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## Appraisal of 110 East Main Street.

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Landmark  
Research  
Inc.

APPRAISAL OF 110 EAST MAIN STREET

October 22, 1979

James A. Graaskamp, Ph.D., SREA, CRE  
Tim Warner, MS, MAI, SRPA  
Jean B. Davis, MS

Mr. George J. Maloof  
110 East Main Street  
Madison, Wisconsin 53703

Dear Mr. Maloof:

With this letter we are transmitting to you the appraisal of the Tenney Building at 110 East Main Street, Madison, Wisconsin, requested as a measure of fair market value as of October 1, 1976, to serve as a basis for the allocation of the fair market value between the land and the improvements thereon for the purpose of establishing the depreciable base at issue with the Internal Revenue Service.

My associate, Jean B. Davis, real estate appraiser and analyst, and I have inspected the building, and have talked on several occasions with the building manager, Pat Maloof; with the building engineer, Jack Stone; and with representatives of the former building owners, the First Wisconsin Development Corporation. We were provided a monthly accounting history, but it was necessary to reconstruct these records from the general journal and from assumptions in accordance with appraisal methods. We were provided with information regarding lease terms, rental rates, and occupancy data since October 1, 1976, when the building was purchased by the Tenney Building Company. Adjustments to revenue were made for space rented for lower than market rates to value the fee unencumbered by leasehold interests. Rents were imputed to areas occupied by the owner.

The present use of the site is assumed to be its most probable use. The inefficient size and shape of the Tenney site would limit a new office building to that of investment for income rather than to corporate or institutional headquarters.

Two classes of comparable land sales, downtown and suburban office zone sites, were used to determine what a most probable investor could afford to pay for a Class B office building site. Since an investor seeks a reasonable rate of return, it is assumed there is a market ratio between the net rentable area of a building envelope and the cost of its site. Thus, when the land costs per square foot of net rentable area are known for economically justified projects, the ratios can be used to solve for economically justified land costs for an investment grade office building of a known net rentable area and of comparable market rents.

Our total value assumes a cash sale of the property rather than a sale at non-market financial terms supplied by the seller as were extended to the present owner.

As further explained in the report, the market approach to value and the cost approach to value were inapplicable to this building as of October 1, 1976. Therefore, our estimate is based on the income approach, utilizing somewhat optimistic cash revenue and cash outlay forecasts, specifically the discounted cash flow approach (specific details provided within the report).

[Redacted]

Based upon the assumptions and limiting conditions presented in the attached report, it is the opinion of the appraiser that the highest probable price in dollars and fair market value of the subject property which might be obtained as of October 1, 1976, is the amount of:

ONE MILLION ONE HUNDRED SIXTY THOUSAND DOLLARS  
(\$1,160,000)

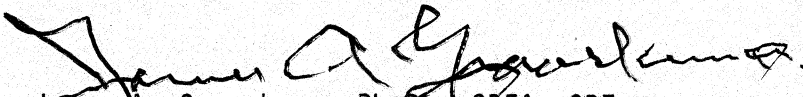
Of this total value, market value sales and investment tests establish a maximum value for the site, as though vacant, of:

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


This suggests a residual of \$820,000 to be allocated to the building and improvement components.

We are pleased to have been of service and Ms. Davis and I remain available to answer any specific questions you may have regarding this report. Please give us adequate notice as to date, time, and location of presentations to the Internal Revenue Service or related boards.

Sincerely yours,



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



Jean B. Davis, MS  
Landmark Research, Inc.

TENNEY BUILDING  
110 East Main Street  
Madison, Wisconsin





Rear facade facing northeast from Webster Street and East Main Street

Side facade facing south from East Main Street. Note main entrance to offices on this side.



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TENNEY BUILDING

I. STATEMENT OF PURPOSE AND DEFINITION OF VALUE

A. Purpose of Appraisal

This appraisal is requested as a measure of fair market value as of October 1, 1976, to serve as a basis for the allocation of the fair market value between the land and the improvements thereon for the purpose of establishing the depreciable base at issue with the Internal Revenue Service.

B. Definition of Value

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.

C. Date of Appraised Value

The appraised value and methodology utilized to determine that value should provide a consistent method for reappraisal to reflect conditions of refurbishing and improved operations of the office building enterprise on October 1, 1977 and October 1, 1978.

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<sup>1</sup>Unpublished quotation of R. U. Ratcliff speaking on his book, Valuation for Real Estate Decisions (Santa Cruz, Ca.: Democrat Press, 1972).

II. DEFINITION OF PROPERTY TO BE APPRAISED

A. Property Identification

The subject property of this appraisal is the TENNEY BUILDING in downtown Madison, Wisconsin, identified as 110 East Main Street (see Exhibit 1 for location on Madison Square), and more specifically identified for tax purposes as:

Tax parcel number 0709-133-2901-1

B. Legal Description

The legal description of the subject property as of October 1, 1976, taken from the Warranty Deed, Document Number 1489472, Vol. 731, p. 356 in the Dane County Register of Deeds in which title to the subject property was transferred from First Wisconsin Development Corporation to the Tenney Building Company, is as follows:

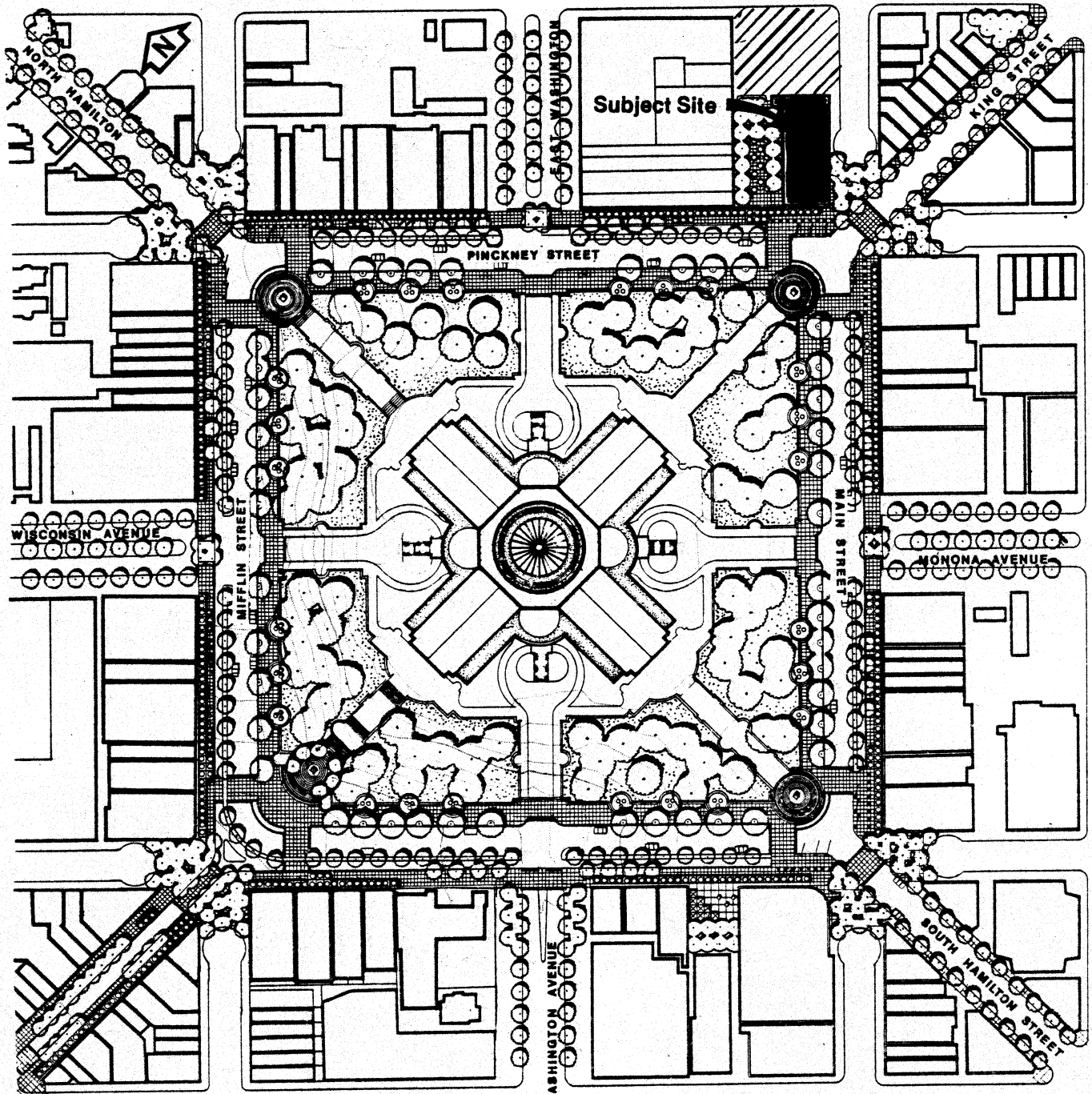
Lot Seven (7) and Eight (8) and the Southeast forty-two (42) feet of Lot Six (6), Block One Hundred Two (102) in the City of Madison, Dane County, Wisconsin.



C. Qualification of Property Interests

The appraisal is to include only the real estate interests at the above location and will therefore exclude the value of all personalty subject to the personal property tax whether utilized in general building operations or specialized for tenant leasehold improvements.

EXHIBIT 1

LOCATION OF SUBJECT SITE RELATIVE TO CAPITOL SQUARE



-  -- Building
-  -- Surface Parking

III. DEFINITION OF FAIR MARKET VALUE APPRAISAL METHODOLOGY

A. General Approaches to Value

The appraisal process would prefer to base valuation estimates on actual sales of comparable property where buyer and seller were under no special duress and where no special financing, not obtainable in the marketplace, was provided by the seller.

1. In Madison there has been only one sale of a structure comparable to the Tenney Building, specifically the sale of the Wisconsin Power and Light Building on West Washington Avenue, to Donald Hovde for renovation and remarketing as the Hovde Building. As will be shown this building was in somewhat better condition and was, in fact, a transaction financed originally by the seller.
2. The more recent 1975 sale of 30 on the Square involved not only a relatively new building of comparable size to the subject but was a sale in bankruptcy at judicial sale, November 17, 1975, by James Bloor, reorganization trustee, representing the U.S. District Court for the southern District of New York State. Thus the sale was under duress and in addition, included a favorable 6% mortgage with 15 years to run, thus violating both conditions of a fair market transaction.
3. The subject property was a prior purchase in 1970 by the First Wisconsin Bank Corporation, which was under duress to extinguish certain easements to the benefit of the Tenney Building which made construction of the new First Wisconsin Bank Plaza Building on the balance of Lot #102 impossible. This sale of the Tenney Building was admitted by both the Madison Assessor and the grantor and grantee to be a non-market transaction in certiorari in Dane County Circuit Court and under the decision of Judge George R. Currie in Case #140-201, Wild, Inc., the relator, relative to the office building known as James Wilson Plaza.

Therefore, application of the market approach is limited by an absence of sales which meet the test of freedom from duress, freedom from nonmarket financing terms offered by seller, as well as reasonable comparability. An effort will be made to adjust these sales to provide a rough benchmark of market value (see Section V), but a more appropriate appraisal methodology in this case would be the income approach.

B. Relevance of Income Approach

X An office building is a vehicle for purchase of investment income and appreciation, not unlike any other cash cycle investment with a series of returns. The relationship of outlays and receipts in time and quantity determines investor rate of return. Conversely, if the investment return desired is assumed and net receipts can be estimated, the relationship can be reversed to determine the maximum outlay, i.e., probable purchase price, which could be justified by the investor.

C. Legality of Income Approach

The Wisconsin Supreme Court generally prefers the price determined from fair sale of comparable property as the best approach to fair market value, but where the fair market value is not established by a sale or sales of the property under consideration for similar property, the appraiser is required to consider all the facts and circumstances which have a bearing on the property's fair market value including occupancy, rental conditions, and income.

1. The Supreme Court of Wisconsin has stated:

"If income be considered and the capitalization-of-income the formula be applied, net income, not gross income should be considered."

2. More recently in Dane County Circuit Court, Judge George R. Currie instructed the City of Madison Board of Review in Case #140-201, Wild, Inc., the relator, relative to the office building VIP Plaza, as follows:

X "The Property Assessment Manual for Wisconsin Assessors published by the Wisconsin Department of Revenue states (at p. 29), that for "Apartment Buildings", "Office Buildings", and "Store Buildings", the "Income Approach" to valuation is the "most applicable" where actual sales data of the property or comparable property is unavailable. This manual is issued pursuant to sec. 73.02 (2a), Stats., and is for use of assessor in assessing real property."

X "The use of an income approach to valuation in arriving at the fair market value of property has often been approved by the Wisconsin Supreme Court. State ex rel. Garton Toy Co. v. Mosel, supra, 259; State ex rel. I.B.M. Corp., supra, 311-313; Rahr Malting Co. v. Manitowoc (1937), 225 Wis. 401, 405; State ex rel. Northwestern Mutual Life Ins. Co. v. Weiher, supra, 450.

"Moreover, it must always be kept in mind that in attempting to arrive at the fair market value of real property for tax assessment purposes the yardstick is the amount for which the property could be sold on the open market by an owner willing but not compelled to sell to a purchaser willing but not obligated to buy. In purchasing an investment property, such as the V.I.P. Plaza or El Espanade, the prospective purchaser-investor will expect a fair return on his investment and is sure to be more interested in the potential income

of the property than the cost of its brick and mortar. This is equally true whether he is purchasing a completed building or one only half completed."

D. Limitations of the Cost Approach

The cost approach to value is limited to those situations where improvements are new and represent the optimum use of the site in question. The subject property was built in 1928, its equipment is obsolete, and its layout does not lend itself to efficient modernization.

E. Income Approach Methodology Selected

The income approach selected assumes the fair market value of the property is the most probable price the subject will bring if offered in the marketplace as an investment property for a reasonable period of time and sold subject to financing terms typically available for such an investor at the time of sale.

1. Income Approach Techniques

The investor will purchase the project for cash income as a return to his own cash invested plus a deferred cash return to be realized upon sale from equity accumulation attributed to amortization of mortgage debt, to an increase in cash earnings from the building due to effective management and marketing, and possibly due to general inflationary price increases. Cash returns are therefore not level but will vary from year to year, hopefully increasing as certain current problems in building management and marketing are corrected. A variety of assumptions will need to be made for revenues and expenses as well as future resale values.

2. Income Tax Impacts on Purchase Price

Many real estate decisions are influenced by federal income tax status of purchasers. Should the purchaser be tax exempt, such as a pension fund, it would view the building without regard to tax shelter but might require an overall lower rate of return, say 8% cash-on-cash and 10% overall return to its equity dollars. It would, however, need to hire property management. A private investor will be influenced by his Federal Income Tax status but not to the degree supposed by the layman. For office buildings such as the subject property, the IRS rules limit second owners to a straight line depreciation method only; moreover, there is full recapture of depreciation shelters in excess of straight line for additional capital improvements made by the second owner. Thus, the owner would seek 12% cash-on-cash plus 3-6% from equity accumulation.

3. Appraisal System Selected

To discount the cash flows from earnings and resale to both a tax exempt or a taxable purchaser, a computerized system has been selected called Investment Market Value (IMV). This system is available

in the library of EDUCARE network, a computer timesharing service operated for and under the control of the three leading appraisal organizations, The American Institute of Real Estate Appraisers, The International Society of Real Estate Appraisers, and The American Society of Real Estate Counselors.

4. Discounted Cash Flows

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



#### IV. PHYSICAL ANALYSIS OF SUBJECT PROPERTY

The market value of the project depends on its comparability to substitute comparable investments or to the income investment productivity which can be attributed to the interrelationship of the physical site and improvements, both existing and with modifications if necessary. In analyzing the subject property it is useful to review the physical attributes of the site and improvements, the legal attributes constraining use of the parcel, the linkages of the property location to generators of office and retail demand which will determine its revenue potential, and the dynamic attributes of the site, that is, how people perceive and behave relative to the property.

##### A. Physical Attributes of the Site

The subject property is located on the northeast corner of East Main and South Pinckney Streets, extending through to Webster Street on the east as identified on the general area map of Exhibit 1 and dimensioned on the parcel map of Exhibit 2.

##### 1. Area

The Tenney Building parcel includes Lot 8 which fronts on S. Pinckney Street and measures 66 x 132 feet, Lot 7 which fronts on Webster Street and measures 42 x 132 feet. The site area totals 22,968 square feet. In addition, the Tenney Building site enjoys the privilege of certain vaulted spaces below the sidewalk of East Main Street (transformer vaults and storage) and on the South Pinckney Street frontage (boiler room and related storage), totaling approximately 1,600 sq. ft.

##### 2. Topography

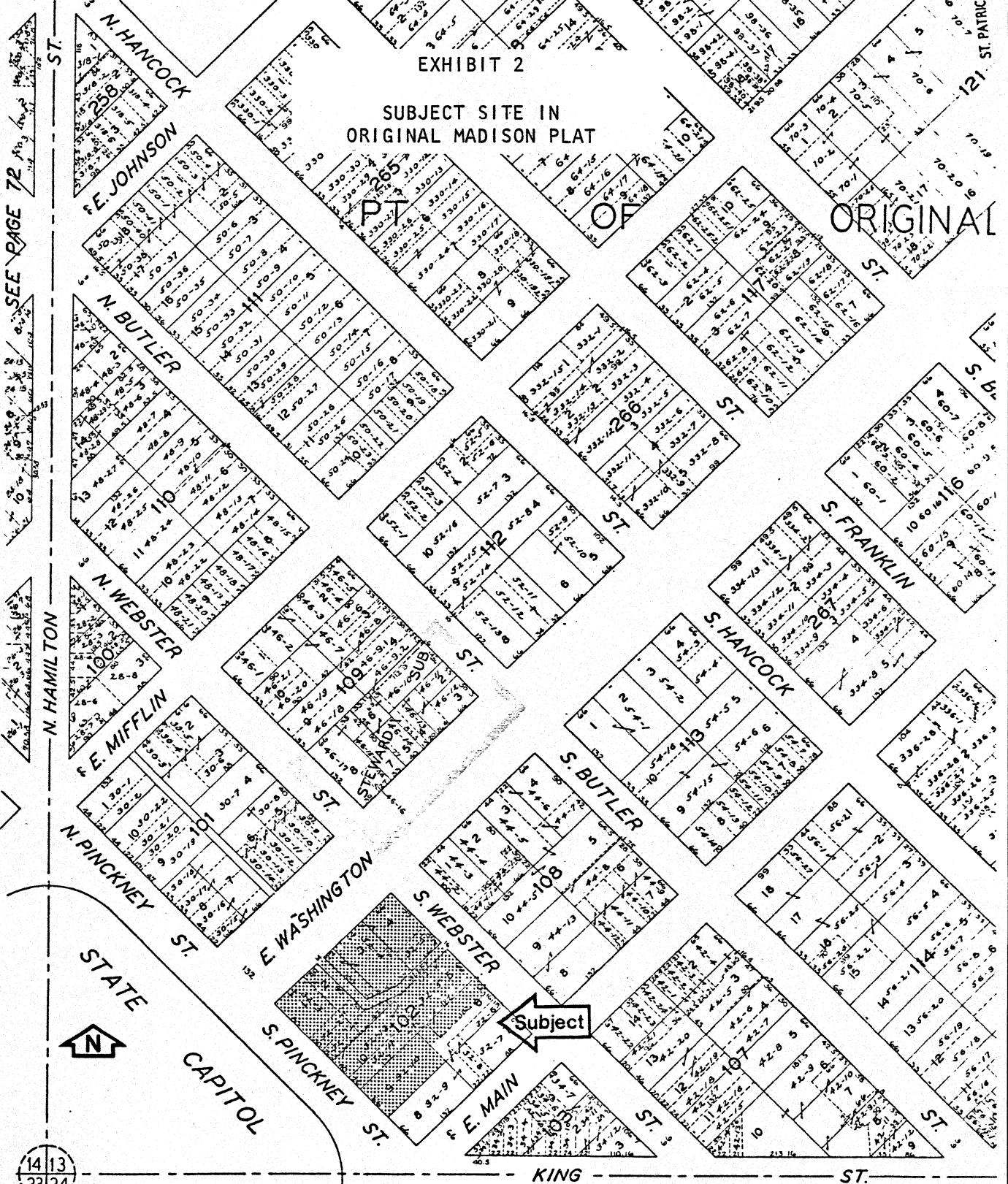
The Capitol Square area is a hill between Lake Mendota to the north and Lake Monona to the south. The hill drops sharply to almost lake level within three blocks of the Square, giving prominence to the Capitol and major business buildings at the city's center. Accent on this elevation is strengthened by controls on building height within a mile of the Capitol. (See Section IV;B on Legal Attributes of Site)

The subject site (see Exhibit 3) slopes from Pinckney to Webster approximately 8 feet so that the main lobby on the East Main Street side is approximately three feet below the main floor level opening on Pinckney Street and there is no at-grade entrance to the parking lot at the rear of the site. Indeed, the original designers of the building were unable to provide an adequate loading dock to the former alley so that all materials for building operations must arrive through the front lobby or through a sharply pitched ramp and stairs dropping some eighteen feet to the second sub-basement. This next entrance can be reached by truck from parking lot opening on Webster.

EXHIBIT 2

SUBJECT SITE IN ORIGINAL MADISON PLAT

PT OF ORIGINAL

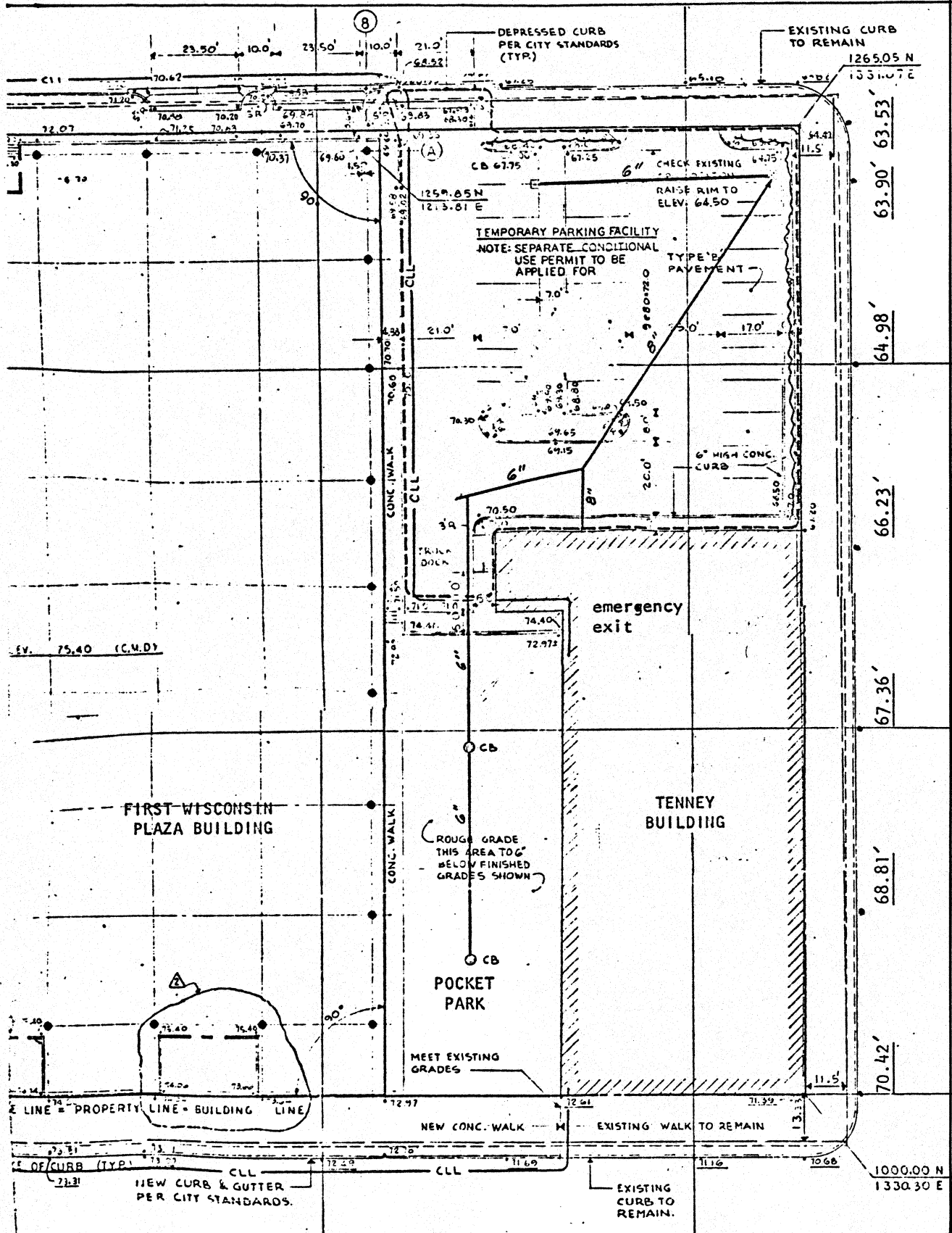


SEE PAGE 72

14 13  
23 24

EXHIBIT 3

SITE PLAN OF SUBJECT PROPERTY



3. Soils

Soil conditions are essentially sandy loam and very suitable for high rise construction.

4. Sewer Service

There is an 8-inch sewer main on East Main Street and a new 6-inch lateral to the subject property to replace sewer and storm water lines that were in an alley easement vacated to permit construction of the First Wisconsin Plaza. There is a single 4-inch water line serving the subject property from East Main Street.

5. Storm Water Access

Reference to Exhibit 3 will indicate newly laid storm water lines and catch basins serving the pocket park, existing building, and temporary parking facility with 8-inch lines to a catch basin at the southeast corner of the parcel and connected to storm water collector on East Webster Street.

6. Other City Services

The tax parcel receives City of Madison fire and police protection and city maintenance and plowing of sidewalks, 11.5 ft. wide on East Main Street, and 13 ft. wide on South Pinckney Street.

7. Special Site Improvements

In addition to the Tenney Building which occupies ground area of 65.6 x 155 ft. plus a service area of 22 x 18 ft., or a total of 10,564 sq. ft., there is a temporary parking lot for 26 cars which is approximately 110 x 99 ft. or 10,890 sq. ft. Approximately 176.5 sq. ft. are part of a paved walkway serving a fire exit as noted in Exhibit 3. The parking lot is screened with a hedge of honeysuckle shrubs and honey locust trees within a 6-inch concrete curbing. The parking lot is temporary according to terms of conditional use permit discussed under legal attributes.

The vest pocket park adjoining the Tenney Building is part of the First Wisconsin Bank Plaza Building. There is no access to this mall from the Tenney Building except for the emergency exit fire door at the rear of the mall.

There is an electrical transformer vault below the sidewalk on East Main at the rear of the building and additional storage vaults below the sidewalk for a width of 10 ft. and a distance of 132 ft. to the corner of the building at East Main and Pinckney Streets (see basement floor diagram, Appendix A). These vaults encroach on the City of Madison right-of-way by privilege of the City Council and no rents are paid. The city engineering office indicates that the ceilings of these vaults and the sidewalks above will need to be reinforced or replaced within the next two years.

8. Adaptability as Office Building Site

The shape and size of the Tenney site is relatively inefficient for a home office building with adequate underground parking. Even a new office building on the site would be of investment grade rather than an institutional tour de force.

B. Legal-Political Attributes of Site

The subject property is zoned C-4, Central Commercial District. This district is intended to accommodate uses which are of city-wide, regional, or governmental significance. In addition, retailing and specialized commercial activity such as restaurants are appropriate. 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 state-wide center for business, service and government. However, broad zoning or permissible uses under C-4 will be modified by a variety of statutory and administrative factors peculiar to downtown Madison at this time.

1. Capitol View Preservation

According to Section 28.04 (14) (B) of the Madison General Ordinance: All buildings or structures erected, altered or enlarged shall be subject to the following regulation:

No portion of any building or structure located within one mile of the center of the State Capitol Building shall exceed the elevation of the base of the columns of the Capitol or one hundred eight-seven and two-tenths (187.2) feet.

This subsection was established to preserve as well as to promote and enhance the view of the State Capitol Building. The Tenney Building roof is just within the elevation limit but elevator housings encroach on the Capitol view zone to a height of approximately 204 feet.

2. Madison Planning Commission

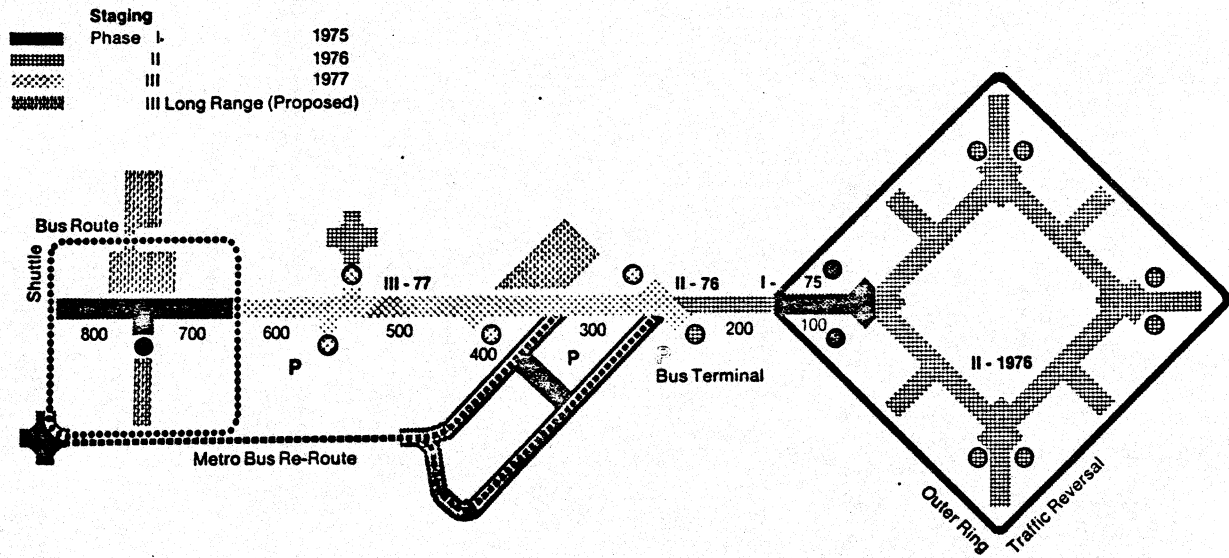
Any new construction or any major alterations of the exterior face of the buildings located downtown, shall be permitted only when approved by the Madison Planning Commission.

3. Capitol Concourse Project

The City of Madison is attempting to refurbish the retail core area of downtown Madison with a combination of actions which may be called The Capitol Concourse/State Street Mall project. The general plan in Exhibit 1 is further detailed in Exhibits 4 and 5. Since downtown property owners are expected to finance the major portion of public cost through special assessment, major plans have been compromised for a reallocation of street area into landscaped pedestrian areas with reduced traffic or some auto free zones, augmented by public transit

*conditional use  
approved*

**EXHIBIT 4**  
**PROPOSED CAPITOL CONCOURSE PLAN**

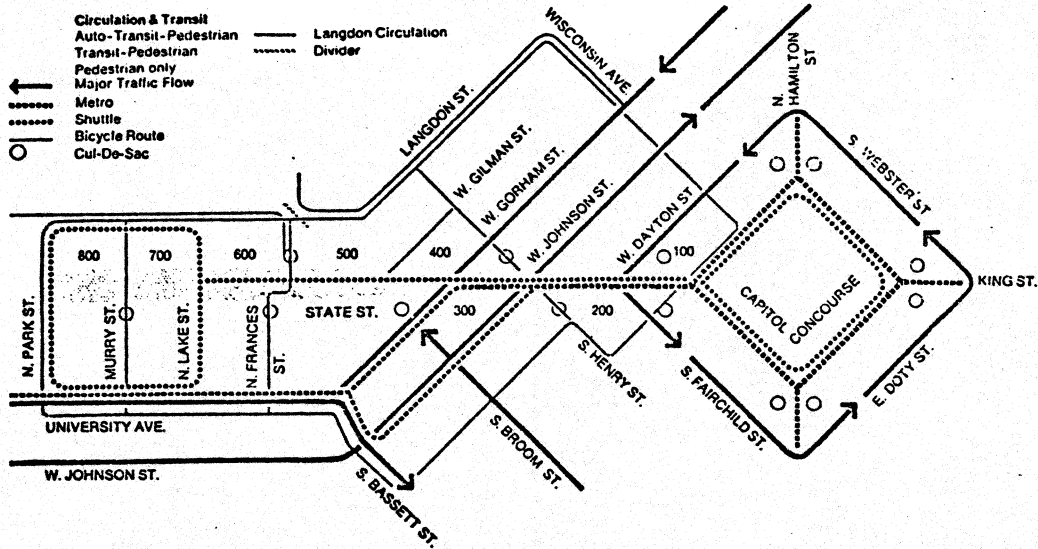


Long range proposals which cannot be assigned a time frame at this time include: 1. Performance plaza with its parking ramp, low-rise residence and shopping arcade, 2. Library Mall and a one story parking deck below grade and, 3. Eventual "back door" service provision for the north frontages of the 500 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
<b>Phase I</b>				
planning	■			
design	■			
construction		■		
<b>Phase II</b>				
planning	■			
design		■		
construction			■	
<b>Phase III</b>				
planning	■			
design			■	
construction				■
<b>Construction Costs</b>	9			8,470,000.
	8			2,200,000.
	7		6,270,000.	
	6			
	5		5,400,000.	
	4			
	3			
	2			
\$ 1 Million		870,000.		

PROPOSED PARKING FOR CONCOURSE PLAN



Parking

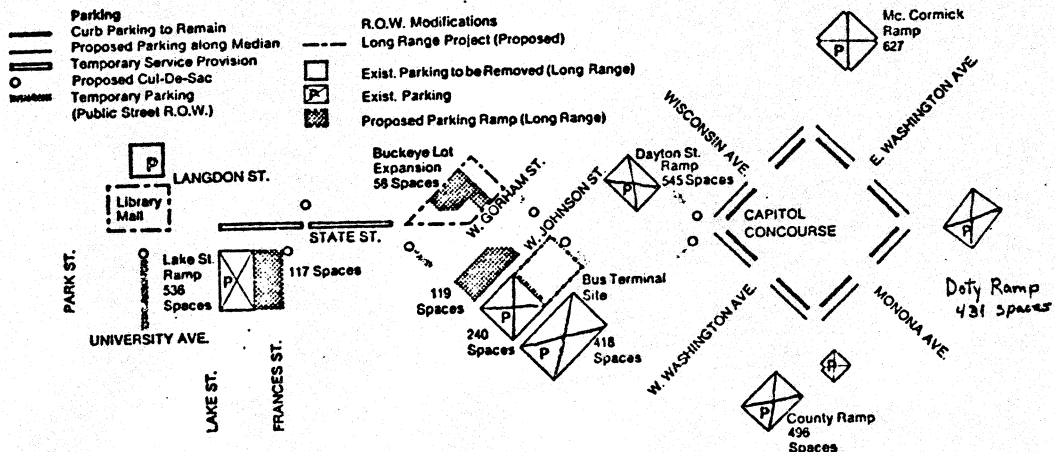
The plan's recommendations for parking are to be viewed as a strategy for attaining a comprehensive off-street parking program. Proposed is one approach — a program of enlargement of the existing public parking space pool. Surface lots would be expanded in the following locations: Buckeye Lot — 58 cars; 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.



and shuttle bus service. Presumably, these steps will increase commercial activity, partly at the expense of modern, existing suburban shopping centers, because of improved sensitivity to the pedestrian, improved aesthetics, and a reduction of air and noise pollution. Phase I has already altered some traffic patterns to provide a bypass loop around the Square for traffic formerly entering from East or West Washington Avenue and elsewhere. Sewer construction and the threat of special assessment has already accelerated withdrawal of some retailers from the Square as their circumstances permitted. These current retail vacancies are noted on Exhibit 6. At this time, it is not clear that the Concourse Plan will improve the investment value of the subject property.

The Capitol Concourse project will be financed by a special assessment prorated by land area and divided between two starting dates. At this time John Urich of the City of Madison Planning Department indicates that the special assessment prime rate will total \$2.13, and according to present contract schedules, partial prime rate of \$.88 per sq. ft. will be payable in fiscal year 1977, and the balance of \$1.24 will be payable in 1978. This total assessment can be amortized by the taxpayer with 10 annual payments at 8%. The prime rate applies to a district 137 ft. deep from Pinckney Street, while the balance of the block or 127 ft. to Webster will be assessed at 30% of the prime rate. Thus, the partial rate for the secondary districts will be \$.26 per sq. ft. in fiscal year 1977, and \$.37 in fiscal year 1978. The estimated annual amortization payment for contracts 1, 2 and 3 of Phase II, and the annual payments by the Tenney Building for assessment on contracts 4, 5 and 6 are calculated below:

$$\begin{aligned}
 (.88 \times 1) \times 66 \times 137 &= 9,042 \text{ sq. ft.} \times .88 &= \$ 7,956.96 \\
 (.88 \times 1) \times 42 \times 5 &= 210 \text{ sq. ft.} \times .88 &= 184.80 \\
 (.88 \times .3) \times 108 \times 127 &= 13,716 \text{ sq. ft.} \times .88 \times .3 &= \underline{3,621.02} \\
 \text{Tax Parcel Totals} &= 22,968 \text{ sq. ft.} &= \$11,762.78
 \end{aligned}$$

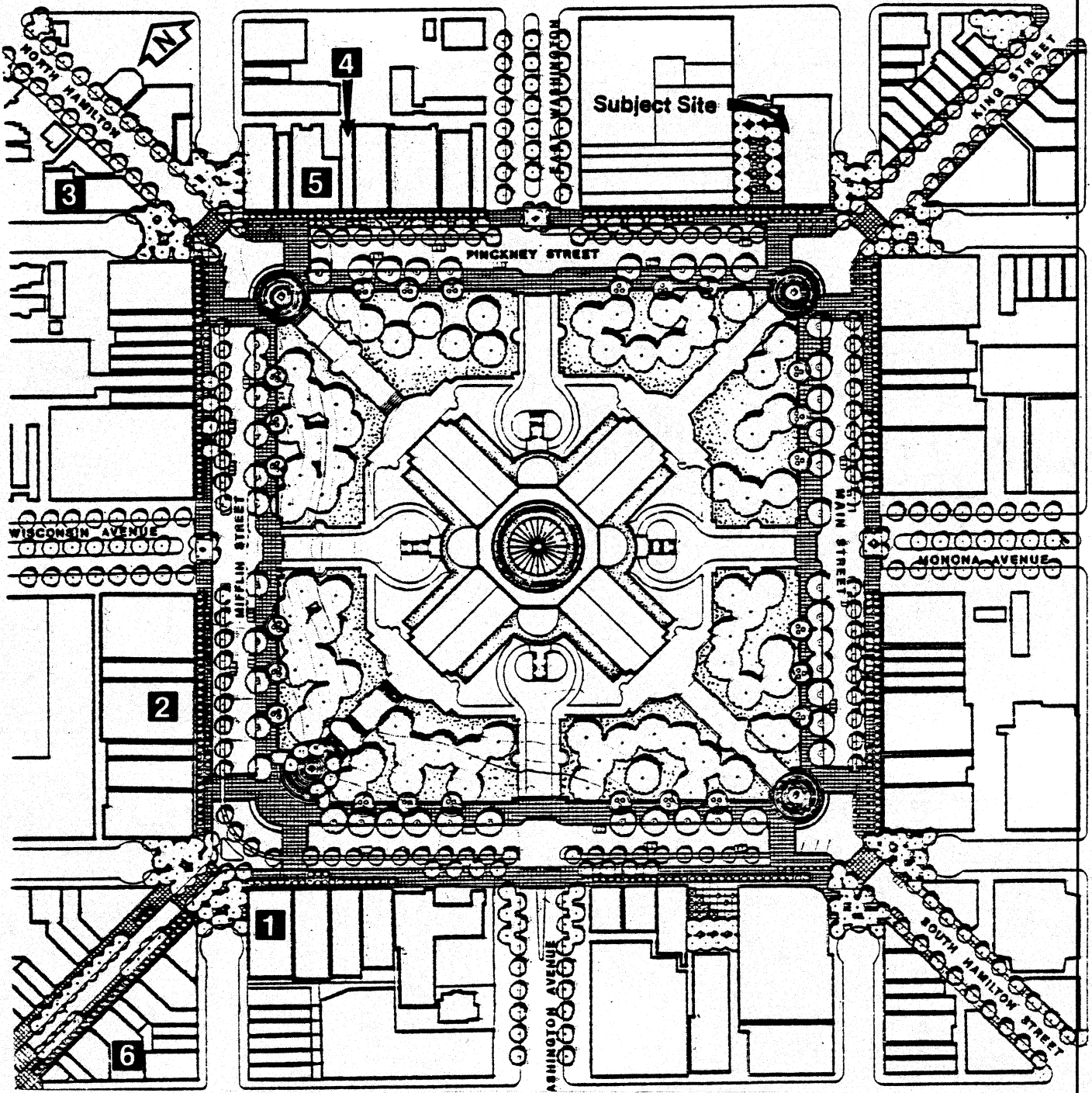
Total assessment converts to \$1.753 annually for 10 years at 8% starting fiscal year 1977.

$$\begin{aligned}
 (1.24 \times 1) \times 66 \times 137 &= 9,042 \text{ sq. ft.} \times 1.24 &= \$11,212.08 \\
 (1.24 \times 1) \times 42 \times 5 &= 210 \text{ sq. ft.} \times 1.24 &= 260.40 \\
 (1.24 \times .3) \times 108 \times 127 &= 13,716 \text{ sq. ft.} \times 1.24 \times .3 &= \underline{5,102.35} \\
 \text{Tax Parcel Totals} &= 22,968 \text{ sq. ft.} &= \$16,574.83
 \end{aligned}$$

Total assessment converts to payments of \$2,470.14 for 10 years at 8% starting fiscal year 1978.



LOCATION OF FIRST FLOOR RETAIL VACANCIES ON THE CAPITOL SQUARE



- 1** Wolff Kubly - 20 North Carroll
- 2** Manchester's Store for Homes - 18 West Mifflin
- 3** Jackson Building - 102 North Hamilton
- 4** The Card Shop - 21 North Pinckney
- 5** Simpson's - 25 North Pinckney
- 6** Leath's - 19 State Street

EXHIBIT 6a

FIRST FLOOR RETAIL VACANCIES ON THE SQUARE  
EXISTING OR KNOWN TO BE AVAILABLE  
AS OF OCTOBER 1, 1976

<u>Building</u>	<u>Address</u>	<u>Approximate Square Footage</u>	<u>Period of Vacancy</u>
Wolff Kubly	20 N. Carroll	6,000	21 months
Manchester Store for Homes	18 W. Mifflin	7,920	15 months
Jackson	102 N. Hamilton	6,000	15 months
The Card Shop	21 N. Pinckney	2,640	6 months
Simpson's	25 N. Pinckney	6,930	6 months
Leath's	19 State	<u>4,400</u>	15 months
		<u>33,890</u>	

S. C. ... Inc.

To encourage pedestrian activity and movement on the completed Concourse, John Urich of the City of Madison Planning Department has indicated his department will attempt to discourage by administrative review and, if possible, by new ordinances, the use of ground floor space for private office facilities. Restaurants, banking tellers, retail stores, theaters and the like will create the desired pedestrian activity over broader spans of day and night than office space. Thus, there is an administrative constraint of alternative uses of the street level floor area of the subject property if it were not used for retail.

4. Conditional Use Permit for Parking

The surface parking for 26 cars presently provided on the East Main and South Webster corner is based on a conditional use permit which would expire should it not be used for parking for a period of six months. It was issued as part of the construction permit requirements relative to the First Wisconsin Plaza and the conditional permit goes with the property. City planners would prefer enclosed parking on the approaches to the Concourse.

5. Tenant Lease Encumbrances

The majority of leases for space in occupied area of the Tenney Building (Exhibit 13) can be terminated in one or two years. Some of the space is rented on a month-to-month basis. The previous owner had been undecided for several years as whether to tear down the existing building and replace it with an extension of their building in the same block, to refurbish it for a rental investment property, or to sell the building as is. The latter option was the choice; the building has a high vacancy rate (Exhibit 14) and the price of these short-term leases is higher tenant turnover and unstable income estimates which suggest higher capitalization rate and lower investment value. On the other hand, the relative freedom to alter occupancy and rental rates would make the building more marketable to its most probable buyers. It is unusual to have an office building of this size with such a short average unexpired lease term, providing flexibility, but at the same time, a highly unstable income stream.

6. Constraints on Future Uses and Disposition

An agreement between the First Wisconsin Development Corporation and the Tenney Building Company, the present owner of the subject property, dated September 13, 1976 includes: 1) a first right of refusal by the First Wisconsin Development Corporation should the present owner receive a bona fide offer to purchase the subject property; 2) a limit to substantially the same present uses of the premises as an office building with a retail or food operation in the first level of the building; and 3) the need for present and future owners to obtain the approval of the First Wisconsin Development Company to construct a parking structure on the lot adjacent to the existing office building. The latter two constraints were

agreed to by the Tenney Building Company for itself, its successors and assigns.

The constraints set forth in this agreement would decrease the flexibility a most probable buyer would have for options to alter the subject property to maximize its marketability, thus depressing its value.

#### C. Linkage Attributes of Site

The subject site has strong linkages to government centers; It is directly across the street from the State Capitol Building, along two blocks to the Federal Court House and the City-County Building, and just to the rear of a State Office Building complex, GEF-I and a proposed GEF-II-III, each of which occupy a square block. However, access by auto is circuitous and will be further impaired by the proposed Capitol Concourse plan (see Exhibits 4 and 5). The driver unfamiliar with Madison will circle the Square on the outer one-way link, rather than turning on the stop light at Butler Street and then turning right on Main Street to reach the main entrance of the subject property. See Exhibit 7 for vehicular traffic counts prior to reversing one-way streets around Square and Exhibit 8 for the finalized traffic pattern and public parking areas around the Capitol Concourse.

On the same block the Tenney Building enjoys the positive influence of the dramatic First Wisconsin Plaza and a contiguous vest pocket park. Across the street is the handsome Capitol building and heavily wooded park. Unfortunately, the East Main Street facade faces an area of seedy bars and poorly maintained low-rise buildings from the turn-of-the-century. The first block on East Main Street is anchored by Penney's and Kresge's and is a moderately viable area. Nevertheless, the retail trend is to gravitate toward the opposite side of the Square on the State Street access, while most new office space is on the West Washington Avenue side of the Square. Its strongest linkage is to the First Wisconsin Plaza, but this natural tie is completely frustrated by the physical layout of the Tenney Building, which lacks a cross access corridor in the bank building which would permit people to move between the buildings while remaining inside.

#### D. Dynamic Site Attributes

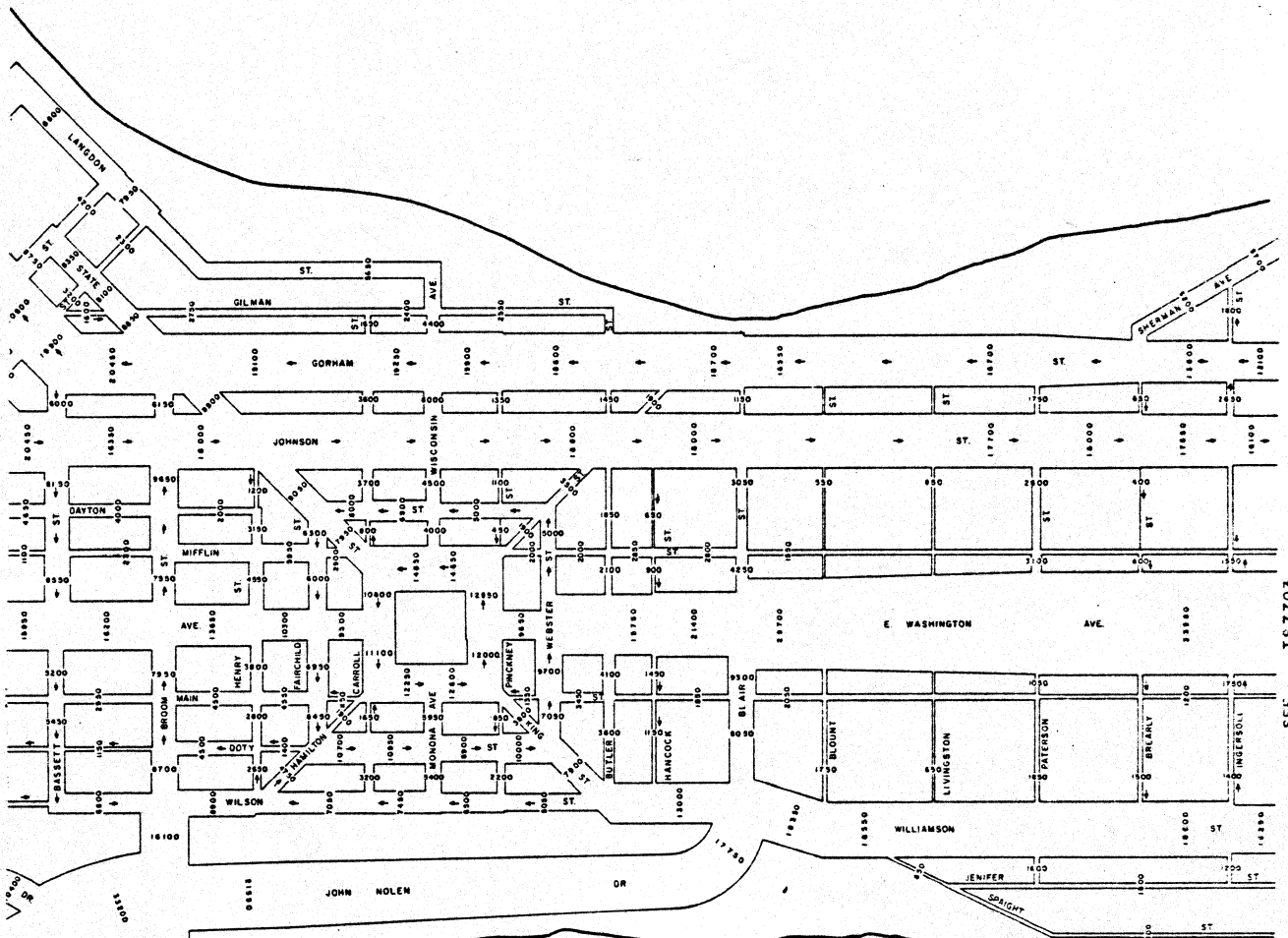
The subject property is at the foot of a long two-block run of East Main Street from Carroll Street to Pinckney Street, so that the building is in direct view of drivers for some time. Surveys have shown that most Madison residents can identify the corner and the Tenney Building from recollection. It is located in an area of the Capitol Square and perimeter street which is flat, so the pedestrian on foot does not face an uphill grade, but the entrance to the building is not on the Square and is hidden from the Square, 3 to 4 feet below grade.

Because the First Wisconsin Plaza slopes back from the street and is only four stories high opposite the Tenney Building, the latter is

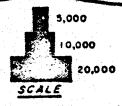
EXHIBIT 7


VEHICULAR TRAFFIC COUNTS PRIOR  
TO CAPITOL CONCOURSE CONSTRUCTION

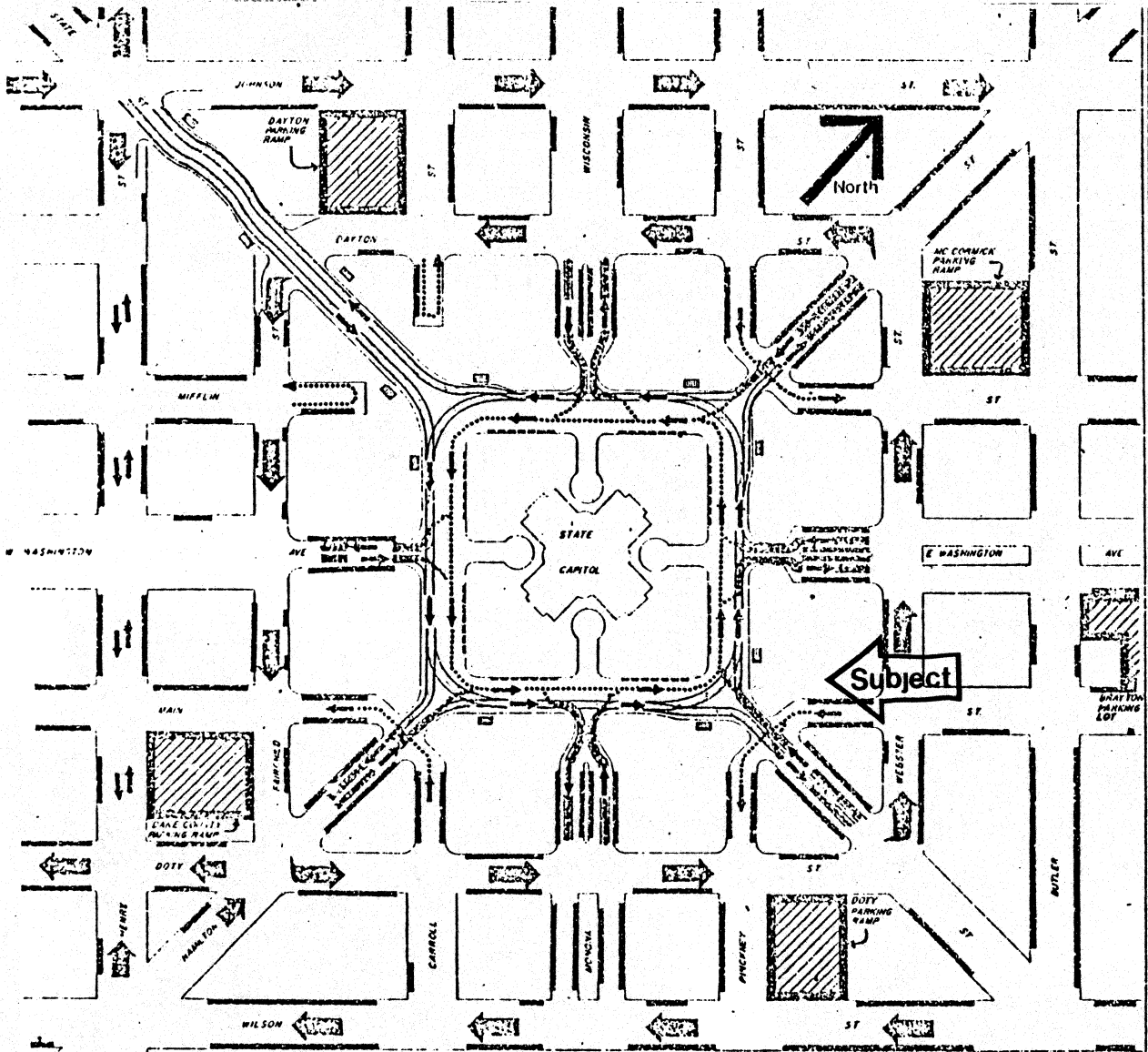
LAKE MENDOTA



LAKE MONONA








 SCALE NOTED	CENTRAL BUSINESS DISTRICT & CAMPUS AREA 1976 TRAFFIC FLOW	DWG. NO. TS 770
	CITY OF MADISON, WISCONSIN DEPARTMENT OF TRANSPORTATION DIVISION OF TRAFFIC ENGINEERING	DATE 3-18-77
	SEE TS 7703	
	J.E.	



**CAPITOL CONCOURSE  
STATE STREET MALL  
TRAFFIC PATTERNS AND  
AREA PUBLIC PARKING**

**Legend**

-  PERMITTED BICYCLE AND BUS MOVEMENT
-  PERMITTED AUTO MOVEMENT
-  ON-STREET PARKING
-  LEGISLATIVE-PARKING ONLY
-  BUS STOP SHELTER

*Explanation*

With the reopening of the Capitol Square Wednesday, motorists will discover several changes in the traffic pattern, as shown on the map.

First, the streets around the Square have been reduced in width, resulting in a single lane for auto traffic. On the store side a wide traffic lane has been provided for buses and bicycles. Autos are not allowed in the lane except to pick up or drop off passengers or to make a right turn onto one of the avenue intersections.

Autos can enter the Square from any of the three diagonal streets — King, S. Hamilton and N. Hamilton — and from the four avenues — E. Washington, W. Washington, Monna and Wisconsin.

Autos can leave the Square only at one of the avenues by weaving into the bike-bus lane on the right side a half block before reaching the avenue exit.

State St cannot be used for entering or leaving the Square.

The only parking on the Square will be on the Capitol side of the street and is reserved for legislators.

However, on street parking is available on all streets just off the Square and in the four public ramps one block from each corner of the Square.

Motorists traveling through central Madison are urged not to use the Square; they are advised to use the outer ring of streets which have been the "detour" streets for several months.

TRAFFIC PATTERNS AND PUBLIC PARKING  
UPON COMPLETION OF CAPITOL CONCOURSE

EXHIBIT 8

fully visible to the pedestrian anywhere on Pinckney Street. Fortunately, these facades were constructed of glazed brick above the fourth story level so the appearance of the Tenney Building is clean even if out-of-date.

E. Physical Attributes of the Structure

*10,010 x 12 = 100100  
3960  
104060 SF 12.97*

The Tenney Building was constructed by the Findorff Company as general contractors in two sections in 1926-1928 and 1929-1931. Concrete structure for the rear portion was constructed for all ten floors and then the front two-thirds was built of reinforced concrete. The result is a structure 65 ft. wide and 154 ft. long plus a small wing ten floors high 22 x 18 ft. The exterior is cut limestone on the Main and Pinckney Street facades, with green glazed terra cotta as spandrels below the windows. Parapet walls are highlighted with triangular light brackets in what might be termed the Art Deco style of commercial building design in the late 20's. Rear facades are done with glazed yellow brick. Complete floor plan sketches are provided in Appendix A, and general mechanical details follow:

1. Fenestration

First floor retail windows and entrances were redone in 1972 with bronze anodized, Kewanee systems and plate brass. The second floor and above still retain a 6 x 4 pane steel industrial sash. Each 4 x 4 panel tilts inward to permit washing from within the building. Single-glazed, these windows permit heat loss and are therefore energy inefficient.

2. Interior Partitioning

Most interior office partitions are of Pyro-Bar gypsum block or terra cotta block with plaster finish. Most doors and trim are of dark stained and varnished walnut and oak. Only recent partitioning is of 2 x 4 and drywall with modern hollow core doors.

3. Floors

Most floors are terrazzo in public areas; some basement storage space has composition tile, while tenants have generally chosen to carpet.

4. Heating System

The heating system depends on hot water radiators, each of which has its own thermostat. Most are manual but a few deluxe tenant layouts have added individual automatic thermostats to their radiators. Much of the mill work at window sill level has been expertly joined to provide access to radiators behind finished grill work. The oil fired boiler can be described as:

- [REDACTED]
- a. Kiwaunee Boilers, 2-55 horse power, low pressure of 6 lbs., approximate age - 45 years, standard - FE 143.
  - b. There are 3 Ray oil burners - one for stand-by.
  - c. Boilers were completely overhauled 8 years ago.
  - d. Fire pots and burners were overhauled 2 years ago.
  - e. Oil storage - 15,000 gals. of No. 2 oil.

Related heating equipment includes:

- a. A Bock 200 gallon hot water heater, gas fired, approximately 15 years old to provide hot water for washrooms.
- b. There are two antique 150 gallon water softeners of a brand unknown even to the building engineer of the past 15 years. Each alternates to deliver soft water while the other is in the recycling process. Only the hot water is soft water but cold water resupplies to the furnace are chemically treated.

#### 5. Air Conditioning

There is no central air conditioning; the summer heat is modified and controlled by water cooled air conditioners located either in each suite of offices or distributed by ducts from larger areas to smaller areas. Some are controlled by thermostats and others are controlled by timers. There are seventy (70) units in the Tenney Building; they were installed approximately seven years ago.

The lack of modern central air conditioning is a competitive disadvantage relative to renovated structures of similar age such as the Hovde Building or the National Mutual Benefit Insurance Bldg.

#### 6. Elevators

There are three 2,500 lb. capacity Montgomery elevators which are manually operated. One elevator is a service elevator with front and rear access in order to reach basement floor maintenance area, a sub-basement storage area, and the boiler room area. These sub-basements are at various levels requiring three additional stops for the service elevator.

The present owner has secured estimates to automate the two single door, passenger elevators for \$118,000. The industrial commission will permit the building to retain the ornate bronze elevator doors on the first floor but would require replacement and reconstruction of obsolete glass doors on all other stops. As will be shown, such renovation would achieve some payroll economies.

#### 7. Fire Exits

Reference to Appendix A will indicate that on the second floor, one of the fire stairs terminates in a long fire tunnel and stairway to



rear fire exit in order to preserve all of the front portion of the first floor for unobstructed retail use. From the third to the tenth floor, the pattern of corridor and fire exit is more consistent with office layout efficiency.

#### 8. Restrooms

The building has a convenient and well maintained set of restrooms. The basement floor has one set for maintenance personnel and another for employees of the large retail center for the first floor of the building. There is a third for the public on the basement elevator lobby to serve those using basement office rental space or those entering main floor lobby. The main floor has no facilities for the two small shops facing Main Street. Each floor from second through tenth has a single washroom with three water closets and two sinks, with two urinals in each men's room. All restrooms above grade have window ventilation. In addition, there is a large maintenance room with sink on each floor except the first.

#### 9. Special Features

The second through the tenth floors do offer sufficient head room to permit modern ceilings, lighting, and air distribution systems on a floor-by-floor basis, together with adequate service space to contain air conditioning equipment. All retail shops open at grade at the cost of variable ceiling heights for basement areas in southeast corner of building. The straight-lined limestone exterior blends well with government architecture on the Square although it is a sharp counterpoint to adjacent Bank Plaza. The building has been well maintained and managed over the years so that it has a good image on the market, with most vacancies explained by the transition of bank operations of its former owner from the Tenney Building to the Plaza. Elevator lobbies are spacious and corridors remain reasonable bright due to design preference for opaque glass panels and doors for office layout in the 1930's. Many corridor walls feature marble wainscoating.

#### F. Market Demand For Tenney Building Location and Facilities

In October of 1976 the demand for retail space on the Square has continued to be at a low ebb as suggested by the map and chart of vacant first floor retail areas in Exhibit 6. However, the first floor retail space of the Tenney Building is occupied and is comparatively clean and modern in terms of ceilings, floors, and window area (which do not require special displays), and it is highly visible to automobile and pedestrian traffic approaching on East Main Street and waiting for the stoplight at the intersection of Main and Pinckney. The two small retail areas east of the entrance are of marketable size, with 1,000 sq. ft. for the larger and 454 sq. ft. for the smaller unit, but the large block of 5,500 sq. ft. cannot be evenly subdivided as there is a single street entrance facing Pinckney Street and the falling grade on Main Street would make a second entrance structurally difficult.

Full service downtown office space in B Class buildings in the Capitol Square area of Madison also appears to be in excess of demand. However, the major blocks of space were the result of I.B.M. moving to its new office building and the First Wisconsin Bank relocating to its new plaza. In fact, most real estate people were anticipating a shortage of B Class space because state government office needs near the Square were continuing to rise and because Class B rents are competitive with rents in suburban low rise, scattered site office buildings. In several cases, such as Affiliated Bank and Providence Savings and Loan, the institutional owner are displacing its tenants as their leases come up for renewal.

Thus Class B office space, with some modernization, is likely to have a demand in 1976 and 1976, unlike the significant vacant space available in Class A buildings. Only where rents approached \$7.25 or fell below \$4.75 did supply significantly exceed demand. (Exhibit 9 )

G. Most Probable Use of Site and Structure

Review of the market for Class B office and retail space, inspection of the existing Tenney facilities, and analysis of its suitability for modernization, and study of subject property site characteristics leads to the conclusion that the most probable use of the property as of October 1, 1976 is its continued use as an office building for rental income.

The most probable buyer of the building in its October 1, 1976 condition is a professional developer capable of instituting a refurbishing and modernization program together with a leasing program which would extend the average term and average price per square foot of space significantly.

MADISON DOWNTOWN OFFICE SPACE  
1976

<u>Building</u>	<u>Location</u>	<u>Total Square Feet Rentable</u>	<u>Vacant Space</u>	<u>Annual Rental Rate Per Square Foot<sup>1</sup></u>	<u>Services Provided</u>
<u>Class A</u>					
United Bank	222 W. Washington Ave.	160,000	6,000	\$8.75	
First Wisconsin Bank	1 S. Pinckney St.	350,000	20,000	9.00-10.00	Full Services
Anchor Savings & Loan	25 W. Main St.	54,000	35,000	9.66	Full Services
James Wilson Plaza	137 W. Wilson St.	98,000	0	6.50-7.00	Full Services
Total		<u>662,000</u>	<u>20,000</u>	<u>7.00-8.00</u>	<u>Full Services</u>
<u>Class B</u>					
Churchill	16 N. Carroll St.	40,000	2,500	6.25	Janitorial
Tenney Bldg.	110 E. Main	74,000	17,300	5.25-6.80	Heat & Light Full Services
National Mutual Benefit	119 Monona Ave.	42,000	0	6.50-7.00	Full Services
30 On The Square	30 N. Mifflin St.	65,700	0	6.00-6.50	Janitorial
Jackson Bldg.	102 N. Hamilton	20,000	20,000	1.80	Heat & Light Triple Net
Lorraine Hotel	123 W. Washington	105,000	0	5.25-5.50	Full Services
Norris Lea	115 King	3,500	1,000	4.00-6.00	Heat
Karstens	24 N. Carroll	5,200	2,600	4.50	Heat
Reese	302 E. Washington Ave.	12,000	0	4.50-5.00	Heat
Total		<u>367,400</u>	<u>43,400 (.12)</u>		

<sup>1</sup>Rental rate per square foot is the typical rate prior to modification by rent escalators, price indices, or other prorata charges unique to each building and dependent upon the negotiation power of tenants.

V. MARKET COMPARISON APPROACH TO VALUE

The preferred method of appraisal in the Wisconsin system is inference of value of the subject property from actual sales of comparable property where neither buyer nor seller were under duress and both parties were knowledgeable as to future uses of the property. Office buildings of the size and age of the subject parcel seldom sell in Madison but there are several sales which have relevance if not a direct focus on the present appraisal problem.

A. The Hovde Building - 122 West Washington Avenue (See Exhibits 10 and 11).

1. Background

This office building with 67,000 sq. ft. of leasable area was built in 1927 and was owned and occupied by the Wisconsin Power and Light Company. The Power Company gradually reduced the space leased to other tenants as its own space needs grew; it sold the building when its own offices were relocated to the United Bank Building directly across Fairchild at 200 West Washington.

2. Price and Conditions

The building sold to realtor-developer Donald Hovde for \$800,000 in July of 1972. The Power Company provided some financing but exact details are not known. The Power Company leased back the high-ceilinged, big bay structure, once a Greyhound bus station, located to the rear of the Hovde Building as garage space for its motor pool.

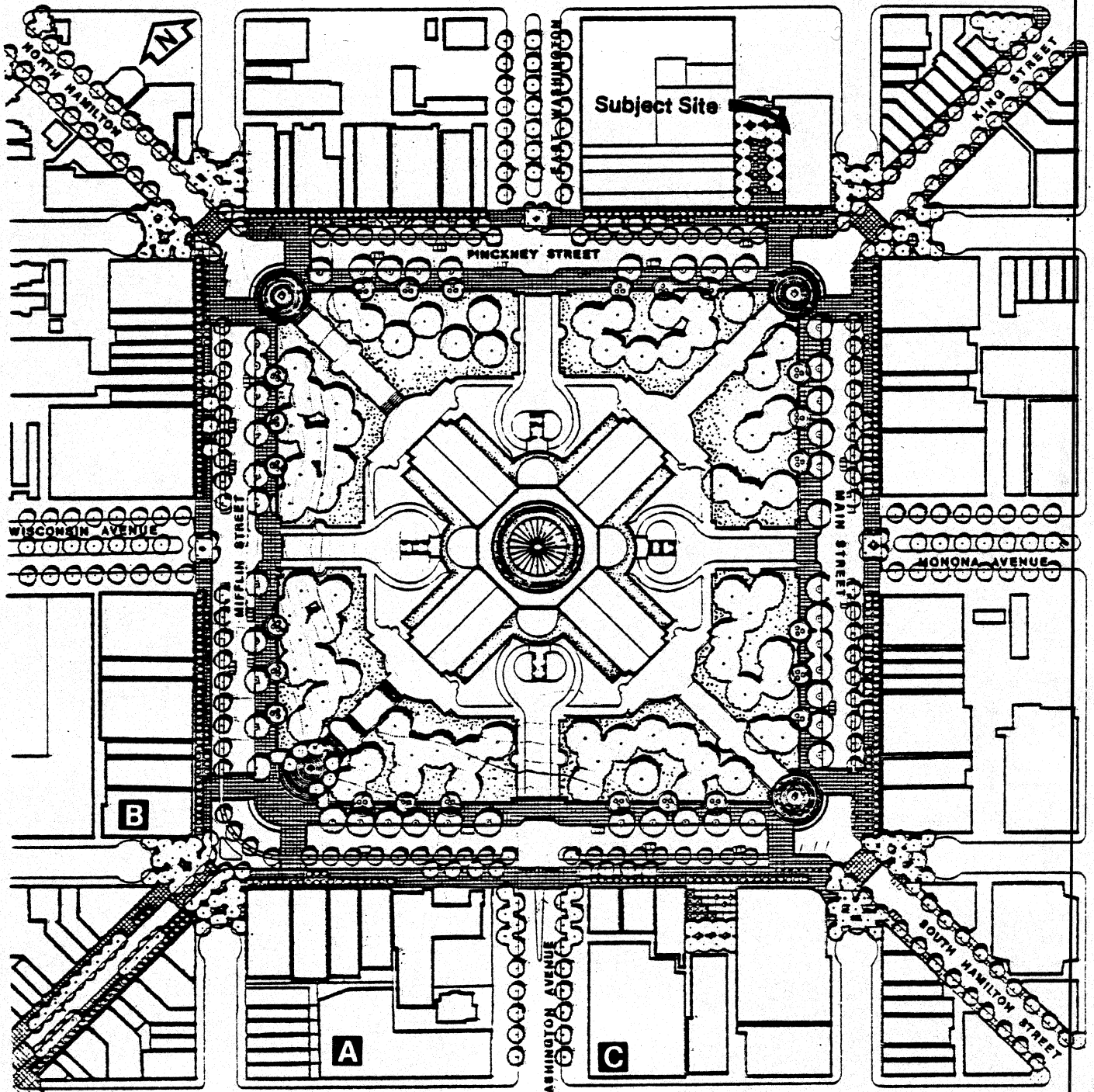
3. Location

The corner site of West Washington and Fairchild is one block west of the Capitol in the center of an office building district including state offices across the street, the United Bank Building, and a variety of smaller structures. It is two blocks from the City-County Building and one block from the proposed Federal Court House. In short, the site is as desirable as the comparable site of the Tenney Building. The site is not adjacent to Mifflin but it has 20 basement parking spaces which are not subject to conditional use permits.

4. Mechanical Conditions

At the time of sale, the building had two passenger and one freight elevators which are still manually operated by a staff of operators and maintenance people. No major work was done on existing boilers. However, the building had only a few window air conditioning units on an irregular pattern and an old style partitioning system and layout which was scrapped. Thus, mechanically the Hovde Building at the time of purchase in 1972 was highly comparable to the October 1, 1976 condition of the Tenney Building.

LOCATION OF COMPARABLE SALES  
ON THE CAPITOL SQUARE



- A** 122 West Washington Avenue
- B** 30 West Mifflin Street
- C** 123 West Washington Avenue

COMPARABLE SALES



A. Hovde Building  
122 West Washington Avenue



B. 30 on the Square  
30 West Mifflin

EXHIBIT 11 - Continued



C. Lorraine Hotel  
123 West Washington Avenue

5. Remodeling

The purchaser found it necessary to provide central air conditioning for every floor, provide a new suspended acoustic ceiling and lighting system in all rentable areas, repaint, carpet, and then accommodate new tenants with drywall on steel stud partitions. The building was rented at \$5.75-6.25 per sq. ft. with rent escalators and tenant improvement allowances and was virtually fully occupied by May of 1975.

6. Comparability

In terms of location, amount of Class B rentable area, and general condition the Hovde Building is a comparabel sale. The Power Company was a knowledgeable seller, under no financial duress. There is no evidence that favorable financial terms were offered to inflate the sales price. Certainly the subsequent refurbishing and marketing program indicate the motivation and purposes of the most probable buyer type to consider purchase of the Tenney Building in May of 1975.

7. Price Comparison

The raw purchase price of \$800,000 divided by net leasable area of 67,000 sq. ft. indicates a raw price of \$11.94 or approximately \$12 per sq. ft. leasable. The developer estimates that he spent \$12 per sq. ft. to restore the building.

B. 30 on the Square (See Exhibits 10 and 11)

1. Background

30 on the Square was built in 1965 as a 10-story office building on a 66 x 132 ft. site. On the corner of Mifflin, North Carroll, and State Street, across from the Capitol Building, it offers first class retail space, but the developer failed to exploit his location by leasing both retail and office space at too low a rental rate. Building systems and detailing were selected for first cost efficiency and the building was not a financial success. It was known to be for sale for several years but it was finally sold at a judicial sale and public auction on November 17, 1975 by James Bloor, as grantor and trustee in bankruptcy representing the U.S. District Court for the Southern District of the State of New York.

2. Price and Conditions

The successful bid price by Gordon Rice, of the Madison development firm of Executive Management Inc. as agents for others, was \$250,000 and assumption of the existing mortgage of \$1,088,000, at 6% interest for 15 years. There were other bidders at the judicial sale from Madison, Wisconsin, so that it is unclear as to whether this is a sale under duress or a market transaction. Certainly a premium was paid to obtain a 6% interest, 15 year mortgage, at least 3% below the best available rates in November of 1975. In addition, the



buyer paid \$5,000 to Northwestern Mutual for assumption of a mortgage and certain other fees as a condition of the bankruptcy sale. Closing was delayed until January of 1976 at which time the mortgage balance was \$1,064,519, which added to \$250,000 equity and \$7,500 in fees provides a raw purchase price of \$1,322,019. To reduce this to an equivalent cash price it is necessary to compute the present value of monthly savings and debt service for 180 months.

Monthly debt service at 9% for 180 months = \$10,797.00

Monthly debt service at 6% for 180 months = \$ 8,983.00

Debt service difference on \$1,064,519 mortgage balance                      \$ 1,814.00

Present value of \$1,814 per month for 180 months assuming an equity cash return of 12% is \$151,145. That is the justified premium paid for financing so the equivalent cash price for the real estate would be \$1,170,874; there are 65,720 sq. ft. of net leasable area suggesting a price per sq. ft. of leasable space of \$17.82.

### 3. Location

Compared to the Tenney Building the 30 on the Square Building has a superior retail location as it is on the keystone corner of the State Street and Capitol Concourse program. It is a key location for the Madison bus transit system. Its access is worse for maintenance, materials and service than the Tenney Building, and the lobby for the office elevators is poorly secured and subject to vandalism. The site provides no parking but tenants can use underground parking complex with the adjacent Concourse Hotel. Office space is comparable to the Tenney Building in terms of linkages to Capitol, Courthouse, and financial areas and somewhat superior in terms of linkage to downtown hotels, West Washington Avenue development, and viable retailing.

### 4. Mechanical Conditions

At the time of sale the building has two automatic passenger elevators and is experiencing some security problems. There is central air conditioning in need of improved controls and capacity. Refurbishing of halls and bathrooms may be a function of increased maintenance but mechanically the building is contemporary as compared to the antiquated but servicable equipment of the Tenney Building.

### 5. Marketing

Lease terms and renewal suffered some neglect during trusteeship and original leases are at a variety of rents and terms and in many cases escalator clauses were applied in sporadic fashion. A major effort is necessary to administer and release existing space arrangements to improve profitability of the building. Several new leases have been made at \$6.50 per sq. ft., but many old ones remain in force at far lower rates.

## 6. Comparability

In terms of location and amount of Class B rentable area, 30 on the Square is comparable to the Tenney Building. However, it is 30 years newer than the Tenney Building or the Hovde Building and already has automatic elevators, central air conditioning, and other modern office detailing. There is evidence that it was sold under duress, i.e., receivership for financial reorganization, and that the sale price included a premium for favorable financial terms. Part of the financial history can be attributed to unfavorable leases in the past, encumbrances which remain with the property. Nevertheless, it is a useful benchmark and does serve to indicate that the most probable buyer type for an investment of this size and type is a professional realtor-developer.

### C. Lorraine Hotel - 123 West Washington Avenue (See Exhibits 10 and 11)

#### 1. Background

This major hotel was built in the 1920's in grand style by the Schroeder Hotel chain, with the two-story ballroom, vaulted marble lobbies and mezzanine, and other cliches of its era. It was sold in 1968 by administrators of the Schroeder estate after continuing declines in hotel profitability to a Madison group of real estate investors and construction executives for conversion to office space. Since that time, hotel operations were gradually phased out, each floor was gutted, central air conditioning was redistributed through new suspended ceiling and light systems, and the space leased to the State of Wisconsin for state offices. In 1975 hotel operations were terminated and the balance of space leased to the state in a successful bid competition passed \$5.81. Even the two-story ballroom was filled in to provide two floors of space.

#### 2. Price and Conditions

The building sold to a Madison development group for \$1,200,000 in the fall of 1968. Terms required 25% down and the seller provided a \$900,000 mortgage at 6 1/2% for 10 years. The conversion provided 112,434 sq. ft. of leasable space.

#### 3. Location

The corner site on the southeast corner of West Washington and Fairchild is directly comparable to that of the Hovde Building at 122 West Washington and comparable to the Tenney Building site except that it offers twice as much frontage to the main street. In addition, it enjoys an off-street automobile circle for unloading passengers at the main entrance. There is no parking. The slope of the site and the design of the building provide minimal opportunity for retailing; there is a small English basement at the corner and a larger restaurant facility on grade closer to the Square. The first floor is almost a full flight of steps above grade.

#### 4. Mechanical Conditions

At the time of sale the building had two automatic passenger elevators and central air conditioning, as well as baroque interior fittings. However, major work was required to remove hotel rooms and baths and provide new air conditioning and utility systems for offices. Thus, more remodeling was required than in the Hovde Building, but it was staged with successive leases to the State and scaled-down hotel operation provided some revenue, security, and maintenance.

#### 5. Comparability

In terms of location and amount of Class B rentable area, the Lorraine Hotel is competitive with the Tenney Building. However, it lacks some efficiency as an office building and the convenience of lobbies at grade, etc. Financial terms were conventional for 1968 and would not inflate the sales price. However, the estate was under some duress in terms of their need to liquidate an obsolete hotel structure. Certainly the subsequent refurbishing and unique marketing program to the State indicate that motivation and purposes of the most probable buyer type to consider purchase of the Tenney Building in October of 1976.

#### 6. Price Comparison

The raw purchase price of \$1,200,000 divided by net leasable area of 112,454 sq. ft. indicates a raw price of \$10.67 or approximately \$10.75 per sq. ft. of leasable space. The developer estimates that he spent a rough \$14.00 per sq. ft. to convert the building.

#### D. Market Comparison Conclusion

The three comparable properties above were purchased by investors with similar motivation to refurbish and market, but are only roughly comparable in terms of time of sale, condition, age, and other factors. It was necessary to summarize descriptive data in Exhibit 12 and then score the significant characteristics of each sale at the time of purchase for relative quality to the Tenney Building on a scale of 0 to 5 (5 = most desirable for investor) and weight the significance of these factors to the professional investor. Location was weighted 30%, elevators and HVAC combined for 20%, remodeling required 25%, parking with structure 15%, and exterior styling and image 10%.

Results of this analysis show the Tenney Building and the Hovde Building to be very similar in total weighted points scored, while the 30 on the Square is a significantly different transaction in character, regardless of the price.

Without adjustment for time, an impossible adjustment to make due to change in the energy costs of older buildings since 1972, the Tenney Building would sell for \$12.00 a square foot of net leasable area or \$888,000. If it were to sell for as much as 42% more than the Hovde Building, or \$17.00 a square foot on October 1, 1976, it would sell for \$1,258,000.

EXHIBIT 12

SUMMARY OF COMPARABLE SALES OF CLASS B OFFICE BUILDING SPACE IN  
NEED OF REFURBISHING AND MARKETING

<u>Item</u>	<u>Hovde</u>	<u>30 On the Sq.</u>	<u>Lorraine</u>	<u>Tenney</u>
Date of Sale	July, 1972	November, 1976	October, 1968	
Cash Price	\$800,000	\$1,171,000	\$1,200,000	
Net Rentable Area	67,000 sq. ft.	65,700 sq. ft.	112,000 sq.ft.	74,000 sq. ft.
Price Paid Before Refurbishing Per Square Foot of Net Rental Area	\$11.94 or \$12.00/sq.ft	\$17.82 or \$18.00/sq. ft.	\$10.71 or \$10.50/sq.ft.	

Score for General Characteristics at Time of Purchase

<u>Feature</u>	<u>Weight</u>				
Location	.30	.30 x 4 = 1.20	.30 x 5 = 1.50	.30 x 4 = 1.20	.30 x 4 = 1.20
HVAC and Elevators	.20	.20 x { 1 = .20 4 = .20	.20 x { 3 = .60 5 = 1.00	.20 x { 1 = .20 5 = 1.00	.20 x { 2 = .30 1 = .20
Parking	.15	.15 x 5 = .75	.15 x 0 = 0	.15 x 0 = 0	.15 x 2 = .30
Remodeling required	.25	.25 x 3 = .75	.25 x 5 = 1.25	.25 x 1 = .25	.25 x 3 = .75
Exterior style	.10	.10 x 3 = .30	.10 x 5 = .50	.10 x 1 = .10	.10 x 5 = .50
Total weighted Score	1.00	3.40	4.85	2.75	3.35

Alternative Estimates Based on Sales Price Per Square Foot Leasable

\$12 x 74,000 = \$888,000
13 x 74,000 = 962,000
14 x 74,000 = 1,036,000
15 x 74,000 = 1,110,000
16 x 74,000 = 1,184,000
17 x 74,000 = 1,258,000

The market comparison approach can only bracket the most probable price as of October 1, 1976 as between \$888,000 and a maximum of \$1,258,000. However, a careful projection of future incomes and related financing can provide a more representative and narrow range of estimate and this approach is followed in Section VI.

## VI. THE INCOME APPROACH TO VALUE

For lack of arms length sales of comparable properties in Wisconsin, it is the opinion of the appraiser that the only correct approach to valuation in the present instance is the income approach to value, more specifically the mortgage-equity approach to value, as previously discussed in this report and approved for use in the City of Madison in Case #140-201, Dane County Circuit Court, before the Honorable Judge George R. Currie, relative to the James Wilson Plaza building.

The various steps to the income approach to value are identified below and fully detailed in the exhibits which follow.

### A. Income Approach Methodology

To determine the present value of a series of possible negative and positive cash flows before income tax to an investor-purchaser of the Tenney Building as of October 1, 1976 the following procedures have been followed:

1. All spaces in the Tenney Building were identified floor by floor as square footage and use to determine net assignable and hence rentable areas. (Exhibit 13) In addition, all existing leases were reviewed to establish actual rentals and date of commencement since a significant portion of space was occupied for only a portion of the fiscal year October 1, 1976, to September 30, 1977. A schedule of existing vacancies reduced by additional rentals in fiscal years 1976 through 1981 are provided in Exhibit 14.
2. Assignable areas, rents in existing leases, and market rents for vacant space were then combined to produce a schedule of revenues with supporting footnotes in Exhibit 13. It should be noted that rental increases are projected on several different standards, depending on their tenancy. Private office tenants are renewing leases subject to escalation of total rents according to the change in Consumer Price Index for all cities and all items, and this has been projected at 7.6 percent per annum without compounding as in Exhibit 15. Yearly increases for space leased to the State should not exceed 5% per year, while space rented to Jones Inc. is subject a prorata share of operating expenses.
3. The projection of gross potential revenues for six fiscal years and projected vacancy losses were then combined with operating expenses to produce a Schedule of Projected Revenues and Expenses for the Six Fiscal Years Starting January 1, 1976. (Exhibit 16) The gross rents and the net income before taxes and debt service were then reallocated into five fiscal years starting October 1, 1976. (Exhibit 17) It should be noted that the carefully footnoted expenses are based on the assumption that any purchaser would order and install two automatic elevators to replace the existing passenger elevators. The present owner has received estimates of \$118,000 for 1977 delivery. That investment together with the projected increase in occupancy would have an impact on income before income taxes or debt service. The investment in the elevators has been assumed to be fully financed with a 7-year second mortgage as further described below. It is also assumed a purchaser will refurbish common areas in 1980 as the market for Class B office space

TENNEY BUILDING

Schedule of Rental Revenues<sup>1</sup> for the Period January 1, 1976 Through December 31, 1981

Occupancy as of October 1, 1976	Space Sq. Ft.	Annual Rent Per Sq. Ft. <sup>2</sup>	Lease Term as of <sup>3</sup> 10/1/76	ANNUALIZED GROSS RENTAL REVENUES					
				1976	1977	1978	1979	1980	1981
<u>Lower Levels &amp; Roof</u>									
B Level Vault - Vacant	700	3.00	---	2,100	2,100	2,100	2,100	2,100	2,240
B Level-Showroom & Office	4,000	2.60	5/31/79	10,400	10,400	10,400	10,400	12,000	12,800
A Level-Storage	400	4.00	---	1,600	1,600	1,600	1,600	1,720	1,840
Blue Cab-Roof Antenna	---	--	---	480	480	480	480	480	480
Honeywell Phone Box	---	--	---	480	480	480	480	480	480
	<u>5,100</u>			<u>15,060</u>	<u>15,060</u>	<u>15,060</u>	<u>15,060</u>	<u>16,780</u>	<u>17,840</u>
<u>First Floor</u>									
Jones, Inc. <sup>2</sup>	5,500	5.00	5/31/79	27,500	32,500	34,550	36,590	38,640	40,800
Chez Vous	454	4.80	9/31/81	2,180	2,180	2,180	2,180	2,180	2,200
Chez Vous	1,000	4.80	9/31/81	4,810	4,810	4,810	4,810	4,810	4,860
	<u>6,954</u>			<u>34,490</u>	<u>39,490</u>	<u>41,540</u>	<u>43,580</u>	<u>45,630</u>	<u>47,860</u>
<u>Second Floor</u>									
201 Madison Dist. Security	150	5.60	---	840	900	950	1,000	1,050	1,130
202 Mar Mac Security	600	5.25	---	3,150	3,380	3,630	3,900	4,200	4,520
203-04 Dr. Doolittle	543	5.50	8/1/77	3,000	3,030	3,260	3,510	3,770	4,050
205-06 Vacant	506	5.40	4/30/77	2,730	3,800	3,010	3,240	3,480	3,740
207-08 Vacant	386	5.40	---	2,080	2,200	2,350	2,500	2,500	2,500
209-10 Vacant	451	5.40	---	2,430	2,610	2,800	3,030	3,260	3,500
211 Dr. Regez	219	5.25	---	1,150	1,230	1,320	1,420	1,530	1,640
212-14 Dr. Rhoads	700	5.40	4/30/77	3,780	3,970	4,270	4,590	4,590	4,850
215 Dr. M. Meng	415	6.05	3/3/77	2,510	2,550	2,740	2,940	3,100	3,330

TENNEY BUILDING

Schedule of Rental Revenues<sup>1</sup> for the Period January 1, 1976 Through December 31, 1981

Occupancy as of October 1, 1976	Space Sq. Ft.	Annual Rent Per Sq. Ft.	Lease Term as of 3 10/1/76	ANNUALIZED GROSS RENTAL REVENUES					
				1976	1977	1978	1979	1980	1981
<u>Second Floor (cont.)</u>									
216 Comm. Realty & Investment Corp.	500	5.75	---	2,870	3,075	3,330	3,500	3,750	4,030
218-19 Dr. McDermott	816	5.25	5/31/77	4,280	4,400	4,730	5,080	5,460	5,870
220-21 Vacant	1,400	4.90	---	6,860	7,380	7,940	8,500	9,140	9,830
	<u>6,686</u>			<u>35,680</u>	<u>37,525</u>	<u>40,300</u>	<u>43,210</u>	<u>45,830</u>	<u>48,990</u>
<u>Third Floor</u>									
301 Robert Vogelnd Assoc.	150	6.00	---	900	960	1,030	1,100	1,180	1,270
302-03 State	1,179	5.50	7/31/77	6,480	6,800	6,970	7,100	7,270	7,630
304 Vacant	230	5.40	---	1,240	1,300	1,390	1,495	1,600	1,720
305-08 State	942	5.40	---	5,080	5,330	5,600	5,880	6,175	6,480
309 Vacant	232	5.90	---	1,360	1,460	1,570	1,689	1,730	1,860
310-11 Vacant	456	5.60	---	2,550	2,675	2,800	2,950	3,090	3,240
312 Dr. Kappa	234	6.80	8/31/77	1,600	1,640	1,770	1,900	2,040	2,190
313-14 Dr. R. Meng	482	6.00	5/31/77	2,890	2,990	3,210	3,450	3,600	3,870
315 State	731	5.25	---	3,830	4,020	4,220	4,430	4,650	4,880
316-19 Vacant	1,091	5.75	---	6,270	6,740	7,250	7,880	8,300	8,930
320-24 Vacant	1,363	5.50	---	7,500	8,070	8,680	9,340	10,050	10,810
	<u>7,090</u>			<u>39,700</u>	<u>41,985</u>	<u>44,490</u>	<u>47,134</u>	<u>49,685</u>	<u>52,880</u>



TENNEY BUILDING

Schedule of Rental Revenues<sup>1</sup> for the Period January 1, 1976 Through December 31, 1981

Occupancy as of October 1, 1976	Space Sq. Ft.	Annual Rent Per Sq. Ft.	Lease Term as of 3 10/1/76	ANNUALIZED GROSS RENTAL REVENUES					
				1976	1977	1978	1979	1980	1981
<u>Fourth Floor</u>									
401 Vacant	150	5.50	---	825	880	940	1,010	1,080	1,160
402 Vacant	648	5.25	---	3,400	3,660	3,930	4,220	4,430	4,760
403-12 Harley Hayden & Co.	2,349	5.50	7/31/77	12,920	13,380	14,910	14,910	14,910	14,910
413-14 Wisc. Alliance of Cities	679	5.75	2/30/77	3,900	4,090	4,290	4,500	4,720	4,950
415 LaCrosse Tribune	259	5.25	---	1,360	1,460	1,590	1,820	1,820	1,930
416-19 State	1,370	5.25	12/30/76	7,190	7,540	7,900	8,290	8,600	9,030
420-22 Vacant	844	5.50	---	4,640	4,990	5,370	5,770	6,200	6,670
423-24 E. J. Konkal	340	5.50	8/31/77	1,870	1,960	2,100	2,260	2,430	2,610
	<u>6,639</u>			<u>36,105</u>	<u>37,960</u>	<u>41,010</u>	<u>42,780</u>	<u>44,190</u>	<u>46,020</u>
<u>Fifth Floor</u>									
501 E. C. Barton	150	5.60	---	804	900	970	1,040	1,130	1,210
502-05 Drs. Cooper, Kemp, & Lantis	1,652	5.60	2/30/77	9,250	9,830	10,580	11,380	12,240	13,170
506-19 State	3,922	5.25	10/31/78	20,590	20,590	21,440	22,340	23,450	24,620
520 Wisc. Board of Aging	555	5.25	6/30/77	2,910	2,980	3,130	3,280	3,280	3,400
521-22 Dr. Coryell	339	5.80	12/31/76	1,960	2,100	2,270	2,440	2,630	2,830
523-24 Green Bay Press-Gazette	337	5.75	5/31/78	1,940	1,940	2,000	2,150	2,150	2,150
	<u>6,955</u>			<u>37,490</u>	<u>38,340</u>	<u>40,390</u>	<u>42,630</u>	<u>44,880</u>	<u>47,380</u>
<u>Sixth Floor</u>									
601 Vacant	150	6.40	---	960	1,030	1,100	1,180	1,270	1,360
602-04 State	1,473	5.25	6/30/78	7,730	7,730	7,920	8,320	8,730	9,390
605 Aetna Fire	204	6.75	---	1,370	1,470	1,580	1,700	1,830	1,960

TENNEY BUILDING

Schedule of Rental Revenues<sup>1</sup> for the Period January 1, 1976 Through December 31, 1981

Occupancy as of October 1, 1976	Space Sq. Ft.	Annual Rent Per Sq. Ft.	Lease Term as of 3 10/1/76	ANNUALIZED GROSS RENTAL REVENUES					
				1976	1977	1978	1979	1980	1981
<u>Sixth Floor (cont.)</u>									
606-10 Vernon Molbreak	1,000	5.50	3/31/77	5,500	5,810	6,250	6,720	7,230	7,780
611 Robert Smith	286	5.80	---	1,650	1,770	1,900	2,040	2,190	2,350
612-14 Muleahy & Wherry	647	6.30	---	4,080	4,390	4,720	5,050	5,430	5,840
615 Muleahy & Wherry	344	5.50	---	1,890	2,030	2,180	2,340	2,520	2,700
616 John Barsness	850	5.25	2/28/79	4,460	4,460	4,460	4,740	4,740	5,030
617 W. J. Ward	250	5.50	---	1,370	1,480	1,590	1,710	1,840	1,970
618-19 State	494	5.25	11/30/79	2,590	2,590	2,610	2,740	2,880	3,020
620-24 Devine Insurance	1,262	5.50	7/31/77	6,940	7,160	7,700	8,290	8,920	9,590
	<u>6,960</u>			<u>38,540</u>	<u>39,920</u>	<u>42,010</u>	<u>44,830</u>	<u>47,580</u>	<u>50,990</u>
<u>Seventh Floor</u>									
701 Storage-Lawton & Cates	150	5.75	---	863	863	863	863	863	863
702-19 Lawton & Cates	5,417	5.75	---	25,840	27,800	29,910	32,190	32,190	32,190
720-24 Vacant	1,106	5.75	---	6,360	6,840	7,360	7,920	8,520	9,160
	<u>6,673</u>			<u>32,575</u>	<u>35,040</u>	<u>37,700</u>	<u>40,570</u>	<u>41,170</u>	<u>41,810</u>
<u>Eighth Floor</u>									
801 Vacant	150	6.00	---	900	960	1,030	1,110	1,180	1,270
802-05 Lawton & Cates	1,536	5.00	---	7,680	8,260	8,880	9,560	10,290	11,070
806-07 Dr. Mannis	470	6.50	8/31/77	3,050	3,120	3,360	3,610	3,890	4,180
808-22 State	4,580	5.25	6/30/77	24,040	24,640	25,870	27,160	29,230	31,450
823-24 Dr. Boyle	339	6.40	7/31/77	2,170	2,250	2,420	2,600	2,800	3,010
	<u>7,075</u>			<u>37,840</u>	<u>39,230</u>	<u>41,560</u>	<u>44,030</u>	<u>47,390</u>	<u>50,980</u>

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TENNEY BUILDING

Schedule of Rental Revenues<sup>1</sup> for the Period January 1, 1976 Through December 31, 1981

Occupancy as of October 1, 1976	Space Sq. Ft.	Annual Rent Per Sq. Ft.	Lease Term as of 3 10/1/76	ANNUALIZED GROSS RENTAL REVENUES					
				1976	1977	1978	1979	1980	1981
<u>Ninth Floor</u>									
901 Milliman & Robertson	150	5.40	---	810	870	940	1,010	1,080	1,160
902 Wisc. Insurance Alliance	864	5.85	4/30/77	5,050	5,300	5,710	6,140	6,600	7,100
903-06 State	980	5.25	---	5,140	5,400	7,870	7,870	7,870	7,870
907 David Lund	225	5.50	5/31/77	1,240	1,290	1,390	1,490	1,600	1,720
908-10 Lawrence Hall	700	4.00	2/29/77	2,800	2,970	3,200	3,440	3,700	3,980
911 Dr. Schmitz	248	6.50	12/31/76	1,610	1,730	1,860	2,000	2,000	2,150
912-19 State	2,580	5.25	11/30/77	13,550	13,630	14,310	15,020	16,160	17,380
921 MacDonald & Widder	575	5.50	12/30/76	3,160	3,400	3,660	3,940	4,240	4,560
922-23 State	355	5.75	10/30/77	2,040	2,060	2,160	2,320	2,390	2,510
924-25 Dr. Rundell	339	6.00	4/30/77	2,030	2,130	2,290	2,470	2,650	2,580
	<u>7,016</u>			<u>37,340</u>	<u>38,700</u>	<u>43,390</u>	<u>45,700</u>	<u>48,290</u>	<u>51,010</u>
<u>Tenth Floor</u>									
1001 Vacant	150	6.40	---	960	1,030	1,110	1,190	1,290	1,380
1002 Wisc. Assoc. of Independent Colleges	864	5.75	1/30/77	4,970	5,310	5,310	5,710	5,990	6,450
1003-04 Wisc. Cannery & Freezers	756	5.80	4/30/77	4,380	4,600	4,870	5,200	5,580	6,000
1005-08 Boelter Co.	911	5.75	---	5,230	5,630	6,060	6,520	7,010	7,540
1009-10 Fred Brown	455	5.25	---	2,380	2,550	2,750	2,960	3,180	3,420
1011-13 Dr. Doll	727	5.60	4/30/77	4,070	4,270	4,600	4,950	4,950	5,320
1014 Vacant	229	5.25	---	1,200	1,280	1,370	1,470	1,580	1,700
1015-18 Vacant	1,616	5.25	---	8,480	9,130	9,820	10,560	11,360	12,220
1019-21 Warren Lucas	680	5.25	---	3,570	3,840	4,130	4,440	4,770	5,130

TENNEY BUILDING

Schedule of Rental Revenues<sup>1</sup> for the Period January 1, 1976 Through December 31, 1981

Occupancy as of October 1, 1976	Space Sq. Ft.	Annual Rent Per Sq. Ft.	Lease Term as of 3 10/1/76	ANNUALIZED GROSS RENTAL REVENUES					
				1976	1977	1978	1979	1980	1981
<u>Tenth Floor (cont.)</u>									
1022 Vacant	171	7.00	---	1,190	1,280	1,370	1,470	1,580	1,700
1023 - Dr. Robert McKennon	<u>331</u> 6,890	5.40	---	<u>1,780</u> 38,210	<u>1,920</u> 40,840	<u>2,070</u> 42,350	<u>2,230</u> 46,700	<u>2,390</u> 48,390	<u>2,570</u> 53,430
Annual Totals for Tenney Bldg. <u>74,038</u> sq. ft.				<u>\$383,030</u>	<u>404,090</u>	<u>429,800</u>	<u>456,220</u>	<u>479,810</u>	<u>509,190</u>

TENNEY BUILDING

Notes to Schedule of Rental Revenues

1. The annualized gross revenue for 1976 is consistent with actual lease terms existing when the building was purchased by the present owner on October 1, 1976. Yearly increases in rentals are assumed to take place at lease renewal dates, and are based on the last five years average of the All Item Consumer Price Index of 7.6%. Yearly increases in rentals for state agencies, however, are based on a 5% increase.
2. Rental increases for Jones, Inc. are based on operating expense increases. The increase for 1976-1977 is approximated at \$5,000.
3. Of the 83 leaseable units in the Tenney Building as of October 1, 1976 there are only 40 leases in place and 29 of those are for a term of less than one year.

TENNEY BUILDING

Schedule of Vacancies By Floor and By Lease Terms  
for the Period of January 1, 1976 Through December 31, 1981

	Space Sq. Ft.	% Vacant	Annual Rental Rate Per Sq. Ft.	# of Months Vacant	PROJECTION PERIOD					
					1976	1977	1978	1979	1980	1981
<u>Lower Level:</u>										
B Level - Vault	700	100	3.00	12	\$ 2,100					
	700	100	3.00	12		\$ 2,100				
	700	100	3.00	12			\$ 2,100			
	700	100	3.00	12				\$ 2,100		
	700	75	3.00	12					\$ 1,575	
	700	50	3.20	12						\$ 1,120
B Level - Showroom and Office	4,000	100	2.60	12	10,400					
	4,000	100	2.60	4		3,460				
	4,000	100	2.60	7				6,060		
	4,000	50	3.00	9					4,500	
	4,000	50	3.20	6						3,200
A Level - Storage	400	100	4.00	12	1,600					
	400	100	4.00	12		1,600				
	400	100	4.00	12			1,600			
	400	50	4.30	6					430	
	400	50	4.60	9						690
Total - Lower Level					\$14,100	\$ 7,160	\$ 3,700	\$ 8,160	\$ 6,505	\$ 5,010
<u>First Floor:</u> <sup>2</sup>										
Retail Space	5,500	100	6.65	7				21,340		
	5,500	50	7.00	9					14,490	
	5,500	50	7.50	4						6,870
Total - First Floor					0	0	0	\$21,340	\$14,490	\$ 6,870

TENNEY BUILDING

Schedule of Vacancies By Floor and By Lease Terms  
for the Period of January 1, 1976 Through December 31, 1981

	Space Sq. Ft.	% Vacant	Annual Rental Rate Per Sq. Ft.	# of Months Vacant	PROJECTION PERIOD					
					1976	1977	1978	1979	1980	1981
<u>Second Floor:</u>										
201	150	100	6.25	6			\$ 470			
	150	100	6.70	12			\$ 1,000			
	150	100	6.90	12				\$ 1,050		
	150	100	7.50	6						\$ 560
203-04	543	100	6.50	4				1,170		
	543	100	6.95	6					1,890	
	543	100	7.50	6						2,030
205-06	506	100	5.50	4		\$ 930				
	506	100	5.95	12			3,010			
	506	100	6.85	3					870	
207-08	386	100	5.40	12	\$ 2,080					
209-10	451	100	5.40	12	2,430					
	451	100	5.80	12		2,610				
	451	100	6.20	5			1,170			
212-14	700	100	5.65	4		1,320				
	700	100	6.10	12			4,270			
215	415	100	7.10	6				1,470		
	415	100	7.45	6					1,550	
216	500	100	6.15	3		770				
	500	100	6.60	5			1,370			

TENNEY BUILDING

Schedule of Vacancies By Floor and By Lease Terms  
for the Period of January 1, 1976 Through December 31, 1981

	Space Sq. Ft.	% Vacant	Annual Rental Rate Per Sq. Ft.	# of Months Vacant	PROJECTION PERIOD					
					1976	1977	1978	1979	1980	1981
<u>Second Floor (cont.)</u>										
218-19	816	100	6.20	5				\$ 2,110		
	816	100	6.70	12					\$ 5,460	
	816	100	7.20	6						\$ 2,930
220-21	1,400	100	4.90	12	\$ 6,860				4,570	
	1,400	100	6.50	6						
Total - Second Floor					\$11,370	\$ 5,630	\$10,290	\$ 3,640	\$15,390	\$ 5,520
<u>Third Floor:</u> <sup>3</sup>										
301	150	100	6.40	9		\$ 720				
	150	100	6.85	12			\$ 1,030			
	150	100	7.30	12				\$ 1,100		
	150	100	7.85	6					\$ 590	
	150	100	8.40	6						\$ 630
302-03	1,179	100	6.15	10					6,050	
	1,179	100	6.45	6						3,810
304	230	100	5.40	12	1,240					
	230	100	5.65	12		1,300				
	230	100	6.00	10			1,150			
	230	100	6.90	10					1,330	
	230	100	7.50	6						860
305-08	942	100	5.40	12	5,080					
	942	100	5.65	12		5,330				
	942	100	5.90	10			4,660			
	942	100	6.50	10					5,140	
	942	100	6.90	6						3,240

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EXHIBIT 14 -- Continued



TENNEY BUILDING

Schedule of Vacancies By Floor and By Lease Terms  
for the Period of January 1, 1976 Through December 31, 1981

	Space Sq. Ft.	% Vacant	Annual Rental Rate Per Sq. Ft.	# of Months Vacant	PROJECTION PERIOD					
					1976	1977	1978	1979	1980	1981
<u>Third Floor (cont.)</u>										
309	232	100	5.85	12	\$ 1,360					
	232	100	6.30	12		\$ 1,460				
310-11	456	100	5.60	12	2,550					
	456	100	5.90	12		2,675				
	456	100	6.15	10			\$ 2,330			
	456	100	6.75	10				\$ 2,570		
	456	100	7.10	6					\$ 1,620	
312	234	100	7.10	1			140			
	234	100	8.10	12			\$ 1,900			
	234	100	8.70	12				2,040		
	234	100	9.30	6						1,090
315	731	100	6.00	10				3,690		
	731	100	6.35	6					2,320	
316-19	1,091	100	5.75	12	6,270					
	1,091	100	6.20	12		6,740				
	1,091	100	6.65	12			7,250			
320-24	1,363	100	5.50	12	7,500					
	1,363	100	5.90	3		2,010				
Total - Third Floor					\$24,000	\$20,235	\$16,560	\$ 6,690	\$20,040	\$11,250

TENNEY BUILDING

Schedule of Vacancies By Floor and By Lease Terms  
for the Period of January 1, 1976 Through December 31, 1981

	Space Sq. Ft.	% Vacant	Annual Rental Rate Per Sq. Ft.	# of Months Vacant	PROJECTION PERIOD					
					1976	1977	1978	1979	1980	1981
<u>Fourth Floor:</u>										
401	150	100	5.45	12	\$ 820					
	150	100	5.85	12		\$ 880				
	150	100	6.25	12			\$ 940			
	150	100	6.75	12			\$ 1,010			
	150	100	7.20	12				\$ 1,080		
	150	100	7.75	12					\$ 1,160	
402	648	100	5.25	12	3,400					
	648	100	5.65	6		1,830				
403-12	2,349	100	5.70	5		5,570				
415	259	100	6.00	3			390			
420-22	844	100	5.50	12	4,640					
	844	100	5.90	9		3,740				
	844	100	6.70	6						2,820
Total - Fourth Floor					\$ 8,860	\$ 12,020	\$ 1,330	\$ 1,010	\$ 1,080	\$ 3,980
<u>Fifth Floor:</u>										
502-05	1,652	100	6.90	2			\$ 1,890			
	1,652	50	7.40	12				\$ 6,120		
	1,652	50	8.00	6						\$ 3,290
506-19	3,922	50	7.00	6						6,860
					0	0	0	\$ 1,890	\$ 6,120	\$ 10,150

TENNEY BUILDING

Schedule of Vacancies By Floor and By Lease Terms  
for the Period of January 1, 1976 Through December 31, 1981

	Space Sq. Ft.	% Vacant	Annual Rental Rate Per Sq. Ft.	# of Months Vacant	PROJECTION PERIOD					
					1976	1977	1978	1979	1980	1981
<u>Sixth Floor:</u>										
601	150	100	6.40	12	\$ 960					
	150	100	6.90	12		\$ 1,030				
605	204	100	6.70	11	1,250					
	204	100	7.10	7		850				
	204	100	7.65	3			\$ 390			
606-10	1,000	100	5.80	8		3,870				
	1,000	100	6.25	2			1,040			
	1,000	100	6.80	6						\$ 3,400
611	286	100	6.65	5			790			
612-14	647	100	6.80	6						2,200
615	344	100	5.50	12	1,890					
	344	100	5.90	12		2,030				
	344	100	6.30	8			1,450			
617	250	100	5.50	12	1,370					
	250	100	5.90	12		1,480				
618-19	494	100	5.55	12				\$ 2,740		
Total - Sixth Floor					\$ 5,470	\$ 9,260	\$ 3,670	\$ 2,740	0	\$ 5,600
<u>Seventh Floor:</u>										
720-24	1,106	100	5.75	12	\$ 6,360					
	1,106	100	6.20	12		\$ 6,840				
	1,106	100	6.50	12			\$ 7,360			
	1,106	100	7.15	12				\$ 7,920		
	1,106	50	7.70	12					\$ 4,260	
	1,106	50	8.20	6						\$ 2,290
Total - Seventh Floor					\$ 6,360	\$ 6,840	\$ 7,360	\$ 7,920	\$ 4,260	\$ 2,290

TENNEY BUILDING

Schedule of Vacancies By Floor and By Lease Terms  
for the Period January 1, 1976 Through December 31, 1981

	Space Sq. Ft.	% Vacant	Annual Rental Rate Per Sq. Ft.	# of Months Vacant	PROJECTION PERIOD					
					1976	1977	1978	1979	1980	1981
<u>Eighth Floor:</u>										
302-05	1,536	100	5.40	5		\$ 3,440				
	1,536	100	5.80	7			\$ 5,180			
	1,536	50	6.70	6						\$ 5,140
<b>Total - Eighth Floor</b>					<u>0</u>	<u>\$ 3,440</u>	<u>\$ 5,180</u>	<u>0</u>	<u>0</u>	<u>\$ 5,140</u>
<u>Ninth Floor:</u>										
903-06	980	100	5.50	6		\$ 2,700				
907	225	100	6.10	2			\$ 230			
922-23	355	100	6.10	9			1,620			
					<u>0</u>	<u>\$ 2,700</u>	<u>\$ 1,850</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Tenth Floor:</u>										
1001	150	100	6.40	12	\$ 960					
1009-10	455	100	5.60	8		\$ 1,700				
	455	100	6.00	7			\$ 1,600			
	455	100	6.60	1				\$ 250		
	455	100	7.00	12					\$ 3,180	
	455	100	7.50	6						\$ 1,710
1014	229	100	6.40	12				1,470		
	229	100	6.90	12					1,580	
	229	100	7.40	6						850
1015-18	1,616	100	5.25	12	8,480					
1019-21	680	100	5.65	12		3,840				
	680	100	6.00	9			3,090			
1022	171	100	7.00	12	1,190					
	171	100	7.50	6		640				
1023-24	331	100	5.80	6		960				
<b>Total - Tenth Floor</b>					<u>\$10,630</u>	<u>\$ 7,140</u>	<u>\$ 4,690</u>	<u>\$ 1,720</u>	<u>\$ 4,760</u>	<u>\$ 2,560</u>
<b>Annual Totals for Tenney Building<sup>3</sup></b>					<u>\$80,790</u>	<u>\$74,425</u>	<u>\$54,630</u>	<u>\$55,110</u>	<u>\$72,640</u>	<u>\$62,480</u>

TENNEY BUILDING

Notes on Schedule of Vacancies By Floor and By Lease Terms

1. The lower level space has a record of vacancy; it is assumed that until the space is remodeled to be more marketable the rents will not keep pace with the Consumer Price Index.
2. The first floor retail area will need to be remodeled, and possibly, subdivided to meet the market demand for smaller retail space; Exhibit 6 shows that most of the retail vacancies around the Square are for spaces larger than 4,000 sq. ft.
3. In 1980, when GEF II & III are complete, the state will vacate more than 3,000 sq. ft. of space on the third floor and 455 sq. ft. on the tenth floor; thus there will be a dramatic increase in vacancies projected for that year. A most probable buyer will have to anticipate a large capital investment in 1980 to remodel and refurbish the Tenney Building to make it competitive in the Class B office market that will continue to have a large supply of space available.

AVERAGE RATE OF INCREASE IN CONSUMER PRICE INDEX  
ALL ITEMS 1972 - OCTOBER 1, 1976

DECEMBER 1976 □ PRICES A53

CONSUMER PRICES

(1967 = 100)

Period	All items	Food	Housing						Apparel and upkeep	Transportation	Health and recreation							
			Total	Rent	Home-ownership	Fuel oil and coal	Gas and electricity	Furnishings and operation			Total	Medical care	Personal care	Reading and recreation	Other goods and services			
1929.....	51.3	48.3	.....	76.0	.....	.....	.....	.....	48.5	.....	.....	.....	.....	.....	.....	.....	.....	.....
1933.....	38.8	30.6	.....	54.1	.....	.....	.....	.....	36.9	.....	.....	.....	.....	.....	.....	.....	.....	.....
1941.....	44.1	38.4	53.7	57.2	.....	40.5	81.4	.....	44.8	44.2	.....	37.0	41.2	47.7	49.2	56.9	.....	
1945.....	53.9	50.7	59.1	58.8	.....	48.0	79.6	.....	61.5	47.8	.....	42.1	55.1	62.4	67.8	77.8	.....	
1960.....	88.7	88.0	90.2	91.7	86.3	89.2	98.6	93.8	89.6	89.6	85.1	79.1	90.1	87.3	87.8	94.2	.....	
1965.....	94.5	94.4	94.9	96.9	92.7	94.6	99.4	95.3	93.7	95.9	93.4	89.5	95.2	95.9	94.2	.....	.....	
1966.....	97.2	99.1	97.2	98.2	96.3	97.0	99.6	97.0	96.1	97.2	96.1	93.4	97.1	97.5	97.2	100.0	.....	
1967.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	.....	
1968.....	104.2	103.6	104.2	102.4	105.7	103.1	100.9	104.4	105.4	103.2	105.0	106.1	104.2	104.7	104.6	104.6	.....	
1969.....	109.8	108.9	110.8	105.7	116.0	105.6	102.8	109.0	111.5	107.2	110.3	113.4	109.3	108.7	109.1	109.1	.....	
1970.....	116.3	114.9	118.9	110.1	128.5	110.1	107.3	113.4	116.1	112.7	116.2	120.6	113.2	113.4	116.0	120.9	.....	
1971.....	121.3	118.4	124.3	115.2	133.7	117.5	114.7	118.1	119.8	118.6	122.2	128.4	116.8	119.3	120.9	125.5	.....	
1972.....	125.3	123.5	129.2	119.2	140.1	118.5	120.5	121.0	122.3	119.9	126.1	132.5	119.8	122.8	125.5	129.0	.....	
1973.....	133.1	141.4	135.0	124.3	146.7	136.0	126.4	124.9	126.8	123.8	130.2	137.7	125.2	125.9	129.0	137.2	.....	
1974.....	147.7	161.7	150.6	130.6	163.2	214.6	145.8	140.5	136.2	137.7	140.3	150.5	137.3	133.8	137.2	147.4	.....	
1975.....	161.2	175.4	166.8	137.3	181.7	235.3	169.6	158.1	142.3	150.6	153.5	168.6	150.7	144.4	147.4	148.5	.....	
1975—Oct.....	164.6	179.0	169.8	139.3	184.8	243.3	174.2	160.9	144.6	156.1	156.3	173.5	152.9	146.6	148.5	148.5	.....	
Nov.....	165.6	179.8	171.3	139.9	186.8	246.5	176.8	161.6	145.5	157.4	156.5	173.3	153.6	147.0	148.9	148.9	.....	
Dec.....	166.3	180.7	172.2	140.6	187.8	248.7	179.0	162.0	145.2	157.6	157.5	174.7	154.6	147.5	149.8	149.8	.....	
1976—Jan.....	166.7	180.8	173.2	141.2	188.8	248.9	179.5	163.7	143.3	158.1	158.6	176.6	155.7	148.2	150.5	151.3	.....	
Feb.....	167.1	180.0	173.8	142.1	188.6	249.4	181.9	165.2	144.0	158.5	159.7	178.8	157.0	148.5	151.3	151.8	.....	
Mar.....	167.5	178.7	174.5	142.7	188.7	247.6	183.7	166.6	145.0	159.8	160.6	180.6	157.4	149.0	151.8	152.5	.....	
Apr.....	168.2	179.2	174.9	143.2	188.9	246.6	184.4	167.4	145.7	161.3	161.4	181.6	158.3	149.5	152.5	152.9	.....	
May.....	169.2	180.0	175.6	143.8	189.6	246.2	186.1	167.9	146.8	163.5	162.1	182.6	158.9	150.3	152.9	153.2	.....	
June.....	170.1	180.9	176.5	144.4	190.7	247.3	187.9	168.5	146.9	165.9	162.8	183.7	159.8	150.9	153.2	153.6	.....	
July.....	171.1	182.1	177.5	145.0	192.2	248.1	189.6	168.9	146.5	167.6	163.9	185.5	160.5	151.2	153.6	153.8	.....	
Aug.....	171.9	182.4	178.4	145.6	193.4	249.3	190.3	169.1	148.1	168.5	164.4	186.8	161.6	151.4	153.8	153.9	.....	
Sept.....	172.6	181.6	179.5	146.2	194.4	250.8	192.2	170.2	150.2	169.5	165.3	187.9	162.8	152.8	153.9	154.4	.....	
Oct.....	173.3	181.6	180.1	146.9	194.8	253.1	193.9	170.9	150.9	170.9	166.1	188.9	163.9	153.5	154.4	.....	.....	

NOTE.—Bureau of Labor Statistics index for city wage earners and clerical workers.

$$\frac{172.6 - 125.3}{125.3} = \frac{.378}{5} = .076$$

5 years

OR

7.6% Annual Rate of Price Increase 1972-76

TENNY BUILDING

Schedule of Projected Revenues and Expenses from  
January 1, 1976 Through December 31, 1981

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
<b>Revenues:</b>						
Gross Office Rentals	\$383,030	\$404,090	\$429,800	\$456,220	\$479,810	\$509,190
Less: Vacancies	(80,790) (.21)	(74,425) (.18)	(54,630) (.13)	(55,110) (.12)	(72,640) (.15)	(62,480) (.12)
Effective Office Rent	302,240	329,665	375,170	401,110	407,170	446,710
Parking Rentals (26 stalls 1976-77) (24 stalls 1978-81)	<u>8,110</u>	<u>8,110</u>	<u>10,800</u>	<u>10,800</u>	<u>10,800</u>	<u>10,800</u>
Total	310,350	337,775	385,970	411,910	417,970	457,510
Leasehold Advantages <sup>1</sup>	<u>0</u>	<u>470</u>	<u>3,790</u>	<u>5,850</u>	<u>10,450</u>	<u>15,050</u>
Total Revenues	<u>310,350</u>	<u>338,245</u>	<u>389,760</u>	<u>417,760</u>	<u>428,420</u>	<u>472,560</u>
<b>Expenses:</b>						
Accounting & Legal	2,236	3,119	3,036	3,688	4,000	4,320
Building Security <sup>2</sup>	18,116	19,950	19,110	19,110	20,560	22,120
Contract Labor <sup>3</sup>	35,664	7,129	704	800	860	920
Insurance	6,000	6,426	6,130	6,130	6,300	6,800
Maintenance <sup>4</sup>	15,172	15,282	16,463	25,240	27,150	29,200
Wages & Salaries	50,912	54,900	53,430	51,476	55,390	59,830
Office Expenses	2,064	1,930	3,772	4,068	4,370	4,720
Repairs	12,000	15,960	25,178	13,024	14,010	15,130
Taxes - Payroll	6,500	6,934	7,787	10,064	10,830	11,690
Telephone	1,000	905	1,794	1,412	1,520	1,640
Utilities & Heat	62,120	61,015	67,960	72,454	77,960	84,200
Management <sup>6</sup>	0	21,120	25,050	26,430	25,960	26,720
Concourse Special Assess.	<u>0</u>	<u>1,680</u>	<u>4,044</u>	<u>4,044</u>	<u>4,044</u>	<u>4,044</u>
Total Expenses Before Taxes	211,784	216,350	234,458	237,940	252,954	265,334
Real Estate Taxes	<u>31,460</u>	<u>33,120</u>	<u>32,504</u>	<u>35,000</u>	<u>37,660</u>	<u>42,410</u>
Total Expenses	<u>243,244</u>	<u>249,470</u>	<u>266,962</u>	<u>272,940</u>	<u>290,614</u>	<u>307,744</u>
Net Income Before Income Taxes and Debt Service	<u>\$ 67,106</u>	<u>\$ 88,775</u>	<u>\$122,798</u>	<u>\$144,820</u>	<u>\$137,806</u>	<u>\$164,816</u>
(See Exhibit 17)						

## Notes to Schedule of Projected Revenues and Expenses

1. Leasehold Advantages

For those rentable units locked into a long-term lease at lower than market rent or rented consistently at lower than market rents from year to year, the difference between market rent and actual rent was computed and added to revenue.

2. Building Security

Management had anticipated that the installation of automatic elevators in 1977 would reduce the need for security personnel who also operated the passenger elevators. This assumption did not prove correct because of increased vandalism and the need to check building mechanicals each hour; building security continues to be hired from 10 p.m. to 6 a.m. on weekdays and 24 hour coverage on the weekends. The building is open to the public from 6 a.m. to 6 p.m. each weekday.

3. Contract Labor

The Tenney Building Co. retained the management services of the First Wisconsin Development Co. from 1976-1977; these fees are included in the Contract Labor account. The Tenney Building Co. hired its own manager as of January 1, 1977 to eventually take over the management function.

4. Maintenance

The account includes a maintenance contract at \$8,400 a year for the elevators.

5. Utilities and Heat

Utilities and heat costs are actual costs for natural gas, fuel oil and electricity from 1976-1978. From 1979 through 1981 the costs are increased annually by 7.6%. Given the rapid rise in fuel costs, these projections are extremely optimistic and tend to inflate the net income projections.

6. Management

Except for 1976 (see footnote 3 above) management is computed as 6% of effective gross office revenue with 4% allowed for management and 2% for leasing commissions for space turnover.



EXHIBIT 17

TENNEY BUILDING

REALLOCATION OF GROSS RENTAL INCOME FROM  
JANUARY 1, 1976 THROUGH DECEMBER 31, 1981  
TO OCTOBER 1, 1976 THROUGH SEPTEMBER 30, 1981

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
10/1-12/31 (.25)	\$ 95,758	\$101,022	\$107,450	\$114,055	\$119,952	\$127,298
1/1-9/30 (.75)	287,272	303,068	322,350	342,165	359,858	381,892
	<u>\$383,030</u>	<u>\$404,090</u>	<u>\$429,800</u>	<u>\$456,220</u>	<u>\$479,810</u>	<u>\$509,190</u>
	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	
	\$ 95,758	\$101,022	\$107,450	\$114,055	\$119,952	
	303,068	322,350	342,165	359,858	381,892	
Gross Rental Income (See Section VI, D, 3)	<u>\$398,826</u>	<u>\$423,372</u>	<u>\$449,615</u>	<u>\$473,913</u>	<u>\$501,844</u>	

REALLOCATION OF NET INCOME BEFORE TAXES AND DEBT  
SERVICE FROM JANUARY 1, 1976 THROUGH DECEMBER 31, 1981  
TO OCTOBER 1, 1976 THROUGH SEPTEMBER 30, 1981

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
10/1-12/31 (.25)	\$ 16,770	\$ 22,200	\$ 30,700	\$ 36,200	\$ 34,450	\$ 41,200
1/1-9/30 (.75)	50,330	66,580	92,100	108,600	103,350	123,600
	<u>\$ 67,100</u>	<u>\$ 88,780</u>	<u>\$122,800</u>	<u>\$144,800</u>	<u>\$137,800</u>	<u>\$164,800</u>
	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	
	\$ 16,770	\$ 22,200	\$ 30,700	\$ 36,200	\$ 34,450	
	66,580	92,100	108,600	103,350	123,600	
Net Income Before Debt Service and Income Taxes (See Exhibit 18)	<u>\$ 83,350</u>	<u>\$114,300</u>	<u>\$139,300</u>	<u>\$139,550</u>	<u>\$158,050</u>	

becomes more competitive. This \$100,000 investment will be financed by a 5-year chattel mortgage and will have an impact upon future revenues for office rentals.

4. Revenue less expenses in Exhibits 16 and 17 provide a forecast of net cash income before the payment of debt service, income taxes, and the yield on investment including the recovery of equity capital necessary to justify the cash investment of the buyer.
5. To convert net income before debt service to a capitalized income value, a computer program called Investment Market Value (IMV) reflecting Ellwood Mortgage-Equity techniques, is used from the National EDUCARE library of programs. EDUCARE is a non-profit extension of the American Institute of Real Estate Appraisers and the Society of Real Estate Appraisers dedicated to the development of Timeshare techniques for application to appraisal and real estate analysis problems. An explanation of the detailed inputs and outputs of the IMV process follow.

#### B. Mortgage-Equity Assumptions for Value Approach

1. Lenders would be skeptical of the long-term viability of the Tenney Building because of its age, lack of central air conditioning, and short-term leases. Therefore, a conventional mortgage loan for a new buyer from traditional mortgage lenders could not exceed 70% of proposed purchase price.
2. The interest rate on the above first mortgage as of October 1, 1976 under most favorable circumstances would be 10.25 percent for a 20-year term loan. A lender would probably require the loan to balloon in 10-12 years but that event would fall outside the five year forecast.
3. An additional loan for \$118,000 would be required to finance the installation of two automatic elevators at the end of the first year. This chattel mortgage would be for 84 months, start in the second year, and might enjoy a rate of 10.25 percent interest.

With the completion of GEF II and III at the end of 1979, there will be a shift in many State offices. The Tenney Building will be affected by the loss of tenants from the Department of Health and Social Services who will move to 1 West Wilson; vacancy is expected to increase by 3,260 sq. ft. from these shifts alone. Combined with anticipated termination of other leases and the continued vacancy of the retail area it is assumed a purchaser will refurbish common areas with carpeting, improved lighting, and some remodeling of space. It is estimated an additional loan of \$100,000 for five years at 12% interest will be required to make the Tenney Building more marketable in an increasingly competitive market for Class B office space.

The refurbishing and remodeling will gradually increase occupancy and the projected revenue in the last three years of the projection period.

4. The overall rate of return to equity would be 15% per year, compounded before income taxes or capital gain taxes on the appreciation contained in the equity reversion. The 15% return is a conservative requirement for an older, refurbished building, subject to significant blocks of space leased short term or to government agencies, limited to straight line depreciation, and with no certainty of appreciation occurring during the holding period.
5. Since appreciation or depreciation depends on whether the cash income of the project is improved through marketing, management, and the rate of inflation, it is speculative to project a change in resale value. For purposes of this projection no change in the value of the building is assumed, with actual wear-and-tear and aging or functional obsolescence due to utility rates increases considered to be offset by modest inflation in dollar values. The uncertain affect of the proposed Capitol Concourse project, to be financed by property owners on the Square, further justifies the assumption of no change in resale value at this time. Thus it is assumed that the property would resell in five years at no less than the same price it would sell for on October 1, 1976. A graduated sales commission and other transaction costs would not exceed 3.5% of the sales price. These are liberal and optimistic assumptions at this time for Madison, tending to overstate resale proceeds to investor.
6. The IMV program requires additional explicit assumptions to provide an after tax yield estimate as a check on the justified purchase price:
  - a. IMV solves for total value before taxes; in this case the value of the land has been determined by a separate valuation process(Section VI,E)so IMV solves for 100% of the improvement value and adds in the land value to solve for total value. For the purposes of testing implications for after tax yield, it is assumed that 60% of the improvement value represents structure which has 30 year remaining useful life with a 10% salvage value and that 40% of the improvement value represents existing mechanical equipment which has a 15 year useful life with a 10% salvage value. One hundred eighteen thousand dollars is attributed to new elevators which have a 20 year useful life with a 10% salvage value; thirty thousand dollars is attributed to new carpeting with a 5 year useful life and no salvage value; seventy thousand dollars is attributed to new wiring, lighting fixtures and some remodeling with a 15 year useful life and a 10% salvage value.
  - b. The Federal tax rate is assumed to be 50% for an individual investor having other income that could use the minimal shelter of taxable losses attributable to the project as defined

above. State income tax and capital gain tax is entered at the marginal rate of .114 for a Wisconsin individual.

C. Execution of the IMV Model

The data file, built on the assumptions described above and from the proforma income statements (Exhibits 16 and 17), was entered and run; the program was directed to solve for a before tax equity yield of 15%. The data file and output are provided in Exhibit 18. This exhibit indicates the justified investment market value as of October 1, 1976 to be \$1,163,853, or rounded to \$1,160,000, which is \$15.70 per sq. ft. of net rentable area. The value of \$15.70 is consistent with the market value approach as suggested in Exhibit 12; this is 31% more than paid for the Hovde Building four years earlier in 1972 under similar conditions and motivation. The price of \$12.00 sq. ft. of net rentable area inflated by the change in the CPI of .076 per year over the previous five years leads to a comparable value of \$16.00 a square foot of net rentable area.

D. Basic Investment Tests of Justified Investment Value

Some basic investment tests indicate that a justified investment value of \$1,160,000 would be the highest price an investor would pay under these assumptions because:

1. While the after tax yield is adequate at 13.6%, all of the yield in the first and second years are due to tax savings through other income and all appreciation (should there be any) in excess of original equity cash would be taken by the capital gains tax in the event of resale.
2. Cash flow in the first two years is negative; in the third and fourth year before refurbishing the cash flow is 15% of the original equity investment. Because of the high cost of improvements to bring the building up to standard for Class B office space, total cash flow before taxes at the end of the fifth year is \$33,020 which is only 25% of the original investment. The optimal payback of equity in five years for a commercial is not met under these conditions. The investment value could be no higher.
3. The cash breakeven point for the investment is the effective gross potential rent minus cash flow before taxes and converted to a percentage. The default point or breakeven point should be in the neighborhood of 70-75% on an older building in need of refurbishing and marketing. In the third year and fourth year the default point is still 96%.

IMV VALUATION OUTPUT AND IMV INPUT FILE

IMV 19:44CDT 10/09/79

WHAT IS YOUR DATA FILE NAME? TENNEY  
 \*\$10.00 LIB CHG APPLIED

IMV : \$ 1163853  
 AFTER TAX YIELD(IRR) : 13.44%  
 BEFORE TAX YIELD(IRR): 15.00%  
 DO YOU WANT DETAIL (0=NO,1=YES)? 1

INVESTMENT MARKET VALUE ANALYSIS 19:44CDT 10/09/79

TENNEY BUILDING - MADISON, WISCONSIN  
 110 EAST MAIN STREET  
 VALUATION AS OF OCTOBER 1, 1976

\*\*\*\*\*  
 AFTER TAX YIELD(IRR) : 13.44%  
 BEFORE TAX YIELD(IRR): 15.00%

INVESTMENT MARKET VALUE: \$ 1163853  
 \*\*\*\*\*

FINANCING:

MORTGAGES:

1.	1ST MONTH	10.250%	20 YRS	0 MØNS	\$	814697
2.	13TH MONTH	10.250%	7 YRS	0 MØNS	\$	118000
3.	49TH MONTH	12.000%	5 YRS	0 MØNS	\$	100000

EQUITY CASH: \$ 131156

RESALE OF INVESTMENT IN 5 YEARS:

ESTIMATED RESALE PRICE	\$	1163853
LESS: MORTGAGE BAL.		879176
SALES COMMISSION		40735
CASH REVERSION BEFORE TAXES	\$	243942
LESS: CAPITAL GAINS TAX(STD.)		63079
TAX ON RECAPTURED DEPR.		0
TAX PREFERENCE TAX		2939
CASH REVERSION AFTER TAXES	\$	177924

YR	NET INCOME	MORTGAGE INTEREST	BOOK DEPR.	TAXABLE INCOME	INCOME TAX	CASH FLOW BEFORE TAX	CASH FLOW AFTER TAX
1	83300	82904	38446	-38050	-21193	-12669	8524
2	114300	93034	44346	-23080	-12855	-5359	7496
3	139300	90173	44346	4781	2663	19641	16978
4	139600	87005	44346	8249	4594	19941	15347
5	158000	94661	55013	8326	4637	11648	7011

PROGRAM STOP AT 9500

OFF AT 19:48CDT 10/09/79

EXHIBIT 18 -- Continued

LIST

TENNEY 19:43CDT 10/09/79

100 TENNEY BUILDING - MADISON, WISCONSIN

101 110 EAST MAIN STREET

102 VALUATION AS OF OCTOBER 1, 1976

103 B, .15

104 AD, 0, 5, .035

105 83300, 114300, 139300, 139600, 158000 (See Exhibit 17)

110 5, .50, .114, .114

111 4, 340000

112 .60, 1, 30, .20, 1

113 .40, 1, 15, .10, 1

114 118000, 1, 20, .10, 13

115 30000, 1, 5, 0, 49

116 70000, 1, 15, .10, 49

122 1, .70, .1025, 240, 0, 1

123 1, 118000, .1025, 84, 0, 13

124 1, 100000, .12, 60, 0, 49

Fiscal Years	Total Gross Rental Revenue From Exhibit 17 Column A	Cash Flow Before Tax from Exhibit 18 Column B	Default Point $1 - \frac{\text{Column B}}{\text{Column A}}$
1976-77	\$398,826	-	1 - (-.03) = 103%
1977-78	423,372	-	1 - (-.01) = 101%
1978-79	449,615	-	1 - (.04) = 96%
1979-80	473,913	-	1 - (.04) = 96%
1980-81	501,844	-	1 - (.02) = 98%

The default ratios remain unacceptably high despite the optimistic rent and expense projections following installation of new elevators. Only a slight increase in vacancy or real estate taxes would put the project in the red.

4. In short, the high breakeven point is the result of full pricing and a heavy assumption of debt, and it is this leverage risk which produces the cash flow before taxes. A higher price would require more debt expense or more equity. The debt increases the risk of default which is already too high while additional equity would sharply lower yield and postpone payback well beyond the five-target. Should the Internal Revenue Service conclude that land values represent a much larger portion of the property values than we have allocated, depreciation benefits would be lost and cash flows after tax would drop significantly. Therefore, one must conclude that the property is fully priced at \$1,160,000.

#### E. Land Valuation

The absence of comparable land sales on and adjacent to the Capitol Square in the past three years for investment grade multitenant office buildings necessitates the use of other valuation techniques to determine the most probable price an investor seeking such a use would pay for the land.

##### 1. Selection Criteria for Comparables

The assumptions used in the selection of comparable sites are:

- a. The comparable is now used or is to be used for a multitenant office building.
- b. Only the total purchase price of all the parcels in an assemblage is considered; separate parcels for an assemblage are not used.
- c. The office site is within three blocks of the Capitol Square or is in an office zone with rents competitive to Class B office buildings on the Square.

## 2. Downtown Class A Office Sites

Between 1974 and 1978, a period that brackets the valuation date of the Tenney Building, the United States Government, with the assistance of the City of Madison, assembled parcels of land as a site for the Federal Court House. As shown in Exhibit 19, the total cost per square foot of the site was \$21.88.

Note that the Post Office site is a unique full square block facing the City County Building, a view of Lake Monona, the Madison Club, and a city parking ramp. The Court House site is flanked by the new Madison Civic Center and a two block urban renewal project called Capitol Center which is providing a new 800 car parking ramp contiguous to the Federal Court House. These linkages are unique and the scale of each site provides optimum building envelopes and layouts. In comparison, the Tenney site is overshadowed by the First Wisconsin Plaza, lacks the shape for efficient underground parking, and faces the combat zone of Madison.

Since the U.S. and City of Madison governments are not known to be controlled by a reasonable return on investment and solvency, public institutions can pay more for an institutional office building site suitable for a monumental government building than can a private investor expecting a reasonable return on capital. Thus, \$21-22 a sq. ft. represents a land cost outside the upper limit of justified land values for investment grade office buildings. (See Section VI, E.4).

An assemblage of land occurred several blocks from the Square in December 1977, a little over a year after the valuation date of this appraisal when some confidence had been restored to the downtown real estate market. The grantees have previously stated that their intent is to build a large corporate multitenant office building on the site. The Sweeney site (Exhibit 17) has a purchase price of \$7.05 per sq. ft. The site is two blocks from the Tenney Building and three blocks from the Capitol Square; it slopes downward in a northeasterly direction from the Square. Corner values of the site are lost to a gas station at Blair and East Washington, and a small office building at the corner of East Main and Franklin so that this sale must represent the bottom of the range for downtown investment sites.

## 3. Suburban Class B Office Zone Sites

When the cost of land increases there must be a more intensive use of land for an investment grade project. Thus, when the ratio of land costs per square foot of net rentable area is known for economically justified projects, the ratio can be used to solve for economically justified land costs for an investment grade multitenant office building of a known net leaseable area.

The relationship can be stated as:



EXHIBIT 19

LAND SALES COMPARISON SOURCES FROM 1973-1978  
IN MADISON, WISCONSIN

Identifiacion of Parcel	Date of Purchase	Description of Improvements Demolished	Grantor	Grantee	Site Size Sq. Ft.	Purchase Price	Demolition Costs	Net Rentable Area of Office Bldg.	Instrument of Sale	Volume and Page
<u>FEDERAL COURTHOUSE</u> Parcel 1-305 W. Dayton	2/28/74	Warehouse	Edsal W. Gustafson, et.al.	City of Madison	8,316	\$ 98,800	\$ 13,000 <sup>1</sup>	--	Warranty Deed	Vol. 499 p. 359
Parcel 2-120 N. Henry	11/14/77	Bus depot	Badger Coaches	U.S. of America	8,052	120,000	2,778 <sup>2</sup>	--	Warranty Deed	Vol. 898 p. 436
Parcel 3-116 N. Henry	2/21/78	Apartments	Ida Repka	U.S. of America	3,327	65,000	5,375 <sup>2</sup>	--	Warranty Deed	Vol. 936 p. 70
Parcel 4-110 N. Henry	2/1/74	Bar & Lounge	110 N. Henry, Trust	City of Madison	6,600	344,000	12,845 <sup>2</sup>	--	Warranty Deed	Vol. 495 p. 738
Parcel 5-308-312 W. Mifflin	6/29/74	Retail Space	Albert J. Endres, Dec.	City of Madison	8,157	86,000	6,000 <sup>2</sup>	--	Warranty Deed	Vol. 522 p. 442
<u>U.S. POST OFFICE</u> 215 Monona Ave.	12/28/78	Post Office	U.S. of America	City of Madison	87,411	1,750,000	140,000 <sup>3</sup>	--	Warranty Deed	--
<u>AFFILIATED UNIVERSITY PHYSICIANS</u> 6602 Grand Teton Plaza	7/21/77	None	Park Towne Develop- ment Corp.	Synapse Associates	55,839	92,200	1.65 --	18,675 sq. ft.	Warranty Deed	Vol. 836 p. 199
<u>PYRAMID BUILDING</u> 6402 Odana Rd.	1/30/73	None	Park Towne Develop- ment Corp.	Terry Monson	28,000	47,500	--	10,700 sq. ft.	Warranty Deed	Vol. 416 p. 233
<u>KENSINGTON WEST</u> 6314 Odana Rd.	6/10/75	None	Park Towne Develop- ment Corp.	Gary W. Stolen	38,000	42,500	--	14,700 sq. ft.	Land Contract 7/15/76 Warranty Deed 6/10/75	Unrecorded Vol. 585 p. 441
<u>SWEENEY SITE</u> Block 116, Original Plat (except 502 E. Main & 521 E. Washington)	12/3/77	Six single and multifamily residential units	Robert J. Sweeney	Wayne J. Sweeney and Richard L. Danner	75,912	520,000	15,000 <sup>4</sup>	--	Land Contract 12/3/77	Vol. 1093 pp. 361-3
<u>OLDE TOWNE OFFICE PARK</u> 6325, 6333, 6401 6409, 6417, 6425 Odana Rd.	1/18/77	None	Park Towne Develop- ment Corp.	Gary W. Stolen	277,040	228,559	.83 --	108,000 sq. ft.	Land Contract 1/18/77 Warranty Deed 5/4/77	Vol. 766 p. 455 Vol. 801 p. 533

<sup>1</sup>Estimated - 130,000 cu. ft. @ .10 cu. ft.

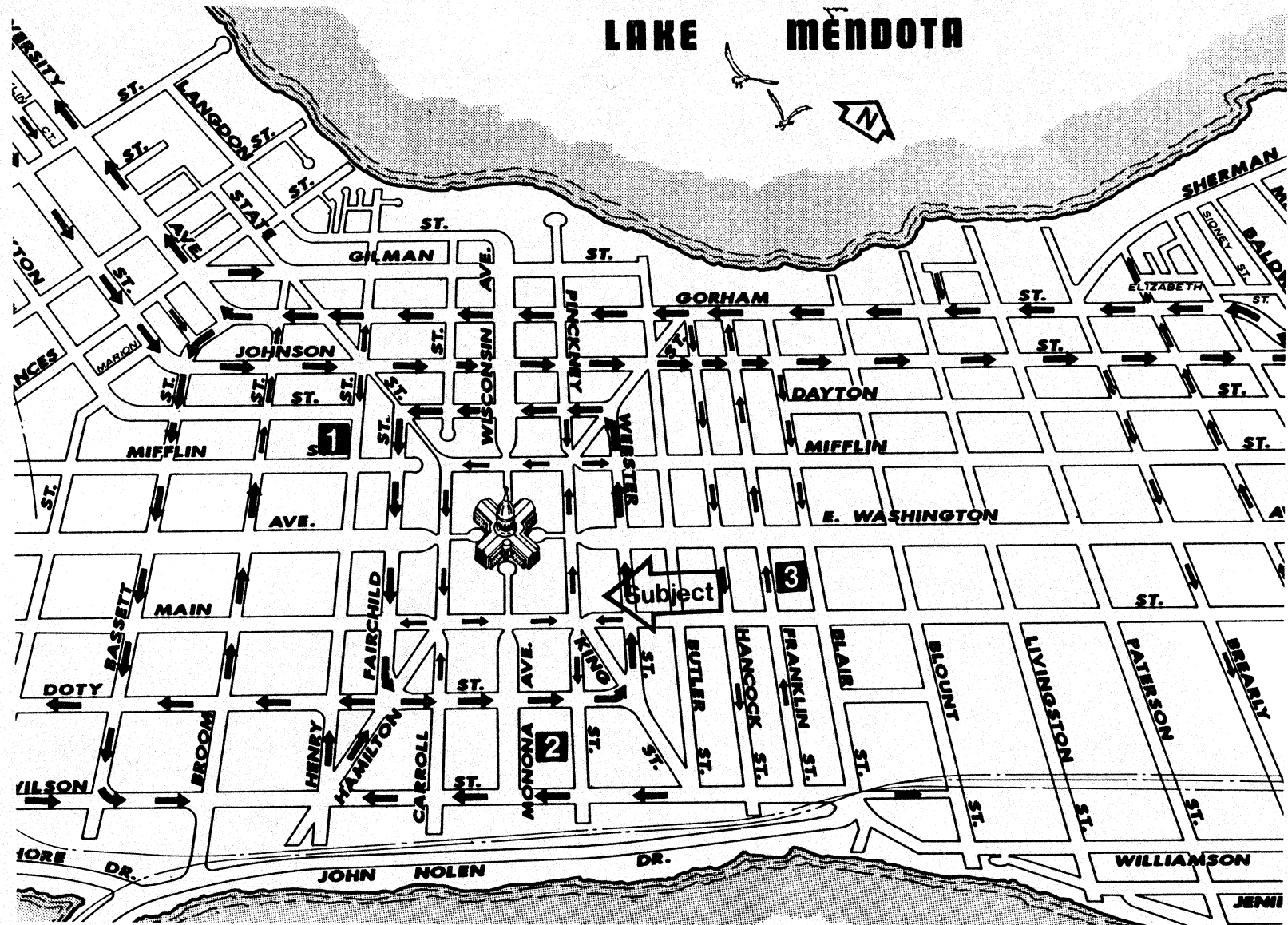
<sup>2</sup>Actual cost to City of Madison

<sup>3</sup>Estimated - 1,400,000 cu. ft. @ .10 cu. ft.

<sup>4</sup>Estimated - \$2,500 per dwelling unit

LOCATION OF DOWNTOWN LAND COMPARABLES

LAKE MENDOTA



- 1** Federal Courthouse
- 2** U.S. Post Office
- 3** Sweeney Site

$$\frac{\text{Known Land Costs of Project A}}{\text{Net Rentable Area of Project A}} = \frac{X}{\text{Net Rentable Area of Project B}}$$

X = Equivalent land costs for Project B (Tenney Building)

Between 1973 and 1977 land was purchased to build a number of investment grade multitenant office buildings on the west side of Madison on Odana Road. New Class B buildings with rental rates similar to the Tenney Building, adjusted for free parking space provided, on suburban sites are used as comparables. (Exhibit 20)

The Odana office buildings, with adjusted rents, are as follows:

<u>Building</u>	<u>Location</u>	<u>Average Rental Rate</u>	<u>Rental Rate Adjusted for Parking Provision</u> <sup>1</sup>
Pyramid Building	6402 Odana Rd.	\$6.50	\$5.34
Kensington West	6314 Odana Rd.	6.92	5.54
Olde Towne Office Park	6325 Odana Rd.	6.92	5.80
	6333 Odana Rd.	6.92	5.80
	6401 Odana Rd.	6.92	5.80
	6409 Odana Rd.	6.92	5.80
	6417 Odana Rd.	6.92	5.80
Affiliated University Physicians	6602 Grand Teton Plaza	6.80	5.71

In 1976 rental rates in the Tenney Building ranged from \$4.80 to \$6.85 with the majority between \$5.25 and \$5.75 per sq. ft. of net rentable area. Thus, there is comparability between the Odana multitenant office buildings and the Tenney Building.

As shown in Exhibit 21 the comparable land cost per sq. ft. for the Tenney site, developed with 74,038 sq. ft. of net rentable area, ranged from an equivalent \$6.83 to \$15.92 per sq. ft. The \$6.83 represents the purchase price per sq. ft. of an unplatted site of unusually large size and should be disregarded.

---

1 The formula to adjust for the provision of parking is:

$$\frac{\text{Sq. ft. of Gross Building Area}}{300 \text{ sq. ft.}} = \text{Spaces Required}$$

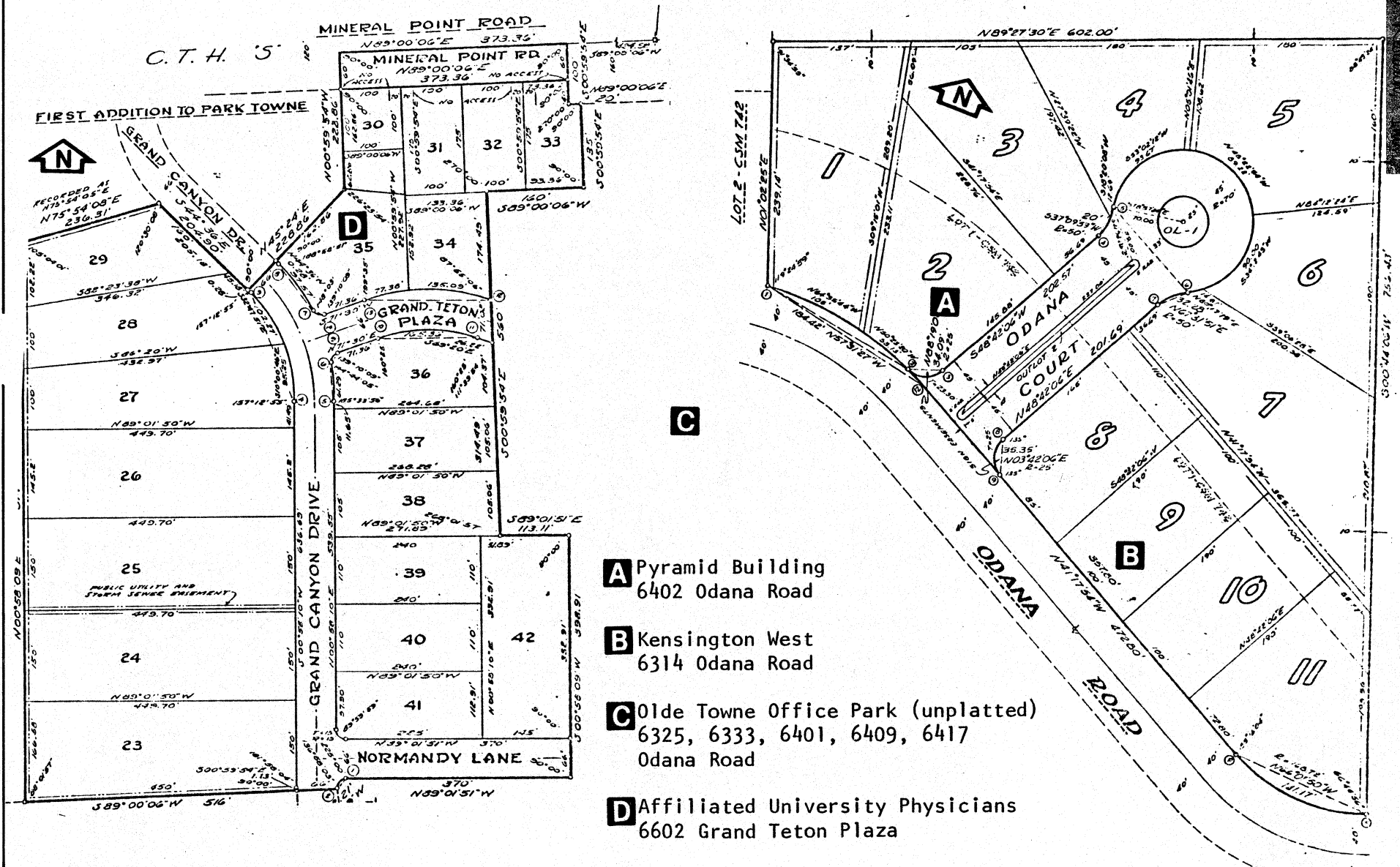
$$\text{Spaces required} * \$26/\text{month} * 12 = \text{Revenue allocated to parking}$$

$$\frac{\text{Revenue allocated to parking}}{\text{Net rental area}} = \text{Cost per sq.ft. NRA for parking}$$

$$\text{Rental rate per sq. ft. NRA} - \text{Cost per sq. ft. NRA for parking} = \text{Adjusted rental rate for building with no parking provision}$$

EXHIBIT 20

LOCATION OF COMPARABLE CLASS B OFFICE SITES  
IN ODANA AREA



- A** Pyramid Building  
6402 Odana Road
- B** Kensington West  
6314 Odana Road
- C** Olde Towne Office Park (unplatted)  
6325, 6333, 6401, 6409, 6417  
Odana Road
- D** Affiliated University Physicians  
6602 Grand Teton Plaza

EXHIBIT 21

LAND SALES COMPARISON ANALYSIS

Land Valued as Vacant for Investment Grade Multitenant Buildings Compared to Government Institution Quality Office Buildings - Madison, Wisconsin

Name and Location of Project	Date of Land Purchase	Condition of Site on Date of Purchase	Improvements Demolished or Valued At 0	Size of Site in Sq. Ft.	Purchase Price	Purchase Price Per Sq. Ft.	Adjustment Per Sq. Ft. for Demolition <sup>2</sup>	Total Price Per Sq. Ft.	Land Cost Per Sq. Ft. Of Net Rentable Area of Building <sup>3</sup>	Equivalent Land Cost Per Sq. Ft. For Tenney Site <sup>4</sup>	Remarks
FEDERAL COURT HOUSE W. Dayton, N. Henry and W. Mifflin	1974-78	Platted with obsolete improvements	Yes	34,452	\$ 713,800	\$20.72 <sup>1</sup>	\$1.16	\$21.88 <sup>1</sup>	-	\$21.88	Site for Class A Court House Office Building for U.S. Government
U.S. POST OFFICE Doty, Monona Pinckney and Main	1978	Platted with obsolete improvements	Yes	87,411	1,750,000	20.02 <sup>1</sup>	1.60	21.62 <sup>1</sup>	-	21.62	Valued as site only for public office space
AFFILIATED UNIVERSITY PHYSICIANS Grand Teton Plaza	1977	Platted and vacant	-	55,839	92,200	1.65	-	1.65	\$4.94	15.92	Primarily built to suit tenant, but also multitenant office space
PYRAMID BLDG. Odana Road	1973	Platted and vacant	-	28,000	47,500	1.70	-	1.70	4.44	14.31	
KENSINGTON WEST Odana Road	1975	Platted and vacant	-	38,000	42,500	1.12	-	1.12	2.89	9.32	
SWEENEY SITE S. Blair, E. Main E. Washington, S. Franklin	1977	Platted with obsolete improvements	Yes	75,912	520,000	6.85	.20	7.05	-	7.05	Investor intent to build large corporate office building in site
OLDE TOWNE OFFICE PARK Odana Road	1977	Unplatted and vacant	-	277,040	228,559	.83	-	.83	2.12	6.83	Cost of site improvements to bring up to platted condition not included in land costs

<sup>1</sup>Total average price of assemblage

<sup>2</sup>See Exhibit for demolition costs

<sup>3</sup>See Exhibit for land costs and net rentable area

<sup>4</sup>Formula to equate multitenant office land cost with equivalent value of Tenney site:

$$\frac{\text{Known Land Costs of Project A}}{\text{Net Rentable Area of Project A}} = \frac{X}{\text{Net Rentable Area of Project B (74,038 sq. ft.)}}$$

where X = Equivalent Land Costs for Project B (Tenney Building)

$$\text{then } \frac{X}{\text{Land Area Project B (22,968 sq. ft.)}} = \text{Equivalent Cost per sq. ft. for Tenney site}$$

#### 4. Land Value Conclusion

The range of values of platted land for an investment grade multitenant office building such as the Tenney Building which has a net rentable area of 74,038 sq. ft. built on a site of 22,968 sq. ft. lies between \$9.32 and \$15.92 per sq. ft. when compared with multitenant office buildings with similar rental rates. The inclusion of the Sweeney site three blocks from the Square and considered the low end of the value range expands the range from \$7.05 to \$15.92 per sq. ft. The \$21-22 per sq. ft. paid by governments for sites to be used for institutional office building is outside the upper limit of justified land values for investment grade office buildings.

WE THEREFORE CONCLUDE THE MARKET VALUE OF THE TENNEY BUILDING SITE IF VACANT ON OCTOBER 1, 1976 WOULD BE NO HIGHER THAN \$15.00 PER SQUARE FOOT FOR A TOTAL OF THREE HUNDRED FORTY THOUSAND DOLLARS (\$340,000).

#### 5. Investment Test of Justified Land Cost

To demonstrate the highest price an investor could pay if he could acquire the 22,968 sq. ft. Tenney Building site as vacant and construct a new multitenant office building, a computerized feasibility test using the IMV Educare program has been applied. The following specifications and assumptions are incorporated into the data file:

- a. The building is 3 stories high and has a maximum of 60,000 sq. ft. of gross building area to avoid higher costs of construction required of larger structures (sprinklers, fire resistant construction materials and techniques, etc.) as detailed in the Wisconsin Administrative Code. There are two floors of parking below grade to accommodate 100 cars.
- b. Total construction costs for masonry bearing walls and concrete supporting structure are \$30 per sq ft of gross building area and \$4000 per parking stall for a total of \$2,200,000 as of October 1, 1976.
- c. The building is 80% efficient; there are 48,000 sq. ft. of net rentable area. Rents for new office space on the Square in 1976 could reach \$9.00 per sq. ft. with (3) three year leases with escalators and \$10.00 per sq. ft. base rent when the leases are renewed in 1979. Parking stalls are rented for \$40 per month the first three years and \$45 a month thereafter. Expenses are 50% of the effective gross office revenue, assumed constant with lease escalators.

d. The proforma income statement is as follows:

NEW BUILDING					
SCHEDULE OF PROJECTED EXPENSES AND REVENUES					
FROM OCTOBER 1, 1976 THROUGH SEPTEMBER 30, 1981					
Revenues	1976-77	1977-78	1978-79	1979-80	1980-81
Gross Office Rentals	\$432,000	\$432,000	\$432,000	\$480,000	\$480,000
Less: Vacancies	68,800(.15)	43,200(.10)	34,560(.08)	24,000(.05)	9,600(.02)
Effective Office Rent	367,200	388,800	397,440	456,000	470,400
Parking Rentals	40,800	43,200	48,000	54,000	54,000
Total Revenue	408,000	432,000	445,440	510,000	524,400
Expenses	183,600	194,400	198,720	222,800	235,200
Net Operating Income before Debt Service and Income Taxes (See Exhibit 22, IMV Input File)	<u>\$224,400</u>	<u>\$237,600</u>	<u>\$246,720</u>	<u>\$287,200</u>	<u>\$289,200</u>

e. A 15% equity yield rate is required before income taxes for a non-corporate investor with a 50% marginal Federal and 11.4% marginal State tax rate. The uncertainty of the economic viability of the Capitol Square in 1976 makes this yield requirement minimal even in a new building since the absorption rate assumed in the pro forma is pollyanna, at best, and the rental rates assumed are at the upper limits of the 1976 market. It is assumed the resale value will be ten times the net operating income at the fifth year.

f. Financing includes an 80% loan to value mortgage at .1025 interest for a 30-year term. The 150% declining balance depreciation method over a 30 year life is used for all improvements with full recapture.

IMV solves for total investment value; since improvement costs are known, the value of the land is the residual amount. The resulting investment value of \$2,541,761, rounded to \$2,540,000 less improvement costs of \$2,200,000 leaves a justified \$340,000 for land costs. (Exhibit 22) With this set of optimistic assumptions, the justified land cost at the Tenney Building site is \$14.80 per sq. ft. which corroborates with the land cost to revenue ratios found in the market comparables for rental multi-tenant offices. The results of the valuation techniques used and the investment test for justified land value for the Tenney site suggest a range of land values for \$7.00 to \$16.00 per sq. ft.; the \$21.00 per sq. ft. spent for the Federal Court House site and for City of Madison office facilities is outside the

EXHIBIT 22

IMV OUTPUT AND INPUT FOR TEST OF JUSTIFIED LAND COST

IMV 12:35CDT 10/08/79

WHAT IS YOUR DATA FILE NAME? BUILD  
\*\$10.00 LIB CHG APPLIED

IMV : \$ 2541761  
AFTER TAX YIELD(IRR) : 13.72%  
BEFORE TAX YIELD(IRR): 15.00%  
DO YOU WANT DETAIL (0=NO,1=YES)?1

INVESTMENT MARKET VALUE ANALYSIS 12:36CDT 10/08/79

NEW BUILDING - MADISON , WISCONSIN  
110 EAST MAIN STREET  
FEASIBILITY OF NEW STRUCTURE

\*\*\*\*\*  
AFTER TAX YIELD(IRR) : 13.72%  
BEFORE TAX YIELD(IRR): 15.00%

INVESTMENT MARKET VALUE: \$ 2541761  
\*\*\*\*\*

FINANCING:

MORTGAGES:  
1. 1ST MONTH 10.250% 30 YRS 0 MONS \$ 2033408  
EQUITY CASH: \$ 508353

RESALE OF INVESTMENT IN 5 YEARS:

ESTIMATED RESALE PRICE \$ 2892000  
LESS: MORTGAGE BAL. 1966943  
SALES COMMISSION 101220  
CASH REVERSION BEFORE TAXES \$ 823837  
LESS: CAPITAL GAINS TAX(STD.) 199657  
TAX ON RECAPTURED DEPR. 65507  
TAX PREFERENCE TAX 12041  
CASH REVERSION AFTER TAXES \$ 546632

YR	NET INCOME	MORTGAGE INTEREST	BOOK DEPR.	TAXABLE INCOME	INCOME TAX	CASH FLOW BEFORE TAX	CASH FLOW AFTER TAX
1	224400	207930	109999	-93529	-51428	5744	57172
2	237600	206777	104499	-73676	-40920	18944	59864
3	246720	205500	99274	-58054	-32336	28064	60400
4	287200	204087	94311	-11198	-6237	68544	74781
5	289200	202521	89595	-2916	-1624	70544	72168

PROGRAM STOP AT 9500

OFF AT 12:41CDT 10/08/79



EXHIBIT 22 -- Continued

READY  
LIST BUILD

BUILD 12:34CDT 10/08/79

100 NEW BUILDING - MADISON , WISCONSIN  
101 110 EAST MAIN STREET  
102 FEASIBILITY OF NEW STRUCTURE  
103 B, .15  
104 RV, 2892000, 5, 101220  
105 224400, 237600, 246720, 287200, 289200  
110 5, .50, .114, .114  
111 4, 0  
112 2200000, 3, 30, .20, 1  
122 1, .80, .1025, 360, 0, 1

upper limits a private investor could afford. Based upon the assumptions and limiting conditions as presented, it is the opinion of the appraiser that the highest price in dollars and fair market value of the subject property site described herein as of October 1, 1976 is:

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

F. The Income Approach Value Allocation

The income approach to value using the mortgage-equity technique as programmed in the IMV program leads to the conclusion that the highest price an investor would be willing to pay for the Tenney Building as described herein would be \$1,160,000 as of October 1, 1976 under the assumptions put forward and supported in this report.

Therefore, we would recommend allocation of income value to be:

	<u>Market Value</u>
Land	\$ 340,000
Building	<u>820,000</u>
TOTAL	\$1,160,000

VII. VALUE CONCLUSION

Placing primary reliance on the income approach suggests a value of \$1,160,000, which, for purposes of comparison, is approximately \$15.70 per sq. ft. of net rentable area in the Tenney Building. Such a price is bracketed by transactions of buildings representing newer, better located, more automated systems.

The cost approach is completely inappropriate to the subject property, since the improvements are obsolete, with less than optimum use of the site.

Based on the assumptions, and limiting conditions, it is the opinion of the appraiser that the highest, most probable price in dollars and fair market value of the subject property described herein, which might be obtained as of October 1, 1976 is

ONE MILLION ONE HUNDRED AND SIXTY THOUSAND DOLLARS

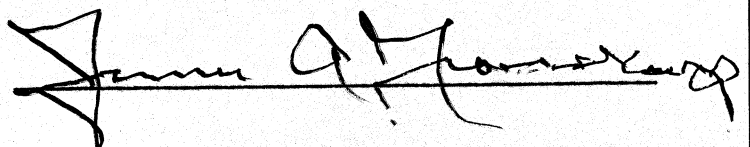
(\$1,160,000)

CERTIFICATE OF APPRAISAL

I hereby certify that I have no interest, present or contemplated, in the property and that neither the employment to make the appraisal nor the compensation is contingent on the value of the property. I certify that 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, it is my opinion that the Fair Market Value, as defined herein, of this property as of October 1, 1976 is:

ONE MILLION ONE HUNDRED SIXTY THOUSAND DOLLARS  
(\$1,160,000)



James A. Graaskamp, SREA, CRE


10-22-79

Date

## STATEMENT OF LIMITING CONDITIONS

This appraisal is made subject especially to the following conditions and stipulations:

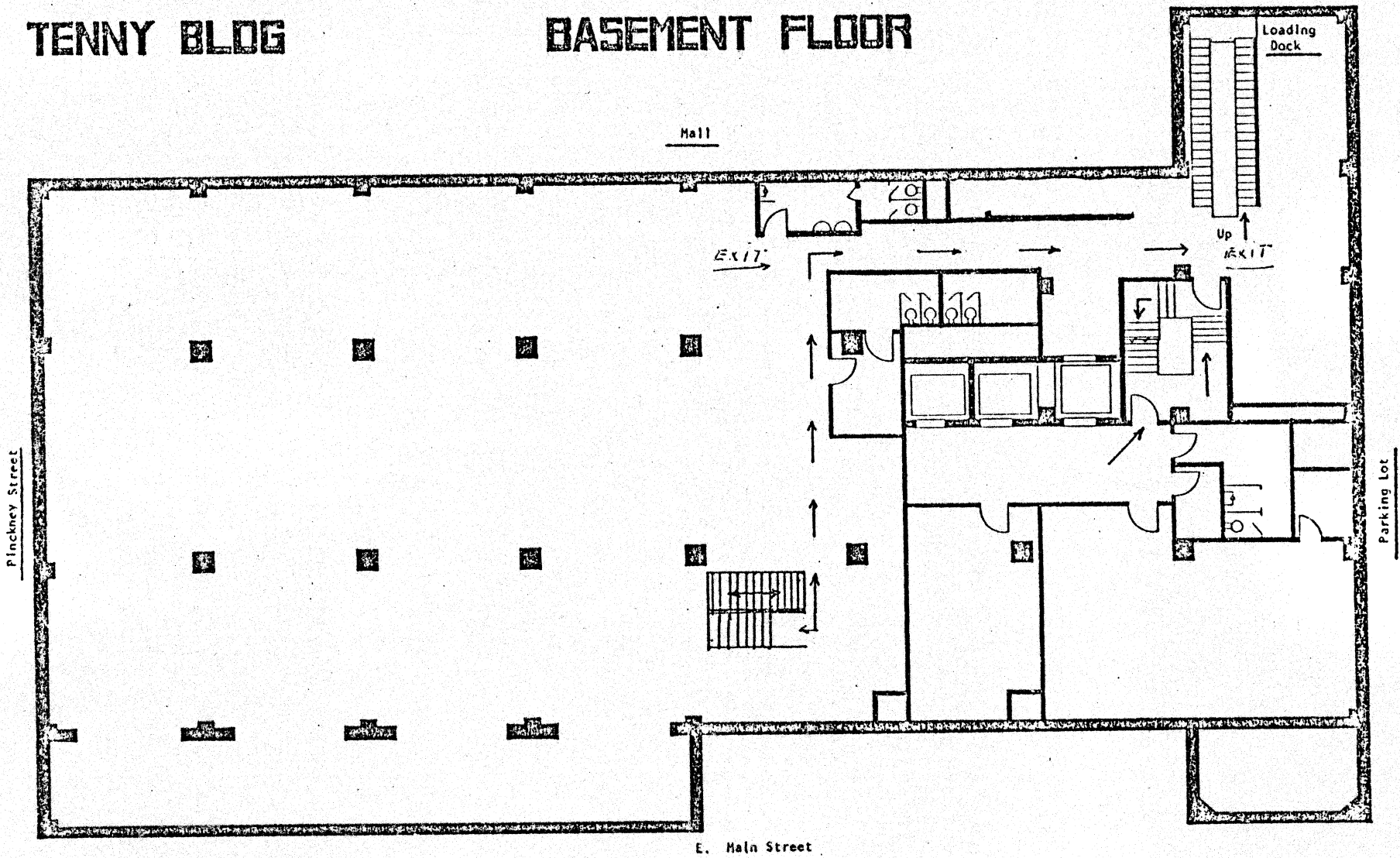
1. The appraiser assumes no responsibility for matters which are legal in nature nor is any attempt made to render an opinion on the title. The property has been appraised as if title to the subject property were in fee simple, legal ownership with no regard for the existing structure of split ownership within a larger holding company, leasebacks, mortgage loans, or other liens or encumbrances.
2. The appraiser did not conduct any engineering analysis of the structural components or of the site, of costs to replace, or of other related factors. Monthly operating and construction accounting data were provided but all income and expense estimates were reconstructed to include imputed rents to areas occupied by the owner and expenses deemed to be appropriate for skillful management of the property.
3. 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 current depression in retail sales levels for many retailers on the Square. Thus, these forecasts are a scenerio of what is most likely to happen given skillful management and no unforeseen circumstances.
4. 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.
5. 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.
6. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without the written consent and approval of the author, particularly as to the valuation conclusions, the identity of the appraiser of the firm with which he is connected, or the identity of any of his associates.
7. Information furnished by others in this report, while believed to be reliable, is in no sense guaranteed by this appriaser. While before-tax arithmetic of IMV model has been handchecked for accuracy, no guarantee of program infallibility can be made by EDUCARE or the appraiser.

- 
8. 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, or financing, or withdrawal without notice.

APPENDIX A

TENNY BLOG

BASEMENT FLOOR



78

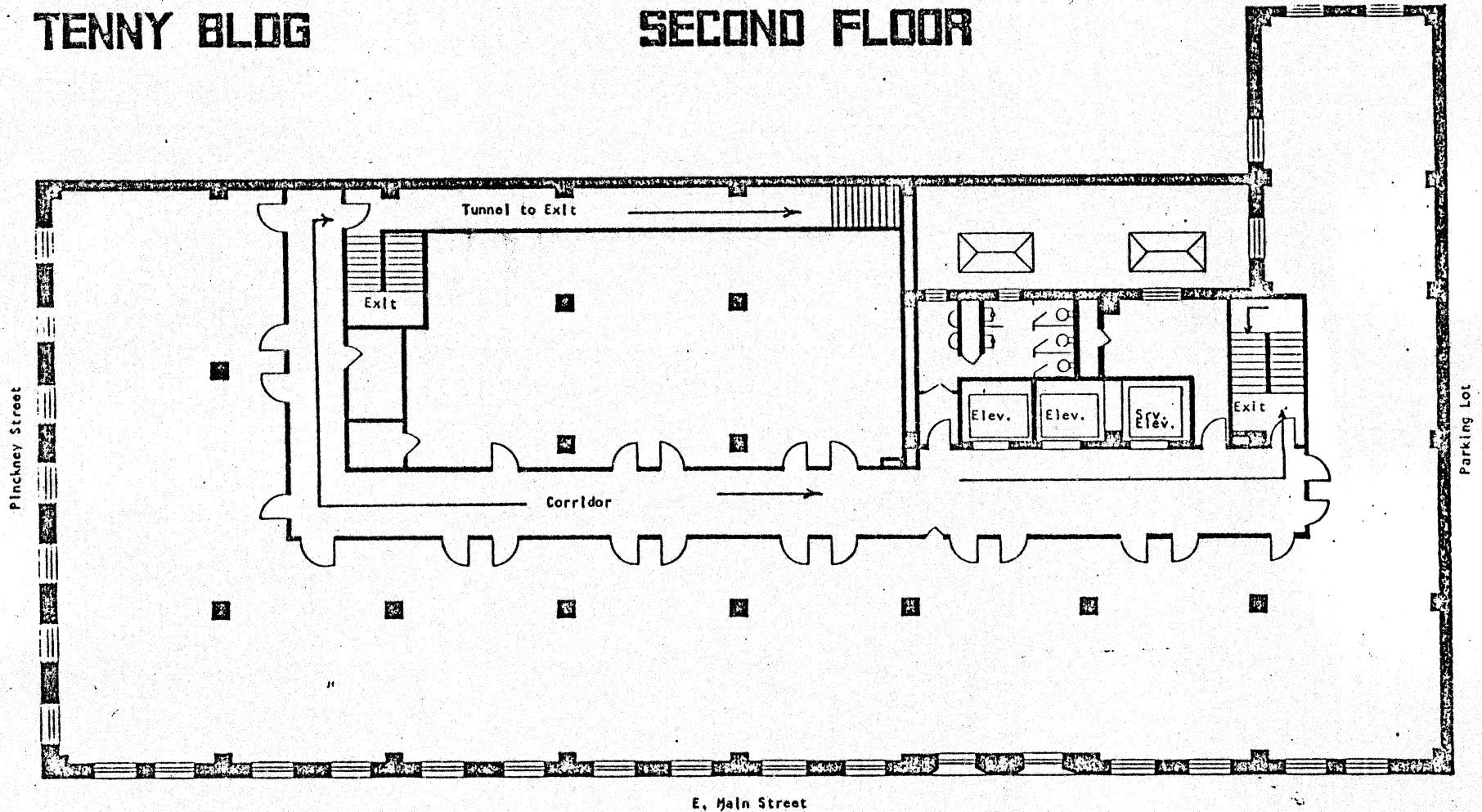
APPENDIX A



# TENNY BLOG

# SECOND FLOOR

79

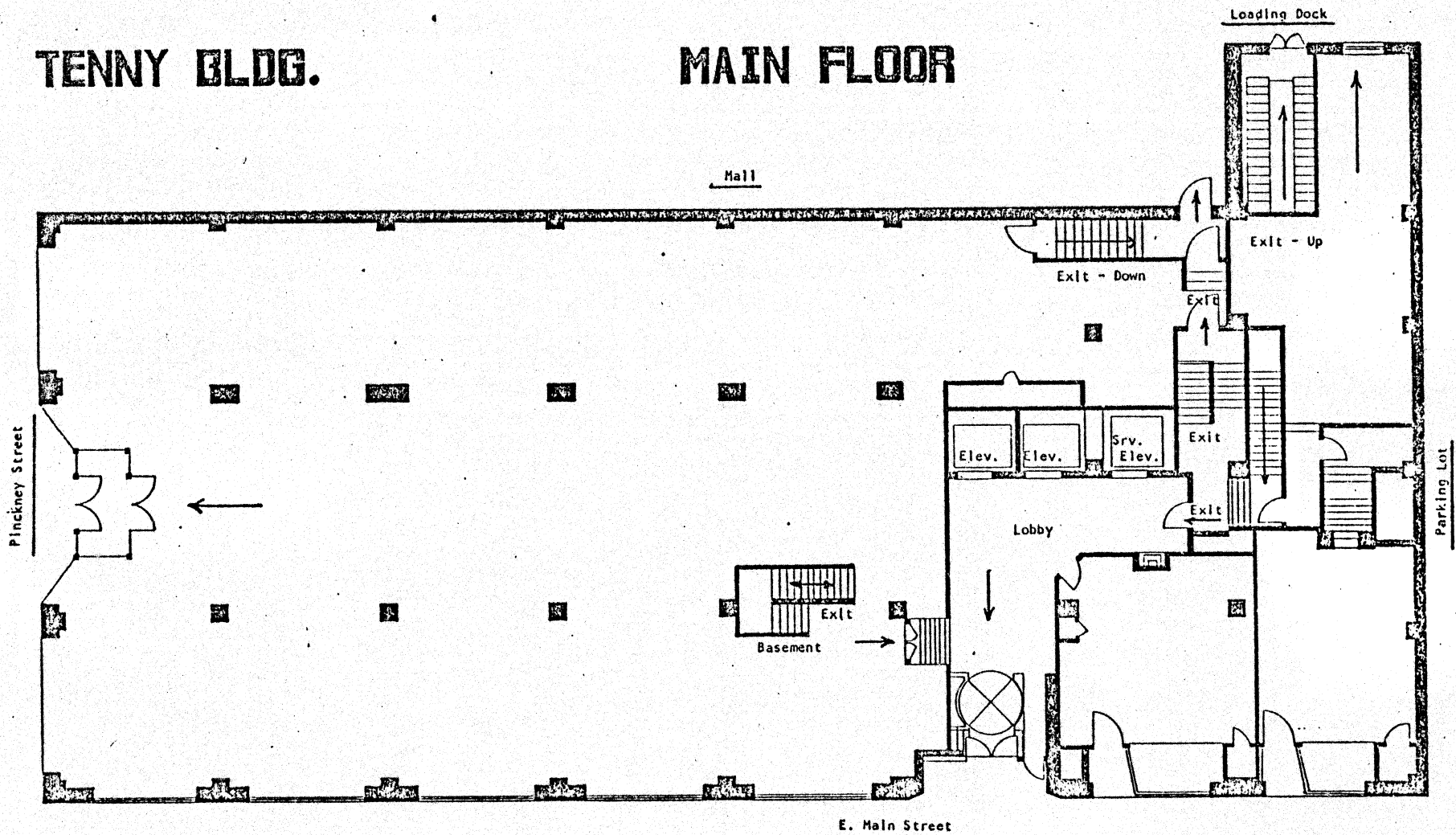


E, Main Street  
APPENDIX A - Continued

# TENNY BLDG.

# MAIN FLOOR

80

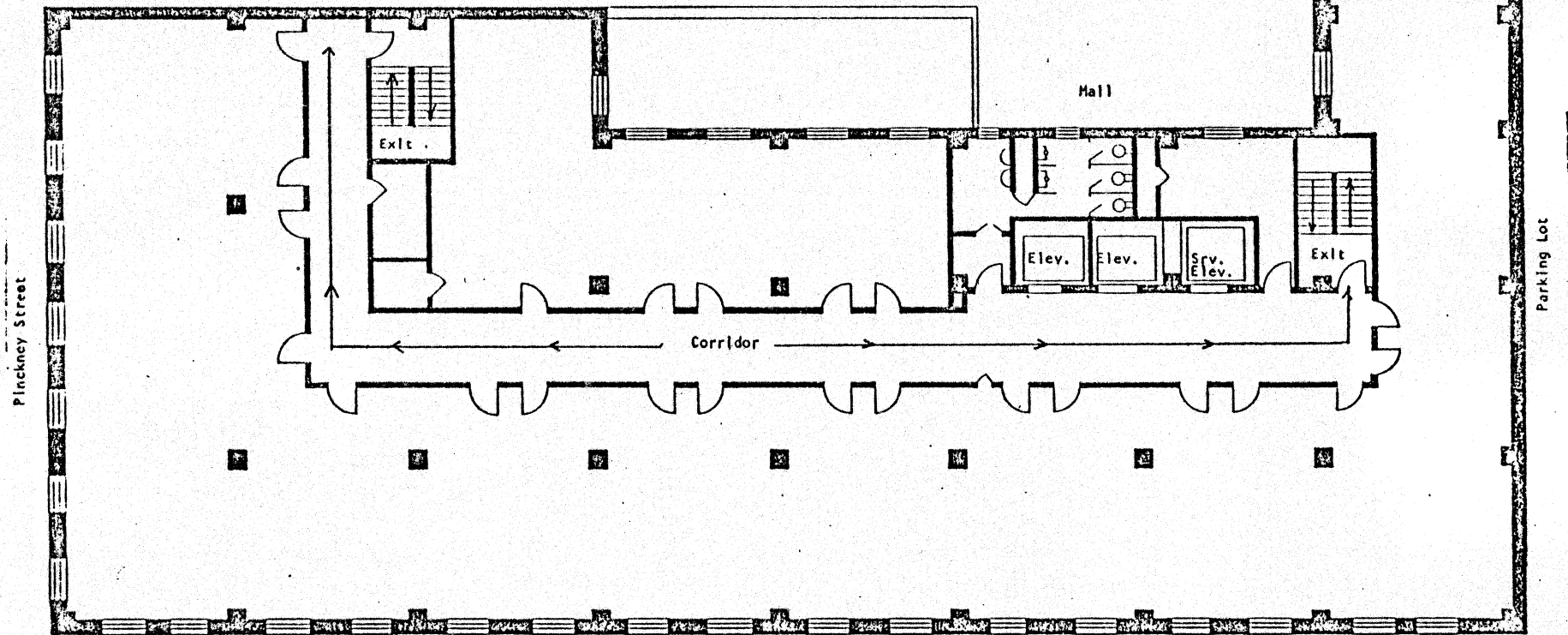


APPENDIX A - Continued

TENNY BLDG.

THIRD FLOOR  
THROUGH  
TENTH FLOOR

81



Plinckney Street

Parking Lot

E. Main Street

APPENDIX A - Continued

