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Business 227/555: Commercial Property Development and Management. 1972-1978

Graaskamp, James A.

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Business 527

COMMERCIAL PROPERTY DEVELOPMENT & MANAGEMENT

Spring Semester -1972

Prof. J. A. Graaskamp

I. Catalog Description of Course

527 Commercial Property Development and Management, 11; 3 cr.
The business of creating industrial real estate, office space, shopping centers, and recreation facilities including strategy and feasibility analysis, functional design and construction factors, and financial analysis. Special emphasis will be given negotiation of leases from the viewpoint of both tenant and land-lord.

Prereq: Business 520 or 006.

II. Study Materials

Textbook: The Community Builders Handbook, Urban Land Institute, 1968 Ed.
(Available from UW Real Estate Club for \$13.00 in Rm 118)

Extensive materials will be mimeographed and furnished to the students at a cost of \$12.00 payable to UW Real Estate Club in Rm 118.

Some visual materials and text are not suitable for mimeo copy and these are on reserve in the School of Business library when indicated as BLR. Magazines are out of print - in limited supply, so please take care of them for our sake and plan your studies to avoid the last minute rush for your sake!

III. Grades:

There will be three 50-minute quizzes including the final exam. In addition the student must either (1) provide an analytical book review, or (2) provide an analytical study on film of a commercial real estate project. These two projects will count as an additional 100 points. Letter grades will be established on the bases of distribution of the individual point totals out of a possible 400 points.

- A. A suggested book list will be furnished but any book approved by instructor prior to writing a report can be used if it is deemed appropriate to commercial property development or management.
- B. Film studies would be slides done on 35 mm. cameras and film provided by department or may be done with students own 35 mm. camera. Slides become the property of the Real Estate Department slide library.

Class Schedule and Topic Outline

1-31	(M)	Loose Ends and Loose Beginnings
2-2	(W)	Industrial Park Development
2-7	(M)	No Class; Historical Origins of the Office Building
2-9	(W)	Form and Function of the Office Structure
2-14	(M)	Form and Function of Office Interiors
2-16	(W)	Rental Office Building Management
2-21	(M)	Essential Provisions of the Office Lease
2-23	(W)	Leasing Considerations (continued)
2-28	(M)	Custom Tailored Offices For the Owner-Occupant
3-1	(W)	Contract Relationships With the Architect
3-6	(M)	Contract Relationships for the Contractor
3-8	(W)	FIRST 50-MINUTE EXAM
3-13	(M)	Retail Location Analysis
3-15	(W)	Financial Strategy and Constraints of the Shopping Center
3-20	(M)	Planning a Shopping Center
3-22	(W)	Planning a Shopping Center (Continued)
3-27	(M)	Layout and Structure of a Shopping Center
3-29	(W)	Illustrated Slide Lecture
4-10	(M)	Shopping Center Leases
4-12	(W)	Shopping Center Financing
4-17	(M)	Retail Renovation of Downtown
4-19	(W)	SECOND 50-MINUTE EXAM
4-24	(M)	Resort Hotel Development
4-26	(W)	Resort Hotel Development (Continued)
5-1	(M)	The Second Home Phenomenon and Shoreline Development
5-3	(W)	The Recreational Condominium
5-8	(M)	Legal Character of the Condominium Agreement
5-10	(W)	Economics of the Bar and Restaurant Development
5-15	(M)	Presentation of Film Projects
5-17	(W)	THIRD 50-MINUTE EXAM
5-19	(F)	All Term Projects and Book Reports Due - NO LATE PAPERS

Business 527
COMMERCIAL PROPERTY DEVELOPMENT & MANAGEMENT
Assignment Sheet

Spring Semester, 1972

Prof. J. A. Graaskamp

<u>Date</u>	<u>Readings</u>	<u>Source</u>
1-31	LOOSE ENDS AND LOOSE BEGINNINGS	
	A. "States Move Into Housing", <u>U. S. Savings & Loan News</u> , October 1971	Mimeo
	B. "New Communities and Public Policy", Chapter 10 <u>The Community Builders</u> , by Eichler & Kaplan	Mimeo
2-2	INDUSTRIAL DEVELOPMENT	
	A. <u>Community Builders Handbook</u> , Section 4. pp. 449-470	Text
	B. <u>Architectural Record</u> , June 1966, Building Types Study 360-Industrial Buildings.	Mimeo
	C. <u>Industrial Development</u> , "The Great Southwest Industrial District - Dallas, Fort Worth," Conway Research, Inc.	Mimeo
	D. "Measuring the Productivity of Alternative Industrial Sites in Terms of Net Return on Equity to the Corporation", (Graaskamp)	Mimeo
	E. "Operating the ABC Corporation in Eleven Midwestern Cities," Appendix D, <u>Michigan Economy</u>	Mimeo
	F. "Three Industrial Buildings", <u>Architectural Record</u> , February 1971, pp. 123-132	BLR
2-7	NO CLASS; HISTORICAL ORIGIN OF THE OFFICE BUILDING	
	A. <u>Trends of Office Building Design</u> , George R. Bailey, pp. 13-20	BLR
	B. <u>The Boom in Office Buildings</u> , Robert Moore Fisher, Urban Land Institute, Technical Bulletin #58, pp. 1-5, 17-40	BLR
2-9	FORM AND FUNCTION OF THE OFFICE STRUCTURE	
	A. "How High to Rise," Charles Thomsen, <u>AIA Journal</u> April 1965.	Mimeo
	B. "Determining Optimum Developmental Intensity," Bruce Singer, <u>The Appraisal Journal</u> , July 1970, pp. 406-417	Mimeo
	<u>Assignments continued on page 4 for 2-9</u>	

- 2-9 C. Office Building and Office Layout Planning, Kenneth
(Con't) H. Rippen, Chapters 1,2,3,4. BLR
- D. "Zoning is a 3-Dimensional Word", by Ellen Berkeley
Forum, November 1970 Mimeo
- 2-14 FORM AND FUNCTION OF OFFICE INTERIORS
- A. "Offices Are Built to Work In", Savings & Loan News
November 1971, pp. 62-67 BLR
- B. "Man and Space", Progressive Architecture, November '69,
(Read all of the following articles in this issue:)
- | | |
|--|------|
| Mies van der Rohe (1886-1969) | p. 8 |
| Anonymous Space | 92 |
| Old Time Offices | 94 |
| From Grid to Growth | 100 |
| Who Is the New Professional? | 110 |
| Mergers, Conglomerates, Time and Money & | 114 |
| The Conglomerate - Patron of the Buck: | |
| Twentieth Century Merchant Prince: | 115 |
| The High Cost of Construction Delays: | 116 |
| The Systems Approach | 118 |
| Foom for Self Criticism | 122 |
| World's Largest Office Space | 124 |
| A maze of Contradictions | 130 |
| Spaces in Space | 132 |
- 2-16 RENTAL BUILDING OFFICE MANAGEMENT
- A. "The Operating Staff", Journal of Property Management
"How to Rent a Building" Mimeo
- B. To be Assigned
- 2-21 ESSENTIAL PROVISIONS OF THE OFFICE LEASE
- A. "Negotiations of a Lease on Behalf of the Tenant"
Preparation of Leases, Milton Friedman 1969 PLI
pp. 150-160 Mimeo
- B. Leases, Percentage, Short and Long-Term, McMichael
and O'Keefe, Chapters 1-3 BLR

2-23 OTHER LEASING CONSIDERATIONS

- A. "Selling Rental Space Takes Special Techniques", Advertising & Sales Promotion. Mimeo

B.

2-28 CUSTOM TAILORED OFFICES FOR THE OWNER-OCCUPANT

- A. "Doctor's Offices", Architectural Graphic Standards. Mimeo

- B. Business Parks, ULI Technical Bulletin #65 pp.5-44. BLR

- C. Community Builders Handbook, pp.241-245. Text

3-1 CONTRACT RELATIONSHIPS WITH THE ARCHITECT

- A. A Statement of Professional Services, pp.4-16. Mimeo

- B. Standard Form of Agreement Between Owner and Architect, pp. 2-8. Mimeo

- C. "The Professional Approach to Management of the Whole Building Process", Chap. 1, Professional Construction Management and Project Administration. Mimeo

- D. "Anatomy of a Project", Chap. 4, Professional Construction Management and Project Administration. Mimeo

3-6 CONTRACT RELATIONSHIPS WITH THE CONTRACTOR

- A. "Six Building Decisions", Business Management. Mimeo

- B. "Legal Pitfalls in the Owner-Contractor Relationship", Chap. 5&6, pp.85-141, Legal Pitfalls in Architecture, Engineering and Building Construction. Mimeo

3-8 CONTRACTING LAW CONTINUED

3-13 REVIEW OF READINGS

3-15 FIRST FIFTY MINUTE EXAM

3-20 RETAIL LOCATION ANALYSIS

- A. Guide to Store Location Research, William Applebaum. BLR
Sections 1,2,3, and 4.

- B. Supermarket Feasibility Study - Muskego, Russel Knetzger, Mimeo
William Nelson and Associates.

3-22 (W) PLANNING A SHOPPING CENTER

- A. Community Builders Handbook, pp. 262-312 Text
- B. "Basic Necessities of Store Design", Lawrence J. Israel, Architectural Record, June 1964 Mimeo

3-24 (F) LAYOUT AND STRUCTURE OF THE SHOPPING CENTER

- A. Community Builders Handbook, pp. 313-399 Text
- B. "Building Types Study 418, Architectural Record, February 1971, Pp. 89-104 BLR
- C. "\$2.5-million T/E System Boosts Income", Shopping Center World, March 1972 Mimeo

3-27 (M) A HISTORY OF A MODEL SHOPPING CENTER

- A. Part 1, pp. 3-30, Part 2, pp. 87-164, Part 3, pp. 165-190, Shopping Center Strategy, William Applebaum BLR
- B. "How to use Dollars & Cents of Shopping Centers", J. Ross McKeever, Urban Land, June 1969 Mimeo

3-29 (W) ILLUSTRATED SLIDE LECTURE

4-10 (M) SHOPPING CENTER LEASES

- A. Community Builders Handbook, pp. 405-427 Text
- B. Community Builders Handbook, Appendices F, G, H, I. Text
- C. "Drafting a Shopping Center Lease", Benjamin Pollack, Business & Legal Problems of Shopping Centers Mimeo
- D. "Specimen Forms", Institute for Business Planning, Inc. Mimeo
- E. "A Lender's Examination of Shopping Center Leases", Francis P. Gunning, Shopping Center Report #13 Mimeo

4-12 (W) FINANCING OF SHOPPING CENTERS

- A. "Giant Jigsaw: Putting Together a Shopping Center, Emanuel B. Halper, Real Estate Review, Summer 1971 Mimeo
- B. "Ground Leases", Neil Underberg, Business & Legal Problems of Shopping Centers Mimeo
- C. "Financing Arrangements for the Seminole Shopping Center", James A. Graaskamp, Spring 1963 Mimeo

4-17 (M) SPECIALTY SHOPPING CENTERS

4-19 (W) SECOND 50 MINUTE EXAM

4-24 (M) RESORT DEVELOPMENT

- 4-26 (W) C A. Motels & Resorts, A Guide to Better Planning, C. A. Gunn Mimeo
- D B. Management Through Figures, Robert W. McIntosh Mimeo
- E C. Projection-Operating & Cash Flow, XYZ Corp., Allen & O'Hara, Inc., January 1969 Mimeo
- D. Community Builders Handbook, PP. 235-241 Text
- E. "Building Types Study: Resort Hotels & Condominiums", Architectural Record, PP. 95-138, November 1971 BLR
- F. "SEC Registration of Real Estate Interests: An Overview", R. Rifkind & M. Borton, The Business Lawyer, April 1972 Mimeo

5-1 (M) SECOND HOMES & SHORELINE DEVELOPMENT

- 5-3 (W) A. "Planning & Developing Waterfront Property", Wm. B. Rick Urban Land Institute, TB49, June 1964 BLR
- B. Recreation Land Development, Homer Fieldhouse, Dept. of Resource Development Recreation Division, 1967 BLR
- C. "Outdoor Recreation: Economic Consideration for Optimal Site Selection & Development", K. McClellan & E. Medrich, Land Economics Mimeo
- D. Profits from Camping-An Investment Opportunity", The Mortgage & Real Estate Executives Report Mimeo
- E. Recreation Land & Leisure Report, January 17, 1972 Mimeo
- F. Recreation Land & Leisure Report, January 31, 1972 Mimeo
- G. "Interstate Land Sales Registration Act, Practical Exemption Considerations", R. Cookston & Ray Walsh, ALDA Mimeo

5-8 (M) THE CONDOMINIUM CONCEPT

- 5-10 (W) A. "The Condominium-Cooperative Comparison", Curtis J. Berger, The Practical Lawyer, January 1965 Mimeo
- B. "Factors Contributing to Success or Failure of Residential Condominium Developments", Wm H. Hippaka & Don C. Bridenstine, Bureau of Business & Economic Research, San Diego State College Mimeo
- C. "What Sells Condominiums", The Professional Builder, March, 1972, PP. 94-105 BLR

D. "Profile of a Condo Sellout", The Professional Builder,
March, 1972, PP. 106-109

BLR

5-15 (II) PRESENTATION OF SLIDE PROJECTS

5-17 (V) THIRD 50 MINUTE EXAM

5-19 (F) DEADLINE FOR ALL TERM PROJECTS - NO LATE PAPERS ! * C S # &

Incomplete

Business 527

COMMERCIAL PROPERTY DEVELOPMENT & MANAGEMENT

Spring Semester 1973

Prof. J. A. Graaskamp

I. Catalog Description of Course

527 Commercial Property Development and Management, 11; 3 credits. The business of creating industrial real estate, office space, shopping centers, and recreation facilities including strategy and feasibility analysis, functional design and construction factors, and financial analysis. Special emphasis will be given to negotiation of leases from the viewpoint of both tenant and landlord.

Prerequisites: Business 520 or 806.

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III. Grades

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A. A suggested book list will be furnished but any book approved by instructor prior to writing a report can be used if it is deemed appropriate to commercial property development or management.

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Class Schedule and Topic Outline

- 1-15 (M) Industrial Development Location
1-17 (W) Industrial Park Development
- 1-22 (M) Historical Origins and Marketing of the Office Building
1-24 (W) Form and Function of the Office Structure
- 1-29 (M) Form and Function of Office Interiors
1-31 (W) Rental Office Building Management
- 2-5 (M) Negotiation of the Office Lease
2-7 (W) Custom Tailored Offices for the Owner-Occupant
- 2-12 (M) The Architect and Construction Management
2-14 (W) Fast-Track Building
- 2-19 (M) General Contracting
2-21 (W) General Contracting (continued)
- 2-26 (M) TWO-HOUR MID-SEMESTER EXAM
2-28 (W) Retail Location Theory
- 3-5 (M) Market Analysis for a Shopping Center
3-7 (W) Financial Strategy and Constraints of the Shopping Center
- 3-12 (M) Layout and Structure of a Shopping Center
3-14 (W) Shopping Center Financing
- 3-19 (M) Shopping Center Leases
3-21 (W) Retail Renovation of Downtown
- 3-26 (M) Resort Motel Development
3-28 (W) Resort Motel Development (continued)
- 4-2 (M) The Second Home Phenomenon
4-4 (W) Shoreline Development
- 4-9 (M) The Recreational Condominium
4-11 (W) Legal Character of the Condominium Agreement
- 4-25 (W) Slides
- 4-30 (M) The Theme Park
5-2 (W) Economics of the Bar and Restaurant Development
- 5-7 (M) Government as a Commercial Property Developer

Business 527
COMMERCIAL PROPERTY DEVELOPMENT & MANAGEMENT
Assignment Sheet

Spring Semester 1973

Prof. J. A. Graaskamp

<u>Date</u>	<u>Readings</u>	<u>Source</u>
1-15 (M)	INDUSTRIAL DEVELOPMENT LOCATION	
	A. "New Factors in Plant Location," Maurice Fulton, <u>Harvard Business Review</u> (May-June 1971), pp. 4-17.	Mimeo
	B. "Measuring the Productivity of Alternative Industrial Sites....," James A. Graaskamp	Mimeo
	C. "Operating the ABC Corporation in Eleven Midwestern Cities," Appendix D, <u>Michigan Economy</u>	Mimeo
	D. <u>Handbook on Industrial Development</u> , American Industrial Development Council	Mimeo
	E. "The Systematic Approach to Industrial Development Research," <u>Urban Land</u> , Vol. 29, No. 6 (June 1970)	Handout
1-17 (W)	INDUSTRIAL PARK DEVELOPMENT	
	A. <u>Community Builders Handbook</u> , Sec. 4, pp. 449-70. Text	
	B. "Building Types Study 360--Industrial Buildings," <u>Architectural Record</u> (June 1966)	Mimeo
	C. "Spotlight: Dallas-Fort Worth's Profit Location," Robert Shepherd, <u>Industrial Development</u> (February 1966), pp. 38-44	Mimeo
	D. "Three Industrial Buildings," <u>Architectural Record</u> (February 1971), pp. 123-32	BLR
1-22 (M)	HISTORICAL ORIGINS AND MARKETING OF THE OFFICE BUILDING	
	A. <u>Trends of Office Building Design</u> , George R. Bailey, pp. 13-26	BLR
	B. <u>The Boom in Office Buildings</u> , Robert Moore Fisher, Urban Land Institute, Technical Bulletin #58, pp. 1-5, 17-40	BLR
	C. "Office Space," and "A Marketing Strategy for CBD'S," <u>Urban Land</u> (June 1972)	Handout

<u>Date</u>	<u>Readings</u>	<u>Source</u>
	D. "Linear Air Diffusing Systems," Max Corazza, <u>Progressive Architecture</u> (June 1972), pp. 88-90.	Mimeo
	E. "Defensible Space: Alternatives to Fear," <u>Progressive Architecture</u> (October 1972), pp. 92-105.	Mimeo
1-31 (W)	RENTAL OFFICE BUILDING MANAGEMENT	
	A. "The Operating Staff," and "How to Rent a Building," <u>Journal of Property Management</u> <i>Creating an Office Building</i>	BLR
	X "Selling Rental Space Takes Special Techniques," Robert Leventhal, <u>Advertising and Sales Promotion</u> (November 1966), pp. 43-46.	Mimeo
	D. "Standard Method of Floor Measurement for Office Buildings," a letter from Charles Luckman and Assoc.	Mimeo
	B. Definition of Rentable Area for Office Buildings	Mimeo
	F. "Great Arithmetic Said to Characterize Return for Office Condominium Investors," <u>Buildings Magazine</u>	Mimeo
	G. Sheridan-Karkow Formula for Determining Rental Value of Office Space	Mimeo
2-5 (M)	NEGOTIATION OF THE OFFICE LEASE	
	B. "Negotiations of a Lease on Behalf of the Tenant," <u>Preparation of Leases</u> , Milton Friedman 1969 PLI, pp. 150-60.	Mimeo
	C. <u>Leases, Percentage, Short and Long-Term</u> , McMichael and O'Keefe, Chapters 1-3.	Mimeo
2-7 (W)	CUSTOM TAILORED OFFICES FOR THE OWNER-OCCUPANT	
	A. "Doctors' Offices," <u>Architectural Graphic Standards</u>	Mimeo
	B. <u>Business Parks</u> , ULI Technical Bulletin #65, pp. 5-44.	BLR
	C. <u>Community Builders' Handbook</u> , pp. 241-45.	Text
2-12 (M)	THE ARCHITECT AND CONSTRUCTION MANAGEMENT	
	A. "Anatomy of a Project," Chap. 4, <u>Professional Construction Management and Project Administration</u>	Mimeo
	B. "The Professional Approach to Management of the Whole Building Process," Chap. 1, <u>Professional Construction Management and Project Administration</u>	Mimeo

<u>Date</u>	<u>Readings</u>	<u>Source</u>
	A. E. <u>A Statement of Professional Services</u> , pp. 4-16	Handout
	B. D. <u>Standard Form of Agreement between Owner and Architect</u> , pp. 2-8.	Handout
	C. E. "Package Deals and the Architect," Roy Murphy, <u>The American Registered Architect</u>	Mimeo
	F. <u>It's the Law</u> , Bernard Tomson and Norman Coplan	Handout
2-14 (W)	FAST TRACK BUILDING	
	A. <u>Specifications Guide</u> , Harold J. Rosen	Handout
	B. "63 Floors Atop 11-Story Base; Fast Tracking Slashes Time," <u>Apartment Construction News</u>	Mimeo
	C. To be assigned.	
2-19 (M) and 2-21 (W)	GENERAL CONTRACTING	
	C. A. "Six Building Decisions," <u>Business Management</u>	Mimeo
	D. B. "Legal Pitfalls in the Owner-Contractor Relationship," Chap. 5 & 6, pp. 85-141, <u>Legal Pitfalls in Architecture, Engineering and Building Construction</u>	Mimeo
	/ C. <u>Construction Contracting</u> , 2nd ed., Richard H. Clough, Chapter 8.	Mimeo
	D. <u>Insurance for Contractors</u> , Walter T. Derk	Handout BLR
2-26 (M)	TWO-HOUR MID-SEMESTER EXAM	

<u>Date</u>	<u>Readings</u>	<u>Source</u>
2-28	RETAIL LOCATION THEORY AND ANALYSIS	
	A. <u>Guide to Store Location Research</u> , William Applebaum Sections 1,2,3, and 4.	BLR
	B. <u>A Systematic Guide to Supermarket Location Analysis</u> , Bernard Kane, pp. 99-126	Mimeo
	C. "Restaurant Site Selection", <u>The Cornell Hotel and Restaurant Administration Quarterly</u> , Darley/Gobar Assoc., Inc.	Mimeo
	D. "How Computers Pick Store Sites", <u>American Druggist</u> , December 29, 1969	Mimeo
3 C	E. "Changes in Food Retailing Are Affecting Property Values", Donald Lootens, <u>Real Estate Review</u> , Fall '72	Mimeo
3-5	MARKET ANALYSIS FOR A SHOPPING CENTER	
D	A. <u>Community Builders Handbook</u> , pp. 262-312	Text
A	B. A Seminar on Shopping Center Evolution, Excerpts from <u>Ekistics</u> , August 1963	Mimeo
B	C. "Shopping Centers", <u>Time-Saver Standards, A Handbook of Architectural Design</u> , John Callender, Editor, McGraw Hill, pp. 1081-1091	Mimeo
3-7	FINANCIAL STRATEGY AND CONSTRAINTS	
	A. "Summary of Operating Results of Shopping Centers", <u>The Dollars and Cents of Shopping Centers</u> , 1972 pp. 11-16, pp. 185-194, 215-219	Mimeo
	B. <u>Community Builders Handbook</u> , pp. 313-399	Text
	C. <u>Retail Store Performance</u> , Shopping Center Report #24	Mimeo

<u>Date</u>	<u>Readings</u>	<u>Source</u>
3-12	LAYOUT AND STRUCTURE OF A SHOPPING CENTER	
	A. "Basic Necessities of Store Design", Lawrence J. Israel <u>Architectural Record</u> , June 1964	Mimeo
	B. "Building Types Study 418, <u>Architectural Record</u> , February 1971, pp. 89-104	BLR
	C. "\$2.5-Million T/E System Boosts Income", <u>Shopping Center World</u> , March 1972	Mimeo
	D. "Fight 10-15% Boost in Space Conditioning Costs", "Small Tenants Overpay for Central System, <u>Shopping Center World</u> , February 1973	Mimeo
3-14	SHOPPING CENTER FINANCING	
	A. "Giant Jigsaw: Putting Together a Shopping Center, Emanuel B. Halper, <u>Real Estate Review</u> , Summer 1971	Mimeo
	B. "Ground Leases", Neil Underberg, <u>Business & Legal Problems of Shopping Centers</u>	Mimeo
	C. "Financing Arrangements for the Seminole Shopping Center", James A. Graaskamp, Spring 1963	Mimeo
3-19	SHOPPING CENTER LEASES	
	A. <u>Community Builders Handbook</u> , pp. 405-427	Text
	B. <u>Community Builders Handbook</u> , Appendices F,G, H, I	Text
	C. "Drafting a Shopping Center Lease", Benjamin Pollack, <u>Business & Legal Problems of Shopping Centers</u>	Mimeo
	D. "Specimen Forms", <u>Institute for Business Planning, Inc.</u>	Mimeo
	E. "A Lender's Examination of Shopping Center Leases", Francis P. Gunning, <u>Shopping Center Report #13</u>	Mimeo
3-21	RETAIL RENOVATION OF DOWNTOWN	
	A. "Downtown Retailing", <u>Urban Land</u> , December 1972	Handout <i>mimeo</i>
	B. <u>Downtown Denver - A Guide to Central City Development</u> <u>Urban Land Institute Technical Bulletin #54</u>	BLR

COMMERCIAL PROPERTY DEVELOPMENT & MANAGEMENT

Spring Semester 1974

Prof. J. A. Graaskamp

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1-16 (W)	Historical Origins and Marketing of the Office Building
1-21 (M)	Form and Function of the Office Structure
1-23 (W)	Form and Function of Office Interiors
1-28 (M)	Rental Office Building Management and the Office Lease
1-30 (W)	Critical Path and PERT - Class Problem
2-4 (M)	The Architect and Construction Management
2-6 (W)	Fast-Track Building
2-11 (M)	AIA Contract
2-13 (W)	AIA Contract (continued)
2-18 (M)	General Contracting
2-20 (W)	Critical Path Problems Due
2-25 (M)	TWO-HOUR MID-SEMESTER EXAM
2-27 (W)	Retail Location Theory
3-4 (M)	Market Analysis and Financial Strategy for a Shopping Center
3-6 (W)	Traffic Engineering for the Shopping Center <i>Janie B. Swiler</i>
3-11 (M)	Layout and Structure of a Shopping Center
3-13 (W)	Heavy Foundations and Pilings
3-18 (M)	Shopping Center Leases
3-20 (W)	Retail Renovation of Downtown
3-25 (M)	Resort Motel Development
3-27 (W)	Resort Motel Development (continued)
4-1 (M)	The Second Home Phenomenon <i>Mike Feiner</i>
4-3 (W)	Shoreline Development
4-8 (M)	The Recreational Condominium
4-10 (W)	Legal Character of the Condominium Agreement
4-22 (M)	The Theme Park
4-24 (W)	The Theme Park (continued)
4-29 (M)	Economics of the Bar and Restaurant Development
5-1 (W)	Slides
5-6 (M)	Government as a Commercial Property Developer

Business 555
COMMERCIAL PROPERTY DEVELOPMENT & MANAGEMENT
Assignment Sheet

Spring Semester 1974

Prof. J. A. Graaskamp

<u>Date</u>	<u>Readings</u>	<u>Source</u>
1-14 (M)	INDUSTRIAL PARK DEVELOPMENT	
	A. "New Factors in Plant Location," Maurice Fulton, <u>Harvard Business Review</u> (May-June 1971), pp. 4-17	Mimeo
	B. "Measuring the Productivity of Alternative Industrial Sites...", James A. Graaskamp	Mimeo
	C. "Operating the ABC Corporation in Eleven Midwestern Cities," Appendix D, <u>Michigan Economy</u>	Mimeo
	D. <u>Handbook on Industrial Development</u> , American Industrial Development Council	Mimeo
	E. <u>Community Builders Handbook</u> , Sec. 4, pp. 449-70	Text
	F. "Building Types Study 360--Industrial Buildings, <u>Architectural Record</u> (June 1966)	Mimeo
	G. "Spotlight: Dallas-Fort Worth's Profit Location," Robert Shepherd, <u>Industrial Development</u> (February 1966), pp. 38-44	Mimeo
	H. "Three Industrial Buildings," <u>Architectural Record</u> (February 1971), pp. 123-32	BLR
1-16 (W)	HISTORICAL ORIGINS AND MARKETING OF THE OFFICE BUILDING	
	A. <u>Trends of Office Building Design</u> , George R. Bailey, pp. 13-26	BLR
	B. <u>The Boom in Office Buildings</u> , Robert Moore Fisher, Urban Land Institute, Technical Bulletin #58, pp. 1-5, 17-40	BLR
	C. "Office Space," and "A Marketing Strategy for CBD'S," <u>Urban Land</u> (June 1972)	Handout
1-21 (M)	FORM AND FUNCTION OF THE OFFICE STRUCTURE	
	A. "Materials and Methods: The Future of Highrise Structures," Faziur R. Khan, <u>Progressive Architecture</u> (October 1972), pp. 78-85	Mimeo
	B. "Optimizing the Structure of the Skyscraper," Robert E. Fischer, <u>Architectural Record</u> (October 1972), pp. 97-104	Mimeo

Business 555 - Spring 1974

<u>Date</u>	<u>Readings</u>	<u>Source</u>
1-21 (M) (continued)	C. "How High to Rise," Charles Thomsen, <u>AIA Journal</u> (April 1965)	Mimeo
	D. "Determining Optimum Developmental Intensity," Bruce Singer, <u>The Appraisal Journal</u> (July 1970, pp. 406-17.	Mimeo
	E. "Zoning is a 3-Dimensional Word," Ellen Berkeley, <u>Forum</u> (November 1970), pp. 48-51	Mimeo
	F. "Architectural Engineering" (Elevators), <u>Computer Applications in Architecture and Engineering</u> , G. Neil Harper, pp. 68-72	Mimeo
	G. "Technology: Highrise Fires Alarm the Building Industry," M. Villecco, <u>Architectural Forum</u> (March 1972), pp. 52-55	Mimeo
	H. "Solving Today's Curtain Wall Problems," <u>Architectural Record</u> (May 1972, pp. 129-32	Mimro
	I. <u>Architectural Forum</u> , November 1973, pp. 24-45	BLR
1-3 (W)	FORM AND FUNCTION OF OFFICE INTERIORS	
	A. <u>Office Building and Office Layout Planning</u> , Kenneth H. Rippen, Chapters 1,2,3,4	BLR
	B. "Offices Are Built to Work In," <u>Savings and Loan News</u> (November 1971), pp. 62-67	BLR
	C. "Man and Space," <u>Progressive Architecture</u> (November 1969). Read all of the following articles:	
	Mies van der Rohe p. 8	
	Anonymous Space 92	
	Old Time Offices 94	
	From Grid to Growth 100	
	Who Is the New Professional? 110	
	Mergers, Conglomerates, Time & Money, and the Conglomerate--Patron of the Buck 114	
	Twentieth Century Merchant Prince 115	
	The High Cost of Construction Delays 116	
	The Systems Approach 118	
	Room for Self Criticism 122	
	World's Largest Office Space 124	
	A Maze of Contradictions 130	
	Spaces in Space 132	

<u>Date</u>	<u>Readings</u>	<u>Source</u>
1-28 (M)	RENTAL OFFICE BUILDING MANAGEMENT AND THE OFFICE LEASE	
	A. "The Operating Staff," and "How to Rent a Building", <u>Creating an Office Building.</u>	BLR
	B. "Negotiations of a Lease on Behalf of the Tenant", Preparation of Leases, Milton Friedman, 1969 PLI, pp. 150-60	Mimeo
	C. <u>Leases, Percentage, Short, and Long-Term</u> , McMichael and O'Keefe, Chapters 1-3	Mimeo
	D. "Standard Method of Floor Measurement for Office Buildings," a letter from Charles Luckman and Assoc.	Mimeo
	E. Definition of Rentable Area for Office Buildings	Mimeo
	F. "Great Arithmetic Said to Characterize Return for Office Condominium Investors", <u>Buildings Magazine</u>	Mimeo
	G. Sheridan-Karkow Formula for Determining Rental Value of Office Space	Mimeo
1-30 (W)	CRITICAL PATH NETWORK AND PERT WORKSHOP	
2-4 (M)	THE ARCHITECT AND CONSTRUCTION MANAGEMENT	
	A. "Anatomy of a Project", Chap. 4, <u>Professional Construction Management and Project Administration</u>	Mimeo
	B. "The Professional Approach to Management of the Whole Building Process", Chap. 1, <u>Professional Construction Management and Project Administration</u>	Mimeo
	C. "School is Proving Ground for Modern Methods", <u>Architectural Record</u> , July 1973, pp. 57-8	Mimeo
2-6 (W)	FAST TRACK BUILDING	
	A. "Stretching Your Building Dollar", David N. Burt, <u>California Management Review</u> , pp. 54-60	Mimeo
	B. "Sweet's Refines Logic of the Product Search", <u>Architectural Record</u> , August 1973, pp. 65-6	Mimeo
	C. "Flying Forms for Concrete Structures can save time and Money...", <u>Architectural Record</u> , October 1973, pp. 161-2	Mimeo

Business 555 - Spring 1974

<u>Date</u>	<u>Readings</u>	<u>Source</u>
2-11 (M)	CONTRACT RELATIONS WITH THE ARCHITECT	
	A. <u>A Statement of Professional Services</u> , pp. 4-16	Handout
	B. <u>Standard Form of Agreement between Owner and Architect</u> , pp. 2-8	Handout
	C. "Package Deals and the Architect," Roy Murphy, <u>The American Registered Architect</u>	Mimeo
2-13 (W)	AIA CONTRACT CONTINUED	
	A. <u>It's the Law</u> , Bernard Tomson and Norman Coplan	BLR
	B. "Agreements with Architects and Contractors: The Developer's View," <u>Real Estate Review</u> , Winter 1973.	Mimeo
2-18 (M)	THE DEVELOPER AND THE GENERAL CONTRACTOR	
	A. "Six Building Decisions," <u>Business Management</u>	Mimeo
	B. "Legal Pitfalls in the Owner-Contractor Relationship," Chap. 5 & 6, pp 85-141, <u>Legal Pitfalls in Architecture, Engineering and Building Construction</u>	Mimeo
	C. <u>Construction Contracting</u> , 2nd ed., Richard H. Clough, Mimeo Chap. 8.	
	D. <u>Insurance for Contractors</u> , Walter T. Derk	BLR
2-20 (W)	SLIDE REVIEW OF TOPICS (CRITICAL PATH PROBLEMS DUE)	
2-25 (M)	TWO-HOUR MID-TERM EXAMINATION	
2-27 (W)	INTRODUCTION TO RETAIL LOCATION AND DESIGN THEORY	
	A. A Seminar on Shopping Center Evolution, Excerpts from <u>Ekistics</u> , August 1963	Mimeo
	B. "Shopping Centers", <u>Time-Saver Standards, A Handbook of Architectural Design</u> , John Callender, Editor, McGraw Hill, pp. 1081-1091	Mimeo
	C. "Changes in Food Retailing Are Affecting Property Values", Donald Lootens, <u>Real Estate Review</u> , Fall 1972	Mimeo
	D. <u>Community Builders Handbook</u> , pp. 262-312	Text

Business 555 - Spring 1974

<u>Date</u>	<u>Readings</u>	<u>Source</u>
3-4 (M)	MARKET ANALYSIS AND FINANCIAL STRATEGY FOR SHOPPING CENTER DEVELOPMENT	
	A. <u>Guide to Store Location Research</u> , William Applebaum Sections 1,2,3, and 4.	BLR
	B. <u>A Systematic Guid to Supermarket Location Analysis</u> , Bernard Kane, pp. 99-126	Mimeo
	C. "Restaurant Site Selection", <u>The Cornell Hotel and Restaurant Administration Quarterly</u> , Darley/Gobar Assoc., Inc.	Mimeo
	D. "How Computers Pick Store Sites", <u>American Drug- gist</u> , December 29, 1969	Mimeo
	E. "Trade Area Research...and How it Alerts the De- clining Center", Howard L. Green, <u>Shopping Center World</u> , pp. 18-25, 37.	Mimeo
3-6 (W)	FINANCIAL STRATEGY AND CONSTRAINTS	
	A. "Summary of Operating Results of Shopping Centers", <u>The Dollars and Cents of Shopping Centers</u> , 1972 pp. 11-16, pp. 185-194, 215-219	Mimeo
	B. <u>Community Builders Handbook</u> , pp. 313-399	Text
	C. <u>Retail Store Performance</u> , Shopping Center Report #24	Mimeo
3-11 (M)	LAYOUT AND STRUCTURE OF A SHOPPING CENTER	
	A. "Basic Necessities of Store Design", Lawrence J. Israel, <u>Architectural Record</u> , June 1964	Mimeo
	B. "Building Types Study 418, <u>Architectural Record</u> , February 1971, pp.89-104	BLR
	C. "\$2.5-Million T/E System Boosts Income", <u>Shopping Center World</u> , March 1972	Mimeo
	D. "Fight 10-15% Boost in Space Conditioning Costs," "Small Twnants Overpay for Central System," <u>Shopping Center World</u> , February 1973	Mimeo
	E. "Energy Conservation: New Products, New Systems, New Commitment," <u>Architectural Record</u> , October '73	Mimeo
3-13 (W)	INTRODUCTION TO FOUNDATIONS AND PILINGS FOR HEAVY STRUCTURES	

Business 555 - Spring 1974

<u>Date</u>	<u>Readings</u>	<u>Source</u>
3-18 (M)	SHOPPING CENTER LEASING	
	A. <u>Community Builders Handbook</u> , pp. 405-427	Text
	B. <u>Community Builders Handbook</u> , Appendices F,G,H,I	Text
	C. "Drafting a Shopping Center Lease", Benjamin Pollack, <u>Business & Legal Problems of Shopping Centers</u>	mimeo
	D. "A Lender's Examination of Shopping Center Leases", Francis P. Gunning, <u>Shopping Center Report #13</u>	Mimeo
	E. "Before the Shopping Center Opens: A Survival Manual for Developer and Tenant", Marvin Williams <u>Real Estate Review</u>	Mimeo
3-20 (W)	RETAIL RENOVATION OF DOWNTOWN	
	A. "Downtown Retailing", <u>Urban Land</u> , December 1972	Mimeo
	B. "Portman: A New Force for Rebuilding the Cities", <u>Business Week</u> , February 17, 1973	Mimeo
	C. "Helping Downtown Compete with the Suburbs", Jonathan Barnett, <u>Architectural Record</u> , Jan. '74.	Mimeo
	D. "Functions and Types of Auto-Free Zones", Barton-Aschman Assoc., Inc. <u>Action Plan for Improvements in Transportation Systems in Large U.S. Metropolitan Areas</u> , pp. 7-27	Mimeo
	E. <u>The Architectural Forum</u> , November 1973	BLR
	"Rediscovering the Street" pp. 24	
	"The Efficient City" pp. 30	
	"A There, There", pp. 38	
	"Grist and Gusto", pp. 40	
	"Main Street Revisited", pp. 56	

<u>Date</u>	<u>Readings</u>	<u>Source</u>
3-25	RESORT HOTEL DEVELOPMENT	
	A. <u>Land: Recreation & Leisure</u> , Urban Land Institute Special Report, pp. 6-89	BLR
	B. <u>Community Builder Handbook</u> , pp. 235-241	Text
	C. "Typical Checklist for Feasibility Study of Proposed Hotel"	Mimeo
	D. <u>Motels & Resorts, A Guide to Better Planning</u> , C.A. Gunn	Mimeo
	E. <u>Management Through Figures</u> , Robert W. McIntosh	Mimeo
	F. <u>Projection-Operating & Cash Flow</u> , XYZ Corp., Allen & O'Hare, Inc. January 1969	Mimeo
	G. "An Outside, Inside", <u>Architectural Forum</u> , November 1973, pp. 47-55	BLR
	H. "Portman: A New Force for Rebuilding the Cities", <u>Business Week</u> , February 17, 1973, pp. 58-64	Mimeo
3-27	RESORT HOTEL DEVELOPMENT	
	A. "Profit-Sharing in the Resort Condominium", H.A. Preszler, <u>Real Estate Review</u> , Summer 1972, pp. 31-34	Mimeo
	B. "SEC Guidelines to the Sales of Condominium Units", <u>Real Estate Syndication Digest</u> , Jan. 1973, pp. 25-26	Mimeo
	C. "SEC Registration of Real Estate Interests: An Overview", R. Rifkind & M. Borton, <u>The Business Lawyer</u> , April 1972	Mimeo
	D. "Entrepreneurship, Professional Management, Marketing Keys to Healthy Hotel Industry", an NREI seminar, <u>The National Real Estate Investor</u> , Dec. 1972, pp. 30-35	Mimeo
4-1	THE SECOND HOME PHENOMENON	
	A. "The quiet Boom in Vacation Home Market", R.L. Ragatz and G.M. Gelb, <u>California Management Review</u> , Spring 1970	Mimeo
	B. "The Expanding Market for Vacation Homes", R.L. Ragatz, <u>Real Estate Review</u> , Summer 1973, pp. 15-19	Mimeo
	C. "A Strategy for Success in Recreation Home Developments", G.H. Jacobus, <u>Real Estate Review</u> , Summer 1973, pp. 21-25	Mimeo
	D. "A Lender Looks at Second-Home Financing", Wm. C. Smith <u>Real Estate Review</u> , Summer 1973, pp. 27-30	Mimeo

<u>Date</u>	<u>Readings</u>	<u>Source</u>
	E. "Marketing Recreation Property: A Strategy for Survival and Profit", P.C.M.S. Braun, <u>Real Estate Review</u> , Spring 1973, pp. 33-37	Mimeo
	F. "OILSR Administrator Addresses Land Developers", G.K. Bernstein, <u>American Land</u> , December 1973, pp. 6-9	Mimeo
	G. "Exemptions Under the Federal Land Sales Disclosure Act", Wm. H. McMullin, Jr., <u>Real Estate Review</u> , Fall 1973, pp. 22-27	Mimeo
	H. "Gathering Information for a HUD Filing", D.G. Martin, Jr., <u>American Land</u> , January 1974, pp. 14-17	Mimeo
	I. "Accuracy in Land Advertising", D. Emerson, <u>American Land</u> , January 1974, pp. 18-20	Mimeo
4-3	SHORELINE DEVELOPMENT	
	A. "Planning & Developing Waterfront Property", Wm. B. Rick, Urban Land Institute, TB49, June 1964	BLR
	B. <u>Recreation Land Development</u> , H. Fieldhouse, Dept. of Resource Development Recreation Division, 1967	BLR
	C. "Lake Linganore", B. Cook, <u>American Land</u> , May 1973, pp. 5-10	Mimeo
	D. <u>The Role of Lake Property Owners and their Organizations in Lake Management</u> ", L.L. Klessig and D.A. Yanggen, Dec. 1973 pp. 1-16	Handout
	E. "Campers are New Breed Pioneer", <u>American Land</u> , May 1973, pp. 14-15	Mimeo
	F. "Profits from Camping--an Investment Opportunity", <u>The Mortgage and Real Estate Executive Report</u>	Mimeo
	G. "Subscription Agreement", Sunflower, Inc.	Mimeo
4-8&10	THE LEGAL CHARACTER OF THE RECREATIONAL CONDOMINIUM	
	A. "The Condominium--Cooperative Comparison", C.J. Berger <u>The Practical Problems of Condominium</u> , pp. 37-64	Mimeo
	B. "Checklist on Condominium Conversion", Chicago Title Co., pp. 1-13	Mimeo
	C. "Homes Association of Condominium--Developer's Choice", B. Fitzpatrick, <u>PUD Review</u> , October 1972, pp. 9-16	Mimeo
	D. "Can Condominium Time-Sharing Work", J.E. Liebman, <u>Real Estate Review</u> , Fall 1973, pp. 40-45	Mimeo

<u>Date</u>	<u>Readings</u>	<u>Source</u>
	E. "Computer Tells Condo Feasibility Including Conversions from Rentals", R.S. Graybeal	Mimeo
	F. "Are Condominium Units Securities?", D. Clurman, <u>Real Estate Review</u> , Spring 1973, pp. 18-23	Mimeo
	G. "Keeping Condominium Disputes Out of Court", D.F. Hinkel, <u>Real Estate Review</u> , Winter 1974, pp. 42-45	Mimeo
	H. <u>Recreation Land & Leisure Housing Report</u> , November 25, 1972	Mimeo
	I. "IRS Rules Against Condos", <u>PUD Review</u> , February 1974	Mimeo
	J. "Realtec's 3-Part Strategy for Making it Big", <u>Recreation Land & Leisure Housing Report</u> , Jan. 17, 1972, pp. 1-4	Mimeo
4-22&24	THE THEME PARK	
	A. "The Profit in Amusement Parks", <u>Business Week</u> , June 24, 1972, pp. 116-117	Mimeo
	B. "From the Beginning, it was SOMETHING UNIQUE", R. Disney, <u>The Story of Walt Disney World</u>	Mimeo
	C. "The Magic (Real Estate) World of Disney", <u>Real Estate Review</u> , Winter 1973, pp. 34-35	Mimeo
4-29	BAR AND RESTAURANT DEVELOPMENT	
	A. "Momentum to Carry Sales up 10%", Selected Readings from <u>Nations Restaurant News 1972-1973</u>	Mimeo
	B. "Restaurant Site Selection", <u>The Cornell Hotel and Restaurant Administration Quarterly</u> , Darley/Globar Assoc., Inc.	Mimeo
5-1&6	GOVERNMENT AS A COMMERCIAL PROPERTY DEVELOPER	
	A. "Everyday Buildings", Wm. Harlin, <u>The Architectural Forum</u> , October 1972, pp. 40-43	Mimeo
	B. "How Design Firms Should Approach Government Agencies", <u>Architectural Record</u> , January 1973, pp. 55-56	Mimeo
	C. "W.T.C. 2023", <u>The Architectural Forum</u> , April 1973, pp. 57-61	Mimeo

555 Suggested Readings - Spring 1974

What Makes Shopping Centers Tick, Samuel Feinberg (Commerce Library)

City Planning & Aerial Information, Branch, Harvard Press

Shopping Center Strategy, Applebaum, International Council of
Shopping Centers

Corporate Real Estate, Development & Management, Edited by Larry
Crandall, Presidents Publishing House

Building Contracts for Design & Construction, Hauf, Pub. Wiley

Profits & the Factory Built House - An Investment Probe, & 1972 Update,
Kenneth Campbell, Audit Investment

Shopping Towns USA, Victor Gruen and Claude Smith

Design, Development, Management of Medical Buildings, Lloyd D. Hanford

Industrialized Building Systems for Housing, Edited by A.G.H. Dietz
and L.S. Cutler, The MIT Press

Planning and Operating a Successful Food Service Operation,
Wm. L. Kahr, Chain Store Publishing Co.

The Simple Truth About Western Land Investment, L.F. Cooley and
L.M. Cooley, Doubleday & Company

How to Use Leverage to Make Money in Local Real Estate, G. Bockl
Prentice-Hall Inc.

Condominiums and Cooperatives, D. Clurman and E.L. Hebard,
John Wiley & Sons, Inc.

University of Wisconsin
School of Business
Real Estate Department

Business 555

Spring Semester 1978

Commercial Property Development & Management

Lecture - 8:50 MW

Lab - 8:10-9:40 R

I. Catalog Description of Course

555 Commercial Property Development and Management. 11; 2-3 cr. The business of creating industrial real estate, office space, shopping centers, and recreational facilities including strategy and feasibility analysis, functional design and construction factors, and financial analysis. Emphasis: Negotiations of leases from the viewpoint of both tenant and landlord.

Prerequisites: Business 550 or 705

II. Study Materials

Mimeo Readings: "Handbook of Architectural Design"	\$ 3.00
"Selected Readings for Business 555"	12.00 = 15 ⁰⁰ Feb
Textbooks: <u>Shopping Center Development Handbook</u> (optional)	17.00
<u>Building Construction Illustrated</u> (optional)	7.50

*Copies of the required readings will be put on reserve in the School of Business Library.

Mimeo copies of the required reading materials can also be purchased from the UW Real Estate and Construction Club in room 56 Bascom Hall. These resource materials have been reproduced for the convenience of those students who would wish a personal copy of reserve materials.

III. Course Grading

Exams

There will be a forty-five minute exam upon completion of each real estate development topic area of the course. These exams will include information covered during the lab sessions.

March 1	-	6 week exam:	(commercial and office building & first five lab sessions)
April 10	-	11 week exam:	(shopping centers & next five lab sessions)
May 11	-	15 week exam:	(industrial parks, restaurants, and motels/hotels & last three lab sessions)

There will be a special take home section of the 15 week exam that will be due on May 25th. This take home will be the final exam for the course.

Class Projects

Each major real estate development topic area will be accompanied by a short student exercise. These exercises are intended to highlight some critical aspect of the development process.

Problem #1: (due in the 5th week)	Cash Flow Sensitivity Analysis of an Office Building
Problem #2: (due in the 9th week)	Analysis of the Optimal Tenant Mix for a Community Shopping Center under- taken by two person student teams).✓
Problem #3: (due in the 15th week)	Critical Path Analysis of an Industrial Building Construction schedule (under- taken by two person student teams)✓

Graduate students enrolled in the course for 3 credits will be required to complete an additional independent research problem. The graduate students enrolled for 3 credits should confer with the instructor on the research topic during the first two weeks of class.

Grade Distribution for the Course

	<u>Undergraduates & 2 cr. Graduates</u>	<u>3 credit Graduate Students</u>
Six week exam	15%	15%
Eleven week exam	15%	15%
Fifteen week exam & Final Exam	20%	20%
Problem #1	15%	15%
Problem #2	15%	15%
Problem #3	20%	20%
Independent Research Project	--	20%
TOTAL	100%	120%

IV. Office Hours:

Instructor: James C. Canestaro
56 Bascom Hall
263-2649

Office Hours: 10:00-12:00 MWR
(other times by appointment)

BUSINESS 555 - COMMERCIAL PROPERTY DEVELOPMENT & MANAGEMENT

3

READING & COURSE OUTLINE

LECTURES: READINGS FROM MINED MATERIAL LAB: READINGS FROM HANDBOOK FOR ARCHITECTURAL DESIGN

MONDAY			WEDNESDAY			THURSDAY			
22	INTRODUCTION		23	OFFICE SPACE FEASIBILITY ANALYSIS		24	ARCHITECTURAL DRAWINGS		JAN.
25	SOUTH RISE OFFICE BUILDING PLANNING & DESIGN								
			1	ARCHITECTURE & ENERGY		2	ARCHITECTURAL PROGRAMMING		
6	ENERGY ECONOMICS		8	LIFE SAFETY		9	SITE PLANNING & DRAWINGS		FEB.
13	MANAGEMENT OF THE BUILDING PROCESS		15	PROFESSIONAL PROJECT CONTRACTS		16	FOOTINGS & FOUNDATIONS		
20	PROJECT LEGAL & INSURANCE ISSUES		22	OFFICE SPACE LEASES		23	INTRO. TO STRUCTURES		
27	OFFICE SPACE MANAGEMENT								
			1	SIX WEEK EXAM		2	STEEL & CONCRETE FRAMING		
6	REVIEW OF EXAM & INTRODUCTION - SHOPPING CENTERS		8	SHOPPING CENTER FEASIBILITY ANALYSIS		9	FLOOR FRAMING SYSTEMS		MARCH
13	LAYOUT OF THE SHOPPING CENTER SITE		15	DESIGN OF SHOPPING CENTERS		16	MASONRY CONSTRUCTION		
20	SPRING RECESS		22	SPRING RECESS		23	SPRING RECESS		
27	SPRING RECESS		29	SHOPPING CENTER LEASES		30	CURTAIN WALL SYSTEMS		
3	SHOPPING CENTER LEASES		5	SHOPPING CENTER MANAGEMENT & OPERATIONS		6	MOISTURE & SOUND PROTECTION		
10	ELEVEN WEEK EXAM		12	REVIEW OF EXAM & INTRODUCTION - INDUSTRIAL PARK		13	INTRODUCTION TO THE CRITICAL PATH METHOD (CPM)		APRIL
17	INDUSTRIAL PLANT LOCATION ANALYSIS		19	INDUSTRIAL SITE & PLANT SPACE REQUIREMENTS		20	INTERIOR FINISHES		
24	INDUSTRIAL LEASING		26	INDUSTRIAL PARKS		27	MECHANICAL & ELECTRICAL SYSTEMS		
1	HOTEL - MOTEL FEASIBILITY ANALYSIS		3	HOTEL - MOTEL PLANNING & DESIGN		4	DIMENSIONS & CLEARANCES		
8	FINANCING HOTELS & MOTELS		10	RESTAURANT SITE LOCATION		11	FIFTEEN WEEK EXAM		MAY
15	REVIEW OF EXAM & INTRODUCTION - THEME PARKS		17	THEME PARKS		18	SUMMATION & EVALUATION		

OFFICE BUILDINGS

SHOPPING CENTERS

INDUST. PARKS

REST. / HOTEL / MOTEL

Commercial Property Development 527

First Fifty Minute Quiz

Wednesday March 15, 1972

Professor J.A. Graaskamp

- I. Write a short paragraph to define or describe three of the following concepts: (30%)
 - A. fast track building
 - B. anatomy of a project
 - C. advertise bid vs negotiated cost
 - D. an industrial park
 - E. return on equity location comparison
- II. Write an essay on one of the following two questions: (35%)
 - A. Synthesize your readings into a discussion of factors which shape the exterior dimensions of an office building.
(OR)
 - B. Synthesize your readings into a discussion of modern concepts of office interiors layout and configuration.
- III. Briefly outline with key words, or a sentence of description where necessary, the significant provisions of: (35%)
 - A. A contract to lease 20,000 square feet of office space (one full floor) in a five year old office building in downtown Chicago.
(OR)
 - B. A contract on a standard form between an architect and a client.
(OR)
 - C. Contract problems and pitfalls between an owner and contractor.

I-B Anatomy of a project

Schematic design phase
Design development phase
Construction documents phase
Bidding or negotiation phase
The construction phase

III-B Standard elements of contract with an architect

1. Type of fee plan
2. Standard services required
3. Reimbursable expenses
4. Architects accounting records
5. Termination agreement on 7 day notice
6. Ownership of documents
7. Compulsory arbitration
8. Specification of construction cost

III-3 Legal pitfalls in owner-contractor relationship

What constitutes acceptance?
Oral understandings and work change orders
Contract based on mistaken bid
Distinction between mistaken and additional work
Inconsistency in specifications
Lack of privity between owner and subcontractor
Relief from contract due to impossibility of performance
Responsibility of insurance
Liability for design changes or owners directions or structural failure

Business 527-Commercial Development

Second Fifty-Minute Exam

Wednesday April 19, 1972

Professor J.A. Graaskamp

I. Write on one of the following two questions: (33%)

- A. What clauses in a shopping center lease are of particular significance in the negotiations from the retailers viewpoint?

OR

- B. What aspects of a shopping center lease and lease program are of special significance to the mortgage lender financing the development?

III. Write on one of the following two questions: (33%)

- A. Discuss the relationship of the components of a modern gravitation model for retailing trade area to the physical design aspects of a center.

OR

- B. Discuss the relationship of the components of a gravitational model of retailing demand to leasing policies and clauses of the shopping center developer.

III. Write on one of the following questions: (33%)

- A. Briefly identify the critical decision points which affected success of the Monterrey, California shopping center project by the Draper Company as described by William Applebaum in Shopping Center Strategy.

OR

- B. Describe the process of estimating potential retail volume which could be generated at a specific site.

Business 527
Commercial Property Management & Development
Exam #1

Monday, February 26, 1973

Prof. J. A. Graaskamp

I. Briefly describe, define, or identify six of the following terms and concepts as used in this course. (24%)

- A. An industrial park
- B. State Fire Rating Bureau
- C. Fast track building
- D. Bid bond
- E. Curtain wall
- F. The premium for structural height
- G. Bay space
- H. A transfer truss

II. Write on one of the following two questions: (30%)

- A. Discuss the evolution of office interior layouts and current trends and alternatives in creating more functional office interior space.

OR

- B. Discuss the various considerations of office building site size, structural shape, and height as they affect economic efficiency and suggest recent engineering innovations which are affecting some of these relationships.

III. Write on one of the following two questions: (20%)

- A. Discuss the most common mistakes of industrial park development in the design and marketing of such a development.

OR

- B. Discuss the various issues and considerations of locating an industrial plant and purchase of a site for same.

IV. Write on one of the following two questions: (26%)

- A. Discuss the basic elements of the owner contract with an AIA architect and suggest the common legal pitfalls and disputes which can plague that relationship.

OR

- B. Discuss the legal pitfalls in the owner-contractor relationship as highlighted by your readings.

Business 527
2nd Two Hour Examination

May 7, 1973

Prof. J. A. Graaskamp

I. Write on one of the two following questions: (30%)

- A. Briefly describe the major public liability exposures of a general contractor and the insurance coverage available to meet them.

OR

- B. Discuss the evolution in physical design of a shopping center.

II. Write on one of the two following questions: (20%)

- A. Compare Kane's views on A Systematic Guide to Supermarket Location Analysis with the Darly-Gobar approach to Restaurant Site Selection.

OR

- B. Discuss those elements of shopping center leases which distinguish them from the standard office space lease.

III. Write on one of the two following questions: (30%)

- A. Identify the critical factors and assumptions in the financial strategy and financial risk management of the shopping center developer.

OR

- B. Identify the critical factors and assumptions in the financial strategy and financial risk management of the recreational real estate second home developer.

OR

- C. Identify the critical factors and assumptions in the financial strategy and financial risk management of recreational resort-motel developer.

IV. Write on one of the two following questions: (20%)

- A. Discuss SEC guidelines for the registration and sale of recreational real estate interests.

OR

- B. Discuss the regulatory climate for recreational land developers.

527 MONDAY LECTURE NOTES

I. Introductory details

- A. Gene Glick will be interviewing on Thursday, March 2nd in the Business school. Signup sheet.
- B. Hand out architectural materials to prepare for Monday, March 6th.

II. The office lease.

A. Identification of parties

B. Description of premises and optional areas

C. Definition of rent

- 1. Base rent
- 2. Escalator clause
- 3. Escalator index year and audit
- 4. Service charges

D. Term of lease and renewals

- 1. Date of occupancy
- 2. Conditions of occupancy and penalties
- 3. Overstay and automatic renewal
- 4. Prior written notice
- 5. Use of calendar dates rather than ordinate numbers
- 6. Subleasing and assignment

E. Conditions of termination

- 1. In event of casualty loss
- 2. In event of eminent domain
- 3. Death or disability of tenant
- 4. Change of conditions clause for tenant
- 5. Penalties for tenant as liquidated damages
- 6/ Bankruptcy of either party

F. Performance standards for landlord

- 1. Failure to perform - Abatement or optional right to terminate
- 2. Specification as to utility capacity
- 3. Specification for air temperature and humidity control
- 4. Specification for window washing, including venetian blinds, etc.
- 5. Specification for wall-washing and repainting
- 6. Specification of janitorial services, security systems, hours of elevator service, etc.

G. Insurance Agreements

- 1. Hold harmless clauses
- 2. Public liability responsibilities of tenant
- 3. Fire liability of tenant
- 4. Insurance of tenant improvements

H. Sign, window, and display controls (including curtains)

I. Constraints on use and tenant selection

1. Restraints on use of tenant space - broadly or narrowly defined
2. Tenant wishes relative to approval of other tenants in the building
3. Remedies

J. Special features and responsibilities

1. Reservation of parking stalls
2. Use of name on building or on tenant directory in lobby
3. Right of landlord to relocate tenant
4. Responsibility for commercial lease insurance
5. Responsibility for legal costs

K. Tenant improvement allowance from landlord

1. Design fees
2. Partitioning
3. Ceiling system
4. Floor system
5. Special utilities
6. Interior decorating
7. Moving expenses
8. Commissions to be paid

L. Subordinations

555
Spring
1984

1. Graduate students should bring there notes on market comp. to the computer terminal session.
2. Guest speakers in Property Development will be Richard Hilliker and Steve Born.
3. Finish slides on Abby and Makahai Inn.

OWNER-CONTRACTOR LAW

I. Owner Viewpoint

A. Pre-bid or pre-contract qualification

1. By reputation and reference
2. By specialty
3. By bonding power
4. By assignment of specific supers
5. Public agencies may write qualifications to pre-select specific supplies or subs.

B. Control of blueprints for bidding

1. Bidding areas of responsibility rather than specific plans (trade center)
2. Invitation of alternative methods for price advantage
3. Design-price competition

C. Contract provisions

1. Assignability
2. Reference of drawings and specs. into contract
3. Work-change orders
4. Payment procedure
 - a. Who approves construction in place and degree of completion
 - b. Who makes disbursement
 - c. Evidences of payment by contractor
5. Hold-back procedure
6. Definition of completion (occupancy, acceptance, percent paid etc.)
7. Definition of performance standards and workmanship
8. Definition of scheduling and penalties
9. Incentives for speeding completion or reducing costs
10. Limit of liability for consequential losses
11. Definition of accounting procedures and auditor
12. Definition of insurance procedures
13. Conditions for replacing a general or subcontractor
14. Specification of manpower in terms of number, source, workrules, etc.
15. Establishing arbitration procedures

II. Basic insurance problems of the contractor

A. Physical property insurance

1. Specific vs. allrisk coverage
2. Builders risk coverage (reporting for automatic increase forms)
3. Construction is covered in place or on site when billed
4. Installation floater covers goods enroute or before billing in absence of builders risk.

B. Equipment Floater-Scheduled form with deductible

1. Leased or owned
2. Insurance clause under lease provides for recourse for lessees negligence
3. Contractor-lessee must endorse his equipment floater for secondary coverage on leased items
4. Tool crib-bailee for workmens tools

C. Public liability

1. Comprehensive general is anything but
2. Accident vs. occurrence
3. Negligence is only one form of tort-does not include nuisance, statutory liability, assumed liability or intentional acts
4. Direct vs. vicarious liability
5. Design vs. execution exclusion
6. Care custody and control exclusion
7. On-or-off road vehicles
8. Elevator exclusion
9. Statutory liability exclusion (dynamite)
10. Doctrine of attractive nuisance

D. Non-insurance benefits of liability coverage

1. Legal retainer to investigate and defend
2. Safety methods engineering
3. Intervening neutral third party
4. Medical pay without fault for public relations
5. Long term competitive advantage for good management through experience rating

GENERAL CONTRACTING BIDDING PROCESS

- A. Private owners may proceed anyway they choose but often bidding is by invitation. Public agencies generally must advertise and solicit bids subject to pre-qualification requirements.
- B. Contractors should place a deposit refundable upon return of drawings and specifications. Typically, a contractor should have at least 5 complete sets. Large general contractors set up a plan room in their own office for the use of subcontractors.
- C. Time required for bidding ranges from 2 weeks for a small home to 45 days for a larger project or longer for major projects. Adequate bidding time should produce lower costs and bid opening dates should be chosen not to conflict with other major project dates in the area.
- D. Instructions to bidders is the first part of specification and will generally give the owner all kinds of perogatives, the right to reject all bids, to postpone date of bid opening, choose the lowest responsible bidder.
 - 1. A responsible bidder is established on the basis of reputation and track record. Default by the contractor, proof of dishonesty, or litigation or conflict in earlier projects is grounds for disqualification.
 - 2. The Bureau of Contract Information in Washington D.C. maintains a national pool of information on general contractors and major subcontractors.
- E. Bid alternatës may be required to provide quotations for alternative methods, materials, or units of construction and may be added or deducted to a bid.
- F. Bid allowances are dollar amounts specified by specifications for certain items like electrical fixtures and finished hardware. Generally, they cover only the invoice cost of unspecified materials and not the costs to install overhead or profit.
- G. Bid security is generally required to guarantee that a contractor upon being declared a successful bidder will enter into the contract. Generally this is a bid bond although a certified check may be used. The latter ties up more money but is refunded in full when bid is rejected or contract is signed.
- H. A proposal must be submitted at the proper place and at the proper time, and if feasible, the contractor may deliver his sealed bid in person at the time bids are opened. If that is not possible he may submit a written contract several days in advance of the bid opening and provide a telegraphic modification prior to bid opening if he receives additional information. Each contractor is expected to give the results of his bidding to his surity company to build a file on his performance record.
- I. Bid ethics presumeably control shopping of bids--that is, revealing to one bid competitor the price offered by another or changing subcontractors after winning the initial bid.
 - 1. There is considerable lack of ethics in this regard and much last minute changing of quotations.
 - 2. To control this bids from subcontractors may be submitted to a depository operated by The Contractors' Association which in turn gives them to the general contractor after a deadline.

Bid depositories have not generally worked well because the majority of members within a trade area are always vulnerable to the maverics or a temptation to price fixing.

H

- J. The bidding proposal may have a number of format technicalities in terms of dating the proposal as of the day of bid opening, number of signatures, witnesses, seals, registration numbers, acknowledgements of receipt of changes in drawings or other communications during ~~the~~ bidding period, etc. add the owner has the option to reject the bid on a technicality.
- K. Contractor may withdraw his bid but forfeits his bid security. If there has been a substantial mistake which would ruin the contractor or a misunderstanding, the courts may permit withdrawal if it was without negligence. A subcontractor must pay damages for the difference to the next highest bid if he withdraws.
- L. The bid is based on 5 sets of documents and the general contracting agreement brings these segments together by reference and functions as a formal execution by stating the work to be done, the price to be paid, completion time for the project, possible liquidated damages and signatures. The first 5 documents are:
 - 1. General conditions
 - 2. Special conditions
 - 3. Technical specifications
 - 4. Drawing
 - 5. Addenda and changes

II. Variety of problems and conflicts need to be anticipated between the owner and contractor.

- A. Change conditions refer to some physical and significant difference of the site from that indicated by the contract. The contractor is responsible to visit the site and anticipate the unexpected but the owner is ~~is~~ obliged to provide all the information and site data at his disposal, and then the contractor must make his own judgments. Some contracts provide for extra compensation for change conditions, such as those requiring blasting, but the owner must be notified in writing and the contractor must keep detailed and separate cost records in order to collect.
- B. Suspension, delay or interruption of work may be occasioned by a change order or some failure of the owner to act. Contracts seldom provide for compensation ^{for} consequential costs. On the other hand, extensions of time for the contractor may be at the option of the owner except where delay is caused by a natural disaster, strikes, government, accident, and delays in material and equipment delivery.
- C. The definition of acceptance, completion, and final payment require the owner to accept the building in writing but may be redefined to include ~~the~~ possession and substantial performance which is meeting the spirit of the contract if not the letter where defects are unintentional and not so extensive as to prevent the owner from receiving what he bargained for. Warranty periods are generally fixed at one year, are not grounds for withholding payment, and are generally included in the performance bond.
- ~~D.~~ D. As one might expect, a contract prepared by the owner and the owner's architect has few rights and many obligations ~~where~~ ^{where} a contractor so his only defense may be arbitration costs calling for compulsory arbitration

under Construction ~~rules~~ Industry Rules administered by the American

Arbitration Association.

1. The architect can make binding decisions on questions of fact related to materials, standards of workmanship, or technical aspects of drawing and specs.
2. Arbitration or the courts deal with interpretation of clauses, claims for extra work or damages, breach of contract or other matters of law.

555 - Commercial Development
OFFICE LEASE LECTURE NOTES

I. Introduction

- A. A lease is a risk management device which is designed to stabilize the set of assumptions which might have been implicit in the minds of the party at the time the contract was made.

II. The office lease.

A. Identification of parties

B. Description of premises and optional areas

C. Definition of rent

1. Base rent
2. Escalator clause
3. Escalator index year and audit
4. Service charges

D. Term of lease and renewals

1. Date of occupancy
2. Conditions of occupancy and penalties
3. Overstay and automatic renewal
4. Prior written notice
5. Use of calendar dates rather than ordinate numbers
6. Subleasing and assignment

E. Conditions of termination

1. In event of casualty loss
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5. Penalties for tenant as liquidated damages
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F. Performance standards for landlord

1. Failure to perform - Abatement or optional right to terminate
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K. Tenant improvement allowance from landlord

1. Design fees
2. Partitioning
3. Ceiling system
4. Floor system
5. Special utilities
6. Interior decorating
7. Moving expenses
8. Commissions to be paid

L. Subordinations

SEA PINES PLANTATION

- Slide #1 Hilton Head Island is located on the Atlantic Seaboard off South Carolina's coast. It is surprisingly accessible for all the privacy it offers, thanks to the James F. Byrnes Bridge which linked the island to the mainland in 1956.
- #2 A closer look reveals Sea Pines' proximity to Savannah, Georgia, yet an island's characteristic isolation sets Hilton Head apart...
- #3 and creates a natural feeling of arrival (or getting away) simply by crossing the intercoastal waterway.
- #4 A lush, garden-like drive to Sea Pines Plantation, rather than drawing attention away from the island's natural atmosphere, re-enforces the theme, suggesting an adventurous departure from everyday life and the beginning of a new world beyond this gateway.
- #5 The map reveals an island with wide sandy beaches along the Atlantic Ocean while the back of the island on Calibogue Sound is laced with coves, tidal creeks, and tidal flats of marsh grass. The initial entrance to the south portion of the island originally developed is at R and is shown on the next slide. The alternative gate is at C and one must have a residents pass, a room key, or purchase a pass. Guards in white pith helmets provide a sense of exclusiveness but little security as anybody can purchase a pass for \$1.00. Greenwood Drive parallels the Old Plantation Road and wildlife sanctuary which is the old plantation headquarters. In the heart of the development are three golf courses for inland homes and along the ocean are

Slide #5 continued

cul de sacs for beachfront houses. The Lighthouse Road (in yellow) is the main crossroad leading to Harbour Town and to the center of resident social life, the Plantation Club.

<u>Facilities</u>	<u>Activities</u> (Locations listed left)
A. Hilton Head Inn	Golf F,K
B. Sea Pines Academy	Tennis F, H, K
C. Sea Pines Ocean Gate	Swimming A, E, F, G, H, K
D. Playing Fields	Sailing And Boating A,H,K
E. Turtle Lane Beach Park	Horseback Riding L
F. Plantation Club	Skeet and Trap N
G. South Beach Park	Fishing H, K, M
H. South Beach	Information A, C, F, K, Q, R, H
J. Baynard Ruins	Dining A, F, K, V, U
K. Harbour Town	Shopping A, K, S, U
L. Lawton Stables	Medical S
M. Palmetto Bay Marina	Churches T, W
N. Skeet and Trap	Schools B, X
P. Newhalls Nature Walk	Entertainment A, F, K, V, Y
Q. Sea Pines Office	Art Exhibits A, K
R. Sea Pines Woodland Gate	Historic Sites J
S. Shopping Center	Museum K
T. Episcopal Church	Quarter Deck K
U. Coligny Plaza Shopping Center	
V. Treehouse Restaurant and Pub	
W. Baptist Church	
X. Children Center (Montessori School)	
Y. Purple Turtle	

#6 The main entrance gate lies between the boulevard lanes and is mostly for show rather than security.

#7 This is why Fraser allows the island to sell itself. The tone of development is subdued...

#8 homes fronting on the beach are set back among the trees, and are architecturally designed to blend with them.

#9 Sea Pines has the highest percent of architecturally designed...

#10 contemporary...

- #11 single family homes...
- #12 of any major residential community. In order to prevent obtrusive design, preliminary floor plans must be reviewed by Sea Pines' Design Committee for approval. Fraser retains 100% ownership of Sea Pines Investment Company voting stock, and so controls to a great extent the common property as well as the structures Sea Pines manages directly.
- #13 Notice especially the widespread use of natural materials, for the shingles, siding and fencing, and natural colors that make the structure part of its surroundings.
- #14 The abundance of mature trees and shrubs not only enhance the aesthetic value of each property,
- #15 but screen neighboring homes from one another...
- #16 to create a more relaxed, private atmosphere in an area where structures are actually closer to one another than they appear. Additional landscaping, the garden in the foreground here...
- #17 and along the roadside here, emphasizes Fraser's positive efforts and his homeowners' pride in their adopted environment.
- #18 Creeks and lagoons are woven into cluster home landscape plans with bridges and flowers. Note the sign "Do Not Feed or Molest the Alligators".
- #19 Fraser's development concept for Sea Pines aims at a tripple goal of "proper land use planning, development of recreational facilities and retention of the natural environment."

Slide #19 continued

All three goals appear here. This green is part of a network of four golf courses spread throughout the Plantation, which increases the opportunity to develop villas with fairway views along the courses' perimeters.

#20 Here, the villas cluster around a cul de sac, making use of optimum view with a minimum of roadway extending to the villas.

#21 Viewed from the air, the proximity of the villas to each other becomes apparent; the abundance of trees and neighboring open space make these clustered homes seem much less crowded,

#22 when viewed from this perspective. As for retaining the native environment, it is not unusual to find an alligator making his way leisurely from one lagoon to another across a fairway. A golfer's main concern in that case is whether his well shot Titleist becomes the alligator's afternoon snack.

#23 The clubhouse in the background hosts the annual Heritage Golf Classic each autumn; the island is a major stop on the PGA circuit, in fact, golf was a valuable marketing tool for Mr. Fraser. It was the golf facilities which first drew Sea Pines investors and homeowners to the Plantation...

#24 word-of-mouth placed Hilton Head Island in the eye of wealthy America, and Fraser's grand strategy: to make his project "enduringly attractive," kept his island in the rich public's eye, as more homes were sold. The lighthouse behind the 18th green marks the entrance to one of Sea Pines' two main communities, Harbour Town.

Slide #25 The lighthouse came with the island but the harbor had to be manufactured. It is located on the inland side of the island within sight of the inter-coastal waterway.

#26 The yacht basin during construction reveals its organization as a roundhouse for boats, each one backing stern first to a floating dock which rides up and down the circular seawall on heavy steel guides.

#27 Here is an artist's conception of Harbour Town. The waterfront community consists of 450 units, including small apartments, studios, private townhouses and villas which are available for rent.

#28 Village townhouses face inward, toward interior courtyards and walled gardens. Vibrant colors and activity within Harbour Town contrast to the outward emphasis of the Plantation's spacious lawns and views of woods and beaches.

#29 The actual product is much like the rendering. Shops and townhouses surround the marina and the circular park with playgrounds and strolling areas which allow the idle passerby to observe the idle rich on their boats.

#30 The park area is a beehive of activity with tumbling classes for kids and cocktails under the trees for adults.

#31 Everywhere there are lavish playgrounds for the kids including this one placed so parents can browse expensive shops at their leisure.

#32 Wish you were a kid again?

- #33 Even here wood and sand combine to form playthings natural to the island.
- #34 A concentration of shops, offices, restaurants and artist's studios within the village provides a commercial and cultural focus for the entire Plantation. Enclosing the harbor and overlooking nearby fairways are individually-owned townhouses, constructed and sold by Sea Pines.
- #35 From the top of the commercial building one can see the harbor side...
- #36 and the partially concealed cul de sac for service vehicles and cars.
- #37 The cul de sac with the red brick parking center looks reasonable, and repeats the circular motif.
- #38 But delivery trucks and traffic to the townhouses on the shore...
- #39 lead to congestion but it is well shielded from the inner shopping court.
- #40 In Fraser's own words: "Harbour Town is deliberately designed to reflect that part of man's nature that seeks to leave his isolation and join with other people. It will be a delightful village environment."
- #41 Harbour Town's sister port, South Beach, is being built on a smaller scale; it covers 150 acres on the southernmost tip of the island. Villas range from \$40,000 to 85,000. All units are constructed to take full advantage of beach and lagoon views,

Slide #41 continued

and eventually there will be over 450 units with some 50 to 60 villas, apartments and cottages scheduled for construction each year. Note particularly the position of the Lagoon Villas, the Port Villas, the Beach Villas and Braddock House... ..

#42 This is a rendering of the Lagoon Villas, completely landscaped, garden townhouses built for private ownership, lining the interior of South Beach. They are one-story units with two or three bedrooms and two baths, each with a private entry garden.

#43 Here is an early design for a cluster of Port Villas, deluxe townhouses which line the shores of Braddock's Cove, along the sheltered inner portion of the peninsula that forms South Beach.

#44 The reality of South Port today is only a little different from the artists' hopes as indicated by these New England style service buildings for the sailboat marina. Braddock Bay is shallow but a good practice area for kids learning to sail.

#45 Sailboats are kept well off the tidal mud flat...

#46 but tides can be considerable...

#47 behind these service buildings and cold drink refreshment areas...

#48 is a dry land marina for motor boats and sailboats which would look out of place among the seagoing yachts at Harbour Town. The townhouses in the background are more moderately priced, beginning at \$35,000 as opposed to the \$100,000 homes along the golf courses.

- #49 Another cluster will soon fill the sand area in the foreground.
- #50 South Port also has its own elaborate children's playard adjacent to...
- #51 a large swimming pool and sun deck facility for the residents of South Port.
- #52 Port Villas are two-story, two to three bedroom units with balconies or decks overlooking the Cove, these are separated by dividers for added privacy.
- #53 Slightly larger than Port Villas, Beach Villas similar to the homes seen here across a salt marsh, are located along five acres of Atlantic beachfront...
- #54 and a landside view of the villas, revealing staggered construction and young birches which both relieve the cluster's length.
- #55 For vacationers there is a proposed Braddock House, an apartment complex that tapers up from garden villas, through two-story townhouse villas, on up to six floors of one and two bedroom apartments, topped by penthouses. Set inland behind the Beach Villas, these units command an unspoiled ocean panorama from their height.
- #56 Single family homes are also appearing in South Port such as this cathedral ceiling bungalow...
- #57 or this popular style of two or three clusters to form a single home...
- #58 The Plantation Club, which provides active people of South Beach and the rest of Sea Pines with in- and out-door swimming and tennis.

- #59 Active life is the theme for South Beach as well as Harbour Town; South Port Center is the community's social hub, with the Dock House, offering a small shop which serves convenience foods, party and fishing supplies, and the Dockside Cafe.
- #60 A quiet life is also available at Sea Pines. A wildlife refuge covers 25% of the Plantation; left virtually untouched, the sanctuary offers fine fishing and sightseeing, as well as hunting when it is in season.
- #61 A large stable and riding paddock adjoin the wilderness area so the old plantation trails serve as bridle paths.
- #62 Signing is always a low key motif based on a cross busch as this entrance to a new Hilton Head subdivision - The Shipyard...
- #63 or this street sign hung from an oar which is very difficult to read in the shade or at night...
- #64 or this identification marker.
- #65 With its "distinctive coastal architecture and sound legal controls," Sea Pines "no unplanned sprawl" policy has provided a haven for families in the \$25,000 and up income market, whether they seek single family dwellings ... or ...
- #66 secluded cluster living in a beautiful setting...
- #67 Charles Fraser's Sea Pines Plantation.

555 Lecture
SHOPPING CENTER LEASING

- I. The ultimate function of the shopping center is to create a synergistic retailing environment - that is where one and one are greater than two. For that reason a shopping center developer should be primarily a retail marketing man and secondarily a real estate man.
 - A. The developer must be an expert in "shuttle diplomacy" because he must simultaneously negotiate with his mortgage lender, major tenant retailers, small tenant retailers, investors, architects, and general contractors. Many of these contracts are affected by local zoning, state fire codes, and federal (EPA) requirements.
 - B. The maximum mortgage commitment will be 90% of net income available for debt service divided by the mortgage constant. To stabilize net income it is necessary to shift all future variance in operating expenses to the tenants.
 - C. To obtain the lowest constant it is necessary to rent at least 50-60% of GLA to AAA national credit risk.
 - D. The national credit risks think they are essential to the loan and to the success of the center and therefore will not pay the full carrying cost of their space. If cash break even is \$5/sq. ft. of GLA, perhaps they want their base rent at \$3. As a result the developer must charge an equal number of sq. ft. to small tenants at \$7. Thus the small tenant is subsidizing the large tenant.
 - E. As if the subsidy weren't bad enough, the large tenant wants to run everything to his advantage by controlling both the retailers association and the developer by means of complex controls in the lease.
 - F. Since the developer will commit virtually all net income from base rents to debt service to increase leverage, he cannot afford to absorb increasing expenses and must look to above average sales for everybody so that the percentage clause in the leases will operate to produce net income in excess of base rents.
- II. Given a good site the developer needs to nail down his anchor tenants, those two or three large volume popular retailers who will give an important dimension of value merchandise for every price range. Price lines are to overlap but implement one another. (consider West Town - Sears, Penney's, Prange's, and Manchester's)
 - A. The ground area between the anchors or majors becomes highly valuable for specialty retailers and is known as the "sandwich."
 1. Gross acreage bought at \$2/sq.ft. may be sold in part to the anchors at \$3/sq.ft. so that the sandwich is worth \$20/sq.ft.
 2. Anchors are sold a building pad, cross easements to parking, subject to covenant controlling architecture, membership in the merchant's association, and other agreements.
 3. See approved clauses for Gimbels FTC decision in Real Estate Law Report.
 4. Note the evolution from building for a major tenant at a loss, to selling him a pad, to the anchor as a developer, to specialty centers with no majors.

- B. In May, 1972, the FTC alleged restraint of free competition in Gimbels shopping center leases and in February, 1974, a consent order prohibited a variety of agreements between majors and developers, which directly or indirectly restrained smaller tenants because of Gimbels bargaining power.
 - C. While the FTC is opposed to protecting major tenants from little tenants a recent New York decision indicated it was legal for little tenants to be protected from big ones if the clause predated new laws to the contrary.
 - D. For shopping center synergy to work and the percentage clause to pay-off, the developer and mortgage lender want more than collection of base rent.
 - 1. Modern covenants have explicit provisions to remain open, fully stocked, fully staffed, with a good faith merchandising effort. Specification of minimum standards can be a hassle.
 - 2. However, the percentage clause itself creates an implied covenant to do business so long as base rent is lower than fair market rent.
 - 3. The implied covenant also considers how specific the lease is in terms of use, assignment, limits on the landlord relative to leasing to competitors, good faith, and the profitability to the tenant of changing locations, etc.
 - E. The developer's dependency on the overage lease leads to additional controls which may be quite elaborate, including:
 - 1. Specification of cash register magnetic tape systems.
 - 2. Audit procedures and quarterly deposits in advance of yearly audit.
 - 3. Controls on telephone sales and delivery points by coding of order slips.
 - 4. Radius clauses banning competitive chain stores within a certain distance of the center (Hilldale - West Town struggle).
 - 5. Controls on major tenants who lease excessive space to anticipate future sales growth which would not justify overage rents on total area but would produce overage rents in smaller GLA. Developer must know retail sales potential to avoid over or under leasing.
 - F. One way to achieve higher rents from major tenants is to grant some an exclusive or a preferred position on the mall.
- III. To hold variable expenses to a minimum the developer combines construction techniques and leasing provisions.
- A. For design control the developer provides only a shell of floor, fire walls, and ceiling.
 - 1. Hilldale concretees provide exterior pattern, flexibility in locating fire walls and parapet walls, fire protection, chases for utilities, and speed of construction.
 - 2. Tenants must provide air conditioning units and all mechanicals, store fronts, and interior lay-outs, and maintain them at their own expense.
 - 3. Responsibility for maintenance of high cost landscaped areas like parking, mall, and exterior landscaping is responsibility of Merchants Association which has power to assess its members.

4. Other obligations of landlord are subject to escalator clause or metering of utilities to tenants.
 5. Naturally the tenants want to be protected from excessive maintenance for landscaping, unnecessary sidewalk areas, costs of heating and cooling the mall, etc. For example, in the South it may be cheaper to use an open mall with heavy landscaping to produce shade and an updraft from photosynthesis.
 6. Design covenants must create excitement in the mall but some degree of uniformity to imply a cohesive center and lead the shopper expectantly into other areas of the center.
- B. The overage percentage lease depends on:
1. Increasing penetration into total shopper population.
 2. Increasing frequency of visits.
 3. Increasing time spent per visit.
 4. Increasing average dollar purchase per visit.
- C. Since each store has its own special primary area, diversity of needs met will increase market penetration.
- D. Reducing anxiety in traffic and simplifying lay-out so that the visitor unconsciously reads his location from the architecture increases frequency, but traffic patterns must not separate the pedestrian from his car nor must they be congested by the non-shopper, such as the drive-in bank or super market customer. Common errands must be separated from shopping trips.
- E. Length of stay and average purchase are a function of physical and mental comfort so that:
1. Leases must control temperature and humidity.
 2. Conversations must be muffled by acoustics.
 3. Safety and security must be unobtrusively guaranteed.
 4. Entertainment of shopping cannot lag by boring shopper with blank walls or vacant shops, tiring him with long walks, or depressing him with low ceilings and glare.
 5. Texture should be residential in character or elegantly neutral to provide back-drop for merchandise.
 6. Retail display is essentially theater art so that lighting should enhance colors, including flesh color and lay-outs invite exploration by the shopper while preserving the shoppers' flight zone.
- F. The total sensory experience must be controlled and adjusted by the developer to even out pedestrian flow at all levels and corners of the center and increase the shopper's mental state of well being.

REAL ESTATE INVESTMENT AND LEASING

- I. Recently there has been much scepticism about leasing of tools and equipment. Lessors of business machines and motor vehicles have continued strong because of special points in regard to rapid obsolescence and maintenance.
 - A. Leasing companies have shrunk from 800 firms in 1960 to 300 firms in 1963, and the growth rate of the remainder has slowed perceptibly.
 - B. Firms which have generated cash from earnings can self finance or borrow from banks, and the latter is almost always cheaper than leasing.
 - C. Many companies originally turned to leasing to stretch their credit beyond normal bounds and are returning to bank credit as the accountants have insisted on recognizing leases as liabilities.
 - D. Another factor favoring leasing was the practice in government "cost plus" contracts of allowing leasing costs as an expense, where if the equipment is owned/ only normal depreciation is allowed. At the end of the contract the contractor would be left with more equipment than he needs, and in the meantime, leasing would be more expensive than borrowing and raise the base on which profit could be taken. Moreover, the cost of capital is not included in the cost of the contract but must be repaid from the percentage of allowed profit. By concealing the interest in a rent payment, the contractor can both shift his costs and make a higher profit.
 - E. Government has begun questioning this practice so that a major factor for leasing is now in doubt.
 - F. Only in real estate has leasing gained acceptance, and this is for a unique set of circumstances. Real estate is long term and durable and land values do not generally "wear out." Moreover, many forms of institutional investors which are tax exempt are willing to make long term leases at interest rates lower than mortgage rates because of the speculative values inherent in the remainder interests in the lease property.
 - G. You are all familiar with the basic mechanics of the sale and lease-back arrangement. Today I would like to talk about how taxes shape the terms of leases in real estate.
- II. Payments between tenant and landlord include not only rent but also security deposits, service charges, amortization of improvements, equipment leasing, and cancellation payments. The landlord needs to know how and when these payments are taxable income to him and the tenant needs to know that his payments are deductible as expenses.
 - A. The first well-known pitfall is the option to purchase, which must be such that rent cannot be considered payments on a deferred sale contract. The general criteria is the relationship of rent and option price to fair market value. For example,

if Jones owns a property worth \$100,000 which he leases for 5 years at \$20,000, and further gives his tenant the option to purchase the property at the end of the fourth year for \$20,000, the deal would be highly suspect. The rent is high, the price low, and the total equal to the value of the property

2) econ. realities would dictate exercise of option or short term lease w/only option to purchase not rent

B. If the lease is called a sale, the tenant can deduct part of his payments as interest and under the new revenue code the nominal landlord would have to report interest income. Since the tenant would desire a high deduction and the landlord low taxable income, their interests are conflicting so that many leases now include a provision that should there be any question of interest imputed to the contract, the provision sets the rate at the minimum interest.

IMPUTED INTEREST

C. Since rent provides all kinds of opportunity for shifting income among relatives, corporation stockholders, trusts and trust beneficiaries, the IRS treats any distribution of rent as income to the recipients.

1. For example, rent is always taxable to the lessor and the lessor is the person holding legal title. If a corporation holds title and rent is paid directly to an officer or stockholder, it is taxed as income to the corporation and salary or dividend to the recipient.
2. An apartment given rent free without regard to services rendered means that the landlord can lose a portion of his deduction for maintenance for free rent means he is no longer in the business of renting apartments. The relative receives a gift subject to the rules of gift taxes while a stockholder may receive a dividend to the extent that the rent he pays is below that of market rent.
3. Rent is deductible only as a business expense for the tenant so rent for a private residence is not deductible. A professional man who uses part of his residence as an office may deduct a proportionate share of his rent.

D. The tenant who wishes to preserve the deductibility of payments must match cash payments with annual permissible deductions.

1. If the tenant pays several years rent at once, only that part appropriate to the year is deductible.
2. He may include the fair market value of services rendered or the fair market value of property improvements as part of his rent, but the lessee must include these in his gross income.
3. Payments made under a net lease agreement such as real estate taxes, mortgage payments, insurance, etc. are also deductible as rent.

4. However, the IRS distinguishes between advance rentals and security deposits. An advance rental is money which belongs to the landlord and is taxable in the year received. On the other hand a tenant can only take a deduction in the period for which the rent applies.
5. A security deposit is not taxable on receipt because it is like money held in a trust. To gain this advantage it is necessary to avoid leases which would apply the security payment as the last month's rent.
6. The same is true of an option^{fee} to purchase. If the option is returnable if the property is not purchased, it is not handled as income.

E. In the buying and selling of lease# premiums paid by the lessee are taxable as income to the landlord but are considered as capital investments for the tenant. In reverse if a tenant pays a premium to cancel a lease it is an expense for him but a capital gain for the landlord. If the landlord cancels the lease then the cost must be amortized over the unexpired term of the lease if he uses the property himself. If he builds a new building or makes a new lease the cost of canceling the old lease must be amortized over the life of the building or the lease.

III. Lease property almost always involves facilities of some sort, and landlord and tenant are primarily concerned with who will have the benefit of the depreciation.

- 6200 expense
- A. Improvements made by the owner are generally capital expenditures which must be recovered over the useful life of the property. Only a few categories of expenses such as those for conservation and those for mineral exploration and development are available. At a cost of financing these improvements the owner receives valuable tax offsets and higher rent.
 - B. If improvements are made by the tenant the landlord has no taxable income nor change in basis even though the improvement reverts to him. Any increment in value would be taxable as capital gain only if the property were sold.
 - C. The lessee would depreciate improvements over the useful lives of the improvements or the period of the lease. (renewal options)
 - D. Where the tenant improves the property as a substitute for rent as in a lease where the tenant agrees to build a cabin for not less than \$6,000. These improvements will be deemed rent and like rent would be taxed as an advance rental when the cabin was built. Casey recommends using a modest but reasonable rent and improvements should not be recognized in the lease as rent as kind. Alterations by a landlord to suit the tenant are capital expenditures by the landlord. On the other hand leasehold improvements by the tenant can be written off over the life of the lease, etc.
 - E. However, depreciation is greatly affected by renewal options and cases where tenant and landlord are related.

1. Since 1958 if the initial term of the lease remaining after completion of improvements is less than 60% of the useful life of the improvements, then renewal options on the lease must be included in the period of amortization - unless you can prove it is more probable that the lease will not be renewed.
2. For example, if a building has a 35-year life on land which you have leased for 21 years with a renewal for ten years more, the 21 year balance to run is 60% of the 35-year life of the building. *consider renewal term to 21*

F. Where tenant and landlord are related persons, improvements must be amortized over their remaining useful life without regard to the terms of the lease. While related persons include relatives, it is actually a legal term which also means such relationships as :

1. An individual and a corporation more than 80% of the stock which is owned by the individual.
2. Two corporations if more than 80% of the stock of each is owned by the same individual and one of the corporations is a personal holding company or a foreign personal holding company.
3. A grantor and a fiduciary of any trust.
4. A fiduciary of a trust and a fiduciary of another trust, if the same person is a grantor of both trusts.
5. A fiduciary and beneficiary of the same trust.
6. A fiduciary of a trust and a beneficiary of another trust, if the same person is a grantor of both trusts.
7. A fiduciary of a trust and a corporation if more than 80% of the stock of the corporation is owned by the trust or by the grantor of the trust.
8. A person and a tax exempt organization (one qualifying under IRC 501) if the person controls the organization or members of his family do.
9. Corporations of an affiliated group which are eligible for filing a consolidated return.

IV. The precedent of the renewal principle for options has also been used for purchase options. Court has held that there is a reasonable probability that the lessee will exercise his option to buy, improvements must be depreciated over their useful life. This carries several implications:

- A. Investment on a leasehold should not be more than you could reasonably anticipate you would recover within the original period of the lease. Overimprovement together with a short initial lease period implies intent to purchase.

- B. It may be more favorable to take a long term lease where the initial term is 60% of the useful life of the improvement to write off investment in this initial period than to take a short lease with a purchase option. → 10 to 15 yr. lease
20 yr. ship Co.
- C. Since useful life is measured from the time of completion of the improvement, it may be necessary to make the initial lease longer than 60% of the useful life of the improvement to provide a cushion time for contingencies and construction.
- D. By the same token, if a shorter period of amortization is desired it may be desirable to use less permanent forms of construction, frame often enjoying a 35 year life compared to masonry with 40 year life. There are other structures which are assigned shorter useful lives. For example, the tenant could do landscaping and other forms of site improvement to take advantage of the 20 year life.
- E. If the tenant decides to buy the fee he must allocate his purchase price between the market value of the land at the time of purchase and the present value of the landlord's right to recover the improvements at the end of the lease.
1. The amount allocated to this present value is added to the former tenant's cost basis to be recovered via depreciation.
 2. If the former tenant has been amortizing rather than depreciating the cost of his improvements, he must adjust his depreciation to his basis divided by useful life.
- F. A purchaser of a fee subject to a leasehold can depreciate improvements just as the original lessor if the lessor built the improvements.
1. In addition where the improvements were built by the tenant and these improvements are expected to survive the term of the lease, the purchaser may allocate part of his purchase price to the reversionary value of these improvements. He can't take depreciation for them until they actually revert, however.
 2. There is one case where the purchaser argued that while there would be some useful value in lessee improvements, current economic rent for these improvements was less than contract rent. Therefore, the price paid for the fee included a premium which ought to be amortized over the remaining life of the lease. As a result the taxpayer was able to depreciate the amount he had paid for the building twice, or nearly so.
- G. A lessee may also write off improvements with deductions for abandonment or obsolescence.

1. In theory abandonment is property that has lost all useful value and the user must show irrevocable intent not to use or sell the property. ~~For~~ cost of removal is less than value of the deduction, improvements would be ripped out. This is possible where a location is abandoned with term remaining on the lease.
2. Obsolescence is a process occurring over a period of several years and permits an addition to regular depreciation when the useful life of the improvement has been shortened by economic change.

V. Purchase and sale of leaseholds is possible where there is a difference between contract and economic rent. The problem is distributing the leasehold purchase price through amortization over the life of the lease.

OR CONDEMNATION

A. The cost capitalized must be more than 75%

- A. The capital cost of the leasehold must be allocated between the value of the initial term and any renewal options. If the price paid for the initial term rental advantage is more than 75% of the total price, the entire price may be amortized. If not then renewal periods must be considered.
The
- B. ~~With~~ reasonable certainty test may still be used to justify short amortization if renewal is unlikely.
- C. It is also possible to allocate the purchase price in part between improvements and then depreciate the improvements.
- D. If the improvements were built by the seller you can allocate the leasehold cost between extra values in land and extra values in the building, and then depreciate the building.
- E. As a tenant selling the leasehold at a profit, it is necessary to assign the lease rather than sublet if you desire a capital gain tax treatment.
- F. Casey suggests that buying and selling leaseholds is a way to secure capital gain. In areas where land is high in relation to building costs, building developers will sell nondepreciable land and lease back with deductible rent for a fixed term plus several renewal options. The owner of the land will have a high rent to recover capital and then successive reductions in each renewal period.

This creates opportunity to buy an aging leasehold and acquire large deductions (amortization plus rent). The purchaser of the leasehold would buy while perhaps 15 years of the original term remain, having obtained an appraisal that at least 75% of cost is attributable to the original term, permitting him to write off his costs in that period. With the renewal period, a reduced rent will mean increased income if income power or inflation holds up rents. The new net earnings figure can then be converted into capital gain by selling the lease.

- VIII. The tenant who is kicked out in exchange for a cancellation payment has received a capital gain, taxable in the year of receipt. The landlord however, must deduct the payment according to his intentions;
- A. If landlord cancels to use the property himself, then he must amortize the cancellation payment over the unexpired term of the lease. The cancellation payment is considered the cost of an asset which he would not otherwise have had.
 - B. If he demolishes the old building and builds a new one for other tenants, the cancellation payment is also the cost of a new asset, namely a new building and it must be amortized over a building's useful life.
 - C. If the tenant puts up a building, the new asset is a ground lease and the initial term of the lease determines the depreciation period.
 - D. However, there are some opportunities for deducting the cancellation payment over the remaining term of the old lease. The tax court has indicated that when cancellation of an old lease is not a condition for the new lease, the landlord may amortize over the remaining term of the old lease

SALE-LEASEBACK NOTES

- I. The sale-leaseback has been glamorized recently for a number of reasons which need examination. Some advantages are overrated and some disadvantages are not always recognized.
 - A. The primary purpose of a sale-leaseback from the seller point of view is to convert a frozen asset into cash and create a rent tax deduction. To be a mortgage it must provide for an option to repurchase at the end of the lease period. As a general rule the IRS will accept an option price equal to the value of the property at the time it is exercised as a bona fide transaction. But the IRS may upset any lease that looks too much like a mortgage.
 - B. A good case is that of Frenzel, TZ Memo 1963-276. Frenzel owned extensive warehouse resources leased to industrial tenants. His biggest tenant was 3-M; which offered in 1957 to lease additional space if Frenzel would construct it. He had no available fund and tried to arrange 100% finance from a bank on the strength of a 10-year lease from a prime tenant. Bank refused more than 2/3 on a mortgage but later agreed to a sale-leaseback at a purchase price of \$1.2 million. The rent amortized a full purchase price on a 5% annual return, quarterly payment, 10-year basis. The initial lessee had three 5-year renewal options. Renewal rent would represent 3% annual return on purchase price and lessee could repurchase the property at the end of any renewal term for 10% of the purchase price.
 - C. The tax court looked at the entire transaction and said it was a mortgage for the following reasons:
 1. Repurchase Option - An expert testified that at the end of ten years, the property would be worth \$100,000, just about the same as the option price of \$120,000. However, he didn't consider the 3M lease in the valuation since there was no certainty it would be renewed. But the Court said that since the property was specially constructed for 3M, and it had been a tenant of Frenzel's for many years, renewal was highly probable and this would increase the renewal value four to five times.
 2. Net Lease - The 3M lease was a gross lease, so that Frenzel paid for taxes, insurance and maintenance. The leaseback was on a net basis so that Frenzel remained responsible for the property. The leaseback also provided (a) that Frenzel would hold the buyer harmless from all claims for injury or damage and (b) there would be no termination of rent in the event of a destruction of the premises. The result of this was that Frenzel retained all the risks and duties of ownership; the only benefit to him from the sale was the cash payment.
 3. Lack of Easement - Access to the property sold required passage over other property retained by Frenzel. The buyer, however, did not insist on an easement, thus indicating it did not regard itself as the real owner.
 4. Payment of Fees - Frenzel was obliged to pay all the buyer's expenses, including attorney's fees, a provision common in financing rather than sale agreements.
 5. Treatment by Buyer - On its records, the bank treated the transaction in the form of a mortgage rather than a sale.

D. Financial leasing, as opposed to service leasing, is nothing more than a means of financing and so its peripheral advantages must be carefully scrutinized. For purposes of discussion these advantages might be classified as follows:

1. Advantages which are overstressed
2. Advantages which avoid ownership
3. Advantages found in laws and regulations
4. Advantages of financial leverage
5. Advantages of financial position appearance

E. Arguments for lease which are overstressed include:

1. Greater flexibility than possible with ownership in event that that the asset becomes unprofitable. But is it easier to sell for salvage or to break a long term, non-cancelable lease?

2. Economical expert servicing. Isn't full cost of this included in leasing cost?

3. Creates cost savings by introducing equipment otherwise not available. Isn't it not available for lack of capital and doesn't the lease provide capital in lieu of long term debt, earning retention, or investor equity?

4. Accounting economy because it avoids the responsibility of ownership for the preparation of depreciation schedules, fixed assets schedule, insurance valuations, personal property inventories, and so on. However these headaches are only shifted, and the cost of these responsibilities are hidden in the rent.

F. Leasing offers advantages within laws and regulations prescribing the area in which management can maneuver, often because the board of directors or government analysts do not recognize leasing as a form of capital finance. Leasing

1. Enables management as lessee to avoid capital expenditure control and procedural red tape.

2. Enables a firm or a division to stay within its capital budget.

3. Offers a firm federal, state, and local tax advantage.

4. Avoids the indenture restrictions and conditions which accompany long term debt.

5. Lease charges are reimbursable costs under federal government contract while the cost of financing of debt or equity is not. (Arm Service Procurement regulation 15-205.34.) State franchise taxes on corporate capital including debt of more than one year maturity also overlook lease capital asset.

G. The following advantages are not really advantages of leasing but rather of not using equity financing:

1. Releasing frozen assets for working capital

2. Acquiring modern equipment on the expectation of future earnings

3. Avoids dilution of ownership

4. Hedges against inflation

H. Leasing has certain advantages for improving financial position and extending feasible leverage. However there are occasions when leased property would be better recognized on the balance sheet. Utilities and railroads might do better and do more leasing if leased assets were included in their rate base.

- II. Leasing plays a big part in retail and industrial real estate. For example consider the long term lease agreements recognized in the annual reports of the Big Three in department stores:
- A. January 31, 1961 Sears & Roebuck reported long term leases with minimum fixed rentals of \$23,417,000 per year.
 - B. December 31, 1961 F. W. Woolworth showed minimum annual rentals of about \$44,300,000.
 - C. Montgomery Ward reported in February 1961 667 long term leases with aggregate minimum annual rental of \$11,000,000 per year.
- III. For a number of reasons articles on the leasing decision see the following:
- A. William D. McEachron, "Leasing: A Discounted Cash-Flow Approach, "The Controller, XXIX (May, 1961)213-19;
 - B. Edward A. Ravenscroft, "Return on Investment: Fit the Method to Your Need," Harvard Business Review, XXXVII (March-April 1960), 97-109;
 - C. Thomas N. Spaeth, "Discounting Differential Cost in Machine Replacement-- An Outline," N.A.A. Bulletin, XLI (June 1960), 13-20 ;
 - D. Allen Sykes, "Lease or Buy -- An Exercise in Economic-Accounting Arithmetic," Accountancy, LXXI (March 1960), 153-56;
 - E. Richard F. Vancil, "Lease or Borrow--New Method of Analysis," Harvard Business Review, XXXIX (September-October 1960), 122-36;
 - F. Richard F. Vancil, "Lease or Borrow--Steps in Negotiation," Harvard Business Review, XXXIX (November-December 1961), 138-59.

ANALYSIS of the MARKET & the INDIVIDUAL LEASE

James Graaskamp

Leases - Their Various Clauses and Their Importance

1. Definitions

- A. Specific space and location to be leased
- B. Specific business entity as lessor
- C. Specific business entity as lessee
- D. Specific description of real estate elements to be leased
(Definition of shell provided by landlord and finishes provided by tenant)
- E. Specific exemptions of tenant improvements to remain tenant property

II. Conditions for Commencement of Lease

- A. Conditions permitting cancellation by landlord (lessor)
 - 1. Failure to obtain specified financing prior to construction
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 - 3. Impossibility of performance due to acts of God, government, regulation, labor conditions, etc.
- B. Conditions permitting cancellation by tenant (lessee)
 - 1. Completion according to specification
 - 2. Completion according to scheduled time
 - 3. Conditions relative to other occupancies
- C. Remedies of landlord
 - 1. Forfeiture of tenant deposits or escrow funds
 - 2. Liquidated damage provisions
 - 3. Guarantees by others
 - 4. Penalty rents, assessments, etc.
- D. Remedies of tenant
 - 1. Postponement of commencement date
 - 2. Rental abatement
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 - 4. Penalty payments in contract assessed to the landlord
 - 5. No penalties other than suit for damages

III. Conditions for termination of lease

- A. Death or disability at option of lessee estate
- B. Scope of "change in conditions" clause

- C. Guaranteed occupancy and operations clause
- D. Cancellation liquidated damages formula
- E. Bankruptcy receivership of business termination clause
- F. Assignability clause
- G. Implied good faith effort of percentage lease
- H. Permitted uses clause
- I. Casualty loss event
- J. Condemnation events
- K. Specific conditions subsequent explicitly identified as grounds for termination
- L. Subordination position

IV. Rental Formula

- A. Basic minimum rent
- B. Formula for rental adjustment over time
- C. Renewal options, if any, and base rent
- D. Calculation of prominent area charges and tenant participation in same
- E. Real estate tax escalator clause
- F. Insurance premium stop loss clause
- G. Utility expense stop loss clause
- H. General maintenance and replacement assessments for HVAC, parking, lighting, etc.
- I. Audit of sales and overage rents
- J. Conditions for rental abatement due to casualty loss, remodeling, road construction, or business interruption due to riot, strike, civil commotion, or disruption of public services

ABA--ANALYSIS OF THE COMMERCIAL LEASE

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(over)

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

By

Michael L. Robbins

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

February 1, 1986

ACKNOWLEDGEMENTS

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

Michael L. Robbins
February 1, 1986

Convenience Shopping Center

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

March 21, 1985

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

Dear Mr. Mason:

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

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

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

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

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

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

Two Million Seven Hundred and Fifty Thousand Dollars.

\$2,750,000.00

Respectfully submitted,

Robert M. Thornton, Appraiser

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Summary of Salient Points

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

Zoning: G-1 (Planned Commercial District)

Site: 5.875 Acres (255,698 square feet)

Improvements: Three buildings - Convenience Shopping Center

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

Parking for 275 cars

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

Appraisal Date: March 21, 1985

Purpose of Appraisal

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

Market Value

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

Legal Description

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

Location

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

Assumptions and Limiting Conditions

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

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

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

City Data

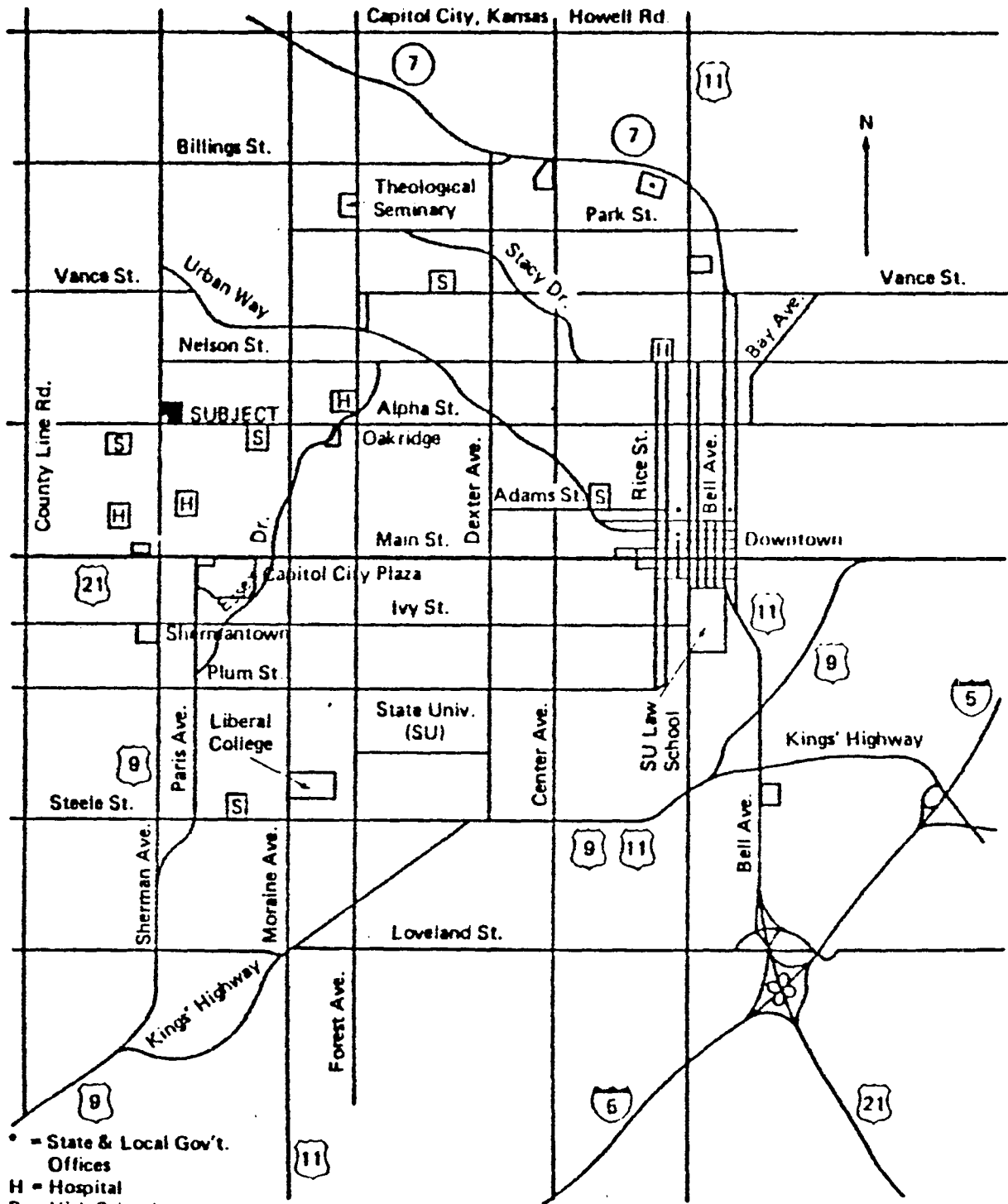
The subject property is located in Capitol City, the capitol city of Kansas (see Exhibit A).

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

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

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

EXHIBIT A



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

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

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

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

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

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

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

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

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

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

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

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

Neighborhood Data

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

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

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

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

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

Site Description

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

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

Zoning

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

Taxes

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

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

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

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

Description of Improvements

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

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

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

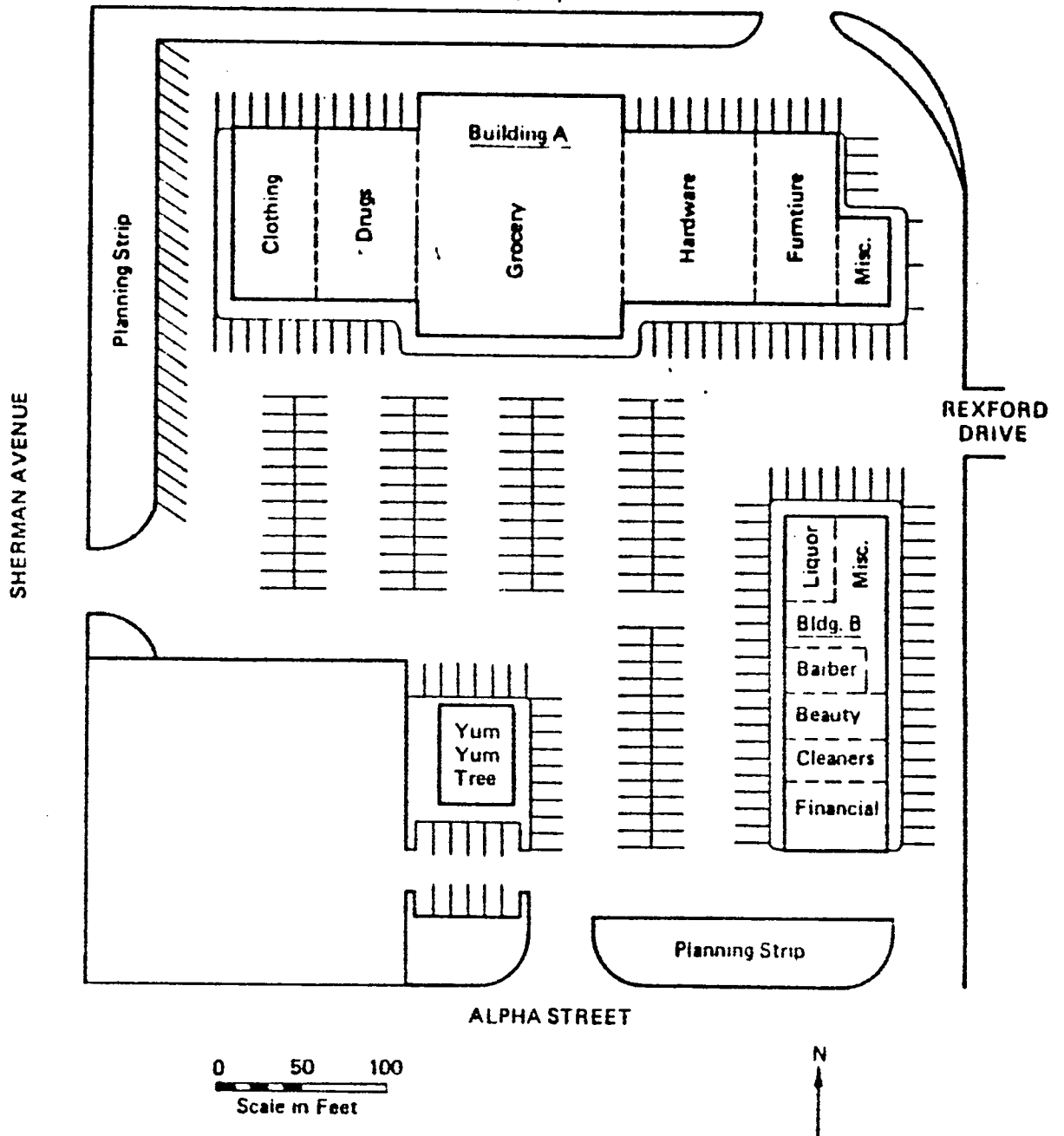
The Yum Yum Tree will meet the franchise operators new concept for merchandising incorporating seating for approximately 70 patrons.

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

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

EXHIBIT B

Site Map



The Convenience Shopping Center Concept

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

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

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

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

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

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

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

Source:

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

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

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

Highest and Best Use

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

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

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

Estimate of Land Value

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

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

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

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

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

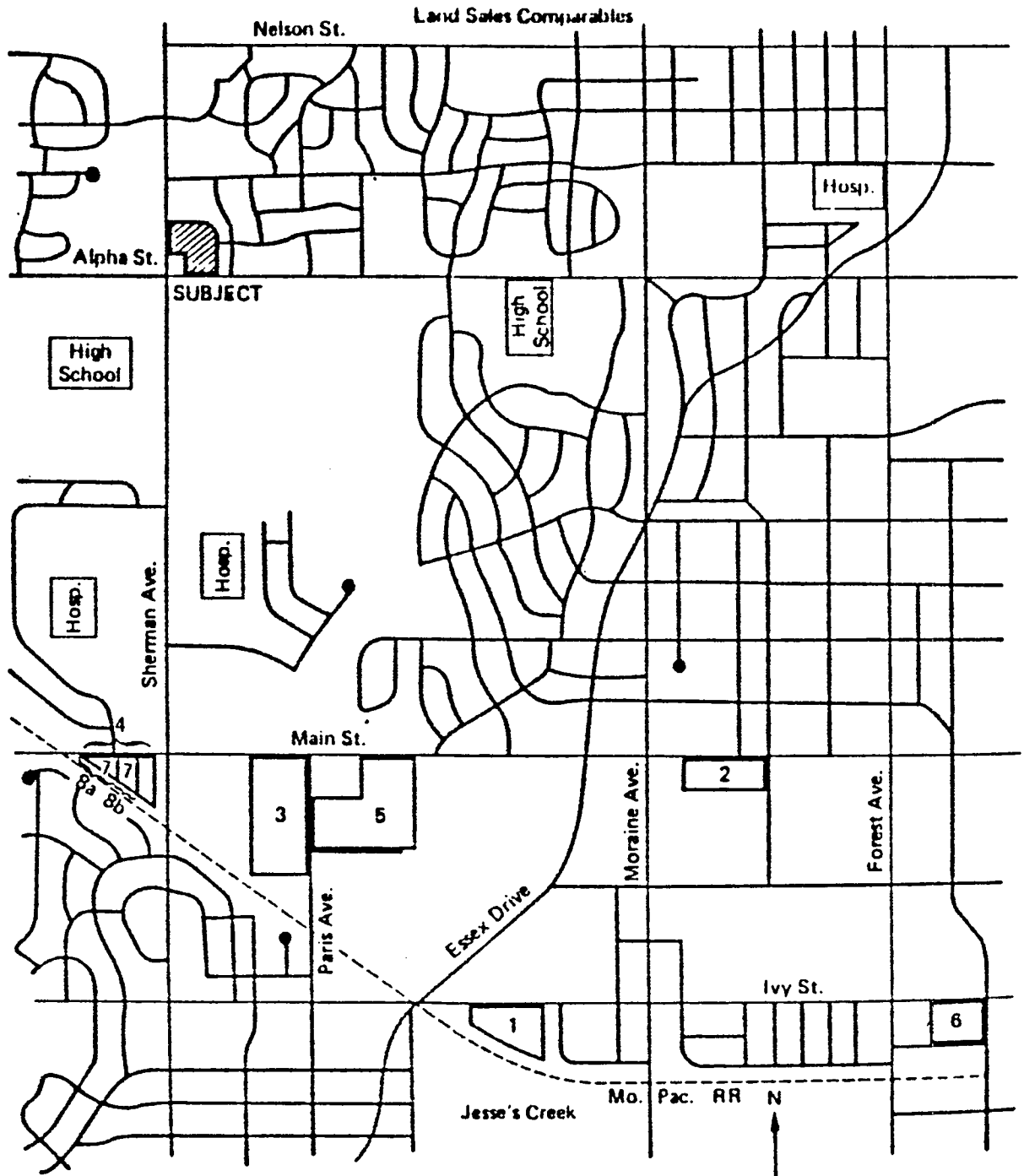
Number 5: Lot 183, Irregular Tract, NW 1/4, Section 21, T10S, R7W, Capitol City. Warranty Deed dated May 25, 1982. Grantor, Plaza Development, Inc. to Consolidated Department Stores, Inc. Consideration, \$2,019,400. Size, 871,200 s.f.

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

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

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

EXHIBIT C



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

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

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

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

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

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

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

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

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

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

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

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

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

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

LAND AND IMPROVEMENTS - COST APPROACH

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

IMPROVEMENTS:

Restaurant:

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

Retail Space:

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

Parking (Asphalt)	\$.50/s.f.	x 180,000 s.f.	<u>\$ 90,000</u>
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TOTAL IMPROVEMENT COST \$1,679,700

INTANGIBLES:

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

LAND:

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

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

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

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

ECONOMIC APPROACH

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

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

INCOME DISTRIBUTION

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

INCOME VALUATION

Gross Income \$ 337,379

Less Vacancy as follows:

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

Less Expenses:

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

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

\$188,241 capitalized at 10%	1,882,410
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Add Land	<u>894,943</u>
	\$2,777,353
Say	\$2,780,000

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

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

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

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

SUMMARY

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

CORRELATION AND CONCLUSION

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

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

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

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

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

TWO MILLION SEVEN HUNDRED AND FIFTY THOUSAND DOLLARS

\$2,750,000.00

Respectfully submitted,

Robert M. Thornton, Appraiser

FOLLOW-UP CORRESPONDENCE

SOUTHEASTERN LIFE INSURANCE COMPANY
State and Madison Streets
Chicago, Illinois

John T. Allgood
Vice President

April 10, 1985

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

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

Dear Arnie:

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

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

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

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

Sincerely,

John T. Allgood

JTA:lrr

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

April 15, 1985

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

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

Dear John:

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

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

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

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

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

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

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

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

Sincerely,

Arnold L. Mason

ALM:lrr
Enclosure

LEASE ANALYSIS

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

LESSEE: Perry's Grocery

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

SQ. FT. AREA: 16,650

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

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

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

SUBORDINATION: Full

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

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

UTILITIES: Lessee pays all

ASSIGNMENT: Lessor's consent required

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

USE CLAUSE: Supermarket only

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

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

Reviewed by _____

Date: _____

THE LOAN APPLICATION

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

April 2, 1985

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

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

Dear John:

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

LOAN SUMMARY AND ANALYSIS

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

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

Parking is available for 274 cars.

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

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

MORTGAGE LOAN APPLICATION

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

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

SEE ADDITIONAL PROVISIONS

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

City of Capitol City County of Gem State of Kansas

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

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

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

LOAN

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

LOAN

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

FUNDING: Second quarter, 1986.

LOCATION

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

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

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

IMPROVEMENTS

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

VALUE

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

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

BORROWER

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

SUMMARY

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

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

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

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

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

Sincerely,

Arnold L. Mason

Enclosures

EXHIBIT A
Page 1

ANALYSIS OF TENTATIVE LEASES

MINIMUM ANNUAL RENT

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

EXHIBIT A

Page 2

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

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

EXHIBIT B
Page 1

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

SCHEDULE OF COMPARABLE RENTALS

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

EXHIBIT C

ROBERT JOHNSON

Balance Sheet
as of
December 31, 1984

ASSETS

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

LIABILITIES

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

<u>EQUITY</u>	\$406,504	\$755,554
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EXHIBIT C
Page 2

SCHEDULE 1

MARKETABLE SECURITIES

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

SCHEDULE 2

REAL ESTATE INVESTMENTS

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

EXHIBIT C
Page 3

Schedule 3

OTHER ASSETS

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

INTRODUCTION AND DESCRIPTION OF PROPOSED DEVELOPMENT

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

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

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

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

1. ESTABLISH INITIAL ACCEPTABLE RISK LEVEL

USE OF THE DEFAULT RATIO

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

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

OVERALL RISK ASSESSMENT

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

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

1.00

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

DEVELOPER CHARACTERISTICS

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

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

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

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

LEASE CHARACTERISTICS

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

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

CHANNELIZED DEMAND

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

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

TENANT CHARACTERISTICS

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

GENERAL GUIDELINES FOR TENANT PLACEMENT

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

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

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

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

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

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

IDENTIFICATION AND CLASSIFICATION OF ORIGINAL TENANT MIX

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PROJECT TYPE

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

DEVELOPMENT CHARACTERISTICS

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

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

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

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

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

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

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

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

PHYSICAL DESIGN ANALYSIS - SUMMARY

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

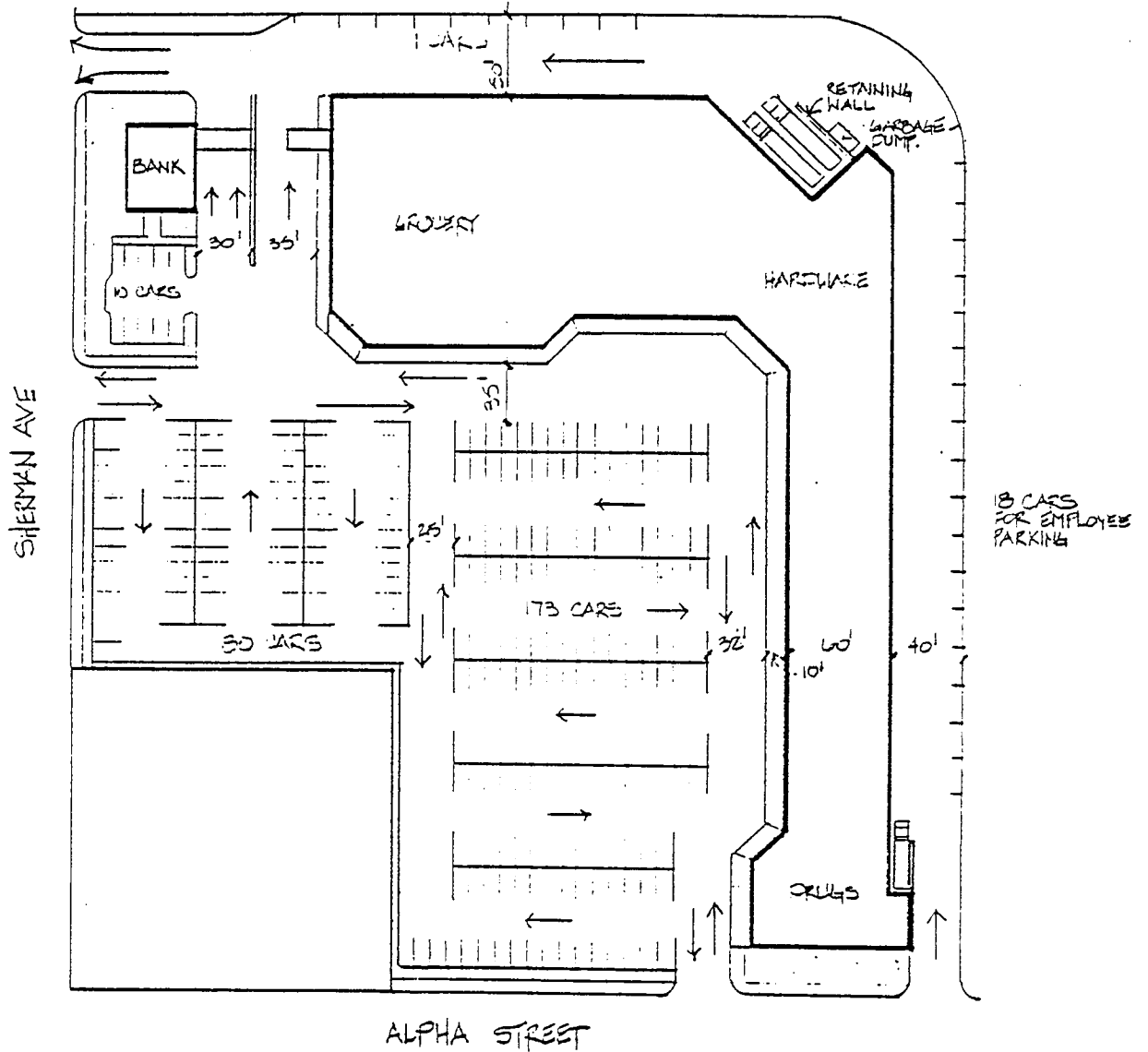
Problems Noted:

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

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

Exhibit 1
Design Proposal

EXHIBIT 2.
EMPLOYEE
PARKING



SITE PLAN
SCALE 1"=100'-0"



EXHIBIT 2

DEFAULT RATIO CALCULATIONS: (revised)

I. DEVELOPER CHARACTERISTICS -

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

.7625

* .18

= .1372

=====

II. LEASE CHARACTERISTICS -

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

Average Rating: .8054

* .16

= .1288

=====

EXHIBIT 2 (continued)

III. DEGREE OF CHANNELIZED DEMAND -

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

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

IV. TENANT CHARACTERISTICS -

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

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

V. TYPE OF PROJECT -

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

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

VI. DEVELOPMENT CHARACTERISTICS -

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

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

VII. FINANCIAL PACKAGE -

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

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

VIII. STATE OF ECONOMY -

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

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

IX. QUALITY OF MARKET STUDY -

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

Sum of I through IX: Default Ratio = 0.7558

II. ESTABLISH INITIAL COST BASIS

BUILDING ENVELOPE CALCULATIONS.

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

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

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

Parking Aisle Width = 25' * *See above

Parking Ratio = 4.48/1000 Sqft of Building GLA.

Total Parking Spaces = 290

NORMATIVE COST SCENARIO.

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

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

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

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

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

COMERMOD PART 1

COST SUMMARY FOR CASE SOLUTION - NORMATIVE

BREAKDOWN OF THE DIFFERENT USES

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

THE SITE AS PROPOSED HEREIN WILL CONSIST OF THE FOLLOWING:

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

(SETBACK IS 68 FEET)

COMERMOD PART 2

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

HARD AND SOFT COST SUMMARY WITHOUT CONSTRUCTION INTEREST

TOTAL HARD COSTS (EXCLUDING LAND)	\$3,448,386.00
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SOFT COSTS (EXCLUDING CONSTRUCTION INTEREST)

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

TOTAL	\$603,467.60
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TOTAL HARD AND SOFT COSTS	\$4,051,854.00
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CONSTRUCTION LOAN INTEREST TABLE

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

TOTAL PROJECT COSTS

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

COMERMOD PART 1

Construction Costs

COST SUMMARY FOR CASE SOLUTION - OPTIMISTIC

BREAKDOWN OF THE DIFFERENT USES

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

THE SITE AS PROPOSED HEREIN WILL CONSIST OF THE FOLLOWING:

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

(SETBACK IS 68 FEET)

COMERMOD PART 2

BREAKDOWN OF SOFT COSTS

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

HARD AND SOFT COST SUMMARY WITHOUT CONSTRUCTION INTEREST

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

SOFT COSTS (EXCLUDING CONSTRUCTION INTEREST)

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

TOTAL	\$413,446.80
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TOTAL HARD AND SOFT COSTS	\$3,593,807.00
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CONSTRUCTION LOAN INTEREST TABLE

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

TOTAL PROJECT COSTS

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

III. ESTABLISH INITIAL INCOME BASIS

DEMOGRAPHIC ANALYSIS

CAPITOL CITY

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

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

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

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

NEIGHBORHOOD

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

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

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

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

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

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

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

MARKET DEMAND & TENANT TYPE/MIX ANALYSIS

CUSTOMER PROFILE

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

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

TENANT/MARKET COMPOSITION AND RENTAL AREAS

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

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

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

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

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

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

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

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

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

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

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

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

SUGGESTED TENANT MIX AND RENTAL AREA

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

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

CONTRACT RENT ANALYSIS

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

LIST OF TENANT AND MARKET RENTS

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

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

MARKET RENTS

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

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

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

IV. ESTABLISH INITIAL ECONOMIC VALUE ESTIMATE

EQUITY PROFILE

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

REAL ESTATE PLANNING - FRONTDOOR BACKDOOR

BACK DOOR ANALYSIS USING DEFAULT RATIO FOR NORMATIVE CASE SOLUTION

GROSS INCOME		847,602	

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

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

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

Appendix A

Part 1

CASH SOLVENCY ANALYSIS

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

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

1,301,276

3,903,827

12.0000% EQUITY CASH ON CASH RATE

MORTGAGE CONSTANT 11.7613%

156,153

459,143

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

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

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

1,301,276

3,903,827

7.0568% EQUITY CASH ON CASH RATE

MORTGAGE CONSTANT 11.7613%

91,829

459,143

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

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

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

1,301,276

3,903,827

14.0088% EQUITY CASH ON CASH RATE

MORTGAGE CONSTANT 11.7613%

182,293

459,143

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

BACK DOOR ANALYSIS USING DEBT COVER RATIO FOR NORMATIVE CASE SOLUTION

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

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

JUSTIFIED INVESTMENT 4,702,418

IF YOU HOLD CONSTANT REHABILITATION COST LAND COST

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

BACK DOOR ANALYSIS USING DEFAULT RATIO FOR NORMATIVE CASE SOLUTION

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

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

JUSTIFIED INVESTMENT 4,690,223

IF YOU HOLD CONSTANT REHABILITATION COST LAND COST

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

PRO FORMA OPERATING STATEMENT FOR THE CENTER

GLA : 64,750

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

PRO FORMA OPERATING STATEMENT FOR THE CENTER

GLA : 64,750

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

PRO FORMA OPERATING STATEMENT FOR THE CENTER

GLA : 84,750

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

PRO FORMA OPERATING STATEMENT FOR THE CENTER

GLA : 64,750

YEAR
7

	RENT/SF OF GLA	TOTAL DOLLARS
INCOME FROM OPERATIONS		
Base Rent	\$10.00	\$647,350
+ Percentage Rent	\$0.00	\$0
+ Operating Expenses	\$3.38	\$218,821
- Vacancy *		5%
	\$0.67	43,309
+ Other Income	\$0.00	0
= TOTAL INCOME	\$12.71	\$822,862
	=====	=====

EXPENSES

+ Management Fee	\$0.42	\$27,060
+ General&Administrative	\$0.42	\$27,060
+ Common Area Maintenance	\$0.38	\$24,741
+ Real Estate Taxes	\$2.39	\$154,463
+ HVAC	\$0.14	\$9,278
+ Utilities	\$0.12	\$7,731
+ Insurance	\$0.10	\$6,185
+ Advertising&Promotion	\$0.12	\$7,731
+ Other Expenses	\$0.14	\$9,278
= TOTAL EXPENSES	\$4.22	\$273,526
	=====	=====

NET INCOME B/4 DEBT SERVICE	\$8.48	\$549,336
	=====	=====

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

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

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

PRO FORMA FOR EACH TENANT

YEAR 1

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

PRO FORMA FOR EACH TENANT

YEAR 2

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

PRO FORMA FOR EACH TENANT

YEAR 3

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

PRO FORMA FOR EACH TENANT

YEAR 4

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

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

PRO FORMA FOR EACH TENANT

YEAR 5

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

PRO FORMA FOR EACH TENANT

YEAR 6

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

PRO FORMA FOR EACH TENANT

YEAR 7

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

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

BACKDOOR VALUE PROOF

COMMERCIAL DEVELOPMENT INCOME VALUATION ESTIMATE FOR CASE SOLUTION - NORMATIVE

ASSUMPTIONS:

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

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

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

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

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

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

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

1,371,707 EQUITY REVERSION, DEFERRED 7 YEARS

PRESENT VALUE OF EQUITY INCOME AND REVERSION AT 0.1200

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

1,371,707

MORTGAGE AMORTIZATION VALUE

COMMERCIAL DEVELOPMENT INCOME VALUATION ESTIMATE FOR CASE SOLUTION - NORMATIVE

ASSUMPTIONS:

EQUITY YIELD	0.120	MORTGAGE RATE	0.110	
HOLDING PERIOD	7.	MORTGAGE TERM	25.	
EQUITY RATIO	0.292	MORTGAGE PMTS PER YEAR	12.	
EQUITY AMOUNT	1,439,762	MORTGAGE RATIO	0.708	
DEP. (-APP.) RATIO	0.000	MORTGAGE AMOUNT	3,483,174	
SINKING FUND FACTOR	0.099	MORTGAGE CONSTANT	0.11761	
BASIC RATE	0.113	MORTGAGE COEFFICIENT	0.01029	
OVERALL RATE	0.113	MORTGAGE AMORTIZATION	0.07975	
NET INCOME	554,907	PROJECT VALUE	4,922,937	67.73

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

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

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

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

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

1,717,540 EQUITY REVERSION, DEFERRED 7 YEARS

PRESENT VALUE OF EQUITY INCOME AND REVERSION AT 0.1200

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

1,429,762

REQUIRED RESALE APPRECIATION W/O INCOME CHANGE

COMMERCIAL DEVELOPMENT INCOME VALUATION ESTIMATE FOR CASE SOLUTION - NORMATIVE

ASSUMPTIONS:

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

71.62

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

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

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

TOTAL \$ 5,205,354.	554,907.	NET INCOME
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5,205,354 ORIGINAL PRICE ESTIMATE
-321,170 LESS -.0617 DEPRECIATION

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

2,137,241 EQUITY REVERSION, DEFERRED 7 YEARS

PRESENT VALUE OF EQUITY INCOME AND REVERSION AT 0.1200

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

1,522,358

REQUIRED RESALE APPRECIATION W/ INCOME CHANGE

COMMERCIAL DEVELOPMENT INCOME VALUATION ESTIMATE FOR CASE SOLUTION - NORMATIVE

ASSUMPTIONS:

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

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

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

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

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

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

2,034,305 EQUITY REVERSION, DEFERRED 7 YEARS

PRESENT VALUE OF EQUITY INCOME AND REVERSION AT 0.1200

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

1,475,668

Appendix A

Part 2

INITIAL MINIMUM YIELD ANALYSIS

PRO FORMA OPERATING STATEMENT FOR THE CENTER

GLA : 64,750

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

PRO FORMA OPERATING STATEMENT FOR THE CENTER

GLA : 64,750

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

PRO FORMA OPERATING STATEMENT FOR THE CENTER

GLA : 64,750

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

PRO FORMA OPERATING STATEMENT FOR THE CENTER

GLA : 84,750

	YEAR 7	
	RENT/SF OF GLA	TOTAL DOLLARS

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

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

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

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

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

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

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

PRO FORMA FOR EACH TENANT

YEAR 1

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

PRO FORMA FOR EACH TENANT

YEAR 2

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

TOTAL	647,350	16,540,174	201,046	188,757	64,750
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PRO FORMA FOR EACH TENANT

YEAR 3

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

PRO FORMA FOR EACH TENANT

YEAR 4

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

TOTAL	647,350	17,547,470	239,224	200,252
=====				

PRO FORMA FOR EACH TENANT

YEAR 5

TENANT	BASE RENT	SALES VOLUME	PART'N RENT	OPERATING EXPENSES
1.	\$132,000	\$10,201,612	\$63,028	\$70,128
2.	\$18,400	\$296,774	\$8,230	\$5,156
3.	\$30,000	\$762,223	\$18,118	\$7,993
4.	\$34,375	\$541,961	\$12,883	\$17,532
5.	\$35,750	\$956,401	\$22,734	\$17,532
6.	\$15,400	\$286,920	\$6,820	\$3,610
7.	\$17,250	\$260,837	\$7,234	\$4,641
8.	\$16,500	\$127,520	\$3,031	\$3,610
9.	\$11,250	\$115,927	\$3,215	\$3,094
10.	\$18,400	\$239,970	\$9,538	\$3,610
11.	\$12,000	\$159,980	\$4,437	\$3,867
12.	\$48,000	\$321,699	\$7,740	\$4,641
13.	\$45,000	\$660,902	\$15,710	\$9,540
14.	\$12,375	\$204,032	\$5,658	\$3,610
15.	\$19,550	\$315,323	\$8,745	\$5,414
16.	\$18,000	\$260,837	\$6,200	\$4,641
17.	\$20,800	\$389,516	\$9,259	\$5,156
18.	\$31,000	\$486,895	\$11,574	\$6,446
19.	\$13,800	\$296,310	\$8,217	\$3,867
20.	\$24,000	\$533,266	\$12,676	\$6,446
21.	\$18,000	\$208,669	\$3,520	\$3,094
22.	\$14,000	\$243,448	\$5,787	\$3,094
23.	\$13,500	\$202,873	\$4,822	\$3,094
24.	\$28,000	\$0	\$0	\$6,446
25.	\$0	\$0	\$0	\$0
TOTAL	647,350	18,073,894	259,176	206,260
	=====	=====	=====	=====

PRO FORMA FOR EACH TENANT

YEAR 6

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

PRO FORMA FOR EACH TENANT

YEAR 7

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

TOTAL	647,350	19,174,594	300,894	218,821
=====				

GRAPHICS IN REAL ESTATE

JOHN J. GLAD

Lecture
November 18, 1977

CREDITS

GRAPHIC MATERIALS:

University Book Store

Master Blueprint Inc.
810 West Badger Road 256-4884

PHOTO SERVICES

Master Blueprint Inc.
(Technical)

Great Big Pictures
458 West Gilman Street 257-7071

TYPESETTING

Madison Graphic Services
120 East Wilson Street 257-2431

BINDING

Thesis Center
453 West Gilman Street 257-3918

APRIL 6, 1977.

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

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

SITE UTILIZATION STUDY

J.A. GRAASKAMP / THE NORTH ESTATE

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5.0 PROPOSED ALTERNATIVE DEVELOPMENT SCENARIOS

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

5.1 Alternate 'A' (Drawing 8)

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

5.2 Alternate 'B' (Drawing 9)

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

5.3 Alternate 'C' (Drawing 10)

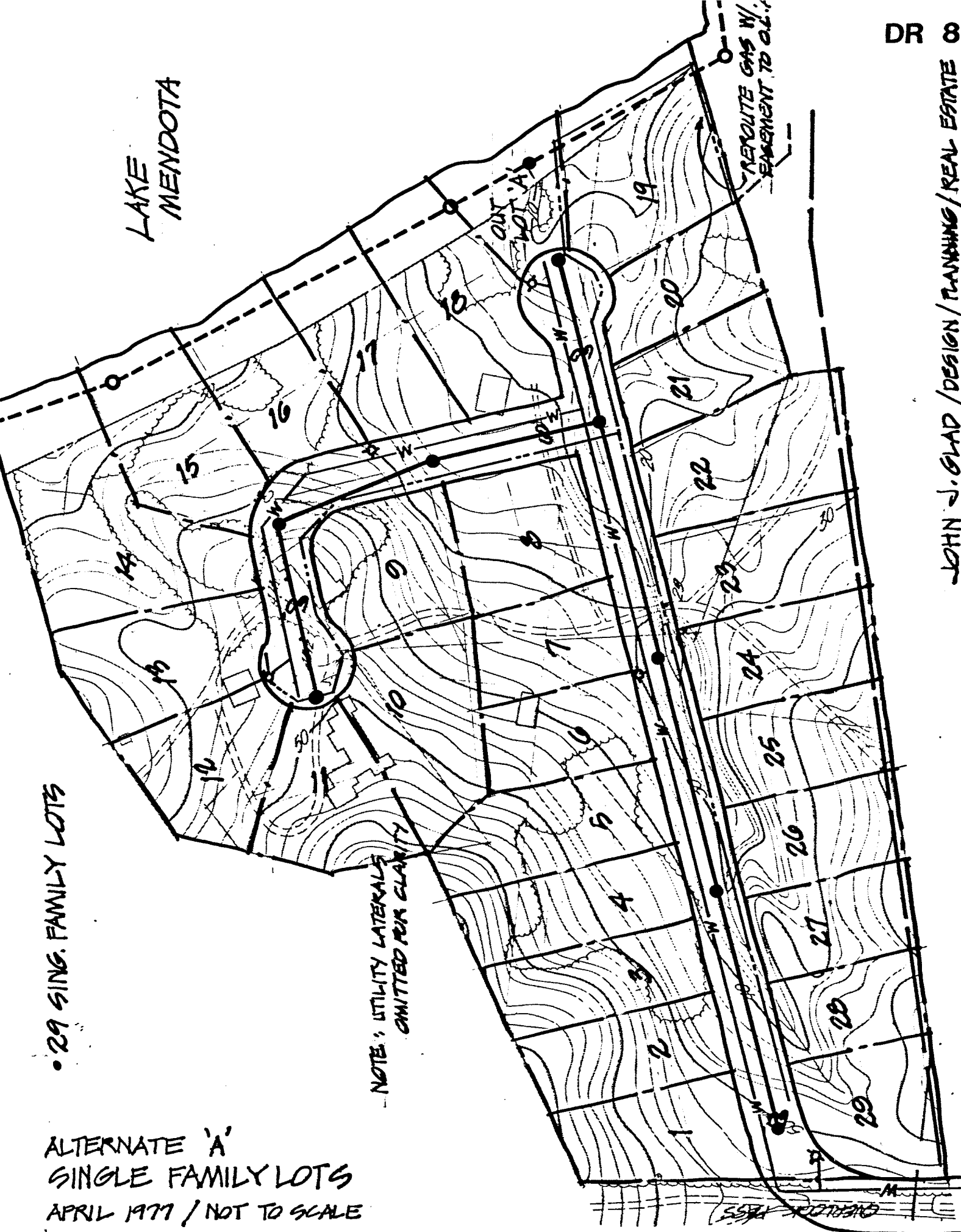
The Zoning Code, Section 28.07 (4) (see Appendix) allows creative development of lands in close cooperation with the Madison City Plan Commission. The developer, with a comprehensive development and implementation plan, can ignore existing zoning and seek approval of whatever mix of density he perceives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

LAKE
MENDOTA

• 29 SING. FAMILY LOTS

NOTE: UTILITY LATERALS
OMITTED FOR CLARITY

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



6.3 ALTERNATE 'A' DEVELOPMENT BUDGET

<u>ITEM</u>	<u>UNITS</u>	<u>LF</u>	<u>COST/UNIT</u>	<u>SUB TOTAL</u>
DEMOLITION OF STRUCTURES	4		.10/CF-.20/CF	
FIXED DEVELOPMENT COSTS				\$ 14,150
8" SEWER		1,600	8/LF	12,800
MANHOLES	9		450	4,050
LATERALS	29		220/WT	6,380
STORM SEWER OUTFLOW	1			3,000
8" DI. WATER		1,600	12/LF	19,200
LATERALS (3/4")	29		130	3,770
HYDRANTS	5		450	2,250
2" STL. GAS		1,015	6.30/LF	6,395
STREETS		1,600	40/LF	64,000
GRADING		9,480 CY.	.95/CY.	9,000
GRUBBING		96,000	300/400/SF	72,000
				<u>\$216,995</u>
				<u>\$ 21,700</u>

ENGINEERING @ 10%
MISC. FEES & PLATTING

PRELIMINARY PLAT	\$2,500
SOILS	\$1,000
EROSION CONTROL	\$ 330
STREET PROFILES	
@ \$29/100 FEET	\$ 464
DRAINAGE PLAN	<u>\$ 250</u>

STR. LT. ASSM'T - 29 LOTS @ 75/LOT \$8,644
\$2,175

	TOTAL COST	\$249,514
		<u>37,486</u>
ALTERNATE 'A'	TOTAL BUDGET COST	\$287,000
	DEMOLITION	<u>\$ 10,000</u>
		<u>\$297,000</u>

\$297,000 ÷ 29

\$10,250/LOT

April 29, 1975

Site Utilization Study

J.A. Graaskamp / Masons

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

architects
MADISON, WISCONSIN

SITE UTILIZATION STUDY

J.A. GRAASKAMP / MASONS

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2.0. SITE DATA

2.1. Site Description

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

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

2.2. Site Access

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

2.3. Site Area

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

2.4. Zoning Variances to R-6

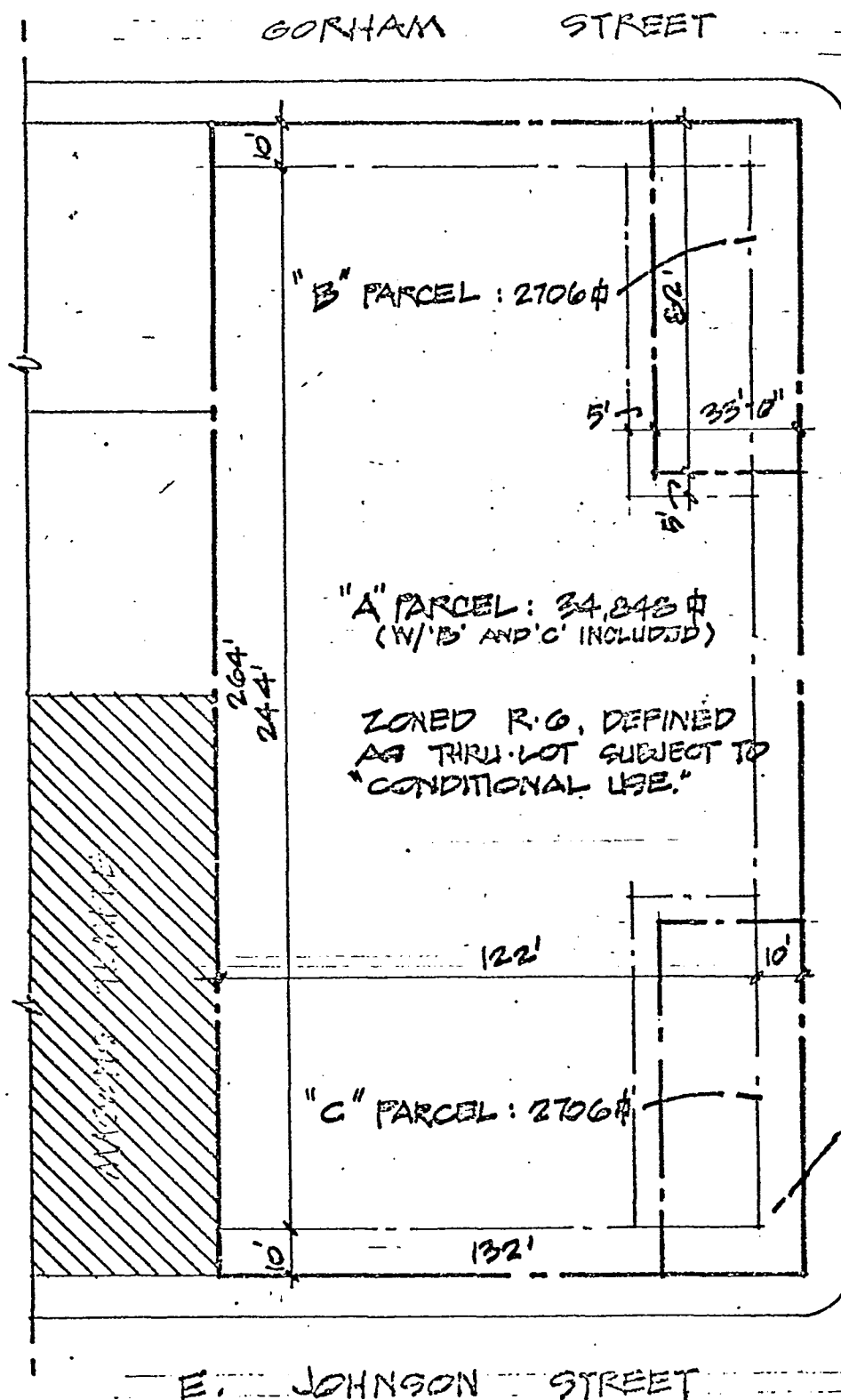
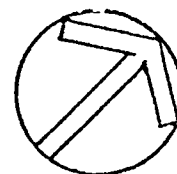
The client made inquiry as to the development of the southeast corner of the Masons parcel for commercial use. The Dept. of Building Inspection stated that if the parcel had been zoned commercial, rezoned to R-6, and has been vacant for greater than six months, that property cannot be used for commercial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

Site Utilization Study

J.A. Graaskamp / Masons

kenton peters + associates, inc.

4.



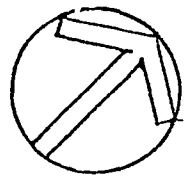
SITE DESCRIPTION

SPECS:

- A. ALLOWED 40% LOT COVERAGE UNDER F
- B. THRU LOT IS COND USE.
- C. GORHAM-JOHNSON 19' 10' DROP IN ELE
- D. ALLOWED 2 CURB CUTS.
- E. SR. PFG./ALTERNAT
- ALT. 'A': 34,848
- ALT. 'B': 31,142
- ALT. 'C': 29,436
- F. F.A.R. = 2.0
- ALLOW. = 69,700

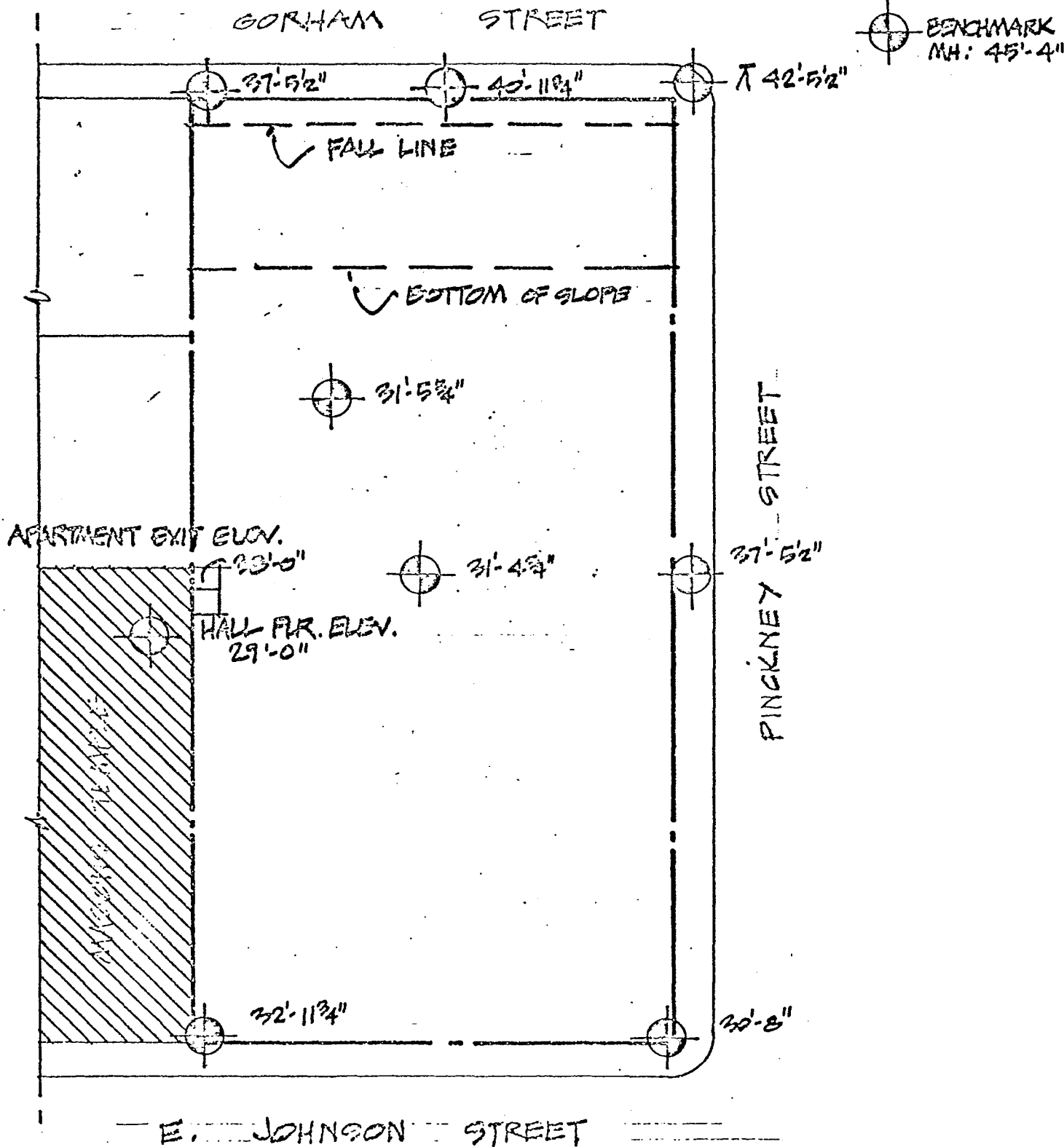
Site Utilization Study
J.A. Graaskamp / Masons

8.



kenton peters + associates, inc.

ELEVATIONS

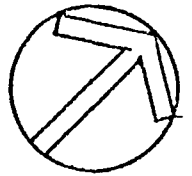


Site Utilization Study

J.A. Graaskamp / Masons

kenton peters + associates, inc.

22.



P.U.D. ALTERNATES

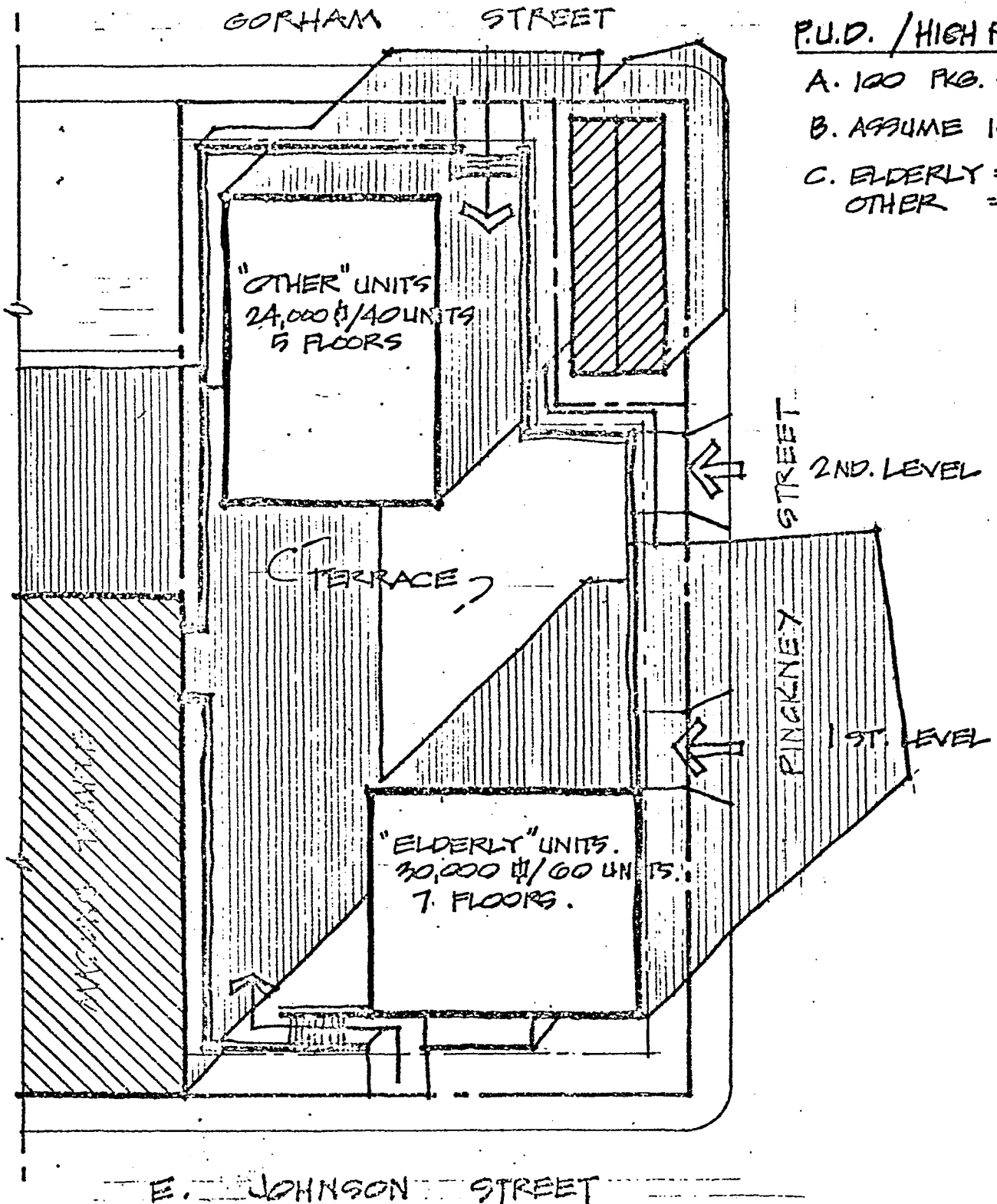
P.U.D. / HIGH RISE

A. 100 PKG. STALLS

B. ASSUME 100 UNITS

C. ELDERLY = 60 UNITS

OTHER = 40 UNITS



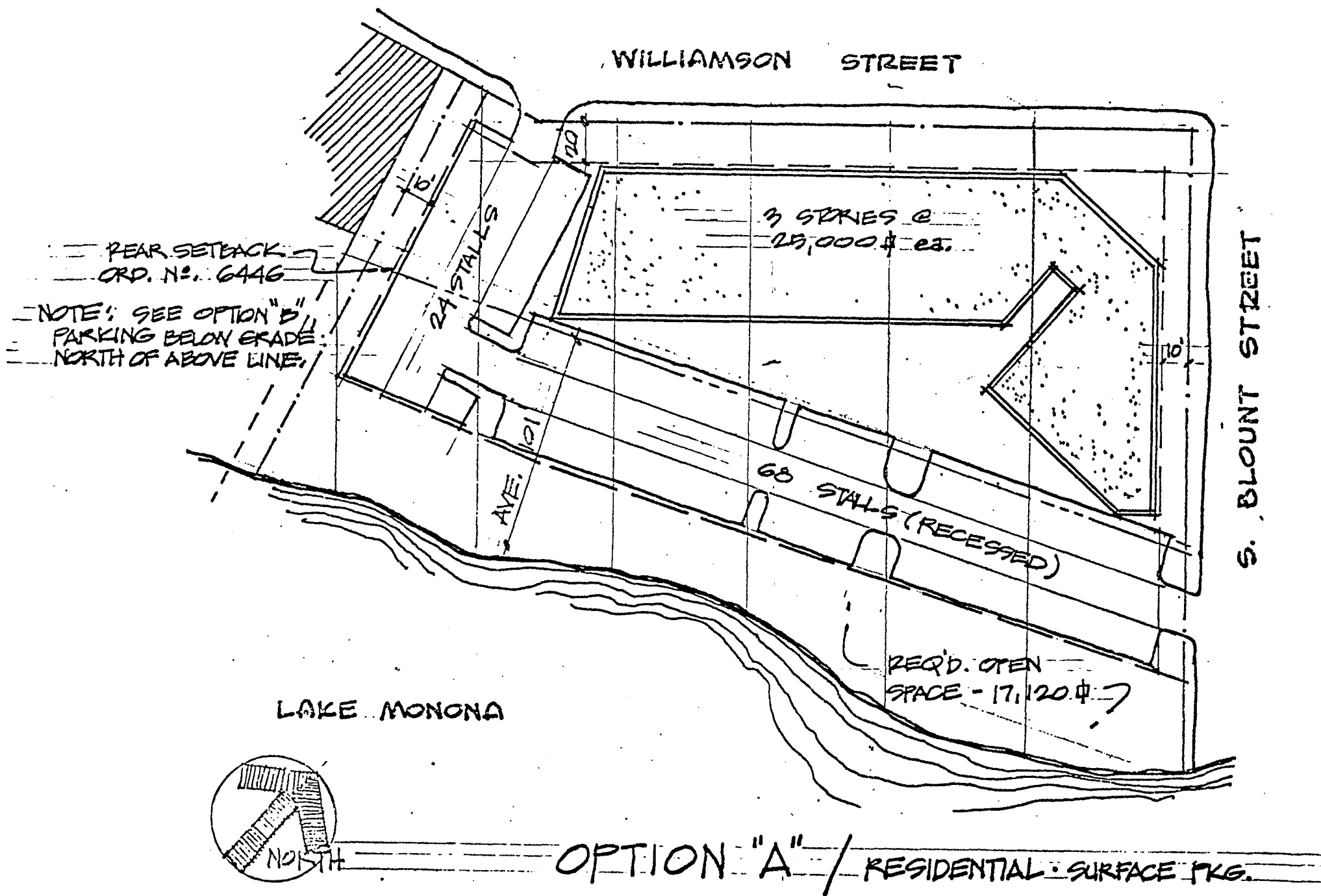
NOTE: SUN ANGLE, 45° @ 12:00 NOON @ EQUINOX.

Faubach Site Development Options

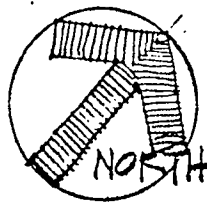
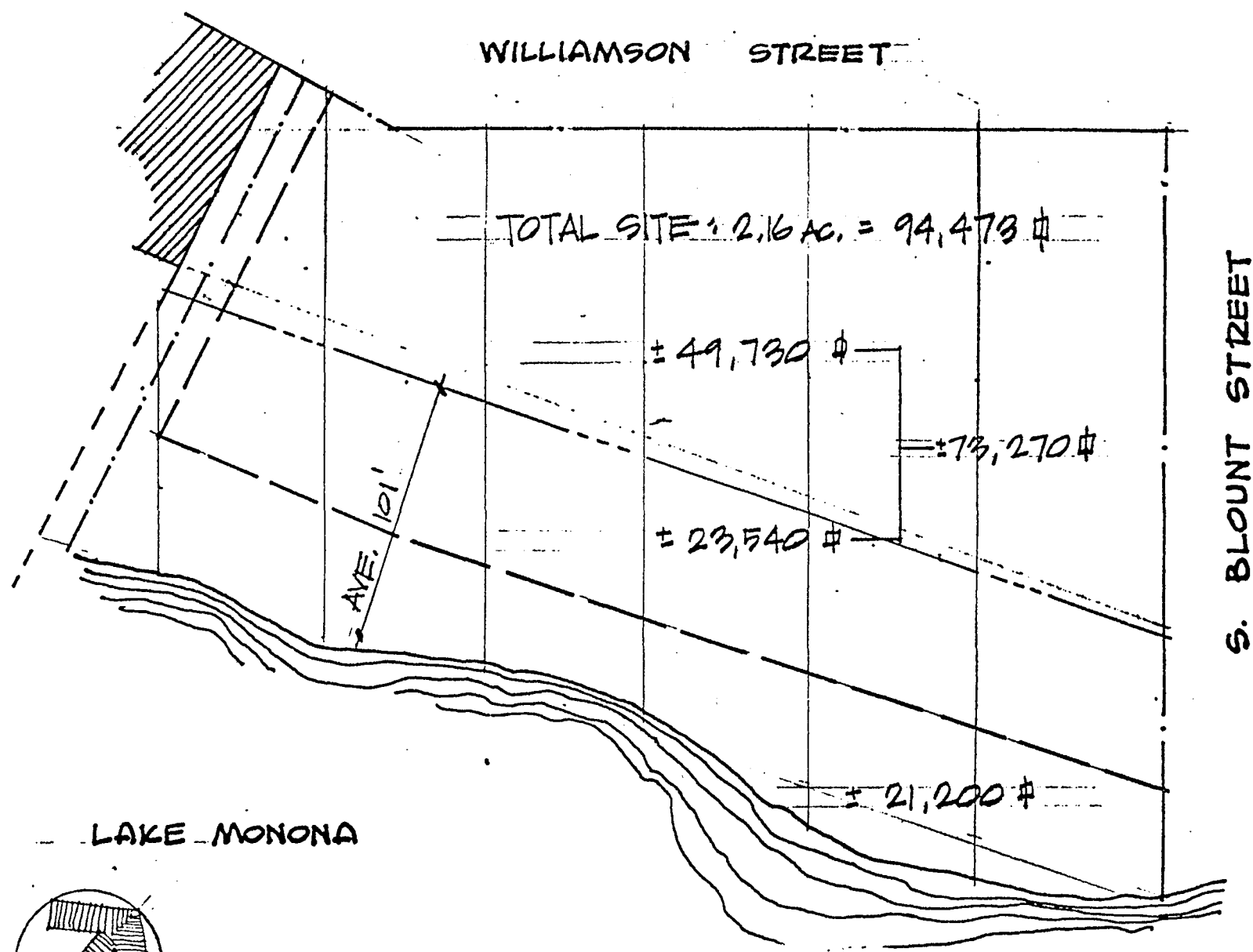
OPTIONS	USE	BUILDING AREA	NO. OF STORIES	PARKING STALLS	LOCATION	PRIMARY CONSTRAINT	YARD REQMT'S.		
							FR.	S	REAR
A.	RES.	75,000 #	3	89	ABOVE GRADE	LOT AREA/DWELLING	20'	10'	
B.	RES.	75,000 #	3	89	BELOW GRADE	L.A./D.	20'	10'	
C.	COMM.	90,000 #	3	200 100	BG AG	PARKING	-	-	
D.	COMM.	60,000	2	200	BG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

4664, 8/5/74
CR. BY ORDINANCE

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



SITE PLAN SCALE : 1" = 60'



SITE PLAN SCALE: 1" = 60'

BUSINESS 555

COMMERCIAL PROPERTY DEVELOPMENT AND MANAGEMENT

PERT PROBLEM #2

Referring to the network diagram and printout contained in the PERT User's Manual you will assume that this is a real project that you are currently working on.

PROBLEM STATEMENT

Each person may work with a partner, but no more than one. Each of these teams is to assume that the time estimates are accurate as given, but upon review it is found that the following activities have been left out of the diagram and consequently out of the plan:

<u>ACTIVITY</u>	<u>AVERAGE TIME</u>
Pour Footings	4
Pour Concrete Foundation	2
Lay Brickwork (exterior trim)	6
Install Basement Drain and Plumbing	1
Fasten Gutters and Downspouts	1
Lay Storm Drains For Rain Water	1
Pour Walks	1
Landscaping	3
Finish Roofing and Flashing	2
Grading	2

ASSIGNMENT

The assignment is to incorporate these activities into the diagram, in a logical sequence, redraw the network with the new activities, code the data, have the data processed, evaluate the results, and finally trace the critical path.

Feel free to play with this data set if you wish. You may want to change some of the times or change the design of the network. Also you may want to reduce the amount of float in the project or attempt to meet predetermined dead-lines, either at the end of the project or within it.

DUE DATE

Projects 1 and 2 will be due at class time 2/13/74 that is two weeks from today

Slide Project: Analysis of a Suburban Office Building
540 Frontage Road, Northfield, Illinois

A +
Good side
+ antique

where: add to
slide cover

Bus. 555
Dr. Graaskamp

Hugh T. Edfors
5/3/74

Building and Rental Data

Construction started in 1966. Completed in 4 phases by 1973. Rambling 2 and 3-story structure.

Land area: 4.5 acres

Net useable rental space: 139,000 sq. ft.

Structure: Steel framing, 20-22 ft. spans, reinforced concrete floors

HVAC: Gas fueled central heating. Series of central air conditioning systems (roof mounted), incineration system

Fully carpeted floors. Non-load bearing, wood-framed, drywalled interior walls. 4 ft. module base.

5 single banks of elevators throughout building

Exterior: Black face brick/~~wood~~ Masonite-type panels and ^{wood}trim. Aluminum trim. Standard fixed windows.

Fully sprinklered parking area under building.

Parking space adjacent to building. Approximately 700-750 parking stalls

Special features: sauna, restaurant/ lounge, (800 sq. ft.), atrium. Secretarial services available.

Rentals range from \$6.60 to \$7.50 sq. ft.

All rentals are gross rentals + pro rata share of A/C, utilities. Unlike the so-called "New York" definition of rentable area common in the market area, the rentable area here does not include pro rata share of such accessory areas as public corridors, elevator lobbies, janitor's closets, etc.

Most leases are 2-5 years.

Typical office is about 18' X 25'. Much variation in office size since offices are "custom designed" for tenants. Some range up to 1,000 sq. ft.

Efficiency ratio: about 80%

Occupancy: owner claims 90-95%

The Willow-Hill Executive Center represents the resultant fit of a project within the limiting constraints imposed upon the developer in search of an opportunity. In this example, the developing entity was a small firm engaging in real estate appraisal, sales, development, architectural services, and property management. The uniqueness of this firm is indicated by the fact the principals (architect, broker, appraiser/analyst) are all members of the same family and all have had extensive educational training, at the post-graduate level, in their respective fields. Thus, the development process in this case proceeded perhaps more smoothly than usual since, (1) the advantage of a well-functioning family organization permitted certain pooling-of-knowledge, economies of scale, greater co-operation and incentives towards a common goal, etc., (2) various in-house profit centers were effectively utilized, and (3) perhaps the most significant attribute, excellent knowledge of the area. The firm which developed and now manages this office center had the initial advantage of having a well-defined objective: to search for the opportunity and space to build a commercial income-producing development in a market area near their residences with which they were quite familiar. Thus, as a result, the developer-owners conveniently conduct their own business activities within offices in the building they developed; property management activities obviously are thus more cost-effective and less troublesome.

The type of office space market to which this development appeals can be considered in the commercial category in general terms. Refining this market into more specific terms, the developers wished to sell to a specific segment of the general service-oriented market, specifically, small-sized tenants engaged in highly-skilled, professional service type businesses. As an example, a "typical" tenant might be an advertising agency, law firm,

stockbroker, manufacturer's rep's, consulting firms, etc. of from 1 to 10 associates. Consequently, the client's search for a site in providing space for this professional service-type sub-market was of the paramount importance.

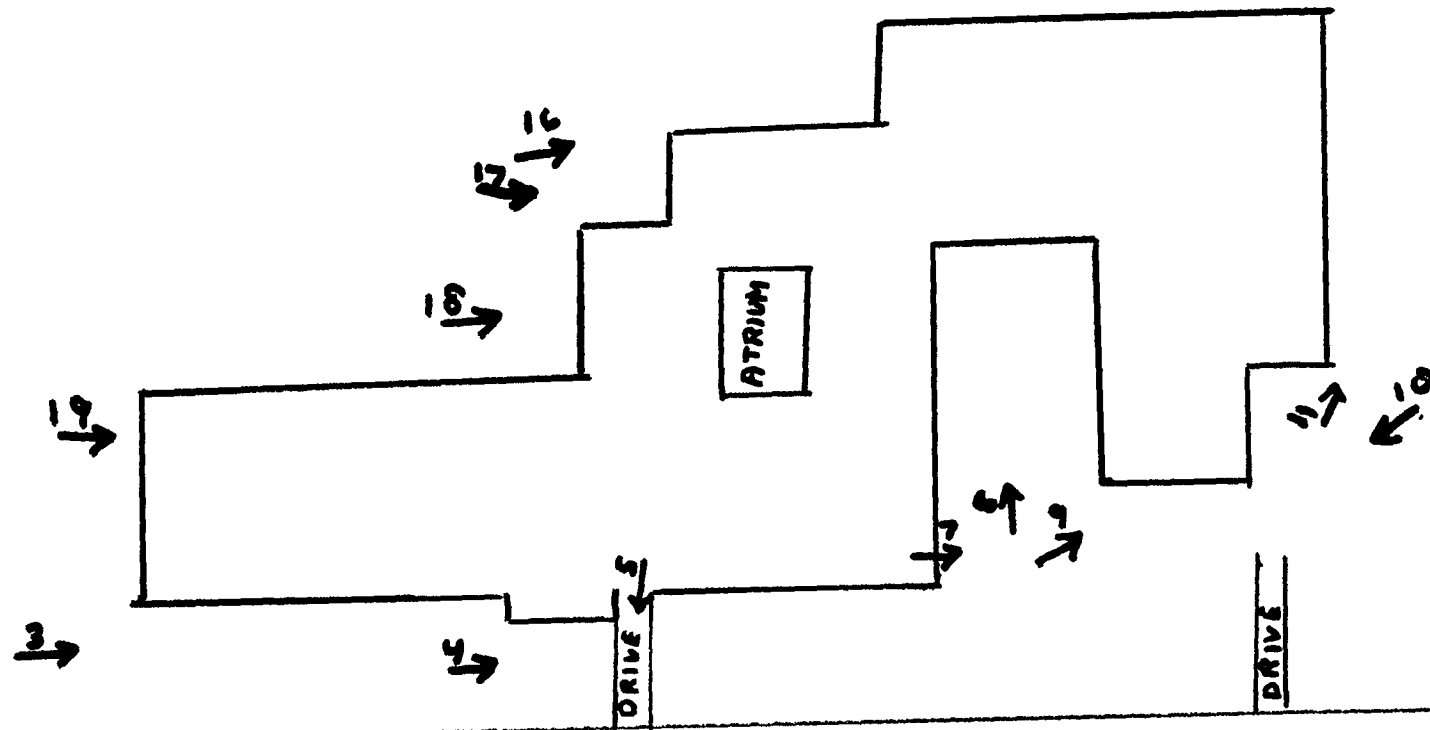
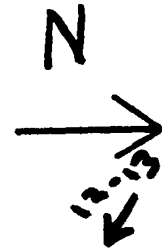
This particular market segment, to whom the adage "time is money" is of utmost importance, predominantly lives in the northern suburbs of the Chicago metropolitan area. Thus, location of an office building appealing to this market segment's needs could logically be near their residences or in Chicago's financial district in the Loop, about 15-20 miles away. However, recognizing the fact that (1) the majority of potential tenants often come from the immediate community; (2) minimization of transportation time is of utmost concern to this market segment, especially quick access to airport facilities; and (3) preliminary market analysis indicated that many potential tenants, very affluent, demanded office space for only part time or occasional work (e.g. a retired lawyer or CPA), situated within an affluent community where existing business and social contacts were of significant value, a site was chosen in a suburban area, characterized by one of the highest per-capita incomes in the United States. The excellence of this all-important location factor for this particular market segment can be further seen since the site is at a visually strategic position directly adjacent to ^amajor expressway/interstate, the Edens Expressway, serving the affluent northern suburban Chicago area. Thus, with access to this expressway being 1/2 mile away along a frontage road, tenants would enjoy a travel-time to their homes within a matter of minutes, travel-time to the Loop of about 30 minutes, and about 30-~~35~~ minutes travel-time to O'Hare Airport, assuming reasonable traffic conditions. Future trends for the area as a locus of high-income professional workers suggest an enhancement to the value

of ^{the} strategic location of this site, even though competition from similiar professional-oriented buildings will increase.

The subject building was designed to appeal to this professional service-firm market. As the slides will show that follow, a tasteful, restrained, yet modern structure was applicable. An expensive aura had to be created; yet, owing to the high land costs of the area, the cost constraint on the improvements was severe in order to realize an adequate cashflow. Hence, the architecture had to provide a structure which looked more expensive than it actually was, yet with minimal long-term maintenance costs. The comments accompanying the following pictures will indicate, among other things, many of these product attributes appealing to the indicated target market:

Approximate Shape of Building

←3 indicates the spot + direction from which exterior slide pictures were taken. The number refers to the slide number (see report)



FRONTAGE ROAD

Slide No.

Analysis and Comment

1. From the front of the building the view is toward the south looking toward the city of Chicago, 15 miles away. The frontage road at the near left leads 1/2 mile south to the access point of the important Edens Expressway, seen at the far left. An ideal location for the subject property. The building has an immediate visual impact on cars travelling towards Chicago; this factor (of image awareness to the weary commuter travelling to Chicago's CBD) is an implicit marketing advantage and should not be taken lightly.
2. The approach northwards to the building. Minimal sign size and good landscaping help the project stand out from rather dreary surroundings.
3. Upon closer approach in this northerly direction (an approach most tenants and visitors undertake) the initial impact of contrasting textures and attention to landscaping is inviting.
4. The restrained main entrance to the building. The street number should be made more conspicuous. Also, the site planning, ~~which successfully~~ⁱⁿ isolating the main entrance (whose initial impact is of extreme importance) makes it more symbolic than functional. Access to this entrance from the only available parking stalls (located under and behind the building) is confusing, rather difficult, and dangerous. It appears that little use is actually made of this entrance by tenants/visitors who drive.

5. This view, showing entrance to the parking areas under the buildings, indicates the non-functional planning for the front entrance. It is seen that access to the main entrance (part of the main entrance lobby is at the far right of this photo) requires the pedestrian to walk up this entrance driveway competing for space with oncoming cars. No pedestrian path to the main entrance is thus provided. However, there are access stairs under the building in the parking area (as later slides will show). However, some of these are farther away than the main entrance for many points and are all initially confusing to the newcomer, as no directional cues are present.
6. A view looking out of main ^{parking} entrance, showing lack of pedestrian walk. Good use of low-maintenance landscaping.
7. View towards secondary entrance at NE corner of building. Effective use of inexpensive, maintenance free wood railroad ties as a decorative, yet functional retaining wall. The parked delivery truck indicates a significant problem in the site planning: confusion as to how to reach building entrance points to the person unfamiliar with the office center. Related to this problem is the failure to provide specific areas for delivery, including parking, and lack of directional cues thereto.
8. A view into an interior parking area between building wings. The ~~strong~~ interplay of massive horizontal lines and numerous contrasting window mullions and ^{vertical} steel framing members ^{is} apparent.

9. A view of the secondary entrance. Again, confusion to the unfamiliar since no signs ^{are} available. Building directory inside this entrance only lists those tenants in these wings; one attempting to locate other tenants ——— with the same property address, but different wings ——— would not know where to go.
10. This view gives a good indication of the size of much of the rentable office space preferred by the tenant.
11. Note the spotlights at the building corner providing a sense of security for late-night office workers. Also, the fact of landlord control over such items of tenant use as curtains (uniform white color) is apparent.
12. This view of a rear elevation shows the considerable area
and available for parking. The different wall/window treatment for this
13. western-facing elevation appears to have functional significance as well as providing for architectural variety in this particular wing (built at a later date as part of phase IV). The reduction in relative glass area here and relatively more extensive use of face brick may have been designed for energy conservation and comfort reasons on this western-facing wall. Note that such tenant cars as a \$14,000 Citroën SM, \$9,000 Mercedes, Cadillacs, etc. give some indication of the type of market segment ^{to which} this office space complex appeals.
14. Various differences in exterior wall elevations here indicate the construction of this building in incremental phases.
15. The ceiling of the parking area under building should have at least received a paint covering to conceal the unsightly effects of

drywall taping and sealing. This visual eyesore is inconsistent with the image of the building and could have been remedied with a minimal cost. Evidence of fire sprinkling system and alarm bell is seen in this area.

16.
and
17.

Two views of southerly facing walls. Again note the relation between glass and brick area for these elevations facing the sun. Use of stained glass is effective in creating colorful effects in interior from sunlight.

18.

Note here an imaginative use of landscape architecture and an extension of the style of the interior atrium. However, difficulties may arise in time as tree size and landscaping maintenance problems increase in the future; perhaps shrubbery would have been better.

19.

This close view of an exterior wall indicates the interplay of grass, brick, wood, and glass textures. Note that the black horizontal panels seen between the windows are not metal. The architect was successful here in making inexpensive building materials (Masonite-type panels) appear like expensive anodized/painted steel or aluminum plates. Wood mullions seen here are visually effective, but present maintenance problems. The mullions, as seen here on the building which was part of phase I 1969 construction, need a protective coating (e.g. Creosote).

20.

A closer view of the main entrance, leading directly to an impressive, tasteful lobby. It appears as if credence has been given to the basic idea that initial impressions one receives at the main entrance of a building are significant.

- 21-25. Various scenes of this lobby. Note how the horizontal aluminum fascia is extended out from the interior to form a canopy over entering cars. Note the use of paintings and furnishings in an attempt to appeal to the tastes of the tenant.
26. The single elevator in the main lobby flanked by a rather flamboyant building directory. Note that mention is not made of tenants located in the other wings of the northern parts of this building, although of the same street address. Also, directions are completely lacking. The lobby, while attractive, fails to provide directional cues to the visitor and could confuse one unfamiliar with the building plan.
27. Views of one of the entrances in the parking area under the
and building. Perhaps the soothing effects of the flowing water is a
28. conciliatory attempt to placate the frustration of a visitor looking for a directory, signs, or directional information.
29. One of the interior stairways required for fire code regulations; pure function here.
30. One of the features offering a competitive edge for this office venture is the relatively wide hallways. Of course Muzak is available. Throughout this office building, subtle attempts have been made to make the work environment an extension of home comforts. For example, note the plush living room furniture at the space at the end of the hall, carpeting, stained wood trim, soft lighting, etc.
31. A small lobby/waiting room for a custom-designed office. Note the stained glass motif as a continuation of that seen on some exterior windows.

32. A typical sized office for the executive. The view outside is of the Edens Expressway and a forested open space area beyond.

33. Another view from a typical office. This view is upon an atrium in the building, with a continuation of the motif seen on the exterior canopy of slide #18. This type of office space is much in demand and commands a premium rental; an imaginative, yet inexpensive use of otherwise wasteful space ~~above the restaurant~~.

34. Vending machine room. Note the use of simulated wood-grained vending machines to maintain the "soft" wood textures throughout the buildings. This is an example of close attention to detail.

35. Another example of a feature providing a competitive edge
and
36. for the project: a sauna, which is heavily used.

Because of adverse lighting conditions, pictures taken of the restaurant/bar of this office building were not suitable for use. However, the amenities offered by this excellent competitive edge are thought to be one reason for this project's steady high occupancy. The restaurant/bar facility provides a dark, cozy, and masculine mood through extensive use of rough-textured materials and furnishings. Rough-hewn massive oak tables, extensive stone and brick work, leather chairs and booths, fireplace, etc. are all features designed to appeal to the market segment for which this building's office space was directed. Furthermore, in realization that the highly-paid professional/executive tenants would have high opportunity costs for their time, it was excellent strategy to provide this type of restaurant, since its appeal would probably be more conducive to the often highly-productive business luncheon than the traditional

cafeteria style restaurant. Of course, having such a facility available to the busy tenant saves him much valuable time since he has little reason to drive to competitive restaurants. Although this restaurant facility perhaps has been included, as a loss leader type of product, its value seems certain as it appeared that it also attracted customers from outside this office center. The restaurant/bar facility represents another feature providing a competitive edge for this development.

VOYAGER VILLAGE
BUSINESS 555
12/17/73
EDWARD OLSEN

A+

Script for
carousel V6b

(1)

When plans were first introduced publicly that N.E. Isaacson and associates were going to develop over 6,000 acres in north-western Wisconsin as a year-round recreational complex, a strong negative sentiment evolved. The coalition formed included present lake home dwellers, year round residents of Polk and Burnett Counties, and environmental groups. The latter group created a great deal of controversy, as an ad hoc organization called the Ernie Swift Memorial carried out numerous acts of sabotage against the development. Local papers reported disturbances weekly as this last bastion of environmental quality pursued its goal of destroying Isaacson's natural wooden signs.

Most of my acquaintances were irate at the thought of a development of this sort, with the strongest opposition coming from friends who owned lake homes on nearby North Sand Lake and made it sound as if their lake was on the verge of extinction. Now Voyager Village is accepted by the locals, and I feel that this acceptance stems from the fact that Voyager Village has established itself as a viable alternative to the relentless onslaught of the "urban mobile army" which starts maneuvers on Friday night and concludes all day Sunday, while settling down in between times their Winnebago's, Airstreams, boats, snowmobiles, and assorted paraphernalia into overcrowded, unplanned, unsanitary "camps" that blight nearly every lake and resemble something like migrant worker camps rather than vacation retreats.

In the pages and slides that follow, I will attempt to demonstrate how Voyager Village has achieved the great success it has; in less than three years of operation over 60% of the lots sold, a 15% buildout

rate, and in a normally lax selling period such as December, full page columns after columns of real estate transfers originating from Voyager Village.

The major reason for the success of Voyager Village is the driving force behind the development, N.E. Isaacson. Therefore, the paper will examine Isaacson as a developer, how he has carried out his objectives and concepts in Voyager Village, and will then focus on the final package that is offered and how this package is marketed to the public.

N.E. Isaacson of Reedsburg, Wisconsin is generally considered one of the premier lake developers in the country. What sets Isaacson above others is his sincere devotion to the concept of improving on nature. Isaacson began his current practice of keeping one step ahead of state regulatory agencies when he established minimum lot setbacks of 100 feet in 1960 at Upper Oconomowoc Lake.

Isaacson expects Voyager Village, his most ambitious undertaking to date, to become the standard bearer for the recreational development industry. A look at the land plan affords one insight into why Isaacson feels so strongly.

Voyager Village ^{utilizes} clustering in a very effective manner. Of the total 6,500 acres, 55% or 3,575 acres are designated open and are governed by a mandatory homeowners association. (See enclosure, Summary of Protective Covenants) Features owned and maintained by the Association include beach facilities, a lighted runway, golf course, ski hill, riding stable, etc. Aside from the obvious benefits derived from such facilities, they serve a purpose of providing for interaction between residents. A definite sense of community so essential

to a project of this nature, is apparent to even the casual passerby.

The land remaining for building is divided into 30 subdivision tracts which vary in size from 52 to 328 lots per tract. There is a total of 2,025 lots.

The inevitable result of the clustering is that the lots are relatively small. This does not present difficulties, if anything, one is struck by an uncrowded feeling. This is due to a number of factors: the land is very wooded (residents are prevented from cutting over 30% of the trees), there is a minimum required setback of 200 feet from the 8 lakes, all construction is required to be painted a natural stain which blends with the habitat, and of course the open areas which are left in a natural state.

Each subdivision has a central theme designed to fit the personality of the residents. As a consequence, the various amenities are utilized to their fullest. For example, the Spring Green subdivision (see enclosed map) is centered around the sixteenth and seventeenth holes of the championship golf course. The lots are wooded, the views are pleasing green fairways, etc. A word about the golf course. As an avid golfer I have played the young course many times, and each time I am more impressed. Designed by William Spears, nothing was sacrificed. Water holes were created and giant rolling greens, numerous bunkers and sandtraps combine to provide beautiful views and a challenging course, something that is permanent and will only improve over time.

The subdivisions and amenities, though quite spread out, are linked by miles of roads and trails. The automobile problem has been handled well as in many areas of the complex they are not in evidence, while the roads and directional signs that do exist are unassuming and

seperated both visually and physically from the rest of the project.

This will be further illustrated by the slides.

Voyager Village, then, is a well planned, sophisticated example of how recreational land can be developed. The package is much more easily marketed because it sells itself in many ways. The rest of my paper is based primarily on a discussion with sales manager Paul Johnson, and will attempt to show how good planning pays off in marketing the project.

Over 90% of the Voyager Village market will come from the Minneapolis-St. Paul metropolitan area, which is easily accessible by a little over 1½ hour drive. This easy access has changed since the projects conception, and Johnson expressed a real concern over the energy shortage which is bound to have a negative effect. The main thrust in promotion is to make people aware of the existence of Voyager Village. This is done through radio ads aired almost exclusively over the Twin City station WCCO radio, which is one of the most powerful stations in the Midwest. The ads are handled by the announcing team of Boone and Erickson, both veterans possessing a great deal of credibility. There are also spot TV ads and newspaper copy.

The Voyager Village staff feels very strongly that once awareness is achieved, the project will sell itself ~~when~~ people visit the project. The off-site sales office is located in Minneapolis and is engaged in obtaining names through such means as exhibitions at fairs, telephone books, etc. Once this is done, prospects are invited to dinner parties which include movies, slide shows, speakers, all of which are designed to instill curiosity and will hopefully lead up to the desired visit which is achieved through a free one day membership pass allowing

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prospects to drive up, use the facilities, and "be a part of Voyager Village." Upon arrival, the prospect is confronted by one of about 20 salesmen. They then get a feel of price and are shown three lots. The salesmen are very low key and seem sincere in their belief in the Voyager Village concept. The stress is on creating a feel of belonging, the relaxed way of life at Voyager Village, and the impressive amenities that present an alternative to the usual fishing and swimming available at conventional lake property. It is sold as a year round second home which includes membership in a first class country ^{club} at an appreciably lower cost (\$4,000-12,000) than conventional lake property. Lake property is currently selling at a minimum of \$100 per front foot, hence a bare minimum 100 foot beach lot costs \$10,000. Coupled with the lower price is the added inducement that property values have increased 48.6%, and that marketability will be enhanced by the addition of a resale office upon achieving sell-out.

The complete, well planned offering has paid off. Johnson said that in his three year association with Voyager Village there has been ". . . no major source of irritation, maybe three people have voiced displeasure with the project. " He said the most common reaction has been an attitude such as, ". . . more beautiful than we expected."

Voyager Village seems like a natural for condominiums and plans call for opening one and two bedroom sites in the spring. The expected advantages offered will be capturing the market segment that wants to avoid maintenance, and perhaps more importantly as a sales tool. The condominiums will enable people to spend more than one day visiting, and Johnson was optimistic that the longer exposure time will be a definite sales plus.

Voyager Village will also begin relying more heavily on word of mouth selling through present owners.

In summary, Isaacson has achieved, through intelligent planning and execution, a complete amenity package that in a very short life has, for all practical purposes, made it. It is a great testimonial to the developer that a project of this size can be carved out of veritable wilderness with a minimal amount of environmental disturbance. More developments of this nature are needed in the future not only to provide for the necessary orderly control over the growing second home market, but to dispel the general negative public opinion toward recreational developers and their products.

Description of Slides

Refer to enclosed site map for locations of the following facilities.

- 1.) Apparently all anti-Voyager Village sentiment has not subsided, as evidenced by this defaced billboard 30 miles south of the project. "Minnesotans go home" and "Swampies"(slang for tourists) are the messages scrawled on sign.
- 2.) Same as #1.
- 3.) Directional signs leading to project. They serve the purpose while avoiding being obtrusive.
- 4.) Sign designed by the architect that designed the clubhouse. He now is on Isaacson's staff.
- 5.) Sign pointing the way to Voyager Village, located just off Highway 35, about 15 miles from the project.
- 6.) Another directional sign.
- 7.) Example of signs used to identify subdivisions.
- 8.) Sign identifying riding stable.
- 9.) Riding stable, which is located on Highway A, some miles from the center of the development.
- 10.) Same as #9.
- 11.) Sign identifying ski hill and chalet. By most standards, the hill is not very challenging.
- 12.) Ski chalet.
- 13.) Rope tow leading up the hill.
- 14.) Ski chalet.
- 15.) Sign designating the camper storage area. Owners are not allowed to park campers on their property when they are absent. This area is secluded from view.
- 16.) Camper storage area.
- 17.) Same as #16.
- 18.) The sales office, a 2500 square foot renovated summer home located on Birch Island Lake. It is very rustic and provides a relaxed, easy going atmosphere for prospects. Future plans call for possible conversion to a restaurant and nightclub, which would be ideal because of the lake view and patio in front.
- 19.) Sales office.

- 20.) Entry path leading to the sales office is made of railroad ties. The path winds along a wooded trail near a small pond.
- 21.) Parking area near sales office which is protected from view by pine trees.
- 22.) Sales office from the shore of Birch Island Lake.
- 23.) Same as #22.
- 24.) Same as #23.
- 25.) Interior view of sales office entry area. Note Boone and Erickson poster on wall.
- 26.) Fireplace in sales office.
- 27.) Another fireplace in sales office provides a relaxed waiting area for prospects. The right side of this room is all glass and overlooks Birch Island Lake.
- 28.) Same as #27.
- 29.) Same as #28.
- 30.) View of clubhouse as you enter the main recreational area. The clubhouse houses the dining room, bar, Olympic indoor pool, showers, saunas, and auditorium. Parking is separate from recreation area.
- 31.) Fireplace inside dining room.
- 32.) View of clubhouse from one of the main roads. Golf course borders on the right.
- 33.) The bar with the window in the background overlooking the pool. The bar doesn't take advantage of the view of the pool.
- 34.) A north-side view of the clubhouse. This part of the facility houses the pool. The north exposure provides less than ideal conditions for sunning.
- 35.) Example of typical home. The homes are generally modest. Note how the natural stain blends with the woods.
- 36.) Another home.
- 37.) Another home.
- 38.) Sign advertising Four Seasons Modular Homes which is a newly acquired subsidiary of N.E. Isaacson's. (See enclosed brochure.)
- 39.) One of the Four Seasons model homes.

40,41,&42 are miscellaneous homes.

43.) One of the eight lakes in the project.

44.) Distant picture of the sales office taken from the elevated seventh tee.

45.) One of the many beach facilities.

46.) Practice green with pro shop at left. This is a view the clubhouse overlooks.

47.) Future site of condominiums. Lake is over the hill in the background. (See map for vicinity)

48.) Tennis courts and shuffleboard near the clubhouse.

49.) Plane parked near runway, which is now lighted.

Slide 1.

The Toronto Dominion Centre was jointly conceived and carried out by Toronto Dominion Bank and Cemp Investments Ltd. It is located in the heart of Toronto's financial district. The centre is an imaginative composition of great structures and open space designed to revitalize downtown Toronto.

Slide 2.

On ground level there are three structures. One is a single story Banking Pavilion which is Toronto Dominion Bank's main branch. However, the most impressive part of the centre is its two massive towers. The tower to the left is the Toronto Dominion Bank Tower. It is presently the tallest structure in the British Commonwealth at 56 stories (740 ft.) high. The building was completed in 1967, with 8,500 people working in the tower daily. There is a total of 1,311,000 sq. ft. of leasable space and 6.7 acres of tinted glass was used in this structure.

The tower to the right is the Royal Trust Tower which was completed in 1969. It is 600 feet tall (46 stories). There is 917,700 sq. ft. of leasable space and 6,500 people are employed there. Glass takes up 4.7 acres of the building's surface.

Slides 3 and 4.

This is inside the banking pavilion. The structure is 150 feet square. It has 22,500 sq. ft. of column-free space, which makes it one of the largest column-free areas in Canada.

Slide 5.

The banking pavilion is connected by the hallway shown here. Note again the extensive use of glass and the massive support columns.

Slide 6.

A large quantity of marble was used throughout the centre entrance. The first level of each of the two towers shown in this slide is no exception. Note the receptionist in the foreground. Many of these information hostesses and uniformed security police roam the complex to insure harmony.

Slide 7.

The Dominion Tower is serviced by a bank of 24 high-speed elevators; the Trust Tower has 20. The elevators are in the central core of the building as are all of the heat, electric and air conditioning facilities.

Slides 8 and 9.

The two towers house approximately 14,000 office workers. The offices are all very modern and have a great view. Thus office space in either of the towers is a status symbol.

Slides 10, 11 and 12.

On the top of the Dominion Tower is an extensive observation deck covering an entire floor. The view is fantastic! On a clear day you can see Niagara Falls, which is over 100 miles away. This view attracts scores of people daily. There is a 50¢ admission charge per person for the observation deck which includes a souvenir gift shop.

Slide 13.

Below the observation gallery is the Fifty-Fourth, a very elegant dining room. The complex includes eight restaurants ranging from the sophistication of the Fifty-Fourth to the Café a Go-Go in the shopping mall, which provides quickie snacks and ice-cream cones for the shoppers.

Slides 14, 15 and 16.

Beneath the towers is a shopping mall consisting of 56 shops from leading women's shops to bakeries. The majority of the shops, however, sell convenience products that are bought by the towers 14,000 employees who are almost a captive market. The mall utilized indirect lighting, terrazo floors and marble and glass walls. All the shops have uniform store-fronts and signs.

There is also a modern 700 seat cinema in the mall.

Slides 17 and 18.

There is easy access to the shopping concourse from escalators within the towers and a stairway from outside. These small signs are the only signs advertising the shopping mall, but in spite of this the mall is doing a very good business.

In addition to the 14,000 working in the centre, approximately 70,000 people visit the centre daily. Ample underground parking is available for both customers and employees of the tower.

Slide 19.

The concept of the centre was recommended by the late Mies: van der Rohe. The architectural team included John B. Parkin Associates and Peregman and Hamann.

Construction is currently underway on the Dominion Centre's third tower, scheduled for completion in early 1974. The tower will be 32 stories and already has space rented by two major tenants.

The open-air plaza will also be expanded to 4 1/2 acres with the building of the new tower. This open area is acclaimed for its lawn, flowers and regular summer concerts.

The Dominion Centre is truly a 'super block'. Besides providing Toronto with a large amount of office space and a shopping mall, it is an excellent tourist attraction and a city landmark.