

VALUATION REPORT

FOR

630 - 640 Main Street  
Middletown, Connecticut

Prepared for:

Mark Masselli  
635 Main Street  
Middletown, Connecticut  
06457

June 25, 1990

*Gronbach Investments*  
*A Real Estate Company*



NATIONAL ASSOCIATION  
OF  
REAL ESTATE APPRAISERS

CREA - Certified Real Estate Appraisers

479 Foot Hills Rd.  
Higganum, CT 06441  
Telephone 203-345-8019

June 25, 1990

Mark Masselli  
635 Main Street  
Middletown, Connecticut 06457

Re: 630-640 Main St.  
Middletown, CT

Dear Mark:

At your request, the above-captioned property has been examined to estimate Market Value, as of June 25, 1990.

Market Value is defined as: (1)

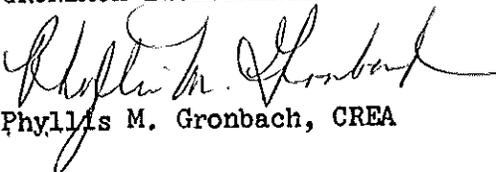
The most probable price in terms of money which a property should bring in competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus.

In my opinion, Market Value of the subject property, as of June 25, 1990, was:

\$400,000

Respectfully submitted,

GRONBACH INVESTMENTS

  
Phyllis M. Gronbach, CREA

(1) From "Real Estate Appraisal Terminology", revised edition 1984, compiled and edited by Byrl N. Boyce, Ph.D., SRPA





Subject looking easterly



Subject looking northerly



Rear of subject



City owned access way - future  
(located rear of subject)



Subject street scene  
looking southerly



Subject street scene  
looking northerly

TABLE OF CONTENTS

Page

Purpose of Appraisal	1
Market Value Defined	1
Property Appraised	1
Property Location	1
Legal	2
Zoning	4
Assessment Data and Tax Burden	5
General, Social, Economic and Political Data	6
State and Regional Data	7
City Data	8
Neighborhood	9
Description of Site	10
Site Sketch	11
Building Description	12
Building Sketch	13
Assumptions and Limiting Conditions	14
Highest and Best Use	16
Direct Sales Comparison Approach	17
Income Approach	24
Addendum	
Qualifications	
Certification	

### PURPOSE OF APPRAISAL

The purpose of this appraisal is to estimate Market Value of improved land located on 630-640 Main Street, Middletown, Connecticut, as of June 25, 1990.

### MARKET VALUE DEFINED (1)

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.

### PROPERTY APPRAISED

All rights inherent in the fee, containing .14 acre, and one commercial building containing 11,439± square feet of gross floor space, with a full basement and attic, are appraised.

### PROPERTY LOCATION

The subject property is located in the central-easterly portion of Middletown, Connecticut, 300± feet westerly of the Connecticut River, which is the city boundary. The subject area is the central business district of the city. Main Street, which connects to Ct. Route 9, 17, and 66, is an arterial highway to all points in the Connecticut River Valley.

(1) From "Real Estate Appraisal Terminology", compiled and edited by Byrl N. Boyce, Ph.D., SRPA, revised 1984

CORRECTING DEED

THIS IS A LEGAL INSTRUMENT AND SHOULD BE EXECUTED UNDER SUPERVISION OF AN ATTORNEY

To all People to Whom these Presents shall Come, Greeting:

Know Ye, That CONNECTICUT BUILDING CORPORATION, a Connecticut Corporation, having its principal place of business in the Town of East Windsor, County of Hartford and State of Connecticut

for the consideration of No Consideration

received to its full satisfaction of ST. JOHN'S SQUARE ASSOCIATES II LIMITED PARTNERSHIP, a Connecticut Limited Partnership, with its principal office at 636 Main Street, Middletown, Connecticut

do remise, release, and forever QUIT-CLAIM unto the said ST. JOHN'S SQUARE ASSOCIATES II LIMITED PARTNERSHIP,

"No Conveyance Tax collected

*Anthony [Signature]*  
Town Clerk of Middletown"

ST-0-

its successors and ~~assigns~~ assigns forever, all the right, title, interest, claim and demand whatsoever as it the said Releasor ha<sup>s</sup> or ought to have in or to

SEE SCHEDULE A ATTACHED HERETO AND MADE A PART HEREOF

The sole purpose of this Deed is to correct to inverse order of recording of the following two deeds affecting the premises described in Schedule A:

1. Quit-Claim Deed from Connecticut Building Corporation to St. John's Associates II Limited Partnership dated December 13, 1984 and recorded in Volume 709, at Page 041; and
2. Quit-Claim Deed from John P. Cotter to Connecticut Building Corporation dated December 13, 1984 and recorded in Volume 715, at Page 080.

*signed  
8/14/89*

SCHEDULE A

a certain piece or parcel of land, together with all buildings and improvements thereon, situated on the easterly side of Main Street in the City of Middletown, County of Middlesex, State of Connecticut, called the "Bacon Block" and known as #630-640 Main Street and being bounded and described as follows:

NORTHERLY: by land now or formerly of Joseph H. Murphy, one hundred one, (101) feet;

EASTERLY: by a passageway sixty-one and three hundredths (61.03) feet which passageway is used by adjoining proprietors and is twelve (12) feet in width;

SOUTHERLY: by the land now or formerly of Frank and Marie Vasques one hundred and sixty-six hundredths (100.66) feet; and

WESTERLY: by Main Street, sixty-one and eighty-one hundredths (61.81) feet;

or howsoever otherwise bounded and described as of record may appear.

Together with the right to pass and repass for all purposes over said twelve foot passway or laneway leading to and from Green Street.

For a further identification of the Southerly line of the ab-ve-described premises, reference is hereby made to Volume 119, page 422 of the Middletown Land Records.

ZONING

The subject property is located within the B-1-Central Business Zone, as defined by the local zoning authority.

Permitted Uses

Banks  
Housing for the elderly  
Libraries  
Museums  
Municipal offices  
Professional offices  
Physical fitness centers  
Printing and related trades  
Commercial recreation centers  
Restaurant  
Retail business  
Retail services  
Rooming houses  
Schools, trade and vocational  
Entertainment, theaters  
Bowling alley  
Service establishments  
Barber shop  
Hotel-Inn  
Urban Core Living Unit (Multi-Fam.)

Permitted Uses by Special Exception Procedure

Drive-In banks  
Bustop shelters  
Nursing homes  
Child care facility  
Liquor store  
Charitable Institutions  
Taxi cab stand  
Adaptive historic preservation

Parking Requirements

Off street parking-commercial establishments, retail:

1 parking space for each 300 sq. ft. of  
Gross Building Area per floor

Off street parking-multi-family dwellings:

2 parking spaces for one or two bedroom  
unit

3 parking spaces for three bedroom units

ASSESSMENT DATA AND TAX BURDEN

The current tax rate for the City of Middletown, Connecticut, is 28.6 mills plus 4.7 mills for fire tax for this area of Middletown.

Current assessments are based upon 70% of the 1987 fair market value, which was the date of the last revaluation, however a phase-in program is in effect, which is in the second year.

Current Assessments

Land:	\$ 30,000
Building:	<u>210,214</u>
Total	\$240,214

Current Tax Burden

$\$240,214 \times 33.3 \text{ mills } (.0333) = \$7,999.13$

Total Tax Burden

\$7,999.13

GENERAL, SOCIAL, ECONOMIC AND POLITICAL DATA INFLUENCING VALUE

Approximately two-thirds of the nation's wealth consists of real estate. Experts predict an increase in population to 260,000,000 persons by the end of 1990, causing an estimated demand for new housing at a level of 1.3 - 1.5 million units per year.

Individual standards of living too, continue to rise with the over all economic growth of the country. A minimum increase in U.S. economic growth potential is forecast at a rate of 5% per year over the next 10 years compared with a 3.5% annual growth factor over the past decade.

Based on these forecasts, the investment and ownership outlook for real estate from a national point of view is considered favorable.

However, tax law changes, low inflation, and other economic factors have caused population shifts and a reduction in the number of jobs. These criteria form the root of growth and demand for real estate.

Recent readily available financing has produced an over supply of developed properties that currently exists in practically every market. Most users of developed space can lease with limited risk and at a lower cost than they would expend on purchase and development (both residential and commercial), so there are strong indications of too much competition and oversupply.

After this assessment one should not lose sight of the market process that measures value as that price agreed to by both buyer and seller.

Credits: The American Institute of Real Estate Appraisers, quarterly journal "The Appraisal Journal, April 1988, excerpts

"The Valuation of Real Estate", published by Prentice-Hall, by Alfred A. Ring, MAI, excerpts

## STATE AND REGIONAL DATA

Diverse is perhaps the best single-word description of Connecticut that is possible, since there is no word in existence that evokes the multiplicity of advantages, opportunities, and facets that made this state the prosperous and comfortable place it is today.

Certainly one of the most remarkable aspects of Connecticut is the outstanding quality of lifestyle enjoyed by its residents.

Industry and employment are fields which have drawn on Connecticut's deep legacy of excellence to forge ahead with success in the present and sustain great hopes for the future.

Connecticut's advantageous location, natural beauty, venerable institutions and economic prosperity combine to create a comfortable and affluent lifestyle that is second to none.

Signs of economic growth are evident throughout Middlesex County and along the Connecticut River. Many new projects are well under way, while others have recently been completed.

Excellent transportation is a Middlesex County asset. An extensive road network crisscrosses the region facilitating car and truck traffic. Interstate 91 and 95 serve the area along with 7 major state highways. Two intercity buslines, Greyhound and Trailways operate in the county, along with the state owned Conn. Bus Service. Local service is provided by the Middletown Transit District.

Experts generally agree that Connecticut's economy is on a sound footing and that the outlook for land and real estate investments throughout the state is excellent.

Credits: "Connecticut Settlin' In, The Relocation Magazine", published 1987 by Suburban Publishing Company, excerpts

## CITY DATA

The city of Middletown lies 17 miles due south of the city of Hartford (capitol) and contains 42.02 square miles of land area. It has a mayor and common council form of government.

The 1987 population of Middletown had increased .3% from the 1980 population of 39,084 persons to the 1987 estimated population of 39,217 persons, an increase of 133 persons. 1990 population projections call for an increase of 6.92% to 41,740 persons. Population projections for the year 2000 call for an increase of 6.71% to 44,540 persons. (According to Middletown Planning Department, 1986 population was 43,200 persons)

Employment totalled 46,160 persons employed as of January 1988, an increase of 3.4% from January 1987, a total of 1,520 jobs which was significantly higher than the State's average gain of 2.3% for the same period.

The city of Middletown has a bright future according to many economic indicators. Middletown was once regarded as the wealthiest city in Connecticut. With a 300 year tradition of leadership and innovation, the city has organized a determined effort to reverse a marked decline which was experienced a few decades ago which was done. A symbol of Middletown's rebirth is a 1.4 million square feet building and computer center constructed by Aetna Life and Casualty on a 287 acre tract of land in the westerly section of Middletown. Aetna points to the easy commute via the major highways, the regions stable labor force, and the quality of life that distinguishes the county.

Other windows into the city's bright future include Kings Plaza Center on Ct. Route 66, South Green, a preservation project, Broad Street, with the current construction of a 12 story office building and parking garage next door on College Street, North Main Street, another preservation project, Metro Square, a total redevelopment of valuable land for shopping centers and much needed parking area, and Harborpark, a striking conversion to the Connecticut River waterfront, along with a high-rise condominium complex providing moderately priced housing with exceptional water views.

All this activity has generated a variety of additional development. New shops and restaurants are opening their doors, professional offices have moved back downtown into the fine old buildings.

However, many retail spaces are vacant due to a general commercial overbuilding in the area and economic conditions experienced nationwide.

Sources: U.S. Dept. of Commerce, Bureau of Census and Ct. Labor Dept.,  
Employment Security Division

## NEIGHBORHOOD

The subject property is located in an area which exhibits a wide variety of uses. The most predominant uses are apartments over a commercial endeavor such as a retail store or professional office. This predominant use is one that has existed in this neighborhood for a century or more.

Off Main Street, in this neighborhood, exists many residential uses and is the predominant use.

The overall direction of the area, in terms of localized economic conditions would appear to be changing. Many forecasters in the real estate field indicate that due to a need for local low-cost housing, this neighborhood is meeting that need for many reasons.

Many buildings are in disrepair and owners are not able to restore their properties, therefore they are prime candidates for attracting low-income individuals who cannot find living quarters that are affordable. However, many owners have restored their properties, and due to the general neighborhood economic condition, are unable to attract the higher paying individuals for their units.

Traffic in this vicinity is rated as high. The traffic volume as provided by the Dept. of Transportation, as of 1988, for an average day, was 22,000 vehicles combined in both directions.

Growth in this neighborhood is slower than expected and may languish for an undetermined amount of time. According to a 1984 HUD analysis (1) of the failures of new communities to achieve satisfactory rates of development, it was found that other than program mismanagement, failures can be attributed to poor timing (in economic terms), poor locations, and weak developers. Another factor not mentioned in the HUD report may be quality of life and other, less quantifiable factors. However, due to this neighborhood having an equal predominance of commercial endeavors, as opposed to residential uses, and because of an overall economic slowdown in commercial activity as witnessed by the inordinate supply of retail space in Middletown, success in this area as well as other areas will depend on an economic upturn.

(1) From "The Appraiser, News, Views, and Developments, published by the Appraisal Institute, Vol. 46 No. 5 May 1990

DESCRIPTION OF SITE

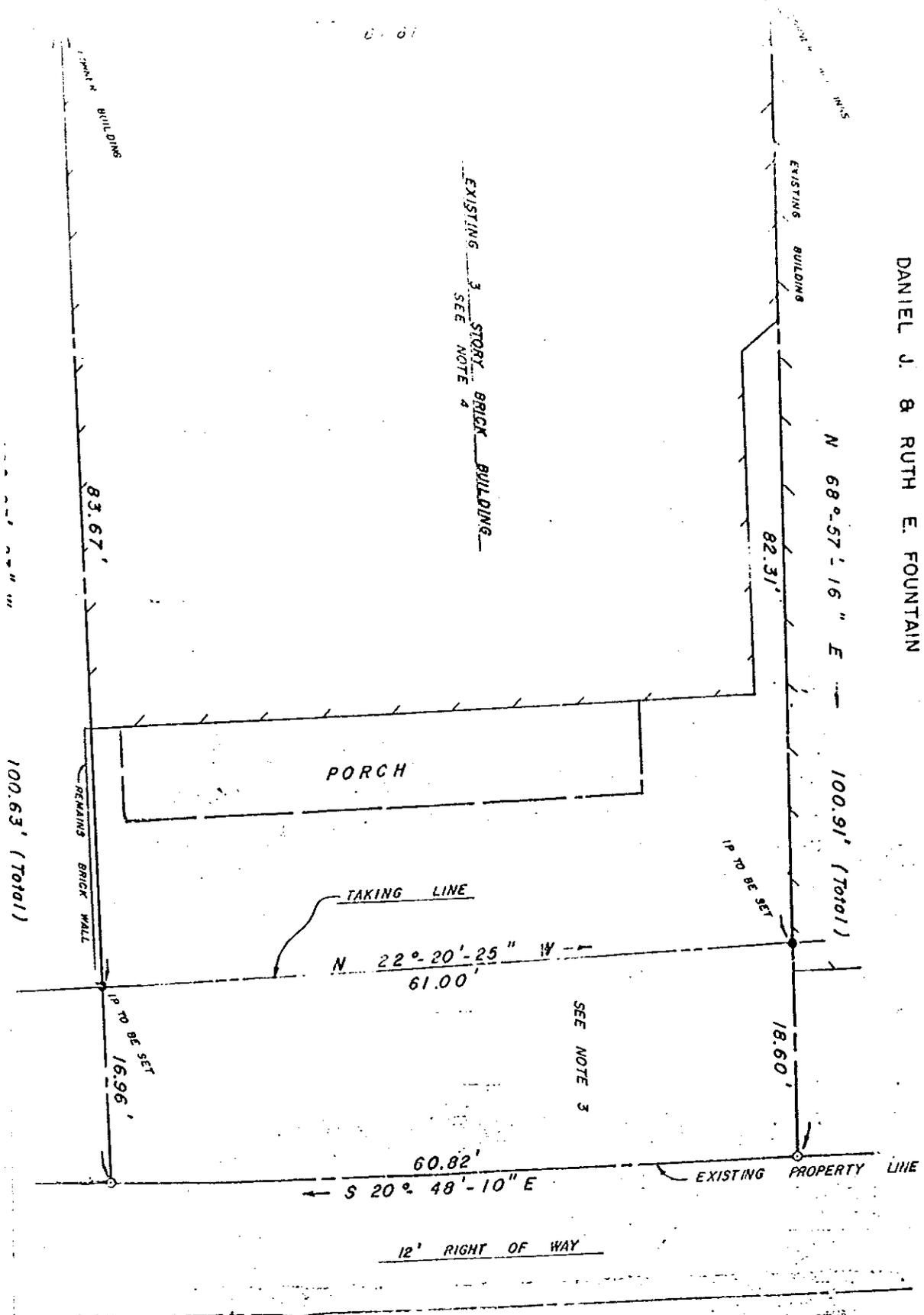
The subject site consisting of .14 acre, is situated in the largest commercial center of the county. The lot is rectangular in shape, fronting on Main Street with 61.81 front feet to a depth of 100± feet. This lot is contiguous with a small city-owned lot used for parking, located on the southerly side of the subject, and with a right-of-way owned by the city which will be used for access, located to the rear of the subject on the easterly side.

The abutting street is a multi-lane street and is fitted with concrete curbs and gutters. The lot is fairly level with a sloping to the rear, and of semi-sandy soil.

The site is serviced by city water, city sewer, natural gas, electricity, and telephone service and cable TV.

The subject building located on the site is a historic building.

DANIEL J. & RUTH E. FOUNTAIN



MICHAEL N/F J. WAURZASICK

BUILDING DESCRIPTION

The site is improved with a commercial-apartment building which includes a three story masonry building with a full basement and attic, with a total of 11,439 square feet of gross floor area, useable.

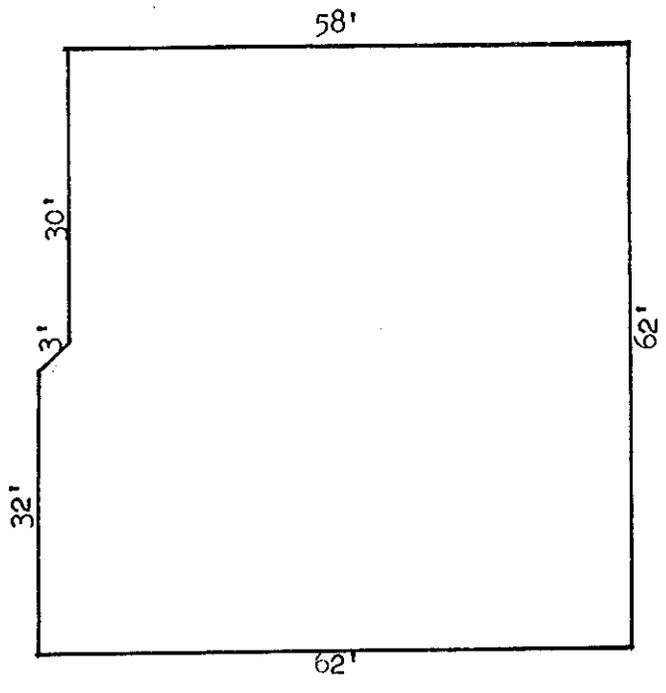
The following is a description of the improvements:

Type-Use:	Commercial; Residential and Retail
Age:	; Remodeled 1986
Stories:	Three; Two floors of apartments and one floor of retail
Gross Floor Area:	3,813 sq. ft. of retail space ( includes a stairwell) 7,629 sq. ft. of residential space (includes a stairwell)
No. of Apartments:	8 total units; 4-2BR units 4-1BR units
No. of Retail units:	3
Electricity:	5 phase 100 amperes
HVAC: Central Heat:	Electricity via heat pumps-Res.
Air Condition.:	Gas system-Retail spaces Retail spaces

Exterior

Foundation:	Brick and Stone
Walls:	Brick
Roof:	Flat; Tar and gravel covering
Exterior Lighting:	Overhead lighting

BUILDING SKETCH



Scale 1" = 20 ft.

## ASSUMPTIONS AND LIMITING CONDITIONS

1. The appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor does the Appraiser render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
2. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The Appraiser has made no survey of the property.
3. The Appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made.
4. Any distribution of the valuation in the report between land and improvements applies only under the existing program utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
5. The Appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.
6. Information, estimates, and opinions furnished to the Appraiser and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the Appraiser can be assumed by the Appraiser.
7. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of the professional appraisal organizations with which the Appraiser is affiliated.
8. Neither all, nor any part of the content of the report, or copy thereof, (including conclusions as to the property value, the identity of the Appraiser, professional designations, reference to any professional organizations, or the firm with which the Appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the mortgagee or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, any department, agency or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the Appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without the written consent and

ASSUMPTIONS AND LIMITING CONDITIONS, continued

approval of the Appraiser.

9. On all appraisals, subject to the satisfactory completion, repairs, or alterations, the appraisal report and value conclusions are contingent upon completion of the improvements in a workmanlike manner.

10. Value estimate is based upon aggressive, professional management.

11. It is a condition of this appraisal that the following repairs are necessary to qualify for the appraised property estimated value:

- A. Thoroughly clean basement and apply new concrete floor and install a dehumidifier.
- B. Install new ceilings where needed in retail spaces and install materials that will guarantee that leakage from the above apartments will not affect the retail space.
- C. Repair (where needed) retail spaces to return them to good condition.

## HIGHEST AND BEST USE

Highest and best use is defined, in part, as: "that reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal." (1)

As previously stated, the purpose of this report is to estimate the Market Value, of the subject land and building, therefore, the highest and best use is only applicable to the Market Value.

Typically, four stages of analysis are required when estimating the highest and best use, and they are as follows:

1. Possible Use or Uses regarding physical site features.
2. Legal-Permissible Uses with respect to zoning and other restrictions on the site.
3. Feasibility of Uses encompassing the Possible and Legally Permissible Uses which produce a net return.
4. Highest and Best Use from among the alternatives is that use which produces the highest net return.

### Possible Use or Uses:

The highest and best use is influenced by any number of physical site characteristics, including size, road frontage, soils, topography, and location.

The subject site has several positive site features including location which is ideal for a commercial endeavor, since it is located in the largest commercial center in the county.

While there are positive site factors as indicated, there are likewise negative site factors as well. For the residential uses that the subject encompasses, the most noticeable short-coming associated with the site is the lack of ample parking area.

The immediate subject neighborhood fronting on Main Street in addition to the good locational characteristics already discussed, possesses many existing historic structures of superior architectural style and design which lend themselves very well to commercial and residential uses.

Highest and Best Use of the subject is for continued existing use.

(1) From "Real Estate Appraisal Terminology", compiled and edited by Byrl N. Boyce, Ph.D., revised 1984

PROPERTY VALUE - DIRECT SALES COMPARISON APPROACH

The Direct Sales Comparison Approach a/k/a/ Market Data Approach is based on a comparison of prices paid for similar properties in recent months. Adjustments are made for differences in time, lot size, and other features of the subject property versus comparative improved property sales. Adjusted sales prices are commonly analyzed on the basis of square feet.

The following sales were used as an aid in estimating the market value of the subject site.

DIRECT SALES COMPARISON APPROACH, continued

Sale No. 1



656 - 664 Main Street  
Middletown, Connecticut

Grantor: Farmers & Mechanics Savings Bank  
Grantee: Raymond C. Ortiz, et al

Volume 920 page 80  
Date: 1/31/90  
Zone: B-1

Sale Price: \$200,000  
Sale Price per Sq. Ft. of Building to Inc. Land: \$39.87

Land Area: .15 acre  
45 front feet on Main Street

Topography: Level

Utilities: All

Building Data

Type-Use:	Commercial; Retail and apartments
Age:	Old, remodeled 1980's
Stories:	3
Gross Floor Area:	5,016 sq. ft.
Construction:	Frame and brick
Remarks:	Located on same block as subject

DIRECT SALES COMPARISON APPROACH, continued

Sale No. 2



642 - 644 Main Street  
Middletown, Connecticut

Grantor: Daniel J. Fountain, et al  
Grantee: Raymond J. Tramont

Volume 854 page 681  
Date: 4/29/88  
Zone: B-1

Sale Price: \$215,000

Sale Price per Sq. Ft. of Building to Inc. Land: \$40.72

Land Area: .04 acre  
20 front feet on Main Street

Topography: Level

Utilities: All

Building Data

Type-Use:  
Age:  
Stories:  
Gross Floor Area:  
Construction:  
Remarks:

Commercial; Retail and apartments  
Old, restored 1980's  
4 stories with a 1 story addition  
5,280 sq. ft.  
Brick and frame

This building is located next to the  
subject.

DIRECT SALES COMPARISON APPROACH, continued

Sale No. 3



38 - 50 Main Street  
New Britain, Connecticut

Grantor: A. Perfetti, R. Baldini, et al  
Grantee: Dennis Gurevich

Volume 935 page 273  
Date: 6/9/88  
Zone: Business

Sale Price: \$1,350,000

Sale Price per Sq. Ft. of Building to Inc. Land: \$47.69

Land Area: .29 acre

80 front feet on Main Street

162 front feet on Glen Street

Topography: Level

Utilities: All

Building Data

Type-Use:

Commercial; Retail and apartments

Age:

1905; remodeled 1985

Stories:

4 stories with a 1 story inset

Gross Floor Area:

28,307 sq. ft.

Construction:

Masonry

Remarks:

This building is extremely similar to the subject.

DIRECT SALES COMPARISON APPROACH, continued

Sale No. 4



23, 27, & 39 Main Street  
New Britain, Connecticut

Grantor: West Dover Assoc. Ltd. Ptnshp.  
Grantee: Edward Sziabowski

Volume 1077 page 446  
Date: 3/30/90  
Zone: Business

Sale Price: \$691,000  
Sale Price per Sq. Ft. of Building to Inc. Land: \$33.88

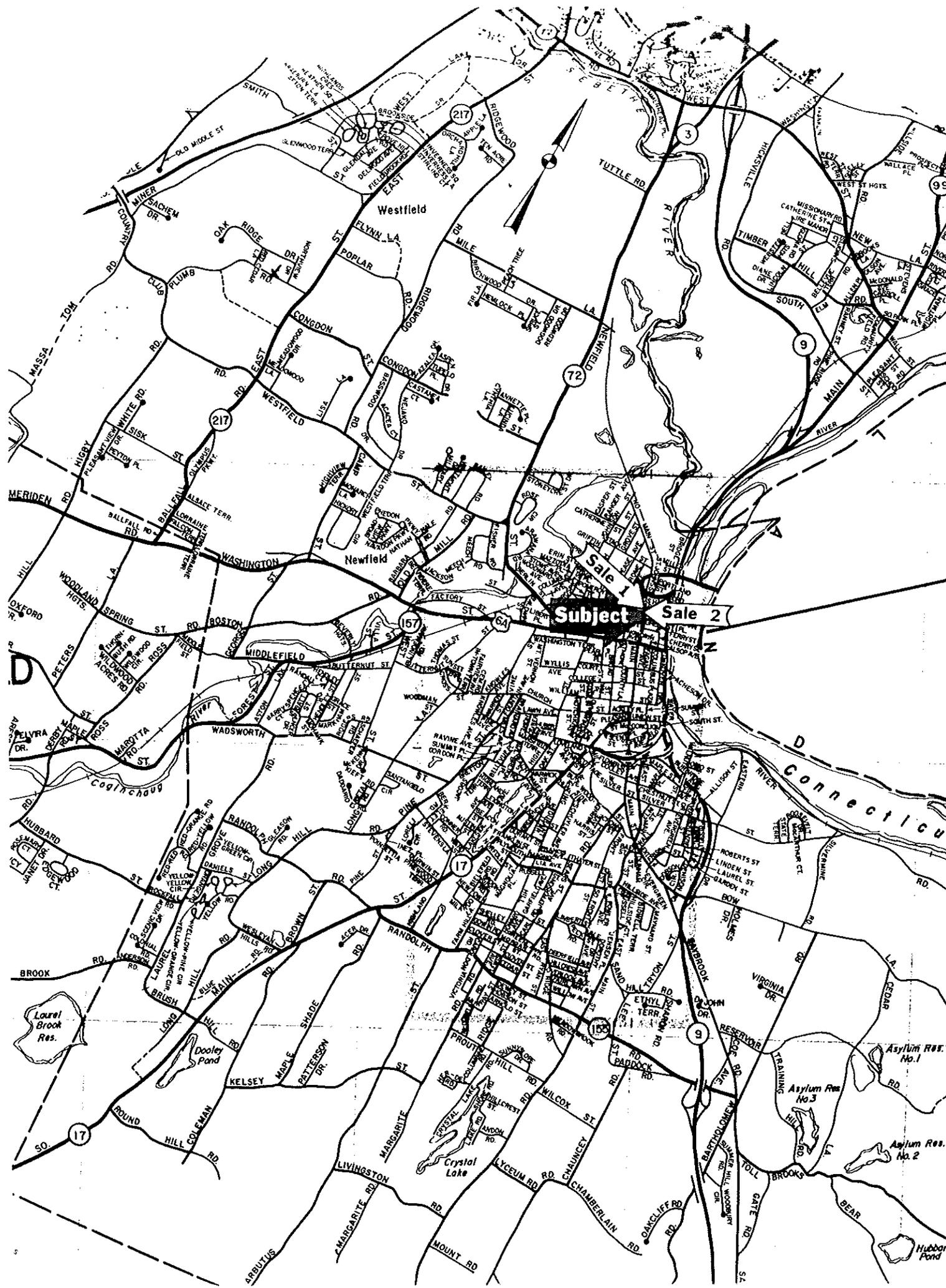
Land Area: .43 acre  
103.77 front feet on Main Street

Topography: Level

Utilities: All

Building Data

Type-Use:	Commercial; Retail and apartments
Age:	1926; some remodeling
Stories:	3 stories with 1 story insets
Gross Floor Area:	20,393 sq. ft.
Construction:	Masonry
Remarks:	This building is extremely similar to the subject.



**Subject Sale 1**

**Subject Sale 2**

D  
Connecticut

Laurel Brook Res.

Dooley Pond

Crystal Lake

Asylum Res. No. 1

Asylum Res. No. 3

Asylum Res. No. 2

Hubbard Pond



217

72

157

17

155

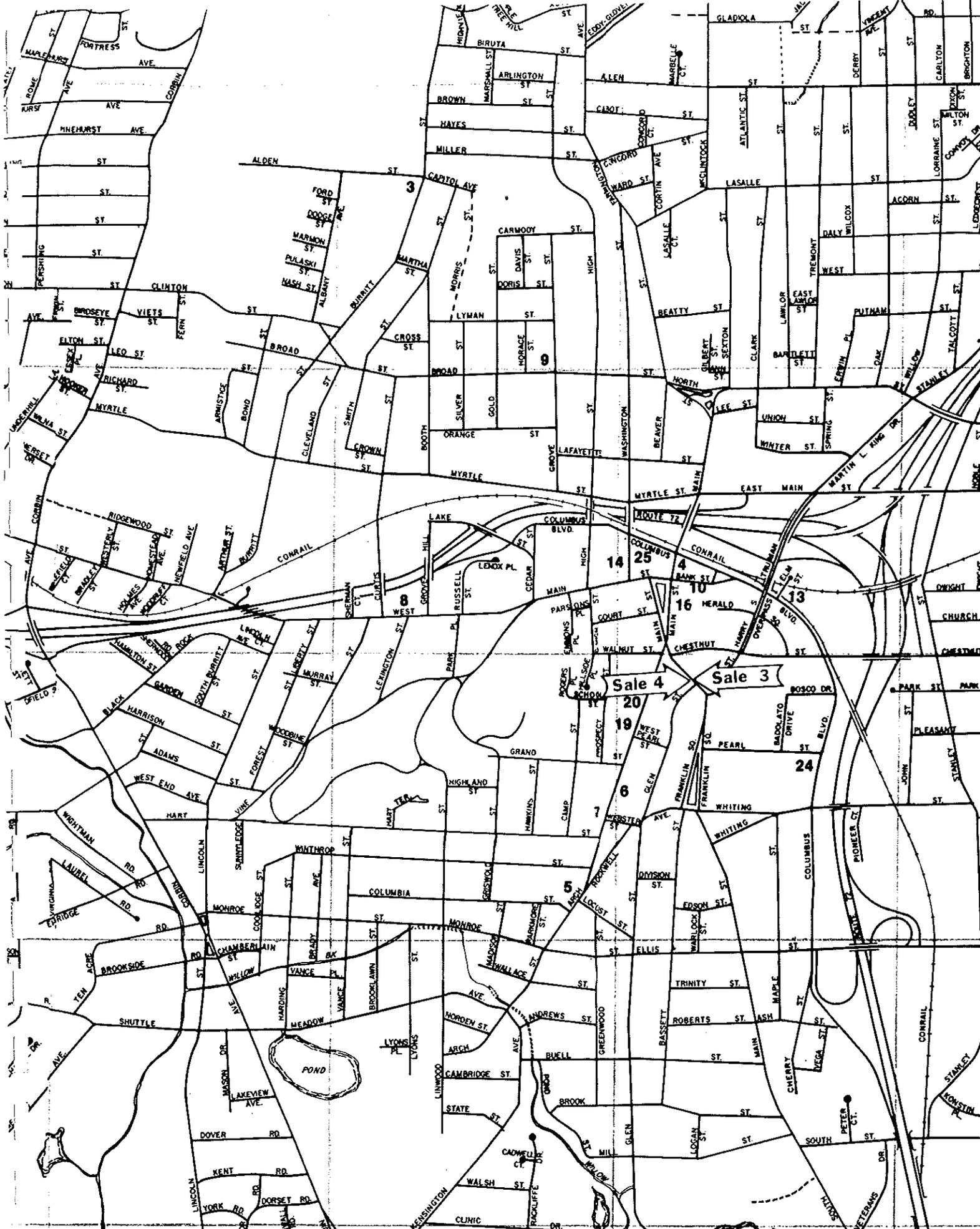
17

9

9

3

99



DIRECT SALES COMPARISON APPROACH, continued

Recapitulation

<u>Sale No.</u>	<u>Location</u>	<u>Sale Date</u>	<u>Land Area</u>	<u>Bldg. Area</u>	<u>Sale Pr.</u>	<u>Sale Pr./Sq.Ft.</u>
1	656-664 Main St., Mtn.	1/31/90	.15 acre	5016 sq. ft.	\$ 200,000	\$39.87
2	642-644 Main St., Mtn.	4/29/88	.04 acre	5280 sq. ft.	215,000	\$40.72
3	38-50 Main St., N. Brit.	6/9/88	.29 acre	28,307 sq. ft.	1,350,000	\$47.69
4	23-39 Main St., N. Brit.	3/30/90	.43 acre	20,393 sq. ft.	691,000	\$33.88

Subject: 630-640 (also known as 632-636) Main Street, Middletown, CT  
.14 acre 11,442 sq. -- --  
ft.

Adjusted Sale Price per Sq. Ft. of Building to Inc. Land: \$35.50

DIRECT SALES COMPARISON APPROACH, continued

Analysis

Sale No. 1 and 2 are in the same block as the subject therefore no adjustments are required for location, however, smaller buildings sell for higher prices so a downward adjustment is required for these two sales.

Sales 3 and 4 are located in an extremely similar neighborhood in New Britain, therefore only a slight downward adjustment is required for location.

Based upon the preceding sales and analyses with adjustments made for all factors which tend to influence value, the estimated Market Value of the subject property is:

\$35.50 per Sq. Ft. of Bldg. to Inc. Land

Then: 11,442 Sq. Ft. x \$35.50 per Sq. Ft. = \$406,191

Value Indicated by Direct Sales Comparison Approach, rounded: \$406,000

## INCOME APPROACH

The Income Approach to value is a procedure in appraisal analysis which converts anticipated benefits (dollar income or amenities) to be derived from ownership of property into a value estimate.

The Income Approach is widely applied in appraising income-producing properties. Anticipated future income and/or reversions are discounted to a present worth figure through the capitalization process. (1)

(1) Byrl N. Boyce, Ph.D., SRPA, ed., revised ed. (Cambridge, Mass.: Ballinger, 1984), Page 132

INCOME APPROACH, continued

Lease Summary Chart-Residential Apartments

Rentals of similarly structured properties appear below. Vacancies are calculated to be 10%

594-612 Main Street, Middletown (above Master Supply)

No utilities included- 3 vacant  
One-Bedroom Units: \$475.00  
Loft Unit: 450.00  
Efficiency Unit: 400.00

650 Main Street, Middletown (above Rivers Music Store)

All utilities included  
One-Bedroom Units: 520.00  
Two-Bedroom Units: 540.00

13-15 Green Court, Middletown (off Main Street)

Two-Bedroom Units: 320.00  
Three-Bedroom Units: 350.00  
Tenant pays all utilities

460 Main Street, Middletown (above Vision Corner)

Heat and hot water included  
One-Bedroom Units: 450.00

566 Main Street, Middletown (above Rosario Tailor)

Includes heat and electricity  
Two-Bedroom Units: 450.00

634 Main Street, Middletown (SUBJECT)

One-Bedroom Units: 450.00  
Two-Bedroom Units: 550.00  
Tenant pays for heat and hot water

127 Grand Street, Middletown (apartment building-first floor)

Includes heat and hot water  
One-Bedroom Units: 565.00

141 Johnson Street, Middletown (off Main Street)

(Two family frame dwelling)  
Two-Bedroom Unit: 625.00  
Tenant pays heat and hot water

INCOME APPROACH, continued

Lease Summary Chart-Residential Apartments, continued

Estimated Income

1 Bedroom	4 units @ \$420.=	\$ 1,680/mo.
2 Bedroom	4 units @ \$440.=	<u>1,760/mo.</u>

Estimated Potential Monthly Income: \$ 3,440/mo.

\$3,440 x 12 months =	\$41,280
Vacancy and Noncollectables 15%	<u>- 6,192</u>
Estimated Effective Gross Income:	\$35,088

Less Expenses calculated to be 40%	<u>- \$14,035</u>
	\$21,052

Net Operating Income: \$21,052

INCOME APPROACH, continued

Lease Summary Chart-Retail

472 Main Street, Middletown

\$10.00 per Sq. Ft. (2800 sq. ft available)  
Lessee pays all utilities, interior maintenance

437 Main Street, Middletown

\$10.00 per Sq. Ft. (4600 sq. ft. available)  
Lessee pays all utilities

576 Main Street, Middletown

\$12.00 per Sq. Ft. (1000 sq. ft. available)  
Lessee responsible for utilities

540 Main Street, Middletown

\$11.00 per Sq. Ft. (1100 sq. ft. available)  
Lessee responsible for utilities

507 Main Street, Middletown

\$11.00 per Sq. Ft. (2275 sq. ft. available)  
Lessee responsible for utilities

422 Main Street, Middletown

(Main Business District)  
\$20.00 per Sq. Ft. (1700 sq. ft. available)  
Lessee responsible for utilities

630-640 Main Street, Middletown SUBJECT

\$8.00 per Sq. Ft. (3814+ sq. ft. available)  
Lessee responsible for utilities

INCOME APPROACH, continued

Lease Summary Chart - Retail space

Estimated Income

3814 Sq. Ft. available @ \$8.00/sq. ft. =	\$30,512/yr.
Vacancy and Noncollectables 10%	- 3,051
Estimated Effective Gross Income:	<u>\$27,461</u>
Less Expenses calculated to be 30%	- 8,238
Net Operating Income	<u>\$19,223</u>

INCOME APPROACH, continued

Capitalization Process

The overall capitalization rate is derived for this property through the Mortgage-Equity Technique (Ellwood Method). This technique recognizes and gives effect to mortgage financing and equity yields. Net income before recapture and debt service is processed into value by the overall rate which includes the following considerations.

1. Terms of obtainable first mortgage; interest rate, amortization, mortgage loan-to-value ratio.
2. Equity position; typical length of ownership required to attract investment.
3. Estimated appreciation or depreciation of property value for ownership period.
4. Current typical terms of similar properties are:

Terms of Mortgage:	20 years
Interest Rate:	11%
Loan-to-Value Ratio:	80%

It is estimated that rising construction costs will offset depreciation over the holding period.

Then:

$$\begin{aligned} r &= \text{Yield} - (\text{Loan-to-Value Ratio} \times \text{Mortgage Coefficient}) \\ r &= .10 - (.80 \times .009) \\ r &= .10 + .0072 \\ r &= .1072, \text{ rounded to } 10.72\% \end{aligned}$$

\$40,275 capitalized @ 10.72% = \$375,700

rounded to: \$376,000

RECONCILIATION AND FINAL VALUE ESTIMATE

Value Indicated by Cost Approach	Not Used
Value Indicated by Income Approach	\$376,000
Value Indicated by Market Data Approach	\$406,000

The Market Data Approach or the Direct Sales Comparison Approach is an excellent approach to utilize when estimating the Market Value especially when sufficient transfers of similar properties have recently occurred. These transactions reflect the actions of both prudent and knowledgeable buyers and sellers in the open market.

Therefore, in my opinion, the estimated Market Value of the subject, as of June 25, 1990, was:

Four Hundred Thousand Dollars

ADDENDUM

## SECTION 32 B-1 CENTRAL BUSINESS ZONE

### 32.00 DESCRIPTION OF ZONE

This zone is composed and limited to the Central Business area. The zone provides for the central retail, office, cultural and governmental activities of the community as well as high density residential use. Accordingly, these regulations are designed to permit retail development in the core of the community where there is a concentration of pedestrian activity. To these ends the regulations establish standards retaining such intensity of use and concentration of pedestrian and vehicular as is compatible with the function of this zone.

### 32.01 USES

No land shall be used or occupied and no structure shall be erected, constructed, reconstructed, altered or used, except for any use which is indicated in the B-1 column of the Use Schedule, Section 61 of this Zoning Code and shall be subject to such provisions as referred to in that column.

### 32.02 HEIGHT

The maximum permitted stories shall be twelve (12).

### 32.03 LOT AREA, WIDTH AND YARD REQUIREMENTS

No minimum lot area or frontage required. Yard requirement is that any building shall return not less than the yard of its predecessor or except that for lots facing Main Street, no yards shall be required. (Revision effective 7/1/86).

### 32.04 VOID

### 32.05 OFF-STREET PARKING AND OFF-STREET LOADING REQUIREMENTS

Off-street parking and off-street loading shall be provided in connection with any use in this zone in accordance with the provisions of Section 40. In addition, requirements for the provisions of parking facilities may be satisfied by the permanent allocation of the required number of spaces for each use in a common parking facility, cooperatively established and operated. The total number of spaces so provided may be reduced from the sum of the individual requirement provided that such reduction is approved by the Commission upon a finding by them that such reduction is justified on the basis of common patrons and/or overlapping peak needs.

44.08.26 HISTORIC AND/OR ARCHITECTURAL PRESERVATION SITE AND STRUCTURES.

- A. The site, building or structure proposed shall be included in the Middletown Survey of Historical and Architectural Resources conducted by the Greater Middletown Preservation Trust, dated 1979, as either inventoried or notable buildings. (Effective 8/1/84.)
- B. Permitted use of a site and structure shall be harmonious with the physical characteristics and originally designed use of the structure: i.e. a structure designed for a residence may be used as an office.
- C. A written agreement shall be filed with the Commission stipulating that the exterior of the structure and the site will be restored and maintained in accordance with the historic time period the structure is identified.
- D. In the event the proposed historic preservation structure is located in a fire district with which its materials of construction are incompatible application, via the Commission, shall be made to the legislative body to change the boundaries of the fire district so that the Historic Preservation Zone is designated as outside fire limits in terms of the State Building Code. The proposed Historic Preservation structure shall not be less than thirty (30) feet from any structure in a contiguous fire district.

## QUALIFICATIONS OF APPRAISER

Phyllis M. Gronbach, CREA

### Education

Many courses taken, including, Real Estate Principals and Practices, Real Estate Law, Property Management, Architecture of Historic Buildings, and three Real Estate Appraisal courses

Attended Middlesex Community College and the University of Connecticut

### Professional Membership

National Association of Real Estate Appraisers - Certified Real Estate Designation (CREA)

### Professional Affiliations

Candidate for: Member of the Appraisal Institute (MAI) designation, of the American Institute of Real Estate Appraisers of the National Association of Realtors

### Professional License

Connecticut Real Estate Brokers License

### Experience

Total of 16 years real estate experience

including: 16 years-sales  
8 years-appraising (5 years research and writing appraisals without analysis and 3 years total appraisal work)

3 years-owner and operator of real estate business

Appraisal work locations include Connecticut, Massachusetts, New York, and Rhode Island

Types of research and writing appraisal work done include: Feasibility studies, Dept. of Transportation work, nursing homes, apartment buildings, shopping centers, condominium complex land and buildings, land subdivisions acreage, office buildings, industrial buildings, and commercial buildings

Types of total appraisal work include: Commercial buildings, multi-family homes, single family homes, acreage, historical homes, and condominiums.

Certified Fee Appraiser for U.S. Dept. of Housing and Urban Development, 1986-1987

CERTIFICATION

This is to certify that the undersigned has made a careful personal inspection of the property legally described herein and that all finds, statements, and opinions submitted in this report are correct to the best of their knowledge.

This appraisal is prepared for demonstration purposes and the valuation estimate certified below is not contingent on any monetary fees or interests whatsoever.

It is further certified that this appraisal has been made in conformity with professional standards of the National Association of Real Estate Appraisers of which the undersigned is a member.

The Market Value of the property herein described is certified as of June 25, 1990, to be \$1,400,000.

Certified by

A handwritten signature in cursive script, reading "Phyllis M. Gronbach", written over a horizontal line.

Phyllis M. Gronbach, CREA