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An appraisal of Voyageur Hills Inn, 200 Viking Drive, Reedsburg, Wisconsin. September 13, 1982

Landmark Research, Inc.

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AN APPRAISAL OF
VOYAGEUR HILLS INN
200 VIKING DRIVE
REEDSBURG, WISCONSIN

Landmark
Research
Inc.

AN APPRAISAL OF

VOYAGEUR HILLS INN
200 VIKING DRIVE
REEDSBURG, WISCONSIN

AS OF

SEPTEMBER 13, 1982

PREPARED BY

LANDMARK RESEARCH, INC.

Landmark
Research
Inc.

October 26, 1982

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

Mr. William A. Chatterton, Esquire
Ross and Chatterton Law Offices
324 South Hamilton Street
Madison, Wisconsin 53703

Dear Mr. Chatterton:

With this letter is the appraisal of the Voyageur Hills Inn, located at 200 Viking Drive in Reedsburg, Wisconsin, requested as a measure of fair market value as of September 13, 1982, for use in the development of a reorganization plan in Bankruptcy No. MM11-81-1881, United States Bankruptcy Court, Western District of Wisconsin.

My associates, Jean B. Davis and Martha G. Heisel and I have inspected the subject property on two occasions. Accounting statements and other operating data were supplied by Marvin B. Hills, and by his accountant, Jim Horman of the firm Fishkin, Dippel, and McNevin in Baraboo, Wisconsin. Herman Cross, Messner Inc., of Madison, who designed and supplied the Voyageur Hills Inn kitchen, was also consulted. Existing encumbrances were catalogued by your office.

An analysis of alternative uses of the subject property concluded that the most probable use not contingent on public policy decisions is to continue as a motel under a drastically reorganized pricing, marketing and restaurant operation formula. Projections of revenue and expenses are based upon the management plans that would be implemented by a well-advised buyer. It is assumed that the 1982 property assessment of \$2,549,300 would be challenged for 1983 and a reduction would be achieved.

Although the subject property is presently encumbered by a variety of mortgages and liens, this appraisal assumes the sale of the fee simple title of the subject property as though unencumbered. The value conclusion also assumes a sale of the complex will include all furniture, fixtures and equipment presently in place.

As further explained within this report, the main reliance for our estimate of fair market value is placed upon the income approach with supporting evidence from the market comparison approach and from the cost approach.

Mr. William A. Chatterton
Page Two
October 26, 1982

Based upon the assumptions and limiting conditions as presented in the attached report, it is the opinion of the appraiser that the highest most probable price in dollars and fair market value of the subject property, more precisely described herein, which might be obtained as of September 13, 1982, is the amount of:

ONE MILLION FORTY THOUSAND DOLLARS
(\$1,040,000)

assuming cash to the seller with a 20 year term mortgage having a debt cover ratio of 1.4 in the second year and a market interest rate of 14 percent with an additional return to the lender of 15 percent of the cash throw-off and 25 percent of the reversion above a base amount of \$400,000.

In response to an inquiry from you whether there would be any difference between fair market value and liquidating value, the answer must be affirmative. Liquidation would assume Voyageur Hills Inn was not sold as a going concern. Presumably the furnishings would be auctioned or reclaimed by creditors and the project would be sold under distress conditions to some group intending to rehabilitate land and structure as an elderly center, a parochial school, or rehabilitated budget motel. Results of such an auction are contrary to the assumptions of fair market value which presumes neither buyer nor seller is under duress, that the alternative uses are known to each and financing is readily available, secured by the real estate rather than by personal credit. Remove these supporting assumptions for fair market value and the liquidation price must be significantly lower. Discussion of alternative uses suggested that a base value for use as an elderly center might be between \$860,000 and \$900,000 and a hypothetical parochial school could afford \$550,000. Distress sales of identical Holiday Inns in West Bend and in Rhinelander brought \$975,000 each in the Kassuba bankruptcy.

Sensitivity studies with VALTEST indicate a purchase price for the subject of \$875,000 for rehabilitation as a budget motel would yield a minimally acceptable modified internal rate of return before tax of 22 percent. (See Appendix D.) However, the price of \$875,000 would have to include refurbishing costs of approximately \$100,000 if original furnishings had been sold at

Mr. William A. Chatterton
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October 26, 1982

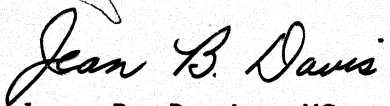
auction. These parameters suggest liquidation proceeds might be in the range of \$750,000 to \$775,000. Given these economic times it is difficult to anticipate total proceeds from an auction of furnishings, fixtures, equipment, land, and buildings, but initial parameters suggest total proceeds between \$775,000 and \$850,000 before deduction for delinquent real estate taxes.

We are pleased to have been of service and my associates Ms. Davis and Mrs. Heisel and I remain available to answer any specific questions you may have regarding this report. Please give us adequate notice to date, time and location of any hearings or court appearances related thereto.

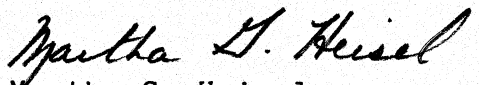
FOR LANDMARK RESEARCH, INC.



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



Jean B. Davis, MS



Martha G. Heisel

THE VOYAGEUR HILLS INN
200 Viking Drive
Reedsburg, Wisconsin



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I. APPRAISAL PROBLEM ASSIGNMENT

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

A. Statement of the Issue

This appraisal is requested as a measure of fair market value of the property known as the Voyager Hills Inn, located at 200 Viking Drive in the City of Reedsburg, Sauk County, Wisconsin. This appraisal is to be used by Marvin B. Hills and Carol Mae Hills in order to develop a plan of reorganization to be used in Bankruptcy No. MM11-81-1881, United States Bankruptcy Court, Western District of Wisconsin.

B. Date of Appraisal

This appraisal is made as of September 13, 1982, which is the date of the completion of the inspection of the subject property.

C. Legal Interest to be Appraised

1. Property Identification

The subject of this appraisal is the property known as the Voyager Hills Inn in Reedsburg, Wisconsin. It is identified as 200 Viking Drive and is more specifically

identified as tax parcel numbers 1204-112-10-6 and 1204-112-10-7. See Exhibit 1 for a map of Sauk County which shows the location of Reedsburg and the subject property within the county. Exhibit 2 shows the location of the subject property within the City of Reedsburg.

The 1981 assessments on the tax parcels comprising the subject property were as follows:

1981 Assessments

	Parcel No. <u>1204-112-10-6</u>	Parcel No. <u>1204-112-10-7</u>	Both Parcels
Land	\$ 43,100	\$22,600	\$ 65,700
Improvements	<u>1,259,400</u>	<u>--</u>	<u>1,259,400</u>
Total	\$1,302,500	\$22,600	\$1,325,100

Since the City of Reedsburg Assessor was assessing at 63 percent of market value in 1981, the 1981 indicated market values for these tax parcels would be:

1981 Indicated Market Values
(Based on Assessment at 63% of Market Value)

	Parcel No. <u>1204-112-10-6</u>	Parcel No. <u>1204-112-10-7</u>	Both Parcels
Land	\$ 68,410	\$35,870	\$ 104,280
Improvements	<u>1,999,050</u>	<u>--</u>	<u>1,999,050</u>
Total	\$2,067,460	\$35,870	\$2,103,330

The Wisconsin Department of Revenue - Property Tax Division determined that the 1981 equalized value ratio for all real estate in the City of Reedsburg was 62.16 percent and that the overall 1981 equalized value ratio was 62.19 percent.

SAUK COUNTY MAP

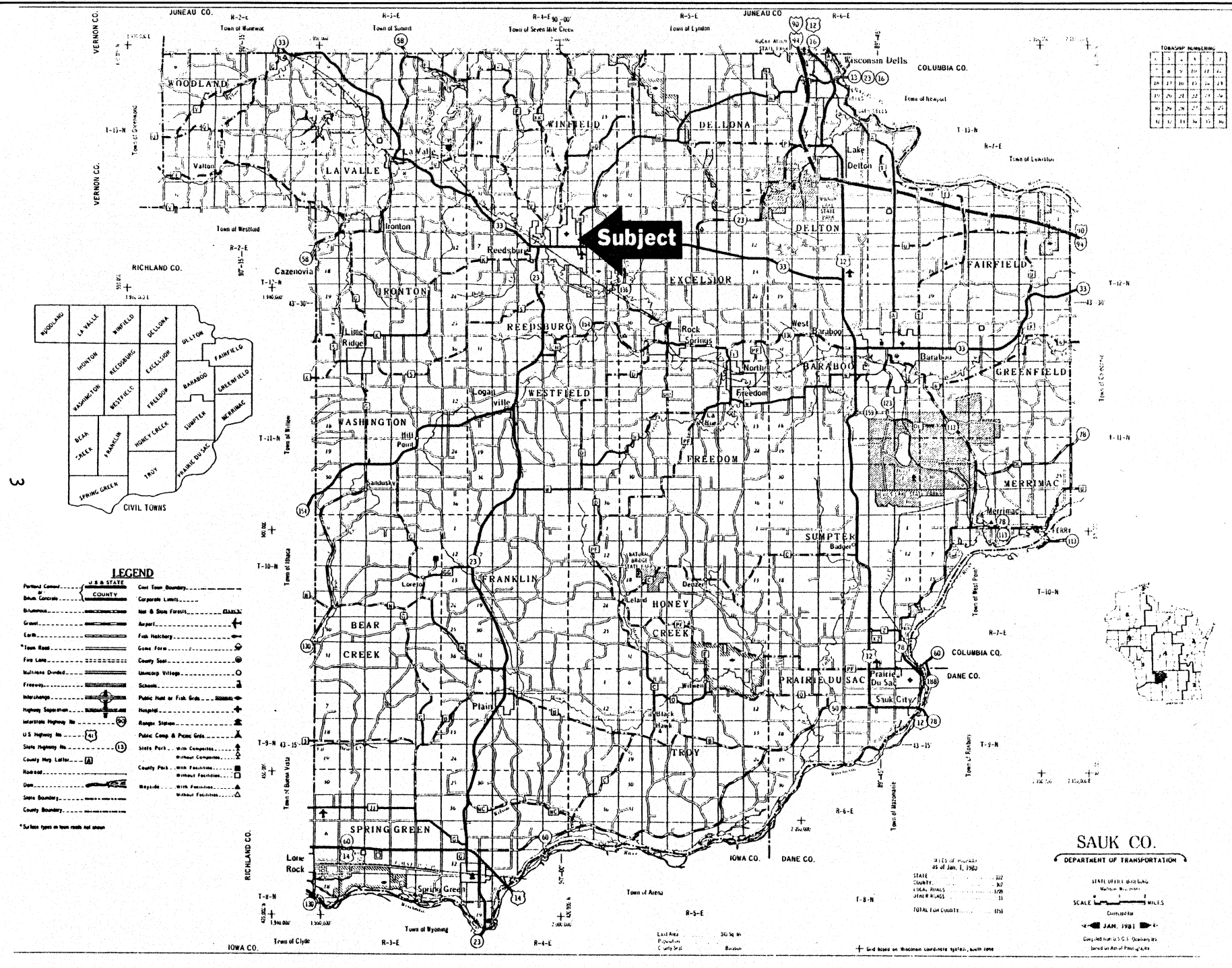


EXHIBIT 2

LOCATION OF SUBJECT PROPERTY

REEDSBURG WISCONSIN
53959

1980 Population 5,004

LEGEND

--- CITY LIMITS
//// PARKS

PUBLIC SCHOOLS

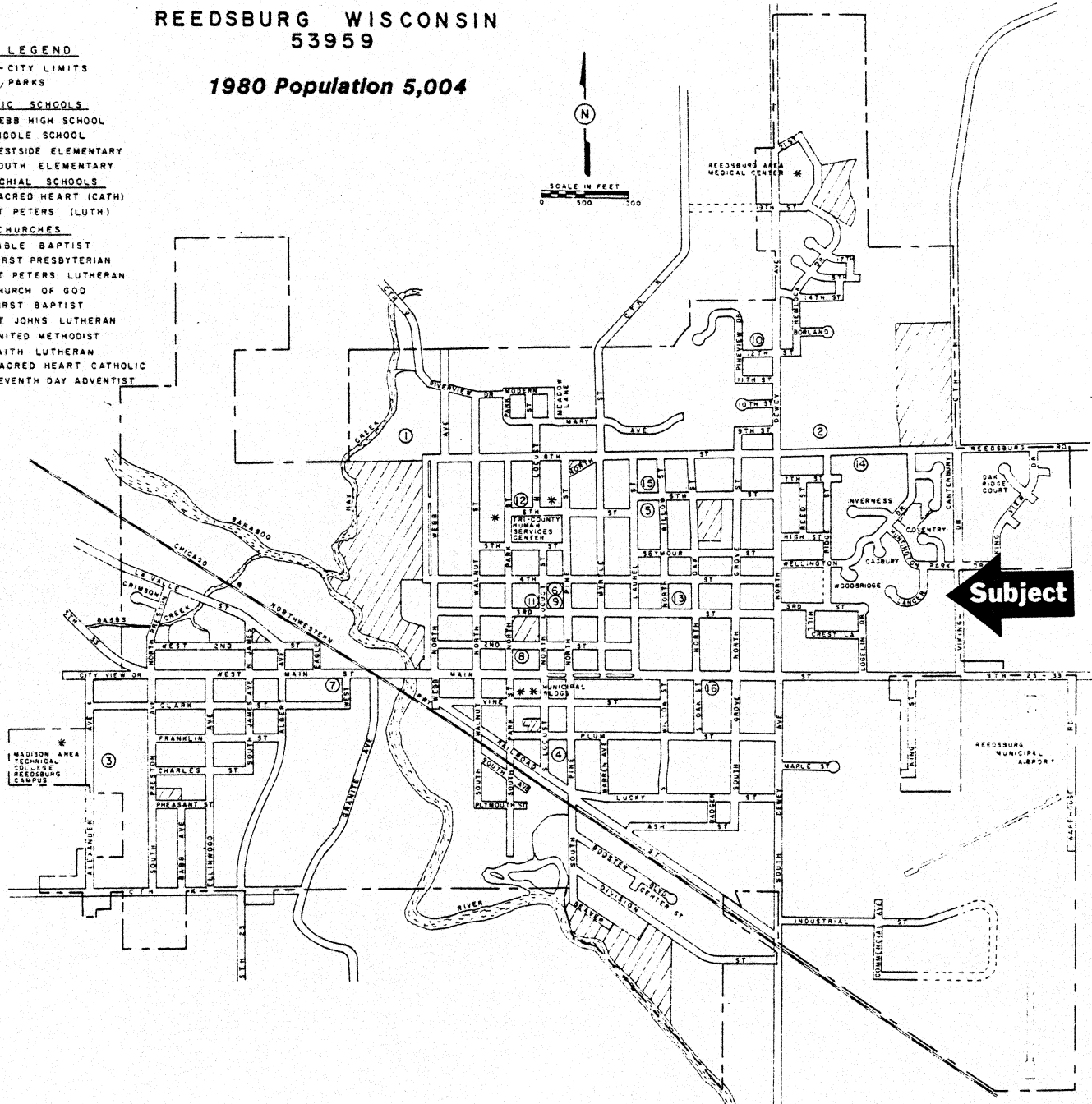
- ① WEBB HIGH SCHOOL
- ② MIDDLE SCHOOL
- ③ WESTSIDE ELEMENTARY
- ④ SOUTH ELEMENTARY

PAROCHIAL SCHOOLS

- ⑤ SACRED HEART (CATH)
- ⑥ ST PETERS (LUTH)

CHURCHES

- ⑦ BIBLE BAPTIST
- ⑧ FIRST PRESBYTERIAN
- ⑨ ST PETERS LUTHERAN
- ⑩ CHURCH OF GOD
- ⑪ FIRST BAPTIST
- ⑫ ST JOHNS LUTHERAN
- ⑬ UNITED METHODIST
- ⑭ FAITH LUTHERAN
- ⑮ SACRED HEART CATHOLIC
- ⑯ SEVENTH DAY ADVENTIST



The City of Reedsburg underwent a revaluation in 1982 by the J. M. Cleminshaw Company of Ohio and the 1982 level of assessment is intended to be at 100 percent of market value. The resulting assessments for the subject property are as follows:

1982 Assessments

	Parcel No. <u>1204-112-10-6</u>	Parcel No. <u>1204-112-10-7</u>	Both Parcels
Land	\$ 144,500	\$71,800	\$ 216,300
Improvements	<u>2,324,800</u>	<u>8,200</u>	<u>2,333,000</u>
Total	\$2,469,300	\$80,000	\$2,549,300

The 1982 assessment total for the subject property, at 100 percent of market value, represents an increase of approximately 21 percent over the 1981 indicated market value total.

2. Legal Description

The legal description for the subject property as found in the Mortgage between Marvin B. Hills and Carol Mae Hills, Mortgagor, and Farmers & Merchants Bank, Mortgagee, which was recorded on January 31, 1980, in Reel 149, Image 793, and following in the Register's Office for Sauk County, Wisconsin, is as follows:

Parcel #1

Certified Survey No. 115 as recorded in the office of the Register of Deed for Sauk County, Wisconsin, in Volume 1 of Certified Surveys, Page 115 (Being located in the SE 1/4 NW 1/4 Section 11-12-4, City of Reedsburg, Sauk County, Wisconsin.)

Parcel #2

A parcel of land located in the Southeast Quarter of the Northwest Quarter (SE 1/4 NW 1/4) of Section 11, T12N, R4E, City of Reedsburg, Sauk County, Wisconsin, bounded by the following described line:

Commencing at the North one-quarter corner of Section 11, T12N, R4E; thence S 00 degrees 25'26"W, 1320.17 feet along the East line of the Northeast Quarter of the Northwest Quarter (NE 1/4 NW 1/4) to the Southeast corner thereof; thence S 89 degrees 21'12"W, 45.00 feet along the North line of the Southeast Quarter of the Northwest Quarter (SE 1/4 NW 1/4) to a point in the West right-of-way line of County Highway "H" said point being the point of beginning of this description;

Thence continue S 89 degrees 21'12"W, 300.05 feet along said North line; thence S 00 degrees 25'26"W, 230.85 feet along the East line of Certified Survey 272; thence S 89 degrees 34'34"E, 300.00 feet along the North line of Certified Survey 115 to a point in the West right-of-way line of County Highway "H"; thence N 00 degrees 25'26"E, 236.55 feet along said right-of-way to the point of beginning.

Exhibit 3 contains a site plan of the subject property to provide a visual image of the physical layout.

3. Qualification of Legal Interests

Although the subject property is presently encumbered by a variety of mortgages and liens, this appraisal assumes the sale of the fee simple title of the subject property as though unencumbered (since sale would assume cash at auction or the restructuring of debt as part of the reorganization plan).

EXHIBIT 3

SITE PLAN OF THE VOYAGEUR HILLS INN

The site plan indicates that there is a 20 foot wide underground utility easement on the westerly portion of the property as well as a 55 foot powerline easement at the northern end of the property.

According to the Sauk County Treasurer, as of September 30, 1982, both the 1980 and 1981 real estate taxes on the two parcels comprising the subject property were delinquent. The amount of the taxes due for each of these years is as follows:

<u>Real Estate</u> <u>Taxes for Year</u>	<u>Parcel No.</u> <u>1204-112-10-6</u>	<u>Parcel No.</u> <u>1204-112-10-7</u>	<u>Both</u> <u>Parcels</u>
1980	\$27,937.26	\$691.93	\$28,629.19
1981	41,859.83	726.32	42,586.15

It should be noted that the above amounts do not include any interest charges related to the tax delinquency.

4. Qualification of Property
to be Appraised

After an analysis of alternative courses of action, it was determined that the sale of the subject property as a going motel operation is the most likely disposition of the property. Since the furniture, fixtures, and equipment presently in use at the Voyageur Hills Inn complex will bring little of their use value if sold separately at auction and their value is subordinated to the first mortgage lenders initially or with an after acquired property clause, it is assumed that the complex will be

sold including all furniture, fixtures, and equipment presently in place. No inventory of these items was taken or provided so their contribution to value is recognized by appropriate allowances rather than item specific values. (See Appendix D.) Moreover, it is assumed that the name Voyageur Hills Inn will also remain with the property for its unknown goodwill value. Thus, title to the used furniture, fixtures, and equipment as well as the name and logo are assumed to be included in the legal right transferred, together with continued membership in the Best Western Inns reservation network.

D. Selection of Fair Market Value
Appraisal Methodology

1. Value Definition

The fundamental purpose of an appraisal assignment is to estimate value. The value required for bankruptcy and reorganization is Market Value, defined as:

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

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated.
2. both parties are well informed or well advised, and each acting in what they consider their own best interest.
3. a reasonable time is allowed for exposure in the open market.
4. payment is made in cash or its equivalent.
5. financing, if any, is on terms generally available in the community at the specified date and typical for property type in its locale.
6. the price represents a normal consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs, or credits incurred in the transaction.(1)

Fair Market Value, as defined, assumes a market in which the bargaining position of buyers and sellers is well balanced in terms of their perceived alternative choices, understanding of the property, and their ability to make logical decisions in their self-interest. It also assumes the seller will be compensated in cash and that financing, if any, will be supplied by an independent third party institutional investor. Liquidating Value will in most cases represent some discount from fair market value to recognize that the seller's alternatives are far more limited or non-existent. The buyer will still pay in cash using conventional third party financing but will expect some premium rate of return to justify the risk of taking

(1) Byrl N. Boyce, Real Estate Appraisal Terminology, Revised Edition, AIREA, SREA, Ballinger, Cambridge, Mass., 1981, pp. 160-161.

over a project with some history of failure or market rejection. This appraisal report will solve for fair market value as the highest most probable price which will yield a minimally acceptable return as a primary objective. Then, sensitivity analysis will be applied to determine a lower purchase price which would be necessary to create a premium yield for the aggressive buyer of a distressed property.

2. Organization of this Appraisal

This appraisal report will first analyze the subject property under its current use as a motel, restaurant, banquet and convention facility, and health club to determine that purchase price which would be justified using the income approach. This report will also analyze the subject as a property in transition from its present use to some as yet to be determined reuse to see if an alternative application would justify a higher market value. Therefore, in order to identify the most probable scenario for reuse of the property, the property is first defined in terms of its physical, legal, linkage, dynamic and environmental attributes, given the opportunities and limitations these offer for both its present use as well as for reuse. This reuse concept will suggest the most probable buyer type for the property which in turn will

permit the appraiser to infer purchase price parameters through simulation of buyer economics for acquisition of similar properties.

II. PHYSICAL DESCRIPTION

The first step in the identification of the most probable use of a property is to inventory its attributes and analyze those that appear significant. These attributes include site attributes, improvement or building attributes, legal constraints, dynamic attributes, and linkages.

A. Site Analysis

1. Physical Attributes

The subject site, located at 200 Viking Drive, is rectangular in shape. It has approximately 687 feet of frontage along Viking Drive, also known as County Trunk Highway "H." The property has a depth of approximately 300 feet. The total lot area is about 206,000 square feet.

The Soil Survey of Sauk County, Wisconsin, published by the United States Department of Agriculture, Soil Conservation Service, shows the soil type as primarily Boone sand, 2 to 6 percent slopes (BoB). It is described as being a gently sloping, excessively drained soil on convex ridgetops and foot slopes on sandstone uplands and benches. Its suitability for site development is summarized as follows:

The soil is poorly suited to septic tank absorption fields because of the depth to bedrock. The suitability can be improved by building a filtering mound of suitable material. The soil is suited to

dwellings without basements, to small commercial buildings, and to local roads and streets. It is moderately suited to dwellings with basements because of the depth to bedrock. This limitation can be overcome by adding fill to the site to increase the thickness of this soil.(2)

The southeast corner of the subject property appears to have a small amount of Elewa sandy loam soil, 2 to 6 percent slopes (ElB). It is also gently sloping, somewhat excessively drained and is located on broad, convex ridgetops, side slopes, and valley floors on sandstone uplands. Its suitability for site development closely parallels Boone sand, 2 to 6 percent slopes, with the exception that Elewa sandy loam, 2 to 6 percent slopes,

...is only moderately suited to local roads and streets because of potential frost action and because it lacks sufficient strength to adequately support vehicular traffic. These limitations can be overcome by replacing this soil with suitable base material.(3)

2. Legal-Political Constraints

The zoning governing the use of this site is City of Reedsburg B2-Business, General. The purposes of the B2 zoning district are stated in Zoning Controls Schedule 2, as follows:

(2) The Soil Survey of Sauk County, Wisconsin, United States Department of Agriculture, Soil Conservation Service, March 1980, p. 29.

(3) Ibid., p. 37.

To provide for commercial activities only.

To delineate areas appropriate for commercial uses which are either oriented to the highway user or intended to service vehicles.

To locate this zone in areas without a severe soil limitation for urban development with public sewers.

Zoning Controls Schedule 2 from the Reedsburg zoning ordinance, which shows the uses and regulations for district B2, is reproduced here as Exhibit 4. This details principal permitted uses, accessory uses, and conditional uses and sets the requirements for minimum yard dimensions and maximum building height.

3. Linkages

Linkage attributes are the relationships of the site to its immediate environs, activity centers, and the general City of Reedsburg and surrounding area. Photographs of land uses near the subject property can be found in Exhibit 5.

The subject property fronts on Viking Drive, also known as County Trunk Highway (CTH) "H". (See Exhibit 1 for map of area.) At the Voyager Hills Inn, CTH "H" runs north-south and intersects with State Highways 23 and 33 south of the subject property. From the subject property CTH "H" runs north and east to Wisconsin Dells, about 15 miles away. Vehicle ingress and egress to the Voyager

REEDSBURG ZONING CONTROLS
SCHEDULE 2

Sandwichable Reedsburg, Inc.

EXHIBIT 4

17

DISTRICT	B1	B2
PURPOSE	To provide for commercial activities only. To delineate areas appropriate for commercial uses which are oriented toward the Central Business District.	To provide for commercial activities only To delineate areas appropriate for commercial uses which are either oriented to the highway user or intended to service vehicles. To locate this zone in areas without a severe soil limitation for urban development with public sewers.
PRINCIPAL PERMITTED USES	Antique store Appliance store Art shop Bar or cocktail lounge Bakery with less than 10 employees Barber shop Beauty shop Book and stationery store Car showroom or rental establishment Cigar store Club or lodge Department store Dress shop Drug store Dry goods and variety store Eating and drinking place Financial institution Florist Food Store Furniture store Gift shop Hardware store Hobby shop Hotel or motel Indoor amusement such as theater, bowling alley, pool hall Jewelry store Laundry or dry-cleaning reception and delivery depot Library Locksmith Museum Music store Newspaper office and press room Newsstand Night club Office: business, professional, government, utility, travel agent, office equipment store Package liquor store Paint and wallpaper store Pawn shop Photographic equipment and supply store Professional, business or technical school, and school or studio for art, music, dancing or photography Radio or television repair shop Radio or television studio Shoe repair shop Shoe sales Soda fountain and candy store Specialty shop Sporting or athletic goods Tailor and dressmaker Taxi stand Wearing apparel store	Same as B1 Automobile sales and service establishment Boat sales or rental establishment Bus depot Caterers Car wash Electrical supply store Food locker Funeral home Greenhouse Laundry, automatic Public garage Outdoor amusement such as miniature golf course, theater Trailer sales or rental establishment Vegetable and fruit market

DISTRICT	B1	B2
ACCESSORY USES	Dwellings over other permitted use Essential services Parking garage or parking area	Same as B1 Section 17.04 (2) (Public and Semi- Public Uses) and Section 17.04 (6) (Planned Development).
CONDITIONAL USES	Automobile sales and service establishment Boat sales establishment Bus terminal Car wash Caterers Dry-cleaning plan with less than 10 employees Electrical supply store Laundry Newspaper office and plant with less than 10 employees Public garage Steam bath house Veterinary office and animal sales Warehouse Wholesale establishment	Manufacturing and processing in enclosed buildings of: Dental products Dress and garments Jewelry Laboratory works Monuments Musical instruments Office products Photographic printing, lithographing, typesetting, ruling and binding Toys and novelties Place of worship Section 4.2 (Public and Semi-Public Uses) and Section 4.6 (Planned Development Groups)
MINIMUM YARD DIMENSIONS		
a) Principal Building	Street: None Side: None Rear: None	Street: 25 ft. Side: 10 ft. where adjacent to an R-Zone Rear: 25 ft. where adjacent to an R-Zone only, which may include alley width
b) Accessory Building	Street: None Side and Rear: None	Street: 25 ft Side and Rear: 10 ft. where adjacent to an R-Zone.

EXHIBIT 4 (Continued)

DISTRICT	B1	B2
MAXIMUM BUILDING HEIGHT a) Principal Building	45 ft. where adjacent to an R-Zone; otherwise 60 ft.	45 ft.
b) Accessory Building	2 stories but not over 15 ft. where adjacent to an R-Zone.	2 stories but not over 25 ft.

EXHIBIT 5

LAND USES NEAR SUBJECT PROPERTY



Viking Bowl to the South of Subject Property
and Rear View of Viking Village Mall



Voyageur Hills Inn Parking Lot to the North of
Motel Wing and Adjacent Residential Area



Looking Northeast from Subject Property to
Cornfield Across County Trunk Highway "H" (Viking Drive)



Looking Southeast from Subject Property
to Stock Loading Chute and Corral Across
County Trunk Highway "H" (Viking Drive)

Hills Inn from CTH "H" does not pose any problems. State Highways (SH) 23 and 33 form Main Street in Reedsburg and intersect with CTH "H" on the eastern edge of the City of Reedsburg. From Reedsburg, SH 23 runs east and north to Lake Delton and Wisconsin Dells or south to Spring Green. SH 33 runs northwest to LaValle or east to intersect with United States Highway (US) 12 approximately 11 miles east of Reedsburg. (US 12 runs north to Lake Delton and Wisconsin Dells or south to Baraboo.) Thus, CTH "H" and SH 23 and 33 provide the most immediate vehicular linkages for the subject property.

Although the popular Wisconsin Dells area is within a half hour's drive of the subject property, Reedsburg is not along the major traffic routes from population centers to the Wisconsin Dells area. As is stated in The Valuation of Hotels and Motels:

Travelers usually prefer to come and go along the same routes and are not likely to venture into unfamiliar areas. If the popular route to a source of demand happens to bypass the property, the potential for capturing that market is greatly reduced. The location of one or more comparable lodging facilities along the route further

decreases the drawing power of the appraised property with respect to that particular source.
(4)

Exhibit 6 shows the 1981 average weekday volume of traffic for selected streets in Reedsburg. Although the average weekday volume on SH 23 and 33 near the intersection of CTH "H" was 8,170 in September and October of 1981, the average weekday volume on CTH "H", where the subject property is located, was 2,560, only about a third of the volume measured on the State Highways to the south. The subject property's location on a lesser traveled county highway decreases its visibility and negatively affects its potential for walk-in business for any of its facilities.

The Viking Bowl, a relatively new 16-lane bowling alley with a bar and limited menu food service, is contiguous to the subject property on its south side. On the south side of the Viking Bowl, at the intersection of CTH "H" with SH 23 and 33, is the Viking Village Shopping Center. This shopping center is oriented so that it fronts on the state highways with its service and loading areas facing the Viking Bowl and visible from the Voyageur Hills Inn

(4) The Valuation of Hotels and Motels, prepared by Stephen Rushmore, MAI, with contributions from Harris, Kerr, Forster & Company, published by American Institute of Real Estate Appraisers of the National Association of Realtors, 1978, p. 12.

restaurant entrance on the south side of the subject property. The Viking Village Shopping Center is reported to be primarily tenanted by the shopping center owner.

A wooded area to the west of the subject property provides some buffer from residential properties located further west. To the north of the subject property is a residential subdivision not yet fully built-up. To the east, across CTH "H", is a farmed field and a run-down holding corral and loading chute for livestock.

Since the subject property is located on the eastern edge of Reedsburg and is not served by sidewalks, pedestrian traffic to the site is likely to be minimal. It is possible for people to walk through parking lots from the Viking Village Shopping Center and the Viking Bowl to the subject property, but these are the only likely generators of pedestrian traffic.

4. Dynamic Attributes

The subject property has a substantial presence along Viking Drive (CTH "H") with its combination of masonry and stained wood exterior. Although the main entrance is on CTH "H" and faces east, there are few windows on this side of the building and the main entrances to the motel and restaurant are not easily identified as such. Moreover, in the Wisconsin climate people prefer a covered porte

cochere under which they can unload passengers and their baggage. There is no protection from the elements at either entrance. Only the restaurant entrance is ramped for wheel chairs. The building is not softened with adequate landscaping and therefore appears bulky and ill-proportioned. A second covered entrance to the restaurant is hidden from view on the southwest corner. The customer is reminded of the lack of covered entranceways by two imitation porte cocheres on the east wall of the Scandinavian room.

5. Environmental Attributes

The project has no adverse environmental impacts on adjacent properties with the possible exception of heavy rains and snow melt running off the paved parking lot to the north.

B. Improvements

1. History

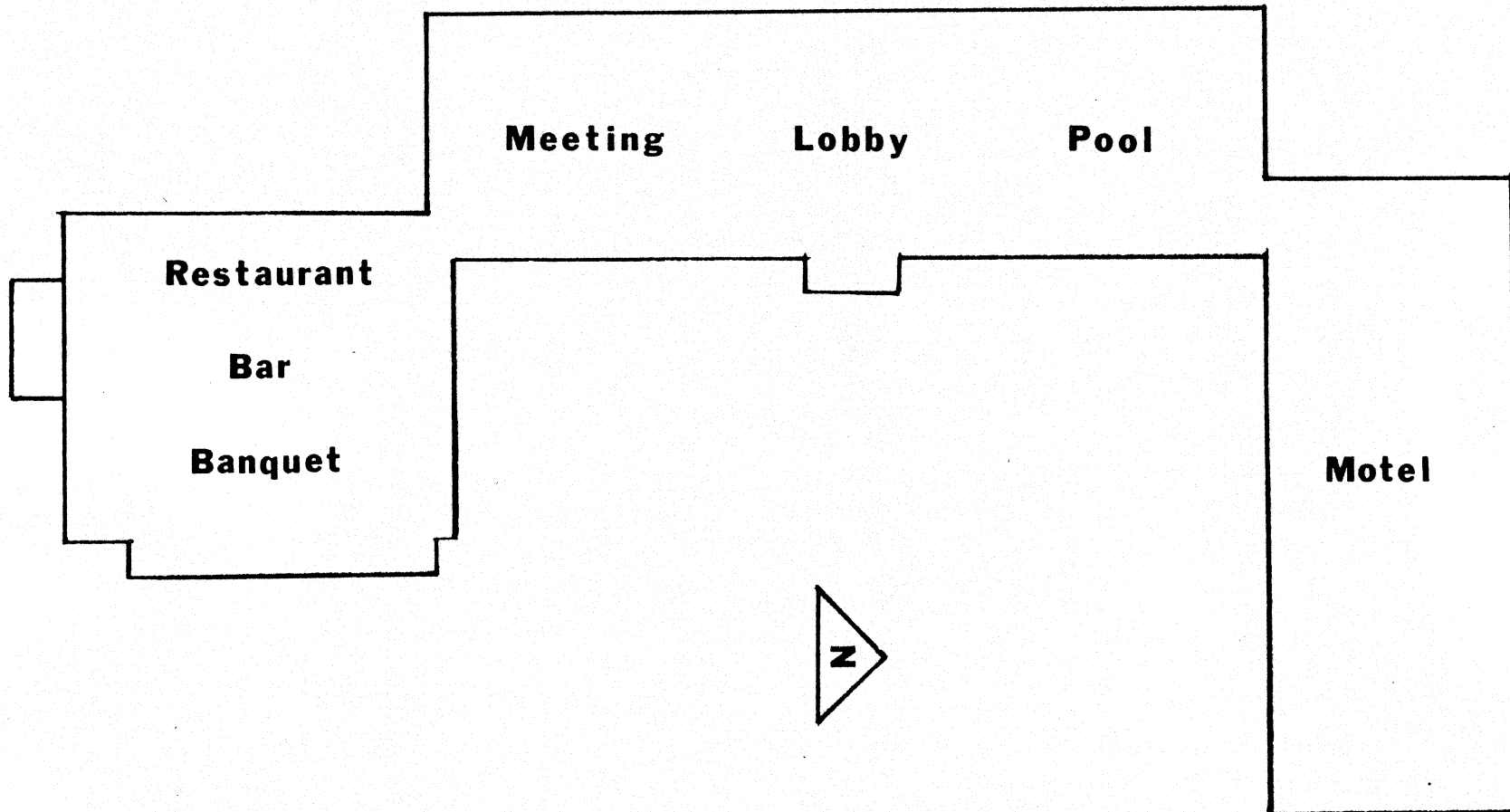
According to the present owner, Marvin Hills, the Voyageur was established as a supper club 11 years ago, in the fall of 1971, by a group of Reedsburg investors. According to an informational sheet posted inside the door of each motel room, "This Voyaguer Group Inc. felt the need for a formal dining facility to serve the Reedsburg area." (A photo copy of this informational sheet can be found in

Appendix A.) After approximately four years, in October of 1975, Hills purchased this original supper club; he already owned a small, frame, single story motel called the Motel Reedsburg, a half mile east of the subject property. In October of 1977 the original facility was expanded to create a banquet facility which would seat a maximum of about 500 people. The present motel facility was subsequently added by January of 1980, along with additional meeting and/or banquet space, an indoor pool and health/exercise area, and the large lobby and desk area. The architectural firm for this addition was Tesch, Tesch and Associates, Architects and Engineers, of Fond du Lac, Wisconsin.

2. Description of Major Site Improvements

The Voyageur Hills Inn building is actually comprised of three distinct parts: the three story motel wing, which includes three floors of motel rooms and the basement health club facilities; the central portion, which houses the swimming pool, lobby and office area and large banquet or convention room (convertible to three smaller meeting rooms); and the restaurant wing, consisting of a bar and lounge area, main dining room, large banquet or convention room (convertible into up to four smaller meeting rooms) and the kitchen. Exhibit 7 gives an indication of the

OVERALL LAYOUT OF THE VOYAGEUR HILLS INN



Sandwich Research, Inc.

EXHIBIT 7

overall layout of the subject property and Exhibit 8 shows photographs of the exterior of the subject property. Photographs of the interior of the subject property are found in Exhibit 9 as well as in the brochure from the Voyager Hills Inn found in Appendix A. The approximate gross square footage of the Voyager Hills Inn is 63,900 excluding basements. The size of each major section is delineated in Exhibit 10.

The motel portion of the Voyager Hills Inn occupies a three story wing at the north end of the building. There is a partial basement under the western third of the motel wing. This basement has 8 inch poured concrete walls. The floor system of the motel wing consists of 8 inch concrete planks bearing on 8 inch block walls, with 1/2 inch dense rock topping. The ceiling face on the underside of the precast planks is finished with suspended acoustical ceiling tile 7 feet 1 inch above the finished floor in the corridors. The ceiling in the motel rooms is finished with acoustical spray. The exterior wall system is 4 inch brick or split rock bonded to 8 inch block. The east and west end walls have zonolite or equivalent insulation poured in the blocks while the north and south walls are curtain walls of 4 inch brick outside of 3 1/2 inch metal stud walls with 1/2 inch plywood exterior sheathing, 3 1/2 inch

EXHIBIT 8

EXTERIOR VIEWS OF SUBJECT PROPERTY



Main Entrance of Voyageur Hills Inn -
Leads to Front Desk and Lobby



Entrance to Restaurant Wing -
Includes the Scandinavian Room



Covered Entrance to Restaurant Which
Faces the Viking Bowl to the South
(Note utility and garbage area in background)



Landscaped Rear Lawn With Garden Dining Room to the Right,
Hillcrest Room to the Left and Motel Wing in Center Background

EXHIBIT 8 (Continued)



Motel Wing of Voyageur Hills Inn

EXHIBIT 9

INTERIOR VIEWS OF SUBJECT PROPERTY



Front Desk and Lobby. Glass Doors to the Right Lead Down Ramp Through Pool Area to Motel Wing



Hillcrest Room Which can be Divided into Three Smaller Meeting Rooms

EXHIBIT 9 (Continued)



Restaurant Wing Lobby. Note Carved
Wooden Doors Leading to Scandinavian Room



Portion of Scandinavian Room. Wall Dividers
Move on Tracks to Create Various Sized Rooms

EXHIBIT 9 (Continued)



Bar Area with Windows to the Right
Facing Rear Yard



Garden Dining Room with
Windows Facing Rear Yard

EXHIBIT 9 (Continued)



Portion of Kitchen -
Located in Restaurant Wing

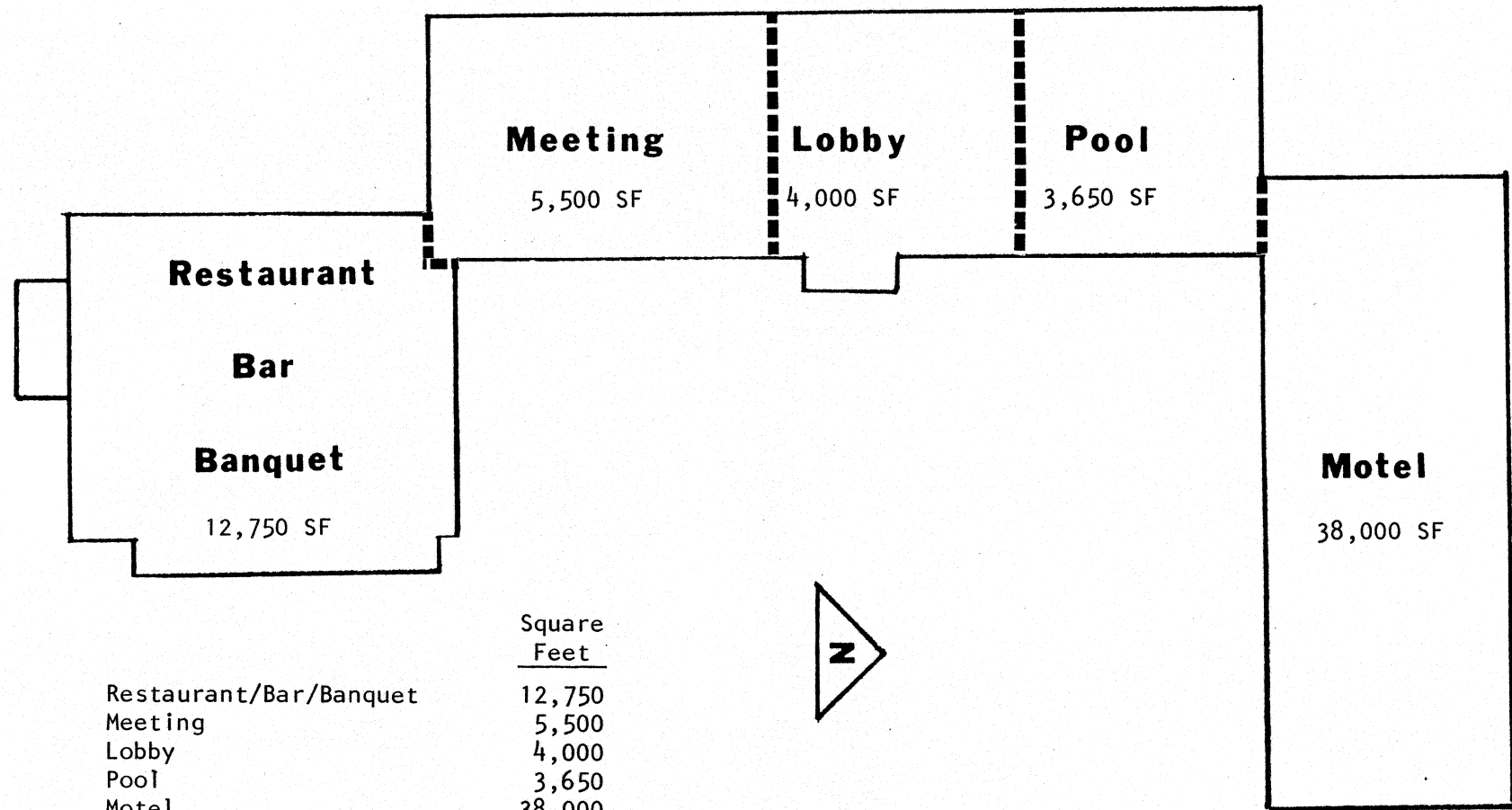


View of Swimming Pool Looking
West Toward Rear Yard



Exercise Room of Scandia Club
Located in Basement of Motel Wing

APPROXIMATE GROSS SQUARE FOOTAGES
(Excluding Basements)
VOYAGEUR HILLS INN



	<u>Square Feet</u>
Restaurant/Bar/Banquet	12,750
Meeting	5,500
Lobby	4,000
Pool	3,650
Motel	<u>38,000</u>
Total Gross Square Feet (excluding basements)	63,900

fiberglass batts and 1/2 inch drywall, taped and sprayed. As a result, floors and walls have a three hour fire rating. The stairwells have closed fire stairs with painted concrete block walls and preformed steel stairs and landings.

The partial basement under the motel wing presently houses a health club facility, the Scandia Club. This consists of a front desk area, men's and women's locker rooms each with a sauna, a 20 foot 4 inch by 34 foot carpeted exercise room furnished with exercise equipment, and a small suntan lounge containing a suntan machine called "Super Tan" which is made by Sun Industries.

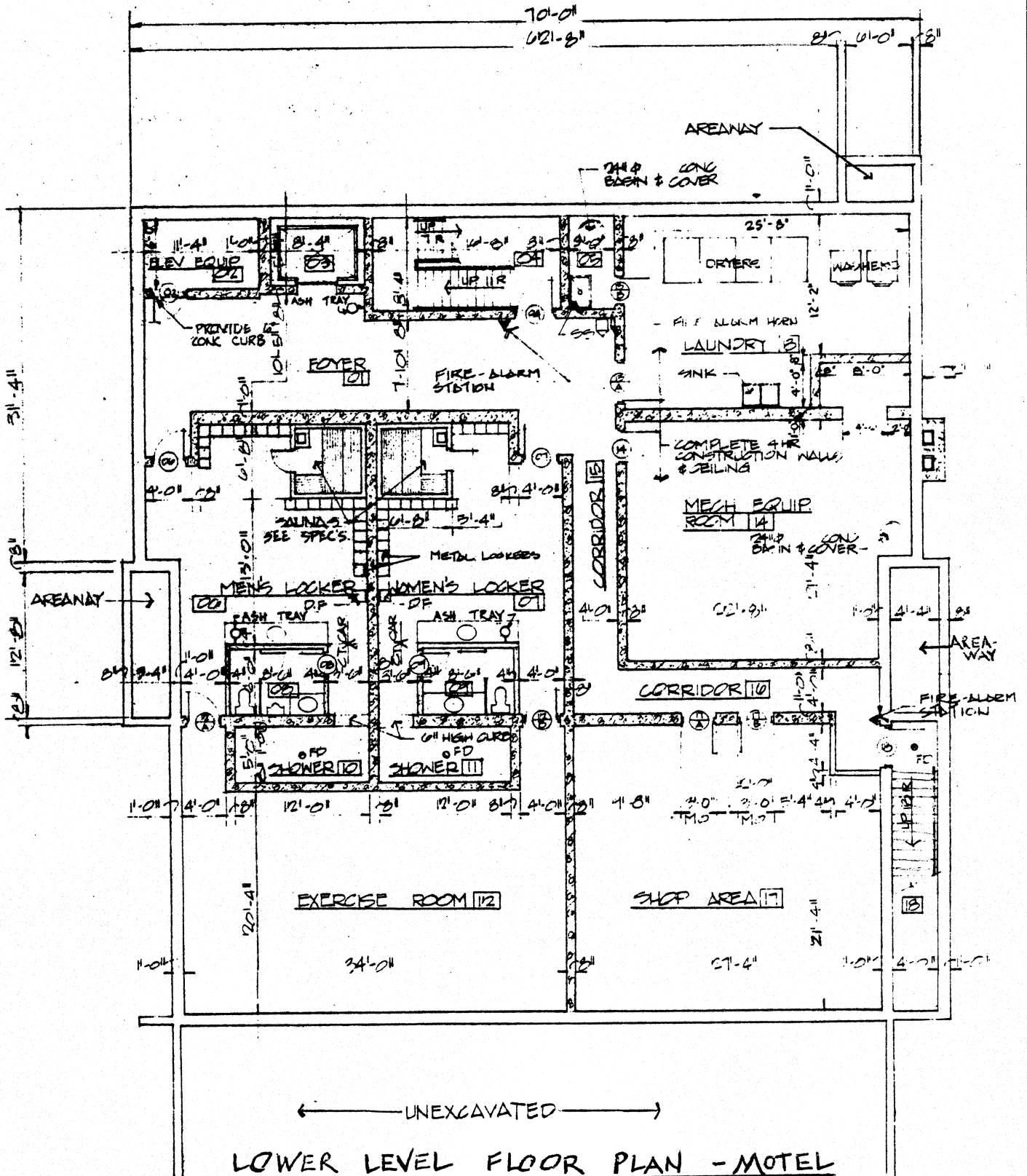
Other rooms in the basement include the laundry room (for motel operations), the mechanical room, and a vacant area which was originally intended to be subdivided into two smaller shops. Exhibit 11 provides a floor plan of the motel's partial basement.

An outside stairwell leads from the basement to ground level on the north side of the motel wing.

The basic motel room is typically 12 feet 11 inches by 29 feet. See Exhibit 12 for typical motel room floor plan. There are 60 double doubles, 9 kings, and 3 hospitality suites. The interior finish is 1/2 inch drywall taped and sprayed as described previously. Each room has a window,

EXHIBIT 11

FLOOR PLAN OF LOWER LEVEL (Basement) OF MOTEL WING



typically a 6 foot by 4 foot aluminum roll-by with double glazing and no sill. Each room has a self-contained heating and air conditioning unit below the window. The bathroom in each motel room is split, with the tub and toilet in a 5 foot by 5 foot 5 inch enclosure and the 4 foot vanity outside the bath, yet shielded from the bedroom. Typically there is a 4 foot doorless closet flanking the entry to each room. The interior partitions are 5/8 inch gypsum on steel stud walls which alternate with 8 inch concrete block load bearing walls every 25 feet.

The motel wing has a built-up four ply roof with one and three pitch. It is accessible by a steel roof hatch.

There is an 8 inch sanitary sewer connecting to a 10 inch city sewer under the center line of the motel building. Also, there is a 4 inch water line at the north side of the motel wing.

The motel wing is served by a 2,500 pound capacity oilhydraulic elevator with inside car dimensions of 4 feet 3 inches by 6 feet 8 inches.

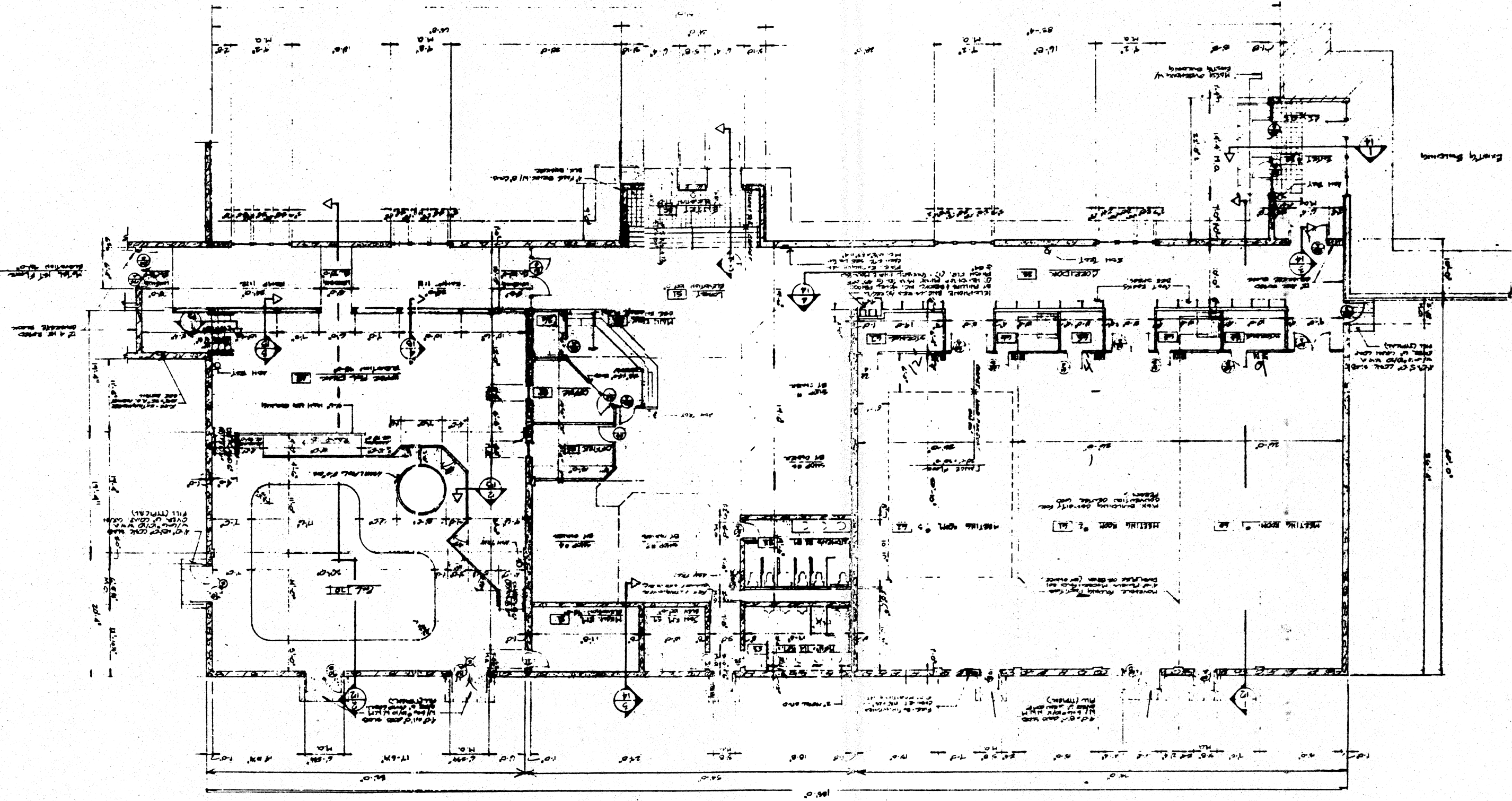
The center section of the building houses the lobby, swimming pool, and the Hillcrest meeting rooms. See Exhibit 13 for a floor plan of this portion of the building.

EXHIBIT 13

FLOOR PLAN OF CENTER SECTION
OF VOYAGEUR HILLS INN



MAIN Floor Plan



This center section has concrete footings with 12 inch split face block bearing walls which are reinforced every other course and are filled with zonolite.

The floor system for the center section consists of a 4 inch slab on a grade of prepared gravel fill to support the lobby, a ramped corridor, and the pool deck.

The roof system for this section consists of laminated beams with 2 inch by 10 inch purlins supporting 1/2 inch plywood and 3/4 inch rigid insulation under built-up roofing. The lobby and pool area feature laminated beams and purlins which are reinforced with 3 inch channeled reinforced cement fiber roof deck. The mechanical room has a false ceiling and 8 inch concrete block walls with a four hour fire rating.

The pool area, which has a 60 foot clear span, provides the link between the motel wing and the lobby. The upper pool deck is 48 feet by 24 feet and contains lounge chairs, umbrella tables, and assorted vending machines and video games. Ramps lead from this upper area down to the pool level itself. The L-shaped pool measures 30 feet by 25 feet and there is also an 8 foot whirlpool.

The lobby is in the middle of the center section of the subject property. The lobby is a 52 foot wide clear span expanse. The main entry to the lobby features two pair of

double doors of carved wood. The lower entry flooring is of quarry tile with four 20 foot wide carpeted steps leading to the lobby. There is no handicapped ramp leading directly into the main lobby from the parking lot. The cavernous lobby is an area of functional obsolescence. It was originally planned to accommodate four shops. To date, however, only one shop has been partially completed.

Public bathrooms are near the lobby area. The women's room contains five standard stalls and one handicapped stall along with three vanities. The men's room has three urinals, one standard stall, one handicapped stall and four vanities.

The lobby is connected to the previously built restaurant building by an 80 foot corridor-galleria. The galleria off-loads into three meeting rooms, each of which are 26 feet by 50 feet. These three meeting rooms are separated by modern fold partitions with four foot panels. When opened up, the one large room provides convention space for a maximum capacity of 600 people. The middle room has a 20 foot by 30 foot wood parquet dance floor which can be covered by carpeting to match the rest of the floor. There is a movable platform stage to serve the whole room. Each of the three meeting rooms has a double door entry, a storage area for the movable wall partitions,

and a service room with pass-through counter to facilitate meal and beverage service. Each of the three separate rooms has its own outside door leading to the rear yard of the Voyageur Hills Inn.

The front facade of the meeting rooms, galleria, front lobby entry, and connecting galleria to the motel units is coordinated with a strong fascia and soffit at the base of a low, cedar shingled mansard style parapet. The exterior wall finish is split rock.

The third part of the building is the southern wing which was the original existing restaurant, subsequently expanded by an addition to provide a 400 seat dining room. The dining room addition, known as the Scandinavian Room, can be subdivided by several sliding panel combinations to accommodate different sized meetings. This wing also houses a U-shaped bar with 20 bar stools and approximately 15 tables in several alcoves around the bar area. The main formal dining room, the Garden Room, faces the rear of the site, a partially landscaped hillside. The Garden Room has been subdivided into several seating areas with boxed cedar trellis and a platform to soften the industrial dining space of the original restaurant. The ceilings in these areas are suspended acoustical tile on T-bars and the floors are carpeted.

A central kitchen, sized for convention capacity, serves both the Garden Room and the Scandinavian Room. Food service to the larger Hillcrest Room requires the use of hot carts from the central kitchen.

Unfortunately, the kitchen is located so that the garbage dumpster and refrigeration compressors serving it flank a covered entrance and porte cochere on the south side of the structure. This is the only covered entrance to the dining room that is adjacent to parking so that passengers need not alight in the snow or the rain. The driveway at this entrance, however, is dead end.

Altogether, public areas are attractively decorated and lighted but the circulation pattern is poor as a result of successive remodelings and additions.

A summarization of the improvements can be found in Exhibit 14.

EXHIBIT 14

DESCRIPTION OF IMPROVEMENTS
IN THE VOYAGEUR HILLS INN
200 VIKING DRIVE
REEDSBURG, WISCONSIN

NUMBER OF STORIES:

Restaurant Wing	One story
Center Portion	One story
Motel Wing	Three stories

AGE:

Restaurant Wing	Original is 11 years old with an expansion made 7 years ago
Center Portion	Almost 3 years old
Motel Wing	Almost 3 years old

ROOMS:

Restaurant Wing	Restaurant lobby, main dining room (Garden Room), cocktail lounge, Scandinavian Room(s) (large banquet area divisible into several smaller rooms), and kitchen.
Center Portion	Main lobby with front desk and related offices, Hillcrest Room(s) (large meeting room divisible into smaller rooms), and swimming pool area.
Motel Wing	60 double double motel rooms 9 king rooms 3 hospitality suites

EXTERIOR:

Combination of split rock, face brick and redwood with panel of mansard shingles connecting one story roof areas and concealing roof mounted HVAC units.

CONSTRUCTION:

Block and brick bearing walls with laminated wood beams and fiber plank roof deck for one story portion.
Three story motel is block bearing wall spanned by precast Spancrete, including roof deck. Window panels are pre-assembled with in-a-wall heating and air conditioning units for each room in spandrel below window.

EXHIBIT 14 (Continued)

BASEMENT:

Restaurant wing has partial basement with mechanicals, refrigeration, and food storage areas. Center one story portion is poured concrete on grade. Motel wing has partial basement of poured concrete with extra high ceilings. Partially finished as a health club with areas for motel laundry, mechanicals and storage.

FENESTRATION:

Restaurant rear windows provide sill to ceiling glass overlooking hillside garden. Double glazed fixed vertical glass strips highlight galleria in center portion. Main meeting rooms and lobby areas are windowless. Motel units have double glazed slide-bys.

FLOOR SURFACES:

Public areas are carpeted, entrance ways and kitchen are quarry tile. Motel rooms are carpeted and have ceramic tile baths.

CEILINGS:

In major public rooms celings are gypsum fiber on laminated wood beams and purlins. Acoustic panels are on ceilings of restaurant, bar and Scandinavian Room as well as motel corridors and exercise rooms. Swimming pool area has cement panels.

MAIN ENTRANCES:

Vestibules at main entrances are of quarry tile, double wood doors have decorative carved exteriors.

HEATING:

Except as noted for the motel there is a package natural gas fired forced air system in the basement serving the restaurant wing and package gas fired units on the roof of the center building. Motel corridors and health club are heated by a propane fired forced air package unit in the basement of the motel wing.

EXHIBIT 14 (Continued)

HOT WATER:

Hot water is provided by two Bock water heaters in the restaurant wing and three Smith water heaters in the motel wing.

CONVENTION KITCHEN:

As per Project Manual for Steinmann Architects Project Number 7104 for The Voyageur, Reedsburg, Wisconsin, dated July 28, 1971.

III. ALTERNATIVE USES AND MOST PROBABLE USE

Whenever a real estate project is faltering for lack of revenues, it is necessary for the appraiser to review the causes of revenue and income shortfalls and to consider alternative programs for use of the land and improvements thereto to determine the most probable use of the property as it exists. Highest and best use and most probable use are defined as:

Most Probable Use--Highest and best use in the context of market value. (5)

Highest and Best Use--That reasonable and probable use that supports the highest present value, as defined, as of the effective date of the appraisal.

Alternatively, that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

The definition immediately above applies specifically to the highest and best use of land. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use. See Interim Use.

Implied within these definitions is recognition of the contribution of that specific use to community environment or to community development goals in addition to wealth maximization of individual property owners. Also implied is that the determination of highest and best use results

(5) Boyce, p. 170.

from the appraiser's judgment and analytical skill, i.e., that the use determined from analysis represents an opinion, not a fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based. In the context of most probable selling price (market value) another appropriate term to reflect highest and best use would be most probable use. In the context of investment value an alternative term would be most profitable use. See Most Probable Use, Most Profitable Use. (6)

In this case the basic alternative programs considered were:

1. Continued operation of the motel with the restaurant and meeting room facilities leased to an independent operator.
2. Continued operation of the motel, pool and lobby with the meeting rooms, bar and restaurant leased to an independent party who would convert and sublease this space for retail and commercial purposes.
3. Conversion of the motel, swimming pool and lobby to an elderly housing center with conversion of the restaurant and meeting rooms to a multipurpose senior center in the style of Colonial View Apartments and Colonial Club, Inc., Sun Prairie.

(6) Ibid., p. 126-7.

4. Conversion of the entire facility to a private Lutheran school.

Only the first two alternatives are consistent with the premise of a business reorganization as opposed to a liquidation sale.

Under reorganization or liquidation, the most probable use definition requires that the use be legal and politically acceptable in the community, physically appropriate, in demand, and financially viable. All of the above alternatives could make reasonably good use of the facility and such uses would be compatible with existing zoning or with down zoning, and are therefore legal and without major political objection. The questions that remain to be addressed are the extent of effective demand for each of the alternatives, the collective political acceptability of each alternative, and the financial viability of each at this particular time, September 1982.

The research data regarding the feasibility of each alternative use is summarized in Exhibit 15, but some additional comment is desirable. Demand for a motel at this location is price sensitive due to the fact that this well-built facility is 30 miles from Wisconsin Dells, Lake Delton, and Interstate 90-94. Therefore, the current nominal room price must be drastically revised downward so that the price/quality relationship will pull people the necessary additional distance. Of course, the elasticity demand must be

FEASIBILITY OF ALTERNATIVE USES

	<u>ALTERNATIVE 1</u>	<u>ALTERNATIVE 2</u>	<u>ALTERNATIVE 3</u>	<u>ALTERNATIVE 4</u>
<u>Feasibility Factor</u>	<u>Continued Operation of Motel with Leased Restaurant and Meeting Areas</u>	<u>Continued Operation of Motel with Conversion of Restaurant and Meeting Areas to Office and Retail</u>	<u>Conversion to Elderly Housing and Multipurpose Senior Center</u>	<u>Conversion to Private Parochial School</u>
Market Demand Risks	<u>Motel:</u> By going to a mid-range budget strategy, occupancy for the 72 rooms projected to increase to 40% initially and to 60% at end of holding period. <u>Public Space:</u> Restaurant operator competes at local rates for local weddings and dance business. No breakfast operation.	<u>Motel:</u> By going to a mid-range budget strategy, occupancy for the 72 rooms projected to increase to 40% initially and to 60% at end of holding period. <u>Public Space:</u> Demand for retail space at Viking Mall is weak; demand for office space would require finding government tenant or agency for majority of space. Low rent due to excessive windowless area.	<u>Elderly Housing:</u> Subsidized Section 8 elderly housing has existing waiting list of 18 to 20. Growing need in Reedsburg for reasonably priced housing for older people not necessarily requiring subsidy. <u>Senior Center:</u> Significant need in Reedsburg area for ground-level, accessible facility for meals and activities.	<u>School:</u> General interest among Lutheran groups in starting private 5-day boarding school west of Madison. Similar in concept to Lutheran school in Lake Mills. Site a little distant from center of potential student population.
Legal/Political Acceptability	Same as current use. No zoning change required.	Consistent with office and retail in nearby Viking Mall. No zoning change required.	May require conditional use permit and/or partial zoning change to residential category.	May require conditional use permit and/or zoning change to residential category.
Relative Investment Power Based Upon Revenue Generation Potential	\$1,000,000+	< \$900,000	\$860,000 - \$900,000	\$550,000
Real Estate Tax Consequences to City	Remains on tax roll.	Remains on tax roll.	Deletes from tax roll.	May be deleted from tax roll.
Financing Availability	Financing available as a result of bankruptcy reorganization.	Financing available as a result of bankruptcy reorganization.	<u>Elderly Housing:</u> Financing may be available from new state program for community housing for elderly and disabled (CHAP). <u>Senior Center:</u> Typically financed by City Block Grant funds in combination with private funds.	School could only rent restaurant, meeting space, lobby and pool for \$1.00 per square foot plus \$600 per room per annum for motel as dormitory. Would need to organize special fund raising and would be untimely.
Timing	Captive financing from reorganization or private sources of bidder.	Office/retail use would not receive favorable financing for leasehold improvements.	Would require one year for processing and coordination.	Would require two years for organization.
Most Probable Buyer	Wisconsin hotel chain syndicator.	Local developer/bargain hunter.	County agency for aging or community welfare agency.	State wide religious organization financing a regional school group.

significantly greater than 1.0 if room price reductions are to produce an occupancy increase sufficient to offset the variable costs of room occupancy (maid service, linens, heat, administration, etc.). At the same time, room prices should remain slightly above those of the organization's other facility, the Motel Reedsburg, where room rates for a basic country unit are from \$19 to \$21 a night for commercial travelers and from \$30 to \$38 per night for tourists as of September, 1982, according to Mr. Hills. However, operating statements indicate that the average per night rate over the past year has been only \$22.50. (See Section V, the Income Approach to Value, for further details.)

Management of the restaurant and bar have consistently failed to find the right formula of menu, price, service, and entertainment in a superadequate facility. Therefore, the restaurant, bar, Scandinavian Room, and Hillcrest Room should be treated as a real estate problem. A blanket lease at some net rental rate could permit either a continuation of the restaurant operation or a conversion to an alternative retail/commercial use.

Current restaurant and bar volume is approximately \$430,000 per year and rent for facilities and basic equipment should not exceed five to six percent of the restaurant/bar gross, indicating a capacity to pay approximately \$21,500 to \$25,800,

or \$1.20 to \$1.40 per square foot for the use of the restaurant wing of 12,750 square feet and the Hillcrest Room of 5,500 square feet for a total of 18,250 square feet. Assuming new management on a lease which allowed the landlord to pay real estate taxes and insurance and the new operator to benefit from existing facilities in place, the rent is set initially at \$1.50 a square foot or \$27,375, implying a slightly improved volume of \$450,000 gross as a minimum target. After the fifth year it is assumed that rent will increase to \$2.25 a square foot or \$41,063 per year with an \$850,000 future gross.(7) Improved volume could be obtained by shifting the menu and price selections to a more competitive level to overcome community perceptions of the restaurant as overpriced and snobbish in a market which is thrifty and folksy.

Conversion of the restaurant wing and Hillcrest space to retail/commercial is unlikely at this time due to economic times which discourage development of branch stores and offices, the peripheral location of the Voyageur, and the lack of windows due to the deep bays of the structure, making conversion expensive. Such an opportunity would depend on preleasing to a specific tenant at a blanket rent of no more

(7) Quoting from conversation with Mr. Herman Cross on October 6, 1982, "... this thing [Voyageur Restaurant] could be turned around and it should do, in that area, if run properly, somewhere between \$850,000 and \$900,000 per year."

than \$1 a square foot since the additional \$3 a square foot for office rents in Reedsburg (\$4 to \$5 a square foot) would be necessary to amortize leasehold improvements. Thus retail/commercial lacks the revenue potential of a restaurant using the facility as is or with minor changes.

However, it is useful to consider the facility as a private school with 70 boarding students and an additional 100 students from the immediate area as day students. High schools in Wisconsin average 150 square feet per student and Lakeside Lutheran High School in Lake Mills follows this state norm with more than 55,000 square feet of academic space for 370 students. The restaurant wing and the Hillcrest-lobby-pool center portion total 25,900 square feet, suggesting a student capacity of 170. Lutheran school committees anticipate an average tuition of about \$1,000 per student so that such a private school might generate \$170,000 per year, of which 15 percent or \$25,500 could go to rent, not including heat and utilities, which is certainly not as favorable as restaurant use. At the same time, the boarding operation might be able to afford \$600 per year for the basic room or \$43,200 for the motel. The owner of the building might or might not be a real estate tax exempt entity. The private school would need to convert the large parking expanse to the north to athletic fields.

A rough index for the conversion of the rent power of \$25,500 plus \$43,200, or \$68,700, to value is a net income multiplier of eight for a tax exempt private school; the resulting value is \$550,000.

Landmark Research, Inc., through its partner, Jean B. Davis, had studied the feasibility of such a project northwest of Madison in 1979. The underlying student potential at that time was probably representative of the potential today although maps and charts of this potential provided in Appendix B would suggest that the Reedsburg site is not at the center of the market potential for a Lutheran high school scenario. It probably is not timely nor is there a well-financed buyer group currently in the market for the subject property, although the property would fit the needs expressed by parent groups in 1979.

The real alternative to a motel would appear to be the conversion of the entire facility to elderly housing where the residents require some care or supervision, although not complete medical assistance, and where the large public spaces could serve as a multipurpose senior center in the style of Colonial Club, Sun Prairie. The senior center, in the form of a senior citizen activity and nutrition center, would occupy the restaurant wing, which includes the Scandinavian Room, and the present Hillcrest rooms. The elderly housing units would occupy

the top two floors of the present motel wing with the first floor of the motel wing and the lobby being converted to serve the various other space needs such as a dining area, lounge, resident manager's quarters, and nurse's quarters. There would be room in the basement of the motel wing for a beauty/barber shop operation. (In fact, space for such was set aside initially but has never been finished.) A laundry room presently exists in the motel basement as does an exercise and locker area. The pool area could either be retained for the therapy and enjoyment of the occupants, or if needed, this area could be converted to other uses.

John Lindorfer of the Bureau of Aging for the State of Wisconsin said that \$10,000 for each one person unit (one room) would be an approximation of the amount allocatable for such an elderly residential facility. Calculating on the basis of 50 total units on the top two floors of the motel wing, this indicates \$500,000 as an approximate price for the motel wing, lobby and pool areas. Mr. Lindorfer felt that there would be a market for such units at a rate of \$450 per month. Assuming the occupants would receive two meals per day for \$5 total, this would leave about \$300 per unit for the real estate portion which would be feasible.

The multipurpose senior center occupying the restaurant wing and Hillcrest rooms could be partially financed by the

City of Reedsburg using Block Grant money with the balance coming from private sources. Construction of a major new facility such as this would cost in the range of \$35 per square foot. At \$20 per square foot for the existing 18,250 square feet of space in the restaurant wing and Hillcrest rooms, Mr. Lindorfer felt it would be a very attractive opportunity for a combination of City and private funds such as have been used in other cities in Wisconsin. Thus, the value of this portion as a senior center would be about \$365,000 (18,250 SF x \$20). These rough estimates point toward a most probable purchase price for the subject property as is ranging from \$860,000 to \$900,000, in event of liquidation.

Such a facility is consistent with findings recently published in the Reedsburg Community Consensus Study, completed by the University of Wisconsin's Department of Rural Sociology which supervised a needs assessment survey of citizens in Reedsburg and the surrounding nine townships. The Director of the Sauk County Commission on Aging was unable to provide any statistics but indicated there was a significant need in the Reedsburg area for a ground-level, accessible facility for meals and other activities for the aging, and she agreed with the Consensus Study referenced above that there was a growing need for reasonably priced apartments for older people not necessarily requiring subsidy. Surprisingly, the Director of

the Sauk County Housing Authority had no estimates of need either currently or for the future regarding housing in Reedsburg for the elderly and disabled.

Judy Wilcox in the State Office of the Secretary of Health and Social Services was able to identify a 1980 survey which indicated a need in Sauk County for 65 group-living spaces for disabled and elderly and another 31 places for disabled apartments, either supervised or independent. In the past two years 61 units of elderly housing under the generously subsidized Section 8 rental program were opened by the Madsen Company in Reedsburg. Today these units generally have 18 to 20 elderly on the waiting list at any given time according to Cindy Jicinsky, the project manager. Ms. Jicinsky also said that of their 36 units of family housing in Reedsburg, about 12 are occupied by elderly.

It should be noted that Section 8 housing is for those who are physically independent and that these elderly must be relocated some time in the future to a type of facility which offers more services, such as meals. Indeed, there is national concern for the unmet and increasing need for elderly care facilities as well as day centers for the delivery of nutrition, social, and medical support to the elderly. The Sauk County Economic Profile, by the State Department of Business Development, shows Sauk County with 12 percent of its male and

15 percent of its female population over the age of 65 compared to 10 and 12 percent for the State of Wisconsin (based on the 1970 United States Census). Moreover, the median age in Sauk County has advanced from 29.8 in 1970 to 31.6 in the 1980 Census. The 1980 Census shows that of 15,510 households in Sauk County, 4,121 householders (if a family household, this includes only the householder, not their spouse) were 65 years and over in age. Conversations with those involved in providing services to the elderly in Sauk County and Reedsburg, together with six years' experience in the Wisconsin Housing Finance Authority, lead to the conclusion that in the event of a liquidation sale the most probable use of the subject property that is compatible with community priorities and effective demand would be conversion of the existing facility from a motel to an elderly center serving western Sauk County.

One possible source of funding for such a project is a \$100 million program recently authorized by the State of Wisconsin Department of Health and Social Services to develop housing for the chronically disabled or elderly. A description of this program, called Community Housing Alternatives Program (CHAP), is included in Appendix B. However, it places a limit on maximum size of 50 residents which may be less than optimum use of the subject property and does not provide adequate funding for the excessive amounts of public space attached to the

subject property. Thus, other forms of financing would be required such as the combination of City Block Grant funds and private contributions for the senior center previously referenced.

Although conversion to such a facility as described above may be appropriate, it is a use which would require a prolonged period of time to secure approval, funding, and therefore closing of the liquidation sale. Consequently we have concluded that conversion to minimal care elderly housing and a multipurpose senior center is the next best use to continuation of the present use as a motel under a drastically reorganized pricing, marketing, and restaurant operation formula. It may be that mortgage creditors might wish to sponsor and promote eventual conversion to an elderly facility for possible recapture of capital while pursuing reorganized motel operations in the interim.

IV. MARKET COMPARISON APPROACH TO VALUE

Contemporary appraisal would prefer to rely on the market comparison approach to value using current sales of properties comparable to the subject property whenever possible if location, quality, and market areas are sufficiently similar to permit only modest adjustments for differences without distorting the underlying economics at work in each location.

In this case a thorough search of the Wisconsin market for small town motels of relatively modern masonry construction format was particularly unproductive. Several sales can be reviewed to suggest the general range of prices, but ultimately this type of motel property is bought in reference to income potential and financing terms.

Relative to the latter parameters there is some general consensus. Tom Scholl, of Smith Realty at 10125 West North Avenue, Milwaukee, Wisconsin, is a broker who specializes in the sale of hotels and motels in Wisconsin, and is often associated with Roger Dehring of the Dillon Inn Company of Middleton, Wisconsin, which specializes in the ownership and operation of motels in Wisconsin. These men agreed that in a market of few transactions the pattern showed a net income multiplier of 6.2 to 6.5 for motels where the seller was willing to take back financing paper which, when combined with existing debt in place, indicated an interest cost not exceeding 10 or 11 percent. On the other hand, if the motel were to be purchased at current market terms for financing, say

13 to 16 percent, depending on the degree of participation by the lender in future profits, the net income multiplier dropped to 5.5 to 5.75, depending on the cost of money.

The next section of this report documents in detail the assumptions and basis used for estimating net operating income that might be possible from the subject property if a tough minded and realistic pricing and marketing plan were adopted. It is anticipated that under new direction the subject property might produce a net operating income (NOI) of approximately \$145,000 in the second year, which would be the first typical year of operation after implementation of the new management program. The second year NOI is used to base a price estimate applying a net income multiplier as described above. A table of alternative outcomes depending on financing terms might be as follows:

\$145,000	x	6.5	=	\$942,500	=	\$13,100/room
\$145,000	x	6.2	=	\$899,000	=	\$12,500/room
\$145,000	x	5.75	=	\$833,750	=	\$11,600/room
\$145,000	x	5.5	=	\$797,500	=	\$11,100/room
\$145,000	x	5.2	=	\$754,000	=	\$10,500/room

Market comparison ratios of net income to price may be the best market data available in light of the short supply of sales relevant to the Wisconsin scene and in small communities like Reedsburg, either on or off the heavily traveled Interstate route.

Typical of motel sales which are less than comparable to the subject property are:

1. The original Holiday Inn, at 2723 Milton Avenue, in Janesville, Wisconsin, built in 1962, was sold September 22, 1978, to the Hillmark Corporation of Madison, Wisconsin, which renamed it the Quality Inn. The project is of only average quality and an old style two story, brick veneer structure with open corridors and partially enclosed stairwells exposed to the weather. There was a net of 102 marketable rooms and a restaurant and lobby area of approximately 8,600 square feet according to the plot plan in Exhibit 16.

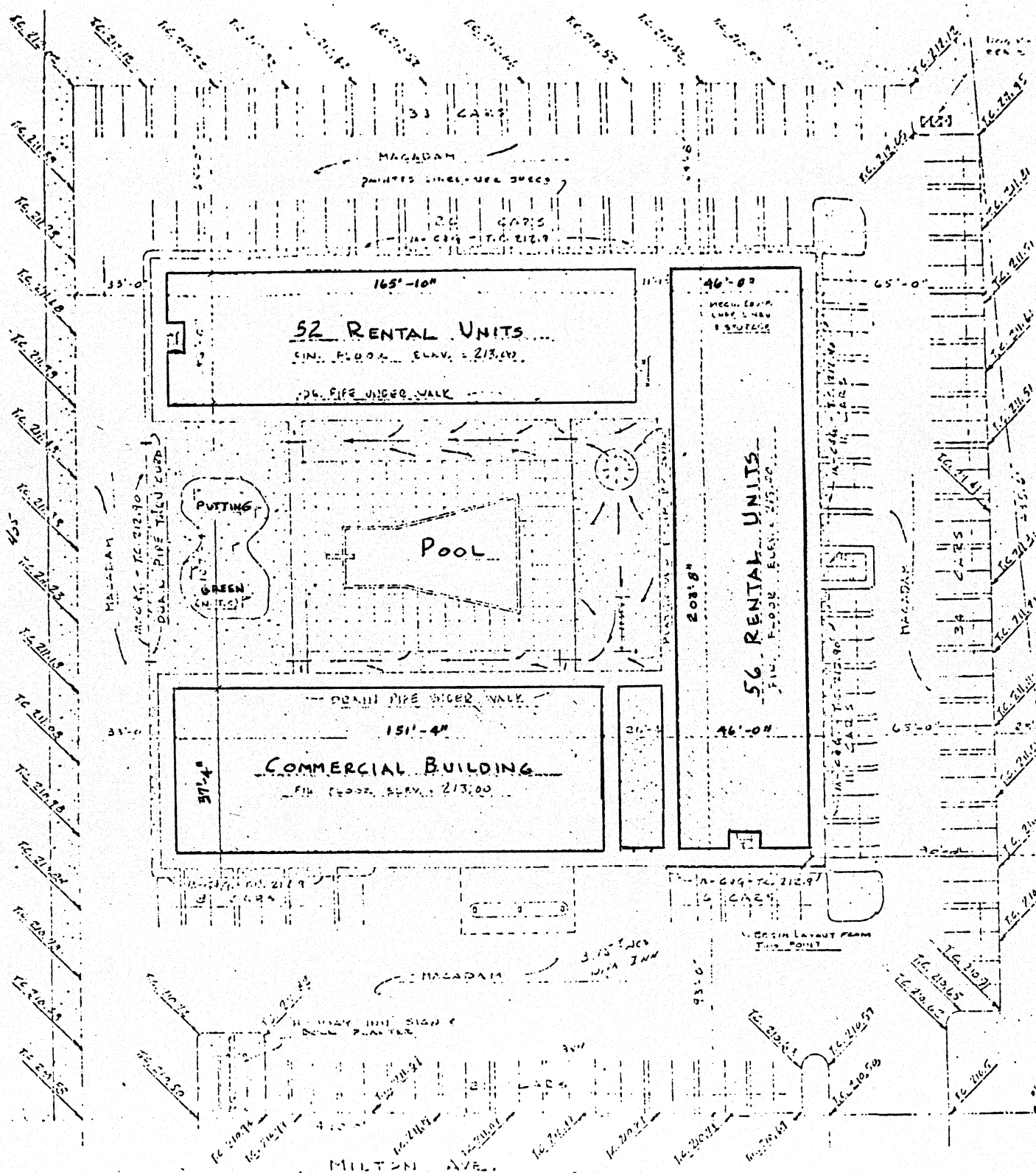
Hillmark retained management of the motel and the restaurant area, which represents approximately 80 percent of the commercial building, was leased to a restaurant called the China Palace. The manager of the China Palace reported that the rent is \$2,000 per month including all restaurant equipment, heat and utilities, or \$3.50 per square foot without escalators.

The Hillmark Corporation provided data to confirm a cash sale price of \$905,000 or a price per unit of \$8,872. When adjusted to first quarter 1982 price levels, the equivalent room price is \$11,678, say \$11,700. (See Exhibit 17 for Implicit Price Deflators.) The annual income in 1977 after subtraction of real estate taxes was \$106,664 (see Exhibit 18), suggesting a net income multiplier of 8.5. However, the Hillmark people immediately spun off approximately 50 percent of the 6.8 acres purchased as the site for development of a Red Lobster Restaurant. The unconfirmed price of the Red Lobster site was approximately \$30,000 per acre or \$105,000, reducing the effective cost of the subject to \$800,000 or less than \$8,000 per room and a net income multiplier of 7.5. The overall capitalization rate suggested would have been .1333 for an obsolete unit which enjoyed a 57 percent occupancy and a 20.61 average room rate in 1977.

Although Milton Avenue connects with Interstate 90 within sight of the facility and is a service center for Interstate traffic, a number of newer facilities with indoor swimming pools have taken the play from the Holiday Inn and have made necessary a change in its operation to a mid-range budget motel offering a continental breakfast in its lobby. The subject property has greatly superior

EXHIBIT 16

PLOT PLAN OF HOLIDAY INN
(Now Quality Inn)
2723 MILTON AVENUE
JANESVILLE, WISCONSIN



PLOT PLAN

52人、1.2 :

108 RENTAL UNITS

163 24626 5.4.64

INDIAN ELEV. OF MILTON AVE - 210.00

Source: Holiday Inns, Inc.

2723 Milton Avenue
JANESVILLE, W.I.

IMPLICIT PRICE DEFLATORS FOR GROSS NATIONAL PRODUCT

Year	Quarter Index Numbers, 1958 = 100				Quarter Index Numbers, 1972 = 100			
	I	II	III	IV	I	II	III	IV
1969	125.55	127.24	129.14	130.88				
1970	132.91	134.41	135.77	137.88				
1971	139.47	141.13	142.03	142.70				
1972	144.62	145.31	146.50	147.96				101.44
1973	149.95	152.61	155.67	158.93	102.89	104.65	106.57	109.05
1974					111.28	114.34	117.52	121.06
1975					124.16	125.95	128.19	130.14
1976					131.40	132.92	134.39	136.28
1977					138.27	140.86	142.63	144.56
1978					147.05	150.82	153.45	156.68
1979					160.22	163.81	167.20	167.47
1980					171.23	175.28	179.18	183.81
1981					188.14	191.06	195.61	200.10
1982					201.99P			

P= provisional

Source: Survey of Current Business, U.S. Department of Commerce, Bureau of Economic Analysis. The following issues were used:

July 1973, Volume 53, Number 7
 July 1974, Volume 54, Number 7
 July 1976, Volume 56, Number 7
 July 1977, Volume 57, Number 7
 July 1978, Volume 58, Number 7
 August 1979, Volume 59, Number 8
 July 1980, Volume 60, Number 7
 May 1981, Volume 61, Number 5
 June 1982, Volume 62, Number 6

EXHIBIT 18

ANNUAL OPERATING STATEMENT - 1977
HOLIDAY INN OF JANESVILLE
(Now Quality Inn)
2723 MILTON AVENUE
JANESVILLE, WISCONSIN

ANNUAL OPERATING STATEMENT				
1977				
	1	2	3	
HOLIDAY INN OF <i>JANESVILLE, Wis.</i>				
#95				
1 SALES & INCOME				
2 Rooms Revenue	437572			
3 Food Sales	180868			
4 Beverage Sales	63478			
5 Other Restaurant - Sundry	-			
6 Telephone Revenue	10333			
7 Other Income	2270			
8 Total Revenue			694521	
9 COST OF SALES & DEPARTMENTAL EXPENSES				
10 Rooms	118044			
11 Food & Beverage	212461			
12 Telephone	13213			
13 Other	10			
14 Total C/S Departmental Expenses			343728	
15 GROSS OPERATING INCOME			350793	
16 GENERAL & UNAPPROPRIATED EXPENSES				
17 Administrative & General	67972			
18 Management Fees	38923			
19 Advertising & Promotion	31854			
20 Heat, Light, & Power	38514			
21 Maintenance & Repair	32172			
22 TOTAL			209335	
23 HOUSE PROFIT			141458	
24 RENTAL INCOME			-	
25 Gross Operating Profit			141458	
26 Insurance			9690	
27 Profit Before Taxes & Capital Expenses			131768	
28 Taxes	25104			
29 Rent				
30 Interest	100			
31 Depreciation	51758			
32 TOTAL			76962	
33 Net Operating Profit/(Loss)			54806	
34				
35				
36				
37				
38 102 Rooms				
39 57.2 Occupancy				
40 20.61 Average Room Rate				

Source: Holiday Inns, Inc. 60P 1976 138 216 } occ. 52.1 } rate 76 19.59
60P 1975 108 917 } " 50.9 } 75 18.67

physical facilities and might compete well on Milton Avenue in Janesville or on the Interstate; the problem is in the adjustment for the distinct locational disadvantage of a superior facility on secondary highways 30 miles from the Interstate.

2. A second Holiday Inn in West Bend, Wisconsin, was purchased for syndication for a price of \$975,000 in March of 1977 by the Dillon Inn Company from the bankruptcy court which was managing the Kassuba dissolution. Terms required nothing down with ten percent interest for ten years. The project has 100 rooms with indoor corridors and an indoor swimming pool on a seven acre site. Included with the purchase was a building containing a restaurant which seats 120 persons, a bar for 80 persons, and a divisible meeting room which seats a maximum of 400. These food and bar facilities were subsequently leased to an independent operator for a minimum rent of \$21,500 per year against five percent of sales. This translates to approximately \$3.00 per square foot for the restaurant/bar facility. Dillon Inn Company reports that the restaurant did about \$400,000 in food sales and \$200,000 in beverage sales in the fiscal year ending in June of 1982 and then terminated operations because the independent operator was losing money. The motel owners are now refurbishing the restaurant/bar area and are converting it to a Mexican specialty restaurant.

The base room price is \$36 per night for a single and the motel has experienced 63 percent occupancy. West Bend has a population of 21,484 and is approximately 7 miles from major U.S. Highway 41 and 13 miles from Interstate 43.

The average sale price per room in March 1977 was \$9,750 which translates to a current dollar equivalent price of \$13,981 or \$14,000 per room in the first quarter of 1982.

3. The Don Q Inn of Dodgeville, Wisconsin, was purchased by the Dillon Inn Company in May of 1979 as a result of the financial distress of the previous ownership. The nominal price was \$1,430,000 or \$35,750 per room; the buyer assumed a first mortgage with a remaining balance of \$500,000 at 10.5 percent with 15 years remaining and the sellers provided a second mortgage for \$600,000 at 11 percent, interest only, for 10 years. The balance was provided by a syndication in which Dillon Inn Company is the general partner. Without adjustment to cash equivalency, the price

per room was \$35,750. When adjusted by the deflation index, the current dollar equivalent price is \$44,000 per room. A spokesperson for Dillon Inn Company indicated they did not use a net income multiplier because there was no valid historical income accounting on which to base a multiplier and consequently, a price. It was purchased on the basis of projected earnings.

This project is a unique property with only 40 rentable units. However, 15 of these units are elaborate suites featuring heart shaped water beds, a double jacuzzi, and other unique features which command \$70 to \$100 per night. Although the basic single room is \$31 per night, the average rate per room night has been \$53, indicating a heavy weight on the specialty rooms.

The bar and restaurant was included in the sale; this was created from a large remodeled 8,000 square foot barn and in the fiscal year ending in 1982, the food and beverage sales were approximately \$400,000. The bar and restaurant are operated by the owners. Although there is a 40 acre site, there is no swimming pool.

The Dillon Inn Corporation does not believe that this property, which was purchased for \$35,750 per room, is comparable to any other hotel in Wisconsin.

However, it is useful to report on this property to indicate that an average of \$53 per room in a small town requires a far more elaborate and uniquely marketed property than the subject in Reedsburg, where present management has a listed price of \$59 per room. Moreover, it is useful to show the correlation between average adjusted room price and current base prices on a typical room. The Janesville budget motel averages \$25 per room on a current equivalent room price of \$11,700; the West Bend Holiday Inn averages \$36 per room on a current equivalent room price of \$14,000 while the Don Q commands \$53 to \$70 per night average on a current equivalent

room price of \$44,000. This pattern suggests a loose relationship between the average room rate per night and the average capital value of the room; in this case, the room rate tends to be approximately .2 percent of the capital value of the room.

However, the fact remains that each motel is a unique combination of location, facility, market potential, and management which defies the definition of firm unit prices for purposes of market comparison pricing. Ultimate reliance must be placed on the income potential forecast by knowledgeable operators who are the most probable buyers of such properties. These firms purchase on behalf of partnerships to be formed which find short term benefits from income tax features of the investment while the general partner rebuilds the management and marketing stability and earnings of each distressed project. This conclusion leads to an emphasis upon the following income approach scenario.

V. INCOME APPROACH TO VALUE

In the absence of comparable sales the income approach to value is preferred (Dane County Circuit Court, Judge George R. Currie's instruction to the Madison Board of Review, Case No. 140-201, Wild, Inc., relator, relative to the VIP Plaza office building, now known as the James Wilson Plaza).

A. Selection of the Income Approach Methodology

The income approach assumes the fair market value of the property is the most probable price the subject will bring if offered in the marketplace as an investment property for a reasonable period of time and sold subject to financing terms available from an institutional lender at the time of sale. Both buyer and seller are assumed to have full knowledge of the property and neither is under duress.

1. Cash Flow Characteristics

The investor will purchase the project for cash income as a return on his own cash invested and for a deferred cash return to be realized upon sale from equity accumulation attributable to debt amortization, to an increase in cash earnings from the property due to effective management and marketing, and possibly to general

inflationary price increases. A variety of assumptions will need to be made for revenues and expenses as well as for future resale values.

2. Income Parameters by Institutional Lenders

Sophisticated lenders place more emphasis on a property's net income producing ability than its resale potential. Therefore the debt cover ratio, rather than the loan to value ratio, is the primary determinant of the amount of debt a property can successfully carry.

The subject property is a motel, restaurant, banquet and convention facility, and health club complex that has had very high vacancies. It is located in Reedsburg, Wisconsin, which, although somewhat close to the popular Wisconsin Dells area, is not a known tourist destination or convention area and is not on the major routes from population centers to and from the Dells area. Thus, a lender would require a minimum debt cover ratio of 1.6 for this property unless given some participation on the up-side. It is assumed the lender would participate in 15 percent of the cash throw-off and 25 percent of the reversion above the first \$400,000 at the end of the 10 year holding period in exchange for higher leverage provided by a debt cover ratio of 1.4.

3. Computerized Appraisal System Selected

To discount the cash flows from earnings and resale to a purchaser, a computerized system called MRCAP has been selected. MRCAP is an advanced discounted cash flow program designed to provide for the simulation of a wide array of investment strategies associated with real estate ownership; in this case the program solves for justified project value. This program utilizes a discounted cash flow system which will reflect the proportionate interest of those financing the purchase and the cash and reversion returns to the ownership position after prior claims of real estate taxes and mortgage lenders have been met. This system provides results on both a before and after tax basis to the ownership position.

B. Implementation of Discounted Cash Flow Methodology

In order to determine the present value of a series of cash flows before income tax to a purchaser of the Voyageur Hills Inn as of the date of the appraisal, a projection of revenues and expenses was made.

1. Identification of Revenue Producing Units

The revenue producing units at the Voyageur Hills Inn presently consist of the following:

Voyageur Restaurant - This includes the restaurant and bar operations plus the banquet and meeting facilities known as the Scandinavian Room and the Hillcrest Rooms.

Voyageur Inn - This consists of the motel which has a total of 72 units on three floors.

Scandia Club - This is the health club which shares the pool and exercise facilities with the motel operations.

2. Projection of Revenues

Although all of these operations have presently been under the same management, for purposes of this appraisal it is believed that income would be maximized if the restaurant and bar facilities, including the Scandinavian Room and the Hillcrest Rooms, would be leased out to an independent operator who would pay all expenses except real estate taxes and insurance. The revenues projected from this lease are shown in Exhibit 19.

To determine an appropriate rate structure for use in revenue projections for the motel, the subject property is compared with other facilities in the area. Criteria, detailed below, were applied to the listing of lodging facilities from the American Automobile Association

EXHIBIT 19

PROJECTED RESTAURANT LEASE REVENUES

	<u>Square Feet</u>
Restaurant Wing	12,750 Sq. Ft.
Hillcrest Rooms and Adjacent Galleria (Hallway)	<u>5,500</u>
Total	18,250 Sq. Ft.

	<u>Net Net Lease Rates(1)</u>
First five years of holding period	\$1.50/Sq. Ft./Year
Second five years of holding period	\$2.25/Sq. Ft./Year

	<u>Restaurant Lease Revenues</u>
Years one through five: 18,250 SF x \$1.50/SF =	\$27,375 per year
Years six through ten: 18,250 SF x \$2.25/SF =	\$41,063 per year

(1) Tenant pays all expenses except real estate taxes and insurance.

Michigan Wisconsin TourBook to select those most comparable to the subject property. The selection criteria were as follows:

1. Located in Wisconsin.
2. City population less than 10,000--Reedsburg's population is 5,000.
3. 50 or more units--Voyageur Hills Inn has 75 units.
4. Motels, motor inns, hotels or motor hotels, but not cottages, resorts, resort complexes or resort lodges--Voyageur Hills Inn is classified as a motel.
5. AAA rating of at least 3 ♦. All have a 3 ♦ rating except the Holiday Inn and the Kahler Motel (both in Wisconsin Dells) which each have a 2 ♦ rating. Voyageur Hills Inn has a 4 ♦ rating.

Exhibit 20 compares lodging facilities listed in the 1982 Edition of the Michigan Wisconsin TourBook which meet these criteria.

Analysis of the data reveals that the stated peak period rate of \$59 for the category two people/one bed for the subject property is near the upper end of the range. (See Exhibit 21.) The only lodging facility from those in Exhibit 20 with rates (or midpoint rates) higher than the subject's rate for two people/one bed is the Hilton Inn in Lake Geneva. Similarly, the stated peak period rate of \$59 for the category two people/two beds for the subject property is again near the upper end of the range. (See Exhibit 21.) Here, the three lodging facilities with higher

ACCOMMODATIONS COMPARISON CHART (1)

City (Population)	Name	Classification	No. of Units	Rates (2)			Restaurant	Cocktails	Indoor Pool	Open All Year	Comments
				1 Person	2 People/ 1 Bed	2 People/ 2 Beds					
Needsburg (5,000)	Voyageur Hills Inn (SUBJECT)	Motel	75		7/1-10/20 & 12/21-12/31 \$59	7/1-10/20 & 12/21-12/31 \$59	Yes	Yes	Yes	Yes	On CR H, sauna, whirlpool, health club
Antigo (8,700)	Cutlass Motor Lodge	Motor Inn	50	\$33	\$40	\$40	Dining Room	Yes	Yes	Yes	On US 45, SR 47 and 52, sauna
Ashland (3) (9,100)	Best Western Holiday House	Motor Inn	54	\$32	\$36	\$46	Yes	--	No	Yes	On US 2, most rooms have bay view [Lake Superior], heated pool
Black River Falls (3) (3,400)	Best Western- Arrowhead Lodge	Motor Inn	80	\$29-\$32	\$36-\$38	\$39-\$42	Dining Room	Yes	Yes	Yes	Jet I-94 and SR 54, sauna, whirlpool, putting green
Elkhorn (3) (4,600)	Sterlingworth Motor Inn	Motor Inn	61	6/29-9/7 \$30-\$38 F&Sa 9/8-6/28 \$28-\$36 Su-Th 9/8-6/28 \$22	6/29-9/7 \$44-\$56 F&Sa 9/8-6/28 \$42-\$48 Su-Th 9/8-6/28 \$28-\$36	6/29-9/7 \$44-\$56 F&Sa 9/8-6/28 \$42-\$48 Su-Th 9/8-6/28 \$28-\$36	Dining Room	Yes	Yes	Yes	On US 12 and SR 67, on Lauderdale Lakes, beach, sauna, whirlpool, dock, tennis
Hurley (3) (2,000)	Holiday Inn	Motor Inn	100	6/1-9/25 \$29-\$43	6/1-9/25 \$41-\$55	6/1-9/25 \$41-\$55	Dining Room	Yes	Yes	Yes	South of Jet US 2 and 51, saunas, whirlpool, trout pond, tennis
Lake Geneva (3) (5,600)	Hilton Inn	Motor Hotel	107	5/1-9/30 \$64-\$74 10/1-4/30 \$49-\$59	5/1-9/30 \$64-\$74 10/1-4/30 \$49-\$59	5/1-9/30 \$64-\$74 10/1-4/30 \$49-\$59	Dining Room	Yes	Yes	Yes	On SR 120, lakeside, sauna, whirlpool
New Lisbon (1,400)	Best Western Rafters Motor Inn	Motor Inn	72	\$28	\$32	\$38	Dining Room Coffee Shop	Yes	No	Yes	On I-90 and 94
Platteville (3) (9,600)	Governor Dodge Motor Inn	Motor Inn	72	\$29	\$36	\$41	Yes	Yes	Yes	Yes	On US 151, saunas
Rhineland (3) (7,900)	Claridge Motor Inn Best Western	Motor Inn	80	\$33-\$36	\$40-\$47	\$40-\$47	Dining Room	Yes	Yes	Yes	On SR 17, whirlpool
St. Croix Falls (3) (1,500)	Dalles House Hotel	Motel	50		\$28-\$41	\$32-\$46	Dining Room Adjacent	--	Yes	Yes	On SR 35 (1 block south of Jet US 8)
Sturgeon Bay (3) (8,800)	King's Inn	Motel	52	5/15-10/25 \$35 10/26-5/14 \$25	5/15-10/25 \$44 10/26-5/14 \$33	5/15-10/25 \$44 10/26-5/14 \$33	Restaurant Adjacent	--	No	Yes	On business routes SR 42 and 57

Lauderdale Research, Inc.

EXHIBIT 20

EXHIBIT 20 (Continued)

City (Population)	Name	Classification	No. of Units	Rates (2)			Restaurant	Cocktails	Indoor Pool	Open All Year	Comments
				1 Person	2 People/ 1 Bed	2 People/ 2 Beds					
Tomah (7,200)	Best Western Motor Inn of Tomah	Motel	64	6/1-8/31 \$28-\$35		6/1-8/31 \$34-\$40	Restaurant Adjacent	--	No	Yes	Two miles north at Jct I-94 and SR 21
	Holiday Inn	Motor Inn	100	\$34-\$39	\$38-\$45	\$38-\$42	Dining Room	Yes	No	Yes	On SR 21 (east of Jct I-94), heated pool
Wisconsin Dells (3) (2,500)	Holiday Inn	Motor Inn	132	5/27-9/6 \$46-\$50	5/27-9/6 \$52-\$56	5/27-9/6 \$48-\$56	Dining Room Coffee Shop	Yes	Yes	Yes	East on I-90 and 94, exit 87 [on SR 13], sauna, whirlpool, recreational program, domed recreation area
				9/7-9/25 & 4/1-5/26 \$38-\$42	9/7-9/25 & 4/1-5/26 \$44-\$48	9/7-9/25 & 4/1-5/26 \$46-\$48					
				9/26-3/31 \$33-\$37	9/26-3/31 \$39-\$43	9/26-3/31 \$41-\$43					
	Kahler Motel	Motor Inn	101			5/22-9/30 \$54-\$65	Dining Room	Yes	Yes	Yes	On US 12 and SR 23, sauna, whirlpool
	Mayflower Hotel	Motel	98	6/11-9/8 \$54	6/11-9/8 \$56	6/11-9/8 \$58	Dining Room Adjacent	--	Yes	4/1- 11/1	On US 12 and SR 23, 3 pools, 1 indoor, sauna, whirlpool, playground
				4/1-6/10 & 9/9-11/1 \$38	4/1-6/10 & 9/9-11/1 \$42	4/1-6/10 & 9/9-11/1 \$44					
	Monaco Motel	Motel	74		7/1-9/7 \$35-\$40	7/1-9/7 \$40-\$45	No	--	No	5/1- 10/30	On US 12 and SR 23, heated pool, wading pool
	Pine-Aire Motel	Motel	62		5/1-6/30 & 9/8-10/30 \$25-\$30	5/1-6/30 & 9/8-10/30 \$25-\$35					
					6/1-9/10 \$46-\$66	6/1-9/10 \$52-\$75	No	--	Yes	4/1- 11/15	On US 12 and SR 23, most rooms have balconies, sauna, whirlpool
					4/1-5/31 & 9/11-11/15 \$32-\$48	4/1-5/31 & 9/11-11/15 \$36-\$52					

(1) The following criteria were used in selecting the lodging facilities shown:

1. Located in Wisconsin
2. City population less than 10,000--Reedsburg's population is 5,000
3. 50 or more units--Voyager Hills Inn has 75 units
4. Hotels, motor inns, hotels or motor hotels, no cottages, resorts, resort complexes, resort lodges--Voyager Hills Inn is classified as a motel
5. AAA rating of at least 3. All have a 3 rating except the Holiday Inn and the Kahler Motel (both in Wisconsin Dells) which each have a 2 rating. Voyager Hills Inn has a 4 rating.

(2) In some instances, the rates in the AAA TourBook were shown as "Rates Guaranteed" and in other instances as "Rates Subject to Change." Landmark Research, Inc., omitted this distinction.

(3) These communities are listed in the "What To See" section of the AAA TourBook.

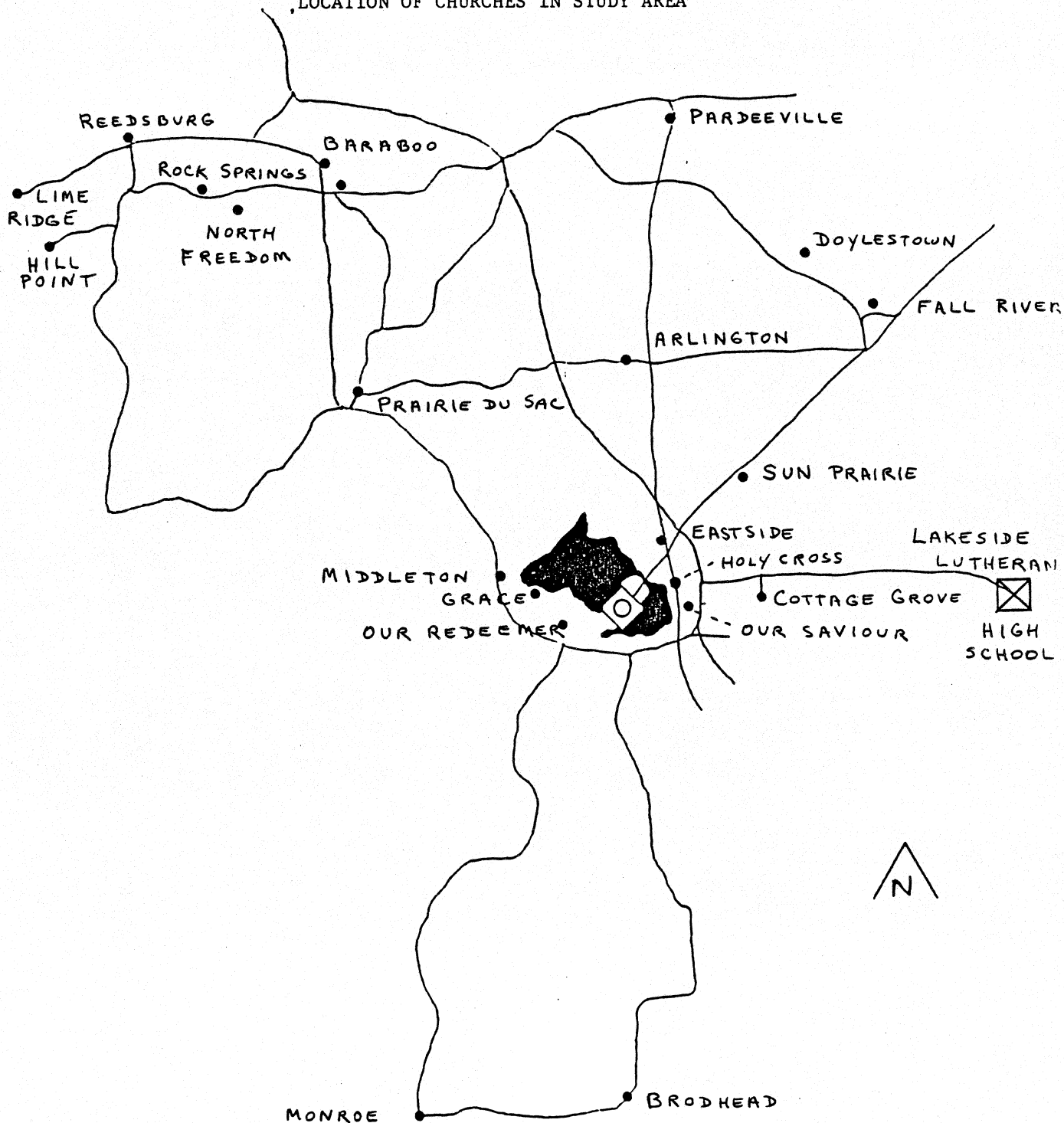
Source: Michigan Wisconsin TourBook, 1982 Edition, American Automobile Association.

APPENDIX B

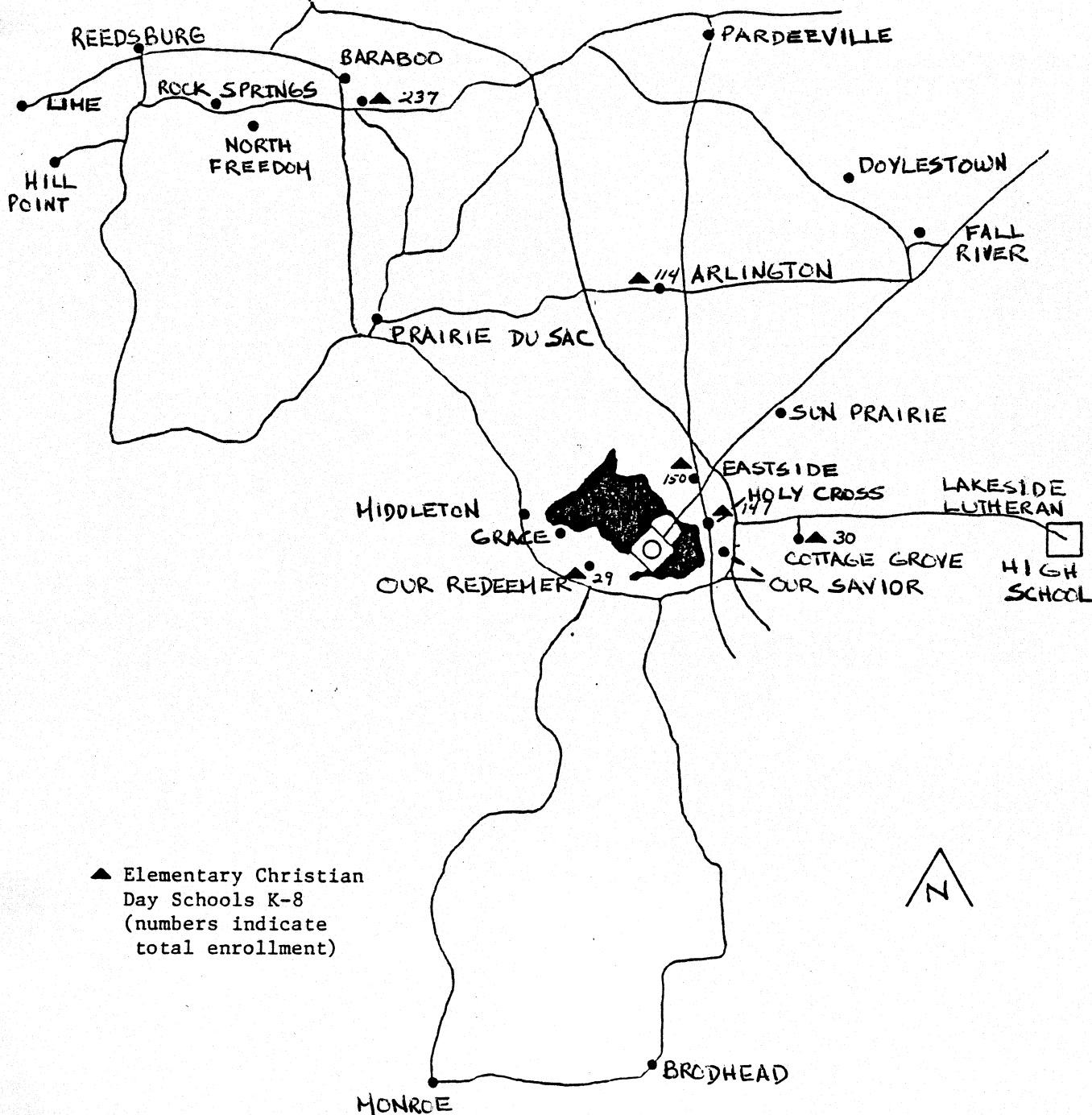
PRIVATE LUTHERAN SCHOOL STUDY INFORMATION
AND
COMMUNITY HOUSING ALTERNATIVES PROGRAM (CHAP) INFORMATION

PRIVATE LUTHERAN SCHOOL STUDY INFORMATION

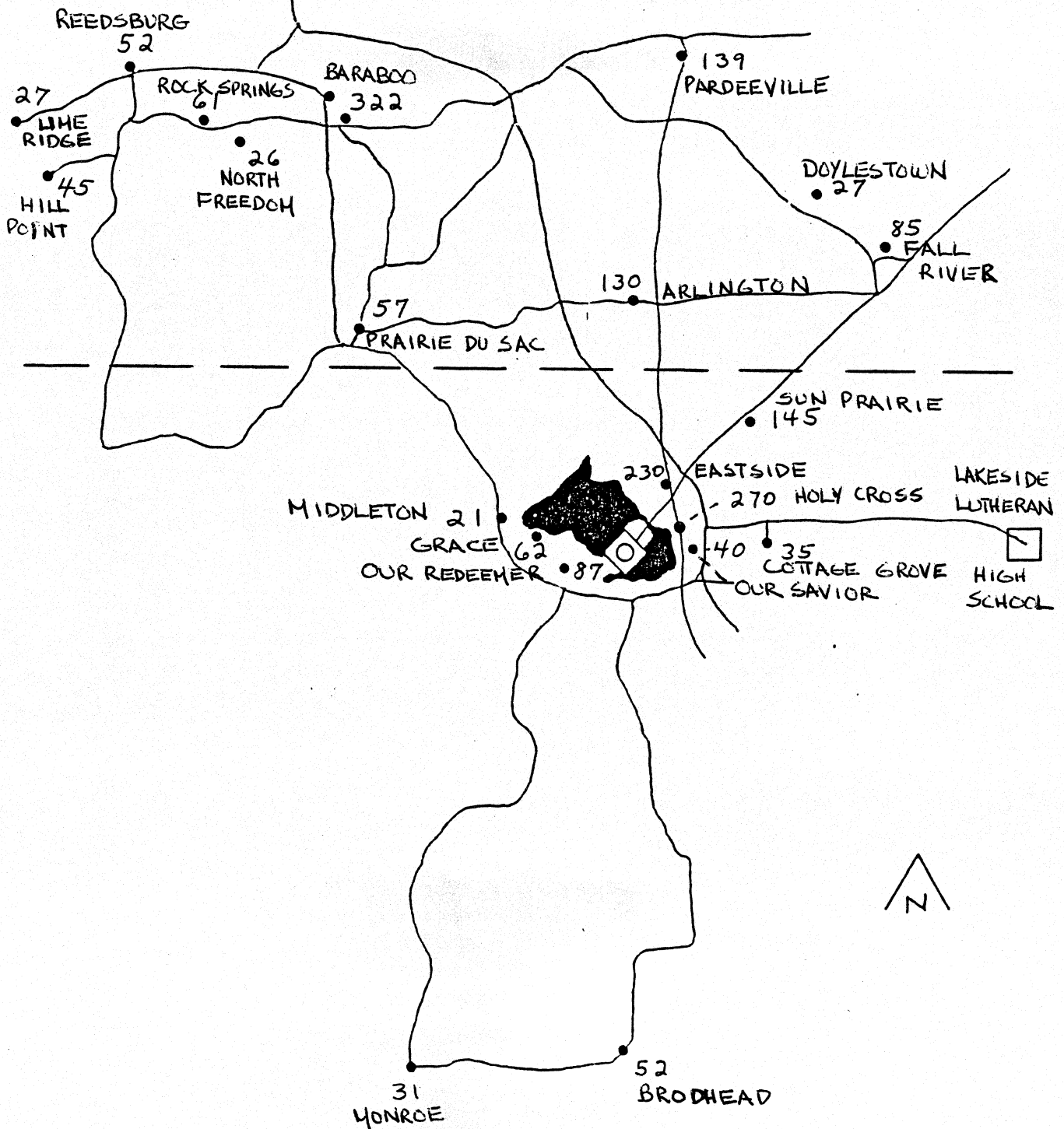
LOCATION OF CHURCHES IN STUDY AREA



LOCATION AND ENROLLMENTS OF ELEMENTARY CHRISTIAN DAY SCHOOLS
IN THE STUDY AREA



NUMBER OF SCHOOL-AGE CHILDREN IN CHURCHES IN THE STUDY AREA



COMMUNITY HOUSING ALTERNATIVES PROGRAM (CHAP) INFORMATION



State of Wisconsin \

DEPARTMENT OF HEALTH & SOCIAL SERVICES

August 16, 1982

OFFICE OF THE SECRETARY
1 WEST WILSON STREET
MADISON, WISCONSIN 53702

TO: ALL INTERESTED PERSONS

FROM: Donald E. Percy, Secretary
Department of Health and Social Services

Thomas J. Rehak, Executive Director
Wisconsin Health Facilities Authority

SUBJECT: Community Housing Alternatives Program (CHAP)

*Deleane Nelson,
Deputy for*

Thomas J. Rehak

Attached is an Information Memorandum about a new program to assist in the development of housing opportunities for disabled and elderly persons.

Also attached is a schedule of public meetings which will give people a chance to ask additional questions and comment on the program. And, of course, we would appreciate your written comments if you are unable to attend the meetings.

If you are interested in making an application to develop housing for chronically disabled or elderly persons, we would welcome letters of interest from potential sponsors indicating the type of facility to be developed, the target population, the estimated cost (if known), the location (specific or general area) of the facility, and the present status of project planning. Please address your letters to Tom Frazier, Department of Health and Social Services, Room 565, P.O. Box 7851, Madison, Wisconsin 53707.

Finally, we are interested in working with a limited number of pilot projects which are already further along in the development process. Sponsors who are interested in being considered as a pilot project should apply in writing to Tom Frazier at the above address.

We sincerely hope that you will find the attached information interesting, and that many of you will get involved in this exciting opportunity to develop housing alternatives which are appropriate in meeting the needs of disabled and elderly persons.

Attachments

INFORMATION

Office of the Administrator

DIVISION OF COMMUNITY SERVICES

Wisconsin Department of Health and Social Services

August 16, 1982

Attention

Area Agencies on Aging Executive Directors
County Aging Unit Directors
County Departments of Social Services Directors
Developmental Disabilities Program Directors
County Human Service Department Directors
Institute/Center Directors
Regional Directors/District Offices
DCS Bureau/Office Directors
Area Administrators
Community Services Program Directors
Other Interested Persons

SUBJECT: Community Housing Alternatives Program (CHAP)

1) What is the Community Housing Alternatives Program?

The Community Housing Alternatives Program (CHAP) provides \$100 million in bonding authority to make loans to non-profit sponsors for the development of housing (residential facilities) for elderly and chronically disabled persons.

The bonding authority was approved by the Legislature as a part of the 1981-83 Biennial Budget Bill. A subsequent amendment (AB1005) was introduced in January 1982, which gave the Department of Health and Social Services (DHSS) joint responsibility with the Wisconsin Health Facilities Authority (HFA) for administering the program. AB1005 became Chapter 298, Laws of 1981, on May 1, 1982.

The DHSS is responsible for approving projects for financing by the HFA. The HFA has the power to issue tax-exempt revenue bonds which is a means of raising money to provide loans to eligible sponsors. In order to qualify for a loan, sponsors must obtain approval for their project from DHSS and meet financial feasibility requirements of the HFA. The principal and interest on the loan must be paid back from revenues (e.g., rents) produced by the project with enough project income left to operate and maintain the facility and establish a contingency or reserve fund.

There are two basic types of bond sales - a public bond issue and a private placement.

A private placement usually involves a local bank or consortium of banks (lending institutions) which agree to purchase the bonds from the HFA. The terms and conditions of the financing (loan) are negotiated between the non-profit sponsor and lending institution in consultation with staff of the HFA.

The advantages of a private placement include the possibility of a lower interest rate, faster processing of the application, and the avoidance of certain fees, such as underwriters fee, bond rating fee, financial feasibility study fee, trustee fee, and bond counsel fee. In fact, the DHSS and HFA strongly encourage the use of private placements, especially for smaller projects which cannot afford the substantial fees of a public offering and still be economically feasible.

A public bond issue involves the development of an Official Statement (a detailed feasibility study), the use of underwriters to market and purchase the bonds, and may involve a presentation to bond rating agencies (Standard and Poors and Moody's Investor Services).

The proceeds from the bond sale provide the permanent financing of the construction after the project is determined to be acceptable to the DHSS and the HFA. Interim construction financing may be available to sponsors from the HFA.

2) What is the purpose of the CHAP?

As its name implies, the purpose of the program is to assist in the development of non-institutional, non-medical housing alternatives for persons who traditionally have lacked a range of choices concerning their living arrangements.

The goal of the program is to develop residential facilities which are integrated into the community so that residents can live as independently and normally as possible. Generally, this may be best accomplished through the development of housing which is smaller in terms of the number of persons served, and includes plans for the provision of supportive services.

3) Who is to be served by the program?

The program is designed to serve persons who are chronically disabled or elderly.

The chronically disabled are defined as persons who are alcoholic, developmentally disabled, drug dependent, mentally ill, or physically disabled.

The elderly are defined as persons age 60 and over, including the frail elderly who have one or more chronic health conditions and need some assistance with daily living activities, such as preparing meals, cleaning

house, shoveling snow, shopping, and/or obtaining transportation for medical or other purposes. The policy of the DHSS is to encourage the development of housing for the elderly which is designed to serve a percentage (usually 20-25%) of older persons who are frail and need supportive services.

4) How many persons may be served by a CHAP project?

The legislation does not permit the DHSS to approve any projects designed to serve more than 50 older persons (not dwelling units) or 15 disabled persons (not dwelling units). For example, a project serving 20 disabled persons and 40 older persons (for a total of 60 persons) could not be approved, or a facility proposing to serve 30 disabled persons who also are elderly would not be approved. Smaller facilities are encouraged depending on the location, program intent, and financial feasibility.

5) What type of sponsors are eligible to apply for CHAP loans?

Eligible sponsors include non-profit agencies or corporations, county boards of public welfare (Wisconsin Statute 46.21 and 46.22(2)), community human services boards (46.23), community mental health boards (51.42), councils on developmental disabilities (51.437), county commissions on aging (59.07(93)), county housing authorities (59.075), housing authorities for elderly persons (66.395), municipal housing authorities (66.40), housing and community development authorities (66.4325), participating health institutions (231.01(3)), and the DHSS.

6) How will the \$100 million in bonding authority be allocated among target groups?

The law requires that at least \$30 million of the \$100 million bonding authority be allocated to the development of residential facilities serving chronically disabled persons. The balance or \$70 million may be used to develop housing for the elderly or additional housing for disabled persons.

No county or regional allocation formula will be developed at this time. However, after reviewing initial inquiries from potential sponsors, outreach efforts will be made if there is a lack of response from certain geographic areas of the state.

7) What can the money be used for?

Loans to eligible sponsors may be used for new construction; purchase and rehabilitation of existing structures; modification to existing residential facilities; refinancing of existing loans; and some or all of the costs of development, such as architectural/engineering fees, legal fees, interim construction financing, surveys, and other fees and charges.

8) What type of residential facilities may be developed under the program?

Some examples of residential rental facilities which may be developed under the CHAP include congregate housing, small group homes, independent apartments, supervised living arrangements, and community-based residential facilities.

Other housing options such as cooperative housing, elder cottages, and accessory apartments may be possible depending on federal law related to tax exempt revenue bonds. Sponsors should contact the DHSS or HFA to discuss their proposals prior to filling out a pre-application or application.

The law does not allow CHAP-funded residential facilities to be physically connected to a nursing home or hospital except for common service units for laundry, kitchen or utility purposes. The intent of this exception is to allow cost savings in situations where it does not make sense to duplicate these services (e.g., meals may be prepared in the kitchen of a nursing home and delivered to persons living in the residential facility; laundry may be done in a hospital laundry for both the hospital and residential facility; and the heating plant of an existing building also may be used by a newly constructed residential facility).

9) What priorities for project approval will be used by the DHSS?

Some factors to be considered by the DHSS in determining priorities for approval are included in state and federal law and others relate to program objectives of the DHSS and consumer advocates. The Department's goal is to be flexible while giving potential sponsors adequate information to develop the type of proposals which are likely to receive approval.

The following factors are among those that will be used by the DHSS in considering applications for approval:

A. Program Requirements

- (1) There must be a need for the proposed housing as reflected in a lack of housing options for the target population in the geographic or market area, and/or a survey demonstrating a demand for additional housing for the target population.
- (2) The proposed housing must be located near transportation, shopping, medical care and other services needed by elderly or disabled persons.
- (3) The plan for the proposed housing must demonstrate a commitment to maximizing the ability of the residents to participate in daily community and neighborhood activities. Evidence of such commitment should be reflected in the physical location, design, size, and the relationship of the proposed housing to other residential arrangements in the neighborhood.
- (4) At least 20% of the residents of the proposed housing must meet Department of Housing and Urban Development (HUD) Section 8 income guidelines (80% of median family income for the area).
- (5) Applications must include a service component to meet the needs of the specific disability group, and demonstrate a commitment by appropriate agencies to provide supportive services to the residents.

- (6) There must be a plan developed by the sponsor and human service agencies to continue to provide services to the residents of the proposed facility. The plan should cover at least the period of the loan, and include contingencies for budget cuts affecting human service programs.
- (7) The proposed housing must be financially feasible (i.e., the applicant must clearly demonstrate the ability to repay the loan and meet other financial obligations).
- (8) The sponsor must have the capacity to proceed promptly toward the completion of the proposed housing, and to maintain and manage the project for the period of the loan.

B. Program Priorities

- (1) Higher priority will be given to applications which propose to serve chronically disabled or frail elderly persons (i.e., proposals to serve primarily or exclusively those persons who are living in institutions or are at risk of being institutionalized).
- (2) Preference will be given to projects which propose to serve fewer than the maximum number of persons who may be served by the program (15 disabled persons or 50 older persons). Also, the use of more than one site will result in smaller facilities and will be given priority.
- (3) Priority will be given to sponsors which are able to obtain other resources to lower the cost of the project (and thereby increase the number of lower income persons who can be served), or to assure the financial feasibility of the project.
- (4) Higher priority will be given to projects which propose to use existing community services at low or no additional cost to the residents of the housing.
- (5) Preference will go to projects which propose optional and individualized service components.

10) What other requirements will sponsors have to meet?

Eligible sponsors will have to meet all other applicable requirements related to residential development, such as local zoning and building codes and the requirements of the Wisconsin Department of Industry, Labor and Human Relations (DILHR).

Residential facilities will have to meet either the Building, Heating, Ventilating and Air Conditioning Code (Chapter IND. 50-64) or the Uniform Dwelling Code (IND. 20-25). State Plumbing and Electrical Codes also apply. A plan review is required by DILHR for projects under IND. 50-64, IND. 20-25 and the State Plumbing Code (H62).

If the facility must be licensed, the requirements of the licensing agency will have to be met. For example, Community Based Residential Facilities (CBRFs) will have to comply with DHSS licensing requirements (HSS-3) and applicable building codes administered by DILHR.

If other federal and/or state programs (e.g., CDBG, Section 8, etc.) are used in conjunction with CHAP, the sponsor may have to meet additional requirements. Sponsors should check with the DHSS and HFA when other programs are involved so that the simplest method for processing the application can be determined.

11) Will the program serve persons with low to moderate incomes?

It is the intent of the DHSS and HFA to encourage and give priority to projects which propose to serve persons with low to moderate incomes.

Federal legislation requires that at least 20% of persons living in residential rental housing financed with tax exempt bonds meet HUD Section 8 income guidelines (80% of median family income).

The exemption from federal income taxes of the interest earned on the bonds means that interest rates will be somewhat lower than market interest rates. The subsidy provided by the use of revenue bonds is small compared to the HUD Section 8 program which subsidizes the amount a family must pay for rent.

Any method of lowering the cost of the project, cutting operation and maintenance costs, reducing interest rates, or using existing community services can help lower rental rates charged to residents. Some ideas for reducing costs to accomplish lower rents include:

- (1) The use of Community Development Block Grants (CDBG) to eliminate or reduce the acquisition costs of land and buildings.
- (2) Donations of land and buildings to lower costs.
- (3) The use of long-term leases to eliminate acquisition costs of land and buildings.
- (4) A negotiated sale of bonds to a local bank(s) at a favorable interest rate.
- (5) The use of energy efficient designs to lower operating costs.
- (6) Obtaining an exemption from property taxes or making a payment in lieu of taxes to reduce operating costs.
- (7) The use of other federal, state, local, public or private resources in conjunction with the CHAP to lower costs.

12) How and when can sponsors apply for loans?

The DHSS will have application forms and procedures developed and will begin accepting pre-applications in October, 1982.

The application process will be designed to be flexible and allow sponsors to apply at any time. The development process will include the following steps:

- (1) Pre-application to the DHSS
- (2) Pre-application conference with selected sponsors
- (3) Application for loan approval
- (4) DHSS approval
- (5) HFA loan approval
- (6) Interim construction financing
- (7) Project construction
- (8) Loan closing (permanent financing)

Potential sponsors should begin now to plan their program, talk to service providers, locate possible sites, and obtain community support.

13) Will there be training, technical assistance, and other resources available to sponsors?

Yes. There will be public meetings held around the state to inform interested people about the program and to obtain their suggestions. Training will be held for potential sponsors as soon as the application guidelines and instructions are completed.

Technical assistance will be available to sponsors from the DHSS, HFA, the Wisconsin Rural Housing Cooperative, the Department of Development, the Wisconsin Housing Finance Authority, the Department of Housing and Urban Development, the Farmers Home Administration, and others depending on the need.

The DHSS will offer technical assistance during the pre-application and application process and HFA will advise sponsors regarding financial feasibility and the marketing of bonds for particular projects. The Wisconsin Rural Housing Cooperative has a grant to provide training and technical assistance to selected sponsors of the CHAP. The Department of Development operates a housing loan and grant fund, the Small Cities CDBG program, and provides training and technical assistance to housing sponsors. The Wisconsin Housing Finance Authority, HUD and FmHA have resources, information, and experience to share with potential applicants in addition to their own programs which may be appropriate depending on the sponsor's objectives.

If the parties involved (i.e., the DHSS, the HFA, and the sponsor) agree that a proposed residential facility is desirable and feasible, every effort will be made to make the project possible. This means advice and technical assistance on how to proceed, and exploring creative, innovative ways of assisting the sponsor through the development process.

14) Will there be application and other fees charged to sponsors?

Yes. Both the DHSS and HFA will charge fees to cover administrative costs. Every effort will be made to keep the fees at a minimum during the initial stages of development. All fees may be included in the permanent financing (from the bond proceeds) so that a successful applicant may be reimbursed for these costs. However, the sponsor will have to have the resources to pay the fees initially.

The DHSS fee is three-tenths of one percent (.003) of the loan amount. HFA charges a graduated fee based on the amount of the bond issue. Fees will be payable at different times during the development process. For example, the total application fee for a \$600,000 project would be as follows:

	<u>DHSS</u>	<u>HFA</u>	<u>Total</u>
pre-application	\$100	\$-0-	\$100
application	450	1,500	1,950
loan approval	1,250	7,500	8,750
loan closing	-0-	6,000	6,000
	<u>\$1,800</u>	<u>\$15,000</u>	<u>\$16,800</u>

Other fees may include architectural/engineering fees, consultant fees, legal fees, bond rating fees, underwriter fees, bond counsel fees, trustee fees, and title insurance. In addition, HFA charges sponsors an annual fee of approximately one-tenth of one percent of the outstanding principal on the loan.

As explained previously, many of these fees can be avoided or reduced if the bonds are sold to local institutions through a private placement.

15) Who should I contact for additional information?

Please send your questions and comments to the DHSS or HFA at the following addresses:

Tom Frazier
Community Housing Alternatives Program
Department of Health & Social Services
Room 565
P.O. Box 7851
Madison, WI 53707

Thomas J. Rehak
Executive Director
Wisconsin Health Facilities
Authority
5721 Odana Road, Suite 108
Madison, WI 53719

APPENDIX C

MARSHALL AND SWIFT COMPUTERIZED COST ESTIMATE
FOR VOYAGEUR HILLS INN
(Both As Is and Reduced in Size)

AND

APPROPRIATE ALLOWANCES FOR FURNITURE, FIXTURES, AND
EQUIPMENT PRESENTLY IN PLACE, VOYAGEUR HILLS INN

MARSHALL AND SWIFT COMPUTERIZED COST ESTIMATE
FOR VOYAGEUR HILLS INN - AS IS

COST ESTIMATE FOR: VOYAGEUR HILLS INN
PROPERTY OWNER: MARVIN B. & CAROL MAE HILLS
ADDRESS: 200 VIKING DR, REEDSBURG, WISCONSIN
SURVEYED BY: JAMES A. GRAASKAMP
DATE OF SURVEY: SEPTEMBER 1, 1982

SECTION 1:

OCCUPANCY: MOTEL

CLASS: C Masonry	COST RANK: 2.0 Average
EFFECTIVE AGE: 3 YEARS	CONDITION: 5.0 Very good
NUMBER OF STORIES: 3.0	AVERAGE STORY HEIGHT: 9.0
FLOOR AREA: 38,000	COST AS OF: 10/82

COMPONENT	UNITS	COST	REPLACEMENT COST	
			NEW	DEPR
EXCAVATION & SITE PREPARATION:				
Excavation.....	60,000	0.13	7,800	7,566
Site Preparation.....	38,000	0.10	3,800	3,686
SUBTOTAL.....			11,600	11,252
FOUNDATION:				
Concrete,Bearing walls.....	38,000	1.08	41,040	39,809
FRAME:				
Floor Supports.....	38,000	0.57	21,660	21,010
FLOOR STRUCTURE:				
Concrete,Precast Joist,Slab...	38,000	4.43	168,340	163,290
Foamed Concrete.....	38,000	0.40	15,200	14,744
SUBTOTAL.....			183,540	178,034
FLOOR COVER:				
Carpet and Pad.....	32,000	1.32	42,240	40,973
Concrete Color.....	2,510	0.30	753	730
Tile,Ceramic.....	1,500	4.88	7,320	7,100
Vinyl.....	2,000	1.54	3,080	2,988
SUBTOTAL.....			53,393	51,791
CEILING:				
Fiber Tile.....	12,670	0.81	10,263	9,955
Finish Only.....	25,050	0.29	7,264	7,046
Suspended Ceiling.....	12,670	0.72	9,122	8,848
SUBTOTAL.....			26,649	25,849
INTERIOR CONSTRUCTION:				
Interior Construction,Frame...	19,000	8.78	166,820	161,815
Interior Construction,Masonry.	19,000	9.29	176,510	171,215
SUBTOTAL.....			343,330	333,030
PLUMBING:				
Plumbing Fixtures.....	250	495	123,750	120,038
HEATING AND VENTILATING:				
Forced Air.....	8,240	1.39	11,454	11,110
ELECTRICAL:				
Electrical.....	43,010	2.50	107,525	104,299

EXTERIOR WALL:				
Brick,Block Back-Up.....	3,388	10.97	37,166	36,051
Concrete Block.....	4,000	9.72	38,880	37,714
Metal & Glass Panels.....	3,672	15.30	56,182	54,497
Face Brick Veneer.....	4,000	9.97	39,880	38,684
Insulation.....	15,000	0.30	4,500	4,365
SUBTOTAL.....			176,608	171,311
ROOF STRUCTURE:				
Precast Joists and Deck.....	12,670	4.05	51,313	49,774
ROOF COVER:				
Built-Up Composition.....	12,670	0.79	10,009	9,709
Insulation.....	12,670	0.46	5,828	5,653
SUBTOTAL.....			15,837	15,362
ELEVATORS:				
Elevator 4 Stops.....	1	98,774	98,774	95,811
BUILT-IN CONSTRUCTION:				
Window Air Conditioner.....	72	455	32,760	31,777
SUBTOTAL SUPERSTRUCTURE.....	38,000	34.19	1,299,233	1,260,257
BASEMENT:				
Concrete Reinforced Wall.....	3,692	6.23	23,001	22,311
Interior Construction.....	4,000	7.90	31,600	30,652
Interior Construction.....	1,000	4.39	4,390	4,258
SUBTOTAL.....			58,991	57,221
TOTAL.....			1,358,224	1,317,478
ARCHITECT'S FEES.....	6.3%		86,021	83,440
REPLACEMENT COST NEW.....				
DEPRECIATION.....	38,000	38.01	1,444,245	
DEPRECIATED COST.....	<3.0%		<43,327>	
				1,400,918
ADDITIONS:				
ICE MACHINE			1,500	1,200
EXERCISE EQUIP			3,500	2,625
FURNITURE			75,600	37,800
LINENS			13,680	1,368
TOTAL COST.....			1,538,525	1,443,911

SECTION 2:

OCCUPANCY: AUDITORIUM

CLASS: C Masonry

EFFECTIVE AGE: 3 YEARS

NUMBER OF STORIES: 1.0

FLOOR AREA: 13,150

COST RANK: 2.0 Average

CONDITION: 5.0 Very good

AVERAGE STORY HEIGHT: 15.0

COST AS OF: 10/82

COMPONENT	UNITS	COST	REPLACEMENT NEW	COST DEPR
EXCAVATION & SITE PREPARATION:				
Site Preparation.....	13,150	0.11	1,446	1,417
FOUNDATION:				
Concrete, Bearing walls.....	13,150	1.49	19,593	19,201
FRAME:				
Glued Laminated Wood.....	13,150	2.78	36,557	35,826
FLOOR STRUCTURE:				
Concrete on Ground.....	13,150	2.12	27,878	27,320
FLOOR COVER:				
Carpet and Pad.....	9,494	1.98	18,798	18,422
Maple.....	600	4.39	2,634	2,581
Tile, Ceramic.....	500	5.03	2,515	2,465
Tile, Quarry.....	414	5.03	2,082	2,040
Vinyl Asbestos Tile.....	416	0.99	412	404
SUBTOTAL.....			26,441	25,912
CEILING:				
Fiber Panel.....	8,810	1.20	10,573	10,362
Finish Only.....	4,339	0.36	1,562	1,531
SUBTOTAL.....			12,135	11,893
INTERIOR CONSTRUCTION:				
Accordion.....	1,000	11.66	11,660	11,427
Concrete Block.....	9,100	3.74	34,034	33,353
Steel Studs & Gypsum Board....	2,500	2.61	6,525	6,395
SUBTOTAL.....			52,219	51,175
PLUMBING:				
Plumbing Fixtures.....	20	1,259	25,180	24,676
HEATING AND VENTILATING:				
Package Heating & Cooling.....	13,150	3.97	52,205	51,161
ELECTRICAL:				
Electrical.....	13,150	4.12	54,178	53,094
EXTERIOR WALL:				
Brick, Block Back-Up.....	460	12.47	5,736	5,621
Face Brick.....	460	1.39	639	626
Concrete Block.....	7,650	11.02	84,303	82,617
SUBTOTAL.....			90,678	88,864

ROOF STRUCTURE:				
Steel Joists,Gypsum.....	3,780	5.15	19,467	19,078
Steel Joists,Composition Deck.	9,840	4.45	43,788	42,912
Glued Laminated Girders.....	13,150	1.35	17,752	17,397
SUBTOTAL.....			81,007	79,387
ROOF COVER:				
Built-Up Composition.....	13,150	0.99	13,018	12,758
Wood Shakes,Fire Resistant....	3,000	2.00	6,000	5,880
Insulation.....	13,150	0.60	7,890	7,732
SUBTOTAL.....			26,908	26,370
TOTAL.....			506,425	496,296
ARCHITECT'S FEES.....	7.1%		36,125	35,403
REPLACEMENT COST NEW.....				
DEPRECIATION.....	13,150	41.26	542,550	
DEPRECIATED COST.....	<2.0%>		<10,851>	
				531,699
ADDITIONS:				
CHAIRS & TABLES			21,000	11,970
OFFICE FURN & EQUIP			3,500	1,750
JACUZZI			4,500	4,410
POOL			18,600	18,228
TOTAL COST.....			590,150	568,057

SECTION 3:

OCCUPANCY: RESTAURANT

CLASS: C Masonry
EFFECTIVE AGE: 7 YEARS
NUMBER OF STORIES: 1.0
FLOOR AREA: 12,750

COST RANK: 3.0 Above Average
CONDITION: 5.0 Very good
AVERAGE STORY HEIGHT: 12.0
COST AS OF: 10/82

COMPONENT	UNITS	COST	REPLACEMENT COST NEW	DEPR
EXCAVATION & SITE PREPARATION:				
Site Preparation.....	12,750	0.13	1,657	1,491
FOUNDATION:				
Concrete, Bearing walls.....	12,750	1.40	17,850	16,065
FRAME:				
Glued Laminated Wood.....	12,750	2.52	32,130	28,917
FLOOR STRUCTURE:				
Steel Joists, Precast Deck.....	12,750	5.37	68,467	61,620
FLOOR COVER:				
Carpet and Pad.....	8,287	2.88	23,868	21,481
Tile, Ceramic.....	637	5.78	3,685	3,317
Tile, Quarry.....	3,188	5.78	18,424	16,582
Vinyl.....	637	2.15	1,371	1,234
SUBTOTAL.....			47,348	42,614
CEILING:				
Steel.....	3,188	2.74	8,734	7,861
Fiber Tile.....	9,563	1.08	10,327	9,294
Suspended Ceiling.....	9,563	0.99	9,467	8,520
SUBTOTAL.....			28,528	25,675
INTERIOR CONSTRUCTION:				
Interior Construction, Frame...	12,750	9.59	122,272	110,045
Accordion.....	1,200	21.06	25,272	22,745
Clay Tile and Plaster.....	1,000	6.51	6,510	5,859
SUBTOTAL.....			154,054	138,649
PLUMBING:				
Plumbing Fixtures.....	20	1,426	28,520	25,668
ELECTRICAL:				
Electrical.....	12,750	8.31	105,952	95,357
EXTERIOR WALL:				
Cavity Brick.....	6,300	12.50	78,750	70,875
Metal & Glass Panels.....	1,000	18.04	18,040	16,236
SUBTOTAL.....			96,790	87,111

ROOF STRUCTURE:				
Glued Laminated Girders.....	12,750	1.59	20,272	18,245
Marquee, Wood Frame.....	750	15.92	11,940	10,746
SUBTOTAL.....			32,212	28,991
ROOF COVER:				
Built-Up Composition.....	12,750	1.14	14,535	13,082
Wood Shakes, Fire Resistant....	3,000	2.12	6,360	5,724
Insulation.....	12,750	0.85	10,837	9,753
SUBTOTAL.....			31,732	28,559
SUBTOTAL SUPERSTRUCTURE.....	12,750	50.61	645,240	580,717
BASEMENT:				
Concrete Reinforced Wall.....	9,000	8.79	79,110	71,199
Waterproofing.....	9,000	0.64	5,760	5,184
SUBTOTAL.....			84,870	76,383
TOTAL.....			730,110	657,100
ARCHITECT'S FEES.....	7.7%		56,218	50,596
REPLACEMENT COST NEW.....				
DEPRECIATION.....	<10.0%		<78,632>	
DEPRECIATED COST.....				707,696
ADDITIONS:				
CHAIRS & TABLES			14,000	7,980
BAR & BAR EQUIP			33,800	6,760
FURNITURE			10,900	2,180
GLASSES, DISHES, SILVERWARE			10,900	2,180
KITCHEN EQUIP			65,200	32,600
TOTAL COST.....			921,128	759,396

SUMMARY	REPLACEMENT COST NEW	DEPR
1: MOTEL	1,538,525	1,443,911
2: AUDITORIUM	590,150	568,057
3: RESTAURANT	921,128	759,396
TOTAL COST.....	3,049,803	2,771,364
ROUNDED TO NEAREST \$1,000	3,050,000	2,771,000
Cost Data by MARSHALL and SWIFT		

HEATING AND VENTILATING:				
Forced Air.....	8,240	1.38	11,371	11,030
ELECTRICAL:				
Electrical.....	30,340	2.49	75,547	73,281
EXTERIOR WALL:				
Brick,Block Back-Up.....	2,260	10.90	24,634	23,895
Concrete Block.....	2,667	9.67	25,790	25,016
Metal & Glass Panels.....	2,448	15.20	37,210	36,094
Face Brick Veneer.....	2,667	9.91	26,430	25,637
Insulation.....	10,000	0.30	3,000	2,910
SUBTOTAL.....			117,064	113,552
ROOF STRUCTURE:				
Precast Joists and Deck.....	12,670	4.02	50,933	49,405
ROOF COVER:				
Built-Up Composition.....	12,670	0.78	9,883	9,587
Insulation.....	12,670	0.46	5,828	5,653
SUBTOTAL.....			15,711	15,240
ELEVATORS:				
Elevator 3 Stops.....	1	91,101	91,101	88,368
BUILT-IN CONSTRUCTION:				
Window Air Conditioner.....	48	453	21,744	21,092
SUBTOTAL SUPERSTRUCTURE.....	25,330	36.89	934,374	906,345
BASEMENT:				
Concrete Reinforced Wall.....	3,692	6.19	22,853	22,167
Interior Construction.....	4,000	7.85	31,400	30,458
Interior Construction.....	1,000	4.36	4,360	4,229
SUBTOTAL.....			58,613	56,854
TOTAL.....			992,987	963,199
ARCHITECT'S FEES.....	6.3%		62,889	61,002
REPLACEMENT COST NEW.....			25,330	41.68
DEPRECIATION.....	<3.0%>		1,055,876	<31,675>
DEPRECIATED COST.....				1,024,201
ADDITIONS:				
FURNITURE			50,400	25,200
LINEN			9,120	912
ICE MACHINE			1,500	1,200
EXERCISE EQUIP			3,500	2,625
TOTAL COST.....			1,120,396	1,054,138

SECTION 2:

OCCUPANCY: AUDITORIUM

CLASS: C Masonry

EFFECTIVE AGE: 3 YEARS

NUMBER OF STORIES: 1.0

FLOOR AREA: 11,150

COST RANK: 2.0 Average

CONDITION: 5.0 Very good

AVERAGE STORY HEIGHT: 15.0

COST AS OF: 10/82

FLOOR AREA: 11,150		REPLACEMENT COST		
COMPONENT	UNITS	COST	NEW DEPR	
EXCAVATION & SITE PREPARATION:				
Site Preparation.....	11,150	0.11	1,226	1,201
FOUNDATION:				
Concrete, Bearing walls.....	11,150	1.49	16,613	16,281
FRAME:				
Glued Laminated Wood.....	11,150	2.78	30,997	30,377
FLOOR STRUCTURE:				
Concrete on Ground.....	11,150	2.12	23,638	23,165
FLOOR COVER:				
Carpet and Pad.....	7,494	1.98	14,838	14,541
Maple.....	600	4.39	2,634	2,581
Tile, Ceramic.....	500	5.03	2,515	2,465
Tile, Quarry.....	414	5.03	2,082	2,040
Vinyl Asbestos Tile.....	416	0.99	412	404
SUBTOTAL.....			22,481	22,031
CEILING:				
Fiber Panel.....	7,470	1.20	8,965	8,786
Finish Only.....	3,679	0.36	1,325	1,299
SUBTOTAL.....			10,290	10,085
INTERIOR CONSTRUCTION:				
Accordion.....	1,000	11.66	11,660	11,427
Concrete Block.....	9,100	3.74	34,034	33,353
Steel Studs & Gypsum Board....	2,500	2.61	6,525	6,395
SUBTOTAL.....			52,219	51,175
PLUMBING:				
Plumbing Fixtures.....	20	1,259	25,180	24,676
HEATING AND VENTILATING:				
Package Heating & Cooling.....	11,150	3.97	44,265	43,380
ELECTRICAL:				
Electrical.....	11,150	4.12	45,938	45,019
EXTERIOR WALL:				
Brick, Block Back-Up.....	460	12.47	5,736	5,621
Face Brick.....	460	1.39	639	626
Concrete Block.....	7,650	11.02	84,303	82,617
SUBTOTAL.....			90,678	88,864

ROOF STRUCTURE:

Steel Joists,Gypsum.....	3,094	5.15	15,935	15,616
Steel Joists,Composition Deck.	8,056	4.45	35,849	35,132
Glued Laminated Girders.....	11,150	1.35	15,052	14,751
SUBTOTAL.....			66,836	65,499

ROOF COVER:

Built-Up Composition.....	11,150	0.99	11,038	10,817
Wood Shakes,Fire Resistant....	3,000	2.00	6,000	5,880
Insulation.....	11,150	0.60	6,690	6,556
SUBTOTAL.....			23,728	23,253

TOTAL.....			454,089	445,006
ARCHITECT'S FEES.....	7.1%		32,392	31,744

REPLACEMENT COST NEW.....	11,150	43.63	486,481	
DEPRECIATION.....	<2.0%>		<9,731>	
DEPRECIATED COST.....				476,750

ADDITIONS:

CHAIRS & TABLES			21,000	11,970
OFFICE FURN & EQUIP			3,500	1,750
JACUZZI			4,500	4,410
POOL			18,600	18,228
TOTAL COST.....			534,081	513,108

SECTION 3:

OCCUPANCY: RESTAURANT

CLASS: C Masonry
EFFECTIVE AGE: 7 YEARS
NUMBER OF STORIES: 1.0
FLOOR AREA: 6,400

COST RANK: 3.0 Above Average
CONDITION: 5.0 Very good
AVERAGE STORY HEIGHT: 12.0
COST AS OF: 10/82

FLOOR AREA: 8,100		REPLACEMENT COST	
COMPONENT	UNITS	COST	NEW DEPR
EXCAVATION & SITE PREPARATION:			
Site Preparation.....	6,400	0.13	832 749
FOUNDATION:			
Concrete, Bearing walls.....	6,400	1.40	8,960 8,064
FRAME:			
Glued Laminated Wood.....	6,400	2.52	16,128 14,515
FLOOR STRUCTURE:			
Steel Joists, Precast Deck.....	6,400	5.37	34,368 30,931
FLOOR COVER:			
Carpet and Pad.....	4,160	2.88	11,981 10,783
Tile, Ceramic.....	320	5.78	1,850 1,665
Tile, Quarry.....	1,600	5.78	9,248 8,323
Vinyl.....	320	2.15	688 619
SUBTOTAL.....			23,767 21,390
CEILING:			
Steel.....	1,600	2.74	4,384 3,946
Fiber Tile.....	4,800	1.08	5,184 4,666
Suspended Ceiling.....	4,800	0.99	4,752 4,277
SUBTOTAL.....			14,320 12,889
INTERIOR CONSTRUCTION:			
Interior Construction, Frame...	6,400	9.59	61,376 55,238
Accordion.....	600	21.06	12,636 11,372
Clay Tile and Plaster.....	500	6.51	3,255 2,930
SUBTOTAL.....			77,267 69,540
PLUMBING:			
Plumbing Fixtures.....	20	1,426	28,520 25,668
ELECTRICAL:			
Electrical.....	6,400	8.31	53,184 47,866
EXTERIOR WALL:			
Cavity Brick.....	3,150	12.50	39,375 35,438
Metal & Glass Panels.....	500	18.04	9,020 8,118
SUBTOTAL.....			48,395 43,556
ROOF STRUCTURE:			
Glued Laminated Girders.....	6,400	1.59	10,176 9,158
Marquee, Wood Frame.....	375	15.92	5,970 5,373
SUBTOTAL.....			16,146 14,531
ROOF COVER:			
Built-Up Composition.....	6,400	1.14	7,296 6,566
Wood Shakes, Fire Resistant....	1,500	2.12	3,180 2,862
Insulation.....	6,400	0.85	5,440 4,896
SUBTOTAL.....			15,916 14,324
SUBTOTAL SUPERSTRUCTURE.....	6,400	52.78	337,803 304,023

BASEMENT:				
Concrete Reinforced Wall.....	9,000	8.79	79,110	71,199
Waterproofing.....	9,000	0.64	5,760	5,184
SUBTOTAL.....			84,870	76,383

TOTAL.....			422,673	380,406
ARCHITECT'S FEES.....	7.7%		32,546	29,291

REPLACEMENT COST NEW.....	6,400	71.13	455,219	
DEPRECIATION.....	<10.0%>		<45,522>	
DEPRECIATED COST.....				409,697

ADDITIONS:				
KITCHEN EQUIP			65,200	32,600
BAR & BAR EQUIP			33,800	6,760
FURNITURE			10,900	2,180
GLASSES, DISHES, SILVERWARE			10,900	2,180
CHAIRS & TABLES			7,000	3,990
TOTAL COST.....			583,019	457,407

SUMMARY	REPLACEMENT COST NEW	DEPR

1: MOTEL	1,120,396	1,054,138
2: AUDITORIUM	534,081	513,108
3: RESTAURANT	583,019	457,407
TOTAL COST.....	2,237,496	2,024,653

ROUNDED TO NEAREST \$1,000	2,237,000	2,025,000
Cost Data by MARSHALL and SWIFT		

APPROPRIATE ALLOWANCES FOR FURNITURE,
FIXTURES, AND EQUIPMENT PRESENTLY IN PLACE
VOYAGEUR HILLS INN

	<u>Replacement New</u>	<u>Percent Depreciated</u>	<u>Depreciated Value</u>
<u>Motel</u>			
Ice machine	\$ 1,500	20%	\$ 1,200
Exercise equipment	3,500	25%	2,625
Furniture	75,600	50%	37,000
Linens	<u>13,680</u>	90%	<u>1,368</u>
Total for Motel	94,280		42,993
<u>Lobby, Meeting Rooms, Pool</u>			
Chairs and tables	21,000	43%	11,970
Office furniture and equipment	<u>3,500</u>	50%	<u>1,750</u>
Total for Lobby, Meeting Rooms, Pool	24,500		13,720
<u>Restaurant</u>			
Chairs and tables	14,000	43%	7,980
Bar and bar equipment	33,800	80%	6,760
Furniture	10,900	80%	2,180
Glasses, dishes, silverware	10,900	80%	2,180
Kitchen equipment	<u>65,200</u>	50%	<u>32,600</u>
Total for Restaurant	134,800		51,700
 Total	 \$253,580 =====	 57% ===	 \$108,413 =====

APPENDIX D

COMPUTERIZED TEST OF LIQUIDATING VALUE (VALTEST)

INPUT ASSUMPTIONS

1. ENTER PROJECT NAME ? VOYAGEUR HILLS INN
2. ENTER PROJECTION PERIOD ? 10
3. DO YOU WANT TO ENTER EFFECTIVE GROSS REVENUE INSTEAD OF NOI? N
N.O.I. YEAR 1? 111099
N.O.I. YEAR 2? 144798
N.O.I. YEAR 3? 153350
N.O.I. YEAR 4? 161691
N.O.I. YEAR 5? 169752
N.O.I. YEAR 6? 192140
N.O.I. YEAR 7? 199393
N.O.I. YEAR 8? 206102
N.O.I. YEAR 9? 212159
N.O.I. YEAR 10? 217445
4. ACQUISITION COST: ? 875000
5. DO YOU WANT TO USE STANDARD FINANCING? Y OR N?Y
MTG. RATIO OR AMOUNT, INT., TERM, NO PAY/YR ? .6645, .14, 20, 12
6. ENTER RATIO OF IMP #1/TOTAL VALUE, LIFE OF IMP #1? .73, 15
IS THERE A SECOND IMPROVEMENT? Y OR N? Y
ENTER RATIO OF IMP #2/TOTAL VALUE, LIFE OF IMP #2? .1, 5
ENTER REHABILITATION TAX CREDIT FOR IMP #2: 0
IS STRUCTURE A CERTIFIED HISTORICAL LANDMARK? Y OR N?N
7. DEPRECIATION METHOD, IMPROVEMENT #1 ? 1
DEPRECIATION METHOD, IMPROVEMENT #2 ? 1
IS PROPERTY SUBSIDIZED HOUSING ? Y OR N ?N
IS PROPERTY RESIDENTIAL? Y OR N? N
8. IS OWNER A TAXABLE CORPORATION? Y OR N ?Y
CORPORATE FEDERAL ORDINARY TAX RATE COULD BE :
17% - 46% (1978 LAW, EFFECTIVE 1979)
16% - 46% (1981 LAW, EFFECTIVE 1982)
15% - 46% (1981 LAW, EFFECTIVE 1983 & THEREAFTER)
MAXIMUM CORPORATE CAPITAL GAIN ALTERNATIVE TAX RATE IS 28%

(PLUS STATE RATE)
- ENTER:
1) EFFECTIVE ORDINARY RATE 2) EFFECTIVE ORDINARY RATE (YEAR OF SALE)
? .28, .28
9. RESALE PRICE (NET OF SALE COSTS) ? 1635000
10. IS THERE LENDER PARTICIPATION ?Y
ENTER CASH THROW-OFF (%), PROCEEDS BEFORE TAXES (%): 15, 16.45
11. ENTER OWNER'S AFTER TAX REINVESTMENT RATE (%)? 12
12. ENTER OWNER'S AFTER TAX OPPORTUNITY COST OF EQUITY FUNDS (%)? 12

AFTER TAX CASH FLOW PROJECTION
VOYAGEUR HILLS INN
DATE 10/25/82

DATA SUMMARY

ACQUISTN COST: \$875,000. MTG. AMT.: \$581,438.
NOI 1ST YR: \$111,099. MTG. INT.: 14%
ORG. EQUITY: \$293,563. MTG. TERM: 20. YRS
CTO 1ST YEAR: \$24,335. DEBT SERVICE 1ST YEAR: \$86,764.
MTG. CONST.: .14922242
IMP. #1 VALUE: \$638,750. IMP. #1 LIFE: 15.
IMP. #2 VALUE: \$87,500. IMP. #2 LIFE: 5.
INC. TX RATE: 28%
SALE YR RATE: 28% OWNER: CORPORATION

DEPRECIATION IMPROVEMENT #1 : STRAIGHT LINE
DEPRECIATION IMPROVEMENT #2 : STRAIGHT LINE
NON-RESIDENTIAL PROPERTY

LENDER PARTICIPATION: CASH THROW-OFF: 15% REVERSION: 16.45%
Effective rate based on 25% of
reversion above \$400,000 base

NO REPRESENTATION IS MADE THAT THE ASSUMPTIONS BY LANDMARK RESEARCH, INC
ARE PROPER OR THAT THE CURRENT TAX ESTIMATES USED IN THIS
PROJECTION WILL BE ACCEPTABLE TO TAXING AUTHORITIES. NO ESTIMATE
HAS BEEN MADE OF MINIMUM PREFERENCE TAX. CAPITAL LOSSES IN THE
YEAR OF SALE ARE TREATED AS ORDINARY LOSSES (SECTION 1231
PROPERTY) AND ARE CREDITED AGAINST TAXES PAID AT THE ORDINARY
RATE AT THE TIME OF SALE.

FOR THE PURPOSE OF THE MODIFIED INTERNAL RATE OF RETURN (M.I.R.R.)
CALCULATION, NEGATIVE CASH IN ANY ONE PERIOD IS TREATED
AS A CONTRIBUTION FROM EQUITY IN THAT PERIOD.

YEAR	NOI	MTG INT & LENDERS %	TAX DEP	TAXABLE INCOME	INCOME TAX	AFTER TAX CASH FLOW
1.	111099.	84694.	60083.	-33679.	-9431.	30116.
2.	144798.	88894.	60083.	-4181.	-1172.	50501.
3.	153350.	89195.	60083.	4071.	1140.	55459.
4.	161691.	89318.	60083.	12290.	3441.	60247.
5.	169752.	89230.	60083.	20438.	5723.	64817.
6.	192140.	91098.	42583.	58459.	16369.	73201.
7.	199393.	90472.	42583.	66337.	18574.	77161.
8.	206102.	89510.	42583.	74009.	20723.	80715.
9.	212159.	88155.	42583.	81421.	22798.	83788.
10.	217445.	86346.	42583.	88515.	24784.	86295.
	\$1767929.	\$886912.	\$513333.	\$367680.	\$102949.	\$662301.

NOTE: 1ST YEAR'S TAX REDUCED BY \$0. FOR TAX CREDIT (IMP #2)
DEPRECIABLE BASIS (IMP. #2) ALSO REDUCED BY \$0.

RESALE PRICE: \$1,635,000.
 LESS MORTGAGE BALANCE: \$465,671.
 PROCEEDS BEFORE TAXES: \$1,169,329.
 LESS LENDER'S %: \$192,355.
 NET SALES PROCEEDS
 BEFORE TAXES: \$976,975.
 =====

1ST YR B4 TAX EQ DIV: 7.0463%
 AVG DEBT COVER RATIO: 2.0376

RESALE PRICE: \$1,635,000.
 LESS LENDER'S %: \$192,355.
 NET RESALE PRICE: \$1,442,645.
 LESS BASIS: \$361,667.
 TOTAL GAIN: \$1,080,979.
 EXCESS DEPRECIATION: \$0.
 EXCESS DEP. FORGIVEN: \$0.
 CAPITAL GAIN: \$1,080,979.
 ORDINARY GAIN: \$0.
 =====

TAX ON ORDINARY GAIN: \$0.
 TAX ON CAPITAL GAIN: \$302,674.
 PLUS MORTGAGE BAL: \$465,671.
 TOTAL DEDUCTIONS FROM
 NET RESALE PRICE: \$768,345.
 =====

NET SALES PROCEEDS
 AFTER TAX: \$674,301.
 =====

IF PURCHASED AS ABOVE, HELD 10 YEARS & SOLD FOR \$1,635,000.
 THE MODIFIED I.R.R. BEFORE TAXES IS 22.1155% AND AFTER TAXES IS 19.5017%
 ASSUMING AN AFTER TAX REINVESTMENT RATE OF 12%, AND OPPORTUNITY COST OF 12%

DEPRECIATION SCHEDULE
VOYAGEUR HILLS INN
IMPROVEMENT # 1
STRAIGHT LINE
NON-RESIDENTIAL

YEAR	TAX DEP.	S.L. DEP.	EXCESS DEP	BALANCE
1.	42583.3	42583.3	.0	596166.7
2.	42583.3	42583.3	.0	553583.3
3.	42583.3	42583.3	.0	511000.0
4.	42583.3	42583.3	.0	468416.7
5.	42583.3	42583.3	.0	425833.3
6.	42583.3	42583.3	.0	383250.0
7.	42583.3	42583.3	.0	340666.7
8.	42583.3	42583.3	.0	298083.4
9.	42583.3	42583.3	.0	255500.0
10.	42583.3	42583.3	.0	212916.7
	-----	-----	-----	
SUB-TOTAL	425833.3	425833.3	.0	

DEPRECIATION SCHEDULE
VOYAGEUR HILLS INN
IMPROVEMENT # 2
STRAIGHT LINE
NON-RESIDENTIAL

YEAR	TAX DEP.	S.L. DEP.	EXCESS DEP	BALANCE
1.	17500.0	17500.0	.0	70000.0
2.	17500.0	17500.0	.0	52500.0
3.	17500.0	17500.0	.0	35000.0
4.	17500.0	17500.0	.0	17500.0
5.	17500.0	17500.0	.0	.0
	-----	-----	-----	
SUB-TOTAL	87500.0	87500.0	.0	
	=====	=====	=====	
TOTAL	513333.3	513333.3	.0	

MORTGAGE ANALYSIS
VOYAGEUR HILLS INN

YEAR	NOI	MORT INT.	MORT AMORT	DEBT SERV	DCR	MTG. BAL.
1.	111099.	81043.	5720.	86764.	1.280	575717.
2.	144798.	80189.	6574.	86764.	1.669	569143.
3.	153350.	79207.	7556.	86764.	1.767	561587.
4.	161691.	78079.	8685.	86764.	1.864	552902.
5.	169752.	76782.	9982.	86764.	1.956	542921.
6.	192140.	75291.	11472.	86764.	2.215	531448.
7.	199393.	73578.	13186.	86764.	2.298	518263.
8.	206102.	71609.	15155.	86764.	2.375	503108.
9.	212159.	69346.	17418.	86764.	2.445	485690.
10.	217445.	66744.	20019.	86764.	2.506	465671.
AVG	\$176,793.				2.038	

DISTRIBUTION OF CASH THROW-OFF
VOYAGEUR HILLS INN

YEAR	CASH THROW-OFF TOTAL	CASH THROW-OFF TO EQUITY	CASH BONUS TO LENDER
1.	24335.	20685.	3650.
2.	58034.	49329.	8705.
3.	66586.	56599.	9988.
4.	74927.	63688.	11239.
5.	82988.	70540.	12448.
6.	105376.	89570.	15806.
7.	112629.	95735.	16894.
8.	119338.	101438.	17901.
9.	125395.	106586.	18809.
10.	130681.	111079.	19602.
	-----	-----	-----
	900294.	765250.	135044.

RESALE PRICE: \$1,635,000.
 LESS MORTGAGE BALANCE: \$465,671.
 PROCEEDS BEFORE TAXES: \$1,169,329.
 LESS LENDER'S %: \$192,355.
 NET SALES PROCEEDS
 BEFORE TAXES: \$976,975.

=====

CASH THROW-OFF = 15% REVERSION = 16.45%

EQUITY ANALYSIS
VOYAGEUR HILLS INN

BEFORE TAX EQUITY DIVIDEND					
YR	NOI	YR END EQUITY	AMOUNT	CASH RETURN ORG EQ	CUR EQ
1.	\$111,099.	\$299,283.	\$20,685.	.0705	.0691
2.	144,798.	305,857.	49,329.	.1680	.1613
3.	153,350.	313,413.	56,599.	.1928	.1806
4.	161,691.	322,098.	63,688.	.2169	.1977
5.	169,752.	332,079.	70,540.	.2403	.2124
6.	192,140.	343,552.	89,570.	.3051	.2607
7.	199,393.	356,737.	95,735.	.3261	.2684
8.	206,102.	371,892.	101,438.	.3455	.2728
9.	212,159.	389,310.	106,586.	.3631	.2738
10.	217,445.	409,329.	111,079.	.3784	.2714

ORIGINAL EQUITY: \$ 293562.5



VII. VALUE CONCLUSION

All three approaches to value depend on the validity of the marketing assumptions made for continuing operation of the subject property as a motel. Current management has alienated much of its local market by providing a product and price level above the acceptable norm for the community. Therefore, a reorganization plan will require leasing of the oversized restaurant and meeting areas; the rent is based upon a percentage of sales, say 5 to 6 percent with an expected cap of \$1.50 per square foot during the first five years of reorganization, at the same time the published room rate schedule must be revised downward. The NOI which results from these assumptions plays a determining role for each approach to value:

1. For the market approach, the range of net income multipliers (NIM) is narrowed to avoid the extremes caused by non-market financing or a sizeable equity investment. When these ratios (5.5 to 6.2) are applied to the second year net operating income proposed for the subject property, a market price range of \$800,000 to \$900,000 or \$11,000 to \$12,500 per room is suggested.

However, a review of several actual sales of motels in small Wisconsin communities suggested that professional motel buyers based purchase price on a longer term estimate

of potential so that a 100 room comparable motel in West Bend of lower quality sold for the equivalent price of \$14,000 per room when calculated in terms of 1982 dollars.

2. For the income approach, a computerized discounted before and after tax cash flow model is used to anticipate the potential overlooked by the market comparison approach. A gradual improvement in occupancy and room rates over a ten year period suggests an after tax value for the subject property of \$996,000 and a before tax value of \$1,043,000 with a conservative financing plan providing a debt cover of 1.4, a loan to value of approximately 67 percent with interest at 14 percent plus 15 percent of the cash throw off to the lender. This model suggests a price per room ranging from \$14,000 to \$14,500.

3. The cost approach, a questionable methodology for a property like the subject, which is not the highest and best use nor the optimal balance of land and improvements, was nevertheless applied in a tentative fashion. The net value of land, buildings, and all furnishings, less depreciation for wear and tear, for functional obsolescence (superadequacy), and for locational obsolescence, was estimated to be \$1,220,000 or \$17,000 per room. Although the cost approach is suspect, some weight should be given the result to recognize that the improvements are superior

and more elaborate than those properties which underlie the market comparison standards.

Combining these alternative price per room estimates with weights to represent their reliability and relevance suggests an array and mean price per room as follows:

<u>Valuation Method</u>	<u>Source of Value Estimate</u>	<u>Price Per Room Estimate</u>	<u>Weight Given Each Estimate</u>	<u>Proportion of Mean Room Price</u>
MARKET (25%)	Range from standard			
	net income	\$11,000	5%	\$ 550
	multipliers	12,500	5%	625
	Comparable sale -			
	West Bend, WI	14,000	15%	2,100
INCOME (60%)	Income approach			
	after and	14,000	20%	2,800
	before tax	14,500	40%	5,800
COST (15%)	Cost approach	17,000	15%	2,550
			<u>100%</u>	<u> </u>

Mean price per room \$14,425

When the mean price per room of \$14,425 is applied to the subject property, the resulting value is \$1,038,600 or, rounded, \$1,040,000.

A computerized discounted before and after tax cash flow program, VALTEST, is used to test the reasonableness of the value. (See Exhibit 30.) The resulting modified internal rate of return of 18 percent before taxes and 16 percent after taxes is the minimally acceptable return for this high risk

EXHIBIT 30

COMPUTERIZED TEST OF FAIR MARKET VALUE CONCLUSION (VALTEST)

INPUT ASSUMPTIONS

1. ENTER PROJECT NAME ? VOYAGEUR HILLS INN
2. ENTER PROJECTION PERIOD ? 10
3. DO YOU WANT TO ENTER EFFECTIVE GROSS REVENUE INSTEAD OF NOI? N
N.O.I. YEAR 1? 111099
N.O.I. YEAR 2? 144798
N.O.I. YEAR 3? 153350
N.O.I. YEAR 4? 161691
N.O.I. YEAR 5? 169752
N.O.I. YEAR 6? 192140
N.O.I. YEAR 7? 199393
N.O.I. YEAR 8? 206102
N.O.I. YEAR 9? 212159
N.O.I. YEAR 10? 217445
4. ACQUISITION COST: ? 1040000
5. DO YOU WANT TO USE STANDARD FINANCING? Y OR N?Y
MTG. RATIO OR AMOUNT, INT., TERM, NO PAY/YR ? 693107, .14, 20, 12
6. ENTER RATIO OF IMP #1/TOTAL VALUE, LIFE OF IMP #1? .751, 15
IS THERE A SECOND IMPROVEMENT? Y OR N? Y
ENTER RATIO OF IMP #2/TOTAL VALUE, LIFE OF IMP #2? .104, 5
ENTER REHABILITATION TAX CREDIT FOR IMP #2: 0
IS STRUCTURE A CERTIFIED HISTORICAL LANDMARK? Y OR N?N
7. DEPRECIATION METHOD, IMPROVEMENT #1 ? 1
DEPRECIATION METHOD, IMPROVEMENT #2 ? 1
IS PROPERTY SUBSIDIZED HOUSING ? Y OR N ?N
IS PROPERTY RESIDENTIAL? Y OR N? N
8. IS OWNER A TAXABLE CORPORATION? Y OR N ?Y
CORPORATE FEDERAL ORDINARY TAX RATE COULD BE :
17% - 46% (1978 LAW, EFFECTIVE 1979)
16% - 46% (1981 LAW, EFFECTIVE 1982)
15% - 46% (1981 LAW, EFFECTIVE 1983 & THEREAFTER)
MAXIMUM CORPORATE CAPITAL GAIN ALTERNATIVE TAX RATE IS 28%

(PLUS STATE RATE)
- ENTER:
1) EFFECTIVE ORDINARY RATE 2) EFFECTIVE ORDINARY RATE (YEAR OF SALE)
? .28, .28
9. RESALE PRICE (NET OF SALE COSTS) ? 1635000
10. IS THERE LENDER PARTICIPATION ?Y
ENTER CASH THROW-OFF (%), PROCEEDS BEFORE TAXES (%): 15, 15.74
11. ENTER OWNER'S AFTER TAX REINVESTMENT RATE (%)? 12
12. ENTER OWNER'S AFTER TAX OPPORTUNITY COST OF EQUITY FUNDS (%)? 12

EXHIBIT 30 (Continued)

AFTER TAX CASH FLOW PROJECTION
VOYAGEUR HILLS INN
DATE 10/25/82

DATA SUMMARY

ACQUISTN COST: \$1,040,000. MTG. AMT.: \$693,107.
NOI 1ST YR: \$111,099. MTG. INT.: 14%
ORG. EQUITY: \$346,893. MTG. TERM: 20. YRS
CTO 1ST YEAR: \$7,672. DEBT SERVICE 1ST YEAR: \$103,427.
MTG. CONST.: .14922242
IMP. #1 VALUE: \$781,040. IMP. #1 LIFE: 15.
IMP. #2 VALUE: \$108,160. IMP. #2 LIFE: 5.
INC. TX RATE: 28%
SALE YR RATE: 28% OWNER: CORPORATION

DEPRECIATION IMPROVEMENT #1 : STRAIGHT LINE
DEPRECIATION IMPROVEMENT #2 : STRAIGHT LINE
NON-RESIDENTIAL PROPERTY

LENDER PARTICIPATION: CASH THROW-OFF: 15%

REVERSION: 15.74%

Effective rate based on 25% of
reversion above \$400,000 base

NO REPRESENTATION IS MADE THAT THE ASSUMPTIONS BY LANDMARK RESEARCH, INC
ARE PROPER OR THAT THE CURRENT TAX ESTIMATES USED IN THIS
PROJECTION WILL BE ACCEPTABLE TO TAXING AUTHORITIES. NO ESTIMATE
HAS BEEN MADE OF MINIMUM PREFERENCE TAX. CAPITAL LOSSES IN THE
YEAR OF SALE ARE TREATED AS ORDINARY LOSSES (SECTION 1231
PROPERTY) AND ARE CREDITED AGAINST TAXES PAID AT THE ORDINARY
RATE AT THE TIME OF SALE.

FOR THE PURPOSE OF THE MODIFIED INTERNAL RATE OF RETURN (M.I.R.R.)
CALCULATION, NEGATIVE CASH IN ANY ONE PERIOD IS TREATED
AS A CONTRIBUTION FROM EQUITY IN THAT PERIOD.

YEAR	NOI	MTG INT & LENDERS %	TAX DEP	TAXABLE INCOME	INCOME TAX	AFTER TAX CASH FLOW
1.	111099.	97759.	73701.	-60363.	-16903.	23424.
2.	144798.	101796.	73701.	-30700.	-8597.	43762.
3.	153350.	101908.	73701.	-22260.	-6234.	48668.
4.	161691.	101814.	73701.	-13825.	-3872.	53396.
5.	169752.	101477.	73701.	-5428.	-1521.	57897.
6.	192140.	103058.	52069.	37012.	10363.	65043.
7.	199393.	102104.	52069.	45220.	12662.	68909.
8.	206102.	100763.	52069.	53270.	14916.	72358.
9.	212159.	98974.	52069.	61116.	17112.	75310.
10.	217445.	96666.	52069.	68710.	19239.	77676.
	\$1767929.	\$1006319.	\$628853.	\$132752.	\$37165.	\$586444.

NOTE: 1ST YEAR'S TAX REDUCED BY \$0. FOR TAX CREDIT (IMP #2)
DEPRECIABLE BASIS (IMP. #2) ALSO REDUCED BY \$0.

EXHIBIT 30 (Continued)

RESALE PRICE: \$1,635,000.
 LESS MORTGAGE BALANCE: \$555,106.
 PROCEEDS BEFORE TAXES: \$1,079,894.
 LESS LENDER'S %: \$169,975.
 NET SALES PROCEEDS
 BEFORE TAXES: \$909,918.
 =====

1ST YR B4 TAX EQ DIV: 1.8799%
 AVG DEBT COVER RATIO: 1.7093

RESALE PRICE: \$1,635,000.
 LESS LENDER'S %: \$169,975.
 NET RESALE PRICE: \$1,465,025.
 LESS BASIS: \$411,147.
 TOTAL GAIN: \$1,053,878.
 EXCESS DEPRECIATION: \$0.
 EXCESS DEP. FORGIVEN: \$0.
 CAPITAL GAIN: \$1,053,878.
 ORDINARY GAIN: \$0.
 =====

TAX ON ORDINARY GAIN: \$0.
 TAX ON CAPITAL GAIN: \$295,086.
 PLUS MORTGAGE BAL: \$555,106.
 TOTAL DEDUCTIONS FROM
 NET RESALE PRICE: \$850,192.
 =====

NET SALES PROCEEDS
 AFTER TAX: \$614,832.
 =====

IF PURCHASED AS ABOVE, HELD 10 YEARS & SOLD FOR \$1,635,000.
 THE MODIFIED I.R.R. BEFORE TAXES IS 18.2163% AND AFTER TAXES IS 16.1867%
 ASSUMING AN AFTER TAX REINVESTMENT RATE OF 12%, AND OPPORTUNITY COST OF 12%

EXHIBIT 30 (Continued)

DEPRECIATION SCHEDULE
 VOYAGEUR HILLS INN
 IMPROVEMENT # 1
 STRAIGHT LINE
 NON-RESIDENTIAL

YEAR	TAX DEP.	S.L. DEP.	EXCESS DEP	BALANCE
1.	52069.3	52069.3	.0	728970.7
2.	52069.3	52069.3	.0	676901.3
3.	52069.3	52069.3	.0	624832.0
4.	52069.3	52069.3	.0	572762.7
5.	52069.3	52069.3	.0	520693.3
6.	52069.3	52069.3	.0	468624.0
7.	52069.3	52069.3	.0	416554.7
8.	52069.3	52069.3	.0	364485.4
9.	52069.3	52069.3	.0	312416.0
10.	52069.3	52069.3	.0	260346.7
	-----	-----	-----	
SUB-TOTAL	520693.3	520693.3	.0	

DEPRECIATION SCHEDULE
 VOYAGEUR HILLS INN
 IMPROVEMENT # 2
 STRAIGHT LINE
 NON-RESIDENTIAL

YEAR	TAX DEP.	S.L. DEP.	EXCESS DEP	BALANCE
1.	21632.0	21632.0	.0	86528.0
2.	21632.0	21632.0	.0	64896.0
3.	21632.0	21632.0	.0	43264.0
4.	21632.0	21632.0	.0	21632.0
5.	21632.0	21632.0	.0	.0
	-----	-----	-----	
SUB-TOTAL	108160.0	108160.0	.0	
	=====	=====	=====	
TOTAL	628853.3	628853.3	.0	

EXHIBIT 30 (Continued)

MORTGAGE ANALYSIS
VOYAGEUR HILLS INN

YEAR	NOI	MORT INT.	MORT AMORT	DEBT SERV	DCR	MTG. BAL.
1.	111099.	96608.	6819.	103427.	1.074	686288.
2.	144798.	95590.	7837.	103427.	1.400	678451.
3.	153350.	94420.	9007.	103427.	1.483	669444.
4.	161691.	93075.	10353.	103427.	1.563	659091.
5.	169752.	91528.	11899.	103427.	1.641	647193.
6.	192140.	89751.	13676.	103427.	1.858	633517.
7.	199393.	87709.	15718.	103427.	1.928	617799.
8.	206102.	85362.	18065.	103427.	1.993	599734.
9.	212159.	82664.	20763.	103427.	2.051	578971.
10.	217445.	79563.	23864.	103427.	2.102	555106.
AVG	\$176,793.				1.709	

DISTRIBUTION OF CASH THROW-OFF
VOYAGEUR HILLS INN

YEAR	CASH THROW-OFF TOTAL	CASH THROW-OFF TO EQUITY	CASH BONUS TO LENDER
1.	7672.	6521.	1151.
2.	41371.	35165.	6206.
3.	49923.	42434.	7488.
4.	58264.	49524.	8740.
5.	66325.	56376.	9949.
6.	88713.	75406.	13307.
7.	95966.	81571.	14395.
8.	102675.	87274.	15401.
9.	108732.	92422.	16310.
10.	114018.	96915.	17103.
	-----	-----	-----
	733658.	623609.	110049.

RESALE PRICE: \$1,635,000.
 LESS MORTGAGE BALANCE: \$555,106.
 PROCEEDS BEFORE TAXES: \$1,079,894.
 LESS LENDER'S %: \$169,975.
 NET SALES PROCEEDS
 BEFORE TAXES: \$909,918.

=====

CASH THROW-OFF = 15% REVERSION = 15.74%

EXHIBIT 30 (Continued)

EQUITY ANALYSIS
VOYAGEUR HILLS INN

BEFORE TAX EQUITY DIVIDEND					
YR	NOI	YR END EQUITY	AMOUNT	CASH RETURN ORG EQ	CUR EQ
1.	\$111,099.	\$353,712.	\$6,521.	.0188	.0184
2.	144,798.	361,549.	35,165.	.1014	.0973
3.	153,350.	370,556.	42,434.	.1223	.1145
4.	161,691.	380,909.	49,524.	.1428	.1300
5.	169,752.	392,807.	56,376.	.1625	.1435
6.	192,140.	406,483.	75,406.	.2174	.1855
7.	199,393.	422,201.	81,571.	.2351	.1932
8.	206,102.	440,266.	87,274.	.2516	.1982
9.	212,159.	461,030.	92,422.	.2664	.2005
10.	217,445.	484,894.	96,915.	.2794	.1999

ORIGINAL EQUITY: \$ 346893

investment. Thus \$1,040,000 is the highest price a reasonable investor might pay with institutional financing to provide cash to the seller and it meets the conditions inherent in the definition of fair market value as of September 13, 1982.

THEREFORE, BASED UPON THE ASSUMPTIONS AND LIMITING CONDITIONS AS PRESENTED HEREIN, IT IS THE OPINION OF THE APPRAISER THAT THE HIGHEST MOST PROBABLE PRICE IN DOLLARS AND FAIR MARKET VALUE OF THE SUBJECT PROPERTY DESCRIBED HEREIN WHICH MIGHT BE OBTAINED AS OF SEPTEMBER 13, 1982, IS THE AMOUNT OF:

ONE MILLION FORTY THOUSAND DOLLARS

(\$1,040,000)

assuming cash to the seller with a 20 year term mortgage having a debt cover ratio of 1.4 in the second year and a market interest rate of 14 percent with an additional return to the lender of 15 percent of the cash throw-off and 25 percent of the reversion above a base of \$400,000.

STATEMENT OF LIMITING CONDITIONS

1. Contributions of Other Professionals

- . The appraiser did not conduct any engineering analysis of the structure components or of the site, of costs to replace, or of other engineering factors.
- . Annual accounting data was provided, but all revenue and expense estimates were reconstructed assuming a reorganization of the operation of the subject property.
- . Valuation of a distressed motel as a going concern requires formulation of a hypothetical marketing plan and appropriate expense budget. The program described herein has been discussed with a restaurant expert from Messner, Inc., and with hotel entrepreneur Roger Dehring of Dillon Inn Company, Inc. which has rehabilitated several small town Wisconsin motels. Nevertheless, the program is only a reasonable estimate and cannot be guaranteed or warranted as to its achievement.
- . Sketches in this report are included to assist the reader in visualizing the property. These drawings are for illustrative purposes only and do not represent an actual survey of the property.
- . The appraiser assumes no responsibility for matters which are legal in nature nor is any attempt made to render an opinion on the title. The property has been appraised as if title to the subject property were in fee simple, legal ownership with no regard for mortgage loans or other liens or encumbrances.

2. Facts and Forecasts Under Conditions of Uncertainty

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

analysis

- aut*
- Although the computerized discounted cash flow models have been hand checked for accuracy, no guarantee of program infallibility can be made by Landmark Research, Inc., or by the appraiser.

2 3. Controls on Use of the Appraisal

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

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

- Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the authors, particularly regarding the valuation conclusions, and the identity of the appraisers, or of the firm with which they are connected or any of their associates.

CERTIFICATE OF APPRAISAL

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

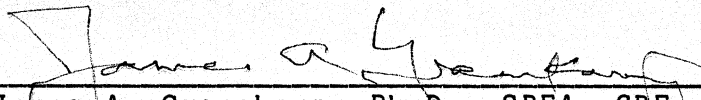
Based upon the information and subject to the limiting conditions contained in this report, it is our opinion that the most probable price, as defined herein, of this property as of September 13, 1982, is:

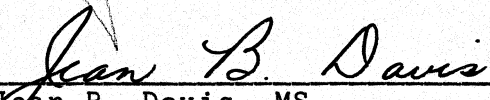
ONE MILLION FORTY THOUSAND DOLLARS

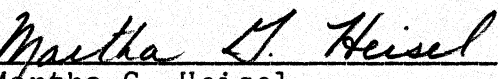
(\$1,040,000)

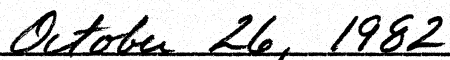
assuming cash to the seller with a 20 year term mortgage having a debt cover ratio of 1.4 in the second year and a market interest rate of 14 percent with an additional return to the

lender of 15 percent of the cash throw-off and 25 percent of the reversion above a base amount of \$400,000.


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


Jean B. Davis, MS


Martha G. Heisel


Date

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

PROFESSIONAL DESIGNATIONS

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

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

CPCU, Certified Property Casualty Underwriter, College of Property
Underwriters

EDUCATION

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

ACADEMIC AND PROFESSIONAL HONORS

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

PROFESSIONAL EXPERIENCE

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

J E A N B . D A V I S

EDUCATION

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

Master of Arts - Elementary Education, Stanford University

Bachelor of Arts - Stanford University (with distinctions)

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

PROFESSIONAL EDUCATION

Society of Real Estate Appraisers

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

American Institute of Real Estate Appraisers

Residential Valuation (formerly Course VIII)

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

PROFESSIONAL EXPERIENCE

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

MARTHA G. HEISEL

EDUCATION

Bachelor of Business Administration - Real Estate and Urban Land
Economics major, University of Wisconsin - Madison, Graduated
with Honors

ACADEMIC HONORS

President and member of Crucible, a UW - Madison junior women's
honorary organization, 1972-3

Beta Gamma Sigma, National honorary business society

Phi Kappa Phi, National honorary society

PROFESSIONAL EDUCATION

Society of Real Estate Appraisers

Appraising Real Property Course 101

Marketing Real Estate by Mortgage Equity Analysis: Course I,
University of Wisconsin - Extension

Wisconsin Realtors Association

Wisconsin Realtors Institute, Courses I, II, and III
Awarded GRI "Graduate, Realtors Institute"

PROFESSIONAL EXPERIENCE

Mrs. Heisel is currently associated with Landmark Research, Inc.
Previously, she was associated with Risberg Land Company and Risberg
Recreational Real Estate, Inc., a recreational real estate brokerage
firm, in Hayward, Wisconsin. Prior to that she was employed as a
management trainee and then head of the Investment Services department
at The First Trust Company of Saint Paul, in Saint Paul, Minnesota.

RESUME

Herman E. Cross
4604 Midmoor Road
Monona, Wisconsin 53716
Telephone: (608) 222-0428

Age: 65

Experience: Messner, Incorporated, 36 years, Commercial
Refrigeration Engineer, 25 years Food Service
Equipment, Design Lay-out, Specifications,
Management Consultant.

Former Vice President-Director, Messner, Inc.

Jobs Designed and Furnished All Equipment

The Gobbler - Johnson Creek, Wisconsin
Lake Windsor Country Club - Windsor, Wisconsin
Devil's Head Ski and Motel - Merrimac, Wisconsin
Voyageur Inn - Reedsburg, Wisconsin
The Spring Green - Spring Green, Wisconsin
The Dutch Kitchen - Spring Green, Wisconsin
The Timbers - Platteville, Wisconsin
Timmerman's - East Dubuque, Illinois
The Mansion - Monroe, Wisconsin
Marco's - Monroe, Wisconsin
Best Western - Platteville, Wisconsin
El Cid - Platteville, Wisconsin
Six Red Wagon Restaurants

APPENDIX A

VOYAGEUR HILLS INN INFORMATION SHEET
AND
VOYAGEUR HILLS INN BROCHURE



WELCOME TO:

Voyageur Hills Inn

200 Viking Drive Reedsburg, WI 53959
Phone 608-524-6431

Single \$59.00 Double \$69.00

DINING ROOM--Breakfast 7-11 a.m. Lunch 11 a.m.-4 p.m.
COCKTAIL LOUNGE--Noon to 1 a.m. daily. Dinner--
5-10 p.m. -- 11 p.m. week-ends.
ROOM SERVICE--7 a.m. - 10 p.m. Dial 421.
SWIMMING POOL--In Recreation Area. Open 24 Hrs.
(At discretion of Management)
ICE & VENDING MACHINES--Located on 2nd Floor &
Elevator Lobby.
TV--Channels 3 (CBS) - 5 (NBC) - 7 (ABC) - 11 (PBS)
RADIO--AM - FM.
PHONE--Message light on -- call Desk.
PETS--Not allowed in Room. Ask for other arrangements
at Desk.
GOLF--18 Hole Championship Course for Guest use.
Check with Desk for VIP Pass.
HEALTH CLUB--Daily Membership Available. Dial 436.

The Voyageur was established in the fall of 1971 by a group of Reedsburg investors. This Voyageur Group Inc. felt the need for a formal dining facility to serve the Reedsburg area. In October of 1975, the management was assumed by Hills Crest Corporation, under the guidance of Mary and Carol Hills -- Hospitality Hosts of the area for ten plus years. Under their direction, a banquet facility was added in October 1977.

The Lodge, Recreation and Convention Building was completed in January 1980. The Complex is of Modern Scandinavian Design from split stone walls with brick and heavy beam accent to hand-painted murals and imported hangings all brought together by the Hills, for your enjoyment.

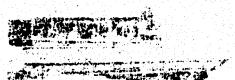
Be assured Voyageur Hills Inn will be second to none in relaxation and comfort and your stay will be long remembered.

THE MANAGEMENT
AND STAFF

RECOMMENDED SERVICE & BUSINESS GUIDE



DELLS NO. 1 ATTRACTION
UPPER & LOWER DELLS BOAT TRIPS
All-steel, Coast Guard licensed fleet leaves from docks in downtown Dells and the junction of Hi-ways 12 & 16. Daily April through October



THE ORIGINAL WISCONSIN DUCKS--
Ride the Ducks--Fun and adventure on land and water. An exciting 1 hour tour on the Wisconsin River, Lake Delton and along Famous Duck Trails. Tours daily, Mid-May through September, 1 mile South of Wisconsin Dells on Highway 12.

TOMMY BARTLETT'S SKI-SKY & STAGE SHOW - Quite possibly, the world's most unusual show. Unquestionably, Wis. Dells' most unique experience. 3 Shows Daily - 1:00, 4:30 & 8:30 p.m. World's famous ski spectacular, Dancing Waters, Mr. Sound Effects--Wes Harrison. Thrilling Aerial Swaypole Act & the World Famous Helicopter Trapeze Act - 5 Shows in one. Located on Hwy. 12. 2 miles south of Wisconsin Dells.



STORYBOOK GARDENS
One price Family Showplace. The best day's outing for the money -- Free Show -- Free Rides -- No Extras. Hi-way 12 between Lake Delton & Wisconsin Dells.



FORT DELLS
Eleven acre amusement park. Fort Dells brings you an exciting trip to an adventure land complete with Frontier Village, Indians, Good Guys and Bad Guys, Historic Features for the whole family.



The ORIGINAL Stand Rock
Indian Ceremonial
Presented Nightly
Mid-June to Labor Day
Stand Rock Road
Produced by the Neesh-la Indian Development Corporation
P.O. Box 560 Wisconsin Dells, WI 53965

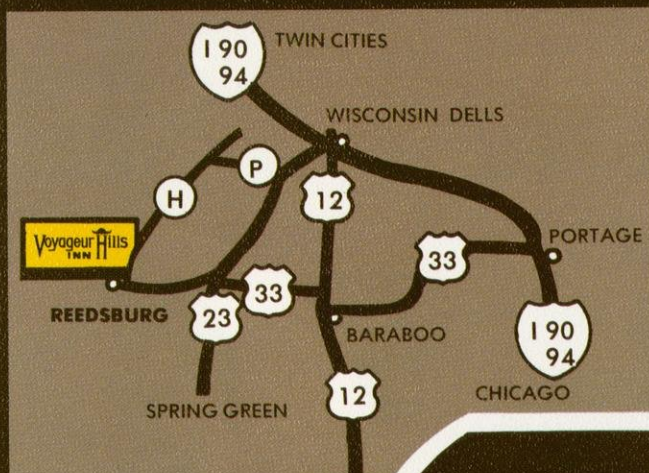
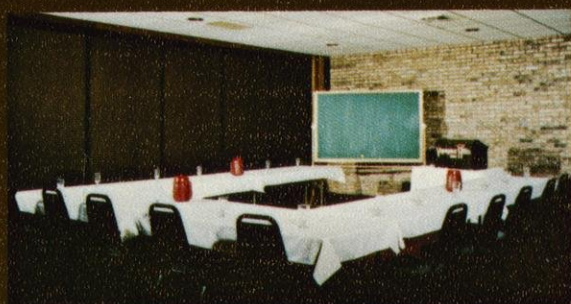
TELL THEM: YOUR AD CAUGHT MY

BEVAN Motel Service - Portage, Wis. 53901
P.O. Box 421 Phone 608-742-3584

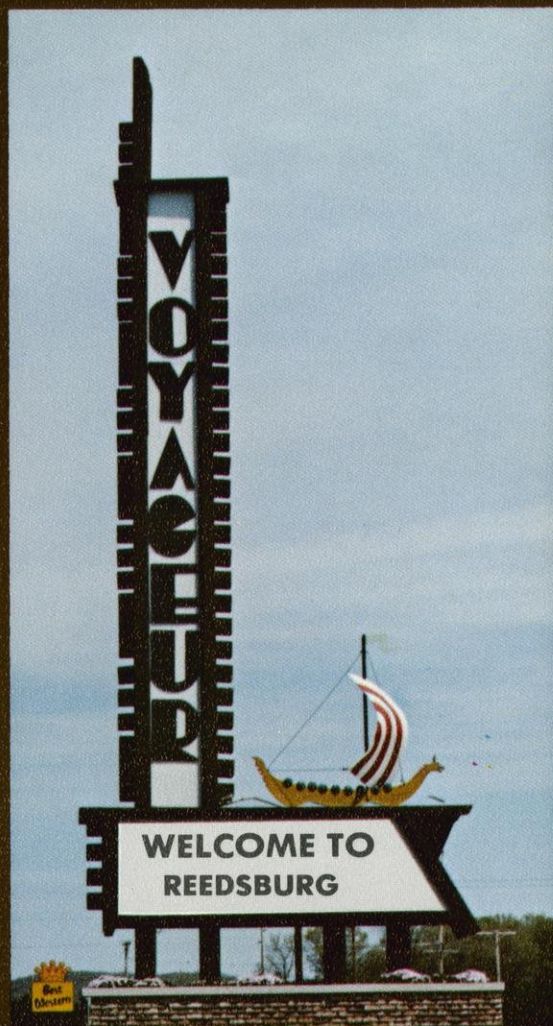
Meetings



Popular meeting rooms, for informal, small groups.



Voyageur Hills INN



REEDSBURG, WISCONSIN

For Recreation...the Voyageur



Indoor pool, whirlpool and recreation area are available 24 hours a day, year 'round for your pleasure.



A health club for our fitness-conscious guests with saunas and exercise rooms.



The Garden Room and Cocktail Lounge, decorated with rough wood and lush greenery.

Enjoy a Scandinavian Holiday!

A Scenic Drive Through The Hills Of Dells Country.

Situated in Reedsburg, Wisconsin's countryside, the Voyageur Hills Inn offers you all that's pictured here, plus more! Just minutes away are several tennis courts and an 18-hole championship golf course, snowmobiling, downhill or cross-country skiing. Within 15 minutes you can enjoy any of the world-famous Wisconsin Dells attractions, Circus World Museum, Devils Lake or the Mid-Continent Railway Museum and Steam Train. The House On The Rock is a pleasant drive away. Also, 24-hour airport service nearby. Serving your vacation or business needs!

Come to the Voyageur!



Garden Room dining overlooking Wisconsin's scenic countryside.



Comfortable honeymoon suites with champagne extras.



The Voyageur has over 75 accommodations, and offers VIP accommodations, quality service with old world hospitality.

Conventions

Receptions



The Hillcrest Room

Accommodating over 1,000 guests for banquets, conventions and wedding receptions. Or, divided into seven smaller rooms for groups of 50 to 200.

The Scandinavian Room



The Scandinavian dining features Smorgasbord and Buffet.



Make your reservations today!

Voyageur Hills Inn
200 Viking Drive
Reedsburg, WI 53959
(608) 524-6431

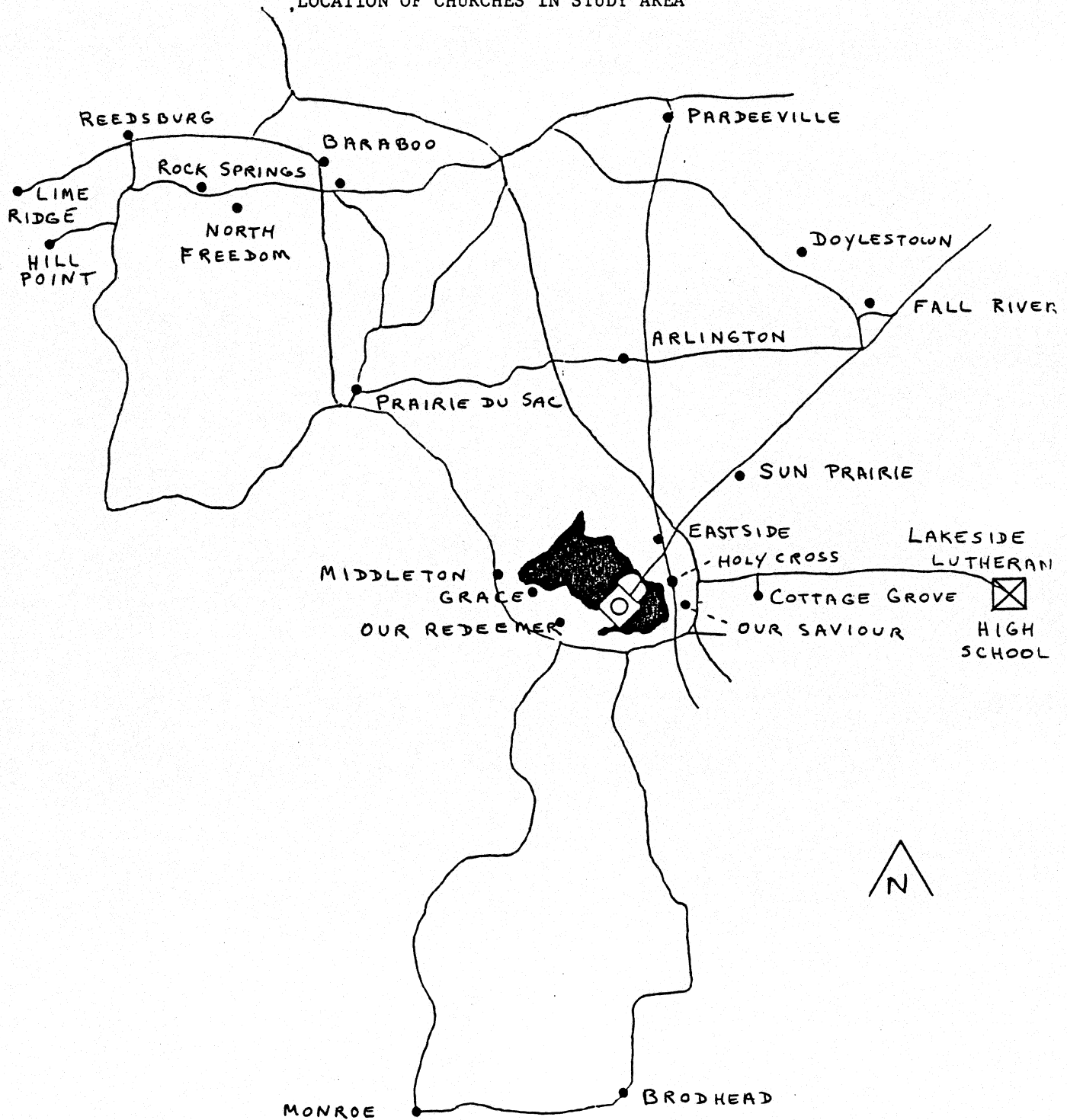


APPENDIX B

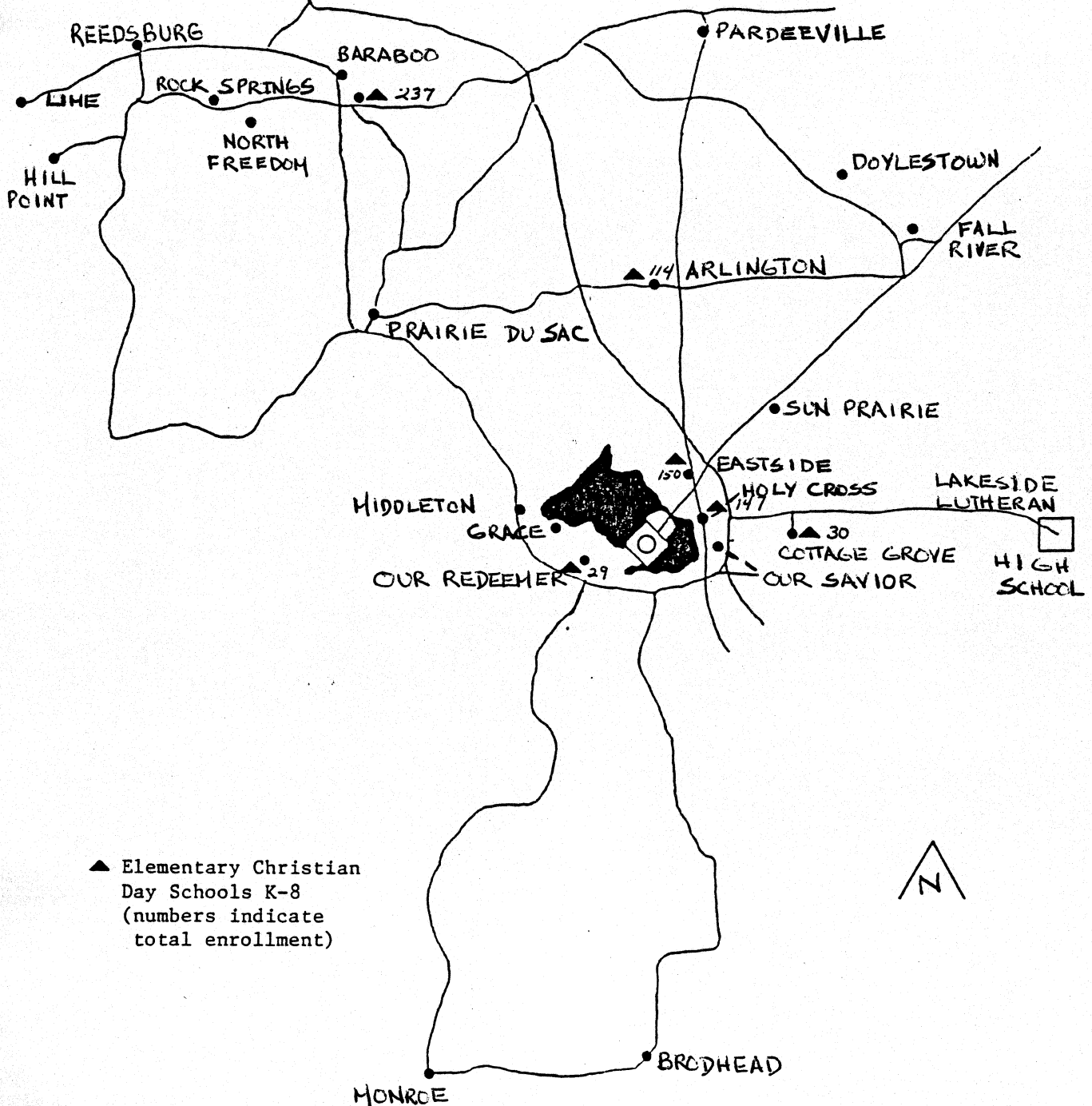
PRIVATE LUTHERAN SCHOOL STUDY INFORMATION
AND
COMMUNITY HOUSING ALTERNATIVES PROGRAM (CHAP) INFORMATION

PRIVATE LUTHERAN SCHOOL STUDY INFORMATION

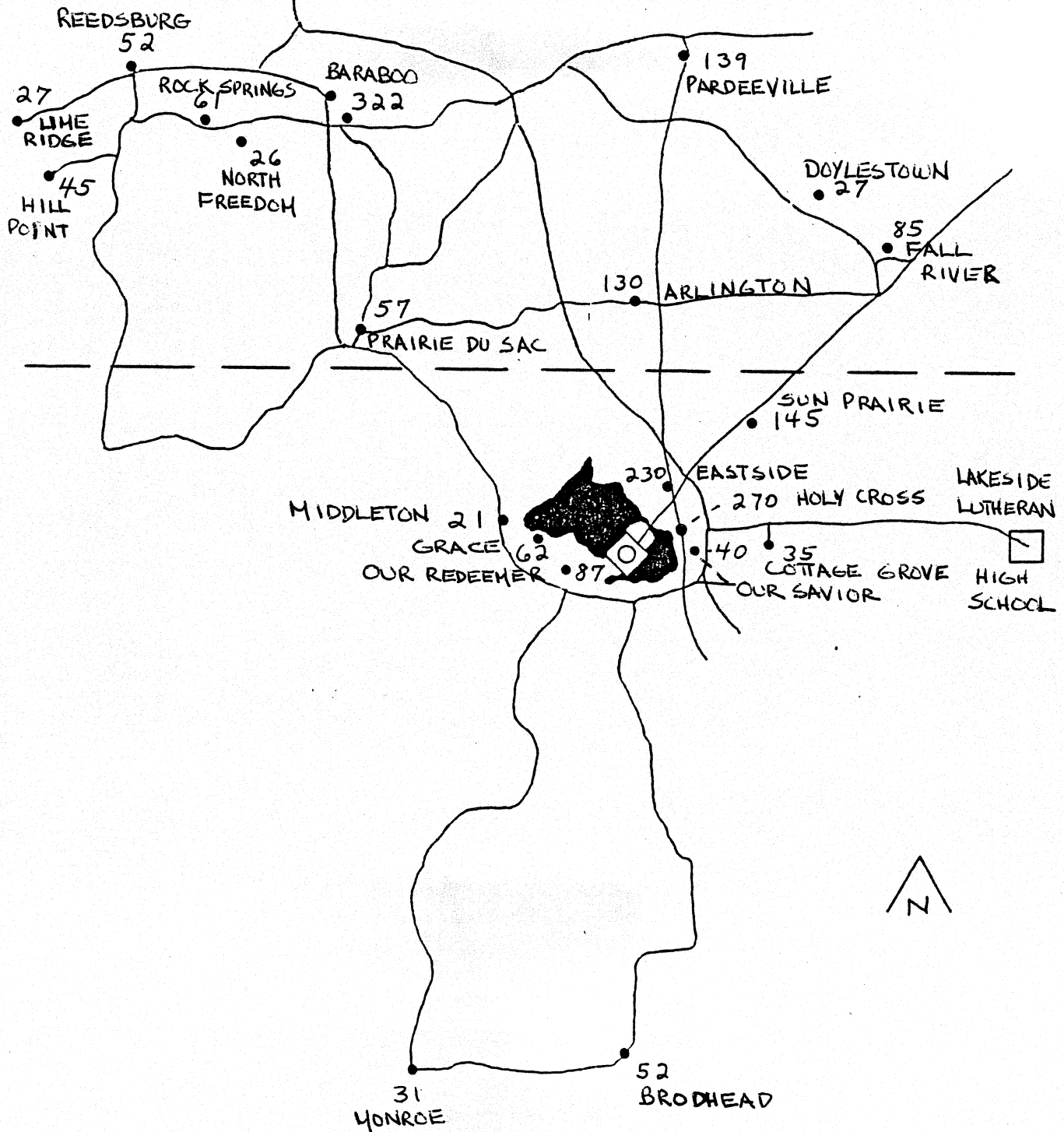
LOCATION OF CHURCHES IN STUDY AREA



LOCATION AND ENROLLMENTS OF ELEMENTARY CHRISTIAN DAY SCHOOLS
IN THE STUDY AREA



NUMBER OF SCHOOL-AGE CHILDREN IN CHURCHES IN THE STUDY AREA



COMMUNITY HOUSING ALTERNATIVES PROGRAM (CHAP) INFORMATION



State of Wisconsin \

DEPARTMENT OF HEALTH & SOCIAL SERVICES

August 16, 1982

OFFICE OF THE SECRETARY
1 WEST WILSON STREET
MADISON, WISCONSIN 53702

TO: ALL INTERESTED PERSONS

FROM: Donald E. Percy, Secretary
Department of Health and Social Services

Thomas J. Rehak, Executive Director
Wisconsin Health Facilities Authority

SUBJECT: Community Housing Alternatives Program (CHAP)

Deleane Nelson,
Deputy for

Thomas J. Rehak

Attached is an Information Memorandum about a new program to assist in the development of housing opportunities for disabled and elderly persons.

Also attached is a schedule of public meetings which will give people a chance to ask additional questions and comment on the program. And, of course, we would appreciate your written comments if you are unable to attend the meetings.

If you are interested in making an application to develop housing for chronically disabled or elderly persons, we would welcome letters of interest from potential sponsors indicating the type of facility to be developed, the target population, the estimated cost (if known), the location (specific or general area) of the facility, and the present status of project planning. Please address your letters to Tom Frazier, Department of Health and Social Services, Room 565, P.O. Box 7851, Madison, Wisconsin 53707.

Finally, we are interested in working with a limited number of pilot projects which are already further along in the development process. Sponsors who are interested in being considered as a pilot project should apply in writing to Tom Frazier at the above address.

We sincerely hope that you will find the attached information interesting, and that many of you will get involved in this exciting opportunity to develop housing alternatives which are appropriate in meeting the needs of disabled and elderly persons.

Attachments

INFORMATION

Office of the Administrator

DIVISION OF COMMUNITY SERVICES

Wisconsin Department of Health and Social Services

August 16, 1982

Attention

Area Agencies on Aging Executive Directors
County Aging Unit Directors
County Departments of Social Services Directors
Developmental Disabilities Program Directors
County Human Service Department Directors
Institute/Center Directors
Regional Directors/District Offices
DCS Bureau/Office Directors
Area Administrators
Community Services Program Directors
Other Interested Persons

SUBJECT: Community Housing Alternatives Program (CHAP)

1) What is the Community Housing Alternatives Program?

The Community Housing Alternatives Program (CHAP) provides \$100 million in bonding authority to make loans to non-profit sponsors for the development of housing (residential facilities) for elderly and chronically disabled persons.

The bonding authority was approved by the Legislature as a part of the 1981-83 Biennial Budget Bill. A subsequent amendment (AB1005) was introduced in January 1982, which gave the Department of Health and Social Services (DHSS) joint responsibility with the Wisconsin Health Facilities Authority (HFA) for administering the program. AB1005 became Chapter 298, Laws of 1981, on May 1, 1982.

The DHSS is responsible for approving projects for financing by the HFA. The HFA has the power to issue tax-exempt revenue bonds which is a means of raising money to provide loans to eligible sponsors. In order to qualify for a loan, sponsors must obtain approval for their project from DHSS and meet financial feasibility requirements of the HFA. The principal and interest on the loan must be paid back from revenues (e.g., rents) produced by the project with enough project income left to operate and maintain the facility and establish a contingency or reserve fund.

There are two basic types of bond sales - a public bond issue and a private placement.

A private placement usually involves a local bank or consortium of banks (lending institutions) which agree to purchase the bonds from the HFA. The terms and conditions of the financing (loan) are negotiated between the non-profit sponsor and lending institution in consultation with staff of the HFA.

The advantages of a private placement include the possibility of a lower interest rate, faster processing of the application, and the avoidance of certain fees, such as underwriters fee, bond rating fee, financial feasibility study fee, trustee fee, and bond counsel fee. In fact, the DHSS and HFA strongly encourage the use of private placements, especially for smaller projects which cannot afford the substantial fees of a public offering and still be economically feasible.

A public bond issue involves the development of an Official Statement (a detailed feasibility study), the use of underwriters to market and purchase the bonds, and may involve a presentation to bond rating agencies (Standard and Poors and Moody's Investor Services).

The proceeds from the bond sale provide the permanent financing of the construction after the project is determined to be acceptable to the DHSS and the HFA. Interim construction financing may be available to sponsors from the HFA.

2) What is the purpose of the CHAP?

As its name implies, the purpose of the program is to assist in the development of non-institutional, non-medical housing alternatives for persons who traditionally have lacked a range of choices concerning their living arrangements.

The goal of the program is to develop residential facilities which are integrated into the community so that residents can live as independently and normally as possible. Generally, this may be best accomplished through the development of housing which is smaller in terms of the number of persons served, and includes plans for the provision of supportive services.

3) Who is to be served by the program?

The program is designed to serve persons who are chronically disabled or elderly.

The chronically disabled are defined as persons who are alcoholic, developmentally disabled, drug dependent, mentally ill, or physically disabled.

The elderly are defined as persons age 60 and over, including the frail elderly who have one or more chronic health conditions and need some assistance with daily living activities, such as preparing meals, cleaning

house, shoveling snow, shopping, and/or obtaining transportation for medical or other purposes. The policy of the DHSS is to encourage the development of housing for the elderly which is designed to serve a percentage (usually 20-25%) of older persons who are frail and need supportive services.

4) How many persons may be served by a CHAP project?

The legislation does not permit the DHSS to approve any projects designed to serve more than 50 older persons (not dwelling units) or 15 disabled persons (not dwelling units). For example, a project serving 20 disabled persons and 40 older persons (for a total of 60 persons) could not be approved, or a facility proposing to serve 30 disabled persons who also are elderly would not be approved. Smaller facilities are encouraged depending on the location, program intent, and financial feasibility.

5) What type of sponsors are eligible to apply for CHAP loans?

Eligible sponsors include non-profit agencies or corporations, county boards of public welfare (Wisconsin Statute 46.21 and 46.22(2)), community human services boards (46.23), community mental health boards (51.42), councils on developmental disabilities (51.437), county commissions on aging (59.07(93)), county housing authorities (59.075), housing authorities for elderly persons (66.395), municipal housing authorities (66.40), housing and community development authorities (66.4325), participating health institutions (231.01(3)), and the DHSS.

6) How will the \$100 million in bonding authority be allocated among target groups?

The law requires that at least \$30 million of the \$100 million bonding authority be allocated to the development of residential facilities serving chronically disabled persons. The balance or \$70 million may be used to develop housing for the elderly or additional housing for disabled persons.

No county or regional allocation formula will be developed at this time. However, after reviewing initial inquiries from potential sponsors, outreach efforts will be made if there is a lack of response from certain geographic areas of the state.

7) What can the money be used for?

Loans to eligible sponsors may be used for new construction; purchase and rehabilitation of existing structures; modification to existing residential facilities; refinancing of existing loans; and some or all of the costs of development, such as architectural/engineering fees, legal fees, interim construction financing, surveys, and other fees and charges.

8) What type of residential facilities may be developed under the program?

Some examples of residential rental facilities which may be developed under the CHAP include congregate housing, small group homes, independent apartments, supervised living arrangements, and community-based residential facilities.

Other housing options such as cooperative housing, elder cottages, and accessory apartments may be possible depending on federal law related to tax exempt revenue bonds. Sponsors should contact the DHSS or HFA to discuss their proposals prior to filling out a pre-application or application.

The law does not allow CHAP-funded residential facilities to be physically connected to a nursing home or hospital except for common service units for laundry, kitchen or utility purposes. The intent of this exception is to allow cost savings in situations where it does not make sense to duplicate these services (e.g., meals may be prepared in the kitchen of a nursing home and delivered to persons living in the residential facility; laundry may be done in a hospital laundry for both the hospital and residential facility; and the heating plant of an existing building also may be used by a newly constructed residential facility).

9) What priorities for project approval will be used by the DHSS?

Some factors to be considered by the DHSS in determining priorities for approval are included in state and federal law and others relate to program objectives of the DHSS and consumer advocates. The Department's goal is to be flexible while giving potential sponsors adequate information to develop the type of proposals which are likely to receive approval.

The following factors are among those that will be used by the DHSS in considering applications for approval:

A. Program Requirements

- (1) There must be a need for the proposed housing as reflected in a lack of housing options for the target population in the geographic or market area, and/or a survey demonstrating a demand for additional housing for the target population.
- (2) The proposed housing must be located near transportation, shopping, medical care and other services needed by elderly or disabled persons.
- (3) The plan for the proposed housing must demonstrate a commitment to maximizing the ability of the residents to participate in daily community and neighborhood activities. Evidence of such commitment should be reflected in the physical location, design, size, and the relationship of the proposed housing to other residential arrangements in the neighborhood.
- (4) At least 20% of the residents of the proposed housing must meet Department of Housing and Urban Development (HUD) Section 8 income guidelines (80% of median family income for the area).
- (5) Applications must include a service component to meet the needs of the specific disability group, and demonstrate a commitment by appropriate agencies to provide supportive services to the residents.

- (6) There must be a plan developed by the sponsor and human service agencies to continue to provide services to the residents of the proposed facility. The plan should cover at least the period of the loan, and include contingencies for budget cuts affecting human service programs.
- (7) The proposed housing must be financially feasible (i.e., the applicant must clearly demonstrate the ability to repay the loan and meet other financial obligations).
- (8) The sponsor must have the capacity to proceed promptly toward the completion of the proposed housing, and to maintain and manage the project for the period of the loan.

B. Program Priorities

- (1) Higher priority will be given to applications which propose to serve chronically disabled or frail elderly persons (i.e., proposals to serve primarily or exclusively those persons who are living in institutions or are at risk of being institutionalized).
- (2) Preference will be given to projects which propose to serve fewer than the maximum number of persons who may be served by the program (15 disabled persons or 50 older persons). Also, the use of more than one site will result in smaller facilities and will be given priority.
- (3) Priority will be given to sponsors which are able to obtain other resources to lower the cost of the project (and thereby increase the number of lower income persons who can be served), or to assure the financial feasibility of the project.
- (4) Higher priority will be given to projects which propose to use existing community services at low or no additional cost to the residents of the housing.
- (5) Preference will go to projects which propose optional and individualized service components.

10) What other requirements will sponsors have to meet?

Eligible sponsors will have to meet all other applicable requirements related to residential development, such as local zoning and building codes and the requirements of the Wisconsin Department of Industry, Labor and Human Relations (DILHR).

Residential facilities will have to meet either the Building, Heating, Ventilating and Air Conditioning Code (Chapter IND. 50-64) or the Uniform Dwelling Code (IND. 20-25). State Plumbing and Electrical Codes also apply. A plan review is required by DILHR for projects under IND. 50-64, IND. 20-25 and the State Plumbing Code (H62).

If the facility must be licensed, the requirements of the licensing agency will have to be met. For example, Community Based Residential Facilities (CBRFs) will have to comply with DHSS licensing requirements (HSS-3) and applicable building codes administered by DILHR.

If other federal and/or state programs (e.g., CDBG, Section 8, etc.) are used in conjunction with CHAP, the sponsor may have to meet additional requirements. Sponsors should check with the DHSS and HFA when other programs are involved so that the simplest method for processing the application can be determined.

11) Will the program serve persons with low to moderate incomes?

It is the intent of the DHSS and HFA to encourage and give priority to projects which propose to serve persons with low to moderate incomes.

Federal legislation requires that at least 20% of persons living in residential rental housing financed with tax exempt bonds meet HUD Section 8 income guidelines (80% of median family income).

The exemption from federal income taxes of the interest earned on the bonds means that interest rates will be somewhat lower than market interest rates. The subsidy provided by the use of revenue bonds is small compared to the HUD Section 8 program which subsidizes the amount a family must pay for rent.

Any method of lowering the cost of the project, cutting operation and maintenance costs, reducing interest rates, or using existing community services can help lower rental rates charged to residents. Some ideas for reducing costs to accomplish lower rents include:

- (1) The use of Community Development Block Grants (CDBG) to eliminate or reduce the acquisition costs of land and buildings.
- (2) Donations of land and buildings to lower costs.
- (3) The use of long-term leases to eliminate acquisition costs of land and buildings.
- (4) A negotiated sale of bonds to a local bank(s) at a favorable interest rate.
- (5) The use of energy efficient designs to lower operating costs.
- (6) Obtaining an exemption from property taxes or making a payment in lieu of taxes to reduce operating costs.
- (7) The use of other federal, state, local, public or private resources in conjunction with the CHAP to lower costs.

12) How and when can sponsors apply for loans?

The DHSS will have application forms and procedures developed and will begin accepting pre-applications in October, 1982.

The application process will be designed to be flexible and allow sponsors to apply at any time. The development process will include the following steps:

- (1) Pre-application to the DHSS
- (2) Pre-application conference with selected sponsors
- (3) Application for loan approval
- (4) DHSS approval
- (5) HFA loan approval
- (6) Interim construction financing
- (7) Project construction
- (8) Loan closing (permanent financing)

Potential sponsors should begin now to plan their program, talk to service providers, locate possible sites, and obtain community support.

13) Will there be training, technical assistance, and other resources available to sponsors?

Yes. There will be public meetings held around the state to inform interested people about the program and to obtain their suggestions. Training will be held for potential sponsors as soon as the application guidelines and instructions are completed.

Technical assistance will be available to sponsors from the DHSS, HFA, the Wisconsin Rural Housing Cooperative, the Department of Development, the Wisconsin Housing Finance Authority, the Department of Housing and Urban Development, the Farmers Home Administration, and others depending on the need.

The DHSS will offer technical assistance during the pre-application and application process and HFA will advise sponsors regarding financial feasibility and the marketing of bonds for particular projects. The Wisconsin Rural Housing Cooperative has a grant to provide training and technical assistance to selected sponsors of the CHAP. The Department of Development operates a housing loan and grant fund, the Small Cities CDBG program, and provides training and technical assistance to housing sponsors. The Wisconsin Housing Finance Authority, HUD and FmHA have resources, information, and experience to share with potential applicants in addition to their own programs which may be appropriate depending on the sponsor's objectives.

If the parties involved (i.e., the DHSS, the HFA, and the sponsor) agree that a proposed residential facility is desirable and feasible, every effort will be made to make the project possible. This means advice and technical assistance on how to proceed, and exploring creative, innovative ways of assisting the sponsor through the development process.

14) Will there be application and other fees charged to sponsors?

Yes. Both the DHSS and HFA will charge fees to cover administrative costs. Every effort will be made to keep the fees at a minimum during the initial stages of development. All fees may be included in the permanent financing (from the bond proceeds) so that a successful applicant may be reimbursed for these costs. However, the sponsor will have to have the resources to pay the fees initially.

The DHSS fee is three-tenths of one percent (.003) of the loan amount. HFA charges a graduated fee based on the amount of the bond issue. Fees will be payable at different times during the development process. For example, the total application fee for a \$600,000 project would be as follows:

	<u>DHSS</u>	<u>HFA</u>	<u>Total</u>
pre-application	\$100	\$-0-	\$100
application	450	1,500	1,950
loan approval	1,250	7,500	8,750
loan closing	-0-	6,000	6,000
	<u>\$1,800</u>	<u>\$15,000</u>	<u>\$16,800</u>

Other fees may include architectural/engineering fees, consultant fees, legal fees, bond rating fees, underwriter fees, bond counsel fees, trustee fees, and title insurance. In addition, HFA charges sponsors an annual fee of approximately one-tenth of one percent of the outstanding principal on the loan.

As explained previously, many of these fees can be avoided or reduced if the bonds are sold to local institutions through a private placement.

15) Who should I contact for additional information?

Please send your questions and comments to the DHSS or HFA at the following addresses:

Tom Frazier
Community Housing Alternatives Program
Department of Health & Social Services
Room 565
P.O. Box 7851
Madison, WI 53707

Thomas J. Rehak
Executive Director
Wisconsin Health Facilities
Authority
5721 Odana Road, Suite 108
Madison, WI 53719

APPENDIX C

MARSHALL AND SWIFT COMPUTERIZED COST ESTIMATE
FOR VOYAGEUR HILLS INN
(Both As Is and Reduced in Size)

AND

APPROPRIATE ALLOWANCES FOR FURNITURE, FIXTURES, AND
EQUIPMENT PRESENTLY IN PLACE, VOYAGEUR HILLS INN

MARSHALL AND SWIFT COMPUTERIZED COST ESTIMATE
FOR VOYAGEUR HILLS INN - AS IS

COST ESTIMATE FOR: VOYAGEUR HILLS INN
PROPERTY OWNER: MARVIN B. & CAROL MAE HILLS
ADDRESS: 200 VIKING DR, REEDSBURG, WISCONSIN
SURVEYED BY: JAMES A. GRAASKAMP
DATE OF SURVEY: SEPTEMBER 1, 1982

SECTION 1:

OCCUPANCY: MOTEL

CLASS: C Masonry
EFFECTIVE AGE: 3 YEARS
NUMBER OF STORIES: 3.0
FLOOR AREA: 38,000

COST RANK: 2.0 Average
CONDITION: 5.0 Very good
AVERAGE STORY HEIGHT: 9.0
COST AS OF: 10/82

COMPONENT	UNITS	COST	REPLACEMENT COST	
			NEW	DEPR
EXCAVATION & SITE PREPARATION:				
Excavation.....	60,000	0.13	7,800	7,566
Site Preparation.....	38,000	0.10	3,800	3,686
SUBTOTAL.....			11,600	11,252
FOUNDATION:				
Concrete,Bearing walls.....	38,000	1.08	41,040	39,809
FRAME:				
Floor Supports.....	38,000	0.57	21,660	21,010
FLOOR STRUCTURE:				
Concrete,Precast Joist,Slab...	38,000	4.43	168,340	163,290
Foamed Concrete.....	38,000	0.40	15,200	14,744
SUBTOTAL.....			183,540	178,034
FLOOR COVER:				
Carpet and Pad.....	32,000	1.32	42,240	40,973
Concrete Color.....	2,510	0.30	753	730
Tile,Ceramic.....	1,500	4.88	7,320	7,100
Vinyl.....	2,000	1.54	3,080	2,988
SUBTOTAL.....			53,393	51,791
CEILING:				
Fiber Tile.....	12,670	0.81	10,263	9,955
Finish Only.....	25,050	0.29	7,264	7,046
Suspended Ceiling.....	12,670	0.72	9,122	8,848
SUBTOTAL.....			26,649	25,849
INTERIOR CONSTRUCTION:				
Interior Construction,Frame...	19,000	8.78	166,820	161,815
Interior Construction,Masonry.	19,000	9.29	176,510	171,215
SUBTOTAL.....			343,330	333,030
PLUMBING:				
Plumbing Fixtures.....	250	495	123,750	120,038
HEATING AND VENTILATING:				
Forced Air.....	8,240	1.39	11,454	11,110
ELECTRICAL:				
Electrical.....	43,010	2.50	107,525	104,299

EXTERIOR WALL:				
Brick,Block Back-Up.....	3,388	10.97	37,166	36,051
Concrete Block.....	4,000	9.72	38,880	37,714
Metal & Glass Panels.....	3,672	15.30	56,182	54,497
Face Brick Veneer.....	4,000	9.97	39,880	38,684
Insulation.....	15,000	0.30	4,500	4,365
SUBTOTAL.....			176,608	171,311
ROOF STRUCTURE:				
Precast Joists and Deck.....	12,670	4.05	51,313	49,774
ROOF COVER:				
Built-Up Composition.....	12,670	0.79	10,009	9,709
Insulation.....	12,670	0.46	5,828	5,653
SUBTOTAL.....			15,837	15,362
ELEVATORS:				
Elevator 4 Stops.....	1	98,774	98,774	95,811
BUILT-IN CONSTRUCTION:				
Window Air Conditioner.....	72	455	32,760	31,777
SUBTOTAL SUPERSTRUCTURE.....	38,000	34.19	1,299,233	1,260,257
BASEMENT:				
Concrete Reinforced Wall.....	3,692	6.23	23,001	22,311
Interior Construction.....	4,000	7.90	31,600	30,652
Interior Construction.....	1,000	4.39	4,390	4,258
SUBTOTAL.....			58,991	57,221
TOTAL.....			1,358,224	1,317,478
ARCHITECT'S FEES.....	6.3%		86,021	83,440
REPLACEMENT COST NEW.....			38,000	38.01
DEPRECIATION.....	<3.0%>		<43,327>	
DEPRECIATED COST.....				1,400,918
ADDITIONS:				
ICE MACHINE			1,500	1,200
EXERCISE EQUIP			3,500	2,625
FURNITURE			75,600	37,800
LINENS			13,680	1,368
TOTAL COST.....			1,538,525	1,443,911

SECTION 2:
OCCUPANCY: AUDITORIUM
CLASS: C Masonry
EFFECTIVE AGE: 3 YEARS
NUMBER OF STORIES: 1.0
FLOOR AREA: 13,150
COST RANK: 2.0 Average
CONDITION: 5.0 Very good
AVERAGE STORY HEIGHT: 15.0
COST AS OF: 10/82

FLOOR AREA: 13,150		REPLACEMENT COST	
COMPONENT	UNITS	COST	NEW DEPR
EXCAVATION & SITE PREPARATION:			
Site Preparation.....	13,150	0.11	1,446 1,417
FOUNDATION:			
Concrete,Bearing walls.....	13,150	1.49	19,593 19,201
FRAME:			
Glued Laminated Wood.....	13,150	2.78	36,557 35,826
FLOOR STRUCTURE:			
Concrete on Ground.....	13,150	2.12	27,878 27,320
FLOOR COVER:			
Carpet and Pad.....	9,494	1.98	18,798 18,422
Maple.....	600	4.39	2,634 2,581
Tile,Ceramic.....	500	5.03	2,515 2,465
Tile,Quarry.....	414	5.03	2,082 2,040
Vinyl Asbestos Tile.....	416	0.99	412 404
SUBTOTAL.....			26,441 25,912
CEILING:			
Fiber Panel.....	8,810	1.20	10,573 10,362
Finish Only.....	4,339	0.36	1,562 1,531
SUBTOTAL.....			12,135 11,893
INTERIOR CONSTRUCTION:			
Accordion.....	1,000	11.66	11,660 11,427
Concrete Block.....	9,100	3.74	34,034 33,353
Steel Studs & Gypsum Board....	2,500	2.61	6,525 6,395
SUBTOTAL.....			52,219 51,175
PLUMBING:			
Plumbing Fixtures.....	20	1,259	25,180 24,676
HEATING AND VENTILATING:			
Package Heating & Cooling.....	13,150	3.97	52,205 51,161
ELECTRICAL:			
Electrical.....	13,150	4.12	54,178 53,094
EXTERIOR WALL:			
Brick,Block Back-Up.....	460	12.47	5,736 5,621
Face Brick.....	460	1.39	639 626
Concrete Block.....	7,650	11.02	84,303 82,617
SUBTOTAL.....			90,678 88,864

ROOF STRUCTURE:				
Steel Joists, Gypsum.....	3,780	5.15	19,467	19,078
Steel Joists, Composition Deck.	9,840	4.45	43,788	42,912
Glued Laminated Girders.....	13,150	1.35	17,752	17,397
SUBTOTAL.....			81,007	79,387
ROOF COVER:				
Built-Up Composition.....	13,150	0.99	13,018	12,758
Wood Shakes, Fire Resistant....	3,000	2.00	6,000	5,880
Insulation.....	13,150	0.60	7,890	7,732
SUBTOTAL.....			26,908	26,370
TOTAL.....			506,425	496,296
ARCHITECT'S FEES.....	7.1%		36,125	35,403
REPLACEMENT COST NEW.....	13,150	41.26	542,550	
DEPRECIATION.....	<2.0%		<10,851>	
DEPRECIATED COST.....				531,699
ADDITIONS:				
CHAIRS & TABLES			21,000	11,970
OFFICE FURN & EQUIP			3,500	1,750
JACUZZI			4,500	4,410
POOL			18,600	18,228
TOTAL COST.....			590,150	568,057

SECTION 3:

OCCUPANCY: RESTAURANT

CLASS: C Masonry

EFFECTIVE AGE: 7 YEARS

NUMBER OF STORIES: 1.0

FLOOR AREA: 12,750

COST RANK: 3.0 Above Average

CONDITION: 5.0 Very good

AVERAGE STORY HEIGHT: 12.0

COST AS OF: 10/82

COMPONENT	UNITS	COST	REPLACEMENT COST NEW	DEPR
EXCAVATION & SITE PREPARATION:				
Site Preparation.....	12,750	0.13	1,657	1,491
FOUNDATION:				
Concrete, Bearing walls.....	12,750	1.40	17,850	16,065
FRAME:				
Glued Laminated Wood.....	12,750	2.52	32,130	28,917
FLOOR STRUCTURE:				
Steel Joists, Precast Deck.....	12,750	5.37	68,467	61,620
FLOOR COVER:				
Carpet and Pad.....	8,287	2.88	23,868	21,481
Tile, Ceramic.....	637	5.78	3,685	3,317
Tile, Quarry.....	3,188	5.78	18,424	16,582
Vinyl.....	637	2.15	1,371	1,234
SUBTOTAL.....			47,348	42,614
CEILING:				
Steel.....	3,188	2.74	8,734	7,861
Fiber Tile.....	9,563	1.08	10,327	9,294
Suspended Ceiling.....	9,563	0.99	9,467	8,520
SUBTOTAL.....			28,528	25,675
INTERIOR CONSTRUCTION:				
Interior Construction, Frame...	12,750	9.59	122,272	110,045
Accordion.....	1,200	21.06	25,272	22,745
Clay Tile and Plaster.....	1,000	6.51	6,510	5,859
SUBTOTAL.....			154,054	138,649
PLUMBING:				
Plumbing Fixtures.....	20	1,426	28,520	25,668
ELECTRICAL:				
Electrical.....	12,750	8.31	105,952	95,357
EXTERIOR WALL:				
Cavity Brick.....	6,300	12.50	78,750	70,875
Metal & Glass Panels.....	1,000	18.04	18,040	16,236
SUBTOTAL.....			96,790	87,111

ROOF STRUCTURE:				
Glued Laminated Girders.....	12,750	1.59	20,272	18,245
Marquee, Wood Frame.....	750	15.92	11,940	10,746
SUBTOTAL.....			32,212	28,991
ROOF COVER:				
Built-Up Composition.....	12,750	1.14	14,535	13,082
Wood Shakes, Fire Resistant....	3,000	2.12	6,360	5,724
Insulation.....	12,750	0.85	10,837	9,753
SUBTOTAL.....			31,732	28,559
SUBTOTAL SUPERSTRUCTURE.....	12,750	50.61	645,240	580,717
BASEMENT:				
Concrete Reinforced Wall.....	9,000	8.79	79,110	71,199
Waterproofing.....	9,000	0.64	5,760	5,184
SUBTOTAL.....			84,870	76,383
TOTAL.....			730,110	657,100
ARCHITECT'S FEES.....	7.7%		56,218	50,596
REPLACEMENT COST NEW.....				
DEPRECIATION.....	<10.0%>		<78,632>	
DEPRECIATED COST.....				707,696
ADDITIONS:				
CHAIRS & TABLES			14,000	7,980
BAR & BAR EQUIP			33,800	6,760
FURNITURE			10,900	2,180
GLASSES, DISHES, SILVERWARE			10,900	2,180
KITCHEN EQUIP			65,200	32,600
TOTAL COST.....			921,128	759,396

SUMMARY	REPLACEMENT COST NEW	DEPR
1: MOTEL	1,538,525	1,443,911
2: AUDITORIUM	590,150	568,057
3: RESTAURANT	921,128	759,396
TOTAL COST.....	3,049,803	2,771,364
ROUNDED TO NEAREST \$1,000	3,050,000	2,771,000
Cost Data by MARSHALL and SWIFT		

MARSHALL AND SWIFT COMPUTERIZED COST ESTIMATE
FOR VOYAGEUR HILLS INN - REDUCED IN SIZE

COST ESTIMATE FOR: VOYAGEUR HILLS INN
PROPERTY OWNER: MARVIN B. & CAROL MAE HILLS
ADDRESS: 200 VIKING DRIVE, REEDSBURG, WISCONSIN
SURVEYED BY: JAMES A. GRAASKAMP
DATE OF SURVEY: SEPTEMBER 1, 1982

SECTION 1:

OCCUPANCY: MOTEL

CLASS: C Masonry
EFFECTIVE AGE: 3 YEARS
NUMBER OF STORIES: 2.0
FLOOR AREA: 25,330

COST RANK: 2.0 Average
CONDITION: 5.0 Very good
AVERAGE STORY HEIGHT: 9.0
COST AS OF: 10/82

COMPONENT	UNITS	COST	REPLACEMENT COST	
			NEW	DEPR
EXCAVATION & SITE PREPARATION:				
Excavation.....	60,000	0.13	7,800	7,566
Site Preparation.....	25,330	0.09	2,280	2,212
SUBTOTAL.....			10,080	9,778
FOUNDATION:				
Concrete,Bearing walls.....	25,330	1.07	27,103	26,290
FRAME:				
Floor Supports.....	25,330	0.57	14,438	14,005
FLOOR STRUCTURE:				
Concrete,Precast Joist,Slab...	25,330	4.40	111,452	108,108
Foamed Concrete.....	25,330	0.40	10,132	9,828
SUBTOTAL.....			121,584	117,936
FLOOR COVER:				
Carpet and Pad.....	21,334	1.31	27,948	27,110
Concrete Color.....	1,673	0.30	502	487
Tile,Ceramic.....	1,000	4.85	4,850	4,705
Vinyl.....	1,333	1.54	2,053	1,991
SUBTOTAL.....			35,353	34,293
CEILING:				
Fiber Tile.....	8,447	0.80	6,758	6,555
Plaster on Lath,Acoustical....	16,700	1.19	19,873	19,277
Suspended Ceiling.....	8,447	0.71	5,997	5,817
SUBTOTAL.....			32,628	31,649
INTERIOR CONSTRUCTION:				
Interior Construction,Frame...	12,670	8.73	110,609	107,291
Interior Construction,Masonry.	12,670	9.23	116,944	113,436
SUBTOTAL.....			227,553	220,727
PLUMBING:				
Plumbing Fixtures.....	167	492	82,164	79,699

HEATING AND VENTILATING:				
Forced Air.....	8,240	1.38	11,371	11,030
ELECTRICAL:				
Electrical.....	30,340	2.49	75,547	73,281
EXTERIOR WALL:				
Brick,Block Back-Up.....	2,260	10.90	24,634	23,895
Concrete Block.....	2,667	9.67	25,790	25,016
Metal & Glass Panels.....	2,448	15.20	37,210	36,094
Face Brick Veneer.....	2,667	9.91	26,430	25,637
Insulation.....	10,000	0.30	3,000	2,910
SUBTOTAL.....			117,064	113,552
ROOF STRUCTURE:				
Precast Joists and Deck.....	12,670	4.02	50,933	49,405
ROOF COVER:				
Built-Up Composition.....	12,670	0.78	9,883	9,587
Insulation.....	12,670	0.46	5,828	5,653
SUBTOTAL.....			15,711	15,240
ELEVATORS:				
Elevator 3 Stops.....	1	91,101	91,101	88,368
BUILT-IN CONSTRUCTION:				
Window Air Conditioner.....	48	453	21,744	21,092
SUBTOTAL SUPERSTRUCTURE.....	25,330	36.89	934,374	906,345
BASEMENT:				
Concrete Reinforced Wall.....	3,692	6.19	22,853	22,167
Interior Construction.....	4,000	7.85	31,400	30,458
Interior Construction.....	1,000	4.36	4,360	4,229
SUBTOTAL.....			58,613	56,854
TOTAL.....			992,987	963,199
ARCHITECT'S FEES.....	6.3%		62,889	61,002
REPLACEMENT COST NEW.....				
DEPRECIATION.....	<3.0%>	41.68	1,055,876	<31,675>
DEPRECIATED COST.....				1,024,201
ADDITIONS:				
FURNITURE			50,400	25,200
LINEN			9,120	912
ICE MACHINE			1,500	1,200
EXERCISE EQUIP			3,500	2,625
TOTAL COST.....			1,120,396	1,054,138

SECTION 2:

OCCUPANCY: AUDITORIUM

CLASS: C Masonry

EFFECTIVE AGE: 3 YEARS

NUMBER OF STORIES: 1.0

FLOOR AREA: 11,150

COST RANK: 2.0 Average

CONDITION: 5.0 Very good

AVERAGE STORY HEIGHT: 15.0

COST AS OF: 10/82

			REPLACEMENT COST	
COMPONENT	UNITS	COST	NEW	DEPR
EXCAVATION & SITE PREPARATION:				
Site Preparation.....	11,150	0.11	1,226	1,201
FOUNDATION:				
Concrete,Bearing walls.....	11,150	1.49	16,613	16,281
FRAME:				
Glued Laminated Wood.....	11,150	2.78	30,997	30,377
FLOOR STRUCTURE:				
Concrete on Ground.....	11,150	2.12	23,638	23,165
FLOOR COVER:				
Carpet and Pad.....	7,494	1.98	14,838	14,541
Maple.....	600	4.39	2,634	2,581
Tile,Ceramic.....	500	5.03	2,515	2,465
Tile,Quarry.....	414	5.03	2,082	2,040
Vinyl Asbestos Tile.....	416	0.99	412	404
SUBTOTAL.....			22,481	22,031
CEILING:				
Fiber Panel.....	7,470	1.20	8,965	8,786
Finish Only.....	3,679	0.36	1,325	1,299
SUBTOTAL.....			10,290	10,085
INTERIOR CONSTRUCTION:				
Accordion.....	1,000	11.66	11,660	11,427
Concrete Block.....	9,100	3.74	34,034	33,353
Steel Studs & Gypsum Board....	2,500	2.61	6,525	6,395
SUBTOTAL.....			52,219	51,175
PLUMBING:				
Plumbing Fixtures.....	20	1,259	25,180	24,676
HEATING AND VENTILATING:				
Package Heating & Cooling.....	11,150	3.97	44,265	43,380
ELECTRICAL:				
Electrical.....	11,150	4.12	45,938	45,019
EXTERIOR WALL:				
Brick,Block Back-Up.....	460	12.47	5,736	5,621
Face Brick.....	460	1.39	639	626
Concrete Block.....	7,650	11.02	84,303	82,617
SUBTOTAL.....			90,678	88,864

ROOF STRUCTURE:

Steel Joists,Gypsum.....	3,094	5.15	15,935	15,616
Steel Joists,Composition Deck.	8,056	4.45	35,849	35,132
Glued Laminated Girders.....	11,150	1.35	15,052	14,751
SUBTOTAL.....			66,836	65,499

ROOF COVER:

Built-Up Composition.....	11,150	0.99	11,038	10,817
Wood Shakes,Fire Resistant....	3,000	2.00	6,000	5,880
Insulation.....	11,150	0.60	6,690	6,556
SUBTOTAL.....			23,728	23,253

TOTAL.....			454,089	445,006
ARCHITECT'S FEES.....	7.1%		32,392	31,744

REPLACEMENT COST NEW.....	11,150	43.63	486,481	
DEPRECIATION.....	<2.0%		<9,731>	
DEPRECIATED COST.....				476,750

ADDITIONS:

CHAIRS & TABLES			21,000	11,970
OFFICE FURN & EQUIP			3,500	1,750
JACUZZI			4,500	4,410
POOL			18,600	18,228
TOTAL COST.....			534,081	513,108

SECTION 3:

OCCUPANCY: RESTAURANT

CLASS: C Masonry

EFFECTIVE AGE: 7 YEARS

NUMBER OF STORIES: 1.0

FLOOR AREA: 6,400

COST RANK: 3.0 Above Average

CONDITION: 5.0 Very good

AVERAGE STORY HEIGHT: 12.0

COST AS OF: 10/82

COMPONENT	UNITS	COST	REPLACEMENT NEW	COST DEPR
EXCAVATION & SITE PREPARATION:				
Site Preparation.....	6,400	0.13	832	749
FOUNDATION:				
Concrete, Bearing walls.....	6,400	1.40	8,960	8,064
FRAME:				
Glued Laminated Wood.....	6,400	2.52	16,128	14,515
FLOOR STRUCTURE:				
Steel Joists, Precast Deck.....	6,400	5.37	34,368	30,931
FLOOR COVER:				
Carpet and Pad.....	4,160	2.88	11,981	10,783
Tile, Ceramic.....	320	5.78	1,850	1,665
Tile, Quarry.....	1,600	5.78	9,248	8,323
Vinyl.....	320	2.15	688	619
SUBTOTAL.....			23,767	21,390
CEILING:				
Steel.....	1,600	2.74	4,384	3,946
Fiber Tile.....	4,800	1.08	5,184	4,666
Suspended Ceiling.....	4,800	0.99	4,752	4,277
SUBTOTAL.....			14,320	12,889
INTERIOR CONSTRUCTION:				
Interior Construction, Frame...	6,400	9.59	61,376	55,238
Accordion.....	600	21.06	12,636	11,372
Clay Tile and Plaster.....	500	6.51	3,255	2,930
SUBTOTAL.....			77,267	69,540
PLUMBING:				
Plumbing Fixtures.....	20	1,426	28,520	25,668
ELECTRICAL:				
Electrical.....	6,400	8.31	53,184	47,866
EXTERIOR WALL:				
Cavity Brick.....	3,150	12.50	39,375	35,438
Metal & Glass Panels.....	500	18.04	9,020	8,118
SUBTOTAL.....			48,395	43,556
ROOF STRUCTURE:				
Glued Laminated Girders.....	6,400	1.59	10,176	9,158
Marquee, Wood Frame.....	375	15.92	5,970	5,373
SUBTOTAL.....			16,146	14,531
ROOF COVER:				
Built-Up Composition.....	6,400	1.14	7,296	6,566
Wood Shakes, Fire Resistant....	1,500	2.12	3,180	2,862
Insulation.....	6,400	0.85	5,440	4,896
SUBTOTAL.....			15,916	14,324
SUBTOTAL SUPERSTRUCTURE.....	6,400	52.78	337,803	304,023

BASEMENT:				
Concrete Reinforced Wall.....	9,000	8.79	79,110	71,199
Waterproofing.....	9,000	0.64	5,760	5,184
SUBTOTAL.....			84,870	76,383

TOTAL.....			422,673	380,406
ARCHITECT'S FEES.....	7.7%		32,546	29,291

REPLACEMENT COST NEW.....	6,400	71.13	455,219	
DEPRECIATION.....	<10.0%>		<45,522>	
DEPRECIATED COST.....				409,697

ADDITIONS:				
KITCHEN EQUIP			65,200	32,600
BAR & BAR EQUIP			33,800	6,760
FURNITURE			10,900	2,180
GLASSES, DISHES, SILVERWARE			10,900	2,180
CHAIRS & TABLES			7,000	3,990
TOTAL COST.....			583,019	457,407

SUMMARY	REPLACEMENT COST NEW	DEPR
1: MOTEL	1,120,396	1,054,138
2: AUDITORIUM	534,081	513,108
3: RESTAURANT	583,019	457,407
TOTAL COST.....	2,237,496	2,024,653
ROUNDED TO NEAREST \$1,000	2,237,000	2,025,000
Cost Data by MARSHALL and SWIFT		

APPROPRIATE ALLOWANCES FOR FURNITURE,
FIXTURES, AND EQUIPMENT PRESENTLY IN PLACE
VOYAGEUR HILLS INN

	<u>Replacement New</u>	<u>Percent Depreciated</u>	<u>Depreciated Value</u>
<u>Motel</u>			
Ice machine	\$ 1,500	20%	\$ 1,200
Exercise equipment	3,500	25%	2,625
Furniture	75,600	50%	37,000
Linens	<u>13,680</u>	90%	<u>1,368</u>
Total for Motel	94,280		42,993
<u>Lobby, Meeting Rooms, Pool</u>			
Chairs and tables	21,000	43%	11,970
Office furniture and equipment	<u>3,500</u>	50%	<u>1,750</u>
Total for Lobby, Meeting Rooms, Pool	24,500		13,720
<u>Restaurant</u>			
Chairs and tables	14,000	43%	7,980
Bar and bar equipment	33,800	80%	6,760
Furniture	10,900	80%	2,180
Glasses, dishes, silverware	10,900	80%	2,180
Kitchen equipment	<u>65,200</u>	50%	<u>32,600</u>
Total for Restaurant	134,800		51,700
 Total	 \$253,580 =====	 57% ===	 \$108,413 =====

APPENDIX D

COMPUTERIZED TEST OF LIQUIDATING VALUE (VALTEST)

INPUT ASSUMPTIONS

1. ENTER PROJECT NAME ? VOYAGEUR HILLS INN
2. ENTER PROJECTION PERIOD ? 10
3. DO YOU WANT TO ENTER EFFECTIVE GROSS REVENUE INSTEAD OF NOI? N
N.O.I. YEAR 1? 111099
N.O.I. YEAR 2? 144798
N.O.I. YEAR 3? 153350
N.O.I. YEAR 4? 161691
N.O.I. YEAR 5? 169752
N.O.I. YEAR 6? 192140
N.O.I. YEAR 7? 199393
N.O.I. YEAR 8? 206102
N.O.I. YEAR 9? 212159
N.O.I. YEAR 10? 217445
4. ACQUISITION COST: ? 875000
5. DO YOU WANT TO USE STANDARD FINANCING? Y OR N?Y
MTG. RATIO OR AMOUNT, INT., TERM, NO PAY/YR ? .6645, .14, 20, 12
6. ENTER RATIO OF IMP #1/TOTAL VALUE, LIFE OF IMP #1? .73, 15
IS THERE A SECOND IMPROVEMENT? Y OR N? Y
ENTER RATIO OF IMP #2/TOTAL VALUE, LIFE OF IMP #2? .1, 5
ENTER REHABILITATION TAX CREDIT FOR IMP #2: 0
IS STRUCTURE A CERTIFIED HISTORICAL LANDMARK? Y OR N?N
7. DEPRECIATION METHOD, IMPROVEMENT #1 ? 1
DEPRECIATION METHOD, IMPROVEMENT #2 ? 1
IS PROPERTY SUBSIDIZED HOUSING ? Y OR N ?N
IS PROPERTY RESIDENTIAL? Y OR N? N
8. IS OWNER A TAXABLE CORPORATION? Y OR N ?Y
CORPORATE FEDERAL ORDINARY TAX RATE COULD BE :
17% - 46% (1978 LAW, EFFECTIVE 1979)
16% - 46% (1981 LAW, EFFECTIVE 1982)
15% - 46% (1981 LAW, EFFECTIVE 1983 & THEREAFTER)
MAXIMUM CORPORATE CAPITAL GAIN ALTERNATIVE TAX RATE IS 28%

(PLUS STATE RATE)
- ENTER:
1) EFFECTIVE ORDINARY RATE 2) EFFECTIVE ORDINARY RATE (YEAR OF SALE)
? .28, .28
9. RESALE PRICE (NET OF SALE COSTS) ? 1635000
10. IS THERE LENDER PARTICIPATION ?Y
ENTER CASH THROW-OFF (%), PROCEEDS BEFORE TAXES (%): 15, 16.45
11. ENTER OWNER'S AFTER TAX REINVESTMENT RATE (%)? 12
12. ENTER OWNER'S AFTER TAX OPPORTUNITY COST OF EQUITY FUNDS (%)? 12

AFTER TAX CASH FLOW PROJECTION
VOYAGEUR HILLS INN
DATE 10/25/82

DATA SUMMARY

ACQUISTN COST: \$875,000. MTG. AMT.: \$581,438.
NOI 1ST YR: \$111,099. MTG. INT.: 14%
ORG. EQUITY: \$293,563. MTG. TERM: 20. YRS
CTO 1ST YEAR: \$24,335. DEBT SERVICE 1ST YEAR: \$86,764.
MTG. CONST.: .14922242
IMP. #1 VALUE: \$638,750. IMP. #1 LIFE: 15.
IMP. #2 VALUE: \$87,500. IMP. #2 LIFE: 5.
INC. TX RATE: 28%
SALE YR RATE: 28% OWNER: CORPORATION

DEPRECIATION IMPROVEMENT #1 : STRAIGHT LINE
DEPRECIATION IMPROVEMENT #2 : STRAIGHT LINE
NON-RESIDENTIAL PROPERTY

LENDER PARTICIPATION: CASH THROW-OFF: 15% REVERSION: 16.45%
Effective rate based on 25% of
reversion above \$400,000 base

NO REPRESENTATION IS MADE THAT THE ASSUMPTIONS BY LANDMARK RESEARCH, INC
ARE PROPER OR THAT THE CURRENT TAX ESTIMATES USED IN THIS
PROJECTION WILL BE ACCEPTABLE TO TAXING AUTHORITIES. NO ESTIMATE
HAS BEEN MADE OF MINIMUM PREFERENCE TAX. CAPITAL LOSSES IN THE
YEAR OF SALE ARE TREATED AS ORDINARY LOSSES (SECTION 1231
PROPERTY) AND ARE CREDITED AGAINST TAXES PAID AT THE ORDINARY
RATE AT THE TIME OF SALE.

FOR THE PURPOSE OF THE MODIFIED INTERNAL RATE OF RETURN (M.I.R.R.)
CALCULATION, NEGATIVE CASH IN ANY ONE PERIOD IS TREATED
AS A CONTRIBUTION FROM EQUITY IN THAT PERIOD.

YEAR	NOI	MTG INT & LENDERS %	TAX DEP	TAXABLE INCOME	INCOME TAX	AFTER TAX CASH FLOW
1.	111099.	84694.	60083.	-33679.	-9431.	30116.
2.	144798.	88894.	60083.	-4181.	-1172.	50501.
3.	153350.	89195.	60083.	4071.	1140.	55459.
4.	161691.	89318.	60083.	12290.	3441.	60247.
5.	169752.	89230.	60083.	20438.	5723.	64817.
6.	192140.	91098.	42583.	58459.	16369.	73201.
7.	199393.	90472.	42583.	66337.	18574.	77161.
8.	206102.	89510.	42583.	74009.	20723.	80715.
9.	212159.	88155.	42583.	81421.	22798.	83788.
10.	217445.	86346.	42583.	88515.	24784.	86295.
	-----	-----	-----	-----	-----	-----
	\$1767929.	\$886912.	\$513333.	\$367680.	\$102949.	\$662301.

NOTE: 1ST YEAR'S TAX REDUCED BY \$0. FOR TAX CREDIT (IMP #2)
DEPRECIABLE BASIS (IMP. #2) ALSO REDUCED BY \$0.

RESALE PRICE: \$1,635,000.
 LESS MORTGAGE BALANCE: \$465,671.
 PROCEEDS BEFORE TAXES: \$1,169,329.
 LESS LENDER'S %: \$192,355.
 NET SALES PROCEEDS
 BEFORE TAXES: \$976,975.
 =====

1ST YR B4 TAX EQ DIV: 7.0463%
 AVG DEBT COVER RATIO: 2.0376

RESALE PRICE: \$1,635,000.
 LESS LENDER'S %: \$192,355.
 NET RESALE PRICE: \$1,442,645.
 LESS BASIS: \$361,667.
 TOTAL GAIN: \$1,080,979.
 EXCESS DEPRECIATION: \$0.
 EXCESS DEP. FORGIVEN: \$0.
 CAPITAL GAIN: \$1,080,979.
 ORDINARY GAIN: \$0.
 =====

TAX ON ORDINARY GAIN: \$0.
 TAX ON CAPITAL GAIN: \$302,674.
 PLUS MORTGAGE BAL: \$465,671.
 TOTAL DEDUCTIONS FROM
 NET RESALE PRICE: \$768,345.
 =====

NET SALES PROCEEDS
 AFTER TAX: \$674,301.
 =====

IF PURCHASED AS ABOVE, HELD 10 YEARS & SOLD FOR \$1,635,000.
 THE MODIFIED I.R.R. BEFORE TAXES IS 22.1155% AND AFTER TAXES IS 19.5017%
 ASSUMING AN AFTER TAX REINVESTMENT RATE OF 12%, AND OPPORTUNITY COST OF 12%

DEPRECIATION SCHEDULE
 VOYAGEUR HILLS INN
 IMPROVEMENT # 1
 STRAIGHT LINE
 NON-RESIDENTIAL

YEAR	TAX DEP.	S.L. DEP.	EXCESS DEP	BALANCE
1.	42583.3	42583.3	.0	596166.7
2.	42583.3	42583.3	.0	553583.3
3.	42583.3	42583.3	.0	511000.0
4.	42583.3	42583.3	.0	468416.7
5.	42583.3	42583.3	.0	425833.3
6.	42583.3	42583.3	.0	383250.0
7.	42583.3	42583.3	.0	340666.7
8.	42583.3	42583.3	.0	298083.4
9.	42583.3	42583.3	.0	255500.0
10.	42583.3	42583.3	.0	212916.7
	-----	-----	-----	
SUB-TOTAL	425833.3	425833.3	.0	

DEPRECIATION SCHEDULE
 VOYAGEUR HILLS INN
 IMPROVEMENT # 2
 STRAIGHT LINE
 NON-RESIDENTIAL

YEAR	TAX DEP.	S.L. DEP.	EXCESS DEP	BALANCE
1.	17500.0	17500.0	.0	70000.0
2.	17500.0	17500.0	.0	52500.0
3.	17500.0	17500.0	.0	35000.0
4.	17500.0	17500.0	.0	17500.0
5.	17500.0	17500.0	.0	.0
	-----	-----	-----	
SUB-TOTAL	87500.0	87500.0	.0	
	=====	=====	=====	
TOTAL	513333.3	513333.3	.0	

MORTGAGE ANALYSIS
VOYAGEUR HILLS INN

YEAR	NOI	MORT INT.	MORT AMORT	DEBT SERV	DCR	MTG. BAL.
1.	111099.	81043.	5720.	86764.	1.280	575717.
2.	144798.	80189.	6574.	86764.	1.669	569143.
3.	153350.	79207.	7556.	86764.	1.767	561587.
4.	161691.	78079.	8685.	86764.	1.864	552902.
5.	169752.	76782.	9982.	86764.	1.956	542921.
6.	192140.	75291.	11472.	86764.	2.215	531448.
7.	199393.	73578.	13186.	86764.	2.298	518263.
8.	206102.	71609.	15155.	86764.	2.375	503108.
9.	212159.	69346.	17418.	86764.	2.445	485690.
10.	217445.	66744.	20019.	86764.	2.506	465671.
AVG	\$176,793.				2.038	

DISTRIBUTION OF CASH THROW-OFF
VOYAGEUR HILLS INN

YEAR	CASH THROW-OFF TOTAL	CASH THROW-OFF TO EQUITY	CASH BONUS TO LENDER
1.	24335.	20685.	3650.
2.	58034.	49329.	8705.
3.	66586.	56599.	9988.
4.	74927.	63688.	11239.
5.	82988.	70540.	12448.
6.	105376.	89570.	15806.
7.	112629.	95735.	16894.
8.	119338.	101438.	17901.
9.	125395.	106586.	18809.
10.	130681.	111079.	19602.
	-----	-----	-----
	900294.	765250.	135044.

RESALE PRICE: \$1,635,000.
LESS MORTGAGE BALANCE: \$465,671.
PROCEEDS BEFORE TAXES: \$1,169,329.
LESS LENDER'S %: \$192,355.
NET SALES PROCEEDS
BEFORE TAXES: \$976,975.

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CASH THROW-OFF = 15% REVERSION = 16.45%

EQUITY ANALYSIS
VOYAGEUR HILLS INN

BEFORE TAX EQUITY DIVIDEND					
YR	NOI	YR END EQUITY	AMOUNT	CASH RETURN ORG EQ	CUR EQ
1.	\$111,099.	\$299,283.	\$20,685.	.0705	.0691
2.	144,798.	305,857.	49,329.	.1680	.1613
3.	153,350.	313,413.	56,599.	.1928	.1806
4.	161,691.	322,098.	63,688.	.2169	.1977
5.	169,752.	332,079.	70,540.	.2403	.2124
6.	192,140.	343,552.	89,570.	.3051	.2607
7.	199,393.	356,737.	95,735.	.3261	.2684
8.	206,102.	371,892.	101,438.	.3455	.2728
9.	212,159.	389,310.	106,586.	.3631	.2738
10.	217,445.	409,329.	111,079.	.3784	.2714

ORIGINAL EQUITY: \$ 293562.5

