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Appraisal of
25 N. Pinckney

Jean B. Davis

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December 20, 1976

Mr. Abe Santee, Owner
Simpson Building
23 North Pinckney Street
Madison, Wisconsin 53703

Dear Mr. Santee:

We are transmitting the appraisal report that you requested on the property known as the Simpson Building, 23-25 North Pinckney Street, City of Madison, County of Dane, Wisconsin.

In your letter authorizing this work, you indicated that the value conclusion would serve as a benchmark for listing and negotiating the sale of the subject property. You inquired further as to the impact of a cash sale on the sales price in a buyer's market, which characterizes the Madison central business district at this time.

The enclosed report has concluded that the most probable selling price of your property on November 1, 1976, is

ONE HUNDRED TWENTY-FIVE THOUSAND DOLLARS (\$125,000)

if you accept a land contract for 20% down, 8% interest, and a ten-year term. The probable transaction zone is from \$110,000 to \$140,000, depending upon terms. A reduction of 10% in the down payment might bring a price in the upper range; a cash sale might be closer to the lower range.

by 10/76 *actually 5/76*

The value conclusions are sensitive to the estimated costs of renovation and remodeling: (1) conformance with the fire code, particularly in basement boiler room, fire exits, and roof; (2) addition of first-floor washrooms that are accessible to wheelchairs; and (3) subdivision of the first-floor retail space to accommodate the specialty shops that are replacing the traditional retail stores. In addition, investment is sensitive to how much appreciation will result from the construction of the Capitol Concourse Mall, due to be completed in 1978. This transformation of the entire Capitol Square district will drastically alter traffic and parking patterns as well as the visual image of the Square and will have an undetermined impact on the downtown retail shopper.

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

Mr. Abe Santee

2

December 20, 1976

You will also note that the current Madison assessment of \$285,000 is seriously out of line with market values on the Square, a fact common to downtown retail property. Because knowledgeable real estate investors expect to appeal for a reduction, there is little negotiation advantage to be gained by deferring your appeal of an assessment, which is excessive by at least \$125,000 and would contribute more than \$4500 per year to your holding costs at a difficult time.

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

Sincerely,

James A. Graaskamp, CRE, SREA

JAG/db
enclosure

PREFACE

This demonstration appraisal represents the joint efforts of many persons to provide students with an example of how contemporary appraisal theory can be applied to a difficult appraisal problem. The report will become part of a volume that summarizes underlying appraisal theory, criticizes the technical execution of its content and format, and in addition, presents a short form of the same material as a commercial response to inadequate appraisal fee structures.

The Simpson Building, a vacant 100-year-old structure in the central business district of Madison, Wisconsin, was the appraisal assignment for the graduate Real Estate students in Business 856 in the fall semester of 1976. I graded the reports for appraisal substance, and Frances Larson graded them for writing and report techniques. With these as a background, I rewrote the appraisal in the summer of 1977 with the assistance of Dorothy Beck. Frances Larson edited it in terms of composition, format of exhibits, report structure, and syntax that we wished to teach the students in the fall. The final draft was then edited and typed by Jeanne Zwaska with incredible precision, patience, and consistency. The original sketches were taken from the papers of students Tom Landers and Milo Pinkerton; the photography was done by student William Ardern. ~~The final proofreading and nitpicking will be done by the class of 1977.~~

Students learn by imitation of and improvement upon existing models. There are few model reports to follow because even contemporary appraisers with sound analytical methods conceal their embarrassment about the quality of their current product with the cover story that it is privileged information. Most appraisal reports in the classic three approaches are the worst written pieces of sophistry that it has been my privilege to read. This report is intended to be used as a basis for criticism, comparison, and application by analogy to a variety of appraisal assignments in order to create a modest supply of appraisal reports that can be used as classroom examples of analytical and communicative craftsmanship. It is not the last word; it is only the first.

Professor James A. Graaskamp
September 26, 1977

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SALIENT FACTS, ASSUMPTIONS, AND CONCLUSIONS

Property: A vacant two- and three-story structure known as the Simpson Building at 23-25 North Pinckney Street, Madison, Wisconsin.

Type of Estate: Fee simple, encumbered by building code restrictions.

Present Owner: Abe Santee.

Age of Building: Approximately 100 years, remodeled.

City Description: Madison, Dane County, Wisconsin; State Capitol, County Seat, Site of University of Wisconsin, and second largest city in Wisconsin (population 172,000).

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

Lot Size: Lot 10, block 101 of original plat, 66' x 132', 8,721 square feet including 12' alley easement across rear lot line. ⁸⁷¹²

Improvements: Century old, three-story building approximately 44' x 120' joined to two-story building approximately 22' x 75', both of brick mill or ordinary construction. Approximately 6,900 square feet of first-floor retail and a total of 15,600 gross square feet of floor space in the two structures.

Legal Constraints: Zoning: C-4
Capitol Preservation View District
Capitol Fire Zone District
Capitol Concourse Plan District (special assessment and conditional use approvals)
Building code violations (requires occupancy permit)

Most Probable Use: Renovation and subdivision of first floor into three retail units; possible renovation of second- and third-floor space for office or apartment use.

Most Probable Buyer: A local developer-investor partnership for income and appreciation over a five- to ten-year term.

Probable Terms of Sale: Most older buildings in Capitol Square area sell on land contract at 8% interest and 10-20% of price as down payment. However, present owner of subject property might prefer cash sale at lower net price.

Market Transaction Inference: Comparable sales, ranked by price-quality regression model, predict central tendency of \$140,000 with

standard error of \$51,000 which places a 66% confidence interval for a land contract transaction at \$90,000-\$190,000.

Most Probable Selling Price: ^{Land contract}~~Cash~~ sale for seller as of November 1, 1976, would net central tendency of \$125,000 with a negotiation range between \$110,000 and \$140,000.

Current Assessed Value:	Land	\$214,000
	Building	<u>71,000</u>
	Total	\$285,000

Total assessment should be appealed as it is at least 25% too high, even after basic renovation.

I. PROBLEM ASSIGNMENT

The content of an appraisal report is determined by the decision for which it will serve as a benchmark and the limiting assumptions inherent in the property, data base, or other factors in the decision context. This appraisal is made to assist the owner and his broker in the sale of the subject property in terms of both listing price and expectations regarding a negotiated sales price.

A. The Appraisal Issue

The real estate market for the subject property is soft, and the bargaining posture of the present owner is not strong. He has retired to the South after running a high quality women's store for many years under the name of Simpson's, hence the title, the Simpson Building. The business was sold, and the new owner leased back space in the Simpson Building until financial setbacks made it necessary for the new lessee to close his doors in January, 1976. Except for occasional rents from a single second-floor apartment and temporary tenancies of political campaign offices, the building has been vacant since that time. An occupancy permit, subject to correction of certain existing building code violations, will be required for any new permanent use.

Holding costs include heat, insurance, real estate taxes, and debt service on certain outstanding mortgages approximating \$110,000 balance due (Exhibit 1). However, there are a number of vacant retail properties on the Capitol Square, generally with better location and superior

EXHIBIT 1

ESTIMATED ONE-YEAR HOLDING COSTS FOR SUBJECT PROPERTY

Cost	Amount
Insurance	\$ 2,300 ^a
Heating	8,378 ^b
Real estate tax	8,230 ^c
Interest on estimated debt at 9%	<u>10,000</u>
Total	\$28,908

^aBased on operating history, It will probably increase with long-term vacancy.

^bEstimated from incomplete 1974 records and adjusted for vacancy.

^cBased on 1976 assessment ($\$285,000 \times .65$ [1975 equalization rate] at the 1975 mill rate of 44.4276).

physical condition compared to subject. Indeed, a two-story card shop at 20 North Pinckney, contiguous to subject property, has been vacant for nearly six months.

B. Legal Interest to Be Appraised

The subject property, 23-25 North Pinckney Street, has merged a former subdivision of a single lot with its original perimeter in the following legal description:

Lot 10, Block 101, original plat of Madison, County of Dane, in the State of Wisconsin. The fee is subject to a right-of-way easement strip across the rear 12' at the northeast end of the lot.¹

*What about
did he say?*
The fee is encumbered by a series of first and second mortgages (Appendix A), but the only information provided the appraiser was the current balances due, which totaled about \$110,000. The real estate broker *by the broker* also informed the appraiser that a license had been granted to a doctor to use the stairs in the property to gain access to his offices on the second floor of the building next door at 20 North Pinckney Street. A variety of codes and public agencies have also constrained the future use of this site as discussed elsewhere in this report.

Fixtures or personalty to be included with sale are the store cabinets, shelving, carpeting, and other built-in retail fixtures or items of decor in the presently unused second and third floor. This appraisal does not include tables, desks, and other office equipment belonging to present political campaign headquarters tenant or to other personal property found in the two-bedroom apartment on the second floor of the smaller building.

C. Value Definition

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

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

¹Combination by appraiser of the two original legal descriptions found in Vol. 532, p. 417, document #839385 and Vol. 696, p. 294, document #983480.

²Unpublished quotation of R. U. Ratcliff speaking on his book, Valuation for Real Estate Decisions (Santa Cruz, Ca.: Democrat Press, 1972).

D. Implicit Assumptions

The Ratcliff definition recognizes that prediction of a future sales transaction price is a business forecast under uncertain conditions. It is therefore appropriate to state the value conclusions as a central tendency within a range of alternative price outcomes that reflect the imperfections of the real estate market and the negotiation posture of the buyer and seller. A range of sales prices is more useful to the decision-maker than the traditional point estimate of fair market value because it provides the necessary dimensions for establishing listing and bargaining strategy and anticipating probably buyer expectations and market-determined attitudes. The method requires the appraiser to determine the most probable use of the property and the most probable buyer-investor for that type of property and then to infer a probable transaction price from recent transactions of similar properties. In the absence of market sales or as a test of value conclusions based on sales data, the appraiser may simulate the buyer calculus in making an offer to purchase.

E. Application to Subject

It should be noted that sales transactions in the area of the subject property have generally used land contract sales with credit provided by the seller to some degree. However, the current owner in this case would prefer a cash sale if the price were acceptable.

Because the former tenant took full responsibility for operations and his records are unavailable, there is no valid history of operating expenses. The appraiser found one set of blueprints in a basement corner; this structural information related to the remodeling done in the late 1960s. The Madison Building Department has not been asked to take any official action on the building, but a department inspector's informal review of the building indicated that certain nonconformities with fire safety codes would need to be corrected before issuing any occupancy permit for a new owner-occupant. Thus certain key dollar estimates and projections must be based on the preliminary cost-to-cure assumptions of the appraiser and must be recognized as limitations on the reliability of the most probable price estimate.

II. PROPERTY ANALYSIS TO DETERMINE MOST PROBABLE USE

The first step in the identification of the most probable use of a property is to take inventory of its attributes and to analyze those that appear significant. These attributes include physical characteristics of the site and improvements therein, legal constraints on the nature and timing of its use, the relationship (linkages) of the site to various environmental aspects that might attract or repel users, and the pre-established perceptions of the site that citizens tend to have (e.g., prestige or anxiety).

A. Physical Attributes

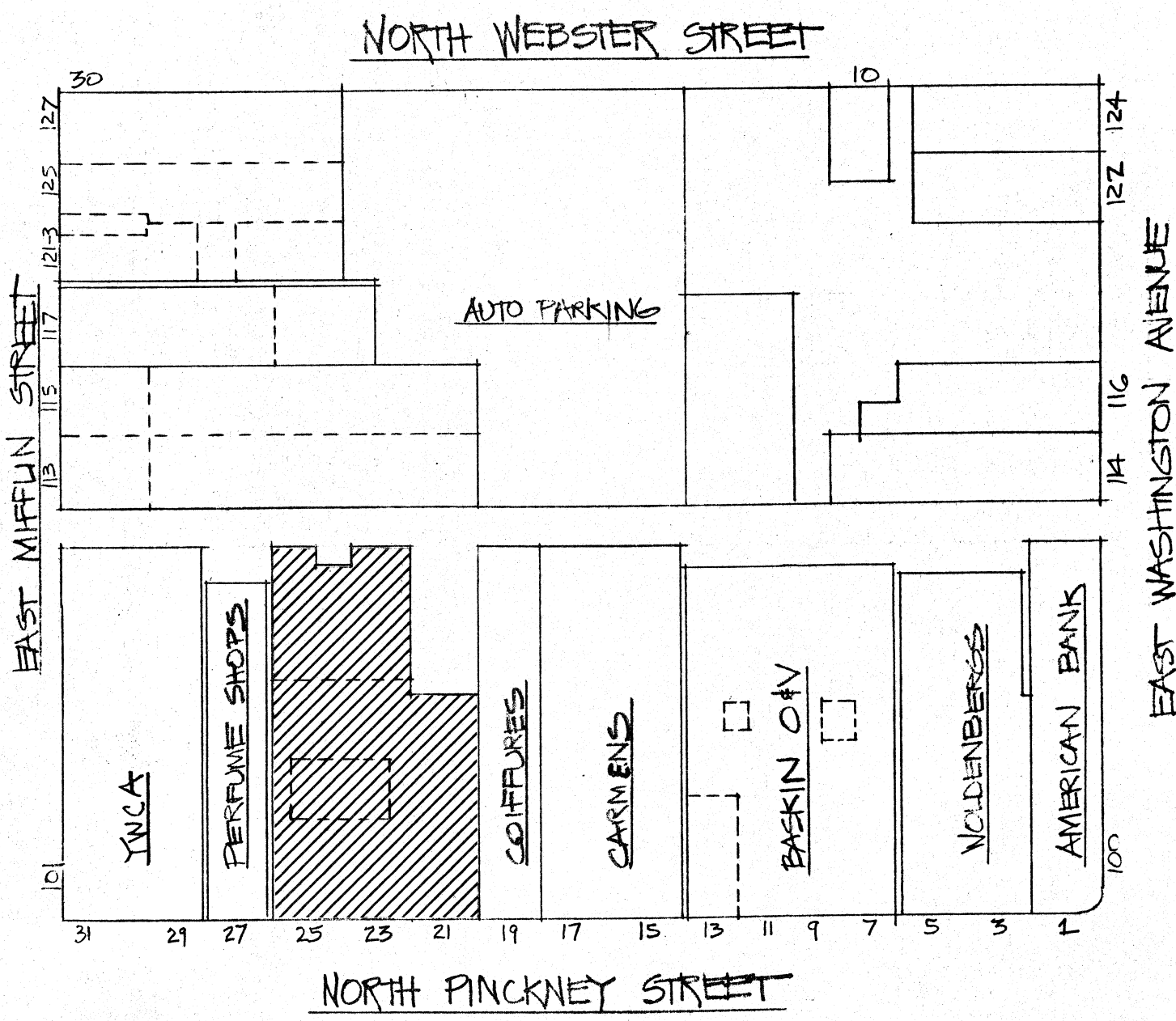
The subject site, located at 23-25 North Pinckney Street, is rectangular with 66' of frontage on North Pinckney Street and a total depth of 132' for a total gross area of 8,712 square feet (Exhibit 2). However, a 12' public alley easement across the back of the site and serving the entire block limits the usable depth to 120' and the buildable lot area to 7,290 square feet. The site slopes slightly, drooping from 71.71' on its east side to 67.81' on its north side. These elevations are given in reference to the city datum (0.00) which has been established at 845.6' above sea level. Site elevation is taken from a topographical map prepared by the City of Madison for redevelopment of the Square. The front of the site has a southern exposure on Pinckney Street.

The Soil Conservation Service, "Soil Survey Interpretations," #354 at the Dane County Courthouse, indicates that the soil is well drained at grade. Soils are medium and moderately fine textured with medium water capacity availability and moderate permeability. Depth to water table or bedrock is more than 6'. However, there is no evidence that bedrock was reached with present improvements as a large bank several hundred feet to the east on the same hilltop found sand and clay to a depth of 35'. The soils have low corrosiveness to both concrete and uncoated steel. The existing foundation walls of rubble stone do not show any significant settling cracks in the bearing walls so that soil conditions do not indicate any structural limitations for the present structure or new commercial buildings.

Since the site was originally subdivided and improved with two buildings, each portion of the site has its own 5" sewer line and 2" water lateral leading into the buildings. In addition, both sides of the site have gas service. These enter the site in vaults under the sidewalk, vaults that the city intends to remove during construction of a pedestrian concourse on Pinckney Street in 1977. The owner of the subject site will be required to pay 50% of the cost of vault removal and the relocation of meters and valves to the inside of the structure; the estimated cost is \$400. Gutter, curb, and sidewalks abutting Pinckney Street are provided

EXHIBIT 2

LOCATION OF SUBJECT SITE ON CAPITOL SQUARE



and maintained by the city as is the alley at mid-block. Unfortunately the city has permitted utility poles, storm water drains, and other such services to constrict the clear passageway of the alley to something less than 11'. In addition, the alley is sharply concave in order to direct storm water from roof drains and pavement toward the Mifflin Street side of the block.

B. Legal Constraints

1. Zoning

The zoning governing use of the site is City of Madison C-4, providing broad authority for retail, office, and residential uses (Exhibit 3). The basic goal of C-4 zoning is to encourage professional and governmental offices, prime and specialized retailing, cultural, recreational, and educational activities of city-wide significance. C-4 represents the Central Business District (CBD) where no off-street parking is required. This is a generous option compared with other commercial zones in Madison which require one parking space for every 300 square feet of commercial area. As stressed in the code, virtually any use is conditional.

However, the broad general provisions of this zone are deceptive because any major alteration of any building must conform to remodeling and new construction guidelines established by the City Planning Commission. The present city administration is deeply committed, both financially and politically, to the Capitol Square redevelopment program discussed elsewhere in this report. The mayor, his appointees on the Planning Commission, and their advisers in the City Planning Department have publicly stated some uses that they would not approve at this time. They strongly favor retail, restaurant, and other pedestrian generators on the first floor of all buildings contiguous to the Square. They seek more housing for upper income groups. They vigorously oppose demolishing present structures on the site to create a parking lot or to avoid the heavy cash responsibilities of returning the existing structure to full use. They also oppose office use on the first level.

Renovation of existing structures is also limited by pragmatic zoning ordinances regarding fire provisions, height, and frontage for buildings in the Square area. Madison Building Code 29.37(4) restricts building materials to fire-resistant types one or two, reconstruction when the casualty loss exceeds 50% of assessed valuation, and new use and occupancy until nonconforming fire provisions are corrected. Madison Zoning Code 28.04(14) states that no part of any building within a mile of the State Capitol can exceed the elevation of the base of the Capitol dome columns (187.2'). Since the elevation of the Simpson site averages 70', construction is limited to 117'. Madison Zoning ordinances 28.04(6)(b) and 28.04(9)(a) require that parcels created by subdivision each have a minimum of 50' frontage on the principal street and 6,000 square feet of gross area. Therefore, although the subject site (Lot 10) had previously been subdivided, separate sale and ownership is no longer possible.

EXHIBIT 3

C-4 ZONING ORDINANCE

C-4 Central Commercial District.

- (a) Statement Of Purpose. The C-4 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 relative proximity to the State Capitol Building, and which is readily accessible by private conveyance or public transportation from all parts of the City, are permitted the retail, service and office uses characteristic of a central business district. Within this district are found prime retailing and specialized retailing activities, cultural, recreational and educational activities of City-wide significance, administrative offices of private organizations, administrative offices and political seat of City, County and State government, and offices of professional and nonprofessional persons offering a variety of specialized services. Within this district of limited extent, development is most intensive and activities are concentrated. No accessory off-street parking which is provided is controlled as to the location, type and extent of such facility because of the goal to reduce congestion on streets within this district or on streets leading to this district. All new construction and any major alteration of an exterior building face must be approved because of the community's objective to develop and maintain this district as a community and statewide center for business, service and government, where uses are located in compatible arrangements, and where the beauty and other aesthetic qualities are preserved and enhanced.
- (b) General Regulations. Uses permitted in the C-4 district are subject to the following conditions:
1. All business, servicing or processing, except for off-street parking, off-street loading, automobile service station operation, drive-in banks and outdoor eating areas of restaurants approved as a conditional use by the Plan Commission, shall be conducted within completely enclosed buildings. (Am. by Ord. 4304, 8-29-73)
 2. Establishments of the drive-in type are not permitted, except automobile service stations and drive-in banks.
 3. Any major alteration of the exterior face of a building shall conform to the remodeling and new construction guidelines for State Street and the Capitol Square adopted as administrative guidelines by the City Plan Commission on September 23, 1968 and as modified on December 7, 1970 and shall be permitted only after the written approval of the City Planning Department, provided that any action by the department may be appealed to the City Plan Commission by the applicant.

Source: City of Madison, General Ordinance, § 28.09(5).

2. Special Assessment District

Although the pending downtown-redevelopment proposal, known as the Capitol/State Street Mall, has undergone several revisions, it is scheduled for construction in 1977-78. The district covered by the mall project and the location of the subject property therein is noted in Exhibit 4. The goals of this project, as outlined in the city's brochure "Capitol Concourse/State Street, Madison, Wisconsin," prepared by M. Paul Friedberg and Associates, are as follows:

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

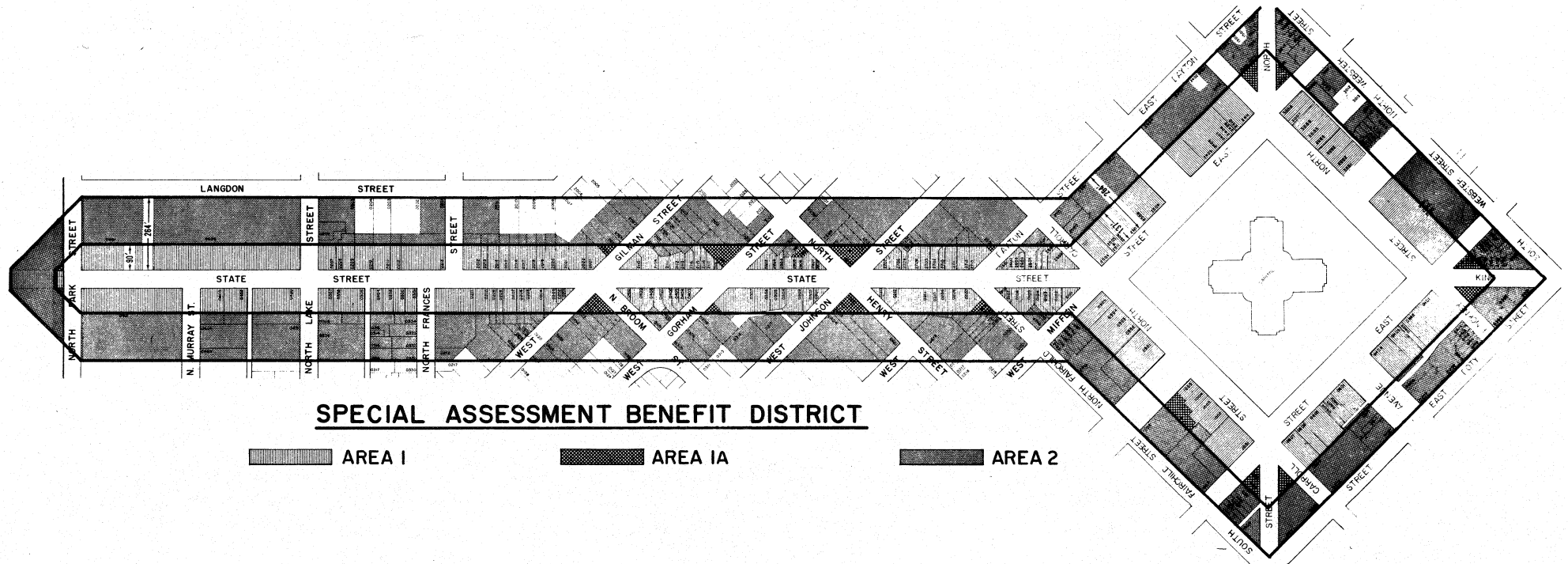
As outlined in the same brochure, these broad goals are to be achieved by "altering the physical character and use patterns of street space from one oriented toward vehicular traffic to that concerned with pedestrian activities."

The Capitol Concourse will involve rebuilding the Square and street frontage directly in front of the Simpson Building. The city brochure outlines the work to be done in this area as follows:

The typical cross section sees the space between the lawn of the Capitol and the fronting buildings divided into three zones; the inner zone lying next to the Capitol grounds will have existing sidewalks widened with new landscaping and street furniture serving users whose activities relate to the Capitol and its history. The middle zone is devoted to vehicular circulation--the inner part to private vehicular traffic and parking; the outer part to a transit and bike lane. The outer zone's existing sidewalk is widened with landscaping and furniture, serving shoppers, workers and businessmen relating to the retail and commercial buildings along the street frontage.

Missing from the mall proposal is any attempt to improve present parking in relationship to the downtown commercial area. All major parking is provided at least one block away from shopping areas with no protected or enclosed pedestrian circulation between stores and parking. In the area of the Capitol Concourse a major one-way traffic loop will separate existing parking facilities from the shopping square. No attempt has been made to provide accessible, ample, free parking as is provided in the competitive suburban centers.

EXHIBIT 4
SPECIAL ASSESSMENT BENEFIT DISTRICT



A critical review of the mall reveals that its long-term impact might be nothing more than a face lift for the area. It seems doubtful that it will revitalize the CBD as a commercial center since it will not provide the parking or weather-protected pedestrian circulation available at the suburban centers.

Construction of the mall will have three major impacts on the Square and on the CBD. First, auto traffic has been reduced to a single lane for parking circulation and pickup of pedestrians so that building facades will no longer have advertising value to the Madison motorist. The second is the disruption of sales activity during the one-year construction period. The third is the mall assessments for the improvements. The mall assessment for properties facing directly on the mall, such as the subject property, will total \$2.13/sq. ft. of prime area (.88/sq. ft. in 1977 and \$1.25/sq. ft. in 1978). Prime area is defined as that ground area included in the lot to a depth of 137'. The assessments can be paid over ten years with an 8% simple annual interest charge. Exhibit 5 presents the assessment for the subject property, as currently estimated by city engineers.

EXHIBIT 5

MALL SPECIAL ASSESSMENT FOR SUBJECT PROPERTY

Date of Assessment	Assessment per Sq. Ft.	Total Assessment for Subject Property of 8,712 Sq. Ft.	Amortized Payment (8%, 10 years)
1977	\$.88	\$ 7,667	\$1,143
1978	1.25	10,890	1,623
Typical annual payment			2,765

3. Political Constraints

The present City Council, made up of the mayor and 22 alderpersons many of whom were late 1960 activists, is having considerable impact on city politics, development, and growth control. Public transportation is being stressed at the expense of providing for downtown parking and vehicular circulation. Many areas of the city are being incorporated into development districts with strict architectural controls and review. Rent control is presently being debated. Generally, a sympathetic City Hall has given local residents a great deal of power. Recently the development of two fast-food chain restaurants was stopped by community action. This type of attitude is viewed by some area businessmen as anti-business, anti-growth, and anti-development. However, the strong political necessity of showing immediate results from the Concourse Mall and other improvements

in attracting new business could provide an investor in the subject site considerable negotiation leverage.

C. Linkage

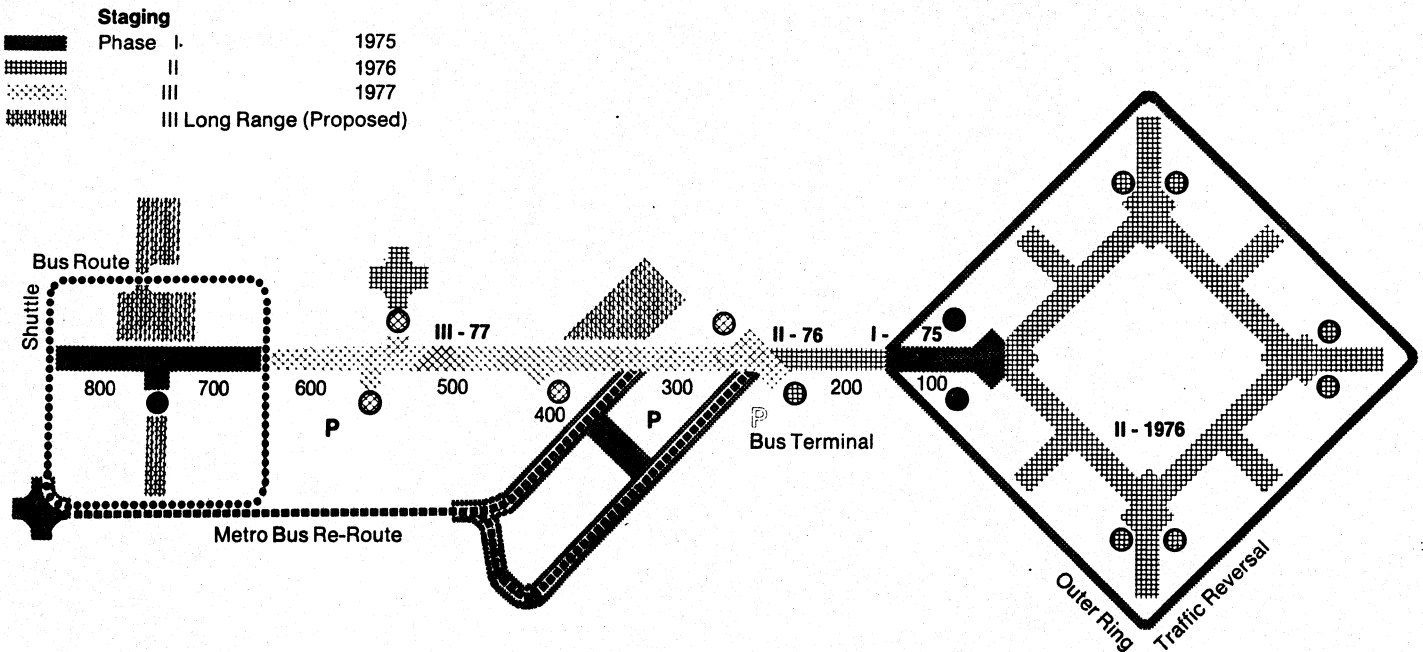
Linkage attributes are the relationships of the site to its immediate environs, activity centers, and the largest Madison hinterland. Parking and physical access to the site are difficult despite its proximity to the State Capitol and its high vehicular and pedestrian traffic counts. The Capitol Square is presently accessible by four avenues, four secondary arteries, and four diagonal streets. The avenues have four lanes on the north, south, and west sides; East Washington Avenue on the east side of the Square has six lanes and connects with the Interstate System approximately ten miles from the Square on Madison's eastern city limits.

The 1975 traffic counts (Appendix B) show the distribution of vehicular and pedestrian traffic in the downtown area. In Phase I these traffic counts were altered by rerouting through-traffic to an outer one-way belt on Webster Street behind the subject site (Exhibit 6). The second phase of the Concourse Plan will close off the secondary arteries and diagonal streets (Exhibit 2). The present three lanes around the Capitol Square will be decreased to a single lane of cars and a second inner lane for use primarily by the bus system, including shuttle buses circulating around the Square and to the University of Wisconsin campus area. Primary travel around the Concourse will be pedestrian from metered parking ramps at the periphery or bus loading points. The McCormick ramp (Exhibit 7), one and one-half blocks from the site, is one of the least successful city ramps because it is located downhill from the Square. Shoppers using the ramp are forced to walk up a moderately steep grade to reach the Square, and shoppers cannot see the Square from the ramp. There will be a bus-loading area directly in front of the subject property. Since the subject site is located midway on a slope down from East Washington Avenue toward the major retail block on East Mifflin Street, the pedestrian must exert significant effort. [An additional cause of friction in terms of time, money, and discomfort necessary to physically transport people and goods to and from a property is inherent in the existing alley.] All merchandise will need to arrive via the alley, but, as already noted, the alley is too narrow for any vehicle larger than a small panel truck.

Unfortunately no strong generators of employment or pedestrian traffic exist on the block contiguous to the subject property (Exhibit 8). Between the subject property and the First Wisconsin Bank block to the east are the small American Exchange Bank, two viable dress shops--Carmen's and Woldenberg's (recently purchased by a Chicago retailer)--and a vacant store building for a men's shop that closed in November, 1976, with five years remaining on its lease. Contiguous to the subject property is a vacant card shop. To the north of the subject property is a small, three-story structure containing the Perfume Shop with a recently opened French

EXHIBIT 6

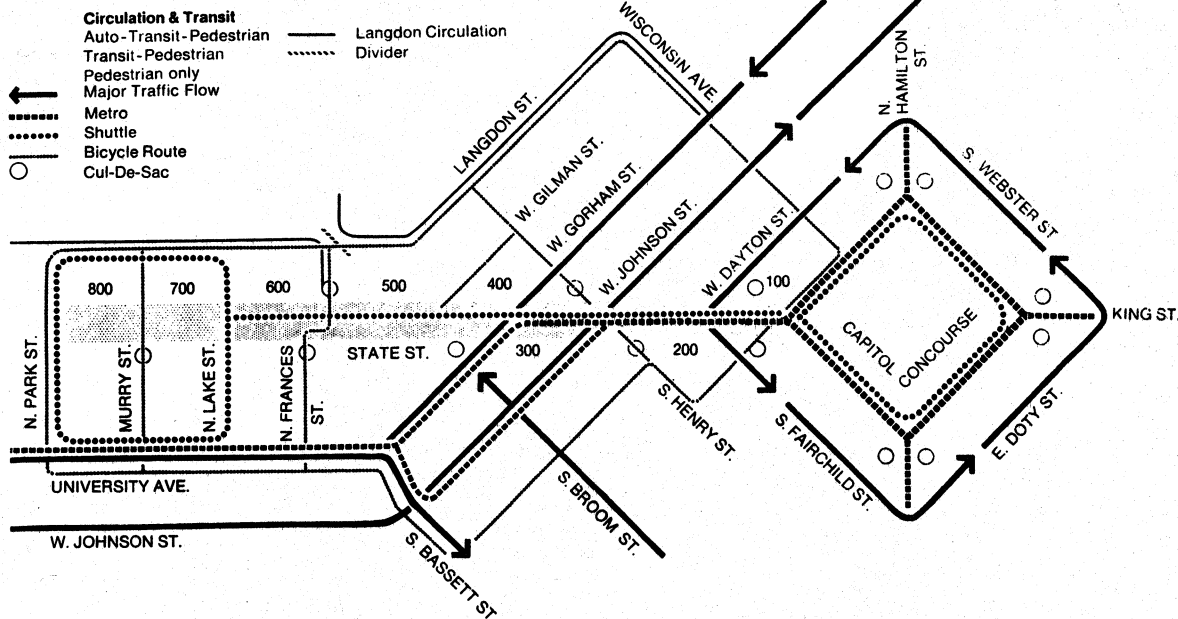
CONSTRUCTION PHASES OF CONCOURSE PLAN IN RELATION TO SUBJECT SITE



Long range proposals which cannot be assigned a time frame at this time include: 1. Performance plaza with its parking ramp, low-rise residence and shopping arcade, 2. Library Mall and a one story parking deck below grade and, 3. Eventual "back door" service provision for the north frontages of the 500 and 600 blocks of State Street.

Construction costs were determined by estimating 1974 figures for Phase I, adding escalation, and extrapolating these costs to the Phase II and III areas. The schedule shows \$550,000 for the 700-800 block, and \$320,000 for the 100 block, totalling \$870,000 for Phase I, \$5,400,000 for Phase II, and \$2,200,000 for Phase III, totalling \$8,470,000. The overall costs break down to \$10.50 per square foot and \$740.00 per linear foot. These unit costs compare well with other malls of this type with partial or full canopies. In view of the present monthly escalation of construction costs of 1.5% it is critical that the schedule be maintained to achieve the budget goals.

	1974	1975	1976	1977
Phase I				
planning				
design				
construction				
Phase II				
planning				
design				
construction				
Phase III				
planning				
design				
construction				
Construction Costs	9			8,470,000.
	8			2,200,000.
	7		6,270,000.	
	6			
	5		5,400,000.	
	4			
	3			
	2			
\$ 1 Million		870,000.		



Parking

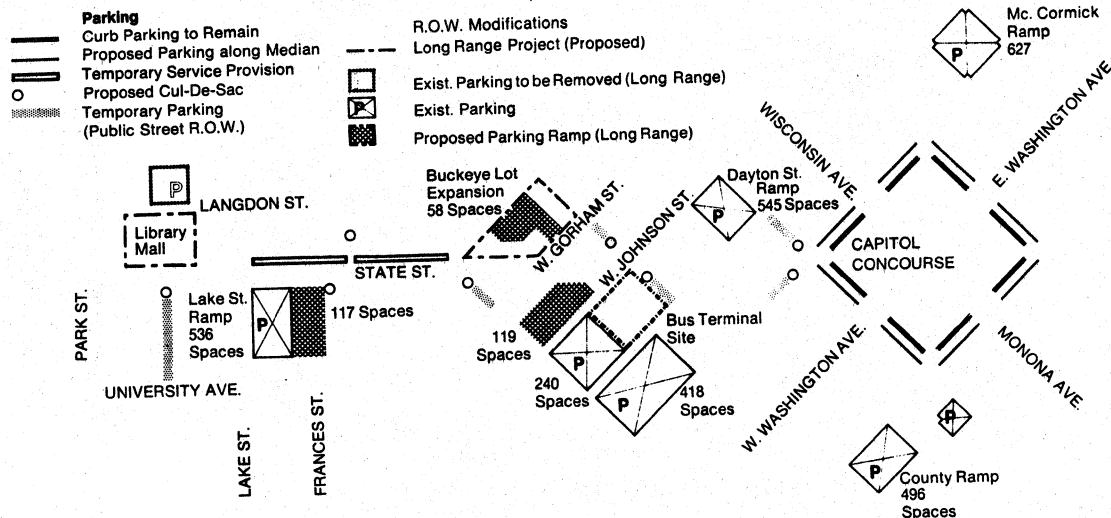
The plan's recommendations for parking are to be viewed as a strategy for attaining a comprehensive off-street parking program. Proposed is one approach — a program of enlargement of the existing public parking space pool. Surface lots would be expanded in the following locations: Buckeye Lot — 58 cars; Madison Motor's property — 119 cars; Lake Street ramp extension — 117 cars. Total space to be provided will be 294 cars, which represents 211 additional parking spaces for the downtown when the existing 83 State Street curb spaces are removed. Acquisition and site improvement costs for the Madison Motor property and that adjacent to the Buckeye Lot is \$850,000. Money presently is budgeted by the parking utility for purchase of the Lake Street expansion site. Therefore, no charge will accrue to the project for this improvement.

Temporary parking would be provided in the cul-de-sac streets, with the exception of Frances Street, during the initial phases of the project. A total of 150 such spaces can be provided at virtually no cost. They will minimize disruption, assist in the transition period when on-street parking is removed, and later revert back to a pedestrian and service function.

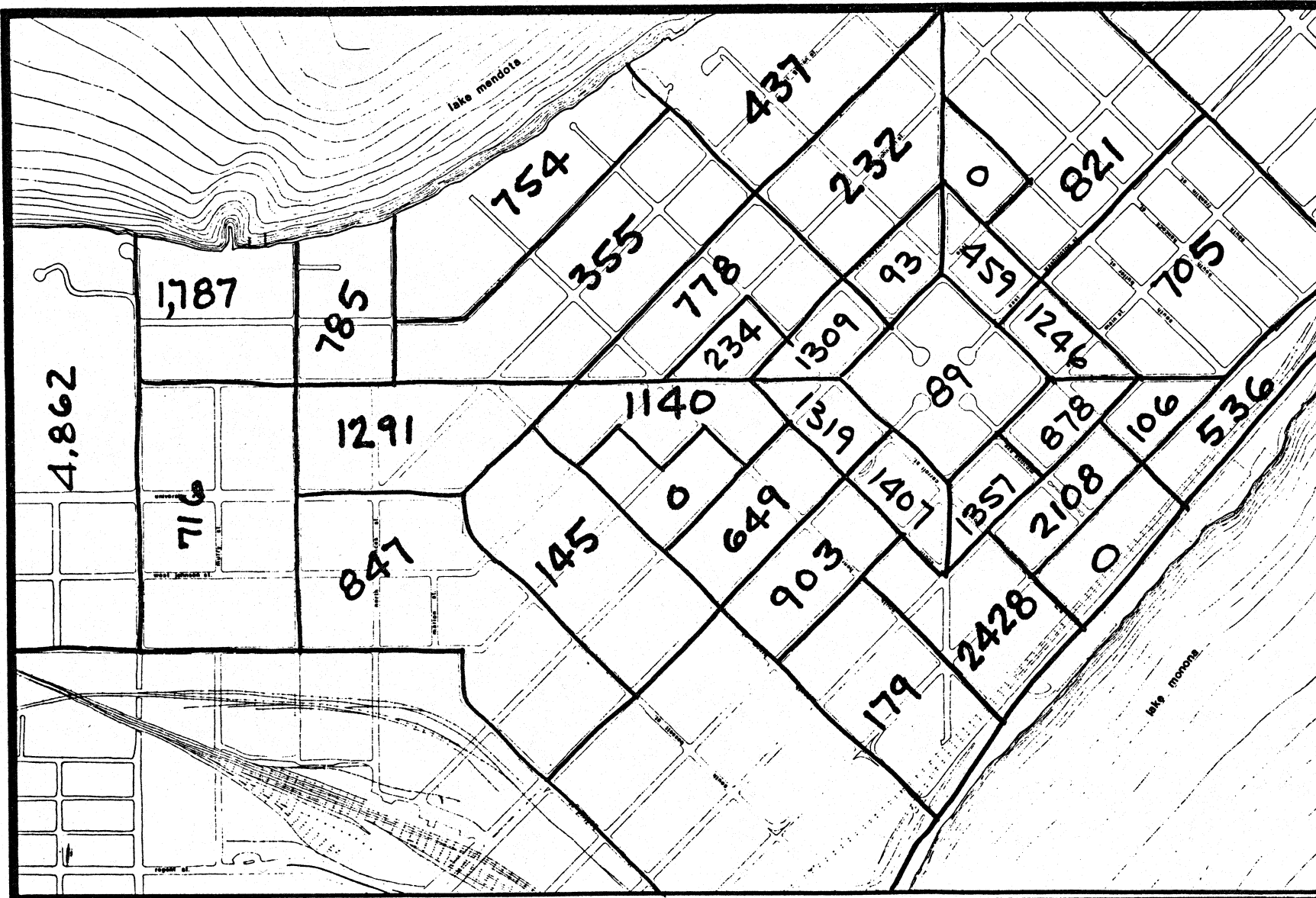
An alternate approach would be the coordinated development of the many small surface lots in private ownership. This would require commitments and cooperation among businesses and owners to share parking use of the lots and action by the city to acquire public easements for access and provide public services. The organization of these parcels by the Central Madison Committee or other business groups represents one opportunity to contribute to the project by defraying its total cost. Public and private sector partnership is critical to the success of this approach.

Long-range recommendations for a parking ramp to be constructed in conjunction with the future University Library Mall will accommodate 165 cars, or about 50 more than those to be removed from Murray Street and the Student Union Lot. The deck proposal in the 400 block area will hold 135 cars and serve the new shops, housing, and performance plaza, as well as that section of State Street where present parking is least adequate. Estimated cost is \$4,000 per space or \$540,000.

A future bus terminal site at West Dayton and South Henry Streets is now under consideration by the City. Parking provided at the terminal also will serve the Art Center and Auditorium during off-peak hours. The number of spaces to be provided is as yet undetermined.



EMPLOYMENT DISTRIBUTION IN AREA OF SUBJECT PROPERTY



MADISON DESIGN PLAN
STATE STREET MALL
CAPITOL CONCOURSE

LEGEND:

EMPLOYMENT
DISTRIBUTION

figure: 12

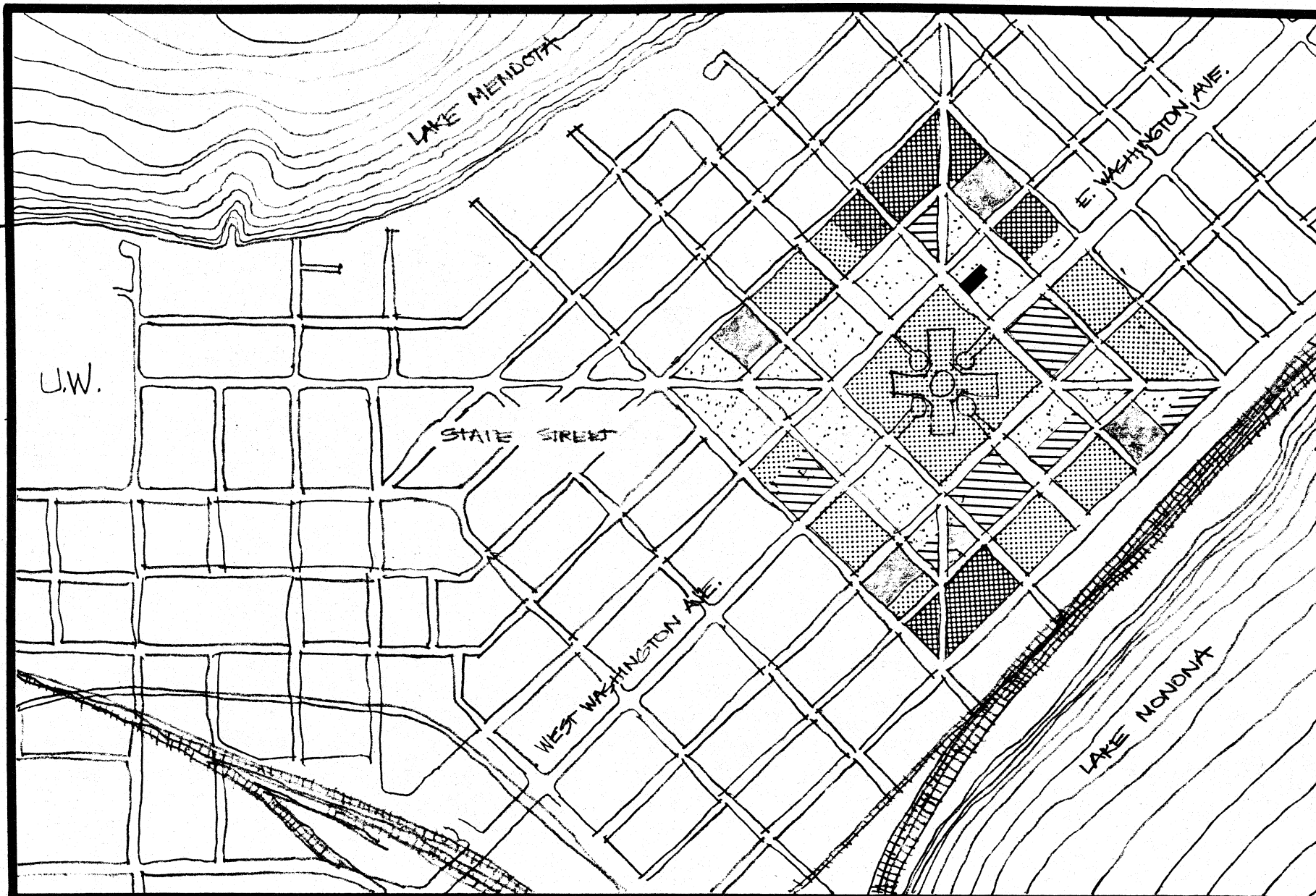
restaurant--L'Etoile--above, offering lunches, limited dinner menus, and late evening music. The Perfume Shop's lease reportedly expires this year and might not be renewed.

Pedestrian traffic is far greater in the blocks on either side of the subject property (Exhibit 9). The first Wisconsin Bank and the State office building one block south on Pinckney and East Washington represent major concentrations of office employees and generate a significant amount of visitor traffic in the area. The retail block, anchored by Manchester's on Wisconsin Avenue and the Emporium on Pinckney Street, relates to Wisconsin Avenue. Due to declining sales, the Emporium is considering converting to office space on one or more floors. In addition, the pedestrian traffic is separated from the subject property by a long pedestrian street crossing at the five-corner intersection of Pinckney, Mifflin, and Hamilton. At the corner of Pinckney and Mifflin is a 12-story, 50-year old hotel building which is presently the downtown YWCA; Alyce's Hat and Bridal Shop is on the first floor.

The subject site nevertheless has its advantages. It is within walking distance of significant employment and activity centers. It is directly across the street from the State Capitol, within two blocks of several financial institutions and a major State of Wisconsin office facility, and within four blocks of additional state, county, and local employment centers. The office buildings constructed by these institutions in the recent past represent substantial capital investment and indicate that downtown employment will remain high or increase in the immediate future.¹ The retailers along East Mifflin Street such as Manchester's and the Hub have continued to prosper because they have adjusted their merchandise lines to serve the young people who work in the office buildings, the University, and the nearby Madison Area Technical College (MATC).

David Haskin of the Milwaukee Journal noted that "the declining fortunes of downtown retailing have pitted the mayor's office against the Chamber of Commerce," thereby creating a major political issue. Robert O'Malley, President of the United Bank and Trust and a member of the Chamber of Commerce Central Madison Community, maintains that the Mayor's office refuses to recognize that citizens spend their money where facilities are convenient, namely, the suburban shopping malls, which are closer to their homes and offer free parking and other amenities that the Square cannot provide. On the other hand, Mayor Paul Soglin and his assistant, James Rowen, both liberals and enthusiastic radicals of the 60s, insist that society must rid itself of its dependence on the automobile and turn to mass transit if it is to survive overpopulation and decreasing amounts of petroleum. "We've got to do the planning for mass transit now because we need it now and will need it even more in the future; more parking ramps just aren't in the cards," Rowen said. "These are the years that could be painful, but we must make necessary adjustments," he added. He feels that the Concourse will bring more trade and

¹For employment densities, see Exhibit 8.



KEY:



GOVERNMENTAL-INSTITUTION



FINANCIAL-OFFICE



RETAIL-HOTEL



RESIDENTIAL



PARKING



SUBJECT SITE

LAND USE MAP

will be a tourist attraction. Overall, he sees a bright future for the Square.¹

D. Dynamic Attributes

The subject site enjoys a sunny, southwest exposure and strong, positive identification with the Capitol Square. The present facade is visible from the entire length of the Mifflin Street retail strip. Nevertheless, the citizen perceives downtown Madison as in decline, and several student mail surveys (School of Business Marketing Research class 820) indicated that many suburban residents view the northeast portion of the Square with great personal anxiety because of a sleazy bar, massage parlor, a tendency for high school students to loiter at two nearby theaters, and the cumulative impact of vacant retail buildings and store closings. It should be noted that merchants who have adapted to a change in the role of the CBD from regional shopping toward service retail directed at downtown employees and residents have done reasonably well. Moreover, those businesses such as Karsten's, Wolff-Kubly-Hirsig, Baskins (formerly Olson and Veerhusen), and Simpson's went out of business because their owners passed retirement age and lacked both the energy and second-level management to adapt to the diminished role of the Square in regional retailing. It might be that the number of store closings is more the result of unfortunate parallelism in the life cycle of downtown retailing managers and establishments than lack of potential effective demand.

E. Existing Improvements

1. Background and Classification

The present structure was once two separate buildings; both the three-story structure and the two-story section had been constructed by 1873. This side of the Square was the last to be transformed from residential to commercial use. (Exhibit 10 is an 1875 photo of the subject property.²) The larger building was called the Ellsworth Block, named after a pioneer Madison family. The first floor appears to have been a grocery store originally, while the upper floors were designed for the Northwestern Business College, a private school with small classes and individual curriculums. The unusual atrium in classic Greek decor and small classrooms on the second and third floor were intended to serve this occupant. The trade name of Simpson's, operated as a prestige women's apparel store, first appeared in 1909 and was subsequently sold as a business several times.

Comparison of the 1875 photo with photos of the present structure in Exhibit 11 reveals that the ornate store front and cornice work have

¹Milwaukee Journal, December 12, 1976.

²Courtesy of Wisconsin State Historical Society.

EXHIBIT 10

1875 PHOTO OF ORIGINAL STRUCTURE FACADE

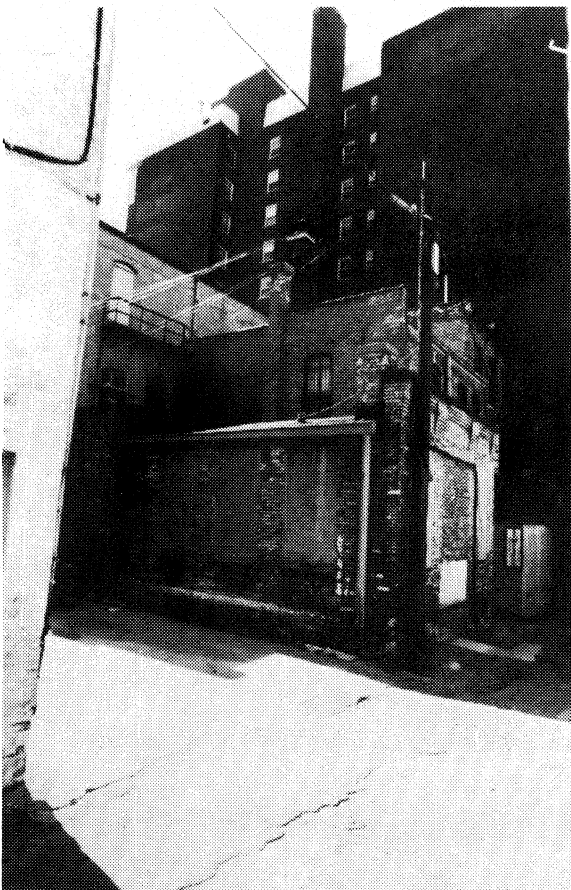


EXHIBIT 11
CURRENT PHOTOS OF SUBJECT

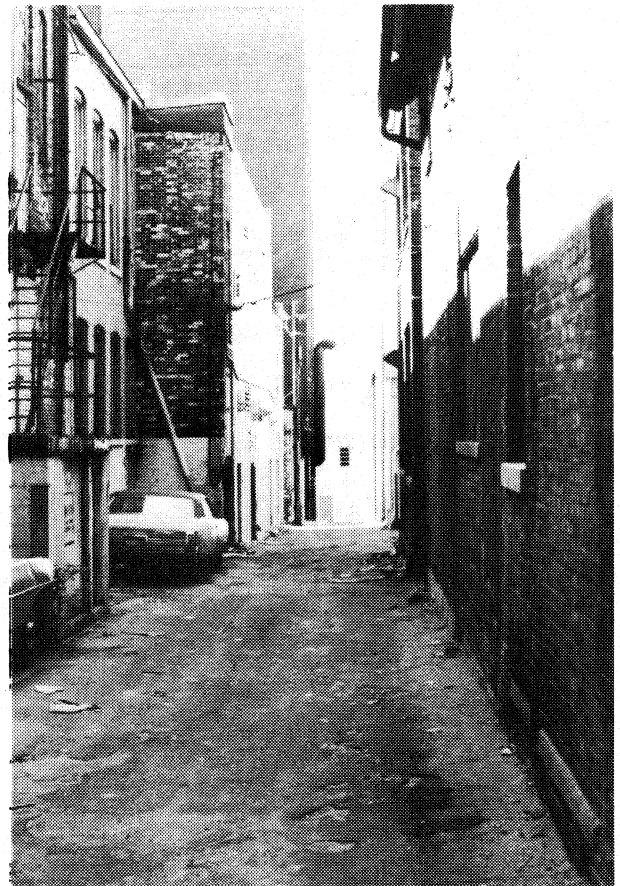
19



Front view



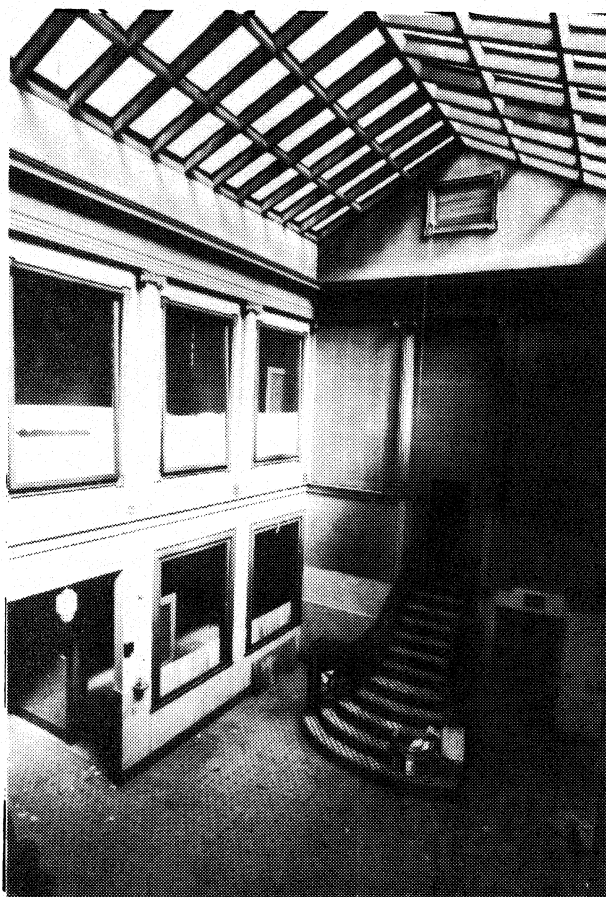
Alley: loading area



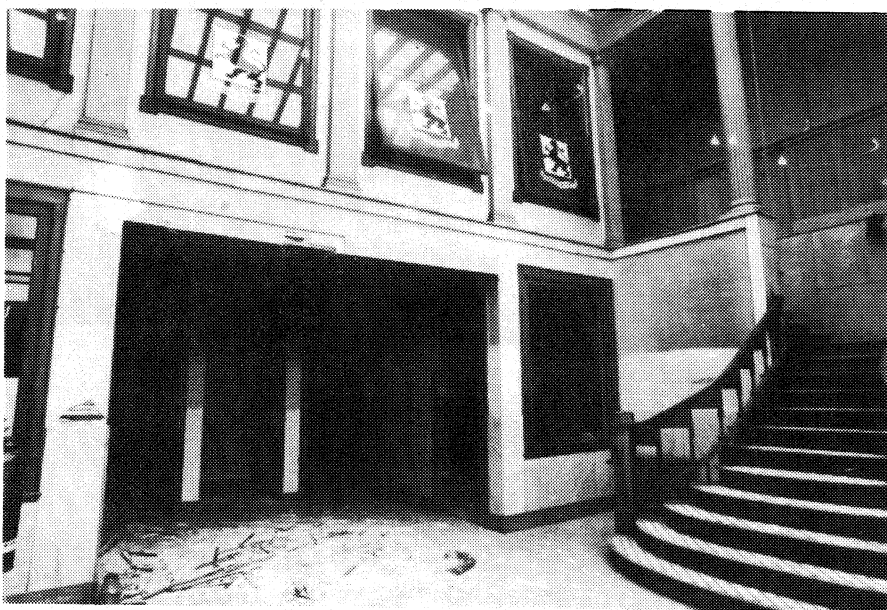
Alley: exit to Mifflin Street



3rd floor: general condition



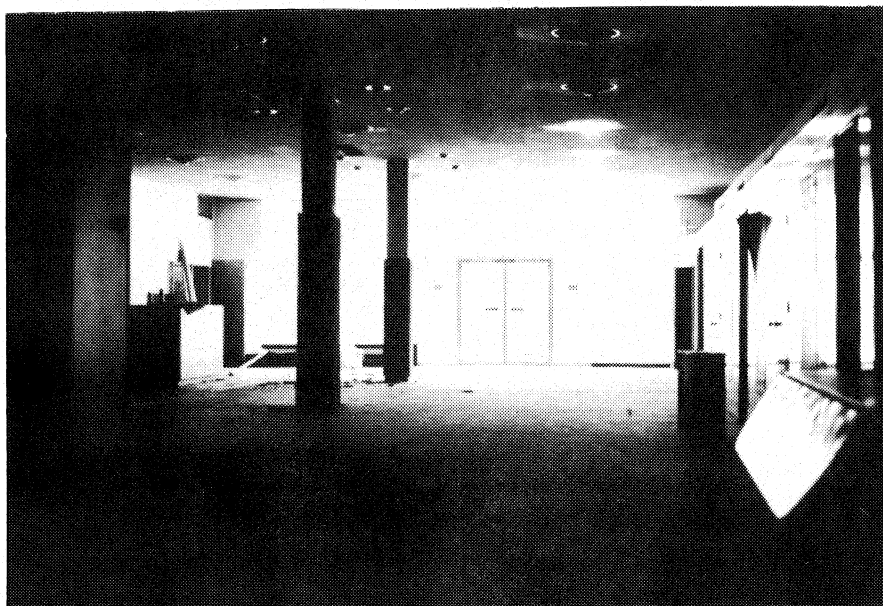
3rd floor: east view of atrium



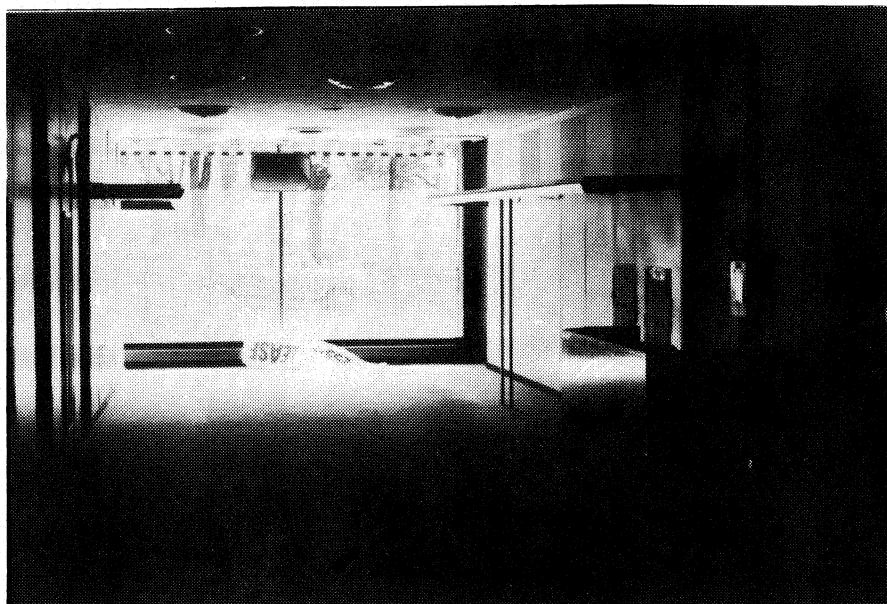
2nd floor: toward rear



Front entrance;
mirrored clothes
rack to right

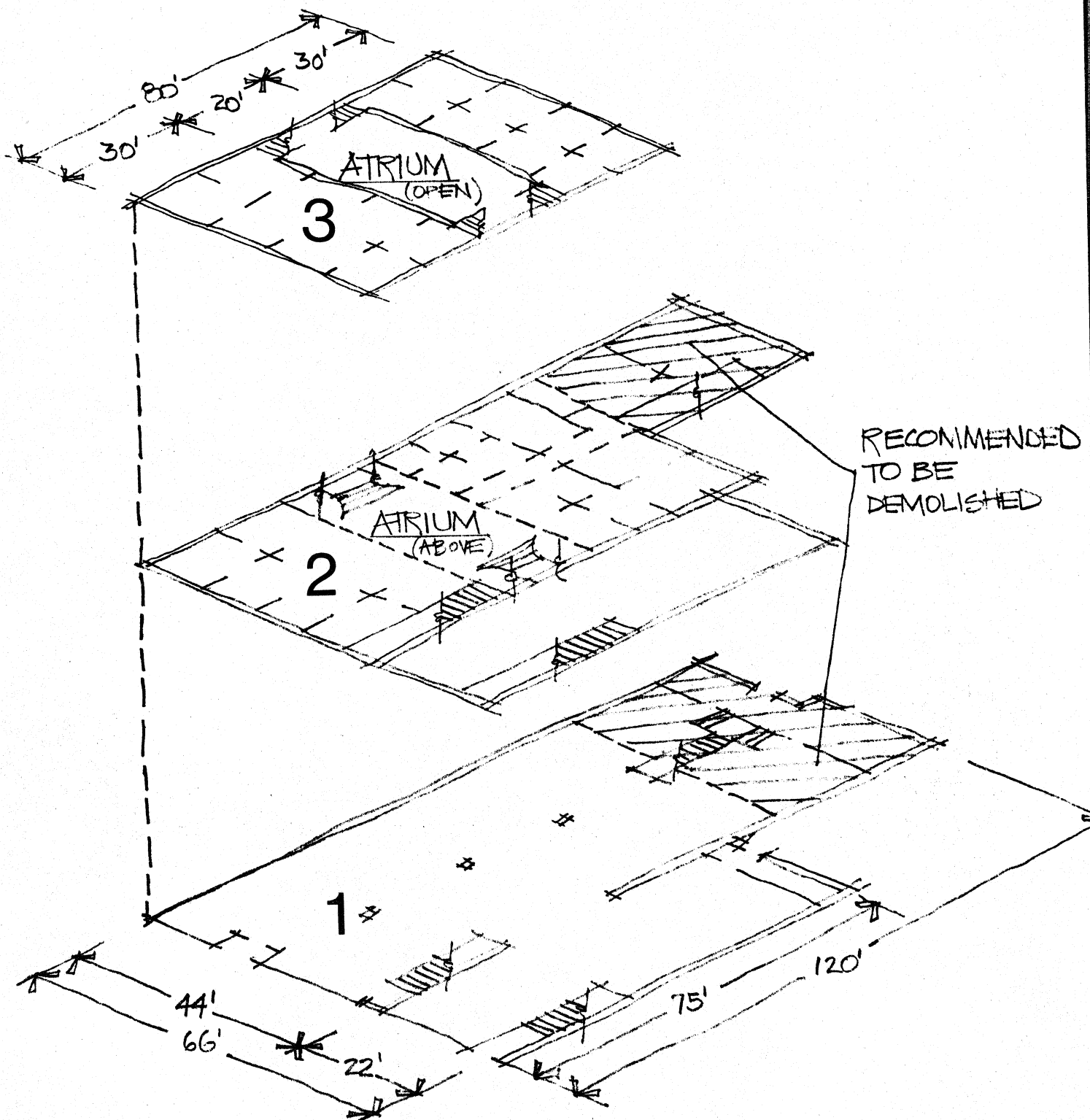


Main store
from rear
toward street



Store annex
toward street

EXHIBIT 12
EXPLODED DRAWING OF INTERIOR LAYOUT



been removed. Apparently the terra cotta and tin cornices and window lintels were removed in 1964 when the existing metal sunscreen was installed over all the second- and third-floor Pinckney Street elevation. The screen unifies and modernizes the building facade above the extensive glass and granite display areas at street level. Destruction of the 1875 facade makes a restoration strategy difficult, and the present sunscreen eliminates the market value of an upper-level view of the Capitol for office use and causes inadequate window-to-floor area ratios for residential use.

The basic dimensions of the two structural components of the subject property are presented floor by floor in the exploded drawings in Exhibit 12. These dimensions convert to an estimated gross footage of the building, excluding basement area, of 16,060 square feet as tabulated in Exhibit 13.

EXHIBIT 13

GROSS FOOTAGE OF THE SUBJECT PROPERTY

	3-Story Building	2-Story Building	Total	Estimated Cu. Ft.
1st floor	5,236	1,650	6,886 × 12	82,632
2nd floor	4,180	1,650	5,830 × 10	58,300
Upper level atrium	8,000
3rd floor	<u>3,344</u>	<u>0</u>	<u>3,344</u> × 10	<u>33,440</u>
Total	12,760	3,300	<u>16,060</u>	<u>182,372</u>

Because the volume of this building exceeds 50,000 feet, all remodeling work must be done by licensed engineers or architects and approved by the State of Wisconsin Industrial Commission [Wisconsin Administration Code 50.07 (2)(a)]. However, the square footage of floor space is significantly below the legal standard of 20,000 square feet which requires a full-service elevator and other interior circulation features for the handicapped (Wisconsin Administration Code 52.04, register, December, 1976, No. 252). Floors used entirely for storage or mechanical purpose need not be included in determining gross area. However, remodeled multiple-use buildings with a gross area less than 20,000 square feet must provide the handicapped with access to the first floor, first-floor circulation, and toilet facilities. The subject property is level with the front sidewalk and could be level with the rear parking area. Steps between structures provide a problem, but the most significant deficiency is the lack of public rest-room facilities at

first-floor level. Thus, the building is of a size that might be renovated within the limits of justified economic investment.

2. Type of Construction

A general description of each of the two structures is summarized in Exhibits 14 and 15; the appraiser found sketches of basement and structural remodeling abandoned in certain basement cupboards. These provide further but incomplete detail.

The structural system for both buildings is of ordinary construction. For the three-story building, the exterior foundation walls were set 40' apart with a center wall in the basement to pick up the iron pipe columns bearing the center line beam for floors above grade. Basically the building consists of two parallel rows of 20' bays. The floor joists spanning this system were originally 4" x 14" joists, 20" on center, to which 2" x 12" purlins have been added with various remodeling projects. The smaller two-story structure has a similar 20' bay between masonry, load-bearing sidewalls. Over the years the basement has been extended in the small building and in the two-story wings at the back of the three-story structure so that masonry bearing walls are now a combination of original sandstone, common brick, and concrete block. The basement of the larger structure has several floor levels and ceiling heights; there is no concrete floor to the rear of the boiler room, which is not connected directly to the basement of the two-story building. The old stairwell has been filled with electric meters and related controls. A narrow basement stair has a small former business office at the basement landing and leads to storeroom areas that were finished with asphalt tile floors, clothes racks suspended from the ceiling, and a combination of fluorescent and incandescent lamps.

3. Structural Condition and Code Conformity

The structures have received inadequate maintenance for many years. Since the building has been vacant for a year prior to sale, the City of Madison Building Inspection Department requires a new occupancy permit to reopen even the first floor for commercial use. The condition of the occupancy permit will be a formal inspection that may cite a variety of fire and building code violations. Costs to cure the minimum deficiencies have been estimated with the assistance of contractors in the Madison area (Exhibit 16).¹ Significant items include:

- A Type 2 roof will be required to replace or overlay the present patchwork of tar and tarpaper on boards. Assuming 2" of rigid insulation sheet, a four-ply hot roof, and a gravel finish to qualify as Type 2 fire construction, a new roof would cost approximately \$6,250.

¹Some budget figures have been rounded to facilitate their use.

EXHIBIT 14

DESCRIPTION OF IMPROVEMENTS IN THREE-STORY STRUCTURE,
25 NORTH PINCKNEY STREET

NUMBER OF STORIES:	Three stories
AGE:	Approximately 105 years
ROOMS:	
Basement	7 rooms and spaces
1st floor	1 large retail area and utility rooms and areas
2nd floor (not used for 30 years)	10 rooms plus 600 sq. ft. atrium
3rd floor	12 rooms
EXTERIOR:	
Foundation	Stone
Walls	Brick
Roof	Slightly pitched-flat built-up asphalt and gravel
Store front	Polished granite; plate glass lighted display; double glass plate doors
Store canopy	Stainless steel and aluminum cantilevered 8' over sidewalk
CONSTRUCTION:	
Floors	Hardwood subfloor, covered with plywood or particle-board for carpeting (on 1st floor); tile for atrium
Rafters	4" x 14" wood
Beams	Steel has been used for certain spans--from past remodeling
Purlins <i>Headings</i>	2" x 12"
BASEMENT:	Full basement; partially finished; floor drain; concrete and some wood floor over sand
HEATING:	Gas fired steam--"Lo-Blast"; 1,600,000 B.T.U. (no alternate fuel); baseboard and radiator heat
AIR CONDITIONING AND VENTILATION:	Two commercial Westinghouse fan/air conditioners located on 2nd floor, serving only 1st floor through ceiling vents
UTILITIES:	2" water service; 6" sewer service (City) 400 amp electrical service; 20 circuits,

EXHIBIT 15

DESCRIPTION OF IMPROVEMENTS IN TWO-STORY STRUCTURE,
23 NORTH PINCKNEY STREET

NUMBER OF STORIES:	Two stories
AGE:	Approximately 105 years
ROOMS:	
Basement	3 rooms
1st floor	1 medium-small retail area
2nd floor	4 rooms (2-bedroom apartment)
EXTERIOR:	
Foundation	Stone
Walls	Brick
Roof	Flat built-up asphalt with a gravel covering
Store front	Polished granite; metal screen above; door to 2nd floor apartment stair
CONSTRUCTION:	
Floors	Hardwood subfloors, covered with plywood or particle-board for carpeting on 1st floor
Rafters	4" x 14" wood
Beams	Steel has been used for certain spans--from past remodeling
Purlins	2" x 12"
BASEMENT:	Full basement; unfinished; concrete floor; outdoor cellar access hatch at rear of the building
HEATING:	Gas fired steam--"Kewanee"; 68,000 B.T.U. (no alternate fuel); baseboard and radiator heat
AIR CONDITIONING AND VENTILATION:	One Westinghouse exterior unit mounted on pad at rear of building on loading dock zone
UTILITIES:	2" water service; 6" city sewer; 100 amp electrical service

EXHIBIT 16

MINIMUM COST-TO-CURE STRUCTURE TO RECEIVE OCCUPANCY PERMIT

New roof @ \$125/100 sq. ft. (2420 + 1760 + 1650 - 880 ≈5,000 sq. ft.)	\$ 6,250*
3 new storefront entrances (salvaging existing plate glass)	4,800
2-hr. enclosure of boiler rooms	1,300
2 4-hr. boiler boiler room doors @ \$350	700
2 fire stairs to basement @ \$1,600	3,200
3 washrooms @ \$2,500	7,500
Demolition of rear one- and two-story wing (20' x 22' x 14' @ \$1.00/cu. ft.)	6,160
Preparation of retail spaces for tenant improvement (4,750 sq. ft. @ \$2.00/sq. ft.)	9,500
1 4-hr. party wall on 1st floor	1,200
1-hr. basement ceiling finish (6,000 sq. ft. @ \$.75/sq. ft.)	4,500
3 new rear doors @ \$350	1,050
Bricking-in of existing party wall (18' x 8' @ \$4.00/sq. ft.)	600*
Removal of sidewalk vaults	400
Total	<hr/> \$47,160

*Rounded figure.

- The skylight over the atrium sags, and its flashing is leaking as indicated by water stains on the southeast corner of second- and third-floor walls.
- The center post of the second floor beneath these water stains also exhibits some sag in the floor joists of up to 1". The deflection suggests that the leakage has caused dry rot in second-floor joists or that the load of the columns straddling the old stair opening is no longer adequately supported from below.¹ The suspended acoustical ceiling at the store level conceals the exact nature of this structural flaw. The allowance to correct this structural shift is an arbitrary \$2,500 pending professional engineering analysis of the problem, a factor introducing a significant element of risk to any remodeling budget for this building.
- The City of Madison Building Inspector informally indicated that a two-hour fire wall is needed to complete an enclosure of each boiler room. Each boiler room will require a four-hour fire rated door. First-floor occupancy requires that the entire basement ceiling must be sheeted with materials providing no less than a one-hour rating.

¹Remodeling in 1964 removed the front stairway at the center of the three-story building, a large stairway enclosed by a brick bearing wall coming up from the basement.

If upper floors of the building are used, the ceiling must be a two-hour rating, and stairwell must have a four-hour rated wall. The rear entrances to alleyway are less than the required 40" for fire safety and must be enlarged and replaced.

There might be other less apparent building code violations, both for the City of Madison and State Building, Heating, and Ventilation Codes.

4. Interior Finishes

Only the first floor of the three-story structure has been used for retail purposes; the second and third floor have been abandoned for the better part of 30 years (Exhibits 11 & 12). The masonry wall separating the smaller building from the larger structure has been removed for 18 running feet at the first-floor level. Because of the Pinckney Street grade the first floor of the smaller structure is elevated about 18" above the main store area, and there are three low-rise, wide-tread steps and display podiums at this juncture. The two structures are not connected at the upper levels. In the larger building the display casework and dressing cubicles are of commercial, bleached walnut veneer. The first floor ceiling is a fiber acoustical tile badly in need of washing; second- and third-floor ceilings are plastic on lathe, cracked and falling. A center control counter, which once housed cash registers and clerks' materials, is at the front of the store at the foot of the connecting steps. The smaller store space was done with less expensive contemporary shelving hardware, peg board, and free-standing casework units.

5. Renovation Problems

Toilet facilities in the building are nonconforming and dated. Bathroom floors must be waterproofed with ceramic tile, painted cement, or similar material; presently the floors are linoleum. The toilet for the staff is at the base of the rear stairs near the rear loading entrance. The smaller store has a basement toilet room. At some time in the past a marble vanity and toilet were installed for both men and women on the second floor off the atrium. Wisconsin Building Code 54.04 requires that both men's and women's bathrooms be accessible on the first floor for the handicapped within or from each self-contained rental unit.

With completion of the pedestrian mall concourse all merchandise would need to arrive and all waste materials to exit by way of the alley. The smaller building offers 45' deep by 20' wide asphalt paving for parking cars and loading trucks. The buildings that flank this open space extend almost to the alley, making the turn difficult for cars and impossible for trucks. To correct this functional deficiency, it would be necessary to demolish the one- and two-story wing, which is 40' wide and 20' deep at the rear of the larger structure, to provide for a loading area with some employee parking of no more than five cars across the full 66' width of the site.

A metal fire escape platform will need to be placed at the end of the second floor corridor at the rear of the three-story building, no more than 10' above the finished parking level to meet emergency exit requirements of Madison Building Code 29.20 (4). Exit signs will need to be placed over all exit doors.

Use of the second and third floors of the three-story structure with atrium depends on finding design solutions for the fire code problem of the atrium and the lack of two routes of escape from the third-floor segments of the building, separated by the atrium. Wisconsin Building Codes treat the atrium as an open shaft through two floors of the building, requiring a four-hour rated fire wall. Removal of the old stairs, some existing plasterboard stud walls, and other trim on the side walls of the atrium would reveal four-hour bearing walls of brick that could meet the fire code. However, all of the interior walls flanking the atrium have large plate glass windows looking into the atrium to capture the extra light. A four-hour fire wall of steel studs and multiple layers of gypsumboard would seal off these windows and add excessive weight to the center line columns of the building. The building inspector suggested a possible alternative of two-hour fire rated walls with a deluge sprinkler system installed to spray over the windows. Another alternative would be to remove the outer skylight and drop it to the level of the third floor so that the open space would not be a shaft through two interior floor levels. Windows on the third level would then open outside to the space above the skylight.

The Wisconsin Statutes (54.02) would also permit a two-story space occupied by a single tenant to have a single interior stair and exit, provided there are two methods of fire escape beyond the suite entrance door. Thus, the second and third floors could be divided in half along the center line to create four modules approximately 30' x 20' two stories high, each with its own spiral stair. These modules of approximately 1,200 square feet each could be converted into four townhouses or four office suites. Each module would have an entrance to the center atrium at the second level, and the atrium would provide two routes of escape. The first would be the existing front stairs to Pinckney Street; the second would be the short 30' center corridor to a jump platform overlooking the rear parking area. Such renovation might be economically unjustifiable. These alternatives are discussed here to indicate that the present physical nonconformity of the structure to existing fire codes could be corrected so that the upper floors would be usable, the policy of the present owner for more than thirty years. In addition, some of the architectural character of the old atrium might be salvaged and provide a key to improved income productivity for this problem property.

While the interior spaces and hardwood millwork might capture some of the historic flavor of the old building, it is unlikely that the Pinckney Street facade could be profitably restored to the original Victorian detail. About 1965 several second-story windows were bricked up to conform with other major store buildings on the block that were either built new or extensively remodeled to create contemporary facades

current code 7 which rules out

that stressed open glass, textured flat masses of concrete or brick, and night lighting. The present Simpson logo on metal sunscreen is compatible with existing facades on the block and can be seen three blocks away on Mifflin Street. The green metal sunscreen is a significant part of any residual public identification with the subject property.

The second floor of the smaller structure is presently a two-bedroom apartment. The appraiser was not given access to this apartment but was told that the sunscreen severely impairs window views toward the Capitol and that in the rear there are two windows and a door to a fire escape. The result is that the unit is nonconforming in window/floor area ratios, is in disrepair, and is noncompetitive at \$150 per month rent. Access is by means of a side stair to Pinckney Street, a stairway subject to a month-to-month license to the benefit of a doctor's office in the narrow 22' contiguous building to the south. There are no other special structural linkages or current uses.

infallible

III. MOST PROBABLE USE

Having completed an inventory of the positive and negative attributes of the property, the significant limitations on future use, and the immediate linkages of the location, the appraiser must identify possible uses. Each use must exploit the marketable attributes of the property, neutralize its negative characteristics, and operate within the limits of justified, prudent investment.

A. General Market Characteristics

The search for a use should begin with the possibility of extending the past use of the structure as a single retail unit of more than 7,000 square feet of first-floor retail space. Unfortunately, in the past five years several such retailers have left the Square, and none has taken their place. The Wolff-Kubly Building and Manchester's Home Store have both been vacant for nearly two years and offer superior space for the large retailer. Current retail vacancies on the Square can be seen in Exhibit 17. However, there has been a slow but steady demand for the smaller retail unit at rents ranging from \$4.50-\$5.50 per square foot (Exhibit 18). Therefore, a retail use strategy should assume subdivision of the subject property, probably into three retail units, the subdivision being consistent with existing fire walls, marketable layout, and provision of rest-rooms accessible to the handicapped at the center rear. A recognized need on the Pinckney side of the Square is a coffee shop, luncheonette, or restaurant facility at street level. However, state fire codes shift to highly stringent regulations where space might house one hundred persons or more (State Building Code 55.01), and so only a small restaurant consistent with the 75' x 20' retail bays above could be considered within acceptable renovation costs. Development of the second and third levels of the building would require use as either office or residential space.

The office rental space market for Class B or C space has been soft, particularly on the northeast side of the Square. For current office vacancies and quoted rents, see Exhibit 19. Although the Jackson Building on Pinckney and Mifflin offers elevated space of minimum quality standards and overlooks Lake Mendota, it has been vacant for two years. The Tenney Building, with elevators, views, and established office building identity, has major vacancies at \$6.25/sq. ft. Additional space of Class B standards might become available if the State of Wisconsin decides to build 150,000 sq. ft. or more on a site three blocks from the subject property. The State would relocate agencies in leased quarters near the Square to the new building. The State presently occupies a significant portion of the Tenney Building, 30 On-the-Square, the former Loraine Hotel, and other Class B office buildings so that State construction would return significant amounts of Class B office space with elevators to the Square. The subject property could not compete with these conveniences.

NORTH PINCKNEY STREET

7

site

WISCONSIN AVENUE

MONROE AVENUE

WEST DAYTON STREET

XXXX RETAIL VACANCIES

//// RECENT RETAIL LEASES

2 COMPARABLE SALE NUMBER

shouldn't this be on

NORTH CARROLL STREET

Parking Ramp

separate map

4

5

NORTH FAIRCHILD STREET Building

EXHIBIT 17

First-Floor Vacant Retail Space on the Capitol Square

Approximate
Available
First Floor
Sq. Ft.

Period of
Vacancy

+ 10 months

3

2

1

Art Center

Civic Auditorium

WEST MIFFLIN STREET

NORTH HENRY STREET

Wolff, Kubly	20 N. Carroll	6,000	✓	24 months	<i>34</i>
Park Motor Inn	22 S. Carroll	1,000	✓	2 months	
Manchester's Home Store	18 W. Mifflin	7,920		18 months	<i>28</i>
Chandler's Shoe Store	16 W. Mifflin	2,700		1 month	<i>Sale</i>
Churchill Building	16 N. Carroll	4,000		1 month	
Card Shop	21 N. Pinckney	2,640		9 months	<i>sell</i>
Simpsons	27 N. Pinckney	6,930		9 months	<i>sell</i>
Baskins, O and V	7 N. Pinckney	4,400		1 month	<i>sell</i>
Leaths	119 State	4,400		18 months	<i>sell</i>
Jackson Building	135 N. Pinckney	5,000		18 months	<i>sell</i>

Total Available Space

44,990

EXHIBIT 18

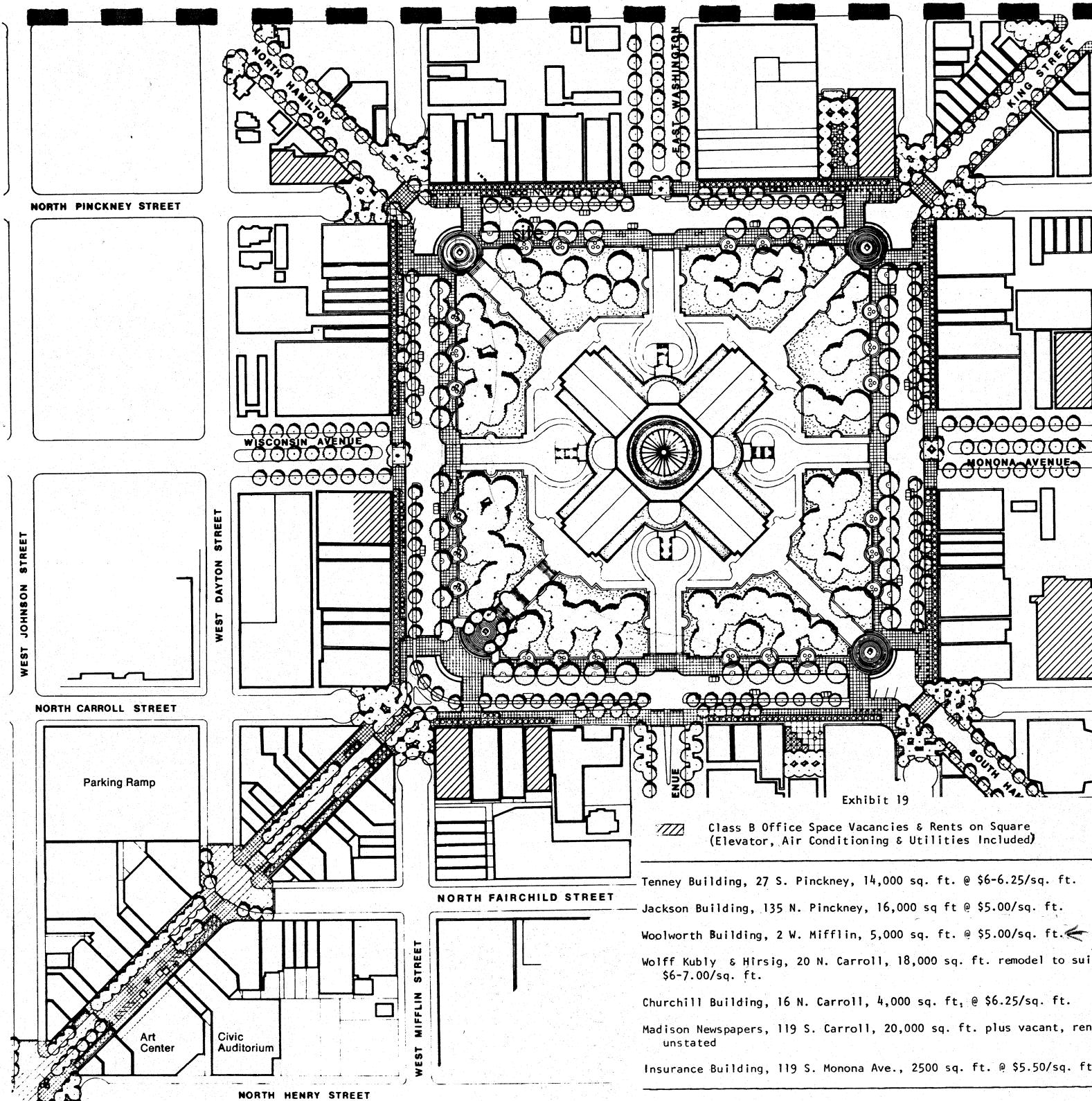
RECENT RETAIL LEASE RENTAL TERMS ON CAPITOL SQUARE

Building	Address ^a	Lessor	Lessee	Terms of Lease	Tax and Utility
Tenney	27 S. Pinckney	1st Wis. Bank	Jones, Inc.	5,000 sq. ft. @ \$5 sq. ft. (agreed June, 1976)	Yes <i>Escalator what does you mean</i>
Karsten's	22 N. Carroll	Fred Mohs	Music City	2,200 sq. ft. & basement storage @ \$4.75 sq. ft. (agreed Sept., 1976)	Yes <i>listed as \$5 on comp.</i>
1st Wis. Plaza	1 S. Pinckney	1st Wis. Bank	Rennebohm Gift Shop	Percentage of sales; approximately \$4 sq. ft. first year (agreed Sept., 1975)	Special escalator formula

Woolworth

Jacks ^aFor location on the Square, see Exhibit 17.

Singapore



Class C office space is found on second and third floors of downtown buildings, typically without elevators, parking, or flexible layouts. It rents as low as \$1.75/sq. ft. at 228 State Street (Comparable #2, below) including heat to as much as \$3.00/sq. ft. at 2 W. Mifflin Street (Woolworth Building) which is 50% vacant on second floor. These rents do not justify investment in required remodeling for the subject property.

has elevator

Most apartments immediately adjacent to the Square are in converted single-family homes that were built prior to 1900. Both occupancy and turnover rates are high. A few apartment buildings, such as the three-story Capitol Hill to the rear of the subject property on Mifflin, offer rents of 30-35¢/sq. ft. (efficiencies and one bedroom) and remain fully occupied, predominately by elderly and long-term, State employees. There is a limited but unsatisfied market for high-style apartments in the neighborhood for those who work in government or in offices around the Square. Groups of from two to four single persons are willing to pay from \$75 to \$125 each for a two-three bedroom apartment, usually furnished. Legislators have long complained that they must rent hotel rooms while they are in Madison, and so they and various lobbyist groups might find the townhouse a suitable alternative on the Square. Apartment rents in the campus area range from 45¢ to 50¢ a square foot for furnished units located over retail stores, saloons, and other businesses generally thought incompatible with residential uses. For young singles, however, these are considered amenities rather than nuisances.

B. Alternative Uses for the Simpson Property

A combination of the physical characteristics of the property and the general demand characteristics on the Square suggests the following alternative scenarios for use of the subject property (Appendix C):

Scenario #1: The building would be demolished and the site leveled and paved to provide monthly reserved parking for employees of various nearby public and private offices and firms. It is assumed that space for 18 cars could be provided, and the only access would be from the alley: an attractive screening wall with plantings would face Pinckney Street.

Scenario #2: The present building would be demolished and replaced with a new three-story office building, 66' square. There would be two retail stores at the first floor level, an office lobby, a single elevator, required stairwells, and no basement. The structure would use economical masonry-bearing wall construction and provide 8-10 parking spaces at the rear of the building.

Scenario #3: The present building would be retained, except for demolition of a minimum of a one-story space at the rear, which would improve delivery and parking. Only the first floor would be used, subdivided into three retail units. The larger building would provide

two stores approximately 20' x 80', while the smaller structure would provide a single gross area of 20' x 75'.

Scenario #4: The present structures would be retained and modified as in Scenario #3, but in addition, the second and third floors would be remodeled to provide five office suites that would take advantage of a renovated atrium area with skylight at the second-floor level.

Scenario #5: The present structures would be retained and modified as in Scenario #3, but in addition, the second and third floors would be modified to create four townhouse suites in the three-story structure. The two-story store building would be modified to create second floor office space of two 700 square feet modules; skylights would relieve the narrow depth of the building.

C. Economic Ranking of Alternatives

The alternative uses that might be plausible for the subject property can first be ranked in terms of the general budget parameters inherent in revenues and expenses for each. The best financial alternatives must then be screened for effective demand, political acceptability, and risk. In order to reveal the general range of justified investment on the existing property, the appraiser developed a logic of converting rents to justified investment by determining a market rent for each use and assuming an acceptable cash breakeven point for financial planning and budgeting. This process converts funds available for debt service or cash dividends, thus making it a justified investment. This residual approach can be misleading if there are small errors in the cash-flow forecast, but if estimating bias is consistent when applied to the alternative uses, it does rank the alternatives in terms of their ability to pay for the subject property as is. The logic of this process is provided in Exhibit 20; the cost assumptions and calculations are provided in the appendix. A summary of these calculations from the appendix are provided in Exhibit 21. A preliminary ranking based on a cash justified investment (Column 3), *where* Exhibit 21), without regard to future reversion value, demonstrates that *Line 5* Scenario #4 or #5 is the preferable use of the structure as is.

D. Risk Ranking of Alternatives

In terms of estimating risks, Scenario #4 would offer more certainty in regard to construction budget because the fire codes and required daylight and ventilation amenities are less stringent for office space than for apartments. Because the townhouses would require windows opening to the out-of-doors, the front sunscreen would probably have to be removed, and then City Hall might push for restoration of the building as a landmark. The alternative is to remove the skylight over the atrium and convert it to an open air light-well into which bedroom windows could open. For either an office or townhouse conversion, the critical necessity is the vertical arrangements of each suite to avoid the necessity of extending the fire

EXHIBIT 20

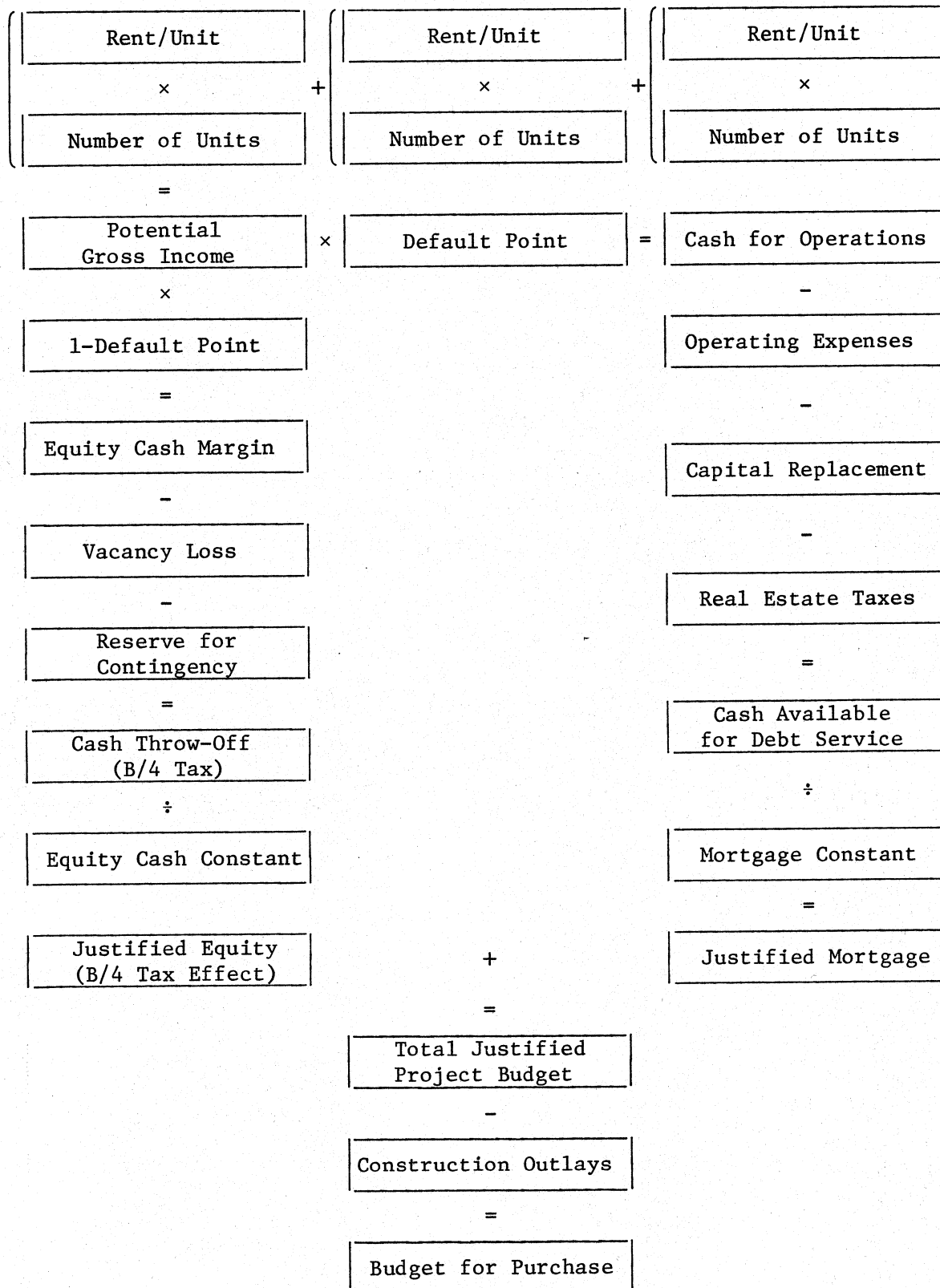
BASIC LOGIC FOR RANKING ALTERNATIVE PROGRAM SCENARIOS BY JUSTIFIED
PURCHASED BUDGET

EXHIBIT 21

SUMMARY OF BUDGETS FOR ALTERNATIVE USE SCENARIOS

Budget Item	Scenario #1	Scenario #2	Scenario #3	Scenario #4	Scenario #5
1. Demolition	-\$20,000	-\$20,000	-\$6,160	-\$6,160	-\$6,160
2. Bring up to code	-41,000	-41,000	-41,000
3. New construction	-11,880	-397,406	...	-137,000	-129,200
Total outlays	-\$31,880	-\$417,406	-\$47,160	-\$184,160	-\$172,360
4. Justified investment received	-680	363,451	105,228	281,981	276,673
5. Total justified investment in subject property as is	-\$32,560	-\$53,995	+\$58,068	+\$97,821	+\$104,313

6,492 difference

stair to the third level. For a single occupancy it would be permissible to have a single spiral stair between levels with a single entrance at the second-floor atrium level. However, from that entrance there must be two routes of escape which would be the front fire stair on the Pinckney Street side and the central corridor to the rear of the three-story building, leading to a fire jump balcony no more than 10' above grade for office building. For apartments, the jump balcony must be expanded to 160 square feet of open space for every bedroom, that is, 1,280 square feet cantilevered above the parking area at the rear of the building.

Development of five office suites would face fewer technical constraints than residential housing in terms of required window-to-floor area ratios, usable exterior open space at 160 square feet per bedroom, and minimum room sizes, to name a few. If the interior atrium were retained, either the skylight would have to be dropped to the level of the third floor to eliminate the fire hazard of a two-story shaft or the atrium walls would require a two-hour rating and a deluge sprinkler system installed to spray water over all atrium window areas. The former solution would require additional storm water drains but would be simplified by the fact that the roof must be rebuilt in any event and the skylight intensively renovated to be water tight and to prevent further structural damage to the timbers from water. However, the market for Class B office space without elevators, with inadequate parking, and with an unconventional two-floor layout connected by a spiral stair is difficult to ascertain. It would lack adequate access for medical services, lawyers, or government offices. The two-level style might provide a dramatic opportunity for the graphic artist or advertising firm, but their rent-paying ability might be suspect. In short, the vacancy assumptions for this use might be significantly understated and vulnerable to decisions by the State of Wisconsin to build State-owned space at the expense of the privately owned and rented Class B space that the State presently occupies.

E. Political Compatibility of Alternatives

Either Scenario #4 or #5 would be politically acceptable as both would provide three small retail spaces on the weakest frontage of the Square, consistent with the Planning Commission dictum that all first-floor space should be retail or service oriented. However, the Planning Department has been urging the development of more housing downtown to hold potential retail customers in the Square. In that light Scenario #5 would be preferred by City Hall even though some negotiation of minor variances from the housing code might be needed to simplify renovation dilemmas posed by townhouses.

F. Conclusions

Since the estimated residual justified purchase prices of Scenarios #4 and #5 are so close, the choice in determining the most probable fitting use relates to the tradeoff between the possible higher costs inherent in the technical problems of converting to residential as

compared with the possible market revenue uncertainties in the conversion to office use. Given the soft rental market for both retail and office space on the Square and the probable strength of a few high-style rental residential units on the Square, it would seem that the prudent investor would seek to stabilize his gross revenues from the subject property by placing residential uses above the more speculative small retail units. Technical construction solutions are more in the developer's control prior to purchase than the vagaries of market demand on the Square after investment. A review of the summary feasibility data in Exhibit 22 supports the conclusion that the most probable use of the subject property in the opinion of the appraiser is Scenario #5.

THE MOST PROBABLE USE OF THE SUBJECT PROPERTY WOULD BE AS A SHELL FOR CONVERSION TO THREE SMALL RETAIL UNITS ON THE FIRST FLOOR, FOUR TOWN-HOUSES IN THE THREE-STORY STRUCTURE, AND TWO 700 SQUARE FEET OFFICE MODULES WITH SKYLIGHTS IN THE SECOND-STORY STRUCTURE.

EXHIBIT 22

SUMMARY MATRIX OF FEASIBILITY OF ALTERNATIVE USES

Feasibility Factor	Scenario #1	Scenario #2	Scenario #3	Scenario #4	Scenario #5
Justified investment in subject	Negative	Negative + \$48,019	+\$58,000	+\$97,000	+\$104,000
Remodeling risks	None	None	Minor	Significant	Serious
Effective market demands	Strong	Soft	Soft	Retail-soft Office-soft	Retail-soft Apts-strong
Political acceptability	Strongly negative	Mixed	Acceptable	More acceptable	Most acceptable
Financial risk	Depends entirely on high land value appreciation which is improbable	Depends entirely on supply shortage of B class space to raise rents which is improbable if State builds GEF 2 & 3	Depends on return of small retailer to the Square which is plausible	As in #3 except user-investor for office space could stabilize cash flow and subsidize remodeling	Same as in #3 except strong demand for limited number of high-style townhouses would stabilize demand & increase political leverage for City Hall approvals at cost of high front end remodeling budget

IV. PREDICTION OF PRICE FROM MARKET SALES

Recent market sales in a given area are the most reliable predictors of the most probable buyer and what he might be willing to pay for another property in that area. This section will discuss the market comparison approach to most probable price and will provide financial tests of this price.

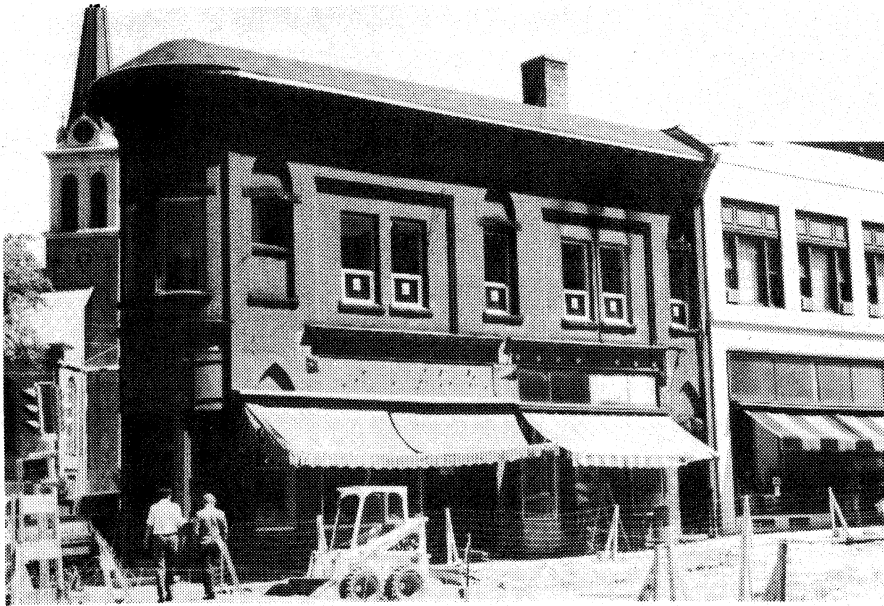
A. Most Probable Buyer

A review of sales on the Square and along the State Street Mall reveals that the buyers of these properties have been either a local businessman who was seeking a new location for his business or a professional real estate investor who was willing and able to execute extensive renovation and re-leasing (Exhibits 23-29). Those comparables that were bought by businessmen primarily for their own use were small and narrow; the larger buildings, similar in size to the subject property or larger, were purchased by professional developers who already had other commitments in the downtown area. The old Leath furniture building was purchased by amateur businessmen for use as a restaurant and is again available for rent because the new owners discovered that their intended use was not compatible with building codes. Three of the seven comparables were partially occupied by the new owner; five were financed by the seller with a 10%-15% downpayment and a land contract at 8%; six were sold for significantly less than the May 1, 1976, assessed valuation; and in six of them, the first floor was subdivided into retail rental units with about 20' of frontage each.

THEREFORE, THE MOST PROBABLE BUYER WILL BE A PROFESSIONAL REAL ESTATE DEVELOPER WHO EXPECTS TO REMODEL AND REDIRECT MARKETING OF THE SUBJECT PROPERTY. THE MOST PROBABLY BUYER EXPECTS GENEROUS LAND CONTRACT TERMS AND RESALE, BEFORE OR AFTER CONVERSION, TO A SMALL GROUP OF PARTICIPATING EQUITY INVESTORS. THE PROFESSIONAL INVESTOR WILL NEGOTIATE ONLY AFTER THE OWNER HAS HAD THE PROPERTY ON THE MARKET FOR A PROTRACTED PERIOD OF TIME AND IS WILLING TO SELL IT WELL BELOW ASSESSED VALUATION.

EXHIBIT 23

COMPARABLE PROPERTY #1



232-236 STATE STREET

Date of sale: 9/10/75

Sale price: \$59,000 (T.F. \$59.00)

✓ Recorded: Vol. 613, p. 419, Warranty Deed

Terms of sale: Cash

Use at time of sale: Record shop and Christian Science Reading Room

✓ Grantor: First Wisconsin National Bank as personal representative for estate of George Rentschler

✓ Grantee: Bingo Gargano

✓ Tax Parcel No.: 0709-144-2707-0

Assessed value: Total \$66,400--land \$44,600, improvements \$21,800

Sales price as % of assessed value: 89%

Lot size: 1,475 sq. ft.

Frontage: Johnson Street 70 feet, State Street 50 feet

✓ Zoning: C-4

Gross building area: 2,950 sq. ft.

First floor commercial gross square footage: 1,475 *100% of lot*

Other rentable square footage: 1,475

Building description: Two-story brick exterior, masonry bearing wall, wood interior structure, upstairs apartment in poor condition, shared toilet facilities

Present uses: 1st floor same as at time of sale--record shop, 30 feet of frontage on State Street; Christian Science Reading Room, 20 feet of frontage on State Street

Locational factors: Corner lot, same block as Civic Center on proposed State Street Mall, 1/2 block to City parking ramp; pedestrian count of 3,585

Available rental information: Gross income \$9,000

EXHIBIT 24

COMPARABLE PROPERTY #2



228-230 STATE STREET

Date of sale: 10/1/75

Sale price: \$133,000

Recorded: Vol. 628, p. 642 and 644, Warranty Deed

Terms of sale: Cash \$33,000 down or 25%, \$100,000 mortgage

Grantors: One-half undivided interest, First Wisconsin National Bank as personal representative for estate of George Rentschler, and one-half undivided interest of M. E. Madigan, A. J. Meier, and L. S. Meier

Grantees: John C. and Fanny Garver, owner-occupant; Art Gallery and Crafts

Tax Parcel No.: 0709-144-2707-0

Assessed value: Total \$66,400--land ^{170,200 - 61,000} \$44,600, improvements ^{109,100} \$21,800

Sales price as % of assessed value: 78% ✓ ^{200%}

Lot size: 3,350 sq. ft.

Frontage: State Street 44 feet, Johnson Street 45 feet

Zoning: C-4

Gross building area: 7,870 sq. ft.

First floor commercial gross square footage: ^{100% of lot} 3,350 plus mezzanine of 600

Second floor office footage: 3,350

Building description: Full glass show window, store front Bedford-Stone faced, concrete structural frame 2nd floor and mezzanine, 2nd floor dentist office; building in good condition

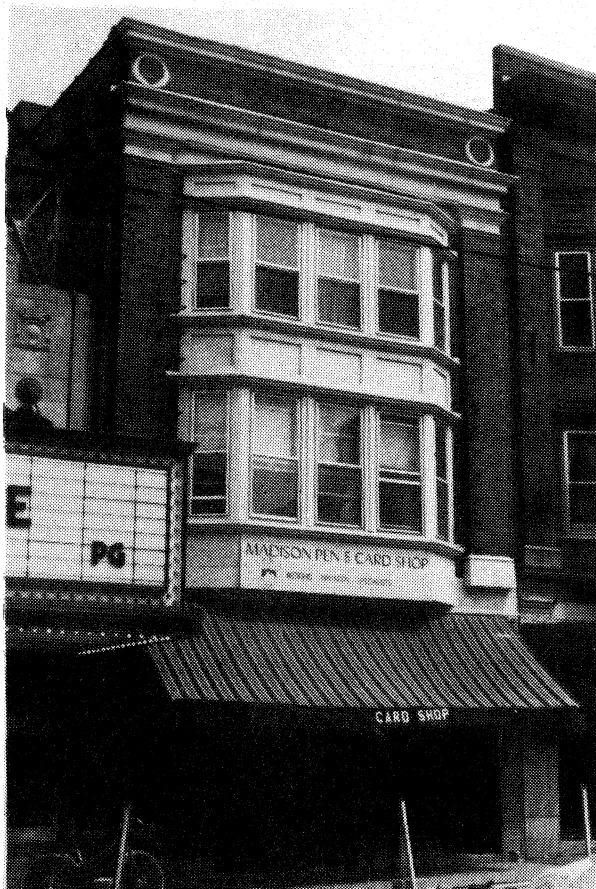
Present uses: Antiques, ethnic objects, art gallery; extensive remodeling first floor and mezzanine by new owner

Locational factors: Across State Street from Civic Center on proposed State Street Mall, 3/4 block from parking area; pedestrian count of 3,585

Available rental information: \$1.54/sq. ft. for office floor

EXHIBIT 25

COMPARABLE PROPERTY #3



214 STATE STREET

Date of sale: 1/25/76

Sale price: \$86,000, downpayment \$13,000 or 15%

Recorded: Vol. 651, p. 598, Warranty Deed

Terms of sale: Cash, 1st mortgage \$58,500, 2nd mortgage to seller \$14,500

Use at time of sale: Card shop

Grantors: Mr. and Mrs. W. D. Eck

Grantees: Mr. and Mrs. A. A. Witz

Tax Parcel No.: 0709-144-2710-3

Assessed value: Total \$65,500--land \$34,100, improvements \$31,400

Sales price as % of assessed value: 133% *131%*

Lot size: 1,475 sq. ft.

Frontage: State Street 22 feet

Zoning: C-4

Gross building area: 3,960 sq. ft.

First floor commercial gross square footage: 1,320 *~ 90% of lot size*

Other rentable square footage: 2,640

Building description: Three floors, masonry bearing wall, wood interior structure, two upper floors apartments with six studios, bay windows on State Street, full glass store front

Present uses: 1st floor is same use; 2nd and 3rd floors--3 apartments

Locational factors: Across State Street from Civic Center, 1 block from parking; pedestrian count of 3,585

Available rental information: \$4.55/sq. ft. for 1st floor

EXHIBIT 26

COMPARABLE PROPERTY #4



LEATH BUILDING, 119 STATE STREET

Date of sale: 1/15/76

Sale price: \$110,000

Recorded: Vol. 737, p. 118, Land Contract

Terms of sale: Land Contract, \$10,000 down 6% interest 4-year terms, plus
\$15,000 of capital improvements by vendee within six months of
purchase

Use at time of sale: Vacant

Grantor: First Wisconsin National Bank as trustee of M. V. O'Shea Trust

Grantees: Mr. and Mrs. N. H. Malley

Tax Parcel No.: 0709-231-0105-3

Assessed value: \$152,500 total--land \$90,200, improvements \$62,300

Sales price as % of assessed value: 72%

Lot size: 4,400 sq. ft.

Frontage: State Street 44 feet, Fairchild 44 feet

Zoning: C-4

Gross building area: 14,000 sq. ft.

First floor commercial gross square footage: 4,400 *100% of lot*

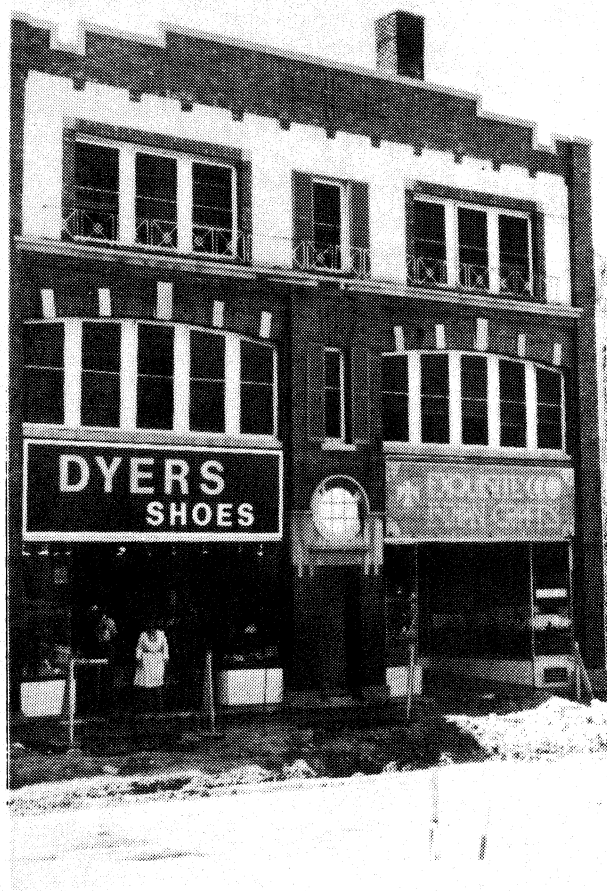
Other rentable square footage: Only 1st floor and mezzanine can be occupied
Building description: Elevator. Two-story granite store front, 60% glass
show window, top two floors used for furniture show rooms (presently
closed to avoid four-story building classifications and access and
exit requirement); brick veneer, brick mill structure

Locational factors: On proposed State Street Mall, 1 1/2 blocks from
parking; pedestrian count of 2,710

Available rental information: None

EXHIBIT 27

COMPARABLE PROPERTY #5



TANTIVOLI BUILDING, 121-123 STATE STREET

Date of sale: 1/1/75

Sale price: \$133,500

Recorded: Vol. 49, p. 400

Terms of sale: Land Contract, \$14,000 down, 8% interest, 10 year balloon

Use at time of sale: Indian craft store, shoe store

Grantor:

Grantees: Mr. and Mrs. Jensen

Tax Parcel No.: 0709-144-2508-2

Assessed value: Total \$144,800--land \$57,100, improvements \$87,700

Sales price as % of assessed value: 92%

Lot size: 4,400 sq. ft.

Frontage: State Street 48 feet, Fairchild 22 feet

Zoning: C-4

Gross building area: 13,200 sq. ft.

First floor commercial gross square footage: 4,400 *100% of lot*

Other rentable square footage: 8,800

Building description: Masonry bearing wall, wood interior structure, brick front, full glass store fronts, exterior metal fire escape to Fairchild

Present uses: 1st floor same as at time of sale with addition of small rear plant store, four apartments on 2nd and 3rd floors; both stores have 22 feet frontage on State Street

Locational factors: On proposed State Street Mall, 1 block from parking, 1 block from Civic Center; pedestrian count of 3,508

Available rental information: None

EXHIBIT 28

COMPARABLE PROPERTY #6



KARTSTENS BUILDING, 22 NORTH CARROLL

Date of sale: 1/1/76
 Sale price: \$175,000
 Recorded: Vol. 638, p. 355
 Terms of sale: Land Contract, \$15,000 down or 9%, 7 1/2% interest
 Use at time of sale: Vacant
 Grantor: Karstens, Inc.
 Grantee: Fred Mohs, local investor, for Assemblage
 Tax Parcel No.:
 Assessed value: Total \$189,300--land \$145,000, improvements \$44,300
 Sales price as % of assessed value: 92%
 Lot size: 5,800 sq. ft.
 Frontage: 44 feet
 Zoning: C-4
 Gross building area: 16,380 sq. ft.
 First floor commercial gross square footage: 5,461 *94% of Lot*
 Other rentable square footage: 10,922
 Building description: 60 years old, 43x127x3 floors, all floors sprinklered and air-conditioned, concrete structure frame and brick facade, one central stairway, exterior fire escape, fair alley access
 Present uses: Music instrument shop (20 ft frontage), jewelry store (20 ft. frontage)
 Locational factors: 2 blocks to nearest parking area, major city bus stop in front of building; pedestrian count of 3,651
 Available rental information: 2nd and 3rd floors rented to Madison Credit Bureau for \$4,440 annually, or \$1.50/sq. ft.; 1st floor \$5/sq. ft. plus utilities, tax escalator, and overage.

EXHIBIT 29

COMPARABLE PROPERTY #7



18 EAST MIFFLIN

Date of sale: 12/1/73

Sale price: \$105,000

Recorded: Vol. 485, p. 359 and 361, Land Contract

Terms of sale: Land Contract, \$20,000 down payment, 10-year term, 8% interest \$750 per mo.

Use at time of sale: Vacant

Grantors: One-half interest from each of two brothers, H. H. Ratcliff and R. V. Ratcliff

Grantee: Gerald Condon, jeweler, occupant

Tax Parcel No.: 0709-144-2407-6

Assessed value: Total \$149,900--land \$71,300, improvements, \$78,900

Sales price as % of assessed value: 70%

Lot size: 2,640 sq. ft.

Frontage: 20 feet

Zoning: C-4

Gross building area: 4,680 sq. ft.

First floor commercial gross square footage: 2,340

Other rentable square footage: 2,240 gross

Building description: Masonry bearing wall, interior wood structure

Present uses: Jewelry store, first floor; John Charles Salon, second floor

Locational factors: Located on west side of Square, 1 1/2 blocks to parking; pedestrian count of 5,603

Available rental information: None

89% of lot area

B. Most Probable Price

There has been a significant level of market activity in the purchase and sale of low-rise, retail-commercial structures adjacent to the Square and State Street in recent years. Therefore it is possible to infer from market price behavior of past transactions the probable price and range of a transaction involving the subject property and a probable buyer of the type defined above. Of course there are great differences among the properties sold in respect to their location, size, marketability, condition, and other factors. It is therefore necessary to reduce these differences to a common denominator or unit within which price comparison and patterns can be identified. Each property will be scored on a point system that is weighted for priorities of the investor developers in the current market. The total point score for each comparable sale and the subject property can then be related to one another by means of a simple linear regression line, which is a form of averaging differences by means of a least-squares fit. This simple linear regression is a statistical process for translating supply characteristics and price histories demand into a prediction of price per unit behavior in the central Madison market for small, aging commercial properties. In addition to providing a predicted price per unit as a central tendency for the subject property, it provides a means for estimating the reliability for sale/price predictions through statistical calculation of the standard error of the estimate.

C. Market Comparison Approach to Probable Price

The first step in market inference was the collection of recent comparable sales structures that were:

- On the Capitol Square or State Street in the C-4 zone
- Subject to disruption and assessment of Capitol Concourse Project
- Of ordinary construction - *meaning of term? masonry bearing walls wood frame*
- Used for retail purposes at the first-floor level

Of a dozen sales reviewed, only two were for cash; the balance required financing by the seller at 8%, with low downpayment. Thus a screen of no-cash sales was added without eliminating any retail properties except 232 State Street (Exhibit 23), a triangular property on a 1,500 sq. ft. site. Comparable sales data for six transactions qualified as above were presented in Exhibits 24-29, including photographs, verification, and such rental data as were available. Each property was then scored for key attributes thought to influence buyer behavior; the scoring system is presented in Exhibit 30. Detailed scores and totals for each sale and Simpson Building are presented in Exhibit 31.

Discussion with realtors and the spread of prices per square foot indicated that locations close to the Civic Center and State Street intersection with the Square had the most marketability. The second most important attribute was the efficiency of layout for retailing on the first floor. A 22' wide unit that could be rented or purchased by an

*228 State
Comp #2
all cash
sale to
seller*

EXHIBIT 30

SCALE FOR SCORING COMPARABLES ON MAJOR INVESTOR CONSIDERATIONS
IN MADISON C-4 ZONE

Location: (30%)	5 = Within 2 blocks of Civic Center 3 = Within 4 blocks of Civic Center but more than 2 1 = More than 4 blocks from Civic Center
Efficiency of retail layout in terms of rectangular 22' bays: (20%)	5 = Regular space with good delivery access 3 = Regular space with poor delivery access 1 = irregular space and mezzanine with poor delivery access
Marketability of 2nd & 3rd floor rentable space: (10%)	5 = Large space, large area, average rent 3 = Medium <u>sized</u> space, average rent 1 = Small space, low rent
Structural condition: (10%)	5 = Concrete structure or masonry 3 = Ordinary construction well maintained 1 = Ordinary construction poorly maintained
Remodeling required on purchase: (15%)	5 = No major improvements required 3 = Average tenant improvements 1 = Major structure and tenant modifications
Vacancy & financial condition at sale: (15%)	5 = Fully rented 3 = Partially rented 1 = Minimal rental income or vacant

owner-user without obligation to rent additional store space to others appeared to be most marketable to specialty and service shops. Rentable apartments on upper floors were somewhat more preferable than office space because apartments could be expected to produce more rent per square foot than offices without elevator access. Vacancy at the time of sale was desirable where owners purchased for use of the smaller buildings. Nevertheless, a vacant building represented a negative bargaining position and a depressing price for the seller and was therefore scored as a negative attribute. Remodeling investment, including the need to subdivide larger first-floor areas, was recognized as a negative influence on price. Structural conditions were similar because all buildings but one were of ordinary construction with varying levels of maintenance.

The lowest weighted score was given to the Leath Building, which has an irregular first floor, two stories in the front, and a mezzanine to the rear. In addition, the building is classified as four stories so that building codes prevent use of all of the third and fourth floors

EXHIBIT 31

WEIGHTED MATRIX FOR COMPARABLE PROPERTIES

Feature	Weight	Rating/Weighted Ratings						
		<i>Garner</i> 228-230 State	214 State	119 State	121-123 State	<i>Karsten's</i> 22 N. Carroll	<i>Condon</i> 18 E. Mifflin	Simpson Building
Location	.30	5/1.5	5/1.5	5/1.5	5/1.5	3/.9	3/.9	3/.9
Efficiency of retail layout	.20	3/.6	5/1.0	1/.2	3/.6	3/.6	5/1.0	3/.6 <i>4/.2</i>
Marketability of 2nd & 3rd floor rentable space	.10	3/.3	3/.3	0/.0	5/.5	5/.5	3/.3	5/.5 <i>3/.3</i>
Structural condition	.10	<i>5/.5</i>	3/.3	1/.1	3/.3	<i>5/.5</i>	3/.3	<i>4/.1</i> <i>1/.1</i>
Remodeling required on purchase	.15	1/.15	5/.75	1/.15	5/.75	1/.15	5/.75	1/.15
Vacancy & financial condition at sale	.15	1/.15	5/.75	1/.15	3/.45	3/.45	5/.75	1/.15
Total weighted score		3.2	4.6	2.1	4.1	3.1	4.0	<i>2.6</i> <i>2.2</i>
Selling price		\$133,000	\$86,000	\$110,000	\$133,500	\$175,000	\$105,000	NA
1st-floor retail GLA (sq. ft.)		3,950	1,320	4,400	4,400	5,460	2,340	<i>6,880</i> <i>5,170</i>
Price per sq. ft. of 1st-floor retail GLA		\$33.67	\$65.15	\$25.00	\$30.34	\$32.05	\$44.87	<i>21.98</i> NA

without prohibitive expense to meet fire codes. The subject property received the second lowest weighted score because it was farthest from the Civic Center; it represents the largest of the vacant spaces, and its condition and remodeling necessities are negative. *not good reason* → *Karlens as larger GLA*

Because the principal source of revenue was first-floor retail, the best unit of comparison was the estimated square footage of gross leasable area (GLA) for first-floor retail, the real income power of this type of building. Therefore purchase prices were divided by square foot retail GLA for each property. In order to relate the weighted score of each property to its actual marketability, this dollar/sq. ft. figure was used as a basis for a linear regression analysis. There was insufficient evidence to support a suspicion that increasing vacancies on the Square and skepticism about the Concourse Mall's design was causing the most recent prices to be somewhat lower than transactions only a year earlier. Because of the soft market no adjustment was made for time. Computation of the linear regression coefficients, the price prediction for the subject property, and the standard error of the estimate have been provided in Exhibit 32.

34.13% *+1 standard deviation*
 $\frac{2}{68.26}$ The market comparison price estimate for the subject property is therefore \$140,000 with a standard error of the estimate of \$51,000 and a 66% confidence interval or a suggested price range of \$90,000 to \$190,000. This initial conclusion must be considered in light of certain external factors and then tested to see if the probable selling price estimate would provide acceptable yield from income and appreciation when related to the most probable use, total cost to the most probable buyer, and typical financing.

D. External Influence on Most Probable Price

The estimate based on GLA for the subject property recognizes the existing income potential, while the weighted score assumes that the second and third floors can be made to conform with fire codes and at the same time converted to rentable area as described in analysis of most probable use. Realization of this rentable area depends on more detailed engineering analysis than is appropriate for an appraiser as well as considerable cash investment in remodeling. Both of these factors represent significant risks to the buyer. He will therefore wish to purchase the property at a price that could be carried by the rental of the first floor alone, with his expectations of real appreciation largely dependent on development of the upper stories in a second phase of operations. This logic suggests negotiation for a price in the lower range below central tendency assuming full development of the upper floors.

The seller desires cash in order to avoid future default on maturing mortgages and the possibility that default on a land contract might once again burden the seller with the carrying charges estimated in Exhibit 1. All but one of the comparable sales required some amount of financing by the seller. The seller of the subject property will need to

EXHIBIT 32

COMPUTATION OF LEAST SQUARES FIT OF SALES PRICE AND PROPERTY SCORE

Property	Price "y"	Score "x"	xy	y ²	x ²
1. 228 State	33.67	3.20	107.74	1133.7	10.24
2. 214 State	65.15	4.70	306.21	4244.5	22.09
3. 125 State	25.00	2.10	52.50	625.0	4.41
4. 121 State	30.34	4.10	124.39	920.5	16.81
5. N. Carroll	32.05	3.10	99.36	1027.2	9.61
6. E. Mifflin	44.87	4.00	179.48	2013.3	16.00
Total	231.08	21.20	869.68	9964.2	79.16
Mean \bar{X} & \bar{Y}	38.51	3.53			
Less mean \times sum	$\Sigma xy - n \bar{X} \bar{Y} = \Sigma xy$		815.71	8898.89	74.84
Equals adjusted sum			53.97	1065.31	4.32
or			Σxy	Σy^2	Σx^2

$$\bar{Y} = a + b\bar{X}$$

\bar{Y} = predicted price/sq. ft. of GLA

a = intercept

b = slope of price point relationship

$$b = \frac{\Sigma xy}{\Sigma x^2} = \frac{53.97}{4.32} = 12.49$$

$$a = \bar{Y} - b\bar{X} = 38.51 - 12.49(3.53) = -5.58$$

Price/sq. ft. retail GLA = $-5.58 + 12.49(2.6)$ or \$26.89

5,170 sq. ft. \times 26.89 = \$139,041, or \$140,000

Standard error of estimate = $\frac{185,165}{150,044} = 1.23$

$$\sqrt{\frac{\Sigma y^2 - b \Sigma xy}{n - 2}}$$

$$\sqrt{\frac{1065.31 - 12.49(53.97)}{6 - 2}}$$

$$\sqrt{97.18} \text{ or } \$9.89 \text{ standard error}$$

High estimate: $5,170 \times (26.89 + 9.89) = \$190,152$ or \$190,000
36.78

Low estimate: $5,170 \times (26.89 - 9.89) = \$87,890$ or \$90,000
17.00

concede something in price to achieve a cash sale, and that factor, apparent to any potential purchaser, will also shift the probable purchase price to the central tendency and far below the upper range in price.

For this reason the appraiser has taken the central tendency of \$140,000 to be the upper range of sales price. However, the lower end of the range (\$90,000) is less than the mortgage balances due, brokerage commissions, and other sales transaction costs. Therefore, the appraiser assumes that the minimum acceptable price would be \$110,000. Thus the most probable price of \$125,000 will be within a range of \$110,000 to \$140,000. This preliminary conclusion must then be tested for its consistency with simple investment criteria.

E. Tests of Preliminary Most Probable Price Determination

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

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

1. Minimum Rent Required

If the probable investor paid \$125,000 for the Simpson Building as is, spent \$175,000 remodeling as the minimum budget estimated in Scenario 5 (Appendix D), and invested a minimum of \$40,000 in contingencies, holding costs, and so forth during the remodeling period, he would have a total investment of \$340,000 in the property. Under the most favorable financing assumptions, without loans from the seller, he might receive a 70% loan of \$240,000 at 9% interest for 20 years, which would require a cash equity of an additional \$100,000. Exhibit 33 shows the conversion of these capital requirements to required net income. This required income, when added to other cash requirements, reveals that the minimum gross rents required would be \$58,876, almost \$6,500 more than the gross rents expected in Scenario 5 (\$52,390). This deficit would come out of the desired cash dividend to equity of \$8,000 and would leave the equity investor with virtually no cash-flow and dependent entirely on future appreciation in the resale value of the investment. At the same time the default point of the project would be at 86% of \$58,876, a cash breakeven level that would be risky if the investor were able to generate \$58,000 in rents. It is an unacceptable 90% of the gross rents expected (\$52,400)

EXHIBIT 33

MARKET RENTS REQUIRED BY MOST PROBABLE PURCHASE PRICE OF \$125,000

Capital Budget

Probable purchase price of Simpson Building	\$125,000
Minimum remodeling budget (Scenario 5)	175,000
Total capital investment	\$300,000
Working capital and contingencies	40,000
Total investment	\$340,000
Minus mortgage at a ratio of 70%	240,000
Total cash equity required	\$100,000

Operating Budget

Annual debt service on \$240,000 mortgage (.107963 mortgage constant for 20 yr. 9% mo. payment)	\$ 25,911
Plus cash on cash (\$100,000 equity) of 8%	8,000
Total net operating income required	\$ 33,911
Plus: <i>Debt cover ratio 1.3</i>	

Real estate taxes (36 mills on \$300,000)	\$10,800
Special assessment (annual 10-yr. payment)	2,765
Operating expenses	7,860
Vacancy allowance	3,540

*what about reserve for contingencies *1000?*

NOI = 26,425

*21,425
25,911
47,336*

24,965

Total minimum gross rents required

\$ 58,876

Minus gross rents expected in Scenario 5

52,390

Equals deficit out of equity dividend

\$ 6,486

* includes vacancy allowance -
to determine equity cash & cash
reserves

Default point: 86% of \$58,876

$$25,911 + (24,965 - 3540) = 80\%$$

38,876 initial income 52,390

*vacancy - 3540 = 3540
reserves - 1000 = 1000
cash on cash 8000
72,540*

∴ .989 + %

*of gross go out
to pay expenses*

*op. exp 7860
debt 12800
gross out 2765
debt 25,911
47,336*

52,390

.9035

*leaves .011 return on equity
cash + cash
better so to savings = loan in equity!*

because the slightest increase in expenses or loss of revenues would tip the project into the red. The question is then: What minimum amount of appreciation is required to justify this high-risk investment over a five-year term?

2. Price and Required Appreciation

The investor in the subject property will be seeking enough income to justify remodeling and carry the required mortgage debt while waiting for capital appreciation. The investor assumes that he is buying at the bottom of the market and that public investment in the Concourse and central business area will create new value in the area and the Simpson Building. The question is how much appreciation is necessary in a five-year forecast to justify purchase and remodeling costs, assuming an investor will pursue Scenario 5, the assumption on which most probable price was forecast. Is the predicted sales price compatible with reasonable expectation of appreciation?

NOT - Gross -

The Ellwood equation, which relates net income^{to} purchase price at an overall capitalization rate, is useful in isolating the possible appreciation rate as a percentage of original purchase price necessary to provide a desired minimum investor return given a certain debt structure. The calculations in Exhibit 33 show that, if the investor were to receive an 8% cash dividend, the total net operating income would be \$33,900 and the total gross rent would be \$58,900. These incomes are higher than the \$28,800 that could be expected from market level rents in Scenario 5. This more realistic net income is used in Exhibit 34 to suggest that the property would have to appreciate more than 26% in five years above the total acquisition cost of \$340,000 if it were to provide a 20% return to equity before taxes. The total increase in value is the equivalent of more than 5% per year compounded appreciation following completion of building renovation. That increment is possible, assuming that completion of the Concourse Mall project succeeds in restoring pedestrian shopping along the Square and tenants are found who can retail profitably to the State employees and other office workers in the Square area. Appreciation ultimately depends on increasing net income in spite of continued increases in heating costs, real estate taxes, and maintenance. A pre-tax yield of 20% would be significantly modified and reduced by the impact of federal income and capital gains taxes. High interest charges and depreciation available from remodeling and older structures with short useful lives could provide some intermediate income tax relief for the investor, but capital gains taxes would take as much as 1/3 of the anticipated capital gain.

3. Federal Income Tax and After-Tax Yield

A real estate investment of this proposed magnitude is always affected by the Federal income tax. Assuming that the probable investor or members of the investment syndicate have a marginal income tax rate of 30% and would pay taxes of 35% of the capital gain in excess of \$50,000, it is useful to test the proposed total investment of \$340,000 with a

EXHIBIT 34

APPRECIATION REQUIRED FOR SUBJECT PROPERTY PURCHASED AT ALTERNATIVE PRICES
NECESSARY TO PROVIDE 20% RETURN TO EQUITY OVER 5 YEARS

$$V = \frac{\text{NOI}}{Y - \text{MC} + \text{Dep/App} \left(\frac{1}{S_{\overline{n}|i}} \right)}$$

where:

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

Y = equity yield before income tax,

M = mortgage loan-to-value ratio,

C = mortgage coefficient,

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

$$\frac{1}{S_{\overline{n}|i}} = \text{the sinking factor.}$$

yield rate holding period

Example: Appendix Scenario 5, purchase price \$125,000

$$V = \$125,000 + \$175,000 + \$40,000 = \$340,000$$

$$\text{NOI} = \$28,795, \text{ or } \$28,800$$

$$Y = .20$$

$$M = .70$$

$$C = .107203$$

$$\frac{1}{S_{\overline{n}|i}} = .134379$$

yet most probable price based upon 20% down, 10 year term 8% interest

$$\$340,000 = \frac{28,800}{.20 - .7(.107203) - \text{App}(.134379)}$$

$$\$340,000 = \frac{28,800}{.20 - (.08) - \text{App}(.134379)}$$

$$\frac{340,000}{28,800} = \frac{1}{.12 - (\text{App} \times .134379)}$$

$$\frac{28,800}{340,000} = .12 - (\text{App} \times .134379)$$

$$.08471 = .12 - (\text{App} \times .134379)$$

$$.03529 = -(\text{App} \times .134379)$$

$$\frac{.03529}{.134379} = \text{App}$$

% App = 26.2% or better than 5% per year compounded

3(X) = 6

simple after-tax cash-flow model designed for appraisers. The selected model is known as BFCF and is found in the library of programs provided by EDUCARE Network, Inc. on GE Time Sharing Service. A simple program, it assumes that there is only one depreciable asset, determined to be in this case 60% of total investment of \$340,000. The balance of value is attributable to land; the average useful life of the improvements ^{is} about 25 years. Income is assumed to increase 5% per annum from a \$28,800 base in the first year of normal operations. The detail provided in Exhibit 35 reproduces the computer input and output components.

The significant conclusion is that the after-tax yield under these assumptions would approach 17% a year, an acceptable yield when it is considered that higher quality tax-exempt bonds would provide at least a 6.5% yield. Indeed, many real estate equity investment trusts are providing annual cash dividends of 8% or 9% per year, partially sheltered and seldom dependent on the need for significant asset appreciation in a five-year span on a location of marginal merit. Therefore it seems unlikely that investors would pay more than \$125,000 since cash dividends would be a marginal 3% although satisfactory investment returns might be obtainable at that price if values appreciate at 5% per annum. The most probable price of \$125,000, however, does pass the minimum tests of a marginal, risk investment for capital gains in a five-year holding period.

EXHIBIT 35

AFTER TAX CASH FLOW PROJECTION
ANALYSIS BY JAMES A. GRAASKAMP

07/20/77

DATA SUMMARY

VALUE:	\$ 340000	MTG. AMT.:	\$ 238000
NOI 1ST YR:	\$ 28800	MTG. INT.:	9. %
ORG. EQUITY:	\$ 102000	MTG. TERM:	20 YRS
IMP. VALUE:	\$ 204000	MTG. CONST.:	0.107967
INC. TAX RATE:	30. %	IMP. LIFE:	25 YRS
SALE YR RATE:	35. %	OWNER:	INDIVIDUAL

YEAR	CASH FLOW	MTG. AMORTZ	BOOK DEP.	TAXABLE INCOME	INCOME TAX	AFTER TAX CASH FLOW
1	3104	4457	8160	-600	-181	3285
2	3970	4875	8160	685	206	3764
3	4858	5332	8160	2030	609	4249
4	5774	5832	8160	3446	1034	4740
5	6719	6379	8160	4938	1481	5238
	-----	-----	-----	-----	-----	-----
	\$ 24425	\$ 26875	\$ 40800	\$ 10499	\$ 3149	\$ 21276

DEP. METHOD: STRAIGHT LINE

1ST YR EQ. DIV: 3.04314 %

SALE PRICE	\$430,000
BASIS	299,200
CAPITAL GAINS	130,800
CAP GAINS TAX	22,890
EXCESS DEP TAX	0
MORTGAGE BALANCE	211,125

AFTER TAX EQ REV	\$195,984

IF PURCHASED AS ABOVE, HELD 5 YEARS & SOLD FOR \$ 430000 THEN
I.R.R. IS 19.9006 % BEFORE TAXES: 17.1257 % AFTER TAXES.

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

MODE: ? Q
READY

EXHIBIT 35--Continued

proceed output

USED 2.67 UNITS

/BFCF

VER 6/27/76

BFCF IS THE PROPERTY OF BENEDICT J FREDERICK JR. MAI, SRPA

1. ENTER PROJECT NAME? ANALYSIS BY JAMES A. GRAASKAMP
2. PROJECTION PERIOD:? 5
TO REPEAT PREV YRS NOI FOR BAL OF PROJ ENTER 0
3. ENTER N.O.I.:
? 28800,29666,30554,31470,32415
4. VALUE:? 340000
5. MTG. RATIO, INT., TERM & NO. PAY/YR:
? .70,.09,20,12
6. IMP./TOTAL VALUE RATIO & IMP. LIFE:? .60,25
7. DEPRECIATION METHOD? 1
IS OWNER A TAXABLE CORPORATION, Y OR N? N
8. ORDINARY INCOME TAX BRACKET & BRACKET IN YR OF SALE:? .30,.35
9. RESALE PRICE:? 430000 *(using Ellwood)*

I.R.R. BEFORE TAXES IS 19.9006 %.

AFTER TAX I.R.R. IS 17.1257 %.

MODE:? P

*same
problem -
last used
different
terms than
conclusion*

V. APPRAISAL CONCLUSIONS AND LIMITING CONDITIONS

A. Value Conclusion

An appropriate benchmark for the listing and negotiation of the subject property can be derived from Ratcliff's "most probable selling price" definition of value:

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

In order to comply with this definition, we have determined that the market transactions in the Capitol Concourse area have been predominantly on land contract, with a 10% to 15% downpayment, 8% interest, 5-10 year terms, and a balloon payment to be refinanced upon the completion of the Concourse and a return to normal access by sidewalk and vehicle following the construction of the Mall.

On this basis, the conclusion is that the most probable selling price is \$125,000 as a land contract, with terms of 20% down and 8% interest. A buyer might possibly pay as much as \$140,000 if the terms were sufficiently attractive. In this situation, however, the owner prefers cash, and therefore, because of existing mortgages and obligations, he will probably be forced to settle for little more than \$110,000. Obviously, the broker's fee of at least \$7,000 would be preferable to the holding costs of more than \$2,000 a month (Exhibit 1).¹

We therefore conclude that THE MOST PROBABLY PRICE OF A SALE ON TERMS IS \$125,000 WITH AN UPPER RANGE OF \$140,000; A CASH SALE WOULD TEND TO BE NEARER THE BOTTOM OF THE RANGE AT \$110,000.

B. Statement of Limiting Conditions

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

1. Contributions of other professionals

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

¹Supra, p. 1.

- The appraiser did not conduct any engineering analysis of the structural soundness of existing buildings or of their mechanical systems.
- There were no accounting records of monthly operating costs or repair investments except for miscellaneous journal sheets found abandoned in the basement. Therefore expenses are estimated to be appropriate for skillful management of the property but are not represented to be historically based.
- Because no legal advice was available, the appraiser assumes no responsibility for legal matters. The appraiser has assumed that existing nonconformity with fire codes will prevent occupancy of building by a new owner.

2. Facts and forecasting under conditions of uncertainty

- Information furnished by others in this report, while believed to be reliable, is in no sense guaranteed by this appraiser. Although before-tax arithmetic of BFCF model has been handchecked for accuracy, no guarantee of program infallibility can be made by EDUCARE Network, Inc., or by the appraiser.
- All information furnished regarding property for sale, rental, financing, or projections of income and expense is from sources deemed reliable. No warranty or representation is made as to 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 subject to grave conditions of economic uncertainty due to city plans for modifying the Capitol Concourse and the current depression in retail sales levels for many retailers on the Square.

3. Assumptions applied by the client

The client has provided no direct information as to constraints or purposes; the appraisal was permitted as a graduate class problem by a local property agent for an absentee owner. No fees were paid and all information was collected by graduate students from publicly available sources; inferences are entirely those of the 856 appraisal class of the fall semester, 1976, at the University of Wisconsin as part of a classroom field problem. It was not possible to inspect interiors of comparable sales.

4. 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 regarding the valuation conclusions and the identity of the appraiser, of the firm with which he is connected, or any of his associates.

~~VII~~
VIX. CERTIFICATION OF INDEPENDENT APPRAISAL JUDGMENT

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

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

ONE HUNDRED TWENTY-FIVE THOUSAND DOLLARS (\$125,000)

assuming that the seller provides terms of 20% down, 8% interest, and a 10-year term land contract. A cash transaction would range as low as \$110,000; more liberal terms could lead to a price as high as \$140,000.

James A. Graaskamp, SREA, CRE

Date

APPENDICES

APPENDIX A

TABLE 1

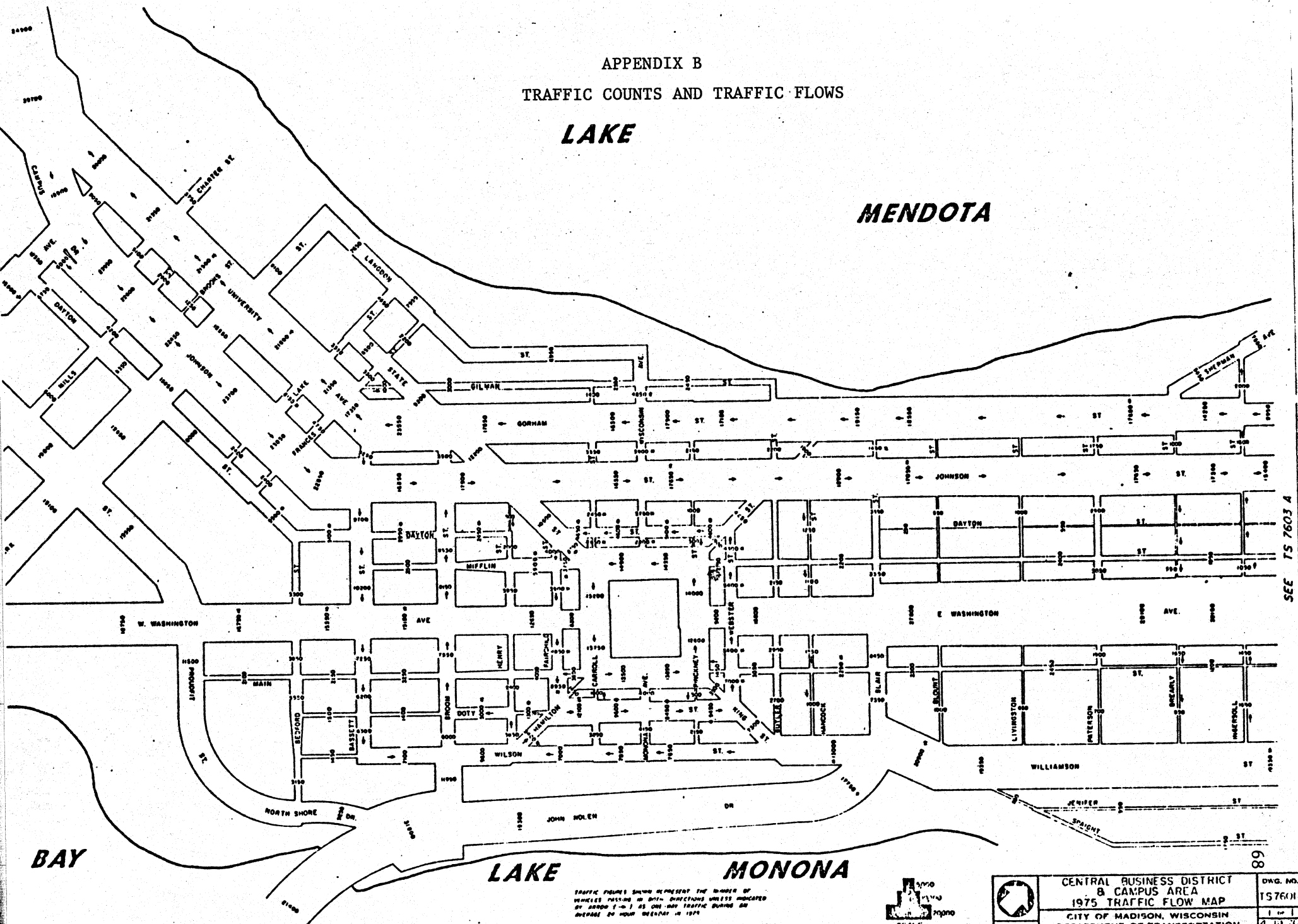
MORTGAGE DATA: 23-25 NORTH PINCKNEY STREET

Doc. #	Inst.	Vol.	P.	Date	Comment
1474241	Assign. Mtg.	692	326	6-8-76	Exchange National Bank of Tampa Vol. 961 p. 359 and Vol. 663 p. 220
1472232	Assing. Mtg.	687	399	5-7-76	Exchange National Bank of Tampa Vol. 961 p. 359
1462546	2nd Mtg.	663	220	2-23-76	First National Bank of Madison \$67,263.34 NW 44 ft.
1273409	Mortgage	202	331	9-18-76	Anchor Savings & Loan \$75,000.00 NW 44 ft.
1012936	Mortgage	961	359	10-31-60	First National Bank of Madison \$100,000.00 SE 22 ft.

APPENDIX B
TRAFFIC COUNTS AND TRAFFIC FLOWS

LAKE

MENDOTA



SEE TS 7603 4

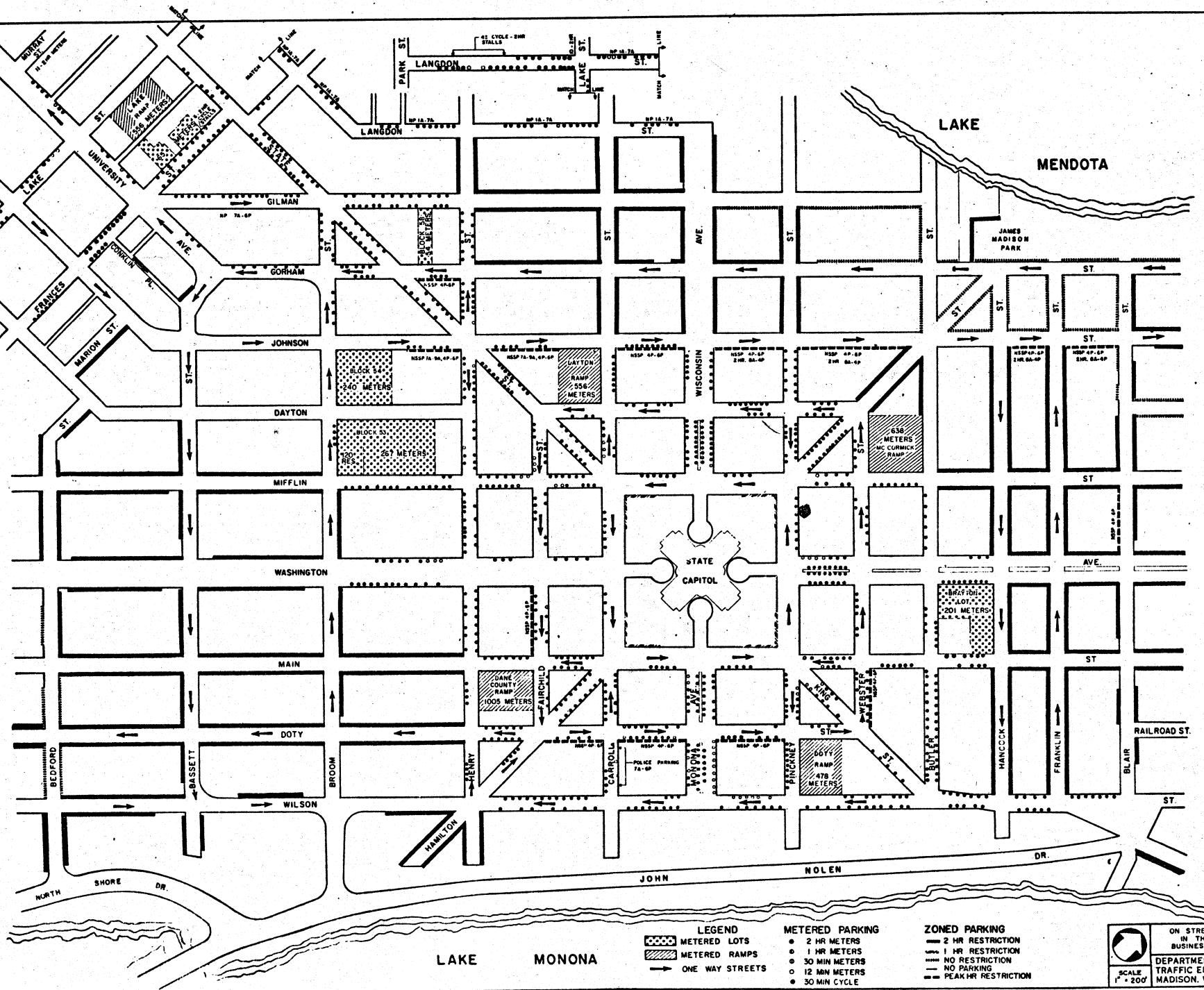
89

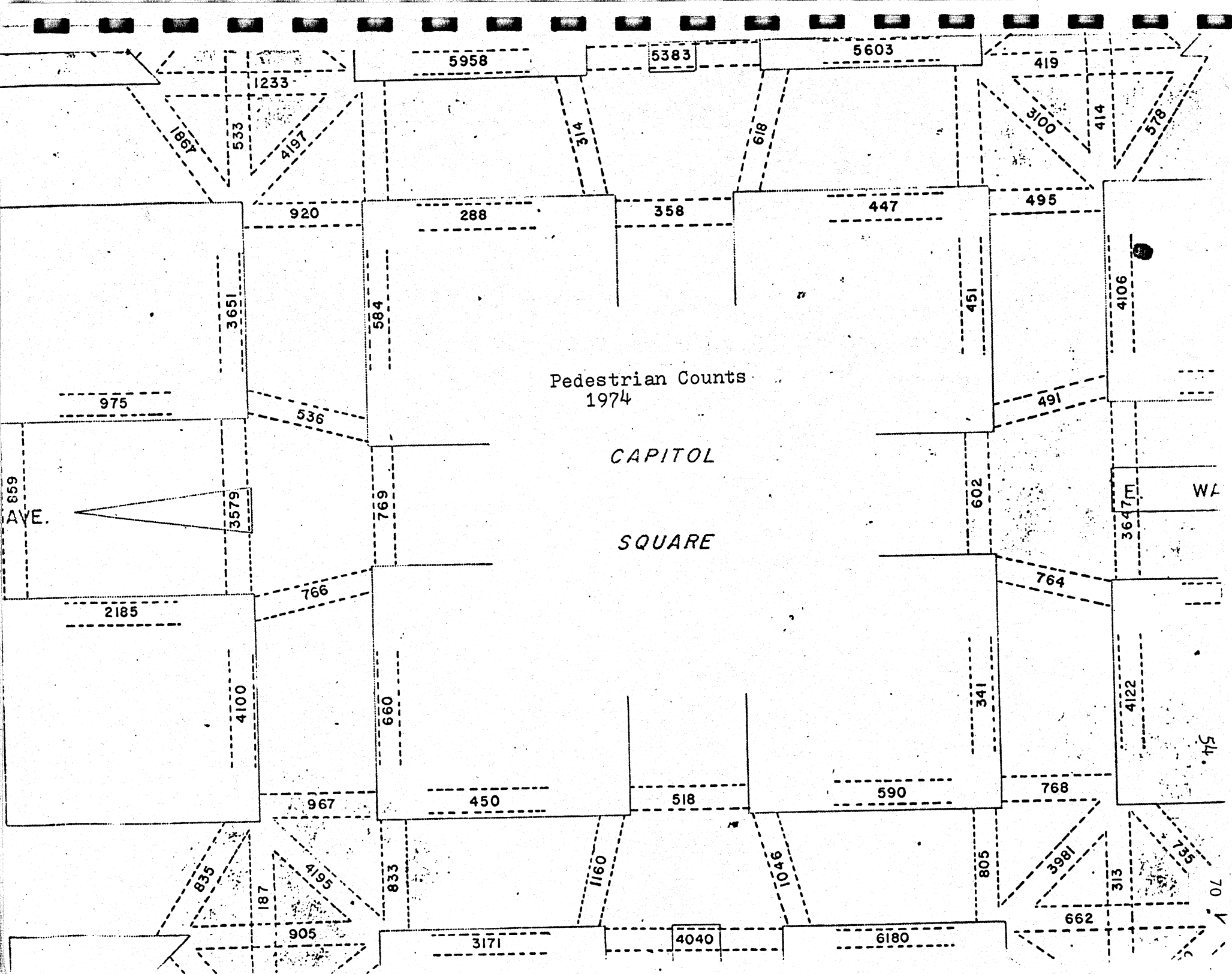
TRAFFIC FIGURES SHOWN REPRESENT THE NUMBER OF VEHICLES PASSING IN BOTH DIRECTIONS UNLESS INDICATED BY ARROW (→) AS ONE-WAY TRAFFIC DURING AN AVERAGE 24 HOUR PERIOD IN 1975

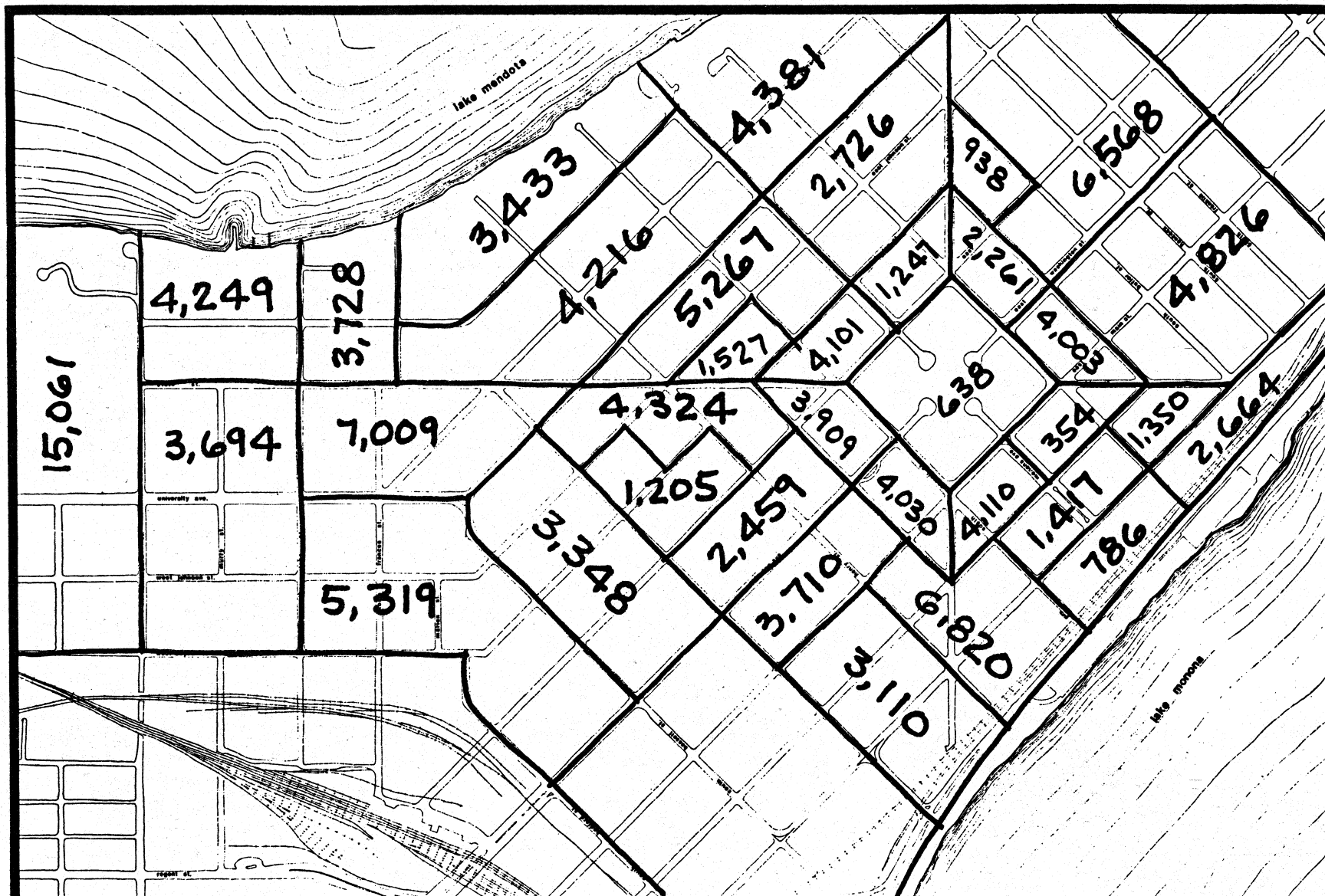
© COURT AFFECTED BY DETOUR OR CONSTRUCTION IN AREA



<p>SCALE NOTED</p>	CENTRAL BUSINESS DISTRICT B CAMPUS AREA 1975 TRAFFIC FLOW MAP		DWG. NO. TS7601
	CITY OF MADISON, WISCONSIN DEPARTMENT OF TRANSPORTATION		1 of 1
	DIVISION OF TRAFFIC ENGINEERING		4-11-75
			J E L





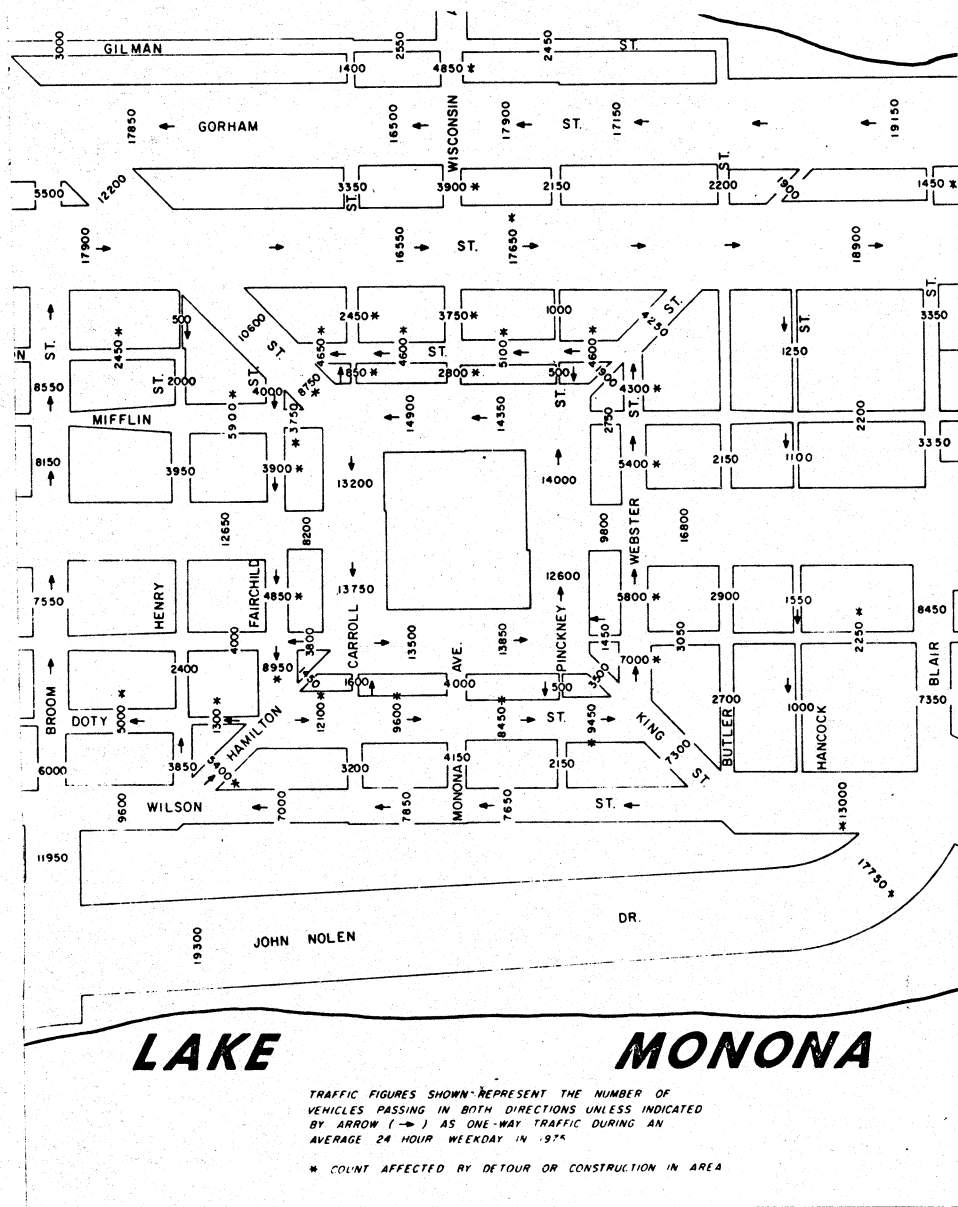


MADISON DESIGN PLAN
STATE STREET MALL
CAPITOL CONCOURSE

LEGEND:

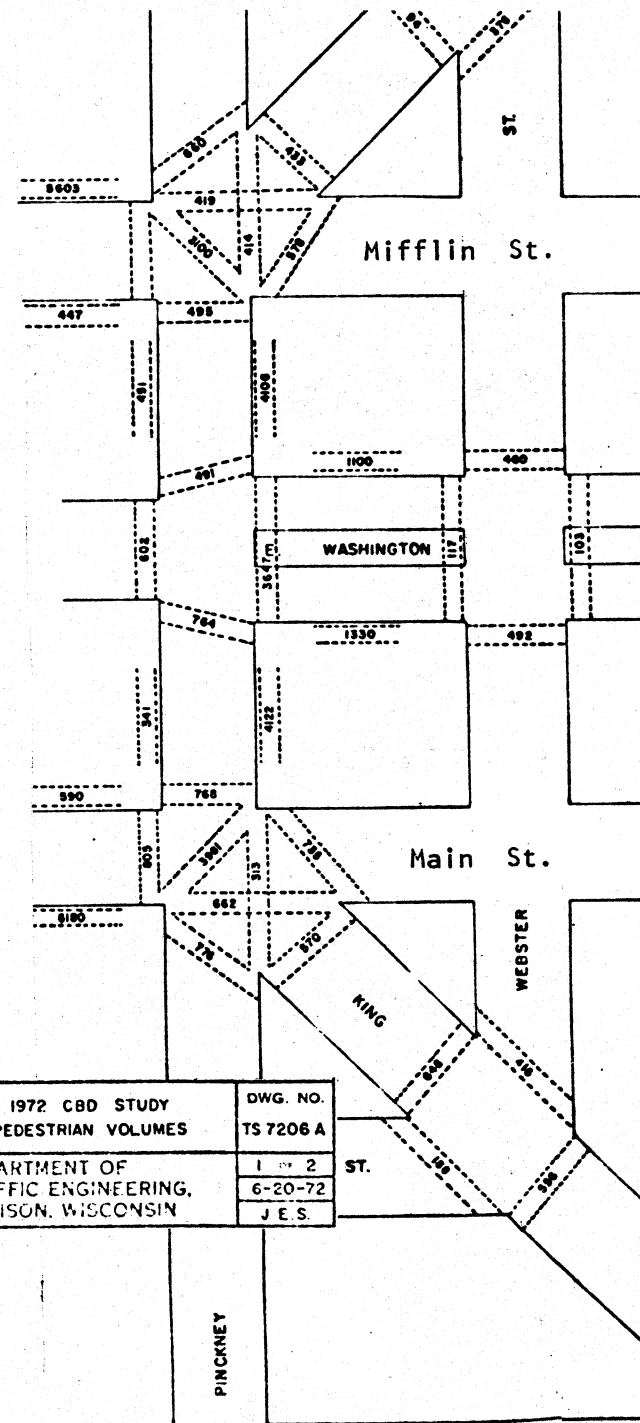
VEHICLE TRIP ENDS

figure: 14

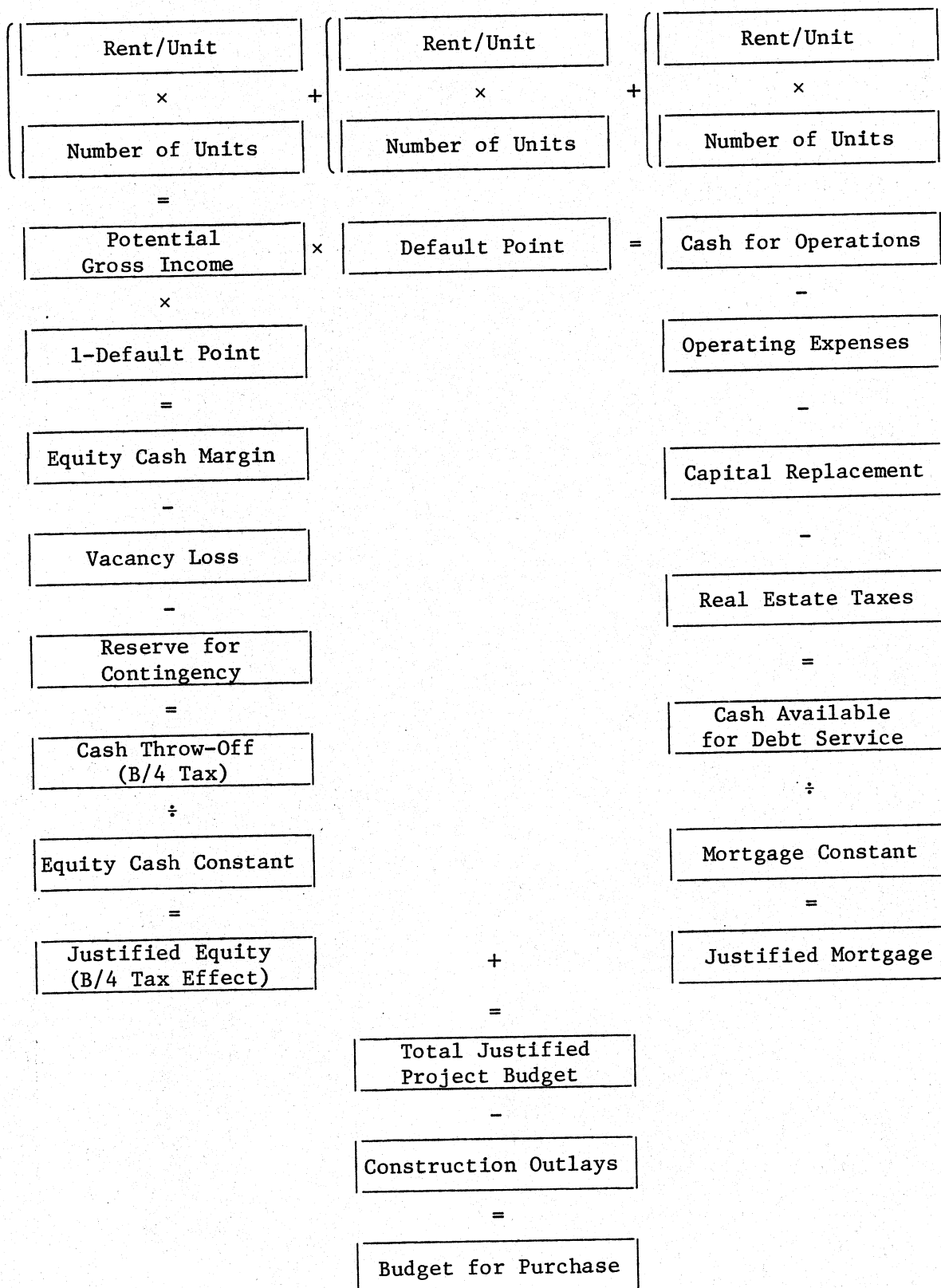


	CENTRAL BUSINESS DISTRICT & CAMPUS AREA		DWG. NO.
	1975 TRAFFIC FLOW MAP		TS7601
	CITY OF MADISON, WISCONSIN		1 OF 1
	DEPARTMENT OF TRANSPORTATION		4-19-76
SCALE NOTED	DIVISION OF TRAFFIC ENGINEERING		J.E.L.

	1972 CBD STUDY		DWG. NO.
	PEDESTRIAN VOLUMES		TS 7206 A
	DEPARTMENT OF		1 OF 2
	TRAFFIC ENGINEERING,		6-20-72
SCALE NONE	MADISON, WISCONSIN		J.E.S.



APPENDIX C: SCENARIOS 1-5

BASIC MODEL FOR RANKING ALTERNATIVE PROGRAM SCENARIOS BY JUSTIFIED
PURCHASED BUDGET

SCENARIO 1

DEMOLITION OF BUILDING FOR PARKING LOT

1. PROGRAM:

Demolish entire building
Provide leased parking for nearby businesses

2. REVENUE UNITS:

18 self-service stalls

3. CAPITAL OUTLAYS:

Demolition: 200,000 cu. ft.^a @ \$.10/cu. ft.
Surfacing and striping: 7,920 sq. ft. @ \$1/sq. ft.
Screening wall and plantings

\$20,000^b

7,920

3,960

\$31,880

Total

4. POTENTIAL ANNUAL INCOME:

18 stalls @ \$30/mo.

\$ 6,480

Vacancy losses: \$270 (based on 9 rental units for 1 mo.)

5. PROJECTED ANNUAL EXPENSES:

Real estate tax (based on 80% of present assessment
of land value)

\$ 3,000

Mall assessment (based on amortization over 10 years
@ 8%)

2,765

Operating expenses @ \$5/mo./stall

1,080

\$ 6,845

Total

6. TERMS OF FINANCING:

20 yr., 9%, mortgage constant coefficient = .107963

^aRounded from 188,364 cu. ft. - why not same as cu. ft. calculated on p. 23

^bIncludes wrecking building to 3 ft. below grade level, removal of debris, and filling in with gravel.

SCENARIO 1

DEMOLITION OF BUILDING FOR PARKING LOT

R/U \$30/month/stall		R/U		R/U	
×		×		×	
N/U 12 × 18		N/U		N/U	
=					
GI 6,480	×	DP .85	=	Cash 5,508	
×				-	
1-DP .15				OE 1,080	
=				-	
ECM 972				CR 2,765	
-				-	
VAC 270				RET 3,000	
-				=	
RES 0				CDS -1,337	
=				÷	
CT 702				MC .107963	
÷				=	
EC .06				JM -12,380	
=					
JE 11,700		+			
		=			
		JPB -680			
		-			
		CO 31,880			
		=			
		BP -32,560			

SCENARIO 2
NEW CONSTRUCTION

1. PROGRAM:

Construct 3-story commercial property (no basement).

2. REVENUE UNITS:

1st floor (66' x 66'): 3 retail stores (20' x 66')
2nd and 3rd floors: 8 offices (7,400 sq. ft. GLA)
Ten parking stalls

3. CAPITAL OUTLAYS:

Demolition (200,000 cu. ft. @ \$.10/cu. ft.)	\$ 20,000
Construction:	
1st floor (4,356 sq. ft. @ \$30/sq. ft.)	130,680
2nd & 3rd floors (4,356 x 2 = 8,712 sq. ft. @ \$30/sq. ft.)	261,360
Parking (3,564 sq. ft. @ \$1.50/sq. ft.)	<u>5,346</u>
Total	\$417,386

4. POTENTIAL ANNUAL INCOME:

Retail stores (3,960 sq. ft. @ \$5.50/sq. ft.)	\$ 21,780 ^a
Office space (4,356 sq. ft. x 2 [floors] x .85 [usable space] ≈ 7,400 GLA @ \$8)	59,200 ^b
10 parking stalls @ \$240/yr.	<u>2,400</u>
Total	\$ 83,380
Vacancy losses: <i>1320 (20x60)</i>	
1 store for 3 mo.: 1815 sq. ft. @ \$5.50 x .25 = \$2,495	
or <i>5500</i>	
1 store for 6 mo.: 740 sq. ft. @ \$8 x .5 = \$2,960	
	<u>\$ 5,455</u>

5. PROJECTED ANNUAL EXPENSES:

Real estate tax: 18% of gross rent	\$ 15,000
Operating expenses: 11,360 sq. ft. @ \$2/sq. ft. Total	<u>22,720</u>
<i>or Parking \$/stall/mo 18 15% gross</i>	
Total Special Assessment <i>12,057</i>	\$ 37,720
	<u>7,2765</u>
	<u>40,485</u>

6. TERMS OF FINANCING:

20 yr., 9% interest, mo. payment loan, within default point of 80%, mortgage constant = .107963.

^a Tenant provides utilities and interior maintenance.

^b Tenant provides own utilities; landlord provides washrooms, elevator, and corridor maintenance.

if op exp 15% of gross rent see scenario 2

SCENARIO 2

NEW CONSTRUCTION

R/U retail \$5.50/sq.ft.		R/U office \$8/sq.ft.		R/U parking stalls \$20/mo.
x	+	x	+	x
N/U 3,960 GLA		N/U 7,400 GLA		N/U 10 stalls
=				
GI 83,380	x	DP .80	=	Cash 66,704
x				-
1-DP .20				OE 22,720 12057
=				-
ECM 16,676				CR 2,765
-				-
VAC 4,775 5455 *				RET 15,000
-				=
RES 2,250				CDS 26,219
=				÷
CT 9,651				MC .107963
÷				=
EC .08				JM 242,851
=				
JE 120,600			+	
			=	
		JPB 363,451		458,049
		-		
		CO 417,406		
		=		
		BP -53,995		440,643

337,449

SCENARIO 3

MINIMUM REMOVATION

1. PROGRAM:

Renovation of first floor only
 Demolition of rear one-story wing to ease delivery and parking

2. REVENUE UNITS:

2 retail units (20' x 80')
 1 retail unit (20' x 75')

3. CAPITAL OUTLAYS:

Demolition:

Rear 1- and 2-story wing (20' x 22' x 14') @ \$1/cu. ft. \$ 6,160
 Sidewalk vaults 400

Construction:

New roof (2,420 sq. ft. + 1,760 sq. ft. + 1,650 sq. ft.
 - 880 sq. ft. * 5,000 sq. ft.) @ \$125/100 sq. ft. 6,250
 3 new storefront entrances (salvage existing plate glass) 4,800
 2-hr. enclosure of boiler rooms 1,300
 2 4-hr. boiler room doors @ \$350 700
 2 fire stairs to basement @ \$1,600 3,200
 3 washrooms @ \$2,500 7,500
 Preparation of retail spaces for tenant improvement
 (4,750 sq. ft. @ \$2) 9,500
 1 4-hr. party wall on 1st floor 1,200
 1-hr. basement ceiling finish (6,000 sq. ft. @ \$.75/sq. ft.) 4,500
 3 new rear doors @ \$350 1,050
 Bricking-in of existing party wall (18' x 8' @ \$4) 600

Total

\$47,160

4. POTENTIAL ANNUAL INCOME:

4,500 GLA @ \$5.50/sq. ft. \$24,750
 Vacancy losses: 1 store vacant 3 months (\$2,060)

5. PROJECTED ANNUAL EXPENSES:

Real estate taxes \$ 4,455
 Special assessments 2,765
 Operating expenses (15% gross rent) 3,700

Total

\$10,920

6. TERMS OF FINANCING:

20 yr., 9% interest, mortgage constant = .107963

*must
 provide
 selling price
 based upon
 10-year term
 land contract*

SCENARIO 3

MINIMUM RENOVATION

R/U \$5.50/sq.ft.		R/U		R/U
×	+	×	+	×
N/U retail 4,500 sq.ft.		N/U		N/U
=				
GI 24,750	×	DP .85	=	Cash 21,037
×				-
1-DP .15				OE 3,700
=				-
ECM 3,712				CR 2,765
-				-
VAC 2,060				RET 4,455
-				=
RES 500				CDS 10,117
=				÷
CT 1,152				MC .107963
÷				=
EC .10				JM 93,708
=				
JE 11,520		+		
		=		
		JPB 105,228		
		-		
		CO 47,160		
		=		
		BP 58,068		

SCENARIO 4

TOTAL RENOVATION

1. PROGRAM:

Renovate entire building for retail units and office suites.

2. REVENUE UNITS:

1st floor: 3 small retail units as in Scenario 3
(4,500 sq. ft. GLA)
2nd and 3rd floor: 5 office suites (6,780 sq. ft. GLA)

3. CAPITAL OUTLAYS:

Items required in Scenario 3	\$ 47,160
Additional 2-hr. fire proofing for basement ceiling (6,000 sq. ft. @ \$.75/sq. ft.)	4,500
2 fire stairs to 2nd floor @ \$1,600	3,200
1 fire escape for rear of 2-story building	600
Reconstruction of atrium (880 sq. ft. @ \$24/sq. ft.)	21,120
Relocation of air-conditioning units to rear of 3-story building	5,000
4 office suites (1,320 sq. ft. each) @ \$15/sq. ft.)	79,200
1 office suite (75' x 20' = 1,500 sq. ft) @ \$15/sq. ft.	<u>22,500</u>
Total	\$183,280

4. POTENTIAL ANNUAL INCOME:

Retail units (4,500 sq. ft. GLA @ \$5.50/sq. ft.)	\$ 24,750
Office suites (6,780 sq. ft. @ \$5.50/sq. ft.)	37,290
6 parking stalls @ \$20/mo.	<u>1,440</u>
Total	\$ 63,090

Vacancy losses:

1 store vacant 3 mo.	\$2,060
1 office suite vacant 6 mo.	<u>3,300</u>

Total	\$5,360
-------	---------

5. PROJECTED ANNUAL EXPENSES:

Operating expenses (15% of gross rent)	\$ 9,464 ^a
Real estate taxes	11,356
Special assessment	<u>2,765</u>
Total	\$ 23,585

6. TERMS OF FINANCING:

20 yr., 9% interest, mortgage coefficient = .107963

^a Assuming merchants pay own utilities except heat, and offices pay own electric meters including window air conditioners.

SCENARIO 4

TOTAL RENOVATION

R/U \$5.50/sq.ft. GLA		R/U \$5/sq.ft. GLA		R/U parking stalls \$20/mo.
	x		x	
N/U retail 4,500 sq.ft.	+	N/U office 6,780 sq.ft.	+	N/U 6 stalls

$$\boxed{\text{GI} \quad 60,090} \times \boxed{\text{DP} \quad .80} = \boxed{\text{Cash} \quad 48,072}$$

x	-				
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">1-DP</td> <td style="width: 50%; text-align: center;">.20</td> </tr> </table>	1-DP	.20	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">OE</td> <td style="width: 50%; text-align: center;">9,000</td> </tr> </table>	OE	9,000
1-DP	.20				
OE	9,000				

ECM	12,000
-----	--------

CR	2,765
----	-------

VAC	5,360
-----	-------

RES	3,000	
-----	-------	--

=	CDS 25,500
<div style="display: flex; justify-content: space-between;"> CT 3,650 </div>	÷

EC .08 MC .107963

JE	45,725	+ JM	236,256
----	--------	------	---------

JPB	281,981
-----	---------

CO	184,160
----	---------

BP	97,821
----	--------

SCENARIO 5

TOTAL RENOVATION

1. PROGRAM:

Renovate entire building for retail units, townhouses, and one office.

2. REVENUE UNITS:

1st floor: 3 retail units as in Scenario 3
 2nd and 3rd floors in 3-story building: 4 apartments
 2nd floor in 2-story building: 1 office
 6 parking stalls

3. CAPITAL OUTLAYS:

Items required in Scenario 3	\$ 47,160
Additional 2-hr. fire proofing for basement ceiling (6,000 sq. ft. @ \$.75)	4,500
2 fire stairs to 2nd floor @ \$1,600	3,200
1 fire escape for rear of 2-story building	600
Open-space recreational deck at rear of 3-story building for apartments (160 sq. ft./bedroom × 8 = 1280 sq. ft. @ \$5/sq. ft.)	6,400
Conversion of 880 sq. ft. atrium to open court with waterproof deck @ \$12/sq. ft.	10,560
4 townhouses (1,200 sq. ft. average) @ \$15/sq. ft.	72,000
Relocation of 2 air-conditioning units to rear of 3-story building	5,000
Total	\$171,920

4. POTENTIAL ANNUAL INCOME:

Retail (4,500 sq. ft. GLA @ \$5.50/sq. ft.)	\$ 24,750
Office (1,400 sq. ft. @ \$5/sq. ft.)	7,000
4 townhouses @ \$400/mo.	19,200
6 parking stalls @ \$20/mo.	1,440
Total	\$ 52,390

vacancy losses?

5. PROJECTED ANNUAL EXPENSES:

Real estate taxes	\$ 9,430
Special assessment	2,765
Operating expenses (15% of gross rent)	7,859
Total	\$ 20,054

compare this with Scenario 2 operating expenses (27%)

6. TERMS OF FINANCING:

20 yr., 9% interest, mortgage coefficient = .107963

constant
assuming monthly payments

SCENARIO 5

TOTAL RENOVATION

R/U townhouse \$400/mo.		R/U retail \$5.50/sq.ft.		R/U parking stalls \$20/mo.
×	+	×	+	×
N/U 4		N/U 5,900 sq.ft. GLA		N/U 6
=				
GI 52,390	×	DP .80	=	Cash 41,912
×				-
1-DP .20				OE 7,860
=				-
ECM 10,478				CR 2,765
-				-
VAC 3,540				RET 9,430
-				=
RES 1,000				CDS 21,857
=				÷
CT 5,938				MC .107963
÷				=
EC .08				JM 202,448
=				
JE 74,225			+	
			=	
		JPB 276,673		
		-		
		CO 172,360		
		=		
		BP 104,313		

why 1,000 here
+ 3,000 in
Scenario # 4 ?

sum of
above = 28,795

If using Caldwell Banker approach
to value

Scenario 5 assumptions

NOI = 28,795 expected

Financing

$$\begin{array}{rcl} .70 \times .107963 & = & .075574 \\ .30 \times .08 & = & .024 \\ \hline & & .099574 \end{array}$$

$$\begin{array}{rcl} & & 28,795 \\ & & \hline & & .09957 \\ \hline & & 289,194 \end{array}$$

$$\begin{array}{rcl} \text{required NOI} & \frac{33,911}{.09957} & = 340,574 \end{array}$$