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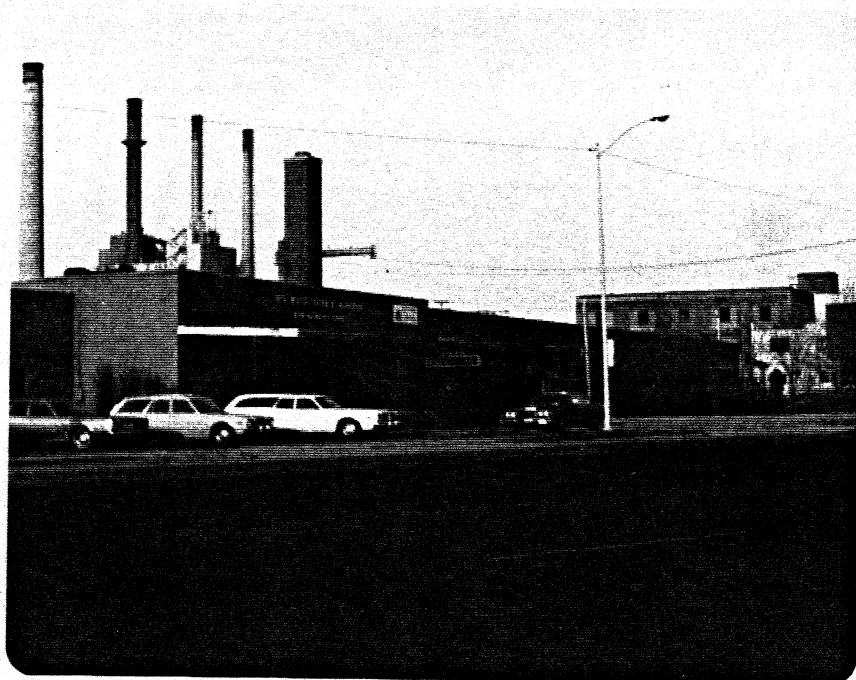
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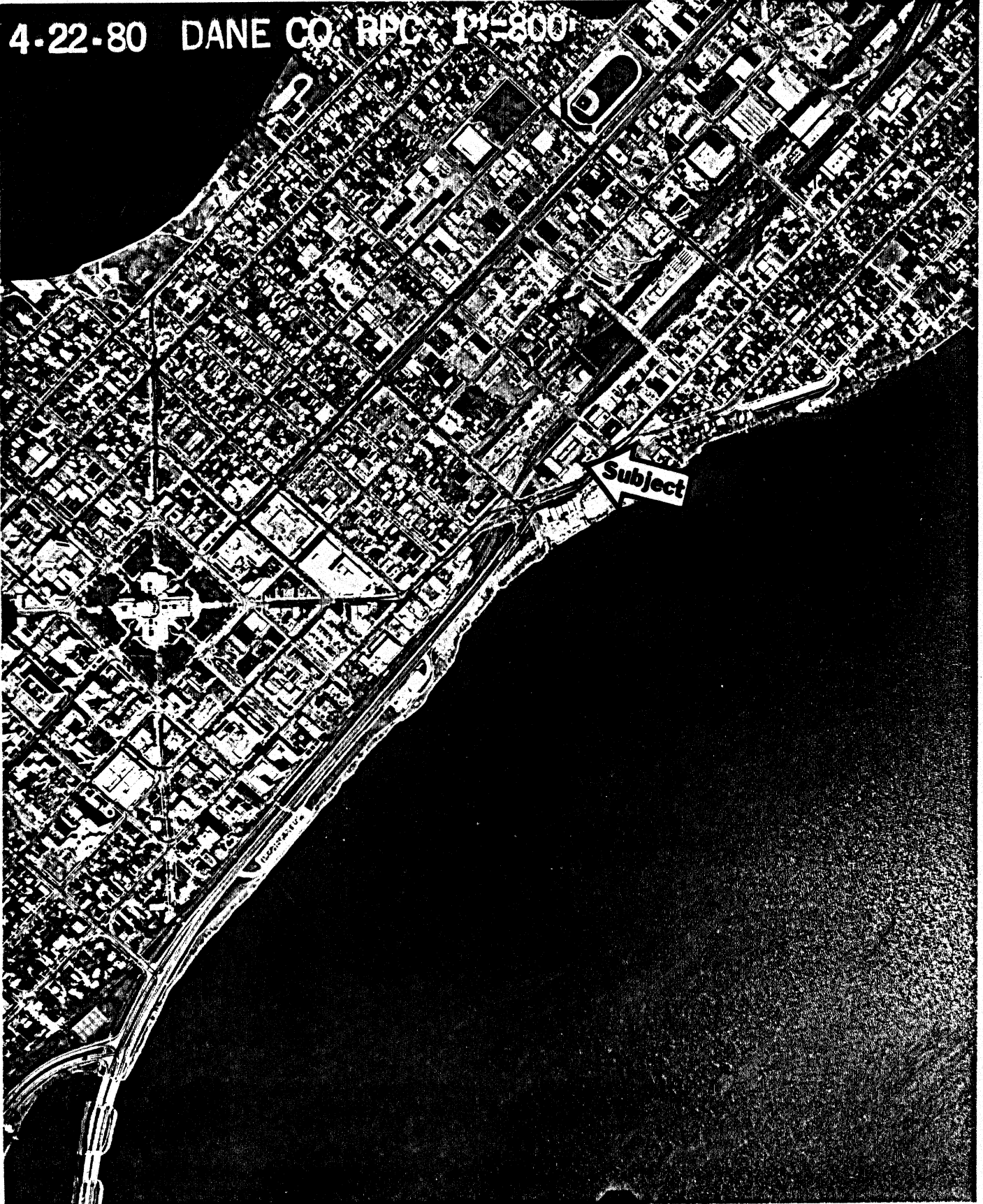
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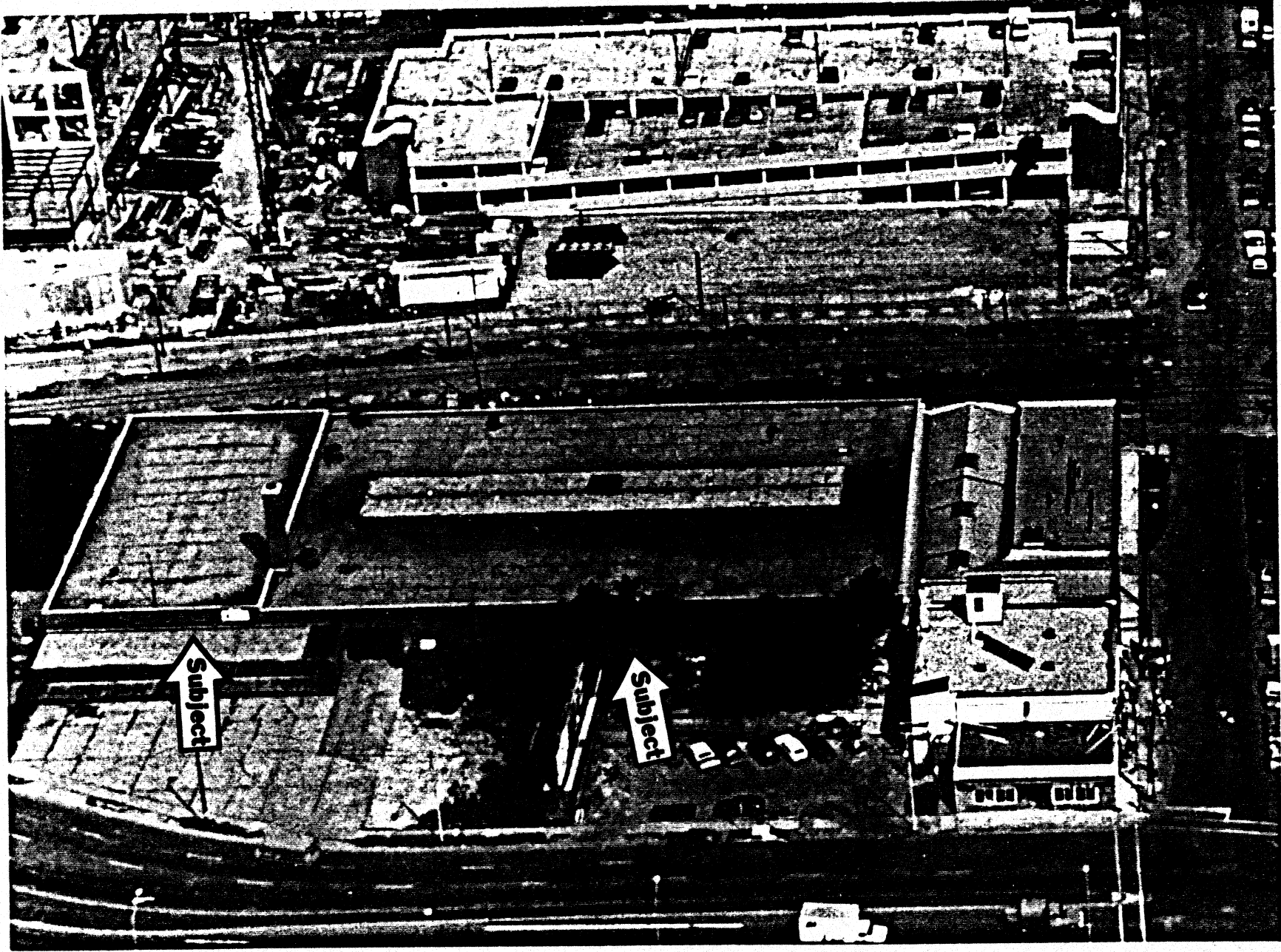
**APPRAISAL OF
POST OFFICE
ANNEX**



**APPRAISAL OF
POST OFFICE
ANNEX**

AERIAL VIEW OF SITE AND SURROUNDING AREA





AERIAL VIEW OF SUBJECT

December 15, 1982

Dr. James Graaskamp
202A Breese Terrace
Madison, Wisconsin 53705

Dear Dr. Graaskamp:

We are transmitting the appraisal report that you requested on the property known as the old Post Office Annex Building, 629 East Wilson Street, City of Madison, County of Dane, Wisconsin.

In the meeting authorizing this work, you indicated that the value conclusion would serve as a benchmark for listing and negotiating the sale of the subject property. You inquired further as to the discount, if any, to market value if the property was taken by eminent domain by the City of Madison.

The enclosed report has concluded that the most probable selling price of the property on November 1, 1982, is

THREE HUNDRED TWENTY THOUSAND DOLLARS (\$320,000)

if you accept a land contract for 25% down, 12.5% interest, and a five-year term. The probable transaction zone is from \$295,000 to \$345,000, depending on the terms. The discount down to market value (a cash sale) might yield a sales price of \$295,000; more favorable land contract terms in the form of a lower downpayment and interest rate, with a longer term, might achieve the upper limit of \$345,000.

The value conclusions are sensitive to the estimated costs of rehabilitation and modernization: (1) conformance with the energy, fire, and building codes; (2) repair of the roof, clerestory, heating and ventilating, and electrical system; and (3) minor cosmetic improvements and grading of the site. In addition, investment is sensitive to the forecasts, both of market demand for warehouse space and the rate of market appreciation on the east side of downtown Madison. Future redevelopment and renovation projects, along with altered traffic and parking patterns, will have an undetermined impact on the desirability and image of the immediate area.

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

Dr. James Graaskamp

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December 15, 1982

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

Sincerely,

Rocco A. Maggio

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DIGEST OF FACTS, ASSUMPTIONS, AND CONCLUSIONS

Property: A vacant, one-story, light industrial truck garage with clear span light industrial space, known as the old Post Office Annex Building at 629 East Wilson Street, Madison, Wisconsin.

Type of Estate: Fee simple (requires occupancy permit).

Present Owner: Harry N. Forman.

Age of Building: Approximately 30 years.

City Description: Madison, Dane County, Wisconsin; State Capital, County Seat, Site of University of Wisconsin, and second largest city in Wisconsin (city population 170,616).¹

Neighborhood: A transition area on the east side of downtown Madison, just outside the Central Business District facing Lake Monona.

Lot Size: Irregular, includes all of Lots 5, 6, 7, 8, 13, and part of Lots 12 and 14. Approximately 48,826 square feet, with 172 front footage on Williamson Street.

Improvements: Thirty year old, one-story, steel frame, box truss, masonry curtain wall building with the west section elevated 4 feet and separated by a fire wall. Approximately 8,760 square feet in the west section and 26,136 square feet in the east section, for a total of 34,896 gross square feet of floor space. Also, 948 square feet of docks and 6,772 square feet of asphalt.

Legal Constraints: Zoning: C-2, C-3, and M-1 (Exhibit 4)
Building code violations (requires occupancy permit)
Marquette Neighborhood Association
Third Lake Ridge Association
Historic District (Third Lake Ridge)

Most Probable Use: Rehabilitation and remodeling as open warehouse/garage space.

Most Probable Buyer: A local user-investor partnership or corporation for temporary use of facilities and anticipated appreciation over a five-to-ten year holding period.

¹Source: U.S. Bureau of the Census, Population and Housing (April 1981).

Probable Terms of Sale: Much of the warehouse space in Madison area sells on land contract at 8% to 13% interest and 10% to 30% of price as downpayment. However, present owner of subject property might prefer cash sale at lower net price.

Market Transaction Inference: Comparable sales, ranked by price-quantity regression model, predict a selling price of \$320,000 with standard error of \$25,000 which places a 68% confidence interval for a land contract transaction at \$295,000 to \$345,000.

Most Probable Selling Price: As of November 1, 1982, the seller might obtain a price of \$320,000 on land contract with terms of 25% down, 12.5% interest, and a five-year term. However, the discount down to market value (a cash sale) might yield a sales price of \$295,000; a lower downpayment and interest rate, with a longer term on the land contract might achieve the upper limit of \$345,000.

Current Assessed Value:	Land	\$108,400
	Building	<u>216,600</u>
	Total	\$325,000

I. PROBLEM ASSIGNMENT

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

A. The Appraisal Issue

The real estate market for the subject property is soft; however, the bargaining posture of the present owner is somewhat distressed. The building has been vacant since the end of 1977 when the U.S. Post Office lease expired. The owner, a semi-retired developer, suffered a severe stroke at the beginning of this year. Incapacitated by his illness, the owner has released the power of attorney to the trustee of his estate. While the trustee is under no pressure to dispose of the property, he would like to liquidate the nonproductive asset at a reasonable price. Holding costs, which include real estate taxes and insurance, are insignificant to the estate. An occupancy permit, along with certain minor repairs will be required, at minimum, for any new permanent use.

B. Legal Interest to Be Appraised

The subject property, 629 East Wilson Street, is an assemblage of seven lots as set forth in the following legal description:

Block 125 Original Plat, All of Lots 5 through 8, southwest $\frac{1}{2}$ of Lot 12, all of Lot 13, and part of Lot 14, except that part described as follows: commencing on northerly line Williamson Street at a point 100 feet westerly and measuring along said street from east corridor Lot 14, thence continuing northwesterly at right angle to said street 54 feet to point of beginning, thence continuing northwesterly along said line to northwest line of Lot 14 thence continuing southwest along northwest line Lot 14 23 feet, more or less, to west corridor Lot 14, thence continuing southeasterly along line Lot 14 to point of beginning. Also, excluding that part used for street purposes.

The fee is unencumbered and free of any special restrictions (easements, liens, mortgages, and judgments). Also, the fee is unaccompanied by any entitlements (special licenses or intangibles). Fixtures or personalty to be included with the sale include all space heaters located along the perimeter of the building and the hydraulic

truck hoist located in the garage. This appraisal does not include the screen doors, automobile, or lawn mower/tractor in the building.

C. Value Definitions

For the purpose of this appraisal, there are two definitions of value. The first 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.¹

The second definition of value is that of "market value," as defined by the courts:

. . . The highest price in terms of money that a property will bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus.²

D. Implicit Assumptions

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

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

²This definition, published in Appraisal Terminology and Handbook by the American Institute of Real Estate Appraisers in 1950, was derived essentially from "Sacramento Railroad Company vs. Heilbron" case.

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

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

This is a normative definition; it implies certainty, market efficiency, and prudent rational behavior, all of which are unrealistic in the real estate market.

E. Application to Subject

Sales transactions for similar properties in Madison have generally been cash sales with third-party financing or land contract sales with financing provided by the seller to some degree. The present owner prefers a cash sale in order to release funds to the estate; however, he may provide for a short term (three to five years) if the price was acceptable.

The estimate of most probable price is in part a function of the subject property's investment value to a prospective buyer. Because the former tenant took full responsibility for operations, and his records are unavailable, there is no valid history of operating expenses. The appraiser was provided with a set of blueprints from which limited physical attribute characteristics were analyzed. The Madison Building Department has not been asked to take any official action on the building, but in analyzing current building code requirements, the appraiser has noted certain nonconformities with fire safety codes and energy codes that would need to be corrected before issuing an occupancy for a new owner-occupant. Therefore, certain key dollar estimates and projections must be based on the preliminary cost-to-cure assumptions of the appraisers and must be recognized as limitations on the reliability of the most probable price estimate.

In comparison to market value, most probable sales price recognizes that the prediction of the future transaction price is a business forecast under uncertainty. The selling price is stated as a range of alternative outcomes reflecting uncertainty in the form of probabilities, where market value is stated as a single price. Market value also assumes that the transaction occurs in a reasonably efficient, competitive market; however, most probable sales price recognizes that the market is not efficient or in balance (buyer's or seller's market may exist). Most probable sales price assumes that the transaction occurred at terms of sale that are currently available in the market (including special financing terms, etc.), where market value assumes a cash or equivalent sale under normalized market conditions.

II. PROPERTY ANALYSIS TO DETERMINE ALTERNATIVE USES

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

A. Physical Attributes

The subject site, located at 629 East Wilson Street, is irregular with 264' of frontage on East Wilson Street and 172' of frontage on Williamson Street. The site is an assemblage of four lots on East Wilson and three partial lots on Williamson Street (Exhibits 1 and 2). The total gross area of the site is approximately 48,826 square feet.

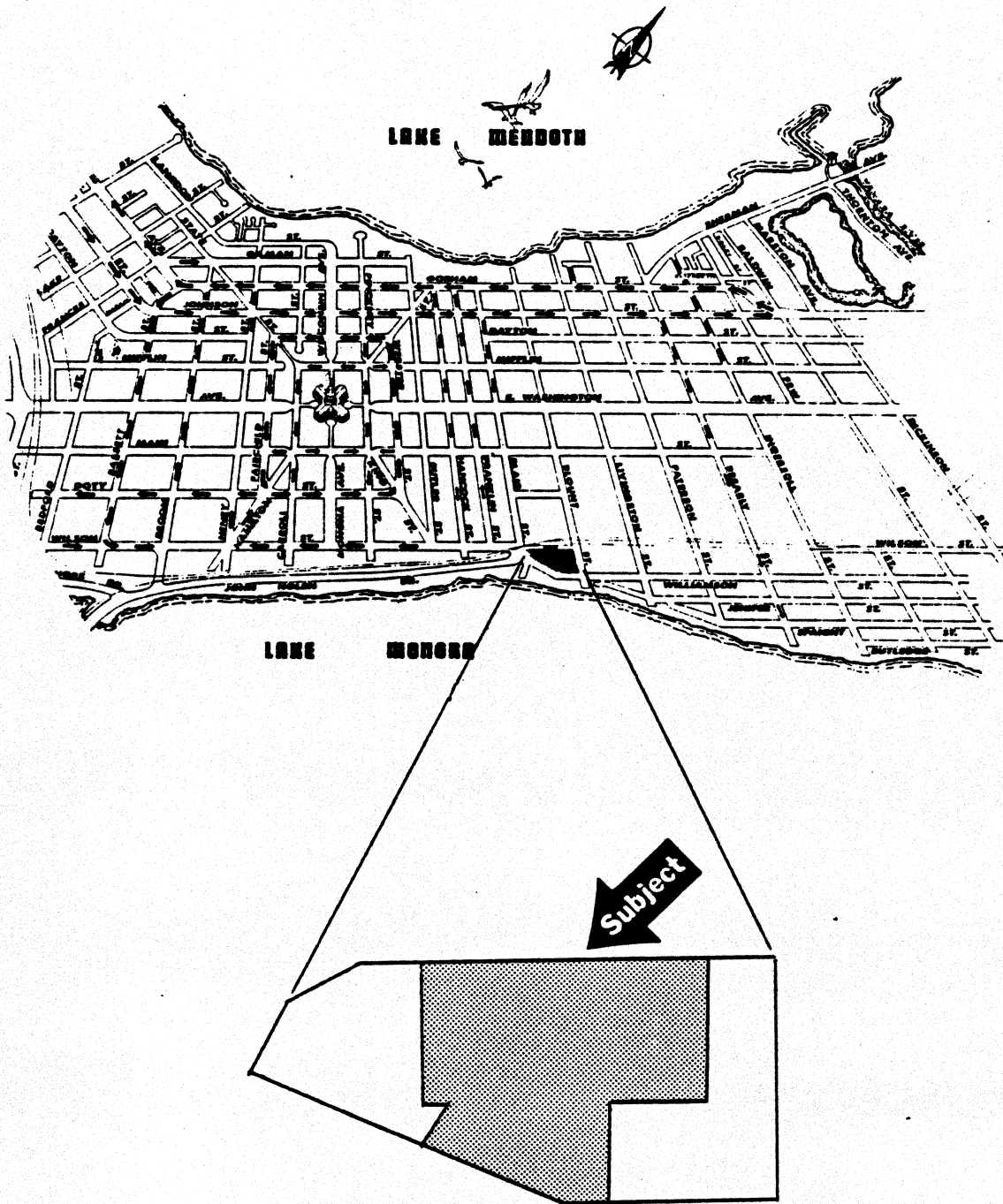
The site slopes slightly, falling $5'0''$ from 857.0' on its south-east side (Williamson Street) to 853.0' on its northwest side (East Wilson Street). These elevations are given in reference to the city datum (0.00) which has been established at 845.6' above sea level. Site elevation is taken from a topographical map prepared by the City of Madison for redevelopment of the Square. The site is poorly graded on the southeast side (Williamson Street), which results in excess storm water flowing into the site with a potential for causing structural damage to the building.

Although the appraiser has made no soil nor engineering tests, "The Soil Survey of Dane County," published by the Soil Conservation Service, indicates that the soil in the area of the Post Office is Colwood Silt Loam (Co) and Batavia Silt Loam (BbB). The BbB soil lies in the southern part of the site, while the Co soil is situated in the northern side of the site. Both soils are characterized as deep, poorly drained, nearly level soils on low benches in old lake basins. While depth-to-bedrock is more than 10' for both soils, depth to seasonal high water table is more than 5' for BbB and 0 to 1' for Co. The building and foundation walls show only minor signs of settling cracks so that soil conditions do not indicate any structural limitations for the present structure or new improvements. However, the southeast foundation wall shows signs of minor water damage due to the poor grading and drainage of the site.

The site is serviced by an 8" sewer main running down Williamson Street and a 4" sewer main with 5/8" lead and 3/4" copper water laterals leading into the building from East Wilson Street. Both water mains run

EXHIBIT 1

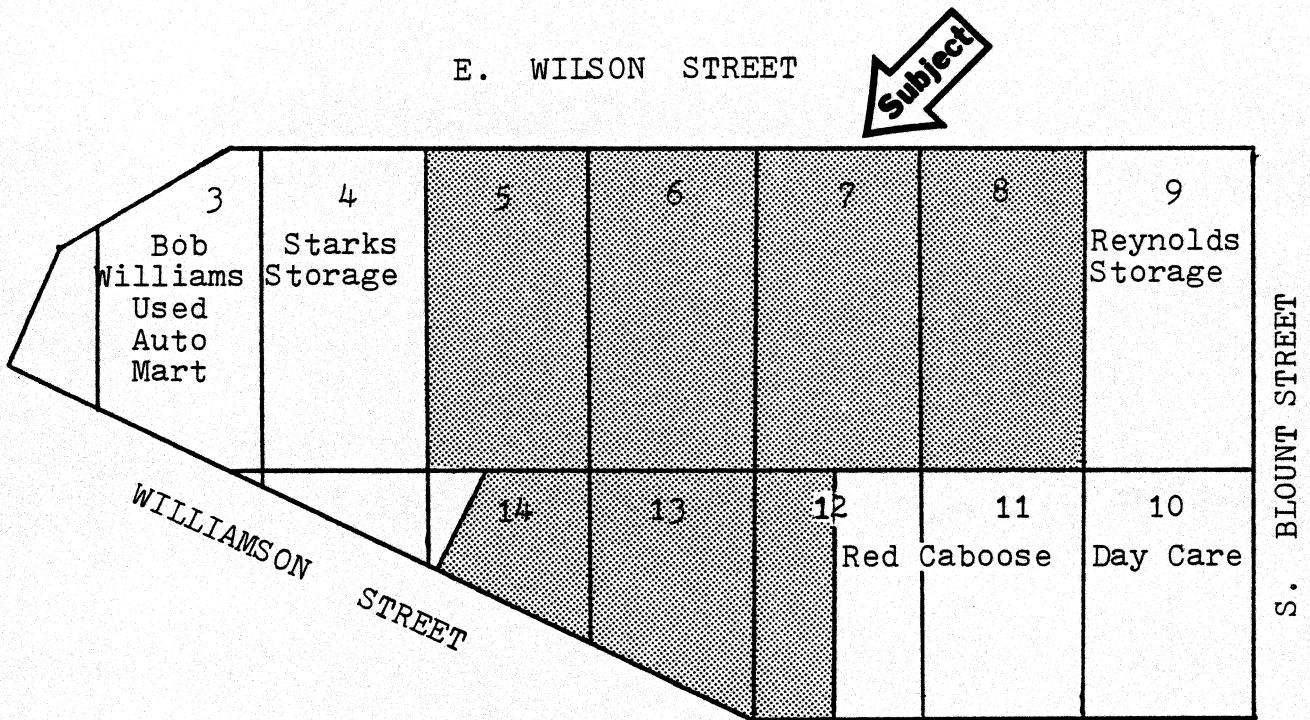
AREA MAP



Source: Department of Transportation, Division of Traffic Engineering, Madison, Wisconsin.

EXHIBIT 2

SITE MAP



BLOCK 125

Note: small numbers refer to Lot number.

down street right-of-ways. In addition, the site has gas service from a 4" steel line running down Williamson Street. Electricity and telephone service is provided by overhead facilities running along Williamson Street and East Wilson Street, with utility poles located in the sidewalk right-of-way. From utility maps and recorded data, there appears to be no utility easements encumbering the site. In 1978, the city installed new sidewalks along the Williamson Street side. The owner was originally assessed \$376.00 to be amortized over five years, of which the final assessment of \$75.21 was paid by October 31, 1982.¹

B. Legal Constraints

1) Zoning

The zoning governing use of the site is City of Madison C-2, C-3, and M-1, which provide broad authority for retail, office, light manufacturing and residential use (Exhibits 3 and 4). The majority of the site, including the land beneath the improvements, is zoned M-1. The basic goal of M-1 zoning is to accommodate existing non-nuisance type industrial uses presently located in relative proximity to residential areas, to preserve lands for industrial development, and to prevent the intrusion of certain incompatible uses which would block development or use of lands for industrial purposes.

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

Renovation of existing structures is also limited by pragmatic zoning ordinances regarding fire provisions, height, and frontage for buildings in the Square area. Madison Building Code 29.37(4) restricts building materials to fire-resistant Types 1 or 2, prohibits reconstruction when the casualty loss exceeds 50% of assessed valuation, and prevents new use and occupancy until nonconforming fire provisions are corrected. Madison Zoning Code 28.04(14) states that no part of any building within a mile of the State Capitol can exceed the elevation of the base of the Capitol dome columns (187.2'). Madison Zoning Ordinances 28.04(6)(b) and 28.04(9)(a) require that parcels created by subdivision each have a minimum of 50' frontage on the principal street and 6,000

¹ Refer to Limiting Conditions.

EXHIBIT 4

ZONING REGULATIONS

C-2 General Commercial District.

- (a) Statement of Purpose. The C-2 general commercial district is established to accommodate the shopping needs of a much larger consumer population and area of residency than that served by the C-1 limited commercial district. Within this district, which is located in relative proximity to residential areas and to major thoroughfares, is permitted a wider range of uses than in the C-1 limited commercial district. Uses permitted in this district include not only the retailing of convenience goods and the furnishing of certain personal services, but also the retailing of durable and fashion goods and the furnishing of other types of services. Also permitted are all types of office uses. Within this district, there is no limitation on the size of establishments as provided in the C-1 limited commercial district.
- (b) General Regulations. Uses permitted in the C-2 district are subject to the following conditions:
1. All goods produced on the premises shall be sold at retail on the premises where produced unless approved as a conditional use. (Am. by Ord. 5982, 9-30-77)
 2. All business, servicing or processing, except for off-street parking, off-street loading, display and sale of farm produce and nursery stock, display of merchandise such as garden, lawn and recreation supplies and equipment for sale to the public, establishments of the drive-in type and outdoor eating areas of restaurants approved as a conditional use by the Plan Commission, shall be conducted within completely enclosed buildings. (Am. by Ord. 7019, 6-27-80)
 3. Parking of trucks as an accessory use, when used in the conduct of a permitted business listed hereinafter, shall be limited to vehicles of not over one and one-half (1 1/2) tons capacity when located within one hundred fifty (150) feet of a residence district boundary line.

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

EXHIBIT 4--Continued

C-3 Highway Commercial District

- (a) Statement of Purpose. The C-3 Highway Commercial district is established to furnish the consumer population served by the C-2 General Commercial district with a wide variety of goods and services, some of which are not compatible with the uses permitted in the C-2 General Commercial district and thus not permitted therein. Within this district are permitted those uses which because of certain locational requirements and operational characteristics are appropriate to locations either in close proximity to major thoroughfares or in areas away from residences.
- (b) General Regulations. Uses permitted in the C-3 district are subject to the following conditions:
1. All business, servicing or processing, except for off-street parking, off-street loading, display of merchandise for sale to the public, establishments of the drive-in type and outdoor eating areas of restaurants approved as a conditional use by the Plan Commission shall be conducted within completely enclosed buildings unless otherwise indicated hereinafter. (Am. by Ord. 4301, 8-29-73)
 2. Parking of trucks as an accessory use, when used in the conduct of a permitted business listed hereinafter, shall be limited to vehicles of not over one and one-half (1 1/2) tons capacity when located within one hundred fifty (150) feet of a residence district boundary line.
 3. All storage within one hundred (100) feet of a residence district, arterial or collector street, except for motor vehicles in operable condition, shall be within completely enclosed buildings or effectively screened with screening not less than six (6) feet nor more than eight (8) feet in height, provided no storage located within fifty (50) feet of such screening shall exceed the maximum height of such screening. (Cr. by Ord. 5117, 9-3-75)

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

EXHIBIT 4--Continued

M-1 Limited Manufacturing District.

- (a) Statement of Purpose. The M-1 limited manufacturing district is established to accommodate existing non-nuisance type industrial uses presently located in relative proximity to residential areas, and to preserve and protect lands designated on the comprehensive plan for industrial development and use from the intrusion of certain incompatible uses which might impede the development and use of lands for industrial purposes. Development in the M-1 limited manufacturing district is limited primarily to certain commercial uses and certain industrial uses, such as the fabrication of materials and specialized manufacturing and research institutions, all of a non-nuisance type.
- (b) General Regulations. Uses permitted in the M-1 district are subject to the following conditions:
1. All business, servicing or processing, except for off-street parking, off-street loading, display of merchandise for sale to the public, establishments of the drive-in type and outdoor eating areas of restaurants approved as a conditional use by the Plan Commission, shall be conducted within completely enclosed buildings unless otherwise indicated hereinafter. (Am. by Ord. 4305, 8-29-73)
 2. All storage within one hundred (100) feet of a residence district, arterial or collector street, except for motor vehicles in operable condition, shall be within completely enclosed buildings or effectively screened with screening not less than six (6) feet nor more than eight (8) feet in height, provided no storage located within fifty (50) feet of such screening shall exceed the maximum height of such screening. (Am. by Ord. 4752, 10-24-74)

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

square feet of gross area. Therefore, although the subject site had previously been subdivided, separate sale and ownership of lots on the southeast side is no longer possible.

2) Special Historic District

The subject site is located in the far west corner of the Third Lake Ridge Historic District, noted in Exhibit 5. The significance of the area lies in its diversity and agglomeration of many themes: ethnic settlement, railroad development, urbanization, and civic improvement. These themes portray the effect of historical growth typical of the settlement and urbanization of the upper Midwest. Third Lake Ridge District, Section 33.01(11) of Madison General Ordinances, is a City Historic District and does not have the same requirement and limitations as those properties on the federal register. New construction or exterior alteration on property within the district requires a Certificate of Appropriateness issued by the Landmarks Commission. The commission will consider the project and proposed modifications in terms of such elements as visual compatibility in height, gross volume, facade dimensions, and materials used (Exhibit 6). Also, architectural details on new buildings must be sensitive to characteristics of the area.

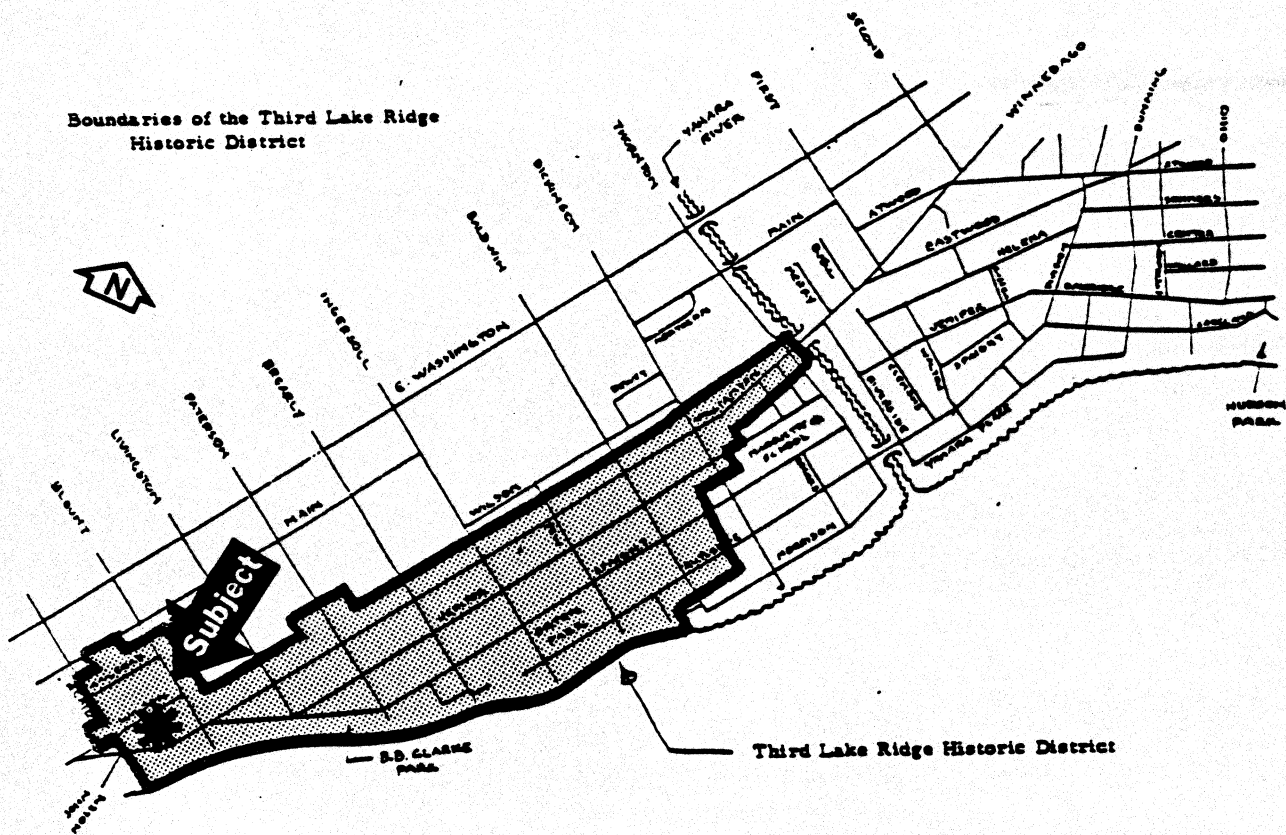
3) Community Organizations

Community organizations often have a significant impact on the types of activities and uses in their neighborhood. The subject site, located along the Williamson Street commercial corridor, adjoins the Marquette neighborhood on the southeast side. The Marquette Neighborhood Association (MNA) dates back to the late 1960s when it began work on Madison's first citizen-produced, comprehensive neighborhood plan which established an agenda for stabilizing and strengthening the residential area south of Williamson Street. Although a wide variety of planning considerations have been evaluated over recent years, there remains a general expectation and hope on the part of local neighborhood interest that the area including and surrounding the East Wilson Street corridor can be eventually revitalized into a mix of land uses which will serve the residential, employment, and commercial needs of a mixed population that has settled in the Williamson Street/Marquette Neighborhood area. The objectives and goals set out by this plan emphasize:

- a) the provision of rehabilitated and new housing for low to moderate income persons;
- b) the introduction of light and clean industrial activities for local employment;
- c) the improvement and expansion of commercial services necessary to support a local mixed population;
- d) the alternative forms of property ownership, such as cooperatives and condominiums; and

EXHIBIT 5

BOUNDARIES OF THE THIRD LAKE RIDGE HISTORIC DISTRICT



Source: Department of Transportation, Division of Traffic Engineering, Madison, Wisconsin.

EXHIBIT 6

GUIDELINE CRITERIA FOR NEW DEVELOPMENT AND
EXTERIOR ALTERATION IN THE THIRD LAKE
RIDGE HISTORIC DISTRICT

Sec. 3301(11) d-g

- (d) Guideline Criteria for new Development in the Third Lake Ridge Historic District - Parcels Zoned for Manufacturing Use.
1. The gross volume of any new structure shall be visually compatible with the buildings and environment within its visually related area.
 2. The height of any new structure shall be visually compatible with the buildings and environment within its visually related area.
- (e) Guideline Criteria for Exterior Alteration in the Third Lake Ridge Historic District - Parcels Zoned for Manufacturing Use. Alterations of the height of any existing structure shall be visually compatible with the buildings and environment within its visually related area.
- (f) Guideline Criteria for new Development in the Third Lake Ridge Historic District - Parcels Zoned for Commercial Use.
1. Any new structures shall be evaluated according to both of the criteria listed in Sec. 33.01(11) (d); that is, compatibility of gross volume and height.
 2. The rhythm of solids and voids in the street facade(s) of any new structure shall be compatible with the buildings within its visually related area.
 3. The materials used in the street facade(s) of any new structure shall be compatible with those used in the buildings and environment within its visually related area.
 4. The design of the roof of any new structure shall be compatible with those of the buildings and environment within its visually related area.
 5. The rhythm of building masses and spaces created by the construction of a new structure shall be compatible with the existing rhythm of masses and spaces for those sites within its visually related area.
- (g) Guideline Criteria for Exterior Alteration in the Third Lake Ridge Historic District - Parcels Zoned for Commercial Use.
1. Alterations of the height of any existing structure shall be visually compatible with the buildings and environment within its visually related area.
 2. Alterations of the street facade(s) of any existing structure shall retain the original or existing historical rhythm of solids and voids.
 3. Alterations of the street facade(s) of any existing structure shall retain the original or existing historical materials.
 4. Alterations of the roof of any existing structure shall retain its existing historical appearance.
- (h) Guideline Criteria for new Development in the Third Lake Ridge Historic District - Parcels Zoned for Residential Use.
1. Any new structure shall be evaluated according to all criteria listed in Sec. 33.01(11) (f).
 2. The directional expression of any new structure shall be compatible with those of the buildings and environment within its visually related area.
 3. The materials, patterns and textures of any new structure shall be compatible with those of the buildings and environment within its visually related area.
 4. The landscape plan of any new structure shall be compatible with that of the buildings and environment within its visually related area.

Source: Madison Zoning Ordinance.

- e) the inclusion of an adequate amount of open space to support a vital and stimulating neighborhood environment.

Although articulated in several forms and at different times during recent years, these expectations for land use succession have only been realized in a limited way. However, the MNA does have the ability to veto any use which does not fit into these plans.

4) Political Constraints

The present City Council, composed of the mayor and 22 alderpersons, has considerable impact on city politics, development, and growth control. Public transportation is being stressed at the expense of providing for downtown parking and vehicular circulation. Many areas of the city are being incorporated into development districts with strict architectural controls and review. In the past, City Hall has given neighborhood residents opportunity for planning input and some veto power through neighborhood associations. The attitude shared by many businessmen and industrial and commercial users is one in which the city is antibusiness, antigrowth, and antidevelopment. The results of this attitude may explain why commercial and industrial users have chosen to locate outside, or along the fringe, of the city. However, the city's participation in the State Street Mall and Capitol Centre projects, along with preliminary plans for the Olin Street Redevelopment, seem to conflict with these attitudes.

C. Linkage Analysis

Linkage attributes are the relationships of the site to its immediate environs, activity centers, and the largest Madison hinterland. Linkage can be divided into two sections--transportation access and activity centers/demand generators.

1) Transportation Access

a) Vehicular Linkages

The subject property is located between East Wilson Street, Williamson Street, and South Blount Street on Madison's near east side. The John Nolen Drive/East Wilson Street/Williamson Street intersection is 50 yards west of the site. Williamson Street is classified as a standard arterial street available for car, bus, and truck traffic and it serves as a major artery between Madison's south side and east side via connecting with John Nolen Drive (Exhibit 7). East Wilson handles two-way traffic west of Blair Street; it is one-way going east from Blair Street past the subject property. Major truck traffic is available on Williamson, John Nolen, and Blair; however, the one-way East Wilson sector is very narrow for trucks. The site has efficient access to principal traffic arteries via either Williamson Street or John Nolen Drive (Exhibit 8).

EXHIBIT 7

VEHICLE/LINKAGE MAP

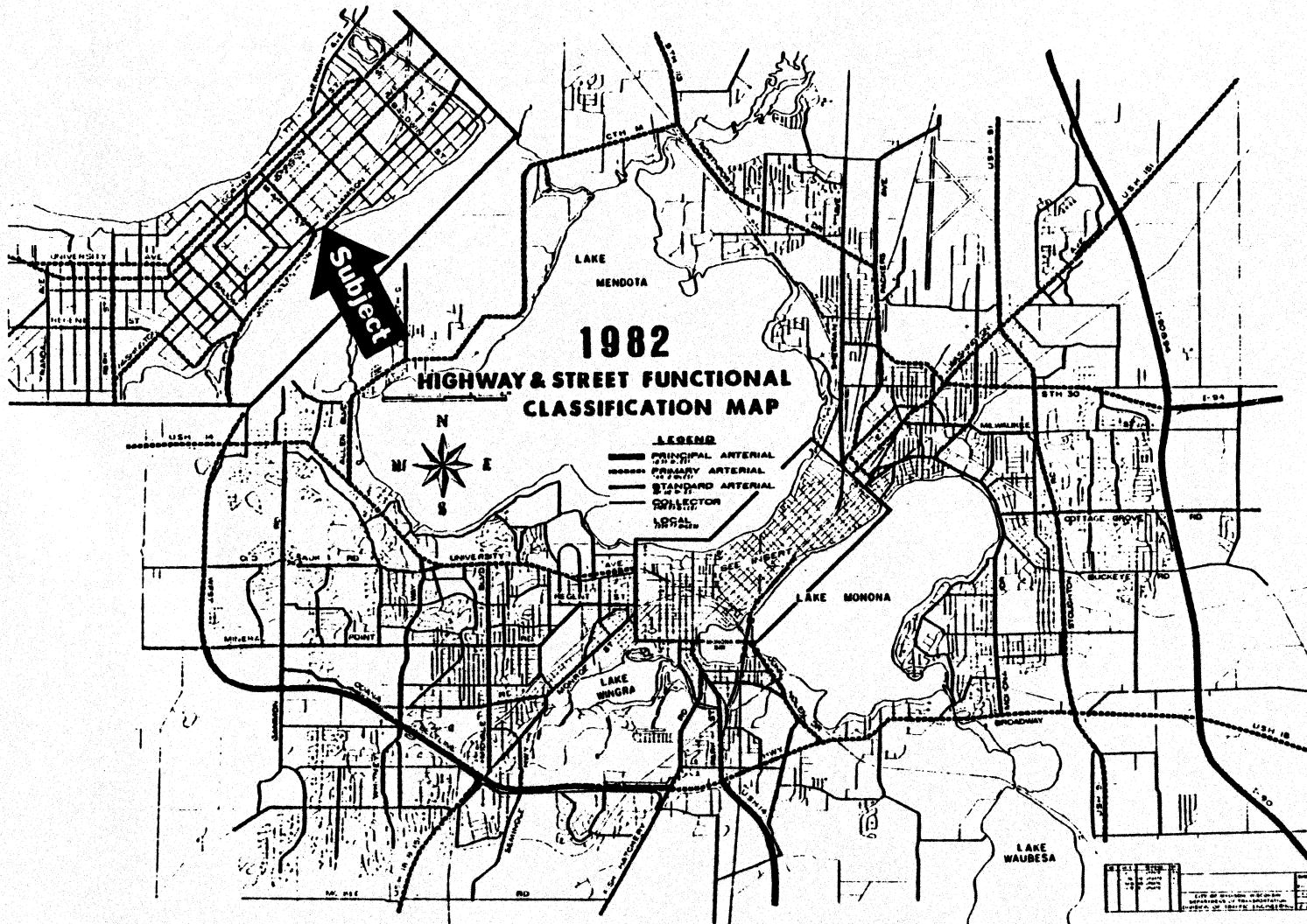
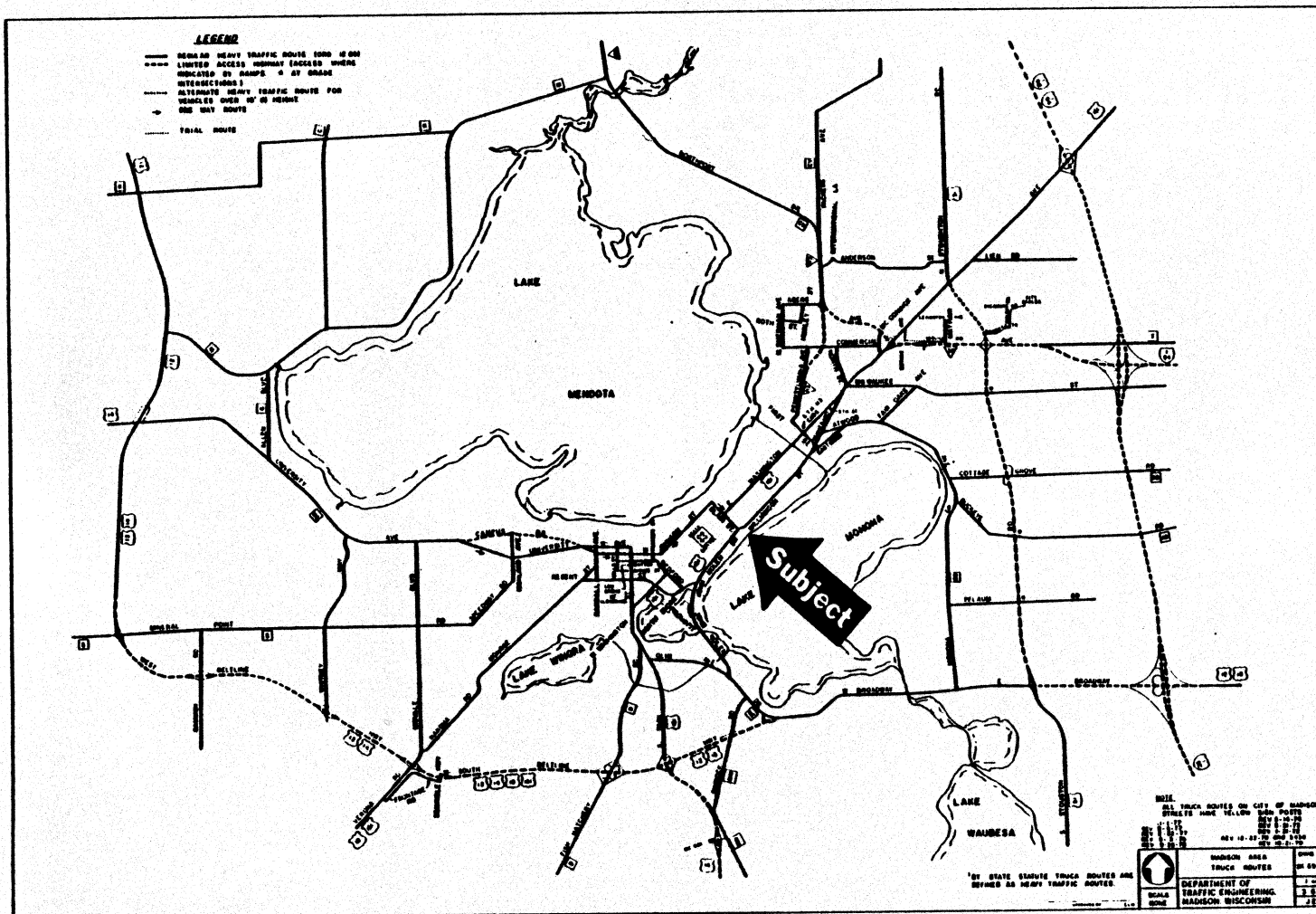


EXHIBIT 8

MADISON AREA TRUCK ROUTE MAP



Source: Department of Transportation, Division of Traffic Engineering, Madison, Wisconsin.

b) Vehicular Access

Vehicular access to the site is available via either Williamson Street or East Wilson Street. Both access points present problems that constrain the use of the site. Access to the site from Williamson is difficult, particularly for large vehicles (trucks), due to a raised median strip between the John Nolen/Blair/East Wilson intersection and South Blount Street. The median strip requires eastbound traffic on Williamson to bypass the subject until South Blount, then make a U-turn going west on Williamson and make a right turn into the subject site. During peak traffic hours this U-turn maneuver would be dangerous and mentally taxing (Appendix A). Alternately, access to the site can be achieved via one-way East Wilson on the north side of the property. Three problems exist with this option: (1) getting onto East Wilson requires a trip through the busy John Nolen intersection, which may be difficult at times; (2) East Wilson is a narrow street with a parallel railroad strip that constrains truck turning radius; and (3) a left turn from Blair onto Williamson Street is prohibited (Exhibit 9).

In addition to cars and trucks, the site is served by Madison Metro Bus Company via two routes: (1) B = Lansing/Meadowood, a primary east-west route along Williamson; (2) E = Monona/Allied, another primary east-west route. These routes provide rapid access to all other parts of the city.

c) Pedestrian Access

Standard 4' wide sidewalks run the entire perimeter of the site. Connecting sidewalks are available on Blair Street, Wilson Street, John Nolen Drive, and Williamson Street. The site is a ten-minute walk from the Square.

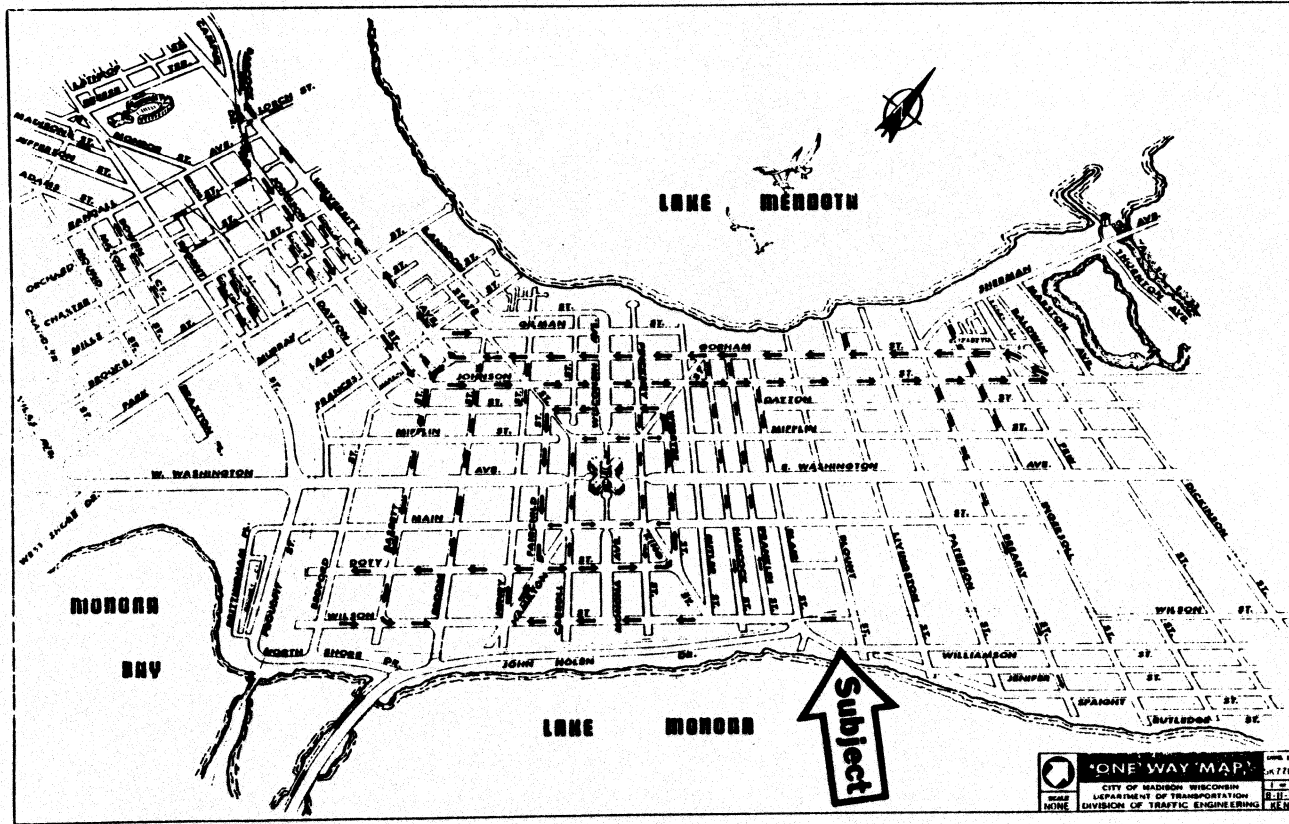
d) Potential Alteration in Traffic Pattern

The city has recognized the traffic flow problems at the Blair/John Nolen/Williamson/Wilson intersection. Numerous proposals have surfaced to ameliorate the traffic problems. One alternative calls for making East Wilson Street and Williamson Street one-way between Brearly Street and Blair Street. East Wilson would be one-way going west; Williamson one-way going east. Another proposal calls for a redesign of the Blair/John Nolen intersection and the addition of bike lanes on both sides of Williamson and John Nolen. Clearly, the choice of traffic pattern will have an impact on the accessibility--and, hence, value--of the site.

Although the exact future of the Blair/John Nolen/Williamson intersection is undecided at the time of appraisal, the scenario calling for redesign of the existing traffic pattern is most probable. In other words, it is unlikely that Williamson will be made one-way (Appendix B).

EXHIBIT 9

EXISTING VEHICULAR ACCESS



Source: Department of Transportation, Division of Traffic Engineering, Madison, Wisconsin.

e) Public Protection Services to Site

The subject site has access to readily available police and fire protection. Police protection is available from 211 South Carroll Street (City-County Building) via a four block beat patrol officer in the area. Fire protection is available from Station #1 at 316 West Dayton Street and Station #3 at 1217 Williamson Street. Both stations estimate a 3.5 minute response time to the site.

2) Activity Centers/Demand Generators

a) Employment

MG&E and the State of Wisconsin are the primary employment generators in the area. MG&E is currently building a new office facility at Blair Street and East Wilson Street. This new space will house 375 office workers and 150 field workers. The existing MG&E facility at Blair houses an additional 20 service workers and 100 plant personnel, bringing the total MG&E employment in the area to approximately 45 workers (480 on-site and 170 in the field).

The other major employer in the area is the State of Wisconsin. In addition to workers in the Capitol, the three government buildings (GEF I, II, and III) are in the Webster Street/Butler Street area, approximately four blocks from the subject. The three GEF's have a maximum capacity of 3,800 employees; the buildings are not currently at capacity.

b) Other

The Fauerbach Condominium complex is right across the street from the subject site. Located at 404 South Blount Street, the Fauerbach was built in 1980 and has 37 residential condominium units.

D. Dynamic Attributes

The site is in an area of transition. The exact direction is not known; however, it appears to be near the bottom. Social decline and shortages of housing and inexpensive office space are causing stronger rental budgets to displace poverty-level occupants. The area is surrounded by older light industrial/manufacturing buildings, B and C class office space, and transient commercial space (hotels and bars). Many citizens perceive the east side of downtown Madison as declining and try to avoid the area.

The visual aspects of the site are poor. Other than the sunny, southeast exposure to the Fauerbach condominiums, the site is surrounded by the railroad corridor, Madison Gas & Electric Company, a day care center, and a used car lot. Visibility from surrounding streets is also poor.

While the picture seems dim, signs of an upward momentum are visible. Directly across from the site, toward Lake Monona, a new condominium development replaced an old brewery. Behind the site, Madison Gas & Electric just finished adding a new office building to their plant. Other restoration and redevelopment projects are spotted throughout the area.

The subject site is in a strategic location that it might be considered the keystone for the revitalization of the Williamson Street corridor, a transition zone between the luxurious residential enclave of the Fauerbach and the commercial/light industrial area to the north, and linkage to the redevelopment of areas around the Square.¹

E. Existing Improvements

1) Background and Classification

The development of the Post Office Annex Building began early in 1952 through a negotiated lease agreement with the State of Wisconsin to provide space for a twenty-year term, with a five-year renewal option. Construction began in early 1952 with Forman, the owner, as the general contractor. The structure was built as a garage, with a separate elevated section for bulk mail sorting. The Post Office took possession in late 1952. After being the sole tenants of the subject property for 24½ years, the Post Office moved to a new State building near the Capitol Square in late summer, 1977. The building has been vacant since December 1977 when the State lease expired.

Basic design elements of the building consist of a one-story rectangular shell, with a separate elevated section in the southwest portion of the structure. The elevated section (Annex) has dimensions of 66'4½" x 132'0", for a gross area of 8,760 square feet; the garage section measures 132'0" x 198'0", for a gross area of 26,136 square feet. The total gross floor area is approximately 34,896 square feet. The south side of the building has an exterior elevated wood dock (covered) which is approximately 80'0".

Because the volume of this building exceeds 50,000 cubic feet, all remodeling work must be done by licensed engineers or architects and approved by the State of Wisconsin Industrial Commission (Wisconsin Administration Code 50.07[2][a]). The square footage of floor space is significantly over the legal standard of 20,000 square feet, which requires access and other interior circulation features for the handicapped (Wisconsin Administrative Code 52.04, register, December 1976, No. 252). However, floor areas used entirely for storage or mechanical purposes need not be included in determining gross area. Remodeled multiple-use buildings with a gross area less than 20,000 square feet must also provide the handicapped with access to the first floor, first-floor circulation, and toilet facilities. Although the subject property would

¹The site is within a 7.5 minute walk from the Square.

probably fit under the storage or mechanical exception, these rules must still be considered. Access to both the garage and elevated section (Annex) from East Wilson Street is at sidewalk level. The only potential problem might be with access to the elevated section from the Williamson Street side where there is an elevated dock to the entrance.

2) Description

A general description of the structure is summarized in Exhibit 10 and illustrated in Exhibits 11, 12, and 13. The appraiser has been provided with building systems data and incomplete blueprints from which physical analysis is detailed.

a) Exterior

The exterior of the building has a 4" red brick non-structural skin (84 courses). The brick work rests on a concrete foundation. This is capped at the top of the parapet with a 5" concrete coping. Mop roofing extends underneath the coping. The brick work is in excellent condition with the exception of occasional cracks. These cracks will be discussed in the structural component of this analysis. The south side of the building has a covered elevated wood dock that is approximately 80'0" and extends along the front of the Annex. There are four entrances on the south side of the Annex, one entrance and one garage door on the south side of the garage portion, two entrances and one garage door on the north side of the garage portion, and one entrance on the north portion of the Annex. All windows are opaque and wire clase. Concrete and asphalt shows signs of age, i.e., scalding and cracking. Some attention would be necessary in the event of any reuse. A problem exists on the south portion of the structure where the land and pavement slope into the building; this must be cured immediately before it causes water damage.

b) Interior

The interior of the building is separated into the garage section and the Annex section.

1) Annex

The annex portion of this structure is 66'4 $\frac{1}{2}$ " x 132'0". This portion is elevated above the garage approximately 4'. The floor to truss height is 9'4"; however, no columns exist. The finish is similar to the garage with the exception of $\frac{1}{2}$ " asphalt flooring tile, which is in disrepair. Lighting, provided by 80 eight foot fluorescent lights, can be reused if a drop ceiling is not added. There are also individual rooms located in the Annex:

EXHIBIT 10

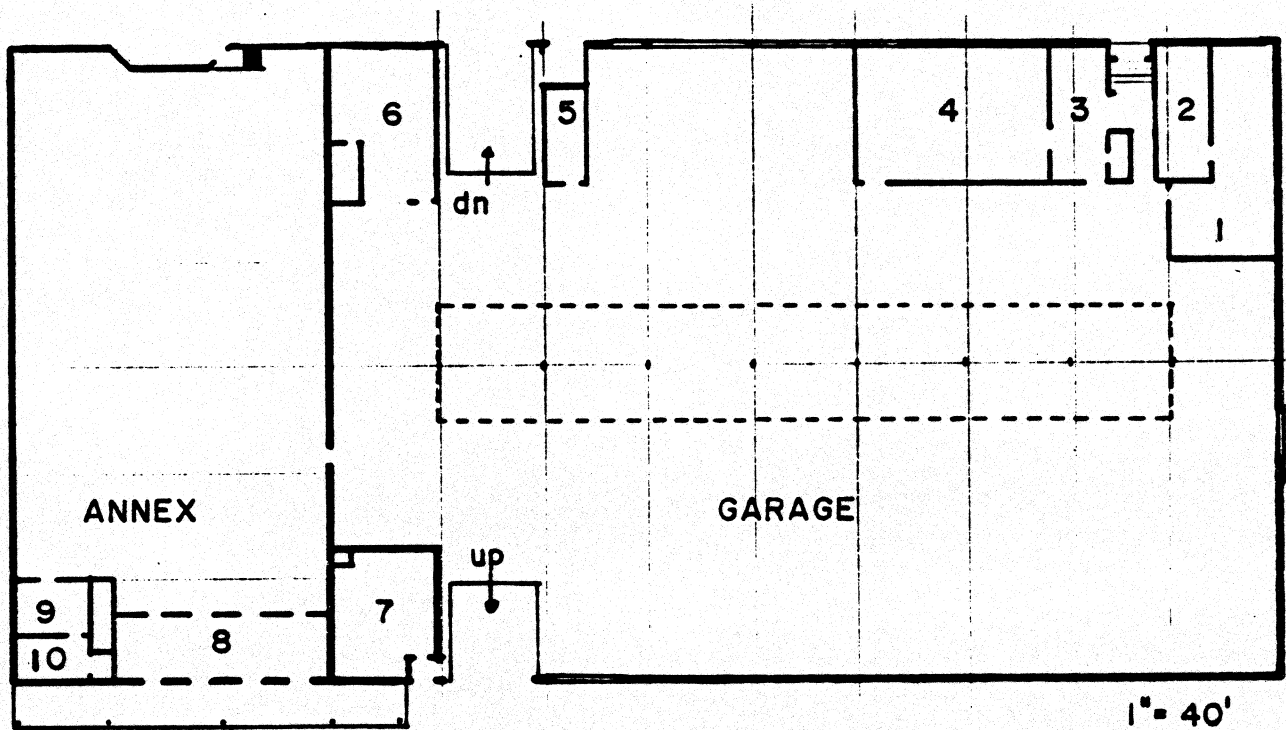
DESCRIPTION OF IMPROVEMENTS, 629 EAST WILSON STREET

NUMBER OF STORIES:	One
AGE:	Twenty years
AREA: (gross building area)	
Garage section	26,136
Annex section	<u>8,760</u>
Total	34,896 square feet
EXTERIOR:	
Foundation	Concrete
Walls	Brick
Roof	Slightly pitched inward toward clerestory; built-up four-ply composite
Windows	Large steel sash with wire mesh in the windows
Dock	Covered elevated wood dock
INTERIOR:	
Floors	Garage--reinforced concrete; Annex--reinforced concrete and ½" asphalt tile
Walls	Concrete block
Structure	Steel frame-truss system with bridging laterals.
Column and beam	Garage--wide flange member resting on steel bearing plates; Annex-- no columns
Floor to truss height	Garage 12'; Annex 9'4"
HEATING AND VENTILATING:	Oil fired boiler*; oil fired steam cleaner unit; 300-gallon hot water tank, main blower in garage section; space heaters along perimeter of garage and Annex; fresh air ducts at every corner of garage; exhaust fan and vent in Annex; no air conditioning exists
UTILITIES:	¾" and 5/8" water leads with a 4" main; 6" sanitary sewer; 12" storm sewer line; natural gas; 400 amp electrical service with add-ons

*Unable to inspect boiler room.

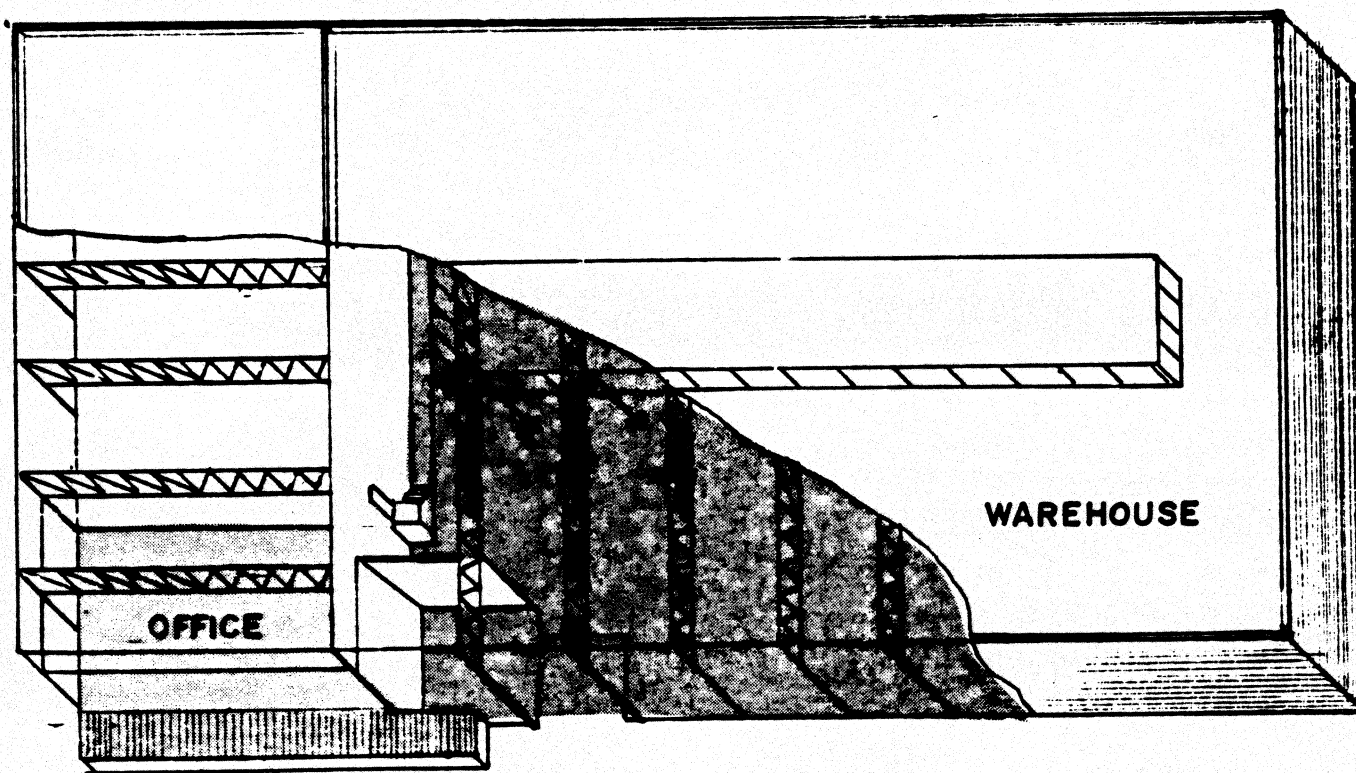
EXHIBIT 11

EXISTING FLOOR PLAN



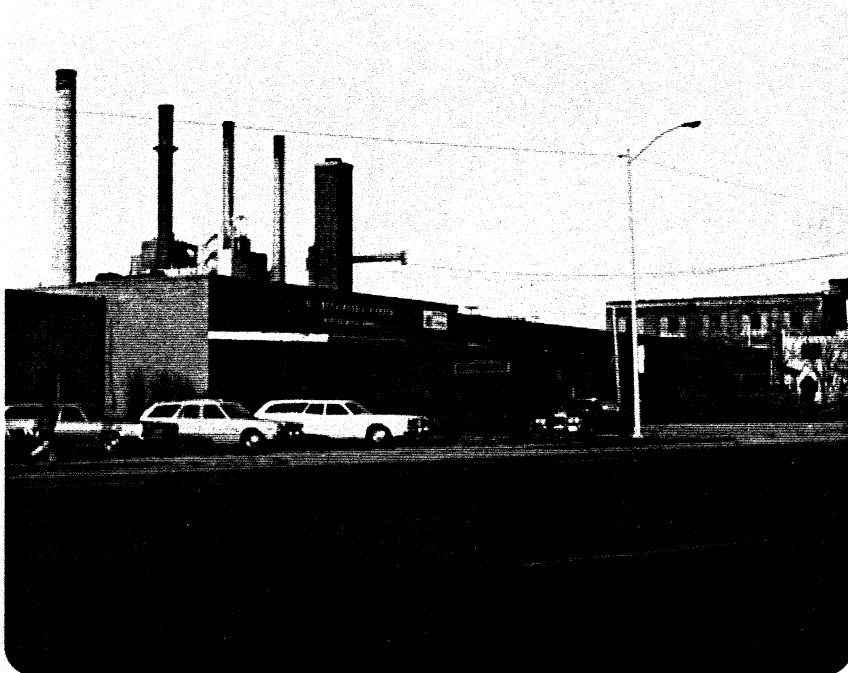
- 1) Swing Room--40'0" x 21'0"
- 2) Men's Toilet--11'0" x 17'0"
- 3) Office--12'6" x 22'0"
- 4) Stockroom--41'10" x 22'0"
- 5) Dispatcher's Office--8'6" x 19'0"
- 6) Office Paint Shop--21'8" x 24'0"
- 7) Boiler Room--27'0" x 20'8"
- 8) Foyer--12'0" x 42'0"
- 9) Swing Room--16'0" x 18'0"
- 10) Toilet--9'0" x 18'5"

EXHIBIT 12
BUILDING CUTAWAY



ISOMETRIC

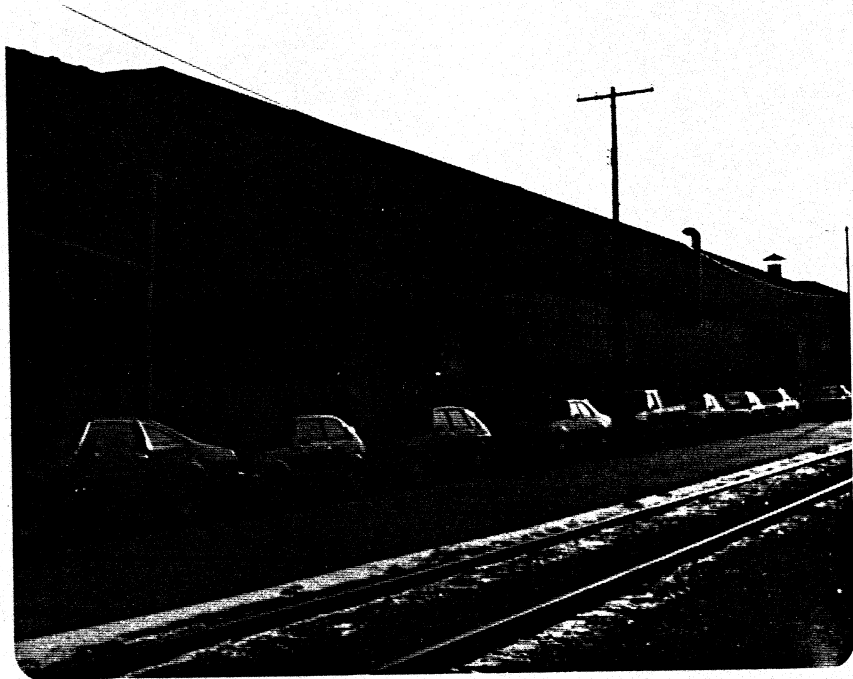
EXHIBIT 13
CURRENT PHOTOS OF SUBJECT



Front View
(From Williamson Street)



EXHIBIT 13--Continued



Rear View
(Close Ups)



EXHIBIT 13--Continued

Rear View
(From Wilson Street)



Exhibit 13--Continued



Interior View of Garage Sector
(Truss System and Interior Partitions)

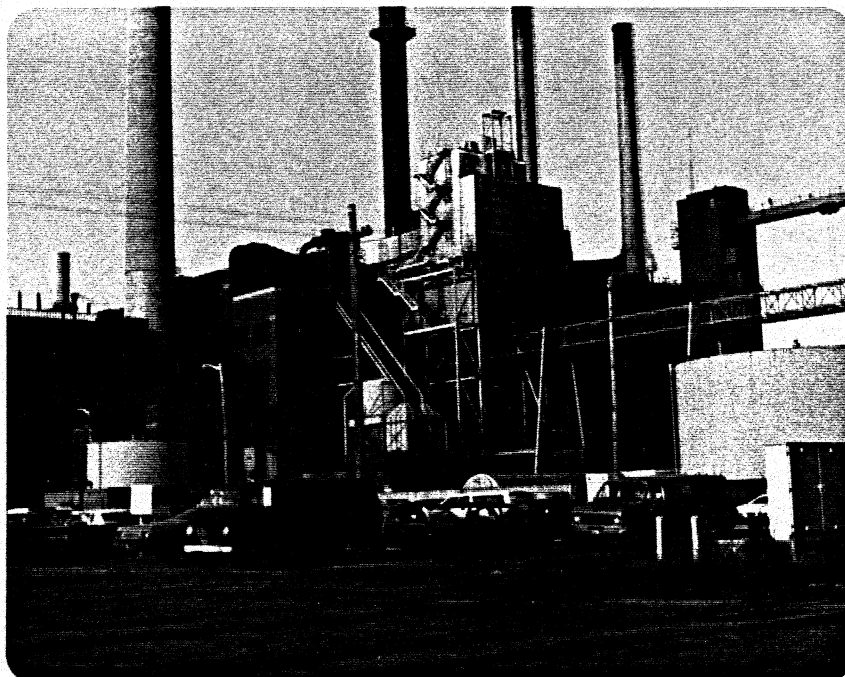


EXHIBIT 13--Continued

View of Surrounding Area
And Capitol



View of New Condominiums
Across Williamson Street

EXHIBIT 13--Continued

View of MG&E Plant Across Wilson Street
(Behind Subject)



View of MG&E's New Office Across Wilson Street
(Also Behind Subject)

Foyer

12'0" x 42'0". Two sets of four doors. Incandescent lighting.

Swing Room

16'0" x 18'0".

Toilet

9'0" x 18'5", 3 lav., 2 w.c.

2) Garage

The garage (132'0" x 198'0") is unfinished with a concrete floor and concrete block wall, unfinished ceiling with exposed pipes, steel structure, and metal roof. Windows are metal frame with opaque wire glazing. Lighting is provided by incandescent lighting (approximately 15'0" o.c.) and a clerestory. There are two garage doors each on the north and south side of the building. The southern garage ramps up to the outside whereas the northern garage ramps down to the street. The height to the bottom of trusses is 12'0" with another 5'6" to the bottom joist level, for a total of 17'6" from floor to joist. There is a single row of steel columns in the center of the garage 22'0". O.L. columns have concrete bumpers. There is also a concrete bumper along the entire southern and western walls. Several small rooms are located within the garage:

Office Paint Shop

21'8" x 24'0", metal lath and plaster ceiling.

Dispatcher's Office

8'6" x 19'0"

Stockroom

41'10" x 22'0"

Office

12'6" x 22'0" with separate toilet, suspended 12'0" high ceiling.

Men's Toilet

11'0" x 17'0", 2 w.c., 2 lav., 3 urinals, ceramic tile floor and walls.

Swing Room

11'0" x 22'0" = 21'0" x 18'0"

Boiler Room

27'0" x 20'8"

c) Roof

The roof system is comprised of four-ply composite roofing on the exterior. Underneath the roofing are two layers of $\frac{1}{2}$ " insulation board (celotex). The insulation board is supported by a $1\frac{5}{8}$ " metal deck which is field welded to the supporting joist. The roof of the Annex drains towards the exterior walls. The roof of the garage drains toward the center clerestory. The drains at the clerestory are most likely nonfunctional, causing a build-up of water along the clerestory;¹ this build-up of water has deteriorated the roof along the clerestory. All roofing, insulation, flashing and gutters must be replaced along the clerestory. The roof drains also must be cleared.

d) Structure

Both the garage and Annex portion of the subject property are steel frame construction with exterior 4" brick and interior 8" concrete block. The floor structure is a 5" concrete slab reinforced with No. 6 x 6 wire mesh and rests on footings which are 4'0" deep. Footings are either "L" or "T" shape reinforced with $4\frac{1}{2}$ " and $2\frac{3}{4}$ " steel. Columns are wide flange (WF) member and are 8WF31.0 members; these columns rest on steel bearing plates 13" x 12" x $\frac{3}{4}$ ". Columns support a series of trusses which in turn supports the joist roof system. The trusses are 6'6" in height and are made of angles and I-beams. The vertical member of the truss are angles 4 x 3 x $\frac{5}{16}$, the diagonal members' angles are $3\frac{1}{2}$ x $2\frac{1}{2}$ x $\frac{1}{4}$, and the horizontal members are I-beam 6I204. All welded connections are minimal in size and will require field inspection. At three locations of the truss, gossage plates, which act as stiffeners, were used for the connection. The truss is sloped 6" on either side with lateral bridging (bracing) in every other bay of the truss system. As mentioned, a column system supports the trusses. However, a series of wide flange and channel systems rest on the column which support the trusses. The exterior wall channels are 12[20.3]. Exterior wall wide flange members are 16 WF 40.0, 16 WF 36.0, or 12 WF 31.0; all are connected with $\frac{5}{8}$ " bolts. The interior column supports are 10[15.3] members. The truss system supports 12" steel joists (purlin) 12J14.0 which supports the roof. The overall condition of the structure is good. There is no

¹The appraiser was not allowed access to the roof; however, an architect/engineer did inspect the roof.

noticeable fatigue in the steel structure or exterior structure. The concrete slab also shows no visible signs of cracking or scalding. The only sign of structure impairment are the noticeable cracks at various locations of the brick work. This cracking was caused by foundation settlement or structural inefficiencies of the structural system. The present structural system will most likely not support any major addition to the building. Concentrated load on the slab may need new concrete footings. Steel and concrete should be able to support additions up to 10 psi.

e) Heating and Ventilating

~~The~~ present heating and ventilating is inefficient for any reuse. The boiler is most likely oil (must be field verified) accompanied by an oil fired steam cleaner unit. There is a 300-gallon hot water tank. A main blower in the center of the garage forces the hot air from the boiler. There are also space heaters along the perimeter of the garage, with fresh air ducts at every corner of the garage. The boiler might be sufficient to supply heated air; however, the duct system should be reworked for any reuse. An exhaust vent and fan (572 CRM) attached to the boiler system, and two space heaters (1/8 hp motor), provide heat to the Annex. However, no air conditioning exists.

f) Utilities

An electrical board with approximately 400 amps, along with a few add-ons, service the building. The electrical board needs to be converted from fuse to breaker and the amount of amps must be increased.

The site has access to 12" storm sewers, 6" sanitary sewers, and 4" water mains. Gas is available via a lead from the 4" mains in Williamson Street.

All utilities are located above ground or in the street right-of-way, therefore, no utility easements encumber the site.

3) Structural Condition and Code Conformity

The structure has received inadequate maintenance for many years. In 1971 and 1980, the building was cited for minor code violations that have since been alleviated. Since the building has been vacant for more than a year (late 1977), the City of Madison Building Inspection Department requires a new occupancy permit to reopen the building for industrial or commercial use. The condition of the occupancy permit will be a formal inspection that may cite a variety of fire and building code violations. Costs to cure the minimum deficiencies have been estimated with the use of the Marshal & Swift Cost Estimating Manual and information from local contractors (Exhibit 14). Significant items include:

- *Certain areas of the roof need repair; tarring, reshingling, and possibly some four-ply will be necessary to help prevent heat loss.
- *Repair of the clerestory and drainage system.
- *Repair of heating and ventilating system (assumed functional).
- *Regrading of the southwest side of the building (slope toward Williamson) to prevent water from running back against the foundation.

4) Renovation Capacity and Limitations

EXHIBIT 14

MINIMUM REPAIR BUDGET TO RECEIVE OCCUPANCY PERMIT

Roof repair	\$10,300
Clerestory repair	3,500
Masonry for blocking in windows	2,000
Enlarge garage door	1,250
General garage/dock repair	1,500
Electrical repair	2,000
Heating and ventilating repair	4,000
Exterior cosmetic improvements	2,000
Regrading of southwest section of site	1,500
Remodeling of washrooms	3,000
Capital to bring up to code (another entrance, fire extinguishers, alarm, stand-by power)	6,000
Contingency	<u>10,000</u>
Total	<u>\$47,050</u>

Capacity and limitations are directly related to the degree of renovation considered. Renovation may be divided into four distinct, progressive categories:

- *Rehabilitation--the restoration of a property to satisfactory condition without changing the plan, form, or style of a structure.
- *Modernization--the process of taking corrective measures to bring a property into conformity with changes in style, whether exterior or interior, or additions necessary to meet standards of current demand.
- *Remodeling--changing the plan, form, or style of a structure to correct functional or economic deficiencies. Remodeling may also be to change the use or utility of the structure.
- *Restoration--the return of a property to its original condition and appearance with careful adherence to its architectural and historic elements.

A brief summary of the distinct attributes associated with each category is listed in Exhibit 15. As the degree of renovation progresses, code requirements increase both in number and significance. As previously mentioned, bringing the existing building up to occupancy level (rehabilitation) would require an additional exit with fire doors, exit signs and lighting, fire extinguishers, repair of the roof, heating and ventilating, clerestory, and some grading. More progressive renovation (remodeling) must meet additional code requirements as follows:

- *fire extinguishers,
- *fire alarm system--smoke alarm,
- *standby power and lights,
- *four-hour fire doors,
- *two-hour fire wall for boiler room partywall,
- *washrooms for men and women with appropriate fixtures and handicapped requirements,
- *sufficient interior circulation,
- *proper means of egress with fire doors,
- *two enclosed stairs for multilevel addition, with four-hour fire wall, and
- *handicapped access ramps and parking.

The sound condition of the Post Office makes renovation an attractive alternative. The relatively high ceilings and large spans of the structure allow for the potential physical adoption of most uses. The absence of any significant deterioration adds to ease of renovative capacities. The structure and shell are generally in good condition.

However, there are several aspects of the Post Office that affect renovation negatively. First, the truss height is 12'0" from the floor to the bottom of the truss, with an additional 5'6" to the bottom of the joists supporting the roof. These ceiling heights virtually eliminate any two-story renovation. Any additional floor additions must occur between the truss, which limits the useable unit to a 22'0" width. The existing height conditions also limits warehouse efficiency. An 18'0" ceiling is suggested for efficiency. An 18'0" ceiling is suggested for efficient warehousing. Thus, the building cannot make use of efficient cubage storage.

Another aspect inhibiting any floor additions is the structural capacity, which should be analyzed by a structural engineer. Whether the existing structure could support a floor addition is doubtful. A new structure would be needed, including footings, columns, and trusses.

Another point of concern is the clerestory and roof structure. As mentioned, new flashing, gutters, roofing, and drainage are needed. Even though this is an additional cost, the positive architectural advantages are numerous. The clerestory offers many avenues of design and

VARY

EXHIBIT 15
RENOVATION CATEGORIES

ATTRIBUTES AND METHODOLOGIES APPROPRIATE TO
APPRAISAL OF AGING STRUCTURES AND NEIGHBORHOODS

	Rehabilitation	Modernization	Remodeling	Restoration
1. Extent of corrective action	Deferred maintenance	Curable, functional obsolescence	Incurable, functional obsolescence	Return to previous condition and appearance for aesthetic as well as utilitarian objectives
2. Extending useful life	No	Yes—to a limited degree	Yes—to an extended degree	Yes—for a term beyond life cycle of utility function
3. Change in use	No	No	Probable change in use	Probable, but use is secondary to structural conservation
4. Impact on expenses	Minor, temporary	Significant temporary reduction in operating expenses	Long-term economies of operation for the bldg. and for user operation	Some economies of operation where restoration conceals contemporary
5. Impact on real estate revenues	Protects existing rent levels	Often increases competitive rent level	Redirects property toward higher rent, higher profit market segment	Redirects property toward higher rents but primary emphasis on aesthetic satisfaction and community benefit.
6. Impact on market value	Reduces decline in value due to deferred maintenance	May improve market ability if not value	Must improve market value to justify capital expense	Must consider social value as well as market value increase
7. Type of Professional Study	Life cycle casting structural survey	Before and after value estimates to justify cost of alternatives counseling	Alternative use study. Market and market-ability study. Legal/political study. Appraisal value to equal cost plus entrepreneurial fee	Alternative use study market and market-ability study. Alternative funding source supply
8. Federal income tax benefits	Minor—most outlays can be expensed	In addition to expenses, those outlays which extend to accelerated depreciation	In addition to expenses and accelerated depreciation, commercial buildings entitled to special Federal investment tax credit; historic residential units maybe provided with special investment tax credit for substantial rehabilitation in excess of \$5,000	All of the previous plus special investment tax credits for buildings registered as Federal and State landmarks

renovative creativity. The roof structure is in fairly good condition with the exception of the clerestory. Only periodic patching is needed. However, since no insulation exists, any major renovation and reuse will require insulation and a new roof.

A major expense of any large-scale renovation concerns the mechanical system. An air conditioning system, sprinkler system, and standby lighting and power must be installed. The present boiler probably can be used, but most likely would be replaced.

In the event that the Post Office is demolished in favor of new construction, problems might be encountered with soils. As previously mentioned, the bearing capacity of the soils is poor to moderate. Any large or high structure that would be built might require expensive pilings to anchor the structure.

III. MOST PROBABLE USE

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

A. General Market Characteristics

The search for a use should begin with the possibility of extending the past use of the structure as garage/warehouse space with just less than 35,000 square feet of gross leasable area. As land and holding costs increased over the years, and expansion availability and convenient access to downtown decreased, most new warehouse space was built outside or on the periphery of the city. With abundant space to expand and better access to the major arterials (Beltline, I90, and I94), peripheral space attracted many users who previously located downtown. Currently, the market for downtown warehouse/garage space is soft. Vacancies vary depending on location, size, and parking availability. Downtown space is relatively attractive to users whose business or other facilities are also downtown. Exhibit 16 details the rent schedule and terms at comparable industrial/warehouse buildings in the Madison area. After adjusting for items (i.e., insurance and taxes) that are net of the base rent, a range of \$1.30 to \$2.10 per square foot is derived. Industrial/warehouse space on the periphery of Madison along the Beltline runs near the top end of the price range, while space located in the downtown area runs on the lower end of the range.

Apartments and condominiums offer two forms of residential use. While the immediate area is mostly industrial/commercial and has limited housing, the Marquette neighborhood, just north of the site, has been renovating and expanding the housing supply. The Fauerbach condominium, a new project located directly across from the site, has done extremely well; however, the view of Lake Monona and the quality of the product attract an upper class segment of the market. Apartment rents in the area range from \$.35 to \$.50 per square foot, with the average around \$.40. Several disamenities can be associated with the immediate area--amount of commercial and industrial space, railroad, smoke from the utility plant, noise from heavy traffic, and transient hotels and bars. Also, the high costs associated with construction and financing make it difficult to deliver a product within the market's rent capacity. Nevertheless, the city plan and Marquette neighborhood plan encourage low to moderate income housing.

EXHIBIT 16

COMPARABLE INDUSTRIAL/WAREHOUSE RENTALS

Year Signed	Address	Rental \$/S.F./Yr.	Utilities	Taxes and Insurance	Size Sq. Ft. (x 1,000)
Asking	2077 S. Stoughton Road, Madison	2.50	T	0	35
1982	4433 Robertson Road, Madison	2.25	T	0	15
1982	Highway 51, Madison	2.20	T	0	21
1976	3601 Pierstorff, Madison	2.22	T	0	105
Asking	901 Watson, Madison	2.85	0	0	8
1980	2013 Fish Hatchery Road, Madison	2.00	T	T	96
1979	Green Valley Road, Beaver Dam	1.68	T	0	60
1978	3650 Milwaukee Street, Madison	1.60	T	T	226
1980	2101 Kennedy Road, Janesville	1.60	T	T	160

Source: Landmark Research from primary research.

The office rental space market for Class B and C space has been soft, particularly northeast of the Square. The State, the largest office space user downtown, has recently relocated many of its offices into new buildings closer to the Square, leaving a significant amount of B and C space on the market.

The retail space market has also been very soft with significant vacancies on State Street and around the Square as a result of the local economy. A number of retailers in the area, such as the Miller-Horn Grocery, have closed due to lack of demand. Retail space just outside the Square is renting for around \$6 to \$8 per square foot.

The vacant land market also is soft. Appreciation has been nominal over the last five years. Currently, land is selling in the range of \$2 to \$6 per square foot, depending on its proximity to the Square and linkage attributes.

In conclusion, the market for space in general is weak, some softer than others. While much of this weakness is a result of the local economy, some may be attributable to the location, linkages, and condition of the property. The entrepreneur must create his own captive market in order to survive.

B. Alternative Uses for the Post Office Annex

A combination of the physical characteristics of the property and the general demand characteristics on the east side of downtown suggests the following alternative scenarios for use of the subject property (Appendix D):

- Scenario #1: The entire building would be restored to satisfactory condition for warehouse/garage use. There would be no changes to the plan, form, or style of the structure. The correction of deferred maintenance and physical deterioration and minimum capital improvements would meet code requirements. Temporary use is expected.
- Scenario #2: The entire building would be modernized and remodeled for industrial use. Correction of physical, functional, and economic deficiencies will be necessary to meet code requirements and competition.
- Scenario #3: The garage section would be completely remodeled for multitenant retail space. The Annex section would be demolished to provide additional parking and convenient access to the site. The clerestory would be used as a central atrium. Besides correction of physical, functional, and economic deficiencies, changes to the interior plan and form will be necessary to meet code requirements and competition.
- Scenario #4: The Annex section would be completely remodeled for multitenant office space. The garage section would be torn down using

the paved floor as a parking lot concealed by berming and landscaping. Correction of physical, functional, and economic deficiencies, along with changes to the interior plan, form, and style of the structure, will be necessary to meet code requirements and competition.

- Scenario #5: The entire building would be completely remodeled to provide 18 two-bedroom townhomes in the garage section and 12 efficiencies in the Annex section. The garage section would be converted to townhome apartments; the Annex section would be converted to efficiency or one-bedroom apartments. The clerestory would be used as a center atrium or skylight. Remodeling would entail changing the plan, form, and style of the structure to correct any physical, functional, and economic deficiencies.
- Scenario #6: The entire building would be completely demolished and replaced with a new use (probably a mixed use with retail on the first floor and multifloor residential up above).

C. Financing Alternatives

High mortgage interest rates reduce the economic feasibility of many real estate projects, acting as a barrier to redevelopment and renovation. The probable buyer has three alternatives--conventional financing, seller financing, or public/private financing via Industrial Revenue Bonds (IRB) and Tax Incremental Financing (TIF).

Currently, long-term conventional financing is available in the form of a variable rate mortgage with interest rates running between 14% to 16%, a 15- to 25-year term, and one to three points to close. The debt coverage ratio varies with the type of use that the property is put to, ranging from 1.25 (warehouse/garage space) to 1.8 (speculative uses like hotels).

Seller financing, in the form of a land contract or purchase money mortgage is also predominant in the market. Recent comparables indicate interest rates between 8% to 13%, 15- to 25-year terms, and 3- to 15-year balloons. Considering the current trend of terms, along with the seller's motivation and situation, the appraiser estimates that a land contract with 25% down, 12.5% interest amortized over a 25-year term, with a five-year balloon, might be available, depending on the scenario selected.

The possibility of lower cost financing through public involvement is another viable alternative. While the subject property is not located in a Tax Incremental Financing District, it still may qualify for use of Industrial Revenue Bonds (Wisconsin Statute 66.521). The purpose of the bonds is to enable a municipality to promote industrial development within its borders. Scenarios #1 to #4 may qualify for IRB financing, however, the substantial improvement requirement and high floating costs would probably be more feasible for Scenarios #2 to #4. The current IRB interest rate ranges between 11% to 13% with a 10- to 15-year term.

D. Potential Investment Tax Credit Impact

Depending on the proposed use, the subject property may qualify for an investment tax credit (ITC) for rehabilitation expenditures.¹ A federal tax credit of 15% is granted for qualified expenditures to rehabilitate industrial and commercial buildings (not residential) that are 30 to 39 years old; however, the depreciable basis of the property must be reduced by the amount of the investment credit. This federal tax credit, which sets off tax liability dollar for dollar, can have a significant impact on the economic feasibility of the most probable use. For example, assuming the capital expenditure qualified for the tax credit, a capital outlay of \$100,000 would create a \$15,000 tax credit; in other words, the net capital outlay would be approximately \$85,000. Scenarios #1 to #4 would probably qualify for the investment tax credit.²

E. Economic Ranking of Alternatives

The alternative uses that might be reasonable for the subject property can first be ranked in terms of the general budget parameters inherent in revenues and expenses for each. The best financial alternatives must then be screened for effective demand, political acceptability, and risk. In order to reveal the general range of justified investment on the existing property, the appraiser developed a logic of converting rents to justified investment by determining a market rent for each use and assuming an acceptable cash breakeven point (ratio of cash expenses, real estate taxes, and debt service to gross potential rents) for financial planning and budgeting. This process capitalizes funds available for debt service or cash dividends into amounts of justified investment. This residual approach can be misleading if there are small errors in the cash-flow forecast, but it does rank the alternatives in terms of their ability to pay for the subject property as is. It should be remembered that this modern application of a residual land value approach does not, in fact, value the property; it is only an economic index. This methodology permits ranking of alternatives according to the approximate economic surplus that might be assigned to the property as is. The logic of this process is provided in Exhibit 17, with the results being summarized in Exhibit 18. The cost assumptions and calculations are provided in the Appendix. A preliminary ranking based on a justified cash investment (Line 1, Exhibit 19), without regard to future appreciation or reversion value, demonstrates that Scenarios #1 or #3 would be preferable use of the structure as is.

¹U.S. Master Tax Guide, 1982, paragraphs 1178-1182.

²Ibid.

BASIC LOGIC FOR RANKING ALTERNATIVE SCENARIOS
BY JUSTIFIED PURCHASE BUDGET

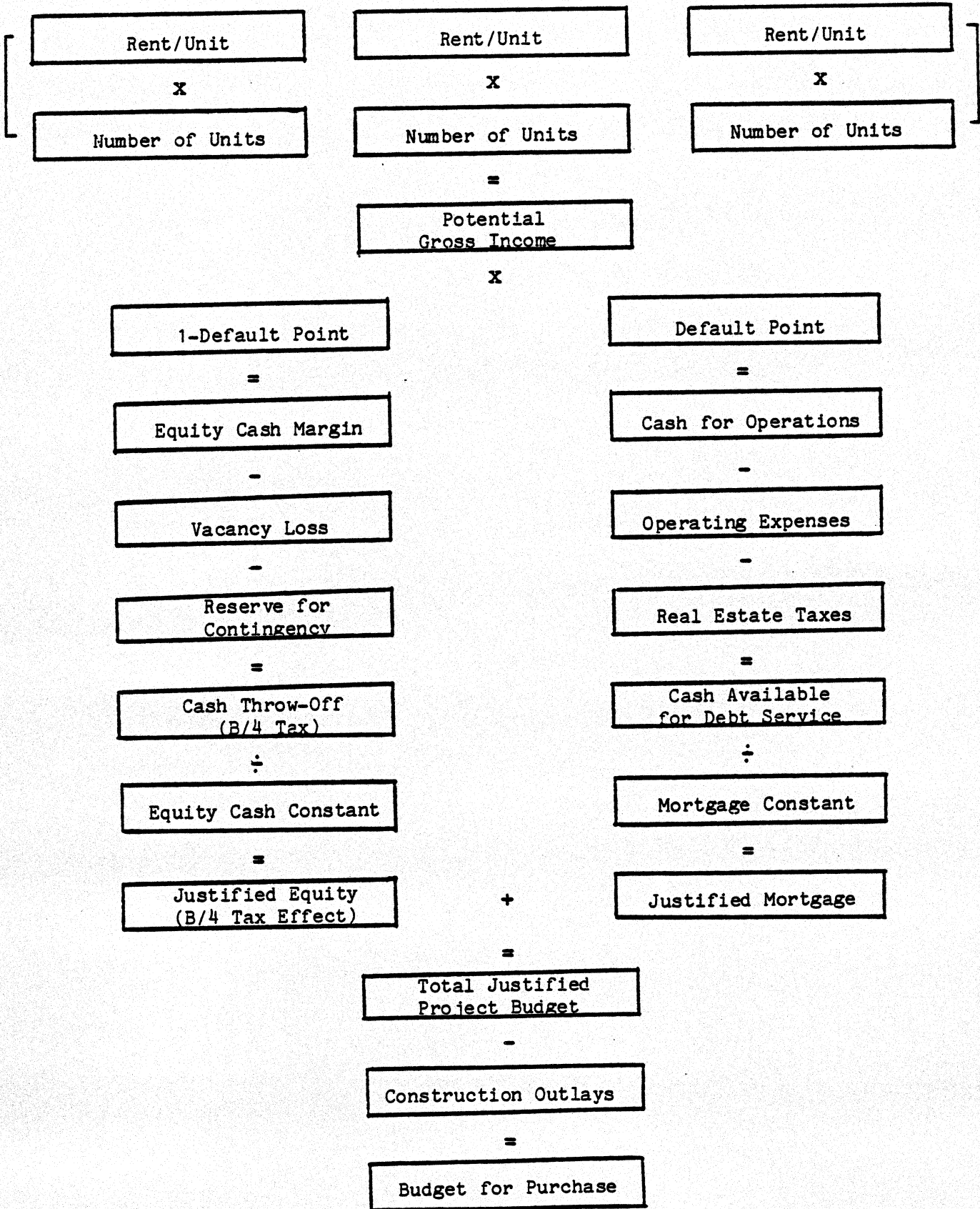


EXHIBIT 18

SUMMARY OF BUDGETS FOR ALTERNATIVE USE SCENARIOS

Budget Item	Scenario #1	Scenario #2	Scenario #3	Scenario #4	Scenario #5	Scenario #6
1. Up-to-code cost	-\$47,050	-\$47,050	-\$47,050	-\$47,050	-\$47,050	-\$25,000
2. New construction	<u>-0-</u>	<u>-117,950</u>	<u>-468,950</u>	<u>207,950</u>	<u>-1,304,950</u>	<u>-0-</u>
Total	-\$47,050	-\$165,000	-\$516,000	-\$255,000	-\$1,352,000	-\$25,000
+ Investment tax credit	<u>7,050</u>	<u>25,000</u>	<u>77,500</u>	<u>38,250</u>	<u>-0-</u>	<u>-0-</u>
Total outlays	-\$40,000	-\$140,000	-\$438,500	-\$216,750	-\$1,352,000	-\$25,000
3. Justified investment for property	<u>246,000</u>	<u>264,000</u>	<u>613,850</u>	<u>138,750</u>	<u>420,680</u>	<u>125,065</u>
4. Total justified investment in subject property as is	\$206,000	\$124,000	\$175,250	-\$78,000	-\$931,320	\$100,065

F. Risk Ranking of Alternatives

Risk may be defined as the variance between what actually happens and what was forecast, whether that event is the amount of cash payment or the degree of overall market demand. Financial risk varies primarily with the financing that is available to the scenario. Terms such as the interest rate, loan-to-value ratio, term, default ratio, and debt coverage ratio all affect the financing risk. Lower interest rates create lower cash-flow requirements, which result in a lower probability of cash insolvency. Also, the lower the debt coverage ratio or the higher the loan-to-value implies a lesser default risk from the viewpoint of the lender.

Market risk varies with overall market demand and the skill brought to the marketing of the property. Demand for apartment housing in the subject area is high; however, the economic feasibility of such housing is questionable. Demand for other types of space--warehouse/garage, industrial, retail, office, and vacant land--is soft.

Risk inherent in renovation is a function of both the degree of renovation and the amount of capital outlay. As the degree of renovation moves from rehabilitation to remodeling, the amount of risk also increases. Scenario #6 would have the least renovation risk, since all that is required is the demolition of the building and regrading of the site. Scenario #1 has the second lowest degree of remodeling risk. Rehabilitation of the building for warehouse/garage space would require correction of physical deterioration and deferred maintenance, a relatively low capital outlay. Also, there would be few technical problems with bringing the building up to code. Scenario #2 has a moderate remodeling risk. Modernization and minor remodeling of the building would require correction of physical, functional, and minor economic deficiencies. The capital outlay is larger than Scenario #1 since it includes functional and some economic deficiencies. Also, the costs to bring it up to code are somewhat higher.

Scenarios #3, #4, and #5 have a high remodeling risk attached to them. All three are major renovation projects which involve extensive remodeling and large capital outlays. Not only will physical, functional, and economic deficiencies have to be corrected, but new and more stringent code requirements associated with the new use must be met.

G. Political Compatibility of Alternatives

Because the scenarios formulated are a function of the political realities that were previously discussed, all are politically possible. However, the Planning Department and Marquette Neighborhood Association have been urging the development of more housing downtown to hold potential retail customers to the area and to provide conveniently located shelter to downtown employees. The notion of a temporary use, as in Scenario #1, is also well-accepted in that the harmonious use can be changed when the direction of development (residential or commercial) is determined in the near future. The multitenant office and retail, while

politically encouraged, may have a negative impact on the traffic and parking system in the area. In light of this analysis, Scenario #1 would be the least risky because it would have the least impact on the neighborhood.

H. Conclusions

The estimated residual justified investment price favors Scenarios #1 and #3. Scenario #1 stands out because it has the highest residual investment price and requires the least capital outlay for renovation. The demand for warehouse/garage space is relatively soft and depends on finding an owner/user with a need for downtown space. While both Scenarios #1 and #3 are politically acceptable and compatible with surrounding uses, Scenario #1 has the advantage of being a temporary use. Financial risk is much lower for Scenario #1 (low) than Scenario #3 (high) because the gross revenue from the warehouse is less volatile and sensitive to local economic conditions. A review of the summary feasibility data in Exhibit 19 supports the conclusion that the most probable use of the subject property, in the opinion of the appraiser, is Scenario #1.

The most probable use of the subject property would be continued use as a warehouse/garage. The building would be restored to satisfactory condition (correcting deferred maintenance and bringing up to code).

EXHIBIT 19

SUMMARY FEASIBILITY MATRIX FOR ALTERNATIVE SCENARIOS

Feasibility Factor	Scenario #1 (Warehouse)	Scenario #2 (Industrial)	Scenario #3 (Retail)	Scenario #4 (Office)	Scenario #5 (Residential)	Scenario #6 (Demo)
Justified investment in subject	\$206,000	\$124,000	\$175,250	-\$78,000	-\$931,320	\$100,000
Remodeling risks	Minor	Moderate	High	High	High	None
Effective market demands	Soft	Soft	Soft	Soft	Strong	Unknown
Political acceptability	Favored	Lowly Favored	Favored	Favored	Highly Favored	Mixed
Financial risk	Low - Depends on finding a user with a need for space downtown	Medium - Depends on finding a user that will stay downtown	High - Income is very volatile-highly dependent on economic condition	High - Depends on short supply of B & C office space	High - Depends on whether you can deliver product for low to moderate income renters	Unknown - Depends on high land appreciation which is improbable

IV. PREDICTION OF PRICE FROM MARKET SALES

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

A. Most Probable Buyer

A review of sales in the downtown area and along the periphery of Madison reveals that the buyers of these properties have been either a local businessman who was seeking a new location or additional space for his business, or a professional real estate investor who was willing to accept a lower cash-on-cash return in anticipation of future appreciation of the property. The location, photo, and details of comparable warehouse transactions are presented in Exhibit 20.

The most probable buyer will be a local businessman or corporation seeking a new location or additional space for storage or a garage. Although the space will be utilized internally within the business, the buyer will anticipate appreciation. He expects generous land contract terms, with a relatively short holding period in mind (five to ten years).

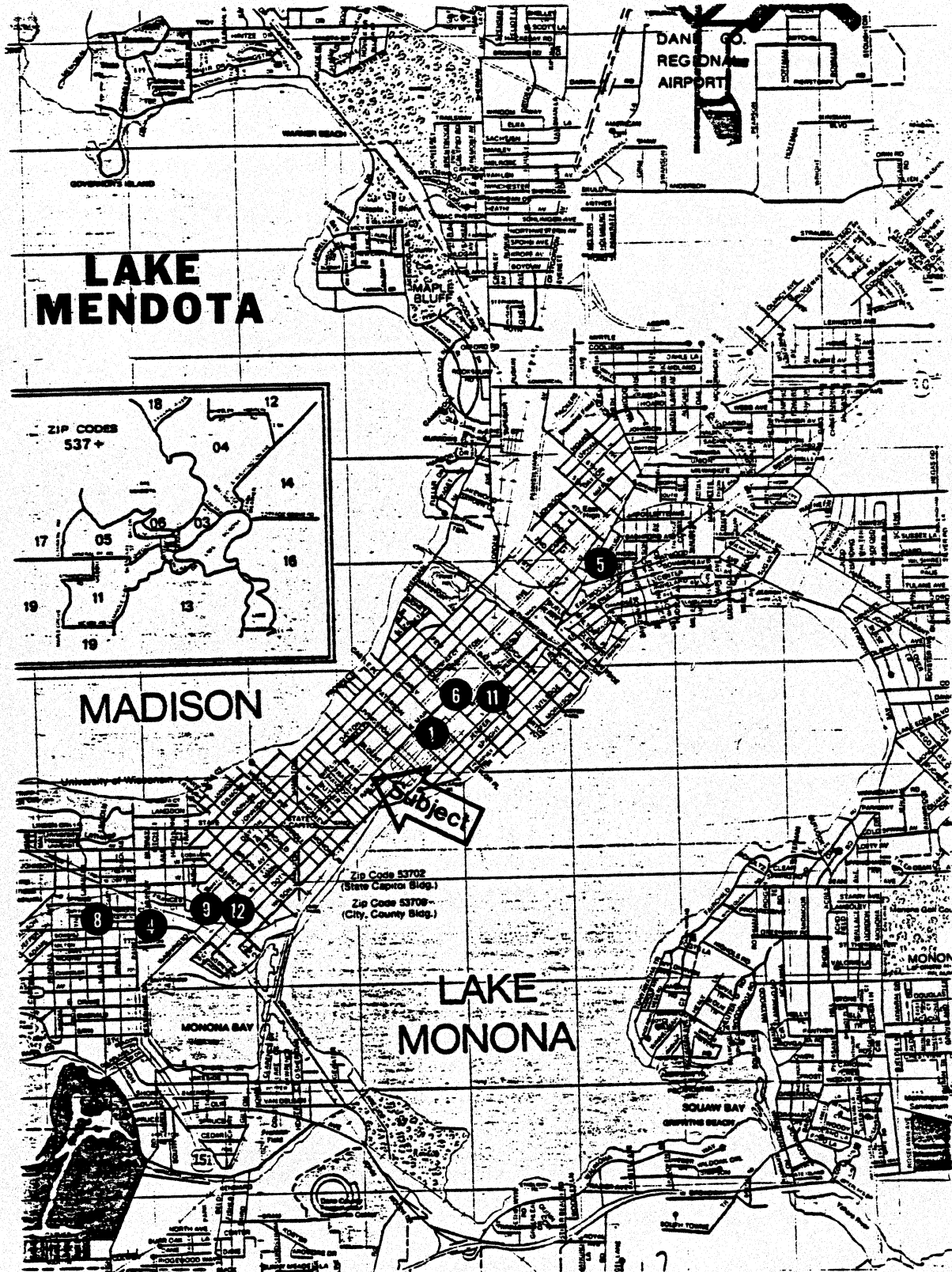
B. Most Probable Price

In recent years there has been a fair amount of market activity in the purchase and sale of warehouse/garage space in the downtown and periphery area. Although some differences exist among the properties sold with respect to their location, size, marketability, condition, and other factors, it is still possible to infer from past market behavior the most probable price and range of a transaction involving the subject property and a probable buyer of the type defined above.

Two market inference approaches were considered: (1) Ratcliff's weighted point system combined with linear regression, and (2) a multiple regression analysis. In Ratcliff's approach, each property is scored on a point system that is weighted for priorities of the investor in the current market. The total point score for each comparable sale and the subject property can then be related to one another by means of a simple linear regression line, which is a form of averaging differences by means of a least squares fit. This single linear regression is a statistical process for translating supply characteristics and price histories demand

EXHIBIT 20

LOCATION OF COMPARABLE PROPERTIES



10
2 3

7

EXHIBIT 20

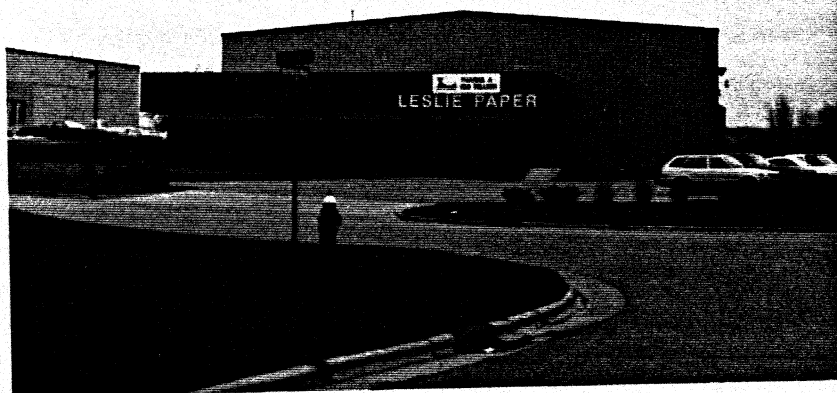
COMPARABLE PROPERTY #1



Building name/address: 919 EAST MAIN STREET
Date of sale: 9/26/80
Sale price: \$63,666
Recorded: Vol. 2295, p. 39-40
Sales terms: Cash
Use at time of sale: Warehouse (Red Arrow)
Grantor: Raymond J. Koltes
Grantee: MAGAEL Inc.
Tax Parcel No.: 0709-134-0902-9
Assessed value: \$80,000
Sales price as % of assessed value: 79%
Lot size: 34,848 sq. ft.
Frontage: 132 feet
Zoning: M-1
Gross building area: 6,000 sq. ft.
Building description: Old brick building with large open storage; 1/3 of building is 2 stories--office space on second floor; 2/3 first story--1 garage/dock in rear
Present uses: Vacant
Locational factors: 25' from rail line; 2 blocks off of East Washington Avenue; next door to Greyhound Bus Depot
Rental information: None
Other comments: Large off-street parking area

EXHIBIT 20

COMPARABLE PROPERTY #2



Building name/address: 929 WATSON AVENUE
Date of sale: 8/19/79
Sale price: \$345,000
Recorded: Vol. 1080, p. 181
Sales terms: Cash-Warranty Deed, took out new mortgage for \$276,000
Use at time of sale:
Grantor: Wm. J. Decker Real Estate Company
Grantee: Mark and Betty Widen
Tax Parcel No.: 0609-022-0309-5
Assessed value: Total \$370,000 (land, \$70,700; improvements, \$299,300)
Sales price as % of assessed value: 93%
Lot size: 58,079 sq. ft.
Frontage: 87 feet
Zoning: M-1
Gross building area: 14,684 sq. ft.
Building description: 20' high, metal clad storage warehouse with a newer brick, small office; 2 loading docks
Present uses: Leslie Paper Co., office and storage
Locational factors: Excellent location about 1/2 mile off the 12-18 Beltline; excellent vehicle and truck access
Rental information: None
Other comments: Excellent on-site parking; borders on large tract of vacant land and a dead-end street

EXHIBIT 20

COMPARABLE PROPERTY #3



Building name/address: 901 WATSON AVENUE
Date of sale: 5/19/78
Sale price: \$640,000
Recorded:
Sales terms: Land contract
Use at time of sale:
Grantor: Don Evans et al.
Grantee: Five Star Enterprises
Tax Parcel No.: 0609-022-0303-7
Assessed value: Total \$750,000 (land, \$162,600; improvements, \$587,400)
Sales price as % of assessed value: 85%
Lot size: 125,100 sq. ft.
Frontage: 417 feet
Zoning: M-1
Gross building area: 58,080 sq. ft.
Building description: Single-story, blue metal frame (metal clad)
warehouse
Present uses: Warehouse space for 5 tenants--S. R. Block Iron
Supply Co.; Merchandising Unlimited Inc.; Scotts Design; Kraft
Food Service; Northern Lights Inc.
Locational factors: Excellent location--about 1/2 mile off the
12-18 Beltline; excellent vehicle and truck access; limited
on-site parking
Rental information: None
Other comments: 5 loading docks

EXHIBIT 20

COMPARABLE PROPERTY #4



Building name/address: 12-14 MURRAY STREET & 21 NORTH PARK STREET

Date of sale: 7/17/80

Sale price: \$300,000

Recorded: Vol. 2041, p. 053-60

Sales terms: Warranty Deed and Trust Deed

Use at time of sale:

Grantor: Roy Ward Trust, V. O. Brien, and D. Ward

Grantee: Board of Regents--University of Wisconsin

Tax Parcel No.: 0709-232-2517-6 (21 North Park Street)

0709-232-2529-1 (12-14 Murray Street)

Assessed value:

Sales price as % of assessed value:

Lot size: 20,878 sq. ft. (21 North Park Street)

18,000 sq. ft. (12-14 Murray Street)

Frontage: 104' (North Park Street), 100' and 180' (Murray Street)

Zoning: C-3 and M-1

Gross building area: 16,393 sq. ft.

Building description: 1 story, concrete block garage with 42 parking stalls

Present uses: University of Wisconsin service garage

Locational factors: Close to UW; just off of North Park and Regent Streets

Rental information: None

Other comments: Excellent on-site parking

EXHIBIT 20

COMPARABLE PROPERTY #5



Building name/address: 2114 WINNEBAGO
 Date of sale: 10/78
 Sale price: \$69,000
 Recorded: Vol. 1004, p. 396
 Sales terms: Land contract, 10% down, \$62,100 land contract at 9.5%,
 5 year balloon plus bonus principle payments
 Use at time of sale: Warehouse
 Grantor: Appliance Products Co.
 Grantee: Voectake, Phillip and Susanne
 Tax Parcel No.: 0710-064-1610-3
 Assessed value: \$68,000
 Sales price as % of assessed value: 99%
 Lot size: 7,200 sq. ft.
 Frontage: 60 feet
 Zoning: C-3 and M-1
 Gross building area: 7,020 sq. ft.
 Building description: Older, red brick building with a garage and
 office; 1 story; 10'-17' ceiling
 Present uses: Phil's Car Repair and Phil's Metal Finishing
 Locational factors: Near rail siding; 2 blocks off of East Washington
 Avenue
 Rental information: None
 Other comments: Parking on street only; in a residential area, vehicle
 access to rear of building over an easement

EXHIBIT 20

COMPARABLE PROPERTY #6



Building name/address: 1055 EAST WASHINGTON AVENUE
Date of sale: 11/8/79
Sale price: \$145,000
Recorded: Vol. 1337, p. 47
Sales terms: Cash
Use at time of sale: Storage for restaurant equipment
Grantor: Hoffman Enterprises, Inc.
Grantee: Noel A. Johnson, Robert McKiernan, Audry Schubert
Tax Parcel No.: 0709-131-1703-6
Assessed value: \$135,100
Sales price as % of assessed value: 107%
Lot size: 9,240 sq. ft.
Frontage: 66 feet on East Washington Avenue and 140 feet on
Ingersoll Street
Zoning: M-1
Gross building area: 16,368 sq. ft.
Building description: 2 story old, well-built brick and masonry;
9,240 sq. ft. on first floor--13' ceilings; 7,128 sq. ft. on
second floor (apartments)
Present uses: Planned renovation--first floor to commercial use and
second floor to apartments
Locational factors: Near Madison Metro corner--East Washington Avenue
and Ingersoll Street; railroad spur 50' to rear of building
Rental information: None
Other comments: Parking and garage doors/docks in rear of building

EXHIBIT 20

COMPARABLE PROPERTY #7



Building Name/Address: 4401 COTTAGE GROVE ROAD
Date of Sale: 1/4/82
Sale Price: \$525,000
Recorded: Vol. 3331, p. 0074
Sale Terms: Cash
Use at Time of Sale:
Grantor: Lindsay Bros.
Grantee: Madison Place
Tax Parcel No.: 0710-094-0090-5
Assessed Value: Total \$563,000 (land, \$248,600; improvements \$314,400)
Sales Price as % of Assessed Value: 93%
Lot Size 194,190 sq. ft.
Frontage:
Zoning: M-1
Gross Building Area: 34,624 sq. ft.
Building Description: Newer, 1 story, red brick and masonry building with
3 loading docks.
Present Uses: Warehouse occupied by the Radford Co.
Locational Factors: Located on the other side of Lake Monona; close to
I90-94 and County B road; also close to airport.
Rental Information:
Other Comments: Well landscaped, adequate parking, lots of room for
expansion.

EXHIBIT 20

COMPARABLE PROPERTY #8



Building name/address: 9 NORTH BROOKS STREET & 920 REGENT STREET
 Date of sale: 1/9/80
 Sale price: \$135,000
 Recorded: Vol. 548, p. 34
 Sales terms: Land contract, \$20,000 down, 4 1/2 year balloon, 7.5%
 first 6 months and 10% next 4 years
 Use at time of sale:
 Grantor: A. G. Jacobs
 Grantee: Larson
 Tax Parcel No.: 0709-232-2405-3 (9 North Brooks Street)
 0709-232-2406-1 (920 Regent Street)
 Assessed value: Total \$102,400 (\$54,800=9 N. Brooks; \$47,600=920 Regent)
 Sales price as % of assessed value: 132%
 Lot size:
 Frontage:
 Zoning: C-3
 Gross building area: 9,048 sq. ft.
 Building description: 1 story, old, concrete block building; 6 parking
 stalls plus on-street parking
 Present uses: UW Extension for bulk mailing warehouse
 Locational factors: Close to university--just off of Regent Street;
 access to garage from Brooks Street and College Street
 Rental information: None
 Other comments: Excellent truck access; building is on Brooks Street
 side with parking off of Regent Street; residential-commercial
 area

EXHIBIT 20

COMPARABLE PROPERTY #9



Building name/address: 602 WEST WASHINGTON AVENUE
Date of sale: 6/30/77
Sale price: \$274,500
Recorded: Vol. 826, p. 289
Sales terms: Cash--Quick Claim Deed
Use at time of sale: Vacant
Grantor: Illinois Central Gulf Railroad Co.
Grantee: U-Haul Company of Western Wisconsin
Tax Parcel No.: 0709-232-2910-2
Assessed value: Total \$380,000 (land, \$196,200; improvements, \$183,800)
Sales price as % of assessed value: 72%
Lot size: 65,340 sq. ft.
Frontage: 198 feet on West Washington Avenue and 330 feet on
North Bedford Street
Zoning: M-1
Gross building area: 5,000 sq. ft.
Building description: 1 story, white brick with black comp. roof;
warehouse and office
Present uses: U-Haul Commercial Storage purpose (mini warehouse); use
large lot area for trailer storage and parking
Locational factors: Corner of West Washington Avenue and North
Bedford Street; bus stop in front of site; easy vehicle access
Rental information: None
Other comments: Lots of on-site parking

EXHIBIT 20

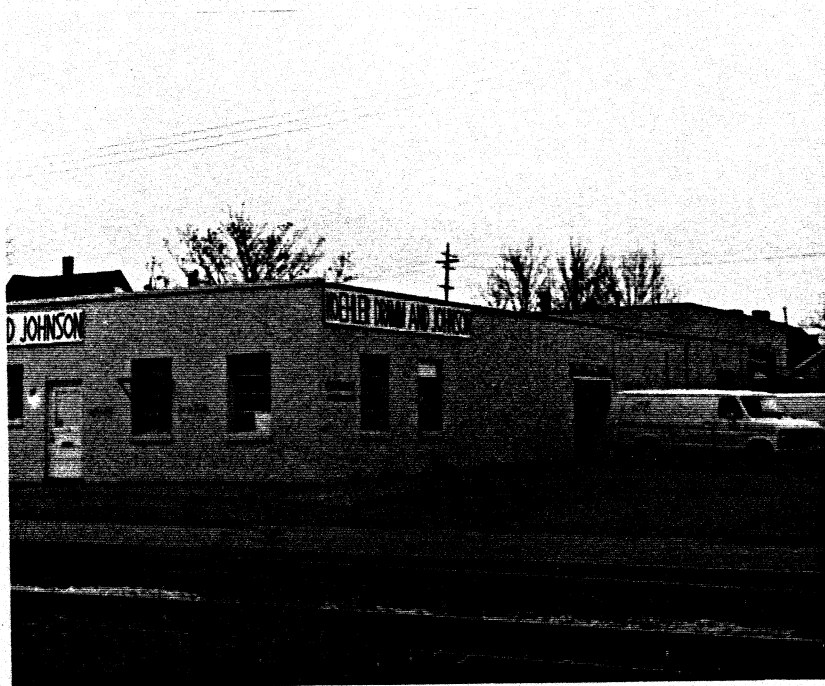
COMPARABLE PROPERTY #10



Building name/address: 1125 JONATHON DRIVE
Date of sale: 8/31/79
Sale price: \$225,000
Recorded:
Sales terms: Land contract, \$35,000 down, \$190,000 land contract at
9 1/2% interest for 10 years
Use at time of sale:
Grantor: Harvey Jaeckle
Grantee: Peter Miller
Tax Parcel No.: 0709-353-0612-0
Assessed value: Total \$126,000 (land, \$20,200; improvements, \$105,800)
Sales price as % of assessed value: 179%
Lot size: 27,280 sq. ft.
Frontage: 124 feet
Zoning: C-3
Gross building area: 15,000 sq. ft.
Building description: Metal clad, brick-fronted building; 88% warehouse
and 12% office; 14 years old; average ceilings 13.5' high
Present uses: Wholesaler grocer (Millers' grocery) and Tuffy's Pet
Foods storage and distribution
Locational factors: Excellent location--1/4 mile off of 12-18 Beltline,
excellent vehicle and truck access
Rental information: None
Other comments: Limited on-site parking; 3 loading docks

EXHIBIT 20

COMPARABLE PROPERTY #11



Building name/address: 1133 EAST WILSON STREET
 Date of sale: 1/81
 Sale price: \$140,000
 Recorded: Vol. 2502, p. 55
 Sales terms: Land contract, \$14,000 down, \$126,000 at 8%, 20 years
 Use at time of sale: Vacant
 Grantor: Orville M. Bilsie and Viera Bilsie
 Grantee: Own Right S. K. Investment Company
 Tax Parcel No.: 0709-131-2422-1
 Assessed value: Total \$140,000 (land, \$41,800; improvements \$98,200)
 Sales price as % of assessed value: 100%
 Lot size: 23,232 sq. ft.
 Frontage: 176 feet
 Zoning: M-1
 Gross building area: 11,250 sq. ft.
 Building description: 1 story, concrete block building;
 industrial/office building with parking area
 Present uses: 2/3 fresh flower wholesaler (Koehler, Dramm, and
 Johnson); 1/3 garage for heavy wrecker storage
 Locational factors: Good access to railroad; 2 blocks off of
 East Washington Avenue
 Rental information: None
 Other comments: In a heavy industrial/warehouse area

EXHIBIT 20

COMPARABLE PROPERTY #12



Building name/address: 555 WEST WASHINGTON AVENUE
 Date of sale: 9/28/82
 Sale price: \$175,000
 Recorded: Vol. 1695, p. 31-32
 Sales terms: Cash
 Use at time of sale: Interim storage facility
 Grantor: Wisconsin Telephone Co.
 Grantee: Madison Telco Credit Union
 Tax Parcel No.: 0709-231-2520-1
 Assessed value: Madison Telco hopes to have land assessed around or at
 \$175,000
 Sales price as % of assessed value: 100%
 Lot size: 15,200 sq. ft.
 Frontage: 99 feet
 Zoning: C-2
 Gross building area: 25,146 sq. ft.
 Building description: 2 story, brick and tile; formerly a parking
 garage; limited parking on lot but additional parking available
 (potential assemblage) nearby
 Present uses: Intended use as credit union with drive-up facilities
 (3 lanes), time machine, and walk-in bank; estimated square
 footage upon completion--12,623
 Locational factors: Located on major bus routes and major traffic
 corridor (West Washington Avenue)
 Rental information: Some office space will be rented out upstairs
 Other comments: Demolition costs are estimated at \$15,000 to \$20,000;
 total renovation costs projected to be \$500,000; about 1/2 the
 building will be knocked down; building located across from
 Badger Bus Station

into a prediction of price-per-unit behavior in the downtown Madison and peripheral area for warehouse/garage space. In addition to providing a predicted price per unit as a central tendency for the subject property, it also provides a means for estimating the reliability for sale/price predictions through statistical calculation of the standard error of the estimate.

Multiple regression analysis, another market approach, also can be used to predict the most probable selling price of the subject property. When a sufficient number of comparable sales and their key characteristics are available, multiple regression is the most objective method whereby specific value determinants may be isolated and monetized. The concept is similar to linear regression, except that multiple regression makes use of more than one independent variable. The value of the dependent variable (most probable sales price) can be estimated, given numerical values of certain independent variables (value determinants). In addition to providing a predicted price for the subject property, multiple regression, like linear regression, also provides a means for estimating the reliability for sale/price predictions through statistical calculations of the standard error of the estimate. From the standard error of the estimate, a price range can be constructed in which most probable price should fall.

After applying both approaches to the subject property analysis, the standard error of the estimate was smaller, which means a tighter range of prices, and the amount of variance explained by the regression line was much higher in the multiple regression approach. The appraiser believes that the results from multiple regression are more reliable and objective. Refer to Appendix E for preliminary price per point system analysis.

C. Market Comparison Approach to Probable Price

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

- *Located downtown or on the periphery of Madison.
- *Preferably of brick-mill or of ordinary construction.
- *Preferably older structures.
- *Used primarily for warehouse/garage space.

Of twenty sales reviewed, less than half were for cash; the balance required financing by the seller at 8% to 13%, with low downpayments and a three- to ten-year balloon. Comparable sales data for twelve transactions qualified as above were presented in Exhibit 20, including photographs, verification, and other key data as were available.

Discussion with realtors, combined with the appraiser's past experience and logic, led to the identification of eleven property and transaction attributes that might influence value:

- 1) Vehicular accessibility onto site.
- 2) Accessibility from site to major highway arteries.
- 3) Type of construction.
- 4) Structural condition of improvement.
- 5) Need for renovation.
- 6) Investor perception of neighborhood image.
- 7) Parking adequacy.
- 8) Visibility.
- 9) Lot size.
- 10) Gross leasable area.
- 11) Reuse potential.

After quantifying, transforming, and coding the attributes, preliminary tests (stepwise regression and Beta tests)¹ were conducted to identify the most significant explanatory variables. The results of these tests indicated that only three of the eleven variables significantly explained the variance between the actual observed prices of the comparables and the predicted prices along the regression line (Exhibit 21). In other words, the other eight variables did not add significantly to the predicting capability of the regression equation.

The most important attribute (variable) influencing price was the amount of gross leasable area in the building (GLA). Gross leasable area varied in the comparables ranging from 5,000 square feet to 58,000 square feet. While the smaller comparables (5,000 square feet to 15,000 square feet) tended to be built out of concrete and masonry, the larger comparables (15,000 square feet to 58,000 square feet) were usually built out of metal clad.

The next most significant attribute influencing price was the square root of the lot size. This variable was derived by transforming and plotting the lot size (X-axis) against price (Y-axis) until the data points were somewhat linear. Lot size varied in the comparables, ranging

¹See Appendix.

EXHIBIT 21

MULTIPLE REGRESSION INPUT SUMMARY FOR COMPARABLE PROPERTIES

Variable		(Y)	(X1)	(X2)	(X3)
Comparable	Attribute	Selling Price*	Sq.Rt. of Lot Size	GLA	Parking Adequacy Lot Size
1.	919 E. Main St.	\$ 64,000	186.671	6,000.0	0.0 34,846
2.	929 Watson Ave.	345,000	240.996	14,684.0	1.0 58,079
3.	901 Watson Ave.	640,000	353.695	58,080.0	1.0 125,100
4.	12-14 Murray St. & 21 N. Park St.	300,000	197.175	16,393.0	1.0 38,878
5.	2114 Winnebago St.	69,000	84.853	7,020.0	0.5 7,200
6.	1055 E. Washington Ave.	145,000	96.125	16,386.0	0.5 9,240
7.	4401 Cottage Grove Rd.	525,000	440.670	34,624.0	1.0 194,190
8.	920 Regent St.	135,000	126.491	9,048.0	0.5 16,000
9.	602 W. Washington Ave.	275,000	255.617	5,000.0	1.0 65,340
10.	1125 Jonathan Dr.	225,000	165.167	15,000.0	1.0 27,280
11.	1133 E. Wilson St.	140,000	152.420	11,250.0	0.5 23,232
12.	555 W. Washington Ave.	175,000	123.288	25,146.0	0.5 15,200

Coding Key for Regression Comparable

- (Y) Dependent variable: actual selling price of comparable
- (X1) First independent variable: square root of lot size in feet
Note: This is a transformation of lot size
- (X2) Second independent variable: gross leasable area (GLA)
- (X3) Third independent variable: parking adequacy (dummy variable)
 - "0" = inadequate
 - ".5" = adequate
 - "1" = overadequate

*No adjustments were made to the sales prices.

from 7,200 square feet to 194,000 square feet. The square root of the lot sizes ranged from 85 to 440.

The third significant attribute influencing price was the parking adequacy. This, a nonquantified variable, was determined by the appraiser based on an on-site inspection. Each comparable was described as having either ample free parking on-site, or limited on-site and off-site parking, or very little on-site and off-site parking. This variable was then coded as a dummy variable with values of 1, .5, or 0, respectively.

Addresses of the twelve comparable properties used in this analysis, along with their corresponding data input, are presented in Exhibit 21. A computerized multiple regression program (Minitab 81)¹ was used to compute the regression coefficients, the price prediction table, the standard error of the estimate, and the coefficient of determination (r^2). The results are shown in Exhibit 22.

Numbers under the title "Coefficient" reveal an equation to estimate probable price for the subject property.

Probable Price =

$$(-102,945) = (689.8 \times \text{square root of lot size}) + (5.2912 \times \text{GLA}) + (169,988 \times \text{parking adequacy})$$

Data for the subject property are:

Square root of lot	220.966	$(48,826)^{\frac{1}{2}}$
GLA	34,896	
Parking adequacy	.5	

The indicated price estimate for the subject property is \$319,066 or approximately \$320,000.

The market comparison price estimate for the subject property is, therefore, \$320,000 with a standard error of the estimate of approximately \$25,000 and a 68% confidence interval or a suggested price range of \$295,000 to \$345,000. The range is broad considering the high coefficient of determination (r^2) of 98.0%.² This initial transaction zone must be adjusted in light of certain external factors and then tested to see if the probable selling price estimate would provide acceptable yield from income and appreciation when related to the most probable use, total cost to the most probable buyer, and typical financing.

¹ Minitab 1981, Inc.

² This means that almost 98% of all variance in sales price is explained or accounted for by movements in the three independent variables.

EXHIBIT 22

MULTIPLE REGRESSION RESULTS

MTB >BRIEF 5
MTB >REGRESS C1 3 C2-C4

THE REGRESSION EQUATION IS
Y = -0.103E+06 + 690. X1 + 5.29 X2
+0.170E+06 X3

	COLUMN	COEFFICIENT	ST. DEV. OF COEF.	T-RATIO = COEF/S.D.
	--	-102945	18711	-5.50
X1	C2	689.8	104.0	6.63
X2	C3	5.2912	0.6573	8.04
X3	C4	169988	28009	6.06

THE ST. DEV. OF Y ABOUT REGRESSION LINE IS
S = 25179
WITH (12- 4) = 8 DEGREES OF FREEDOM

R-SQUARED = 98.5 PERCENT
R-SQUARED = 98.0 PERCENT, ADJUSTED FOR D.F.

ANALYSIS OF VARIANCE

	DUE TO	DF	SS	MS=SS/DF
REGRESSION	3	344639444848	114879824880	
RESIDUAL	8	5072169860	634021120	
TOTAL	11	349711606068		

FURTHER ANALYSIS OF VARIANCE
SS EXPLAINED BY EACH VARIABLE WHEN ENTERED IN THE ORDER GIVEN

	DUE TO	DF	SS
REGRESSION	3	344639444848	
C2	1	275377482204	
C3	1	45909198262	
C4	1	23352814488	

ROW	X1 C2	Y C1	PRED. Y VALUE	ST.DEV. PRED. Y	RESIDUAL	ST.RES.
1	186	64000	57575	21175	6424	0.47 X
2	240	345000	310989	11162	34010	1.50
3	353	640000	618354	21470	21645	1.64 X
4	197	300000	289802	11210	10197	0.45
5	84	69000	77728	11061	-8728	-0.38
6	96	145000	135062	11679	9937	0.44
7	440	525000	554242	19182	-29242	-1.79
8	126	135000	117183	9348	17816	0.76
9	255	275000	269835	15748	5164	0.26
10	165	225000	260351	12669	-35351	-1.62
11	152	140000	146721	8831	-6721	-0.28
12	123	175000	200152	13258	-25152	-1.17

X DENOTES AN OBS. WHOSE X VALUE GIVES IT LARGE INFLUENCE.

DURBIN-WATSON STATISTIC = 1.67

(X-PRIME X)INVERSE

	0	1	2	3
0	0.55220			
1	-0.00092	0.00002		
2	0.00000	-0.00000	0.00000	
3	-0.42115	-0.00207	-0.00000	1.23737

MTB >

C. External Influence on Most Probable Price

The estimate is based primarily on the lot size, GLA, and parking adequacy; however, other attributes identified may temper the actual price paid for the property. Attributes such as accessibility, type of structure (concrete or metal), location, and financing terms will undoubtedly affect the estimated price.

The seller desires cash in order to release funds for the estate. Over half of the comparables were sold with favorable financing terms by the seller. The seller will need to concede something in price to achieve a cash sale, and that factor, apparent to any potential purchaser, will also shift the probable purchase price to the central tendency and far below the upper range in price. Also, although some of the comparable sales date back to 1979, no adjustments for time were made to the comparable data. Given the soft market for warehouse/garage space and the high coefficient of determination (explained variance) in the equation, the appraiser believes that warehouse/garage properties have appreciated at a very nominal rate (0% to 3%), if at all.

For these reasons, the appraiser has taken the price derived from the equation of \$320,000 to be the most probable selling price with special financing forms from the seller. Thus, the most probable price of \$320,000 will be within a range of \$295,000 to \$345,000. The market value, an all cash transaction, would probably approach the lower end of range, \$295,000. This \$25,000 reduction to market value is equivalent to an 8% discount. The upper sales price range of \$345,000 may be reached if generous seller financing terms are available--a really low interest rate and a much longer term (ten to fifteen years). This preliminary conclusion must then be tested for its consistency with simple investment criteria.

E. Tests of Preliminary Most Probable Price Determination

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

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

¹A nonprofit cooperative for the purchase of computer services from G.E. Timeshare, Inc., used by appraisers and sponsored by the American Institute of Appraisers, the Society of Real Estate Appraisers, and the American Society of Real Estate Counselors.

1) Minimum Rent Required

If the probable investor paid \$320,000 for the Post Office Annex building as is, spent \$30,000 rehabilitating as the minimum budget estimated in Scenario #1 (Appendix D), and invested a minimum of \$10,000 in contingencies, holding costs, and so forth during the remodeling period, he would have a total investment of \$360,000 in the property. Under the favorable financing assumptions from the seller, he might receive a 75% loan of \$270,000 at 12.5% interest amortized over a 25-year term with a five-year balloon, which would require a cash equity of an additional \$90,000. Exhibit 23 shows the conversion of these capital requirements to required net income. This required income, when added to other cash requirements, reveals that minimum gross rents required would be \$63,000, leaving the equity investor with 3.6% cash-on-cash and dependent on future appreciation in the resale of the investment for adequate return. Note that required NOI includes a debt cover ratio of 1.30, as would likely be required by the lender. A higher loan is unlikely from the seller considering the needs of the estate and owner's situation. The question remains then: What minimum amount of appreciation is required to justify this high-risk investment over a five-year term?

2) Price and Required Appreciation

The investor in the subject property will be seeking enough income to justify rehabilitation and carry the required mortgage debt while waiting for capital appreciation. The investor assumes that he is buying at the bottom of the market and that the public investment in the downtown area and east side will create new value in that area and the Post Office Annex building. The question is how much appreciation is necessary in a five-year forecast to justify purchase and rehabilitation costs, assuming an investor will pursue Scenario #1, the assumption on which the most probable price was forecast. Is the predicted sales price compatible with reasonable expectation of appreciation?

The Ellwood equation, which relates net income to purchase price as an overall capitalization rate, is useful in isolating the possible appreciation rate as a percentage of original purchase price necessary to provide a desired minimum investor return given a certain debt structure. The calculations in Exhibit 24 show that the set operating-income required by lenders (the seller), plus operating expenses, would require minimum gross rents of \$63,100, well in excess of market rents expected in Scenario #1. The deficit would have to be charged to the equity cushion, reducing cash for reserves and dividends to 3.6% of the expected \$90,000 cash equity required. Net income from market rents is used in Exhibit 24 to suggest that the property would have to appreciate almost 3% in five years above the total acquisition cost of \$360,000 if it were to provide a 20% return to equity before taxes. The total increase in value is the equivalent of about 3% per year compounded appreciation following completion of building renovation. That increment is possible, assuming that other renovation and new construction (like the Cardinal Hotel) succeed in restoring the image of area, tenants are found who can operate profitably, and new space users are found that will justify a change in

EXHIBIT 23

MARKET RENTS REQUIRED BY MOST PROBABLE
PURCHASE PRICE OF \$320,000

<u>Capital Budget</u>	
Probable purchase price of Post Office Annex building	\$320,000
Minimum remodeling budget (Scenario #1)	<u>30,000</u>
Total capital investment	\$350,000
Working capital and contingencies	<u>10,000</u>
Total investment	\$360,000
Minus mortgage at a ratio of 75%	<u>270,000</u>
Total cash equity required	\$ 90,000
 <u>Operating Budget</u> 	
Annual debt service on \$270,000 mortgage (.129494 mortgage constant for 25-year, 12.5% mo. payment with a five-year balloon)	\$ 34,963
Debt cover ratio NOI required	<u>1.3</u>
Net operating income required	\$ 45,450
Plus:	
Real estate taxes (.02177 mills on \$360,000)	\$ 7,850
Operating expenses (Scenario #1)	4,200
Vacancy allowance (Scenario #1)	<u>5,600</u>
	\$ <u>17,650</u>
Total minimum gross rents required	\$ 63,100
Minus gross rents expected in Scenario #1	<u>\$ 55,840</u>
Equals deficit out of equity dividend	\$ -7,260
Equity cushion .3 of debt service (\$45,450 - \$34,963)	<u>10,487</u>
Cash for equity = 3.6%	\$ 3,227

EXHIBIT 24

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

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

where

V = purchase price + renovation cost,
 NOI = net operating income,
 Y = equity yield before income tax,
 M = mortgage loan-to-value ratio,
 C = mortgage coefficient
 Dep/App = depreciation or appreciation during the
 holding period, and
 $\frac{1}{\frac{S}{n}}$ = the sinking factor.

Example: Purchase price \$320,000

$$\begin{aligned} V &= \$320,000 + \$30,000 + \$10,000 = \$360,000 \\ \text{NOI} &= \$43,756 \\ Y &= .20 \\ M &= .75 \\ C &= .130842 \\ \frac{1}{\frac{S}{n}} &= .134379 \end{aligned}$$

$$\$360,000 = \frac{43,756}{.20 - .75(.130842) - \text{App}(.134379)}$$

$$\$360,000 = \frac{43,756}{.20 - (.098) - \text{App}(.134379)}$$

$$\frac{360,000}{43,756} = \frac{1}{.102 - \text{App}(.134379)}$$

$$\frac{43,756}{360,000} = .102 - (\text{App} \times .134379)$$

$$.121544 = .102 - (\text{App} \times .134379)$$

$$.019544 = (\text{App} \times .134379)$$

$$\frac{.019544}{.134379} = \text{App}$$

% App = 14.5% or almost 3% per year compounded.

use of the subject property. Appreciation ultimately depends on increasing net income, in spite of continued increases in operating expenses, and a change in the public's perception of the area. A pretax yield of 20% would be slightly modified and reduced by the impact of federal income and capital gains taxes. High interest charges, depreciation, and a small investment tax credit could provide some intermediate income tax relief for the investor, but capital gains taxes would take as much as 1/5 of the anticipated capital gain.

3) Federal Income Tax and After-Tax Yield

A real estate investment of this proposed magnitude is always affected by the federal income tax. Assuming that the probable investor or corporation has a marginal income tax rate of 40% and would pay taxes of 28% of the capital gain in excess of \$50,000, it is useful to test the proposed total investment of \$360,000 with a simple after-tax cash-flow model designed for appraisers. The selected model is known as BFCF and is found in the library of programs provided by EDUCARE Network, Inc. on G.E. Time Sharing Service. A simple program, it assumes that there is only one depreciable asset, determined to be in this case 75% of total investment of \$360,000. The balance of value is attributable to land; the depreciable life of the improvements, as defined under the Asset Depreciation Range (in tax code), is fifteen years. Gross income is assumed to increase 5% per annum while operating expenses increase at 7.5% per annum, yielding a 4.2% increase per annum in net operating income from a \$43,750 base in the first year of normal operations. The reversion value is based on the acquisition cost plus renovation costs appreciating at a rate of 3% compounded annually. This conservative appreciation rate is mostly attributed to the increase in annual net income. The detail provided in Exhibit 25 reproduces the computer input and output components.

The significant conclusion is that the after-tax yield under these assumptions would approach 18% a year, an acceptable yield when it is considered that higher quality tax exempt bonds would provide at least an 8% to 5% yield. Indeed, many real estate equity investment trusts are providing annual cash dividends of 9% to 12% per year, partially sheltered and seldom dependent on the need for significant asset appreciation in a five-year span on a location of marginal merit. The debt cover ratio of 1.33 is comparable to that required by institutional lenders. Assuming the asset appreciates at 2.5% per annum, yields a cash-on-cash return of close to 4%, and yields an overall after-tax rate of return (IRR) of 18%, it is unlikely that investors would pay more than \$320,000 for the property. The most probable price of \$320,000, however, does pass the minimum tests of a risk investment for capital gains in a five-year holding period. The results of an after-tax cash flow run based on market data and conventional financing is shown in Appendix F.

F. Tests of Regression Line Significance

Although actual market sales were used for the valuation approach, it is useful to test statistically the significance of the regression line

EXHIBIT 25

AFTER TAX CASH FLOW PROJECTION
POST OFFICE ANNEX BUILDING
(SELLER FINANCING)

BUS BFCF
VER 11/2/78

LATEST CHANGES & ADDITIONS:

- 1) 1976 LAW RE CAPTURE OF EXCESS DEPRECIATION.
- 2) DEBT SERVICE RATIO & MTG BAL EACH YR-MODE M
- 3) SHORT FORM OUTPUT (EXCLUDES DATA SUMMARY) MODE PP

DO YOU WANT INSTRUCTIONS? N

1. ENTER PROJECT NAME? POST OFFICE ANNEX BUILDING
2. PROJECTION PERIOD:? 5
TO REPEAT PREV YRS NOI FOR BAL OF PROJ ENTER 0
3. ENTER N.O.I.:
? 43750,45600,47600,49600,51800
4. VALUE:? 360000
5. MTG. RATIO, INT., TERM & NO. PAY/YR:
? .75,.125,25,1
6. IMP./TOTAL VALUE RATIO & IMP. LIFE:? .75,15
7. DEPRECIATION METHOD? 1
IS OWNER A TAXABLE CORPORATION, Y OR N? N
8. ORDINARY INCOME TAX BRACKET & BRACKET IN YR OF SALE:? .4,.4
9. RESALE PRICE:? 405000

I.R.R. BEFORE TAXES IS 20.9145 %.

AFTER TAX I.R.R. IS 19.1069 %.

AVERAGE DEBT SERVICE RATIO IS 1.33811
MODE:? P

MORTGAGE ANALYSIS
POST OFFICE ANNEX BUILDING

YEAR	N.O.I.	DEBT SERV	DEBT SERV RATIO	MTG BAL
1	\$43,750	\$35,625	1.23	\$268,125
2	45,600		1.28	266,016
3	47,600		1.34	263,643
4	49,600		1.39	260,973
5	51,800		1.45	257,969
AVG.	\$47670		1.34	

EXHIBIT 25--Continued

AFTER TAX CASH FLOW PROJECTION
POST OFFICE ANNEX BUILDING
14-Dec-82

DATA SUMMARY

VALUE: \$ 360000	MTG. AMT.: \$ 270000
NOI 1ST YR: \$ 43750	MTG. INT.: 12.5 %
ORG. EQUITY: \$ 90000	MTG. TERM: 25 YRS
IMP. VALUE: \$ 270000	MTG. CONST.: .131943
INC. TX RATE: 40 %	IMP. LIFE: 15 YRS
SALE YR RATE: 40 %	OWNER: INDIVIDUAL

YEAR	CASH FLOW	MTG. AMORTZ	BOOK DEP.	TAXABLE INCOME	INCOME TAX	AFTER TAX CASH FLOW
1	8125	1875	18000	-8001	-3201	11326
2	9975	2109	18000	-5917	-2368	12343
3	11975	2373	18000	-3653	-1462	13437
4	13975	2670	18000	-1356	-543	14518
5	16175	3004	18000	1179	472	15703
	\$ 60225	\$ 12031	\$ 90000	\$ -17748	\$ -7102	\$ 67327

DEP. METHOD: STRAIGHT LINE

1ST YR EQ. DIV: 9.02778 %

SALE PRICE \$ 405000	AVG DEBT SERV RATIO: 1.34
BASIS 270,000	
CAPITAL GAINS 135,000	
CAP GAINS TAX 27,000	
EXCESS DEP TAX 0	
MORTGAGE BALANCE 257,969	

AFTER TAX EQ REV \$ 120031

IF PURCHASED AS ABOVE, HELD 5 YEARS & SOLD FOR \$ 405000 THEN
I.R.R. IS 20.9145 % BEFORE TAXES; 19.1069 % AFTER TAXES.

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

MORTGAGE ANALYSIS
POST OFFICE ANNEX BUILDING

YEAR	N.O.I.	DEBT SERV	DEBT SERV RATIO	MTG BAL
1	\$43,750	\$35,625	1.23	\$268,125
2	45,600		1.28	266,016
3	47,600		1.34	263,643
4	49,600		1.39	260,973
5	51,800		1.45	257,969
AVG.	\$47670		1.34	

EXHIBIT 25--Continued

(CORPORATE OWNER)

MODE:? C
 ENTER INPUT LINE NO. TO BE CHANGED:? B.
 IS TYPE OWNERSHIP CHANGED, Y OR N? Y
 ENTER: 1) OTHER CORP INCOME >\$25000, Y OR N? 2) STATE TAX RATE? Y,.12
 ENTER INPUT LINE NO. TO BE CHANGED:?

I.R.R. BEFORE TAXES IS 20.9145 %.

AFTER TAX I.R.R. IS 18.0829 %.

AVERAGE DEBT SERVICE RATIO IS 1.33811

MODE:? M

AFTER TAX CASH FLOW PROJECTION
 POST OFFICE ANNEX BUILDING
 14-Dec-82

DATA SUMMARY

VALUE:	\$ 340000	MTG. AMT.:	\$ 270000
NOI 1ST YR.:	\$ 43750	MTG. INT.:	12.5 %
ORG. EQUITY:	\$ 90000	MTG. TERM:	25 YRS
IMP. VALUE:	\$ 270000	MTG. CONST.:	.131943
CORP OWNER	OTHER INCOME	IMP. LIFE:	15 YRS
TAX RATE:	60 %		

YEAR	CASH FLOW	MTG. AMORTZ	BOOK DEP.	TAXABLE INCOME	INCOME TAX	AFTER TAX CASH FLOW
1	8125	1875	18000	-8001	-4802	12927
2	9975	2109	18000	-5917	-3551	13526
3	11975	2373	18000	-3653	-2193	14168
4	13975	2670	18000	-1356	-815	14790
5	16175	3004	18000	1179	707	15468
	\$ 60225	\$ 12031	\$ 90000	\$ -17748	\$ -10654	\$ 70879

DEP. METHOD: STRAIGHT LINE

1ST YR EQ. DIV: 9.02778 %

SALE PRICE	\$ 405000
BASIS	270,000
CAPITAL GAINS	135,000
CAP GAINS TAX	40,500
EXCESS DEP TAX	0
MORTGAGE BALANCE	257,969

AFTER TAX EQ REV	\$ 106531

AVG DEBT SERV RATIO: 1.34

IF PURCHASED AS ABOVE, HELD 5 YEARS & SOLD FOR \$ 405000 THEN
 I.R.R. IS 20.9145 % BEFORE TAXES; 18.0829 % AFTER TAXES.

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

and its coefficients (variables).¹ In other words, we are testing to see whether the regression line and its coefficients significantly help explain the variation between the predicted values of sales price and the actual observed values of sales price. Three statistical tests were applied:

- F-ratio test
- t-ratio test
- R-squared test (r^2)

1) Calculated from the ANOVA table in Exhibit 22, the F-ratio is used to test the significance of all independent terms as a group. The F-ratio is equal to the regression mean square (MS) divided by the residual mean square (S^2). If the F-ratio (F) is greater than the F-ratio distribution given in the charts for the 99% significance level, $[F_{0.01}(8,2)]$, then we can statistically say that the regression line is significant.

$$\begin{aligned} \text{F-ratio for regression line} &= 181 \\ [F_{0.01}(8,2)] &= 7.59 \end{aligned}$$

Since the F-ratio for the regression line is greater than 7.59, the regression line is significant.

2) The t-ratio, calculated from the coefficient table in Exhibit 22, is used to test the significance of each individual independent variable (coefficient). The t-ratio is equal to the coefficient divided by the standard deviation for that coefficient. If the t-ratio falls outside the t-distribution $\pm[t_{0.01}(8)]$ associated with a 99% significance level, then that Beta coefficient adds significantly to the predicting capabilities of the equation.

t-ratio for:

$$\begin{aligned} X1 \text{ (square root of lot size)} &= 6.63 \\ X2 \text{ (GLA)} &= 8.04 \\ X3 \text{ (parking adequacy)} &= 6.06 \end{aligned}$$

Percentage points of the t-distribution at the 99% significance level with 8 degrees of freedom
 $[t_{0.01}(8)] = 3.355$

If $-3.355 < t < 3.355$, then the independent variable (coefficient) is insignificant to the equation. As can be seen, all three t-ratios fall outside this range, therefore, they all add significantly to the equation.

¹Source: Miller and Wichern, Intermediate Business Statistics: Intermediate Business Statistics: Analysis of Variance, Regression, and Time Series (New York: Holt, Rinehart and Winston, 1977).

3) The coefficient of determination (r^2) is an index of the proportion of variation explained by the relationship of the dependent variable (Y) with the independent variables. The coefficient of determination (adjusted for degrees of freedom) for the subject regression line is 98%. This means that almost 98% of all variance in sales price is explained or accounted for by movements in the three independent variables. Therefore, the regression line is significant.

V. APPRAISAL CONCLUSIONS AND LIMITING CONDITIONS

A. Value Conclusion

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

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

To comply with this definition, we have determined that the market transactions in the downtown and peripheral area have been predominantly on land contract, with a 10% to 30% downpayment, 8% to 13% interest, 15- to 25-year terms, and a three- to ten-year balloon payment to be refinanced at the end of the balloon term.

MOFF On this basis, the conclusion is that the most probable selling price is \$320,000 as a land contract, with terms of 25% down, 12.5% interest, 25-year term, and a five-year balloon.

MOFF The market value of the subject property, a cash transaction, is \$295,000, near the lower end of the range. In the current situation, the trustee representing the owner may prefer a cash transaction to liquidate the estate.

We, therefore, conclude that the most probable price is \$320,000 with an upper range of \$345,000; a cash sale would tend to be nearer the bottom of the range at \$295,000.

B. Certification of Independent Appraisal Judgment

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

Based ² upon the information contained in this report and ^{on} my general experience as an appraiser, my opinion is that the most probable price, as

defined herein, of the subject property is

THREE HUNDRED TWENTY THOUSAND DOLLARS (\$320,000)

assuming that the seller provides financing with terms of 25% down, 12.5% interest, a 25-year term, and a five-year balloon. A cash transaction would range as low as \$295,000; however more liberal terms could lead to a price as high as \$350,000. Market value is approximately \$295,000.

Rocco A. Maggio

Date

C. Statement of Limiting Conditions

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

1) Contributions of other professionals

- Because the budget did not provide for a consulting engineer or architect, the appraiser applied limited structural analysis to the problem, and cost estimates must be considered nonprofessional.
- There were no accounting records of monthly operating costs or repair investments except for miscellaneous journal sheets found abandoned in the building. Therefore expenses are estimated to be appropriate for skillful management of the property but are not represented to be historically based.
- Because no legal advice was available, the appraiser assumes no responsibility for legal matters. The appraiser has assumed that existing nonconformity with fire codes will prevent occupancy of building by a new owner.

2) Facts and forecasting under conditions of uncertainty

- Information furnished by others in this report, while believed to be reliable, is in no sense guaranteed by this appraiser. Although before-tax arithmetic of BFCF model has been

hand-checked for accuracy, no guarantee of program infallibility can be made by EDUCARE Network, Inc., or by the appraiser. Likewise, no guarantee of the multiple regression or stepwise regression program can be made by Minitab, Inc.

- All information furnished regarding property for sale, rental, financing, or projections of income and expense is from sources deemed reliable. No warranty or representation is made as to the accuracy thereof, and it is submitted subject to errors, omissions, change of price, rental or other conditions, prior sale, lease, financing, or withdrawal without notice.
- Forecasts of effective demand of retail and office space are based on the best available data concerning the downtown Madison market but are projected subject to grave conditions of economic uncertainty due to city plans for modifying the Capitol Concourse and the current depression in retail sales levels for many retailers on the Square.
- It was assumed that the final sidewalk assessment was paid prior to November 1, 1982.
- It was assumed that the subject property qualified for Investment Tax Credit benefits.

3) Limitations of multiple regression analysis

- Coefficients (adjustments) are valid only for the sample data set. They cannot be transformed to alter situations.
- Each independent variable (characteristic) added to the equation results in a loss of one degree of freedom.
- A relatively large number of comparable sales is required, but comparability need not be as close as in sales adjustment analysis.
- Distortion of individual coefficients by multicollinearity may exist. Multicollinearity is the effect of relationships between independent variables as well as their relationship with the dependent variable.
- Occasional, extreme individual predicting errors are also possible.
- Multiple regression does not necessarily track in the same manner the probable buyer's motives or thought processes.
- Multiple regression is only a tool and should not be substituted for the appraiser's logic or common sense.

4) Assumptions applied by the client

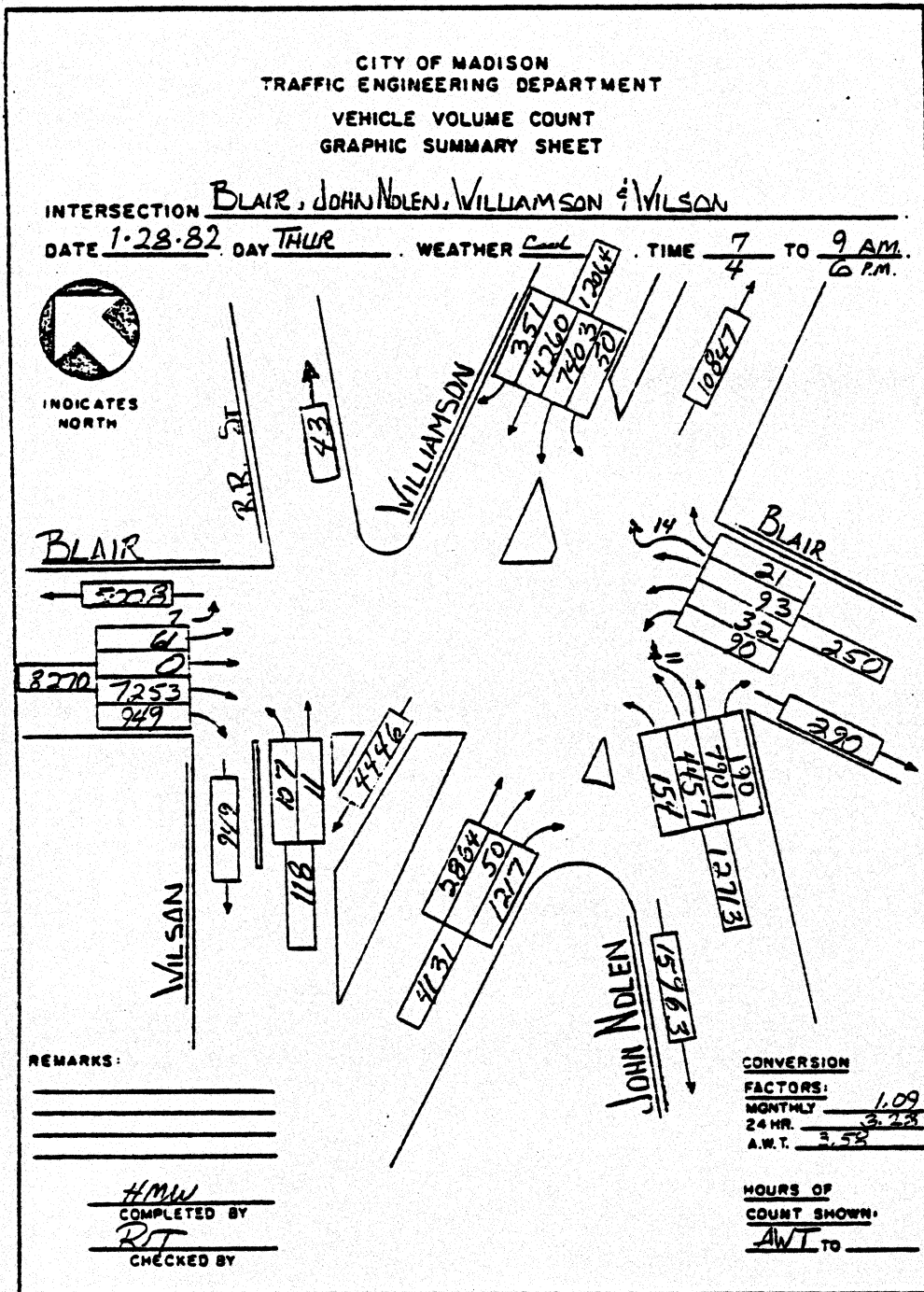
The client has provided no direct information as to constraints or purposes; the appraisal was permitted as a graduate class problem by a local property agent for an absentee owner. No fees were paid and all information was collected by graduate students from publicly available sources; inferences were entirely those of the 856 appraisal class of the fall semester, 1982, at the University of Wisconsin as part of a classroom field problem. It was not possible to inspect interiors of comparable sales or the interior boiler room of the subject property.

5) Controls on use of appraisal

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

APPENDICES

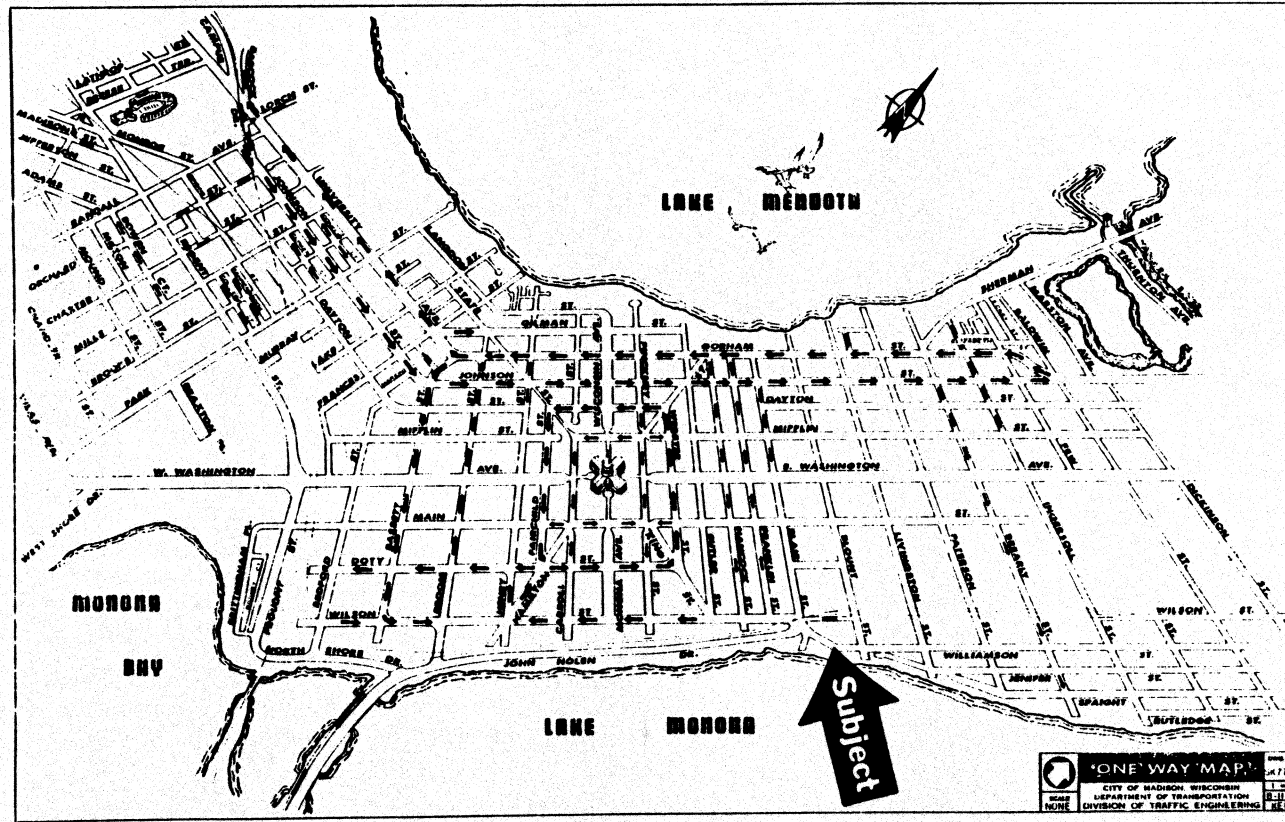
APPENDIX A
TRAFFIC COUNT MAP



Source: Department of Transportation,
Division of Traffic Engineering,
Madison, Wisconsin.

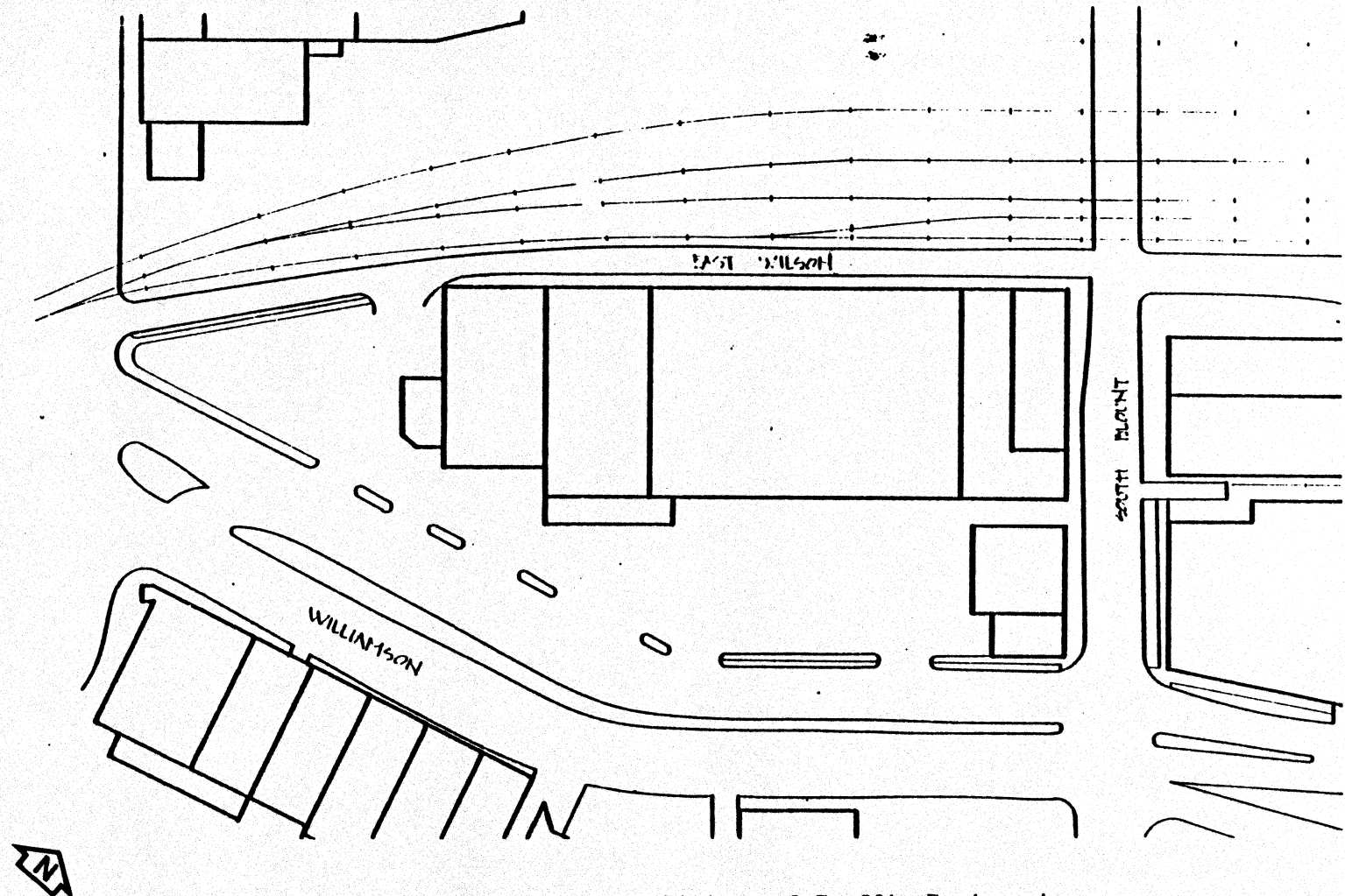
MAN EN

APPENDIX B
EXISTING TRAFFIC FLOW



Source: Department of Transportation, Division of Traffic Engineering,
Madison, Wisconsin.

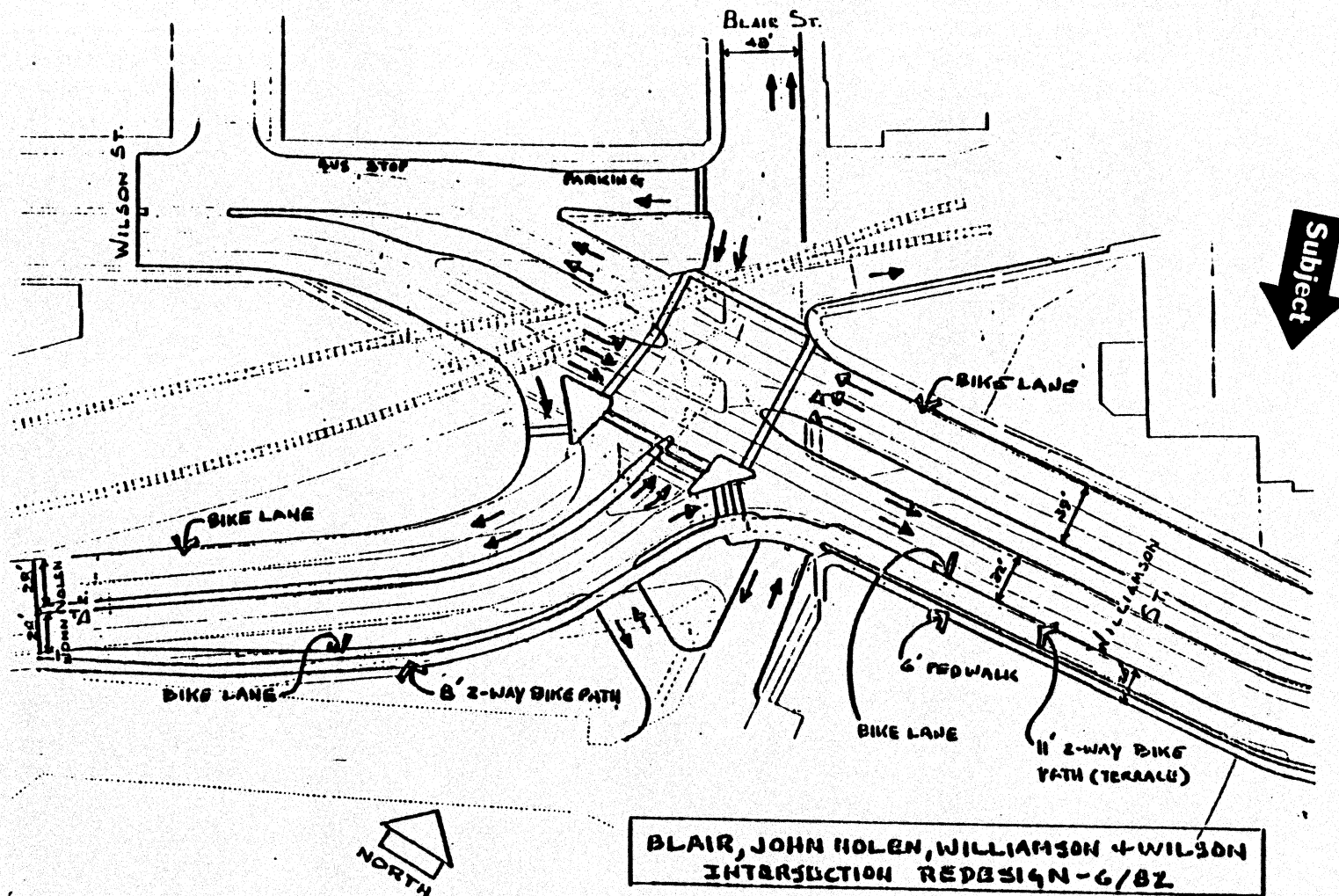
APPENDIX B--Continued



Source: Department of Transportation, Division of Traffic Engineering,
Madison, Wisconsin.

APPENDIX C

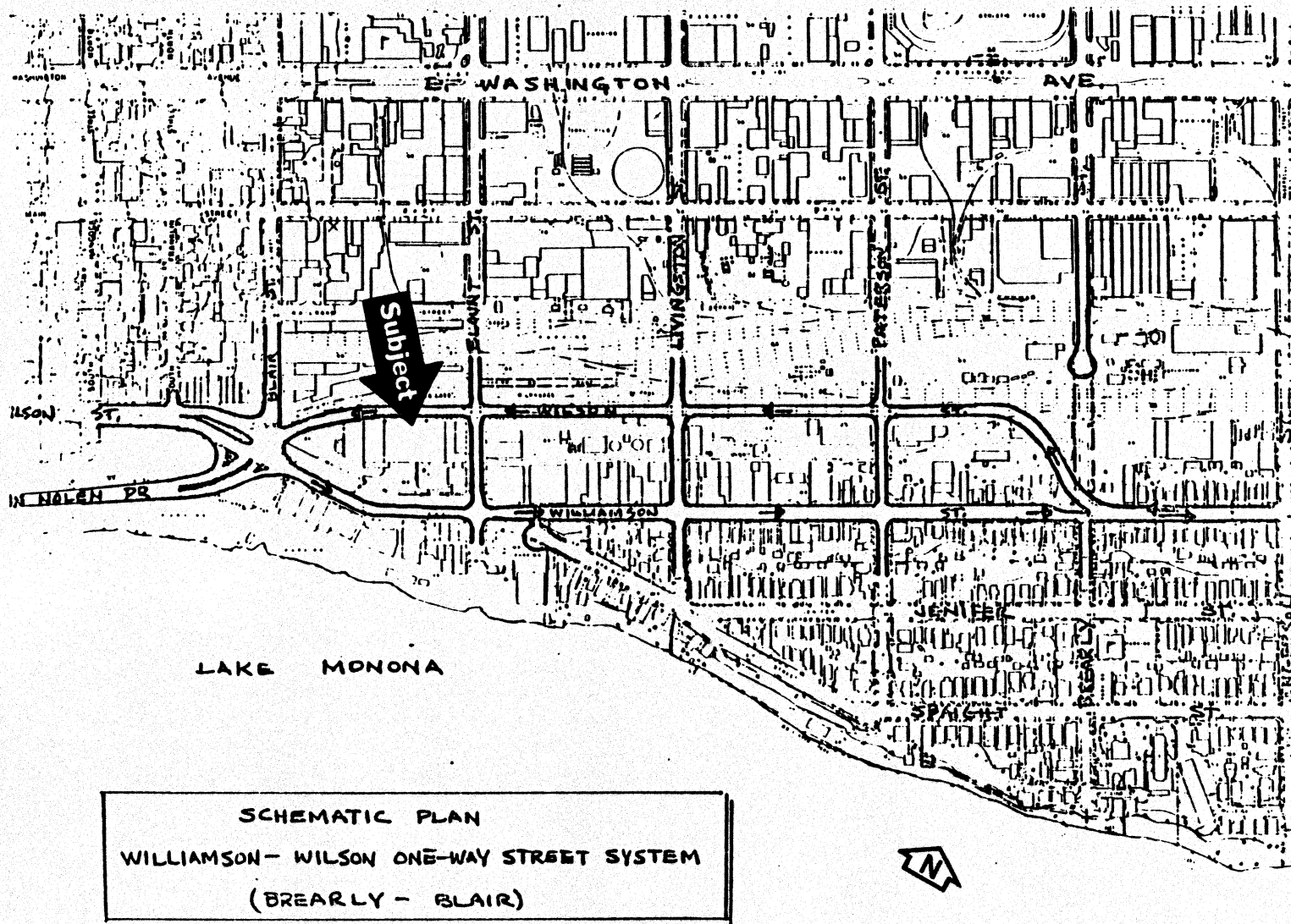
SUGGESTED REDESIGN OF TRAFFIC FLOW #1



Source: Department of Transportation, Division of Traffic Engineering, Madison, Wisconsin.

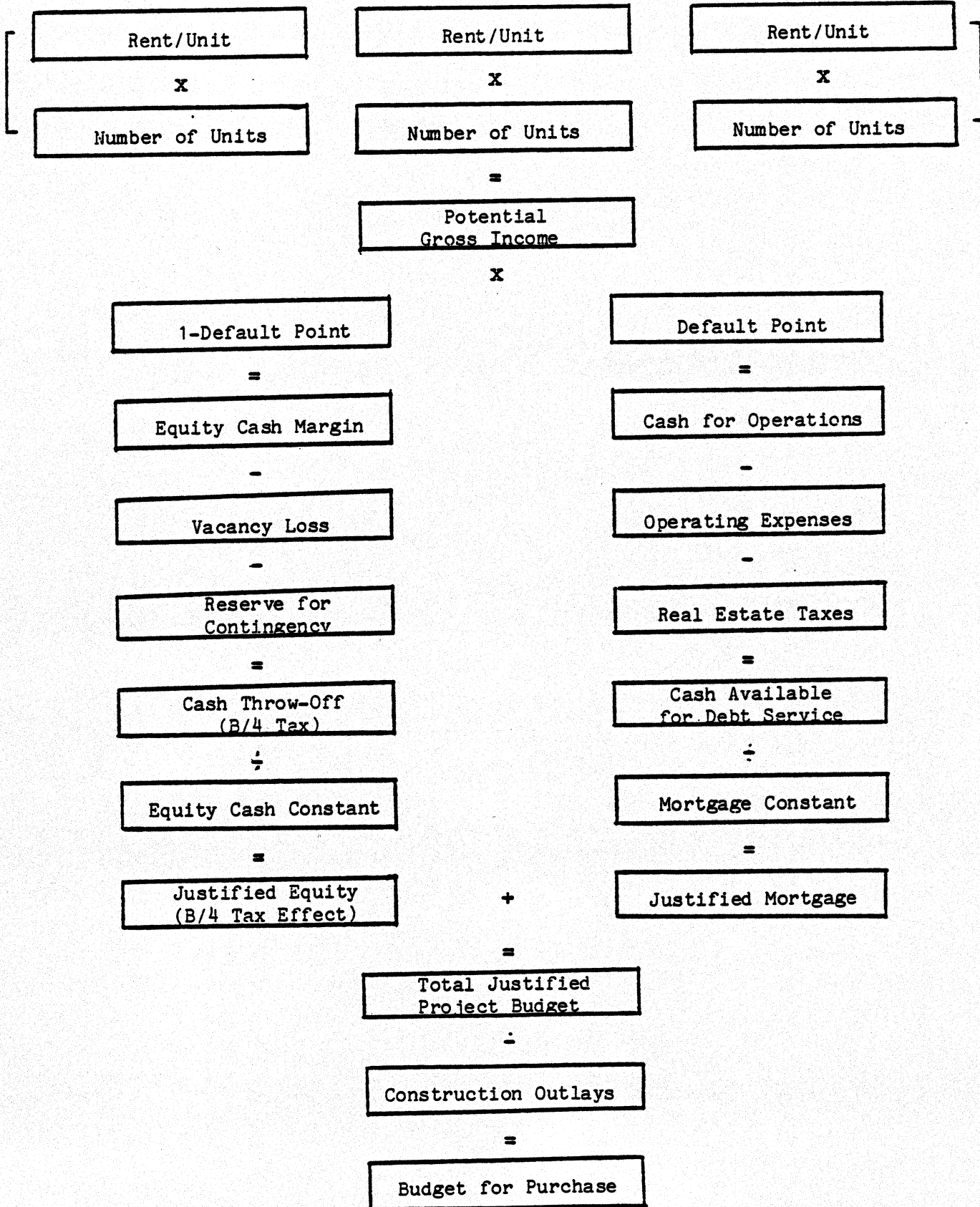
APPENDIX C

SUGGESTED REDESIGN OF TRAFFIC FLOW #2



Source: Department of Transportation, Division of Traffic Engineering, Madison, Wisconsin.

BASIC LOGIC FOR RANKING ALTERNATIVE SCENARIOS
BY JUSTIFIED PURCHASE BUDGET



SCENARIO #1

REHABILITATION OF BUILDING FOR WAREHOUSE/GARAGE USE

1. PROGRAM:

Correction of deferred physical deficiencies
Bring up to code

2. REVENUE UNITS:

Annex - 8,760 sq.ft.
Garage - 26,136 sq.ft.
Total 34,896 34,900

3. CAPITAL OUTLAYS:

Roof repair	\$10,300
Clerestory repair	3,500
Masonry for blocking in windows	2,000
Enlarge garage door	1,250
General garage/dock repair	1,500
Electrical repair	2,000
HVAC repair	4,000
Exterior cosmetic improvements	2,000
Regrading of site	1,500
Remodeling of washrooms	3,000
Capital to bring up to code	<u>6,000</u>
	\$37,050
Plus contingency	<u>10,000</u>
	\$47,050
Less Investment Tax Credit 15% of \$35,250	<u>7,050</u>
Total capital outlay	\$40,000

4. POTENTIAL ANNUAL INCOME:

34,900 GLA @ \$1.60/sq.ft.	\$55,840
Vacancy loss--10% of GPI	(5,660)

5. PROJECTED ANNUAL EXPENSES:

Real estate tax (0.02177 x \$325,000)	\$ 7,800
Insurance (\$0.055/sq.ft.)	2,000
Maintenance (\$0.05/sq.ft.)	1,750
Reserves for contingency (5% CTO)	500
Utilities (paid by tenants)	0

6. TERMS OF FINANCING:

25-year, 15% interest mortgage with monthly payments,
mortgage constant = .1537 annually

SCENARIO #1

REHABILITATION OF BUILDING FOR WAREHOUSE/GARAGE

R/U	R/U	R/U
	34,900	
x	x	x
N/U	N/U	N/U
	\$ 1.60	

=
GI 55,840

1-DP .15

DP .85

=
ECM 8,376

=
Cash 47,464

-
VAC 5,600

-
OE 4,200

-
RES 1,250

-
RET 7,800

=
CT 1,526

=
CDS 35,464

÷
EC .10

÷
MC .1537

=
JE 15,260

=
JM 230,735

+
JPB 246,000

-
CO 40,000

=
BP 206,000

SCENARIO #2

MODERNIZATION OF BUILDING FOR INDUSTRIAL USE

1. PROGRAM:

Correction of physical and curable functional
obsolescence
Bring up to code

2. REVENUE UNITS:

Annex - 8,760 sq.ft.
Garage - 26,136 sq.ft.
Total 34,896 \approx 34,900

3. CAPITAL OUTLAYS:

Items required in Scenario #1	\$ 37,050
Extra capital for new roof	17,000
Extra capital for HVAC	16,000
Insulation	18,000
Sprinkler/fire protection*	33,000
Class B office space (\$8/sq.ft. x 2,000)	16,000
Architect and contractor profit	<u>18,000</u>
	\$155,000
Plus contingency	<u>10,000</u>
	\$165,000
Less Investment Tax Credit 15% (\$165,000)	<u>25,000</u>
Total capital outlay	\$140,000

4. POTENTIAL ANNUAL INCOME:

34,900 GLA @ \$1.80	\$ 62,820
Vacancy loss 10%	(6,300)

5. PROJECTED ANNUAL EXPENSES:

Real estate tax (0.02177 x \$500,000)	\$ 11,000
Insurance (\$0.07/sq.ft.)	2,400
Maintenance (\$0.05/sq.ft.)	1,750
Reserves for contingency (5% CTO)	650
Utilities (paid by tenant)	0

6. TERMS OF FINANCING:

25-year, 15% interest mortgage with monthly payments,
mortgage constant = .1537 annually

* An automatic sprinkler system must be used for any building
employing 50 persons or more.

SCENARIO #2
 MODERNIZATION OF BUILDING FOR INDUSTRIAL USE

R/U	R/U 34,900	R/U
x	x	x
N/U	N/U \$ 1.80	N/U
=		
GI 62,820		

1-DP .15

=

ECM 9,423

-

VAC 6,300

-

RES 1,200

=

CT 1,923

÷

EC .10

=

JE 19,230

+

DP .85

=

Cash 53,400

-

OE 4,200

-

RET 11,000

=

CDS 37,600

÷

MC .1537

=

JM 244,632

=

JPB 264,000

-

CO 140,000

=

BP 124,000

SCENARIO #3

REMODELING OF BUILDING FOR MULTITENANT RETAIL USE

1. PROGRAM:

Correction of physical, curable functional, and
curable economic obsolescence
Conversion of garage section area to retail
Demolition of Annex section for additional parking

2. REVENUE UNITS:

Garage - 26,136 sq.ft.
-3,136 sq.ft. common area loss
Total 23,000 sq.ft.

3. CAPITAL OUTLAYS:

Roof	\$ 20,500
Insulation	13,000
Sprinkler	19,000
HVAC	182,000
Clerestory with glass	17,000
Electrical	31,200
Grading	5,000
Demolition of Annex	25,000
Interior common area finish (5,000 sq.ft.)	45,000
Washroom	3,000
Basic interior store finish - Concrete work	5,000
Plumbing	5,000
Asphalt parking/ramps	14,000
Landscaping	5,000
Cosmetic repair	50,000
Exterior arch improvements	10,000
Architect and contractor fees (20%)	<u>86,000</u>
	\$496,000
Plus contingency	<u>20,000</u>
	\$516,000
Less Investment Tax Credit 15% (\$516,000)	<u>77,500</u>
Total capital outlay	\$438,500

SCENARIO #3--Continued

4. POTENTIAL ANNUAL INCOME:

23,000 GLA @ \$7/sq.ft.	\$161,000
Vacancy loss 15%	(24,150)

5. PROJECTED ANNUAL EXPENSES:

Real estate tax (0.02177 x \$900,000)	\$ 19,600
Insurance (\$0.15/sq.ft.)	3,900
Exterior maintenance (\$0.20/sq.ft.)	5,200
Miscellaneous	10,000
Reserves for contingency	5,000
Utilities (paid by tenant)	0

6. TERMS OF FINANCING:

25-year, 15% interest mortgage with monthly payments,
mortgage constant = .1537 annually

SCENARIO #3
 REMODELING OF BUILDING FOR MULTITENANT RETAIL USE

R/U	R/U 23,000	R/U
x	x	x
N/U	N/U \$ 7	N/U

=

GI 161,000

1-DP .2

DP .8

=

ECM 32,200

=

Cash 128,800

-

VAC 24,150

-

OE 24,150

-

RES 2,000

-

RET 19,600

=

CT 6,050

=

CDS 85,050

÷

EC .10

÷

MC .1537

=

JE 60,500

=

JM 553,350

+

JPB 613,850

-

CO 438,600

=

BP 175,250

SCENARIO #4

EXTENSIVE REMODELING OF ANNEX SECTION FOR MULTITENANT OFFICE USE

1. PROGRAM:

Correction of physical, curable functional and
curable economic obsolescence
Conversion of Annex section to multitenant office space
Demolition of garage section for parking
Extensive landscaping and berming

2. REVENUE UNITS:

Annex - 8,760
-1,314 common area loss (15%)
Total 7,446 sq. ft.

3. CAPITAL OUTLAYS:

Demolition of garage	\$ 25,000
Landscaping	15,000
New interior construction-\$20/sq. ft.	150,000
Roof repairs	5,000
Tenant improvement allowance \$8	<u>60,000</u>
	\$255,000
Less investment tax credit 15%	<u>-38,250</u>
Total capital outlay	\$216,750

4. POTENTIAL ANNUAL INCOME:

7,500 GLA @ \$8/sq. ft.	\$ 60,000
Rent is for full service	
Vacancy loss	<u>9,000</u>
	\$ 51,000

5. PROJECTED ANNUAL EXPENSES:

Real estate tax (.02177 x \$540,000)	\$ 11,750
Insurance, utilities, maintenance, contingency (30%)	18,000

6. TERMS OF FINANCING:

25-year, 15% interest mortgage with monthly payments,
mortgage constant = .1537 annually

SCENARIO #4

EXTENSIVE REMODELING OF BUILDING FOR MULTITENANT OFFICE USE

R/U	R/U 7,500	R/U
x	x	x
N/U	N/U 8.	N/U
	=	
	GI 60,000	

1-DP .2
=
ECM 12,000
-
VAC 9,000
-
RES 1,000
=
CT 2,000
÷
EC .10
=
JE 20,000

DP .8
=
Cash 48,000
-
OE 18,000
-
RET 11,750
=
CDS 18,250
÷
MC .1537
=
JM 118,737

+
=
JPB 138,737
-
CO 216,750
=
BP -(78,000)

SCENARIO #5

EXTENSIVE REMODELING OF BUILDING FOR
MULTIFAMILY RESIDENTIAL USE

1. PROGRAM:

Convert garage section into 18 two-story townhomes
with two-car garages
Convert Annex section into 12 efficiency apartments
Remove clerestory for center courtyard
Must correct structural physical and functional
obsolescence

2. REVENUE UNITS:

18 units - 1,450 sq.ft. each	26,400
12 units - 480 sq.ft. each	<u>5,760</u>
Total	31,860 sq.ft.

3. CAPITAL OUTLAYS:

New interior construction	
31,860 sq.ft. of unit space	
<u> x\$30</u>	\$955,800
Additions -	
Structural support	25,000
Roof repairs	20,500
Insulation	13,000
Apartment's garage construction \$2.5 x 7,920 sq.ft.	19,800
Landscaping/paving	20,000
Parking	4,000
Architect and contractor fee (20%)	<u>225,000</u>
	\$1,300,000
Plus contingency	<u>52,000</u>
	\$1,352,000
Less Investment Tax Credit	
<u>None</u> doesn't qualify	<u>0</u>
Total capital outlays	\$1,352,000

4. POTENTIAL ANNUAL INCOME:

18 @ 400 =	\$ 7,200	
12 @ 250 =	<u>3,000</u>	
	\$10,200	
	<u> x12 months</u>	\$ 122,400
Vacancy loss - 10%		(12,240)

SCENARIO #5--Continued

5. PROJECTED ANNUAL EXPENSES:

Real estate tax (.02177 x \$1,056,500)	\$ 23,000
Operating expenses	26,000
Utilities (paid by tenant)	0

6. TERMS OF FINANCING:

25-year, 15% interest mortgage with monthly payments,
mortgage constant = .1537 annually

SCENARIO #5

EXTENSIVE REMODELING OF BUILDING FOR MULTIFAMILY RESIDENTIAL USE

R/U 18 units	R/U 12 units	R/U
x	x	x
N/U \$400 x 12 mo	N/U \$250 x 12 mo	N/U

=

GI 122,400

1-DP .2
=
ECM 24,480
-
VAC 12,240
-
RES 2,000
=
CT 10,240
÷
EC .10
=
JE 102,400

DP .8
=
Cash 97,920
-
OE 26,000
-
RET 23,000
=
CDS 48,920
÷
MC .1537
=
JM 318,280

+

JPB 420,680
-
CO 1,352,000
=
BP -(931,320)

SCENARIO #6

DEMOLITION OF SITE AND REUSE OF SITE

1. PROGRAM:

Demolition of the entire building and level site

2. REVENUE UNITS:

48,826 sq.ft. (lot size)

3. CAPITAL OUTLAYS:

Demolition of building net of salvage	\$ 23,000
Regrading site	2,000

4. POTENTIAL SALES PRICE:

\$2.5 sq.ft. x 48,826	\$125,000
-----------------------	-----------

5. PROJECTED ANNUAL EXPENSE:

Real estate tax (.02177 x \$125,000)	\$ 2,700
--------------------------------------	----------

6. TERMS OF FINANCING:

Conventional

SECENARIO #6
 DEMOLITION OF BUILDING AND REUSE OF SITE

R/U	R/U 48,826	R/U
x	x	x
N/U	N/U 2.50	N/U
	=	
	GI 122,065	
	x	

1-DP		DP
=		=
ECM		Cash
-		-
VAC		OE
-		-
RES		RET
=		=
CT		CDS
÷		÷
EC		MC
=		=
JE	+	JM

JPB 122,065
-
CO 25,000
=
BP 100,065

APPENDIX E

WEIGHTED MATRIX FOR COMPARABLE PROPERTIES

Feature	Weight	Weight/Weighted Ratings						
		21 N. Park	1055 E. Washington	9 N. Brooks/ 920 Regent	1125 Jonathon Dr.	1133 E. Wilson St.	929 Watson	Subject
Location	.20	3/.6	5/1.0	3/.6	3/.6	3/.6	3/.6	3/.6
Neighborhood	.15	3/.45	3/.45	5/.75	5/.75	1/.15	5/.75	1/.15
Building condition and remodeling required	.20	5/1.0	3/.6	1/.2	3/.6	1/.25	5/1.0	1/.25
Accessibility	.25	3/.75	3/.75	3/.75	3/.75	1/.25	5/1.25	1/.25
Parking	.10	5/1.0	1/.2	3/.6	5/1.0	5/1.0	5/1.0	3/.6
	100%	3.8	3.0	2.9	3.7	2.6	4.6	2.2
Time-adjusted cash equivalent price with land area adjustment		\$278,066	\$148,062	\$121,500	\$202,500	\$115,046	\$290,734	...
Gross building area (GBA)		16,393	16,368	9,048	15,000	11,250	14,684	34,848
Adjusted price per sq. ft. of GBA		\$16.96	\$9.05	\$13.43	\$13.50	\$10.23	\$19.80	...
Price per point per sq. ft. of GBA		\$4.46	\$3.02	\$4.63	\$3.65	\$3.93	\$4.30	...

APPENDIX E

SCALE FOR SCORING COMPARABLES ON PROBABLE BUYER CONSIDERATIONS

Location	5 = Corner lot with high visibility on major traffic artery 3 = Inside lot with low visibility on major traffic artery 1 = Inside lot with low visibility on secondary street
Neighborhood	5 = Strong positive image of area within 3 blocks of building 3 = Neutral image of area within 3 blocks of subject 1 = Perception of a deteriorated neighborhood with image problems
Building condition and renovation required	5 = Minimal improvements required; good 3 = Average renovation; fair condition 1 = Major renovation required; poor condition
Accessibility	5 = Easily accessible; visible entrance or entrances 3 = Some accessibility problems 1 = Very difficult access; one-way streets and/or islands
Parking	5 = Adequate, available parking 3 = Limited parking available 1 = Little or no available parking

APPENDIX E

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

Comparable Property	Selling Price per GBA	Weighted Point Score	Price per GBA Weighted Point Score = (X)
1	\$16.96	3.8	\$ 4.46
2	\$ 9.05	3.0	\$ 3.02
3	\$13.43	2.9	\$ 4.63
4	\$13.50	3.7	\$ 3.65
5	\$10.23	2.6	\$ 3.93
6	\$19.80	4.3	\$ 4.30
Total			\$13.99

$$\text{Central tendency } (\bar{x}) = \frac{x}{n} = \frac{\$23.99}{6} = \$4.00$$

$$\text{Dispersion (std. dev. = } s) = \sqrt{\frac{(x-\bar{x})^2}{n-1}} = \sqrt{\frac{1.79}{5}} = .60$$

where:

<u>x</u>	<u>\bar{x}</u>	<u>$(x-\bar{x})$</u>	<u>$(x-\bar{x})^2$</u>	<u>n</u>	<u>n-1</u>
4.46	4.00	.46	.21	6	5
3.02	4.00	.98	.96		
4.63	4.00	.63	.40		
3.65	4.00	.35	.12		
3.93	4.00	.07	.005		
4.30	4.00	.30	.09		
			1.79		

$$\text{Value range: } \bar{x} \pm S = \$4.00 \pm .60 \quad [3.40, 4.60]$$

Estimated value of subject property =

GBA of subject x weighted point score x [Sample mean of price
per GBA per total
weighted score \pm s]

$$34,848 \times 2.2 \times [\$4.00 \pm .60]$$

High estimate: ¹	\$260,000
Central tendency:	\$300,000
Low estimate:	\$350,000

¹All value estimates are rounded.

APPENDIX F
AFTER TAX CASH FLOW PROJECTIONS
WITH CONVENTIONAL FINANCING

BUS BFCF
VER 11/2/78

LATEST CHANGES & ADDITIONS:

- 1) 1976 LAW RE RECAPTURE OF EXCESS DEPRECIATION.
- 2) DEBT SERVICE RATIO & MTG BAL EACH YR-MODE M
- 3) SHORT FORM OUTPUT (EXCLUDES DATA SUMMARY) MODE PP

DO YOU WANT INSTRUCTIONS? N

1. ENTER PROJECT NAME? POST OFFICE ANNEX BUILDING
2. PROJECTION PERIOD:? 5
TO REPEAT PREV YRS NOI FOR BAL OF PROJ ENTER 0
3. ENTER N.O.I.:
? 43750,45600,47600,49600,51800
4. VALUE:? 335000
5. MTG. RATIO, INT., TERM & NO. PAY/YR:
? .75,.15,25,1
6. IMP./TOTAL VALUE RATIO & IMP. LIFE:? .75,15
7. DEPRECIATION METHOD? 1
IS OWNER A TAXABLE CORPORATION, Y OR N? N
8. ORDINARY INCOME TAX BRACKET & BRACKET IN YR OF SALE:? .4,..,\,4
9. RESALE PRICE:? 380000

I.R.R. BEFORE TAXES IS 18.467 %.

AFTER TAX I.R.R. IS 17.6879 %.

AVERAGE DEBT SERVICE RATIO IS 1.22646
MODE:? M

MORTGAGE ANALYSIS
POST OFFICE ANNEX BUILDING

YEAR	N.O.I.	DEBT SERV	DEBT SERV RATIO	MTG BAL
1	\$43,750	\$38,868	1.13	\$250,069
2	45,600		1.17	248,711
3	47,600		1.22	247,149
4	49,600		1.28	245,353
5	51,800		1.33	243,288
AVG.	\$47670		1.23	

MODE:? P

APPENDIX F --Continued

AFTER TAX CASH FLOW PROJECTION
POST OFFICE ANNEX BUILDING
14-Dec-82

DATA SUMMARY

VALUE: \$ 335000	MTG. AMT.: \$ 251250
NOI 1ST YR: \$ 43750	MTG. INT.: 15 %
ORG. EQUITY: \$ 83750	MTG. TERM: 25 YRS
IMP. VALUE: \$ 251250	MTG. CONST.: .154699
INC. TX RATE: 40 %	IMP. LIFE: 15 YRS
SALE YR RATE: 40 %	OWNER: INDIVIDUAL

YEAR	CASH FLOW	MTG. AMORTZ	BOOK DEP.	TAXABLE INCOME	INCOME TAX	AFTER TAX CASH FLOW
1	4882	1181	16750	-10688	-4276	9158
2	6732	1358	16750	-8661	-3465	10197
3	8732	1562	16750	-6457	-2584	11316
4	10732	1796	16750	-4223	-1690	12422
5	12932	2065	16750	-1754	-703	13635
	\$ 44010	\$ 7962	\$ 83750	\$ -31783	\$ -12718	\$ 56728

DEP. METHOD: STRAIGHT LINE

1ST YR EQ. DIV: 5.82925 %

SALE PRICE \$ 380000	AVG DEBT SERV RATIO: 1.23
BASIS 251,250	
CAPITAL GAINS 128,750	
CAP GAINS TAX 25,750	
EXCESS DEP TAX 0	
MORTGAGE BALANCE 243,288	
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AFTER TAX EQ REV \$ 110962	

IF PURCHASED AS ABOVE, HELD 5 YEARS & SOLD FOR \$ 380000 THEN
I.R.R. IS 18.467 % BEFORE TAXES; 17.6879 % AFTER TAXES.

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

