



An appraisal of 1 East Main, Madison, Wisconsin.

Zem Properties, Inc.

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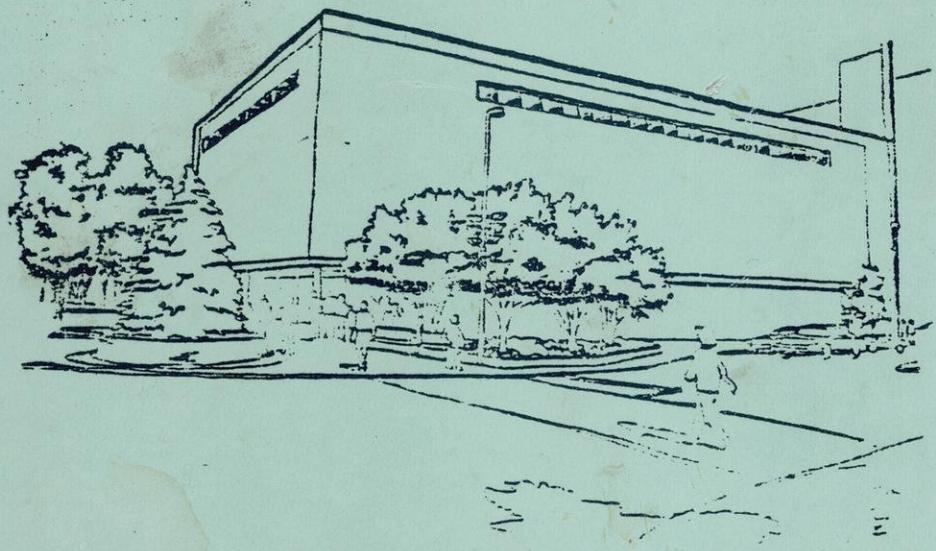
ZEM PROPERTIES INC.

AN APPRAISAL

OF

1 EAST MAIN

MADISON WI.



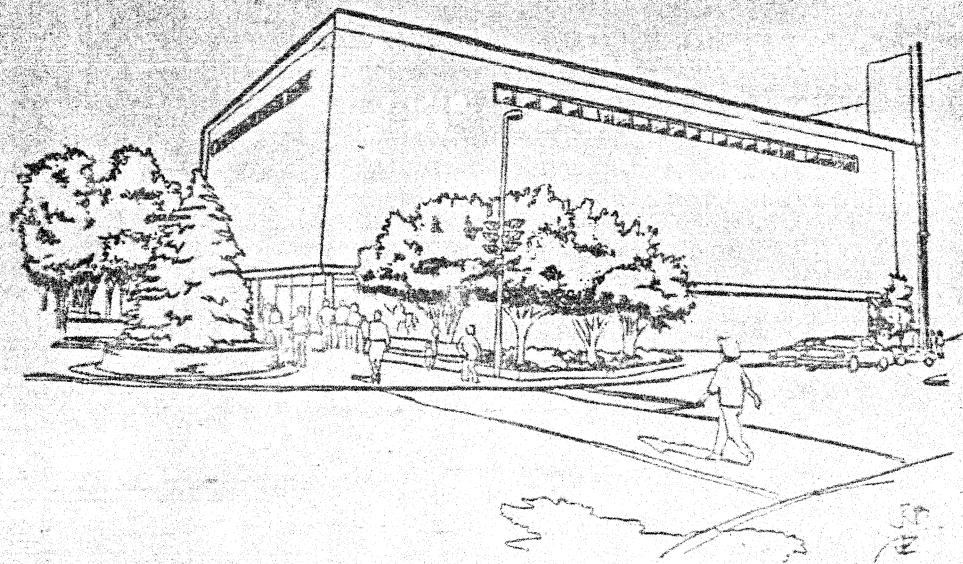
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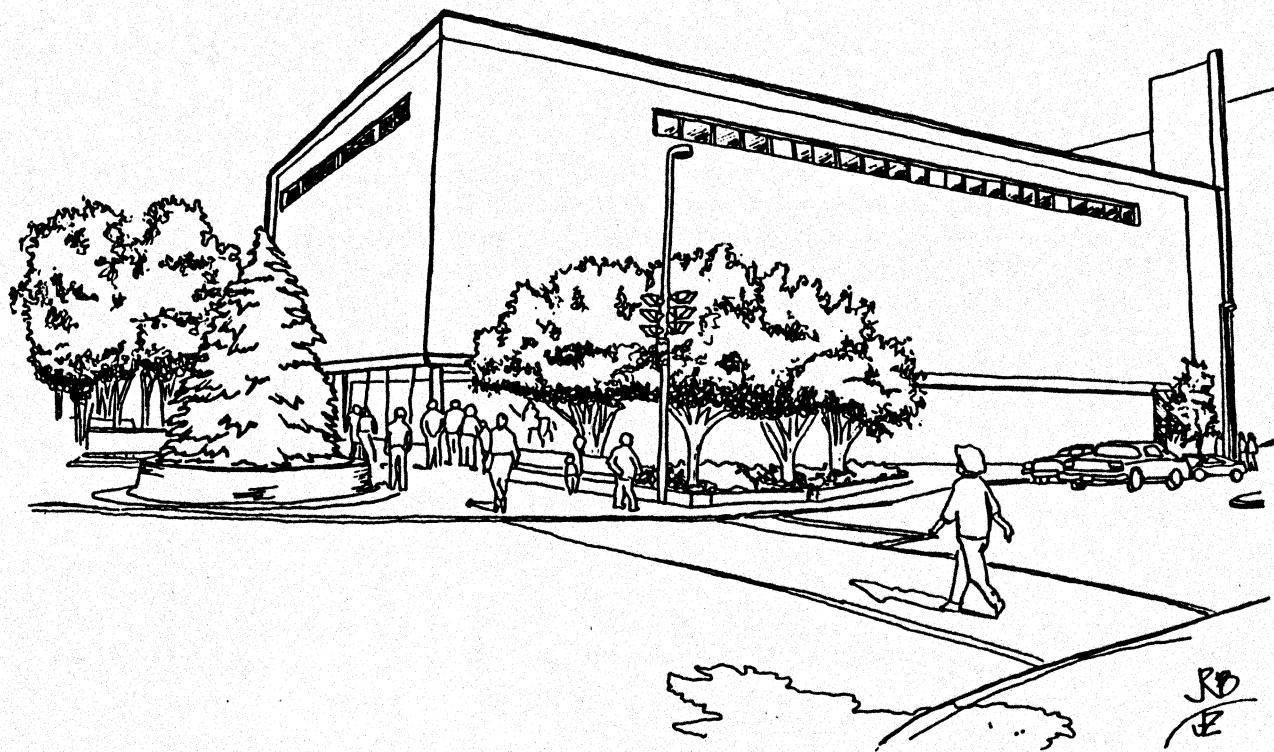
AN APPRAISAL

OF

1 EAST MAIN

MADISON WI.





December 14, 1984

Dr. James Graaskamp
1120 Observatory Lane
Madison, WI. 53711

Dear Dr. Graaskamp:

I submit herewith the appraisal report that you requested on the property known as the J.C. Penney Building, 1 East Main, City of Madison, County of Dane, Wisconsin.

In your letter authorizing this work, you indicated that the value conclusion would serve as a benchmark for listing and negotiating the sale of the subject property.

The enclosed report has concluded that the most probable selling price of your property as of December 14, 1984 is

SIX HUNDRED SEVENTY FIVE THOUSAND DOLLARS (\$675,000)

for a cash sale. Implicit in this price are the terms of IRB financing at 10% amortized over a 25 year period. The most probable transaction zone is from \$520,000 to \$725,000 depending on externalities: terms and market conditions. The upper range may be achieved with tax-exempt financing or with speculation of increased demand for the subject property. Conventional financing is indicated at the central tendency (\$620,000) and land only value is the lower range--at any given time someone will purchase the property at its lowest value. The most probable buyer for the property is either a real estate developer, or the City of Madison with the most probable use being a Class B office/retail space.

Fair market value says that the value would be the central tendency or \$620,000; however, this assumes rational buyers and sellers and market certainties. A most probable price, of \$675,000 is more representative of market characteristics.

Value conclusions are sensitive to the estimated costs of renovation and remodeling, particularly to cure functional and mechanical deficiencies. In addition, investment is sensitive to the ability of the buyer to attract tenants to the structure and forecasts of market appreciation for residential property in

Dr. Graaskamp

2

December 14, 1984

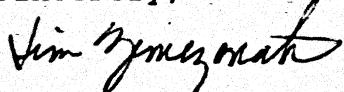
Madison.

As you will recall, no funds were spent for architectural, legal, or engineering investigation, thus the feasibility of the most probable use assumption, which is critical to a value estimate, are only preliminary. However, these and other relevant factors were extensively analyzed, and I believe that the conclusions are reasonable and well-documented. Please note the assumptions, limiting conditions, and controls on use that are included in Section V of this report.

You will also note that the current Madison assessment of \$851,000 is not in concert with values on the Square. Because knowledgeable real estate investors expect to appeal for reduction, there is little negotiation advantage to be gained by deferring your appeal of an assessment, which is excessive by at least \$176,000 and would contribute additional real estate taxes or holding costs at a difficult time.

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

Sincerely,



Jim E. Zemezonak
Zem Properties, Inc.

JEZ/jez
enclosure

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DIGEST OF FACTS AND ASSUMPTIONS

Property: A vacant three-story department store, known as the J.C. Penney building, 1 East Main Street, Madison, Wisconsin.

Type of Estate: Fee simple, encumbered by zoning restrictions.

Present Owner: Northwestern Mutual Life Insurance Company (NML).

Age of Building: Approximately 26 years.

City Description: Madison, Dane County, Wisconsin; State Capital, County Seat, second largest city in Wisconsin, site of the University of Wisconsin-Madison. *Connors*

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

Lot Size: Rectangularly shaped lot. Dimensions are 144 x 90, 12960 sq. ft., on this corner lot.

Improvements: 25 year-old three-story structure built of reinforced concrete. Gross building area is 54,399 sq.ft. Net rentable area is 41,159 sq.ft.

Legal Constraints: City of Madison C-4 zoning laws:
- Capitol Preservation View District
- Capitol Fire Zone District
- Special Assessment (Concourse) District

Most Probable Use: Renovation of existing structure, to a 3-story Class B office/retail space.

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

Probable Terms of Sale: Present owner of the subject property would prefer a cash sale. The purchaser will expect to obtain an 80% IRB at 10%.

Market Transaction Inference: Comparable sales ranked with a weighted point score procedure, predict a central tendency of sales of \$620,000 with a most probable range of \$520,000 to \$725,000.

Most Probable Selling Price: As of December 14, 1984, the seller might obtain a price of \$675,000 for an all cash sale.

DIGEST OF FACTS AND ASSUMPTIONS (Continued)

Current Assessed Value:	Land	\$430,000
	Building	451,000

	Total	\$851,000

Taxes and Other Assessments: (1983)

Real Estate Taxes	\$28090
Special Assessments:	
Street Improvement	3019
Mall Maintanence	781

	\$31890

I. PROBLEM ASSIGNMENT

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

A. The Appraisal Issue

The subject property, also known as the J.C. Penney's building is owned by Northwestern Mutual Life (NML). Penney's has leased this space for the last twenty years and vacated when the lease term retired in January of 1984.

The market for the subject property is soft around the Capitol Square. The area's retail industry has declined in response to a transitional neighborhood.

Northwestern Mutual is an asset manager and is contemplating holding or selling the property at 1 East Main. Pressure to sell is based on holding costs and required return on investment. Holding costs, including real estate taxes and insurance, are estimated between \$35,000 and \$36,000. The longer NML holds the property, the longer they have to capitalize the holding and opportunity costs. If NML retains the property high appreciation may have to occur, which is be unlikely given the economy around the Square. The site has a good location; however, many vacant properties on the Square are available.

B. Legal Interest to Be Appraised

The subject property, 1 East Main, is an assemblage of 2 lots and 12 feet of another, totaling 12,960 sq.ft. as described in the following legal description:

All of lot one(1), Block Eighty-Nine(89) except the Northeast twenty(20) feet thereof, all of lot ten(10), and the Northwest thirty-four(34) feet of lot 9(9), both in said block eighty nine(89), all in the City of Madison, Dane County, Wisconsin.

The fee is unencumbered and free of any restrictions such as easements, liens, mortgages, and judgments. The fee is also unaccompanied by any entitlements that include special licenses

and intangibles.

C. Value Definition

Market value is most commonly assumed as a normative value, the central tendency. This normative approach to value is market value and is defined :

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

However this definition implies certainities that do not exist in the economic market place of buyers and sellers. For purposes of this appraisal, the most appropriate definition of value is that which recognizes forecasts of value under conditions of market uncertainty. This definition of value is the "most probable selling price," as defined by Professor Richard Ratcliff:

The most probable selling price is that selling price which is most likely to emerge from a transaction involving the subject property if it were exposed for sale in the current market for a reasonable time at terms of sale which are currently predominant for properties of the subject type.(1)

D. Implicit Assumptions

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

E. Application to Subject

Sales transactions in the Madison area, particularly in the Square area, have generally been land contract sales with credit financing provided by the seller. The owner, Northwestern Mutual, has not specified any terms of sale, but would prefer a cash sale.

Because the building is vacant and must be remodeled, uses other than the previous retail must be investigated. Estimation of most probable use is part of the subject property's investment value to a most probable buyer.

II. PROPERTY ANALYSIS TO DETERMINE ALTERNATIVE USES

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

A. Physical Attributes

The subject site is located at 1 East Main on a corner lot at the intersection of Monona Avenue and Main Street, and is rectangular with 90 ft. of frontage on East Main Street, 144 ft. of frontage on Monona Avenue, for a total gross area of 12,960 square feet (Exhibit 1). Lots 1 and 10 and 12 feet of lot 9 on block 89 compose this southwesterly facing site on approximately 14% of block 89. A 20 foot publicly dedicated alley occupying 9% of block 89 serves the site (Exhibit 2).

The site slopes toward Lake Monona to the East and averages 73 feet above city datum. Elevation is in reference to city datum (0.00), Lake Monona, which has been established at 845.6 feet above sea level. The Capitol Preservation View District states that no building can exceed 187.2 feet, the height of the Capitol dome. Since the elevation of the J.C. Penney's site averages 73 ft., construction is limited to 114 ft. Site elevation is taken from topographical maps from the city engineer's office.

Having established the maximum height of construction, the building envelope is complete: length, 144 ft.; width, 90 ft.; height, 114 ft.

The Soil Survey of Dane County, Wisconsin, published by the U.S. Department of Agriculture, Soil Conservation Service, indicates that the soil of the subject property is Dodge Silt Loam, 2 - 6%, of the Dodge Series. These soils are medium to fine textured with moderate water capacity availability and moderate permeability. [The subsoil is a Drumlin Glacial Drift and the bedrock is Potsdam Sandstone. The subsoil and bedrock depths are 8 feet and 180 feet, respectively.] The site has no structural limitations: shrink swell is moderate and basement limitations are moderate. The soils have low corrosiveness to

EXHIBIT 1
LOCATION OF SUBJECT SITE ON CAPITOL SQUARE

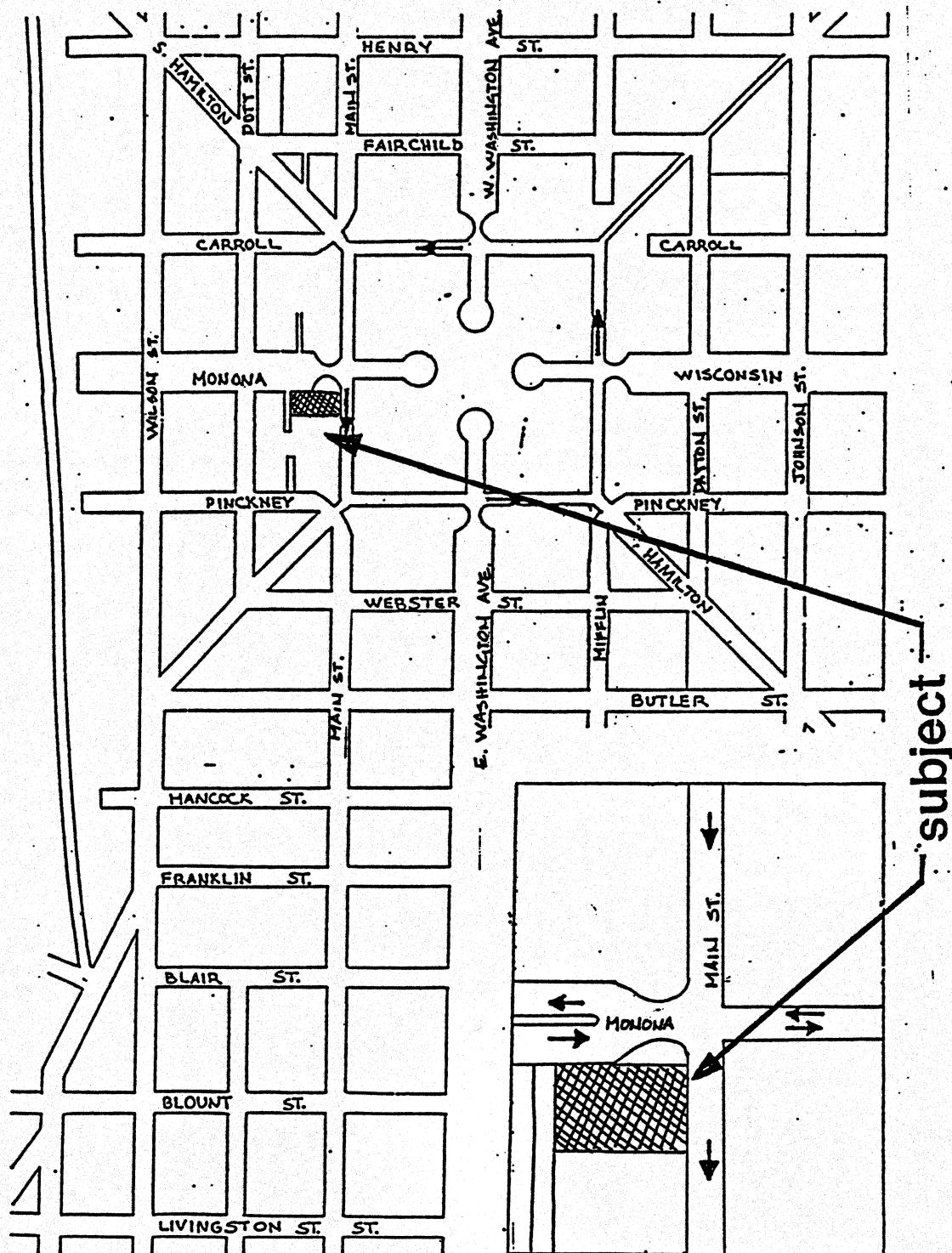
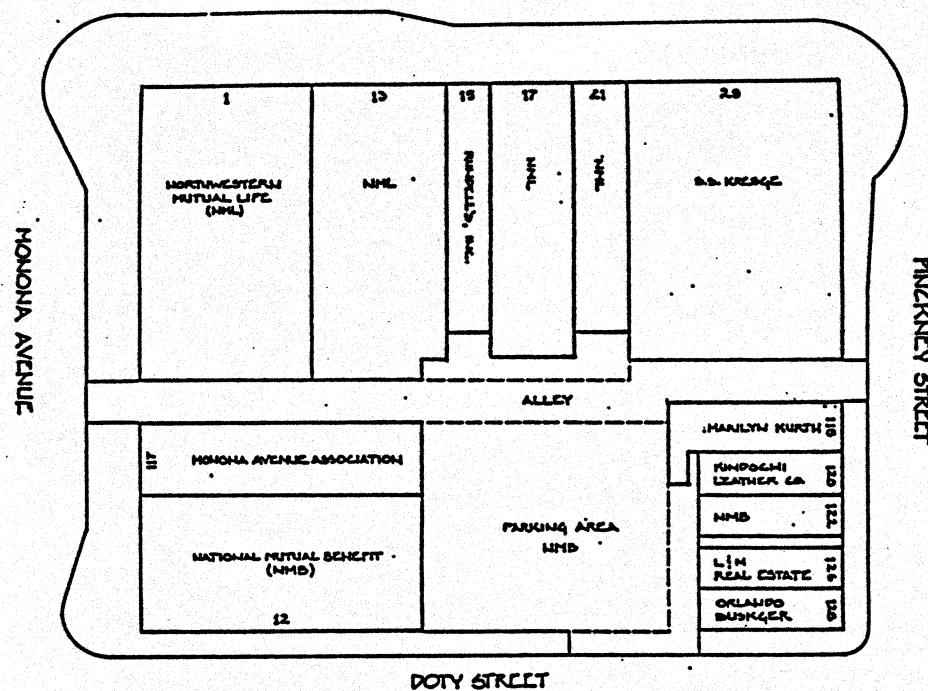
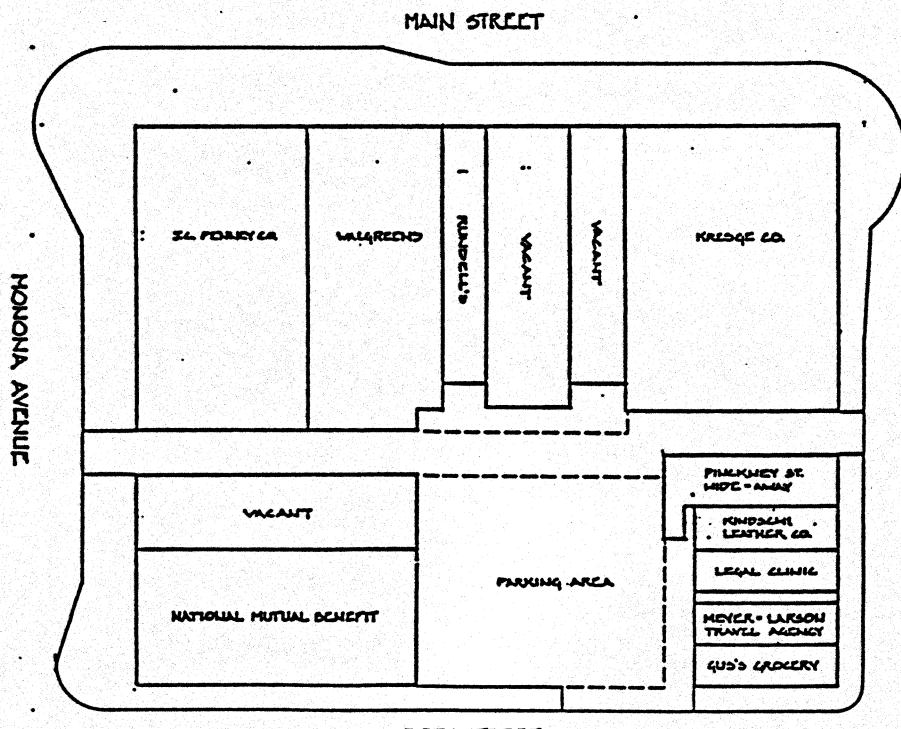


EXHIBIT 2
BLOCK 89-ADJACENT LANDUSE PATTERNS



BLOCK 89 OWNERSHIP

22' 22' 22' ↑



BLOCK 89 EXISTING USES

22' 22' 22' ↑

both concrete and uncoated steel.

All necessary utilities currently service the site and pose no limits to further development. Service specifications are as follows:

Electric	- Madison Gas & Electric, 13,500 volts.
Gas	- A 8" Madison Gas & Electric main under E.Main Street and a 4" main traversing under Monona directly to the building.
Sanitary Sewer	- A 4" - 6" sewer traverses under Monona Avenue that flows to a Madison Metro link and eventually to Raywood Road station in the Town of Bloomington and City of Madison.
Storm Sewer	- Catch basin in alley with 12" main hooks to 15" main under Monona Avenue flowing directly into Lake Monona.
Water	- A 6" main 25 feet from property on E.Main Street and a 10" main 26 ft. from property under Monona Avenue.

In addition to the physical features mentioned, the Capitol Square provides other improvements such as benches, fountains and other amenities.

B. Legal/Political Constraints

1. Zoning

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

However, the broad general provisions of this zone are deceptive because any major alteration of any buildings must conform to remodeling and new construction guidelines established by the City Planning Commission. The present city administration

is deeply committed, both financially and politically, to the Capitol Square redevelopment program discussed elsewhere in this report. The Mayor, his appointees on the Planning Commission, and their advisers in the City Planning Department have publicly stated some uses that they would not approve at this time. They strongly favor retail, restaurant, and other pedestrian generators on the first floor of all buildings contiguous to the Concourse. The Planning Commission also seeks more housing for upper-income groups, vigorously opposes the demolition of present structures on the site to create a parking lot, wants to avoid the heavy cash responsibilities of returning the existing structure to full use, and opposes office use on the first level.

Renovation of existing structures is also limited by zoning ordinances regarding fire provisions, height, and frontage for buildings in the Square area. Madison Building Code 29.37(4) restricts building materials to fire-resistant Types 1 or 2, prohibits reconstruction when the casualty loss exceeds 50% of assessed valuation, and prevents new use and occupancy until nonconforming fire provisions are corrected. Madison Zoning Code 28.04(14) states that no part of any building within a mile of the State Capitol can exceed the elevation of the base of the Capitol dome columns (187.2). Since the elevation of the J.C. Penney's site averages 73 ft., construction is limited to 114 ft. Madison zoning ordinances 28.04(6) (b) and 28.04(9) (a) require that parcels created by subdivision each have a minimum of 50 ft. frontage on the principal street, Monona Avenue and 6,000 square feet of gross area. Therefore, if the subject site were assembled with an integrated plan of Block 89, future subdivision of the subject or adjacent sites affected would no longer be possible.

2. Special Assessment District

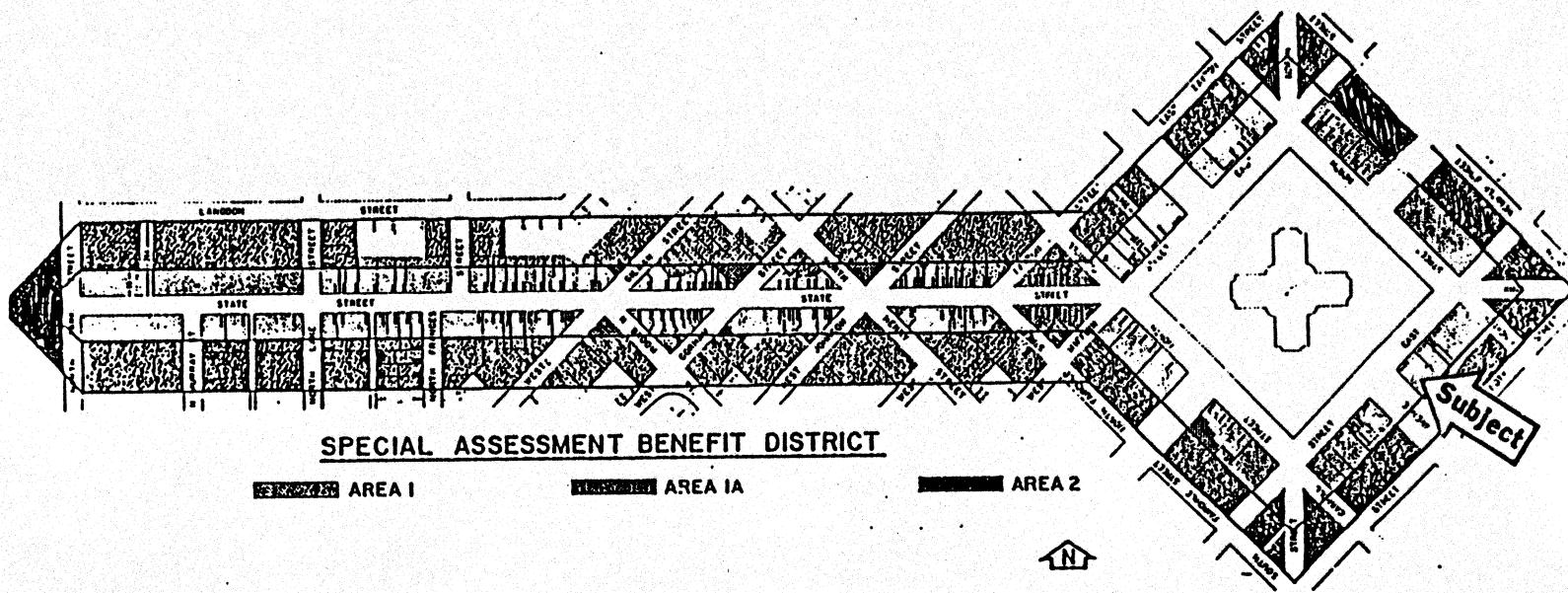
The Capitol Concourse Mall is a downtown-redevelopment project designed to improve the character and quality of the Capitol area. As a result of the Mall, the impact on the downtown area has been anything but positive. Many goals such as the character and quality have been attained; however, this area has declined as a retail trade center. Originally designed to strengthen the functional needs and desires of its citizens, Madison created a special assessment district to amortize the costs of improvements. Properties facing the Mall compose this district and are subject to the following assessments (Exhibit 3): (1). A street improvement assessment; (2). An alley improvement assessment, and (3). A mall maintenance assessment.

EXHIBIT 3
MALL SPECIAL ASSESSMENT FOR SUBJECT

Date	Street(a)	Mall(b)	Total Taxes(c)
1982	3159.27	455.67	28598.96
1983	3019.07	780.93	31889.77
1984	2878.85	455.67	_____ (d)

- a. Includes street (6% over 10 years) and alley (6% over 8 years) improvements.
- b. Mall maintenance amortized @ 6% over 10 years.
- c. Total taxes include real estate taxes, street and mall maintenance fees.
- d. Will be known in January.

SPECIAL ASSESSMENT BENEFIT DISTRICT



3. Political Constraints

City Hall is viewed by many area businessmen as antibusiness, antigrowth, and antidevelopment. This view is related to the Capitol Concourse and other downtown improvements that have failed to attract customers to the once touted CBD.

Presently, renewed participation by City Hall has been in its interest in Olin Place, a redevelopment plan approved by the City Council in August of 1982 on the east side of the mall. This proposal identifies a number of development opportunities. However, many businessmen believe that this development would negatively affect the square because of its size and their beliefs that retailing should adhere near transportation networks and closer to residential areas, which are the west and north sides of the square. Ann Monks, City Council Chairperson believes, that 'blight' will fade and cohesiveness will happen only if these business leaders and others who believe that the east side of the square, J.C. Penney location, can compromise. (2) Mayor Joseph Sensenbrenner believes that lower interest rates and evidence of a market for downtown initiatives will create a climate for development. City Hall has also shown interest by giving Jacobs, Visconsi, and Jacobs, large shopping center developers, an option to study the potential of downtown Madison.

C. Linkages

Linkage attributes are the relationships of the site to its immediate environs, activity centers, and the largest Madison hinterland. A linkage is measured in terms of costs of friction involved in moving between establishments, and the benefits of exposure generated by the location. An understanding is critical to value estimation.

The subject site is at the intersection of Main Street and Monona Avenue. Parking and physical access to the site is difficult because of complicated street patterns and high pedestrian, bicycle and vehicular traffic (Appendix A). Capitol Square is presently accessible by four avenues, four secondary arteries, and four diagonal streets. The avenues have four lanes on the north, south, and west sides; East Washington Avenue on the east side of the Square has six lanes and connects with the Interstate Highway System approximately ten miles from the Square on Madison's eastern city limit. Vehicular traffic is restricted to a single lane around the Square and a second lane is primarily used by buses and bicycles. The existing alley is twenty feet wide, two-way, and allows through-access to Pinckney from Monona Avenue.

Vehicular, pedestrian and bicycle traffic counts in downtown Madison are shown in Appendix A. Although eight access points to the Square exist, only one lane is provided for private vehicles. Primary pedestrian flow around the Concourse is from parking ramps at the periphery and at bus loading points. A bus loading point, with shelter, is located in front of the subject approximately 30 feet to the north.

Pedestrian traffic adjacent to the site is the highest on the Square (Appendix A). In addition to GEF I and II and Wilson Street offices (State offices), the First Wisconsin Bank, M & I Bank, and Anchor Savings provide major concentrations of office employees that generate a significant amount of pedestrian traffic flow. The retail block no longer anchored by J.C. Penney's fails to draw masses to block, relying on Walgreens and Kresges as its major attractants.

Parking near the Capitol Concourse is sparse, difficult to reach, and located at the periphery (Exhibit 5). The primary parking ramp is the Doty Ramp located two blocks to the east with 471 spaces that are filled by 9:00 a.m. The Block 88 parking facility is also located two blocks from the site but has only 14 spaces. In addition to the scarcity of ramp parking, only three metered parking spaces are adjacent to the site.

The subject property does have advantages. It is within walking distance of significant employment and activity centers, is directly across from the State Capital, and is within two blocks of several financial institutions and many state, county and local employment centers. Office buildings constructed in the recent past represent a substantial capital investment and indicate that downtown employment will remain high or increase in the immediate future. Innovative retailers on the Square will prosper as they adjust their merchandise lines to serve the governmental staff, the office labor force, and the University community.

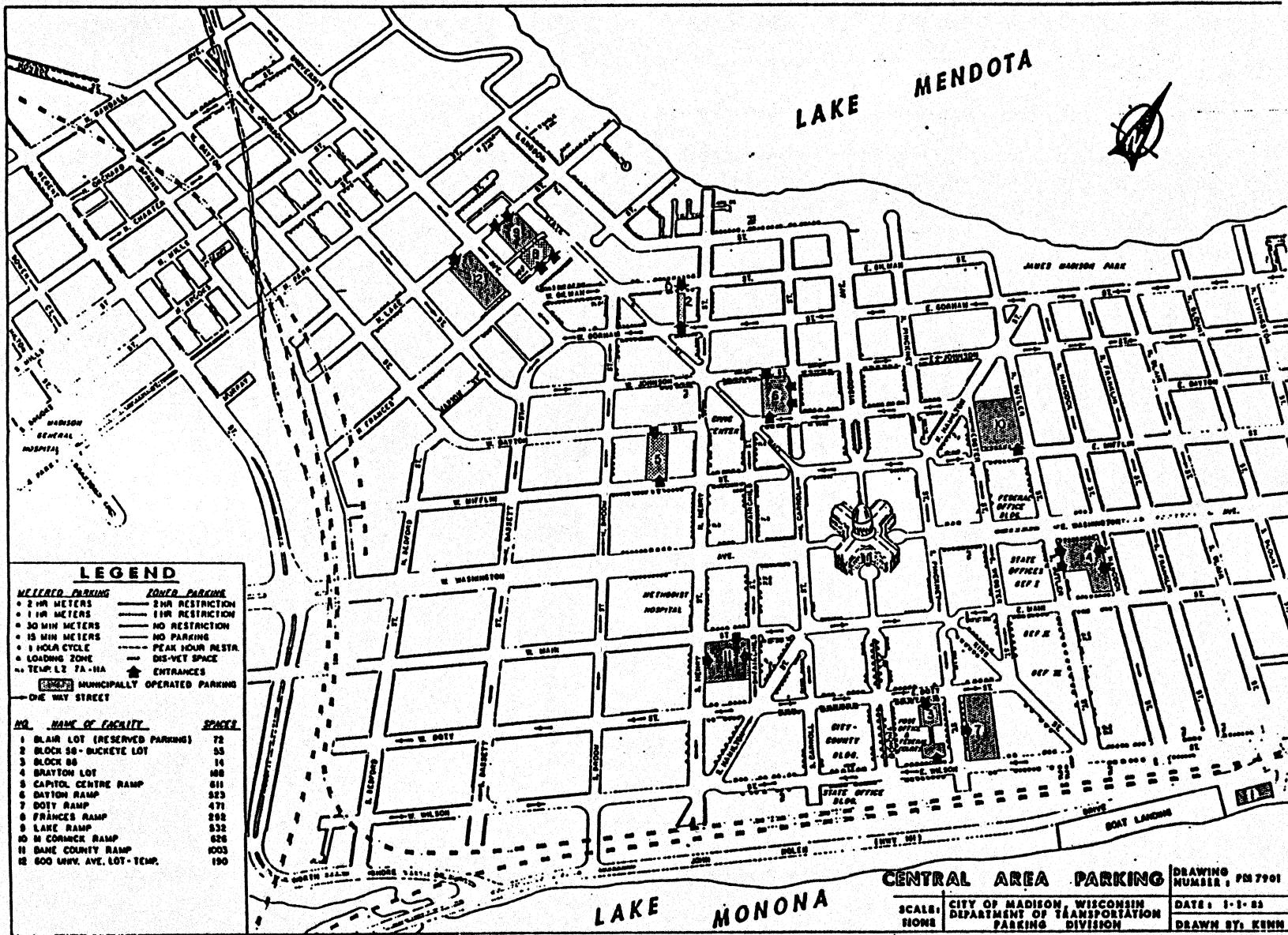
Improved linkage patterns and renewed interest in downtown Madison will provide needed stimuli to create a vibrant downtown area. New development projects in close proximity to the subject are in various stages of development.

111 North Pinckney: Developer Gary DiVall has just completed renovating his downtown office, the former Montgomery Ward Building, funded primarily through Industrial Revenue Bonds. Included in this finished project 40,000 sq. ft. of Class A office space and a two level 70-space parking ramp.

Manchester Building: Developer Glenn Hovde is seeking possible TIF financing for multiuse renovation. Present plans

EXHIBIT 5
CENTRAL PARKING MAP

13



7P

include five floors of condominiums, 65,000 sq.ft. of office space, and 60,000 sq.ft. of retail space.

1 North Pinckney Street, American Exchange Building: Plans to build a 6-story Class A office building with three levels of underground parking.

Tenney Building Remodeling: Plans are underway to develop two levels of parking (220 stalls) and extension of building to First Wisconsin Plaza. Entrance will be relocated to within the Plaza.

D. Dynamic Attributes

Dynamic attributes are the perceptual responses of people to the site in terms of anxiety, visibility, prestige, and aesthetics. Responses help create positive and or negative feelings or images of a site. Citizens perceive downtown Madison in a state of decline because of its incestuous bars and night loitering. Stepped-up police patrols have helped to ease high anxiety feelings on the Square. Daylight hours bring traffic congestion and parking problems; however, merchants who have adapted services toward downtown employees and residents have done well. Adaptability to change and aesthetics give the area favorable responses for growth. Government activities and financial institutions create favorable responses to retain the Square as a bona fide CBD. The site enjoys a southwest exposure and high visibility to one way traffic on both Main Street and Doty Street. Aesthetic vistas to the Capitol grounds and Lake Monona have increased positive perceptions of the downtown area.

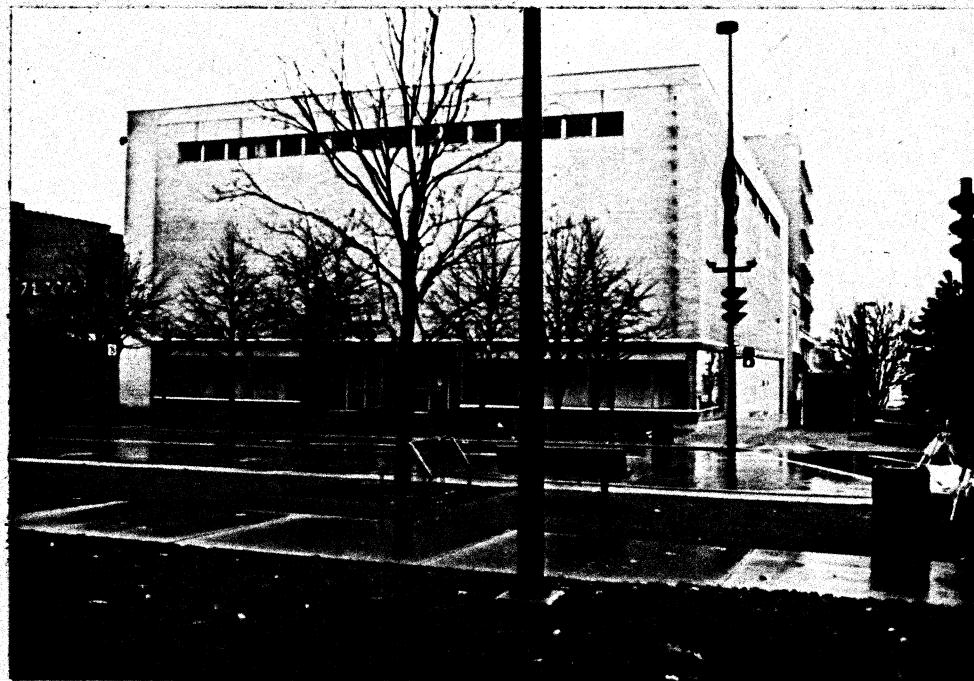
E. Existing Improvements

1. Background and Classification

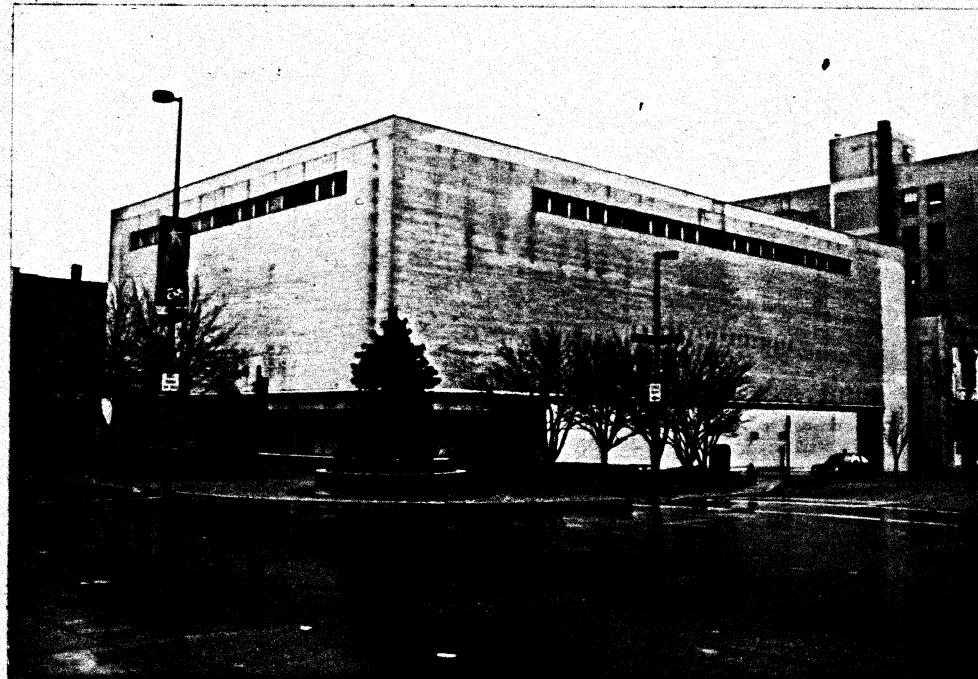
Constructed in approximately 1958, the subject property was originally developed by Northwestern Mutual Life Insurance Company (NML), Milwaukee, Wisconsin, current owners. J.C. Penney's the only occupant of the site, leased the property for 25 years. On expiration of the lease and downtown retailing deterioration, Penney's opted not to renew their lease on January 1, 1984. The building stands as originally built. Exhibit 6 contains current interior and exterior photos of the subject.

Basic dimensions of the 3-story subject property are presented in Exhibit 7. These dimensions convert to an estimated useable cubic footage of 784,080 ft. Estimated gross floor area is 54,399 and net floor (useable) area is 41,159.

EXHIBIT 6
CURRENT PHOTOS OF 1 EAST MAIN

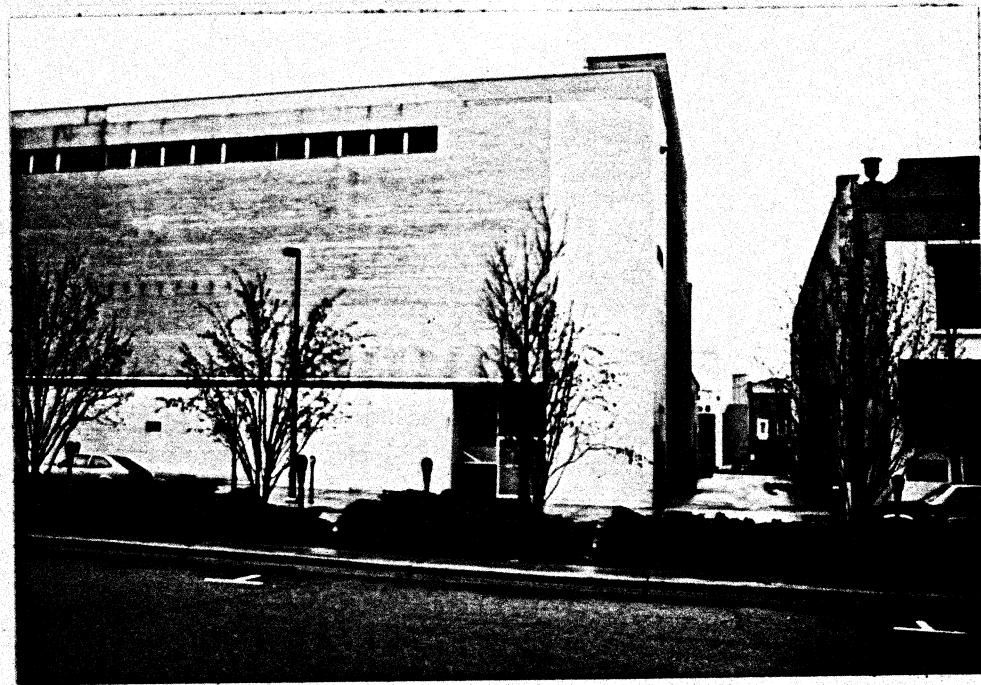


Main Street Facade

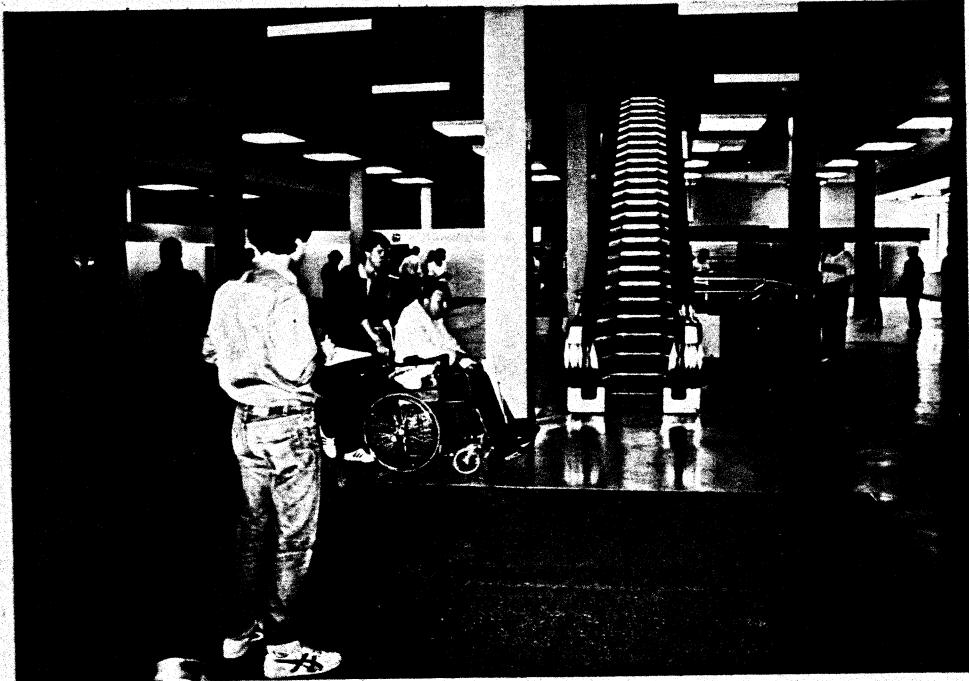


View-Corner of Main and Monona

EXHIBIT 6 (continued)
CURRENT PHOTOS



Rear View-Down Alley



View-Inside Main Entry

EXHIBIT 6 (continued)
CURRENT PHOTOS

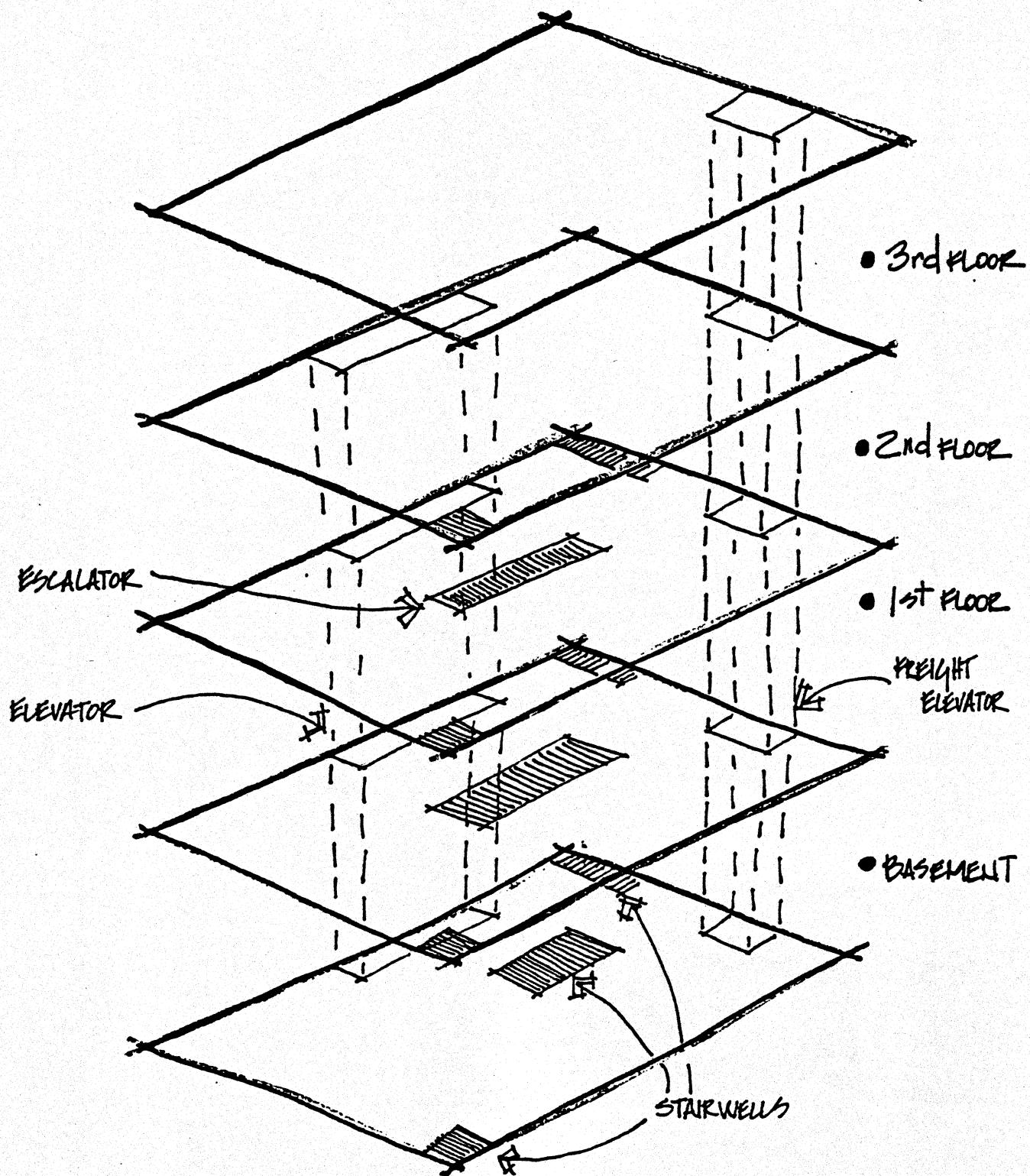


Elevators



Storage Area-3rd Floor

EXHIBIT 7
BUILDING LAYOUT



Because the volume of the building exceeds 50,000 cu.ft. all remodeling work must be done by licensed engineers or architects and approved by the state of Wisconsin Industrial Commission (Wisconsin Administration Code 50.07 (2)(a)). Square footage of floor space is significantly above the legal standard of 20,000 square feet, which requires a full-service elevator and other interior circulation features for the handicapped (Wisconsin Administration Code 52.04, register, December, 1976, No. 252.

2. Type of Construction

A general description of the structure is summarized in Exhibit 8. Construction is of reinforced concrete and is simple in design and style. Exterior walls are designed to carry their own weight to ground footing. Beam and column construction is concrete with bay spacing approximately 22-24 feet. Square foot bearing load capacity is 125 lbs. per sq.ft. and presents no problems for renovation to other uses.

3. Interior Finishes

Since the structure was built the basement and first two floors have been used exclusively for retail use. Putty coat plaster over concrete makes up the wall finishes. An escalator and stairwell is located in the center of these retail areas affecting circulation patterns for future use. Large open retail spaces on all floors lend themselves to future development, so little demolition is required. The 3rd floor is used for storage; wall finishes are putty coat plaster.

4. Structural Condition and Code Conformity

External maintenance problems are not significant with the subject. Internal problems of deferred maintenance and replacement of mechanical systems is needed for increased efficiency (Exhibit 9).

Because of these alterations, the building falls under jurisdiction of the Wisconsin Administration Code (Section 50.03(2)) that provides all remodeling or alterations in any building structure that affect structural strength, fire hazards, exists, natural lighting, or replacement of major equipment. Wisconsin registered architects or engineers must design the HVAC and energy conservation systems, while the Department of Industry, Labor, and Human Relation must inspect all heating, ventilation, alteration, and fire escape plans before a conditional approval is granted (Section 50.07(2)(a)-(c), and Section 50.12(1)). Uses must comply with regulations governing life-safety systems and barriers to handicapped people. Each property use has code regulations.

EXHIBIT 8
DESCRIPTION OF IMPROVEMENTS

NUMBER OF STORIES	3 Stories (without penthouse)
AGE	Approximately 26 years
ROOMS	
Basement	Large retail area
1st floor	Large retail showroom and utility rooms
2nd floor	Large retail area
3rd floor	Large storage area and utility rooms
EXTERIOR	
Foundation	Stone, concrete, and steel
Walls	Poured concrete stone, steel frame with brick fascia
Roof	Flat 3 ply built up roofing with gravel surface
Building front	Face brick
Building Canopy	None
CONSTRUCTION	
Floors	Precast concrete laid on wide flange steel beams; asphalt tile in retail area; walls-putty coat plaster
Structural frame	Steel columns, main beams and trusses; bay spacing 22-24
BASEMENT	Full basement; asphalt tile floor
HEATING	Low pressure steam boiler, forced air, fired by either natural gas/oil. Oil consumption is 1500 gallons per winter day.
AIR CONDITIONING	Chiller system cooled by 3 Trane chiller (1958) compressors driven by a 20 horse motor.
VERTICAL CIRCULATION	1 freight elevator 4 floors cap. 2500 lbs., 2 passenger elevators 3 floors cap. 16 persons; 2 public stairwells, 2 service stairwells on E. and W. corners
UTILITIES	2" water service, 6" sewer service, 13500 voltage electric

EXHIBIT 9
DEFERRED MAINTENANCE AND MECHANICAL REPLACEMENT COSTS (a)

1. Roof replacement	approximately \$12,000
2. HVAC modernization recommended (includes computer controlled dampers)	approximately \$70,000
-Cooling tower replacement. New tower should be smaller and more efficient (includes installation)	
-Heating boiler nonefficient replacement recommended	
3. Emergency power generator-currently none. Recommended installation.	approximately \$20,000
4. Hot water heater replacement recommended.	approximately \$6,000
5. Elevator estimate for converting freight elevators to third floor	approximately \$50,000
	TOTAL \$158,000

(a) Costs from Lou Cunningham Building Engineer

If renovation costs exceed 50% of current assessment or if change in functional use the building is required to conform with current State Building Codes: complete replacement of electrical system, HVAC system, plumbing system, and new roof. Also, if the building has been vacant for over 1 year, a new occupancy permit is required. Formal inspection of the property is incited that may lead to code violations. (3) ?

III. MOST PROBABLE USE

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

A. General Market Characteristics

Search for a use of the subject property begins with the possibility of extending the past use as a retail unit facility. The second focus is on the permitted, conditional, and most probable uses of the site. Potential and probable uses of the site are retail, apartment, condominium, and office.

1. Retail

Retail use could continue in its present state or in some other facet. Primary vacancies on the Square are large retail spaces. Manchester's and the Wolf Kubly buildings on the west and south sides of the Square offer superior space for retailing, however, they have been vacant for three and six years, respectively. A retail market analysis, prepared by the Real Estate Research Corporation, indicated that given existing uses there is no reasonable place to create a retail market on the Square. As such most retail trade centers on the State Street area. Current rents on State Street (smaller retail space) are approximately \$9.00, while current rent on the Square average between \$4.00 and \$6.00. Smaller retail space is in demand and command upwards to \$9.00 plus, per sq. ft. Governmental and institutional employees that make up high density foot traffic are an untapped market for retailing. A restaurant or eating facilities and specialty shops are needs on the subject side of the Square. However, state fire codes are stringent where more than 100 people would use the facility. Smaller retail or restuarant area is preferred. Below are rents in the subject area:

24	East	Mifflin	Mosely Bookstore	\$2.50
14	East	Mifflin	Upper Crust Cafe	4.26
12	West	Mifflin	Hallmark Shop	9.00
119	West	Mifflin	Beauty Shop	5.80
27	North	Pinckney	Perfume	5.45
25	North	Pinckney	Le Toile	2.60
114	North	Fairchild Cousins		9.26

(terms of leases and square footage is unknown)

MOSELEY
L'ETOILE

2. Apartment

Most apartments immediately adjacent to the Square are in converted single-family houses that were built prior to 1900. Vacancy and turnover rates are high for downtown Madison. A survey by the Madison Apartment Association of 150 property owners showed campus-downtown as having the highest average vacancy in the Madison Area (Appendix C). The largest single group of renters in the downtown area are individuals 30-55 years of age with incomes from \$12,000-\$19,000. A potential market exists for legislator and lobbyist housing. Lew Mittnes, Sergeant at Arms, State Assembly, believes this is a viable market that to date has been untapped. Proximity to the University and governmental functions makes this alternative a potentiality.

3. Condominium

Condominium market strength is unknown in the downtown area, but there have been successful projects: Doty School and Fauerbach. Market data, if it is assumed that a majority of the market is in downtown Madison, suggests that the demographics of the area are not economically feasible to support this potential uses. Monthly income levels for condominium ownership is not sufficient for project feasibility.

4. Office

Three types of office space exists in Madison: class A, Class B, and Class C. Class A office space has accessible parking and high speed elevators. Class B office space is usually in remodeled buildings that have working elevators with little to no parking for its tenants. Class C space has no elevators, no parking, and usually needs extensive remodeling. Current Class A, B, and C rents and square footage are shown in Appendix C--taken from a survey by Lutke and Mussati, in June of 1984.

The State of Wisconsin is not actively leasing new space and demand has been stable; however, it is rumored that the State is in demand of between 30,000-60,000 sq.ft. Overall, the market for Class B and C space has been soft, but decreasing vacancies may mean a resurgence in demand. Class B and C price ranges per sq. ft. as of June 1984 were between between \$4.32 and \$13.00 with a mean of \$8.80 on 565,521 net leasable area. Vacancies were at 13.7 (77,280 sq.ft.) in the same period down from 23.4 in 1982, with most vacancies occurring in the price range of \$6.00 - \$9.99. Prime office space, Class A, is in demand around the Square with vacancies at 5.7% (54,512 vacant sq.ft.-962,504 NLA) up from 1982. However, two additional buildings were added: Lakeview Terrace and 100 North Hamilton. Prices ranged between

\$10.50 and \$17.50 with a mean of \$13.5. Because the subject property has no on-site parking or provisions for added parking, it is Class B office space as is.

B. Alternative Uses for the J.C. Penney's Property

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

Scenario 1: The building is demolished and the site leveled for reserved monthly parking. A parking area will cater to the needs of the area. Space for 32 cars (400 sq.ft. per car) could be provided for one story parking with access from both Monona Avenue and East Main Street. Shrubbery and/or decorative plantings will be provided for screening.

Scenario 2: The building is to be demolished and replaced with a new four story multiuse Class A office building with underground parking for 20 cars. A mini-mall of small retail units will make up first floor activities; the upper three-floors and basement as office space. Two elevators and required stairwells are to circulate people.

Scenario 3: The building is retained and modified for multi-tenant Class B office/retail use. A mini-mall will be located on the first floor. The upper-two floors and basement will be office space for governmental functions such as lobbyists or State employees.

Scenario 4: The building is retained and renovated as a multi-tenant space: the first floor as retail, the basement as offices and the top 2 floors as apartments, with common area, catering government employees.

C. Economic Ranking of Alternatives

Alternative uses that might be plausible for the subject property can first be ranked in terms of the general budget parameters inherent in revenues and expenses for each. The best financial alternatives must then be screened for effective demand, political acceptability, and risk. To reveal the general range of justified investment on the existing property, the appraiser developed a logic of converting rents to justified investment by determining a market rent for each use and assuming an acceptable cash breakeven point for financial planning and budgeting. This process capitalizes funds available for debt service or cash dividends into amounts of justified investment.

This residual approach can be misleading if there are small errors in the cashflow forecast, but if estimating bias is consistent when applied to the alternative uses, it does rank the alternatives in terms of their ability to pay for the subject property as is. The logic of this process is provided in Exhibit 10. A summary of these calculations from the exhibit are provided in Exhibit 11. A preliminary ranking based on a cash justified investment (Line 3, Appendix E), without regard to future reversion value, demonstrates that Scenario 3 is the preferable use of the structure as is. This ranking does not consider future reversion value.

D. Risk Ranking Alternatives

In this discussion, risk may be defined as variance from a forecasted event, whether that event be the amount of a cash payment or the outcome of a political process. Several different areas of risk will be evaluated with respect to each scenario. Each scenario will be weighted in terms of remodeling risks, political acceptability, revenue demand, and expense risks. A weighting scheme allows perceptions of risks to qualify in determining a most probable use.

1. Remodeling Risks

Risks inherent in renovation increase with expected cash expenditures, likelihood of cost overruns, and the possibility of unanticipated delays due to strikes or technical problems. Scenarios 3 and 4 require extensive renovation of interior space, interior circulation patterns, and installation of new HVAC and other mechanical systems, which may indicate high cost overruns. Scenario 2 costs are from capital expenditures of a new structure--a significant outlay. Initial capital outlays for construction is best suited to renovations. Scenarios 3 and 4 offer more certainty in regard to construction because fire codes and required daylight and ventilation amenities are less stringent for office space than for apartments.

2. Political Acceptability

Scenarios 3 and 4 are politically acceptable as they provide for uses consistent with Planning Commission goals (retail and service orientation). Demolition as in Scenarios 1 and 2 promotes a problem as the City of Madison will not grant a wrecking proposal without immediate solid proposals that will be in concert with goals of downtown Madison. Scenarios 2,3, and 4 are more feasible.

EXHIBIT 10
BACKDOOR DEFAULT RATIO APPROACH

BASIC LOGIC FOR RANKING ALTERNATIVE PROGRAM SCENARIOS BY JUSTIFIED PURCHASE BUDGET

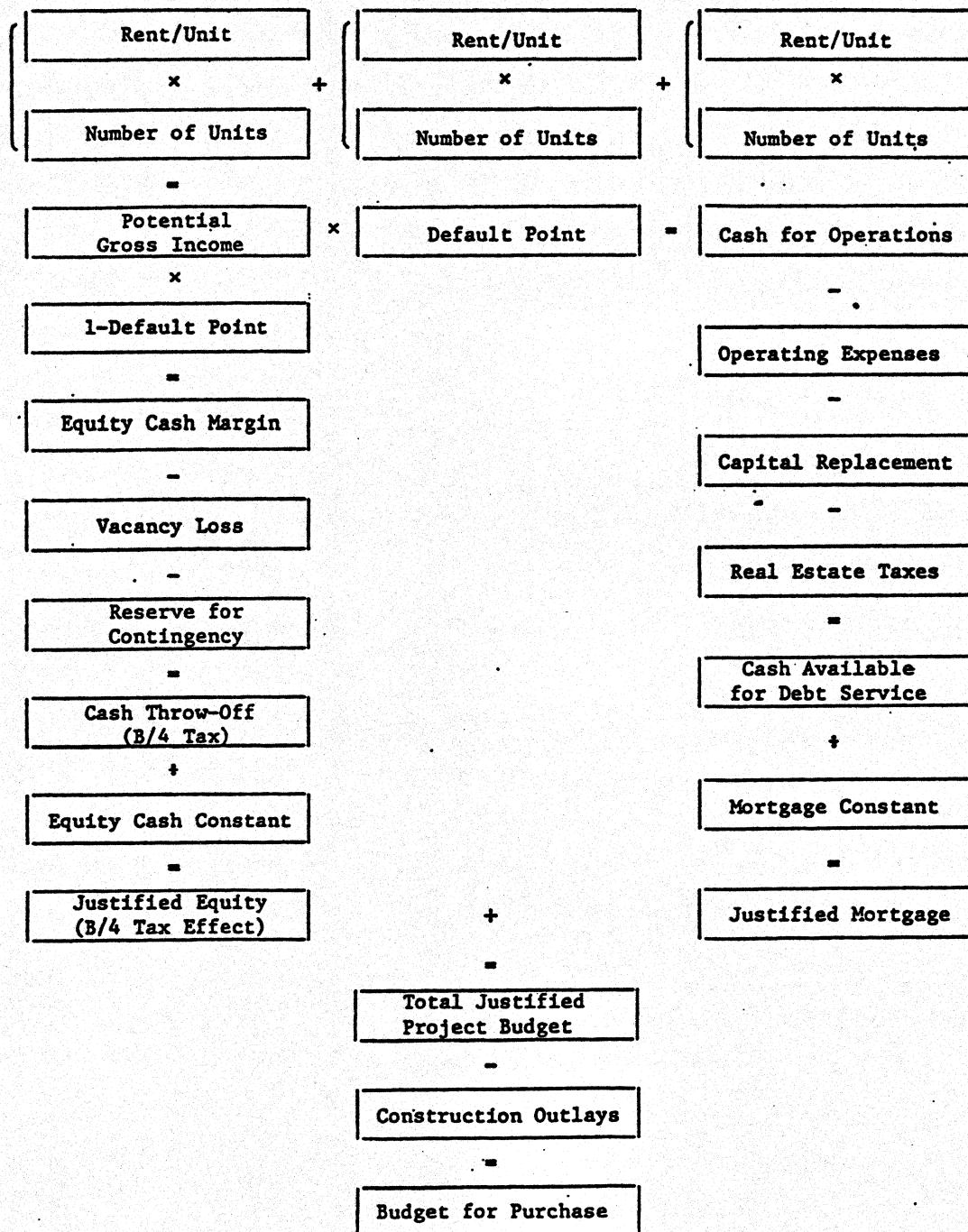


EXHIBIT 10
SUMMARY OF COST CALCULATIONS
ASSUMPTIONS OF INCOME AND COST DATA

SCENARIO 1 - Demolish Existing Building: Pave for Parking

Projected Annual Income	\$23,040
Projected Annual Expenses	7,180
Budget for Purchase	-\$10,292
Expense/Income Ratio	31%

SCENARIO 2 - Demolish Existing Building: New Construction

Projected Annual Income	\$455,600
Projected Annual Expenses	152,386
Budget for Purchase	-\$379,310
Expense/Income Ratio	33%

SCENARIO 3 - Renovation: Conversion to Office/Retail

Projected Annual Income	\$298,000
Projected Annual Expenses	91,188
Budget for Purchase	\$ 24,363
Expense/Income Ratio	30%

SCENARIO 4 - Renovation: Conversion to Multi-tenant

Projected Annual Income	\$236,800
Projected Annual Expenses	80,133
Budget for Purchase	-\$315,515
Expense/Income Ratio	34%

Major Assumptions:

Cost:

Demolition	\$.11 cubic ft.
Paving	\$2.00 sq.ft.
New Construction	\$50-55 sq.ft.
Renovation	\$30-35 sq.ft.

Income:

Retail	\$9-9.50 sq.ft.
Office B	\$8-10 sq.ft.
Office A	\$15-16 sq.ft.
Apartment	\$300 per unit

Expenses:

Real Estate Taxes	12% effective gross
Operating Expenses	12-18% effective gross
Cash Reserves	6% effective gross

3. Revenue

Assumptions underlying the revenue forecasts are more unknown, uncontrollable, and critical to the economic ranking of the alternatives than any other assumptions. Any revenue forecast in real estate faces four sources of uncertainty: stability and quality of demand; linkages between a site and the surrounding land uses; amount of competition; and dynamic attributes.

Stability and quality of demand helps determine the reliability of the revenue forecast. Quality office space, Class A and Class B, is in demand. Housing in the Isthmus area is variable due to the high volume of rental units to college students. Traditional apartments or condominium ownership housing may have high demand, but market rents do not justify construction costs.

Revenues also depend on the strength of linkages between a use and the surrounding land uses. All four scenarios are affected negatively by perceived decline of the Capitol area; however, this area is in transition and may become a vital retail/office sector. Scenarios 2, 3, and 4 are least affected by overall linkages of the site because of probable present and future land uses.

Competition affects revenues. Real estate is essentially the act of creating your own monopoly, if only for a moment. The greater the degree of monopolistic power, the more certain the revenue forecasts. All four scenarios offer unique probable solutions to the subject as is, but, as mentioned, exceptional quality can create these monopolistic powers. Higher vacancy rate present a moderate risk for Scenario 3.

Dynamic attributes of the site differ for the four scenarios. Yet, as has been alluded to, negative perceptions of the Capitol Concourse affect the uncertainty of revenue forecasts through vacancy rate, absorption rates, and rental rates. Location of the site, however, may diminish many security and anxiety feelings. Scenarios 2 and 3 are image producers for the site.

4. Expense Forecasts

Two areas of uncertainty underlying for expense forecasts are annual expenditures and construction outlays. Annual expenditures for the four scenarios are between 30% and 34 % of annual income; Scenario 1 and 3 have lower risks associated with them. Construction outlays for Scenario 2 are high, but income inflows are greater. Low overhead associates Scenario 1 with lower risks.

F. Conclusions

Ranking for remodeling (construction) costs, political acceptability, revenue, and expenses (as shown in Exhibit 12), the most probable use is Scenario 3.

The most probable use is conversion of the subject property into a three-story class B office(80%)/specialty retail(20%) space.

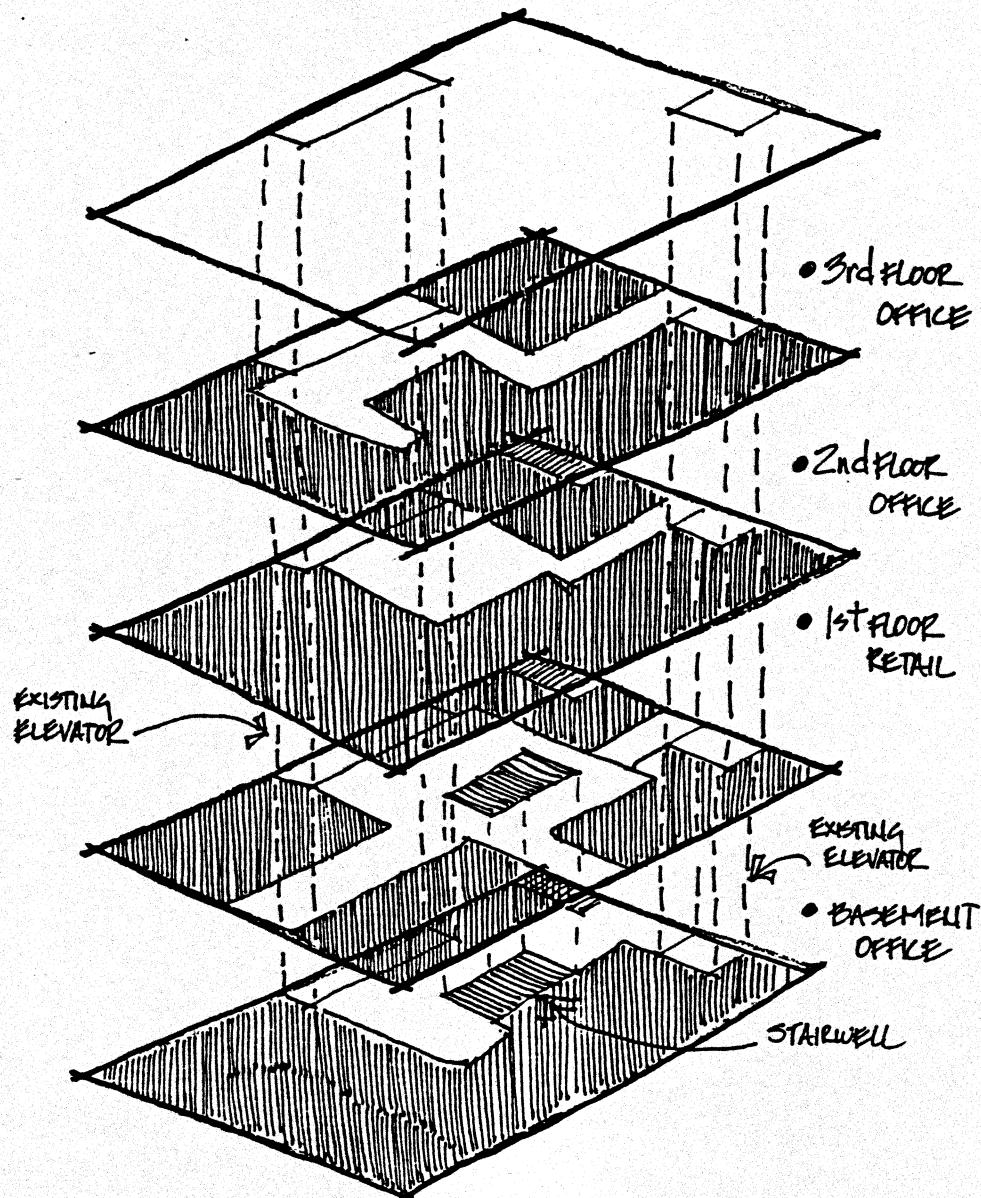


EXHIBIT 12
RISK RANKING ALTERNATIVES

SCENARIO	RENOVATION	POLITICAL	REVENUE				EXPENSES	TOTAL 1.00	RISK RANKING
	.20	.25	A(.25)	B(.25)	C(.25)	D(.25)	.25		
#1	1 / .20	5 / 1.25	1/.075	3/.225	1/.075	5/.375	1 / .25	2.45	3rd
#2	5 / 1.00	3 / .75	1/.075	1/.075	1/.075	1/.075	3 / .75	2.80	4th
#3	3 / .60	1 / .25	1/.075	1/.075	3/.225	1/.075	3 / .75	2.05	1st
#4	3 / .60	1 / .25	3/.225	1/.075	1/.075	3/.225	3 / .75	2.20	2nd

1 = Least degree of risk

Revenues includes: (A) Stability and quality of demand

(B) Strength of linkages

(C) Amount of competition

(D) Dynamic attributes

3 = Moderate degree of risk

5 = Highest degree of risk

IV. PREDICTION OF PRICE FROM MARKET SALES

Recent market sales in a given area provides the best prediction of the most probable buyer and the price he is willing to pay for a property. This section will discuss the market comparison approach to most probable price and will provide financial test of this price.

A. Most Probable Buyer

Review of sales in Madison reveals that the buyers of these properties have been professional real estate investors who were willing and able to execute extensive renovation and re-leasing (Exhibits 13-18). Those comparables bought by businessmen, were purchased by some who had other commitments in the downtown area--Martin Rifken, developer/renovator, was involved in two comparables chosen. Occasionally a property is purchased by the city and sold to a developer at a discount involving governmental financing: TIF, tax revenue bonds or the like. Three of the five comparables were sold for cash; another was a cash sale with existing terms; the remaining with a conventional mortgage at 8.75% over 30 years. Of the five comparables chosen, all were located in the Madison downtown area.

Therefore, the most probable buyer will be either a professional real estate developer who expects to remodel and redirect marketing of the subject property or the City of Madison to a developer. The most probable buyer will purchase for cash raised through a group of investors, or from financing from other sources.

EXHIBIT 13
COMPARABLE PROPERTY #1



30 NORTH CARROLL STREET

Date of Sale: 6/30/80

Sale Price: \$735,000 to State; Purchased by Carley Capital Group
for \$450,000; Appraised at \$625,000

Terms of Sale: Resale from the Carley Group to State of
Wisconsin July 17, 1980--\$735,000--cash at closing;
\$625,000-paid by state on appraisal value; Balance of
\$110,000 contributed from gifts to State Historical
Society.

Use at Time of Sale: Single tenant retail space-department
store-vacant

Grantor: Capital Square Associates-Carley Capital Group Managing
Partner

Grantee: State of Wisconsin

Tax Parcel Number: 0709-231-0905-7

Lot Size: 8646 sq.ft.

Frontage: 65 ft. on Carroll Street; 132 ft. on Fairchild

Zoning: C-4

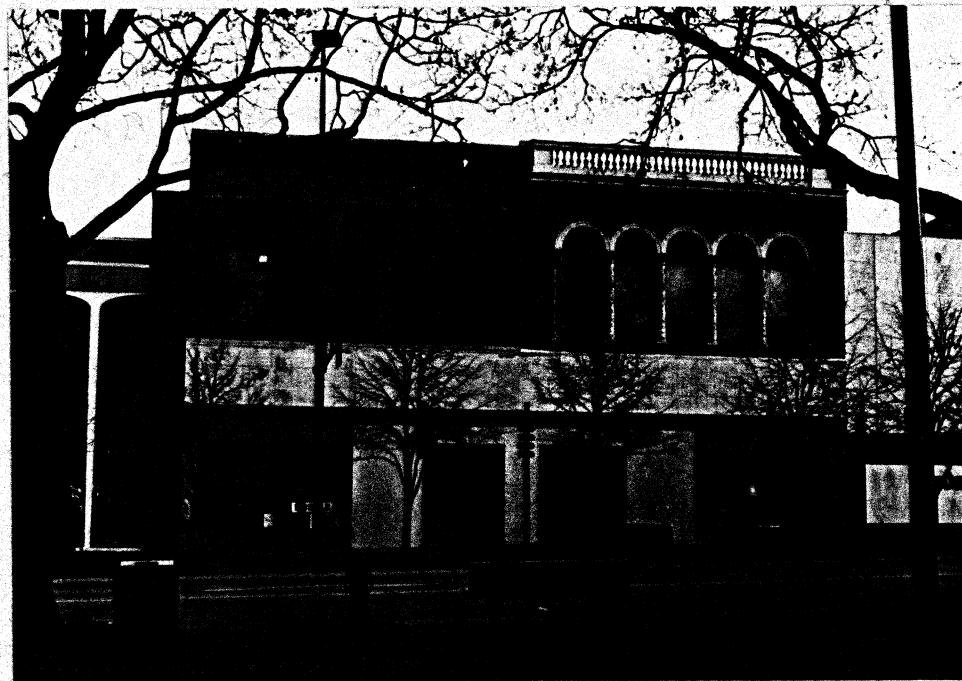
Gross Building Area: 41,000 sq.ft.

Net Rentable Area: 32,500 sq.ft.

Building Description: Four stories plus basement; windows
wrapping around first level; light brick veneer
exterior; building in excellent condition

Locational factors: Corner lot; 100% corner of Square; two
blocks from two major parking facilities; at the top
of State Street; two blocks from Civic Center

EXHIBIT 14
COMPARABLE PROPERTY #2



5-7 NORTH PINCKNEY STREET

Date of Sale: 12/31/77

Selling Price: \$240,000

Terms of Sale: Cash

Tax Parcel Number: 0709-133-3002-6

Grantor: Baskin Robbins

Grantee: Rifken and Campbell Associates, a Wisconsin Partnership

Assessment at Time of Sale: Total \$237,600 (land \$140,000,
improvements \$97,600)

Lot Size: 8,712 sq.ft. including 12 foot easement

Zoning: C-4

Gross Building Area: 26,000 sq.ft.

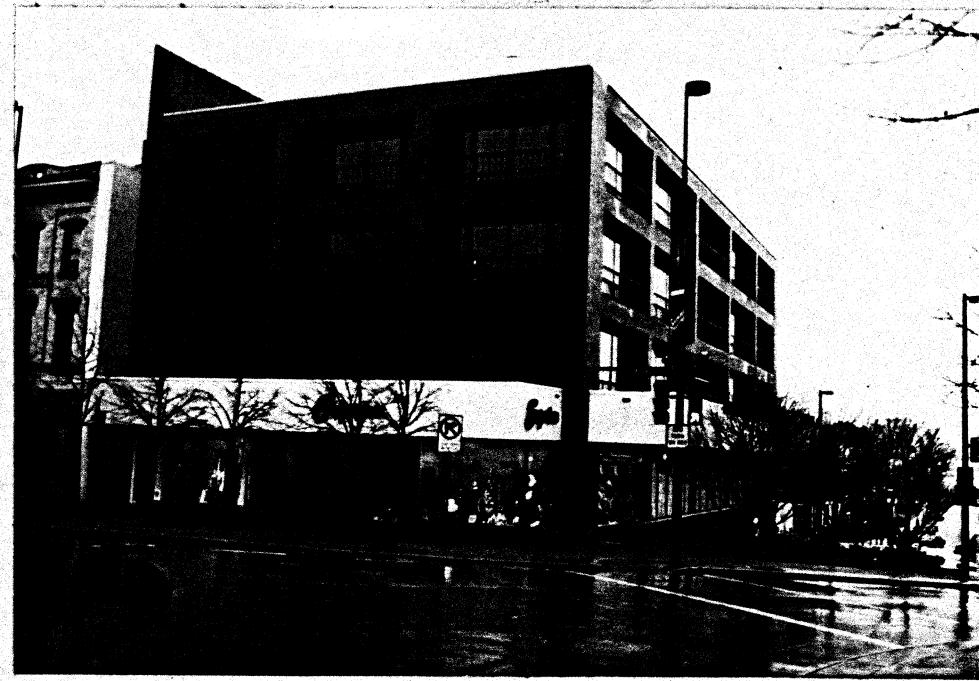
Net Leaseable Area: 20,500 sq.ft.

Building Description: Two-story wood frame

Use at Time of Sale:

Locational Factors: Located mid-block on the Capitol Square, no
on-site parking.

EXHIBIT 15
COMPARABLE PROPERTY #3



50 EAST MIFFLIN STREET

Date of Sale: 4/30/78
Sale Price: \$850,000
Recorded: Vol. 942, p. 115-Warranty Deed
Terms of Sale: Cash sale; leasebak to Emporium Department
Use at Time of Sale: Department store
Grantor: J. Jesse Hyman, Jr. and Alan R. Hyman, copartners
d.b.a. Emporium Co.
Grantee: Carley Capital Group
Tax Parcel Number: 0709-144-2411-7
Assessed Value at Time of Sale: Total \$850,000 (land \$250,000
Improvements \$591,300)
Sale Price as % of Assessed Value: 100%
Lot Size: 132 ft. x 70 ft.
Frontage 70 ft. on W. Mifflin
Zoning: C-4
Gross Building Area: 42,500 sq. ft.
First Floor Gross Area: 8,500 sq. ft.
Net Rentable Area: 38,500 sq. ft.
Building Description: Four-story masonry and concrete building
two elevators; freight facilities in rear parking structure can carry more floors.
Present Uses: Retail 1st floor; extensive remodeling of upper floors for office space.
Locational Factors: Two blocks from State Street Mall; one block from City-County Building; three blocks from GEF-1; four blocks from GEF-11 and 111.

EXHIBIT 16
COMPARABLE PROPERTY #4



110 EAST MAIN STREET

Date of Sale: 2/84

Sale Price: \$1,350,000

Terms of Sale Conventional mortgage; \$200,000 downpayment,
interest @ 8.75%

Use at Time of Sale: Offices

Grantor: First Wisconsin Bank

Grantee: George Maloof

Tax Parcel Number: 0709-133-201-1

Assessed Value: \$1,560,000 in 1981

Sales Price as % of Assessed Value: 74%

Lot Size: 22,968 sq.ft.

Frontage: 264 ft. on E. Main

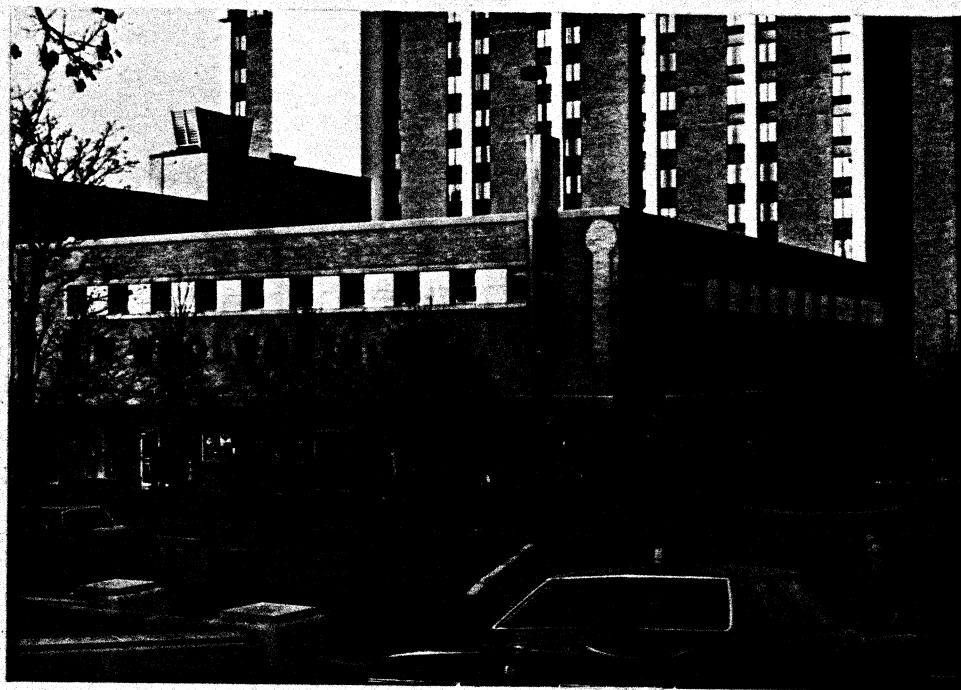
Zoning: C-4

Gross Building Area: 105,600 sq.ft.

Building Description: 10-story reinforced concrete, some
renovation required.

Locational Factors: Located on Capitol Square on corner site, no
on-site parking at time of sale, limited off-site
parking.

EXHIBIT 18
COMPARABLE PROPERTY #5



2 WEST MIFFLIN

Date of Sale: 7/31/78

Sale Price: \$596,200

Terms of Sale: Subject to 7/15/77 mortgage, undivided; 90%
interest in and to partnership cash sale assumed

Grantor: Thirty-on-the-Square Associates

Grantee: Mifflin Associates

Tax Parcel Number: 0709-144-2509-0

Assessment at Time of Sale: Total \$635,000 (improvements-\$263,700, land-\$371,300)

Sale Price as % of Assessed Value: 94%

Lot Size: 12,376 sq.ft.

Frontage: West Mifflin St. 91 ft., Wisconsin Avenue 136 ft.

Zoning: C-4

Gross Building Area: 38,640 sq.ft.

First Floor and Mezzanine Gross Area: 13,880 sq.ft.

Net Leasable Area: 24,000 sq.ft.

Building Description: 3 story brick shell space

Present uses: Two floors, masonry bearing walls; concrete slab
flooring, in excellent condition; elevator

Locational Factors: Located five blocks from City-County
Building, three blocks from GEF-1

B. Most Probable Price

Market activity in the purchase and sale of low-rise, retail commercial structures adjacent to the Square and State Street area has been moderate. Therefore, it is possible to infer from market price behavior of past transactions the probable price and range of a transaction involving the subject property and a probable buyer of the defined type, assuming that a buyer will pay no more for a property than the amount another property offering similar utility would cost. However, differences of properties sold with respect to their location, size, marketability, condition, and other factors have been great. These differences must be reduced to a common denominator or unit within which price comparison and patterns can be identified. Each property will be scored on a point system that is weighted for priorities of the investors in the current market. The price per square foot of each property is divided by its score to determine a price per square foot per point. These values are averaged and the dispersion of the distribution is determined to provide a predicted price and range per unit for the subject property.

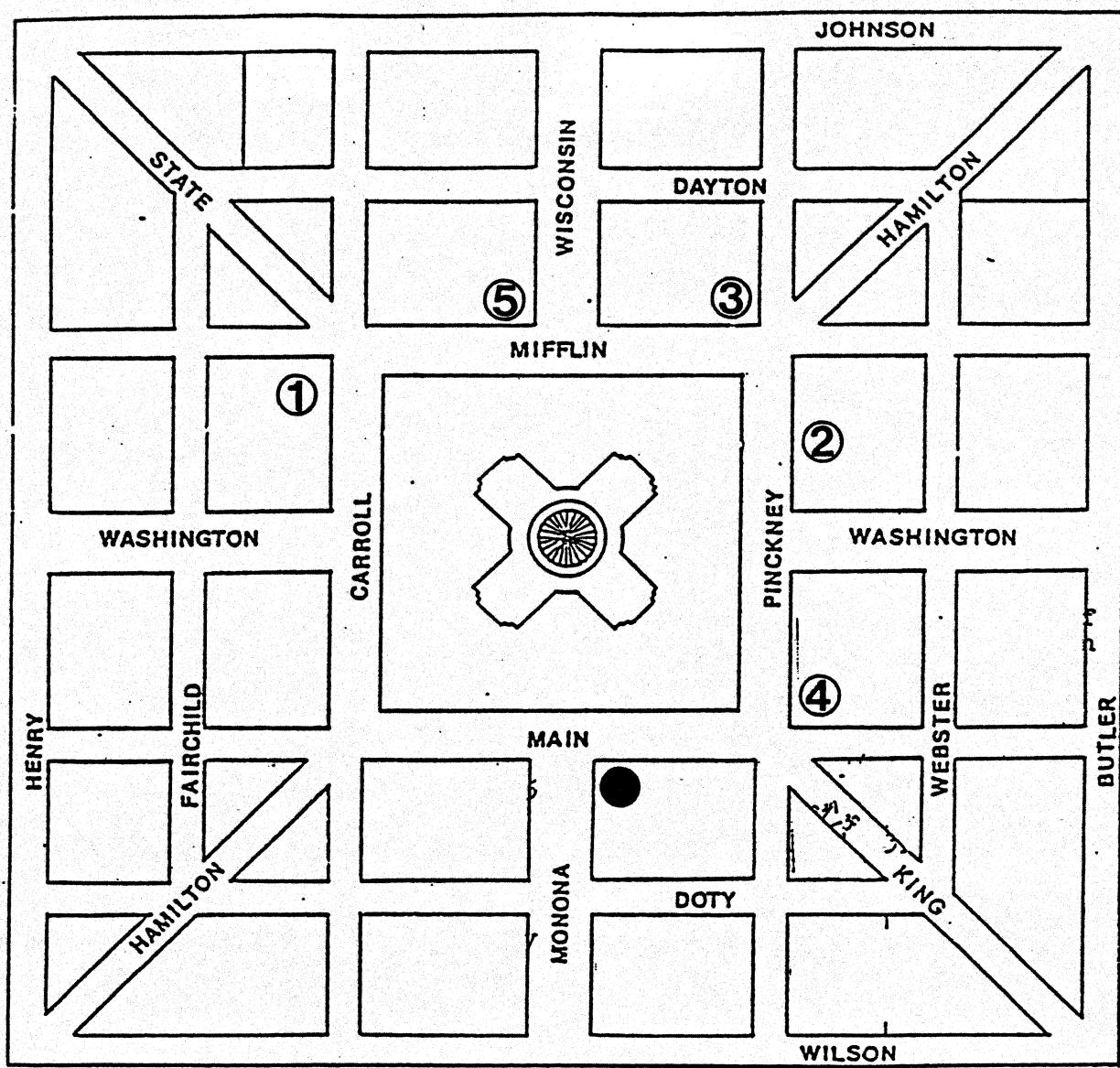
C. Market Comparison Approach to Probable Price

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

- * Zoned C-4 in the Madison urban area
- * Uses as office and retail
- * In need of extensive renovation to release space
- * Bought by developers/investors

To assume a most probable price for a most probable use, the comparable sales must relate to the use. Because of limits on quality of data, the most probable use, office/retail and multi-tenant apt. use will have a similar estimate of price. Of those sales comparables reviewed a number did not qualify. Though the Federal Center, 212 East Washington needed extensive remodeling it was purchased for office use only. The building at 30 West Mifflin was in good condition structurally needing only slight renovation requirements for use. The building at 16 North Carroll was committed-it was not purchased with rehab in mind. The property at 905 University Avenue was not considered an arm's length transaction because of a public grantee. Though moderate-extensive remodeling was required in 435 West Washington, 149 East Wilson, and 137 East Wilson they did not qualify because of different zoning: R6,C-2, and C-2. Exhibit 18 shows locations of the comparable properties relative to the subject property. Exhibit 19 presents a synopsis of the comparable properties.

EXHIBIT 18
LOCATION OF COMPARABLE PROPERTIES



- ① Wolf Kubly
- ② Centre Seven
- ③ Emporium
- ④ Tenney
- ⑤ Woolworth
- Subject

EXHIBIT 19
COMPARABLE SALE SYNOPSIS

Comparable #1

Wolf Kubly - 30 North Carroll
Date of Sale: 12/78
Gross Building Area: 41,000
Net Rentable Area: 32,500
Sale Price: \$625,000

Comparable #2

Centre Seven - 5-7 North Pinckney Street
Date of Sale: 12/31/77
Gross Building Area: 26,000
Net Rentable Area: 20,500
Sale Price: \$240,000

Comparable # 3

Emporium - 50 East Mifflin
Date of Sale: 4/30/78
Gross Building Area: 42,500
Net Rentable Area: 38,500
Sales Price: \$850,000

Comparable #4

Tenney Building - 110 East Main Street
Date of Sale: 2/29/84
Gross Building Area: 105,600
Net Rentable Area: 74,000
Sale Price: \$1,350,000

Comparable #5

Woolworth Building - 2 West Mifflin
Date of Sale: 7/31/78
Gross Building Area: 38,640
Net Rentable Area: 24,000
Sale Price: 662,444 adjusted for terms

Actual sales price adjustments, through cash equivalency, was the next step. Cash equivalency reflects the price property would have sold for had the buyer-financed the purchase at terms generally available in the market place. These prices are then adjusted for inflation through an index; however, adjusting for inflation would not be indicative of the market. Appreciable growth would be minimal or negative at best. No adjustments are made in terms of sale date.

The next step was to regress units of comparison for the comparables chosen. The unit of comparison defines how the comparables were bought and sold in the marketplace: gross building area, lot size, net rentable area, frontage or a combination of these. Net rentable area was determined to have the highest r-squared and was chosen as the unit of comparison for most probable price analysis (Appendix F).

Next, a comparison of the site with similar sales was done to infer a sales price. A list of variables was developed to score each property, the intent being to simulate the buyers logic in paying a sales price. Differences in attributes such as location, parking, visibility, renovation, and height of building were used. These differences are then presented in common measures that reflect buyer perception. Rankings, total scores, and a most probable price follow an explanation of the factors mentioned.

1. Location of the property and the relative ease of accessibility for commercial uses from adjacent residential area will positively influence a site (25%).

2. Parking at the time of the comparable sales was minimal for each. This has a negative impact on an area, not just a site (15%).

3. Visibility of the site in terms of its perception by the community can affect price. Corner sites that are visually pleasing positively affect price (20%).

4. Remodeling investment is recognized as a negative influence when costs of remodeling are high. Higher costs mean higher potentials for overruns (25%).

5. Height and views can enhance a site. It is assumed that a taller building will have better views and be more marketable (15%).

A weighted matrix that details the calculation of point values and ultimate price prediction for the comparables is located in Exhibit 20. To obtain a price prediction with regards to attribute comparison, a nonlinear weighting scheme provided

EXHIBIT 20
SCALE FOR SCORING COMPARABLE SALES ATTRIBUTES

LOCATION OF PROPERTY

25%

- 9 - Easily accessible; high demand on square
- 7 - Accessible; lower demand; external impacts
- 5 - Limit accessibility; low demand off square
- 2 - Non accessible; no demand

PARKING

20%

- 9 - Adequate on-site parking
- 7 - Limited on-site; limited off site
- 5 - No on-site; limited off site
- 2 - No on-site; no off-site

VISIBILITY

20%

- 9 - Corner site; architecturally significant; high traffic area
- 7 - Corner site; architecturally non-significant; or mid block and arc high traffic area
- 5 - Mid-block, non-significant low traffic area, less prevalent visual paths
- 2 - Mid-block; no visual paths; off square

RENOVATION

25%

- 9 - No repairs or rehab needed
- 7 - Minimal to moderate renovation
- 5 - Moderate renovation needed minor repair to mechanics
- 2 - Extensive renovation needed replace mechanical systems

HEIGHT/VIEWS

10%

- 9 - 8+ floors
- 7 - 6 to 7 floors
- 5 - 4 to 5 floors
- 2 - 1 to 3 floors

the highest correlation. Exhibits 21-23 detail the process in arriving at a predicted price.

Subject property accessibility is good, but the somewhat negative influence of King Street may affect its price, so the subject received a 7. Parking is limited to off-site with no on-site parking. Location on a corner lot with high pedestrian traffic would give the site a high rating; however, the building is not architecturally significant, and is given a 7. Extensive renovation to the inside is needed. Though no gutting will have to be performed the mechanical systems will have to be replaced and escalator removed as structures are being built, so the weight was a 2.

Mean point scores per square foot is applied to the point score of the subject to indicate a central tendency of \$620,498 say \$620,000 or \$15.06 per square foot of net leasable area (NLA). A range of estimates yields a high of \$724,198, say \$725,000 and a low of \$516,798, say \$520,000 for the transaction zone, \$17.60 and \$12.56 per square foot of NLA respectively. However, certain external market factors are exerted on any scale. The transaction zone must be in accordance with these factors and then tested to obtain a most probable price estimate relative to acceptable yields from income. Higher risks of the external factors suggests a price in the lower half of the transaction zone. Lower risks suggest estimates in the higher half.

D. External Influences on Most Probable Price

Renovation of a property exerts many risks on project feasibility. Two factors may influence the market price: seller motivations and current financing conditions.

The property is not currently for sale; however, at the right price Northwestern Mutual Life Insurance Company (NML) would sell. It is not clear what NML's motivations are--it currently owns 35% of Block 89, which has four major vacancies including the J.C. Penney's building. As is, vitality for the block is low due to a sluggish economy, mixed ownership, and city uncertainty. If appraising for the long term assemblage of the block becomes a viable alternative, but in the near future it seems NML has no plans because of low holding costs associated with the property. Recent speculation concerning the development or re-use on Block 89 may increase value.

EXHIBIT 21
COMPARABLE SALE PRICE ADJUSTMENTS

	Comparable Number 1	Comparable Number 2	Comparable Number 3	Comparable Number 4	Comparable Number 5
Normative sale price	\$625,000	\$240,000	\$850,000	\$1,350,000	\$596,000
Sales price adjusted for terms	\$625,000	\$240,000	\$850,000	\$1,350,000	\$662,444
Site/structure size	\$0	\$0	\$0	\$0	\$0
Additional adjustment	\$0	\$0	\$0	\$0	\$0
Additional adjustment	\$0	\$0	\$0	\$0	\$0
Adjusted sale price	\$625,000	\$240,000	\$850,000	\$1,350,000	\$662,444
Structure - sq. ft.	32,500	20,500	38,500	74,000	24,000
Price per sq. ft.	\$19.23	\$11.71	\$22.08	\$18.24	\$27.60

EXHIBIT 22
WEIGHTED ATTRIBUTE MATRIX

FEATURE OR ATTRIBUTE	WEIGHT	Subject Property	Comp. No. 1	Comp. No. 2	Comp. No. 3	Comp. No. 4	Comp. No. 5
Location	0.25	7 / 1.75	9 / 2.25	7 / 1.75	9 / 2.25	7 / 1.75	9 / 2.25
Parking	0.20	5 / 1.00	5 / 1.00	5 / 1.00	7 / 1.40	5 / 1.00	5 / 1.00
Visibility	0.20	7 / 1.40	9 / 1.80	5 / 1.00	9 / 1.80	9 / 1.80	9 / 1.80
Renovation	0.25	2 / 0.50	2 / 0.50	2 / 0.50	5 / 1.25	5 / 1.25	7 / 1.75
Height/Views	0.10	2 / 0.20	5 / 0.50	2 / 0.20	5 / 0.50	9 / 0.90	2 / 0.20
Additional feature or attribute	0.00	0 / 0.00	0 / 0.00	0 / 0.00	0 / 0.00	0 / 0.00	0 / 0.00
Additional feature or attribute	0.00	0 / 0.00	0 / 0.00	0 / 0.00	0 / 0.00	0 / 0.00	0 / 0.00
Additional feature or attribute	0.00	0 / 0.00	0 / 0.00	0 / 0.00	0 / 0.00	0 / 0.00	0 / 0.00
TOTAL WEIGHTED SCORE	1.00		4.85	6.05	4.45	7.20	6.70
							7.00

EXHIBIT 23
CALCULATION OF MOST PROBABLE PRICE
USING WEIGHTED POINT SCORES

Comparable Property	Adjusted Selling Price per SF	Weighted Point Score	Price per SF
1	\$19.23	6.05	\$3.18
2	\$11.71	4.45	\$2.63
3	\$22.08	7.20	\$3.07
4	\$18.24	6.70	\$2.72
5	\$27.60	7.00	\$3.94
6	\$0.00	0.00	\$0.00
7	\$0.00	0.00	\$0.00
8	\$0.00	0.00	\$0.00

			TOTAL \$15.54

$$\text{Central Tendency or Mean} = \bar{X} = \frac{x}{n} = \frac{\$15.54}{5} = \$3.11$$

$$\text{Dispersion or Standard Deviation} = 0.519$$

$$\text{Value range: } x - \text{dispersion} = 3.11 - 0.52$$

Basis Weighted
 Building X Point X (Central Tendency + Dispersion) =
 Area Score
 Of Subject

$$\begin{array}{r} 41159 \\ x \quad 4.85 \\ \hline x \quad 3.11 + 0.52 = \end{array}$$

High Estimate of \$724,198
 Central Tendency of \$620,498
 Low Estimate of \$516,798

Governmental assistance is available for developments that meet Planning Commission criteria. For buildings the size of Penney's, IRB financing is common. IRBs are easily obtained and interest rates are 2-3 points below conventional financing because of their tax-exempt status. To qualify, a property must be considered "blighted". Economic blight, as in the subject area, is included. Investors obtaining an IRB are limited to 10 million in outlays over a 6 year period. Forecasting expenditures is difficult; a clause that anticipates loss of tax-exempt status will allow fallback into conventional terms. Though the process is laborious, the return due to lower interest rates is the underlying assumption. Availability of IRB financing makes a cash sale more likely to increase the value of the property due to lower risks associated with this financing.

For these reasons, the appraiser has taken \$675,000 to be the most probable sales price. This figure is both sensitive to possible motivations of the seller and financing conditions. The upper range of sales price remains \$720,000. Terms for these prices would be all-cash to the seller with the buyer obtaining IRB financing. This preliminary estimate of the most probable price must be tested to see if it meets investor criteria.

E. Tests of Preliminary Most Probable Price Determination

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

- The front-door approach to convert total investment to rents required to provide cash flow. (4)
- The BFCF after-tax yield forecast using a basic cash-flow model provided by the University of Wisconsin time sharing computer system. (5)

1. Minimum Rent

If the probable investor paid \$675,000 for the J.C. Penney building as is, spent \$1,303,000 renovating in accordance to Scenario 3, and invested a minimum of 3% of remodeling budget for contingencies and cash reserves, he would have a minimum of \$2,037,340 in the project. Under typical financing conditions he may receive an 80% loan at 13% for 25 years, requiring an equity investment of \$407,468. Under an IRB financing scenario, a typical loan may be 80% at 10% for 25 years.

Exhibits 24a and 24b show the conversion of these capital

EXHIBIT 24a
MARKET RENTS REQUIRED BY MOST PROBABLE PURCHASE
PRICE OF \$675,000 AT 13% AMORTIZED OVER 25 YEARS

1. CAPITAL BUDGET

Probable Purchase Price	675000
Remodeling (Scenario 3)	1303000
Contingencies (Reserves) 3%	59340

Total Capital Investment	2037340
Less 80% Conventional	1629872

Equity Investment	407468

2. OPERATING BUDGET

Annual Debt Service (13% MC-.136426)	222357
Plus Debt Cover Ratio 1.2	44471

Net Operating Income Required	266828
Plus Expenses (Scenario 3)	91188

Total Minimum Rent Required	358016

3. ADJUSTED RETURN

Gross Rents (Scenario 3)	298000
Less Minimum Rents Required	358016

Deficit to Equity	(60016)
Plus Debt Cover Ratio	48968
Cash Return to Equity	(11048)

ITC of 10% (deferred maintenance) \$15,800 added to
 first year net income.

EXHIBIT 24b
MARKET RENTS REQUIRED BY MOST PROBABLE PURCHASE
PRICE OF \$675,000 AT 10% AMORTIZED OVER 25 YEARS

1. CAPITAL BUDGET

Probable Purchase Price	675000
Remodeling (Scenario 3)	1303000
Contingencies (Reserves) 3%	59340

Total Capital Investment	2037340
Less 80% IRB	1629872

Equity Investment	407468

2. OPERATING BUDGET

Annual Debt Service (10% MC-.110168)	178559
Plus Debt Cover Ratio 1.2	36913

Net Operating Income Required	215472
Plus Expenses (Scenario 3)	91188

Total Minimum Rent Required	306660

3. ADJUSTED RETURN

Gross Rents (Scenario 3)	298000
Less Minimum Rents Required	306660

Deficit to Equity	(8660)
Plus Debt Cover Ratio	36913
Cash Return to Equity	-----
	28253
	6.9%

ITC of 10% (deferred maintenance) \$15,800 added to first year net income.

IRB commitment fee of \$1,500 and holding costs of approximately \$35,000 are subtracted from 1st year NOI as expenses.

requirements to required net income. These incomes, when added to other cash requirements, reveal that the minimum gross rents would be \$60,016 and \$8660 more than gross rents in Scenario 3 respectively. Deficit to equity reduces the cash dividend to the equity position and decreases return: conventional financing leaves the investor with a negative cash-on-cash; IRB financing leaves the investor with a 6.9% cash-on-cash. Both are dependent on future appreciation in the resale of the investment for adequate return. A before-cash and after-tax cash flow analysis can now evaluate what degree, if any, and tax benefits can be expected and will be required to make the project more attractive to the potential investor.

2. Property Appreciation, Federal Income Tax, and After Tax Yield

A simple after-tax cash-flow model known as BFCF will be used to evaluate the overall yield to an investor. A model, designed for the needs of appraisers, assumes only one depreciable asset, determined in this case to be 84% (1) of the total investment, 1,654,000. The rest of the value is attributed to the land. Net operating income is assumed to appreciate at 5% per year. Property value is tested at 0%, 2%, 4%, and 6% appreciation for both conventional and IRB financing. Property value is assumed as total project costs. As mentioned in Exhibits 24a and 24b, the ITC of \$15,800 (10% of deferred maintenance) will be added as income in only the first year and additional costs, in the IRB model, are subtracted from first year NOI.

A sensitivity analysis, assuming the above assumptions reveals after-tax-yields for different appreciation rates for the two financing alternatives at an 80% loan-to-value-ratio. These yields are presented in Exhibit 25.

EXHIBIT 25 SENSITIVITY ANALYSIS

Appr.	Conventional--13%	IRB--10%
0	11.6332	16.2683
2	12.9053	17.3838
4	14.1161	18.4527
6	15.2719	19.8772

The significant conclusion, displayed in Exhibit 25, is that the after-tax-yields, under the above assumptions, are best with IRB financing. Due to favorable terms, reliance on appreciation is decreased. Given the market, appreciation of 2% and an after-tax yield of 17.3838 is realistic and acceptable yield considering the risk for such an undertaking (Exhibit 26). The debt cover ratio of 1.2, averaging 1.3 over the holding period is acceptable to lenders. Considerable tax shelter results in this Scenario, an attraction to many investors. To obtain a yield comparable to 17% using conventional financing, the most probable price would be more near the central tendency of \$620,000. The most probable price of \$675,000 passes the minimum tests of risk investment for project feasibility relative to capital gains in a five-year holding period.

/1. \$675,000 (pro rata share from assessment 52%)	351,000
\$1,303,000 for remodeling	1,303,000

	1,654,000

EXHIBIT 27
AFTER-TAX CASH FLOW PROJECTIONS
IRB FINANCING ASSUMING 2% APPRECIATION

AFTER TAX CASH FLOW PROJECTION
IRB FINANCING
09-Dec-84

DATA SUMMARY

VALUE:	\$.203734E 7	MTG. AMT.:	\$.162987E 7
NOI 1ST YR:	\$ 187612	MTG. INT.:	10 %
ORG. EQUITY:	\$ 407468	MTG. TERM:	25 YRS
IMP. VALUE:	\$.1711137E 7	MTG. CONST.:	.109044
INC. TX RATE:	50 %	IMP. LIFE:	15 YRS
SALE YR RATE:	40 %	OWNER:	INDIVIDUAL

YEAR	CASH FLOW	MTG. AMORTZ	BOOK DEP.	TAXABLE INCOME	INCOME TAX	AFTER TAX CASH FLOW
1	9884	15436	114091	-88772	-44387	54271
2	39425	17052	114091	-57615	-28808	68233
3	50282	18838	114091	-44972	-22487	72769
4	61683	20811	114091	-31598	-15800	77483
5	73653	22990	114091	-17449	-8725	82378
	\$ 234927	\$ 95127	\$ 570455	\$ -240406	\$ -120207	\$ 355134

DEP. METHOD: STRAIGHT LINE 1ST YR EQ. DIV: 2.42571 %

SALE PRICE	\$ 2078090	AVG DEBT SERV RATIO: 1.26
BASIS	1,466,880	
CAPITAL GAINS	611,202	
CAP GAINS TAX	122,240	
EXCESS DEP TAX	0	
MORTGAGE BALANCE	1,534,750	
AFTER TAX EQ REV	\$ 421102	

IF PURCHASED AS ABOVE, HELD 5 YEARS & SOLD FOR \$.207809E 7 THEN
I.R.R. IS 15.3795 % BEFORE TAXES; 17.3838 % AFTER TAXES.

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

V. APPRAISAL CONCLUSIONS AND LIMITING CONDITIONS

A. Value Conclusion

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

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

To comply with this definition, I have determined that the predominant sales in the Capitol Concourse area to have been cash to the seller. On this basis, the conclusion is that the most probable price is \$675,000 as a cash sale, approximately \$55,000 higher than the central tendency. Implicit in this price are terms of IRB financing at 10%, amortized over a 25 year period. This tax-exempt vehicle and increased speculation over future developments around the Square, is the basis for a \$55,000 difference in between the most probable selling price and fair market value price.

Assuming a cash sale and the terms mentioned, I therefore conclude that the most probable price of the subject property at 1 East Main Street, known as the J.C. Penny's Building, is \$675,000 with an upper limit of \$725,000 and a lower limit of \$20,000.

B. Certification of Independent Appraisal Judgment

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

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

SIX HUNDRED SEVENTY THOUSAND DOLLARS (\$675,000)

assuming cash to the seller.

Jim Zemezonak
Jim E. Zemezonak
12/11/84
Date

C. Statement of Limiting Conditions

1. Contributions of Other Professionals

Because the budget did not provide for a consulting engineer or architect, the appraiser had use of limited resources and cost estimates must be considered nonprofessional.

The appraiser assumes no responsibilities for exact figures of lot size or location of the site because no professional surveying services were made available.

No legal advice was made available; the appraiser assumes no responsibility for legal matters.

Information regarding financing, property for sale, rental, and projections of income and expenses is assumed from reliable sources. No warranty or representation is made as to the accuracy thereof, and it is submitted subject to errors, omissions, change of price, rental or other conditions, prior sale, lease, financing, or withdrawl without notice.

Forecasts of effective demand of retail, office, and residential space are based on the best available data concerning the downtown Madison market but are projections subject to uncertainty.

Information furnished by others in this report, while believed to be reliable, is in no sense guaranteed by this appraiser.

2. Controls on Use of Appraisal

Values for various components of the subject parcel and improvements as contained within the report are valid only when making a summation and are not to be used independently for any purpose and must be considered invalid if so used.

Possession of this report or any copy thereof does not carry with it the right of publication nor may the same be used for any other purpose by anyone without the previous written consent of the appraiser or the applicant and, in any event, only in its entirety.

Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the author, particularly regarding the valuation conclusions and the identity of the appraiser, of the firm with which he is connected, or any of his associates.

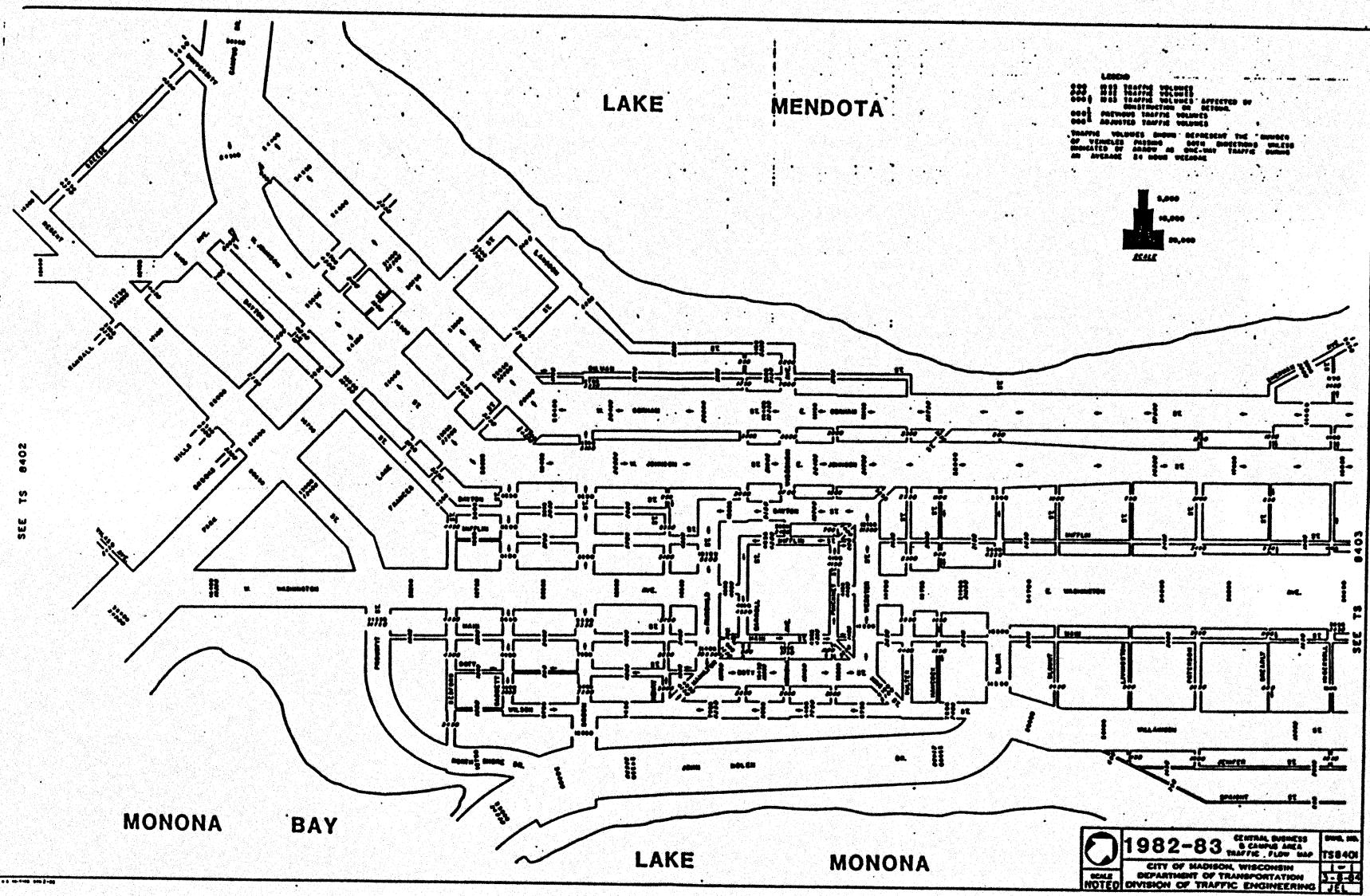
3. Assumptions Applied by the Student

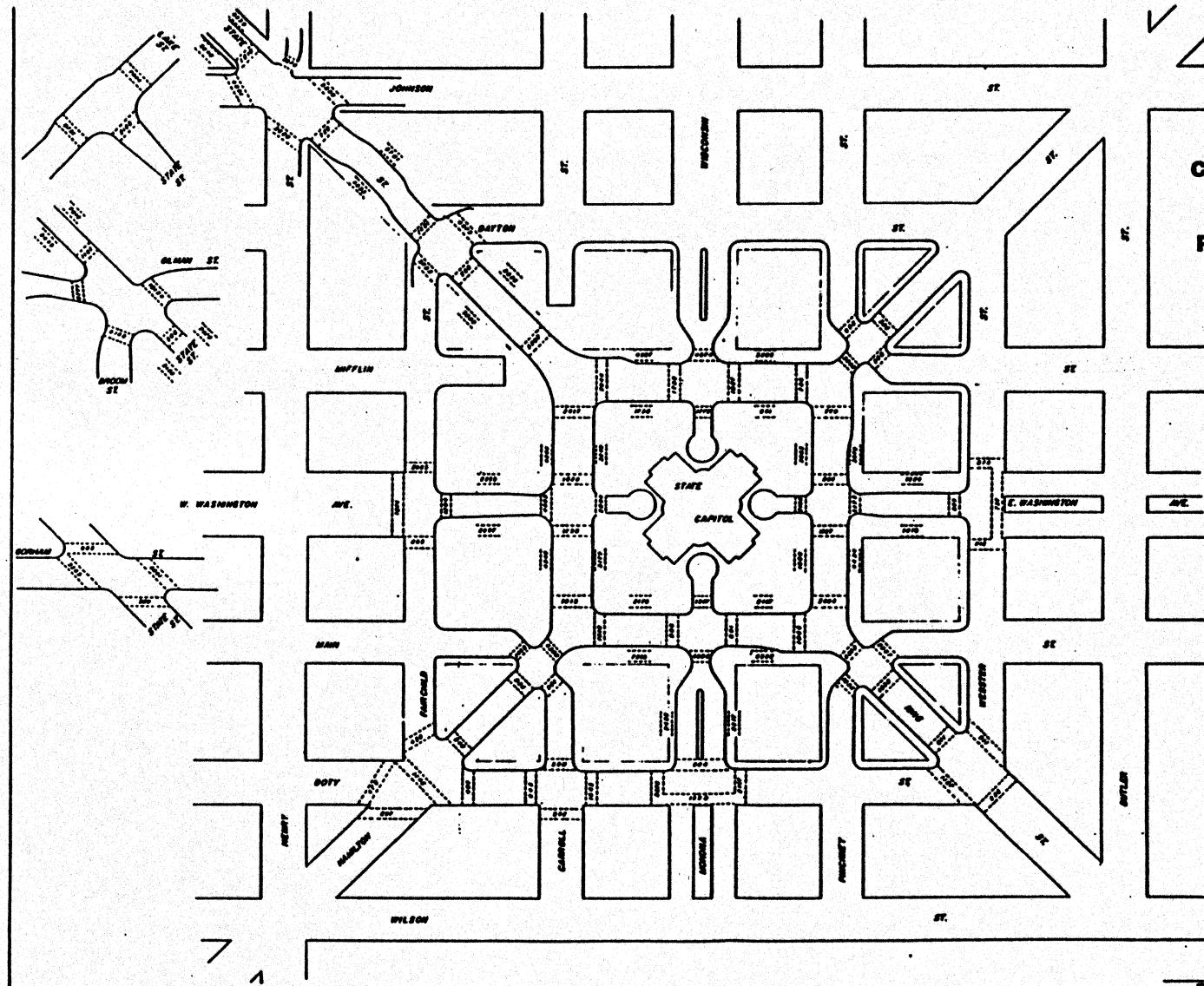
The client has provided no direct information as to the constraints or purposes of this assignment. The appraisal was completed as part of a graduate class problem. No fees were paid and all information was collected by graduate students from publicly available sources; inferences were entirely those of the 856 appraisal class of the fall semester, 1984, at the University of Wisconsin as part of a classroom assignment. It was not possible to inspect the interiors of comparable sales.

END NOTES

1. Unpublished Quotations of R.U. Ratcliff speaking on his book, Valuation for Real Estate Decisions (Santa Cruz, CA: Democrat Press 1972).
2. From speech given by Ann Monks, City Council Chairperson, to the 856 appraisal class October 16.
3. J. A. Graaskamp, The Appraisal of 25 N. Pinckney: A Demonstration Case for Contemporary Appraisal Methods (Madison, Wisconsin: Landmark Research, Inc., 1977), p. 45
4. I, p.77
5. A nonprofit cooperative for the purchase of computer services from GE Timeshare Inc. It is used by appraisers and sponsored by the American Institute of Appraisers, the Society of Real Estate Appraisers, and the American Society of Real Estate Counselors.

APPENDIX A
TRAFFIC COUNTS

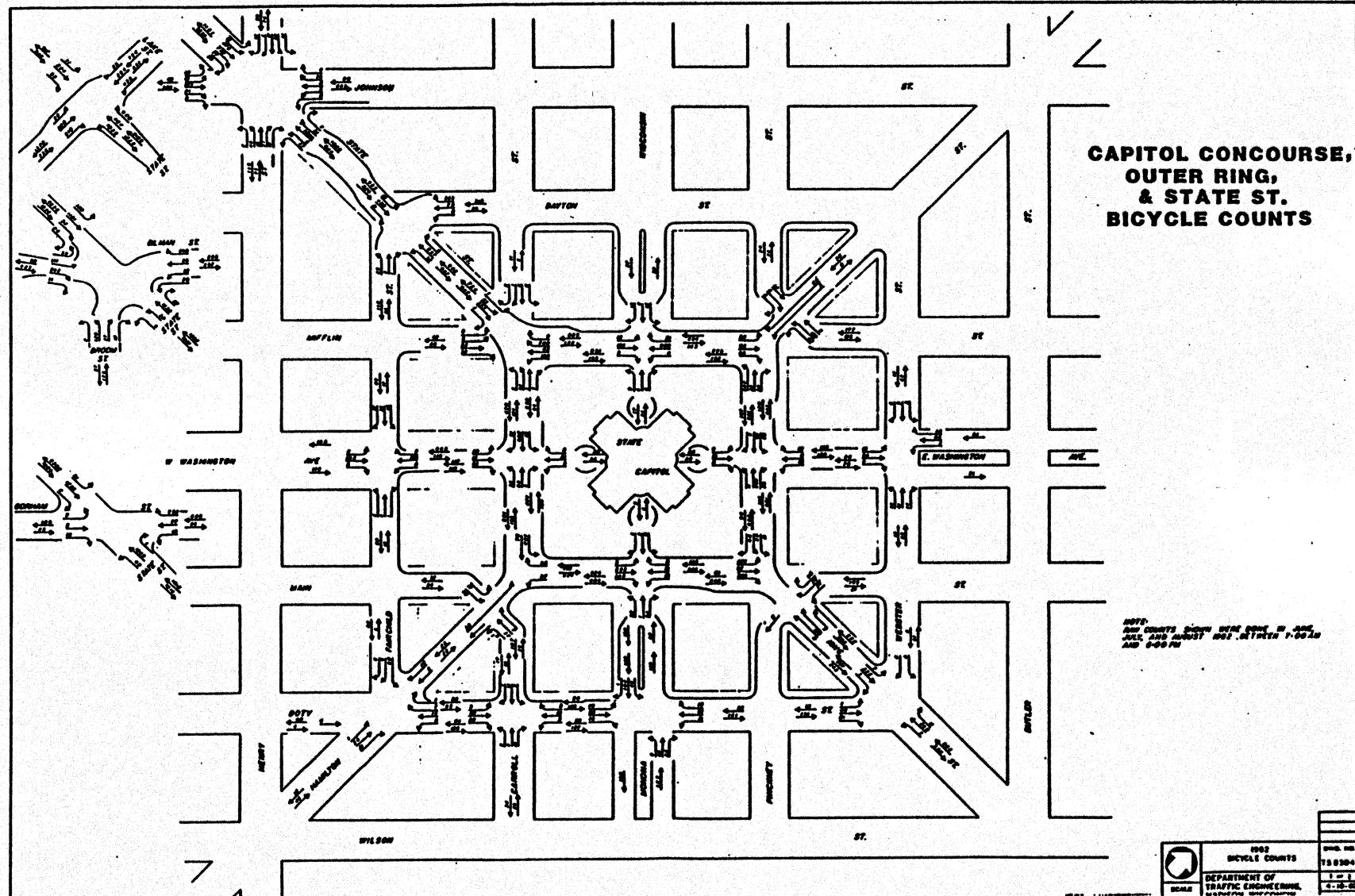




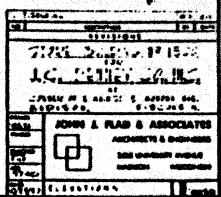
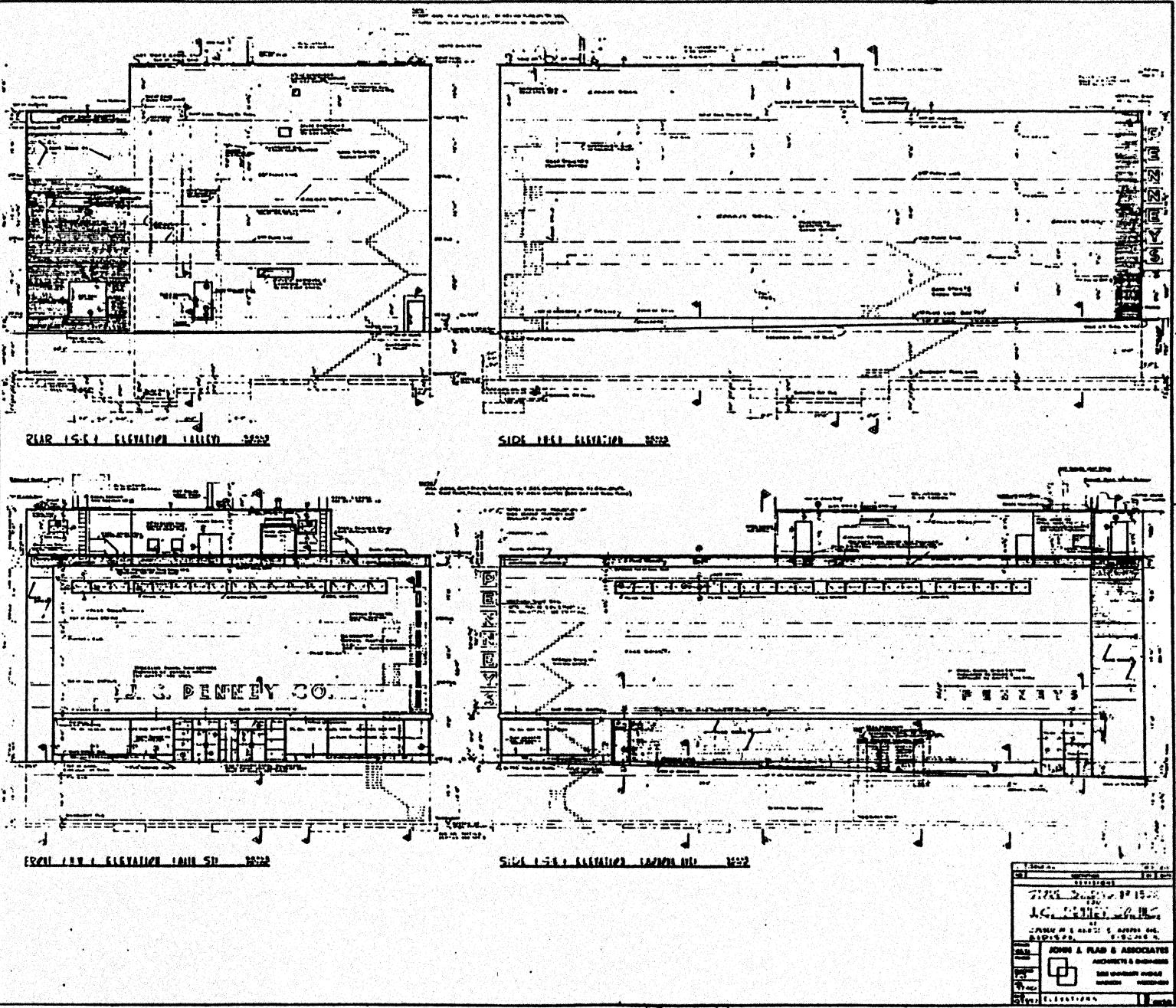
**CAPITOL CONCOURSE,
OUTER RING,
& STATE ST.
PEDESTRIAN COUNTS**

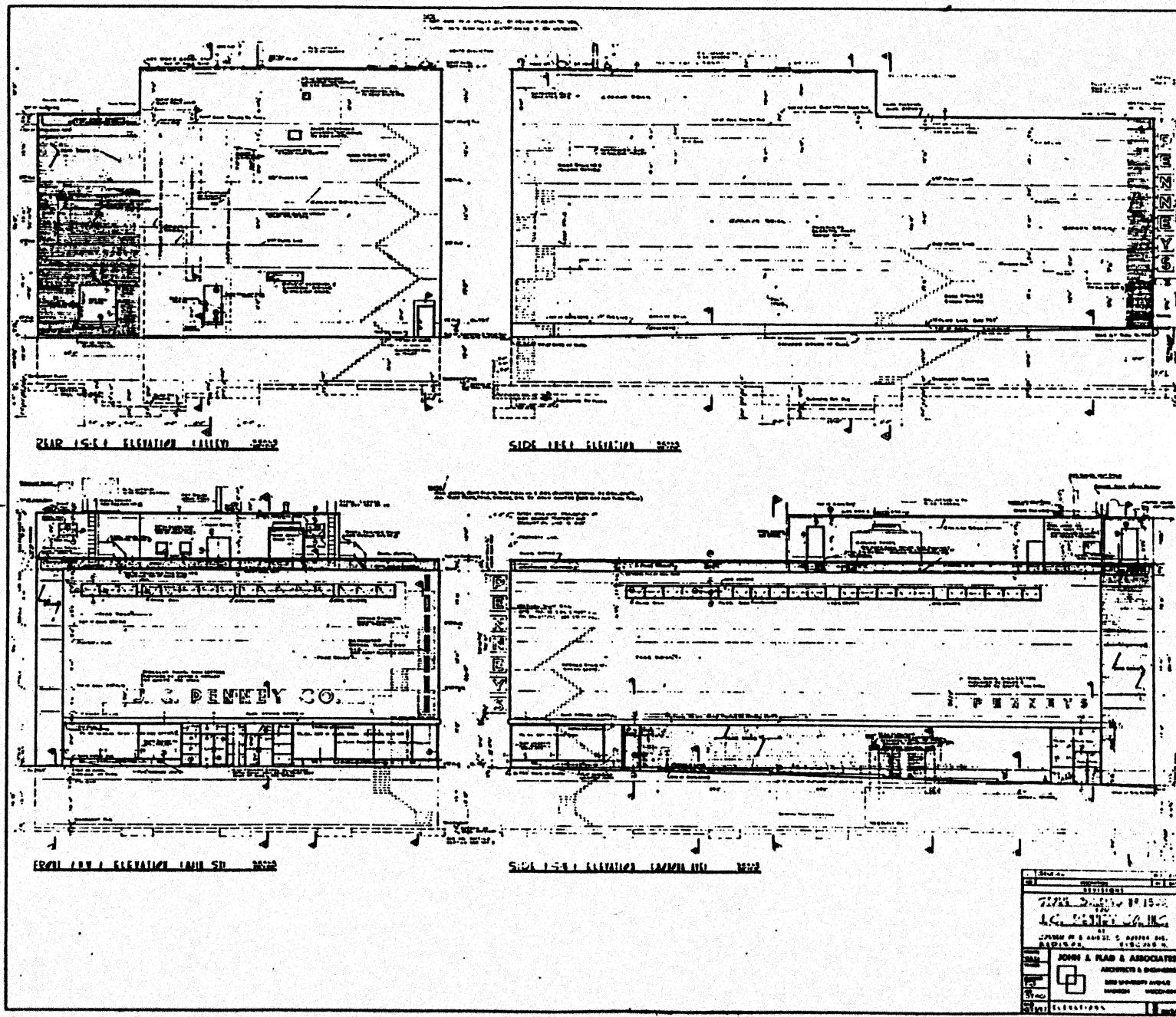
NOTE:
PEDESTRIAN COUNTS SHOWN WERE DONE IN JUNE,
JULY AND AUGUST 1962 BETWEEN 7:00 AM
AND 6:00 PM

	1962	PEDESTRIAN COUNTS	1962
	1-1	DEPARTMENT OF TRAFFIC ENGINEERING MADISON, WISCONSIN	4-19-63
	2-2		2-2



APPENDIX B
BUILDING LAYOUT





APPENDIX C
OFFICE AND APARTMENT DATA

EXHIBIT 20

MADISON DOWNTOWN CLASS B AND C OFFICE SPACE

Building/Address	Net Leasable Square Feet	Vacant Square Feet	Percent of Space Vacant	Annual Rental Rate Per Square Foot	Utilities Included	Janitorial Included	Amenities Included	Parking	Net Leasable Sq. Ft. Per Floor
The Tenney Building 110 East Main Street	75,000	15,000	20.0%	\$10.00	Yes	Yes	5,8,10	25 stalls \$45/month	8640
Hovde Building 122 West Washington Avenue	67,000	2,010	3.0%	\$10.00	Yes[1]	Yes	8	None	6700
Thirty On The Square 30 West Mifflin Street	54,594	8,190	15.0%	\$8.00-\$8.50	Yes	Yes	8	None	6066
National Mutual Benefit 119 Monona Avenue	41,200	921	1.3%	\$9.00-\$9.50	Yes	Yes	3,5,6,7,10	35 stalls \$32.50/month	6753
Federal Center 212 East Washington Avenue	39,547	380	0.9%	\$9.50	Yes	Yes	8,10	40 stalls	9886
Churchill Building North Carroll Street	36,000	10,000	28.0%	\$9.00	Yes[1]	Yes	8	None	4000
AAA Building 433 West Washington Avenue	31,027	0	0.0%	\$9.20	No	Yes	8	61 stalls Included	5171
14 West Mifflin Street 14 West Mifflin Street	27,430	6,280	22.9%	\$8.00-\$9.50	Yes	Yes	8	None	6860
625 West Washington Avenue 625 West Washington Avenue	24,000	6,000	25.0%	\$7.50-\$9.50	Yes	Yes	5,6,8	43 stalls Included	10000-14000
Centre Seven 7 North Pinckney Street	20,000	800	0.0%	\$8.50-\$12.00	Yes[1]	Yes	8	None	5000
Provident B & L 126 South Hamilton Street	16,000	0	0.0%	\$8.25	Yes	Yes	8	None	5333
The Atrium 23 North Pinckney Street	15,200	200	0.0%	\$8.50-\$12.00	Yes	Yes	8	None	
333 West Mifflin Street 333 West Mifflin Street	13,863	0	0.0%	\$8.00-\$9.50	Yes	Yes	8	60 stalls \$35/month	6932
Old Commercial Bank 104 State Street	13,400	3,434	25.6%	\$8.00-\$10.00	No	Yes	7	None	4060
340 West Washington Avenue 340 West Washington Avenue	12,800	5,361	41.9%	\$7.50	Yes	Yes[2]	8	12 stalls \$40/month	5755-6400
112-116 King Street	11,937	5,059	42.4%	\$8.50-\$9.50	Yes	Yes	8	None	1750-2000

Fruatschi Center 132 East Wilson Street	10,923	4,435	40.61	\$8.50-\$12.00	Yes	Yes	1,2,3,4,6,8	28 Stalls \$52.50/month	313-2659
117 Monona Avenue 117 Monona Avenue	10,000	4,100	41.01	\$9.25	Yes[1]	Yes	1,2,3,4,5,6 8,10	None	1200-3600
Fire Station #2 301 North Broad Street	8,300	0	0.01	\$9.00-\$13.00	Yes[1]	Yes	1,2,3,4,5,8	13 Stalls \$45/month	2800
125 West Doty Street 125 West Doty Street	8,100	650	8.01	\$6.50-\$10.50	Yes	Yes	8	10 Stalls	2700
Jackman Building 111 South Hamilton Street	7,900	600	7.61	\$8.00-\$10.00	No	Yes	3,8	None	2633
Threlfall Building 222 South Hamilton Street	7,900	0	0.01	\$8.00-\$8.25	Yes	Yes	8,10	5 Stalls \$20/month	2633
Reese Building 302 East Washington Avenue	6,000	2,200	0.01	\$7.50-\$8.00	Yes	Yes	8	2 Stalls \$30/month	3000
147 South Butler Street 147 South Butler Street	3,700	0	0.01	\$7.00-\$9.00	No	Yes	8	None	1900
122 South Pinckney Street 122 South Pinckney Street	2,000	2,000	100.01	\$4.32	Yes	Yes	8	2 Stalls \$52.50/month	1000
103 North Hamilton Street 103 North Hamilton Street	1,700	0	0.01	\$10.00	Yes	No	7	4 Stalls \$40/month	1700
TOTALS	565,521	77,280	13.71						

Source: Telephone survey with building owners and leasing agents, conducted by Ross Luedke, Kris Silverstein and Dale Mussatti.

- [1] Electricity not included with utilities.
- [2] Janitorial is negotiable with tenants.
- [3] Amenities:
 - 1. Shared secretarial services
 - 2. Word processing
 - 3. Shared copy services
 - 4. Receptionist
 - 5. Conference room(s)
 - 6. Kitchen facilities
 - 7. Window air conditioning
 - 8. Central air conditioning
 - 9. Office furniture
 - 10. Showers
 - 11. Exercise equipment

EXHIBIT 19

MADISON DOWNTOWN CLASS A OFFICE SPACE

Building/Address	Net Leasable Square Feet	Vacant Square Feet	Percent of Space Vacant	Annual Rental Rate Per Square Foot	Utilities Included	Janitorial Included	Amenities Included	Parking	Net Leasable Sq. Ft. Per Floor
First Wisconsin Plaza 1 South Pinckney Street	283,641	0	0.0%	\$15.00-\$17.50	Yes	Yes	3,6,8,10	325 Stalls \$64.05/month	24918-30392
United Bank Tower 222 West Washington Avenue	156,482	3,050	1.9%	\$14.00	Yes	Yes	8	246 Stalls \$60/month	13054
Verex 150 East Gilman Street	103,000	0	0.0%	\$10.00-\$16.50	Yes	Yes	3,5,6,8,10	192 Stalls \$52/month	2884-19812
James Wilson Plaza 131 West Wilson Street	103,000	9,300	9.0%	\$12.00	Yes	Yes	3,8	220 Stalls \$58/month	9300
Anchor Savings and Loan 25 West Main Street	89,499	1,094	1.2%	\$10.75-\$13.00	Yes	Yes	8	256 Stalls \$42/month	10000-14000
National Guardian Life 2 East Gilman Street	68,243	0	0.0%	\$13.00	Yes(1)	Yes	8	292 Stalls \$60/month	13900
Lakeview Terrace 131 East Wilson Street	60,000	28,000	46.7%	\$11.00-\$14.00	Yes	Yes	8,11	157 Stalls \$50/month	6000-21000
100 North Hamilton 100 North Hamilton	37,516	13,068	34.8%	\$14.00	Yes	Yes	8,10	72 Stalls \$60/month	5201-8679
Investors Services 217 South Hamilton Street	31,123	0	0.0%	\$10.50-\$12.00	Yes	Yes	4,8	53 Stalls \$46/month	7780
44 On The Square 44 East Mifflin Street	28,000	0	0.0%	\$13.75-\$16.41	Yes	Yes	8	33 Stalls \$50/month	7000
TOTALS	962,504	54,512	5.7%						

Sources: Telephone survey with building owners and leasing agents, conducted by Ross Luecke, Kris Silverstein and Dale Mussatti.

- (1) Electricity not included with utilities.
- (2) Janitorial is negotiable with tenants.
- (3) Amenities: 1. Shared secretarial services
2. Word processing
3. Shared copy services
4. Receptionist
5. Conference room(s)
6. Kitchen facilities

- 7. Window air conditioning
8. Central air conditioning
9. Office furniture
10. Showers
11. Exercise equipment

MADISON APARTMENT ASSOCIATION
 VACANCY SURVEY RESULTS
 (As of September 20, 1982)

FURNISHED

	<u>ROOMS</u>	<u>EFF.</u>	<u>1-BRDM.</u>	<u>2-BRM.</u>	<u>3-BRM.</u>	<u>4+BRM.</u>	<u>TOTAL</u>
CAMPUS DOWNTOWN	1.8%	6.4%	6.3%	4.1%	8.3%	7.1%	5.4%
MADISON	1.5%	5.3%	3.2%	4.5%	5.5%	7.0%	4.1%

UNFURNISHED

	<u>ROOMS</u>	<u>EFF.</u>	<u>1-BRM.</u>	<u>2-BRM.</u>	<u>3-BRM.</u>	<u>4+BRM.</u>	<u>TOTAL</u>
CAMPUS DOWNTOWN	--	2.8%	10.8%	5.7%	10.9%	13.6%	8.0%
MADISON	4.3%	2.3%	5.1%	4.8%	5.4%	13.5%	4.9%

APPENDIX D
ZONING CODE

- 5. Taxicab business. (Cr. by Ord. 7872, 11-29-82)
- 6. Any production, processing, cleaning, servicing, testing or repair of materials, goods or products, limited to the following uses or products when located less than 150 feet from a Residence District:
 - a. Cameras and other photographic equipment.
 - b. Cosmetics and toiletries, drugs, perfumes and perfumed soaps and pharmaceutical products.
 - c. Electrical appliances.
 - d. Electrical equipment assembly.
 - e. Electrical supplies, manufacture and assembly.
 - f. Musical instruments.
 - g. Orthopedic and medical appliances.
 - h. Silverware, plate and sterling.
 - i. Sporting goods.
 - j. Textiles.
 - k. Tools and hardware.

(Sec. 28.09(4)(d)6. Cr. by Ord. 8321, 5-11-84)

- (e) Lot Area Requirements. In the C3 district, the lot area requirements of the C1 district shall apply.
- (f) Floor Area Ratio. In the C3 district, the floor area ratio shall not exceed 3.0.
- (g) Yard Requirements. In the C3 district, the yard requirements of the C2 district shall apply.
- (h) Usable Open Space Requirements. In the C3 district, the usable open space requirements of the C1 district shall apply.
- (i) (R. by Ord. 5831, 5-6-77)

(5) C4 Central Commercial District.

- (a) Statement Of Purpose. The C4 Central Commercial district is established to accommodate those uses which are of City-wide, regional or state significance. Within this district, which is located in close proximity to the State Capitol Building and State Street, and which is readily accessible by public transportation from all parts of the City, are permitted the retail, service and office uses characteristic of a central business district. In addition to commercial activities, residential use above the ground floor is permitted and encouraged. No accessory off-street parking is required in this district, and any off-street parking which is provided is controlled as to the location, type and size of such facility so as to reduce congestion on streets within or leading to this district. All new buildings and any major alteration of an exterior building face must be approved by the Plan Commission because of the community's objective to maintain the aesthetic qualities of the district. (Am. by Ord. 6052, 11-29-77)
- (b) General Regulations. Uses permitted in the C4 district are subject to the following conditions:
 1. All business, servicing or processing, except for off-street parking, off-street loading, automobile service station operation, drive-in banks and outdoor eating areas of restaurants approved as a conditional use by the Plan Commission, shall be conducted within completely enclosed buildings. (Am. by Ord. 4304, 8-29-73)

2. Establishments of the drive-in type are not permitted, except automobile service stations and drive-in banks.
3. Any major alteration of the exterior face of a building shall conform to the remodeling and new construction guidelines for State Street and the Capitol Square adopted as administrative guidelines by the City Plan Commission on September 23, 1968 and as modified on December 7, 1970 and shall be permitted only after the written approval of the City Department of Planning and Development, provided that any action by the department may be appealed to the City Plan Commission by the applicant. (Am. by Ord. 6568, 3-22-79)
4. To insure a variety of housing types in the central area, the following point values are established.

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

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

5. All new buildings and any major alteration of an exterior building face shall be considered by the Urban Design Commission and their recommendations regarding design and appearance shall be submitted to the City Plan Commission. (Cr. by Ord. 8107, 9-19-83)

(c) Permitted Uses. The following uses are permitted in the C4 district:

1. Any use permitted in the C2 district, except restaurants, is permitted in the C4 district.
2. Dwelling units and lodging rooms located above ground floor. (Am. by Ord. 7870, 11-29-82)

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

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

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

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

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

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

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

- b. That the design and appearance shall conform to the current remodeling and new construction guidelines for State Street and the Capitol Square.
- c. That the likely impact of changes in noise levels, smell or lights on the occupants of adjacent properties as a result of the establishment of the restaurant be considered by the Plan Commission.
- d. That the Inspection Unit of the department of Planning and Development shall, prior to the approval of such restaurant, submit a report and recommendation regarding inside and outside waste receptacles and trash and refuse pick-up and storage including offsite pick-up with the objective of eliminating the adverse effects on the neighborhood and lakes and streams of the paper and other disposable products. The Plan Commission may, after consideration of the above report and recommendations, limit the restaurant to washable and reusable dishes and silverware for serving foods and liquids.
(Am. by Ord. 8081, 7-29-83)
- (e) Lot Area Requirements. In the C4 district, there shall be no lot area requirements. (Am. by Ord. 6052, 11-29-77)
- (f) Height Regulations. In the C4 district, building heights shall be limited by Section 28.04(14) of this code and by the following regulations:
 1. Buildings on zoning lots having street frontage on State Street shall be not less than two (2) stories nor more than four (4) stories in height.
 2. Buildings on zoning lots having street frontage on the Capitol Square or on the East Washington, West Washington, Wisconsin or Monona Avenues and buildings on zoning lots fronting on the Southeast side of East and West Wilson Streets shall be not less than three (3) stories nor more than ten (10) stories in height.
 3. Buildings on zoning lots in this district not having frontage on any of the aforementioned streets shall have a maximum height of eight (8) stories.
 4. Additions to any existing buildings may exceed the height limitations in paragraphs 1., 2., and 3., above, provided the following:
 - a. Such additions shall not exceed the height of any portion of the existing building;
 - b. Such additions shall have been originally proposed as a part of the existing building, and the building shall have been structurally designed and constructed to accommodate such additions; and
 - c. Such additions shall be approved by the Plan Commission pursuant to the conditional use procedure established in Sec. 28.12(10).
- (g) (Sec. 28.09(5)(f)4. Cr. by Ord. 7106, 9-25-80)
Yard Requirements. In the C4 district, the yard requirements shall be as follows:
 1. A minimum rear yard of ten (10) feet shall be provided for the purpose of loading and unloading from future alleyway systems. However, this rear yard requirement may be waived by the Zoning Board of Appeals only upon its findings that such rear yard is not necessary as a part of an alleyway system, provided such findings shall be made only after receipt of recommendations from the Zoning

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

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

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

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

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

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

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

1. All business, servicing or processing, except for offstreet parking, off-street loading, display of merchandise for sale to the public, establishments of the drive-in type and outdoor eating areas of restaurants approved as a conditional use by the Plan Commission, shall be conducted within completely enclosed buildings unless otherwise indicated hereinafter. (Am. by Ord. 4306, 8-29-73)
2. Parking of trucks as an accessory use, when used in the conduct of a permitted business listed hereinafter, shall be limited to vehicles of not over one and one-half (1 1/2) tons capacity when located within one hundred fifty (150) feet of a residence district boundary line.
3. All storage within one hundred (100) feet of a residence district, arterial or collector street, except for motor vehicles in operable condition, shall be within completely enclosed buildings or effectively screened with screening not less than six (6) feet nor more than eight (8) feet in height, provided no storage located within fifty (50) feet of such screening shall exceed the maximum height of such screening; further provided, however, the Zoning Administrator may approve alternate landscaping/screening plans meeting the general intent, purpose and guidelines of the revised "New Approach to Parking Lot Landscaping" adopted by Substitute Resolution No. 37,915. (Am. by Ord. 8300, 4-16-84)

APPENDIX E
SCENARIO DEVELOPMENT

SCENARIO 1

DEMOLITION OF EXISTING STRUCTURE - PARKING

1. Program:

Demolition of existing structures to provide parking
for nearby businesses.

2. Revenue Units:

32 units of parking at 400 sq.ft. per space

3. Capital Outlays:

Demolition (784,080 cu.ft. @ \$.11/cu.ft.)	86249
Paving, leveling (12,960 sq.ft. @ \$2.00/sq.ft.)	25920
Landscaping	3000

Total Outlays	115169

4. Projected Annual Income:

32 stalls @ \$60/mo.	23040
Vacancy Loss: \$1920 (based on 32 units for 1 mo.)	

5. Projected Annual Expenses:

Real Estate Taxes (12% effective gross)	2534
Operating Expenses (12% effective gross)	2534
Cash Reserves (10% effective gross)	2112

Total Expenses	7180

6. Terms of Financing:

25 yr., 13%, mortgage constant .13643

BACKDOOR APPROACH DEFAULT RATIO

Gross Rent Potential	:	1 23040	
Times: 1-Default Ratio	:	1 0.20	1 0.80
Risk Variables and Equity Cash	:	1 4608	1 18432
Less: Vacancy Loss	:	1 1920	1 2534
Less: Risk Reserve(cushion)	:	1 0	1 2534
			1 2112
Cash available for Investors	:	1 2688	1 11252
Divide: B/4 Tax Rate	:	1 0.12	1 0.13643
Justified Cash Equity Investment	:	1 22400	1 82477
Total Justified Investment	:	1 104877	
Land & Indirect Costs	:	1 115169	
Available for Construction Budget	:	1 -10292	

SCENARIO 2

NEW CONSTRUCTION - CLASS A OFFICE/RETAIL

1. Program:

Demolish building and construct 4-story Class A office/retail property with underground parking.

2. Revenue Units:

1st floor (8000 sq.ft.): 6 specialty retail shops
2nd, 3rd, and 4th floors: 24000 sq.ft. office
20 parking stalls

3. Capital Outlays:

Demolition (784,080 cu.ft. @ \$\$.11/cu.ft.)	86249
Paving, leveling (8,000 sq.ft. @ \$2.00/sq.ft.)	16000
Construction:	
Supports for parking (9,000 sq.ft. @ \$50/sq.ft.)	450000
1st-3rd floors (26,000 sq.ft. @ \$55/sq.ft.)	1430000
4th floor (6,000 sq.ft. @ \$50/sq.ft.)	300000
Elevators (2 @ \$75,000 each)	150000
 Total Outlays	 2432249

4. Projected Annual Income:

20 parking Stalls (480/yr.)	9600
Retail 1st floor (8,000 sq.ft. @ \$9.50)	76000
Office 2nd-3rd floor (18,000 sq.ft. @ \$15/sq.ft.)	270000
Office 4th floor (6,000 sq.ft. @ \$16/sq.ft.)	96000
 Total Income	 445600
Vacancy Losses: \$22,280 (5% blended rate retail, office, parking)	

5. Projected Annual Expenses:

Real Estate Taxes (12% effective gross)	50798
Operating Expenses (18% effective gross)	76198
Cash Reserves (6% effective gross)	25399
 Total Expenses	 152386

6. Terms of Financing:

25 yr., 13%, mortgage constant .13643

BACKDOOR APPROACH DEFAULT RATIO

Gross Rent Potential	:	1 445600 1	
<hr/>			
Times: 1-Default Ratio	:	1 0.20 1	Times : Default Ratio
<hr/>			
Risk Variables and Equity Cash	:	1 89120 1	Cash Budget Outlays
<hr/>			
Less: Vacancy Loss	:	1 22280 1	Less: Operating Expenses
<hr/>			
Less: Risk Reserve(cushion)	:	1 0 1	Less: Real Estate Taxes
<hr/>			
Cash available for Investor:	:	1 66840 1	Less: Cash Replacements
<hr/>			
Divide: B/4 Tax Rate	:	1 0.12 1	Cash Available for Debt Service
<hr/>			
Justified Cash Equity Investment	:	1 557000 1	Divided: Debt Service Constant
<hr/>			
Total Justified Investment	:	1 2052939 1	Justified Mortgage Loan
<hr/>			
Land & Indirect Costs	:	1 2432249 1	
<hr/>			
Available for Construction Budget	:	1 -379310 1	

SCENARIO 3

RENOVATION OF EXISTING STRUCTURE - B OFFICE/RETAIL

1. Program:

Renovation of existing structure for Class B office/retail space.

2. Revenue Units:

1st floor (8000 sq.ft.): 6 specialty retail shops
Basement, 2nd, and 3rd floors: 260000 sq.ft. office

3. Capital Outlays:

Deferred Maintenance	158000
*Renovation:	
1st floor retail (8,000 sq.ft. @ \$35 sq.ft.)	280000
2st-3rd floors (18,000 sq.ft. @ \$30/sq.ft.)	540000
Basement (8,000 sq.ft. @ \$30/sq.ft.)	240000
Window Budget (placement)	50000
Facade Restoration (blasting)	35000
 Total Outlays	 1303000

4. Projected Annual Income:

Office Basement (8,000 sq.ft. @ \$8.00 sq.ft.)	64000
Retail 1st floor (8,000 sq.ft. @ \$9.00)	72000
Office 2nd-3rd floor (18,000 sq.ft. @ \$9/sq.ft.)	162000
 Total Income	 298000
Vacancy Losses: \$29,800	
(10% blended rate retail and office)	

5. Projected Annual Expenses:

Real Estate Taxes (12% effective gross)	32184
Operating Expenses (16% effective gross)	42912
Cash Reserves (6% effective gross)	16092
 Total Expenses	 91188

6. Terms of Financing:

25 yr., 13%, mortgage constant .13643
* included is removal of escalator

BACKDOOR APPROACH DEFAULT RATIO

Gross Rent Potential	:	298000	
Times: 1-Default Ratio	:	0.20	Times : Default Ratio
Risk Variables and Equity Cash	:	59600	Cash Budget Outlays
Less: Vacancy Loss	:	29800	Less: Operating Expenses
Less: Risk Reserve(cushion)	:	0	Less: Real Estate Taxes
		32184	Less: Cash Replacements
Cash available for Investor:	:	29800	Cash Available for Debt Service
Divide: B/4 Tax Rate	:	0.12	Divided: Debt Service Constant
Justified Cash Equity Investment	:	248333	Justified Mortgage Loan
Total Justified Investment	:	1327363	
Land & Indirect Costs	:	1303000	
Available for Construction Budget	:	24363	

SCENARIO 4

RENOVATION OF EXISTING STRUCTURE - MULTI-TENANT (APT.)

1. Program:

Renovation of existing structure for apartment/retail/office space. Apartments will cater primarily to state workers. A common area for apartments will function as a lounge.

2. Revenue Units:

1st floor (8000 sq.ft.): 6 specialty retail shops
Basement (8,000 sq.ft.): Class B office
2nd-3rd floors: 28 units @ 18,000 sq.ft.

3. Capital Outlays:

Deferred Maintenance	158000
*Renovation:	
1st floor retail (8,000 sq.ft. @ \$35 sq.ft.)	280000
2st-3rd floors (18,000 sq.ft. @ \$35/sq.ft.)	630000
Basement (8,000 sq.ft. @ \$30/sq.ft.)	240000
Window Budget (placement)	50000
Facade Restoration (blasting)	35000
 Total Outlays	 1393000

4. Projected Annual Income:

Office Basement (8,000 sq.ft. @ \$8.00 sq.ft.)	64000
Retail 1st floor (8,000 sq.ft. @ \$9.00)	72000
Apt.-28 units @ \$300 @ 12 months	100800
 Total Income	 236800
Vacancy Losses: \$14,208 (6% blended rate)	

5. Projected Annual Expenses:

Real Estate Taxes (12% effective gross)	26711
Operating Expenses (18% effective gross)	40066
Cash Reserves (6% effective gross)	13356
 Total Expenses	 80133

6. Terms of Financing:

25 yr., 13%, mortgage constant .13643
* included is removal of escalator

BACKDOOR APPROACH DEFAULT RATIO

Gross Rent Potential	:	236800	
Times: 1-Default Ratio	:	0.20	Times : Default Ratio
Risk Variables and Equity Cash	:	47360	Cash Budget Outlays
Less: Vacancy Loss	:	14208	Less: Operating Expenses
Less: Risk Reserve(cushion)	:	0	Less: Real Estate Taxes
		13356	Less: Cash Replacements
Cash available for Investors:	:	33152	Cash Available for Debt Service
Divide: B/4 Tax Rate	:	0.12	Divided: Debt Service Constant
Justified Cash Equity Investment	:	276267	Justified Mortgage Loan
Total Justified Investment	:	1077485	
Land & Indirect Costs	:	1393000	
Available for Construction Budget	:	-315515	

APPENDIX F
UNIT OF COMPARISON

MTB >RETR

Filename ? APPRSL.MIN

Restore complete from file created on 04-Dec-84

Saved Minitab binary file id is :

Column dump of restored worksheet

Column	Name	Count	Column	Name	Count
C1	C1	5	C2	C2	5
C3	C3	5	C4	C4	5

MTB >PRINT C1-C4

ROW	C1	C2	C3	C4
1	625000	8646	41000	32500
2	1350000	22968	105600	74000
3	240000	8712	26000	20500
4	850000	9240	42500	38500
5	662444	12376	38640	24000

MTB >REGRESS C1 1 C2

THE REGRESSION EQUATION IS

C1 = 50702 + 56.1 C2

COLUMN	COEFFICIENT	ST. DEV. OF COEF.	T-RATIO = COEF/S.D.
	50702	274005	0.19
C2	56.08	20.24	2.77

S = 247312

R-SQUARED = 71.9 PERCENT

R-SQUARED = 62.6 PERCENT, ADJUSTED FOR D.F.

ANALYSIS OF VARIANCE

DUE TO	DF	SS	MS=SS/DF
REGRESSION	1	469800042480	469800042480
RESIDUAL	3	183489242806	61163080482
TOTAL	4	653289364464	

DURBIN-WATSON STATISTIC = 3.11

MTB >REGRESS C1 1 C3

THE REGRESSION EQUATION IS
C1 = 138886 + 12.0 C3

COLUMN	COEFFICIENT	ST. DEV. OF COEF.	T-RATIO = COEF/S.D.
	138886	161632	0.86
C3	11.953	2.788	4.29

S = 174784

R-SQUARED = 86.0 PERCENT
R-SQUARED = 81.3 PERCENT, ADJUSTED FOR D.F.

ANALYSIS OF VARIANCE

DUE TO	DF	SS	MS=SS/DF
REGRESSION	1	561640640806	561640640806
RESIDUAL	3	91648658428	30549548886
TOTAL	4	653289380208	

DURBIN-WATSON STATISTIC = 2.38

MTB >REGRESS C1 1 C4

THE REGRESSION EQUATION IS
C1 = 72212 + 17.8 C4

COLUMN	COEFFICIENT	ST. DEV. OF COEF.	T-RATIO = COEF/S.D.
	72212	158202	0.46
C4	17.765	3.727	4.77

S = 159363

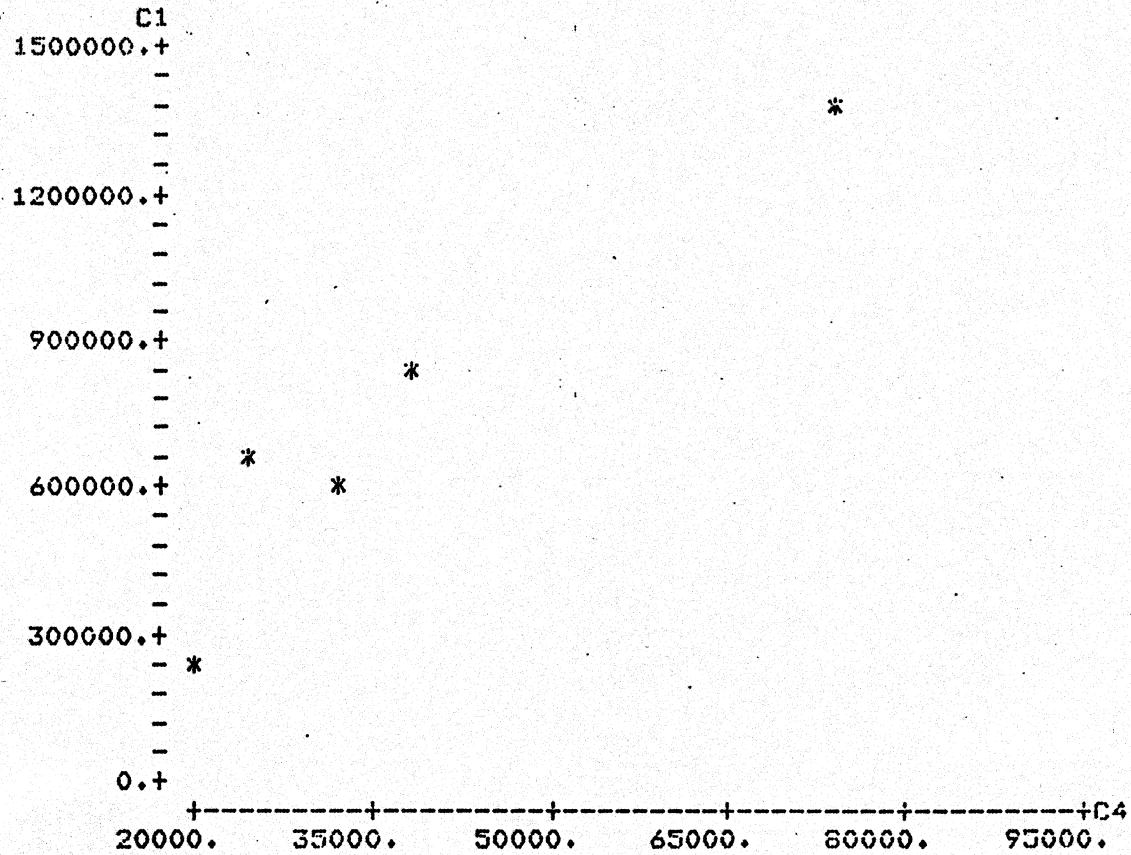
R-SQUARED = 88.3 PERCENT
R-SQUARED = 84.5 PERCENT, ADJUSTED FOR D.F.

ANALYSIS OF VARIANCE

DUE TO	DF	SS	MS=SS/DF
REGRESSION	1	577099648466	577099648466
RESIDUAL	3	76189696000	25396566446
TOTAL	4	653289364464	

DURBIN-WATSON STATISTIC = 1.51

MTB >PLOT C1,C4



MTB >FINISHED

Minitab version 82.1 exiting

STOP --

Ready

APPENDIX G
PROJECT DATA

IRB Financing		Conventional Financing	
NOI	187612,217153,228010,239411,251381	NOI	222612,217153,228010,239411,251381
Value	2037340	Value	2037340
LTVR	80% @.10, 25 years	LTVR	80% @.13, 25 years
Depr	Strght line 15 years	Depr	Strght line 15 years
Resale	1st run - 2037340 0% Appr	Resale	1st run - 2037340 0% Appr
	2nd run - 2078087 2% Appr		2nd run - 2078087 2% Appr
	3rd run - 2118834 4% Appr		3rd run - 2118834 4% Appr
	4th run - 2159580 6% Appr		4th run - 2159580 6% Appr

