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An appraisal of the property located at 109-115 West Doty Street and 114-118 West Wilson Street, Madison, Wisconsin. July 31, 1992

Landmark Research, Inc.

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

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THE DANE COUNTY TITLE PROPERTY

109-115 WEST DOTY STREET

AND

114-118 WEST WILSON STREET

MADISON, WISCONSIN

PREPARED FOR THE

OFFICE OF THE CORPORATION COUNSEL

OF

DANE COUNTY

Landmark
Research
Inc.

AN APPRAISAL
OF
THE PROPERTY LOCATED AT
109-115 WEST DOTY STREET

AND
114-118 WEST WILSON STREET
MADISON, WISCONSIN

AS OF
JULY 31, 1992



PREPARED FOR
DANE COUNTY OFFICE OF THE CORPORATION COUNSEL

PREPARED BY
LANDMARK RESEARCH, INC.
MADISON, WISCONSIN

IN CONJUNCTION WITH
REALTY ADVISORS, INC.
BROOKFIELD, WISCONSIN

Landmark
Research
Inc.

July 30, 1993

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

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

RE: APPRAISAL OF THE PROPERTY LOCATED AT 109-115 WEST DOTY STREET AND 114-118 WEST WILSON STREET IN THE CITY OF MADISON, COUNTY OF DANE, AND STATE OF WISCONSIN

Dear Mr. Knight:

Enclosed is the appraisal of the property known as the Dane County Title Property. This property includes a two-story steel frame and masonry office building located at 115 West Doty Street, along with a two-story wood frame and masonry office/apartment building located at 109 West Doty Street. These two buildings are connected to one another. In addition, the property includes a 32-car surface parking lot situated contiguous to the above properties at 114-118 West Wilson Street. The overall gross area of the two buildings is 16,029 square feet, including basement areas. The overall site area of the property is 27,192 square feet. The property is situated in downtown Madison, Wisconsin, about one block southeast of the Capital Square.

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

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

This appraisal was authorized by the office of the Corporation Counsel pursuant to a letter of understanding dated March 15, 1993. This appraisal is intended to function as part of the process in determining the award for damages resulting from the condemnation of this property for the new Dane County Jail. Based on a personal inspection of the above property (subsequent to the effective date of the appraisal), and given consideration to the data, research, analyses, and conclusions set forth in the following report, it is our opinion that the market value of the fee simple interest in the property known as the Dane County Title Property located at 109-115 West Doty Street and 114-118 West Wilson Street, in Madison, Wisconsin, as of July 31, 1992 is \$930,000:

NINE HUNDRED THIRTY THOUSAND DOLLARS

Rodney F. Knight
July 30, 1992
Page Two


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

The Dane County Title Property has been appraised as if free of any environmental contamination. Representatives of Dane County reported that the hot water pipes in the basement of the building are wrapped in a material that apparently contains asbestos. It would be appropriate to discount the value estimate arrived at in this report by any environmental remediation costs.

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

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

FOR LANDMARK RESEARCH, INC.


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

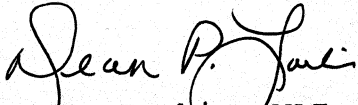

Dean P. Larkin, MAI
Realty Advisors, Inc.
Wisconsin Certified General Appraiser #209

TABLE OF CONTENTS

Introduction

Summary of Salient Facts and Conclusions	1
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Factual Description

Scope of the Appraisal	4
Purpose of the Appraisal	5
Definition of Market Value	6
Property Rights Appraised	7
Use of the Appraisal	7
Identification of the Property	7
History of the Property	10
Area and Neighborhood Analyses Summary	11
Office Market Analysis	13
Apartment Market Analysis	29
Parking Market Analysis	37
Site Description and Analysis	44
Zoning Analysis	48
Real Estate Assessment and Taxes	51
Improvements - Description and Analysis	52

Analysis and Conclusions

Highest and Best Use	61
Introduction to Valuation	85
Land Valuation	86
The Cost Approach	99
The Sales Comparison Approach	100
The Income Capitalization Approach	112

TABLE OF CONTENTS (Continued)

Reconciliation and Final Value Estimate	132
Certification of Appraisers	136
Assumptions and Limiting Conditions	137
Qualifications of Appraisers	139

LIST OF EXHIBITS

Exhibit 1	Plat Map	9
Exhibit 2	Office Rent Survey	21
Exhibit 3	Summary of Downtown Apartment Rent Survey	33
Exhibit 4	1992 Rental Data for Four Apartment Buildings located near the Subject Property	35
Exhibit 5	Parking Market Survey	39
Exhibit 6	Site Plan	45
Exhibit 7	Reconstructed Operating Statement	125

APPENDICES

Appendix A	Detailed Area and Neighborhood Analysis	141
Appendix B	Professional Interviews - Office Market	151
Appendix C	Summary - State of Wisconsin Office Leases	158
Appendix D	Census Tract Map	163
Appendix E	Population Characteristics - Census Tract 17	165
Appendix F	Housing Characteristics - Census Tract 17	167
Appendix G	Zoning Code	169
Appendix H	Cost Calculations - Highest and Best Use Development Scenario	191

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

The Property: Dane County Title Property
109-115 West Doty Street
114-118 West Wilson Street
Madison, Wisconsin

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

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

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

Date of Report: July 30, 1993

Building Description: 115 West Doty Street is a steel frame structure and masonry office building with a gross building area of 11,352 square feet, including the basement. The building has two office floors and a partial basement, which has office areas, storage, and mechanicals. The building has an elevator. There is 10,520 square feet of finished area. The building was originally constructed in 1956 and the second floor was added in 1978. The building was modernized when the second floor was added.

109 West Doty Street is a two-story wood frame and masonry building with a full basement and a gross building area of 4,677 square feet, including the basement. The gross finished area is 3,636 square feet. The building was built in 1941 as an apartment building. This building currently utilized as office space on the first floor, with two apartment units on the second floor and one in the basement. The building is connected to the 115 West Doty Street building by a breezeway at grade level. The total gross area of the two buildings combined is 16,029 square feet including the basements, with a total of 11,238 square feet of gross area without the basements. Total leasable office space in the two buildings is estimated to be 11,160 square feet. Both buildings are in good condition.

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

114-118 West Wilson Street is comprised of two separate parcels abutting the rear of the above mentioned properties. The site is used as a parking lot for the Dane County Title employees and customers.

Site Description:

Irregular shaped interior lot containing 27,192 square feet (.62 acres) of land. The site has 107 feet of frontage along West Doty Street and 99 feet of frontage along West Wilson Street. The depth of the parcel averages 264 feet. The site improvements include asphalt paving, concrete walkways and landscaping.

Parking:

The entire 114-118 site is improved with The Doty Street parcel of 15 parking stalls. The parking stalls provides 4.2 stalls per 1,000 square office area. This is comparable to downtown Madison, where 2 stalls per 1,000 square feet of office area is an accepted standard in the Class A market.

Zoning:

The two Doty Street parcels are zoned C2, General Commercial and the two parcels along Wilson Street are zoned R6, General Residence District. The two buildings on the Doty Street parcels meet the C2 zoning requirements and contain permitted uses, with the exception of the basement apartment at 109 West Doty Street which is a legal nonconforming use. A conditional use permit for the parking lot along Wilson Street and a variance for its setbacks were obtained in 1987 according to the records of the City of Madison Zoning Administrator.

Real Estate Taxes:

The total property assessment for 1991 and 1992 was \$1,077,600; Madison assesses at 100% of market value. Real estate taxes levied in 1991 and payable in 1992 were \$35,938.72.

Utilities:

The subject site is served by all typical utilities.

Easements:

According to the Perion Appraisal, it is assumed that the property is subject to normal utility easements. A driveway along

SUMMARY OF SALIENT FACTS AND CONCLUSIONS (Continued)

the southwestern elevation of the 115 Doty Street parcel appears to be used by the adjacent property owner. This would indicate that there should be a recorded easement for this driveway.

Flood Plain:

The property is not in a designated flood plain.

Occupancy:

The office areas in the building were 100% occupied by the Dane County Title Company. The apartments were all occupied as of the date of our inspection and are all assumed occupied for purposes of this appraisal.

Rental Structure:

Dane County Title executed a long-term lease for its quarters in 1984 when the business and real estate were purchased by the current owners. The apartments were rented at an average monthly gross rent of \$362. The two second story apartments were at below-market rents.

Proforma NOI for 1992:

\$93,925

Highest and Best Use:

As improved.

Estimated Site Value:

\$450,000

Indicated Value Via The
Income Capitalization
Approach:

\$930,000

Final Value Estimate:

\$930,000

Other :

The hot water pipe wrap in the Doty Street buildings reportedly contains asbestos. This appraisal assumes that the property is free of environmental contamination. No discount was made due to the asbestos.

SCOPE OF THE APPRAISAL

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

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

Specific research and analysis that have been performed as a part of this appraisal included the following:

1. As of April 29, 1992, the appraisers reviewed the Perion and Associates, Inc. appraisal of the subject property dated October 23, 1991 (the "Perion Appraisal"). The appraisers inspected the property on April 3, 1992, but did not measure or photograph it. The description of the site and improvements is from both the appraisers' site inspection, as well as descriptive information contained within the Perion Appraisal and from assessment records. Due to the Dane County Jail Site demolition proceedings which took place subsequently, the improvements did not exist as of the 1993 date of this report.
2. Original blueprints of the improvements were not provided.
3. Regional and city descriptions are based on information contained in the files of Landmark Research and Realty Advisors, which have been assembled from various sources. The description and analysis of the neighborhood and relevant office apartment markets is based on a physical inspection of the area and various interviews (e.g., city officials, area property managers, area investors, real estate brokers, etc.).
4. In estimating the value of the subject property, we considered the applicability of the Cost Approach, Sales Comparison Approach, and Income Capitalization Approach. A description and definition of each of the valuation approaches is presented in the Valuation section of this report.

5. To estimate the value of the property, we collected and analyzed market data to develop the valuation approaches. The data sources used include files maintained at the office of Landmark Research and Realty Advisors, published sources, interviews with assessors, and discussions with area property owners and managers, principals involved in sales transactions, city officials, mortgage brokers and others.
6. We reconciled the final value estimate(s) after analyzing the results of the valuation approaches discussed above, as applicable, with consideration given to the quality of data and reliability of each approach as it relates to the subject property.

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

The appraisers have extensive experience in appraising and analyzing office and apartment properties. Therefore, we possess the knowledge and experience to meet the competency provision required by the Appraisal Institute and the State of Wisconsin Certification and Licensing Regulations.

PURPOSE OF APPRAISAL

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

DEFINITION OF MARKET VALUE

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

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

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

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

Market value is a statement of probable price under the conditions presumed by the definition as stated. One of conditions of the value

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

conclusion contained in this appraisal definition is that the probable price would be obtainable after reasonable exposure to the market. Further, the period of market exposure is assumed to have already occurred prior to the effective date of this report. The value conclusion stated herein is based on an exposure period of one year or less, which would be a reasonable exposure period for a property of this type in the Madison market.

PROPERTY RIGHTS APPRAISED

The opinion of fair market value expressed in this report is the value of the fee simple estate. "The fee simple estate is an absolute ownership unencumbered by any other interest for the estate, subject only to the four powers of government. The four powers of government include eminent domain, taxation, police power, and escheat."¹

USE OF THE APPRAISAL

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

IDENTIFICATION OF THE PROPERTY

The subject property being appraised is referenced and described

¹ The American Institute of Real Estate Appraisers, The Dictionary of Real Estate, Second Addition.

according to four separate addresses. A brief description of the improvements is as follows:

- 109 West Doty Street

This is a two-story wood-frame masonry structure with a brick veneer. The building has a full basement, which is two-thirds exposed due to the slope of the site. This building has a gross building area of 4,692 square feet, with a gross finished area of 3,850 square feet, including the basement. This building was built in 1941 as an apartment building. The first floor was converted to office use in 1975. The first floor of the property is connected to the 115 West Doty Street property by a breezeway.

- 115 West Doty Street

This two-story office building is a steel frame and masonry structure with a brick facade. The building also has a partial basement, and the rear one-third or so of the basement is exposed due to the slope of the site. The gross building area is 11,352 square feet, with a gross finished area of 10,520 square feet, both including the basement. The building was built in 1956 and the second floor added in 1978.

- 114-118 West Wilson Street

This site has been used as a surface parking lot since 1978. The lot has a capacity for 32 cars.

The entire subject site is a 27,192 square foot through site with frontage along West Doty Street and West Wilson Street. A through site is a zoning term describing a site that runs through a city block and has frontages on two streets. The site is one block southeast of the Square. A plat map identifying the subject site is found in **Exhibit 1**.

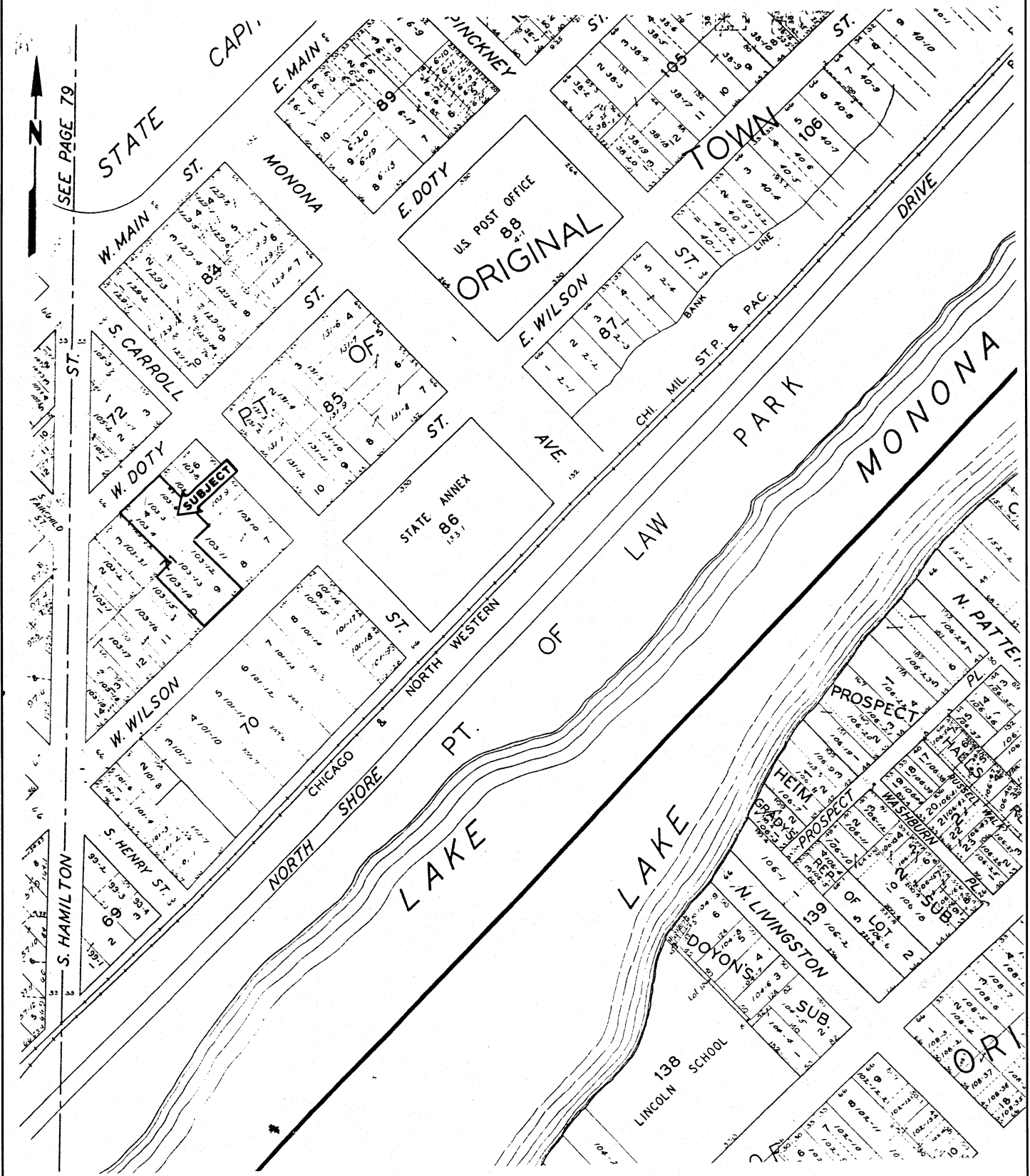
The property is identified by the following tax parcel numbers:

<u>Property Address</u>	<u>Parcel Number</u>
109 West Doty Street	0709-242-1003-5
115 West Doty Street	0709-242-1004-3
114 West Wilson Street	0709-242-1015-5
118 West Wilson Street	0709-242-1013-2

The legal descriptions for the subject property has been broken down by address as follows:

EXHIBIT 1

PLAT MAP



109 West Doty Street

The Southwest 1/2 of Lot Five (5), Block Seventy-one (71), in the City of Madison, Dane County, Wisconsin, as now assessed (according to the Pritchette Plat).

115 West Doty Street

Lot Four (4), and the Northeast Eight (8) feet of Lot Three (3), Block Seventy-one (71), in the City of Madison, Dane County, Wisconsin, according to the Doty Trustee and Pritchette Plats, in the City of Madison.

(Also known as Lot 10, and the Northeast Eight (8) feet of Lot Eleven (11), Block 71, in the City of Madison, Dane County, Wisconsin, according to the Doty Plat.)

114-118 West Wilson Street

Southwest 1/2 of Lot Nine (9), Block Seventy-one (71), City of Madison, Dane County, Wisconsin, according to the Pritchette Plat, subject to a right of way over the Northeast 4 feet thereof and together with a right of way over the Southwest 4 feet of the Northeast 1/2 of said Lot.

The Northeast 1/2 of Lot Five (5), Block Seventy-one (71), in the City of Madison, Dane County, Wisconsin, according to the Doty Plat, being the Northeast 1/2 of Lot Nine (9), Block Seventy-one (71), in the City of Madison, according to the Pritchette Plat. Subject to a right of way over the Southwest 4 feet thereof and together with a right of way over the Northeast 4 feet of the Southwest 1/2 of Lot 9, Block 71, in the City of Madison, according to the Pritchette Plat.

HISTORY OF THE PROPERTY

The 115 West Doty Street Building was constructed as an office building for the Dane County Title Company in 1956. In 1978, the building was expanded to include a second floor. The Dane County Title Company ("Dane County Title") purchased the two parcels that make up the 114-118 West Wilson site in 1973. At the time of purchase the two parcels were improved with a two unit and a four unit apartment building. Dane County Title acquired the 109 West Doty Street Building in 1974. The first floor of this building was converted to office space in 1975. The improvements on the Wilson Street site were demolished and the site was improved with a parking lot for the Dane County Title in 1978. Finally, a group of

investors purchased Dane County Title in 1984, and two of the principals of this group also formed a general partnership known as Doty Street Associates to purchase the subject real estate along with the purchase of the business. This transfer from Dane County Title Company to Doty Street Associates was recorded on December 28, 1984 on Volume 6388, Page 93. The transfer was via a Warranty Deed, and the indicated transfer price was \$1,025,000. Since the purchase of the property was part of the purchase of a business, it cannot be confirmed that this price was representative of what the Real estate would have brought on its own at that time in an arm's-length transaction.

AREA AND NEIGHBORHOOD ANALYSES SUMMARY

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

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

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

AREA ANALYSIS SUMMARY

- Dane County and the City of Madison have experienced population increases of 13.5 percent and 12.1 percent, respectively, from 1980 to 1990, and the population is projected to continue increasing in the future. The highest concentration of the population is in the 18 to 44 year age group. Although Madison area's employment is concentrated primarily within the government and education sectors, there are also large private service and manufacturing employers. This has resulted in the stability of the area's unemployment figures, which are lower than the national averages. The Madison area typically has the lowest unemployment rate in the state with only 2.1 percent of the work force unemployed in 1993.
- Government forces help foster an environment which is generally desirable as a residential and/or a commercial location in Madison.
- The Madison area is well served by transportation systems, utilities and educational institutions. The area's quality of life is enhanced by its proximity to area lakes, parks, and several cultural opportunities.

NEIGHBORHOOD ANALYSIS SUMMARY

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

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

OFFICE MARKET ANALYSIS

The Area Analysis section of this report points to the fact that Madison has a government and service based economy, and these sectors are major demand generators for office space. Downtown Madison is a center of

government, finance, and education for Dane County, and south central Wisconsin. It is also the headquarters for State government.

As background information, a 1984 study prepared by Downtown Madison, Inc. indicated there were 3.8 million net square feet of office in the central area of Madison. This survey also indicated that just over 1.7 million square feet, or 45%, of this space was occupied by various branches of government. At that time, the State of Wisconsin was owner of approximately 800,000 square feet of office space, not including offices located in the State Capitol Building. The State was also a major tenant in downtown office space at that time, leasing nearly 150,000 square feet of downtown office space. The State continues to be a major tenant today.

In terms of downtown workday population, the 1980 Census indicated that just under 30,000 people worked in the central business district. At that time, almost 16,000 of these people were office workers involved in professional or related services or government and public administration activities.

Since this 1984 study, new office space has been added to the downtown inventory. State government has recently completed the purchase of a new, 160,000 square foot building at 101 East Wilson Street. Private sector additions to the inventory of downtown office space since the 1984 study have included Manchester Place, a 101,400 square foot building at 2 East Mifflin Street developed in 1987. The addition of six upper floors to the AT&T Building at 44 East Mifflin Street added of 40,000 square feet of office space to the downtown supply in 1990. The One East Main Building, which added 84,000 square feet of office space to the downtown with its development in 1987. Notice that the above square footages are expressed in terms of rentable area. A planned office development for the neighborhood is the net addition of approximately of 107,000 square feet

to the M&I Bank Building as part of the planned development involving the M&I Bank and Foley & Lardner. This project is reportedly in its final planning stages, with development expected to commence next year.

The above history indicates that the downtown Madison market has not been subject to radical increases in supply, so it has avoided the over-supply conditions that have plagued office markets nationally. It is obvious that the State of Wisconsin plays a major role in terms of creating demand for office space. However, the State has exhibited a trend to own major buildings. Further, the long lead times involved in the planning process with respect to additions to office supply for the State of Wisconsin generally means that by the time the planning process is completed, the State's needs have grown beyond what was planned. This means that the problem of the State leaving leased quarters in a mass exodus and thereby skewing vacancy figures upward has been avoided. This will be discussed in greater detail later in this report section.

Another factor that needs mention is the sheer difficulty of developing a new building downtown. First, a developer might need to conduct an assemblage to create a site that is large enough to accommodate a major office building. This difficulty is compounded by the planning and review process in the City of Madison and the extremely difficult conditions in real estate debt and equity markets. Finally, the high land costs, coupled with high construction costs, combine to produce development costs of a magnitude that makes projects infeasible at current market rents unless such projects receive some sort of subsidy. Such subsidies have been achieved in Madison via the use of tax incremental financing (TIF) and/or the use of development bonds for debt financing. All of the private sector developments that were mentioned earlier in this report section as additions to the supply of office space since 1984 involved the use of

these subsidy vehicles to some degree.

Another general market trend that is germane to a study of the downtown Madison office market includes the transition in tenant or user type of the time. As discussed briefly in the Neighborhood Analysis section of this report, downtown Madison was formerly the retail, commercial, service, financial, as well as government center for the City of Madison, Dane County and regions beyond. As indicated, the retail component of the Square market has become virtually extinct. Further, the development of suburban office parks with easier automobile access and free parking has led to an out-migration of office tenants that had no compelling reason to be downtown. The Square continues to retain its role as a government and financial district. This implies that those users requiring close interaction with these downtown activity generators are likely to be found downtown. This means that the evolution or transition of downtown Madison is now practically complete, which suggests a stabilization with respect to occupancy and tenant type in the market. Government has exhibited a growth trend over recent years, which plays a major role in fueling the demand for office space not only to accommodate government but also to accommodate those users who must interact with government agencies on a day-to-day basis.

Office Market Survey and Analysis

In order to draw conclusions regarding the competitive position of the Dane County Title Building in the marketplace and estimate its economic potential, an analysis of the market for similar quality buildings in the neighborhood was undertaken. The steps in this analysis included establishing a basis for comparison, analyzing supply and current vacancy, establishing current rent levels and expense levels, and identifying potential new supply and occurrences that could affect the dynamics of the

market.

The first step in this process was to establish comparison criteria among buildings; i.e., establish what constitutes Class A, B and C office buildings. Any comparisons made and conclusions drawn need to be based on information drawn from the sub-market in which the subject competes.

In order to facilitate this analysis, we established definitions or criteria by which we could segregate Class A buildings, Class B buildings and Class C buildings. This was based not only on our own analysis but on interviews with brokers, property managers, and investors active in the downtown market. In terms of defining what constitutes a Class A office building in downtown Madison, our analysis and interviews indicated that such a building would have the following characteristics:

Class A Building
Characteristics

- A lobby of distinction.
- Adequate elevator service.
- On-site or easily accessible parking in sufficient quantity (e.g., two to three stalls per 1,000 square feet +/- of rentable area).
- Good quality aesthetics both on the building exterior and in the interior spaces. The building should be a new or recently renovated building or it should have some sort of historical distinction.
- Good quality management and reputation.
- Adequate HVAC, with zone controls to allow for temperature controls in relatively small spaces (e.g., per private office).
- A high quality tenant population.
- Distinctive location (e.g., on the Square, good views, etc.).

A building might be considered a Class A building in the market without having all of the above characteristics, but it clearly needs the

majority. Certain characteristics such as parking, elevators, and acceptable aesthetics are considered mandatory. Therefore, any building that lacks these critical characteristic will likely be perceived as a Class B building. The lack of a number of the critical characteristics would cause a building to be perceived as a Class C building. It should be noted that the current tight office market has caused the demarcation between these distinctions to have become blurred. The high demand conditions and limited supply in the market has probably caused some tenants to accept a location in a lower class building than they would have otherwise preferred merely because a more desirable alternative was not available.

As indicated above, Class B buildings are generally defined by virtue of lacking certain critical characteristics that are necessary to achieve Class A status. Therefore, Class B status is not necessarily so much defined as what a building has, but rather by what it lacks relative to Class A standards. Generally, older buildings that lack a Class A finish package, modern HVAC systems, and on-site parking would be classified as Class B. The next classification, which is Class C, is defined not only by a lack of these attributes, but by lack of elevator service and poorer quality construction and appearance.

The Dane County Title Buildings have a good downtown location and excellent parking, although they are not on the Square and have no view amenity to speak of. The exterior building aesthetics are average and the interior finishes are average to fair. The floor plan of the buildings as currently improved is cumbersome. The building does not currently lay out well for multiple tenancy, and there is a low number of private offices relative to floor area. The office space that was converted from apartment space in the building at 109 West Doty Street has a poor floor plan for

offices.

Based on our discussions with area leasing agents, investors, and property managers, as well as our own independent analysis, the Dane County Title Building would be classified as a Class B to Class BC building. Specifically, the larger building at 115 West Doty Street would be classified as a Class B building, while the office space in the building at 109 West Doty that was converted from apartment space would be Class C space. Also, the basement space in the 115 West Doty Building (private offices, employee lounge with outdated finish, storage) would be Class C space at best if segregated from the upper floors; it is viewed as ancillary and/or support space for the upper floors under the current pattern of utilization.

A summary of those buildings that were generally ranked as Class B or BC buildings is as follows:

Class B Office Buildings - Square Office Market*

<u>Building Name</u>	<u>Building Address</u>
100 North Hamilton	100 North Hamilton Street ✓
Tenney Plaza	110 East Main Street
Valley Bank Tower	222 West Washington Avenue
Hovde Building	122 West Washington Street
James Wilson Plaza	131 West Wilson Street ✓
Commercial Bank Building	100 State Street
30 on the Square	30 West Mifflin Street ✓
M&I Bank Building	1 West Main Street
Hamilton Place	217 South Hamilton Street
AAA Building (Former)	433 West Washington Avenue ✓
First Federal Building	202 State Street

* Class BC Buildings are also included.

The next step in our analysis of the office rental market is to perform a survey of office buildings that might be considered competitive with the Dane County Title Building. The purpose of the survey is to attempt to ascertain current rental rates, vacancy, expense levels and to obtain any other market information that might be useful in assessing the competitive position of the Dane County Title Building in the market. Given the ranking of the Dane County Title Building as a Class B to BC building, we concentrated our survey efforts among the similar quality B buildings. A summary of our survey findings is presented as **Exhibit 2**. Wherever possible, we attempted to confirm the information we received with other sources. In addition to the rents listed on the exhibit, we found that basement storage space in the Class A to B downtown buildings ranged from \$2.50 per square foot for unfinished space to approximately \$7.00 to \$9.00 per square foot for better quality finished space.

In regard to commissions and tenant improvements, our survey work indicates that commissions range from \$2.50 to over \$3.00 per square foot when paid up-front. In terms of tenant improvements, the tight Class A market is such that new tenants who are not key tenants are generally unable to obtain funds from a landlord toward tenant improvements. However, as one progresses into the Class B and the Class C markets, some allowance or provision for tenant improvement contributions by landlords appears to become more common. The tenant improvements in the Class B market sector depend on the condition of the space prior to leasing to a new tenant. Professional interviews contained in **Appendix B** and the rent comparables gathered during our research indicate that tenant improvements can range from as little as a few dollars a square foot for cosmetic improvements all the way to \$20.00 or more per square foot for refitted space on a turnkey basis.

EXHIBIT 2
OFFICE RENT SURVEY

EXHIBIT 2
Office Rent Survey

<u>Building & Address</u>	<u>Class</u>	<u>Total Rentable Sq. Ft.</u>	<u>Vacant Sq. Ft.</u>	<u>Parking Available</u>	<u>Lease Rate And Terms</u>	<u>Expenses Per Sq. Ft.</u>	<u>Contact</u>
Hovde Building 122 West Washington	BC	62,500	0	None-Public Prkg Nearby	\$14.50 (includes est. \$.50 in R.E. Tax Pass-Thru)	\$8.10	Don Brum 257-2440
100 North Hamilton	B	39,507	0	125 Estimate-50 adjacent in ramp	\$13.65 with CPI escalations. 100% leased to State of WI	N/A	Lisa Larson 831-2122
Hamilton Place Susmilch 217 South Hamilton	B	31,120	7,380	Ltd Surface	\$12.00-\$14.50 per BOMA	\$7.12	← Judy → 221-8022
James Wilson Plaza 131 West Wilson	B	120,000	18,000*	178 214 Under-ground Stalls	\$13.00-\$16.00 per BOMA rentable pass-thru of real estate taxes over base year	WND-Taxes are \$1.85 per sq ft. Energy costs are \$1.85 per sq ft.	Darryl Wild 251-8811
AAA Building 433 West Washington	BC			2 Surface Prkg @ \$50/Stall	\$12.50 as-is to \$13.70 with TIs.	WND	Judy Susmilch 221-8022
WI Restaurant Assn. 125 West Doty	C	10,612	N/A**	None	\$9.50 as-is	WND	Shaw Company 221-8022

- * The 18,000 square feet of vacant space includes an 8,000 square foot tenant who has relocated but is still paying rent.
- ** 1,329 square feet of lower level space available prior to condemnation in June of 1992.

Another factor that requires consideration is the current style of expense pass-thrus. Typical lease terms include gross or full service leases. In the Class A market, landlords are able to obtain a pass-thru of increases over base year expenses and/or with some increase for inflation (i.e., an inflation kicker). Inflation kickers in the market average approximately 3% per year. The ability to pass-thru expenses and/or obtain inflation kickers declines as one progresses downward through the Class B and into the Class C market.

In terms of the area actually rented, buildings in the Square market lease space on what is referred to locally as rentable area, but which equates to BOMA usable area. In other words, the square footage upon which a lease payment is made is based only on that space actually occupied by a tenant. However, two buildings, The James Wilson Plaza and Hamilton Place, are leasing space on BOMA rentable, which means that some proportionate common area square footage is included in the square footage "leased" by a tenant. Lease terms are usually a minimum of 5 years with smaller tenants able to obtain 3 year leases (or even shorter leases) with lease terms for larger tenants ranging from 5 to 10 years.

Our survey work indicates that there is some vacancy in the Class B and C markets. However, this vacancy is difficult to quantify precisely given the broad spectrum of space available in the market and the fact that certain landlords and brokers interviewed either declined or were unable to exactly identify the volume of vacant space available in particular buildings.

Given the tight market conditions in Madison's Class A market, with zero effective vacancy, this has created a spill-over effect in that the better quality Class B space also has a vacancy rate that also approaches zero. Vacancy appears to increase as one progresses downward along the

quality scale through the Class B and into the Class C markets. A regularly published local office market survey indicates that the overall estimated vacancy for downtown Madison as of June 1992 is 8%. This survey estimated that the vacancy rate for Class B downtown Madison office space was 9%, with Class C vacancy at 23%. While the methodology of this survey is questionable (i.e., owner/occupied buildings are not included, leased space in a predominantly owner/occupied office building is not included) and because a number of local market participants interviewed doubt the accuracy of the survey, it is useful only as background information. Given the fact that vacancy is effectively zero in the Class A market segment, this implies that whatever vacancy does exist exists in the Class B and C markets. Our research indicates that vacancy in the Class B market is less than 10%.

Another factor is the actual amount of square footage of office space required by tenants. While the major, Class A buildings downtown are typically anchored by a large tenant (10,000 square feet and up), the majority of tenants in the downtown Madison market are smaller tenants. A large Class B office tenant would require 5,000 square feet of space, with the majority of the smaller tenants that are typical of the market requiring 1,000 to 3,000 square feet of space.

In terms of market dynamics, the State of Wisconsin is obviously a major factor for the Square and overall downtown Madison market. The state owns the following office buildings in downtown Madison: Capitol Building, 1 West Wilson Street; General Executive Facilities (GEF) I, II, and III, 101 East Wilson Street, 149 East Wilson Street and the Lorraine Hotel. These buildings contain a total of approximately 1.5 million square feet of leasable space.

In addition, the State has a substantial lease presence in the

following buildings:

<u>Address</u>	<u>Building Rentable Square Feet</u>	<u>% of Space Lease by State</u>
137 East Wilson Street	27,000	100% leased with option to purchase
121 East Wilson Street	56,000	80% occupied by State of Wisconsin Investment Board and State Commissioner of Insurance.
30 West Mifflin Street (30 on the Square)	62,000	80%-90% occupied by State Department of Veterans Affairs and other agencies
100 North Hamilton	39,500	100% occupied by State legislators, State reference library, and other State agencies.

As indicated earlier, the purchase of the 160,000 square feet building at 101 East Wilson Street was originally intended to provide space for agencies that were in leased quarters. The agency originally slated for the building (Department of Administration) grew so much during the development process that they filled the building, leaving ^{little} no room to bring in other agencies from leased quarters.

As of the effective date of this appraisal, there were discussions going on about the possibility of building a GEF IV Building in order to accommodate the anticipated growth in State government. Certain State legislators, most notably Fred Risser, believe that if the State is going to occupy space, they should own it. Critics point out the expense potential of a new development or purchase of a new building (101 East Wilson reportedly cost a total \$123.00 per square foot of net leasable area, not including the computer center), versus leased quarters. To counter this criticism, it should be noted that the State has also bought lower cost space by purchasing buildings that were rehabilitation opportunities at low cost and then rehabilitating such properties to suit.

Based on our interviews with representatives of the Department of

Administration, the State's attention with respect to a new building is focused on the development of the new World Dairy Center. Therefore, the possibility of a major move by the State out of leased downtown quarters to a new facility is real, although not likely over the near term. Again, the current rapid growth in government space needs, coupled with the long lead time necessary to either build or purchase a building by the State would probably have a similar result as what occurred with the 101 East Wilson Street building; i.e., the impact would not be dramatic due to the growth and increased space needs that became apparent between the time the building was committed and occupied. Therefore, no dramatic increase in vacancy on privately owned downtown offices is likely due to a move by the State.

In fact, the State is currently creating demand for leased quarters in the downtown office market due to the renovation of the State Capitol Building. This is being done on a wing-by-wing basis, with the completion of the north wing due in December of 1992. The west wing will be next, followed by the south wing, and the east wing and the rotunda will either be done together or sequence. During the renovation, the legislators or agencies housed in a given wing are moved to private quarters for the duration of the renovation. Much of 100 North Hamilton was leased by the State due to this renovation process. The east wing of the Capitol houses the Supreme Court, the justices and their chambers, and the law library plus other support services. There are currently rumors floating around the office market regarding the possible relocation of the Supreme Court's law library. It reportedly takes approximately 2 to 2-1/2 years to renovate a wing. The major constraint on this process is the lack of skilled craftsman able to work with the type of construction and materials found in the Capitol Building.

Other background information about the State's activities in the office market include the fact that the State has a style of leasing space for 5 years or less because any lease over 5 years has to be approved by the Building Commission, which makes the process more complicated. Also, the State does not usually require on-site parking but may do so when a specific agency has need for special vehicles. Other State criteria for office space includes flexible floor plates in a building in good physical condition meeting ADA criteria. They generally look for spaces of 15,000 to 22,000 square feet, although smaller agencies are located throughout the Madison area.

A listing of Madison area office space leased by the State, with associated rental rates, is found in **Appendix C**. Since the State is less likely to be an occupant of Class A buildings but tends to rent space in Class B and Class C buildings, this Appendix is an excellent reference with respect to providing market evidence as to actual lease transactions in the Class B and C markets. In terms of leases in downtown Madison that are included, there is a lease at the James Wilson Plaza for the Commissioner of Insurance at a rate of \$12.84 per square foot, there are leases at 30 on the Square that range from \$12.88 per square foot to \$14.06 per square foot, there is a lease with Health and Social Services at Hamilton Place at a rate of \$13.01 per square foot, there is a lease for Senate offices at 100 North Hamilton Street at \$14.30 per square foot, with an effective rate of \$15.05 per square foot, etc. These rates tend to confirm the range of rates that were researched that were listed previously on **Exhibit 2**.

Conclusion

Our study of the downtown Madison office market indicates a very tight market in the Class A sector. There is some vacancy in the Class B and C office markets, with vacancy levels higher as space quality declines.

Vacancy in these market segments is not broad, but is found in pockets, with Class B vacancy estimated at less than 10%. The near term outlook for the office market is good, with the current limited supply and high demand conditions expected to continue into the foreseeable future. State government is apparently growing at a rather rapid rate, which implies that special interest groups, lobbyists, attorneys, and others that work with the State agencies will continue to demand space downtown. If the State builds another major office building it might reduce its presence in leased quarters, although the rapid growth of state government in recent years has, in effect, "absorbed" new space prior to its completion. Further, city and county government are both firmly entrenched downtown. As indicated, it is our opinion that the evolution of tenant type downtown is largely complete, with those tenants likely to move away from downtown already having done so. It should also be pointed out that there are continually rumors that financial institutions have explored the notion of moving back room operations to cheaper space in the suburbs in order to create vacant space that can be leased at today's higher rents. Further, Wisconsin Power and Light has considered the option of moving from downtown off and on over recent years, although current reports would indicate that they are staying downtown for now. Therefore, while tight market conditions are forecast to continue, factors exist that could upset this assessment of the market.

In terms of establishing the Dane County Title Building's position in this market, the building has a good location relative to government centers. It is within walking distance of City, County, and State government facilities. In addition, the buildings are generally of good quality construction and the facades of the buildings would be classified as being acceptable or even attractive. The disadvantages presented by the

buildings include the difficult floor plan due to the orientation to single tenancy, the lack of private offices, and the dated appearance of some interior finishes. Further, the linking of the two buildings is cumbersome, and the quality of the expansion office space in the 109 West Doty Building is fair at best. The major positive factor of this property is the abundance of on-site or captive parking.

Based on our survey work and analysis, it is our opinion that the logical user types for the Dane County Title Building would be full-floor types of tenants or an owner/user. The location of the elevator does not lay out well for multiple tenancy. Given the wasted space that would result and the costs of adding corridors and similar improvements for multiple tenancy, an owner would probably be better off aggressively marketing to full-floor users as opposed to cutting up one or more floors for multiple tenancy. Also, it is our opinion that, given the tight office market, ~~that~~ such users could be found in the marketplace, especially given the large presence of government users as office tenants. The building would offer an excellent location for a law firm given the proximity to government offices and the Courthouse.

It should be pointed out that this could be interpreted as a timing issue whereby the space would have to be available at the same time that a user that would need that amount of square footage would be present in the market. The majority of tenant^s in the Madison market are small in terms of space usage and the floor plates in the 115 West Doty Building (4,000± square feet of gross area) are too large for the typical small tenant. The above factors mean that the building would experience some vacancy over time, if available for lease. Given the current pattern of utilization, location, and the pattern of ownership of similar-sized buildings downtown, a logical use of the building would be in whole or part

by an owner/occupant.

Based on our research and analysis, it is our opinion that the as-is rents for the above-grade floors in the 115 West Doty Building would be \$12.00 to \$13.00 per square foot on a gross or full service basis. The lesser quality expansion space in the 109 West Doty Building would have a rent potential commensurate with Class C spaces at \$7.00 to \$9.00 per square foot. The finished space in the basement would have a rent potential similar to that of other similar basement office space in the Square area, which is in the range of \$7.00 to \$9.00 per square foot.

The Dane County Title Building also has basement storage space. Basement storage in Class A buildings is renting for \$8.00 to \$9.00 per square foot given the high demand for storage by attorneys and other users that generate a large volume of files. A rent between the range indicated by the Class A buildings and by the type of space available at the James Wilson Plaza would be appropriate. Therefore, a reasonable estimate for the storage space is \$5.00 \$6.00 per square foot.

APARTMENT MARKET ANALYSIS

Introduction

The Dane County Title Building includes three apartment units. In order to gauge the competitive position of these units in the marketplace and estimate their rent potential, a brief analysis of the area apartment market was performed.

Population Data and Housing Characteristics

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

housing stock.

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

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

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

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

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

Appendix E also reflects the population growth in the area. The

subject census tract experienced a 31 percent growth rate between 1980 and 1990, compared to the 13.5 percent and 12.1 percent growth rates for Dane County and the City of Madison, respectively. It is our opinion that this rate of growth reflects, among other factors, the development of new high-rise and mid-rise apartment projects in the downtown Madison area which has enabled more young professionals and retirees to stay or to return to the central city.

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

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

Owner occupied housing in the tract has a mean or average value of approximately \$70,000. Owner occupied housing in the neighborhood tends to be mid-priced. Notice that 100% of the owner occupied housing units within Census Tract 17 have values that fall within a range of \$50,000 to \$100,000 per the census data.

The census information indicates that the subject apartment units are consistent with market norms. They have a location that would appeal to young professionals working downtown. At one bedroom each, the units would appeal to the one and two person household types that are typical of the downtown area. Also, the age of the units is typical for the area.

Occupancy Trends

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

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

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

1992 Rental Ranges

The results of a downtown apartment rent study completed by Landmark Research, Inc. in late 1991 and early 1992 are summarized in **Exhibit 3**. Rents are adjusted, based upon the assumption the landlord pays the heat, water and sewer, and electricity. The 1991-92 rents should be increased about four percent to be representative of market rents as of July 31, 1992.

EXHIBIT 3

SUMMARY OF DOWNTOWN APARTMENT RENT SURVEY

DOWNTOWN MADISON RENTAL MARKET - FALL 1991 THROUGH WINTER 1992
SELECTED DOWNTOWN APARTMENT DEVELOPMENTS

ASSUMPTIONS: TENANT PAYS PARKING
LANDLORD PAYS HEAT, ELECTRICITY, SEWER AND WATER

PROJECT NAME	AVERAGE SIZE		AVERAGE RENT		ACTUAL RENT [1] INCLUDES	ADJUSTED TO INCLUDE HEAT, ELEC. WATER AND SEWER MARKET RENT [1]		AVERAGE ADJUSTED MARKET RENT/SF/MO		7/31/92 MARKET RENT INFLATED BY 4% & ADJUSTED TO INCLUDE HEAT, ELEC. WATER AND SEWER		7/31/92 RENT/SF/MO AVERAGE ADJUSTED		ON-SITE PARKING AVAILABLE 91-92 DATA
	One Bd	Two Bd	One Bd	Two Bd		One Bd	Two Bd	One Bd	Two Bd	One Bd	Two Bd	One Bd	Two Bd	
CARDINAL APARTMENTS 416 East Wilson St. 21 Units - 1909 & 1985	540 SF	700 SF	\$430	\$523	Water & Sewer	\$460	\$568	\$0.85	\$0.75	\$478	\$591	\$0.89	\$0.78	None
		850 SF		\$560			\$605		\$0.71		\$629		\$0.74	
BELLVUE APARTMENTS 29 East Wilson St. 36 Units - 1914	600 SF	N/A	\$425	N/A	Water & Sewer & Heat	\$440	N/A	\$0.73	N/A	\$468	N/A	\$0.78	N/A	Limited 16 stalls \$35/mo
	1,000 SF		\$500			\$525		\$0.53		\$546		\$0.55		
BASKERVILLE APTS 121 South Hamilton St. 24 Units - 1913 & 1986 [2]	450 SF	N/A	\$430	N/A	Heat	\$457	N/A	\$1.02	N/A	\$475	N/A	\$1.06	N/A	None
TOWNHOUSE APARTMENTS 111 West Wilson St. 60 Units - 1958	785 SF	1,200 SF	\$500	\$700	Water & Sewer Heat	\$525	\$725	\$0.67	\$0.60	\$546	\$754	\$0.70	\$0.63	enclosed stalls @ \$35/mo
CARPENTER APARTMENTS 222 South Carroll St. 38 Units - 1940	585 SF	N/A	\$410	N/A	Water & Sewer Heat	\$425	N/A	\$0.73	N/A	\$442	N/A	\$0.76	N/A	Limited 9 stalls
LOUGEE HOUSE 620 Ingersoll St. 9 Units - 1906 & 1980s	700 SF	N/A	\$530	N/A	No Utilities Included In Rent	\$575	N/A	\$0.82	N/A	\$598	N/A	\$0.85	N/A	None
CAPITOL CENTRE 344 West Dayton St. 150 Units - 1981	535 SF	850 SF	\$525	\$700	Water & Sewer	\$555	\$745	\$1.04	\$0.88	\$577	\$775	\$1.08	\$0.91	Undergrnd @ \$55/mo
	725 SF w/ den		\$630 w/ den			\$670 w/ den		\$0.92 w/ den		\$697 w/ den		\$0.96 w/ den		
321 WISCONSIN AVENUE 12 Units - 1988	720 SF	1,050 SF	\$600	\$800	Water & Sewer	\$640	\$845	\$0.89	\$0.80	\$666	\$879	\$0.92	\$0.84	Undergrnd @ \$50/mo
HAMILTON POINT 323 South Hamilton St. 33 Units - 1989	682 SF	1,100 SF	\$600	\$790	Water & Sewer Parking @ \$40/mo	\$800	\$795	\$0.88	\$0.72	\$824	\$827	\$0.91	\$0.75	Undergrnd in rent

[1] Rent adjustments are estimated at: Heat = \$10/mo. for efficiency, \$15/mo. for 1 bdrm, and \$20/mo. for 2 bdrm, and extra large 1 bdrm.
Electricity = \$15/mo. average for effc. and small one bdrm, and \$25/mo. for larger (> 600 SF) one to two bdrm.
units (based upon relocation adjustments).
Parking = \$40/mo. Water and Sewer = \$12/mo.

[2] Baskerville one-bdrm units range from 339 SF to 598 SF & 1992 rents ranged from \$330 to \$460, but rents not strongly correlated with size.

[3] Also has three-bdrm unit at \$1,070/mo or \$0.96/SF before adjustments for utilities and parking.

While appraisers prefer precise units of comparison, such as rent per square foot per month or price per square foot, the Madison apartment market generally does not rent or buy by the square foot. Sizes may be averages and rents per square foot may be reported in ranges and are a check on the reasonableness of contract rents and/or sale prices.

As shown in **Exhibit 3**, smaller one-bedroom units in older structures ranging in size from 540 square feet to 785 square feet were renting from \$425/month to \$525/month; all but the Cardinal Apartments (\$430 for 540 square feet) included heat in the rent. On a per square foot basis, rents for small to average size one bedroom units in older structures ranged from \$0.71/square foot to \$0.82/square foot, assuming the landlord pays heat.

To refine our focus on the rent potential for the apartments in the Dane County Title Building of July 31, 1992, rents and unit sizes of three neighboring apartment buildings were reviewed. Rental data for the Baskerville Apartments, located at 121 S. Hamilton and for the Carpenter Apartments at 222 South Carroll is shown below. The data for both buildings was first gathered late in 1991 and then revisited in 1992 - 1993. We were given May, 1992 rents for the Baskerville; the Carpenter data was adjusted upward by four percent for inflation. The following 1992 data is presented on **Exhibit 4**.

Another neighboring apartment building owned and operated by the Carpenters and located at 112 West Wilson was inspected in April, 1992 by the appraisers. This older converted home is a three flat with a one bedroom apartment on each of the three floors. The first and second floor units are approximately 850 square feet and rented for \$500 for the first floor and \$420 for the second floor unit. The available living area of the third floor unit is limited by dormers and rented for \$420 per month

EXHIBIT 4

1992 Rental Data for Four Apartment Buildings
Located near the Subject Property

1992 RENTAL DATA - FOUR APARTMENT BUILDINGS LOCATED NEAR SUBJECT PROPERTY

THE BASKERVILLE - Before Renovation - Rent and Unit Sizes as of 5/28/92
121 South Hamilton and Adjusted Rent Increased by 4% as of 7/31/92

Unit	Type	Unit Size	Market Rent 5/28/92	Contract Rent 5/28/92	Adjusted [1] Market Rent 7/31/92	Adjusted [1] Rent/ SF/Mo. 7/31/92	Adjusted [1] Rent/ SF/Mo. 7/31/92
3-B	1/1	472	\$425	\$445	\$0.90	\$470	\$1.00
3-C	1/1	598	\$437	\$445	\$0.73	\$483	\$0.81
3-D	1/1	436	\$398	\$398	\$0.91	\$442	\$1.01
3-E	1/1	431	\$415	\$392	\$0.96	\$460	\$1.07
3-F	1/1	458	\$420	\$420	\$0.92	\$465	\$1.02
3-G	1/1	339	\$420	\$420	\$1.24	\$465	\$1.37
AVERAGES		456	\$419	\$420	\$0.94	\$464	\$1.04
2-H	1/1	472	\$435	\$435	\$0.92	\$480	\$1.02
2-I	1/1	598	\$420	\$420	\$0.70	\$465	\$0.78
2-J	1/1	436	\$410	\$410	\$0.94	\$454	\$1.04
2-K	1/1	431	\$430	\$435	\$1.00	\$475	\$1.10
2-L	1/1	458	\$420	\$420	\$0.92	\$465	\$1.02
2-M	1/1	339	\$460	\$465	\$1.36	\$506	\$1.49
AVERAGES		456	\$429	\$431	\$0.97	\$474	\$1.07
1-N	1/1	598	\$413	\$403	\$0.69	\$458	\$0.77
1-O	Studio	340	\$370	\$370	\$1.09	\$413	\$1.21
1-P	1/1	436	\$330	\$330	\$0.76	\$371	\$0.85
1-Q	1/1	431	\$420	\$420	\$0.97	\$465	\$1.08
1-R	1/1	458	\$410	\$410	\$0.90	\$454	\$0.99
1-S	1/1	339	\$420	\$420	\$1.24	\$465	\$1.37
AVERAGES		434	\$394	\$392	\$0.94	\$438	\$1.05

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CARPENTER APARTMENTS - Rent and Units Sizes as of 12/91
222 South Carroll and Adjusted Rent Increased by 4% as of 7/31/92

Number of Units	Type	Unit Size	Market Rent [2] 12/91	Rent/ SF/Mo. 12/91	Adjusted [1] Market Rent 7/31/92	Adjusted [1] Rent/ SF/Mo. 7/31/92
25	Efficiencies	378	\$330	\$0.87	\$359	\$0.95
13	1/1	575	\$390	\$0.68	\$421	\$0.73
	1/1	590	\$425	\$0.72	\$458	\$0.78

=====

[1] For all units, \$15/mo. (<600 SF) & \$25/mo. (>600 SF) for electricity paid by the landlord and sum is increased by 4%. For Baskerville units, another \$12/mo. is added for sewer & water before the 4% increase.

[2] The owners of these units preferred to keep rents just under market to minimize lease turn-over.

=====

EXHIBIT 4 (Continued)

1992 RENTAL DATA - FOUR APARTMENT BUILDINGS LOCATED NEAR SUBJECT PROPERTY

121 WEST WILSON APARTMENTS - Owned by the Carpenters - Rent and Size of Units as of 4/92 and Adjusted Rent Increased at 4% as of 7/31/92

Number of Units	Type	Unit Size	Market Rent [2] 4/92	Rent/ SF/Mo. 4/92	Adjusted [1] Market Rent 7/31/92	Adjusted [1] Rent/ SF/Mo. 7/31/92
1	1/1	850	\$500	\$0.59	\$546	\$0.64
2	1/1	850	\$420 [3]	\$0.49	N/A	N/A
	1/1	638	\$420	\$0.66	\$463	\$0.73

TOWNHOUSE APARTMENTS - Owned by the Carpenters - Rent and Size of Units as of 111 West Wilson - 12/91 and Adjusted Rent Increased at 4% as of 7/31/92

Number of Units	Type	Unit Size	Market Rent [2] 12/91	Rent/ SF/Mo. 12/91	Adjusted [1] Market Rent 7/31/92	Adjusted [1] Rent/ SF/Mo. 7/31/92
38	Efficiencies	450	\$350	\$0.78	\$380	\$0.84
24	1/1	780	\$500	\$0.64	\$546	\$0.70
	1/1	792	\$500	\$0.63	\$546	\$0.69
8	2/1.5	1,200	\$700	\$0.58	\$754	\$0.63

[1] For all units, \$15/mo. (<600 SF) & \$25/mo. (>600 SF) for electricity paid by the landlord and sum is increased by 4%. For Baskerville units, another \$12/mo. is added for sewer & water before the 4% increase.

[2] The owners of these units preferred to keep rents just under market to minimize lease turn-over.

[3] Contract rent to long-time resident who does own refurbishing.

in 1992. The second floor tenant has been there for over 10 years and does her own refurbishing. Rents include heat, water, sewer, and tenants pay for electricity. As a practice, the owners have kept rents under market to achieve stabilized occupancy.

As reported by Carl Kopps, relocation agent for Dane County, the contract rents for the subject property, as of March, 1991 were as follows:

DANE COUNTY TITLE BUILDING
March, 1992

<u>Apartment</u>	<u>Bedrooms</u>	<u>Contract*</u> <u>Rent</u>	<u>SF</u>	<u>Rent/SF</u>
Basement	1	\$335	518	\$0.64
Second Floor	1	\$355	702	\$0.51
Second Floor	1	\$395	702	\$0.56

* Landlord pays heat and utilities. The rent also includes the ability to use the parking lot during non-business hours.

Based upon our market research, it would appear that the rent for the basement apartment approximated market levels, especially considering its lack of carpeting, its basement location, and correspondingly diminished natural light. The two larger second floor apartments appear to be at below-market rents.

These apartments are better quality units for their age with ample light, hardwood floors, and good storage. A reasonable rent for these units would be \$525 per month (\$0.75 per square foot) including heat and utilities.

PARKING MARKET ANALYSIS

Introduction

The subject property includes a 32 car surface parking lot on the two parcels with frontage on West Wilson Street, along with 15 parking stalls

that are part of the parcels with frontage on Doty Street, for a total of 47 parking stalls on site. This is a significant amount of parking for an office property of this size in downtown Madison. As such, the parking contributes to the economic potential of the property, so the area parking market was analyzed to help gauge this economic potential.

Parking Supply and Demand

It is generally accepted that parking convenient to the Square neighborhood is in short supply. In order to assess the supply and demand relationships for downtown parking, the supply and demand related to parking spaces both for ramps and surface lots were analyzed. Our analysis was concentrated in an area larger than the Square because many of the larger parking facilities downtown are located at the periphery of the Square neighborhood. The area researched is bounded by the following streets: Johnson Street, Hancock Street, East Wilson Street and Broom Street. **Exhibit 5** breaks down the supply of parking spaces in the Square area in terms of ramps and surface lots.

Public Ramps

The first part of our study concentrated on public parking ramps. An advantage of studying public ramps is that occupancy statistics are kept for the ramps. The source of the occupancy rate information for each of the ramps and lots within this exhibit is the Parking Division of the Madison Department of Transportation, which takes counts on Tuesday, Wednesday or Thursday of the second or third week each month. Occupancy rates are summarized on **Exhibit 5**.

Each of the public ramps identified in **Exhibit 5** are located one block off of the Square. The Doty Street Ramp has the highest demand among the City ramps due to its location within an area that has the highest

EXHIBIT 5

PARKING MARKET SURVEY

PUBLIC RAMP

NAME	CAPITOL CENTRE	DAYTON	DOTY	MCCORMICK	DANE COUNTY RAMP
LOCATION	MIFFLIN/DAYTON	DAYTON/CARROLL	DOTY/PINCKNEY	MIFFLIN/WEBSTER	MAIN/FAIRCHILD
TOTAL SPACES	634	521	535	629	1002
RESERVED SPACES	50	53	107	160	225
RATE/MONTH	\$75	\$80	\$85	\$75	\$80 W/ YEAR LEASE
OCCUPANCY PER CITY'S PHY COUNT					
FEB/1991	100%	NO MONTHLY	100%	100%	100%
AUG/1991	100%	60.4%	100%	100%	100%
AUG/1992	100%	100%	100%	58.1%	100%
OCT/1992					80%-85%
					OCT RATE PER COUNTY

PRIVATE RAMP

BUILDING NAME	AT&T BUILDING	100 NORTH HAMILTON	TENNEY PLAZA	VALLEY BANK TOWER	MANCHESTER BLDG	FIRSTAR BLDG
LOCATION	44 EAST MIFFLIN	HAMILTON/DAYTON	MAIN/PINCKNEY	WASH/FAIRCHILD	WISC/DAYTON	WASH/PINCKNEY
TOTAL SPACES	220	50	152	200	238	400
RESERVED SPACES	MAJORITY		SOME METERS	100	184	278
RATE/MONTH	\$85		\$85	\$80	\$80	\$84
OCCUPANCY PER BLDG CONTACT						
OCT/1992	MANY		100%	100%	UNKNOWN	100%
COMMENTS	NEW STRUCTURE OPEN TO PUBLIC PARK 7 DAYS, 24 HRS		NO RESERVED FOR PUBL WAITING LIST OF 40 PUBLIC METERS	NO RESERVED FOR PUBL PUBLIC HANDICAP ONLY PUBLIC METERS	NO RESERVED FOR PUBL PUBLIC METERS	WAITING LIST FOR PUBLIC METERS

PUBLIC LOTS

NAME	MUNI BLDG-BLOCK 88	BRAYTON
LOCATION	DOTY/PINCKNEY	WASH/BUTLER
TOTAL SPACES	20	186
RESERVED SPACES	NONE	NONE
RATE/MONTH	N/A	N/A
OCCUPANCY PER CITY'S PHY COUNT		
FEB/1991	100%	98.8%
AUG/1991	100%	88.7%
AUG/1992	94%	80.4%
COMMENTS	ALL METERS @ 0.60/HR	ABOVE RATES FOR TICKET PARK TICKET PARK @ 0.55/HR 16 METERS @ 0.50/HR

PRIVATE LOTS

NAME	ONE EAST MAIN
LOCATION	MAIN/MLK JR BLVD
TOTAL SPACES	92
RATE/MONTH	\$65
OCCUPANCY	
OCT/1992	100%
COMMENTS	NO RESERVED FOR PUBLIC EMPLOYEES ONLY SAME OWNER AS AT&T RAMP

concentration of government offices. The high demand for this ramp is reflected in its rate of \$85.00 per month, which is at the upper end of the range for both public and private ramps. There are 107 reserved stalls in the Doty Ramp. Vacancy rates are minimal; the ramp is consistently full.

According to The Dane County Ramp supervisor, the ramp has 1002 spaces, including 225 which are for reserved parking. The rate charged by the county is \$80.00 per month; however, a one year lease must be signed. The supervisor indicated that occupancy rates were between 80% and 85%. The supervisor also mentioned that the renters of the reserved spaces include neighboring business and that some spaces in the ramp are reserved for jurors attending court sessions. Forty percent of the ramp is allocated to parking by county employees. Note that according to the City there are 990 parking spaces in this ramp, of which 418 are reserved.

Both the Dane County Ramp and Doty Street Ramp are within walking distance of the subject.

Private Ramps

Exhibit 5 also details ramps that are owned by private owners. The general range of rates for parking spaces within these ramps is between \$80.00 to \$85.00 per month. The reserved parking at each is primarily for clients, customers, and tenants with these ramps typically having waiting lists. These ramps are primarily located around the Square.

Private Surface Lots

In addition to ramp parking there is also parking on public surface lots and two private surface lots within the market area. The lots owned by the city within this area have metered parking. Public surface lots with reserved parking are primarily located outside the Square area and not within reasonable walking distance for those interested in parking around the Square.

The AnchorBank surface lot is located near the southwestern end of the market analysis area. The lot has 37 spaces; most are used by employees and are leased at a low rate as an employee perquisite. The One East Main lot located one block to the east has 92 spaces which are leased for \$65.00 per month. Only tenants of the building can park on this lot. At present there are no vacancies.

Public Surface Lots

One of the public lots in the area is immediately across the street from the One East Main Lot at the corner of Doty Street and South Pinckney Street, just east of the Madison Municipal Building and the Post Office. The Block 88 Lot is a 20 space lot, typically with occupancy above 90%, and containing all meters at \$.60 per hour. Even though this lot is across the street from the Doty Street Ramp and the State offices, the demand for this lot is not as great as the demand for the Doty Street Ramp because it does not offer reserved spaces. We assume that workers in the area would prefer to pay for reserved parking instead of having to leave work and feed a meter at various intervals throughout the day.

The other parking lot operated by the city is the Brayton Lot at the corner of Washington and Butler. Vacancy rates for this lot vary throughout the year. The lot includes some meters; however, a larger percentage of the lot is ticket parking.

The above listing showing the supply of stalls in the major parking structures and surface lots as well as vacancy statistics and parking rates needs to be further analyzed in terms of the parking demand generators in order to provide a conclusion as to supply and demand relationships. The above data is clear in that while there is some minor vacancy with respect to reserved stalls at the City and County ramps, there is virtually no vacancy in the private sector parking ramps that are associated with major

office buildings. This suggests a preference for captive and/or convenient parking associated with an office building.

In talking to downtown investors, brokers, and property managers, it has been suggested that a Class A office building needs two to three parking stalls per 1,000 square feet in order to have a Class A image and be able to lease its space. These figures are approximate. Others have suggested ratios of one stall for every 450 square feet up to one stall per 200 square feet. Our research and interviews indicate a central tendency at the one stall per 300 square feet of rentable area ratio mentioned above. The Class A buildings analyzed in our Office Market Analysis generally have parking ratios within the range described above. Note that the Dane County Title property has a parking ratio exceeding a Class A office building. The apparent tremendous imbalance in the market is created by two factors. First, the State does not always provide parking for its buildings in keeping with market standards. Also, many of the Class B and C buildings have little or no parking at all. Downtown merchants and daytime visitors also generate parking demand.

In an attempt to quantify parking supply and demand, we used the figure mentioned earlier in this report of 3.8 million square feet of rentable office space in downtown Madison as a starting point. By adding up the reserved stalls in the publicly owned parking ramps researched for our analysis (801), the parking stalls in ramps associated with privately owned office building in the Square area (approximately 2,100) and the ramp or underground parking stalls directly associated with State-owned office buildings (1,100), there would be approximately 4,000 reserved parking stalls available to the Square office market as well as offices in the blocks immediately surrounding the Square. This may not include the entire 3.8 million square foot inventory of office space mentioned above, but it

would include the majority of this space. At 3.8 million square feet and using a ratio of 3 stalls per 1,000 square feet of rentable area, this volume of office space would require 11,400 parking stalls. Again, our inventory of reserved parking stalls in major parking structures and surface lots that are able to conveniently serve this market total approximately 4,000 stalls. While this analysis is not exhaustive in terms of the square footage of office space that would be directly be served by the parking structures and lots researched, clearly there is an imbalance.

While our research is not exhaustive, it clearly underlines the shortage of parking in the downtown Madison market. Demand for reserved spaces appears to be greatest in the southeast quadrant of the Square market, which is the location of the major State office buildings. Most privately owned ramps lease their spaces only to occupants of their building and our research indicates that a majority of these facilities have waiting lists. In terms of relating this to the parking at the Dane County Title Building, the subject lot is located such that it would appeal to both private sector office users as well as government workers if there was insufficient demand to fill the lot from the Dane County Title Building. Note, however, that the R6 zoning for the Wilson Street parcels has limitations with respect to surface parking lots as a conditional use, in that they are intended to be solely for the use of employees and patrons of the use to which the lot is accessory. In any event, these facilities are in a favorable location and should command a premium rent for a surface lot. Our research indicates that the current rates for reserved, sheltered parking range from \$75.00 per month to \$90.00 per month, with a central tendency in the \$80.00 to \$85.00 per month range. The best evidence of the rent potential for surface parking is indicated by the lot at One East Main lot at \$65.00 per month. A reasonable rental rate for the subject stalls

would be \$70 per month.

SITE DESCRIPTION AND ANALYSIS

Site Dimensions and Size

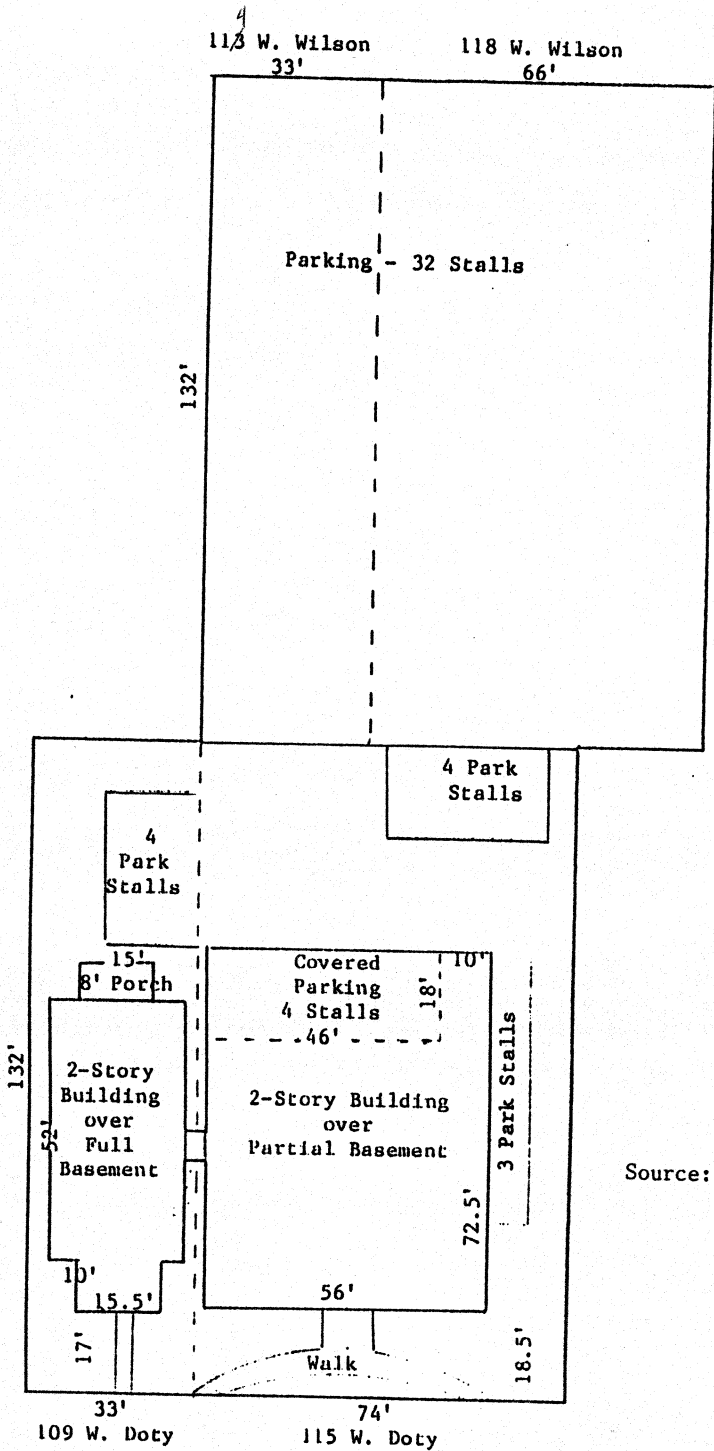
The subject site is an interior lot with frontages on two city streets. The site is irregular in shape, consisting of two contiguous rectangular parcels. The shape of the site is the result of an assemblage conducted over the years by Dane County Title (see History of the Property). That portion of the overall site which has frontage on Doty Street and which is improved with the two buildings has recorded dimensions of 107 feet of street frontage and a depth of 132 feet, for a total area of 14,124 square feet. That portion of the site which has frontage on West Wilson Street and which is used as a surface parking lot has recorded dimensions of 99 feet of street frontage and a depth of 132 feet, for a total area of 13,068 square feet. The dimension where the two parcels are joined is 74 feet. The total area of the site is 27,192 square feet, or .62 acres. A site plan showing site dimensions is shown on **Exhibit 6**.

Topography and Soils

The topography of the site slopes down toward Lake Monona, or from the northwest to the southeast. The site also slopes down gently to the southwest. The site has a relatively gentle slope or, say, 2% from its Doty Street frontage to the boundary between the Doty Street and Wilson Street parcels. There is a sharp drop of about five to six feet at this boundary, which is improved with a landscape timber retaining wall and poured concrete stairs to facilitate access. The slope of the Wilson Street Parcel is more pronounced; it was estimated to be 8% in the Perion Appraisal. A landscaped area consisting of a retaining wall and planting

EXHIBIT 6

SITE PLAN



Source: Perion Appraisal



area was constructed across the middle of the Wilson Street Parcel due to this slope, creating two parking zones, which are joined by a driveway located along the western border of the site.

The construction of improvements on the subject site, as well as the construction of improvements in the area, does generally indicate that the subject's soils are suitable for construction. The subject soils are classified by the USDA as McHenry Silt Loam and that the depth of the bedrock typically ranges from between 5 to 10 feet and the depth of a seasonably high water table exceeds 5 feet.

Utilities

The site is improved with municipal sewer and water, natural gas, electricity, and telephone service.

Traffic Flow Around the Subject Site

The site's frontage along West Doty Street places it along in the outside perimeter of the so-called outer-ring which directs traffic circulation around the Capitol Square. The outer-ring is made up of a series of one-way streets with traffic flow directed in a counter clockwise pattern to promote circulation around the Capitol Square rather than onto the Square itself. In addition, most downtown Madison streets are one-way streets, which sometimes makes automobile access circuitous. South Fairchild Street, which intersects with Doty Street just southwest of the subject, is a one-way street with four lanes (three thru traffic, one parking) with traffic directed to the south. West Doty Street is also a one-way street, but it has a directional change at its intersection with South Fairchild Street. Doty Street is a one-way street for eastbound traffic to the east of South Fairchild Street, and it is a one-way street for westbound traffic to the west of South Fairchild Street. West Doty Street is a four lane street (two thru traffic lanes and two parking

lanes). South Hamilton Street is a one-way street for northbound traffic to the south of West Doty Street and it is a two way street between West Doty Street and the Square. Streets in the vicinity of the subject are asphalt paved with concrete curb, gutter and sidewalks. 1991 traffic counts conducted by the City of Madison indicate a traffic volume on West Doty Street of 13,500 per day while the traffic volume on West Wilson Street is less, estimated at 8,150 cars per day near the subject's West Wilson Street frontage.

Site Improvements

The site improvements for the site primarily include paved areas, outdoor lighting, fencing and landscaping. The two sites with a frontage along Doty Street have concrete walkways and landscaping along Doty Street. In addition, there is a driveway along the southwestern portion of the site along Doty Street which leads to a parking area in the rear of both of these sites. There are three surface stalls on this driveway area next to the building. There is surface parking for eight cars at the rear of the two Doty Street lots, with four covered stalls under the 115 West Doty Building. The two parcels along Wilson Street are improved as an asphalt paved parking lot with 32 parking spaces. The total on-site parking is therefore 47 stalls. The Wilson Street parking lot is actually terraced into two levels due to its slope. There is a 5 foot high landscaped berm and planting area that serves as a divider between the two levels. As mentioned, there is also a timber retaining wall between the Doty Street parcels and the Wilson Street parcels. This retaining wall is topped with board fencing. The parking lot is also improved with outdoor pole-mounted lighting.

Conclusion

The site's location in the downtown central area just southwest of

the Square is considered to be a positive attribute with respect to its use potential. The fact that the site has frontage on two city streets gives it above average access. The physical characteristics of the site do not appear to limit its development potential, although it should be noted that a true rectangular shape would be viewed as more favorable than the irregular shape of the site. Finally, the size of the site is viewed as a positive attribute in that it is one of the larger sites in downtown Madison.

ZONING ANALYSIS

The purpose of the zoning analysis section is two-fold. First the subject will be studied to determine whether or not it is a legal, permitted use in terms of the ordinance that governs its location. Second, the permitted uses and limitations on those uses allowed within the district will be explored, with this information to be applied later in this report when determining the highest and best use of the property.

The subject site is subject to two different zoning classifications (C2 and R6), with a general and then a more detailed discussion of the zoning to follow.

The two parcels with frontage on Doty Street are zoned C2, General Commercial District. This type of commercial zoning district is intended to provide commercial uses located in relative proximity to residential areas and major thoroughfares. Retail uses as well as the furnishing of other types of services are permitted. All types of office uses are also permitted.

The parcels with frontage on West Wilson Street are zoned R6, General Residence District. The stated intent of the R6 zoning is to stabilize and protect the essential characteristics of certain of the highest density

residential areas normally located in the central part of the City, and to promote and encourage, insofar as compatible with the intensity of land uses, a suitable environment for a predominantly adult population. The ordinance goes on to say that another intent is to promote a suitable student housing environment in close proximity to the U.W. campus.

The details of the zoning code are found in **Appendix G**, with a summary of the conclusions that affect the subject property listed below. This discussion will be segregated, with the C2 portion of the site summarized first, followed by the R6 portion of the site.

C2 Zoning Summary - Doty Street Parcels

1. The office use of the Doty Street parcels is a permitted use. Both buildings appear to meet floor area ratio requirements (5.0). The rear yard requirement of 30 feet appears to have been met based on a site plan contained in Assessment records. No off-street parking is required in Madison's central area.
2. The upper floor apartments found in the 109 West Doty building are not a permitted use. Permitted uses in the C1 District include up to four dwellings above the ground floor, provided that such use does not exceed 50% of total building floor area. (Permitted uses in the C2 District include those permitted in the C1 District). The basement apartment pre-dates the 1966 ban on such units and is considered to be a legal nonconforming use. This assumes that the original use of the building as apartments was a legal use.

R6 Zoning Summary - Wilson Street Parcels

1. The surface parking lot accessory to a non-residential use is a conditional use. Such uses are listed as conditional uses under the R1 zoning ordinance (see Section 28.08(2)(c)1, which lists the other limitations to which such conditional use is subject). Conditional uses permitted in the R1 District are permitted as conditional uses in the R6 District. However, the parking lot on the site might exceed applicable yard requirements. However, according to the Perion Appraisal a conditional use permit for the parking lot along with a variance for its setbacks were obtained in 1987 according to records of the City of Madison Zoning Administrator.

Therefore, the two buildings conform to the requirements of the C2 zoning, but the basement apartment in the 109 West Doty office/apartment building is considered to be a legal, non-conforming use. The surface parking lot

on the Wilson Street parcels in the R6 District is considered to be a legal conditional use.

The subject site is viewed as unique given its split zoning. Further, the intent of the two zoning classifications is quite different. Future redevelopment of the site would probably involve rezoning to one classification or the other, or rezoning to some sort of planned development district.

In addition to the C2 zoning regulations, the property is also subject to the following:

1. Downtown Fire Safety District

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

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

2. Other Regulations

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

- a. Capitol View Preservation

1. According to Section 28.04 of the City's Zoning Code, no portion of any building or structure located within one mile of the center of the State Capitol Building shall exceed 187.2 feet.

b. Capitol Fire Safety District

1. The property is NOT located within the Capitol Fire Safety District. This factor positively contributes to the property's appeal since alterations to existing structures within this district must be of non-combustible metal studs. Wood framing members in this district are prohibited. This is a restrictive district where these restrictions would have an impact on the redevelopment potential of the property.

Taking into consideration the property's age, it does not seem to be unusual that the basement apartment portion of the property is a legal non-conforming use according to the C2 zoning classification. If the 109 West Doty Street Building is destroyed or damaged to the extent that the cost of restoration to the condition in which it was before the occurrence shall exceed 50 percent of its full market value, the basement apartment could not be restored.

The non-conforming basement apartment at 109 West Doty Street is not viewed as having a major impact on the potential alteration or renovation of this building. However, the significant limitations imposed by the requirements of the Downtown Fire Safety District will have an effect on the repair and/or rehabilitation of a damaged or deteriorated frame building, or on the alteration of such a building..

REAL ESTATE ASSESSMENT AND TAXES

The following is a breakdown of the 1991 and 1992 assessments for each of the four parcels involved in this valuation.

<u>Parcel #0709-242-1003-5 (109 W. Doty)</u>	
1991 and 1992 Assessed Value: Land:	\$ 75,000
Improvements:	<u>135,000</u>
Total:	\$ 210,000

Parcel #0709-242-1004-3 (115 W. Doty)

1991 and 1992 Assessed Value:	Land:	\$ 170,000
	Improvements:	<u>485,000</u>
	Total:	\$ 655,000

Parcel #0709-242-1015-0 (114 W. Wilson)

1991 and 1992 Assessed Value:	Land:	\$ 65,000
	Improvements:	<u>3,600</u>
	Total:	\$ 68,600

Parcel #0709-242-1013-2 (118 W. Wilson)

1991 Assessed Value:	Land:	\$ 131,000
	Improvements:	<u>13,000</u>
	Total:	\$ 144,000

Total Property

1991 Assessed Value:	Land:	\$ 441,000
	Improvements:	<u>636,600</u>
	Total:	\$1,077,600

The City of Madison's assessment ratio is 100%, more or less. This indicates that the assessor's opinion of the market value of the property equates to the assessment. For instance, the assessor's opinion of land value, taking into consideration the above assessed value for land, is \$16.22 per square foot. The assessor's opinion of value for the property as a whole is \$75.92 per square foot of gross finished building area.

The 1991 net tax rate for the City of Madison was 0.0333507, for a total 1991 tax liability of \$35,938.72, due in 1992. The 1992 net tax rate is 0.03484211, which would have resulted in a 1992 tax liability of \$37,545.85, due in 1993.

The property is not subject to any special assessments.

IMPROVEMENTS - DESCRIPTION AND ANALYSIS

The Doty Street Associates property that is the subject of this appraisal is improved with two buildings and a surface parking lot. The

building at 115 West Doty Street (the "115 Building") is a two-story office building of steel frame and masonry construction that has a partial basement. The 115 Building has a gross area of 11,352 square feet per assessment records. This includes the basement. The building at 109 West Doty Street (the "109 Building") is a two-story office/apartment building of wood frame and masonry construction that has a full basement. The 109 Building has a gross area of 4,677 square feet, including the basement, again per assessment records. The two buildings are connected via an enclosure built at grade level that is 3.5 feet wide by 6.0 feet in length.

Assessment records indicate that the 115 Building was built as a one-story building in 1956. The building was substantially renovated in 1978, and the second floor was added at that time. The 109 Building was built as an apartment building in 1941. The first floor of this building was remodeled for office use in 1975, shortly after its purchase by Dane County Title. Given the slope of the site, the basement areas of each building are partially exposed.

The interior utilization of the two buildings was summarized in the Perion Appraisal, which was confirmed by our inspection. The basement in the 115 Building contains two private offices, an employee break room and two restrooms in its finished area. The remainder of the space is unfinished and contains the boiler room, two storage rooms and an elevator closet. The first floor contains two conference rooms, five private offices, a reception area, a large work space and two restrooms. The second floor contains four private offices, two restrooms and another large open work area.

The 109 Building has a basement apartment, with an estimated area of 518 square feet. The basement areas also include a boiler room, storage

room, and central hallway. The first floor contains two private offices, two open work areas and two restrooms. The second floor consists of two apartment units, each approximately 702 square feet.

Summaries of the sizes of the 115 Building and 109 Building in terms of gross area and gross finished area are presented as follows:

BUILDING AREAS
115 Building

<u>Floor</u>	<u>Square Feet of Gross Area</u>	<u>Square Feet of Gross Finished Area</u>
B	3,232	2,430
1	4,060	4,060
2	<u>4,060</u>	<u>4,060</u>
Total	11,352	10,550*

* The Perion Appraisal lists gross finished area as 10,520 square feet.

BUILDING AREAS
109 Building

<u>Floor</u>	<u>Square Feet of Gross Area</u>	<u>Square Feet of Gross Finished Area</u>
B	1,559	518* (Apartment)
1	1,559	1,559 (Office)
2	<u>1,559</u>	<u>1,559</u> (Apartments)
Total	4,677	3,636*

* The only finished basement area is the apartment, which is described as being 518 square feet in the Perion Appraisal. The Assessment records indicate the basement has zero finished area. The Perion Appraisal lists gross finished area as 3,850 square feet.

The total gross finished office area for the two buildings is 12,109 square feet. The above measure also includes exterior wall areas, which technically should not be included in a measure of leasable space for office use. Further, it includes the finished basement areas in the 115 Building, which include an employee lounge and storage as well as two office and two rest rooms. If one assumes an exterior wall thickness of

one foot, the total leasable office area of the buildings would be about 949 square feet less than the gross finished area estimate, or 11,160 square feet. This assumes a single tenant occupancy. The leasable area under any multiple tenant arrangement would be less, due to the need to create an entry area, elevator lobbies, and corridors.

The following is an outline description of the 115 West Doty Street building. The description that follows is based on a compilation of information from the Perion Appraisal, Assessment records, and our inspection of this property.

Site Preparation and
Excavation:

Excavation primarily for partial basement and foundation system. The foundation walls of this structure are reinforced concrete and the footing system under these walls is believed to be reinforced concrete. Due to the slope of the site, the basement is partially exposed.

Basement Slab:

The basement slab is of reinforced concrete, with an unknown thickness.

Frame:

The framing system of the building is fireproofed steel with masonry walls.

Exterior Wall System:

The exterior walls have a brick veneer over masonry.

Structural Floors:

The structural floors have a steel frame and deck.

Roof:

The flat roof has a steel frame decking with a built-up tar and gravel covering.

Interior Finishes:

The following description of the interior finishes for the building are according to the Perion Appraisal, confirmed by our inspection.

The finished portions of the basement are finished with carpeted floors, papered walls and acoustical tile ceiling. It is also noted that the employees' break room has finishes that are somewhat dated including shag carpeting and pine paneling. The rear one-third of the basement is exposed, but has no windows.

Interior walls on the first floor are plaster with paint and wallpaper. The floors are carpeted and the ceilings are finished with acoustical tile.

Lighting is by fluorescent fixtures. In addition, there is decorative millwork and built-in cabinetry for the conference room and some of the private offices.

The finishes for the second floor are noted as being of the same quality and condition as those of the first floor.

Electrical: The building is serviced by 600 amp service with the main located in the 109 Building.

Plumbing: Plumbing service in the building is primarily for the employee break room in the basement and for the two restrooms on each floor. There is one 40 gallon water heater and a water softener. The Perion Appraisal notes that plumbing supply lines are copper.

HVAC: The building is heated by a hot water system with one multi-temp gas-fired boiler. There is central air conditioning for the building.

Fire Protection: Assessment records indicate that there is a fire alarm.

Other: The building is improved with (1) Northwestern Electric Model Elevator, 10 person/1500 pound capacity which stops on each floor of the building, including the basement.

The following is an outline description of the 109 West Doty Street Building. The description is based on a compilation of information from the Perion Appraisal, our inspection, and assessment records.

Site Preparation and Excavation: Excavation was primarily for the building's full basement and foundation system. The basement is exposed at the rear of the building due to the slope of the site.

Foundation System: The foundation walls as well as the footing are of poured concrete construction. Footings are assumed to be poured concrete spread footings.

Basement Slab: The basement slab is also of poured concrete construction, with an unknown thickness.

Frame: The building has a wood post and beam framing system.

Exterior Wall System: The exterior wall system includes a brick veneer over masonry.

Structural Floors:	The structural floors are believed to be consistent with the general wood framing system of the property.
Roof:	The hip-style roof has a wood decking and an asphalt shingle covering.
Interior Finishes:	<p>The interior finishes description is from information contained in the Perion Appraisal, confirmed by our inspection.</p> <p>The interior finishes in the basement apartment include asphalt tile floors, wood base, and plaster walls and ceilings. The bath has a ceramic tile floor and wainscot.</p> <p>On the first floor, walls and ceilings are plaster with carpeted floors and varnished pine trim. The bathrooms have ceramic tile wainscot and floor. Lighting is provided by fluorescent incandescent fixtures.</p> <p>Interior finishes in the second floor apartments include hardwood floors, with linoleum in the kitchen and ceramic tile in the bath. Walls and ceilings are plaster, with a ceramic tile wainscot in the bath.</p>
Electrical:	The electrical service for this building includes a 600 amp main located within this building which services the 115 Building as well. There are separate meters for each of the three apartment units and for the house lights.
Plumbing:	Plumbing includes bathroom and kitchen fixtures for the basement apartment unit, with two full bathrooms on the first floor and bathroom and kitchen fixtures for each of the two apartment units on the second floor. The first floor office space was originally two apartments before remodeling, and the rest room facilities are the original bathrooms for the apartments. There is (1) 50 gallon gas water heater and a water softener for the building.
HVAC:	Heating is provided by a hot water system. There is (1) National Gas-Fired Boiler, with a 295,700 BTU capacity. There are (2) window air conditioning units servicing the first floor.
Fire Protection:	The assessor's inspection notes indicate that the building is equipped with a fire alarm.

Other: There is a 3.5'x 6' enclosed corridor at grade along this building's western elevation that provides access to and from the 115 Building.

The buildings were in overall good physical condition when inspected. The maintenance of the building appeared to be above average. No immediate repair items were noted. Neither building's roof could be inspected, so roof condition is unknown.

The buildings do suffer from various items of functional obsolescence. The utility of the 115 Building as an office is considered average for a single tenant. Given the location of the elevator and general floor layout, the building would not be easily divisible for multiple tenancy. The number of above-grade private offices (nine) is considered somewhat low for a building of this size, and the ratio of window area to wall area is also low. Modern office tend to have continuous window bands at office levels. In general, private offices and sometimes conference rooms usually ring the exterior walls of an office floor, with general work space, secretarial areas, restrooms, stair and elevator shafts, etc., found on the interior of a floor. With perimeter walls of 72.5 feet (sides) and 56 feet (rear), the two upper floors could have seventeen offices each assuming an optimal arrangement. This assumes corner offices only in the front of the building, with the balance of the front of the building (about 34 feet) left open for reception, etc.

The 109 Building also suffers from functional obsolescence. The building is up-grade from 115 Building, so there are a few stairs at the 109 Building end of the enclosed corridor leading from the 115 Building. The floor plan of the office area of the 109 Building is a reflection of the second floor apartments. The four offices were once the living rooms and kitchen and bedroom areas of the original two apartments. The circulation pattern is poor, in that one enters from the 115 Building

directly into an office (there is no reception area), and one has to walk past the bathrooms to get to the rear offices. The size of the front offices (formerly the apartment living rooms) were such that they appeared too large for one person but a bit crowded for two. Further, the two bathrooms found on the office floor are the original apartment bathrooms, with tubs and showers. These are a super adequacy for an office of this type.

The apartments in the basement and second floor of the 109 Building are well-designed for their intended use. The basement apartment is a one bedroom apartment with a living room, kitchen, and full bathroom (shower over tub, sink, and toilet). The entry area and stairs leading down to the apartment have a terrazzo floor, but the floor finish then makes a transition to asphalt tile at the actual basement level. The floor finish of the apartment itself is also asphalt tile. Other pluses in terms of the functional utility of the basement apartment include the fact that the kitchen has an eating area and that the apartment itself has adequate storage. The only drawbacks that were noticed during our inspection were the lack of natural light to the kitchen since there were no kitchen windows, and the lack of carpeting.

The two second floor apartments in the 109 Building were both one bedroom apartments, each having a living room, kitchen, and full bathroom (shower over tub, sink, and toilet). The stairs leading up to the apartments were finished with terrazzo, with hardwood floors in the living rooms as one entered the units. Both apartments were above average in terms of appearance, roominess, storage, and overall desirability relative to other downtown apartments in buildings of similar size and vintage.

During our inspection of the buildings, we noticed that exposed heat pipes were wrapped with a mineral fiber wrapping. According to Mr. Gaylord

Plummer, Facilities Analyst for Dane County, asbestos was present in the pipe wrap found in both buildings. THIS APPRAISAL ASSUMES THAT THE SUBJECT PROPERTY AND BUILDINGS ARE FREE OF POTENTIAL ENVIRONMENTAL HAZARDS. The costs of any environmental remediation and/or discounts that would be made by potential buyers due to any environmental hazards have not been considered or included in the value estimate set forth in this appraisal.

Site Improvements

Off-street parking for both parcels includes three parking stalls along the southwest elevation of the 115 Building, four additional stalls along the southwestern corner of the 115 Parcel, as well as four covered parking stalls at the rear of the 115 Building. The 109 Parcel has four parking stalls along the rear, as well. Thirty-two additional parking stalls for both of these properties are located on the two Wilson Street Parcels. The four subject parcels thus have a total of 47 parking stalls, which provides a ratio of about 4 parking stalls per 1,000 square feet of leasable office area. This is high for downtown Madison, where Class A space typically offers only half as much parking.

Other site improvements include planting areas at the Doty Street frontage of the two buildings, plus the retaining walls and planting area on the Wilson Street parcels.

Conclusion

The 115 Building and 109 Building are in overall good condition and have apparently received above-average maintenance over the years. With a continuation of such maintenance, the buildings are estimated to have a remaining economic life of at least 20 to 25 years, with a longer remaining physical life of 30 years or more.

Both buildings provide adequate utility under the present pattern of utilization, which is primarily as a single tenant office property. The

apartments in the 109 Building are not viewed to conflict with this office use; a mix of apartment and commercial use is not uncommon in downtown Madison. The office portions of the buildings suffer from functional obsolescence in that the floor plans are not optimal and not suited for multiple tenancy. The ratio of total available parking (over 4 stalls per 1,000 square feet of leasable office area) is about twice as high as typical of downtown Madison, is a major positive attribute. The parking is viewed as lending attractiveness and marketability to the property, helping it overcome some of its negative attributes.

HIGHEST AND BEST USE

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

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

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

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

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

Highest and best use is first determined for the subject parcel as though vacant. In this analysis, we assume that the subject site is vacant or can be made vacant through the demolition of any and all improvements.

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

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

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

It is easy to predict -
would be treated
standards to be
speculative in nature

HIGHEST AND BEST USE AS THOUGH VACANT

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

Physically Possible

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

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

The shape of the site is not optimal but would not pose any undue limitations on its development potential. The two contiguous rectangles that make up the site share a 74 foot boundary. This means that if a new building was to be built on the overall site, its shape would have to conform to these rectangular areas. The shared boundary of 74 feet is viewed as adequate to allow two potential building sections to be joined to one another. However, a more evenly shaped rectangular site would probably provide an easier development site with which to work than the

subject site.

The topography of the site is not viewed as a problem. A likely development scenario would be to have a main building entrance on Doty Street with below or partially below grade parking with access on Wilson Street.

To conclude, the physical characteristics of the site would indicate a strong likelihood that any reasonably probable building program for the subject site would be physically possible.

Legally Permissible

The legal constraints that effect the possible uses of the site are represented by the zoning code and other outside legal encumbrances such as easements or other private restrictions placed on the site. In terms of zoning, permitted uses on the site are dictated by the C2, General Commercial District zoning for the Doty Street portion of the site and the R6, General Residence District. *for the W. Wilson St. parcels*

As discussed in the Zoning Analysis section of this report, the stated intentions and permitted uses of these two districts are markedly different. One of the implicit criteria of Highest and Best Use analysis is that a use be a reasonably probable use of the site. By virtue of its size (.62 acres), the subject site is one of the larger sites under single ownership in downtown Madison. Based on the pattern of more recent downtown developments and proposed developments (e.g., Manchester Place, the proposed M&I Bank/Foley & Lardner Office Building) it is not likely that a developer would build a commercially oriented use on the C2-zoned portion of the site and a separate residentially oriented use on the R6-zoned portion of the site. Rather, a developer would probably attempt to get the site re-zoned to allow a unified development plan for the site.

Most new developments in downtown Madison have planned development

zoning, with Planned Unit Development District ("PUD") typical. Not only does this allow the developer some degree of flexibility with respect to planning, but practically speaking, this gives the City of Madison a significant degree of control over the planned development. Historically, the City has been very involved in downtown real estate developments, and this is likely to continue. The PUD process involves the filing and approval of a general development plan, which is followed by the submission and approval of a specific implementation plan ("SIP") setting forth exactly how the approved plan will be accomplished.

While rezoning to planned development zoning is the reasonably probable course of action that would be taken by a developer as part of the purchase of the site as if vacant, it must be borne in mind that the site was subject to split zoning as of the date of this appraisal. This means that the buyer would probably structure a purchase with the rezoning as a contingency to be cleared prior to purchase. Successful rezoning would be the result of entrepreneurial effort and if such effort allowed more intensive development of the site than allowed by the existing zoning, value would be added to the site. Since this would have to be done by a buyer in the subject case (it had not been done by the seller), the value premium resulting from such rezoning would accrue to the buyer; the buyer would not pay the seller for it "up-front". As such, the price of the subject site would be discounted accordingly to reflect the uncertainty with respect to a probable re-zoning.

Since base pricing of the overall site as if vacant would be predicated on the set of legal entitlements that were in place as of the date of this appraisal, preliminary highest and best use testing was done under the current zoning. In terms of the C2 zoned portion of the site, the zoning criteria that place the maximum restrictions on the site are the

floor area ratio ("FAR") of 5.0 and the rear yard requirement of 30 feet where a rear yard of a property abuts a rear yard of an adjacent parcel. This would allow for a building with a maximum floor plate of 107 feet by 102 feet, or 10,914 square feet, with a perimeter of 418 feet per floor. With an FAR of 5.0, the maximum gross building area would be 65,484 square feet, as shown by the following calculations:

Lot Size (Square Feet)	14,124
Floor Area Ratio	5.0
Maximum Building Area (Square Feet)	70,620
Maximum Gross Area per Floor (Square Feet)	$\div 10,914$ <i>107' x 102'</i>
Number of Stories	6.47
Rounded to:	6.0
Maximum Gross Area per Floor	$\times 10,914$
Building Area Permitted on Site (Square Feet)	65,484

The subject site is large enough to accommodate parking within the building envelope. A reasonable scenario would be to build a below-grade level of parking and an at-grade parking level, with a four-story office building above. The size of the subject lot is roughly similar to the Anchor Ramp site, and this ramp has a ratio of one parking stall per 430 feet of building area. This would allow parking for 25 cars per floor (50 total) which, at a rate of two stalls per 1,000 square feet of office space, would support a leasable office area of 25,000 square feet. The rear yard of the lot could accommodate another 10 autos to support another 5,000 square feet of office. This parking is less than Class A standards, at about ^{four or 1.37} ~~one~~ stalls ^{of disabled parking} per 1,000 square feet of office area. However, many buildings downtown do not have captive parking but depending on nearby ramp parking. Increasing the ratio of parking to office space in the above scenario is not likely, however, given the greater economic productivity of office space. The total gross area of four floors of office would be 43,656 square feet, with the gross area of the attached parking 21,828 square feet. Given this parking ratio, the building should be able to

support rent levels between upper end Class B space and lower end Class A space, or say \$17.00 per square foot on a gross basis. Indoor parking was assumed rentable at \$90 per month, with surface parking at \$75 per month. The vacancy assumption used in our pro-forma was 5%, with operating expenses conservatively estimated at \$7.00 per square foot of rentable office area (\$6.50 to cover the office area and \$0.50 allocated to the parking area). This rental income stream was capitalized at a cost constant of 12% to reflect the entrepreneurial return necessary in a development situation. Finally, the preliminary land value estimate of \$20 per square foot was subtracted from the justified development budget in order to provide an indication of the justified budget for the building alone. A proforma setting forth the calculations based on the above assumptions is shown as follow:

JUSTIFIED BUDGET FOR PERMITTED OFFICE USE
C2 PARCEL

Gross Building Area (Square Feet)	43,656	
Efficiency Ratio	X 85%	
Rentable Building Area (Square Feet)	37,108	
Rent per Square Foot	X 17.00	
Potential Gross Office Income	\$ 630,836	
Parking Income (50 @ \$90/mo., 10 @ \$75/mo.)	+ 63,000	
Potential Gross Income	\$ 693,836	
Vacancy @ 5%	- 34,692	
Effective Gross Income	\$ 659,144	
Operating Expenses (\$7.00 per SF NRA)	- 259,756	
Net Operating Income	\$ 399,388	9.15/SF GBA
Capitalized at 12%	÷ .12	10.76 SF NRA
Justified Development Budget	\$3,328,233	
Land Value at \$20/SF	- 282,480	23 3,752@ 16.55
Indicated Building Budget	\$3,045,753	
Gross Building Area	÷ 65,484	
Justified Building Cost per SF	\$ 46.51	47.26

Building costs estimated using the Boeckh Building Valuation Manual indicate that such a building would cost about \$60.38 per square foot to build. These cost estimates are contained in **Appendix H**. Since these costs are well in excess of the costs justified by the optimistic

assumptions used in our proforma, a new office development for the subject site would not be feasible as of the date of this appraisal. Further, the spread between justified and estimated actual cost indicates such a development would not be feasible in the foreseeable future.

The same analysis was done for the R6 zoned portion of the site. A multi-family development scenario was tested given the intent of the zoning. Note, however, that multi-family use is a conditional use in the R6 District and requires plan approval, with plan criteria including open space requirements, landscaping plans, building exteriors and interiors, etc., with special additional criteria for buildings over four stories. The limiting requirements in the R6 District include an FAR of 2.0, a lot coverage ratio of 40%, certain usable open space requirements, (see code), and lot area requirements (i.e., 450 square feet for a one-bedroom, 600 square feet for a two-bedroom). Due to the trend to smaller units and an increased desire for privacy among downtown tenants, a unit mix of two-thirds one-bedroom units and one-third two-bedroom units was assumed. The weighted average lot area required per unit would therefore be:

450 SF/One Bedroom x .667 =	300
600 SF/Two Bedroom x .333 =	<u>200</u>
Weighted Average Lot Area/ Unit (Square Feet)	500

Given a lot area of 13,068 square feet, the maximum number of units that could be built would be 26 ($13,068/500 = 26.14$). The above weighting would indicate a mix of 18 one-bedroom and eight two-bedroom units. Based on an average unit size of 750 square feet for the one-bedrooms and 1,000 square feet for the two-bedroom units, and a building efficiency ratio of

85%, gross building area would be as follows:

18 Units @ 750 SF	=	13,500
8 Units @ 1,000 SF	=	8,000
Net Livable Area		21,500
Efficiency Ratio	÷	.85
Gross Building Area		25,294

Based on 40% lot coverage, the maximum building footprint would be 5,227 square feet, implying a five-story building. Based on downtown rent comparables, a reasonable average rent for the one-bedroom units would be \$0.90 per square foot (~~\$0.85~~ per month) and \$0.85 per square foot (~~\$0.75~~ per month) for the two-bedroom units, assuming the landlord pays all utilities except domestic electricity. A reasonable vacancy allowance for downtown apartments would be 3%, with an operating expense ratio of 45% of effective gross income. A cost constant of 12% was also used for this scenario. A land value assumption of \$5,000 per apartment unit (\$130,000 or about \$10 per square foot of land area) was also utilized in order to isolate the justified budget for the building alone. A proforma setting forth the calculations based on the above assumptions is shown as follows:

JUSTIFIED BUDGET FOR MULTI-FAMILY USE - R6

Annual Rental Income -	
One-Bedroom Units (13,500 x \$0.90 x 12)	\$ 145,800
Annual Rental Income -	
Two-Bedroom Units (8,000 x \$0.85 x 12)	81,600
Potential Gross Income	\$ 227,400
Vacancy @ 3%	- 6,822
Effective Gross Income	\$ 220,578
Expenses @ 45%	\$ 99,260
Net Operating Income	\$ 121,318
Capitalized at 12%	÷ .12
Justified Development Budget	\$1,010,983
Land Value @ \$5,000/Unit	\$ 130,000
Indicated Building Budget	\$ 880,983
Number of Units	÷ 26
Cost Per Unit	\$ 33,884
Gross Square Feet	÷ 25,294
Cost Per Square Foot	\$ 34.83

Multi-story apartment units today typically cost a minimum of \$50,000 per unit; costs of up to and even greater than \$100,000 per unit are possible. Feasibility testing was refined by using an average base cost from the Boeckh Manual (Model 0115 - Apartment - three to five-story - Fireproofed Steel Frame), which indicated the following:

Superstructure Base Cost (Per SF)	\$ 36.96
Superstructure Area (Square Feet)	<u>25,294</u>
Building Base Cost	\$ 934,866
Time/Location Multiplier	<u>x 1.70</u>
Adjusted Subtotal	\$1,589,272
Architects Fees	<u>1.059</u>
Current Replacement Cost	\$1,683,040
Other Soft Costs (@ 10% of Adjusted Subtotal)	<u>158,927</u>
Replacement Cost New	\$1,841,967
Per Unit	\$ 70,845
Per Gross Square Foot	\$ 72.82

Again, the spread between the building construction cost justified by the estimated income structure of a multi-family development and the estimated cost of such a development is such that such a development is not feasible.

Parking was not considered in this model because given the relatively low lot coverage, it is likely that parking would be a mix of surface and garage parking. The negotiated context of multi-family development and the stringent open space requirements would force some parking underground which, given FAR requirements, would reduce the number and/or size of the apartments. Recall from the office analysis in this report section that a 50 car underground parking garage, which is partially underground, was

estimated to cost \$642,229, or \$12,845 per stall. We checked parking ramp costs with a representative of the J.W. Peters Company in Burlington, Wisconsin, and learned that hard costs for a parking garage that is partially underground or for a more costly ramp (e.g., increased aesthetics, less efficiency, etc.) between \$10,000 and \$12,000 per stall,

providing good support for our previous estimate. (Per Mr. David Ward at the State Department of Administration, the ramp for the new DOA building on East Wilson Street Cost \$8,000 to \$9,000 per stall). The apartment rental structure postulated above produces net operating income of \$5.64 per square foot (\$121,318 NOI \div ^{21,510}~~37,100~~ square feet). At \$90 per stall per month and assuming no operating expenses, a more inefficient structure on a small site with 430 gross square feet per parking stall] would provide "net" income of \$2.51 per square foot. Even if the parking was extremely efficient at one stall per 300 square feet of gross area, "net" income per square foot would be \$3.60 per square foot. This proves that office or apartment use is more economically productive than parking, which supports the argument that it would be unlikely to add parking to a building at the expense of these other types of space.

The other conclusion that is indicated by the above analysis is that on a unit (i.e., per square foot) basis, office use is more economically productive than an apartment use. The net income per square foot for office was estimated to be \$10.76 per square foot versus \$5.64 per square foot for apartment use. This reinforces the earlier conclusion that the most logical option for the site if vacant would be to attempt to rezone it to PUD zoning, which would allow a unified development plan for the entire site. Since the most economically productive use would apparently be office, it is reasonable to assume that the PUD plan would emphasize this use.

However, testing the feasibility of an office development under PUD zoning is not possible since no firm assumptions can be made as to a logical or reasonable scope of development. The PUD zoning does not set forth any requirements for lot area, lot width, height, floor area ratio (FAR), yard, usable open space, or off-street parking. Criteria for

approval include the need to produce significant community benefits in terms of environmental and aesthetic design. The character and intensity of land use must be compatible with the physical nature of the site or area, not adversely effect the provision of municipal service, and not create a traffic or parking problem. Since zoning is negotiated, it is impossible to predict the development package that would be allowed for the site if rezoned.

However, testing the feasibility component of the highest and best use of the site as if vacant can be done qualitatively rather than quantitatively. If vacant, the subject site would have to be ranked in relation to development projects that would be similar to that contemplated for the site that are close to fruition, as well as other vacant development sites because the Madison market has a limited capacity to absorb new space. It is reasonable to assume that the subject project would not be considered feasible if another project began construction before the subject, or if a better development site existed at the time that the subject might be considered for development.

First, the M&I Bank/Foley & Lardner Office Building is apparently proceeding through its final planning stages prior to commencing development. This building will reportedly have a total gross area of 160,000 square feet, consisting of 107,000± square feet of new space that will envelop the existing M&I Bank Building. Much of this space is pre-leased, in that the M&I Bank will continue to occupy their space, with a significant portion of the remaining space to be occupied by Foley & Lardner. However, this will mean that the Foley & Lardner space in the Firststar Plaza will become vacant, which will have to be absorbed in the marketplace. Interviews with leasing agents indicate that much of this space will be taken by tenants in the Firststar Plaza Building requiring

expansion space. In any event, the pre-leasing of the M&I Bank/Foley & Lardner Office Building removes one of the larger tenants that was "in play" from the market, and since the Madison market can typically only support the development of one Class A building at a time, it is not likely that development on another such project will occur until absorption of the M&I Bank/Foley & Lardner Building is well underway.

The next consideration is the number of under-utilized and vacant sites in the downtown Madison area. These sites are summarized on the following list:

1. EAST MIFFLIN STREET ASSEMBLAGE ON THE SQUARE.

Mr. Jerome Mullins has purchased six improved parcels from 14 East Mifflin through 24 East Mifflin over the last few years for the purpose of developing a mixed use project (first floor retail with apartments or condominiums above).

This project is in planning stages and is moving slowly. While the developer has received an indication from the Landmarks Commission that the existing buildings are not historically significant, no razing has taken place. The six parcels have a total land area of 16,896 square feet.

2. THE S.S. KRESSGE BUILDING AT THE CORNER OF EAST MAIN AND SOUTH PINCKNEY.

Mr. Jerome Mullins purchased the now-vacant Kressge building in the mid-80's as a potential hotel site. This project never materialized and Mr. Mullins is currently improving the building as a day care center for the State of Wisconsin on a leased basis. This site contains 13,634 square feet.

3. THE BRAYTON LOT ON EAST WASHINGTON, SOUTH BUTLER AND SOUTH HANCOCK.

The City-owned Brayton Lot is located at 1 South Butler Street just east of the State Offices of GEF I and accommodates 188 cars. It contains 61,710 square feet (1.42 acres) according to the 1992 assessment records with frontage on South Butler, and also on South Hancock and East Washington Avenue. The site is zoned C2 and is in a TIF District.

The State of Wisconsin Building Commission recently purchased the improved property adjacent to the parking lot from the Madison Turners, a gymnastic school. The Turner site contains 15,048 square feet (0.35 acres) with 99 feet of frontage on Butler Street. This site is also in a TIF District.

According to Joel Peterson of the City of Madison Planning and Development Department, the City of Madison would consider proposals from the private sector for development of this site.

4. THE VACANT YMCA SITE ON WEST WASHINGTON AVENUE

Jerome and Carol Mullins purchased the site of the old YMCA in 1990. Although not confirmed, it has been rumored that Mr. Mullins acquired this site for potential expansion of parking for the Inn on the Park which he also owns. Other rumors suggest that he has assembled this site for possible hotel expansion in connection with the Monona Terrace Convention Center.

According to the 1992 assessment records the site consists of two parcels located at 207 and 215 West Washington Avenue. The combined area of the site is 30,492 square feet (0.70 acres) with combined frontage of 198 feet. The 1992 assessment of \$675,000 translates to \$22.14 per square foot. The property is zoned C4 - Commercial, but it is not located in a TIF District.

5. OTHER POTENTIAL DEVELOPMENT OPPORTUNITIES

Other development opportunities in the downtown area of Madison include the Valley Bank-Blied Building and the Reynolds property at the southeast quadrant of the intersection of John Nolen Drive, Williamson Street, and Blair Street. Mr. Peterson believes this latter property is under-utilized at present.

Certainly, the Brayton Lot and vacant YMCA site would have a competitive advantage over the subject. Both are already appropriately zoned for an office use, and one is in a TIF District. Notice that of the private sector developments that have come on-line since 1984, all have used city subsidies in order to help ensure the project feasibility (e.g., TIF financing, development bond financing, land write-downs, etc.). The ability to obtain these types of subsidies is part of the overall entrepreneurial effort that would be necessary to develop the subject site and, as discussed earlier, a developer would not pay a seller for this entrepreneurial input "up-front".

Given the fact that a major office development is about to commence construction (i.e., M&I Bank/Foley & Lardner Office Building), coupled with the fact that there are two vacant sites that would have an apparent competitive advantage over the subject, it is reasonable to conclude that it would be some time before development on the subject site would be considered. Again, the subject site is not currently zoned for such

redevelopment, nor is it in a TIF district. Given its competitive position, it is reasonable to conclude that development of the site would not currently be feasible if the site were vacant.

Maximally Productive

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

Conclusion

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

HIGHEST AND BEST USE AS IMPROVED

An analysis of a property's highest and best use as improved is crucial in identifying the suitability of the improvements for continued use as they currently exist on the date of appraisal. This analysis also helps in identifying comparable properties to be used in the Sales Comparison Approach because similar or comparable properties will have the same highest and best use as the subject property. In addition, this analysis is intended to determine whether or not any alterations can be made to the existing pattern of utilization to increase economic productivity. The highest and best use of the property as improved must also meet the four tests of being physically possible, legally permissible, financially feasible, and maximally productive.

Physically Possible

It appeared from our inspection of both the 115 Building and the 109 Building and from the Perion Appraisal that there were no apparent soil or foundation problems effecting the buildings. The fact that the improvements are in overall good condition suggest that the buildings can remain as-is for some time.

If necessary, the existing building structures can be altered somewhat. Although construction drawings were not available for inspection, the steel framing for the 115 Building indicated by assessment records suggests that most interior partition walls probably are not load-bearing, meaning that there would be some flexibility in terms of rearranging the layout and partitioning of building work areas. In the 109 Building, some alterations have already been done, in that the original first floor apartments have already been converted to office use.

Legally Permissible

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

The 115 Building and its current utilization is apparently a legal, conforming use within the C2, General Commercial District. The 109 Building also conforms to the C2 zoning requirements, but the basement apartment in the building is apparently a legal nonconforming use.

Within Madison's commercial districts, permitted uses of land or buildings shall be restricted to those uses indicated in the current zoning ordinance, with the exception of those uses lawfully established on or before the effective date of the ordinance. The Zoning Code indicates that

the nonconforming apartment could be repaired, but not expanded. If the building were to be destroyed it could be replaced, but without the basement apartment.

Given the potential for use of the second floor apartments as office expansion space, legal constraints on change in use must be addressed. This has both zoning and building code applications, which are summarized as follows:

- In order to change the use of the building, any new use would have to be permitted in the district in which the building is located. The reader is directed to a copy of the relevant pages of the Zoning Code contained in **Appendix G** for further clarifications.
- The building code has relatively little impact on the subject property if used as an apartment building on an as-is basis. Minor repairs and alterations can typically be done without a building permit. Certain repairs and alterations that might require a permit (e.g., major electrical work, alteration of sanitary facilities, etc.) are not viewed as extraordinary; it is likely that such approvals would be easily obtained in the normal course of doing remodeling or alterations while keeping the existing pattern of utilization intact.
- However, numerous building code requirements come into play in the event the existing use of the building is changed to a new use. If the building undergoes physical remodeling in its change of use, the building might need to comply with requirements for a barrier free environment, depending on the extent of remodeling, based upon certain percentages set forth in Sub-Paragraph 6 of Section 52.04 of the Wisconsin Administrative Code (which is the State Building Code).
- Remodeling is defined in the Code as: "To remodel or alter, or both, means to change any building or structure which effects the structural strength, fire hazard, internal circulation, or exits of the existing building or structure". This definition does not apply to maintenance, re-roofing, or alterations to the heating and ventilating or electrical systems.
- The applicable code is summarized as follows:

Sub-Paragraph 6, mentioned above, requires that if more than 50% of the gross interior area of the building is remodeled, added to, or both, then the entire building shall comply with all applicable requirements of Section 52.04 of the Code. Section 52.04 sets forth the requirements for a barrier-free environment. If 25% to 50% of the gross interior area of a building is remodeled, added to, or both, that part of the building that is remodeled, added to, or both, shall be

provided with certain barrier-free requirements as specified in Table 52.04 and Sub-Paragraph 4 of the Code. If less than 25% of the gross interior area of the building is remodeled, added to, or both, the requirements of Table 52.04 and Sub-Paragraph 4 of the Code need not be provided unless the remodeling or addition involves an entrance or exit or toilet facilities, in which case the entrance or exit or toilet facilities shall comply with Sub-Paragraph 4 of the Code.

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

If the second floor of the 109 Building were to be changed to office use, it would then become a place of employment. As such, other requirements for barrier-free environments set forth in Chapter 52 of the Code would apparently come into play. The main features of this code are summarized as follows:

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

Since the entrance of the 109 Building is at grade, ramping would probably not be necessary. However, the entryway might have to be widened. In addition, where parking spaces are provided, a minimum of one accessible parking space, at least 12 feet wide, shall be provided and designated as specified in Table 52.04-A of the Code. The building might also have to be made accessible from the parking lot.

The State of Wisconsin Building Code has not yet been revised to

include the requirements that have been mandated by Title III of the Americans with Disabilities Act ("ADA"). If changed to an office use, the second floor of the 109 Building would become a commercial facility as defined by ADA, which includes facilities intended for non-residential use by a private entity whose operations effect commerce. An office is an example of such a use and a summary of ADA applications follows:

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

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

ADA also sets forth requirements for primary function areas:

- A primary function area is defined as any room or space where the major activities for which the facility is intended are carried out. Examples would include offices and all other work areas in which the activity of the public accommodation or commercial facility are completed. Mechanical rooms, boiler rooms, storage rooms, and restrooms are not considered primary function areas.
- An alteration that effects the useability of, or access to, a primary function area will trigger the obligation to provide an accessible path of travel to the altered area. The restrooms, telephones, and drinking fountains serving the altered area must also be made accessible.
- A path of travel is defined broadly as a continuous, unobstructed

route by which the primary function area can be approached, entered, and exited, and which connects the area with the entrance to the facility and other parts of the facility. In some circumstances, the costs of providing an accessible path of travel to an altered area may be disproportionate in comparison to the alteration costs to the primary function area.

- The costs of providing an accessible path will be considered "disproportionate" when the cost exceeds 20% of the overall cost of the alteration to the primary function area. Where the path of travel costs are disproportionate, the path of travel shall be made accessible to the extent that it is not disproportionate. This does not necessarily require an expenditure of the full 20%. Rather, alterations should be made to the extent that they would result in an increase in accessibility. Also, priority would be given to those elements that provide the greatest access.¹
- As was the case with building code compliance, the degree to which alterations of the building need to comply with ADA requirements depend on the degree to which the building is altered. The degree of alterations would be the basis upon which the degree of necessary ADA compliance would be measured, with further interpretation necessary based on whether or not any technically infeasible accessibility requirements or disproportionate costs would result from the alteration program.
- The need to potentially meet ADA requirements places a far greater burden on the owner of the building than would exist if the use of the building remained as-is as a multi-family apartment building.

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

Wisconsin Act 295 was signed into law on April 30, 1992, and took effect on September 1, 1992. The Act requires newly constructed multi-family housing to be designed and constructed in a manner that ensures internal and external accessibility. The Act requires specified types of existing multi-family housing undergoing remodeling to meet accessibility requirements similar to the requirements of newly constructed housing, with the extend for the requirements depending on how extensively the housing

¹ Building Owners and Managers Association, ADA Compliance Guidebook, (Washington, DC: BOMA, 1992) pp. 2-9.

is being remodeled. Since the second floor and basement of the 109 Building were useable as-is as multi-family housing, it would appear that the minor remodeling (refurbishing) necessary to accommodate new tenants over time (painting, recarpeting, adding new appliances, etc.) would not trigger the need to meet the requirements of Wisconsin Act 295.

Financially Feasible

The purpose of this section of the analysis of highest and best use as improved is to determine whether or not any of the physical alterations of the existing improvements suggested by the preceding analysis would be financially feasible.

Two building alteration scenarios have been suggested in the above discussion. One is the alteration of the existing office space in the 115 Building to a more intensive pattern of utilization (e.g., adding private offices, dividing the building for multiple tenancy, etc.). In the marketplace, such alterations are considered on a case-by-case basis. First, a tenant must be available for a vacant space requiring such alterations, and the incremental rent derived from such alterations must make sense in terms of providing a return and amortizing the improvement expenditure. It is possible that a lesser rent on an as-is basis might provide a higher return than a higher rent that does not provide enough return to justify the necessary improvements. Therefore, the feasibility of an intensification of the 115 Building cannot be proven.

which Bldg 109 The other alternative use scenario suggested is the conversion of the second floor and possibly basement apartment space to office use. Clearly, some building remodeling would be necessary to facilitate this change in use, but the degree necessary is difficult to predict. Therefore, as a starting point to our analysis, we compared the income potential of the property based upon its existing multi-family use to the income potential

that the property might have as if converted to office space justified. If a change to office use indicates a higher value potential than the existing apartment use, the difference in value would set a limit on the amount of remodeling that would be justified as a part of this change.

Relocation forms filed with Dane County on March 31, 1992 revealed that the rent structure for the subject property at the time was:

<u>Apartment</u>	<u>Size</u> <u>Square Foot</u>	<u>Monthly Rent</u>	<u>Monthly Rent</u> <u>Per Square Foot</u>
Basement	518	\$335 (1)	\$0.65
Second Floor	702	\$355 (2)	\$0.47
Second Floor	702	\$395 (2)	\$0.56

(1) Includes all utilities.

(2) Includes heat and water. Average electric bills listed as \$15.00 and \$20.00 per month, respectively.

While the basement apartment appears to be rented at a market rate, the quality and condition of the second floor apartments would merit higher rents. Based on comparables analyzed for this report, a rental rate of \$0.75 per square foot per month, or \$525, should be achievable. This would imply annual gross rent potential of \$16,620. Since downtown apartment vacancies are minimal, no vacancy was deducted. This translates to a potential gross rent of \$8.65 per square foot of net or usable area.

Given the condition, layout, and age of the building, as well as the quality of the office space already in the building, the 109 Building would be Class C office space if converted. The Office Market Analysis contained earlier in this report indicated that Class C office rents as of the effective date of this appraisal ranged from \$7.00 per square foot to \$9.00 per square foot of net rentable area (NRA). These rents typically are not full service or gross rents; Class C buildings frequently do not include janitorial service in the rent. Since the second floor apartments have separate metering capacity, it is possible that an office tenant would be

responsible for his/her own electricity. This can add \$1.00 to \$1.25 per square foot to occupancy costs. Therefore, a gross rent from another building at, say, \$9.00 per square foot where the landlord pays electricity would be adjusted down to \$8.00 per square foot to make it comparable to the subject where the tenant would pay this cost.

The above analysis indicates that the economic productivity potential of the remaining apartment space in the 109 Building is reasonably comparable to its potential as office space. The gross rents per square foot for apartment use is estimated to be \$8.65 per square foot versus \$7.00 to \$9.00 per square foot as office. However, our research of the local apartment market indicates that as of the date of this appraisal, aggregate vacancies in the subject neighborhood were less than five percent, with most apartment buildings having vacancy rates of between zero to three percent.

In addition, the market for Class C office space around the Square is not nearly so strong. An occupancy survey performed by a local real estate firm specializing in office leasing (and referenced previously in this report) indicated that as of June of 1992 the vacancy rate for Class B downtown Madison office space was nine percent, with the vacancy for Class C space at 23 percent, based on his definition of Class B and C.

Even though the economic potential of the two uses appears similar, it is clear that a Class C office use is riskier than apartments given the far greater vacancy in the Class C office market. Finally, a change in use to office occupancy would require the remodeling costs associated with such conversion, and would also entail the risk of triggering added construction requirements due to the building code and ADA.

The feasibility of such change in use probably therefore depends on the pattern of utilization of the 109-115 Buildings as a combined entity.

what is?

If rented separately to a third party tenant, the remodeling costs, vacancy risk, and construction risk (e.g., ADA) would indicate that such conversion is not feasible. However, if the buildings were occupied by a single tenant in need of expansion space, vacancy risk would be mitigated and the extra costs associated with conversion might be justified, since such conversion costs might be less than the real estate and business operating costs associated with having to expand to a remote location. In any event, the above analysis shows that a conversion of the apartments to office would not add to the economic productivity of the property.

Maximally Productive

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

Conclusion

It is our conclusion that the highest and best use of the subject property as improved is a continuation of the present pattern of utilization as office, with the three apartments in the 109 Building remaining as-is.

Probable Buyer Profile

An appraisal is an estimate of value and assumes a sale as of the effective date of the appraisal. Given the most probable use of the property as a continuation of its existing use as office, with the three apartments in the 109 Building, it is necessary to identify the most probable buyer to determine the most appropriate pricing methods to be used to value the property. Our research of the Square office market and a

review of the ownership of surrounding buildings, coupled with the physical and functional attributes of the building, suggests that a likely buyer would be an owner-user. Such a user would probably have a business orientation to government, such as a lobby group, law firm, etc. Since the decision to buy an office building versus rent is at least partially based on the opportunity cost of continuing to rent versus the benefits of ownership, the valuation of the property must take the potential income productivity of the building as office into account, along with office investment criteria.

INTRODUCTION TO VALUATION

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

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

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

Although each approach provides a separate value indication for the property being appraised, the three approaches are interrelated. Analysis and data used in the application of one approach are integrated into the

other approaches. The final step of this process is the reconciliation process, which entails an evaluation of the approaches in concert with one another and in the context of the balance of the report to derive a final value estimate.

LAND VALUATION

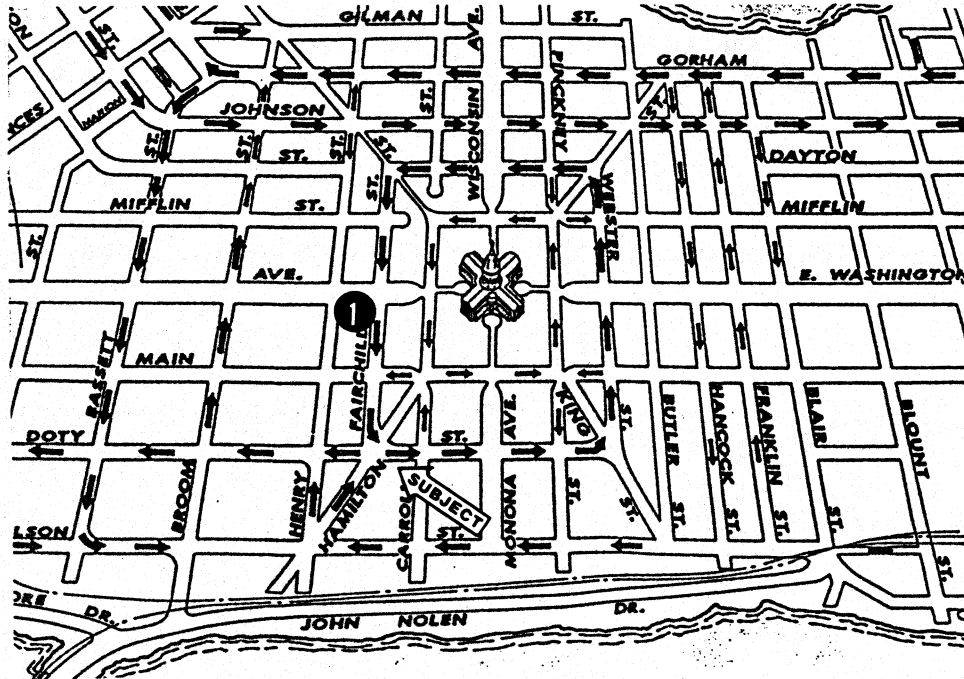
The first task in this process is valuation of the subject land. As discussed in the Highest and Best Use section of this report, land is valued as if vacant and available for its highest and best use. There are numerous methods by which land can be valued, including (1) the sales comparison approach, (2) the allocation method, (3) the development method, and (4) the land residual and ground rent capitalization method.

When there is sufficient data available, the most reliable method of estimating land value is the sales comparison method. First, it is the most direct and easily understood approach; land value is based on the prices for which other, similar parcels have recently sold

Second, this approach best reflects the behavior of market participants, who gauge the price at which they might buy or sell a parcel by "comparison shopping" in the marketplace.

Those sales that shed some light on the potential value for the subject site are summarized on the following pages:

Land Sale 1.



Location:

207-215 West Washington Avenue
Madison, Wisconsin

Sale Price: \$744,600

Parcel Size: 30,492 Sq Ft

Price/Sq Ft Lot: \$24.42

Grantee: Jerome Mullins

Use: Vacant Land

Conditions of Sale: Arms-length

Financing: Cash to Seller

Description:

This site is a rectangular corner site at southwest corner of West Washington Avenue and South Broom Street. The parcel is located 2 blocks west of the Square. The site was formerly improved with the downtown YMCA. The seller had assembled a parcel for a larger facility and had demolished the existing improvements and had completed the excavation for a foundation of a proposed building before the sale. In terms of the assemblage, the seller had acquired the adjacent site at 215 West Washington Avenue in May of 1987 at a price of \$235,000, with a unit price of \$26.97 for the 8,712 square foot parcel. It is believed that the seller was unable to obtain the funding for the new facility and therefore had to abandon the project. The buyer is a local developer and major property owner in the downtown Madison area. The buyer's plans for the site are unknown; the excavation on the site has been filled and the site is now used as surface parking on an interim basis. The buyer owns the Inn On The Park, and this site now provides overflow surface parking for the hotel. It should be noted that the buyer has been very active in promoting the downtown convention center and may perhaps

Sale Date: 1/15/90

GBA: N/A

Grantor: YMCA of Madison

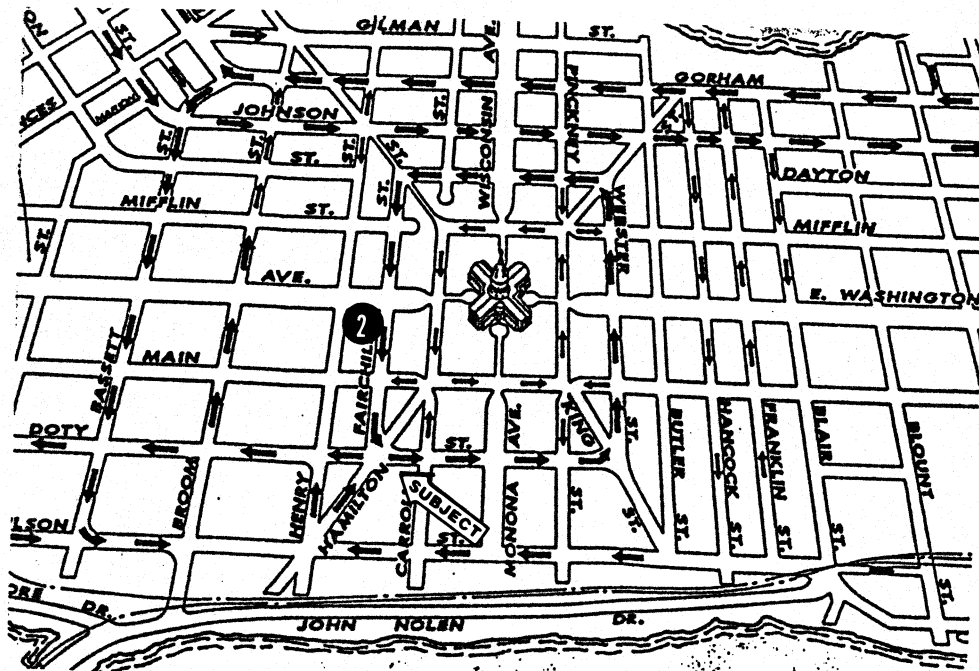
Zoning: C4 Commercial

Conveyance: Warranty Deed

VOL/PG: 114143/49

be hoping to build a hotel facility to compliment the convention center once the latter is developed, since the convention center is being built without a hotel. However, this is speculation only; the owner/developer has not made public any plans for the former YMCA site.

Land Sale 2.



Location:

215 West Washington
Madison, Wisconsin

Sale Price: \$235,000

Parcel Size: 8,712 sq ft

Price/Sq Ft Lot: \$26.97

Grantee: YMCA of Madison

Use: Clear for new construction

Conditions of Sale: Arms-length.

Purchased for assemblage.

Financing: Cash to Seller

Description:

This is a rectangular interior parcel located adjacent to the site described herein as Sale 1, located 2 blocks west of the Square. This site was acquired by the YMCA to facilitate then future expansion plans. The site reportedly was improved with an older two-story building at the time of sale. Razing costs are unknown and should be added to the above price to arrive at a total indicated cost for the site.

Sale Date: 5/1/87

GBA: N/A

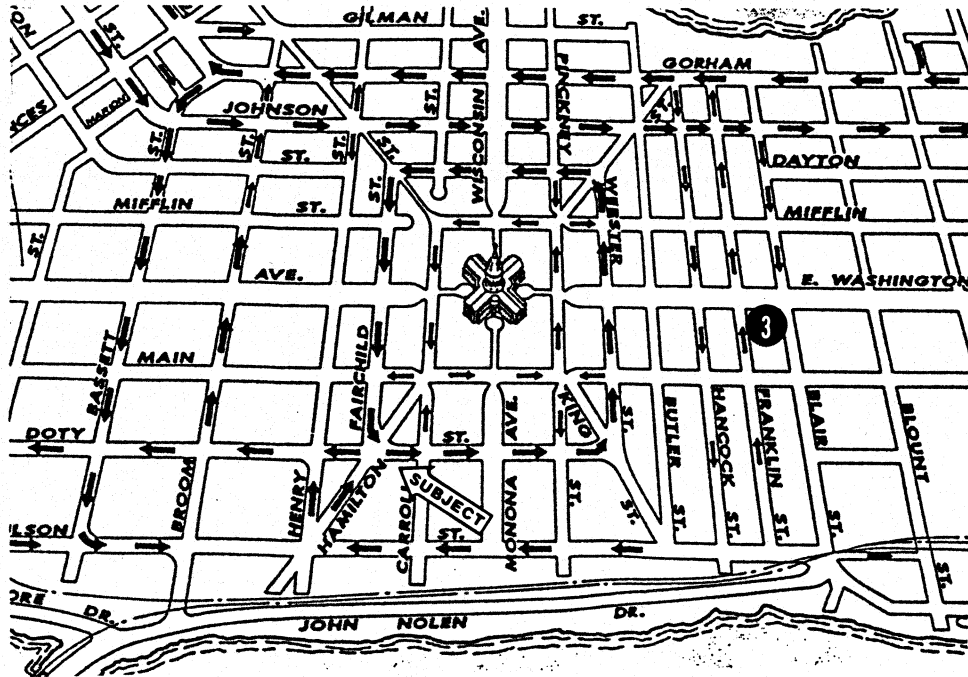
Grantor: MZM Partners

Zoning: C4 Commercial

Conveyance: Warranty Deed

VOL/PG: 9930/78

Land Sale 3.



Location:

501 East Washington Avenue
Madison, Wisconsin

Sale Price: \$600,000

Parcel Size: 40,725 sq ft

Price/Sq Ft Lot: \$14.73

Grantee: WMC Foundation

Use: Clear for new construction

Conditions of Sale:

Believed to be Arms-length

Financing: Cash to Seller

Description:

Rectangular corner parcel on a highly visible site on the outskirts of downtown Madison. This site is located 5 blocks east of the Square. The site was reportedly improved with several older buildings when sold, and the purchaser cleared the site for the construction of the new Wisconsin Manufacturers and Commerce Association Building. Razing costs are not included in the above sale price; the price would have to be adjusted upward to account for razing.

Sale Date: 6/5/85

GBA: N/A

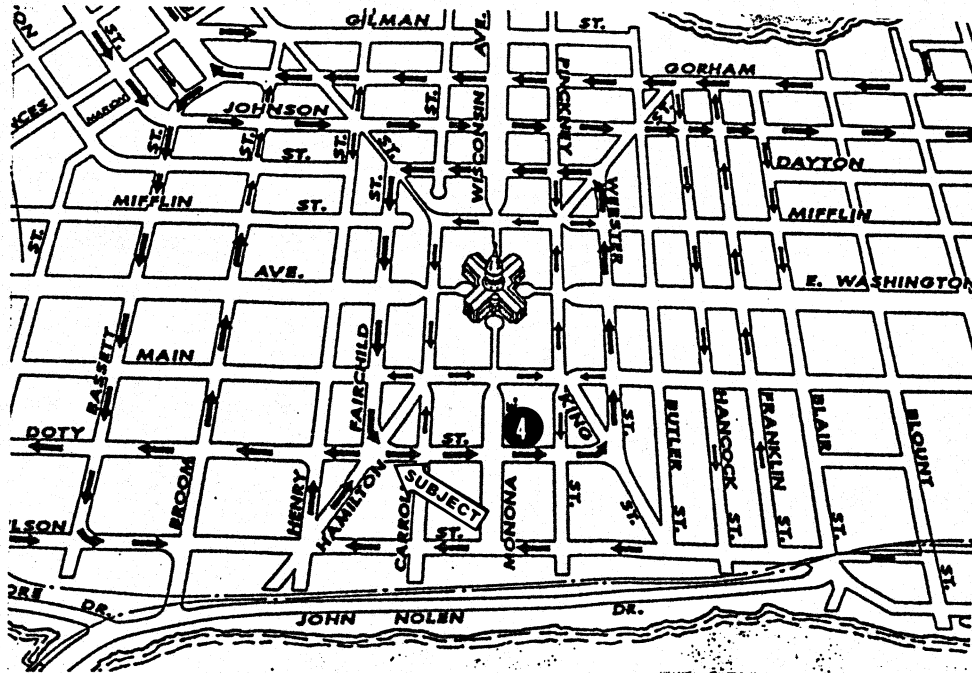
Grantor: Wayne Sweeney

Zoning: C4 Commercial

Conveyance: Warranty Deed

VOL/PG: 6872/17

Land Sale 4.



Location

16 East Doty Street
Madison, Wisconsin

Sale Price: \$200,000

Parcel Size: 11,589 sq ft

Price/Sq Ft Lot: \$17.26

Grantee: One East Main Partnership
(Urban Land Interests)

Use: Surface Parking Lot

Conditions of Sale: Arms-length

Financing: Cash to Seller

Description:

Rectangular interior parcel fronting on the "outer-ring" of the downtown neighborhood. This parcel was purchased as part of an assemblage to provide surface parking for the office building developed at One East Main Street. According to a representative of the buyer group, this site was one of a number of sites being assembled from two owners, so the price paid is not necessarily reflective of what the site would have sold for on its own. It is rather more the result of an internal allocation by the buyer.

Sale Date: 6/9/88

GBA: N/A

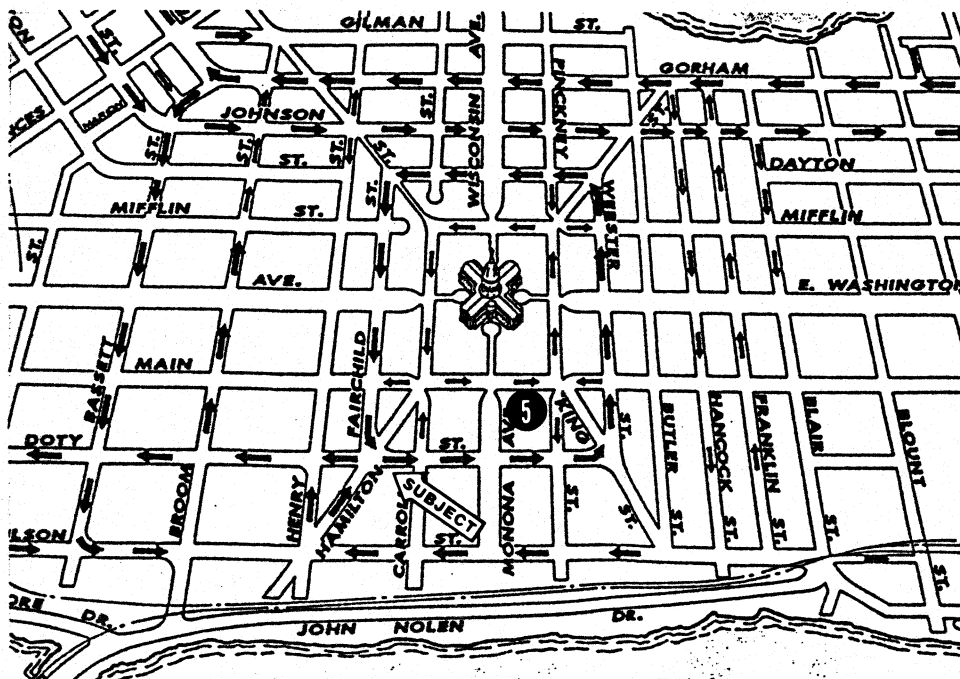
Grantor: Not Known

Zoning: C4

Conveyance: Warranty Deed

VOL/PG:

Land Sale 5.



Location:

21 East Main Street
Madison, Wisconsin

Sale Price: \$385,000

Parcel Size: 16,476 sq ft

Sale Date: 3/13/86

GBA: One 1-story Bldg,
One 2-story Bldg
with a total gross
area above grade of
24,660 sq ft per
assessment records.

Price/Sq Ft Lot: \$23.37

Grantor: Northwestern Mutual Life

Grantee: Urban Land Interests

Zoning: C4

Use: Assembled for development site
for One East Main Building

Conveyance: Warranty Deed

Conditions of Sale: Arms-length

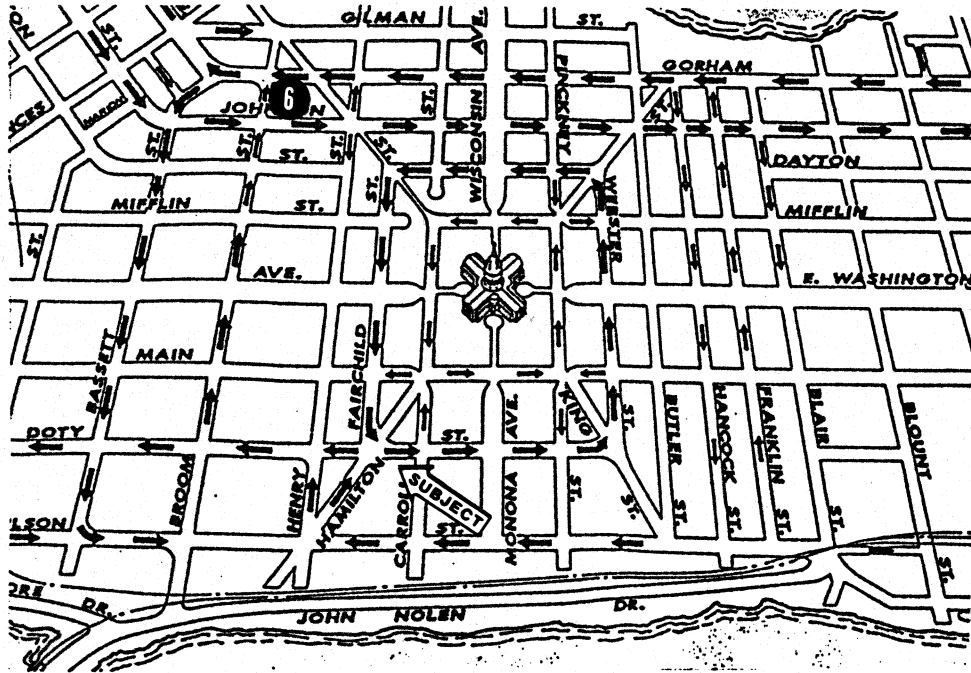
VOL/PG: 9666/12

Financing: Cash to Seller

Description:

This site is an interior site that was assembled for the overall development of the building at One East Main Street. The project involved the purchase of the old J.C. Penny Building at One East Main Street along with the parcel described above as Land Sale 4 and a small building at 117 Martin Luther King, Jr. Boulevard, subsequently razed to create parking. The National Mutual Benefit Building at 119 Martin Luther King Drive was also purchased as part of the overall assemblage. The same comment made for Land Sale 4 applies in that the above price is as much an allocation as it is a purchase price.

Land Sale 6.



Location

321 West Gorham Street
Madison, Wisconsin

Sale Price: \$100,000

Parcel Size: 8,712 sq ft

Price/Sq Ft Lot: \$11.48

Grantee: Firehouse J.V.

Sale Date: 6/28/86

GBA: N/A

Grantor: First Federal Savings

Zoning: C2, Commercial

Conveyance: Warranty Deed

VOL/PG: 8430/1

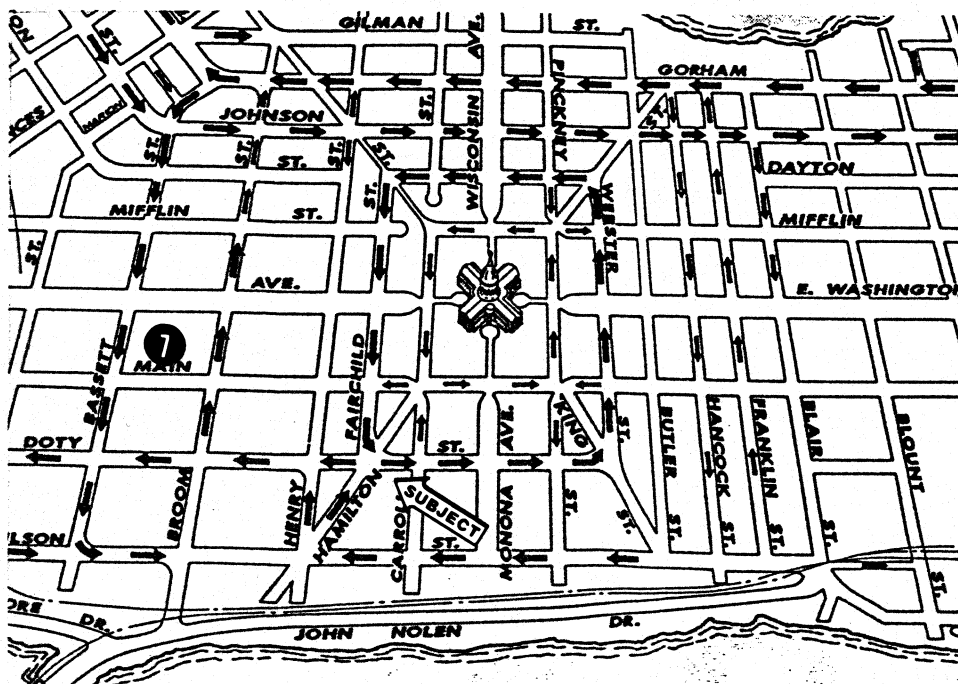
Conditions of Sale: Arms-length

Financing: Cash to Seller

Description:

This is a rectangular corner lot (Broom and Gorham) about 3 blocks northwest of the Square. The building that had occupied the site had burned down and the site was cleared prior to sale. The adjoining owners (a joint venture assembled by Urban Land Interests) purchased the site for additional parking.

Land Sale 7.



Location

436 West Main Street
Madison, Wisconsin

Sale Price: \$115,000
Parcel Size: 10,890 sq ft
Price/Sq Ft Lot: \$10.56
Grantee: 431-445 W. Washinton Ave.
Associates

Sale Date: 10/3/91
GBA: N/A
Grantor: AAA Properties,
Inc.
Zoning: C4
Conveyance: Warranty Deed
VOL/PG: 16912/38

Use: Parking
Conditions of Sale: Arms-length
Financing: Cash to Seller
Comments:

This is the sale of AAA's parking lot to the buyers of the AAA Building. This lot provides parking for 34 cars. The lot is a rectangular lot with dimensions of 66 feet by 165 feet.

Our market research indicates that there have been very few land sales in downtown Madison. Further, a study of the sales that have taken place indicates that assemblage or a desire by an adjoining owner to expand a site (e.g., obtaining more parking, control additional land area, etc., is often a motivation for the buyer. In terms of a residentially zoned sale, the site at 436 West Main Street, which is four blocks west of the square, sold in October of 1991 for a price of \$115,000. This site was zoned R5 and was used for parking. The adjoining owner purchased the site to control additional parking. The indicated unit price for this 10,890 square foot site was \$10.56 per square foot.

Since the R6 zoned portion of the subject site is currently utilized for parking, other ^Square neighborhood land that was purchased for parking will also be discussed. The site at 16 East Doty Street was purchased as part of an assemblage to provide surface parking for the office building developed at One East Main Street. This 11,589 square foot site was zoned C4. It sold in June of 1988 for \$200,000, or \$17.26 per square foot. Note, however, that the representative of the buyer group interviewed to confirm this sale indicated that this site was one of a number of sites being assembled from two owners, so the price paid was not necessarily reflective of what the site would have been sold for on its own, but was more the result of an internal allocation by the buyer. Another land sale provides some indication of the value of downtown land when used for parking is provided by the sale of the site at 321 West Gorham Street, which sold for \$100,000 in June of 1986. This parcel is located just off State Street and is located three blocks northwest of the Square. It was vacant at the time of sale since the improvements had burned and were demolished after the fire. The site was zoned C2, General Commercial. The adjacent owner purchased the site to expand parking, again suggesting the

possibility that the price paid might have reflected a premium due to the motivation of the buyer. This parcel is 8,712 square feet, for an indicated unit price of \$11.48 per square foot.

The sale believed most significant out of the comparable land sales presented is the sale of the 207-215 West Washington Avenue site, which is listed as Land Sale 1. This site is a rectangular corner site located two blocks west of the Square. It was formerly improved with the YMCA. This 30,492 square foot (.70 acres) site sold in January of 1990 for \$744,600, or \$24.42 per square foot. The buyer, Mr. Jerome Mullins, owns a substantial amount of downtown Madison property, and his plans for this parcel are not known. The buyer owns the Inn on the Park, and this site now provides overflow surface parking for the hotel. This sale has a location that is comparable, if not slightly superior to that of the subject. In addition, the C4 commercial zoning for the property makes it eligible for rather intensive commercial development.

Before attempting to estimate the value of the subject site, another factor that has to be taken into account is the relative supply and demand conditions of the market relative to other available sites. As discussed in the Highest and Best Use section of this report, the downtown Madison Class A office market has avoided oversupply conditions because it is typical for one major building to be built and then complete its absorption phase before another building is developed. Therefore, in order to help estimate the value of a vacant site, that site must be ranked relative to competing sites. If a number of vacant sites are available, they would have to compete for the one or two development opportunities that would be feasible at a given point in time, which means that those sites having the lower ranking may have to wait until development on the more preferable sites would be completed. Such less desirable sites would logically be

used for some interim use until such future development opportunity presented itself. A summary of the sites that would be considered available development sites in downtown Madison was summarized in the Highest and Best Use section of this report. In terms of an office development, the Brayton Lot and vacant YMCA site would be regarded as superior to the subject. Both are properly zoned for intensive commercial development, and the Brayton Lot is in a TIF District. Further, in spite of the current health of the Madison Class A office market in the downtown neighborhood the current conditions in real estate debt and equity markets are very prohibitive, making any development ventures today extremely difficult without extensive pre-leasing. Further, as indicated in our highest and best use analysis, today's higher building costs require relatively high rents to be supported, which makes the feasibility of any new project difficult to prove. It must be recalled that all of the major office projects that have been developed in downtown Madison since the mid-1980's have received help from the City of Madison (e.g., TIF financing, land write-downs, development bond financing, etc.). Developers have learned the lesson of not creating an inventory of vacant land for development projects given the problems associated with the carrying costs for vacant land. In the case of downtown Madison, it is reasonable to assume that parking as an interim use could help offset some holding costs.

When viewing the subject site in the context of a development site, it has an advantage in that there would be no assemblage necessary to create a buildable site. However, there are other competing vacant downtown sites available, which implies that the subject site would present no unique development opportunity in the market. At least two of the other vacant sites discussed as available would be considered more desirable. This means it would probably be some time before the subject would be ripe

for development.

In terms of valuing the subject site as if vacant, the main problem that emerges is the lack of market information that is available to provide a firm basis for estimating value. The comparable judged most relevant to the C2 zoned portion of the site would be the YMCA site at 207-215 West Washington Avenue, which sold in 1990 at a unit price of \$24.42 per square foot. Given the use of the R6 portion of the subject site as parking, and emphasizing its set of legal entitlements that existed on the date of this appraisal due to the zoning, the most relevant sale would appear to be the sale of the site at 436 West Main Street, which sold in October of 1991 at a unit price of \$10.56 per square foot. However, even though an adjoining owner would probably pay a premium for additional parking, the location of the subject site is viewed as more desirable given its proximity to the Square than the location of the 436 West Main Street site.

The YMCA site sale was viewed as superior to the subject. Further, given the available supply of vacant downtown development sites, there is no evidence to suggest that market conditions have placed upward pressure on downtown land prices. Therefore, given the comparable sale information discussed earlier, and the unit price indications of the most relevant comparables, a reasonable value estimate for the C2 zoned portion of the subject would be \$20.00 per square foot, with a reasonable value estimate for the R6 zoned portion of the subject between \$10.00 and \$15.00 per square foot, or say \$12.50 per square foot. This would provide the following land value estimate for the subject as if vacant:

<u>Parcel</u>	<u>Size (Sq.Ft.)</u>	<u>Indicated Unit Value</u>	<u>Indicated Value</u>
109-115 West Doty	14,124	\$20.00	\$282,480
114-118 West Wilson	<u>13,068</u>	\$12.50	<u>\$163,350</u>
	27,192		\$445,830
		Rounded to:	\$450,000

The above \$450,000 value estimate provides an indicated value of \$16.55 per square foot on an overall basis

THE COST APPROACH

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

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

The Highest and Best Use analysis contained in this report indicates that no higher and better use of the subject site as if vacant is currently feasible. Further, the disparity exhibited in the analysis between the supportable costs (i.e., the construction cost justified by market rent) for legally permissible uses versus the estimated costs of actually building those improvements suggests it might be some time before such uses

become available, if at all. Our analysis of the highest and best use of the property as improved confirmed that the existing pattern of utilization is the property's highest and best use as improved.

In terms of applying the Cost Approach, the improvements are older (building ages of 1941 and 1956 with an addition and modernization in 1978). The buildings also suffer from functional obsolescence, in that the 115 Building does not lay out well for multiple tenancy and because the floor plan of the expansion office space in the 109 Building is inefficient. Further, the integration of the office space between the two buildings is suboptimal (e.g., building connection is narrow, the building floors are at different grades, etc.). In short, a buyer of the subject property as of the date of this appraisal would not base a purchase price on the cost to build a similar building, less depreciation and obsolescence. Therefore, the Cost Approach is not applicable for this appraisal.

THE SALES COMPARISON APPROACH

The Sales Comparison Approach, or ~~Market~~ ^{Market} approach, derives an indication of value for the subject property by analyzing recent sales of similar properties. The Sales Comparison Approach rests on the principle that a prudent person would pay no more to buy a property than the cost of buying a comparable or substitute property. This approach is generally favored when an adequate number of sales and comprehensive information about these sales are available. Another advantage of this approach is that it utilizes actual market transactions and therefore incorporates the actions of buyers, sellers, investors, and/or users.

This approach is only applicable when a sufficient number of sales exist to be analyzed and when sufficient information about those sales can

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

A variety of units of comparison are used for analysis in the sales comparison approach, depending on the type of property being appraised and the quality of the data available. Common units of comparison for office properties include price per leasable square foot or gross square foot. Typical units of comparison for apartment projects include gross income multipliers, price per gross square foot, price per apartment unit, or in a student oriented market, price per bedroom. Since the dominant use of the building is office use, the property would probably be priced or compared using units of comparison for offices.

One of the first steps in the Sales Comparison Approach is to establish criteria for the selection of comparable sales. Given the salient characteristics of the subject, the following criteria were established:

1. Office buildings with similar size.
2. Square or downtown Madison location.
3. Adequate on-site parking (minimum ratio of 2 stalls per 1,000 square feet).
4. Orientation to single-tenant occupancy.

Given the fact that there have been a limited number of smaller office building sales in downtown Madison, it is difficult to locate a sufficient number of comparable sales that are an exact match with the above criteria. Clearly, the better fit that a sale has with the criteria

means that the sale is a better quality tool to predict the probable price of the subject than a sale that is a poorer fit with the criteria. Since our research indicates that there have been relatively few sales of downtown office building properties, we have listed those sales of similar-sized downtown Madison office buildings that were available.

Comparable Sale 1.



Location: 448 West Washington
Madison, Wisconsin

Sale Price: \$233,000
Parcel Size: 10,890 Sq Ft
Price/SF GFA: \$23.44
Grantor: Sprint Communications
Limited Partnership

Use: Office Building

VOL/PG: 19021/61

Original Plat of Madison

Conditions of Sale: See below

Verified By: Assessment Records

Comments:

Sale Date: 5/22/92

GFA: 9,940 Sq Ft

Grantee: Robert H. Keller

Zoning: R-6 Multi-Family

Conveyance: Warranty Deed

Legal: Part of Lot 17, Block 43,

Financing: Cash to Seller

Rectangular interior lot in mixed residential/commercial area, located four blocks west of Capitol Square. Ten parking stalls on site. Building is steel/masonry commercial construction, two-story, built 1931 and in average condition at time of sale. Sprint purchased this building in January of 1984 at a price of \$370,000 (\$37.22 per square foot GFA). Sprint purchased the building because it needed a roof-top for the installation of a telecommunication satellite dish. The location and building height were reportedly main factors that induced sprint to buy the property. Sprint also occupied part of the building and used the occupied area for switching equipment. New technology caused this facility to become obsolete, so Sprint removed their equipment and put the building up for sale. The building was on the market for some time before being purchased by Robert H. Keller, who was being displaced by the new county jail project on the Square, which involved condemnation of the office building he owned on the jail site. The property was listed for sale at \$324,000 during 1991. The price of \$233,000 is viewed

as low for this property for two reasons. First, the areas occupied by Sprint required reconversion to office space. Second, Sprint was interested in liquidating the building, so the sale price would have some characteristics of liquidation value.

Comparable Sale 2.



Location: 235 King Street
Madison, Wisconsin

Sale Price: \$320,000
Parcel Size: 7,910 Sq Ft
Price/SF GFA: \$46.22
Grantor: Jack McManus
Use: Office Building
VOL/PG: 21304/68

Sale Date: 12/23/92
GFA: 6,924 Sq Ft
Grantee: William Haus

Conveyance: Warranty Deed
Legal: Lot 7, Block 5, Original
Plat (Partial)

Conditions of Sale: Arms-Length
Verified By: Assessment Records
Comments:

Financing: Cash to Seller

Corner parcel (King and Doty) located one block southeast of the Square. The building has a masonry, wood exterior with wood frame construction. The building is a two-story building with a full (unfinished) basement. The building is built around a parking court and has 11 on-site stalls per assessment records. The building also includes a garage with 4 drive-thru stalls. The building was originally built as a mortuary (1915), with the most recent occupant using the building as a law office. The building had been listed for sale at \$375,000, with the asking price reduced to \$325,000. The building was vacant when sold. According to the assessor, the buyer has reportedly spent about \$40,000 on interior improvements and intends to use the building as a law office. However, according to the selling broker, who also has the property listed for lease (Michelson Associates), the buyer will be spending a total of about \$200,000 to improve the property, for a total investment of about \$75 per square foot of GFA. The broker indicated that although the building does not have an attractive exterior, the interior will have a Class A appearance upon completion of improvements. Leasing has

gone slowly (asking rate \$15.00 gross), but the broker thought activity should improve upon completion of finished offers to show prospects what the finished building will look like.

Comparable Sale 3.



Location: 7-11 North Pinckney
Madison, Wisconsin

Sale Price: \$700,000	Sale Date: 12/26/90
Parcel Size: 7,920 Sq Ft	GFA: 23,000 Sq Ft
Price/SF GFA: \$30.43	Grantee: Keith & Decker
Grantor: Ronald Campbell Estate	Zoning: C-4 Commercial
Use: Office Building	Conveyance: Personal Rep Deed
VOL/PG: 15328/2	Legal: Part Lots 7 and 8, Block
101, Original Plat of Madison	
Condition of Sale: Arms-length sale, listed by broker	Financing: Seller took back \$50,000 second mortgage, 18 months at 11%.

Comments:

Rectangular interior lot fronting on the Capitol Square. One parking stall. Building is an older masonry/steel commercial construction with three stories. Building was gutted in 1979 and was in good condition at time of sale. The building sold subject to existing leases. The buyer has continued the use of the building as office rental.

Comparable Sale 4.



Location: 125 West Doty
Madison, Wisconsin

Sale Price: \$293,000	Sale Date: 12/16/87
Parcel Size: 5,238 Sq Ft	GFA: 10,612 Sq Ft Finished
Price/SF GFA: \$27.61	Grantee: Wisconsin Restaurant Assoc.
Grantor: Anchor Savings	Zoning: C-2
Use: Office Building	Conveyance: Warranty Deed
VOL/PG: 10922/65	Legal: Part Lot 2, Block 71,
Original Plat of Madison	
Conditions of Sale: Sale by	Financing: Cash to Seller
lender after foreclosure.	
Arms-length sale based	
on market exposure.	

Comments:

Irregular corner parcel in CBD one block southwest of Capitol Square. Parcel has one parking/loading stall. Building is masonry/steel commercial construction, two stories over exposed basement, built in 1961. Building was reportedly in poor condition at time of sale, requiring new HVAC and extensive cosmetics. Purchased for owner-occupied office use with additional rental space. This property is among those being condemned to create the site for the new Dane County Jail. The total cost of buyer renovations to this property was approximately \$240,000, indicating a total investment per square foot of gross finished area of just over \$50.00 per square foot. However, in comparing this to the subject, the major difference is the lack of parking. However, this sale was included since the building was purchased by an owner-user.

Comparable Sale 5.



Location: 133 South Butler Street
Madison, Wisconsin

Sale Price: \$480,000
Parcel Size: 25,212 Sq Ft
Price/SF GFA: \$78.95
Grantor: John Kelly
Use: Office Building
VOL/PG: 7824/94

Sale Date: 2/1/86
GFA: 6,080 Sq Ft
Grantee: Richard Munz

Conditions of Sale: See below.
\$130,000 in cash (10%, 4 years, paid

Conveyance: Assignment of Land Contract
Legal: Original Plat, NW 50' Lot 6
and N 1/2 Lot 12, and all of Lot 13
Financing: Assignment of LC plus

off in 1 year).

Verified By: Assessment records.

Comments:

This sale involved the sale of an irregular-shaped through-block parcel located between South Butler and South Hancock Streets, about three blocks east of the Square. The building is a two level (one-story plus finished basement) building of steel frame and masonry construction built in 1969. The property had 33 parking stalls. Zoning is listed as C2, although there is a note in the records referring to the zoning as R6. Assessment records indicate that the property was not on the market when sold. Mr. Munz was apparently highly motivated to purchase the property because he anticipated adding on to his Lake Terrace property at 121 East Wilson Street and needed extra parking. This never took place. The buyer has since sold off part of the parking area and part of the vacant R5 site that was included the original purchase.

In addition to the sales listed, another recent office/commercial building sale should be mentioned. The former Security Savings and Loan building (also formerly occupied by the Norris Lea Gallery) located at 101 King Street sold on February 20, 1992 at a price of \$400,000. The building is a two-story building with a full basement with an above grade gross finished area of 21,006 square feet according to information contained in the assessor's records. This sale provides an indicated unit price of \$19.04 per square foot. It should be noted that this property reportedly has been divided, with part of the property owned by one entity and part of the property owned by another. The front corner portion of the building was purchased by Isthmus Newspapers for their new offices, with the larger rear portion of the building occupied by Botticelli's Restaurant. According to assessment files, the total consideration involved in this split arrangement was \$425,000, which is a unit price of \$20.23 per square foot. This sale is regarded as a distressed sale since the building had been on the market for at least 2 years prior to the sale, and because the seller was in declining health. The condition of the building at the time of sale was not known, but it is likely that the new occupants will substantially remodel it for their own purposes.

The sales that were included previously are briefly summarized as follows:

<u>Sale</u>	<u>Address</u>	<u>Sale Price</u>	<u>Date</u>	<u>Price/SF/GFA</u>
1	448 W. Washington	\$233,000	5/92	\$23.44
2	235 King	\$320,000	12/92	\$46.22
3	7-11 N. Pinckney	\$700,000	12/90	\$30.43
4	12 3 W. Doty	\$293,000+*	12/87	\$50.22
	5	\$240,000 2		
5	133 S. Butler	\$480,000	2/86	\$78.95

* \$533,000 total investment consisting of \$293,000 purchase plus \$240,000 in renovations.

The preceding sales information confirms that there are no good comparable

sales available to provide a strong indication of what the subject property might sell for as of the date of this appraisal. Sale 1 involves what appears to be a liquidation sale of a smaller building four blocks west of the Square that would need renovation for new office users. It is interesting to note, however, that the offices of the buyer of this building were located next door to the subject at 121 West Doty. The buyer purchased the 448 West Washington building as a result of being displaced by the subject condemnation action. While Sale 2 has a reasonably similar location and some on-site parking, the building is older and appears to be of lower quality than the subject. However, the buyer will reportedly have a total investment of \$75 per square foot of gross finished area in the property upon completion of planned improvements. Sale 3 has no parking to speaking of, but has similar quality office space (but better for multiple tenancy) with some finished space on the lower level. Sale 4 has the most similar location, but again lacks parking. Sale 5 is an older sale and involves the purchase by a highly motivated buyer of a property not exposed to the market. It is similar to the subject as a through-block site with extra parking, but notice that the buyer did not have viewed this as a crucial advantage since almost all of the south Hancock Street frontage of the site has been sold off.

The sales comparison approach is only viewed as valid if a sufficient number of sales are available from which to draw conclusions. Further, the reliability of the approach decreases in direct proportion to the number and/or dollar amount of adjustments that must be made to the comparables.

The above sales are not viewed as representative of the value potential of the subject. The closest comparable (Sale 5) involved a sale that took place over six years ago and involved a property with a much smaller building area, which generally means a higher unit price when using

price per building area as a unit of comparison. Further, conditions of sale are suspect given the lack of market exposure and the motivated buyer.

Given the lack of comparability among the only sales at all reasonably comparable to the subject property, the sales comparison approach was eliminated from consideration as being able to provide an indication of value for the subject property. The above sales information might, however, provide background information for the income approach to value.

THE INCOME CAPITALIZATION APPROACH

The Income Capitalization Approach, which is also referred to as the Income Approach, is based on the fact that an income-producing property is typically purchased as an investment. An investor purchasing such a property is, in effect, using today's dollars to buy the right to receive the future benefits available from the property, which include cash flow, tax benefits, and potential gain upon sale. Therefore, the appraiser must directly take into account the way an investor anticipates how income levels, expenses, and property values might behave over time and the way an investor prices the above future benefits. It is also important to note that income-producing real estate is competing for dollars with other alternative investments available to this investor (e.g., stocks, bonds, etc.) and must be analyzed in the context of how it compares to these alternatives.

Like the other approaches to value, the Income Approach finds its basis in the market with the principle of substitution. The productivity of an income property in terms of rent tends to be set by the market via the rent levels of competing properties. Return expectations of investors are also based on substitutes, including alternative investments as well

as competing properties.

The Income Capitalization Approach, then, is the process by which the appraiser quantifies the anticipated future benefits associated with the ownership of an income-producing property and then converts these future benefits to present dollars via an appropriate capitalization method. Since dollars to be received in future are worth less than the same amount of dollars receivable today, these anticipated future dollars are discounted to their present value based on the relative risk and time horizon involved. In general, capitalization can be done two ways. Direct capitalization involves the conversion of one year's income stream to value by application of an appropriate rate. Yield capitalization, on the other hand, involves the discounting of a series of income flows to present value based on the application of a required rate of return or yield rate. This process can involve the application of a rate adjusted to account for the pattern of income and, if applicable, property value change to a single year's income. Yield capitalization can also be done via discounted cash flow ("DCF") analysis, where a series of income flows are individually discounted to an estimate of present value at an appropriate yield, or discount rate.

Income and Expenses

The first step in the Income Approach is to examine historical income and expense levels for the property as well as current rental information. The office space in the subject property is 100% occupied by Dane County Title, and one or more of the owners of Dane County Title is a partner in Doty Street Associates, a Wisconsin general partnership, which is the owner of the property. The Dane County Corporate Counsel supplied us with a lease dated December 28th, 1984 between Doty Street Associates as landlord and Dane County Title as tenant. This lease is dated the same day as the

sale of the business of Dane County Title. The lease is older and would not reflect current market conditions and, in any event, is between related parties. The only arm's-length rental information for space in the buildings is the apartment leases. Therefore, to develop the income potential of the building, the market rental of the office portions of the building was explored. In addition, our apartment market analysis indicated that the second floor apartment rents are below market levels, so these rents need to be examined as well.

In terms of expenses, the Perion Appraisal included some historic expense information for the property. This information will be analyzed, compared to market levels and published sources, and adjusted to the effective date of this appraisal

Estimation of Market Rent

In order to create a reconstructed income statement and make income projections for the property and account for the space currently occupied by Dane County Title, it is necessary to estimate the market rental rate for the various spaces in the building occupied by Dane County Title. This was done by surveying comparable properties, interviewing various brokers active in the downtown Madison office market, and researching the terms of leases signed for comparable buildings at the time of the effective date of this appraisal. Since much of this analysis is presented in the Office Market Analysis section of this report, the reader is encouraged to review this report section at this time.

One of the conclusions of the Office Market Analysis section of this report was that an appropriate ranking of the Dane County Tile Building was as a Class B to Class BC office building. The building contains three distinct office areas. The upper two floors of the 115 Building are representative of Class B office space. The basement in the 115 Building

contains Class C office space, as well as an employee lounge, restrooms, and storage space. The third functional area of the building is the expansion office space that was converted from apartment use in the 109 Building. This is clearly Class C space. Notice that one broker interviewed regarded the upper two stories of the 115 Building as Class C space. However, it is our opinion that the ample parking provided for the building, coupled with the fact that it is an elevator building, brings at least the upper two floors of the building into Class B status. Summaries of the professional interviews conducted for this report are included in **Appendix B**.

The Office Market Analysis section of this report concluded that the market rent potential of the upper two floors of the 115 Building as-is would be between \$12.00 and \$13.00 per square foot on a gross or full service basis. The lesser quality expansion space in the 109 building was concluded to have a market rent potential of between \$7.00 and \$9.00 per square foot, again on a gross basis. Finally, the finished space in the basement would have a rent potential similar to that of other basement office and storage space in the downtown area, which is in the range of \$7.00 to \$10.00 per square foot, also on a gross basis.

To refine this focus, specific rent comparables were examined as follows:

Rent Comparable 1:

According to Ms. Judy Susmilch of the Shaw Company, leasing agent for Hamilton Place at 217 South Hamilton Street, a 3 year lease agreement was made with Dane County for the entire fourth floor of the building in the spring of 1992. The rent for the 7,780 square foot area was \$13.50 per square foot, and the owner spent about \$50,000 (\$6.43 per square foot) on tenant improvements as part of the transaction. This is a gross rent. The lease included a 4% per year inflation increase. Parking was available at \$63 per month for surface parking and \$75 per

month for underground parking, although only 2 stalls per 1,000 square feet could be guaranteed with any given lease.

Rent Comparable 2:

Ms. Susmilch also provided the following actual lease information for the AAA Building at 433 West Washington Avenue. Two full floor (3,600 square feet) leases in the building were done "last year". The first floor was leased at \$13.70 per square foot on a full service basis for a five year term. The owner spent about \$25,000 (\$6.94 per square foot) on tenant improvements as part of this transaction. The lease also included a 4% annual inflation "kicker". The top floor of the building was leased at \$13.45 per square foot on a full service basis for a 3 year term. The tenant improvement expenditure for this lease was \$15,000 (\$4.16 per square foot). This lease also included a 4% inflation kicker. The quoted "as-is" rents for the office space were \$12.50 per square foot. A 1,365 square foot basement office/computer workshop in the building, which has some window area, was also leased at about this time for \$7.00 per square foot on a full-service basis.

Comparable Rent Offering 1:

Mr. Michael Reisinger of Michelson and Associates reported that there is currently a 4,000 square foot space available as of 7/93 in the building at 111 South Butler. The building is viewed as fairly similar to the subject. The asking rent for the space is \$13.00 per square foot with minimal improvements. The space had been occupied by the DNR which, according to published records, was paying \$12.53 per square foot. Mr. Reisinger indicated that building had good parking, but an exact parking ratio was not disclosed.

Comparable Rent Offering 2:

A Class C asking rent comparable for the subject neighborhood is provided by lower level space available in the Wisconsin Restaurant Association Building as of the date of this appraisal. The building had 1,329 square feet available when appraised for condemnation in October of 1991 at a lease rate of \$9.50 on a gross basis as-is. This building had no parking. The lower-level space had natural light via a window band located across the hall from the lower-level space.

The above specific comparables provide confirmation of the more general survey data contained in the office market analysis section of this report. A clear pattern is exhibited by the above data. First, leases for this type of space tend to be of relatively short term, with three to five

year leases typical. Rent levels within a given building tend to rise with an increased landlord tenant improvement contribution. Further, it should be noted that almost all of the actual leases include some form of landlord improvement contribution. Finally, in addition to base rent, tenants in the Class B market are typically paying some sort of inflation increase in the rent, with a 4% per year level seemingly typical. Since operating expenses in the Class B market tend to approximate 50% of income, these inflation clauses probably do not serve to create major income increases over time but rather help keep an owner even with expense increases.

Two of the brokers we interviewed indicated that Hamilton Place probably represented the best rent comparable available for the upper floor area of the 115 Building, with a recent full floor lease at \$13.50 per square foot, on a full service or gross basis. If one amortizes the \$6.43 per square foot tenant improvement amount over the three year lease term at 10%, the effective rent would be \$11.00 per square foot. If one assumes that the tenant renews this lease for another three year term and amortizes the improvements over six years, the effective rent is \$12.07 per square foot. Because some tenant improvements might be reusable, an effective or as-is rent for this space would probably be above these estimates. Therefore, a \$13.00 per square foot estimate for the subject's upper floors would appear reasonable, especially given its good location and parking. This is further supported by the \$12.50 per square foot full-service asking rent at the AAA Building. The basement office/computer workshop in this building at \$7.00 per square foot on a full service basis, coupled with the \$9.50 per square foot asking rent for basement office space in the Wisconsin Restaurant Association Building provide support for a \$9.00 per square foot estimate for the class C office areas of the subject building.

A summary of the market rental rates estimated for the various

functional spaces within the Dane County Title Building are included on the following table:

ESTIMATED MARKET RENTS
PER FUNCTIONAL AREA
DANE COUNTY TITLE BUILDING

<u>Space</u>	<u>Estimated Leasable Area (Square Feet)</u>	<u>Estimated Market Rent/ Square Foot</u>	<u>Estimated Annual Gross Rent</u>
Basement - 115 Building	2,173	\$ 9.00	\$ 19,557
First and Second Floor 115 Building	7,606	\$13.00	\$ 98,878
Expansion Office - 109 Building	<u>1,381</u>	\$ 9.00	<u>\$ 12,429</u>
TOTAL	11,160		\$130,864

Based on the above, the weighted average rent for the entire office area is \$11.73 per square foot, with the weighted average rent for all three floors in the 115 Building about \$12.10 per square foot. The above estimates are on a gross basis, which means that the landlord pays all expenses, including janitorial and utilities. In addition, the above rents are estimated on an "as-is" basis.

The rent potential for the three apartments in the 109 Building also needs to be estimated. As discussed earlier in this report, the basement apartment appeared to be rented at market, but the two second floor apartments appeared to be rented at rates which are below market. The primary comparable that would appear applicable to the subject would be the neighboring Carpenter Apartments, where smaller one-bedroom units (average size 585 square feet) rent for \$0.70 to \$0.75 per month, including heat and utilities. The newer Hamilton Point project at 323 South Hamilton Street is achieving rents of \$0.84 per square foot for similar sized one-bedroom units (682 square feet) after adjusting the rent to conform to the subject scenario of the landlord paying heat and utilities. A reasonable unit rent for the second floor units would therefore be about \$0.75 per square foot

per month, or about \$525 per month. The estimated market rents of the subject apartment units are summarized as follows:

<u>Unit</u>	<u>Estimated Size (Square Feet)</u>	<u>Rent Per Square Foot</u>	<u>Rent Per Month</u>
Basement	518	\$0.65	\$335
Second Floor	702	\$0.75	\$525
Second Floor	702	\$0.75	\$525

Finally, the market rent for the subject's 47 surface parking stalls needs to be estimated. The Parking Market Analysis section of this report indicated that the monthly rates for downtown ramps ranges from \$75 to \$95 per month, with a central tendency between \$80 and \$85. In terms of surface parking, parking at One East Main is available at \$65 per month, with parking at Hamilton Place at \$63 per month. Given the short supply and high demand for parking, a reasonable market rate for the surface parking at the subject would be \$70 per month.

Estimation of Operating Expenses

The next step in creating a reconstructed operating statement for the Dane County Title Property is the estimation of operating expenses. Actual operating expenses as of the date of this appraisal were not available. However, the Perion Appraisal did contain certain historic expense information. Therefore, operating expenses for the Dane County Title property were projected based on a combination of an analysis of actual expenses coupled with an application of market rate levels for those expenses not accounted for in terms of available actuals.

First, some general comments on operating expenses in the downtown office market are in order to provide background for this analysis. Based on interviews with area property managers and leasing agents, total expenses on a unit basis (i.e., per square foot) for Class A and B buildings on the Square typically fall in a range of between \$7.00 and

\$8.00 per square foot. Certain expenses are higher. For example, the Tenney Plaza reported total expenses of \$8.50 per square foot and the Firststar Plaza reported expenses of \$10.00 per square foot. However, the Firststar's expense estimate contains a relatively high personnel cost given the size of the building and the manner in which it is operated. In fact, we received reports from other sources that expenses at the Firststar Plaza were actually higher than were reported to us. Therefore, expenses at this building are not representative of the market. In terms of a neighborhood building with a similar class rating to that of the subject, 1992 expenses for Hamilton Place at 217 South Hamilton were reported to be \$7.11 per square foot.

A problem arises in utilizing general expense information for more than mere background use. This problem stems from the fact that expenses are reported in an inconsistent fashion. When questioned, managers were vague in terms of which expenses were included in their total estimates. In fact, in doing our survey research work, we found that it was easier to obtain rental information than it was to obtain expense information. The above expenses do not include any allowance for tenant improvements, brokerage commissions, or any sort of reserves. Also, management styles vary around the Square and it is possible that some of these expense quotes do not include a management fee, or they perhaps only include management at cost when done by an owner occupant. However, in spite of the above-listed problems with this general data, a clear pattern does indeed emerge with respect to expense levels in the downtown Madison office market.

The historic expenses for the Dane County Title Property, as reported in the Perion Appraisal, are as follows:

Historic Expenses
Dane County Title Building

<u>Expense Category & Description</u>	<u>Amount</u>	<u>Per Sq Ft</u>
Payroll - Janitor (Average 1988-1990)	\$ 8,777	\$ 0.79
Gas & Electric	\$18,746	\$ 1.43
Repairs & Maintenance (Average 1988-1990)	\$ 9,874	\$ 0.75

The above summary is not comprehensive, in that there are a number of other operating expenses that must be estimated to provide an estimate of total operating expenses.

The above data, along with published sources were used to derive expense estimates for a reconstructed operating statement. Given our effective date of July 31, 1992, expenses will be estimated for calendar year 1992. This is consistent with the method and timing that investors would use when pricing a property of this type as of the above date. When using square footage as the measure against which to estimate or compare expense items, those items which apply to office areas only (e.g. janitorial) involve utilization of leasable office area as a measure (11,160 square feet). Those expense items applicable to the building as a whole (e.g. utilities) will utilize total rentable area as a measure (13,082 square feet).

1. Vacancy

While not an operating expenses persé, a vacancy allowance and credit loss is an item that must be considered when creating a reconstructed operating statement. The Office Market Analysis and Highest and Best Use Analysis contained in this report indicated that the Class A office market in Madison is currently tight with almost zero vacancy. Vacancy increases somewhat as one progresses into the Class B market, with vacancy increasing markedly as one progresses into the Class C office market. An occupancy survey performed by a local real estate firm specializing in office leasing indicated that as of June 1992, the vacancy rate for Class B downtown Madison office space was 9%, with the vacancy for Class C space at 23%, based on his definition of Class B and C.

However, the Highest and Best Use Analysis contained earlier in this report concluded that the most probable buyer of the subject property would be an owner/user. As such, buyer calculus would probably include less of a vacancy allowance than market norms. Ultimately, however, a purchase of a property of this type would probably be leveraged, so a lender would probably use some vacancy allowance when underwriting the property. Therefore, a probable purchaser would be an owner/user, a vacancy allowance less than that found in the Class B and C markets was applied to the office space in the property, or 5% of gross income. Given the tight apartment and parking markets, zero vacancy was applied to these income items.

2. Real Estate Taxes

The subject properties assessment did not change from 1991 to 1992, with the total assessed value of \$1,077,600. The 1991 tax liability, payable in 1992, was \$35,938.72, based on the applicable tax rate. As of the date of this appraisal, the 1992 net tax rate would not yet have been known. Since most investors tend to pay their taxes when levied as opposed to when due in order to take advantage of tax deductions, real estate taxes for the reconstructed operating statement were projected to be those levied in 1992, which were estimated based on projecting 1991's tax liability forward at a rate of 4% to \$37,375. Notice that the actual increase in the tax rate was 4.47% from 1991 to 1992.

3. Insurance

No historic insurance expense information was available for the property. According to BOMA, insurance expenses for downtown Madison averaged \$0.12 per rentable square foot. However, BOMA's 1992 report really involved 1991 numbers, so some inflation adjustment would be appropriate to derive a 1992 estimate. However, insurance premiums often do not fluctuate from year to year and, in any event, a 4% inflation assumption applied to a \$0.12 per square foot estimate would still be rounded down to \$0.12 per square foot. Since the apartments also need to be accounted for, the estimated livable areas of the apartments were added to the leasable area of office space to derive a total square footage of 13,082 square feet against which to apply the \$0.12 per square foot insurance estimate, which allowed for a total estimate of \$1,570.

4. Utilities

Gas and electric expenses were based on the 1990 actual figure of \$18,746. Utility expenses typically do not rise at the same rate as inflation, since utility rate increases must be passed by the Public Service Commission. Therefore, to arrive at a 1992 utilities estimate, the actual 1990 expense was inflated by 2% per year by 2 years to an estimate of \$19,500, which equates to about \$1.50 per square foot of leasable area including the apartments. Sewer and water expenses were based on BOMA figures at \$0.07 per square foot, or \$915. Total utilities were therefore \$1.57 per

square foot, which compares favorably with BOMA's figures of \$1.88 per square foot.

5. Janitorial and Cleaning

Class B and C buildings typically do not have five day per week janitorial service. Therefore, this expense would be less than a Class A standard. Historical janitorial payroll has been \$8,777 with supplies in the Perion Appraisal estimated to be \$600 per year. This would provide a total estimate of about \$0.85 per square foot of leasable office space (the apartments would not receive janitorial service). The appraiser recently signed a three day a week janitorial and supply contract for an office space at a rate of \$1.00 per square foot. Therefore, a number between the Perion estimate and a 1993 actual number of, say, \$0.90 per square foot or \$10,000 per year for janitorial and cleaning was utilized for the reconstructed operating.

6. Property Management

Property management expenses were based on an estimate of 5% of effective gross income, which is estimated to be \$180,420, for an expense estimate of \$9,020.

7. Repairs and Maintenance

Average actual repairs and maintenance from 1988 through 1990 have averaged \$9,874 per year. To arrive at an estimate for 1992, a 4% per year inflation factor was applied for an estimate of \$10,680. This is approximately \$0.82 per total leasable square foot, which is low by BOMA standards, which averaged \$1.72 per square foot for 1991. However, since actual numbers were available for the subject, a number based on actuals was used for our reconstructed operating statement.

8. Trash Removal

The Perion Appraisal contained a separate estimate for trash removal, indicating that this expense was not included in the repairs and maintenance expense estimated above. BOMA numbers do not itemize a trash removal expense for downtown Madison, but trash removal expense for suburban Madison averaged \$0.05 per square foot in the 1992 report. Therefore, based on the estimated leasable area of the building a trash removal expense of \$655 was included in our analysis.

9. Miscellaneous

Miscellaneous expenses include an occasional legal bill, administrative expenses of an accountant, etc. An allowance of \$100 per month or \$1,200 per year, was allotted to this expense.

10. Leasing and Reserves

As discussed previously, most building managers in downtown

Madison do not include a leasing and reserve expense when reporting expenses, although these are real expenses that need to be considered when estimating net operating income. Recall that the rent comparables all required some tenant improvement expenditure to secure the lease transactions discussed. Although this appraisal assumes that the building would likely be bought by an owner/occupant, a similar argument would apply as was made with respect to vacancy. Since the purchase would probably be leveraged, a lender might expect to see some allowance made for leasing and reserves as an underwriting criterion. Therefore, a leasing and reserve allowance of \$0.50 per square foot of office area was utilized for our reconstructed operating statement, which equates to \$5,580 per year.

A reconstructed operating statement for calendar year 1992 based on the above analysis is included as **Exhibit 7**. The Net Operating Income ("NOI") for the property is estimated to be \$93,925.

Valuation - Income Capitalization Approach

Based upon current buyer behavior, the income capitalization methodology which is appropriate for use in this report is direct capitalization. Direct capitalization is the process in which value is estimated by the application of the appropriate capitalization rate to one year's income. Therefore, in order to estimate value in this case, the justification of this technique and the derivation of the capitalization rate must be discussed.

The reason this methodology is appropriate is because our experience, as confirmed by our research, indicates that investors buying income properties today are primarily concerned with going-in cash flow returns. The first year's income of the property must show a sufficient return to the equity position in order to induce an investor to buy. This is a change from the buyer calculus of former years, where tax shelter and perceived future appreciation were also primary criteria, with initial cash flows viewed as less important. Notice also that few office buildings are

EXHIBIT 7

RECONSTRUCTED OPERATING STATEMENT

DANE COUNTY TITLE PROPERTY

Potential Gross Income

Basement - 115 Building	2,173 sq. ft. @ \$ 9.00	\$ 19,557
First & Second Floor - 115 Building	7,606 sq. ft. @ \$13.00	98,878
Expansion Office 109 Building	1,381 sq. ft. @ \$ 9.00	12,429
Basement Apartment	\$335 per month	4,020
Second Floor Apartments	2 @ \$525 per month	12,600
Parking	47 stalls @ \$70 per month	<u>39,480</u>

Total \$186,964

Less Vacancy Allowance @ 5% Office Rent - 6,544
Effective Gross Income \$180,420

Operating Expenses

Real Estate Taxes	\$ 37,375
Insurance	1,570
Janitorial and Cleaning	20,415
Property Management	9,020
Repairs and Maintenance	10,680
Trash Removal	655
Miscellaneous	<u>1,200</u>

Operating Expenses Before Leasing and Reserves \$ 80,915

Per Leasable Square Foot - Office Only \$7.25
Per Leasable Square Foot - Building \$6.18

Leasing and Reserves \$ 5,580

Total Operating Expenses \$ 86,495

NET OPERATING INCOME ("NOI") \$ 93,925

trading in today's market. The most popular investment type for smaller investors today is apartments, and the return criteria for apartments reflect their favored status in that these investments typically include lower equity dividend requirements (i.e., 8% to 10% on a stabilized basis). We are aware of a transaction involving local investment partnerships attempting to raise equity for investment properties other than apartments as of the date of this appraisal, wherein the sponsors of these partnerships are projecting initial cash-on-cash rates of return of 13% to 15% to the prospective limited partners.

Given the current unfavorable lending climate, tax climate and general perceived risk of real estate investment and overall negative outlook with respect to the long term performance potential of real estate, these high initial cash flow requirements are viewed as necessary in order to help mitigate these risks as well as provide rapid pay-back of the equity investment to shield the investor from long term risk.

This is mitigated somewhat in the subject case, in that the probable buyer is an owner/user as opposed to an investor or investment partnership. Since direct capitalization can take this emphasis on initial target cash flow returns into account, it is the appropriate capitalization method to be used in this valuation problem.

The direct capitalization method that will be used in this problem is the band of investment technique, which is a formula that allows for the derivation of a capitalization rate by calculating the weighted average of the returns required by the mortgage position and the equity position. The mortgage constant represents the return on and of equity required by the lender. The return necessary to support the equity investment in the property is the equity dividend or cash-on-cash rate, which represents the required percentage return on and of equity measured relative to the first

year of investment. The equity dividend rate reflects the relationship between one year's cash flow after debt service and equity capital expressed in percentage terms. Therefore, in order to derive the capitalization rate to be used in this analysis, probable mortgage parameters for the subject property as well as equity return parameters need to be discussed.

A survey of lenders was done in order to determine mortgage terms that are appropriate for a property like the Dane County Title Building. Based on our survey, obtaining mortgage funds for such a building would be difficult as of the date of this appraisal. A creditworthy owner/user would stand a far better chance of obtaining a mortgage than an investment partnership, or at least such a buyer would receive better terms. Lenders in today's market are protecting themselves from risk by requiring larger down payments, shorter amortization, personal guarantees, and higher debt coverage ratios than were required in past years. Interest rates today are low; the problem in today's market are not the interest rates, but rather the willingness of lenders to make loans. This is especially true with respect to office buildings. It should also be pointed out, however, that owner/occupants might qualify for certain securitized loan programs or development loan programs sponsored by government or quasi-government agencies. Such loans typically have more favorable terms than are available from conventional lenders because they are based on the credit of the borrower as well as the real estate. In addition, given the relatively small loan size for the Dane County Title Building, few life insurance companies would be interested in lending on the property, although one life insurance company lender we interviewed (Mutual Group, Brookfield), had recently made a loan on a Class B Square office building. A savings and loan is also perceived to be an unlikely lender for this

property due to the new risk weighted capital requirements that have been implemented with respect to commercial lending. A likely lender for a property of this type would be a bank, who would fix the rate on a short term basis (3 to 5 years), with the loan due or at the very least having a rate review after the initial term.

Many lenders today are using commensurate maturity Treasury yields as benchmarks for loans. According to the October 1992 issue of Appraiser News, the average yield for five year U.S. Treasury Bonds was 5.84% as of July of 1992. It was 6.48% for June of 1992. A reasonable mortgage rate would be based on a spread of 300 basis points over these yield measures. In addition, lenders in this size range typically charge at least one point as a fee. A reasonable interest rate for the Dane County Title Building would therefore be between 9% and 9.5%, with probable amortization of 15 to 20 years. We utilized a rate of 9.25% with 20 year amortization for the derivation of our capitalization rate.

The estimation of equity dividend requirements was based on the information discussed earlier. In general, office properties are probably the least desired real estate investment product type in today's market. A local equity offering involving the development of a new, higher quality suburban office building is projecting an initial cash-on-cash rate of 15%. The other equity offering mentioned earlier involves a package of mobile home parks in which the sponsor is projecting a cash-on-cash rate of 13% to the limited partners. This is actually viewed as a more favorable investment than an office building since the package involves seasoned, diversified properties with historical vacancies of less than 2% and a history of increasing cash flow. Also, the package was purchased with favorable long term, fixed-rate debt. Both offerings were current at or about the date of this appraisal.

It is probable that the sponsors are buying the properties at a price that would yield a higher equity dividend than listed above, and then they are in effect reselling the properties to a partnership at a higher price which would produce the equity dividends projected to the partners. What the sponsors are then doing is keeping the spread between these two prices as a fee. Based on the risks of owning real estate in today's market, merely buying the building for a share of the cash flow, a management fee, and some share of capital appreciation, is not enough to induce a sponsor to put together a transaction. Some sort of fee is necessary to do this. Therefore, based on the above transactions and the risks of office investment, if an investment partnership were to buy the property, an equity dividend rate in this 13% to 15% range would be a reasonable parameter for use in deriving the capitalization rate. It should also be pointed out that if such a buyer planned to convert the building to multiple tenancy, further discounting might result due to the need for tenant improvements.

However, consideration must be given to the high probability that the property would be purchased by an owner/user. The property would provide an excellent location for a law firm or other entity with a downtown and/or government business focus. Such a buyer would probably not behave in the same manner as a real estate investor. A reasonable measure of a required return for this user type might be in terms of cost of capital. Indeed, such an entity might borrow part (or even all) of the equity required for such a purchase on a short term basis. The prime rate fell to 6.0% in July of 1992. A business with a reasonable credit rating would be able to borrow money at 2.0% over prime, for a cost of capital of 8.0%. Notice how this compares favorably with non-office real estate investment criteria, (e.g., an acceptable range for "going-in" equity dividend rates on good

quality, seasoned apartment projects is 8% to 10%). The above rate fits at the most favorable end of this range. Applying a premium to the equity dividend rate would appear reasonable given the fact that a purchase of the property would give an owner a call position on a future downtown development site. Therefore, an equity dividend rate of 8% will be used.

Based on this analysis, and using the above mortgage and equity parameters, an overall capitalization rate to apply to the projected net operating income to estimate value was derived as follows:

$$Ro = M \times Rm + (1-M) \times Re$$

Where:

Ro = Overall Capitalization Rate

M = Loan to Value Ratio

Rm = Mortgage Constant

(1 - M) = Equity Ratio

Re = Equity Dividend Rate

$$Ro = .70 \times .1099 + (1 - .70) \times .08$$

$$Ro = .0769 + .0240$$

$$Ro = .1009$$

Rounded to: 10.1%

The above capitalization rate was used to derive an estimate of the value of the subject property as follows:

		<u>NOI</u>
Value	=	Overall Rate (Ro)
		<u>\$ 93,925</u>
Value	=	.101
Value	=	\$ 929,950
Rounded to:		\$ 930,000

Therefore, the value of the Dane County Title Building, as estimated by the income capitalization approach, is \$930,000.

The above value estimate was tested in a number of ways. First, the 70% loan to value ratio would imply a loan amount of \$651,000, with annualized debt service of \$71,548 at a 9.25% rate and 20 year

amortization. Based on estimated NOI of \$93,945, debt coverage would be 1.31 to 1.0, which is acceptable.

The \$930,000 value estimate provides the following unit values:

<u>Area</u>	<u>Square Feet</u>	<u>Parking Ratio</u>	<u>Value per Square Foot</u>
Gross Building	16,029	2.77	\$58.02
Gross Finished	14,186	3.36	\$65.56
Total Leasable	13,082	2.61	\$71.09
Leasable, Office Only	11,160	4.27	\$83.33

In terms of market comparables, even though the information that was available was deemed insufficient for performing the sales comparison approach, the comparable sales that were available do provide background information for comparison purposes. Sale 5, which is the Munz building at 133 South Butler Street, sold for a unit price of \$78.95 per square foot of gross finished area in February of 1986. The purchase was by an owner/occupant; Mr. Munz's business operation now occupies the entire building. This property has more parking than the subject in terms of its parking ratio. Mr. Munz was apparently a highly motivated buyer and the property was never exposed to the market. One would expect a very high sales price per square foot for the Munz building given the small building size (i.e., unit prices tend to be higher for smaller properties, all other things being equal) and the motivation of the buyer. Even though significant time has elapsed since this sale, given the above factors this sale is viewed as comparing favorably to our value estimate.

Sale 2, which is the sale of the former McManus law office at 235 King Street reflected a unit price of \$46.22 per square foot of gross finished area. According to the leasing broker, the buyer will be spending about \$200,000 improving the building, which would reflect a total investment of \$75.10 per square foot of gross finished area. Much of the expenditure is on the buyer's law office. This property has less parking,

but does involve a smaller building, which would produce a higher unit price. A buyer of the subject property would probably also make some tenant improvements, so the value per gross finished area for the subject would be expected to be between the unit price indicated by the purchase of Sale 2 and that indicated by the anticipated total investment in that property.

When compared to the estimated land value of \$450,000, the \$930,000 value estimate would leave a residual value of \$480,000 for building improvements. This would be a building value of about \$30 per square foot of gross area. While an accurate value estimate would not be obtainable via the cost approach, one would expect the accrued depreciation for a building of this age and with the subject's functional obsolescence to have accrued or total depreciation as a percentage of replacement cost of 50% or so. This would imply a cost of about \$60 per square foot, which is in line with the cost estimated for a new, albeit larger, office building for the site (see Highest and Best Use). This cursory test also supports the \$930,000 value estimate.

The value of the subject property via the income approach is therefore concluded to be \$930,000.

RECONCILIATION AND FINAL VALUE ESTIMATE

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

property for the new Dane County Jail.

The analysis in this appraisal indicated that the highest and best use of the property as improved is a continuation of its current utilization as an office building, with those areas currently used as apartments continued as such. The highest and best use analysis indicated that no greater income productivity would result from converting the remaining apartment space in the 109 Building to office use. It was further concluded that such conversion in this case would be more a business decision than an economic decision, in that such space would provide for expansion if needed. However, such conversion might entail additional cost risk, in that potential building code and ADA issues would have to be confronted. With respect to the highest and best use of the property as if the site were vacant, the feasibility of reasonably probable alternative use scenarios could not be proven. Given the indicated total value of the subject as improved (\$930,000) versus the indicated land value, as if vacant (\$450,000), there is significant value and economic life remaining in the improvements. This reinforces the conclusion of a continuation of the current pattern of utilization.

The pattern of ownership of similar-sized buildings downtown, coupled with the subject's location would indicate that it is likely that the buyer of the property, if offered for sale, would be an owner/user. Since the age of the property and its functional obsolescence precluded use of the Cost Approach, and since there were not a sufficient number of recent sales of properties comparable to the subject, the Income Approach to value was utilized as the primary approach by which to estimate value. It is reasonable to expect that an owner/user would price a property of this type based on the opportunity cost of continuing to lease quarters elsewhere, or by the opportunity cost of leasing similar quality space. The valuation

scenario utilized in the Income Approach attempted to take not only this factor into account, but also the fact that such a buyer might not seek the same high return requirements as a professional real estate investor. The lower return requirement utilized in the capitalization process also reflects the fact that a buyer of the property might be motivated to pay a premium due to the long term appreciation potential of the subject land. The indicated value via the income Approach reflecting these more optimistic assumptions was \$930,000. If the property were to be valued from the vantage point of a professional real estate investor, the higher equity return requirements and probable partitioning of the building for multiple tenancy (which would reduce its rentable square footage and hence income), and the likelihood of other tenant improvement expenditures would result in a lesser value estimate.

The above value estimate has not been discounted to reflect the potential need for environment remediation at the property. The pipe-wrap for the hot water pipes in the building was reported by a representative of Dane County to contain asbestos. The cost of any environmental remediation necessary to remove this or any other hazard would be deducted from value. Therefore, given the above analysis, the market value of the property known as the Dane County Title Property, which includes the office buildings at 109 West Doty Street and 115 West Doty Street, as well as the parking lots at 114-118 West Wilson Street in Madison, Wisconsin, as of July 31, 1992 is estimated to be \$930,000:

NINE HUNDRED THIRTY THOUSAND DOLLARS

assuming cash to the seller and a reasonable marketing period of one year or less. This further assumes that the property is free of hazardous materials and environmental contamination.

This value estimate assumes that certain personal property would

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

CERTIFICATION OF APPRAISER

I certify that, to the best of my knowledge and belief:

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

Date: 7/30/93

Certified By: _____

Dean P. Larkin
Dean P. Larkin, MAI
Realty Advisors, Inc.

Date: 7/30/93

Certified By: _____

Jean B. Davis
Jean B. Davis, President
Landmark Research, Inc.

ASSUMPTIONS AND LIMITING CONDITIONS

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

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

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

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

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

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

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

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

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

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

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

It is assumed that the utilization of the land and improvements are within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted within the report.

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

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

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

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

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

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

QUALIFICATIONS

JEAN B. DAVIS

EDUCATION

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

Master of Arts - Elementary Education
Stanford University

Bachelor of Arts
Stanford University (with distinction)

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

PROFESSIONAL EDUCATION

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

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

Appraisal Institute
Standards of Professional Practice

PROFESSIONAL DESIGNATIONS

MAI (Candidate) - Appraisal Institute

PROFESSIONAL AFFILIATIONS

Appraisal Institute
Urban Land Institute

PROFESSIONAL EXPERIENCE

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

QUALIFICATIONS OF DEAN P. LARKIN

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

Prior to co-founding FFRA, Mr. Larkin was with RAL Asset Management, a Brookfield based real estate investment firm. His duties were primarily in the areas of acquisition, partnership structuring, and partnership administration. Previously, he worked in the income property finance division of the Grootemaat Corporation, a Milwaukee, Wisconsin mortgage banking firm. Duties at Grootemaat included the finding, structuring, and placement of real estate mortgage and equity investments, equity account appraisals, and the sale of securities in private placement real estate investments. Prior to that, Mr. Larkin worked for two Milwaukee area appraisal firms, doing appraisals, market studies, and feasibility studies involving all property types. He received an M.S. degree in Real Estate Appraisal and Investment Analysis in 1981 and a B.A. degree in Economics in 1978, both from the University of Wisconsin - Madison. Both his undergraduate and graduate course work included a concentration in urban and regional planning. Mr. Larkin is also on the staff of the University of Wisconsin - Milwaukee School of Business where he has taught Valuation of Real Estate since 1984. Community activities include membership on the Park and Recreation Commission of the Town of Pewaukee and being an alumnus of Future Milwaukee. Professional affiliations include being designated as an MAI (Member, Appraisal Institute, Number 9819). Mr. Larkin is also a Certified General Appraiser (Number 209) and a licensed real estate broker in the State of Wisconsin.

APPENDIX A

DETAILED AREA AND NEIGHBORHOOD ANALYSIS

APPENDIX A

AREA ANALYSISIntroduction

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

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

SOCIAL FACTORS

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

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

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

ECONOMIC FACTORS

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

The government and the education sector in the work force have a dramatic effect on the area's employment figures. The unemployment figures for the Madison Metropolitan Statistical Area are the lowest in the state,

due to the stability of employment within the government and education sectors. As of January, 1993, the seasonal unadjusted rate was 2.1 percent in comparison to 2.9 percent as of January, 1992. Information issued from the Wisconsin Department of Industry, Labor and Human Relations indicates that these rates have been between 2.5% and 3% since 1988.

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

GOVERNMENT

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

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

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

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

ENVIRONMENTAL FACTORS

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

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

Automobile access throughout the Madison area is regarded as average. The city lacks an efficient cross-town freeway system. The east-west arterial streets that run through Madison ultimately have to be routed through the isthmus between Lake Mendota and Lake Monona. This 10 block wide stretch of land is densely developed since it was one of the first areas of the city to be developed in the mid-1800s. Therefore, through traffic attempting to travel east-to-west or vice versa through Madison can sometimes experience congestion when going through the isthmus area. In order to compensate for this poor traffic circulation pattern, the City of Madison and Dane County have been working over the past years to develop a beltline highway system to ring the city. The beltline highway around the east, south, and west sides of the city is now complete. This provides much more efficient traffic circulation in these peripheral areas.

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

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

SUMMARY

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

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

life is enhanced by its proximity to area lakes, parks and several cultural opportunities.

NEIGHBORHOOD ANALYSIS

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

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

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

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

The Square neighborhood is the center for government offices for the State of Wisconsin, Dane County, and the City of Madison. In addition, the Federal Building, which houses the Federal Courthouse and related agencies,

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

is located within one block of the Square neighborhood at 120 North Henry Street.

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

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

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

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

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

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

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

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

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

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

One of the major factors associated with the Square neighborhood is its "unfriendliness" to the automobile. Traffic circulation through and around the Square neighborhood is difficult at best. Past city planning policies intentionally made automobile circulation and parking more difficult in the Square neighborhood in order to discourage the use of the automobile downtown. Automobile traffic around the Square has been routed to the outer ring, which are the streets mentioned earlier as being those that define the Square neighborhood. The policy of discouraging automobile traffic in the neighborhood has apparently been somewhat successful. We compared traffic counts from 1982 and 1983 to 1991 levels and found that traffic around the inner and outer rings of the Square has not increased

but is virtually the same over those time periods. In addition, parking in the Square neighborhood is difficult, given the lack of on-street parking and high demand placed on parking facilities by virtue of the high concentration of office space. Notice also that the State of Wisconsin, which is a major office user in the Square neighborhood, has a tendency to build or own major buildings without making a provision for parking in keeping with office market standards.

A potential planned development is the downtown convention center. Monona Terrace, as the 63.5 million dollar convention center is known, is based on a 1959 design by Frank Lloyd Wright. The Monona Terrace site is located between Olin Terrace and Lake Monona, three blocks southeast of the Provident Building. The design for Monona Terrace features a 42,300 square foot exhibit hall, a 15,000 square foot ballroom and banquet hall, a multi-media auditorium with seating for more than 900 people, meeting rooms, and a roof-top garden. The State of Wisconsin has pledged \$14 million toward construction of a 550 car parking ramp adjoining the proposed convention center. However, critics of the convention center have pointed out that it lacks an adjacent hotel. It is believed that the addition of a hotel as part of the convention center's facilities would have been politically infeasible, since certain backers of the project have hopes that the convention center will help the existing downtown hotels. Also, there would probably be political resistance to using public dollars to subsidize a hotel that would compete with existing hotels, which have historically performed poorly.

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

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

Since parking is such a critical factor, the Square parking market requires discussion. In general, most new major office buildings have their own parking ramps. The City of Madison and Dane County have numerous public parking ramps in the downtown area, including one across the street from the subject. However, the high concentration of office

uses makes the supply of downtown parking inadequate. Further, although the City of Madison and Dane County do have ramps in the downtown area, there is no specific provision of a supply of this parking in proportion to the amount of office space occupied by these entities. Further, the parking provided by the State for its buildings is far short of market standards for office buildings (they attempt to provide one stall per ten employees), which magnifies parking supply problems given the huge volume of office space around the Square occupied by the State. Also, many Class B and C office buildings, as well as downtown retailers, have no parking.

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

To conclude, the Square neighborhood remains as Madison's premier office district. The decline of retail uses in the Square neighborhood as well as the out-migration of office uses that do not have a compelling reason to be downtown is probably for the most part complete. The fact that a major office development (the new State Office Building at 101 East Wilson Street) was recently completed coupled with the fact that another major office project is in the final planning stages (the M&I Bank/Foley & Lardner Building) indicates that the office market is in a growth stage, albeit a very gradual one.

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

APPENDIX B

PROFESSIONAL INTERVIEWS - OFFICE MARKET

APPENDIX B

PROFESSIONAL INTERVIEW

Mr. Mark Winter (256-5900)

Vice President

Oakbrook Corporation

Working in the areas of leasing and property management.

Date of Interview: July 21, 1993

- Mr. Winter indicated that there would probably be a good demand for the building in today's market; he indicated he had a law firm tenant available today that might be interested in a building such as this. He described the base building as "not great". To achieve a solid Class B rating, it would be necessary to put some tenant improvement dollars into the building. (Mr. Winter appeared to be very familiar with the building, having attended numerous closings there. However, he was not familiar with the expansion office space). Mr. Winter further indicated that the building was short on glass and might have to add glass to accommodate new private offices.
- When asked what typical tenant improvements were in the office buildings that he has worked on, Mr. Winter indicated that one can do a decent refit job on existing space at between \$8.00 to \$10.00 per square foot. However, to add partitionings or to add extras to a space, costs can range from \$10.00 to \$15.00 per square foot for improvements.
- Mr. Winter was also asked what he thought typical operating expenses were. He indicated that landlord expenses for an office building in Madison might range from \$5.00 per square foot to \$6.00 per square.
- When asked his opinion of what the Dane County Title Building might rent for as of the date of this appraisal, Mr. Winter expressed the opinion that it might rent for \$13.00 to \$15.00 per square foot with the tenant improvement investment discussed. He viewed the parking as a major plus to the building. (Since Mr. Winter was not familiar with the expansion office space, it is assumed that his rent estimate for the building was for the office areas in the building he was familiar with, which would be the upper floor offices).

PROFESSIONAL INTERVIEW

Ms. Judy Susmilch (221-0822)

Shaw Company

Date of Interview: July 19, 1993

- The interview with Ms. Susmilch concentrated on obtaining rent comparables for the subject property. Ms. Susmilch is intimately familiar with the neighborhood Class B market, since she handles leasing at Hamilton Place at 217 South Hamilton Street, and was also involved in the leasing and management of the Wisconsin Restaurant Association Building at 125 West Doty Street. (Notice that other professionals interviewed regarded Ms. Susmilch as an authority on the Class B Market; many people referred the appraiser to her as a data source). The rent comparables obtained from Ms. Susmilch are summarized elsewhere in the appraisal. These included the Dane County lease for the fourth floor of the Hamilton Place Building, casted in the spring of 1992 at a rate of \$13.50 per square foot for three years with a 4% annual inflation factor. This lease involved a tenant improvement expenditure by the landlord of \$6.43 per square foot. The asking rent for the building as of the effective date of this appraisal was \$13.50 per square foot on a full-service basis. The asking rent is as-is, with a tenant improvement allowance typically at \$1.00 per square foot per year of lease. Ms. Susmilch is also involved in leasing the AAA Building, with two full-floor leases done at the AAA Building on or about the date of this appraisal. These were both full-floor leases (3,600 square feet each). One of these leases in the AAA Building was at \$13.70 per square foot for five years with a \$6.94 per square tenant improvement expenditure. The other lease was at \$13.45 per square foot for three years with a tenant improvement expenditure of \$4.16 per square foot. Both leases had 4% annual inflation kickers.
- Ms. Susmilch indicated that the tight Class A office market has spilled over and helped the Class B market. There are few concessions in the market, with maybe one month of free rent available if the landlord does not have to do any remodeling. Ms. Susmilch indicated that short term leases (3 to 5 years) are the norm for smaller tenants and she has been able to achieve inflation escalators of 4% to 5% per year recently.
- Ms. Susmilch was familiar with the subject building and the functional obsolescence problems of the building (difficult layout, lack of private offices, low proportion of glass to wall area, etc. When asked her opinion of what the building might rent for as of the date of this appraisal, she expressed an opinion in the "low 11's" on a full-service basis, which would mean somewhere between \$11.00 and \$11.50 per square foot overall.

PROFESSIONAL INTERVIEW

Mr. Tom Neujahr (251-0706)

Urban Land Interests

Date of Interview: July 19, 1993

- Mr. Neujahr had some interesting comments about title companies in downtown Madison. He indicated that title companies tend to have closings lumped at the end of the month, with a heavy activity period at this time. Given heavy occasional parking demands, the downtown title companies often had parking problems. He noted that Dane County Title was the last of three title companies that used to be downtown, with Dane County Title having the advantage of being able to accommodate this peak parking problem. (Both Wisconsin Land Title and Preferred Title were formerly located in downtown Madison).
- When asked about lease comparables, Mr. Neujahr expressed the opinion that a Square location is different from an outer-ring location, so that lease comparables would best come from the outer-ring. He indicated however, that there were probably few, if any, true comparables available, in that the subject building is somewhat unique given its size, parking, and layout. When the Hamilton Place Building was discussed with Mr. Neujahr as a comparable, he indicated that while this might be a better building from the standpoint that it is set up as a multi-tenant building, he thought it was probably as good a comparable as any.
- When asked his opinion about the subject property, Mr. Neujahr indicated that he was quite familiar with the property. He thought it had excessive width relative to its depth, poor windows and an odd floor size. By odd floor size, he referred to the fact that there are simply not that many larger tenants in downtown Madison, with a number of tenants in the 500 square foot to 3,000 square foot range, with the average tenant's space needs at about 1,500 square feet. Therefore, finding a tenant for the building would either involve splitting-up the building to multiple tenant occupancy, or being able to time the availability of space with the availability of tenants with a commensurate space need. He indicated that given the size of the building, the underwriting should include a fairly high vacancy allowance of, say, 7% to 8%. He also discussed the problems with the floor plan and the location of the elevator relative to the balance of the space, and the creating a hall in an elevator lobby would create a fair amount of wasted space relative to the size of the floors. However, he thought the location of the building and its good parking were definite advantages.

- When asked his opinion of what the building might rent for, Mr. Neujahr said that a logical rent would be about \$13.00 per square foot for the first and second floors, with a \$9.00 to \$10.00 per square foot rent applicable for the basement space. He thought the surface parking might command as much as \$80.00 per stall given its location. However, he indicated that in order to obtain that rent, some tenant improvement expenditure would probably be necessary. When asked what a reasonable tenant improvement allowance might be, he indicated that tenant improvements might run as high as \$15.00 per square foot for a building of this type, depending on the needs of the tenants.

PROFESSIONAL INTERVIEW

Mr. Mike Reisinger (233-2233)

Michelson and Associates

Date of Interview:

- Mr. Reisinger indicated that the Dane County ^{Little} Office Building was Class C space. He viewed the parking as excellent, but that the space itself was definitely Class C space. He thought likely leasing prospects for the space might be an advertising firm that needs to be downtown, lobbyists that might pool together, or a law firm. He further indicated that the State of Wisconsin would be an excellent prospect to lease the building if costs to comply with ADA were not excessive.
- Mr. Reisinger declined to express an opinion of the rent potential for the space, but when queried about comparables recited comparables in the \$10.00 per square foot to \$15.00 per square foot range. Notice, however, that the office vacancy survey published by Michelson and Associates classifies space by gross lease rate, with Class C space classified as that space renting for under \$12.00 per square foot.
- Mr. Reisinger thought that the building was an excellent sale prospect. He cited a law firm as a very likely buyer for the building given its location, and indicated that the building could easily bring somewhere in the high \$40.00 square foot to into the \$50.00 square foot range, with price figured based on price per square foot of building area.

PROFESSIONAL INTERVIEW

Mr. David Keller (258-5580)

The Alexander Company

Date of Interview:

- Mr. Keller was very bullish on the downtown office market. He indicated that good buildings are full and that average buildings are also full by virtue of the spill over from the better buildings in the market.
- When asked about comparables, Mr. Keller indicated that the Hamilton Place Building was about as good a comparable as one could get. (See Rent Comparables and Judy Susmilch Interview).
- In terms of leasing prospects for the building, Mr. Keller indicated that one would have been able to lease the building to attorneys "in a minute". He thought the logical pattern of utilization for the building would be to divide it, given the predominance of small tenants in the market. He indicated that there are not a lot of 10,000 square foot users in the market, but that there is good demand for space in the 3,500 square foot to 5,500 square foot range.
- When asked his opinion about what his office space in the building might rent for, he thought the better space (which we interpret to mean the upper floor space) might bring as high as \$14.00 to \$16.00 per square foot, but he indicated that given the layout of the building and its condition, that one would have to spend \$10.00 to \$15.00 per square foot to obtain that level of rent.

APPENDIX C

SUMMARY - STATE OF WISCONSIN OFFICE LEASES

PRINTED 01 OCT 1992

==== SPACE TYPE REPORT BY LOCATION ====

CITY.....	LEASE.. NUMBER	AGENCY..... NAME	ADDRESS.....	LESSOR NAME.....	LESSOR CONTACT.....	LESSOR PHONE..	LEASE.. END DATE	SQ BASIC.... RATE	MONTHLY_RE RENTAL	ANNUAL ED RATE RENTAL
----								341	\$452.21	\$5,426.50
Madison	115-012	Agriculture	818 W Badger Road	Badger Prof Assoc	David Peterson	(608) 256-9011	11-30-92 1666	\$8.39	\$1,165.44	\$13,985.24 \$9.07
Madison	115-089	Agriculture	2642 Riarrock Rd.	Riarrock Self Storage			06-30-92 100	\$3.85	\$32.08	\$385.00 \$3.85
Madison	115-102	Agriculture	310 N. Midvale Blvd.	Crivello Properties	Julie Dinauer	(414) 225-7595	07-31-93 9758	\$10.29	\$8,124.77	\$97,497.24 \$10.29
							840	\$3.68		\$3.68
Madison	115-210	Agriculture	510 Rolfsmeier Rd.	Security Self Storage	Sonny Patefield	(608) 274-7796	09-30-92 150	\$3.52	\$96.00	\$1,152.00 \$3.52
							100	\$6.24		\$6.24
Madison	115-286	Agriculture	2740 Ski Lane	Tavarez and Associates Architect	Modesto Tavarez	(608) 271-1625	12-31-92 1133	\$8.25	\$778.94	\$9,347.25 \$8.25
Madison	115-317	Agriculture	721 Forward Dr.	West Side Self Storage	Donald Lund	(608) 273-6569	11-30-92 120	\$4.00	\$44.00	\$528.00 \$4.00
Madison	115-426	Agriculture	700 Ray O Vac Drive	SS Oaks Corporate Center, Inc.	Bill Zander	(608) 833-6620	09-30-93 5770	\$10.97	\$5,272.34	\$63,268.08 \$10.97
Madison	124-227	Commissioner of Banking	131 W. Wilson St.	James Wilson Plaza	Darrell Wild	(608) 251-8811	11-30-93 7995	\$12.84	\$8,554.35	\$102,652.14 \$12.84
Madison	145-032	Commissioner of Insurance	121 E. Wilson St.	Lake Terrace	Richard Munz	(608) 255-5166	03-31-00 24843	\$15.13	\$31,315.89	\$375,790.62 \$15.13
							121 E. Wilson St.			
Madison	165-161	Regulation & Licensing	1400 E Washington Ave	Washington Square Assoc	Jerome J. Mullins	(608) 257-0681	07-31-96 34048	\$11.67	\$33,111.42	\$397,337.00 \$11.67
Madison	175-063	Commissioner of Savings & Loan	4785 Hayes Road	Midwest Office Park III	Richard V. Munz	(608) 255-5166	02-28-95 2922	\$12.98	\$3,160.42	\$37,925.00 \$12.98
Madison	192-039	Wisconsin Racing Board	150 E Gilman Street Suite 1000	Verex Assurance Inc.	Thomas Phillips		08-31-94 4750	\$15.90	\$6,293.15	\$75,517.80 \$15.90
Madison	195-522	State Lottery Board	1802 W. Beltline Hwy	Livesey MDC Limited Partnership	John P. Livesey	(608) 833-2929	09-30-93 47000	\$6.38	\$24,977.74	\$299,732.88 \$9.43
Madison	235-436	Higher Education Aids Board	131 W. Wilson St.	James Wilson Plaza	Michael Ziemann	(608) 251-8811	12-31-93 4263	\$12.84	\$4,561.25	\$54,734.97 \$12.84
Madison	245-049	State Historical Society		Delta Storage	John Koffel	(608) 251-3337	07-31-95 3000	\$5.95	\$1,487.50	\$17,850.00 \$5.95
Madison	245-311	State Historical Society	329 Coyier Lane	Wayne W. Wilson & Michael J. Wyn	Wayne W. Wilson		07-31-93 2228	\$3.00	\$997.00	\$11,924.00 \$3.85
							840	\$6.00		\$6.85
Madison	255-163	Public Instructions	2334 S. Park Street	The Villager Shopping Center	Wayne J. Sweeney	(608) 836-7600	06-30-93 600	\$8.00	\$400.00	\$4,800.00 \$8.75
Madison	255-184	Public Instructions	714 Market Place	C/O The Joseph Wayne Corp.						
Madison	255-322	Public Instructions	634 W. Main St.	Reynolds Transfer & Storage	Dave Reynolds	(608) 257-3914	04-30-95 4712	\$3.60	\$1,413.60	\$16,963.20 \$3.60
Madison	285-018	University of Wisconsin	150 E. Gilman Street	Delta Storage	John Koffel	(608) 251-3337	11-30-93 1300	\$3.09	\$334.75	\$4,017.00 \$3.09
Madison	285-021	University of Wisconsin	1001 Spring Street	Verex Assurance Inc.	Harold J. Lessner	(608) 257-2527	07-31-94 8268	\$12.23	\$8,477.49	\$101,729.88 \$13.98
							100	\$5.53		\$5.53
Madison	285-021	University of Wisconsin	1001 Spring Street	Wisconsin Bell Inc.	Gerald W. Miller	(800) 633-7368	11-30-97 11500	\$10.88	\$10,427.49	\$125,129.88 \$15.20
Madison	285-027	University of Wisconsin	University Research Park	Rental Account No. W0117-A						
Madison	285-069	University of Wisconsin	4726 East Towne Boulevard	University Science Center Partne	Greg Myer	(608) 262-4023	01-31-94 2375	\$12.18	\$2,409.95	\$28,919.40 \$16.39
Madison	285-076	University of Wisconsin	722 Hill St	c/o Laura Kerans						
Madison	285-082	University of Wisconsin	150 E. Gilman Street	VBSG - Financial Services Divisi			11-30-96 4820	\$12.75	\$5,121.25	\$61,455.00 \$14.75
Madison	285-076	University of Wisconsin	722 Hill St	Attn: Dan Lohrentz						
Madison	285-082	University of Wisconsin	150 E. Gilman Street	Opitz Realty Inc Trustee	Bob Krolnik	(608) 257-0111	08-31-93 4085	\$8.96	\$3,050.60	\$36,607.16 \$10.96
Madison	285-087	University of Wisconsin	510 Rolfsmeier Dr	Verex Assurance Inc.	Harold J. Lessner	(608) 257-2527	06-30-93 2150	\$13.00	\$2,329.17	\$27,950.00 \$14.75
Madison	285-120	University of Wisconsin	5117 University Ave.	Attn: Fic. Manager						
Madison	285-126	University of Wisconsin	2709 Marshall Court	Security Self Storage						
Madison	285-164	University of Wisconsin	2880 University Ave	M-T-O-M 576						
Madison	285-168	University of Wisconsin	1605 S. Park Street	Marshall Erdman & Associates, In	Mike Yanke	(608) 238-0211	08-31-94 6000	\$1.50	\$750.00	\$9,000.00 \$1.50
Madison	285-174	University of Wisconsin	732 N. Midvale	Jack S. & Lois Kanner	Jack Kanner	(608) 238-2300	10-31-93 1030	\$17.35	\$1,489.32	\$17,871.84 \$17.35
Madison	285-174A	University of Wisconsin	732 N. Midvale	University MGB Partnership	John J. Flad	(608) 833-8100	09-30-04 54178	\$11.85	\$53,500.78	\$642,009.30 \$13.00
Madison	285-197	University of Wisconsin	1920-1930 Monroe St	C/O Flad Dev. & Inv. Corp.						
Madison	285-194	University of Wisconsin	26 N. Orchard St.	Anding Enterprises	Al Anding	(608) 221-3854	12-31-93 5000	\$5.56	\$2,316.67	\$27,800.00 \$5.56
Madison	285-195	University of Wisconsin	3817 Mineral Point Rd	Investment Properties	Bruce Neviasser	(608) 257-3777	02-28-95 2840	\$8.93	\$2,113.43	\$25,361.20 \$8.93
Madison	285-229	University of Wisconsin	706 Williamson St	Investment Properties	Bruce Neviasser	(608) 257-3777	03-31-95 2490	\$8.93	\$1,851.94	\$22,223.25 \$8.93
Madison	285-258	University of Wisconsin	979 Jonathon Dr	Kenneth L Luedtke	Kenneth L. Luedtke	(608) 231-3370	06-30-94 20155	\$13.36	\$22,445.95	\$269,351.42 \$13.36
Madison	285-259	University of Wisconsin	977 Jonathon Dr.	Muir Heights Partners						
Madison	285-310	University of Wisconsin	122 E. Olin Ave.	The Reopen Corporation	Don Reppen	(608) 231-1324	06-30-95 13612	\$9.00	\$10,209.00	\$122,508.00 \$9.00
Madison	285-229	University of Wisconsin	706 Williamson St	Reynolds-Madison Company Corp.	David Reynolds	(608) 257-3914	06-30-94 12000	\$3.33	\$3,329.58	\$39,955.00 \$5.43
Madison	285-258	University of Wisconsin	979 Jonathon Dr	Daniels Bldg Rentals	Joe Daniels	(608) 271-4800	11-30-92 13032	\$9.32	\$11,807.30	\$141,687.56 \$12.52
Madison	285-259	University of Wisconsin	977 Jonathon Dr.	Daniels Building Rentals	Joe Daniels	(608) 271-4800	11-30-92 4115	\$9.82	\$3,368.99	\$40,427.87 \$12.75
Madison	285-310	University of Wisconsin	122 E. Olin Ave.	First American Office Partnershi	Robert Holub	(608) 258-9525	04-30-94 1600	\$12.35	\$1,646.67	\$19,760.00 \$12.35

CITY.....	LEASE.. NUMBER	AGENCY..... NAME	ADDRESS.....	LESSOR NAME.....	LESSOR CONTACT.....	LESSOR PHONE..	LEASE.. END DATE	SD BASIC.... RATE	MONTHLY_RE	ANNUAL SD RATE RENTAL	SD FT
Madison	285-339	University of Wisconsin	2709 Marshall Ct	J S & L M Kanner	Jack Kanner	(608) 238-2300	11-30-94	1434 \$12.71	\$1,519.00	\$18,228.00	\$12.71
Madison	285-351	University of Wisconsin	3313 University Ave.	Opitz Realty Inc., Trustee	Robert Krolnik	(608) 257-0111	09-30-93	19109 \$9.07	\$14,542.29	\$174,507.48	\$14.07
				80B Investors				350 \$3.25			\$3.25
Madison	285-356	University of Wisconsin	1100 Deleplaine Court	St Marys Hospital Med Ct	Bob Meyers	(608) 258-6730	09-30-97	22150 \$0.00	\$0.00	\$0.00	\$0.00
Madison	285-364	University of Wisconsin	2870 University Ave.	University Station Partnership	Steve Hoff	(608) 833-8100	08-31-94	1060 \$13.57	\$1,198.57	\$14,382.84	\$14.82
				C/O Flad Dev. & Inv. Corp.							
Madison	285-372	University of Wisconsin	634 W. Main St.	Delta Storage	John Koffel	(608) 251-3337	05-31-93	960 \$4.26	\$340.93	\$4,091.16	\$4.26
Madison	285-398	University of Wisconsin	602 State St	The Towers - Allen & O'Hara Deve	Williams Levy	(608) 257-0701	07-31-94	979 \$10.50	\$856.63	\$10,279.50	\$10.50
Madison	285-420	University of Wisconsin	2710 Marshall Court	The Park Building	Harold L. Nesberg	(608) 238-5741	03-31-93	1500 \$13.16	\$1,644.40	\$19,732.74	\$13.93
Madison	285-422	University of Wisconsin	212 N. Bassett St.	Research Development Corporation	Noel Pratt	(608) 258-7070	05-31-95	9065 \$13.49	\$10,190.17	\$122,282.00	\$14.02
				c/o Oakbrook Corporation							
Madison	285-453	University of Wisconsin	2715 Marshall Court	Jack S. Kanner	Jack Kanner	(608) 238-2300	06-30-93	3840 \$13.04	\$4,172.88	\$50,074.56	\$13.04
Madison	285-481	University of Wisconsin	2870 University Ave.	University Station Partnership	Steve Hoff	(608) 833-8100	04-30-93	899 \$13.53	\$1,013.99	\$12,167.88	\$13.53
Madison	285-506	University of Wisconsin	602 State St	The Towers - Allen & O'Hara Deve	Williams Levy	(608) 257-0701	11-30-93	2000 \$10.50	\$1,750.00	\$21,000.00	\$10.50
Madison	285-513	University of Wisconsin	2710 Marshall Court	The Park Building	Harold Nesberg	(608) 238-5741	12-31-92	1060 \$12.74	\$1,125.51	\$13,506.10	\$14.03
Madison	285-514	University of Wisconsin	6602 University Ave.	The Solar Partnership	Victor Connors	(608) 831-3366	01-31-93	5053 \$15.02	\$7,218.05	\$86,616.60	\$15.02
				C/O Victor Connors				332 \$12.00			\$12.00
Madison	285-534	University of Wisconsin	433 W. Washington	433 West Washington Associates I	Annette Gelbach	(608) 221-8022	09-30-95	4600 \$12.30	\$4,715.00	\$56,580.00	\$12.30
				C/O The Shaw Company Inc.							
Madison	285-543	University of Wisconsin	1902 E Johnson St	First Johnson Corp.	John Coatta	(612) 935-4137	06-30-95	6145 \$3.38	\$1,729.29	\$20,751.48	\$3.38
Madison	285-544	University of Wisconsin	315 N. Henry St.	L.L.R. Venture Group	Richard A. Kiesling	(608) 244-4940	08-31-94	5055 \$8.99	\$3,766.32	\$45,195.84	\$10.02
				Suite 207							
Madison	285-547	University of Wisconsin	810 University Bay Drive	Laurits Christenson	Laurits Christenson	(608) 231-2260	04-30-97	4200 \$10.25	\$3,587.50	\$43,050.00	\$12.35
				Wis. Economic Research Inst.							
Madison	285-591	University of Wisconsin	1900 University Ave.	Michael Sack	Tom Christensen	(608) 255-4242	10-31-95	3100 \$10.31	\$2,666.67	\$32,000.00	\$11.75
Madison	285-593	University of Wisconsin	1314 W Johnson St	Eldon M Stenjen	Eldon Stenjen, Jr.	(602) 998-8761	06-30-93	23193 \$5.10	\$9,850.00	\$118,200.00	\$7.60
				C/O Tom Stenjen							
Madison	285-627	University of Wisconsin	333 W Randall St	UN Foundation	F. C. Winding, Jr.	(608) 263-4545	06-30-95	9617 \$10.98	\$9,169.54	\$110,034.50	\$12.39
				Attn: Fred Winding				1699 \$2.61			\$2.61
				150 East Gilman Street							
Madison	292-407	Vocational, Technical & Adult	310 Price Place	M & I Bank of Hilldale			01-31-95	22162 \$15.77	\$29,116.71	\$349,400.55	\$15.77
Madison	370-013	Natural Resources	1350 Fearite Drive	MCR Corp. Us Group Realestate	Evelyn Hoban	(513) 297-5509	06-30-95	15894 \$5.50	\$7,284.75	\$87,417.00	\$9.50
Madison	370-280	Natural Resources	105 S. Butler Street	John M. Kelly	John Kelly	(608) 256-1951	12-31-92	1915 \$12.53	\$2,000.00	\$24,000.00	\$12.53
Madison	370-411	Natural Resources	1400 E. Washington Ave. Rm 161	Washington Square Assoc	Jerome J. Mullins	(608) 257-0681	02-28-95	2885 \$8.27	\$2,315.54	\$27,786.47	\$8.27
								1260 \$3.12			\$3.12
Madison	370-435	Natural Resources	121 S. Pinckney	Cantwell Joint Venture	Virginia Sengstock	(608) 255-1933	02-28-94	2246 \$12.50	\$2,339.58	\$28,875.00	\$12.95
				C/O Virginia Sengstock							
Madison	370-461	Natural Resources	3070 Fish Hatchery Rd	Flad Dev & Invest Corp	John J. Flag	(608) 833-8100	02-28-93	3250 \$13.10	\$3,547.92	\$42,575.04	\$15.10
Madison	370-536	Natural Resources	2421 Darwin Road	Jensen Investment Co.	Paul Jensen	(608) 241-9030	11-30-93	3800 \$3.66	\$7,083.32	\$85,000.00	\$5.91
								5500 \$2.93			\$5.18
								9000 \$3.24			\$5.18
								8000 \$3.24			\$5.18
Madison	370-537	Natural Resources	2421 Darwin Road	Jensen Investment Co.	Paul Jensen	(608) 241-9030	11-30-93				
Madison	370-538	Natural Resources	2421 Darwin Road	Jensen Investment Co.	Paul Jensen	(608) 241-9030	11-30-93				
Madison	395-066	Transportation	602 N Whitney Way	Marshall Erdman & Associates, In	Alan Hembel	(608) 238-0211	02-28-96	7600 \$9.54	\$6,043.52	\$72,522.28	\$9.54
Madison	395-159	Transportation	3501 Piersdorf	Carroll Company	Jerome Mullins	(608) 257-0681	12-31-95	9000 \$9.72	\$7,292.40	\$87,508.80	\$12.52
Madison	395-204	Transportation	212 East Washington Avenue	Congress Associates	Jerry J. Mullins	(608) 257-0681	09-30-93	3719 \$10.72	\$3,323.33	\$39,880.00	\$11.52
Madison	395-380	Transportation	3430 Miller Street	Armstrong Aviation, Inc.	Wibert A. Schaid	(608) 241-2020	06-30-93	5250 \$1.70	\$742.50	\$8,910.00	\$1.70
Madison	395-445	Transportation									
Madison	401-261	Tax Appeals Commission	217 S. Hamilton Street	The Shaw Company	Annette M. Gelbach	(608) 221-8022	09-30-92	2612 \$14.06	\$3,061.39	\$36,736.63	\$14.06
Madison	410-092	Corrections	818 W. Badger Rd	Badger Professional Associates	David Peterson	(608) 256-9011	01-31-96	5036 \$9.92	\$4,164.40	\$49,972.85	\$10.42
Madison	410-176	Corrections	818 W. Badger Rd.	Badger Prof Assoc	Dave Peterson	(608) 256-1183	04-30-93	3302 \$9.59	\$2,638.15	\$31,657.77	\$10.09
Madison	410-202	Corrections	139 W. Wilson St.	Shorecrest Joint Venture II	Robert Castleberg	(608) 256-9011	07-31-93	2000 \$12.20	\$2,033.39	\$24,400.70	\$12.20

CITY.....	LEASE..	AGENCY.....	ADDRESS.....	LESSOR NAME.....	LESSOR CONTACT.....	LESSOR PHONE..	LEASE..	SG BASIC....	MONTHLY_RE	ANNUAL EG RATE
	NUMBER	NAME					END DATE	RATE	NTAL	SG FT
Madison	410-319	Corrections	101 S Baldwin St	Marquip Inc	Micheal Jordan	(608) 255-4220	01-31-94 3641	\$12.24	\$3,713.26	\$44,559.15
Madison	410-323	Corrections	2039 Winnebago St.	Rich Gehrke	Rich Gehrke	(608) 241-3203	12-31-95 4300	\$12.24	\$4,386.00	\$52,632.00
Madison	410-388	Corrections	902 Ann Street	Ann Street Properties	Thomas L. Long	(608) 283-6600	11-30-92 1576	\$11.14	\$1,462.98	\$17,555.77
				C/O Wi. Ins. World						
Madison	410-412	Corrections	2565 E. Johnson St.	Rice Associates	John Brigham	(608) 258-9999	03-31-93 9954	\$11.31	\$9,379.24	\$112,550.83
							1500	\$0.00		\$0.00
Madison	410-587	Corrections	1313 Northport Drive	Community Action Commission	Susan JM Bauman, Presiden	(608) 266-9720	12-31-93 500	\$4.00	\$166.67	\$2,000.00
Madison	425-133	Wis. Employment Relations Comm	14 W. Mifflin St	14 W Mifflin St Associates	Martin Rifken	(608) 258-4640	09-30-92 9417	\$12.50	\$9,813.33	\$117,759.90
Madison	432-546	Board of Aging, Long Term Care	214 N. Hamilton	Veterans of Foreign Wars	Larry Danielson	(608) 255-6655	04-30-94 2077	\$7.50	\$1,298.13	\$15,577.50
				214 N. Hamilton						
Madison	435-169	Health & Social Services	108 S Webster St	L C R Partnership	Marty Rifken	(608) 258-4640	03-31-93 1800	\$10.42	\$1,563.06	\$18,756.72
Madison	435-230	Health & Social Services	714-722 Williamson St	Williamson Street Assoc	Marty Rifken	(608) 258-4640	11-30-99 44631	\$11.80	\$44,757.15	\$537,085.80
							2900	\$3.60		\$3.60
Madison	435-249	Health & Social Services	3 S. Pinckney	Tenney Plaza Associates	Tom Phillips	(608) 256-3700	12-31-92 715	\$16.22	\$966.67	\$11,600.00
Madison	435-281	Health & Social Services	714-722 Williamson Street	Williamson Street Associates	Martin Rifkin	(608) 258-4640	09-30-92 1200	\$13.26	\$1,326.13	\$15,913.56
Madison	435-306	Health & Social Services	714-722 Williamson St.	Williamson St. Assoc.	Marty Rifken	(608) 258-4640	09-30-92 1942	\$12.88	\$2,083.61	\$25,003.29
				Contact Realty						
Madison	435-361A	Health & Social Services	217 S Hamilton Street	217 S. Hamilton Venture	Judith Susmilch	(608) 258-8448	05-31-93 4335	\$13.01	\$4,700.83	\$56,410.00
Madison	435-477	Health & Social Services	106 E Doty St	Davie Real Estate	Virginia Sengstock	(608) 255-1933	02-28-93 2881	\$11.43	\$3,430.48	\$41,165.72
							310	\$7.97		\$8.47
							530	\$10.87		\$11.16
Madison	435-480	Health & Social Services	1400 E Washington Ave	Washington Square Assoc	Jerome Mullins	(608) 257-0681	08-31-96 39320	\$11.33	\$37,457.21	\$449,486.54
							1254	\$3.19		\$3.70
Madison	435-517	Health & Social Services	600 Williamson Street	Gateway Partners Limited	Marty Rifken	(608) 258-4640	09-30-97 4400	\$11.85	\$4,675.63	\$56,102.40
				C/O Contact Realty Corporation			260	\$8.35		\$10.60
Madison	435-533	Health & Social Services	301 South Blount St.	Madison Gas & Electric Company	Michael J. Mathews	(608) 252-7383	08-31-95 4500	\$11.75	\$4,406.25	\$52,875.00
Madison	435-634	Health & Social Services	16 N. Carroll Street	Hovde Realty Inc.	James Hovde	(608) 255-5175	06-30-94 380	\$11.10	\$351.34	\$4,216.08
Madison	435-635	Health & Social Services	5005 University Ave., STE 2	Walnut Center Co.	Jeff Jansen	(608) 233-4784	10-31-95 5500	\$10.84	\$4,967.97	\$59,615.69
Madison	445-137	Industry, Labor & Human Relati	601 Williamson Street	7 J's Corporation	John B. Coatta	(608) 257-3914	07-31-93 3600	\$1.53	\$458.35	\$5,500.20
Madison	445-298	Industry, Labor & Human Relati	214 N. Hamilton Street	Veterans of Foreign Wars	Larry Danielson	(608) 255-6655	12-31-94 1254	\$10.75	\$1,123.38	\$13,480.50
Madison	445-360	Industry, Labor & Human Relati	3670 Kinsman Blvd	Kinsman Investors	M. Ross Menard	(608) 273-2979	06-30-96 13040	\$3.50	\$3,806.62	\$45,679.38
Madison	455-504	Justice	222 State St	Goodman's Jewelers	Robert Goodman	(608) 257-3644	09-30-93 3200	\$10.30	\$3,580.00	\$42,960.00
							1000	\$10.00		\$11.85
Madison	465-041	Military Affairs	1040 East Main St.	Washington Center Associates	Jerome J. Mullins	(608) 257-0681	03-31-93 1272	\$2.46	\$260.89	\$3,130.72
Madison	465-432	Military Affairs	Mobile Off., 3020 Wright	Robert Schaeffges	Robert Schaeffges	(608) 882-5216	08-30-94 1709	\$7.37	\$1,050.00	\$12,600.00
Madison	485-086	Veterans Affairs	30 W. Mifflin St.	Madison Real Estate Properties	Gordon A. Rice	(608) 258-9999	06-30-01 26000	\$14.06	\$30,456.67	\$365,480.00
Madison	485-221	Veterans Affairs	22 W. Mifflin St.	Madison Real Estate Properties	John Brigham	(608) 221-8855	11-30-00 5400	\$12.98	\$5,840.50	\$70,086.00
Madison	485-222	Veterans Affairs	30 W. Mifflin St.	Madison Real Estate Properties	John Brigham	(608) 221-8855	11-30-00 9900	\$12.98	\$10,707.83	\$128,494.00
Madison	505-001	Administration	30 W. Mifflin	Madison Real Estate Properties	Gordon Rice	(608) 258-9999	10-31-95 217	\$12.88	\$232.82	\$2,793.88
Madison	505-028	Administration	30 W. Mifflin St	Madison Real Estate Properties	John Brigham	(608) 221-8855	12-31-93 2645	\$13.11	\$2,890.26	\$34,683.15
Madison	505-044	Administration	131 W. Wilson St.	James Wilson Plaza	Michael Ziemann	(608) 251-8811	08-31-92 400	\$1.50	\$50.00	\$600.00
Madison	505-055	Administration	16 N. Carroll Street	Hovde Realty Inc.	James Hovde	(608) 255-5175	06-30-94 556	\$11.10	\$514.07	\$6,168.84
Madison	505-108	Administration	GEF-1 & LORAIN to AT&T	City of Madison	Dan Dettmann	(608) 266-4761	11-01-08 6771	\$2.31		\$15,641.01
				Department of Transportation						
Madison	505-116	Administration	124 Livingston	Reynolds Transfer & Storage	David Reynolds	(608) 257-3914	06-30-93 1500	\$3.00	\$375.00	\$4,500.00
Madison	505-158	Administration	222 State St	Goodman's Jewelers	Robert Goodman	(608) 257-3644	09-30-95 2400	\$11.27	\$2,253.33	\$27,040.00
Madison	505-166	Administration	1040 East Main St.	Washington Center Associates	Jerome J. Mullins	(608) 257-0681	09-30-94 7128	\$1.66	\$983.46	\$11,801.46
Madison	505-206	Administration	3 S. Pinckney St.	Tenney Plaza Associates	Tom Phillips	(608) 256-3700	M-70-M 150	\$4.00	\$50.00	\$600.00
Madison	505-262	Administration	1040 East Main St.	Washington Center Associates	Jerome J. Mullins	(608) 257-0681	M-70-M 5175	\$1.97	\$850.00	\$10,200.00
Madison	505-353	Administration	MG&E Parking Lot - Main St.	Madison Gas and Electric	Jim Montgomery		08-31-96		\$5,005.00	\$50,060.00
Madison	505-406	Administration	2 East Mifflin - 7th Floor	Capital Square Investors I	Don Brumm	(608) 256-1435	09-30-94 1760	\$16.23	\$2,380.00	\$28,560.00
Madison	505-421	Administration	Railroad St	City of Madison	Jie Prossick	(608) 267-8718	08-31-90		\$125.00	\$1,500.00
				Community Development Unit						
				Madison Municipal Building						

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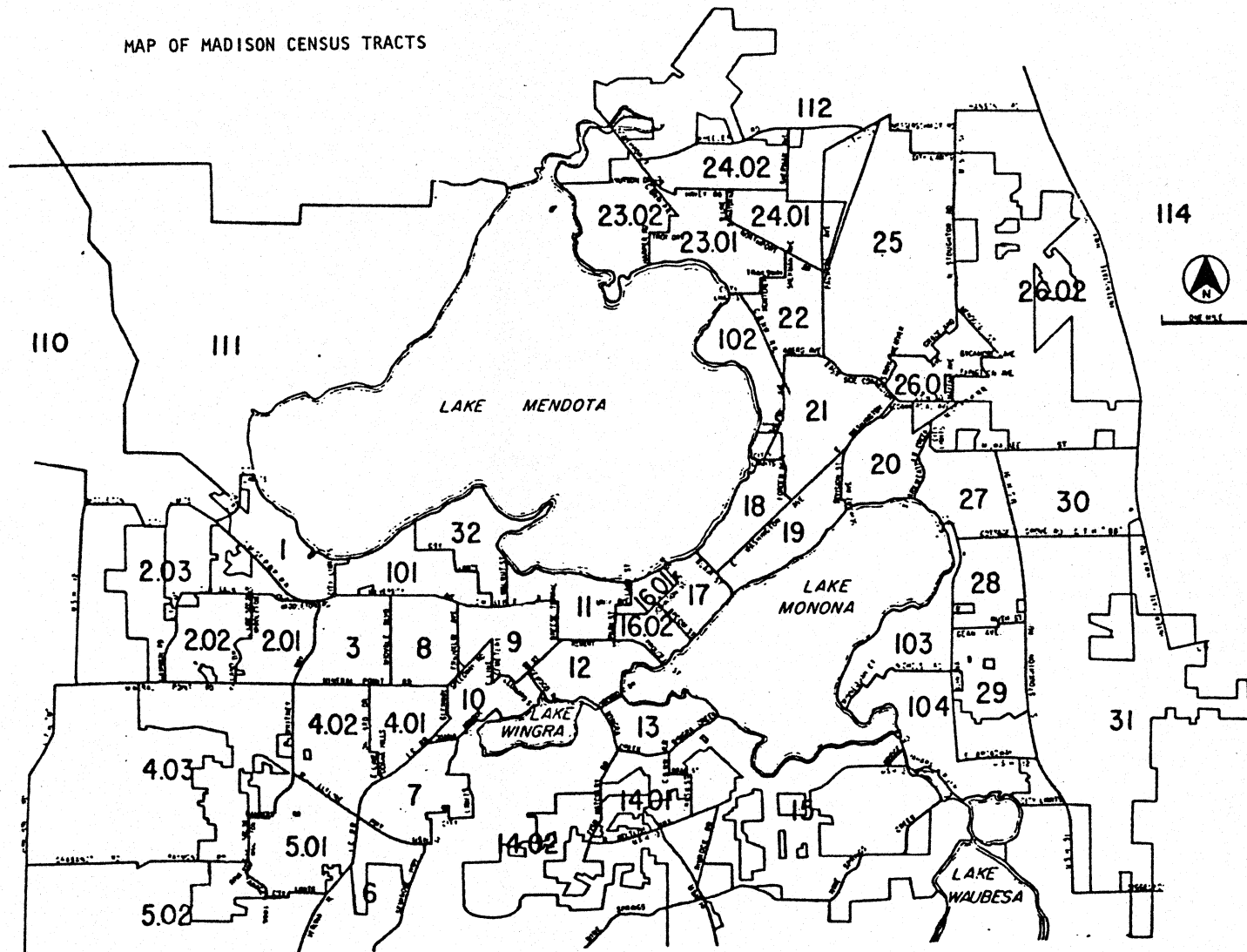
==== SPACE TYPE REPORT BY LOCATION =====

CITY.....	LEASE.. NUMBER	AGENCY..... NAME	ADDRESS.....	LESSOR NAME.....	LESSOR CONTACT.....	LESSOR PHONE..	LEASE.. END DATE	SG BASIC.... RATE	MONTHLY_RE	ANNUAL EG RATE RENTAL EG FT
Madison	505-496	Administration	5005 University Ave. Suite 201	215 M. L. King Jr. Blvd Walnut Center Company	Jeff Jansen	(608) 233-4784	05-31-93	4782 \$12.47	\$4,968.93	\$59,625.96 \$12.47
Madison	505-530	Administration	County Airport	Airport Director	Peter Drahm	(608) 246-3380	12-31-93	2000 \$3.64	\$2,745.40	\$32,944.80 \$3.82
								10000 \$1.72		\$3.82
								20800 \$0.04		\$0.04
Madison	510-454	Elections Board	132 E. Wilson St.	King Street Assoc	Marty Rifken	(608) 258-4640	02-28-93	3730 \$14.77	\$4,600.00	\$55,200.00 \$14.77
								30 \$4.12		\$4.12
Madison	512-410	Employment Relations	137 E. Wilson St.	Wilson Cook Partnership	Marty Rifken	(608) 258-4640	10-31-99	26138 \$13.31	\$29,001.39	\$348,016.66 \$13.31
Madison	512-494	Employment Relations	112 King Street	L.C.R. Partnership	Martin Rifken	(608) 258-4640	11-30-93	1950 \$11.00	\$1,787.00	\$21,444.00 \$11.77
				C/O Contact Realty						
Madison	521-059	Ethics Board	44 W. Mifflin St.	Urban Land Interests, Agent for	Mark Vaccaro	(608) 251-0706	07-31-95	1750 \$17.57	\$2,562.01	\$30,744.16 \$18.32
				44 Associates, a Limited Partner						
Madison	536-409A	Investment Board	121 E. Wilson St.	Lake Terrace	Sue Springman	(608) 255-5166	08-31-94	15277 \$17.26	\$23,778.12	\$285,337.44 \$17.26
				C/O Munz Corporation				500 \$6.64		\$6.64
								200 \$8.18		\$8.18
								196 \$13.36		\$13.36
								840 \$16.76		\$16.76
Madison	540-149	Lieutenant Governor	7 N. Pinckney St	Owen Keith Decker, DBA, Center S	James A. Campbell	(608) 251-6200	06-30-93	668 \$12.00	\$668.00	\$8,016.00 \$12.00
Madison	547-471A	Personnel Commission	121 E. Wilson St.	Lake Terrace	Susan Springman	(608) 255-5166	03-31-95	2942 \$17.68	\$4,333.37	\$52,000.48 \$17.68
				C/O Munz Corp.						
				133 S. Butler St.						
Madison	550-263	State Public Defender	131 W. Wilson St.	James Wilson Plaza	Darrell Wild	(608) 251-8811	08-31-94	19364 \$14.33	\$23,125.78	\$277,509.36 \$14.33
Madison	566-192	Revenue	4610 University Ave., STE 333	Lee & Lee Limited Partnership	Nancy Hauser	(608) 231-3800	09-30-94	6521 \$10.50	\$5,705.87	\$68,470.44 \$10.50
				Pyare Square Building, STE 1328						
Madison	566-201	Revenue	5005 University Ave.	Walnut Center Company	Jeff Jansen	(608) 831-4784	03-31-97	4385 \$11.76	\$4,296.88	\$51,562.56 \$12.51
Madison	575-343	Secretary of State	30 W. Mifflin St.	Madison Real Estate Properties	John Brigham	(608) 221-8855	06-30-98	13800 \$12.73	\$14,644.67	\$175,736.04 \$12.73
Madison	645-103	Judicial Council	25 W Main St-7th Fl	Anchor Savings & Loan	Ed Hill, Jr.	(608) 252-8787	12-31-93	495 \$17.25	\$711.55	\$8,538.75 \$17.25
Madison	665-590	Judicial Commission	3 S. Pinckney St., STE 606	Tenney Plaza Assoc	Tom Phillips	(608) 256-3700	03-31-93	833 \$19.12	\$1,257.77	\$15,093.23 \$19.12
Madison	680-305	Supreme Court	3 S. Pinckney St.	Tenney Plaza Assoc	Tom Phillips	(608) 256-3700	10-31-93	20583 \$18.00	\$31,068.46	\$372,821.52 \$18.97
								460 \$5.06		\$5.06
Madison	680-444	Supreme Court	119 M. L. King Jr. Blvd	Insurance Building Associates	Brad Binkowski	(608) 251-0706	12-31-95	2022 \$15.08	\$2,540.98	\$30,491.76 \$15.08
Madison	680-497	Supreme Court	119 M. L. King Jr. Blvd.	Insurance Building Associates	Robert Overbaugh	(608) 257-1031	06-30-93	6755 \$16.50	\$9,285.45	\$111,425.37 \$16.50
Madison	765-070	Senate	634 W. Main St.	Delta Storage	John Koffel	(608) 251-3337	06-30-94	VARIE \$3.18		\$3.18
Madison	765-212	Legislative Audit Bureau	131 West Wilson Street	James Wilson Associates	Darrell R. Wild	(608) 251-8811	06-30-94	9989 \$13.61	\$11,329.92	\$135,959.00 \$13.61
Madison	765-219	Senate	119 Martin Luther King Jr. Blv	Insurance Building Associates	Bradley Binkowski	(608) 251-0706	10-31-99	15282 \$12.91	\$16,443.09	\$197,317.12 \$14.11
				Urban Land Interest						
Madison	765-345	Retirement Research Committee	3 S. Pinckney St., STE 316	Tenney Plaza Associates	Tom Phillips	(608) 256-3700	08-31-93	509 \$16.93	\$718.26	\$8,619.12 \$18.24
Madison	765-587	Senate	1 East Main Street	One East Main Limited Partnershi	Bradley Binkowski	(608) 251-0706	10-31-99	27402 \$14.20	\$32,435.67	\$389,227.98 \$15.46
				Urban Land Interest						
Madison	765-403	Senate	100 North Hamilton	DiVall - Hamilton Assoc. Ltd Par	Gary DiVall	(608) 831-2122	10-31-99	36952 \$14.30	\$44,936.85	\$539,242.22 \$15.05
								2555 \$4.22		\$4.72
Madison	765-414	Senate	119 Martin Luther King, Jr. Bl	Melli, Walker, Pease & Ruhly, S.	Brad Binkowski	(608) 251-0706	04-30-93	383 \$14.01	\$447.05	\$5,364.56 \$14.01
Madison	765-439	Senate	119 Martin Luther King, Jr. Bl	Insurance Building Associates	Brad Binkowski	(608) 251-0706	10-31-99	1636 \$15.09	\$2,057.04	\$23,735.09 \$15.49
				Urban Land Interests						
Madison	765-488	Revisor of Statutes Bureau	119 Martin Luther King, Jr. Bl	Insurance Building Associates Li	Brad Binkowski	(608) 251-0706	10-01-99	2700 \$15.34	\$3,451.23	\$41,414.73 \$16.09
				Urban Land Interests						
Madison	800-800	Data Medic	3321 W. Beltline Hwy	Department of Administration			04-30-95	1650 \$12.02	\$1,652.75	\$19,333.00 \$12.02
Madison	801-801	Steinmetz Communications, Inc.	3321 W. Beltline Hwy.	Department of Administration			03-31-93	341 \$11.67	\$331.62	\$3,979.44 \$11.67
Madison	802-802	HospiceCare, Inc.	3321 West Beltline Hwy.	Department of Administration			12-14-94	3853 \$11.14	\$3,576.87	\$42,922.42 \$11.14
Madison	803-803	S.W.E.C.S.	3321 West Beltline Hwy.	Department of Administration			07-01-93	230 \$11.97	\$229.43	\$2,753.16 \$11.97
								10880	\$941,550.3	\$11,313,249.41
Manitowoc	370-288	Natural Resources	1314 Hwy 310	Fordyce B. and JoAnn B. Rathjen	Fordyce Rathjen	(414) 682-6611	08-31-94	3120 \$5.29	\$1,688.28	\$20,259.30 \$7.75

APPENDIX D

CENSUS TRACT MAP

MAP OF MADISON CENSUS TRACTS



CENSUS TRACT MAP

APPENDIX D

APPENDIX E

POPULATION CHARACTERISTICS - CENSUS TRACT 17

APPENDIX E

Population Characteristics Census Tract 17 1990 Census

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

Tenure by Age of Householder

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

APPENDIX F

HOUSING CHARACTERISTICS - CENSUS TRACT 17

APPENDIX F

Housing Characteristics Census Tract 17 - 1990 Census

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

APPENDIX G

ZONING CODE

Sec. 28.08(6)(i)2.b.

ZONING CODE

- b. Such screening shall be constructed of the same masonry material as that which is predominant in the front elevation of the building, unless otherwise approved by the City Department of Planning and Development. (Am. by Ord. 6616, Adopted 4-24-79)
- c. Such screening shall be built with at least seventy-five percent (75%) opacity, that is seventy-five percent (75%) opaque surfaces to a maximum twenty-five percent (25%) openings as viewed in elevation.
- d. Such screening shall be built no less than four (4) feet high along all sides of parking areas, except that it shall be reduced to a height of two (2) feet for vision clearance within ten (10) feet of a driveway crossing a lot line.

(Sec. 28.08(6)(i)2. Am. by Ord. 6479, 1-26-79)

(7) R6 General Residence District.

- (a) Statement Of Purpose. The R6 general residence district is established to stabilize and protect the essential characteristics of certain of the highest density residential areas normally located in the central part of the City, and to promote and encourage, insofar as compatible with the intensity of land uses, a suitable environment for a predominantly adult population, and in those central areas located in close proximity to the central campus of the University of Wisconsin, to promote and encourage a suitable environment for student housing facilities.
- (b) Permitted Uses. The following uses are permitted in the R6 district:
 - 1. Single and two family dwellings.
 - 2. Offices, business and professional, including offices for travel bureaus and transportation ticket offices, in a building where the principal use is residential, provided that in no case shall the total floor area devoted to such use exceed one thousand five hundred (1,500) square feet. (Am. by Ord. 8150, 11-14-83)
 - 3. Community living arrangements provided such facilities meet the conditions of Section 28.08(4)(b)3. (Cr. by Ord. 5636, 11-3-76)
 - 4. Educational, recreational, and office uses as follows, provided such uses are located in existing school buildings owned by the Madison Metropolitan School District or former school buildings owned by the Madison Metropolitan School District or the City of Madison and further provided the City Director of the Community and Economic Development Unit shall first receive a written report and recommendations from the City Department of Transportation regarding the traffic and parking impact with recommendations for either resolving adverse impacts prior to occupancy or not allowing such occupancy:

ZONING CODE

Sec. 28.08(7)(b)4.a.

- a. Nursery schools or day care centers.
- b. Elementary and secondary schools.
- c. Business or trade schools.
- d. Colleges and universities.
- e. Other public educational facilities.
- f. Music and dance schools.
- g. Recreational buildings and community centers, nonprofit.
- h. Offices for State, County, City, Village, Town or other taxing municipality.
- i. Offices for health, medical, welfare and other institutions or organizations qualifying as nonprofit under the laws of the State of Wisconsin.

(Sec. 28.08(7)(b)4. Am. by Ord. 10,313, 10-3-91)

5. Accessory Uses for residential buildings built before August 1, 1971, limited to two (2) open or enclosed off-street vehicle parking stalls and accessory driveway to serve them located in the rear yard or the area between the rear of a dwelling and the rear lot line provided no less than seventy (70) square feet of ground level usable open space for each bedroom in the dwelling is provided. The design and appearance of any structure and the landscape treatment around the driveway, parking stalls or structure shall be approved by the Director of the Department of Planning and Development. (Cr. by Ord. 8118, 10-3-83)

(c) Conditional Uses. The following conditional uses may be allowed in the R6 District subject to the provisions of Section 28.12(10).

1. Any use allowed as permitted or conditional use in the R5 district excepting community parking lots and any use specified as a permitted use in the R6 District in Section 28.08(7)(b)above. (Am. by Ord. 5164, 9-29-75)
2. Any development on parcels adjacent to landmarks so designated by the Landmarks Commission, provided that the use of the parcel is either a permitted or conditional use allowed in the R6 District. (Am. by Ord. 7184, 12-29-80)
3. Any development of a through lot, provided that the use of the parcel is either a permitted or conditional use allowed in the R6 General Residence District. (Am. by Ord. 7523, 10-6-81)
4. Outdoor eating areas of restaurants serving only nonalcoholic beverages and food. (Cr. by Ord. 4300, 8-29-73)
5. New multiple-family residential buildings provided said structures conform to the following standards:

ZONING CODE

Sec. 28.08(7)(c)5.a.

- a. Open Space.
 - i. Plans shall include the design and treatment of all usable open space. Rear yards shall be developed and landscaped to encourage their use by the building's occupants.
 - ii. Whenever possible contiguous rear yard areas shall be consolidated by agreement of the owners and should be developed as a unit.
 - iii. Fences shall not be permitted between contiguous rear yard areas developed under the zero-lot-line concept except when required to enclose swimming pools.
- b. Landscaping.
 - i. Plans shall show the location, size and species of all existing trees on the site. Whenever possible, healthy trees will be saved.
 - ii. Areas shall be provided in and around parking courts for landscaping which will include at least two canopy shade trees 1 1/2" - 2" caliper.
- c. Parking Courts.
 - i. Parking court screen walls shall relate to the building itself in terms of building material and proportion.
 - ii. If refuse bins are proposed in the parking courts, their location shall be designated on the plan and adequate screening shall be provided.
 - iii. Driveway openings shall be sixteen (16) feet wide except on Johnson, Gorham, Broom and Bassett Streets where the driveway width shall be increased to twenty-two (22) feet.
 - iv. Screen walls shall be set back five (5) feet adjacent to the driveway opening for a minimum distance of ten (10) feet on both sides of the driveway.
- d. Building Exteriors. The front and rear elevations of buildings are considered to be of equal visual importance.
 - i. The use of exposed concrete block on the front and rear elevations is prohibited.
 - ii. Exterior material used in the front and rear elevations shall be returned five (5) feet along the end walls of buildings on interior lots.
 - iii. The exposed end walls of a building located on a corner lot shall be of the same material as used on the front and rear elevations. When concrete block is used on end elevations, it shall be painted a color similar to the building material used in the front and rear elevations.
- e. Building Interior. All dwelling units and lodging rooms allowed under this ordinance shall be located above the basement story and the floor level of all such dwelling units and lodging rooms shall be at or above the natural level or grade adjacent to the exterior of the building walls which contains said dwelling unit or lodging room unless otherwise approved by the Zoning Board of Appeals.

Sec. 28.08(7)(c)5.f.

ZONING CODE

f. Building Height Over Four Stories. In reviewing plans for buildings in excess of four (4) stories, the following standards shall be considered:

- i. The predominant building type which exists within three hundred (300) feet of the proposed structure.
- ii. The future building types in the area based upon existing structural conditions and proposed land use.
- iii. The usable open space and recreational opportunities.
- iv. The type of parking accommodations, if provided.
- v. The traffic generation anticipated.
- vi. The relationship of the building to topography of the area.
- vii. The safety and security designed into the building.
- viii. The architecture of the building's exterior.
- ix. The interference with significant views.
- x. The extent to which usable open space, both private and public, is shadowed by the building.

(Sec. 28.08(7)(c)5.f. Cr. by Ord. 4681, 8-7-74)

6. Offices, business and professional, in a building where the principal use is residential, in excess of one thousand five hundred (1,500) square feet, provided that in no case shall the total floor area devoted to such use exceed three thousand (3,000) square feet. (R. & Recr. by Ord. 5166, 9-29-75)
7. Retail food shops, beauty shops, barber shops, art galleries, photography shops, book shops, gift shops, tailor shops, shoe repair shops, primarily for walk-in trade, located in a building where the principal use is residential, provided that each business establishment shall not exceed three thousand (3,000) square feet of floor area and each business establishment is permitted a single identification sign, not exceeding two (2) square feet in area for all identification signs on each building and indicating only the name and address of the occupant. (Am. by Ord. 6375, 9-29-78)
8. Restaurants, drugstores and valet shops in a multiple-family dwelling, provided these uses shall be accessible to the public only through a lobby and no advertisement or display shall be visible from outside the building, except an identification street graphic which complies with the regulations in Chapter 31 of the Madison General Ordinances and is approved by the Plan Commission at the time the use is approved or by the Director of Planning and Development as provided for in Sec. 28.12(10)(h)2. (Am. by Ord. 7351, 3-6-81)
9. Attendant or metered automobile parking facilities solely for the short term (3 hours or less) use of patrons and other visitors of retail, service, office, cultural and recreational uses in the vicinity of the State Street Mall and Capitol Concourse provided:
 - a. That such lot is within three hundred (300) feet of the limits of the C4 Central Commercial District, and
 - b. That such lot contains a setback area which will be planted and landscaped and which conforms to screening regulations, and
 - c. That the Traffic Engineer shall, prior to the approval of such facility, submit a report and recommendation regarding traffic and parking conditions within the area, and

ZONING CODE

Sec. 28.08(7)(c)9.d.

- d. That such lot, at its location, does not defeat the adopted objectives and policies of the City nor the purposes of the zoning district, and
 - e. That no residential building shall be located on such lot.
- (Sec. 28.08(7)(c)9. Cr. by Ord. 5906, 7-7-77)
- 10. Offices, business and professional, provided such uses are located in existing school buildings owned by the Madison Metropolitan School District or former school buildings owned by the Madison Metropolitan School District or the City of Madison. (Am. by Ord. 10,313, 10-3-91)
 - 11. Lease for a year or longer or sale of parking stalls by the owner of an accessory parking structure to an owner or lessee of a building or portion thereof which has no or insufficient parking for said building, for use of his/her employees, patrons or visitors, provided:
 - a. That the stalls being leased or sold are in excess of the number required by the zoning ordinance for the use which the accessory parking structure serves and may not be used to meet minimum off-street parking requirements for the use for which the lessee or buyer is obtaining them.
 - b. That the stalls being leased or sold are used for accessory non residential parking by the lessee or buyer.
 - c. That the owner of the parking structure in which the stalls are being leased file with the City of Madison Zoning Administrator by January 15 of each year a statement setting forth the number of stalls being leased and the name and address of the firm to which the stalls are being leased.
 - d. That such lease or sale, at its location, does not defeat the adopted objectives and policies of the City nor the purposes of the zoning district.
 - e. That the stalls being leased or sold are not leased or sold to individual parkers.
- (Cr. by Ord. 9028, 12-11-86)
- (d) Lot Area Requirements. In the R6 District, lot area shall be provided in accordance with the following requirements:
 - 1. Dwelling Units.

<u>Minimum Lot Area Per Dwelling Unit</u>	<u>Type of Dwelling Unit</u>
300 square feet	Efficiency
450 square feet	One bedroom
600 square feet	Two bedroom

- Plus an additional one hundred fifty (150) square feet of lot area for each additional bedroom in excess of two (2) in a dwelling unit.
- 2. Lodging Rooms - minimum lot area of two hundred (200) square feet per lodging room.
 - (e) Floor Area Ratio. In the R6 district, the floor area ratio shall not exceed 2.0 and the lot coverage by building or buildings shall not exceed forty percent (40%) of the lot area.

Sec. 28.08(7)(f)

ZONING CODE

(f) Yard Requirements.

1. Front Yard. Not less than ten (10) feet, provided that any building not exceeding four (4) stories in height shall be varied in front setback distance from abutting buildings built with zero side yards not less than five (5) feet.
2. Side Yards.
 - a. For building not exceeding four (4) stories in height a total side yard of five (5) feet shall be provided. The Plan Commission in its consideration of the conditional use application shall determine the specific apportionment of the five (5) feet between the side yards. (R. & Recr. by Ord. 4273, 8-22-73)
 - b. For buildings exceeding four (4) stories in height:
 - i. Each side yard shall be not less than ten (10) feet or twenty percent (20%) of the building height, whichever is greater.
 - ii. On a corner lot the side yard adjoining the street shall be not less than ten (10) feet or twenty percent (20%) of the building height, whichever is greater, but no more than twenty (20) feet shall be required.
 - iii. For each foot by which the side walls of a five (5) or more story building exceed seventy-five (75) feet (as projected at right angles to the side lot line) the minimum required side yard width shall be increased one and one-half (1 1/2) inches. Such increased width shall apply to the entire length of the side yard.
 - c. For corner lots, side yards shall be provided of not less than ten (10) feet only on sides adjacent to streets.
3. Rear Yard and Area Adjacent to the Building. Except as provided in Section 28.08(7)(b)5., or except when approved by the Plan Commission for buildings built after June 1, 1986, in the R6 District the entire area between the rear lot line, the side lot lines and the exterior of the side and rear building walls shall be usable open space. It is intended that when development of any block or portion thereof has been completed according to the provisions of this section, the central part of the block should be considered by owners and tenants to be unimpeded usable open space. Responsibility for maintenance of this space shall rest with the individual owner unless otherwise agreed to by abutting property owners. The following requirements shall apply to the above area created under the provisions of this ordinance.
 - a. The rear yard shall be no less than forty (40) feet deep at its least depth or forty-five percent (45%) of the building height, whichever is greater.
 - b. No portion of any such usable open space area may be paved for use as a driveway or parking area and no motor vehicle of any kind, except emergency, may be parked or driven in any usable open space area.
 - c. Any fence erected along or in any usable open space area shall be provided with as many gates as are required to permit fire access from all side lot lines and rear lot lines.

(Section 28.08(7)(f)3. Am. by Ord. 8887, 6-12-86)

ZONING CODE

Sec. 28.09

28.09 COMMERCIAL DISTRICTS.

(1) General Requirements.

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

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

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

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

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

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

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

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

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

Sec. 28.09(1)(f)

ZONING CODE

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

ZONING CODE

Sec. 28.09(2)(b)

(b) General Regulations. Uses permitted in the C1 district are subject to the following conditions:

1. Business uses are not permitted on any floor above the ground floor except in those buildings where dwelling units and lodging rooms are not established.
2. All business establishments shall be retail or service establishments which deal directly with the customers. 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. 6113, 1-26-78)
3. All business, servicing or processing, except for off-street parking, off-street loading, display of merchandise such as garden, lawn or recreational supplies and equipment for sale to the public, vending machines, automobile service station operation 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. 9535, 7-28-88)
4. Establishments of the "drive-in" type are not permitted, except in the case of automobile service stations and drive-up service windows for banks and financial institutions. (Am. by Ord. 10,428, Adopted 4-21-92)
5. Business establishments are restricted to a maximum gross floor area of ten thousand (10,000) square feet each, exclusive of any floor area devoted to off-street parking or loading facilities, except that food stores containing two (2) or more uses and any existing office building which was lawfully constructed prior to March 1, 1992, may have a maximum gross floor area of not more than twenty-three thousand (23,000) square feet. In the case of new office additions and office buildings constructed after March 1, 1992, the maximum gross floor area limitation of ten thousand (10,000) square feet shall apply to the total gross floor areas of all office buildings located on a zoning lot. (Am. by Ord. 10,428, Adopted 4-21-92)
6. 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.

(c) Permitted Uses. The following uses are permitted in the C1 district:

1. Accessory uses, including but not limited to the following:
 - a. Signs as regulated in this section.
 - b. Temporary buildings for construction purposes, for a period not to exceed the duration of such construction.
2. Art and school supply stores.
3. Barbershops.
4. Beauty parlors.
5. Bedding sales but not including furniture stores, provided that the zoning lot shall either be located on a heavy traffic route system or on a collector street with a right-of-way width not less than eighty (80) feet, and further provided that in no case shall the total floor area exceed three thousand (3,000) square feet.

Sec. 28.09(2)(c)6.

ZONING CODE

6. Bicycle sales, rental and repair establishments.
7. Book, magazine and stationery stores.
8. Candy and ice cream stores.
9. Churches.
10. Clubs and lodges, private.
11. Drugstores.
12. Dry cleaning and laundry establishments employing not more than eight (8) persons, including drive-up service windows if the zoning lot has direct vehicular access to either the heavy traffic system or a collector street via a driveway approach where the Traffic Engineer has determined that this site will properly accommodate such an operation and that traffic problems will not be created in the street. (Am. by Ord. 7407, 5-7-81)
13. Dwelling units and lodging units located above the ground floor not not to exceed four (4) dwelling units and not exceeding fifty percent (50%) of the total building floor area. (Am. by Ord. 7142, 11-7-80)
14. Fire stations.
15. Florist shops and conservatories employing not more than five (5) persons.
16. Food stores--grocery stores, meat stores, fish markets, bakeries employing not more than eight (8) persons, and delicatessens.
17. Gift shops.
18. Hardware stores.
19. Hobby shops.
20. Libraries, municipally owned and operated.
21. Liquor stores, packaged goods only.
22. (R. by Ord. 10,428, Adopted 4-21-92)
23. Nursery schools.
24. (R. by Ord. 10,428, Adopted 4-21-92)
25. Outpatient housing facilities.
26. Paint and wallpaper store, provided it is located in a shopping center containing eight (8) or more retail businesses.
27. Parks and playgrounds.
28. Pet shops, including boarding of dogs, cats and other household pets when conducted as an incidental use and in an enclosed building.
29. Photography studios, including the development of films and pictures when conducted as part of the retail business on the premises.
30. Post offices.
31. Recreational buildings and community centers, not operated for profit.
32. Restaurants, except adult entertainment taverns. (Am. by Ord. 6101, 1-6-78)
33. Schools--elementary, junior high or high.
34. Shoe and hat repair stores.

ZONING CODE

Sec. 28.09(2)(c)45.

45. Sporting goods stores, including the sale of live bait, provided that in no case shall the total floor area exceed three thousand (3,000) square feet, and further provided that hours of operation be limited to the hours between 7:00 a.m. and 9:00 p.m. unless approved as a conditional use. (Cr. by Ord. 6261, 5-24-78)
 46. Small home appliances, sales and service, not including stoves, refrigerators, freezers, washers or dryers, provided that the zoning lot shall either be located on a heavy traffic route system or on a collector street with a right-of-way width not less than eighty (80) feet, and further provided that in no case shall the total floor area exceed three thousand (3,000) square feet. (Cr. by Ord. 6866, 12-28-79)
 47. Mission house. (Cr. by Ord. 7372, 3-27-81)
- (d) Conditional Uses. The following conditional uses may be allowed in the C1 district subject to the provisions of Section 28.12(10):
1. Automobile laundries, provided:
 - a. That the zoning lot shall be located within a C1 district which, as one district or in combination with other commercial or manufacturing districts, extends continuously for at least five hundred (500) feet on one side of a street.
 - b. That the hours of operation shall be limited to the hours between 7:00 a.m. and 9:00 p.m.
 2. Automobile service stations for the retail sale and dispensing of fuel, lubricants, tires, batteries, accessories and supplies, including installation and minor services customarily incidental thereto, and facilities for chassis and gear lubrication and for washing of motor vehicles only if enclosed in a building, provided that the provisions set forth in 1.a. above shall apply.
 3. Buildings in which there are five (5) or more dwelling units and where dwelling units occupy more than fifty percent (50%) of the total building floor area. (Am. by Ord. 7142, 11-7-80)
 4. Greenhouses and nurseries, provided that such establishments shall be located on a major highway and further provided that adequate screening shall be provided on the premises.
 5. Hotels and motels, provided that the zoning lot shall be not less than one (1) acre.
 6. Outdoor eating areas of restaurants. (Am. by Ord. 5198, 10-31-75)
 7. Parking facilities, open and accessory, for the storage of private passenger automobiles only, when located elsewhere than on the same zoning lot as the principal use served, subject to the applicable provisions of Section 28.11.
 8. Parking facilities, accessory and located outside of the central area, subject to the applicable provisions of Section 28.11.
 - a. Accessory off-street parking facilities for a residential

Sec. 28.09(2)(d)8.b.

ZONING CODE

building where the proposed total number of spaces will exceed that required by this ordinance for such use or for an equivalent new use by more than fifty percent (50%) or four (4) spaces, whichever number is greater.

- b. Accessory off-street parking facilities for any building, other than a residential building, where the proposed total number of spaces will exceed that required by this ordinance for such use or for an equivalent new use by more than one hundred percent (100%) or fifteen (15) spaces, whichever number is greater.
9. Parking facilities, accessory and located within the central area, where the number of parking spaces in such facilities exceeds the requirement set forth in Section 28.11(3)(b) for similar uses.
10. Parking lots, garages and structures, nonaccessory and publicly owned and operated, for the storage of private passenger automobiles only, subject to the applicable provisions of Section 28.11.
11. Printing and publishing establishments, including newspaper, letter press, business cards, mimeographing and other similar job printing service, provided that there shall be not more than five (5) employees, and further provided that the hours of operation shall be limited to the hours between 7:00 a.m. and 9:00 p.m.
12. Public service signs.
13. Public utility and public service uses as follows:
 - a. Electric substations.
 - b. Gas regulator stations, mixing stations and gate stations.
 - c. Radio and television towers.
 - d. Railroad rights-of-way, including rights-of-way for switch, spur or team tracks, but not including railroad yards and shops, or freight and service buildings. (Am. by Ord. 8276, 3-5-84)
 - e. Sewerage system lift stations.
 - f. Telephone exchanges, microwave relay towers and telephone transmission equipment buildings.
 - g. Water pumping stations and water reservoirs.
14. Radio and television studios and stations, provided that the zoning lot shall be not less than one and one-half (1 1/2) acres.
15. Temporary parking lots for a total period not to exceed three (3) years, provided such lot complies with the provisions of Section 10.08(6)(c), driveway and parking facility ordinance. (Am. by Ord. 7810, 8-27-82)
16. Undertaking establishments and funeral parlors, provided that the zoning lot shall be not less than one (1) acre and further provided that where such zoning lot abuts a church site, the combined areas of both zoning lots shall be not less than one and one-half (1 1/2) acres regardless of the zoning district of the church site.
17. (R. by Ord. 10,428, Adopted 4-21-92)
18. Furniture stores provided that the zoning lot shall either be located on an arterial street or on a collector street with a right-of-way not less than eighty (80) feet and further provided that in no case shall the total floor area exceed five thousand (5,000) square feet. (Cr. by Ord. 4647, 8-2-74)

ZONING CODE

Sec. 28.09(2)(d)19.

19. (R. by Ord. 10,428, Adopted 4-21-92)
 20. Parking facilities, nonaccessory and publicly or privately owned and operated for parking of private passenger automobiles only, subject to the provisions of Section 28.11 and limited to those areas paved as of January 1, 1977, or those owned by the City Parking Utility as of January 1, 1977. (Cr. by Ord. 5946, 8-15-77)
 21. Upholstery and interior decorating shops, provided that the zoning lot shall be located on an arterial highway or collector street and further provided that in no case shall the total floor area exceed five thousand (5,000) square feet. (Am. by Ord. 8223, 1-30-84)
 22. Artisan workshops, including production for sale off the premises, provided that the Plan Commission shall find:
 - a. That the specific activities proposed, at that location, are consistent with the recommendations of the adopted Land Use Plan for the City; and
 - b. That the specific activities proposed will comply with the provisions of Section 28.04(17), with particular consideration given to the potential effects of heat producing equipment, power driven tools, and operations involving pounding or hammering; and
 - c. That the specific activities and hours of operation proposed will create no traffic or other impact detrimental to the purposes of the zoning district or the use and enjoyment of surrounding properties.
- (Sec. 28.09(2)(d)22. Cr. by Ord. 6113, 1-26-78)
23. Live bait stores, where hours of operation exceed those permitted under Section 28.09(2)(c). (Cr. by Ord. 6261, 5-24-78)
 24. Community living arrangements provided:
 - a. That the loss of any state license or permit by a community living arrangement be an automatic revocation of that facility's use permit.
 - b. That the applicant disclose in writing the capacity of community living arrangement.
- (Cr. by Ord. 10,219, 3-29-91)
25. Walk-up Service Openings within ten (10) feet of a public right-of-way. (Cr. by Ord. 9464, 4-29-88)
 26. Offices, business and professional, including banks and financial institutions, and medical, dental, and optical clinics. (Cr. by Ord. 10,428, Adopted 4-21-92)
- (e) Lot Area Requirements. In the C1 district, lot areas shall be provided in accordance with the following requirements:
1. Dwelling units.

Minimum Lot Area	Type of
Per Dwelling Unit	Dwelling Unit
700 square feet	Efficiency
1,000 square feet	One bedroom
1,300 square feet	Two bedroom

plus an additional three hundred (300) square feet of lot area for each additional bedroom in excess of two (2) in a dwelling unit.
 2. Lodging rooms--minimum lot area of four hundred (400) square feet per lodging room.

Sec. 28.09(2)(f)

ZONING CODE

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

ZONING CODE

Sec. 28.09(3)

(3) C2 General Commercial District.

(a) Statement Of Purpose. The C2 general commercial district is established to accommodate the shopping needs of a much larger consumer population and area of residency than that served by the C1 limited commercial district. Within this district, which is located in relative proximity to residential areas and to major thoroughfares, is permitted a wider range of uses than in the C1 limited commercial district. Uses permitted in this district include not only the retailing of convenience goods and the furnishing of certain personal services, but also the retailing of durable and fashion goods and the furnishing of other types of services. Also permitted are all types of office uses. Within this district, there is no limitation on the size of establishments as provided in the C1 limited commercial district, except any retail use or any hotel or motel exceeding 50,000 square feet in size must be approved as conditional uses. (Am. by Ord. 8287, 3-16-84)

(b) General Regulations. Uses permitted in the C2 district are subject to the following conditions:

1. All goods produced on the premises shall be sold at retail on the premises where produced unless approved as a conditional use. (Am. by Ord. 5982, 9-30-77)
2. All business, servicing or processing shall be conducted within completely enclosed buildings, except for off-street parking, off-street loading, display and sale of farm produce and nursery stock, display of merchandise such as garden, lawn and recreation supplies and equipment for sale to the public, vending machines, establishments of the drive-in type and outdoor eating areas of restaurants approved as a conditional use by the Plan Commission, or display and sale of merchandise in City-owned public parking lots under the control of the Parking Utility wherein such sale is controlled by a lease between the City of Madison and the party or parties displaying and selling the merchandise. (Am. by Ord. 9535, 7-28-88)
3. Parking of trucks as an accessory use, when used in the conduct of a permitted business listed hereinafter, shall be limited to vehicles of not over one and one-half (1 1/2) tons capacity when located within one hundred fifty (150) feet of a residence district boundary line.
4. Any major alteration to the exterior face of retail, hotel and motel buildings over 50,000 square feet, including but not limited to painting of an unpainted exterior face, shall be permitted only after Urban Design Commission review and approval. Any action by the Urban Design Commission may be appealed to the City Plan Commission by the applicant or by the Alderman of the District in which the use is located. (Cr. by Ord. 9239, 8-14-87)

ZONING CODE

Sec. 28.09(3)(c)

(c) Permitted Uses. The following uses are permitted in the C2 district:

1. Accessory uses.
2. Any use permitted in the C1 district.
3. Amusement establishments, including archery ranges, bowling centers, golf driving ranges, gymnasiums, pool halls, swimming pools, skating rinks and other similar indoor amusement facilities, but excluding amusement arcades. (Am. by Ord. 10,373, 2-14-92)
4. Antique shops.
5. Art galleries and museums.
6. Auction rooms.
7. Automobile accessory stores.
8. Banks and financial institutions.
9. Blueprinting and photostating establishments.
10. Business machine sales and service establishments.
11. (R. by Ord. 5638, 11-3-76)
12. Carpet and rug stores.
13. Catering establishments.
14. China and glassware stores.
15. Clothing and costume rental stores.
16. Coin and philatelic stores.
17. Convalescent homes and nursing homes, provided that the zoning lot shall be not less than one-half (1/2) acre and further provided that the side and rear yards as established in the R5 district are provided. Provided also that the intended use abuts on one side either:
 - a. A residential zoning district; or
 - b. A substantially permanent residential building in the commercial district.
18. Department stores.
19. Dry goods stores.
20. Employment agencies.
21. Exterminating shops.
22. Floor covering stores (linoleum and tile).
23. Florist shops and conservatories with no limitation on number of employees.
24. Fraternal, philanthropic and eleemosynary uses.
25. Furniture stores.
26. Furrier shops, including the incidental storage and conditioning of furs.
27. Hospitals and sanitariums.
28. Hotels and motels.
29. Household appliance stores, including radio and television sales and service.
30. Interior decorating shops, including upholstering and making of draperies, slipcovers and other similar articles when conducted as part of the retail operation and secondary to the principal use.
31. Jewelry stores, including watch repair.
32. Laboratories--research, development and testing.
33. Leather goods and luggage stores.
34. Loan offices.
35. Locksmith shops.
36. Meat markets, including sale of meat and meat products to restaurants, hotels, clubs and other similar establishments when such sale is conducted as part of the retail business on the premises.

Sec. 28.09(3)(c)37.

ZONING CODE

37. Musical instrument sales and repair.
 38. Offices, business and professional.
 39. Office supply stores.
 40. Optical sales.
 41. Orthopedic and medical appliance and supply stores.
 42. Paint and wallpaper stores.
 43. Phonograph, record and sheet music stores.
 44. (R. by Ord. 7006, 6-6-80)
 45. Picture framing.
 46. Printing, publishing and bookbinding establishments.
 47. Radio and television studios and stations.
 48. Recording studios.
 49. Schools--music, dance, business or trade.
 50. Secondhand stores and rummage shops.
 51. Sewing machine sales and service, household appliances only.
 52. Sporting goods stores.
 53. Tailor shops.
 54. Taverns, except adult entertainment taverns. (Am. by Ord. 6101, 1-6-78)
 55. Taxidermists.
 56. Telegraph offices.
 57. Theaters, indoor.
 58. Ticket agencies, amusement.
 59. Tobacco shops.
 60. Travel bureaus and transportation ticket offices.
 61. Typewriter and adding machine sales and service establishments.
 62. Undertaking establishments and funeral parlors.
 63. Upholstery shops.
 64. Water softener sales and service.
 65. Film developing and processing. (Cr. by Ord. 6226, 5-3-78)
 66. Wholesale magazine distribution agencies, provided the hours of operation are limited to 7:00 a.m. to 7:00 p.m., and further provided that none of the magazines handled by such agencies fall within the definition of materials handled by an adult book store as defined in Sec. 28.03(2). (Cr. by Ord. 6876, 1-17-80)
 67. Outdoor display and sale of farm produce and nursery stock. (Cr. by Ord. 7020, 6-27-80)
 68. Newspaper distribution agencies for home delivery and retail sale provided the property is not adjacent to a residential lot. (Cr. by Ord. 8254, 2-20-84)
 69. Sewer cleaning service. (Cr. by Ord. 8447, 10-12-84)
 70. Display and sale of merchandise in City-owned public parking lots under the control of the Parking Utility wherein such sale is controlled by a lease between the City of Madison and the party or parties displaying and selling the merchandise. (Am. by Ord. 8904, 6-26-86)
 71. Neon tube bending. (Cr. by Ord. 9553, 8-11-88)
 72. Adult day care facilities. (Cr. by Ord. 9718, 3-2-89)
- (d) Conditional Uses. The following conditional uses may be allowed in the C2 district subject to the provisions of Section 28.12(10).
1. Any use allowed as a conditional use in the C1 district unless permitted in (c) above.

ZONING CODE

Sec. 28.09(3)(e)

- (e) Lot Area Requirements. In the C2 district, the lot area requirements of the C1 district shall apply.
- (f) Floor Area Ratio. In the C2 district, the floor area ratio shall not exceed 3.0.
- (g) Yard Requirements. In the C2 district, minimum yards shall be provided as follows:
 - 1. A yard shall be provided where the extension of a front or side lot line abutting a street coincides with a front lot line of an adjacent lot located in a residence district. Such yard shall be equal in depth to the minimum front yard required by this ordinance on such adjacent residential lot. Such yard shall be provided along such front or side lot abutting a street for a distance of at least twenty-five (25) feet, including the width of any intervening alley, from such residential lot.
 - 2. A yard shall be provided where a side lot line coincides with an alley right-of-way line or a side or rear lot line in an adjacent residence district. Such yard along such side lot line shall be equal in dimension to the minimum side yard which would be required under this ordinance for a residential use opposite such alley right-of-way line or on the adjacent residential lot.
 - 3. A yard shall be provided where a rear lot line coincides with an alley right-of-way line or a side lot line or rear lot line of an adjacent parcel. Such yard along such rear lot line shall be ten (10) feet in depth for buildings not exceeding one story in height, and thirty (30) feet for buildings exceeding one story in height. (Am. by Ord. 9136, 3-12-87)
 - 4. For residential uses, there shall be provided side and rear yards as established in the R5 district regulations. For residential uses located above the ground floor, such yards shall begin at a level no higher than the level of the finished floor of the lowest residential unit.
- (h) Usable Open Space Requirements. In the C2 district, the usable open space requirements of the C1 district shall apply.
- (i) (R. by Ord. 5831, 5-6-77)
- (4) C3 Highway Commercial District.
 - (a) Statement of Purpose. The C3 Highway Commercial district is established to furnish the consumer population served by the C2 General Commercial district with a wide variety of goods and services, some of which are not compatible with the uses permitted in the C2 General Commercial district and thus not permitted therein. Within this district are permitted those uses which because of certain locational requirements and operational characteristics are appropriate to locations either in close proximity to major thoroughfares or in areas away from residences.
 - (b) General Regulations. Uses permitted in the C3 district are subject to the following conditions:

ZONING CODE

Sec. 28.05

permit has requested an amendment to the Zoning Code pursuant to Section 28.12(9) or a conditional use permit pursuant to Section 28.12(10) or if said wrecking is a detail of a proposed General Development Plan, action on those requests, as indicated supra in Subsection (3), is not to be appealed to the Common Council under this subsection.

(Section 28.04(22) Cr. by Ord. 8117, 10-3-83)

28.05 NONCONFORMING BUILDINGS AND USES.

- (1) Statement of Purpose. The purpose of this section is to provide for the regulation of nonconforming buildings and uses, and to specify those circumstances and conditions under which those nonconforming buildings and uses which adversely affect the maintenance, development, use or taxable value of other property in the district in which they are located shall be permitted to continue or shall be discontinued. This ordinance establishes separate districts, each of which is an appropriate area for the location of the uses which are permitted in that district. It is necessary and consistent with the establishment of those districts that those nonconforming buildings and uses which substantially and adversely affect the orderly development and taxable value of other property in the district be discontinued or reduced to conformity as soon as the fair interests of the parties will permit, or be permitted to continue with certain restrictions.
- (2) Authority to Continue Nonconforming Buildings and Uses. Any nonconforming building or use which existed lawfully at the time of the adoption of this ordinance and which remains nonconforming, and any such building or use which shall become nonconforming upon the adoption of this ordinance, or of any subsequent amendments thereto, may be continued, some for specified periods of time, subject to Sec. 28.07(7)(g) if applicable, and the regulations which follow, provided a nonconforming certificate therefor has been issued by the Zoning Administrator pursuant to Sec. 28.12(6)(c) hereunder. (Am. by Ord. 8627, 7-2-85)
- (3) Nonconforming Buildings and Uses Thereof. Any lawfully existing building which does not conform to the regulations of the district in which it is located and for which a nonconforming certificate therefor has been issued by the Zoning Administrator may be continued subject to the following provisions:
 - (a) Relocation of Building. A building may be moved in whole or in part to any other location on the same or any other lot only after approval therefor shall have been granted by the Zoning Board of Appeals and further provided the following:
 1. That such building is designed or intended for a use permitted in the district in which it is to be located.
 2. That such relocated building and its use shall be made to conform to all of the regulations of the district in which it is to be located.
 3. That such relocated building shall be in harmony with the general character of existing buildings or structures within the immediate neighborhood.

ZONING CODE

Sec. 28.05(3)(b)

(b) Repairs and Alterations.

1. Building Designed or Intended for a Nonconforming Use. Ordinary repairs and alterations may be made to a nonconforming building, all or substantially all of which is designed or intended for a use not permitted in the district in which it is located. Provided that no structural alterations shall be made in or to such building except those required by law or except to make the building and use thereof conform to the regulations of the district in which it is located. For the purpose of this subdivision, "ordinary repairs" shall include normal maintenance of a building, and the replacement of storage tanks where safety of operation of the installation requires such replacement, and other replacements of, or substitutions for, machinery or equipment not involving structural alterations to the building, except as hereinabove provided.
2. Building Designed Or Intended For A Permitted Use. Ordinary repairs and alterations, including structural alterations, may be made to a nonconforming building which is nonconforming as to bulk, provided said ordinary repairs and alterations conform to the regulations of the district in which it is located.

(c) Additions And Enlargements.

1. Building Designed Or Intended For A Nonconforming Use. A nonconforming building, all or substantially all of which is designed or intended for a use not permitted in the district in which it is located, shall not be added to or enlarged in any manner unless such additions and enlargements thereto are made to conform to all of the regulations of the district in which it is located, and unless such nonconforming building, including all additions and enlargements thereto, shall conform to the following:
 - a. Applicable regulations concerning the amount of lot area provided per dwelling unit and lodging room, as provided in Sections 28.08 and 28.09 of this ordinance;
 - b. Applicable regulations concerning the amount of usable open space provided per lot, as provided in Sections 28.08 and 28.09 of this ordinance; and
 - c. The allowable floor area ratio, as provided in Sections 28.08, 28.09 and 28.10 of this ordinance.
 - d. Applicable regulations concerning floodplain requirements of this ordinance. (Cr. by Ord. 8957, Adopted 9-2-86)

ZONING CODE

Sec. 28.05(3)(c)2.

2. Building Designed Or Intended For A Permitted Use. A nonconforming building which is nonconforming as to bulk, shall not be added to or enlarged in any manner unless such additions and enlargements there-to are made to conform to all of the regulations of the district in which it is located, and unless such nonconforming building, including all additions and enlargements thereto, shall conform to the following:
 - a. Applicable regulations concerning the amount of lot area provided per dwelling unit and lodging room, as provided in Sections 28.08 and 28.09 of this ordinance;
 - b. Applicable regulations concerning the amount of usable open space provided per lot, as provided in Sections 28.08 and 28.09 of this ordinance; and
 - c. The allowable floor area ratio, as provided in Sections 28.08, 28.09 and 28.10 of this ordinance.
 - d. Applicable regulations concerning floodplain requirements of this ordinance. (Cr. by Ord. 8957, Adopted 9-2-86)
 3. Within floodplain areas, no addition or enlargement to a nonconforming building shall exceed fifty percent (50%) of the building's full market value over the life of such building, unless the entire building conforms to all of the regulations of the district in which it is located. As requests are received for modifications or additions to nonconforming uses or nonconforming structures, a record shall be kept which lists the nonconforming uses and nonconforming structures, their present equalized assessed value, and the cost of those additions or modifications which have been permitted. (Am. by Ord 8957, Adopted 9-2-86)
- (d) Restoration Of Damaged Building.
1. Building Designed Or Intended For A Nonconforming Use. A building, all or substantially all of which is designed or intended for a use which is not permitted in the district in which it is located, and which is destroyed or damaged by fire or other casualty or act of God to the extent that the cost of restoration to the condition in which it was before the occurrence shall exceed fifty percent (50%) of its full market value, shall not be restored unless said building and the use therefor shall conform to all of the regulations of the district in which it is located. In the event such damage or destruction is less than fifty percent (50%) of such full market value, repairs or reconstruction may be made only if such restoration is started within one year from the date of the partial destruction and is diligently prosecuted to completion.
 2. Building Designed Or Intended For A Permitted Use. A building, all or substantially all of which is designed or intended for a use which is permitted in the district in which it is located, and which is destroyed or damaged by fire or other casualty or act of God, may be restored, except as hereinafter provided. A nonconforming use shall not be restored or reestablished in such building, which is destroyed or damaged by fire or other casualty or act of God to the extent that the cost of restoration to the condition in which it was before the occurrence shall exceed fifty percent (50%) of its full market value.

APPENDIX H

**COST CALCULATIONS - HIGHEST AND BEST USE
DEVELOPMENT SCENARIO**

APPENDIX H

Replacement Cost Calculations
Hypothetical Building Development
Boeckh Building Valuation Manual

Model: 0225 Office, 2 to 4 story, fireproofed steel frame
Area Per Floor: 10,914 square feet
Superstructure Area: $10,914 \times 4 = 43,656$ square feet
Perimeter: $418 \text{ feet} \times 4 = 1,672$ feet
Ratio: $43,656 / 1,672 = 26.11$, rounded to 26
Note: Model assumes brick with block walls

Superstructure Base Cost (Per Sq. Ft)	\$ 38.19
Superstructure Area (Sq. Ft)	<u>43,656</u>
Building Base Cost	\$1,667,223
Parking Garage Base Cost	\$ 14.92
Parking Garage Area	<u>21,828</u>
	\$ 325,674
Building Cost Subtotal	\$1,992,897
Time/Location Multiplier	<u>1.70</u>
Adjusted Subtotal	\$3,594,588
Architects' Fees (Per Boeckh)	<u>1.061</u>
Current Replacement Costs	\$3,954,047
Replacement Cost New Per Gross Square Foot	\$ 60.38

x Soft Costs

\$ 11,750 / still

