

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

II. CLASSES AT THE UNIVERSITY OF WISCONSIN--MADISON

- H. Business 555/527: Commercial Property Development
and Management
 - 4. Case Study Examples by Mike Robbins, John
Glad, and Kenton Peters

**Instructional Case For
Commercial Property Development - 555**

By

Michael L. Robbins

**University of Wisconsin
Graduate School of Business
Department of Real Estate**

February 1, 1986

ACKNOWLEDGEMENTS

The following case has been adopted from a case titled "Neighborhood and Convenience Shopping Center", by Charles H. Thorne. Essentially the case has been left in tack, except the cost and income data have been modified to fit the Madison, Wisconsin market during the mid 1980's. The student is to accept the setting and market as given, and then modify the design, cost, tenant composition, income, and debt to fit the objectives of the investor profile provided in class.

Michael L. Robbins
February 1, 1986

Convenience Shopping Center

ABC Appraisal Company
1016 Adams Street
Capitol City, Kansas
Phone: 489-8748

March 21, 1985

Mr. Arnold L. Mason, Vice President
XYZ Mortgage Company
1231 Washington Street
Capitol City, Kansas

Dear Mr. Mason:

In accordance with your request, I have made an appraisal of the West Bend Shopping Center located at the northeast corner of Alpha Street and Sherman Avenue, in Capitol City, Kansas.

I hand you herewith my report which describes my method of approach to value and contains the supporting data gathered in my investigation.

I have appraised the property as a whole, owned in fee simple and unencumbered by any indebtedness.

I hereby certify that I have no personal interest in the subject property--past, present or contemplated--and that neither my employment nor my compensation for conducting this appraisal is contingent upon the value found.

I further certify that I have personally inspected the property, and that to the best of my knowledge and belief all statements and information contained herein are true and correct.

Based upon the findings and conditions herein contained, it is this appraiser's opinion that the fair market value of the subject property as of March 21, 1985, is:

Two Million Seven Hundred and Fifty Thousand Dollars.

\$2,750,000.00

Respectfully submitted,

Robert M. Thornton, Appraiser

Table of Contents

	Page No.
Summary of Salient Points	3.
Purpose of Appraisal	4.
Legal Description	4.
Location	4.
Assumptions and Limiting Conditions	4.
City Data	5.
Neighborhood Data	8.
Site Description	9.
Zoning	10.
Taxes	10.
Description of Improvements	11.
The Convenience Shopping Center Concept	13.
Highest and Best Use	14.
Estimate of Land Value	15.
Valuation of Land and Improvements, Cost Approach	19.
Valuation of Land and Improvements, Economic Approach	20.
Summary	21.
Correlation and Conclusion	22.

Exhibits

Capitol City Map - Exhibit A	6.
Map of Subject Site - Exhibit B	12.
Land Sales Comparables Map - Exhibit C	16.

Summary of Salient Points

Location: NE corner of Alpha Street and Sherman Avenue, Capitol City, Kansas

Zoning: G-1 (Planned Commercial District)

Site: 5.875 Acres (255,698 square feet)

Improvements: Three buildings - Convenience Shopping Center

A	43,050 square feet
B	14,560 square feet
Yum Yum Tree	2,632 square feet

Parking for 275 cars

Appraised Value:	Land	\$ 895,000
	Improvements	<u>1,855,000</u>
	Total	\$2,750,000

Appraisal Date: March 21, 1985

Purpose of Appraisal

The purpose of this appraisal is to provide a supported opinion of the fair market value, in fee simple, of the property described in this report, as of March 21, 1985.

Market Value

Market Value, as used in this report, is defined as "the highest price, estimated in terms of dollars, which the property would bring (if exposed for sale for a reasonable time in the open market) to a seller willing but not compelled to sell, from a buyer willing but not compelled to buy, both parties being fully informed of all the purposes for which the property is being adapted and is capable of being used."

Legal Description

Lot One (1), Block Four (4), Sheraton Park Addition, in the NE 1/4, Section 33, Tier 10 North, Range 7 East of the 9th Principal Meridian, Capitol City, Kansas.

Location

NE corner of Alpha Street and Sherman Avenue in Capitol City, Kansas.

Assumptions and Limiting Conditions

The results of this appraisal report are based on the following assumptions and conditions:

1. The legal description, as given, is correct.
2. The title to the property herein appraised is good and merchantable, in fee simple, and without encumbrances.
3. The value is reported without regard to questions of title, boundaries, encroachments, or other matters of a legal nature.
4. Some conclusions reached in this appraisal are based on certain opinions, estimates, information and data furnished by others. These are correct to the best knowledge of the appraiser, but no responsibility for their accuracy is assumed.
5. The conclusion as to value was reached after examine all parts of the report, and any statement relating to the value of part of the property cannot properly be used without reference to all sections of the report.
6. Maps and data included in this report are for identification only.

7. The use of this report does not include the right to utilize the appraisal in court or to require testimony in connection therewith.
8. This appraisal is based on a preliminary site plan and tentative lease agreements. The appraiser reserves the right to review this appraisal upon completion of plans and specifications and upon receipt of signed leases, and to make any changes in this report resulting from new information received.

City Data

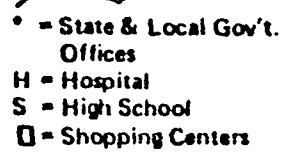
The subject property is located in Capitol City, the capitol city of Kansas (see Exhibit A).

Based on United States Bureau of Census figures, Capitol City has exhibited the following population characteristics:

	<u>1980</u>	<u>1970</u>
Total Population	149,518	128,521
% Male	48.4%	48.2%
% Female	51.6%	51.8%
Median Age	25.3	27.6
Total Population 25 years of Age & Over	75,413	69,226
% of this group educated beyond high school	34.9%	29.2%
Mean school years completed by this group	12.6	12.4
Total Number of Households	48,608	41,108
Population per household	2.85	2.98
Mean Family Income (Annual)	23,456	11,209
% of total families earning \$10,000 or more per year	49.4%	---
% of total families earning \$6,000 or more per year	---	50.4%
Total Labor Force	70,354	55,355
Unemployment	3.0%	3.4%

With a current population of approximately 155,000, Capitol City is the second largest city in Kansas. This reflects substantial growth from a population of 107,000 in 1960. The City-County Comprehensive Plan forecasts county-wide population to be approximately 176,000 at the present time. More significant are the urban area population projections prepared by the City Planning Commission which predict a

Capitol City, Kansas, Howell Rd.



population of 185,000 for Capitol City by the end of 1986. Included in this urban area are all residents located within three miles of the city's corporate limits. Urban area projections for 1990 and 1995 are 209,000 and 231,000 respectively. It is this appraiser's opinion that such corporate growth will be predominantly toward the west and northwest during the next decade.

Located midway between the east and west coasts on I-5, Capitol City offers a well-established network of transportation facilities. Five Class 1 railroads provide rail and piggyback service while Trans-Am Airlines, the nation's largest trunkline, and Lindburgh Airlines, the fastest growing local service carrier, give adequate air freight and passenger service. In addition, two excellent air charter facilities are also available.

Eight of the nation's largest truck lines supply Capitol City firms with nationwide, single-line motor carrier service. Over 40 regional and area truck lines offer reliable and speedy overnight delivery within 400 miles. Two transcontinental buslines plus several intrastate lines give Capitol City many schedules of bus passenger and small express service.

Complementing these facilities are three federal highways, Nos. 9, 11 and 21, plus a state highway (No.7), as well as Interstate 5.

Historically, the city's economy was based on the agricultural wealth of the surrounding area. Since World War II, a trend toward industrialization has brought several nationally-known companies to Capitol City, such as Addressograph-Multigraph Corp., American Stores Packing Co., Brunswick Corp., Control Data Corp., Cushman Motors Co. (a division of Outboard Marine Corp.), Dorsey Laboratories, Goodyear Tire and Rubber Co., National Biscuit Co., Norden Laboratories, Pegler and Co., Pepsi-Cola Bottling Co., Ralston Purina Co., and Square D Co., to name a few.

Being the capitol city of Kansas, as well as the county seat, Capitol City is "home" for many State and Federal offices and agencies. In addition Kansas' largest university, along with two private institutions of higher learning (Liberal College and Theological Seminary), contribute to Capitol City's reputation as a scholastic center. All of these schools provide four-year baccalaureate degrees and State University and Liberal College provide advanced degrees as well. Their combined fall enrollment in 1984 totalled approximately 25,000. The public elementary and secondary school system is widely recognized as one of the finest and most innovative in the country. In addition to the public school systems of 33 elementary and 15 secondary schools, the city boasts a sizeable parochial school system composed of 11 elementary and 3 secondary schools.

The city is governed by a modified manager plan consisting of a strong fulltime Mayor and seven councilmen who are elected for four-year terms on a non-partisan ballot by the voters at large. The

councilmen, as part-time officials, established policies that are administered by full-time department heads. The Mayor and councilmen have the power to pass, amend and repeal any and all city ordinances.

Capitol City owns and operates its own water and sewage facilities and electrical distribution system. In addition, natural gas is available to all sections of the city and the gas, water and power rates enjoyed by Capitol City residents are among the lowest in the country.

Sports and recreational facilities, essential for the preservation of the "great place to raise a family" image that Capitol City enjoys, consists of 48 parks with over 4,500 acres, 3 zoos, 8 golf courses, numerous indoor and outdoor swimming pools, 28 public and 9 private tennis courts (both indoor and outdoor), and 6 bowling alleys.

The climate is typically mid-continental, hot in the summer and cold in the winter, but the extremes are greatly tempered by the generally low humidity. Average annual rainfall is about 27-1/2 inches.

It is this appraiser's opinion that the broad diversification of agricultural and business activity, combined with the stabilizing influence of the state-supported governmental and educational institutions, provides a sound economic base for the city's continued growth.

Neighborhood Data

The subject property is situated at the intersection of Alpha Street and Sherman Avenue in Capitol City, Kansas. Both Alpha Street and Sherman Avenue constitute county section lines and, as such, array vehicular traffic beyond the corporate city limits into the adjoining rural area. Sherman Avenue was at one time considered to be Capitol City's western boundary; however, residential growth now extends to County Line Road. The impetus for western growth of the city in the area immediately north of Main Street was triggered by the Estmont subdivision during the mid 1950's. Further impetus to the western growth of the city occurred with the construction of the Fellow Travelers Life and Mutual Casualty insurance buildings, Capitol City Plaza, Midstate Federal Savings and Loan and other ancillary buildings in the area surrounding the Essex Drive and Main Street intersection. During the past two decades, over 50% of the new housing units constructed have been in the land area east of Forest Avenue.

More directly affecting the immediate neighborhood is the recent opening of Capitol City's Spartan High School and the projected opening of Methodist Hospital both fronting on Sherman Avenue between Alpha Street and Main Street. Several builders have been successful in acquiring and subdividing vacant land in the quadrant lying north and west of the subject site for single family residential and multi-family developments.

In this appraiser's opinion, there is no existing zoned land that would constitute serious competition to the proposed development. Oakridge Center, located near the intersection of Essex Drive and Alpha Street, is approximately one and one-half miles directly east of the subject site. It is understood that this center had marginal acceptance during its initial phase but can now be considered as extremely successful from ownership's viewpoint. In visiting this center, this appraiser reached a conclusion that because of the density of use, the developer has created a shortage of on-site parking. Ingress and egress also must be described as extremely difficult during peak shopping periods.

Shermantown, an existing center located just south of the intersection of Sherman Avenue and Ivy Street, also might be interpreted to constitute a secondary competitive facility. However, the location two miles due south of the subject site obviates any serious competition between these two facilities.

Capitol City Plaza is a regional center comprising approximately 700,000 square feet of retail commercial buildings situated on a 50-acre site and located just west of the intersection of Essex Drive and Main Street. The concept of the convenience center as described in the following pages sets forth a basis for the development of the convenience center. In this appraiser's opinion, the existence of Capitol City Plaza approximately two miles from the subject site does not interfere with the projected economic feasibility of West-Bend, but could conceivably be an asset since the subject site is situated in an intercept location to traffic that may be attracted to the Plaza originating in an area north or west of the subject site.

Site Description

The subject site is near rectangular in shape except for a 190 foot square parcel occupying the corner of the intersection of Sherman and Alpha. The west boundary of the parcel faces Sherman Avenue, fronting 380 feet thereon, extending to an average depth of 520 feet to the west. The south boundary is 330 feet fronting on Alpha Street, extending to a depth of 570 feet. The property encompasses 255,698 square feet in all, or approximately 5.875 acres. Both Sherman Avenue and Alpha Street are four-lane, hard-surfaced arterial streets. Both street frontages have been improved with a public sidewalk. All public utilities are conveniently available to the site.

The elevation rises from a low point on the south boundary in a level plain some 20 feet greater at the north property line. An abrupt swale occurs in the extreme northwest corner where the property rises an additional 7 feet to street grade. In general, the natural lie of the land will not require any major earth movement to accommodate the proposed development but should instead constitute an ideal topography from a visual and physical standpoint.

Zoning

The property is zoned G-1 Planned Commercial District, which is a zoning classification for neighborhood commercial. It is the opinion of this appraiser that zoning regulations permit the operation of a convenience shopping center at this location.

Taxes

Within Capitol City, ad valorem real estate taxes are levied by both city and county governments.

The County Assessor has placed the assessed value of commercial property at 35% of its appraised value. The appraised value is calculated using the Marshall, Stevens Valuation Method.

City tax rates are set by the City Council and County tax rates are set by the County Treasurer. Both City and County tax rates are based on the assessed value as determined by the County Assessor. In 1984 all property within Capitol City was taxed at the following rates:

City Tax Rate	\$24.500	per	\$1,000	of assessed valuation
County Tax Rate	10.685	per	\$1,000	of assessed valuation
School Tax Rate	47.198	per	\$1,000	of assessed valuation
Other	<u>1.770</u>	per	\$1,000	of assessed valuation
Total	\$84.153	per	\$1,000	of assessed valuation

Description of Improvements

The improvements will consist of two major buildings (see Site Map, Exhibit B). Building A will be a 43,050 square foot, concrete block brick veneer, one story, basementless building, designed for multi-tenant use. Building B will be a 14,560 square foot, one story building of similar construction. A 2,632 square foot Yum Yum Tree will, in addition, be designed to meet franchise specifications. The parking lot will be paved and lighted, with parking for 275 cars.

Building A, a merchandising building designed for a food super market, drug store, clothing store, hardware, furniture store, etc., will be of English Tudor design with shake shingle overhang extending over three sides of the structure. The roof is to be flat, built-up, supported by steel bar joists with steel posts and girders 24 feet to 30 feet on center. Each tenant area will contain roof-mounted heat and air conditioning units and space will be fully sprinklered. Interior decorating will be provided by individual tenants.

Building B will be of similar construction and designed primarily to accommodate professional and business services such as medical offices, accountants, beauty shop, dry cleaning, financial office, etc.

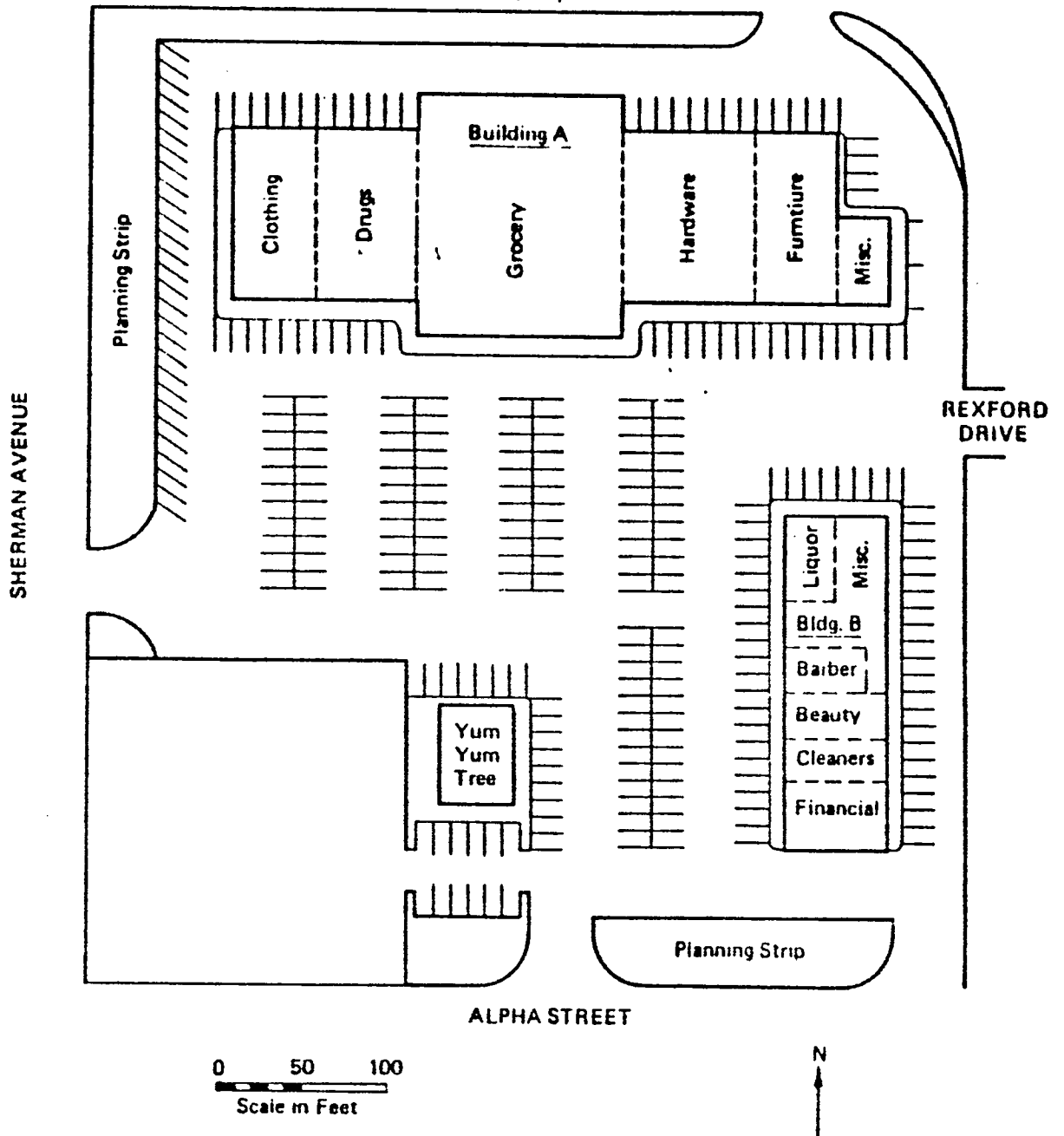
The Yum Yum Tree will meet the franchise operators new concept for merchandising incorporating seating for approximately 70 patrons.

The parking lot will be asphalt paving, well lighted, with pole-mounted arc lights. Parking stalls will be striped and approximately ten feet wide.

There will be a planning strip approximately forty feet wide on both street frontages.

EXHIBIT B

Site Map



The Convenience Shopping Center Concept

The Convenience Shopping Center is not a random collection of stores, but instead a merchandising entity designed to meet the day-to-day needs of the suburban household. The primary need, of course, is food, and the supermarket is invariably the biggest, single tenant in the center. The family drug store, hardware and multi-line soft goods store constitute the remaining major tenants supplemented by the beauty parlor, barber shop, dry cleaner and liquor store. Complementing the tenant mix in a well-conceived neighborhood center is a branch bank or savings and loan office as well as a limited number of professional offices, notably for doctors and dentists. Generally, business offices are inappropriate unless the tenants provide a service to residents living in the trade area.

The proximity of the center to schools, recreational facilities or a location in an intercepting position to vehicular travel will broaden the market base for the convenience center. The income level of the area resident will have an impact on the tenant mix. The higher income families will be better able to support the beauty parlor, gift shop, home furnishing center or service oriented tenants than could be expected in a similar center situated in the lower income quadrant of the city.

Convenience centers will typically range in size from 30,000 to 80,000 square feet of building area occupying four to six acres of land. The primary market will depend on the accessibility of the site to the surrounding residential area. Generally, automobile driving time is more important than distance. Residences within a three to five minute time zone can be considered prime customers depending on the location of competitive centers. This will normally cover a radius of 1-1/2 to 2 miles from the site. With customer mobility comes problems. Problems relating to accessibility to the site vehicular traffic patterns on the site and parking. Expensive land means expensive parking. The parking lot is an integral part of the center and is no less valuable than the land on which the buildings rest. A proper development requires sufficient land for customer parking, drives and walkways, as well as some "green space" to frame the picture. Less desirable stalls on "off site areas" should also be available for employee parking.

The Urban Land Institute has published studies which indicate that where there is little walk-in traffic, 5.5 parking stalls per 1,000 square feet of gross leasable area are adequate. This report also states that up to 20% of the gross leasable area could consist of office space without upsetting this ratio.

Finally, and possibly most significant of all, are the design features of the various store buildings, such as architectural style, material composition, customer circulation and servicing facilities related to the day-to-day merchandising activity of the tenants.

Compatibility of the individual merchants with each other and the center's management will be reflected in the degree of the financial success of the center.

In conclusion, the successful convenience shopping center is not just a "happening" but is the result of determining the economic needs of the consumers in a given market area and satisfying those needs by providing the proper site, physical improvements, merchandise and services to insure continued customer acceptance.

Source:

Nelson, Richard L., The Selection of Retail Locations, F. W. Dodge Corporation, N.Y., 1958.

Lowden, James A., "Valuation of Shopping Centers," The Appraisal Journal, April, 1967.

"The Village Shopping Center," House and Home, October, 1968.

Highest and Best Use

Highest and best use is defined as that use which at the time of the appraisal is most likely to produce the greatest net return over a given period of time. In determining the highest and best use of raw land, it is imperative that such use meet the following tests:

1. The use must be legal.
2. The use must be within the realm of probability; that is, it must be likely, not speculative or conjectural.
3. There must be a demand for such use.
4. The use must be profitable.
5. The use must be such as to return to land the highest net return.
6. The use must be such as to deliver the return for the longest period of time.

It is this appraiser's opinion that the proposed development of a convenience shopping center meets all of the prerequisites outlined above and therefore constitutes the land's highest and best use.

Estimate of Land Value

In order to estimate the value of the subject land, the records have been checked for sales or leases of comparable land. The transactions, listed chronologically below, are designated by number on the map attached as Exhibit C.

Number 1: Lots 205 and 206 in the SE 1/4, Section 21, Tier 10 South, Range 7 West of the 3rd Principal Meridian, Capitol City, Kansas. Warranty Deed dated July 27, 1980. Grantor, Lester Flowers conveying 1/2 interest to Reliable Life Insurance Company. Consideration, \$1,346,400. Size, 466,528 s.f.

Number 2: Lots 26, 27 and 28 of Addison's Subdivision, NW1/4, Section 20, T10S, R7W, Capitol City. Warranty Deed dated June 1, 1981. Grantor, Paul Graham, et al to National Savings Bank. Consideration, \$1,009,600. Size, 272,727 s.f.

Number 3: Lots 198 and 199, NW 1/4, Section 21, T10S, R7W, Capitol City. Warranty Deed dated November 5, 1981. Grantor, Joseph and Mary C. Doe to Richard D. Jones, trustee. Consideration, \$2,854,000. Size 914,760 s.f.

Number 4: Lots 70 and 71, NE 1/4, Section 22, T10S, R7W, Capitol City. Warranty Deed dated November 22, 1981. Grantor, Commercial Realty Company to Robert B. Hall and wife, Sally A. Consideration, \$538,300. Size, 130,680 s.f.

Number 5: Lot 183, Irregular Tract, NW 1/4, Section 21, T10S, R7W, Capitol City. Warranty Deed dated May 25, 1982. Grantor, Plaza Development, Inc. to Consolidated Department Stores, Inc. Consideration, \$2,019,400. Size, 871,200 s.f.

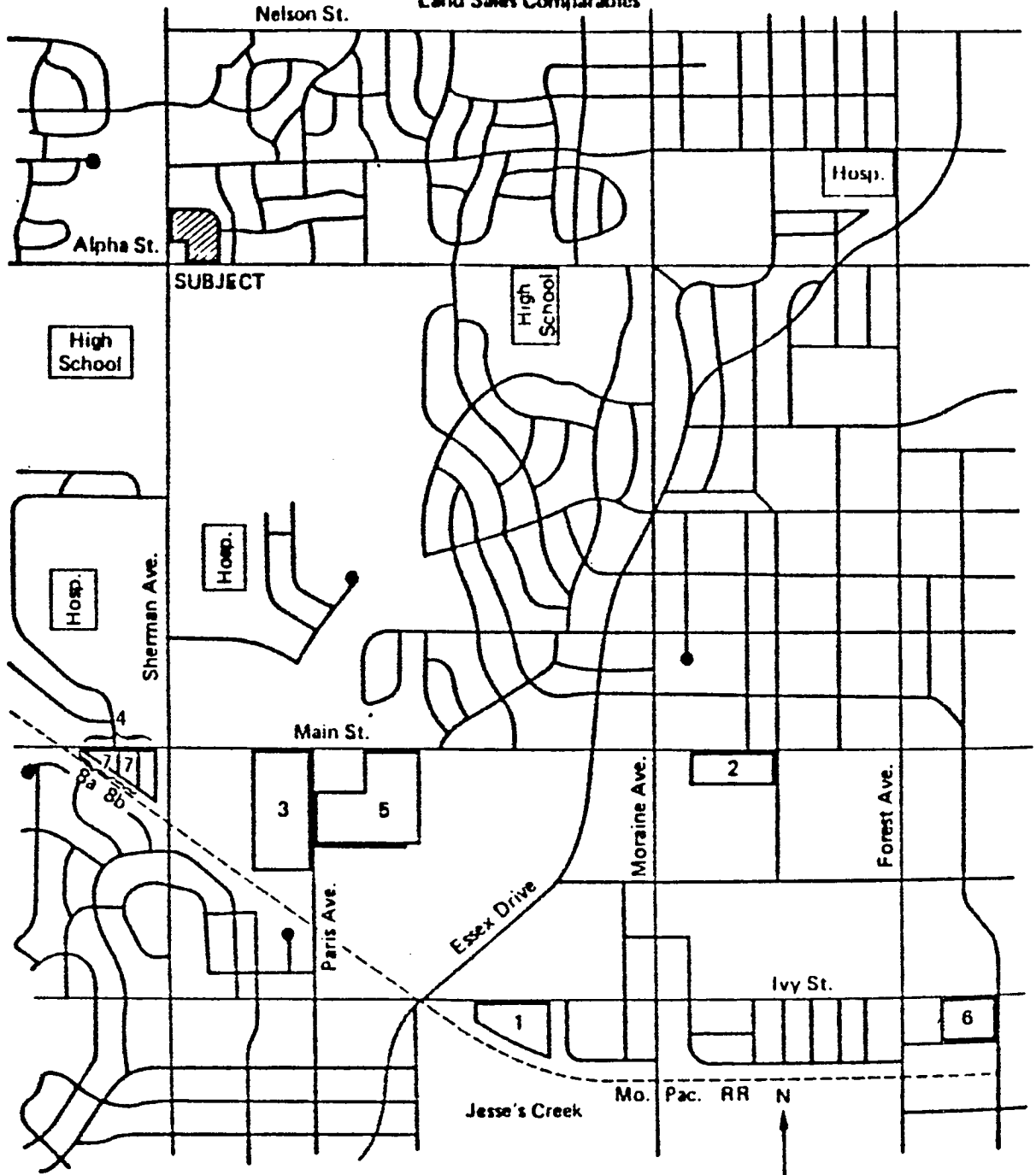
Number 6: Lot 1, Block 1, Jackson's Replat, SE 1/4, Section 20, T10S, R7W, Capitol City. Lease commencing November 1, 1983. Lessor, State Investment Company to Hypermarche, Inc. Prime term, 30 years, with two 10 year renewal options at rentals based upon the Consumer Price Index. Prime term rent, \$65,650 per year, absolutely net. The lease refers to the annual rent being equal to "8-1/2% of value". Using this as a capitalization rate, a value of \$772,400 is indicated. Size, 265,900 s.f.

Number 7: Lot 71, NE 1/4, Section 22, T10S, R7W, Capitol City. Warranty Deed dated December 10, 1983. Grantor, Robert B. Hall and wife, Sally A., to Iowa Associates, Inc. Consideration, \$379,600. Size, 81,457 s.f.

Number 8: Lot 71, NE 1/4, Section 22, T10S, R7W, Capitol City. Warranty Deeds dated (a) December 21 and (b) December 22, 1983. Grantor, Iowa Associates, Inc. to (a) Fast Foods, Inc. and (b) Conservative Financial Corporation. Considerations, (a) \$135,000 and (b) \$328,500. Size, 81,457 s.f. (a and b combined).

EXHIBIT C

Land Sales Comparables



Trans. Number	Date	Ind. Value	S.F.	Value /S.F.	Zoning
*1	7-27-70	\$2,692,800	466,528	\$5.77	A-2 Single Family
2	6-01-71	1,009,600	272,727	3.70	H-1 Hiway Bus.
3	11-05-71	2,854,000	914,760	3.12	G Local Bus.
4	11-22-71	538,300	130,680	4.12	G
**5	5-25-71	2,019,400	871,200	2.58	G-1 Planned Comm.
6	11-01-73	772,400	265,900	2.90	G
7	12-10-73	379,600	81,457	4.66	G
***8(a)	12-21-73	135,000	81,457	5.69	G
(b)	12-22-73	328,500			

*Assumes that the \$1,346,400 price for a 1/2 interest reflects a value of \$2,692,800 for the whole interest.

**Value per square foot of \$2.58 is based upon an effective area of only 784,080 s.f. due to zoning regulations which require a 150' buffer strip along Paris Avenue.

***Because these two Warranty Deeds were granted at about the same time by the same Grantor, I have combined them to arrive at one value per square foot that will readily compare with Transaction No. 7.

The transactions recorded above indicate a square foot value for comparable land ranging from \$2.58 to \$5.77.

Transaction 1 is zoned for single;-family dwellings and is, therefore, considered to be less comparable to the subject site than are some of the other transactions.

Transaction 2 is quite comparable to the subject site in terms of potential use, size and location along a major thoroughfare. It is situated in a more highly-developed area than is the subject site, however, and it enjoys about 900 feet of frontage along Capitol City's busiest street. Thus, it is considered to be somewhat superior to the subject site. It is currently improved with a full-service motel facility, and, with the passage of time, the value of the land has probably appreciated to at least \$2.00 per square foot.

Transaction 3 is not considered to be very comparable to the subject property because it is so much larger and enjoys a great deal more exposure with nearly 2,500 feet of street frontage, over 700 of which is on Main Street. Despite its superiority in size and exposure, however, it is somewhat inferior to the subject property in that it would need extensive site preparation before the land could be put to commercial use. In addition, prolonged controversy with respect to

whether or not this parcel is appropriately zoned has made it something of an "unknown quantity". These deficiencies are reflected in the slightly low purchase price of \$3.12 per square foot and in the fact that the land remains untouched to this day.

Transaction 4, though irregular in shape and only half the size of the subject site, is considered to be superior because of its location.

Transaction 5 is not considered to be comparable to the subject site primarily because of its size and the circumstances surrounding its sale. It was sold at a below-market price by the owners/developers of the adjacent regional shopping center in order to induce the buyer to build a major department store thereon.

Transaction 6 is comparable to the subject site in nearly every respect. Its only deficiencies are that it is located in a slightly less affluent section of town and it enjoys actual frontage on only one major thoroughfare--Ivy Street. It is, however, very close to--and visible from--Forest Avenue, another major thoroughfare which enjoys a high degree of commercial development. Its time-adjusted value would probably approximate \$3.10 per square foot.

Transactions 8(a) and 8(b) involved portions of the parcel involved in Transaction 4 and are included here to demonstrate the effects that the passage of time and further subdivision have had on land values in this area.

After studying all of the above data, it is this appraiser's opinion that the value of the subject land is approximately \$3.50 per square foot, or \$894,943, say \$895,000.

LAND AND IMPROVEMENTS - COST APPROACH

Section 13 of the Marshall Valuation Service lists several types of retail stores and restaurant facilities. The classifications that are most descriptive of the improvements proposed for the subject property are "Good Class C" for the retail stores and "Average Class D" for the restaurant facility. Using the Marshall Valuation Service information in conjunction with other data, results in the following estimate of value via the Cost Approach:

IMPROVEMENTS:

Restaurant:

Basic Cost	\$36.60/s.f.		
HVAC	.80		
Sprinkler	.92		
	<u>\$37.73/s.f.</u>	x 2,632 s.f.	\$ 99,304

Retail Space:

Basic Cost	\$25.94/s.f.		
HVAC	.85		
Sprinkler	.64		
	<u>\$27.43/s.f.</u>	x 57,610 s.f.	\$1,580,396

Parking (Asphalt)	\$.50/s.f.	x 180,000 s.f.	<u>\$ 90,000</u>
-------------------	-------------	----------------	------------------

TOTAL IMPROVEMENT COST \$1,679,700

INTANGIBLES:

Leasing Fees (5% of Gross Effective Income)	\$ 16,237
Construction Interest (10% of Average Balance of a 75% Construction Loan)	50,600
Loan Fees	20,000

LAND:

255,698 s.f. @ \$1.30/s.f.	<u>894,943</u>
	\$2,751,480
Say,	\$2,750,000

I have been advised that the proposed contractor, Jiffy Construction Company, estimates that he could build the retail space for approximately \$1,400,000. Using their figures, the following is projected:

Buildings A and B @ \$24.30/s.f.	\$1,399,980
Parking @ \$.50/s.f.	90,000
Yum Yum Tree @ \$37.25/s.f.	98,042
Intangibles	<u>81,000</u>
	\$1,588,022
Land @ \$3.50/s.f.	<u>894,943</u>
	\$2,482,965

This estimate is approximately \$269,000 less than the estimated cost of improvements using the Marshall Valuation Service and is a fair representation of the owner's estimate of brick and mortar cost as of this date. Not reflected in the contractor's estimate is entrepreneurial profit. In my opinion, this "entrepreneurship" has a value equal to most of the difference.

ECONOMIC APPROACH

Shopping centers in the Capitol City area rent for prices ranging from \$3.00 to over \$9.00 per square foot, the lower rent being paid by larger, well-capitalized firms renting the larger spaces on long-term, substantially net leases. Higher rents are paid by the smaller tenants occupying smaller spaces for shorter periods of time.

Based upon a review of comparable properties--namely those plotted on the map attached as Exhibit A--it has been determined that the rents established by the owners of the subject property are competitive. In some cases, the leases require payment of the minimum rent or a percentage of gross income, whichever is greater. No attempt has been made by the appraiser to estimate overages in arriving at the following value by the Economic Approach.

INCOME DISTRIBUTION

	S.F.	Lease Term	Rent/ S.F.	Gross Rent	Percentage
Building A:					
Grocery	16,650	25 yrs	\$3.80/yr	\$ 63,270	1.75
Hardware	10,200	15 yrs	4.25/yr	43,350	4.00
Drugs	6,000	10 yrs	6.15/yr	36,900	4.00
Furniture	4,800	5 yrs	5.70/yr	27,360	6.00
Clothing	4,200	10 yrs	5.90/yr	24,780	6.00
Miscellaneous	<u>1,200</u>	--	5.70/yr	<u>6,840</u>	--
SUB-TOTAL	43,050			\$133,365	
Building B:					
Financial	2,688	10 yrs	\$8.25/yr	\$ 22,176	--
Liquor	1,344	10 yrs	9.00/yr	12,096	3.00
Cleaners	1,000	5 yrs	7.12/yr	7,120	7.50
Beauty Shop	1,000	5 yrs	7.61/yr	7,610	8.00
Barber	670	5 yrs	7.41/yr	4,964	8.00
Miscellaneous	<u>7,858</u>	--	7.50/yr	<u>58,935</u>	--
SUB-TOTAL	14,560			\$ 74,368	
Restaurant	2,632	15 yrs	\$8.35/yr	\$ 21,975	7.00
GROSS FIGURES:	60,242			\$337,379	

INCOME VALUATION

Gross Income \$ 337,379

Less Vacancy as follows:

25 year lease -- none =	\$ -0-	
15 year leases -- 2% =	1,306	
10 year leases -- 3% =	2,878	
5 year leases -- 4% =	1,882	
Miscellaneous -- 10% =	<u>6,577</u>	<u>12,643</u>
Effective Gross Income		\$ 324,736

Less Expenses:

*Taxes, \$.40/s.f.	\$24,097	
Insurance, \$.08/s.f.	4,819	
Management, 5% of Eff. Gross	16,237	
Maintenance, \$.10/s.f.	6,024	
Common Area Reserve in excess of tenant's contribution	4,800	
Merchants Assoc. Dues	2,000	
Miscellaneous	<u>2,000</u>	<u>59,977</u>
Net Income		\$ 264,759

Charge Land at 8-1/2% on \$894,943	<u>76,517</u>
Net Income Attributable to Improvements	\$ 188,241

\$188,241 capitalized at 10%	1,882,410
------------------------------	-----------

Add Land	<u>894,943</u>
	\$2,777,353
Say	\$2,780,000

*Note: Taxes are estimated at \$.40 per square foot of improvements based upon the following information:

Oakridge Shopping Center
53,043 s.f. 1974 taxes = \$18,565 \$.35/s.f.

Shermantown Shopping Center
40,730 s.f. 1974 taxes = \$15,870 \$.39/s.f.

It is felt that the subject property will be superior to both of the above mentioned centers in terms of size, location and embellishments. Hence a slightly higher tax rate has been projected.

SUMMARY

Estimate of Value by the Cost Approach	\$2,750,000
Estimate of Value by the Economic Approach	\$2,780,000

CORRELATION AND CONCLUSION

The subject property is very well located in the heart of an excellent trading area. As the city continues to grow toward the North and Northwest, this area will become an even better trading zone.

The streets on which the property fronts have been recently widened to accommodate four lanes of traffic, and access to the site is very good.

The owner is experienced in this field, having spent over 20 years in the business of developing, for others, various types of commercial and residential properties on a regional basis.

The subject property is an income-producing property and, consequently, the Economic Approach is adjudged to be the best indicator of current value. This approach is based upon minimum rents with percentage leases which are typical for the industry, and while the excess rents were not capitalized into the value, the fact that there is a strong possibility of overages being paid considerable enhances the quality of the income stream.

Therefore, as a result of my investigation and my general experience, it is my opinion that the market value of the property described in this report, as of March 21, 1975, is:

TWO MILLION SEVEN HUNDRED AND FIFTY THOUSAND DOLLARS

\$2,750,000.00

Respectfully submitted,

Robert M. Thornton, Appraiser

FOLLOW-UP CORRESPONDENCE

SOUTHEASTERN LIFE INSURANCE COMPANY
State and Madison Streets
Chicago, Illinois

John T. Allgood
Vice President

April 10, 1985

Mr. Arnold L. Mason
XYZ Mortgage Company
1231 Washington Street
Capitol City, Kansas

Re: Robert Johnson d/b/a West Bend Shopping Center
60,242 S.F. Convenience Shopping Center
Alpha Street and Sherman Avenue
Capitol City, Kansas

Dear Arnie:

Thanks for the package on the West Bend Shopping Center in Capitol City, Kansas. From our initial review, it looks like we can show a positive interest in taking this loan application to our Finance Committee, which will be meeting next Friday, April 18.

We do have some concern, however, in recommending this loan, with the less than normal parking index. Could you give me comparable parking information on the four other centers located in Capitol City which were used in your Schedule of Comparable Rentals.

Arnie, it would also help if some the the "tentative" leases you talk about in your letter have been finalized. Has any progress been made in this regard since the signing of the application?

I am suggesting you give me a call relative to the parking data since I would like to resolve this question before our Finance Committee meeting.

Sincerely,

John T. Allgood

JTA:lrr

XYZ Mortgage Company
1231 Washington Street
Capitol City, Kansas
Phone: 464-7412

April 15, 1985

Mr. John T. Allgood
Vice President
Southeastern Life Insurance Company
State and Madison Streets
Chicago, Illinois

Re: Robert Johnson d/b/s West Bend Shopping Center
60,242 S.F. Convenience Shopping Center
Alpha Street and Sherman Avenue
Capitol City, Kansas

Dear John:

This will confirm our phone conversation of this morning in which I advised you of the results of our parking survey, as follows:

Oakridge Convenience Center	3.9 cars/1,000 s.f. of gross leaseable area	
Shermantown	5.2	"
Urban City	4.8	"
Bellfort	6.2	"

The Oakridge Center is admittedly handicapped by its inadequate parking index. The Bellfort Center is a phase development, and the final parking index will probably be reduced to less than 5.0 per 1,000 when completed.

Our subject center, at 4.6, appears quite adequate; however, ownership, upon our suggestion, has negotiated with a church on adjacent property to provide parking for employees during the week as consideration for allowing ingress and egress to the church parking lot from the northeast corner of our Center. This concession was made by the church after realizing the benefit that the parishioners would have by having additional access to the lot for their Sunday morning services.

I am also enclosing a lease summary for the Perry's Grocery lease, which was executed last Friday. This lease is conditioned upon Robert Johnson being able to obtain financing at the 9-5/8% rate applied for. We should have, within the next few days, similar leases with National Hardware, Friendly Drugs, and U-Sav-Mor Savings and Loan, at the project rentals indicated.

Mr. John T. Allgood
April 15, 1985
Page 2

Let me stress once again how strong we feel about both Mr. Johnson and his West Bend Shopping Center project. This site is an absolute natural from a real estate standpoint and Mr. Johnson has created what we feel will be an instant success. Needless to say, this loan application, as submitted, carries our full endorsement.

Please give me a call immediately following your Friday Finance Committee meeting.

Sincerely,

Arnold L. Mason

ALM:lrr
Enclosure

LEASE ANALYSIS

LESSOR: Robert Johnson d/b/a West Bend Shopping Center

LESSEE: Perry's Grocery

DATED: April 11, 1985
FROM: April 1, 1986 or occupancy date, whichever
is earlier
TO: 2011
TERM: 25 years

SQ. FT. AREA: 16,650

GUARANTEED RENT: \$63,270/year (\$3.80/s.f./year)

PERCENTAGE: 1.75% of annual gross in excess of \$2,913,750

MAINTENANCE: Lessor: Outside walls, roof, sewer, curbs,
sidewalks, paving, plumbing, HVAC
Lessee: All interior walls, flooring, ceilings,
lessee improvements and fixtures

SUBORDINATION: Full

INSURANCE: Lessor: Fire and extended coverage on building
Lessee: \$100,000/\$300,000/\$50,000 Liability plus
coverage on contents

TAXES: Lessor: Base year real estate taxes
Lessee: Tax increases only

UTILITIES: Lessee pays all

ASSIGNMENT: Lessor's consent required

RENEWAL OPTION: One 5-year option with a rental increase tied to
the Consumer Price Index

USE CLAUSE: Supermarket only

EMINENT DOMAIN: If all or a substantial part is taken, Lessee may
cancel lease

MISCELLANEOUS: If repairs take longer than 150 days, Lessee may
cancel lease

Reviewed by _____

Date: _____

THE LOAN APPLICATION

XYZ Mortgage Company
1231 Washington Street
Capitol City, Kansas
Phone: 464-7412

April 2, 1985

Mr. John T. Allgood, Vice President
Southeastern Life Insurance Company
State and Madison Streets
Chicago, Illinois

Re: Robert Johnson d/b/a West Bend Shopping Center
60,242 S.F. Convenience Shopping Center
Alpha Street and Sherman Avenue
Capital City, Kansas

Dear John:

Having received a mortgage loan application (Exhibit D), with deposit, on the above-referenced property, we are pleased to enclose the following for your consideration:

LOAN SUMMARY AND ANALYSIS

SECURITY: Proposed 60,242 s.f. convenience shopping center, situated on a 5.875 acre lot, and consisting of 3 buildings:

Building A - Retail Professional	43,050 s.f.
Building B - Retail/Professional	14,560 s.f.
Fast Food Franchise (National Chain)	2,632 s.f.

Parking is available for 274 cars.

LOCATION: NE corner at Alpha Street and Sherman Avenue (except corner piece measuring 190' x 190') in Capitol City, Kansas.

BORROWER: Robert Johnson d/b/a West Bend Shopping Center.
Net Worth = \$750,000. Experience - Over 20 years as a real estate developer, specializing primarily in apartments with some diversification into office buildings and small shopping centers. He generally builds for sale to other parties, but he intends, for the first time, to retain ownership of this project.

MORTGAGE LOAN APPLICATION

(All questions must be answered in order to insure prompt consideration)

Application is hereby made to XYZ Mortgage Company
for a loan of \$1,275,000.00 for a term of 25 years, 0 months, on
which applicant(s) agree(s) to repay the sum of \$11,057.44 to apply to
interest and principal X monthly, quarterly, beginning no sooner than
the 1st day of April, 19 76. Interest is to be paid at the rate
of 9-5/8% per annum ^{monthly} ~~quarterly~~ on the 1st day of each month.

SEE ADDITIONAL PROVISIONS

As evidence of said loan applicant(s) agree(s) to execute a mortgage or trust
deed note signed by all parties in interest and to secure said note by a
first mortgage or first trust deed on the following described real property
in the

City of Capitol City County of Gem State of Kansas

Legal Description: Lot One (1), Block Four (4), Sheraton Park Addition,
in the NE 1/4, Section 33, Tier 10 North, Range 7 East of the 9th Principal
Meridian, Capitol City, Kansas.

being on the east side of Sherman Avenue, and the north
side of Alpha Street. The lot has frontage of 380 feet
on Sherman Avenue and 330 feet on Alpha Street, with a maximum depth of
570 feet and is improved with (give brief description of buildings)
two one-story brick and block retail buildings and one one-story restaurant,
with parking.

Age of Buildings proposed years. Occupied by OWNER TENANT(S) X
\$ 212,554 (proposed) ANNUAL RENTAL

LOAN

REQUEST: Amount: \$2,062,500
 Term: 25 years
 Amortization: 27 years
 Rate: 9-5/8%
 Servicing: 1/8 of 1% to XYZ Mortgage Company
 Net Yield 9-1/2%
 Prepayment Closed 10 years.
 Open at 5% premium, declining 1%
 per year to minimum of 1%

LOAN

ANALYSIS: Loan to Value Ratio 75%
 Loan/S.F. Bldg. Area: \$34.24
 Annual Debt Service: \$214,706 (Constant - 10.41%)
 Debt Service Coverage: 1.23 to 1
 Breakpoint: 81%
 Bal. after 25 years: \$240,975 (Land value - \$894,943)
 Parking Index: 4.6 spaces/1,000 s.f./building area

FUNDING: Second quarter, 1986.

LOCATION

The subject property is situated on the Northeast corner of Alpha Street and Sherman Avenue in Capitol City, Kansas, diagonally across the intersection from the Spartan High School complex. This location is in the heart of the city's Northwest Growth Corridor and is surrounded by a rapidly-developing, well-maintained, upper-class residential neighborhood. Homes in the immediate vicinity are in the \$80,000 - \$125,000 range, and it would be necessary to travel at least two miles from the shopping center to find a home valued as low as \$45,000. As you can see, the income level of the nearly 16,000 residents living within this center's marketing area is sufficiently high to support a tenant mix which includes a beauty parlor, a gift shop, a furniture store, and several professional service-oriented businesses.

County Line Road, about one mile west of the subject shopping center, forms Capitol City's western boundary, beyond which more upper-class residential development is just commencing.

In addition to benefiting from the significant further growth potential of the immediate area, the center is ideally located to attract patrons from rural areas to the north and west. This is because both Alpha Street and Sherman Avenue constitute county section lines and, as such, are major carriers of vehicular traffic from beyond the corporate city limits. Ingress and egress is excellent from both of these four-lane arterials.

IMPROVEMENTS

The enclosed appraisal fully describes the physical characteristics of the improvements so I will be brief in my comments concerning them. I would merely like to point out that available parking, at 4.6 spaces per 1,000 s.f. of leaseable area, while below the Urban Land Institute's "5.5 per 1,000" standard of adequacy, should nevertheless be sufficient for the West Bend Shopping Center since very few of the businesses require long-term parking.

VALUE

The cost estimate given by Jiffy Construction Company, and mentioned in the appraisal, can be considered fairly firm as it was made in the form of a fixed-cost bid by the highly reputable local contractor, who has a great deal of experience in this type of construction. Adding a reasonable amount of entrepreneurial profit to their bid results in a cost estimate which closely approximates, and thus corroborates, that derived from the Marshall and Swift Valuation Service.

As for the project's economic value, we have conducted our own survey of comparable rents in the Capitol City area (a summary of which is attached as Exhibit B to this letter) which substantiates the validity of the tentative lease agreements reached with prospective tenants thus far. Details of these tentative leases are set forth in Exhibit A.

BORROWER

The borrower, Robert Johnson, is a life-long resident of Capitol City and is well known throughout the community. Although this project constitutes his first venture, personally, into the long-term ownership of a sizable commercial property, we feel completely confident in recommending him highly to you because of his twenty-plus years of experience in successfully developing such properties for others. We have attached his personal financial statement to this letter as Exhibit C, but we suggest that you approach this investment opportunity more from the real estate, than from the credit, angle.

SUMMARY

Based upon our underwriting criteria, we feel that this proposal contains the ingredients desired in a high quality loan offering. Our optimism stems from the following:

1. The excellence of the real estate, located in a high-income neighborhood, with tremendous growth potential.
2. A well-substantiated value, both from an economic and a cost standpoint, which is fully capable of supporting projected debt service and expenses.

3. Tentative lease agreements with good local credits which result in the property's being 85% pre-leased before construction has even begun. Letters of intent will be made available upon request.
4. An owner/developer who is highly experienced in the analysis and underwriting of such investments and who intends to retain his ownership interest in the property.

We therefore confidently recommend this loan for your favorable consideration, based upon a loan amount of \$2,062,500, a loan term of 25 years, with a 27-year amortization, and a gross yield of 9-5/8% with 1/8 of 1% servicing.

Thank you very much for your consideration in this matter. We look forward to receiving your commitment for permanent financing.

Sincerely,

Arnold L. Mason

Enclosures

EXHIBIT A
Page 1

ANALYSIS OF TENTATIVE LEASES

MINIMUM ANNUAL RENT

<u>Tenant</u>	<u>S.F.</u>	<u>Total</u>	<u>Per S.F.</u>	<u>% Rents</u>	<u>Prime Term</u>
Perry's Grocery	16,650	\$63,270	\$3.80	1.75%	25 yrs.
National Hardware	10,200	43,350	4.25	4	15 yrs.
Friendly Drugs	6,000	36,900	6.15	4	10 yrs.
Sleepy Time Furniture	4,800	27,360	5.70	6	5 yrs.
Men's Wear, Ltd.	4,200	24,780	5.90	6	10 yrs.
Huey's Off-Sale Liquor	1,344	12,096	9.00	3	10 yrs.
Spot Check Cleaners	1,000	7,120	7.12	7.5	5 yrs.
Slyvester's Beauty Salon	1,000	7,610	7.61	8	55 yrs.
Yankee Clipper (Barber)	670	4,964	7.41	8	5 yrs.
U-Sav-Mor S & L	2,688	22,176	8.25	10	10 yrs.

EXHIBIT A

Page 2

<u>Tenant</u>	<u>Renewal Options</u>	<u>Lease Subordination</u>	<u>Taxes</u>
Perry's Grocery	one 5-yr.	full	Lessor with 1st yr. stop
National Hardware	two 5-yr.	"	"
Friendly Drugs	two 5-yr.	"	"
Sleepy Time Furniture	two 5-yr.	"	"
Men's Wear, Ltd.	one 5-yr.	"	"
Huey's Off-Sale Liquor	one 5-yr.	"	"
Spot Check Cleaners	two 5-yr.	"	"
Sylvester's Beauty Salon	one 5-yr.	"	"
Yankee Clipper (Barber)	one 5-yr.	"	"
U-Sav-Mor S & L	two 10-yr.	"	"

<u>Tenant</u>	<u>Maintenance</u>	<u>Insurance</u>	<u>Utilities</u>
Perry's Grocery	Lessor-Ext. Lessee-Int.	Lessee:Contents & Liability only	Lessee
National Hardware	"	"	"
Friendly Drugs	"	"	"
Sleepy Time Furniture	"	"	"
Men's Wear, Ltd.	"	"	"
Huey's Off-Sale Liquor	"	"	"
Spot Check Cleaners	"	"	"
Sylvester's Beauty Salon	"	"	"
Yankee Clipper (Barber)	"	"	"
U-Sav-Mor S & L	"	"	"

EXHIBIT B
Page 1

- (1) = Oakridge
Essex Drive and Alpha Street
Capitol City, Kansas
- (2) = Shermantown
Ivy Street and Sherman Avenue
Capitol City, Kansas
- (3) = Urban City
Forest Avenue and Urban Way
Capitol City, Kansas
- (4) = Belifort
Belmont Avenue and Calvin Street
Capitol City, Kansas
- (5) = Subject
Alpha Street and Sherman Avenue
Capitol City, Kansas

SCHEDULE OF COMPARABLE RENTALS

	Tenant Type	Prime Term	Renewal Terms	Annual Rent/SF	% Rents	Expenses	
						Lessee	Lessor
(1)	Major:	15-20 years	two (+) 5 yr.	\$4.00	1-2%	Utilities Tax Incr.	All Other
	Minor:	5-10 years	0-two, 3-5 yrs.	5.70- 9.87	3-7%	Contents Ins. Liab. Ins.	
(2)	Major:	20yrs.	up to 10 yrs.	\$3.80- 3.95	1-3%	All Exp.	None
	Minor:	5-10 years	up to 5 yrs.	3.00- 9.11	4-6%		
(3)	Major:	25yrs.	5 yrs.	\$3.95	1%	Utilities Contents Ins.	All Other
	Minor:	5-10 years	very flexible	5.31- 9.87	4-8%		
(4)	Major:	20-25 years	two 5-yr.	\$3.72- 3.95	1.5%	Utilities Contents Ins.	All Other
	Minor:	3-10 years	0-three 3-5 yrs.	5.46- 9.87	3-8%	Int. Maint. Tax Incr. Liab. Ins.	
(5)	Major:	15-25 years	5-10 years	\$3.80- 4.25	1.75- 5%	Utilities Contents Ins.	All Other
	Minor:	5-10 years	5-10 years	5.69- 9.50	4-8%	Liab. Ins. Tax Incr. Int. Maint.	

EXHIBIT C

ROBERT JOHNSON

Balance Sheet
as of
December 31, 1984

ASSETS

	<u>Cost</u>	<u>Market</u>
Cash	\$ 50,000	\$ 50,000
Marketable Securities (Schedule 1)	80,929	74,479
Real Estate Investments (Schedule 2)	649,500	987,000
Other Assets (Schedule 3)	<u>147,000</u>	<u>165,000</u>
TOTAL ASSETS	\$927,429	\$1,276,479

LIABILITIES

Personal Note - National Bank, due 8/86	\$137,500	\$137,500
Personal Note - C. A. Smith, due 5/87	90,000	90,000
Mortgage on Land - National Bank, due 12/91	<u>293,425</u>	<u>293,425</u>
TOTAL LIABILITIES	\$520,925	\$520,925

<u>EQUITY</u>	\$406,504	\$755,554
---------------	-----------	-----------

EXHIBIT C
Page 2

SCHEDULE 1

MARKETABLE SECURITIES

		<u>Cost</u>	<u>Market</u>
2100 Shares	Blue Chip, Inc.	\$ 33,600	\$ 29,400
6000 Warrants	Blue Chip, Inc.	24,000	21,000
300 Shares	Ozark Distillers	6,000	4,500
1500 Shares	International Airport	5,000	5,250
Bonds	Capitol City Air Authority ('94)	24,750	25,000
	New York City, N.Y. ('97)	48,500	50,000
	Chicago, Illinois ('98)	<u>24,750</u>	<u>25,000</u>
		\$166,600	\$160,150
Less Amount Due Broker		<u>85,671</u>	<u>85,671</u>
Total Marketable Securities		\$ 80,929	\$ 74,479

SCHEDULE 2

REAL ESTATE INVESTMENTS

	<u>Cost</u>	<u>Market</u>
Unimproved Land Alpha St. & Sherman Ave. Capitol City, Kansas	\$606,000	\$895,000
Land and Retail Building Nelson St. & Belmont Ave. Capitol City, Kansas	24,500	38,000
Residence 3310 Stacy Drive Capitol City, Kansas	19,000	54,000
	<u>\$649,500</u>	<u>\$987,000</u>
Less Mortgage on Unimproved Land	293,425	293,425
Total Real Estate Investments	\$356,075	\$693,575

EXHIBIT C
Page 3

Schedule 3

OTHER ASSETS

	<u>Cost</u>	<u>Market</u>
Art - Paintings	\$ 30,000	\$ 40,000
Employee Profit Sharing Plan	50,000	75,000
Cattle	20,000	20,000
Automobiles (2)	12,000	10,000
Furniture and Other Personal Belongings	25,000	10,000
Cash Value Life Insurance	<u>10,000</u>	<u>10,000</u>
Total Other Assets	\$147,000	\$165,000

INTRODUCTION AND DESCRIPTION OF PROPOSED DEVELOPMENT

The following is an alternative development proposal for a neighborhood shopping center located on the northeast corner of Sherman Avenue and Alpha street in Capitol City, Kansas. This alternative proposal is the result of the systematic analysis of the significant elements of the original appraisal/proposal which were found to be inadequate in many phases of contemporary real estate development methodology.

The presentation of this alternative proposal is divided into the following four areas of analysis: (1) Evaluation of Risk, (2) Cost Analysis, (3) Income Analysis and (4) Feasibility Testing. For simplicity, the various aspects of the alternative proposal are compared to the original concept proposed by the developer, Mr. Johnson. To establish a systematic model for risk evaluation this analysis employs an adjusted default ratio approach enabling unacceptable risk variables to be identified and systematically controlled.

Most of the original proposal has been altered to some extent. The main area of concern is Mr. Johnson's lack of experience in the development of a project of this type. Because of this, it is deemed necessary that a general partner be incorporated into the project. The ideal partner would have local experience as a developer, extensive experience as a design-build contractor, in-house leasing, and a property management division. The project is needlessly exposed to risk by employing a novice developer such as Mr. Johnson by himself; indeed, not only will risk levels be substantially reduced by a joint venture partner, Mr. Johnson will attain significant experience through a strong and experienced partner.

The original proposal has been modified in order to capture a segment of the market not adequately served in the area. It is proposed that a enclosed mall be constructed on the site. As outlined in the original proposal, additional demographic analysis suggests a relatively high degree of purchasing power by the local population. The intent of this center is to provide a high income convenience center directed toward a high penetration of the local trade area. This will be accomplished through careful tenant selection, superior tenant mix, and attractive shopping facilities.

I. ESTABLISH INITIAL ACCEPTABLE RISK LEVEL

USE OF THE DEFAULT RATIO

The default ratio, also called the breakeven point, was used as a preliminary evaluation tool in structuring a systematic approach for the analysis. In this form the default ratio becomes a systematic measure of the project's ability to meet operating expenses, real estate taxes, and annual debt service with the expected gross income; hence, the default ratio measures cash solvency and is therefore referred to as a "risk adjusted default ratio".

In its computational form (i.e. annual cash outflow divided by total potential annual cash inflow), the default ratio provides an estimate of the cushion for variance. As a risk structuring device the risk adjusted default ratio addresses the risk associated with the uncertainty of the accuracy of assumptions being used to estimate future conditions. In this form (the risk adjusted factor) the ratio must be large enough to protect the proposed project from any surprise events such as an unusually large number of vacancies or abnormally high expenses. A complete sensitivity analysis examining the assumptions of the project has also been performed. The risk adjusted default ratio calculations and the sensitivity analysis are presented in the schedules that follow.

OVERALL RISK ASSESSMENT

To access project risk, the following nine elements were identified as being significant determinants of risk in this class of real estate. The elements and weights are:

1. Developer Characteristics.	.18
2. Lease Characteristics.	.16
3. Degree of Channelized Demand.	.14
4. Tenant Characteristics.	.13
5. Type of Project.	.12
6. Development Characteristics.	.10
7. Financial Package.	.08
8. State of Economy.	.04
9. Quality of Market Study.	.02

1.00

To quantitatively measure risk in terms of a risk adjusted default ratio, the nine elements were weighted by their importance to the development process, and each element was broken down into several sub categories that were scored according to the project's characteristics. The risk parameter was determined by adding up the scores of all nine elements.

DEVELOPER CHARACTERISTICS

The first factor comprising the risk adjusted default ratio is the experience, financial strength, and local reputation of the developer. Although the developer has over 20 years of development experience and has a good local reputation, he has primarily built only apartment buildings and not shopping centers. Furthermore, the developer has acted as a merchant builder rather than as an equity investor. Because these issues result in a different type of building, for a different market, and with different objectives, the developer is deemed to lack specific experience in the contemplated project type.

The developer also lacks financial strength necessary to develop a project of this magnitude. The developer's primary assets

consist of three properties including his residence, a small retail building, and the vacant land intended for the proposed shopping center.

Based upon this information, it is proposed that an agreement be reached where by the developer agrees to a joint venture arrangement with a strong local developer experienced with the nature and locality of the proposed project. The ideal partner will have local experience as a developer, extensive experience as a design-build contractor, in-house leasing, and a property management division.

LEASE CHARACTERISTICS

The next factor of the risk adjusted default ratio measures lease characteristics including the duration, term, status, and types of leases negotiated. There are ten tenants mentioned in the prospectus, but only one, the grocery, appears to have a signed lease. Three other leases are assumed to be in the final negotiation stage while the remaining leases are in beginning negotiations or have only been targeted for leasing.

The leases are not well structured. The optimum arrangement would be to have staggered leases decreasing the risk of high temporary vacancy rates and stabilizing the expected cash flow. Lease structures should also reflect the size and importance of the tenant. Nationally-known tenants with high drawing power and good credit usually are given longer term leases while local retailers with questionable longevity should assume short term leases with higher percentage rents. The bigger tenants provide stability and drawing power at lesser income levels. Smaller tenants provide an inflation hedge and flexibility through shorter leases. The greatest impediment of lease characteristics affecting the viability of the proposal is the lack of signed leases. At the same time, this allows the project to be redesigned and marketed to an upper scale clientele. The type of tenants and lease structures are the basic determinants of a quality cash flow which is critical to the equity investor.

CHANNELIZED DEMAND

The third component of the risk adjusted default ratio is the degree of channelized demand. This is defined as the amount of monopoly control possessed by a project. Channelized demand is determined by the amount of consumer interest in project design, political factors, alternative competitive sights, and demographic support. Although the proposed project appears to have only average channelized demand certain marketing efforts can be initiated to increase a centers productivity. Marvin J. Rothenberg retail marketing consultants emphasizes targeting marketing dollars as opposed to mass marketing efforts. As the firm points out, since

customers are typically repeat customers, and 25% of these account for 66% of sales, the greatest potential for expansion already exists within the primary market area of the center. This reinforces the need for a quality center and careful tenant selection. Redesigning the proposed center to appeal toward higher income individuals, offering an effective tenant mix of convenience and destination stores, will significantly increase the project's monopoly position within the trade area.

TENANT CHARACTERISTICS

The quality of tenants is the fourth component of the risk adjusted default ratio analysis. Since few leases have actually been signed this factor is difficult to determine; however, typically nationally known tenants would be the first to sign leases in a new center to assure themselves participation in design and location. As mentioned, this deficiency makes the center a riskier proposition but also allows the most significant area of improvement.

GENERAL GUIDELINES FOR TENANT PLACEMENT

There are several general guidelines with respect to placement of tenants within shopping centers:

Anchor tenants should not be placed next to, or near each other; in fact, the optimal configuration would be to place them at opposite ends of the shopping center in order to encourage pedestrian traffic throughout the shopping center complex.

Adjoining tenants should be compatible, and even complementary if possible allowing convenient pricing, cross purchasing, and a more significant marketing impact.

Parking and shopping center ingress/egress needs should be satisfied while minimizing accompanying traffic problems.

Grouping of tenants can be done so long as it sustains the interest of the customers and succeeds in drawing shoppers through the entire center. According to the Urban Land Institute Shopping Center Development Handbook the following groups work well together and set a guide to tenant placement:

- Men's clothing, haberdashery, hardware, sporting goods
- Women's apparel & shoes, children's clothes & toys.
- Grocery, food stores, specialty food items, delicatessens, bakeries, and confection shops.
- Stores selling personal services and convenience.

IDENTIFICATION AND CLASSIFICATION OF ORIGINAL TENANT MIX

The retail tenants of a shopping center are critical to the overall financial success of the center. Ultimately, the success of a retail real estate development is dependent upon a developer being able to combine the attributes of a particular site with specified select tenants in a suitable and ambient building. A center's tenant mix cannot be decided by a formula; each community and each shopping center are different. The characteristics of the market in which the center is located will form the basis for key tenant selection and eventually a supplementary array of tenant composition.

Review of the shopping center tenant list begins with the identification and classification of current and proposed tenants. Tenants can be classified according to form of ownership. Definitions used are those accepted by the Urban Land Institute, as follows:

National Chain Store: A business operating in four or more metropolitan areas in three or more states.

Independent Store: A business not having more than two outlets in only one metropolitan area.

Local Chain Store: A business that does not fall into either of the proceeding categories.

The importance of a controlled and quality tenant mix in a shopping center cannot be overemphasized. Retail tenants of a shopping center define the character and determine the overall success of the enterprise. While there are certain rules of thumb with respect to the kinds of tenants for certain shopping centers, they should be used only as general guidelines in the selection of tenants. The success of a shopping center tenant mix does not depend upon whether certain tenant types are included or excluded. Rather, the success of a tenant mix lies in selecting and combining a group of mutually reinforcing tenants that will serve the needs of the target market. Each shopping center and its target market are unique, and an appropriate tenant mix for one center may not be appropriate for another center.

A critical determinant for a given tenant mix is the demographic character of the market of the trade area. Population, disposable income, resident age composition, household size, employment type, employment status, and ethnic character are all important considerations in defining the center's target customers.

Strength and competition near a proposed center within the defined trade area is also of concern. Direct competition with other retail activity should be avoided and acquisitions of additional land to prevent this ought to be considered.

The financial stability of tenants to last a lease-up and marketing phase under a pessimistic market forecast should be

considered; as well as the credit rating, profit/loss history, advertising policy, customer profile, operations history, merchandising policy, and overall integrity of possible tenants must be carefully analyzed.

Also to be considered is the drawing power, local buying habits, compatibility of tenant mix, motivation of target customers, parking requirements generated by specific tenants, and the independent marketing efforts performed by local chains or national franchises of all prospective tenants. To the extent possible, a demographic analysis has already been performed. The conclusion is that an upscale neighborhood center has an identifiable market in the trade area. The changing needs of smaller households creates a demand for convenience items particularly those found in a neighborhood center.

Below is a list of proposed tenants at the West Bend Shopping center (highlighted are those tenants with nearly signed leases):

1. Friendly Drugs	Local Chain
2. Huey's Off-Sale Liquor	independent store
3. Mens Wear Ltd	independent store
4. National Hardware	National Chain
5. Perry's Grocery	National Chain
6. Sleepy Time Furniture	Independent Chain
7. Sylvester's Beauty Salon	Independent Store
8. Spot Check Cleaners	Independent Store
9. U-Sav-Mor S&L	Local Chain
10. Yankee Clipper	Local Chain
11. Yum Yum Tree	National Franchise.

Leases of current or proposed tenants should be evaluated in terms of lease structures. Not all the proposed tenants will be desired in the revised rent roll; leases should not be signed until all revisions in tenant composition are made. The following is an analysis of the proposed tenant list:

Friendly Drugs, Perry's Grocery: Both these tenants represent the most common anchor tenants in a neighborhood shopping center. These tenants will be retained in the West Bend Center. The area designated for a shopping center should, however, be expanded. Dollars and Cents of Shopping Centers states that the median size of a supermarket in a center of this type occupies 25,500 square feet with newly built stores even larger. Considering the importance of an anchor tenant either Perry's Grocery should be expanded or a new supermarket tenant should be found. Considering the nature of the originally proposed center and the complimentary tenants considered, the quality of all the proposed tenants could be too "discount" for the revised neighborhood center. Hence, generic tenants will be assumed interchangeable with proposed tenants. The competing nature of these two tenants should be defined in the lease agreements such that overlapping products do not account for more than 5% of sales from either tenant.

Sleepy Time Furniture: This tenant should be dropped from the rent roll. A furniture store produces little traffic and a low sales volume per square foot of GLA. The average household purchases furniture infrequently and makes a special shopping trip for such merchandise. Furniture stores fit into suburban locations and the pattern of evening shopping, requiring larger display and storage areas while paying low rents per square foot.

Mens Wear, Ltd.: Men's stores with complete clothing lines have become more important in regional centers and less important in community and neighborhood centers. Although a selected range of haberdashery can be appropriate in a neighborhood center, an upscale clothing store with mixed mens and womens clothing would be a more suitable tenant and would appeal to a broader client mix.

National Hardware: This tenant will probably have to be eliminated from the rent roll. Although a hardware store frequently appears in neighborhood centers and caters to the convenience aspect of the center, the nature of the tenant may not mix with the proposed atmosphere of the other tenants, in addition, the store requires too much floor space. A hardware store would be an appropriate tenant for a slightly more discount center. Even so, a nationally recognized tenant could be beneficial if located in a secondary location. However, the likelihood of a national tenant accepting a secondary position or reduced space is slim. Given the opportunity to select a new tenant, a hardware store may not be the preferable choice.

Huey's Off-Sale Liquor: A liquor store is an appropriate tenant for the proposed center. However, similar to other discount tenants, Huey's would likely be replaced with a quality liquor store offering a wide wine selection rather than discounts on kegs of beer.

Spot Check Cleaners: This tenant would be retained in the proposed West Bend Center. Tenants providing personal services are common to all types and sizes of shopping centers, occupying a much higher percentage of total GLA than in any other type of shopping center. Service tenants are usually independent merchants who pay high rents per square foot of store area. Since the gross sales of service shops are difficult to ascertain, such tenants may pay a higher minimum guaranteed rent per square foot instead of a sales percentage.

Sylvester's Beauty Salon, Yankee Clipper, U-sav-Mor S&L: These tenants would be replaced with similar type tenants appealing to a greater mix of consumers. A unisex hair care could replace the two proposed tenants. The result is a more profitable operation in approximately the same amount of space. A S&L creates many unneeded problems in a shopping center including problems of circulation, effect on adjacent tenants, and inadequate rent levels. A greater number of customers could be drawn to the center with the simple installation of a automated teller machine (ATM). An ATM attracts

clients from any number of banks and requires a greatly reduced number of square feet. Furthermore, it is highly unlikely that the lease terms specified in the proposal could be attained - rarely are percentage rents paid on bank deposits. An alternative to this tenant would be a full line brokerage service offered such as with Sears incorporating the Dean Witter/Coldwell Banker/Allstate financial service network.

PROJECT TYPE

The risk inherent in any type of project is influenced by the stability of its cash flows and therefore, the chances of the project maintaining solvency. Shopping center cash flows may not fluctuate as much as a hotel, for example, but it does not have the revenue certainty of a subsidized housing project. A shopping centers risk is modified by the diversity of the enterprises involved. One store's failure may be softened by the diversity of other enterprises leased. Therefore, the risk in this type of project is classified as being moderate.

DEVELOPMENT CHARACTERISTICS

The development characteristics will significantly contribute to the present cost and eventual success of the project. The design, layout, parking, traffic ingress and egress, construction efficiency, tenant placement, customer flow and allocation - in lease up and in ultimately maximizing project returns.

The proposed layout of the project is very poor. First, the layout consists of three buildings. This results in a large increase in construction costs, awkward pedestrian access from one building to another, inefficiency of parking and traffic flow and an unnecessary waste of space. In the revised site plan a mall is proposed which allows for easy pedestrian movement from one store to another. Individually metered tenant space controls utility costs and allows flexibility as each tenants needs will differ. Traffic flow has been simplified by closing access points and creating separate truck entrances. Parcel pickup zones facilitate traffic movement around the supermarket while allowing safe emergency vehicle access.

In the original design the placement of tenants leaves no inducement for the customers to pass by secondary stores. The anchor tenant should be placed at one end of the structure so that maximum traffic flow can be obtained. The layout should focus on the visibility and access of all the tenants. The alternative site plan demonstrates how major tenants create sustained shopper traffic movement through a mall design. Tenants are also grouped according to shopper buyer categories.

The original center design does not take into account the local weather conditions. An integrated building providing enclosed centerwide access would go far in alleviating customer discomfort,

anxiety, stress and provide for a more relaxing, sheltered environment as the proposed layout demonstrates.

The center lacks an adequate number of real parking spaces. Even though a convenience center is characterized by more frequent daily customer turnover and can, therefore, justify a smaller parking index, the number of spaces is still short of fulfilling the parking demands of the center. The alternative layout has more effective spaces because each is easily reached, and convenient to move in and out of. Directional traffic also simplifies the parking system.

Proper allocation of space determined on a tenant by tenant basis is as important as tenant selection. Although both the hardware store and furniture store will be replaced they are an example of an overallocation of square footage that will ultimately be unproductive. In contrast, the supermarket is allocated too little space. This problem is rectified under the new layout. Each tenant is allocated standard square footage based upon national statistics available through the Urban Land Institute.

Finally, traffic ingress and egress to the center is troublesome. Placement of entrances and exits close to the intersection would cause traffic congestion. Numerous access points would even add to this problem by making the traffic flow more complex and confusing. This problem is rectified under the alternative layout.

PHYSICAL DESIGN ANALYSIS - SUMMARY

The review of Mr. Johnson's project indicated that serious problems existed in the operational efficiency of the shopping center as designed. The problems noted are listed below and the design proposal that solves these problems appears in Exhibit 1.

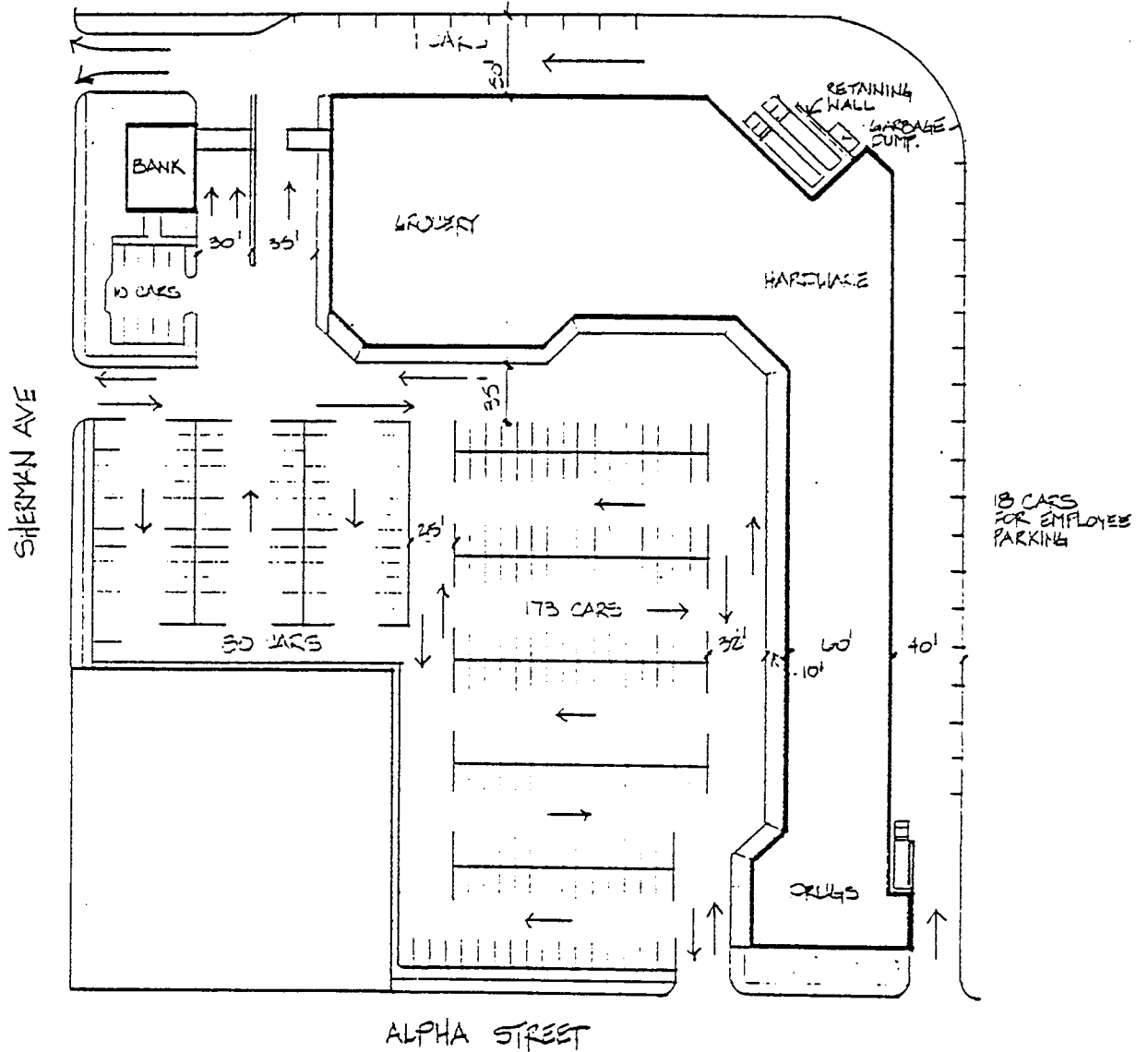
Problems Noted:

1. Close off Rexford Drive to create a continuous land mass without non-customer traffic interfering.
2. Move the Alpha Street egress farther east to provide smoother egress on to the street off of the site.
3. Move the Sherman Street egress farther north to provide easier egress on to Sherman Street off of the site.
4. Create a oneway service drive off of Alpha Street along the back of the center away from customer traffic. Also, to provide employee parking away from customer parking.
5. Create easily accessible loading docks and garbage pick-up for large trucks.

6. To provide a 2-lane exit at the northwest corner of the site to facilitate fast egress from site for bank drive-up customers, service vehicles, and grocery store pick-ups.
7. To provide 5-10% of site for landscaping.
8. To obtain approximately 4.5 parking spaces per 1000 sq. ft. of GLA.
9. To eliminate all store front parking, thus, providing for pick-up and emergency vehicle access.
10. Move the grocery store to one end of the building creating an anchor tenant and ease of pick-up service.
11. To provide drive-thru facilities, and walk-up customer parking for the bank.
12. To create an architecturally pleasing facade by avoiding 2 straight elevations on a L-shaped center.
13. To provide a simplified parking layout for ease of customer vehicle circulation and maximized parking efficiency through use of perpendicular spaces.
14. To direct pedestrian traffic towards the center after leaving their cars (perpendicular parking rows to the center).

Exhibit 1
Design Proposal

EXHIBIT 2.
EMPLOYEE
PARKING



SITE PLAN
SCALE 1"=100'.0"



EXHIBIT 2

DEFAULT RATIO CALCULATIONS: (revised)

I. DEVELOPER CHARACTERISTICS -

A. Years of experience in project type	.75 * .65 = .4875
B. Total development experience	1.0 * .10 = .10
C. Financial position	.50 * .15 = .075
D. Local reputation	1.0 * .10 = .10

.7625

* .18

= .1372

=====

II. LEASE CHARACTERISTICS -

TENANT	LENGTH	RATE	TERM	STATUS	TYPE	TOTAL
Perry's Groc.	1.0	1.0	.75	1.0	.70	.89
Friendly Drugs	1.0	1.0	.75	.75	.70	.84
Men's Wear	1.0	1.0	.75	.75	.70	.84
Liquor Store	1.0	.50	.75	.50	.70	.75
Cleaners	.60	1.0	.75	.50	.70	.74
Unisex Hair Shop	.60	1.0	.75	.75	.70	.76
Financial Serv.	1.0	1.0	.75	.50	.70	.79
Sp. Meat & Fish	.60	.50	.75	.75	.70	.70
Delicatessen	.75	.50	.75	.75	.70	.75
Bakery	1.0	.75	.75	.75	.80	.81
Restaurant	.75	1.0	.75	1.0	.80	.86
Fast Food	.75	.75	.75	.75	.70	.80
Ladies Specialty	1.0	.75	.75	.75	.70	.79
Ladies Specialty	1.0	.75	.75	1.0	.80	.86
Ladies Shoes	1.0	1.0	.75	.75	.80	.86
Sporting Goods	.75	.75	.75	.75	.80	.76
Camera/Film	.75	.75	.75	.75	.70	.74
Cards & Gifts	1.0	1.0	.75	1.0	.80	.90
Bookstore	.75	1.0	.75	1.0	1.0	.90
Jewelry	.75	.75	.75	1.0	1.0	.90
Flower Shop	.75	.50	.75	.75	.70	.69
ATM	.50	.50	.75	.50	.70	.65
Travel Agent	1.0	.75	.75	.75	.70	.85
Video Rental	.75	.75	.75	.75	.80	.90

Average Rating: .8054

* .16

= .1288

=====

EXHIBIT 2 (continued)

III. DEGREE OF CHANNELIZED DEMAND -

Shopping Center has been designed to cater to the immediate trade area and household income.

$$\begin{array}{r}
 .80 \\
 \times .14 \\
 \hline
 = .112 \\
 \hline
 \end{array}$$

IV. TENANT CHARACTERISTICS -

A. Quality $1.0 \times .50 = .50$
 B. Mix $1.0 \times .50 = .50$

$$\begin{array}{r}
 .50 \\
 + .50 \\
 \hline
 1.0 \\
 \times .13 \\
 \hline
 = .13 \\
 \hline
 \end{array}$$

V. TYPE OF PROJECT -

With the modified design and tenant mix, this project can now be called a shopping center.

$$\begin{array}{r}
 .85 \\
 + .12 \\
 \hline
 = .1012 \\
 \hline
 \end{array}$$

VI. DEVELOPMENT CHARACTERISTICS -

A. Design $.75 \times .25 = .1875$
 B. Spatial distribution $1.0 \times .25 = .25$
 C. Construction efficiency $.90 \times .25 = .225$
 D. Parking $.75 \times .25 = .1875$

$$\begin{array}{r}
 .1875 \\
 + .25 \\
 + .225 \\
 + .1875 \\
 \hline
 .85 \\
 \times .10 \\
 \hline
 = .085 \\
 \hline
 \end{array}$$

VII. FINANCIAL PACKAGE -

A. Percent equity $0 \times .50 = 0$
 B. Terms of debt
 1. Length $.75 \times .50 \times .25 = .09375$
 2. Interest Rate $.85 \times .50 \times .25 = .10625$
 C. Type of mortgage $.80 \times .25 = .20$

$$\begin{array}{r}
 .40 \\
 \times .08 \\
 \hline
 = .032 \\
 \hline
 \end{array}$$

VIII. STATE OF ECONOMY -

A. Local $.75 \times .80 = .60$
 B. National $.75 \times .20 = .15$

$$\begin{array}{r}
 .60 \\
 + .15 \\
 \hline
 .75 \\
 \times .04 \\
 \hline
 = .03 \\
 \hline
 \end{array}$$

IX. QUALITY OF MARKET STUDY -

What market study ? $0 \times .02 = 0$

Sum of I through IX: Default Ratio = 0.7558

II. ESTABLISH INITIAL COST BASIS

BUILDING ENVELOPE CALCULATIONS.

The size of our shopping center is driven by the perceived need to maximize the building size to site size ratio, provide adequate parking, and landscaping area.

Building GLA.	64,750 Sqft.	
Loading Dock	1,630 Sqft.*	*assumption of space required.
Covered Walkway	<u>6,300 Sqft.*</u>	*assumed a 10 foot width.
Total Bldg.	72,680 Sqft.	
Landscaping	16,550 Sqft.	
Parking Area/ Service Area	<u>166,468 Sqft.</u>	
Total Site	255,698 Sqft.	

Typical Parking Space Size = 9' * 18' * *ULI's & AIA's parking stds.

Parking Aisle Width = 25' * *See above

Parking Ratio = 4.48/1000 Sqft of Building GLA.

Total Parking Spaces = 290

NORMATIVE COST SCENARIO.

A thorough analysis of an investment must consider the possibility of fluctuating revenues and costs and the effects these variations have on the investment's return. To explore the project's economic flexibility, a format was chosen to analyze 3 scenarios: normal (most likely), optimistic, and pessimistic.

The normal scenario approximately reflects the middle range of costs presently obtainable in the market to build a neighborhood

shopping center that meets the investors' requirements. These requirements include masonry wall bearing construction for the majority of the center with concrete reinforced construction (wall bearing at the exterior and steel frame in the interior) for the 3 larger tenants (anchors). The HVAC is warm and cool air system and the complete building is sprinkled. All costs were estimated using Marshall & Swift Commercial Cost Service. For a more accurate cost estimate the program allowed the break out of specific costs for each category of tenants. The break down was as follows: bank, restaurants, market, retail, and neighborhood shopping center. The program indicated a normal cost of \$39.02 per square foot for hard cost.

Soft costs applied to the normal scenario were the mid-range of costs surveyed in the market. These costs include construction interest, contingencies, insurance, legal and closing costs. These costs were estimated using the COMERMOD program and the total project cost per square foot came to \$71.62. The normative construction cost is \$5,205,102.

The following output pages are from the COMERMOD program and detail the amounts and assumptions in estimating the construction costs for the normal and optimistic scenarios.

COMERMOD PART 1

COST SUMMARY FOR CASE SOLUTION - NORMATIVE

BREAKDOWN OF THE DIFFERENT USES

USE	% OF BUILDING	SQUARE FEET	COST
RETAIL	1.000	72,680	\$2,835,974.
OFFICE	0.000	0	\$0.
RESIDENTIAL	0.000	0	\$0.
TOTAL BLDG COST	1.000	72,680	\$2,835,974.

THE SITE AS PROPOSED HEREIN WILL CONSIST OF THE FOLLOWING:

CATEGORY	% OF SITE	SQUARE FEET	COST
BUILDING	0.284	72,680	\$2,835,974
LANDSCAPING	0.217	55,430	\$166,290
STREETS	0.109	27,870	\$146,317
PARKING	0.391	99,935	\$299,805
	1.000	255,915	\$3,448,386
LAND			\$894,943
TOTAL PROJECT COST			\$4,343,329

(SETBACK IS 68 FEET)

COMERMOD PART 2

CATEGORY -----	PERCENT OF IMPROVEMENTS COSTS -----	COST -----
CONTINGENCY COSTS	0.0750	\$258,629.00
ENGINEERING FEES	0.0300	\$103,451.60
LOAN ORIGATION FEES	0.0225	\$77,588.69
LEGAL AND CLOSING FEES	0.0250	\$86,209.65
TAXES AND INSURANCE COSTS	0.0225	\$77,588.69

HARD AND SOFT COST SUMMARY WITHOUT CONSTRUCTION INTEREST

TOTAL HARD COSTS (EXCLUDING LAND)	\$3,448,386.00
-----------------------------------	----------------

SOFT COSTS (EXCLUDING CONSTRUCTION INTEREST)

FIVE-YEAR AMORTIZABLE ITEMS	\$0.00
TEN-YEAR AMORTIZABLE ITEMS	\$0.00
NINETEEN-YEAR DEPR. ITEMS	\$603,467.60

TOTAL	\$603,467.60
-------	--------------

TOTAL HARD AND SOFT COSTS	\$4,051,854.00
---------------------------	----------------

CONSTRUCTION LOAN INTEREST TABLE

PERIOD	INTEREST CHARGE	CUMULATIVE INTEREST
1	\$5,740	\$5,740
2	\$11,480	\$17,220
3	\$17,220	\$34,441
4	\$22,961	\$57,401
5	\$28,701	\$86,102
6	\$34,441	\$120,543
7	\$40,181	\$160,724
8	\$45,921	\$206,645
9	\$51,661	\$258,306

TOTAL PROJECT COSTS

TOTAL HARD COSTS	\$3,448,386
TOTAL SOFT COSTS	\$603,468
TOTAL CONSTRUCTION INTEREST COSTS	\$258,306
LAND ACQUISITION COST	\$894,943
TOTAL PROJECT COSTS	\$5,205,102
TOTAL PROJECT COSTS PER S.F.	\$71.62

COMERMOD PART 1

Construction Costs

COST SUMMARY FOR CASE SOLUTION - OPTIMISTIC

BREAKDOWN OF THE DIFFERENT USES

USE	% OF BUILDING	SQUARE FEET	COST
RETAIL	1.000	72,680	\$2,694,248.
OFFICE	0.000	0	\$0.
RESIDENTIAL	0.000	0	\$0.
TOTAL BLDG COST	1.000	72,680	\$2,694,248.

THE SITE AS PROPOSED HEREIN WILL CONSIST OF THE FOLLOWING:

CATEGORY	% OF SITE	SQUARE FEET	COST
BUILDING	0.284	72,680	\$2,694,248
LANDSCAPING	0.217	55,430	\$110,860
STREETS	0.109	27,870	\$125,415
PARKING	0.391	99,935	\$249,838
	1.000	255,915	\$3,180,360
LAND			\$894,943
TOTAL PROJECT COST			\$4,075,303

(SETBACK IS 68 FEET)

COMERMOD PART 2

BREAKDOWN OF SOFT COSTS

CATEGORY	PERCENT OF IMPROVEMENTS COSTS	COST
CONTINGENCY COSTS	0.0600	\$190,821.60
ENGINEERING FEES	0.0200	\$63,607.20
LOAN ORIGINATION FEES	0.0150	\$47,705.40
LEGAL AND CLOSING FEES	0.0200	\$63,607.20
TAXES AND INSURANCE COSTS	0.0150	\$47,705.40

HARD AND SOFT COST SUMMARY WITHOUT CONSTRUCTION INTEREST

TOTAL HARD COSTS (EXCLUDING LAND)	\$3,180,360.00
-----------------------------------	----------------

SOFT COSTS (EXCLUDING CONSTRUCTION INTEREST)

FIVE-YEAR AMORTIZABLE ITEMS	\$0.00
TEN-YEAR AMORTIZABLE ITEMS	\$0.00
NINETEEN-YEAR DEPR. ITEMS	\$413,446.80

TOTAL	\$413,446.80
-------	--------------

TOTAL HARD AND SOFT COSTS	\$3,593,807.00
---------------------------	----------------

CONSTRUCTION LOAN INTEREST TABLE

PERIOD	INTEREST CHARGE	CUMULATIVE INTEREST
1	\$6,738	\$6,738
2	\$13,477	\$20,215
3	\$20,215	\$40,430
4	\$26,954	\$67,384
5	\$33,692	\$101,076
6	\$40,430	\$141,506

TOTAL PROJECT COSTS

TOTAL HARD COSTS	\$3,180,360
TOTAL SOFT COSTS	\$413,447
TOTAL CONSTRUCTION INTEREST COSTS	\$141,506
LAND ACQUISITION COST	\$894,943
TOTAL PROJECT COSTS	\$4,630,256
TOTAL PROJECT COSTS PER S.F.	\$63.71

III. ESTABLISH INITIAL INCOME BASIS

DEMOGRAPHIC ANALYSIS

CAPITOL CITY

According to the most current census data, the city's population had increased more than 16% over the previous decade, to approximately 150,000 in 1980. The City Planning Commission approximates that the current population exceeds 155,000, and they predict that by the end of 1986, Capitol City and the surrounding area will have a population of 185,000. Most of this growth is expected to take place in the west and northwest sections of the city, in which the subject property is located.

The median age of the population was 25.3 in 1980, down from 27.6 in 1970. This trend toward a younger population is a broad reflection of the growth capability inherent in Capitol City.

The mean family income for the city was \$23,500 in 1980, which was, in nominal terms, more than twice that measured in 1970.

With a total labor force of more than 70,000 in 1980, the unemployment rate was a minimal 3.0%.

NEIGHBORHOOD

The appraisal provided some interesting and highly relevant characteristics of the neighborhood surrounding the subject property. The site is conveniently located across the street from the new Spartan High School, and construction of a hospital in the immediate area is proposed for the near future.

Several builders have been successful in acquiring and subdividing vacant land in the quadrant lying north and west of the subject site for single-family and multi-family development.

Homes in the immediate vicinity are valued between \$80,000 and \$120,000. Within a two mile radius of the subject property the minimum home value was estimated to be \$45,000.

In the appraiser's opinion, "the income level of the 16,000 residents living within the approximate trade area of the subject property is sufficient to support a varied tenant mix .." geared toward those in the upper middle-income class.

With respect to the objectives of the individual investor, as well as to available demographic information, strong consideration is given the optimal design of the proposed development to be an up-scale neighborhood shopping center. Considering the income levels of households within the trade area, there is significant opportunity for the developer to address a segment of the retail market that has

not adequately been served. The proposed neighborhood center will be designed to provide services and high quality goods in a convenient and comfortable atmosphere.

It is believed that a high quality project would best serve the community of Capitol City. A high quality design, while more expensive to construct, will attract strong national and local tenants with good credit and complimentary marketing programs. Such a development will enable the project to sustain premium rents over the estimated holding period. While not innovative, the project represents a relatively fungible investment that avoids marketing or design risk.

MARKET DEMAND & TENANT TYPE/MIX ANALYSIS

CUSTOMER PROFILE

1. Middle to upper-middle class income, white-collar families with children. One wage-earner families, wife does the shopping during the week day. Men, women, and children on the weekends.
2. High school students after school hours and at lunch hour.
3. Expected parking time per customer ranges from 15 to 45 minutes for the majority of the shoppers.

The market analysis indicates a need for a convenience center that meets the everyday shopping demands of the market area. A convenience center that provides the necessary tenants to meet the frequent, everyday shopping needs of customers living within 1-1/2 to 2 miles is called a neighborhood shopping center. The key to a successful neighborhood center is to have 1) a tenant mix that meets the daily shopping needs of the market profile, 2) an arrangement of tenants that stimulates customer traffic flow, thus, maximizing the center's profitability, and 3) a design layout and architectural atmosphere that creates a comfortable and non-anxiety environment for the customer.

TENANT/MARKET COMPOSITION AND RENTAL AREAS

As previously discussed, the tenant mix defines the center's character and makes the center a viable enterprise. The need for mutually reinforcing tenants that serve the needs of the customers in the trade area cannot be overstated. Thus, the following tenants have been chosen for the center:

Grocery - as the anchor tenant at the center the store will provide the closest and most convenient food source for the market area, and the store will have the most drawing power for the center. To provide the best service for the customers needs the store will be

highly service oriented and contain a gourmet section, a deli, a fresh butchered meats section. The proposed size of the store (16,650 sqft.) was considered too small, the alternative proposal is a store of 22,000 sqft..

Hardware Store - the market analysis indicated that the customer profile will consist mostly of middle to upper-middle class homeowners. These people tend to use hardware stores frequently for home fix-up and special project needs. The store will be an asset to the center because of its drawing power of men to the center on weekends. The proposed hardware store of 10,200 sqft. is too big, the alternative proposal reduced the store size to the industry standard of 5,500 sqft.

Drug Store - a full service drug store (prescriptions, make-up etc.) will have strong drawing power for the mothers and teens of the market. The alternative proposal reduced the store size to 5,500 sqft.

The three tenants listed above will contain the primary drawing power of the center making the placement of these tenants in the center important. Because the grocery store and the drug store are believed to have the most drawing power, and to facilitate the vehicle pick-up service of the grocery store, they are placed at the two ends of the center with the hardware store placed in between the two (northeast corner of the shopping center). The above arrangement of the center's major tenants will maximize customer traffic and increase sales potential for the remaining tenants.

Financial Center (S+L) - A S+L with a convenient drive-thru and walk-in services will benefit the center by: 1) creating convenient access to money for shopping, 2) provide financial facilities close to home, and 3) allow for one stop shopping and banking. The alternative proposal reduced the size of the S+L to the industry standard of 2000 sqft.

Cleaners - a cleaners is a frequent occupant of neighborhood centers to meet the trade area's needs. The cleaners will be a local chain and will send the clothing out for service. An additional 500 sqft. has been added to assure satisfactory storage space.

Beauty Shop and Unisex Haircuts (2 tenants) - these tenants will provide important personal services to the market, and will build customer traffic throughout the center. The beauty shop will provide a higher level of hair care along with other services (manicure etc.), while the haircut tenant will provide service for both males and females. The space allocated to each is in line with industry standards (1000 sqft. for beauty shop and 1150 sqft. for the haircuts).

The following tenants were included in the center to add to the convenience theme of the center, to meet existing market demand based on the demographics of the market profile, and to compliment the anchor tenants and create a more balanced center. The tenants are listed by the customer profile category who's needs the tenant will satisfy.

<u>Moms/Adults</u>		<u>Teens</u>		<u>All</u>	
Fabrics/Crafts	1500 sqft.	Fast Foods	1500 sqft.	Optical	1100
Florist	1200	Rec./Tape	1200	Bookstore	1700
Childs. Cloth.	2000			Ice Cream	1100
Bakery	1600			Video Rt.	1100
Travel Agency	1000			Camera	1000
Restaurant	3000			Sports	2000
Liquor	2500				
Luggage	1000				
Ladies Wear	1600				

The amount of space allocated to each tenant represents approximately the industry standard for neighborhood centers. The above tenants will be placed in the shopping center to help stimulate foot traffic along with the anchor tenants.

SUGGESTED TENANT MIX AND RENTAL AREA

The following is a list of the tenant mix prescribed for the customer profile. The square footages allocated to each tenant are the recommended space requirements per ULI's Shopping Center Development Handbook and Dollar & Cents. The rental areas are adequate to meet the needs of the customer profile.

Grocery Store	22,000 Sqft.
Bakery	1,600
Liquor Store	2,500
Hardware Store	5,500
Drugs	5,500
Ice Cream	1,100
Dry Cleaners	1,500
Video Rental Outlet	1,100
Beauty Parlor	1,000
Haircuts	1,150
Florist	1,200
Fast Food Restaurant	1,500
Restaurant	3,000
Optical	1,100
Bookstore, Cards & Gifts	1,700
Fabric & Craft	1,500
Ladies Ready To Wear	1,600
Children's Clothing	2,000
Records & Tapes	1,200
Sportswear & Goods	2,000
Camera Shop	1,000
Travel Agency	1,000
Luggage & Leather	1,000
Savings & Loan	<u>2,000</u>
Total	64,750 Sqft.

CONTRACT RENT ANALYSIS

The base rent of each tenant is needed to make a preliminary assessment of the success of the project. Base rent or income is capitalized into value and then compared to the construction costs to judge the project's success. To perform the analysis a number of assumptions must be made about the equity profile, success of the project, market rents & expenses, construction quality, and cost variations. The assumptions are detailed below.

LIST OF TENANT AND MARKET RENTS

The following is the list of space allocated to each tenant in accordance with the equity profile's objective of maximizing cash flow.

Grocery Store	22,000 Sqft.
Bakery	1,600
Liquor Store	2,500
Hardware Store	5,500
Drugs	5,500
Ice Cream	1,100
Dry Cleaners	1,500
Video Rental Outlet	1,100
Beauty Parlor	1,000
Haircuts	1,150
Florist	1,200
Fast Food Restaurant	1,500
Restaurant	3,000
Optical	1,100
Bookstore, Cards & Gifts	1,700
Fabric & Craft	1,500
Ladies Ready To Wear	1,600
Children's Clothing	2,000
Records & Tapes	1,200
Sportswear & Goods	2,000
Camera Shop	1,000
Travel Agency	1,000
Luggage & Leather	1,000
Savings & Loan	<u>2,000</u>
Total	64,750 Sqft.

MARKET RENTS

Following is the list of the contract rents (minimum rents), to be charged to each tenant under 3 different scenarios. The rents were chosen from Dollars and Cents for a neighborhood shopping center. The normal rent level was chosen slightly below the top ten percent of each category. The pessimistic and optimistic rent levels were adjusted between 10% and 12% either way of the normal rent level.

Normal rental revenues for each tenant were slightly below the top ten percentile taken from Dollars and Cents of Shopping Centers. Rent for the normal scenario is justified because 1) the center will be new and contain the latest innovations and 2) Dollars and Cents contains information on older centers that perform poorly in comparison to new centers. The gross rental income from contract rents for the normal scenario averages \$9.99 per square foot. To compare the scenarios' in terms of values and their relation to cost NOI must be obtained for each rental income scenario. To obtain NOI, expenses were estimated as 20% of gross rental income, which is slightly higher than the percent displayed in Dollars and Cents' upper decile category. NOI for the normal scenario is \$517,880.

Tenants	Optimistic	Normative	Pessimistic
Grocery Store	6.65	6.00	5.35
Bakery	12.90	11.50	10.25
Liquor Store	13.40	12.00	10.75
Hardware Store	7.00	6.25	5.60
Drugs	7.25	6.50	5.80
Ice Cream	15.50	14.00	12.50
Dry Cleaners	12.90	11.50	10.25
Video Rental Outlet	16.80	15.00	13.40
Beauty Parlor	12.80	11.25	10.05
Haircuts	17.90	16.00	14.30
Florist	11.20	10.00	9.00
Fast Food Restaurant	35.75	32.00	28.00
Restaurant	16.80	15.00	13.40
Optical	12.60	11.25	10.00
Bookstore, Cards & Gifts	12.90	11.50	10.25
Fabric & Craft	13.40	12.00	10.75
Ladies Ready To Wear	14.50	13.00	11.60
Children's Clothing	17.25	15.50	13.85
Records & Tapes	12.90	11.50	10.25
Sportswear & Goods	13.40	12.00	10.75
Camera Shop	20.00	18.00	16.00
Travel Agency	15.50	14.00	12.50
Luggage & Leather	15.00	13.50	12.00
Savings & Loan	15.50	14.00	12.50
Average rents/Sqft.	10.92	9.99	8.91

IV. ESTABLISH INITIAL ECONOMIC VALUE ESTIMATE

EQUITY PROFILE

The equity investor is a individual interested in a quality stable cash flow and a project value requiring minimal appreciation. The equity investor will seek a before tax yield of at least 12% and an after tax yield of at least 15%. As a conservative investor the individual wants an annual cash return on the investment as opposed to a wind-fall of appreciation upon disposition. A carefully monitored annual return keeps the investor up-to-date on the performance of the investment. Of course, any appreciation obtained when the project is sold will be welcomed. Tax shelter is not an major objective of the investor because the consolidated taxable income is usually minimal due to losses in other areas of business. Finally, the investor seeks a leveraged investment and thus, will contribute a maximum of 40% equity to finance the project. Because the investor is uninterested in tax shelter, obtaining debt to magnify the equity return via tax savings (depreciation and interest deductions) is unnecessary, and also, the interest and principle payments on the debt would decrease the cash flow, which counteracts the ultimate goal of the individual.

REAL ESTATE PLANNING - FRONTDOOR BACKDOOR

BACK DOOR ANALYSIS USING DEFAULT RATIO FOR NORMATIVE CASE SOLUTION

GROSS INCOME		847,602	

206,984			640,618
42,380	VACANCY LOSS		
		EXPENSES	250,315
		R.E. TAXES	0
164,604	CASH TO EQUITY	DEBT SERVICE	390,303
12.0000%	EQUITY CASH ON CASH RATE	MORTGAGE CONSTANT	11.7613%
1,371,703	EQUITY INVESTMENT	MORTGAGE LOAN	3,318,520

JUSTIFIED INVESTMENT		4,690,223	
COST ESTIMATE		<u>5,205,103</u>	
VALUE DIFFERENCE		- 514,880	

IF YOU HOLD CONSTANT	REHABILITATION COST	LAND COST
LAND COST	380,063 *	894,943
OTHER	258,306	258,306
CONSTRUCTION COST	3,448,386	3,010,190 *
SOFT COSTS	603,468	526,783 *
CONSTRUCTION COST PER SQUARE FOOT	53.26	46.49 *

Appendix A

Part 1

CASH SOLVENCY ANALYSIS

FRONT DOOR ANALYSIS USING LOAN TO VALUE RATIO FOR NORMATIVE CASE SOLUTION

LAND COST	894,943
CONSTRUCTION COST	3,448,386
SOFT COSTS	603,468
OTHER	258,306
TOTAL COST	5,205,103

1,301,276

3,903,827

12.0000% EQUITY CASH ON CASH RATE

MORTGAGE CONSTANT 11.7613%

156,153

459,143

NET OPERATING INCOME	615,296	
R. E. TAXES	0	
OPERATING EXPENSES	250,315	
EFF. GROSS INCOME	865,611	
VACANCY LOSS	45,558	
GROSS INCOME	911,169	
SPACE TIME UNITS	64,750	
REQUIRED RENT PER SPACE TIME UNIT	14.07	= 107.4996% OF MARKET RENTS
LOAN TO VALUE RATIO	75.0000%	
DEBT COVER RATIO	1.34	
DEFAULT RATIO	77.8623%	

FR. DR. ANAL. USING LTV AND DEBT COVER RATIO FOR NORMATIVE CASE SOLUTION

LAND COST	894,943
CONSTRUCTION COST	3,448,386
SOFT COSTS	603,468
OTHER	258,306
TOTAL COST	5,205,103

1,301,276

3,903,827

7.0568% EQUITY CASH ON CASH RATE

MORTGAGE CONSTANT 11.7613%

91,829

459,143

NET OPERATING INCOME	550,971	
R. E. TAXES	0	
OPERATING EXPENSES	250,315	
EFF. GROSS INCOME	801,286	
VACANCY LOSS	42,173	
GROSS INCOME	843,459	
SPACE TIME UNITS	64,750	
REQUIRED RENT PER SPACE TIME UNIT	13.03	= 99.5112% OF MARKET RENTS
LOAN TO VALUE RATIO	75.0000%	
DEBT COVER RATIO	1.20	
DEFAULT RATIO	84.1129%	

FR. DR ANAL. USING LTV AND DEFAULT RATIO FOR NORMATIVE CASE SOLUTION

LAND COST	894,943
CONSTRUCTION COST	3,448,386
SOFT COSTS	603,468
OTHER	258,306
TOTAL COST	5,205,103

1,301,276

3,903,827

14.0088% EQUITY CASH ON CASH RATE

MORTGAGE CONSTANT 11.7613%

182,293

459,143

NET OPERATING INCOME	641,435	
R. E. TAXES	0	
OPERATING EXPENSES	250,315	
EFF. GROSS INCOME	891,750	
VACANCY LOSS	46,934	
GROSS INCOME	938,684	
SPACE TIME UNITS	64,750	
REQUIRED RENT PER	14.50	= 110.7459% OF
SPACE TIME UNIT		MARKET RENTS
LOAN TO VALUE RATIO	75.0000%	
DEBT COVER RATIO	1.40	
DEFAULT RATIO	75.5800%	

BACK DOOR ANALYSIS USING DEBT COVER RATIO FOR NORMATIVE CASE SOLUTION

GROSS RENTS	847,602
VACANCY LOSS	42,380
EFF. GROSS INCOME	805,222
EXPENSES	250,315
R. E. TAXES	0
NET OPERATING INCOME	554,907

92,485	462,422
12.0000% EQUITY CASH ON CASH RATE	MORTGAGE CONSTANT 11.7613%
770,704	3,931,714

JUSTIFIED INVESTMENT 4,702,418

IF YOU HOLD CONSTANT REHABILITATION COST LAND COST

LAND COST	392,258 *	894,943
OTHER	258,306	258,306
CONSTRUCTION COST	3,448,386	3,020,569 *
SOFT COSTS	603,468	528,600 *
CONSTRUCTION COST PER SQUARE FOOT	53.26	46.65 *

BACK DOOR ANALYSIS USING DEFAULT RATIO FOR NORMATIVE CASE SOLUTION

GROSS INCOME	847,602
--------------	---------

206,984	640,618
42,380 VACANCY LOSS	EXPENSES 250,315
	R.E. TAXES 0
164,604 CASH TO EQUITY	DEBT SERVICE 390,303
12.0000% EQUITY CASH ON CASH RATE	MORTGAGE CONSTANT 11.7613%
1,371,703 EQUITY INVESTMENT	MORTGAGE LOAN 3,318,520

JUSTIFIED INVESTMENT 4,690,223

IF YOU HOLD CONSTANT REHABILITATION COST LAND COST

LAND COST	380,063 *	894,943
OTHER	258,306	258,306
CONSTRUCTION COST	3,448,386	3,010,190 *
SOFT COSTS	603,468	526,783 *
CONSTRUCTION COST PER SQUARE FOOT	53.26	46.49 *

PRO FORMA OPERATING STATEMENT FOR THE CENTER

GLA : 64,750

		YEAR 1		YEAR 2	
		RENT/SF OF GLA	TOTAL DOLLARS	RENT/SF OF GLA	TOTAL DOLLARS
INCOME FROM OPERATIONS					
	Base Rent	\$10.00	\$647,350	\$10.00	\$647,350
+	Percentage Rent	\$0.00	\$0	\$0.00	\$0
+	Operating Expenses	\$2.83	\$183,259	\$2.92	\$188,757
-	vacancy *		5%		5%
		\$0.64	\$41,530	\$0.65	\$41,805
+	Other Income	\$0.00	\$0	\$0.00	\$0
= TOTAL INCOME		\$12.19	\$789,079	\$12.27	\$794,301
		=====	=====	=====	=====
EXPENSE					
+	Management Fee	\$0.35	\$22,662	\$0.36	\$23,342
+	General & Administrative	\$0.35	\$22,662	\$0.36	\$23,342
+	Common Area Maintenance	\$0.32	\$20,720	\$0.33	\$21,342
+	Real Estate Taxes	\$2.00	\$129,360	\$2.06	\$133,241
+	VAC	\$0.12	\$7,770	\$0.12	\$8,003
+	Utilities	\$0.10	\$6,475	\$0.10	\$6,669
+	Insurance	\$0.08	\$5,180	\$0.08	\$5,335
+	Advertising & Promotion	\$0.10	\$6,475	\$0.10	\$6,669
+	Other Expenses	\$0.12	\$7,770	\$0.12	\$8,003
= TOTAL EXPENSES		\$3.54	\$229,074	\$3.64	\$235,946
		=====	=====	=====	=====
NET INCOME B/4 DEBT SERVICE		\$8.65	\$560,005	\$8.62	\$558,355
		=====	=====	=====	=====

PRO FORMA OPERATING STATEMENT FOR THE CENTER

GLA : 64,750

	YEAR 3		YEAR 4	
	RENT/SF OF GLA	TOTAL DOLLARS	RENT/SF OF GLA	TOTAL DOLLARS
INCOME FROM OPERATIONS				
Base Rent	\$10.00	\$647,350	\$10.00	\$647,350
+ Percentage Rent	\$0.00	\$0	\$0.00	\$0
+ Operating Expenses	\$3.00	\$194,420	\$3.09	\$200,252
- Vacancy *		5%		5%
	\$0.65	42,088	\$0.65	42,380
+ Other Income	\$0.00	0	\$0.00	0
= TOTAL INCOME	\$12.35	\$799,681	\$12.44	\$805,222
EXPENSES				
+ Management Fee	\$0.37	\$24,042	\$0.38	\$24,764
+ General&Administrative	\$0.37	\$24,042	\$0.38	\$24,764
+ Common Area Maintenance	\$0.34	\$21,982	\$0.35	\$22,642
+ Real Estate Taxes	\$2.12	\$137,238	\$2.18	\$141,355
+ HVAC	\$0.13	\$8,243	\$0.13	\$8,490
+ Utilities	\$0.11	\$6,869	\$0.11	\$7,075
+ Insurance	\$0.08	\$5,495	\$0.09	\$5,660
+ Advertising&Promotion	\$0.11	\$6,869	\$0.11	\$7,075
+ Other Expenses	\$0.13	\$8,243	\$0.13	\$8,490
= TOTAL EXPENSES	\$3.75	\$243,024	\$3.87	\$250,315
NET INCOME B/4 DEBT SERVICE	\$8.60	\$556,657	\$8.57	\$554,907

PRO FORMA OPERATING STATEMENT FOR THE CENTER

GLA : 84,750

	YEAR 5		YEAR 6	
	RENT/SF OF GLA	TOTAL DOLLARS	RENT/SF OF GLA	TOTAL DOLLARS
INCOME FROM OPERATIONS				
Base Rent	\$10.00	\$647,350	\$10.00	\$647,350
+ Percentage Rent	\$0.00	\$0	\$0.00	\$0
+ Operating Expenses	\$3.19	\$206,260	\$3.28	\$212,447
- Vacancy *		5%		5%
	\$0.66	42,680	\$0.66	42,990
+ Other Income	\$0.00	0	\$0.00	0
= TOTAL INCOME	\$12.52	\$810,929	\$12.61	\$816,808
EXPENSES				
+ Management Fee	\$0.39	\$25,506	\$0.41	\$26,272
+ General&Administrative	\$0.39	\$25,506	\$0.41	\$26,272
+ Common Area Maintenance	\$0.36	\$23,321	\$0.37	\$24,021
+ Real Estate Taxes	\$2.25	\$145,596	\$2.32	\$149,964
+ HVAC	\$0.14	\$8,745	\$0.14	\$9,007
+ Utilities	\$0.11	\$7,287	\$0.12	\$7,506
+ Insurance	\$0.09	\$5,830	\$0.09	\$6,005
+ Advertising&Promotion	\$0.11	\$7,287	\$0.12	\$7,506
+ Other Expenses	\$0.14	\$8,745	\$0.14	\$9,007
= TOTAL EXPENSES	\$3.98	\$257,825	\$4.10	\$265,559
NET INCOME B/4 DEBT SERVICE	\$8.54	\$553,105	\$8.51	\$551,249

PRO FORMA OPERATING STATEMENT FOR THE CENTER

GLA : 64,750

YEAR
7

	RENT/SF OF GLA	TOTAL DOLLARS
INCOME FROM OPERATIONS		
Base Rent	\$10.00	\$647,350
+ Percentage Rent	\$0.00	\$0
+ Operating Expenses	\$3.38	\$218,821
- Vacancy *		5%
	\$0.67	43,309
+ Other Income	\$0.00	0
= TOTAL INCOME	\$12.71	\$822,862
=====		
EXPENSES		
+ Management Fee	\$0.42	\$27,060
+ General&Administrative	\$0.42	\$27,060
+ Common Area Maintenance	\$0.38	\$24,741
+ Real Estate Taxes	\$2.39	\$154,463
+ HVAC	\$0.14	\$9,278
+ Utilities	\$0.12	\$7,731
+ Insurance	\$0.10	\$6,185
+ Advertising&Promotion	\$0.12	\$7,731
+ Other Expenses	\$0.14	\$9,278
= TOTAL EXPENSES	\$4.22	\$273,526
=====		
NET INCOME B/4 DEBT SERVICE	\$8.48	\$549,336
=====		

NO.	TENANT	GROSS LEASEABLE AREA	MINIMUM BASE RENT	YEAR 1 GROSS ANNUAL SALES	EXPECTED ANNUAL INCREASE IN GROSS	BASE AMOUNT BEFORE PART'N
<hr/>						
1	GROCERY STORE	22,000	\$6.00	\$8,800,000	3.00%	\$6,600,000
2	BAKERY	1,600	\$11.50	\$256,000	3.00%	\$179,200
3	LIQUOR STORE	2,500	\$12.00	\$657,500	3.00%	\$460,250
4	HARDWARE STORE	5,500	\$6.25	\$467,500	3.00%	\$327,250
5	DRUG STORE	5,500	\$6.50	\$825,000	3.00%	\$577,500
6	ICE CREAM	1,100	\$14.00	\$247,500	3.00%	\$173,250
7	DRY CLEANERS	1,500	\$11.50	\$225,000	3.00%	\$157,500
8	VIDEO RENTAL OUTLET	1,100	\$15.00	\$110,000	3.00%	\$77,000
9	BEAUTY PARLOR	1,000	\$11.25	\$100,000	3.00%	\$70,000
10	HAIRCUTS	1,150	\$16.00	\$207,000	3.00%	\$120,750
11	FLORIST	1,200	\$10.00	\$138,000	3.00%	\$96,600
12	FAST FOOD RESTAURANT	1,500	\$32.00	\$277,500	3.00%	\$244,299
13	RESTAURANT	3,000	\$15.00	\$570,100	3.00%	\$399,070
14	OPTICAL	1,100	\$11.25	\$176,000	3.00%	\$123,200
15	BOOKSTORE, CARDS & GI	1,700	\$11.50	\$272,000	3.00%	\$190,400
16	FABRIC & CRAFT	1,500	\$12.00	\$225,000	3.00%	\$157,500
17	LADIES READT TO WEAR	1,600	\$13.00	\$336,000	3.00%	\$235,200
18	CHILDREN'S CLOTHING	2,000	\$15.50	\$420,000	3.00%	\$294,000
19	RECORDS & TAPES	1,200	\$11.50	\$255,600	3.00%	\$178,920
20	SPORTSWEAR & GOODS	2,000	\$12.00	\$460,000	3.00%	\$322,000
21	CAMERA SHOP	1,000	\$18.00	\$180,000	3.00%	\$150,000
22	TRAVEL AGENCY	1,000	\$14.00	\$210,000	3.00%	\$147,000
23	LUGGAGE & LEATHER	1,000	\$13.50	\$175,000	3.00%	\$122,500
24	SAVINGS & LOAN	2,000	\$14.00	\$0	0.00%	\$0

NO.	PERCENT PART'N	YEAR TERM BEGINS	PRO RATA OF MGMT FEE	PRO RATA OF GEN & ADMN	PRO RATA OF C.A.M	PRO RATA OF RE TAXES
1	0.00%	1	27.20%	27.20%	27.20%	27.20%
2	0.00%	1	2.00%	2.00%	2.00%	2.00%
3	0.00%	1	3.10%	3.10%	3.10%	3.10%
4	0.00%	1	6.80%	6.80%	6.80%	6.80%
5	0.00%	1	6.80%	6.80%	6.80%	6.80%
6	0.00%	1	1.40%	1.40%	1.40%	1.40%
7	0.00%	1	1.80%	1.80%	1.80%	1.80%
8	0.00%	1	1.40%	1.40%	1.40%	1.40%
9	0.00%	1	1.20%	1.20%	1.20%	1.20%
10	0.00%	1	1.40%	1.40%	1.40%	1.40%
11	0.00%	1	1.50%	1.50%	1.50%	1.50%
12	0.00%	1	1.80%	1.80%	1.80%	1.80%
13	0.00%	1	3.70%	3.70%	3.70%	3.70%
14	0.00%	1	1.40%	1.40%	1.40%	1.40%
15	0.00%	1	2.10%	2.10%	2.10%	2.10%
16	0.00%	1	1.80%	1.80%	1.80%	1.80%
17	0.00%	1	2.00%	2.00%	2.00%	2.00%
18	0.00%	1	2.50%	2.50%	2.50%	2.50%
19	0.00%	1	1.50%	1.50%	1.50%	1.50%
20	0.00%	1	2.50%	2.50%	2.50%	2.50%
21	0.00%	1	1.20%	1.20%	1.20%	1.20%
22	0.00%	1	1.20%	1.20%	1.20%	1.20%
23	0.00%	1	1.20%	1.20%	1.20%	1.20%
24	0.00%	1	2.50%	2.50%	2.50%	2.50%

NO.	PRO RATA OF RE TAXES	PRO RATA OF HVAC	PRO RATA OF UTILITIES	PRO RATA OF INS	PRO RATA OF ADS & PROMO	PRO RATA OF OTHER EXPENSES
1	27.20%	27.20%	27.20%	27.20%	27.20%	27.20%
2	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
3	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%
4	6.80%	6.80%	6.80%	6.80%	6.80%	6.80%
5	6.80%	6.80%	6.80%	6.80%	6.80%	6.80%
6	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%
7	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%
8	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%
9	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%
10	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%
11	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
12	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%
13	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
14	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%
15	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%
16	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%
17	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
18	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
19	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
20	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
21	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%
22	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%
23	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%
24	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

PRO FORMA FOR EACH TENANT

YEAR 1

TENANT	GLA	BASE RENT	SALES VOLUME	PART'N RENT	OPERATING EXPENSES	LEASED AREA
1.	22,000	\$132,000	\$9,064,000	\$0	\$62,308	22,000
2.	1,600	\$18,400	\$263,680	\$0	\$4,581	1,600
3.	2,500	\$30,000	\$677,225	\$0	\$7,101	2,500
4.	5,500	\$34,375	\$481,525	\$0	\$15,577	5,500
5.	5,500	\$35,750	\$849,750	\$0	\$15,577	5,500
6.	1,100	\$15,400	\$254,925	\$0	\$3,207	1,100
7.	1,500	\$17,250	\$231,750	\$0	\$4,123	1,500
8.	1,100	\$16,500	\$113,300	\$0	\$3,207	1,100
9.	1,000	\$11,250	\$103,000	\$0	\$2,749	1,000
10.	1,150	\$18,400	\$213,210	\$0	\$3,207	1,150
11.	1,200	\$12,000	\$142,140	\$0	\$3,436	1,200
12.	1,500	\$48,000	\$285,825	\$0	\$4,123	1,500
13.	3,000	\$45,000	\$587,203	\$0	\$8,476	3,000
14.	1,100	\$12,375	\$181,280	\$0	\$3,207	1,100
15.	1,700	\$19,550	\$280,160	\$0	\$4,811	1,700
16.	1,500	\$18,000	\$231,750	\$0	\$4,123	1,500
17.	1,600	\$20,800	\$346,080	\$0	\$4,581	1,600
18.	2,000	\$31,000	\$432,600	\$0	\$5,727	2,000
19.	1,200	\$13,800	\$263,268	\$0	\$3,436	1,200
20.	2,000	\$24,000	\$473,800	\$0	\$5,727	2,000
21.	1,000	\$18,000	\$185,400	\$0	\$2,749	1,000
22.	1,000	\$14,000	\$216,300	\$0	\$2,749	1,000
23.	1,000	\$13,500	\$180,250	\$0	\$2,749	1,000
24.	2,000	\$28,000	\$0	\$0	\$5,727	2,000
25.	0	\$0	\$0	\$0	\$0	0
TOTAL	64,750	647,350	16,058,421	0	183,259	64,750
	=====	=====	=====	=====	=====	=====

PRO FORMA FOR EACH TENANT

YEAR 2

TENANT	BASE RENT	SALES VOLUME	PART'N RENT	OPERATING EXPENSES	LEASED AREA
1.	\$132,000	\$9,335,920	\$0	\$64,177	22,000
2.	\$18,400	\$271,590	\$0	\$4,719	1,800
3.	\$30,000	\$697,542	\$0	\$7,314	2,500
4.	\$34,375	\$495,971	\$0	\$16,044	5,500
5.	\$35,750	\$875,243	\$0	\$16,044	5,500
6.	\$15,400	\$262,573	\$0	\$3,303	1,100
7.	\$17,250	\$238,703	\$0	\$4,247	1,500
8.	\$16,500	\$116,699	\$0	\$3,303	1,100
9.	\$11,250	\$106,090	\$0	\$2,831	1,000
10.	\$18,400	\$219,606	\$0	\$3,303	1,150
11.	\$12,000	\$146,404	\$0	\$3,539	1,200
12.	\$48,000	\$294,400	\$0	\$4,247	1,500
13.	\$45,000	\$604,819	\$0	\$8,730	3,000
14.	\$12,375	\$186,718	\$0	\$3,303	1,100
15.	\$19,550	\$288,565	\$0	\$4,955	1,700
16.	\$18,000	\$238,703	\$0	\$4,247	1,500
17.	\$20,800	\$356,462	\$0	\$4,719	1,600
18.	\$31,000	\$445,578	\$0	\$5,899	2,000
19.	\$13,800	\$271,166	\$0	\$3,539	1,200
20.	\$24,000	\$488,014	\$0	\$5,899	2,000
21.	\$18,000	\$190,962	\$0	\$2,831	1,000
22.	\$14,000	\$222,789	\$0	\$2,831	1,000
23.	\$13,500	\$185,658	\$0	\$2,831	1,000
24.	\$28,000	\$0	\$0	\$5,899	2,000
25.	\$0	\$0	\$0	\$0	0
TOTAL	647,350	16,540,174	0	188,757	64,750
	=====	=====	=====	=====	=====

PRO FORMA FOR EACH TENANT

YEAR 3

TENANT	BASE RENT	SALES VOLUME	PART'N RENT	OPERATING EXPENSES
1.	\$132,000	\$9,615,998	\$0	\$66,103
2.	\$18,400	\$279,738	\$0	\$4,860
3.	\$30,000	\$718,468	\$0	\$7,534
4.	\$34,375	\$510,850	\$0	\$16,526
5.	\$35,750	\$901,500	\$0	\$16,526
6.	\$15,400	\$270,450	\$0	\$3,402
7.	\$17,250	\$245,864	\$0	\$4,374
8.	\$16,500	\$120,200	\$0	\$3,402
9.	\$11,250	\$109,273	\$0	\$2,916
10.	\$18,400	\$226,194	\$0	\$3,402
11.	\$12,000	\$150,796	\$0	\$3,645
12.	\$48,000	\$303,232	\$0	\$4,374
13.	\$45,000	\$622,964	\$0	\$8,992
14.	\$12,375	\$192,320	\$0	\$3,402
15.	\$19,550	\$297,222	\$0	\$5,104
16.	\$18,000	\$245,864	\$0	\$4,374
17.	\$20,800	\$367,156	\$0	\$4,860
18.	\$31,000	\$458,945	\$0	\$6,076
19.	\$13,800	\$279,301	\$0	\$3,645
20.	\$24,000	\$502,654	\$0	\$6,076
21.	\$18,000	\$196,691	\$0	\$2,916
22.	\$14,000	\$229,473	\$0	\$2,916
23.	\$13,500	\$191,227	\$0	\$2,916
24.	\$28,000	\$0	\$0	\$6,076
25.	\$0	\$0	\$0	\$0
	-----	-----	-----	-----
TOTAL	647,350	17,036,379	0	194,420
	=====	=====	=====	=====

PRO FORMA FOR EACH TENANT

YEAR 4

TENANT	BASE RENT	SALES VOLUME	PART'N RENT	OPERATING EXPENSES
1.	\$132,000	\$9,904,478	\$0	\$68,086
2.	\$18,400	\$288,130	\$0	\$5,006
3.	\$30,000	\$740,022	\$0	\$7,760
4.	\$34,375	\$526,175	\$0	\$17,021
5.	\$35,750	\$928,545	\$0	\$17,021
6.	\$15,400	\$278,563	\$0	\$3,504
7.	\$17,250	\$253,239	\$0	\$4,506
8.	\$16,500	\$123,806	\$0	\$3,504
9.	\$11,250	\$112,551	\$0	\$3,004
10.	\$18,400	\$232,980	\$0	\$3,504
11.	\$12,000	\$155,320	\$0	\$3,755
12.	\$48,000	\$312,329	\$0	\$4,506
13.	\$45,000	\$641,653	\$0	\$9,262
14.	\$12,375	\$198,090	\$0	\$3,504
15.	\$19,550	\$306,138	\$0	\$5,257
16.	\$18,000	\$253,239	\$0	\$4,506
17.	\$20,800	\$378,171	\$0	\$5,006
18.	\$31,000	\$472,714	\$0	\$6,258
19.	\$13,800	\$287,680	\$0	\$3,755
20.	\$24,000	\$517,734	\$0	\$6,258
21.	\$18,000	\$202,592	\$0	\$3,004
22.	\$14,000	\$236,357	\$0	\$3,004
23.	\$13,500	\$196,964	\$0	\$3,004
24.	\$28,000	\$0	\$0	\$6,258
25.	\$0	\$0	\$0	\$0

TOTAL	647,350	17,547,470	0	200,252
	=====	=====	=====	=====

PRO FORMA FOR EACH TENANT

YEAR 5

TENANT	BASE RENT	SALES VOLUME	PART'N RENT	OPERATING EXPENSES
1.	\$132,000	\$10,201,612	\$0	\$70,128
2.	\$18,400	\$296,774	\$0	\$5,156
3.	\$30,000	\$762,223	\$0	\$7,993
4.	\$34,375	\$541,961	\$0	\$17,532
5.	\$35,750	\$956,401	\$0	\$17,532
6.	\$15,400	\$286,920	\$0	\$3,610
7.	\$17,250	\$260,837	\$0	\$4,641
8.	\$16,500	\$127,520	\$0	\$3,610
9.	\$11,250	\$115,927	\$0	\$3,094
10.	\$18,400	\$239,970	\$0	\$3,610
11.	\$12,000	\$159,980	\$0	\$3,867
12.	\$48,000	\$321,699	\$0	\$4,641
13.	\$45,000	\$660,902	\$0	\$9,540
14.	\$12,375	\$204,032	\$0	\$3,610
15.	\$19,550	\$315,323	\$0	\$5,414
16.	\$18,000	\$260,837	\$0	\$4,641
17.	\$20,800	\$389,516	\$0	\$5,156
18.	\$31,000	\$486,895	\$0	\$6,446
19.	\$13,800	\$296,310	\$0	\$3,867
20.	\$24,000	\$533,266	\$0	\$6,446
21.	\$18,000	\$208,669	\$0	\$3,094
22.	\$14,000	\$243,448	\$0	\$3,094
23.	\$13,500	\$202,873	\$0	\$3,094
24.	\$28,000	\$0	\$0	\$6,446
25.	\$0	\$0	\$0	\$0
	-----	-----	-----	-----
TOTAL	647,350	18,073,894	0	206,260
	=====	=====	=====	=====

PRO FORMA FOR EACH TENANT

YEAR 6

TENANT	BASE RENT	SALES VOLUME	PART'N RENT	OPERATING EXPENSES
1.	\$132,000	\$10,507,660	\$0	\$72,232
2.	\$18,400	\$305,677	\$0	\$5,311
3.	\$30,000	\$785,089	\$0	\$8,232
4.	\$34,375	\$558,219	\$0	\$18,058
5.	\$35,750	\$985,093	\$0	\$18,058
6.	\$15,400	\$295,528	\$0	\$3,718
7.	\$17,250	\$268,662	\$0	\$4,780
8.	\$16,500	\$131,346	\$0	\$3,718
9.	\$11,250	\$119,405	\$0	\$3,187
10.	\$18,400	\$247,169	\$0	\$3,718
11.	\$12,000	\$164,779	\$0	\$3,983
12.	\$48,000	\$331,350	\$0	\$4,780
13.	\$45,000	\$680,729	\$0	\$9,826
14.	\$12,375	\$210,153	\$0	\$3,718
15.	\$19,550	\$324,782	\$0	\$5,577
16.	\$18,000	\$268,662	\$0	\$4,780
17.	\$20,800	\$401,202	\$0	\$5,311
18.	\$31,000	\$501,502	\$0	\$6,639
19.	\$13,800	\$305,200	\$0	\$3,983
20.	\$24,000	\$549,264	\$0	\$6,639
21.	\$18,000	\$214,929	\$0	\$3,187
22.	\$14,000	\$250,751	\$0	\$3,187
23.	\$13,500	\$208,959	\$0	\$3,187
24.	\$28,000	\$0	\$0	\$6,639
25.	\$0	\$0	\$0	\$0
	-----	-----	-----	-----
	647,350	18,616,111	0	212,447
	=====	=====	=====	=====

PRO FORMA FOR EACH TENANT

YEAR 7

TENANT	BASE RENT	SALES VOLUME	PART'N RENT	OPERATING EXPENSES
1.	\$132,000	\$10,822,890	\$0	\$74,399
2.	\$18,400	\$314,848	\$0	\$5,471
3.	\$30,000	\$808,642	\$0	\$8,479
4.	\$34,375	\$574,966	\$0	\$18,600
5.	\$35,750	\$1,014,646	\$0	\$18,600
6.	\$15,400	\$304,394	\$0	\$3,829
7.	\$17,250	\$276,722	\$0	\$4,923
8.	\$16,500	\$135,286	\$0	\$3,829
9.	\$11,250	\$122,987	\$0	\$3,282
10.	\$18,400	\$254,584	\$0	\$3,829
11.	\$12,000	\$169,723	\$0	\$4,103
12.	\$48,000	\$341,290	\$0	\$4,923
13.	\$45,000	\$701,151	\$0	\$10,120
14.	\$12,375	\$216,458	\$0	\$3,829
15.	\$19,550	\$334,526	\$0	\$5,744
16.	\$18,000	\$276,722	\$0	\$4,923
17.	\$20,800	\$413,238	\$0	\$5,471
18.	\$31,000	\$516,547	\$0	\$6,838
19.	\$13,800	\$314,356	\$0	\$4,103
20.	\$24,000	\$565,742	\$0	\$6,838
21.	\$18,000	\$221,377	\$0	\$3,282
22.	\$14,000	\$258,274	\$0	\$3,282
23.	\$13,500	\$215,228	\$0	\$3,282
24.	\$28,000	\$0	\$0	\$6,838
25.	\$0	\$0	\$0	\$0

TOTAL	647,350	19,174,594	0	218,821
=====				

BACKDOOR VALUE PROOF

COMMERCIAL DEVELOPMENT INCOME VALUATION ESTIMATE FOR CASE SOLUTION - NORMATIVE

ASSUMPTIONS:

EQUITY YIELD	0.120	MORTGAGE RATE	0.118	
HOLDING PERIOD	7.	MORTGAGE TERM	0.	
EQUITY RATIO	0.292	MORTGAGE PMTS PER YEAR	12.	
EQUITY AMOUNT	1,371,707	MORTGAGE RATIO	0.708	
DEP. (-APP.) RATIO	0.000	MORTGAGE AMOUNT	3,318,530	
SINKING FUND FACTOR	0.099	MORTGAGE CONSTANT	0.11761	
BASIC RATE	0.118	MORTGAGE COEFFICIENT	0.00239	
OVERALL RATE	0.118	MORTGAGE AMORTIZATION	0.00000	
NET INCOME	554,907	PROJECT VALUE	4,690,236	64.53

----- P R O P O S E D P R O J E C T

BUILDING AREA	72,680	PROJECT COST	5,205,102	71.62
		DIFFERENCE	-514,866	-7.08

MORTGAGE AMOUNT	0.71	\$ 3,318,530.	AT 0.1176	390,302.	ANNUAL PAYMENT
EQUITY AMOUNT	0.29	\$ 1,371,707.	AT 0.1200	164,605.	CASH THROW-OFF

TOTAL \$ 4,690,236. 554,907. NET INCOME

4,690,236 ORIGINAL PRICE ESTIMATE
0 LESS 0.0000 DEPRECIATION

4,690,236 PROPERTY REVERSION DEFERRED 7 YEARS
3,318,530 MORTGAGE
3,318,530 0 LESS 7 YEAR AMORTIZATION: (0.0000)

1,371,707 EQUITY REVERSION, DEFERRED 7 YEARS

PRESENT VALUE OF EQUITY INCOME AND REVERSION AT 0.1200

751,216 INCOME, 164,605 * 4.5638
620,490 REVERSION, 1,371,707 * 0.4523

1,371,707

MORTGAGE AMORTIZATION VALUE

COMMERCIAL DEVELOPMENT INCOME VALUATION ESTIMATE FOR CASE SOLUTION - NORMATIVE

ASSUMPTIONS:

EQUITY YIELD	0.120	MORTGAGE RATE	0.110
HOLDING PERIOD	7.	MORTGAGE TERM	25.
EQUITY RATIO	0.292	MORTGAGE PMTS PER YEAR	12.
EQUITY AMOUNT	1,439,762	MORTGAGE RATIO	0.708
DEP. (-APP.) RATIO	0.000	MORTGAGE AMOUNT	3,483,174
SINKING FUND FACTOR	0.099	MORTGAGE CONSTANT	0.11761
BASIC RATE	0.113	MORTGAGE COEFFICIENT	0.01029
OVERALL RATE	0.113	MORTGAGE AMORTIZATION	0.07975
NET INCOME	554,907	PROJECT VALUE	4,922,937

67.73

----- P R O P O S E D P R O J E C T

BUILDING AREA	72,680	PROJECT COST	5,205,102	71.62
		DIFFERENCE	-282,166	-3.88

MORTGAGE AMOUNT	0.71	\$ 3,483,174.	AT 0.1176	409,668.	ANNUAL PAYMENT
EQUITY AMOUNT	0.29	\$ 1,439,762.	AT 0.1009	145,239.	CASH THROW-OFF
TOTAL \$ 4,922,937.				554,907.	NET INCOME

4,922,937 ORIGINAL PRICE ESTIMATE
0 LESS 0.0000 DEPRECIATION

4,922,937 PROPERTY REVERSION DEFERRED 7 YEARS
3,483,174 MORTGAGE
3,205,397 277,777 LESS 7 YEAR AMORTIZATION: (0.0797)

1,717,540 EQUITY REVERSION, DEFERRED 7 YEARS

PRESENT VALUE OF EQUITY INCOME AND REVERSION AT 0.1200

662,835 INCOME, 145,239 * 4.5638
776,928 REVERSION, 1,717,540 * 0.4523

1,429,762

REQUIRED RESALE APPRECIATION W/O INCOME CHANGE

COMMERCIAL DEVELOPMENT INCOME VALUATION ESTIMATE FOR CASE SOLUTION - NORMATIVE

ASSUMPTIONS:

EQUITY YIELD	0.120	MORTGAGE RATE	0.110
HOLDING PERIOD	7.	MORTGAGE TERM	25.
EQUITY RATIO	0.292	MORTGAGE PMTS PER YEAR	12.
EQUITY AMOUNT	1,522,358	MORTGAGE RATIO	0.708
DEP. (-APP.) RATIO	0.062	MORTGAGE AMOUNT	3,682,996
SINKING FUND FACTOR	0.099	MORTGAGE CONSTANT	0.11761
BASIC RATE	0.113	MORTGAGE COEFFICIENT	0.01029
OVERALL RATE	0.107	MORTGAGE AMORTIZATION	0.07975
NET INCOME	554,907	PROJECT VALUE	5,205,354

71.62

----- P R O P O S E D P R O J E C T

BUILDING AREA	72,680	PROJECT COST	5,205,102	71.62
		DIFFERENCE	252	0.00

MORTGAGE AMOUNT	0.71	\$ 3,682,996.	AT 0.1176	433,170.	ANNUAL PAYMENT
EQUITY AMOUNT	0.29	\$ 1,522,358.	AT 0.0800	121,737.	CASH THROW-OFF

TOTAL \$ 5,205,354. 554,907. NET INCOME

5,205,354 ORIGINAL PRICE ESTIMATE
-321,170 LESS -.0617 DEPRECIATION

5,526,524 PROPERTY REVERSION DEFERRED 7 YEARS
3,682,996 MORTGAGE
3,389,283 293,713 LESS 7 YEAR AMORTIZATION: (0.0797)

2,137,241 EQUITY REVERSION, DEFERRED 7 YEARS

PRESENT VALUE OF EQUITY INCOME AND REVERSION AT 0.1200

555,579 INCOME, 121,737 * 4.5638
966,779 REVERSION, 2,137,241 * 0.4523

1,522,358

REQUIRED RESALE APPRECIATION W/ INCOME CHANGE

COMMERCIAL DEVELOPMENT INCOME VALUATION ESTIMATE FOR CASE SOLUTION - NORMATIVE

ASSUMPTIONS:

EQUITY YIELD	0.120	MORTGAGE RATE	0.110
HOLDING PERIOD	7.	MORTGAGE TERM	25.
EQUITY RATIO	0.292	MORTGAGE PMTS PER YEAR	12.
EQUITY AMOUNT	1,522,455	MORTGAGE RATIO	0.708
DEP. (-APP.) RATIO	0.042	MORTGAGE AMOUNT	3,683,232
SINKING FUND FACTOR	0.099	MORTGAGE CONSTANT	0.11761
BASIC RATE	0.113	MORTGAGE COEFFICIENT	0.01029
OVERALL RATE	0.107	MORTGAGE AMORTIZATION	0.07975
NET INCOME	554,907	PROJECT VALUE	5,205,687
			71.62

----- P R O P O S E D P R O J E C T

BUILDING AREA	72,680	PROJECT COST	5,205,102	71.62
		DIFFERENCE	585	0.01

MORTGAGE AMOUNT	0.71	\$ 3,683,232.	AT 0.1176	433,198.	ANNUAL PAYMENT
EQUITY AMOUNT	0.29	\$ 1,522,455.	AT 0.0799	121,709.	CASH THROW-OFF
TOTAL \$ 5,205,687.				554,907.	NET INCOME

5,205,687 ORIGINAL PRICE ESTIMATE
-218,118 LESS -.0419 DEPRECIATION

5,423,806 PROPERTY REVERSION DEFERRED 7 YEARS
3,683,232 MORTGAGE
3,389,500 293,731 LESS 7 YEAR AMORTIZATION: (0.0797)

2,034,305 EQUITY REVERSION, DEFERRED 7 YEARS

PRESENT VALUE OF EQUITY INCOME AND REVERSION AT 0.1200

555,452 INCOME, 121,709 * 4.5638
920,216 REVERSION, 2,034,305 * 0.4523

1,475,668

Appendix A

Part 2

INITIAL MINIMUM YIELD ANALYSIS

PRO FORMA OPERATING STATEMENT FOR THE CENTER

GLA : 64,750

	YEAR 1		YEAR 2	
	RENT/SF OF GLA	TOTAL DOLLARS	RENT/SF OF GLA	TOTAL DOLLARS
INCOME FROM OPERATIONS				
Base Rent	\$10.00	\$647,350	\$10.00	\$647,350
+ Percentage Rent	\$2.82	\$182,787	\$3.10	\$201,046
+ Operating Expenses	\$2.83	\$183,259	\$2.92	\$188,757
- Vacancy *		5%		5%
	\$0.78	50,670	\$0.80	51,858
+ Other Income	\$0.00	0	\$0.00	0
= TOTAL INCOME	\$14.87	\$962,726	\$15.22	\$985,295
	=====	=====	=====	=====
EXPENSES				
+ Management Fee	\$0.35	\$22,662	\$0.36	\$23,342
+ General&Administrative	\$0.35	\$22,662	\$0.36	\$23,342
+ Common Area Maintenance	\$0.32	\$20,720	\$0.33	\$21,342
+ Real Estate Taxes	\$2.00	\$129,360	\$2.06	\$133,241
+ HVAC	\$0.12	\$7,770	\$0.12	\$8,003
+ Utilities	\$0.10	\$6,475	\$0.10	\$6,669
+ Insurance	\$0.08	\$5,180	\$0.08	\$5,335
+ Advertising&Promotion	\$0.10	\$6,475	\$0.10	\$6,669
+ Other Expenses	\$0.12	\$7,770	\$0.12	\$8,003
= TOTAL EXPENSES	\$3.54	\$229,074	\$3.64	\$235,946
	=====	=====	=====	=====
NET INCOME B/4 DEBT SERVICE	\$11.33	\$733,652	\$11.57	\$749,349
	=====	=====	=====	=====

PRO FORMA OPERATING STATEMENT FOR THE CENTER

GLA : 64,750

	YEAR 3		YEAR 4	
	RENT/SF OF GLA	TOTAL DOLLARS	RENT/SF OF GLA	TOTAL DOLLARS
INCOME FROM OPERATIONS				
Base Rent	\$10.00	\$647,350	\$10.00	\$647,350
+ Percentage Rent	\$3.40	\$219,853	\$3.69	\$239,224
+ Operating Expenses	\$3.00	\$194,420	\$3.09	\$200,252
- Vacancy *		5%		5%
	\$0.82	53,081	\$0.84	54,341
+ Other Income	\$0.00	0	\$0.00	0
= TOTAL INCOME	\$15.58	\$1,008,541	\$15.95	\$1,032,484
EXPENSES				
+ Management Fee	\$0.37	\$24,042	\$0.38	\$24,764
+ General&Administrative	\$0.37	\$24,042	\$0.38	\$24,764
+ Common Area Maintenance	\$0.34	\$21,982	\$0.35	\$22,642
+ Real Estate Taxes	\$2.12	\$137,238	\$2.18	\$141,355
+ HVAC	\$0.13	\$8,243	\$0.13	\$8,490
+ Utilities	\$0.11	\$6,869	\$0.11	\$7,075
+ Insurance	\$0.08	\$5,495	\$0.09	\$5,660
+ Advertising&Promotion	\$0.11	\$6,869	\$0.11	\$7,075
+ Other Expenses	\$0.13	\$8,243	\$0.13	\$8,490
= TOTAL EXPENSES	\$3.75	\$243,024	\$3.87	\$250,315
NET INCOME B/4 DEBT SERVICE	\$11.82	\$765,517	\$12.08	\$782,169

PRO FORMA OPERATING STATEMENT FOR THE CENTER

GLA : 64,750

	YEAR 5		YEAR 6	
	RENT/SF OF GLA	TOTAL DOLLARS	RENT/SF OF GLA	TOTAL DOLLARS
INCOME FROM OPERATIONS				
Base Rent	\$10.00	\$647,350	\$10.00	\$647,350
+ Percentage Rent	\$4.00	\$259,176	\$4.32	\$279,727
+ Operating Expenses	\$3.19	\$206,260	\$3.28	\$212,447
- Vacancy *		5%		5%
	\$0.86	55,639	\$0.88	56,976
+ Other Income	\$0.00	0	\$0.00	0
= TOTAL INCOME	\$16.33	\$1,057,146	\$16.72	\$1,082,548
EXPENSES				
+ Management Fee	\$0.39	\$25,506	\$0.41	\$26,272
+ General&Administrative	\$0.39	\$25,506	\$0.41	\$26,272
+ Common Area Maintenance	\$0.36	\$23,321	\$0.37	\$24,021
+ Real Estate Taxes	\$2.25	\$145,596	\$2.32	\$149,964
+ HVAC	\$0.14	\$8,745	\$0.14	\$9,007
+ Utilities	\$0.11	\$7,287	\$0.12	\$7,506
+ Insurance	\$0.09	\$5,830	\$0.09	\$6,005
+ Advertising&Promotion	\$0.11	\$7,287	\$0.12	\$7,506
+ Other Expenses	\$0.14	\$8,745	\$0.14	\$9,007
= TOTAL EXPENSES	\$3.98	\$257,825	\$4.10	\$265,559
NET INCOME B/4 DEBT SERVICE	\$12.34	\$799,322	\$12.62	\$816,988

PRO FORMA OPERATING STATEMENT FOR THE CENTER

GLA : 84,750

	YEAR 7	
	RENT/SF OF GLA	TOTAL DOLLARS

INCOME FROM OPERATIONS		
Base Rent	\$10.00	\$647,350
+ Percentage Rent	\$4.65	\$300,894
+ Operating Expenses	\$3.38	\$218,821
- Vacancy *		5%
	\$0.90	58,353
+ Other Income	\$0.00	0

= TOTAL INCOME	\$17.12	\$1,108,711
=====		
EXPENSES		
+ Management Fee	\$0.42	\$27,060
+ General&Administrative	\$0.42	\$27,060
+ Common Area Maintenance	\$0.38	\$24,741
+ Real Estate Taxes	\$2.39	\$154,463
+ HVAC	\$0.14	\$9,278
+ Utilities	\$0.12	\$7,731
+ Insurance	\$0.10	\$6,185
+ Advertising&Promotion	\$0.12	\$7,731
+ Other Expenses	\$0.14	\$9,278

= TOTAL EXPENSES	\$4.22	\$273,526
=====		
NET INCOME B/4 DEBT SERVICE	\$12.90	\$835,185
=====		

NO.	TENANT	GROSS LEASEABLE AREA	MINIMUM BASE RENT	YEAR 1 GROSS ANNUAL SALES	EXPECTED ANNUAL INCREASE IN GROSS	BASE AMOUNT BEFORE PART'N
	GROCERY STORE	22,000	\$6.00	\$8,800,000	3.00%	\$6,600,000
	BAKERY	1,600	\$11.50	\$256,000	3.00%	\$179,200
	LIQUOR STORE	2,500	\$12.00	\$657,500	3.00%	\$460,250
	HARDWARE STORE	5,500	\$6.25	\$467,500	3.00%	\$327,250
	DRUG STORE	5,500	\$6.50	\$825,000	3.00%	\$577,500
	ICE CREAM	1,100	\$14.00	\$247,500	3.00%	\$173,250
	DRY CLEANERS	1,500	\$11.50	\$225,000	3.00%	\$157,500
	VIDEO RENTAL OUTLET	1,100	\$15.00	\$110,000	3.00%	\$77,000
	BEAUTY PARLOR	1,000	\$11.25	\$100,000	3.00%	\$70,000
	HAIRCUTS	1,150	\$16.00	\$207,000	3.00%	\$120,750
	FLORIST	1,200	\$10.00	\$138,000	3.00%	\$96,600
	FAST FOOD RESTAURANT	1,500	\$32.00	\$277,500	3.00%	\$244,299
	RESTAURANT	3,000	\$15.00	\$570,100	3.00%	\$399,070
	OPTICAL	1,100	\$11.25	\$176,000	3.00%	\$123,200
	BOOKSTORE, CARDS & GI	1,700	\$11.50	\$272,000	3.00%	\$190,400
	FABRIC & CRAFT	1,500	\$12.00	\$225,000	3.00%	\$157,500
	LADIES READT TO WEAR	1,600	\$13.00	\$336,000	3.00%	\$235,200
	CHILDREN'S CLOTHING	2,000	\$15.50	\$420,000	3.00%	\$294,000
	RECORDS & TAPES	1,200	\$11.50	\$255,600	3.00%	\$178,920
	SPORTSWEAR & GOODS	2,000	\$12.00	\$460,000	3.00%	\$322,000
	CAMERA SHOP	1,000	\$18.00	\$180,000	3.00%	\$150,000
	TRAVEL AGENCY	1,000	\$14.00	\$210,000	3.00%	\$147,000
	LUGGAGE & LEATHER	1,000	\$13.50	\$175,000	3.00%	\$122,500
	SAVINGS & LOAN	2,000	\$14.00	\$0	0.00%	\$0

NO.	PERCENT PART'N	YEAR TERM BEGINS	PRO RATA OF MGMT FEE	PRO RATA OF GEN & ADMN	PRO RATA OF C.A.M	PRO RATA OF RE TAXES

	1.75%	1	27.20%	27.20%	27.20%	27.20%
	7.00%	1	2.00%	2.00%	2.00%	2.00%
	6.00%	1	3.10%	3.10%	3.10%	3.10%
	6.00%	1	6.80%	6.80%	6.80%	6.80%
	6.00%	1	6.80%	6.80%	6.80%	6.80%
	6.00%	1	1.40%	1.40%	1.40%	1.40%
	7.00%	1	1.80%	1.80%	1.80%	1.80%
	6.00%	1	1.40%	1.40%	1.40%	1.40%
	7.00%	1	1.20%	1.20%	1.20%	1.20%
	8.00%	1	1.40%	1.40%	1.40%	1.40%
	7.00%	1	1.50%	1.50%	1.50%	1.50%
1	10.00%	1	1.80%	1.80%	1.80%	1.80%
	6.00%	1	3.70%	3.70%	3.70%	3.70%
	7.00%	1	1.40%	1.40%	1.40%	1.40%
	7.00%	1	2.10%	2.10%	2.10%	2.10%
	6.00%	1	1.80%	1.80%	1.80%	1.80%
	6.00%	1	2.00%	2.00%	2.00%	2.00%
	6.00%	1	2.50%	2.50%	2.50%	2.50%
	7.00%	1	1.50%	1.50%	1.50%	1.50%
	6.00%	1	2.50%	2.50%	2.50%	2.50%
	6.00%	1	1.20%	1.20%	1.20%	1.20%
	6.00%	1	1.20%	1.20%	1.20%	1.20%
	6.00%	1	1.20%	1.20%	1.20%	1.20%
	0.00%	1	2.50%	2.50%	2.50%	2.50%

NO.	PRO RATA OF RE TAXES	PRO RATA OF HVAC	PRO RATA OF UTILITIES	PRO RATA OF INS	PRO RATA OF ADS & PROMO	PRO RATA OF OTHER EXPENSES
	27.20%	27.20%	27.20%	27.20%	27.20%	27.20%
	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%
	6.80%	6.80%	6.80%	6.80%	6.80%	6.80%
	6.80%	6.80%	6.80%	6.80%	6.80%	6.80%
	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%
	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%
	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%
	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%
	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%
	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%
	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%
	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%
	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%
	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%
	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%
	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%
	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

PRO FORMA FOR EACH TENANT

YEAR 1

TENANT	GLA	BASE RENT	SALES VOLUME	PART'N RENT	OPERATING EXPENSES	LEASED AREA
1.	22,000	\$132,000	\$9,064,000	\$43,120	\$62,308	22,000
2.	1,600	\$18,400	\$263,680	\$5,914	\$4,581	1,600
3.	2,500	\$30,000	\$677,225	\$13,019	\$7,101	2,500
4.	5,500	\$34,375	\$481,525	\$9,257	\$15,577	5,500
5.	5,500	\$35,750	\$849,750	\$16,335	\$15,577	5,500
6.	1,100	\$15,400	\$254,925	\$4,901	\$3,207	1,100
7.	1,500	\$17,250	\$231,750	\$5,198	\$4,123	1,500
8.	1,100	\$16,500	\$113,300	\$2,178	\$3,207	1,100
9.	1,000	\$11,250	\$103,000	\$2,310	\$2,749	1,000
10.	1,150	\$18,400	\$213,210	\$7,397	\$3,207	1,150
11.	1,200	\$12,000	\$142,140	\$3,188	\$3,436	1,200
12.	1,500	\$48,000	\$285,825	\$4,153	\$4,123	1,500
13.	3,000	\$45,000	\$587,203	\$11,288	\$8,476	3,000
14.	1,100	\$12,375	\$181,280	\$4,066	\$3,207	1,100
15.	1,700	\$19,550	\$280,160	\$6,283	\$4,811	1,700
16.	1,500	\$18,000	\$231,750	\$4,455	\$4,123	1,500
17.	1,600	\$20,800	\$346,080	\$6,653	\$4,581	1,600
18.	2,000	\$31,000	\$432,600	\$8,316	\$5,727	2,000
19.	1,200	\$13,800	\$263,268	\$5,904	\$3,436	1,200
20.	2,000	\$24,000	\$473,800	\$9,108	\$5,727	2,000
21.	1,000	\$18,000	\$185,400	\$2,124	\$2,749	1,000
22.	1,000	\$14,000	\$216,300	\$4,158	\$2,749	1,000
23.	1,000	\$13,500	\$180,250	\$3,465	\$2,749	1,000
24.	2,000	\$28,000	\$0	\$0	\$5,727	2,000
25.	0	\$0	\$0	\$0	\$0	0
TOTAL	64,750	647,350	16,058,421	182,787	183,259	64,750
	=====	=====	=====	=====	=====	=====

PRO FORMA FOR EACH TENANT

YEAR 2

TENANT	BASE RENT	SALES VOLUME	PART'N RENT	OPERATING EXPENSES	LEASED AREA
1.	\$132,000	\$9,335,920	\$47,879	\$64,177	22,000
2.	\$18,400	\$271,590	\$6,467	\$4,719	1,600
3.	\$30,000	\$697,542	\$14,238	\$7,314	2,500
4.	\$34,375	\$495,971	\$10,123	\$16,044	5,500
5.	\$35,750	\$875,243	\$17,865	\$16,044	5,500
6.	\$15,400	\$262,573	\$5,359	\$3,303	1,100
7.	\$17,250	\$238,703	\$5,684	\$4,247	1,500
8.	\$16,500	\$116,699	\$2,382	\$3,303	1,100
9.	\$11,250	\$106,090	\$2,526	\$2,831	1,000
10.	\$18,400	\$219,606	\$7,909	\$3,303	1,150
11.	\$12,000	\$146,404	\$3,486	\$3,539	1,200
12.	\$48,000	\$294,400	\$5,010	\$4,247	1,500
13.	\$45,000	\$604,819	\$12,345	\$8,730	3,000
14.	\$12,375	\$186,718	\$4,446	\$3,303	1,100
15.	\$19,550	\$288,565	\$6,872	\$4,955	1,700
16.	\$18,000	\$238,703	\$4,872	\$4,247	1,500
17.	\$20,800	\$356,462	\$7,276	\$4,719	1,600
18.	\$31,000	\$445,578	\$9,095	\$5,899	2,000
19.	\$13,800	\$271,166	\$6,457	\$3,539	1,200
20.	\$24,000	\$488,014	\$9,961	\$5,899	2,000
21.	\$18,000	\$190,962	\$2,458	\$2,831	1,000
22.	\$14,000	\$222,789	\$4,547	\$2,831	1,000
23.	\$13,500	\$185,658	\$3,789	\$2,831	1,000
24.	\$28,000	\$0	\$0	\$5,899	2,000
25.	\$0	\$0	\$0	\$0	0

TOTAL	647,350	16,540,174	201,046	188,757	64,750
=====					

PRO FORMA FOR EACH TENANT

YEAR 3

TENANT	BASE RENT	SALES VOLUME	PART'N RENT	OPERATING EXPENSES
1.	\$132,000	\$9,615,998	\$52,780	\$66,103
2.	\$18,400	\$279,738	\$7,038	\$4,860
3.	\$30,000	\$718,468	\$15,493	\$7,534
4.	\$34,375	\$510,850	\$11,016	\$16,526
5.	\$35,750	\$901,500	\$19,440	\$16,526
6.	\$15,400	\$270,450	\$5,832	\$3,402
7.	\$17,250	\$245,864	\$6,185	\$4,374
8.	\$16,500	\$120,200	\$2,592	\$3,402
9.	\$11,250	\$109,273	\$2,749	\$2,916
10.	\$18,400	\$226,194	\$8,436	\$3,402
11.	\$12,000	\$150,796	\$3,794	\$3,645
12.	\$48,000	\$303,232	\$5,893	\$4,374
13.	\$45,000	\$622,964	\$13,434	\$8,992
14.	\$12,375	\$192,320	\$4,838	\$3,402
15.	\$19,550	\$297,222	\$7,478	\$5,104
16.	\$18,000	\$245,864	\$5,302	\$4,374
17.	\$20,800	\$367,156	\$7,917	\$4,860
18.	\$31,000	\$458,945	\$9,897	\$6,076
19.	\$13,800	\$279,301	\$7,027	\$3,645
20.	\$24,000	\$502,654	\$10,839	\$6,076
21.	\$18,000	\$196,691	\$2,801	\$2,916
22.	\$14,000	\$229,473	\$4,948	\$2,916
23.	\$13,500	\$191,227	\$4,124	\$2,916
24.	\$28,000	\$0	\$0	\$6,076
25.	\$0	\$0	\$0	\$0
	-----	-----	-----	-----
TOTAL	647,350	17,036,379	219,853	194,420
	=====	=====	=====	=====

PRO FORMA FOR EACH TENANT

YEAR 4

TENANT	BASE RENT	SALES VOLUME	PART'N RENT	OPERATING EXPENSES
1.	\$132,000	\$9,904,478	\$57,828	\$68,086
2.	\$18,400	\$288,130	\$7,625	\$5,006
3.	\$30,000	\$740,022	\$16,786	\$7,760
4.	\$34,375	\$526,175	\$11,936	\$17,021
5.	\$35,750	\$928,545	\$21,063	\$17,021
6.	\$15,400	\$278,563	\$6,319	\$3,504
7.	\$17,250	\$253,239	\$6,702	\$4,506
8.	\$16,500	\$123,806	\$2,808	\$3,504
9.	\$11,250	\$112,551	\$2,979	\$3,004
10.	\$18,400	\$232,980	\$8,978	\$3,504
11.	\$12,000	\$155,320	\$4,110	\$3,755
12.	\$48,000	\$312,329	\$6,803	\$4,506
13.	\$45,000	\$641,653	\$14,555	\$9,262
14.	\$12,375	\$198,090	\$5,242	\$3,504
15.	\$19,550	\$306,138	\$8,102	\$5,257
16.	\$18,000	\$253,239	\$5,744	\$4,506
17.	\$20,800	\$378,171	\$8,578	\$5,006
18.	\$31,000	\$472,714	\$10,723	\$6,258
19.	\$13,800	\$287,680	\$7,613	\$3,755
20.	\$24,000	\$517,734	\$11,744	\$6,258
21.	\$18,000	\$202,592	\$3,155	\$3,004
22.	\$14,000	\$236,357	\$5,361	\$3,004
23.	\$13,500	\$196,964	\$4,468	\$3,004
24.	\$28,000	\$0	\$0	\$6,258
25.	\$0	\$0	\$0	\$0
	-----	-----	-----	-----
TOTAL	647,350	17,547,470	239,224	200,252
	=====	=====	=====	=====

PRO FORMA FOR EACH TENANT

YEAR 5

TENANT	BASE RENT	SALES VOLUME	PART'N RENT	OPERATING EXPENSES
1.	\$132,000	\$10,201,612	\$63,028	\$70,128
2.	\$18,400	\$296,774	\$8,230	\$5,156
3.	\$30,000	\$762,223	\$18,118	\$7,993
4.	\$34,375	\$541,961	\$12,883	\$17,532
5.	\$35,750	\$956,401	\$22,734	\$17,532
6.	\$15,400	\$286,920	\$6,820	\$3,610
7.	\$17,250	\$260,837	\$7,234	\$4,641
8.	\$16,500	\$127,520	\$3,031	\$3,610
9.	\$11,250	\$115,927	\$3,215	\$3,094
10.	\$18,400	\$239,970	\$9,538	\$3,610
11.	\$12,000	\$159,980	\$4,437	\$3,867
12.	\$48,000	\$321,699	\$7,740	\$4,641
13.	\$45,000	\$660,902	\$15,710	\$9,540
14.	\$12,375	\$204,032	\$5,658	\$3,610
15.	\$19,550	\$315,323	\$8,745	\$5,414
16.	\$18,000	\$260,837	\$6,200	\$4,641
17.	\$20,800	\$389,516	\$9,259	\$5,156
18.	\$31,000	\$486,895	\$11,574	\$6,446
19.	\$13,800	\$296,310	\$8,217	\$3,867
20.	\$24,000	\$533,266	\$12,676	\$6,446
21.	\$18,000	\$208,669	\$3,520	\$3,094
22.	\$14,000	\$243,448	\$5,787	\$3,094
23.	\$13,500	\$202,873	\$4,822	\$3,094
24.	\$28,000	\$0	\$0	\$6,446
25.	\$0	\$0	\$0	\$0

TOTAL	647,350	18,073,894	259,176	206,260
=====				

PRO FORMA FOR EACH TENANT

YEAR 6

TENANT	BASE RENT	SALES VOLUME	PART 'N RENT	OPERATING EXPENSES
1.	\$132,000	\$10,507,660	\$68,384	\$72,232
2.	\$18,400	\$305,677	\$8,853	\$5,311
3.	\$30,000	\$785,089	\$19,490	\$8,232
4.	\$34,375	\$558,219	\$13,858	\$18,058
5.	\$35,750	\$985,093	\$24,456	\$18,058
6.	\$15,400	\$295,528	\$7,337	\$3,718
7.	\$17,250	\$268,662	\$7,781	\$4,780
8.	\$16,500	\$131,346	\$3,261	\$3,718
9.	\$11,250	\$119,405	\$3,458	\$3,187
10.	\$18,400	\$247,169	\$10,114	\$3,718
11.	\$12,000	\$164,779	\$4,773	\$3,983
12.	\$48,000	\$331,350	\$8,705	\$4,780
13.	\$45,000	\$680,729	\$16,900	\$9,826
14.	\$12,375	\$210,153	\$6,087	\$3,718
15.	\$19,550	\$324,782	\$9,407	\$5,577
16.	\$18,000	\$268,662	\$6,670	\$4,780
17.	\$20,800	\$401,202	\$9,960	\$5,311
18.	\$31,000	\$501,502	\$12,450	\$6,639
19.	\$13,800	\$305,200	\$8,840	\$3,983
20.	\$24,000	\$549,264	\$13,636	\$6,639
21.	\$18,000	\$214,929	\$3,896	\$3,187
22.	\$14,000	\$250,751	\$6,225	\$3,187
23.	\$13,500	\$208,959	\$5,188	\$3,187
24.	\$28,000	\$0	\$0	\$6,639
25.	\$0	\$0	\$0	\$0
	-----	-----	-----	-----
	647,350	18,616,111	279,727	212,447
	=====	=====	=====	=====

PRO FORMA FOR EACH TENANT

YEAR 7

TENANT	BASE RENT	SALES VOLUME	PART'N RENT	OPERATING EXPENSES
1.	\$132,000	\$10,822,890	\$73,901	\$74,399
2.	\$18,400	\$314,848	\$9,495	\$5,471
3.	\$30,000	\$808,642	\$20,904	\$8,479
4.	\$34,375	\$574,966	\$14,863	\$18,600
5.	\$35,750	\$1,014,646	\$26,229	\$18,600
6.	\$15,400	\$304,394	\$7,869	\$3,829
7.	\$17,250	\$276,722	\$8,346	\$4,923
8.	\$16,500	\$135,286	\$3,497	\$3,829
9.	\$11,250	\$122,987	\$3,709	\$3,282
10.	\$18,400	\$254,584	\$10,707	\$3,829
11.	\$12,000	\$169,723	\$5,119	\$4,103
12.	\$48,000	\$341,290	\$9,699	\$4,923
13.	\$45,000	\$701,151	\$18,125	\$10,120
14.	\$12,375	\$216,458	\$6,528	\$3,829
15.	\$19,550	\$334,526	\$10,089	\$5,744
16.	\$18,000	\$276,722	\$7,153	\$4,923
17.	\$20,800	\$413,238	\$10,682	\$5,471
18.	\$31,000	\$516,547	\$13,353	\$6,838
19.	\$13,800	\$314,356	\$9,481	\$4,103
20.	\$24,000	\$565,742	\$14,625	\$6,838
21.	\$18,000	\$221,377	\$4,283	\$3,282
22.	\$14,000	\$258,274	\$6,676	\$3,282
23.	\$13,500	\$215,228	\$5,564	\$3,282
24.	\$28,000	\$0	\$0	\$6,838
25.	\$0	\$0	\$0	\$0
TOTAL	647,350	19,174,594	300,894	218,821
	=====	=====	=====	=====

GRAPHICS IN REAL ESTATE

JOHN J. GLAD

Lecture
November 18, 1977

CREDITS

GRAPHIC MATERIALS:

University Book Store

Master Blueprint Inc.
810 West Badger Road 256-4884

PHOTO SERVICES

Master Blueprint Inc.
(Technical)

Great Big Pictures
458 West Gilman Street 257-7071

TYPESETTING

Madison Graphic Services
120 East Wilson Street 257-2431

BINDING

Thesis Center
453 West Gilman Street 257-3918

APRIL 6, 1977.

SITE UTILIZATION STUDY
J.A. GRAASKAMP / THE NORTH ESTATE

john j. glad / design / planning / real estate
29 east wilson street, madison, wisconsin, 53703, ph. 257-8669

SITE UTILIZATION STUDY

J.A. GRAASKAMP / THE NORTH ESTATE

TABLE OF CONTENTS

- 1.0 PREFACE
 - 1.1 Scope of Project
 - 1.2 Purpose
 - 1.3 Drawing Symbols
- 2.0 SITE DATA
 - 2.1 Site Description
 - 2.2 History
 - 2.3 Site Area
 - 2.4 Site Environment
 - 2.5 Site Drainage and Topography
 - 2.6 Soils
 - 2.7 Utilities
 - 2.8 Site Access
 - 2.9 Zoning
- 3.0 SITE LINKAGES
- 4.0 DEVELOPMENT CONSTRAINTS
 - 4.1 Site Circulation
 - 4.2 Existing Structures
 - 4.3 Retrofitting of Structures
- 5.0 PROPOSED ALTERNATIVE DEVELOPMENT PLANS
 - 5.1 Alternate A - Single Family
 - 5.2 Alternate B - Mixed Density
 - 5.3 Alternate C - PCD Approach
 - 5.4 Summary
- 6.0 DEVELOPMENT COSTS
 - 6.1 Method
 - 6.2 Initial and Offsite Costs
 - 6.3 Alternate A
 - 6.4 Alternate B
 - 6.5 Alternate C
 - 6.6 Cost Evaluation
- 7.0 CONCLUSION

APPENDIX

5.0 PROPOSED ALTERNATIVE DEVELOPMENT SCENARIOS

Given the aforementioned site constraints, access to utilities and roadways, and various City of Madison agency design criteria, the following three developments were proposed. They are Alternate 'A' a low density, single family lot subdivision; Alternate 'B', mixed density of 8-unit, 4-unit and single family lots; and the high density Alternate 'C' a Planned Community Development approach to development.

5.1 Alternate 'A' (Drawing 8)

This meets the existing R1 zoning classification, providing 29 large, single family lots from 14,000 square feet to 23,000 square feet. It was necessary to demolish all the buildings on the site to allow for a cul-de-sac to serve the Northwest half of the site. A public 60' R.O.W. was dedicated for city streets and services; a public access easement to the lake was provided for boat launch and beach.

5.2 Alternate 'B' (Drawing 9)

This solution provides for a mixed density of 68 dwelling units; 2, 8-unit lots, 11-4 unit lots and 8 single family lots. The site access is by means to a 60' public street R.O.W. with a cul-de-sac at the lakeshore. In this solution, the higher residential and business zones to the west of the site were justification for lots 1 and 13 being transitional 8 unit lots. Lots 19, 20 and 21 are considered "Deep Lots" in Section 28.04 (11) of the City of Madison, Zoning Code; dictate that each lot have a 30 foot wide access to the R.O.W. On lots 6 and 7, the existing structures A and B were retained and converted. Therefore, the developer must replace gas and electric services demolished or abandoned for site work.

5.3 Alternate 'C' (Drawing 10)

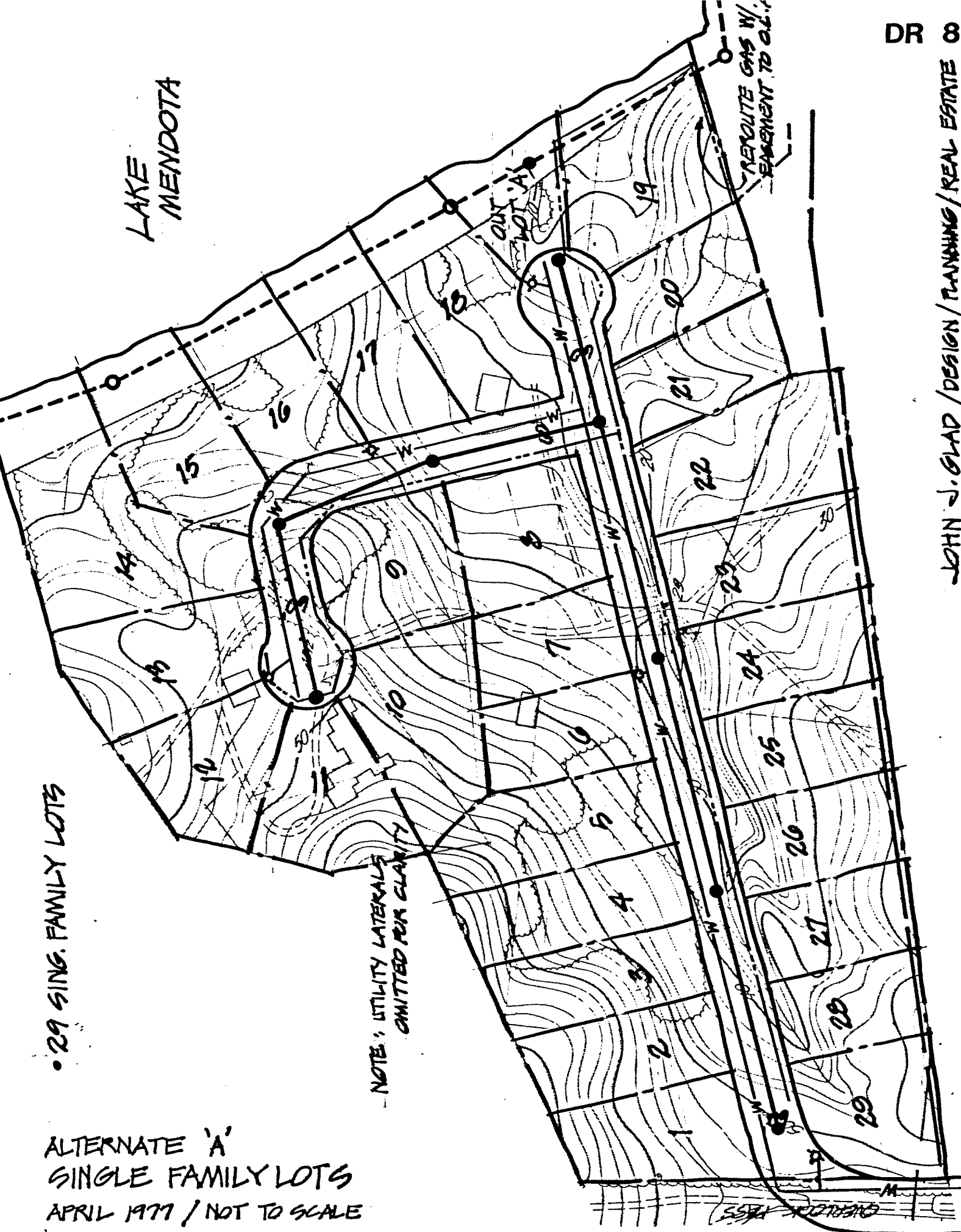
The Zoning Code, Section 28.07 (4) (see Appendix) allows creative development of lands in close cooperation with the Madison City Plan Commission. The developer, with a comprehensive development and implementation plan, can ignore existing zoning and seek approval of whatever mix of density he perceives justifiable. The importance is to balance density with open space needs and special site conditions.

LAKE
MENDOTA

• 29 SING. FAMILY LOTS

NOTE: UTILITY LATERALS
OMITTED FOR CLARITY

ALTERNATE 'A'
SINGLE FAMILY LOTS
APRIL 1977 / NOT TO SCALE



April 29, 1975

Site Utilization Study

J.A. Graaskamp / Masons

kenton peters + associates, inc.
122 N. HAMILTON ST

architects
MADISON, WISCONSIN

SITE UTILIZATION STUDY

J.A. GRAASKAMP / MASONS

TABLE OF CONTENTS

- 1.0. PREFACE
- 2.0. SITE DATA
 - 2.1. Site Description
 - 2.2. Site Access
 - 2.3. Site Area
 - 2.4. Zoning Variances to R-6
 - 2.5. Agency Recommendations
- 3.0. SITE CONSTRAINTS
 - 3.1. Parcel Definition
 - 3.2. Sideyard Requirements
 - 3.3. Floor Area Ratio
 - 3.4. Planned Unit Development Approach
- 4.0. TOPOGRAPHY
 - 4.1. Temple Building Elevations
- 5.0. SITE AND ALTERNATIVE SPECIFICATIONS
 - 5.1. Alternate Definitions
 - 5.2. Improvements allowed in R-6 District
 - 5.3. D.U. Allowable in R-6
 - 5.4. Net Area and Open Space Requirement
 - 5.5. Assumptions
- 6.0. ALTERNATIVES UNDER R-6 Zoning
 - 6.1. Parking Ramp
 - 6.2. Alternate Description
- 7.0. A PLANNED UNIT DEVELOPMENT APPROACH TO PARKING
 - 7.1. Parking Limitations
 - 7.2. Ramp Elevation and Relationship to Temple Hall
- 8.0. TWO P.U.D. APPROACHES
 - 8.1. Highrise
 - 8.2. Lowrise
- 9.0. RECOMMENDATION

2.0. SITE DATA

2.1. Site Description

The site is the north half of Block 92, of the Original Plat of Madison located adjacent to the Central Business District, owned for the most part, by Zor Temple Holding Corporation; hereafter it will be referred to as the Masons property.

The parcel excludes a 2,706 sq. ft. parcel at the northern-most corner owned by Mary Adams and Eugene M. Brown and May Catherine Brown. For purpose of this study, this parcel was included as an alternative for development.

2.2. Site Access

The site is bounded on the northwest and southeast by Gorham Street and Johnson Street, both one way main aterials. On the northeast, the site fronts on N. Pinckney which provides the best access to the parcel, whereby the city would allow two 25' curb cuts.

2.3. Site Area

Including the Adams/Brown parcel, the site is 34,848 sq. ft. and 31,142 sq. ft. without said parcel.

2.4. Zoning Variances to R-6

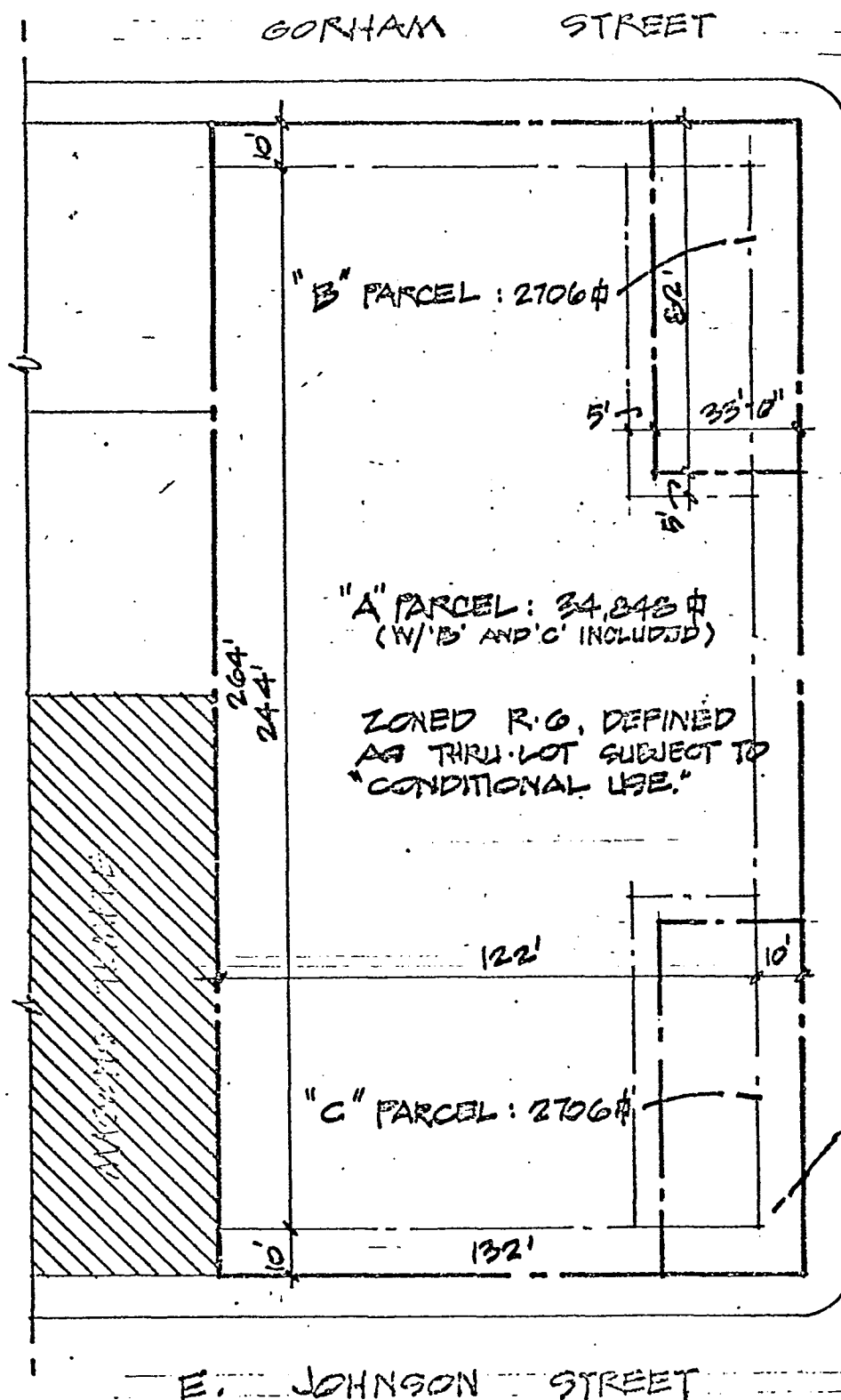
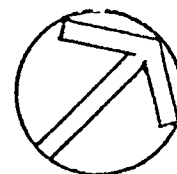
The client made inquiry as to the development of the southeast corner of the Masons parcel for commercial use. The Dept. of Building Inspection stated that if the parcel had been zoned commercial, rezoned to R-6, and has been vacant for greater than six months, that property cannot be used for commercial use unless its primary use is residential and the commercial use is limited to 3,000 sq. ft. per parcel.

Site Utilization Study

J.A. Graaskamp / Masons

kenton peters + associates, inc.

4.



SITE DESCRIPTION

SPECS:

A. ALLOWED 40% LOT COVERAGE UNDER F

B. THRU LOT IS COND USE.

C. GORHAM - JOHNSON 19' 10' DROP IN ELE

D. ALLOWED 2 CURB CUTS.

E. SR. PFG./ALTERNAT

ALT. A: 34,848

ALT. B: 31,142

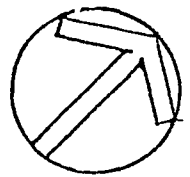
ALT. C: 29,436

F. F.A.R. = 2.0

ALLOW. = 69,700

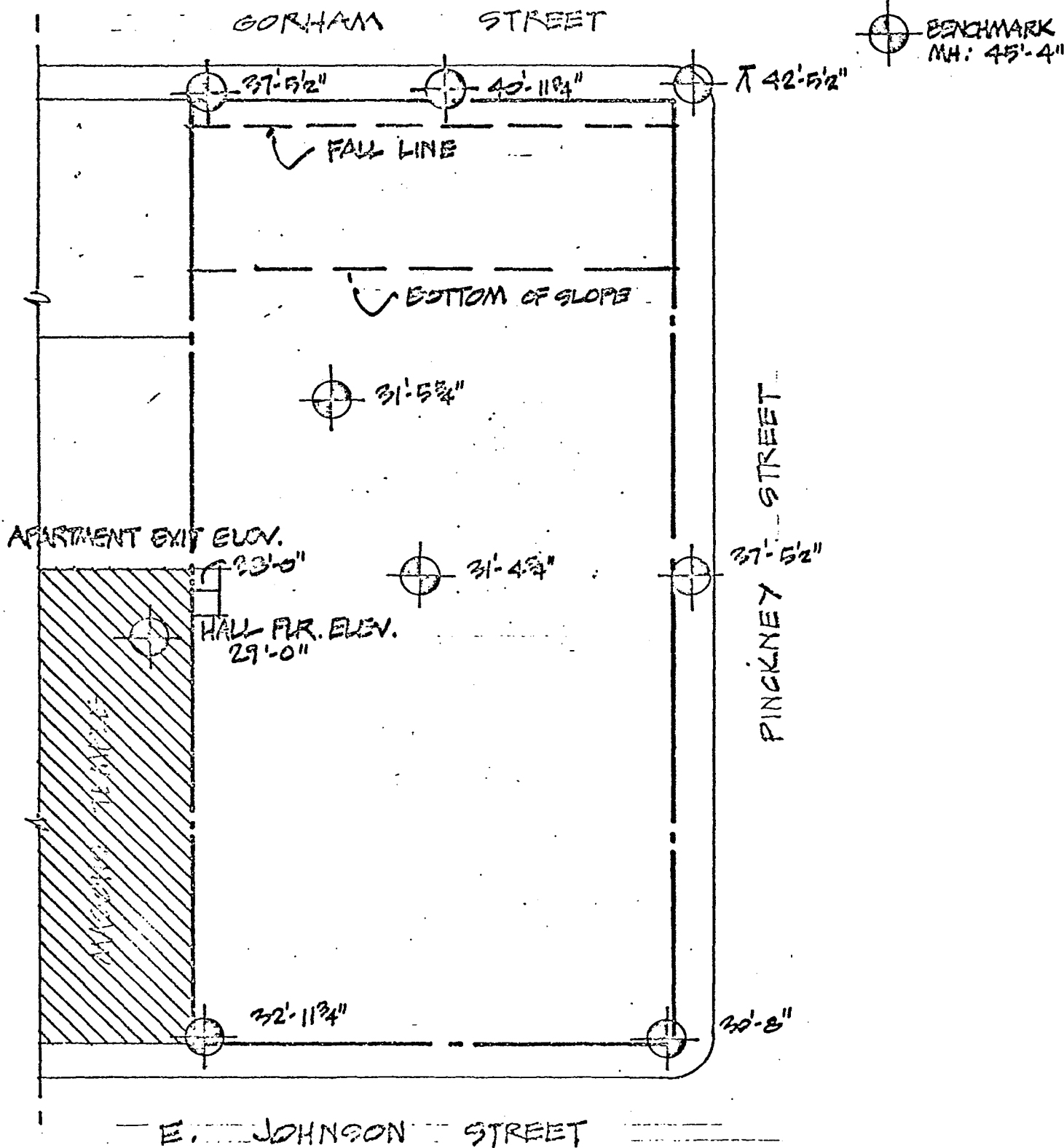
Site Utilization Study
J.A. Graaskamp / Masons

8.



kenton peters + associates, inc.

ELEVATIONS

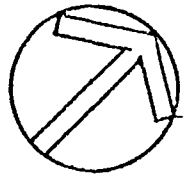


Site Utilization Study

J.A. Graaskamp / Masons

kenton peters + associates, inc.

22.



P.U.D. ALTERNATES

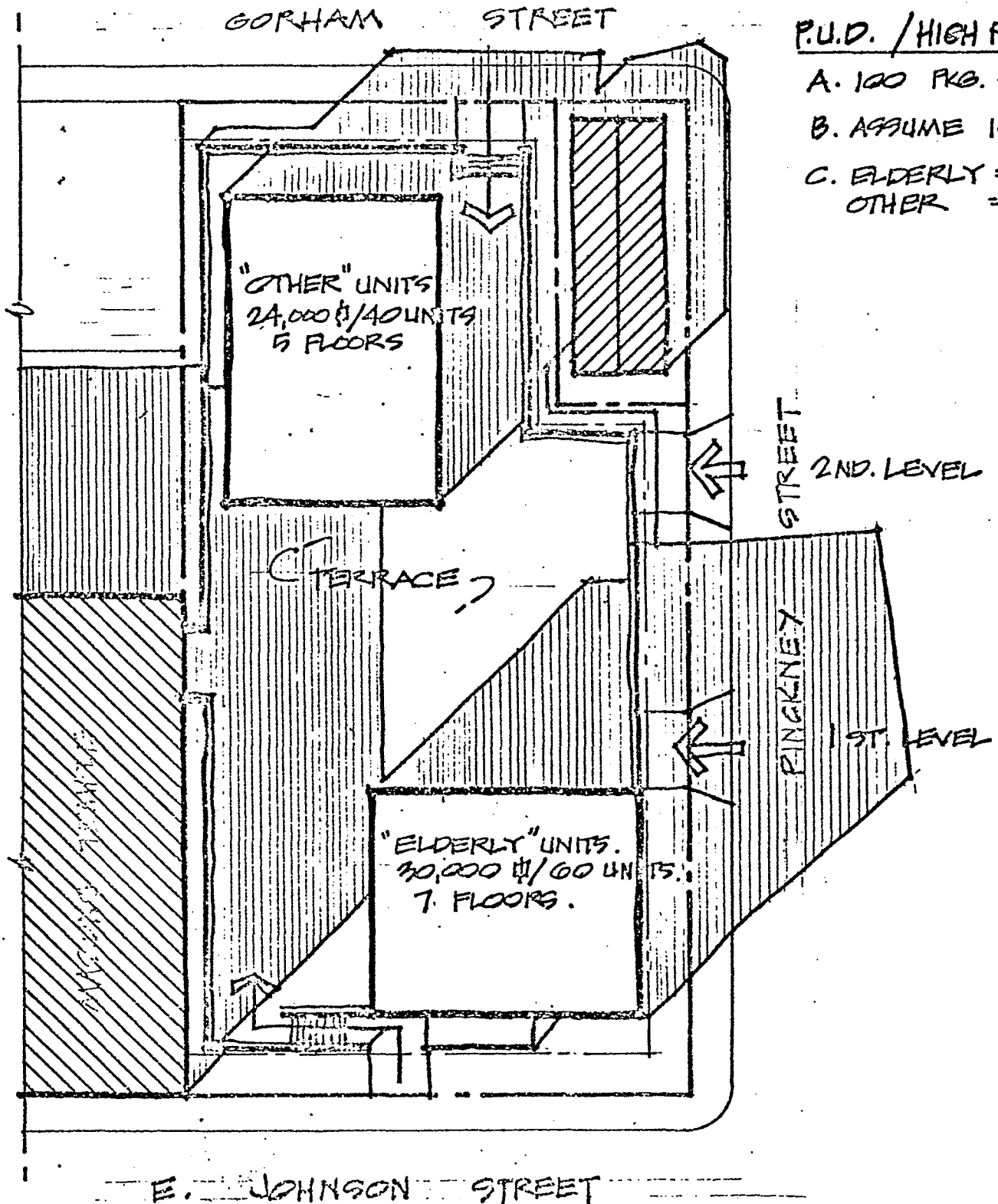
P.U.D. / HIGH RISE

A. 100 PKG. STALLS

B. ASSUME 100 UNITS

C. ELDERLY = 60 UNITS

OTHER = 40 UNITS



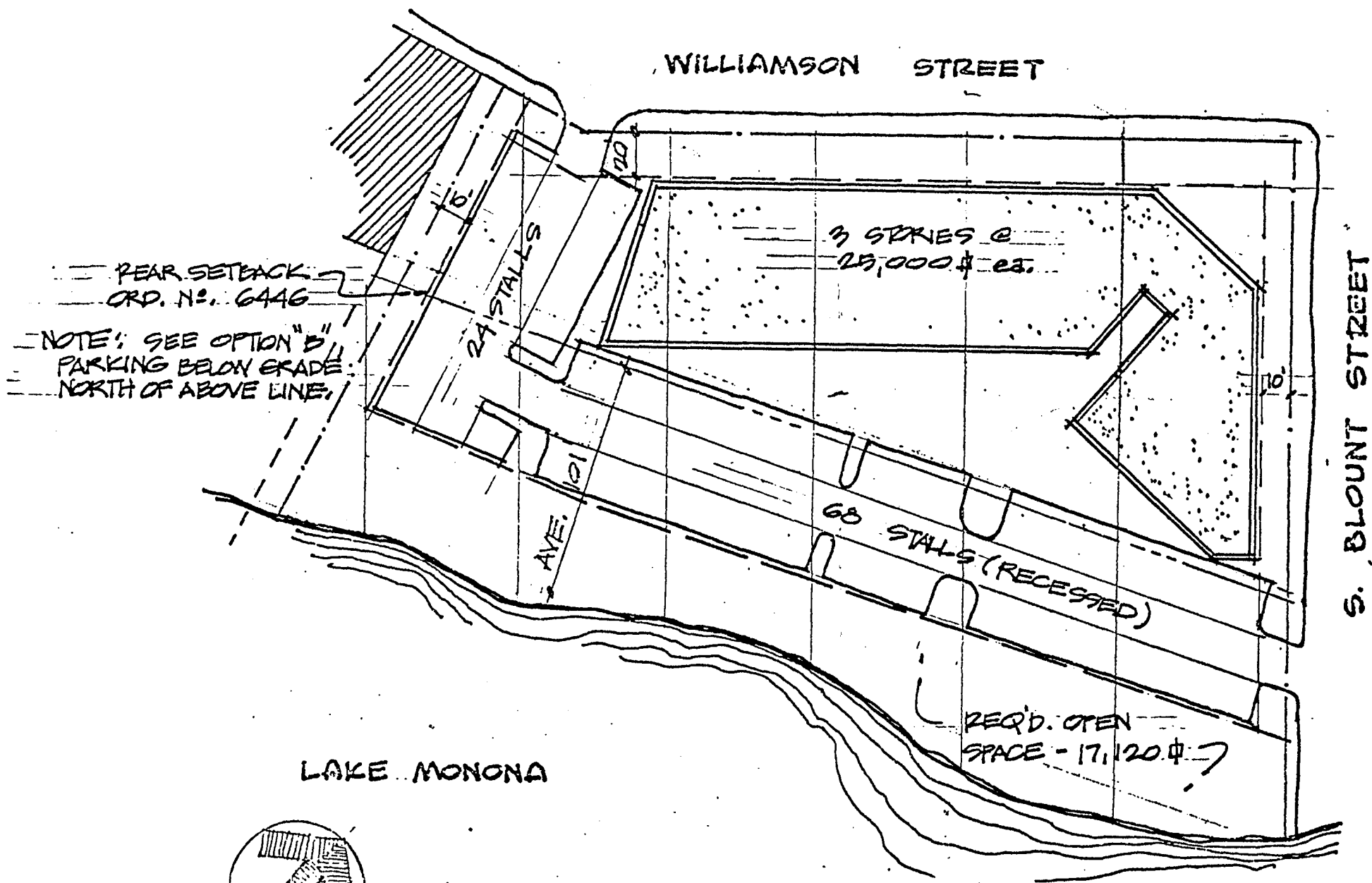
NOTE: SUN ANGLE, 45° @ 12:00 NOON @ EQUINOX.

Faurbach Site Development Options

OPTIONS	USE	BUILDING AREA	NO. OF STORIES	PARKING STALLS	LOCATION	PRIMARY CONSTRAINT	YARD REQMT'S.		
							FR.	S	REAR
A.	RES.	75,000 #	3	89	ABOVE GRADE	LOT AREA/DWELLING	20'	10'	
B.	RES.	75,000 #	3	89	BELOW GRADE	L.A./D.	20'	10'	
C.	COMM.	90,000 #	3	200 100	BG AG	PARKING	-	-	
D.	COMM.	60,000	2	200	BG	P.	-	-	
E.	COMM.	33,000 #	1	111	BG	P.	-	-	
	RES.	75,000 #	3	89	BG	(L.A./D.)	20'	10'	
F.	COMM.	48,000 #	2	111 50	BG AG	P.	-	-	
	RES.	75,000 #	3	89	BG	(L.A./D.)	20'	10'	
G.	COMM.	208,400 #	8	111 585	BG AG	P.	-	-	
	RES.	75,000 #	3	89	BG	(L.A./D.)	20'	10'	

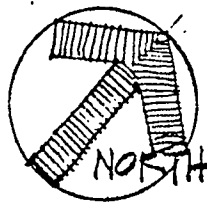
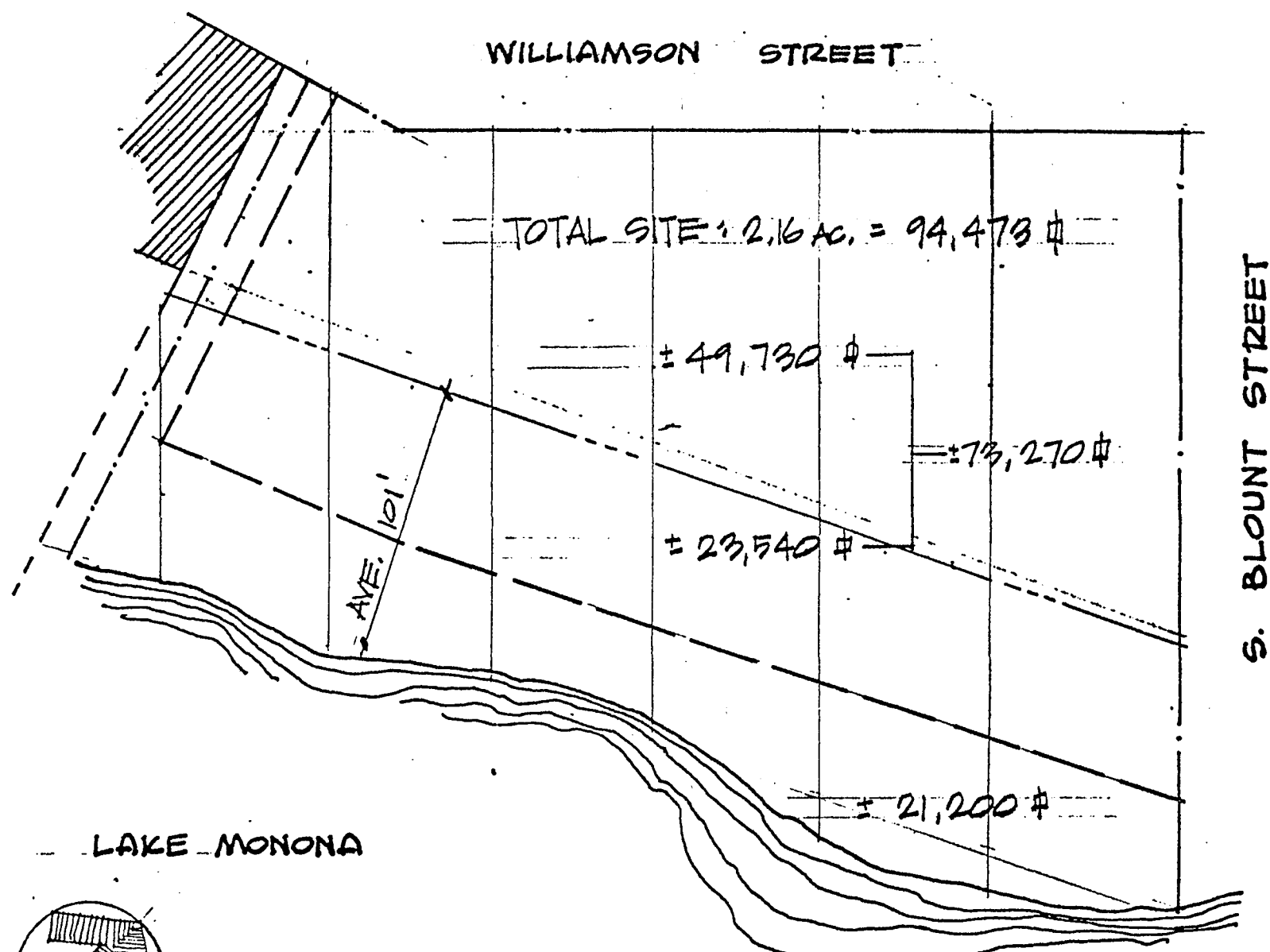
4664, 8/5/74
CR. BY ORDINANCE

[W/PARKING RAMP 5 LEVELS, 1 BG.]



OPTION "A" / RESIDENTIAL SURFACE PKG.

SITE PLAN SCALE: 1" = 60'



SITE PLAN SCALE: 1" = 60'