

An appraisal of Westside Meadows, 1440-1450 South 116th Street, West Allis, Wisconsin. January 1, 1982

Landmark Research, Inc.

[s.l.]: [s.n.], January 1, 1982

<https://digital.library.wisc.edu/1711.dl/IDH5Y3GSDK6DY8S>

<http://rightsstatements.org/vocab/InC/1.0/>

The libraries provide public access to a wide range of material, including online exhibits, digitized collections, archival finding aids, our catalog, online articles, and a growing range of materials in many media.

When possible, we provide rights information in catalog records, finding aids, and other metadata that accompanies collections or items. However, it is always the user's obligation to evaluate copyright and rights issues in light of their own use.

WESTSIDE MEADOWS

WEST ALLIS, WISCONSIN

Landmark
Research
Inc.

AN APPRAISAL OF

WESTSIDE MEADOWS
1440 - 1450 SOUTH 116TH STREET
WEST ALLIS, WISCONSIN

AS OF

JANUARY 1, 1982

PREPARED BY

LANDMARK RESEARCH, INC.

Landmark
Research
Inc.

July 9, 1982

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

Mr. David L. Brierton
President, Dominion Group, Inc.
3140 Harbor Lane
Minneapolis, Minnesota 55441

Dear Mr. Brierton:

With this letter is the appraisal of the property known as Westside Meadows located at 1440 and 1450 South 116th Street in the City of West Allis, Milwaukee County, Wisconsin. The appraisal was requested to serve as a benchmark of fair market value in support of the objection to the real property assessment as of January 1, 1982.

An inspection of the property was made on June 1, 1982 by the appraisers in the company of the on-site property manager, Bert Anderson. The property was well-maintained and fully operational and we were able to visit a vacant three bedroom unit. We understand that this new project opened December 29, 1981 and was fully occupied by February of 1982.

From your office we were furnished with the actual revenue and expenses through May 31, 1982; the 1981 and 1982 assessments for both parcels which have Tax Key Numbers 448 9987 005 and 448 9987 006; the Department of Housing and Urban Development (HUD) Form 2264 Project Income Analysis and Appraisal, the Housing Assistance Payments (HAP) Contract, Form 2580, the Maximum Insurable Mortgage, and actual Contractors and Mortgagor's Certification of Costs as of December 31, 1981. We obtained a copy of the Regulatory Agreement and the Mortgage from the Milwaukee County Register of Deeds Office and we obtained other mortgage information from First Wisconsin National Bank in Milwaukee.

In keeping with current State Department of Revenue thinking, we did not accord Section 8 a special position due to encumbered title. Instead we used appraisal methodology in the mainstream of Wisconsin assessment procedure which reduced HUD contract rents to market rents and non-market financing to cash equivalent values.

Since there were no current comparable sales and only one comparable listing we relied most fully on the income approach to valuation. The cost approach, with proper deductions for depreciation due to functional and economic obsolescence

Mr. Brierton

Page Two

July 9, 1982

inherent in an overbuilt project financed under terms and conditions not available in the marketplace, was used as a validation of value. In addition it serves as an illustration to the Board of Review of the correct and full execution of the cost approach which is preferred by the Assessors.

Based upon the assumptions and limiting conditions presented in the attached report, it is the opinion of the appraisers that the highest probable price in dollars and market value of Westside Meadows, located at 1440 and 1450 South 116th Street, West Allis, Wisconsin, which might be obtained as of January 1, 1982, is:

ONE MILLION TWO HUNDRED THOUSAND DOLLARS

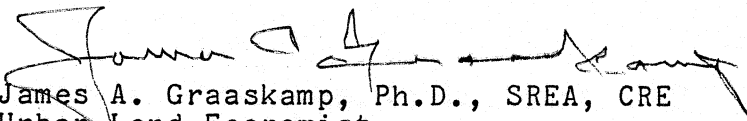
(\$1,200,000)

assuming a market interest rate of 14 percent, a debt cover ratio of 1.0, a term of 25 years, and a before tax equity yield of 14 percent.

Based on a 1982 assessment of \$1,200,000 and based upon the 1981 mill rate of \$30.411 per \$1,000 of value, the taxes would be \$36,490 or \$890 per unit which is more in line with the tax per unit on other West Allis apartment complexes. This compares with the proposed 1982 assessment of \$1,541,000 and taxes of \$46,860 or \$1,143 per unit.

We are pleased to have been of service and we remain available to answer any specific questions you may have regarding this report. Please give us adequate notice as to date, time, and location of any meetings you want us to attend in regard to this property.

FOR LANDMARK RESEARCH, INC.


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

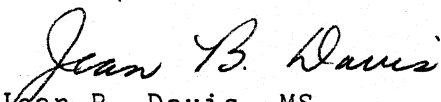

Jean B. Davis, MS

TABLE OF CONTENTS

	PAGE
LIST OF EXHIBITS	v
I. BASIC APPRAISAL CONDITIONS	1
A. The Appraisal Issue	1
B. Definition of Value	4
C. Property To Be Appraised	5
D. Legal Right To Be Appraised	6
II. PROPERTY PRODUCTIVITY	8
A. Site Description	8
B. Site Improvements	10
C. Improvements	10
III. MARKET COMPARISON APPROACH TO VALUE	17
A. Comparable Sales	17
B. Vacant Site Valuation	21
C. Comparable Market Rents	22
IV. INCOME APPROACH	35
A. Estimation of Revenue and Expenses	36
B. Income Capitalization	38
C. Financial Logic of Appraisal Conclusion	39
D. Test of Value Conclusion	41
V. COST APPROACH	48
A. Functional and Economic Obsolescence	49
B. Marshall and Swift Computerized Cost to Replace	52
C. HUD Construction Costs - Actual and Adjusted	52
VI. VALUE CONCLUSION	57
STATEMENT OF LIMITING CONDITIONS	59
CERTIFICATE OF APPRAISAL	61
QUALIFICATIONS OF APPRAISERS	63
APPENDIX	65

LIST OF EXHIBITS

EXHIBIT		PAGE
1	Site Map	9
2	Photographs of the Subject Property	11
3	Comparable Listing - Windsong Village Apartments	18
4	Comparable Market Rents	24
5	Photographs of Comparable Rental Properties . .	27
6	Location of Comparable Rental Properties	32
7	Milwaukee County Rental Information	34
8	Schedule of Revenue and Expenses - Westside Meadows	37
9	Band of Investment Analysis	40
10	Test of Value Conclusion	43
11	Marshall & Swift Cost to Replace	53
12	Mortgagor's Certificate of Actual Cost as of December 31, 1981	54
13	Conventional Cost Approach Based Upon Adjusted Certified Costs	56

I. BASIC APPRAISAL CONDITIONS

The content of an appraisal report is determined by the decision for which it will serve as a benchmark and by the limiting assumptions inherent in the property, data base, or other factors in the decision context.

A. The Appraisal Issue

The issue for which this appraisal will serve as a benchmark is the real property assessment appeal before the Board of Review of the City of West Allis, Wisconsin, regarding the assessed values as of January 1, 1982 for Westside Meadows, located at 1440 and 1450 South 116th Street. This Section 8 subsidized family housing project is owned by West Allis Housing Associates. Though the project has two unique tax parcel numbers, the valuation of Westside Meadows will be treated as a single appraisal problem.

The assessors for the City of West Allis have assessed the subject property as though it were identical to the financial attributes of any other multi-family rental unit in West Allis; however, the methodology employed failed to distinguish between the contract rents established by the federal Department of Housing and Urban Development (HUD) as a condition of the subsidy program and the fair market rents in West Allis as of January 1, 1982 as required by Wisconsin real property

assessment law. As stated in the 1980 Wisconsin Property Assessment Manual, Volume I, pages 9-4 and 9-5:

Potential gross income is the income that would be generated if a property was 100 percent occupied and receiving the market rent. Market rent is the rent that a property should receive based on an analysis of similar properties and trends in that area...Market rent rather than the actual, or contract rent is to be used in estimating gross income.... [Emphasis added]

The methodology as employed by the City of West Allis assessors further fails to adjust for the non-market subsidized mortgage interest rate and term which made construction of the project feasible in an economic period in which high interest rates and other economic factors have literally halted most new conventionally financed construction. Fair market value, in theory and as applied in the 1980 Property Assessment Manual for Wisconsin Assessors, Volume 1, Section 7-2, requires cash equivalent pricing. The assessors of West Allis prefer to rely primarily on a cost to replace method of appraisal but, in doing so, have failed to account for the functional and economic obsolescence adjustment for market rents and cash equivalency factors.

The cost approach may be acceptable in theory when and if the improvements represent the highest and best use of the site. Highest and best use is defined as that use which is legal, technically possible, and in demand at a price which makes purchase financially viable. Westside Meadows, as

presently constructed, could not be rented at market rents which would justify the cost of construction or purchase. Therefore, the current improvements are an over-improvement relative to market rents, given construction costs and interest rates prevailing as of January 1, 1982. It is precisely this type of incompatibility between cost to replace and market rents which is anticipated in appraisal theory by functional and economic obsolescence as adjustments to the cost to replace a specified facility.

While the cost approach may be suspect as an assessment tool, given a long series of Wisconsin court statements about its relevance in Wisconsin real property assessment, nevertheless, should the West Allis assessors choose to rely primarily on the cost to replace, then it is imperative that the cost approach be applied completely and the issue of functional and economic obsolescence be addressed.

There is the larger issue as to whether the market comparison approach to value, represented by sales and listings of comparable properties, or the income approach to value should be followed directly to indicate fair market value. The market comparison and income approaches may be used to measure the reduction in value attributable to both market rents and market loans on market terms.

Thus the tax appeal is clearly an issue of appraisal methodology which, in the viewpoint of the appellant, has led to an inappropriate assessment value for the subject property with a resulting abuse of both the federal Section 8 Housing Assistance Program and the property rights of the partnership entity.

B. Definition of Value

The definition of fair market value is taken from the 1980 Wisconsin Property Assessment Manual, Volume I, page 7-2:

Full and Market Value

The basis for the assessor's valuation of real property is found in s. 70.32, (1) Stats., "Real property shall be valued by the assessor in the manner specified in the Wisconsin property assessment manual under s. 73.03 (2a), Stats., from actual view or from the best information that the assessor can practicably obtain at the full value which could ordinarily be obtained therefor at private sale." Numerous Wisconsin court cases have held that full value is equivalent to market value.

In the book "Real Estate Appraisal Terminology," market value is defined as: The highest price in terms of money which a property will bring in a competitive and open market under all conditions requisite to a fair sale. The buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus." Thus, the goal of the assessor is to estimate the full or market value of the real property.

There are certain conditions that are necessary for a sale to be considered a "market value" transaction. These are:

1. It must have been exposed to the open market for a period of time typical of the turnover time for the type of property involved.

2. It presumes that both buyer and seller are knowledgeable about the real estate market.
3. It presumes buyer and seller are knowledgeable about the uses, present and potential, of the property.
4. It requires a willing buyer and a willing seller, with neither party compelled to act.
5. Payment for the property is in cash, or typical of normal financing and payment arrangements prevalent in the market for the type of property involved.

"Real Estate Appraisal Terminology" also defines value as "The present worth of future benefits arising out of ownership to typical users or investors." What the investor is actually buying is the future income of the property. The users are typically purchasing the right to use the real property for personal satisfaction, shelter, or other benefits in the future. It is these future or anticipated benefits that give value to the property.

C. Property To Be Appraised

The property to be appraised is known as Westside Meadows located at 1440 and 1450 South 116th Street in West Allis, Milwaukee County, Wisconsin. The property is legally described as:

Parcel 2 and 3 of Certified Survey Map No. 3902, being a redivision of Parcel 2 and 3 of C.S.M. No. 3808, of a part of the NE 1/4 of Section 6, Township 6 North, Range 21 East, in the City of West Allis, Milwaukee County, Wisconsin.

The proposed assessed values as of January 1, 1982 are as follows:

<u>Address</u>	<u>Tax Key No.</u>	<u>Land</u>	<u>Improv.</u>	<u>Total</u>
1440 S 116 St.	448 9987 005	\$18,800	\$185,100	\$203,900
1450 S 116 St.	448 9987 006	<u>22,000</u>	<u>236,400</u>	<u>258,400</u>
	Totals	\$40,800	\$421,500	\$462,300

The assessments for 1982 are reported to be at 30 percent of full market value; the assessment of the subject property translates to the following proposed 1982 full market assessed value:

<u>Land</u>	<u>Improvements</u>	<u>Total</u>
\$136,000	\$1,405,000	\$1,541,000

Given an equalized 1981 mill rate of \$30.411 per \$1,000 assessed value, the taxes on the subject property would be as follows: \$1,541,000 x .030411 = \$46,863.35/41 dwelling units or \$1,143 per unit.

Real estate taxes on Section 8 subsidized family projects in other municipalities in Wisconsin range from \$743 per unit in Kenosha to \$435 per unit in Onalaska according to a spokesperson from Wisconsin Housing Finance Authority. The possible extreme of the West Allis tax per unit certainly raises a presumption of inequality, but the main issue remains one of the correct application of appraisal methodology.

D. Legal Right To Be Appraised

The appraisal assumes the sale of the fee simple title of the subject property unencumbered by existing contracts which

may allocate tangible and intangible property rights in such a way as to create going concern values. Moreover, the unit rule in Wisconsin requires the property be valued as a whole, as a single transaction, rather than a series of subdivided interests. This is stated in the 1980 Wisconsin Property Assessment Manual, Volume I, page 7-2:

The bundle of rights can be split between private parties. When the rights are split between two or more private parties the assessor must still value the real property based on all of the rights. For example, when the owner leases real estate to a tenant, the owner transfers part of the bundle of rights, such as use of the property. Thus, the owner does not possess all of the rights during the lease period. In this situation the assessor does not value just the owner's rights or just the tenant's rights but all of the bundle of rights subject to statutory limitations.

In this case neither the contract rents permitted by HUD nor the favorable mortgage terms provided by HUD insured financing are transferable rights included in fee simple title.

Therefore, all elements related to Section 8 can be disregarded except recognition of the reality that artificially high rents, artificially low interest, and arbitrary construction standards and government fees led to over-improvements which are not characteristic of the highest and best use when tested by market standards for economic feasibility.

II. PROPERTY PRODUCTIVITY

The combined profile of the attributes of the subject property and of buyer expectations suggests which property transactions qualify as comparable sales and the basis for estimating how much a buyer is willing to pay for the rights available to him.

A. Site Description

The site, rectangular in shape and zoned RC-1, a multiple-family low-density residence district, contains 129,471 square feet or 2.97 acres, more or less. According to the City of West Allis official zoning map, which was last revised June 1, 1979, the areas to the north and to the east of the site are zoned CD-1, a heavy commercial district, and to the south the area is zoned RC-1. To the southeast lies an area zoned MB-1, a general manufacturing district, and to the west and to the south are located the Greenfield Golf Course and the Greenfield Recreation Area. South 116th Street, a divided street with a barren median strip, borders the subject site on the west. See Exhibit 1 for site map. The site is a block from the main thoroughfare, Greenfield Avenue also known as Highway 59, and one half mile from Highway 100, a main street of West Allis.

Initially the raw site contained peat, especially on the southeast side. To make it buildable for HUD standards, extensive site work occurred including removal of peat, fill with the proper soil, and compaction.

B. Site Improvements

The paved parking area which lies between the two building complexes contains 45 open stalls; small grass strips and a children's play area separate the parking spaces into smaller units. Sidewalks and curbs have been installed along the driveways, edges of the lawns, and play area. A network of sidewalks connects the buildings and the entryway which leads to South 116th Street.

The east end of the site features a small paved shuffle board court, a basketball court, and a small two car garage used as a utility building.

C. Improvements (See Exhibit 2 for photographs)

This attractive California style multi-family housing project, constructed in 1981, consists of two major buildings (located on two separate parcels) each of which is composed of a series of dwelling units including walk-up flats and two and three bedroom townhouses. The composition of the project as a whole is:

EXHIBIT 2

PHOTOGRAPHS OF THE SUBJECT PROPERTY



Full view of
18 dwelling units
connected by common
walls located on
northern edge of site.
Private drive leads
to parking area.
Front and side yards.

Partial view of the
23 dwelling units
connected by common
walls located on
southern (shown) and
western edges of site.
Rear yards.





Looking east
at parking area with
apartment buildings
on either side

Typical grouping of
three 3-bedroom
townhouses flanked by
two 2-bedroom
townhouses.





Looking east from South 116th Street
at rear yards of Westside Meadows townhouses

- 16 - two bedroom flats in two eight unit buildings; each shares a common wall with the townhouses - approximately 975 square feet per unit
- 10 - two bedroom one story townhouses; four units are designed with larger entries and turning areas for wheelchairs - approximately 900 square feet per unit
- 15 - three bedroom two story townhouses - ten units approximately 1,255 square feet each and five units approximately 1,320 square feet each
-
- 41 dwelling units in Westside Meadows

The units flank two sides of the parking court and the private entry street. The distribution of the 41 dwelling units by parcel is: to the north is the group of 18 dwelling units, connected by common walls and consisting of six three bedroom townhouses, four two bedroom townhouses and eight two bedroom flats and to the south and west of the site there are 23 dwelling units, connected by common walls and consisting of nine three bedroom townhouses, six two bedroom townhouses, and eight two bedroom flats. The building layout was designed to conform with West Allis zoning code requirements of one building per parcel according to the developer.

The exterior of the buildings is finished in Texture 111 which is rough-sawn cedar plywood grooved to look like vertical boards. The wood is balanced with major accent panels of mottled earth-tone brick. All units have covered entries and each townhouse has sliding door access to the rear yard.

The townhouses are equipped with small patios and the upper flats have wooden balconies.

The roof is finished in asphalt shingles and there are prefabricated stacks for venting the furnaces.

Each unit features laundry hook-up facilities in the bathroom closet in the townhouses and in a hallway closet in the flats. There is an insulated (two inch styrofoam) crawl space in each at grade unit; there are no basement facilities in the project. There is a small mechanical room in each unit complete with a gas fired Lennox forced hot air furnace, and a 52 gallon electric water heater. Also included in each unit are the following features:

1. Stove, refrigerator, disposal, charcoal filter exhaust, and adequate kitchen cabinets (no dishwasher)
2. Sleeve for a unit air conditioner
3. Triple glazed windows
4. Phone outlets in each bedroom and kitchen
5. Carpet in living room and bedrooms
6. Vinyl flooring in entry, kitchen and bathroom(s)
7. Bath and one-half in three bedroom townhouses; one bath in all other units
8. Exceptionally large three bedroom units
9. Storage unit in front of each three bedroom unit
10. A smoke detector
11. Drapes

The individual gas and electric meters enable the owner to shift the risk of volatile utility rates to the tenants. The units are well insulated and it is reported that in the worst of winter a typical heating bill for a larger unit was only \$90 per month.

III. MARKET COMPARISON APPROACH TO VALUE

The preferred methodology for estimating fair market value is to rely on sales and rentals of properties comparable to the subject, presuming some adjustments for unique differences among the comparables relative to the subject. This method has increasing relevance to the vacant site before development, to the subject property when improved, and the unit rents for the various apartments created.

A. Comparable Sales

Finding comparable sales for properties of similar economics, specification, and purpose has been made particularly difficult for properties of Section 8 origin because of government control of resale, tax penalties to sellers of relatively new properties, and the relatively recent origin of the Section 8 program itself (1974). However, recent changes in the tax law and changing attitudes at HUD may permit future sales. By coincidence a Section 8 family housing project in West Allis, completed in 1980, is presently listed for sale.

Reference to Exhibit 3 provides a brief description of the property attributes, the terms of sale, and the reduction of these financing terms to a cash equivalency price. The price of \$1,664,000 converts to \$27,730 per unit or \$11,900 per bedroom. Were this latter unit of comparison applied to the subject

EXHIBIT 3

COMPARABLE LISTING
WINDSONG VILLAGE APARTMENTS
11024 West Oklahoma, West Allis, Wisconsin



Project Description

Windsong Village is a HUD Section 8 subsidized family housing project, built in 1980, which consists of:

<u>Units</u>	<u>Type</u>	<u>Monthly Contract Rent</u>
36	2 BR, 1 bath flat	\$389
4	2 BR, 1 bath (handicapped) flat	\$401
<u>20</u>	3 BR, 1 1/2 baths townhouse	\$472
60 units		

Each tenant pays all utilities except water/sewer and trash removal. Included in each unit is a garbage disposal, stove, refrigerator, laundry area connections, and carpeting where appropriate. No air conditioner unit sleeve, dishwasher, or

EXHIBIT 3 (Continued)

drapes are provided. Surface parking stalls are included in the rent. Commercial development is located to the north of Windsong and a small, isolated shopping mall is located beyond a vacant field to the south of the project.

Listing Price and Terms

James T. Barry Co., Pete Slezak, Broker

Asking \$2,450,000 - \$450,000 down

Assume existing mortgage balance as of July 1, 1982 of \$1,750,000 at 7 1/2 percent, original term of 40 years. Seller will provide a second mortgage of \$250,000 at 10 percent, interest only, with principal payments of \$50,000 at the end of the second year and the fourth year and a \$150,000 balloon at the end of the sixth year.

Cash Equivalent Value of Asking Price and Terms

Assume a market interest rate of 14 percent for 30 years.

The present value of the stream of payments and reversion to the seller are as follows:

Stream of interest payments		
\$25,000/year for years 1 & 2	\$41,167	
\$20,000/year for years 3 & 4	25,341	
\$15,000/year for years 5 & 6	<u>14,624</u>	
		\$ 81,132
Principal payments		
\$50,000 end of year 2		38,473
\$50,000 end of year 4		29,604
\$150,000 end of year 6		68,338
HUD mortgage - present value		
Balance of \$1,750,000 - assume		
original mortgage of \$1,775,000		
Payments of approximately \$11,680/mo.		
@ 14 percent, 38.5 years (462 months)		996,431
Cash down payment		<u>450,000</u>
		\$1,663,978
	Say	\$1,664,000

EXHIBIT 3 (Continued)

Application of Value to Subject Property

<u>Windsong</u>	<u>Westside Meadows</u>
40 units x 2 BR = 80 BR	26 units x 2 BR = 52 BR
20 units x 3 BR = <u>60</u> BR	15 units x 3 BR = <u>45</u> BR
140 BR	97 BR

Windsong cash equivalent listing price:

$$\begin{aligned} \$1,664,000 \div 140 \text{ BR} &= \$11,886/\text{BR} \\ \text{Say } &\$11,900/\text{BR} \end{aligned}$$

Then Westside Meadows:

$$97 \text{ BR} \times \$11,900/\text{BR} = \underline{\$1,154,000}$$

Comparison of cash equivalent price per unit and real estate taxes, given cash equivalent listing price and application of price to the subject property:

Windsong

$$\begin{aligned} \$1,664,000 \div 60 &= \$27,730/\text{unit} \\ \$1,664,000 \times .030411 &= \$50,604 \text{ taxes} \\ \$50,604 \div 60 &= \$844 \text{ for taxes/unit} \end{aligned}$$

Westside Meadows

$$\begin{aligned} \$1,154,000 \div 41 &= \$28,150/\text{unit} \\ \$1,154,000 \times .030411 &= \$35,095 \text{ taxes} \\ \$35,095 \div 41 &= \$856 \text{ for taxes/unit} \end{aligned}$$

property, which was built to virtually identical functional standards, it would suggest a fair market value as of January 1, 1982 not to exceed \$1,154,000 or \$28,150 per unit. However, one listing does not make a market although it is a useful indicator of investor thinking about a comparable property. Investors who have shown interest in the property believe the asking price to be too high.

Scattered sales of eight plex buildings consisting of two bedroom flats located in the general area of the subject property were considered but were dismissed as not being comparable to an investment in the subject property because of size and style differences and because of financing commitments that were not characteristic of the market as of the January 1, 1982 appraisal date.

B. Vacant Site Valuation

Relative to the site as though vacant but ready for improvements, which is a key condition of the cost approach, one indication of market value is the certified HUD land value, that is, \$160,800 for both parcels or 129,471 square feet. This translates to \$1.24 per square foot or approximately \$4,000 per dwelling unit.

This value represents a write down on actual costs; the developer paid \$115,500 to George Tesch as of November 12, 1979, for the site although the raw site was appraised by HUD

at \$51,793 because it was not buildable due to peat conditions and a below street level grade. Removal of critical peat soils, purchase of ground fill, and compaction required in anticipation of construction bearing loads were recognized as unusual site costs of \$109,007 and when added to the appraised raw site value, this brought the total cost of the site as if vacant and ready to build to the HUD certified value of \$160,800. (See Section J - Project Site Analysis and Appraisal, Form 2264 in Appendix.)

The West Allis assessors have indicated the market value of the land to be \$136,000, calculated by the division of the assessed value of \$40,800 by the 1981 equalization rate of .30.

The differential between the purchase price and the 1982 assessment might be explained by the softening of land values since the date of purchase of November 12, 1979.

C. Comparable Market Rents

The most relevant contribution from the market, however, is the selection of comparable rental apartments to provide rental comparison of two and three bedroom apartments with which to establish fair market rents for the subject property. These market rents provide the basis for the income approach which should be the preferred valuation methodology in this case. (Wild, Inc. vs. City of Madison, Board of Review, Case No. 140-201, Dane County Circuit Court.) At the very least, the

income approach will prove to be the key to the measurement of functional and economic obsolescence for the cost approach which is preferred by the West Allis assessment program.

Westside Meadows, a Section 8 family housing project, was built to HUD-MPS specifications at costs made feasible only by the higher than market contract rents (which HUD euphuistically calls fair market rent to conform to Congressional language) which are stated in the Housing Assistance Payment Contract, an agreement between the project owner and HUD. To comply with Wisconsin assessment law market rents, not contract rents, must be used to estimate the potential gross revenue an income property such as Westside Meadows could generate as a conventional apartment project.

A survey of conventional apartment projects in the West Allis area was conducted with the results shown in Exhibit 4. The rents were adjusted to be comparable with the subject. It is assumed a tenant will pay more or less for his shelter depending upon the amenities that are included in the rental package. If he pays a certain amount of dollars for his shelter, which includes secured and heated underground parking, a dishwasher, heat, and air conditioning at no extra expense, this same tenant will pay less for the same functional living space which does not include heat or does not include secured underground parking or a dishwasher. The value assigned to each

COMPARABLE MARKET RENTS

Name & Address of Project	Year Built	No. of Units	No. of Bdrms., Bath(1)	Approx. SF/Unit	Monthly Rent	Utilities Included	Adjusted(2) Monthly Market Rent	Adjusted Monthly Market Rent/SF	Vacancy	Parking	Remarks
Garden Pool Apts. Dakota, Montana, & S. 106th Sts. West Allis, WI	Approx. 1965	136	Mix of 1 BR, 1 bath 2 BR, 1 bath	Estimated 750 SF 900 SF	\$295 \$315	Heat Water Garbage	1 BR = \$275 2 BR = \$295	1 BR = \$.37 2 BR = \$.33	< 1%	Surface parking	5 bldgs. in project, 2 stories in each. Stove, refrig., AC sleeve, disposal, carpet, laundry room each bldg., \$10/mo. for AC unit, no children
Alpine Court 12333 W. Oklahoma West Allis, WI	1972	81	70-1BR, 1bath	600 SF 700 SF 780 SF 820 SF 900 SF 1070 SF	\$350 \$360 \$370 \$380 \$390 \$440	Heat Water Garbage	1 BR = \$325 2 BR = \$385	1 BR = \$.42 2 BR = \$.36	N/A	Underground parking stall included in rent; additional stall \$20/month	1 E-shaped bldg. with 2 court areas. Stove, refrig., AC unit, disposal, dishwasher, carpet, laundry room, patios. Beautifully maintained, no children
Lincoln Crest 2014 S. 102nd St. West Allis, WI	1970	330	12-1BR, 1bath 174-1BR, 1bath 144-2BR, 1 1/2	670 SF 670 SF 900 SF	\$305 \$330 \$370	Heat Water Garbage	1 BR = \$275 2 BR = \$305	1 BR = \$.41 2 BR = \$.34	< 1%	Underground stall included in rent except for 12 units. Surface parking @ \$10/month	3 bldgs., 3 stories each, AC unit, disposal, dishwasher, range, refrig. 2 tennis cts., 2 outdoor pools, elevator, rec. room. Some deferred maintenance, children OK
French Quarter 9707 W. National West Allis, WI	N/A	156	113-1BR, 1bath 43-2BR, 1 1/2	Estimated 750 SF 900 SF	\$340 \$380	Heat Water Garbage	1 BR = \$315 2 BR = \$345	1 BR = \$.42 2 BR = \$.38	< 1%	Underground parking @ \$30/mo./stall. Not included in rent Surface parking available	5 bldgs., 4 = 2 story, 1 = 3 story w/elevator. Stove, refrig., disposal, AC unit, laundry room each bldg., no children
The Hills 3409 S. Wollmer West Allis, WI	1965 - 1970	442	67-1BR, 1bath 282-2BR, 1bath 93-3BR, 1 3/4	600 SF 780 SF 1040 - 1100 SF	\$335 \$360 \$405 - \$425	Heat Water Garbage	1 BR = \$310 2 BR = \$335 3 BR = \$370 - \$390	1 BR = \$.52 2 BR = \$.43 3 BR = \$.355	Usually < 1% but currently 3%	Surface parking included in rent	14 bldgs., 2 & 3 story mix. Stove, refrig., disposal, laundry room each bldg., AC units, outdoor pool & rec. area, some deferred maintenance, children OK
Typical 8 unit (e.g.) 1616 S. 116th St. 1634 S. 116th St. 1744 S. 116th St. West Allis, WI	1979 - 1980	8	8-2BR, 1bath	Approx. 800 - 950 SF	\$340 - \$350	Water Garbage	2 BR = \$345	2 BR = \$.36 - \$.43	< 1%	Surface parking included in rent	Typical 8 unit, 2 story. Stove, refrig., disposal, AC unit, laundry room in partial basement
Greenfield Park 1751 S. 115th Ct. West Allis, WI	1981	30	30-2BR, 1 3/4	Approx. 1000 SF	\$475	Water Garbage	2 BR = \$395	2 BR = \$.395	Reported to be 13 units vacant out of 30 or 43% vacant in June; 8 units reported vacant (27% vacancy) in July	Underground parking included in rent	1 bldg., 3 stories. Elevator, dishwasher, disposal, range, refrig., washer/dryer in each apt., incl. heat/AC units. Built for future condo conversion
Briarwick Pool Apts. 92nd 3900 S. Greenfield, WI	1971	344	128-1BR, 1bath flats 216-2BR, 1 1/2 townhouses	750 SF 950 SF	\$380 \$425	Heat Water Garbage	1 BR = \$345 2 BR = \$380	1 BR = \$.46 2 BR = \$.40	Usually < 1% but currently have 4% vacancy	Surface parking included in rent. Underground stall is \$20/mo. extra	13 bldgs., 2 stories each. Stove, refrig., dishwasher, disposal, outdoor pool & club- house. Beautifully maintained, children OK
2 plex townhouse 10320 W. Grantosa Milwaukee, WI	1980 - 1981	2	2-3BR, 1 1/2 townhouses	1300 SF	\$550	Water Garbage	3 BR = \$450	3 BR = \$.346	N/A	Detached 2 car garage included in rent	4 - 2 unit townhouses built as condos by same developer, but have not sold. Stove, refrig., disposal, dishwasher, central air, full basement. Beautifully maintained

(1) Number of baths: 1 = full tub; 3/4 = stall shower; 1/2 = no bathing facilities

(2) Adjustment factors: Heat - \$20/mo. for 500 - 800 SF; \$30/mo. for 850 - 1300 SF
Full basement - \$10
Indoor garage - \$20/mo./stall
Dishwasher - \$10/mo.
Central air - \$10/mo.
AC unit - \$5/mo.
Washer/dryer in unit - \$10/mo.

Landmark Research, Inc.

EXHIBIT 4

amenity is given in the footnotes to Exhibit 4. Though heat will average more than \$20 to \$30 per unit, some property owners, especially those with older units and lower debt service, may not be fully passing through the utility costs to the tenants.

No adjustment was made for recreational amenities such as tennis courts, barbeque areas, and swimming pools; for some tenants the noise generated from these gathering points makes them adverse influences instead of amenities.

The apartment projects which are of high quality and are considered most comparable to the subject property are: Briarwick Pool Apartments in Greenfield, Greenfield Park (near the subject), and standard 8 family units on South 116th Street, Alpine Court, and the French Quarter, in the order given.

The comparable market rent of each unit type, adjusted to match the attributes of Westside Meadows, is then divided by the approximate size of the comparable apartment to obtain a unit of comparison, adjusted monthly market rent per square foot, which is then applied to the square footage of the subject units. The following monthly rent per square foot for each unit type is used to estimate the monthly market rent for the subject:

<u>Unit Type</u>	<u>Unit Size</u>	<u>Adjusted Monthly Rent/SF</u>	<u>Estimated Monthly Market Rent</u>
2 BR walkup	975 SF	\$.395	\$385
2 BR townhouse	890 SF	\$.444	\$395
2 BR townhouse (handicapped)	890 SF	\$.455	\$405
3 BR townhouse	1254 SF	\$.387	\$485
	1320 SF	\$.367	\$485

The estimated market rents for the subject are on the upper end of the market. From the market survey it is apparent that in these uncertain economic times, West Allis tenants prefer the lower cost, smaller living spaces. Units which are experiencing the largest vacancy are Greenfield Park, with rents at \$475 for two bedrooms plus heat and lights, but with underground parking and a washer/dryer, and currently Briarwick Pool Apartments which has had a higher than average vacancy rate, with rents at \$425 for two bedrooms which includes heat, a pool and a clubhouse. Even though many amenities are offered to tenants in today's market in West Allis, more is not always better.

Photographs and the location of the rental comparables are shown in Exhibits 5 and 6.

As a further check on the level of market rents for three bedroom units in the Milwaukee County area, the information gathered for Chapter 64 of the Society of Real Estate Appraisers publication entitled 1982 Apartment Rental

EXHIBIT 5

PHOTOGRAPHS OF COMPARABLE RENTAL PROPERTIES



Garden Pool Apartments
Dakota, Montana, and
South 106th Street
West Allis, Wisconsin



Alpine Court
12333 West Oklahoma
West Allis, Wisconsin



Lincoln Crest
2014 South 102nd Street
West Allis, Wisconsin

French Quarter
9707 West National
West Allis, Wisconsin





The Hills
3409 South Wollmer
West Allis, Wisconsin
(2 of 14 buildings)

Typical 8-plex
apartments. These
are located on South
115th Court, but are
similar to those on
South 116th Street.





Greenfield Park
1751 South 115th Court
West Allis, Wisconsin
Built for condo conversion

Briarwick Pool Apts.
92nd Street 3900 South
Greenfield, Wisconsin



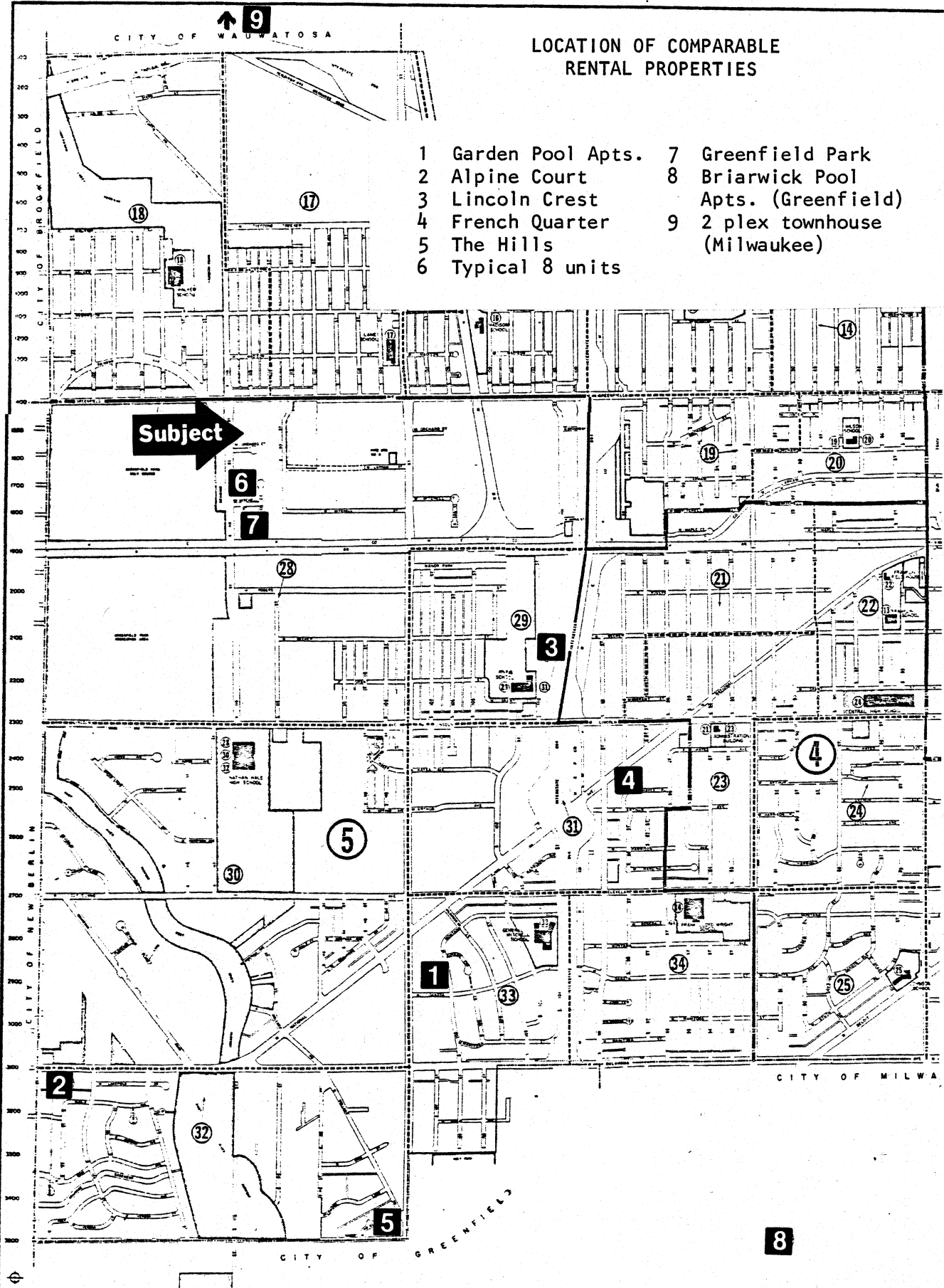


10320 West Grantosa
Milwaukee, Wisconsin
(adjacent to Wauwatosa, Wisconsin)
Build as condo, but rented due to soft condo market

EXHIBIT 6

LOCATION OF COMPARABLE
RENTAL PROPERTIES

- | | |
|---------------------|--------------------|
| 1 Garden Pool Apts. | 7 Greenfield Park |
| 2 Alpine Court | 8 Briarwick Pool |
| 3 Lincoln Crest | Apts. (Greenfield) |
| 4 French Quarter | 9 2 plex townhouse |
| 5 The Hills | (Milwaukee) |
| 6 Typical 8 units | |



Information was reviewed and summarized in Exhibit 7. The estimated market rent of \$.367 to \$.387 per square foot for the three bedroom units is further confirmed in the marketplace in the Milwaukee area.

EXHIBIT 7

MILWAUKEE COUNTY RENTAL INFORMATION

<u>Location</u>	<u>Type</u>	<u>Monthly Rent</u>	<u>Size</u>	<u>Rent/SF</u>	<u>Heat Paid By</u>
Wauwatosa	3 BR, 1 1/2 bath	\$322	1000+ SF	\$.32	tenant
Milwaukee (W. Calumet)	3 BR, 2 bath	375	985 SF	.38	tenant
	3 BR, 2 bath	405	1385 SF	.29	tenant
Milwaukee N. 60th St.	3 BR, 1 1/2 bath	445	1400 SF	.32	tenant
Milwaukee N. Lovers Ln.	3 BR, 1 1/2 bath	410	1100 SF	.37	owner
Milwaukee N. Lovers Ln.	3 BR, 1 1/2 bath bilevel	450	1050 SF	.43	owner
Brown Deer N. Green Bay Rd.	3 BR, 3 bath	435	1212 SF	.36	owner
Milwaukee W. Good Hope	3 BR, 1 1/2 bath	390	1200 SF	.33	tenant
Milwaukee S. Whitnall	3 BR, 1 bath	390	950 SF	.41	owner
Oak Creek S. Oak Park	3 BR, 1 1/2 bath	385	975 SF	.39	owner
South Milwaukee Rawson Ave.	3 BR, 1 bath townhouse	370	1250 SF	.30	tenant
Milwaukee S. 76th St.	3 BR, 1 1/2 bath bilevel	395	1100 SF	.37	owner
Milwaukee S. 20th St.	3 BR, 1 1/2 bath	419	1300 SF	.32	owner
Wauwatosa W. Bluemound Rd.	3 BR, 1 1/2 bath	485	1570 SF	.31	owner

IV. INCOME APPROACH

In the absence of comparable sales the income approach is preferred (Dane County Circuit Court, Judge George R. Currie's instruction to the Madison Board of Review Case No. 140-201, Wild, Inc., relator, relative to the VIP Plaza office building, now known as the James Wilson Plaza.) The cost approach is the least preferred method and is also difficult to apply as will be discussed in a later section of the appraisal.

As stated in the 1980 Wisconsin Property Assessment Manual, Volume I, page 9-4:

Value can be defined as "the present worth of anticipated future benefits." While this is true of all approaches to value, this definition is particularly useful in applying the income approach. The income approach is the conversion of anticipated future benefits (income) into an estimate of the present worth of the property. This conversion process is called capitalization. The income approach can be used when there are no comparable sales. It also can be used by the assessor because it represents the way investors think when they buy and sell income property in the market.

The eight steps in applying the income approach are:

1. Estimate potential gross income
2. Deduct for vacancy and collection loss
3. Add miscellaneous income
4. Determine operating expenses
5. Subtract operating expenses to derive net income
6. Select the correct capitalization method

7. Derive the capitalization rate
8. Apply the capitalization rate to net income to arrive at a value estimate

In all of these steps the assessor must be aware of what is happening in the market. All of the information needed for the income approach is either obtained or verified by what the assessor finds in the marketplace.

A. Estimation of Revenue and Expenses

The market rents obtained and verified in the West Allis marketplace are used to estimate the potential gross income of the subject property as shown in Exhibit 8. Although some of the higher priced, larger, and better appointed rental units are currently experiencing higher than average vacancy rates (See Exhibit 4), as of January 1, 1982 a vacancy rate of approximately one percent was average.

The subject property, which opened for occupancy the latter part of December, 1981, does not have a full year's operating history. A study of the operating expense ratios for other new family apartment and townhouse projects in which tenants pay heat and electricity, and of the five month operating experience of the subject property indicates an average operating expense ratio, based upon gross potential revenue, of 19 to 20 percent before real estate taxes. The HUD-FHA Form 2264 used to estimate revenues and expenses shows a ratio of operating expenses to potential gross of 19.3 percent (See

EXHIBIT 8

WESTSIDE MEADOWS
WEST ALLIS, WISCONSIN

SCHEDULE OF REVENUE AND EXPENSES
from January 1, 1982 through December 31, 1982
based upon West Allis Market Rents

REVENUE

16	2 bedroom flats @ \$385 (975 SF x .395 = \$385)	\$ 73,920	
6	2 bedroom townhouses @ \$395 (890 SF x .444 = \$395)	28,440	
4	2 bedroom townhouses @ \$405 (890 SF x .455 = \$405)	19,440	
15	3 bedroom townhouses @ \$485 (1254 SF @ .387 and 1320 SF @ .367 = \$485)	<u>87,300</u>	
	Potential Gross Revenue	\$209,100	
	Less vacancy @ 1%	<u>(2,090)</u>	
	Effective Gross Revenue		\$207,010

EXPENSES

19% of potential gross revenue before real estate taxes	<u>(39,730)</u>
Net Operating Income Before Taxes	\$167,280

Appendix). Therefore, 19 percent of potential gross revenue is used to estimate the operating expenses for Westside Meadows before real estate taxes.

The net operating income before real estate taxes is \$167,280 based upon market rents, a market vacancy rate, and historical operating expenses.

B. Income Capitalization

A computerized band of investment program is used to calculate a market capitalization rate as of January 1, 1982. The following assumptions are made regarding investor and lender expectations as of the lien date:

<u>Parameter</u>	<u>Assumption Based Upon Market Information</u>
Investor before income tax equity yield rate	14%
Lender mortgage interest (the lower rate often includes lender participation)	14%
Mortgage term	25 years
Payments per period	12/year
Growth in income per year	2%
Appreciation rate per year	3%
Mill rate (1981)	.030411
Mortgage	77% L/V
Debt cover ratio - Year 1	1.00
Holding period	5 years

The overall rate, which includes the mill rate of .030411, is .1425149; without the mill rate the overall rate is a conservative .112, at a time when interest rates were averaging 17 percent. The results of the computer program are shown in

Exhibit 9. In recent years investors in apartment properties have been buying near break even cash flow (debt cover ratio of approximately 1.0) with the anticipation of rent increases and/or rapid appreciation. During this last year investors have become much more cautious in their estimates of future appreciation and may require some cash dividend in excess of debt service.

When the net operating income before real estate taxes is capitalized using an overall rate of .14 (.11 plus a mill rate of .03), the resulting value is \$1,194,857 or, rounded, \$1,200,000. This value translates to \$29,300 per unit or \$12,400 per bedroom.

Given the schedule of projected revenue and expenses as detailed in Exhibit 8, and based upon market data and minimal investor expectations previously described in Exhibit 9, an investor could pay no more than \$1,200,000 for the subject property as of January 1, 1982.

C. Financial Logic of Appraisal Conclusion

Another way to check the reasonableness of a value conclusion is to examine the demands upon a property's cash flow; the residual cash flow before payment of real estate taxes is then capitalized using the full market mill rate to

EXHIBIT 9

BAND OF INVESTMENT ANALYSIS

1 EQ YLD? .14 - Investor before tax equity yield expectation
 2 PROJ PD? 5 - Holding period
 MORTGAGE 1 DATA
 4 MTG INTR? .14 - Mortgage interest rate
 5 MTG PD? 25 - Mortgage term
 7 PMT PDS/YR? 12 - Payments per period
 10 M?
 11 M\$? 905357 - Mortgage amount based upon mortgage parameters and a net
 MORTGAGE 2 DATA operating income of \$130,780, real estate taxes of \$890 per
 14 MTG INTR? unit and a debt cover ratio of 1.0
 52 XDEPR(-APPR)? -.15 - Appreciation of 3 percent per year
 55 INC? 167280 - See Exhibit 5 - net operating income before real estate taxes
 53 % INCR INCOME? .10 - Income increase of 2 percent per year
 58 EF.R.E.TX.R.? .030411 - West Allis 1981 mill rate
 .0003857 = MTG 1 C - Mortgage coefficient
 .1397556 = BASIC RATE - Rate before appreciation and mill rate
 .1425149 = OVERALL RATE - Total overall rate including mill rate
 1173771 = VALUATION - Value, given the above assumptions
 MODE? P

MORTGAGE1	77%	905357	AT .1445	130780	
EQUITY	23%	268414	AT .0030	804	
			R.E.TAXES	35695	- Based upon above valuation (\$1173771 x .030411)
TOTAL		1173771		167280	INCOME

1173771 ORIGINAL PRICE
 -176065 LESS -15.% DEPRECIATION

1349837 PROPERTY REVERSION, DEFERRED 5 YEARS
 905357 MORTGAGE 1
 876410 28947 LESS 5 YEAR AMORTIZATION; (3.19735E-2)

473427 EQUITY REVERSION, DEFERRED 5 YEARS

PRESENT VALUE OF EQUITY INCOME AND REVERSION AT 14.%
 [INCOME INCLUDES PRESENT VALUE
 OF 10. % INCREASE OVER 5 YEARS]

22745 INCOME, 6625.32 X 3.43308
 245883 REVERSION, 473428. X 0.519369

268628 TOTAL

determine the maximum assessment the project could carry and still break even.

With reference to the revenue and expenses from Exhibit 8 a summary of the project's cash flow projected for 1982 follows:

Effective gross revenue	\$207,010
less: Operating expenses before real estate taxes at 19% of gross potential revenue	(39,730)
less: Debt service	<u>(130,780)</u>
Maximum residual cash throw off available for real estate taxes	\$36,500

When the \$36,500 is divided by the full market 1981 mill rate of .030411, the resulting value of \$1,200,224 or rounded, \$1,200,000 is the maximum assessment that allows the project to meet its cash obligations. This value assumes no cash throw off to the investor in the first year with which to cushion the risk of expenses increasing at a proportionately faster rate than revenues.

D. Test of Value Conclusion

A computerized discounted cash flow program which solves for before and after income tax yield is used to test the value conclusion of \$1,200,000 for Westside Meadows as of January 1, 1982. The same assumptions are used: 1) income increases annually at an average of two percent, 2) the property value appreciates an annual average of three percent, and 3) financing terms are extremely favorable at 14 percent interest, 25 year term with monthly payments. At the 1981 mill rate, real

estate taxes will be $1,200,000 \times .030411$ or \$36,490 per year and therefore the first year's net operating income is \$130,790.

The input assumptions and results are given in Exhibit 10. Though the before tax yield of 12.6 percent is below the 14 percent anticipated before tax yield, the tax shelter available in the property increases the after tax yield to 16 percent, a minimally acceptable rate.

Therefore, a knowledgeable investor would pay no more than \$1,200,000 for Westside Meadows as of January 1, 1982.

EXHIBIT 10

TEST OF VALUE CONCLUSION

INPUT ASSUMPTIONS

1. ENTER PROJECT NAME ? WEST ALLIS HOUSING ASSOCIATES
2. ENTER PROJECTION PERIOD ? 5
3. DO YOU WANT TO ENTER EFFECTIVE GROSS REVENUE INSTEAD OF NOI? N
TO REPEAT PREVIOUS YEARS NOI OR EGR FOR BAL OF PROJECTION ENTER 0
N.O.I. YEAR 1? 130790
N.O.I. YEAR 2? 133410
N.O.I. YEAR 3? 136100
N.O.I. YEAR 4? 138820
N.O.I. YEAR 5? 141600
4. ACQUISITION COST: ? 1200000
5. DO YOU WANT TO USE STANDARD FINANCING? Y OR N?Y
MTG. RATIO OR AMOUNT, INT., TERM, NO PAY/YR ? 905357, .14, 25, 12
6. ENTER RATIO OF IMP #1/TOTAL VALUE, LIFE OF IMP #1? .866, 15
IS THERE A SECOND IMPROVEMENT? Y OR N? N
7. DEPRECIATION METHOD, IMPROVEMENT #1 ? 1
IS PROPERTY SUBSIDIZED HOUSING ? Y OR N ?N
IS PROPERTY RESIDENTIAL? Y OR N? Y
8. IS OWNER A TAXABLE CORPORATION? Y OR N ?N
THE MAXIMUM FEDERAL INDIVIDUAL ORDINARY RATE COULD BE:
70% (PRE-1981 LAW)
50% (1981 LAW, EFFECTIVE 1982)

(PLUS STATE RATE)

ENTER:
1) EFFECTIVE ORDINARY RATE 2) EFFECTIVE ORDINARY RATE (YEAR OF SALE)
? .5, .5
9. RESALE PRICE (NET OF SALE COSTS) ? 1380000
10. IS THERE LENDER PARTICIPATION ?N
11. ENTER OWNER'S AFTER TAX REINVESTMENT RATE (Z)? 13
12. ENTER OWNER'S AFTER TAX OPPORTUNITY COST OF EQUITY FUNDS (Z)? 12

EXHIBIT 10, Continued

AFTER TAX CASH FLOW PROJECTION
WEST ALLIS HOUSING ASSOCIATES
DATE 1/1/82

DATA SUMMARY

ACQUISTN COST: \$1,200,000. MTG. AMT.: \$905,357.
NOI 1ST YR: \$130,790. MTG. INT.: 14%
ORG. EQUITY: \$294,643. MTG. TERM: 25. YRS
CTD 1ST YEAR: \$10. DEBT SERVICE 1ST YEAR: \$130,780.
MTG. CONST.: .14445128
IMP. #1 VALUE: \$1,039,200. IMP. #1 LIFE: 15.
INC. TX RATE: 50%
SALE YR RATE: 50% OWNER: INDIVIDUAL

DEPRECIATION IMPROVEMENT #1 :

RESIDENTIAL PROPERTY

LENDER PARTICIPATION: CASH THROW-OFF: NONE

REVERSION: NONE

NO REPRESENTATION IS MADE THAT THE ASSUMPTIONS PROVIDED BY JAMES A. GRAASKAMP ARE PROPER OR THAT THE CURRENT TAX ESTIMATES USED IN THIS PROJECTION WILL BE ACCEPTABLE TO TAXING AUTHORITIES. NO ESTIMATE HAS BEEN MADE OF MINIMUM PREFERENCE TAX. CAPITAL LOSSES IN YEAR OF SALE ARE TREATED AS ORDINARY LOSSES (SECTION 1231 PROPERTY) AND ARE CREDITED AGAINST TAXES PAID AT A RATE EQUAL TO 50% OF THE ORDINARY RATE AT THE TIME OF SALE. FOR THE PURPOSE OF THE MODIFIED INTERNAL RATE OF RETURN (M.I.R.R.) CALCULATION, NEGATIVE CASH IN ANY ONE PERIOD IS COVERED BY A CONTRIBUTION FROM EQUITY IN THAT PERIOD

YEAR	NOI	MTG INT & LENDERS %	TAX DEP	TAXABLE INCOME	INCOME TAX	AFTER TAX CASH FLOW
1.	130790.	126481.	69280.	-64972.	-32487.	32497.
2.	133410.	125839.	69280.	-61710.	-30856.	33486.
3.	136100.	125101.	69280.	-58282.	-29142.	34462.
4.	138820.	124253.	69280.	-54714.	-27358.	35398.
5.	141600.	123278.	69280.	-50959.	-25480.	36300.
	-----	-----	-----	-----	-----	-----
	\$680720.	\$624953.	\$346400.	\$-290637.	\$-145323.	\$172143.

EXHIBIT 10, Continued

RESALE PRICE: \$1,380,000.
 LESS MORTGAGE BALANCE: \$876,410.
 PROCEEDS BEFORE TAXES: \$503,590.
 LESS LENDER'S %: \$0.
 NET SALES PROCEEDS
 BEFORE TAXES: \$503,590.
 =====

1ST YR 84 TAX EQ DIV: .0034%
 AVG DEBT COVER RATIO: 1.0410

RESALE PRICE: \$1,380,000.
 LESS LENDER'S %: \$0.
 NET RESALE PRICE: \$1,380,000.
 LESS BASIS: \$853,600.
 TOTAL GAIN: \$526,400.
 LESS EXCESS DEPREC.: \$0.
 CAPITAL GAIN: \$526,400.
 =====

CAPITAL GAINS TAX: \$105,280.
 PLUS EXCESS DEP TAX: \$0.
 PLUS MORTGAGE BAL: \$876,410.
 TOTAL DEDUCTIONS FROM
 NET RESALE PRICE: \$981,690.
 =====

NET SALES PROCEEDS
 AFTER TAX: \$398,310.
 =====

IF PURCHASED AS ABOVE, HELD 5 YEARS & SOLD FOR \$1,380,000.
 THE MODIFIED I.R.R. BEFORE TAXES IS 12.6329% AND AFTER TAXES IS 16.0399%
 ASSUMING AN AFTER TAX REINVESTMENT RATE OF 13%, AND OPPORTUNITY COST OF 12%

EXHIBIT 10, Continued

MORTGAGE ANALYSIS
WEST ALLIS HOUSING ASSOCIATES

YEAR	NOI	MORT INT.	MORT AMORT	DEBT SERV	DCR	MTG. BAL.
1.	130790.	126481.	4299.	130780.	1.000	901058.
2.	133410.	125839.	4941.	130780.	1.020	896117.
3.	136100.	125101.	5679.	130780.	1.041	890438.
4.	138820.	124253.	6527.	130780.	1.061	883911.
5.	141600.	123278.	7502.	130780.	1.083	876410.
AVG	\$136,144.				1.041	

DEPRECIATION SCHEDULE
WEST ALLIS HOUSING ASSOCIATES
IMPROVEMENT # 1

RESIDENTIAL

YEAR	TAX DEP.	S.L. DEP.	EXCESS DEP	BALANCE
1.	69280.0	69280.0	.0	969920.0
2.	69280.0	69280.0	.0	900640.0
3.	69280.0	69280.0	.0	831360.0
4.	69280.0	69280.0	.0	762080.0
5.	69280.0	69280.0	.0	692800.0
TOTAL	=====	=====	=====	
	346400.0	346400.0	.0	

EXHIBIT 10, Continued

DISTRIBUTION OF CASH THROW-OFF
WEST ALLIS HOUSING ASSOCIATES

YEAR	CASH THROW-OFF TOTAL	CASH THROW-OFF TO EQUITY	CASH BONUS TO LENDER
1.	10.	10.	0.
2.	2630.	2630.	0.
3.	5320.	5320.	0.
4.	8040.	8040.	0.
5.	10820.	10820.	0.
	-----	-----	-----
	26820.	26820.	0.

RESALE PRICE: \$1,380,000.
 LESS MORTGAGE BALANCE: \$876,410.
 PROCEEDS BEFORE TAXES: \$503,590.
 LESS LENDER'S %: \$0.
 NET SALES PROCEEDS
 BEFORE TAXES: \$503,590.
 =====

CASH THROW-OFF = 0% REVERSION = 0%

EQUITY ANALYSIS
WEST ALLIS HOUSING ASSOCIATES

BEFORE TAX EQUITY DIVIDEND					
YR	NOI	YR END EQUITY	AMOUNT	CASH RETURN	
				ORG EQ	CUR EQ
1.	\$130,790.	\$298,942.	\$10.	.0000	.0000
2.	133,410.	303,883.	2,630.	.0089	.0087
3.	136,100.	309,562.	5,320.	.0181	.0172
4.	138,820.	316,089.	8,040.	.0273	.0254
5.	141,600.	323,590.	10,820.	.0367	.0334

ORIGINAL EQUITY: \$ 294643

V. COST APPROACH

The cost approach as an indication of value follows a basic format of adding market value of the site as though it were vacant to the cost to replace the improvements on the date of valuation, less adjustments for curable and incurable wear and tear, curable and incurable functional obsolescence, and economic obsolescence. Functional and economic obsolescence are defined in the 1980 Wisconsin Property Assessment Manual, Volume I, page 7-13 as:

Functional obsolescence is the loss in value, due to inadequacies or superadequacies, caused by changes in style, technology, taste, and desires....

Economic obsolescence is a loss of value due to factors outside the property. This would include changes in population and economic trends,....

As noted in Section III, market value of the land as though vacant was indicated to be \$160,800.

There are several alternative methods to compute cost to replace. The City of West Allis utilizes the data provided in the Wisconsin Assessment Manual. Their assumptions and calculations lead to a value conclusion of \$1,505,500 for all improvements, including site improvements, a maintenance shed, and paved parking lot.

Using a 28 percent equalization factor instead of the 1982 30 percent factor, the 1982 assessment for the improvements was entered on the roll as \$421,500 or a cost to replace value of

\$1,405,000. To this cost was added the value of the land as though vacant of \$136,000 for a total equalized assessed value of \$1,541,000.

The assessors failed to recognize the functional and economic obsolescence inherent in these cost figures. It would not be feasible to build units of the size and utility of the subject property in today's market. The market rents would not justify the increased building costs. Only with very favorable financing terms provided by HUD was this project feasible.

A. Functional and Economic Obsolescence

To account for the functional obsolescence, the net operating income before real estate taxes based upon actual market rents (See Exhibits 4 and 8) is subtracted from the net operating income before real estate taxes based upon HUD "fair market" rents which were used to make the project feasible given HUD's construction requirements in 1981.(1) The income differential between HUD's rents and West Allis market rents is then capitalized at the overall rate of .1425149 solved for in the band of investment analysis (See Exhibit 9) to determine the value inherent in the superadequacies or functional obsolescence. The calculations are as follows:

(1) See Appendix for Pro Forma Schedule of Revenues and Expenses from January 1, 1982 Through December 31, 1982 as per HUD Form 2264.

1. Net operating income before real estate taxes based upon HUD "fair market" rents \$188,436
2. Net operating income before real estate taxes based upon actual market rents 167,280
- Income differential attributable to superadequacies \$21,156
3. The income differential is capitalized at .1425149
(.1108039 overall rate + .030411 mill rate)
- \$21,156 ÷ .1425149 \$148,448

In other words, an investor would have spent \$148,448 less to build a project of similar utility, based upon actual market rents in the West Allis area. According to a WHFA spokesperson, HUD has now (1982) set maximum size standards for subsidized units of 800 square feet for two bedroom units and 1,050 square feet for three bedroom units, thus recognizing the superadequacy inherent in pre-1982 HUD family housing projects.

To account for the economic obsolescence inherent in this project, the amount of equity an investor must contribute to the project is also affected by favorable financing offered by HUD to make feasible an otherwise infeasible project, given the conventional financing terms and conditions available in 1981. The amount of equity required by HUD is subtracted from the amount of equity required for a conventional project of equal utility. This difference in capital required by the investor represents the economic obsolescence inherent in a project made

feasible only by the below market favorable financing made possible by HUD. The calculations are as follows:

1. A final accounting to date (April 1982) from HUD gives cost of total land and improvements to be	\$1,955,906
Less mortgage amount(1)	<u>(1,742,800)</u>
	\$213,106
Less allowable BSPRA (not to be paid in cash)(2)	<u>(171,256)</u>
Net cash equity required under HUD	\$41,850
2. The maximum price an investor could pay for this project based upon market rents, and market financing(3)	\$1,200,000
Less a mortgage based upon a debt cover ratio of 1.0, interest at 14 percent, term of 25 years, and revenue from market rents(4)	<u>905,357</u>
Equity required	\$294,643
3. The difference between the equity required for a conventional project of the same utility and for a HUD project made feasible by favorable financing represents the economic obsolescence inherent in the project	\$294,643 <u>41,850</u> \$252,793

(1) See Appendix for HUD Form 2580.

(2) See Appendix for FHA Form 2264-A, Supplement to Project Analysis, Section II, Part A, line 5; also Form 2264, Section G, line 68 of the Project Analysis.

(3) See Section IV of this appraisal.

(4) See Exhibit 6.

B. Marshall and Swift Computerized Cost to Replace

A computerized cost service, Marshall and Swift, was used to obtain an indication of the cost to replace the new Westside Meadows project. The input file and report are displayed in Exhibit 11. The depreciation inherent in a project of this size and quality and built at January 1, 1982 cost figures is subtracted from the cost to replace. The values used for functional and economic (labeled locational in the program) obsolescence were calculated in the preceding paragraphs. The indicated value by the cost approach of \$1,229,579 or \$1,230,000 is consistent with the \$1,200,000 value indicated by the income approach, given the appraisal axiom the cost approach is the highest value of the three approaches.

C. HUD Construction Costs - Actual and Adjusted

An alternative indication of replacement cost for this new project would be the actual cost to construct as certified by audit, required by HUD as part of the Section 8 loan closing process. Many of the certifiable costs are unique to the HUD way of doing business and are summarized in Exhibit 12. It should be noted that HUD specifications lead to certain superadequacies, identified as functional obsolescence previously defined.

It has been estimated by Leon Shilton, former Director of Housing and Mortgage Production for the Wisconsin Housing

EXHIBIT 11

MARSHALL & SWIFT COST TO REPLACE

SURVEY FOR: WESTSIDE MEADOWS

PROPERTY OWNER: WEST ALLIS HOUSING ASSOCIATES

ADDRESS: 1440-1450 SOUTH 116TH ST., WEST ALLIS, WI

SURVEYED BY: JAMES A. GRAASKAMP

TYPE: APARTMENT HOUSE

QUALITY: 4.0 GOOD

FLOOR AREA: 43,610 SQUARE FEET

EXTERIOR WALLS: MASONRY VENEER 40%
PLYWOOD 60%

EFFECTIVE AGE: 0 YEARS

CONDITION: EXCELLENT

NUMBER OF UNITS: 41

DATE OF SURVEY:

24% IS ONE STORY

COST AS OF: 01/82

76% IS TWO STORY

BASIC STRUCTURE COST	UNITS	COST OR ADJUSTMENT	
BASIC SQUARE FOOT COST.....	43,610	\$23.81	\$1,038,354
INCLUDING 194 PLUMBING FIXTURES			
SQUARE FOOT ADJUSTMENTS:			
ASPHALT SHINGLE ROOFING.....	43,610	0.52	22,677
FORCED AIR HEATING.....	43,610	1.77	77,294
FLOOR COVER.....	43,610	1.75	76,492
WOOD SUBFLOOR.....	43,610	3.48	151,763
LUMP SUM ADJUSTMENTS:			
APPLIANCE ALLOWANCE.....	43,610	1.16	50,653
PLUMBING FIXTURE, ROUGH-IN.....	41	216.19	8,864
SUBTOTAL BASIC STRUCTURE COST.....	43,610	32.70	1,426,096
BALCONY.....	400	9.56	3,824
PORCH OPEN SLAB.....	2,500	1.88	4,700
SUBTOTAL RESIDENTIAL COST.....	43,610	32.90	1,434,620
BUILDING IMPROVEMENTS NEW.....	43,610	32.90	1,434,620
SITE IMPROVEMENTS.....			35,400
IMPROVEMENTS NEW.....	43,610	33.71	1,470,020
FUNCTIONAL DEP.....(10.1%).....			-148,448
LOCATIONAL DEP.....(17.2%).....			-252,793
TOTAL DEPRECIATION.....(27.3%).....			-401,241
REPLACEMENT COST NEW LESS DEPRECIATION	43,610	24.51	1,068,779
ESTIMATED LAND VALUE.....			160,800
INDICATED VALUE BY COST APPROACH...	43,610	28.19	1,229,579

COST DATA BY MARSHALL AND SWIFT

C>

EXHIBIT 12

WEST ALLIS HOUSING ASSOCIATES
WEST ALLIS, WISCONSIN

MORTGAGOR'S CERTIFICATE OF ACTUAL COST
December 31, 1981

Actual hard costs (includes general overhead, general requirements, site improvements, and unusual site conditions)	\$1,515,967
Architectural fees	41,000
Construction interest (April 22, 1981 - December 31, 1981)	36,505
Taxes during construction	6,503
Property insurance	3,823
Mortgage insurance premium*	8,714
FHA examination fee*	5,228
FHA inspection fee*	8,714
Title and recording fees	7,294
Financing fees (FHA and FNMA)	60,998
Legal, organizational and mortgagor's cost certification audit fee*	7,958
Other - soil testing and management fees*	10,053
Discount points on permanent loan*	43,570
Subtotal	1,756,327
BSPRA ("paper" profit and risk allowance)*	171,256
	\$1,927,583
Site acquisition costs	145,989
TOTAL	\$2,073,572

*All or part of these costs are unique to a HUD insured project. See following Exhibit 13 for costs when adjusted for a conventional project.

Finance Authority (WHFA) that these superadequacies added in excess of 15 percent to the hard costs to construct. In addition to the prolonged construction and completion certification period, the HUD-FNMA-GNMA Tandem Financing Program leads to excessive loan fees, discounts, and prolonged construction interest charges (not in this case, though) which are not representative of conventional market construction. Therefore these items have been replaced in Exhibit 13 to represent actual costs of a conventional project. The indicated value conclusion of \$1,180,000 is consistent with the other cost approach methodologies and with the \$1,200,000 value indicated by the income approach.

EXHIBIT 13

WEST ALLIS HOUSING ASSOCIATES
WEST ALLIS, WISCONSIN

CONVENTIONAL COST APPROACH
BASED UPON ADJUSTED CERTIFIED COSTS

A. Construction contract

Hard costs	\$1,515,967
Architectural fees	<u>41,000</u>
	\$1,556,967
	<u>.85</u>

Adjusted construction cost \$1,323,422

B. Soft costs

Construction interest	\$36,505
Taxes (land only)	4,136
Property insurance	3,823
Title and recording fees	7,294
Legal	4,875
Financing fee	27,161
Other - soil tests	<u>5,953</u>

89,747
\$1,413,169

Less functional and economic obsolescence(1) (401,241)

Land costs \$1,011,928
160,800
\$1,172,728

Say \$1,180,000

(1) See calculations for functional and economic obsolescence in Section V of appraisal.

VI. VALUE CONCLUSION

There is a lack of current sales of comparable properties of similar origin, size, and style of the subject in the Milwaukee area; the asking price of a newer Section 8 subsidized family housing project, when equated with a cash equivalent price, suggest a not to exceed asking price of \$1,154,000 for Westside Meadows.

The cost approach, when properly adjusted for functional and economic obsolescence inherent in a housing project with superadequacies which are feasible only because of below market financing terms, indicates a cost to replace plus land costs of \$1,230,000.

The income approach, preferred by the courts when there are inadequate sales of comparable properties, indicates a fair market value of \$1,200,000 based upon investor expectations of a 14 percent equity yield with break-even cash throw off in the first year and based upon financing terms which include interest at 14 percent, a 25 year term, and a debt cover ratio of 1.0 in the first year.

It is the opinion of the appraisers that the highest probable price in dollars and fair market value of the subject property herein described as of January 1, 1982 is

ONE MILLION TWO HUNDRED THOUSAND DOLLARS

(\$1,200,000)

assuming cash to the seller with a debt cover ratio of 1.0 in the first year (75 percent financing) at 14 percent interest for a 25 year term and a before tax equity yield rate of 14 percent.

STATEMENT OF LIMITING CONDITIONS

1. Contribution of Other Professionals

- . The appraiser did not conduct any engineering analysis of the structure components or of the site, of costs to replace, or of other engineering factors.
- . The revenue and expense information is taken from the budget information from HUD and actual accounting records provided by Dominion Group, Incorporated. Since the records of the management firm (sponsor) are monitored by HUD and periodically audited prior to review for HUD rent adjustments, Landmark Research did not reconstruct expense factors other than as noted in the report.
- . Sketches in this report are included to assist the reader in visualizing the property. These drawings are for illustrative purposes only and do not represent an actual survey of the property.
- . The appraiser assumes no responsibility for matters which are legal in nature nor is any attempt made to render an opinion on the title. The property has been appraised as if title to the subject property were in fee simple, legal ownership with no regard for mortgage loans or other liens or encumbrances.

2. Facts and Forecasts Under Conditions of Uncertainty

- . All information regarding property sales and rentals, financing, or projections of income and expense is from sources deemed reliable. No warranty or representation is made regarding the accuracy thereof, and it is submitted subject to errors, omissions, change of price, rental or other conditions, prior sale, lease, financing, or withdrawal without notice.
- . Information furnished by others in this report, while believed to be reliable, is in no sense guaranteed by these appraisers.

3. Controls on Use of the Appraisal

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

CERTIFICATE OF APPRAISAL

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

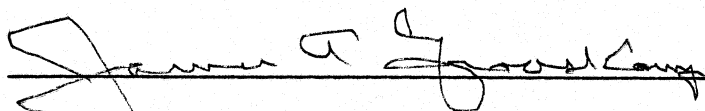
Based upon the information and subject to the limiting conditions contained in this report, it is our opinion that the most probable price, as defined herein, of this property as of January 1, 1982, is:

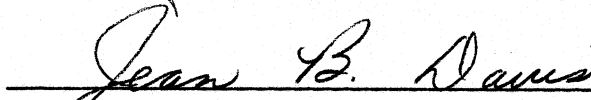
ONE MILLION TWO HUNDRED THOUSAND DOLLARS

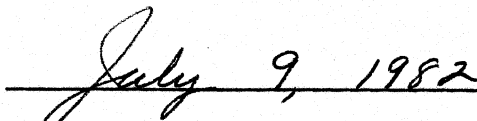
(\$1,200,000)

assuming cash to the seller with a debt cover ratio of 1.0 in the first year (75 percent financing) with a market interest

rate of 14 percent for 25 years and a before tax equity yield
rate of 14 percent.


James A. Graaskamp, Ph.D., SREA, CRE


Jean B. Davis, MS


Date

J A M E S A. G R A A S K A M P

PROFESSIONAL DESIGNATIONS

SREA, Senior Real Estate Analyst, Society of Real Estate Appraisers

CRE, Counselor of Real Estate, American Society of Real Estate
Counselors

CPCU, Certified Property Casualty Underwriter, College of Property
Underwriters

EDUCATION

Ph.D., Urban Land Economics and Risk Management - University of Wisconsin
Master of Business Administration Security Analysis - Marquette University
Bachelor of Arts - Rollins College

ACADEMIC HONORS

Chairman, Department of Real Estate and Urban Land Economics,
School of Business, University of Wisconsin
Urban Land Institute Research Fellow
University of Wisconsin Fellow, Omicron Delta Kappa
Lambda Alpha - Ely Chapter
Beta Gamma Sigma, William Kiekhofer Teaching Award (1966)

PROFESSIONAL EXPERIENCE

Dr. Graaskamp is the President and founder of Landmark Research, Inc., which was established in 1968. He is also co-founder of a general contracting firm, a land development company and a farm investment corporation. He is formerly a member of the Board of Directors and treasurer of the Wisconsin Housing Finance Agency. He is currently a member of the Board and Executive Committee of First Asset Realty Advisors, a subsidiary of First Bank Minneapolis. He is the co-designer and instructor of the EDUCARE teaching program for computer applications in the real estate industry. His work includes substantial and varied consulting and valuation assignments to include investment counseling to insurance companies and banks, court testimony as expert witness and the market/financial analysis of various projects, both nationally and locally, and for private and corporate investors and municipalities.

J E A N B . D A V I S

EDUCATION

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

Master of Arts - Elementary Education, Stanford University

Bachelor of Arts - Stanford University (with distinctions)

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

PROFESSIONAL EDUCATION

Society of Real Estate Appraisers

Appraising Real Property	Course 101
Principles of Income Property Appraising	Course 201

American Institute of Real Estate Appraisers

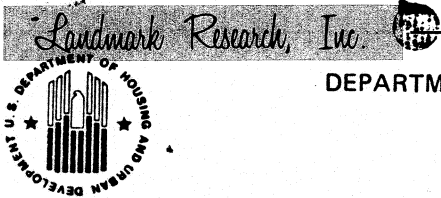
Residential Valuation (formerly Course VIII)

Certified as Assessor I, Department of Revenue,
State of Wisconsin

PROFESSIONAL EXPERIENCE

With a significant background in education, practiced in California, Hawaii and Wisconsin, Ms. Davis is currently associated with Landmark Research, Inc. Her experience includes the appraisal and analysis of commercial and residential properties, significant involvement in municipal assessment practices, and market and survey research to determine demand potentials.

APPENDIX



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
MILWAUKEE AREA OFFICE
744 NORTH 4TH STREET
MILWAUKEE, WISCONSIN 53203

REGION V

March 2, 1981

IN REPLY REFER TO:

5.5HDH(WM)

Dominium Group, Inc.,
3140 Harbor Lane, Suite 102
Minneapolis, Minnesota 55441

Gentlemen:

Subject: WI39-0050-005
0075-35279-PM/L8

You are herewith notified of the amended approval of your Section 8 Final Proposal approval letter dated September 4, 1980. Section 8 Annual Contributions Authority in the amount of \$272,088 has been reserved for this project. This is an increase of \$19,500 from the amount previously reserved in your Notification of Final Proposal approval, dated September 4, 1980.

Attached hereto is a copy of the amended FHA Form 2432, Commitment for Insurance of Advances. The number and size of units to be contracted for are as follows:

<u>Unit Size</u>	<u>No. of Units</u>	<u>Contract Rents</u>	<u>Gross Rents</u>
2BR (WU)	16	\$431	\$471
2BR (Row)	6	498	543
2BR (Row-Hand.)	4	525	570
3 1BR (Row)	15	585	640

Sincerely,

Richard J. Franco

Richard J. Franco
Area Manager



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
MILWAUKEE AREA OFFICE
744 NORTH 4TH STREET
MILWAUKEE, WISCONSIN 53203

REGION V

March 6, 1981

IN REPLY REFER TO:
5.5HDF(RL5)

First Wisconsin National Bank
of Milwaukee
777 East Wisconsin Avenue
Milwaukee, WI 53202

Gentlemen:

Subject: FIRM COMMITMENT AMENDED
Project No. 075-35279 PM/L8
West Allis Family Housing
West Allis, Wisconsin
Commitment Amount: \$1,742,800
Expiration Date: May 5, 1981
Inspection Fee: \$8,714
Insurance Premium: \$8,714 ← annual fee

Reprocessing of your Application for Commitment for Insurance of Advances under Section 221(d)(4) of the National Housing Act has been completed, and transmitted herewith are the following:

1. Original and one copy of the Commitment for insurance of Advances, FHA Form 2432.
2. Two copies of Project Income Analysis and Appraisal, Form 2264; and Supplement, Form 2264-A.
3. FHA Form 2328, Contractor's and/or Mortgagor's Cost Breakdown, to be submitted and approved at initial endorsement.

Please note under Item 10 of the Commitment that it will expire in 60 days from the date of the Commitment.

The first mortgage insurance premium and inspection fee, each in the amount of \$8,714, must be paid at time of initial closing.

We call your attention to Condition No. 20 of the Commitment concerning the management contract and program. FHA Form 9408, Model Form of Management Agreement, is being sent to the mortgagor with a copy of this letter for their information and use as a guide. The contract will be reviewed so that any questionable provisions, or the omission of required or desirable provisions, may be brought to the attention of the mortgagor.

The management fee provided by the contract shall be consistent with the fees as shown on your application, prevailing within the area and appropriate for the services to be rendered.

We call to your attention, also, that construction cannot commence on this project unless a current wage determination is in effect. Prior to the beginning of construction, it is required that a preconstruction conference be held. This conference is conducted by our Labor Relations personnel to explain the Federal Wage Requirements and Equal Opportunity regulations to the general contractor and subcontractors. Please contact our Labor Relations staff at 414/291-3981 to arrange a conference date and time.

It is requested that two copies of all legal documents required in conjunction with the initial closing be submitted to this office at least two weeks prior to the proposed closing date. These copies should be in final form except for signature and are in addition to the three copies of each document that will be required at initial endorsement.

It is suggested that the attorney for the sponsor and your attorney contact our office concerning the required legal documents for the initial closing of this project, and the final closing following completion of construction and cost certification.

If you have any questions concerning any of the above conditions, please contact our office.

Sincerely,



Richard J. Franco
Area Manager

Enclosures

PROJECT NAME: WEST ALLIS FAMILY HOUSING

PROJECT NUMBER: 075 /35279

A. LOCATION AND DESCRIPTION OF PROPERTY

7. TYPE OF PROJECT: TOWNHOUSE

9. BASEMENTS: FULL: 0 PARTIAL: 0 CRAWL SPACE: 0
STRUC SLAB: 0 SLB/GRADE: 0

8. NO. OF STORIES 2

13. ACCESSORY BLDGS OR SPACE: MAINTENANCE-STORAGE BLDG. 400 S.F.
TOT LOT 3000 S.F.
BASKETBALL 600 S.F.

10. PROPOSED 11. NO. OF UNITS: 25 - 5/24

12. NO. OF BLDGS: 5

15. ZONING PERMISSIBLE

16. EXTERIOR FINISH: M

17. STRUC SYSTEM: WOOD FRAME

18. HEAT/AIR: IGNN GFFA

17A. FLOOR SYSTEM: W

C. ESTIMATE OF INCOME

27. NO OF EACH FAM. TYPE UNIT	LIVING AREA (SQ.FT.)	COMPOSITION OF UNITS	NO. OF BATHS	HALF-BATHS	UNIT RENT	TOT MONTH RENT FOR UNIT TYPE	BASEMENTS: FULL PART CRAW	(TOWNHOUSE ONLY) ST/S S/G
15	1,190	3 BEDROOM	1	1	\$ 585.00	\$ 8,775	0 0 0	15
6	800	2 BEDROOM	1	0	\$ 498.00	\$ 2,988	0 0 0	6
4	800	2 BEDROOM	1	0	\$ 525.00	\$ 2,100	0 0 0	4
28. TOTAL ESTIMATED RENTALS FOR ALL FAMILY UNITS						\$ 13,863		

36. NON REVENUE-BEARING UNITS

29. NO. OF PARKING SPACES:

ATTENDED: 0 OPEN SPACES: 45 @ \$.00/MO = \$.00/MO TOT
SELF PARK: 45 CURD SPACES: 0 @ \$.00/MO = \$.00/MO TOT
31. TOTAL ESTIMATED GROSS PROJECT INCOME AT 100% OCCUPANCY: \$ 13,863

32. TOTAL ANNUAL RENT (ITEM 31 TIMES 12 MOS.) : \$ 166,356

33. GROSS FLOOR AREA: 28,360 SQ FT 34. NET RESIDENTIAL AREA: 25,850 SQ FT 35. NET RENTABLE COMMERCIAL AREA: 0 SQ FT

D. EQUIPMENT AND SERVICES INCLUDED IN RENT

37. EQUIPMENT:

ELEC. RANGES
ELEC. REFRIG.

DISPOSAL

CARPET
GRAPES

KITCHEN EXHAUST FAN
LAUNDRY FACILITIES

OTHER EQUIPMENT:

38. SERVICES:

ELECTRIC GAS OIL

HEAT -NO
COOKING -NO
HOT WATER -NO
AIR CONDITIONING -NO
LIGHTS ETC IN UNIT -NO

* WATER

OTHER SERVICES: FULL MAINTENANCE

39. SPECIAL ASSESSMENTS: A. NON-PREPAYABLE B. PRINC BAL \$ 0 C. ANNUAL PMNT \$ 0 D. REMAIN TERM 0 YRS.

16 2 Bedroom at 431.00 6,896

6 896 x 12 = 82,752

Line 32 above 166,356

Total equal amount on Line 249,108
30 Next page

Revenues

\$
16 x 431 x 12 = 82,752
6 x 498 x 12 = 35,856
4 x 525 x 12 = 25,200
15 x 585 x 12 = 105,300
249,108

075 35279 02/18/81

ESTIMATE OF ANNUAL EXPENSE--SECTION E:

--ADMINISTRATIVE--

01. ADVERTISING

02. MANAGEMENT

03. OTHER

04. TOTAL ADMINISTRATIVE

--OPERATING--

05. ELEVATOR MAINT. EXPENSE

06. FUEL (HEATING & DOM. HOT WATER)

07. LIGHTING & MISC. POWER

08. WATER

09. GAS

10. CARB. & TRASH REMOVAL

11. PAYROLL

12. OTHER

13. TOTAL OPERATING

--MAINTENANCE--

14. DECORATING

15. REPAIRS

16. EXTERMINATING

17. INSURANCE

18. GROUND EXPENSE

19. OTHER

20. TOTAL MAINTENANCE

21. REPLACEMENT RESERVE

22. TOTAL OPERATING EXPENSE

22A. SQUARE FOOT COST

22B. PER UNIT COST

--TAXES--

23. REAL ESTATE: EST. ASSESSED VALUE

***** @ \$.00 PER THOU. \$ 25,010

24. PERS. PROP.: EST. ASSESSED VALUE

\$ @ \$.00 PER THOU. \$ 0

25. EMPLOYEE PAYROLL TAX

26. OTHER

27. OTHER

28. TOTAL TAXES

29. TOTAL EXPENSES

29A. SQUARE FOOT COST

29B. PER UNIT COST

INCOME COMPUTATIONS--SECTION F:

30. ESTIMATED PROJECT GROSS INCOME

31. OCCUPANCY (ENTIRE PROJECT) PERCENTAGE

32. EFFECTIVE GROSS INCOME

33. TOTAL PROJECT EXPENSE

34. NET INCOME TO PROJECT

35. EXPENSE RATIO

ESTIMATED REPLACEMENT COST--SECTION G:

* 36A. UNUSUAL LAND IMPROVEMENTS \$ 90,225

* 36B. OTHER LAND IMPROVEMENTS \$ 236,819

* 36C. TOTAL LAND IMPROVEMENTS \$ 327,044

* --STRUCTURES--

* 37. MAIN BUILDINGS \$ 1,052,355

* 38. ACCESSORY BUILDINGS \$ 4,000

* 39. GARAGES \$ 0

* 40. ALL OTHER BUILDINGS \$ 0

* 41. TOTAL STRUCTURES \$ 1,056,355

* 42. GENERAL REQUIREMENTS \$ 55,336

* --FEES--

* 43. BUILDERS GENERAL OVERHEAD

* @ 2.00%-----\$ 20,775

* 44. BUILDERS PROFIT

* @ .00%-----\$ 0

* 45. ARCH. FEE--DESIGN

* @ 1.93%-----\$ 30,000

* 46. ARCH. FEE--SUPERVISION

* @ .71%-----\$ 11,000

* 47. BOND PREMIUM

* 48. OTHER FEES \$ 6,000

* 49. TOTAL FEES

* 50. TOTAL FOR ALL IMPROVEMENTS \$ 1,525,376

* 51. COST PER GROSS SQUARE FOOT \$ 33.5986

* 52. ESTIMATED CONSTRUCTION TIME 10 MONTHS

* --CARRYING CHARGES AND FINANCING--

* 53. INTEREST 12 MONTHS @ 7.75%

* ON 1/2 OF \$ 1,742,800-----\$ 67,533

* 54. TAXES \$ 14,500

* 55. INSURANCE \$ 7,000

* 56. FHA MORT. INS. PREM. (.5%) \$ 8,714

* 57. FHA EXAM. FEE (.3%) \$ 5,228

* 58. FHA INSPECTION FEE (.5%) \$ 8,714

* 59. FINANCING FEE (2.0%) \$ 34,856

* 60. A M P O (.0%) \$ 0

* 61. FHMA/CNMA FEE (1.5%) \$ 26,142

* 62. TITLE & RECORDING \$ 6,500

* 63. TOTAL CARRYING CHGS. & FINANCING \$ 179,187

* --LEGAL AND ORGANIZATION--

* 64. LEGAL \$ 4,500

* 65. ORGANIZATION \$ 1,500

* 66. COST CERTIF AUDIT FEE \$ 2,000

* 67. TTL LEGAL, ORGANIZ. & AUDIT \$ 8,000

* 68. BLDG & SPONSOR PROFIT & RISK \$ 171,256

* 69. CONSULTANT FEE \$ 0

* 70. SUPPLEMENTAL MANAGEMENT FUND \$ 4,100

* 71. CONTINGENCY RESERVE \$ 0

* 72. TOTAL EST. DEVELOPMENT COST \$ 1,887,919

* 73. WARRANTED PRICE OF LAND

* 129471 SQ. FT. @ \$.4000 PER SQ. FT. \$ 51,793

* 74. TOTAL PROJECT E.R.C. \$ 1,939,712

18/81/78

075 35279 02/18/81

SECTION H-MAXIMUM PERMISSIBLE RENTAL ANALYSIS:

01.RENT FORMULA RESIDENTIAL-TOTAL RENT PER MONTH: \$ 22,377

APARTMENT TYPE-----	0 BEDROOM	1 BEDROOM	2 BEDROOM	3 BEDROOM	4 BEDROOM	5 BEDROOM
02.MONTHLY ADMINISTRATIVE RENT LIMITS	\$	\$	\$	\$	\$	\$
03.PERSONAL BENEFIT EXPENSE	\$	\$	\$	\$	\$	\$
04.ADMINS.RENT LIMITS LESS PERS.BEN.EXP.	\$	\$	\$	\$	\$	\$
05.UNIT BASIC RENTS	\$	\$	\$	\$	\$	\$
06.UNIT MARKET RENTS BY RENT FORMULA	\$	\$	\$	\$	\$	\$
07.UNIT MARKET RENTS BY COMPARISON	\$	\$	\$	\$	\$	\$

SECTION I-ESTIMATE OF OPERATING DEFICIT:

PERIODS	GROSS INCOME	OCCUPANCY %	EFFECTIVE GROSS	EXPENSES	NET INCOME	DEBT SERV.REQMT.	DEFICIT
01-1ST	\$ 249,108	85%	\$ 211,741	\$ 62,940	\$ 148,801	\$ 139,424	\$
02-2ND	\$ 249,108	95%	\$ 236,652	\$	\$ 236,652	\$ 146,340	\$
03.TOTAL OPERATING DEFICIT---			\$				\$

SECTION J-PROJECT SITE ANALYSIS AND APPRAISAL:

01.LOCATION AND NEIGHBORHOOD Y * 06.SITE ACCEPTABLE FOR TYPE OF PROJECT UNDER SECTION 221D4
 02.SIZE OF THE SITE FOR PROJECT: Y * ACCEPTANCE SUBJECT TO QUALIFICATIONS LISTED BELOW.
 03.ZONING FOR USE INTENDED: Y *
 04.UTILITIES FOR SITE NOW: Y * 07.DATE OF INSPECTION : 02/28/80
 05.MARKET FOR UNITS & PROPOSED RENTS: Y * APPRAISER:(SIGN THIS LINE) *e.carlson*
 08.VALUE FULLY IMPROVED PER SQUARE FOOT APPROACH LUINO: 4.7 SIZE OF SITE: 129471 SQ.FT.
 COMPARABLE COST DATE OF COST SIZE PRICE NO. PER ADJUSTMENTS (Z) TOTAL ADJ.
 SEQ. NO. SALE FULLY IMP SQUARE FT. PERM PRICE UNIT UNIT TIME LOC. ZONE PLOT DEMO PIL- OTH. ADJ. SQ.FT. VALUE BY
 -AGE INC FAC. PRICE COMP.

A. 43300	01/00/78	112000	154150	.73	56	2000	1.10	1.00	1.00	1.00	1.00	1.00	1.10	.80	103471
B. 44950	09/01/79	246500	215901	1.14	90	2739	1.00	1.00	1.00	1.10	1.00	1.00	1.10	1.26	162542
C. 43450	01/00/77	52000	51700	1.01	16	3250	1.15	1.00	1.00	.80	1.00	1.00	.92	.93	119804
D.	00/00/00	0	0	.00	0	0	.00	.00	.00	.00	.00	.00	.00	.00	0
E.	00/00/00	0	0	.00	0	0	.00	.00	.00	.00	.00	.00	.00	.00	0

09.VALUE OF SITE FULLY IMPROVED: \$ 160,290 VALUE PER L.U.: \$ 3.922 VALUE PER SQ FT: \$ 1.24
 10.VALUE "AS IS" FT./AC.

A.	00/00/00	0	0	.00	0	0	.00	.00	.00	.00	.00	.00	.00	.00	0
B.	00/00/00	0	0	.00	0	0	.00	.00	.00	.00	.00	.00	.00	.00	0
C.	00/00/00	0	0	.00	0	0	.00	.00	.00	.00	.00	.00	.00	.00	0
D.	00/00/00	0	0	.00	0	0	.00	.00	.00	.00	.00	.00	.00	.00	0
E.	00/00/00	0	0	.00	0	0	.00	.00	.00	.00	.00	.00	.00	.00	0

11.VALUE OF SITE "AS IS" BY COMPARISON: \$

12.ACQUISITION COST:(LAST ARMS-LENGTH TRANSACTION)

BUYER:DOMINIUM ADDRESS:MPLS
 SELLER:GEO. TESCH ADDRESS:W. ALLIS
 DATE: 11/12/79 PRICE: \$ 115,500
 SOURCE:OPTION IN FILE

13.OTHER COSTS:

(1)LEGAL FEES AND ZONING COSTS	\$	0
(2)RECORDING AND TITLE FEES	\$	0
(3)INTEREST ON INVESTMENT	\$	0
(4)OTHER	\$	4,000
(5)ACQUISITION COST	\$	115,500
(6)TOTAL COST TO SPONSOR	\$	119,500

* 14.VALUE OF LAND AND COST CERTIFICATION

* (1)F.M.V. OF LAND FULLY IMPROVED-----\$ 160,200
 * (2)DEDUCTION AMT.FOR UNUSUAL ITEMS(SEC.C.36A)\$ 109,007
 * (3)WARRANTED PRICE OF LAND FULLY IMPROVED----\$ 51,793
 * FOR COST CERTIFICATION PURPOSES--
 * (3A)DEMO. \$ & OFF-SITE & PAID BY MTCOR.-----\$ 3,876
 * (4)EST.OF"AS IS"BY SUBTRACTION FROM IMP.VLU.-\$ 47,917
 * (5)EST.OF"AS IS"BY DIRECT COMPARISON-----\$ 0
 * (6)"AS IS"BASED ON ACQUISITION COST TO SPON.-\$ 119,500
 * (7)COMMISSIONERS ESTIMATED VALUE OF LAND
 * "AS IS"-----\$ 47,917
 * REMARKS:ADD. SITE INFO FOR COMPARABLE ADJACENT SITE
 * INDICATED A SITE IMPV OF .34 PER SQ. FT. MADE
 * SIMILAR ADJUSTMENT TO SUBJECT SITE

932 FORM 230
JUN 1978

075 35279 02/18/81

SECTION K-INCOME APPROACH TO VALUE:

1. ESTIMATED REMAINING ECONOMIC LIFE 55 YEARS. 2. CAP. RATE DETERMINED BY: NOT APPLICABLE

3. RATE SELECTED .00% 4. NET INCOME \$ 162,695 5. CAPITALIZED VALUE \$

6. VALUE OF LEASED FEE---\$ 0 (GROUND RENT \$ 0 DIVIDED BY CAP. RATE .00% = NO. 6)

SECTION L-COMPARISON APPROACH TO VALUE:

1. ADDRESS OF COMPARABLE SALE DATE SALE PRICE NO. OF UNITS ADJ. SALES PRICE

2. 00/00/00 \$ 0 0 0 0

3. 00/00/00 \$ 0 0 0 0

4. 00/00/00 \$ 0 0 0 0

8. INDICATED VALUE OF SUBJECT BY COMPARISON \$

APPRAISAL SUMMARY

9. CAPITALIZATION \$ 0 SUMMATION \$ 1,939,712 COMPARISON \$ 0 F.M.V./E.R.C. \$ 1,939,712

SECTION M-COMPLETED BY CONSTRUCTION COST ANALYST

COST NOT ATTRIBUTABLE TO DWELLING USE

0. PARKING \$ 0
1. GARAGE \$ 0
2. COMMERCIAL \$ 0
3. SPECIAL EXT. LAND IMPROVEMENTS \$ 0
4. OTHER \$ 58,648
5. TOTAL \$ 58,648

TOTAL EST. COST OF OFF-SITE REQUIREMENTS

6. OFF-SITE EST. COST
\$ 0
\$ 0
\$ 0
\$ 0
\$ 0
\$ 0

7. TOTAL OFF-SITE COSTS \$ 0

SECTION N-COMPLETED BY VALUATION SECTION

CALCULATION OF BUDGETED CONSTRUCTION COST

18. MAX. MORT. AMT. DIV. BY 90% OR X 100% \$ 1,936,444
19. FHA LAND VALUE \$ 51,793
20. CARRYING CHARGES & FIN. \$ 179,187
21. LEGAL, ORGAN. & COST CERT AUDIT \$ 8,000
22. CONSULTANT FEE \$ 0
23. DESIGN ARCHITECT \$ 30,000
24. SUPERVISORY ARCHITECT \$ 11,000
25. BOND PREMIUM \$ 10,866
26. SUPPLEMENTAL MANAGEMENT FUND \$ 4,100
27. CONTINGENCY RESERVE \$ 0
28. OTHER FEES \$ 6,000
29. TOTAL DEDUCTION (19 THRU 28) \$ 300,946
30. BALANCE AVAILABLE FOR CONSTRUCTION \$ 1,635,499
31. THIS INCLUDES BLDG. FEE OF \$ 0
OR BLDG. OVHD. & BSPRA OF \$ 200,031

SECTION O-REMARKS CONCLUSIONS AND SIGNATURES:

- 2 NEW 2264 BASED UPON A REVISED 2013. THE COMPOSITION, SIZES & ARCHITECTURAL CHARACTER REMAIN THE SAME. THE FOLLOWING
- 3 ITEMS OF THE PREVIOUS FIRM REVIEW REMAIN TO BE CLARIFIED AND/OR ADDED TO THE PLANS OR SPEC'S. GRADING PLAN IS REQUIRED
- 4 SCREEN ELECTRICAL TRANSFORMERS. PARTICLE BOARD UNDERLAYMENT IS NOT ACCEPTABLE. PROVIDE RETURN AIR IN BEDROOMS
- 5 OF THE 8-UNIT BLDGS. ATTIC FIRE DIVISIONS SHALL HAVE THE FIRE RATED DRYWALL ATTACHED TO THE BOTTOM OF THE ROOF
- 6 SHEATHING FOR A DISTANCE OF 6FT 0IN EACH SIDE OF THE DIVISION. DEMOLITION OF GREENHOUSE, SHED, ETC = \$3,876
- 7 COST CONCLUSIONS: COMMISSIONERS ESTIMATE - \$1,518,835 SPONSORS ESTIMATE = \$1,501,344 VARIANCE = \$17,491
- 8 ESTIMATED START DATE 03/01/81

9

10

11

12

ARCHITECTURAL PROCESSOR: *Wol. Kuehler* DATE: 2/24/81 ARCHITECTURAL REVIEWER: *Raymond Kuehler*

VALUATION PROCESSOR: *E. Carlsson* DATE: 2-26-81 VALUATION REVIEWER: *Earl H. Carlsson*

COST PROCESSOR: *Ralph H. Egan* DATE: 2/26/81 COST REVIEWER: *Robert DuChayne* 2/26/81

COORDINATOR:

DATE: 2-26-81 CHIEF, MULTIFAMILY BRANCH: *Edmund H. 2-26-81*

DIR. HPNC DIV/CH. UNDERWRITER: *John 2/27/81* DIR. AREA OR INSURING OFF/DEP: *John 2/27/81*

HA FORM 2264-A SUPPLEMENT TO PROJECT ANALYSIS SECTION/TITLE 22104

PROCESSING STAGE:FIRM

PROJECT NO.: 35279

PROJECT NAME: WEST ALLIS FAMILY HOUSING

DATE: 02/20/81

PROJECT LOCATION: SO 11 W. GREENFIELD

WEST ALLIS

WISCONSIN 5321

TYPE OF MORTGAGE:PM

***TYPE OF PROJECT:M

*****I-DETERMINATION OF MAXIMUM INSURABLE MORTGAGE*****

CRITERIA	COL. 1	COL. 2	COL. 3
1. MORTGAGE OR LOAN AMOUNT REQUESTED IN APPLICATION DATED 07/01/80-----			\$ 1,743,000
2. STATUTORY DOLLAR LIMIT-----			\$
3. AMOUNT BASED ON VALUE OR REPLACEMENT COST:-----			
A.VALUE(REPLCMT.COST)IN FEE SIMPLE \$ 1,939,712 X 90%-----		\$ 1,745,740	
B.VALUE OF LEASED FEE \$ 0 X 90%-----	\$ 0		
C.UNPAID BALANCE OF SPECIAL ASSESSMENT-----	\$ 0		
D.TOTAL ITEM B PLUS ITEM C-----	\$ 0	\$ 0	
E.ITEM A MINUS ITEM D-----			\$ 1,745,740
4. AMOUNT BASED ON LIMITATIONS PER FAMILY UNIT:			
A.NUMBER OF NO BEDROOM UNITS----- 0 X \$31,631-----	\$ 0		
NUMBER OF ONE BEDROOM UNITS----- 0 X \$35,905-----	\$ 0		
NUMBER OF TWO BEDROOM UNITS----- 16 X \$43,398-----	\$ 694,368		
NUMBER OF THREE BEDROOM UNITS----- 0 X \$54,474-----	\$ 0		
NO.OF FOUR OR MORE BEDROOM UNITS-- 0 X \$61,728-----	\$ 0		
A.NUMBER OF NO BEDROOM UNITS----- 0 X \$31,631-----	\$ 0		
NUMBER OF ONE BEDROOM UNITS----- 0 X \$35,905-----	\$ 0		
NUMBER OF TWO BEDROOM UNITS----- 10 X \$43,398-----	\$ 433,980		
NUMBER OF THREE BEDROOM UNITS----- 15 X \$54,474-----	\$ 817,110		
NO.OF FOUR OR MORE BEDROOM UNITS-- 0 X \$61,728-----	\$ 0		
B.COST NOT ATTRIBUTABLE TO DWELLING USE--\$ 80,036 X 90%-----	\$ 72,032		
C.ITEM A PLUS ITEM B-----		\$ 2,017,490	
D.TOTAL NUMBER OF SPACES			
E.SUM: VALUE OF LEASED FEE AND UNPAID BALANCE OF SPECIAL ASSESSMENT(S)	\$ 0	\$ 0	
F.ITEM C MINUS ITEM E-----			\$ 2,017,490
5. AMOUNT BASED ON DEBT SERVICE RATIO:			
A.MORTGAGE INTEREST RATE-----	7.50%		
B.MORTGAGE INSURANCE PREMIUM RATE-----	.50%		
C.INITIAL CURTAIL RATE-----	.396850%		
D.SUM OF ABOVE RATES-----			8.396850%
E.NET INCOME-----\$ 162,605 X 90%-----		\$ 146,344	
F.ANNUAL GROUND RENT \$ 0 + ANNUAL SPECIAL ASSESSMENTS 0-----		\$ 0	
G.ITEM E MINUS ITEM F-----		\$ 146,344	
H.ITEM G DIVIDED BY ITEM D-----			\$ 1,742,844
MAXIMUM INSURABLE MORTGAGE (LOWEST OF THE FOREGOING CRITERIA)-----			\$ 1,742,800

FHA FORM 2264-A SUPPLEMENT TO PROJECT ANALYSIS SECTION/TITLE 221D4
PROJECT NO.: 35279 PROJECT NAME: WEST ALLIS FAMILY HOUSING

PROCESSING STAGE:FIRM
DATE: 02/20/81

*****II-TOTAL REQUIREMENTS FOR SETTLEMENT*****

--PART A--

1. DEVELOPMENT COST----- \$ 1,887,919
2. LAND INDEBTEDNESS(CASH REQ.FOR LAND ACQ.)-- \$ 145,000
3. SUBTOTAL----- \$ 2,032,919
4. MORTGAGE AMOUNT----- \$ 1,742,800
5. FEES NOT TO BE PAID IN CASH- \$ 171,256
6. LINE 4 + LINE 5----- \$ 1,914,056
7. CASH INVESTMENT REQUIRED----- \$ 118,863
8. INITIAL OPERATING DEFICIT----- \$ 0
9. COMMITMENT,MARKETING FEES,DISCOUNT(S)----- \$ 43,570
10.WORKING CAPITAL----- \$ 34,856
11.OFF-SITE CONSTRUCTION COSTS----- \$ 3,876
12.TOTAL ESTIMATED CASH REQUIREMENT----- \$ 201,165

---PART B--

1. FEES NOT TO BE PAID IN CASH:
A. B S P R A ----- \$ 171,256
B.ARCHITECT(DESIGN)----- \$ 0
C.BUILDER'S PROFIT----- \$ 0
D.OTHER----- \$ 0
TOTAL TO PART A,LINE 5----- \$ 171,256
2. COMMITMENT,MKTG.,FEES & DISCOUNTS:
A.FEES:GAMA----- \$ 43,570
FNMA----- \$ 0
OTHER----- \$ 0
B.DISCOUNT(S):PERM.LOAN----- \$ 0
CONSTR.LOAN----- \$ 0
TOTAL TO PART A, LINE 9----- \$ 43,570
3. WORKING CAPITAL:
A.WORKING CAPITAL----- \$ 34,856
B.GROUND RENT DURING CONSTRUCTION----- \$ 0
C.N/R ITEMS NOT INCLUDED IN MORTGAGE----- \$ 0
TOTAL TO PART A,LINE 10----- \$ 34,856

FRONT MONEY ESCROW,IF ANY,DETERMINED BY SUBTRACTING
LINE 6 AMOUNT FROM LINE 1 AMOUNT. \$ 0

*****III-SOURCE OF FUNDS TO MEET CASH REQUIREMENTS*****

--SOURCE--

DATE OF FINANCIAL STMT

- 1.
- 2.
- 3.
- 4.
- 5.

TOTAL CASH AVAILABLE FOR PROJECT----- \$ 0
TOTAL ESTIMATED CASH REQUIREMENT (FROM LINE 12 ABOVE) \$ 201,165

*****IV-RECOMMENDATIONS,REQUIREMENTS AND REMARKS*****

RECOMMEND ***APPROVAL ***DISAPPROVAL FOR REASONS OR SUBJECT TO CONDITIONS STATED BELOW:

REMARKS

DATE 2/20/81

(SIGNED)

PROCESSOR,TECHNICIAN OR EXAMINER

DATE 2-20-81

***APPROVED ***DISAPPROVED

(SIGNED)

***CHIEF ***DEP. CHIEF FINANCE AND MORTGAGE CREDIT

WEST ALLIS FAMILY HOUSING
WEST ALLIS, WISCONSIN

Pro Forma Schedule of Revenues and Expenses from
January 1, 1982 Through December 31, 1982
as per HUD Form 2264

Revenues

16	2 bdrm walkups @ \$431/mo.	\$ 82,752
6	2 bdrm townhouses @ \$498/mo.	35,856
4	2 bdrm townhouses @ \$525/mo. (handicapped units)	25,200
15	3 bdrm townhouses @ \$585/mo.	<u>105,300</u>
	Potential Gross	\$249,108
	Less HUD 5% vacancy	<u>(12,455)</u>
	Effective Gross	\$236,653
	Expenses before real estate taxes	<u>(48,217)</u>
	NOI before real estate taxes	\$188,436

FORM NO. 2580
8. 7. 75

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

Approval of Budget Bureau
not required

MAXIMUM INSURABLE MORTGAGE

Project Name: West Allis Family Housing Project No. 075-35279-PM/LR

To: First Wisconsin National Bank of Milwaukee
Mortgagee
777 East Wisconsin Avenue
Street
Milwaukee, WI 53202
City and State

West Allis Housing Associates
Mortgagor
c/o Dominion Group, Inc.
3140 Harbor Lane, Suite 102
Street
Minneapolis, MN. 55441
City and State

Dear Sirs:

This Administration, pursuant to the Agreement and Certification executed in connection with the above project, has reviewed the mortgagor's certified statement of actual cost and in reliance thereon has made certain related determinations required under Section 227 of the National Housing Act. Accordingly, the Commissioner will endorse as insured an original credit instrument, secured by a first mortgage upon the land and property included in the project, in an amount not to exceed that set forth herein below.

It is understood, however, that any estimated items of cost may result in a further reduction of the mortgage when actual costs are established, that such a reduction, if any, must be made in accordance with the aforesaid Agreement and Certification, and that acceptance of items "to be paid in cash within 45 days after final endorsement" is conditioned upon proof of payment of such items in cash. Failure to comply with this requirement may result in a mandatory prepayment to the mortgagee.

Pursuant to Section 227 of the National Housing Act, all items approved herein are final and incontestable, except for fraud or material misrepresentation on the part of the mortgagor, as of the date of the final endorsement of the mortgage for insurance, except that items shown on FHA Form 2330 to be paid within 45 days, shall not be considered final and incontestable until the date of HUD's approval of the supplemental cost certification.

1. (a) Original Mortgage Amount	\$ 1,742,800
(b) Less: Minus Effect of Construction Changes, if any	\$
(c) Unused Contingency Reserve, if any (Rehabilitation)	\$
(d) Total Deductions from Original Mortgage Amount	\$ -
(e) Adjusted Original Mortgage Amount	\$ 1,742,800
2. Certified "Actual Cost" (From FHA Form 2330)	\$ 1,927,584...
3. Disallowed Amounts (Schedule 2)	\$ - 23,471
4. Recognized "Actual Cost" of Improvements	\$ 1,904,113...
5. Land	\$ 51,793
6. TOTAL LAND & IMPROVEMENTS	\$ 1,955,906
7. Statutory Percentage of Total Cost (<u>90</u> % of Item 6)	\$ 1,760,315...
8. Lesser of: (i) \$ Existing Mortgage Indebtedness on (Land and Improvements to be Rehabilitated) or (ii) an Amount Equal to <u> </u> % of the Fair Market Value \$ of Land and Improvements Before (Repair or Rehabilitation)	\$ -
9. TOTAL - Line 7 plus Line 8, (if any)	\$ 1,760,300
10. Maximum Insurable Mortgage in Multiples of \$100, (Item 1(e) or Item 9 whichever is the Lesser) if Grants involved see attached sheet to this form for Reconciliation of Adjustments, if required	\$ 1,742,800

Schedule 1. Approval of the Maximum Insurable Mortgage, as stated on Line 10, is conditioned upon the following:

- A. A supplemental cost certification prepared by an IPA or CPA of FHA Forms 2330 and 2330A must be submitted within 60 days after final endorsement in order to account for those items of cost on the current certification which are "to be paid within 45 days after final endorsement."

Since more than three months will intervene between the cost certification date and the first principal payment, an Income and Expense Statement is required covering the period beginning December 31, 1981 and ending three months prior to the first principal payment date. If the statement produces a profit, prepayment may be required, to the extent that the amount of the net income permits payment of one or more full monthly principal payments as scheduled.

