private Initiative	8/31/83	2162	1823.97	12	21888	10.12
301 Senator William Proxmire	6/30/83	507	451.49	12	5418	10.69
302 Wis. Manufacturers & Commerce	11/30/86	1848	1666.95	11	18336	10.82
			1645.68	1	1646	10.69
						10.81
312 Freedom from Religion	10/31/83	400	356.21	12	4274	10.69
408 Aetna Casualty & Surety	2/28/83	830	739.13	12	8870	10.69
508 Wis. Coalition for Advocacy	10/31/85	1267	1128.29	12	13539	10.69
512 Nursing Home Forfeiture Appeals Board	7/31/85	550	489.78	12	5877	10.69
601 Bailey, Platz & Clifford	8/31/84	1659	1477.37	12	17728	10.69
610 Wisconsin Independent Bank	5/31/85	3021	2690.25	12	32283	10.69
612 Reynolds, Gruber, Herrick, Flesch & Kasdorf	2/28/84	1400	1246.72	12	14961	10.69
701 Dr. Lyons	12/31/82	507	475.26	12	5703	11.25
702 U.S. Dept. of Labor	9/04/84	2815	2638.74	12	31665	11.25
710 Wis. Merchants Federation	2/28/86	2142	2205.25	2	4411	12.35
			2007.88	10	20079	11.25
						11.43
801 The Blaney Institute, Inc.	4/30/83	630	605.32	12	7264	11.53
802 Lippert, Lippert & Lippert	7/31/86	1221	1017.50	7	7123	10.00
			1173.16	5	5866	11.53
						10.64
804 MATC	6/30/83	4229	4063.31	12	48760	11.53
901 Pasch Law Office	1/31/83	1017	1000.99	12	12012	11.81
905 Youth Policy & Law Center	4/30/85	2875	2829.74	12	33957	11.81
908 Wis. Association of Family & Children's Agencies	8/31/84	754	742.13	12	8906	11.81
910 Wis. Catholic Conference	6/30/85	860	846.46	12	10158	11.81
1000 Wis. Council on Criminal Justice	6/30/83	4829	4978.27	12	59739	12.37
TOTALS		43244			437461	10.12

APPENDIX C (Continued)

1987 ESTIMATED LEASE REVENUES - 30 ON THE SQUARE

1.04 factor to increase by (4%/year)

TENANTS	LEASE EXPIRES	SQUARE FEET	MONTHLY RENT	# OF MONTHS	ANNUAL RENT \$	\$/SF
100 Rennebohm Drug Stores, Inc.	1/31/91	7722	3083.33	12	37000	4.79
210 Wisconsin Private Initiative	8/31/83	2162	1896.93	12	22763	10.53
301 Senator William Proxmire	6/30/83	507	469.55	12	5635	11.11
302 Wis. Manufacturers & Commerce	11/30/86	1848	1711.50	12	20538	11.11
312 Freedom from Religion	10/31/83	400	370.46	12	4445	11.11
408 Aetna Casualty & Surety	2/28/83	830	768.69	12	9224	11.11
508 Wis. Coalition for Advocacy	10/31/85	1267	1173.42	12	14081	11.11
512 Nursing Home Forfeiture Appeals Board	7/31/85	550	509.38	12	6113	11.11
601 Bailey, Platz & Clifford	8/31/84	1659	1536.46	12	18438	11.11
610 Wisconsin Independent Bank	5/31/85	3021	2797.86	12	33574	11.11
612 Reynolds, Gruber, Herrick, Flesch & Kasdorf	2/28/84	1400	1296.59	12	15559	11.11
701 Dr. Lyons	12/31/82	507	494.27	12	5931	11.70
702 U.S. Dept. of Labor	9/04/84	2815	2744.29	12	32932	11.70
710 Wis. Merchants Federation	2/28/86	2142	2088.20	12	25058	11.70
801 The Blaney Institute, Inc.	4/30/83	630	629.53	12	7554	11.99
802 Lippert, Lippert & Lippert	7/31/86	1221	1220.09	12	14641	11.99
804 MATC	6/30/83	4229	4225.85	12	50710	11.99
901 Pasch Law Office	1/31/83	1017	1041.03	12	12492	12.28
905 Youth Policy & Law Center	4/30/85	2875	2942.93	12	35315	12.28
908 Wis. Association of Family & Children's Agencies	8/31/84	754	771.81	12	9262	12.28
910 Wis. Catholic Conference	6/30/85	860	880.32	12	10564	12.28
1000 Wis. Council on Criminal Justice	6/30/83	4828	5177.40	12	62129	12.87
TOTALS		43244			453959	10.50

APPENDIX C (Continued)

1988 ESTIMATED LEASE REVENUES - 30 ON THE SQUARE

1.04 factor to increase by (4%/year)

TENANTS	LEASE EXPIRES	SQUARE FEET	MONTHLY RENT	# OF MONTHS	ANNUAL RENT \$	\$/SF
100 Rennebohm Drug Stores, Inc.	1/31/91	7722	3083.33	12	37000	4.79
210 Wisconsin Private Initiative	8/31/83	2162	1972.80	12	23674	10.95
301 Senator William Proxmire	6/30/83	507	488.33	12	5860	11.56
302 Wis. Manufacturers & Commerce	11/30/86	1848	1779.96	12	21360	11.56
312 Freedom from Religion	10/31/83	400	385.27	12	4623	11.56
408 Aetna Casualty & Surety	2/28/83	830	799.44	12	9593	11.56
508 Wis. Coalition for Advocacy	10/31/85	1267	1220.35	12	14644	11.56
512 Nursing Home Forfeiture Appeals Board	7/31/85	550	529.75	12	6357	11.56
601 Bailey, Platz & Clifford	8/31/84	1659	1597.92	12	19175	11.56
610 Wisconsin Independent Bank	5/31/85	3021	2909.78	12	34917	11.56
612 Reynolds, Gruber, Herrick, Flesch & Kasdorf	2/28/84	1400	1348.46	12	16181	11.56
701 Dr. Lyons	12/31/82	507	514.04	12	6168	12.17
702 U.S. Dept. of Labor	9/04/84	2815	2854.06	12	34249	12.17
710 Wis. Merchants Federation	2/28/86	2142	2171.73	12	26061	12.17
801 The Blaney Institute, Inc.	4/30/83	630	654.71	12	7857	12.47
802 Lippert, Lippert & Lippert	7/31/86	1221	1268.89	12	15227	12.47
804 MATC	6/30/83	4229	4394.88	12	52739	12.47
901 Pasch Law Office	1/31/83	1017	1082.67	12	12992	12.77
905 Youth Policy & Law Center	4/30/85	2875	3060.64	12	36728	12.77
908 Wis. Association of Family & Children's Agencies	8/31/84	754	802.69	12	9632	12.77
910 Wis. Catholic Conference	6/30/85	860	915.53	12	10986	12.77
1000 Wis. Council on Criminal Justice	6/30/83	4828	5384.50	12	64614	13.38
TOTALS			43244		470637	10.88

