

REAL ESTATE APPRAISAL

North Main Artists' Cooperative
646-654 Main Street
Middletown, Connecticut

AUTHORIZED BY

Suzanne Mazzotta
Department of Economic
and Community Development
645 South Main Street
Middletown, Connecticut 06457

DATE OF VALUATION

February 1, 2001

PREPARED BY

Carol Denvir Johnson and
Dean C. Amadon, MAI
AMADON & Associates, Inc.
100 Wells Street
Hartford, Connecticut 06103

AMADON & Associates, Inc.

commercial real estate appraisers / advisors

February 9, 2001

Suzanne Mazzotta
Department of Economic and Community Development
645 South Main Street
Middletown, Connecticut 06457

Re: 646-654 Main Street, Middletown, Connecticut

Dear Ms. Mazzotta:

At your request, we have examined the above-referenced property to estimate the market value of the fee simple estate. The effective date of valuation is February 1, 2001, coinciding with the date of our most recent inspection of the subject property. The subject is currently improved with a four-story residential/commercial building in shell condition. The owner is proposing to renovate and rehabilitate the structure, therefore, a prospective market value is also estimated. The prospective date of value is December 1, 2001, assuming a 10-month construction period. This is a complete, self-contained appraisal report. It is our understanding that this report is to be used in conjunction with potential financing.

The subject property is located along the easterly side Main Street in the city of Middletown, Connecticut. The site has a total land area of approximately 4,237.89 square feet, or 0.10 acres, and is located in the Central Business zoning district. The rectangular-shaped parcel has generally level topography and is at the road grade of the Main Street frontage. The site has approximately 48.63 feet of frontage along Main Street, although it has no curb cut for ingress/egress.

The subject is improved with an approximately 12,876 square foot, four-story residential/commercial building with a full basement (not included in the gross building area). The improvements were in shell condition on the effective date of value. The owner is proposing renovation, rehabilitation and enlargement to convert the space into a first-floor art gallery with community space and nine residential living/studio spaces above. At completion the gross building area will be approximately 13,948 square feet. The project will be in excellent condition at completion. The building covers almost the entire lot, and site improvements are limited to a small, overgrown sand and gravel parking area at the rear of the building. The concrete pads for the dumpsters appear to be located on abutting property owned by the city of Middletown.

Department of Economic and Community Development

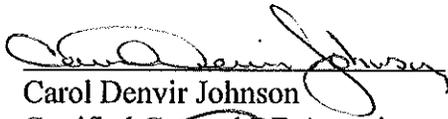
February 9, 2001

Page 2

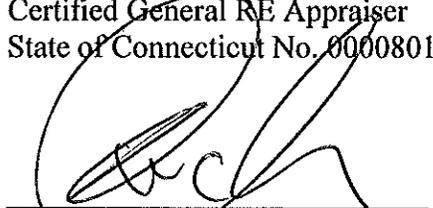
This appraisal is predicated on the assumption that hazardous substances do not impact the market value or marketability of the subject property. No apparent evidence of contamination or potentially hazardous materials was observed on the date of inspection. The Phase 1 Environmental Site Assessment provided notes an underground fuel storage tank on the site and both asbestos and lead found in certain interior materials. The estimates of value assume that the property is free of environmental hazards and contaminants. The appraisers are not qualified to detect such substances and urge the client to retain an expert in that field, if desired.

Based upon our investigation of the real estate market in the area, and consideration of all pertinent facts set forth in the body of this report, the market value of the fee simple estate of the subject property, excluding furniture, fixtures and equipment, as of February 1, 2001, is \$65,000. The prospective market value of the subject, as of December 1, 2001, including furniture, fixtures and equipment, is \$155,000.

Respectfully submitted,



Carol Denvir Johnson
Certified General RE Appraiser
State of Connecticut No. 0000801



Dean C. Amadon, MAI
Certified General RE Appraiser
State of Connecticut No. 0000023

TABLE OF CONTENTS	Page
EXECUTIVE SUMMARY	3
PHOTOGRAPHS OF THE SUBJECT PROPERTY	6
IDENTIFICATION OF THE PROPERTY BEING APPRAISED.....	11
HISTORY OF PROPERTY.....	11
PURPOSE OF THE APPRAISAL	12
USE OF APPRAISAL REPORT.....	12
DATES OF VALUE ESTIMATES.....	12
CRITICAL DISCLOSURES AND LIMITING CONDITIONS.....	12
PROPERTY RIGHTS APPRAISED.....	13
SCOPE OF THE APPRAISAL	13
DEFINITIONS.....	15
COMMUNITY DATA AND DEMOGRAPHIC ANALYSIS	17
MARKET ANALYSIS.....	21
NEIGHBORHOOD DESCRIPTION.....	22
ZONING	23
ASSESSMENT AND TAX DATA	26
SITE DESCRIPTION.....	27
BUILDING DESCRIPTION.....	30
HIGHEST AND BEST USE	36
INTRODUCTION TO VALUATION	39
INCOME CAPITALIZATION APPROACH.....	58
RECONCILIATION AND FINAL VALUE ESTIMATE.....	66
CERTIFICATION.....	68
ASSUMPTIONS AND LIMITING CONDITIONS.....	70
PARTIAL LIST OF CLIENTS.....	73
QUALIFICATIONS OF THE APPRAISERS	74
ADDENDUM.....	76

TABLE OF CONTENTS (continued)

Subject location maps
Deeds
Demographic data
Census tract map
Topographical map
Zoning map
Section 32.02 of Middletown zoning
Downtown Visions 2000 and Beyond map
Property record card
Site plan
Inland wetlands map
Flood Insurance Rate Map
Building plans
Scope of work
Construction budget
Spreadsheet provided
Available properties
Comparable location map
DECD checklist

EXECUTIVE SUMMARY

Property Address	646-654 Main Street Middletown, Connecticut
Owner of Record	Alderhouse Residential Communities, Inc.
Purpose of Appraisal	To estimate the market value of the fee simple estate
Principal Tenant	To be owner-occupied as a limited-equity artists' cooperative
Dates of Value	As Is – February 1, 2001 As Proposed – December 1, 2001
Date of Report	February 9, 2001
Land Area	Approximately 4,237.89 square feet, or 0.10 acres
Zoning District	Central Business (B-1)
Assessment & Tax Data	Map 22, block 17-36, lot 4 Total assessment \$152,250 Current tax rate 34.60 mills Current tax burden \$5,267.85 (1999 Grand List)
Building Area	As Is – Approximately 12,876 square feet As Proposed – Approximately 13,948 square feet with basement
Rentable Area	As Proposed – Approximately 3,487 square feet of retail space and nine apartments
Property Type	Residential/commercial
Effective Age	As Is – 45 years As proposed – 10 years
Remaining Economic Life	40 years, after construction

EXECUTIVE SUMMARY (continued)

Highest and Best Use

As Though Vacant

Future mixed-use development

As Improved

Completion of the proposed renovation, rehabilitation and enlargement for owner-occupancy as an artists' cooperative with gallery space

Marketing & Exposure Time

Market value conclusions recognize the characteristics of the subject real estate and consider the current economic environment and its effect on real property. A marketing and exposure period of one year is considered reasonable in which to induce the sale of the subject property at the value estimated within this report.

Special Assumptions

The appraisal is predicated on the assumption that the permits and approvals necessary for development are granted.

The appraisal is also predicated on the assumption that hazardous substances do not impact the market value or marketability of the subject property. No apparent evidence of contamination or potentially hazardous materials was observed on the date of inspection. The Phase 1 Environmental Site Assessment provided indicates an underground fuel storage tank, as well as both lead and asbestos. The estimate of value assumes that the property is free of environmental hazards and contaminants. The appraisers are not qualified to detect such substances and urge the client to retain an expert in that field, if desired.

The prospective market value is developed based on current market conditions. The appraisers cannot be held responsible for unforeseen events that alter market conditions prior to the prospective date of value (SMT-4).

EXECUTIVE SUMMARY (continued)

Special Assumptions (continued)

The building plans provided indicate that the project will have nine apartments, three two-bedroom units and six one-bedroom units. All units are to be affordable housing. According to Mr. Widmer, there is to be a deed restriction to this effect.

Due to the income and development guidelines for the project, the unit division proposed in the cash flow is used, and this appraisal is based on the assumption that all units are affordable housing units.

The owner indicated that a real estate tax reduction was being negotiated with the city of Middletown. Conversations with a representative of the mayor's office, the tax assessor and the community development specialist revealed that no plan or agreement for tax relief and/or reduction in assessment is in place or is being negotiated.

VALUES INDICATED

As-Is

Via Cost Approach	Not developed
Via Sales Comparison Approach	\$65,000
Via Income Capitalization Approach	Not developed

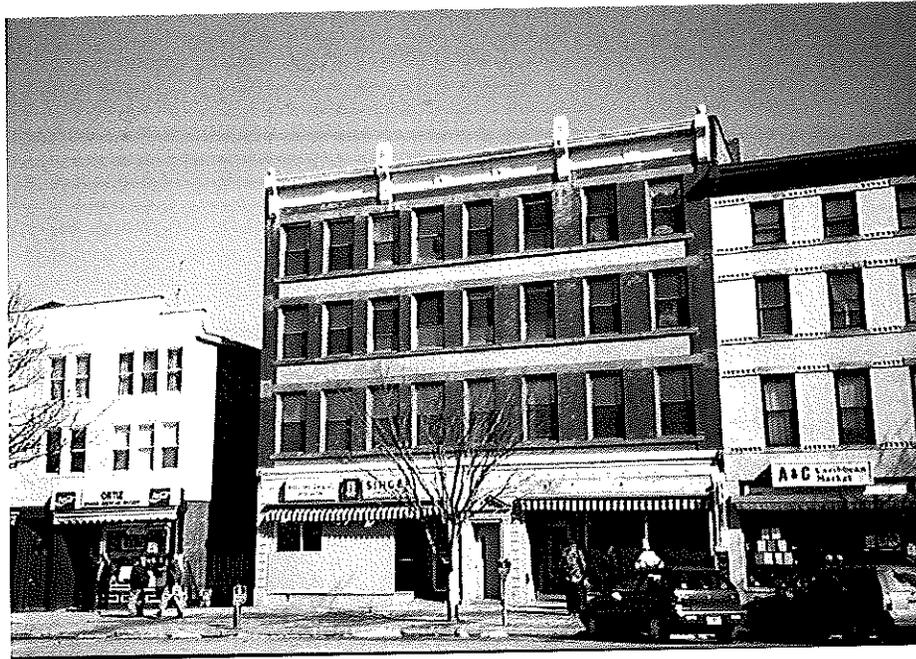
Final As-Is Value Estimate
\$65,000

As-Proposed

Via Cost Approach	Not developed
Via Sales Comparison Approach	Not developed
Via Income Capitalization Approach	\$155,000

Final As-Proposed Value Estimate
\$155,000

PHOTOGRAPHS OF THE SUBJECT PROPERTY



Front of subject



Rear of subject

PHOTOGRAPHS OF THE SUBJECT PROPERTY (continued)

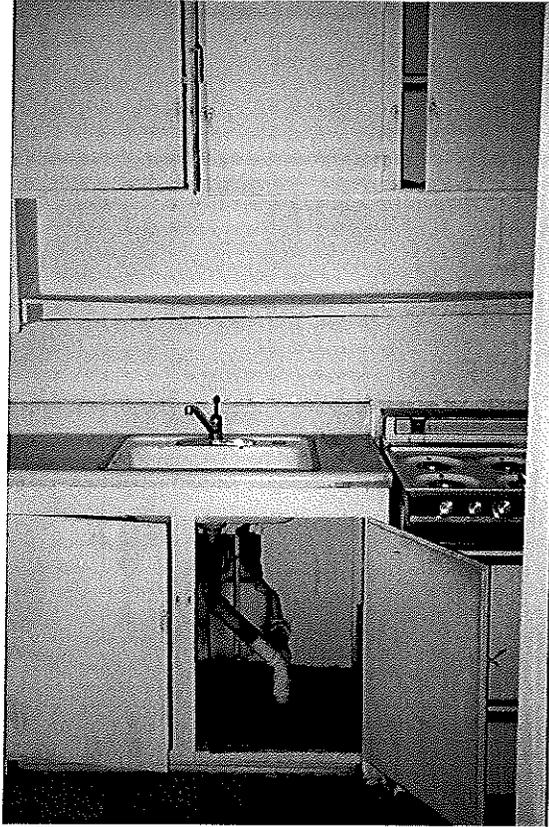


View of rear of building

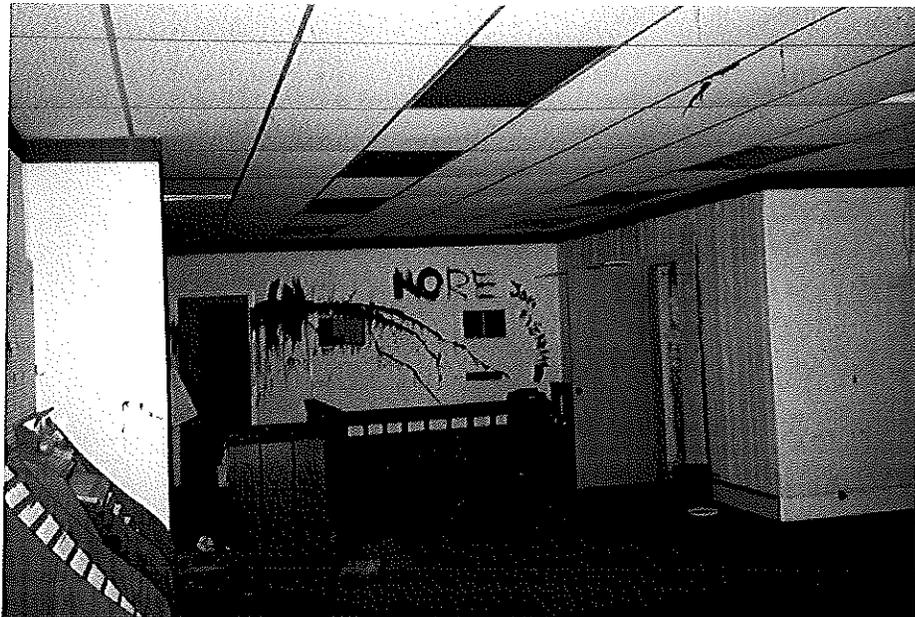


View of typical apartment interior

PHOTOGRAPHS OF THE SUBJECT PROPERTY (continued)

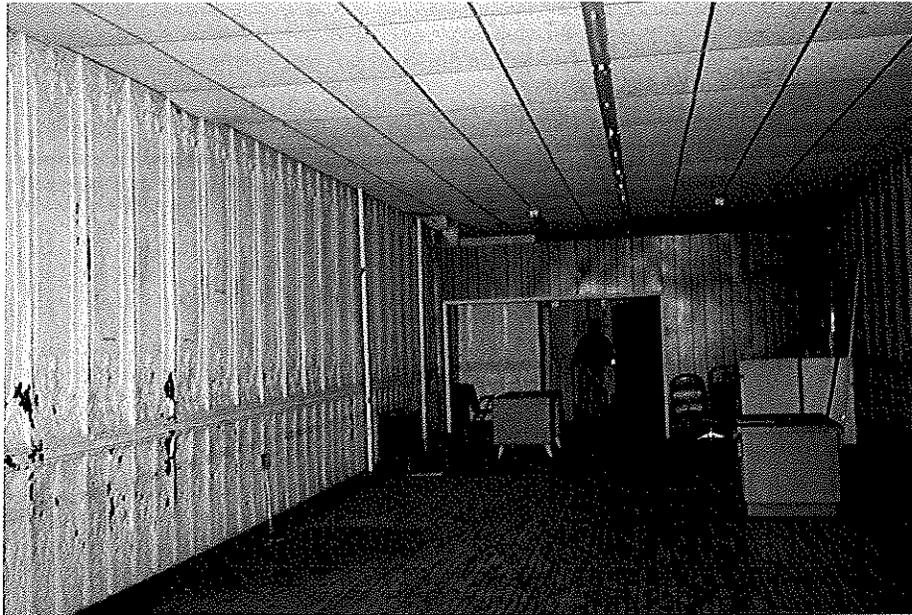


View of typical apartment interior



View of first floor commercial unit (north side of building)

PHOTOGRAPHS OF THE SUBJECT PROPERTY (continued)



View of first floor commercial unit (south side of building)



View across Main Street from subject property

PHOTOGRAPHS OF THE SUBJECT PROPERTY (continued)



Main Street facing north toward intersection of Rapallo Avenue



Main Street facing south toward intersection of Green Street

IDENTIFICATION OF THE PROPERTY BEING APPRAISED

Location	646-654 Main Street Middletown, Connecticut
Owner of record	Alderhouse Residential Communities, Inc.
Legal description	Refer to the Addendum for a copy of the legal description that is contained in the deed of conveyance recorded in Volume 1246, page 749, of the Middletown land records.
Property type	A residential/commercial building containing approximately 12,876 square feet
Tax assessor reference	Map 22, block 17-36, lot 4
Site	Approximately 4,237.89 square feet of land, or 0.10 acres located within the Central Business (B-1) zoning district

HISTORY OF PROPERTY

Alderhouse Residential Communities, Inc., acquired the property from the city of Middletown via a warranty deed and a quitclaim deed on November 27, 2000 (recorded November 29, 2000). The consideration for this transfer was \$1.00. These documents are recorded in the Middletown land records, Volume 1246, pages 746 and 749.

On November 28, 2000, the city of Middletown corrected the legal description of the property and recorded the document in Volume 1246, page 710, of the Middletown land records.

The city of Middletown acquired the property on December 3, 1998, via a committee deed as the result of a judgment of foreclosure of tax liens (docket #CV-97-0083148S) against Ronald Studzinski and Advest Bank. This document is recorded in the Middletown land records, Volume 1182, page 498.

Ronald J. Studzinski acquired the property on October 17, 1994, in a nonarm's-length transfer from Ronald J. Studzinski and Joanne B. Studzinski. This document is recorded in the Middletown land records, Volume 1056, page 397.

A 12-foot right-of-way is granted from Green Street to the subject premises in favor of the subject over abutting property to the south. This benefits the subject by allowing access to the rear of the property.

The warranty deed legal description of the subject (Volume 1246, page 747) also mentions a one-inch strip of land along the southern boundary of the subject that allows for joining of a brick wall. This appears to have no impact on the subject, as party walls are common in urban buildings constructed circa 1900.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value of the fee simple estate of the subject property.

USE OF APPRAISAL REPORT

This appraisal report is to be used to assist the client in potential financing.

DATES OF VALUE ESTIMATES

The effective date of this valuation is February 1, 2001, the date of our most recent physical inspection of the subject property. On February 1, 2001, the appraisers inspected the exterior of the property. Three interior inspections were also conducted in October 2000, in November 2000 and on January 30, 2001.

The prospective date of value, assuming completion of the proposed improvements, is December 1, 2001.

CRITICAL DISCLOSURES AND LIMITING CONDITIONS

The value estimated in this appraisal report is subject to the following critical disclosures and limiting conditions, in addition to the standard Assumptions and Limiting Conditions located at the end of this report.

Standards

This appraisal was prepared in accordance with Title XI of the Federal Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA); the Uniform Standards of Professional Appraisal Practice (USPAP); supplemental standards applicable to federally related transactions, and additional standards and conditions required for appraisals prepared for our particular clients.

Competence

The appraisers have both the knowledge and experience necessary to complete this appraisal assignment competently. Please refer to the Qualifications section for the educational and professional background, areas of expertise, and licensing/certification status of the appraisers.

CRITICAL DISCLOSURES AND LIMITING CONDITIONS (continued)

ADA

A specific compliance survey and analysis of the proposed improvements to determine whether or not they will be in conformity with the various detailed requirements of the Americans with Disabilities Act (ADA), was not made. Additionally, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

Hazardous

This appraisal is predicated on the assumption that hazardous substances do not impact the market value or marketability of the subject property. No apparent evidence of contamination or potentially hazardous materials was observed on the date of inspection. The estimate of value assumes that the property is free of environmental hazards and contaminants. The appraisers are not qualified to detect such substances and urge the client to retain an expert in that field, if desired.

PROPERTY RIGHTS APPRAISED

The property interest being appraised is the fee simple estate. The definition of fee simple estate can be referenced in the Definitions section of this report.

SCOPE OF THE APPRAISAL

In preparing this appraisal report, the appraisers made a number of independent investigations and analyses. The following summarizes the basic outline of activities undertaken in this process:

- Inspections of the property were conducted in October 2000, November 2000, January 2001, and most recently on February 1, 2001, the effective date of this appraisal.
- The subject market area was reviewed to analyze regional and neighborhood trends and their effect on the value of the subject property. Various data sources including demographic statistics compiled by various state agencies, zoning files, available site and building information, the land records of all comparable sales, and other sources of public information were reviewed and used as a guide in estimating property value.
- The market area was researched for sales of improved properties that are comparable to the subject, as is and as proposed. The sales were analyzed and adjusted to derive the as is market value of the subject property. No sales of artists' cooperatives were found to estimate the prospective market value.

SCOPE OF THE APPRAISAL (continued)

- The market area has been researched for pertinent rental and expense information for comparably improved properties to estimate the market rent and pro-forma operating expenses of the subject property, as proposed. Because no historic expense information is available, market norms are used in the analysis.
- As of the date of this appraisal, the subject is improved with a mixed-use building in shell condition. When complete, the property will be owner-occupied by preselected artists who will become owners under a limited-equity arrangement. Ms. Lucy McMillan and Mr. G. Christopher Widmer, representing the owner, provided the proposed building plans, a copy of the Phase 1 Environmental Site Assessment, the scope of work by the building contractor, projected development costs, and a pro-forma cash flow. The information provided was used to assess the proposed development.
- Lender and investor parameters were researched through discussions with market participants to prepare the income capitalization approach using direct capitalization.
- The collected data were analyzed in the context of developing each approach, and the valuation conclusions are reconciled into a final indication of market value as of the effective and prospective dates of this appraisal.

DEFINITIONS

Market Value

Market value is defined as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and 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 are acting in what they consider their own best interests; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (USPAP, 1992 edition)

Source: The Dictionary of Real Estate Appraisal
Third Edition
Appraisal Institute

FDIC 323.2(f). This definition was developed by the Federal National Mortgage Association ("Fannie Mae") and is widely accepted by mortgage lenders and many government agencies.

Many of the legal definitions of market value are based on the following:

The highest price estimated in terms of money which the land would bring if exposed for sale in the open market, with reasonable time allowed in which to find a purchaser, buying with knowledge of all of the uses and purposes to which it was adapted and for which it was capable of being used. [Sacramento Southern R.R. Co. v. Heilbron 156 Cal. 408, 104, p.979 (1909).]

Marketing Period and Exposure Time

For the purposes of this report, a 12-month marketing period and exposure time are considered appropriate as a reasonable time for exposure in the open market, assuming that the property is appropriately managed and professionally marketed.

The marketing time estimate is our opinion of the length of time necessary to market the real property in the future. The future price that may be achieved for the real property (at the end of the marketing time) may or may not be equal to our current appraised value estimate. This would be influenced by potential changes in the physical real estate, demographic and economic trends, the real estate market, tenancy, and property operations, among other factors.

DEFINITIONS (continued)

Most Probable Sales (Selling) Price

That price at which a property would most probably sell if exposed to the market for a reasonable time, under market conditions prevailing as of the date of the appraisal.

Source: Real Estate Appraisal Terminology
Revised Edition
Society of Real Estate Appraisers

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate; subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Source: The Dictionary of Real Estate Appraisal
Third Edition
Appraisal Institute

Direct Capitalization

1. A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor.
2. A capitalization technique that employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified.

Source: The Dictionary of Real Estate Appraisal
Third Edition
Appraisal Institute

COMMUNITY DATA AND DEMOGRAPHIC ANALYSIS

The city of Middletown is situated in the northwest section of Middlesex County and abuts the southern border of Hartford County. The towns of Berlin and Cromwell to the north, Meriden to the west, and Durham and Haddam to the south border Middletown. The Connecticut River forms the eastern boundary of Middletown and separates it from the towns of Portland and East Hampton. Interstate 91, a four-lane, limited-access highway, crosses through the northwest portion of Middletown. Connecticut Route 9, also a four-lane, limited-access highway, runs north and south along the Connecticut River next to the Middletown central business district (CBD). Connecticut Route 66 runs east and west through the heart of Middletown and its CBD, connecting Middletown to Meriden to the west and Portland across the Connecticut River to the east. Middletown has a land area of 42.9 square miles with a hilly topography and a mixture of soil types that have supported agricultural uses over the years.

Middletown, one of the first towns in Connecticut, was settled in 1650 and incorporated as a town in 1651. Agriculture and manufacturing were the two mainstay economic forces in the development of the community. Agriculture predominated in the western and southern, or Southfarms, sections of Middletown until residential development appeared during the mid-1900s. During the first part of the 19th century, Middletown led the state in number of factories and value of their products. Textiles were the most important industries, but later the city began manufacturing a wide variety of products. A number of these facilities were located in the northernmost section of the CBD. Many of these facilities are now abandoned, with only a few active manufacturers remaining.

Wesleyan University, founded in 1831, is located in Middletown. The university is nationally recognized and owns a beautiful campus. With an enrollment of nearly 2,700 men and women and a significant faculty and staff, its economic and social impact upon the community is important and includes rich cultural offerings open to Middletown residents. The university has also been responsible for the formation of the Hill Development Corporation that has provided varied housing opportunities in the city over the past two decades.

Middlesex Community-Technical College, located to the south of the downtown area, features adult and continuing education, as well as a two-year undergraduate program.

Middletown has numerous medical facilities and convalescent homes to meet area health needs. Middlesex Memorial Hospital, located within the city, has a capacity of 382 beds and is the focal point for health delivery services for Middlesex County. The hospital combines the quality care of competent, concerned, personalized service with the accuracy and convenience of high technology and is the only acute-care community hospital in this county of approximately 130,000 residents. Its medical staff, with Board-certified physicians in virtually all major subspecialties, offers a wide range of coverage including preventative medicine as well as the diagnosis and treatment of illnesses. The hospital also functions as a major educational resource to prepare students for health careers.

COMMUNITY DATA AND DEMOGRAPHIC ANALYSIS (continued)

Population

Middletown's population increased from 42,762 in 1990 to 43,358 in 1998, an increase of approximately 1.4 percent. An increase of almost two percent is projected for the community between 1998 and 2003. The subject is referenced on census tract 5416. A copy of the census tract map is included in the Addendum.

Population Growth Portland and Environs

<u>Towns/Area</u>	<u>1990</u>	<u>1998</u>	<u>Projected 2003</u>	<u>Percent Change 1998-2003</u>
Berlin	16,787	17,314	17,563	1.44%
Cromwell	12,286	12,490	12,736	1.97
Durham	5,732	6,548	6,990	6.75
East Hampton	10,428	11,054	11,464	3.71
Haddam	6,769	7,219	7,502	3.92
Meriden	59,479	56,428	54,931	-2.65
Middlefield	3,925	4,100	4,225	3.05
Middletown	42,762	43,358	44,192	1.92
Portland	8,418	8,854	9,154	3.06
Middlesex County	143,196	149,610	154,241	3.10%
Connecticut	3,287,166	3,271,239	3,272,149	0.03

Source: Connecticut Department of Economic and Community Development, U. S. Bureau of Census

Middletown's population has continued to show a small, but steady increase. While population has been increasing in the market area, every town in the market area and the state have also experienced a simultaneous increase in median age, a fact consistent with national and regional trends. This is primarily due to the aging of the baby boomers, the longevity of life and the decreasing birth rates for the general population. In comparison to the other towns in the market area, Middletown has the lowest 1990 median age, 31.3 years, substantially younger than the rate of the market area. Berlin had the highest median age, 37.5 years. The 1999 median age for Middletown was 34.5 years. In addition, Middletown had the second-slowest growth in this area, second to Berlin. Middletown is also substantially younger than the market area average age. Planning officials in Middletown attribute this to the increase of younger families that moved into the Middletown area during the late 1980s housing boom.

A 1999 distribution of population by age indicates that the largest segments of the population are the age groups of 25 to 34 years (18 percent) and of 35 to 44 years (19 percent). The population below 18 years of age represents 22 percent of the total. Where as the age groups of 65 years and above represent only 12 percent of the total. These statistics closely mirror the immediate region and the county.

AMADON & Associates, Inc.

COMMUNITY DATA AND DEMOGRAPHIC ANALYSIS (continued)

Housing

Middletown's growth has been fueled by the affordability of its land and housing, as compared to Greater Hartford, and by easy access to new labor pools via Interstate 91 and Connecticut Route 9. Middletown housing stock contains a significantly high proportion of rental versus owner-occupied housing, but city officials report a shift in policy away from multifamily and office development to emphasize owner-occupied, single-family development. In 1996 there were 18,795 housing units in Middletown. The median sale price was \$135,000, slightly less than the state average of \$138,000. In 1998, 153 new housing permits were issued in the city, up from 123 permits the year before. Development of single-family subdivisions is continuing.

The number of households during the period 1990 to 1995 shows a small growth rate (1.3 percent) for Middletown when compared to nearby towns such as Durham and Haddam. Middletown grew at a faster rate than the state and slightly less than the market area. In addition, Middlefield, a rural suburb of Middletown, has experienced a slightly higher growth rate than the Middletown and the state.

The 1990 census data indicate that approximately 50 percent of all housing units were renter occupied. The vacancy rate at that time was eight percent. Of the total renters paying cash rent (8,052), 38.4 percent paid between \$250 and \$499 per month and 35.6 percent paid rent of between \$500 and \$749 per month. These statistics support the proposed rents for the subject property. Current rental data indicates that rent levels have not changed substantially.

Employment Data

The table on the following page summarizes Connecticut Department of Labor employment statistics showing unemployment trends from 1996 through December 2000. The table reveals a general decrease in unemployment beginning in 1996. The situation seems to be improving in most Connecticut municipalities, including Middletown. The latest unemployment rate for the city was 1.6 percent. Middletown's unemployment rate has remained fairly consistent with the Hartford Labor Market Area and the overall state unemployment rate since 1998. The financial and real estate sectors and manufacturing industries are major employment centers for area residents.

COMMUNITY DATA AND DEMOGRAPHIC ANALYSIS (continued)

Unemployment Trends By Place of Residence

	Average 1996	Average 1997	Average 1998	Average 1999	December 2000
Berlin	5.3%	4.3%	3.2%	2.8%	1.4%
Cromwell	5.6	4.7	2.9	2.7	1.4
Durham	5.4	4.6	2.5	2.1	1.2
East Hampton	7.9	5.2	3.2	3.1	1.4
Haddam	5.2	3.8	2.3	2.2	0.9
Meriden	7.5	6.7	4.1	3.9	2.0
Middlefield	5.4	5.0	3.4	2.6	1.2
Middletown	7.0	5.8	3.7	3.3	1.6
Portland	5.7	5.2	3.2	2.8	1.4
Hartford LMA	6.1%	5.4%	3.5%	3.3%	1.6%
Connecticut	5.7	5.1	3.4	3.2	1.5

Source: Connecticut Department of Labor

Conclusion

As the hub of the midstate planning area, Middletown houses the second-largest population of the market area's towns. Its population has the lowest median age in the market area, and city officials indicate that this is due to the increase in the number of young families in the city.

Middletown, like many New England communities, has experienced a shift away from manufacturing toward a more service-based economy and from CBD retail focus to outlying suburban centers and regional malls. Combined with this change was the increasing development of outlying residential locations in Middletown in the 1980s.

Development has continued in Middletown during the last few years and Middletown continues to be a pleasant place to live. Efforts have been made to attract people back to the downtown area, with numerous restaurants now in operation there and a multiplex movie theater opened in May 1999. The Main Street Market building has been renovated and even received an award in 1998 for Outstanding Private Development Project. The newest tourist attraction in town is Kidcity, a museum-type place for children to play.

Given Middletown's position in the market area, its relatively large population and the preexistence of significant industrial facilities, the city will likely continue to be an attractive locale for high-tech and light industrial distribution facilities serving central Connecticut.

MARKET ANALYSIS

Artists' Space Market

The subject represents a unique form of housing. There are no similar projects within Middletown or in any of the surrounding communities. The concept has, however, been developed in two projects in Hartford to resounding success. A portion of the Colt Industrial Park (south armory) and the building at 555 Asylum Street (ArtSpace) have been converted to artist housing and work space. The Colt project involves one section of a large industrial facility (former arms manufactory), where artist studios are available but the space is remodeled and fit-out at the tenant's expense. The ArtSpace project was similar in concept to the subject. It was a total rehabilitation/renovation of a commercial/residential structure into various sized apartments to provide affordable housing and work space for artists. Public funding sources were used in the ArtSpace project. Between both projects, there are a total of 137 available units. Both are 100 percent occupied with waiting lists. The subject will only add nine units to the total available in the region and will not fill unmet demand, as the waiting lists at these two projects exceed nine potential tenants.

A December 2000 article distributed by Connecticut Light and Power discussed how arts, culture and entertainment spur local growth. A research study performed by the New England Council explored the idea that arts act as an economic driver. It demonstrated the significant impact of the creative arts and culture on the area's regional economy. An industry cluster analysis was performed where a group of businesses that share proximity and economic interdependence are analyzed to assess their competitiveness and collaborative potential. In this study both commercial and nonprofit organization employees engaged in arts and culture, as well as the self-employed were included. In total, nearly 3.5 percent (or 250,000) of all jobs in New England are employed in the so-called creative cluster, with approximately 64,000 in Connecticut alone. In Connecticut this accounts for 3.7 percent of the state's workforce. The data include the following facts: the creative cluster is employs four times as many people as healthcare technology; 30 percent more people than the software industry; and nearly as many as those working at New England's computer equipment companies. Further, creative jobs are growing at a rate twice the regional average. The study concluded that state and local governments should leverage the multifaceted relationship between arts and the economy, in particular by integrating arts and culture in municipal strategic planning as an integral part of downtown revitalization.

The subject has significant support from the city of Middletown. Coupled with the high demand for similar space (significant unmet demand), the opportunities provided to potential residents of affordable living and work space, as well as community participation in operating the gallery and community room, the outlook for the subject project is positive. The developer's plan to screen potential tenants will contribute to the stability of the project. The limited equity form of ownership is also an inducement for tenants to participate in the operation of the property and to build art-equity, further reinforcing project goals.

NEIGHBORHOOD DESCRIPTION

Location and Boundary

The subject property is located along the eastern side of Main Street, south of Rapallo Avenue and north of Green Street, in the city of Middletown, Connecticut. The immediate neighborhood is predominately developed with residential/commercial buildings along Main Street, constructed circa 1900, and small multifamily dwellings of similar vintage along the side streets.

Neighborhood Segmentation

The subject is located in a block of similar properties along Main Street. The property is bounded to the north by a mixed-use building with the first floor housing Ortiz Spanish-American Groceries, to the east by city-owned land used for neighborhood parking, to the south by a mixed-use building housing A& C Caribbean Market and to the west by Main Street. This block of Main Street between Green Street and Rapallo Avenue also includes a rehabilitated, multistory structure housing the Community Health Center.

The neighborhood represents a typical small-city urban location. There is little undeveloped land and the average age of the structures is greater than 50 years. Other property uses in the neighborhood include restaurants, retail shops, office space, apartment buildings, gasoline stations, service uses (health centers and health providers), a store-front church, and municipal uses including a fire station.

The neighborhood is zoned Central Business, allowing for most multifamily and commercial uses. Additionally, the neighborhood is serviced by all public utilities, a positive factor for high-density residential use.

Transportation

Access to Main Street is good. The subject is approximately 1,000 feet from Connecticut Route 9. This roadway provides access to Interstate 91.

Rail service is not available to the neighborhood.

Conclusion

The neighborhood is predominately developed with residential and commercial uses. The subject's mixed-use development will be compatible with the development in the neighborhood. The subject will benefit from good highway access sufficient to handle traffic and transportation of goods, as well as foot traffic and support services.

ZONING

The subject parcel is situated within the Central Business (B-1) zoning district of the city of Middletown. A copy of the zoning map including the subject is included in the Addendum.

Permitted uses include, but are not limited to, banks, savings and loan companies, finance companies and similar uses; commercial schools and art studios, including automobile driving schools, business colleges, trade schools, dancing studios, photographic studios, radio and telecasting studios; commercial parking lots need not be enclosed; eating and drinking places, including soda fountains, ice cream parlors, tea rooms, private dining rooms and restaurants, banquet halls and clubs, but not including drive-in restaurants; entertainment including theaters, radio and television studios, bowling alleys, assembly halls, or similar places of assembly or entertainment; hotels and inns, but not including motels; mortuaries or funeral homes, including ambulance service; newspaper and job printing; noncommercial uses such as churches and other places of worship, libraries, museums, and similar institutions, private clubs or lodges; housing for the elderly or handicapped within 1,000 feet of public transportation and shopping; single-family detached dwellings, two-family dwellings, urban core living units; office buildings, including general and professional tenants as well as banking, savings and loan and other financial institutions; public buildings including post office, fire and police stations, bus passenger terminal, telephone exchange or office or other public utility office, and governmental buildings; physical fitness centers; restaurants, with or without alcoholic beverages; retail business, whose principal activity is the sale of merchandise in an enclosed building (except automobile sales, boat sales, mobile home sales, etc., which tend to detract or interfere with a high intensity of pedestrian shopping activity); retail sales in which both a workshop and a retail outlet are required, such as interior decorating, dressmaking, upholstering, printing, photographic reproducing, radio and home appliances, providing that no more than 50 percent of the total usable floor area of the establishment shall be used for servicing, repair or processing activities; retail services, including grocery stores, supermarkets, fruit, meat and vegetable stores, garden stores, barber shops, beauty parlors, clothes cleaning and laundry pick-ups, art and antique shops, artists' supply stores, self-service laundries, department stores including discount houses, variety and dime stores, dry good and apparel stores, mail-order houses, and similar uses; service establishments including barber shops and beauty parlors, dry cleaning and laundry pickup stations for work to be done elsewhere, dry cleaning using nonflammable cleaning agents only for work accepted on the premises, locksmith, radio and television repair shop, shoe repair, tailoring, dressmaking and pressing, newspaper stand and similar uses; rooming houses; and manufacturing and distribution in buildings that have historically been used for this purposes and only in buildings with more than 40,000 square feet.

Special exception uses include automobile filling station when it is in an integral part of a major parking facility or major shopping center; eleemosynary or philanthropic institutions; general retail use not expressly prohibited by this code; motel, tourist courts, tourist home, auto lodge, not including a trailer camp or trailer court; public utility structures; taxi cab stand; adaptive residential use for structures currently or recently occupied by nonconforming use; natural resource extraction; alcoholic liquor package store; bus stop passenger shelters; adaptive historic preservation use harmonious with the physical characteristics and originally designed use of the structure; banking facilities with drive-up windows; child care facilities; care/nursing homes,

ZONING (continued)

community treatment facility; recreation (commercial) including billiard parlors and pool halls, bowling alleys, night clubs, theaters and other assembly halls, and expressly prohibiting drive-in theaters.

The district has additional requirements for property fronting Main Street. According to Section 32.01 of the zoning code, "...the front fifty percent (50%) of the ground floor space of building fronting Main Street shall be restricted to the following permitted uses: eating and drinking places, entertainment, restaurants, retail business, retail sales, retail service, and theaters. Any other use allowed in the B-1 zone proposed for the front fifty percent (50%) of the ground floor space of buildings fronting on Main Street shall be a special exception use. Cafeterias are not permitted as accessory uses in this zone."

The subject building will be used for artist gallery space and apartments, permitted uses.

The area and bulk requirements for the Central Business district are shown in the table below.

Item	Requirement
Minimum lot area	None
Minimum width	None
Minimum front yard	See Section 32.02*
Minimum side yard	See Section 32.02*
Minimum rear yard	See Section 32.02*
Maximum setback from Main Street	Five feet
Maximum building height	12 stories (168 feet)
Maximum building height fronting Main Street	Six stories (84 feet)
Minimum building height fronting Main Street	Two stories (28 feet)
Maximum building coverage	None

* Copy in Addendum

Additionally, there shall be no driveway access or parking lot fronting Main Street.

The onsite parking requirements are based on use, however, the subject as a preexisting structure is considered grandfathered. From a practical standpoint, the addition of commercial space and nine apartments may cause strain on the existing parking space available in the lot behind the building. No agreements were found in the Middletown land records that grant the subject any specific rights with regard to parking on the municipal land located to the rear of subject property.

The subject appears to meet all of the area and bulk requirements of the Central Business district.

After a review of applicable zoning regulations and property characteristics, it appears the subject property will meet all current zoning requirements.

ZONING (continued)

The subject neighborhood is included in a Planning and Zoning initiative called Downtown Visions, 2000 and Beyond. The goal of the plan is to attract more people and investment to the downtown. The information provided by the city defines the neighborhood as "...the Ferry and Green Mixed-use neighborhood, an area located at the north end of Downtown in the area between Hartford Avenue to the north, Washington Street on the south, the rear of Main Street buildings on the west and deKoven Drive on the east. The district is characterized by a mix of single-family and multifamily residences, public buildings, small businesses and eating places. The area also includes a number of historic buildings.

"Once a thriving residential neighborhood, the neighborhood now consists of individuals of lower socio-economic populations and is characterized by problems such as loitering, drug use, and in some cases substandard housing conditions. However, it is noted that there has been a significant investment in the area and some of the housing stock is in very good condition. The neighborhood represents an important built in customer base for retail and service establishments located along the northern end of Main Street who are now catering to this diverse clientele. The neighborhood should be preserved and enhanced."

Page 29 of the planning document outlines specific goals of the development plan for the neighborhood, and a copy of this page is included in the Addendum.

The subject should benefit from the municipal initiatives planned for the area.

ASSESSMENT AND TAX DATA

Effective January 1997, under state statutes, every town in Connecticut must undergo a revaluation every 12 years with a statistical analysis update every four years. The resulting assessment of a property represents 70 percent of the assessor's estimated market value. The current assessment is based on the shell condition of the structure. After renovation, the improvement in building condition should increase the assessment. The property was assessed for the October 1, 2000, grand list.

The parcel is identified as map 22, block 17-36, lot 4. The following is the assessed value and tax calculation applicable for the Grand List 1999:

Land	\$ 19,040
Buildings	<u>133,210</u>
Total assessment	\$152,250
Current tax rate	34.60 mills
Current tax burden	\$5,267.85

Real estate taxes are anticipated to increase at a rate to keep pace with inflation.

Compared to the general commercial market, the parcel is proportionately assessed, however, it is overassessed compared to the market value estimated in this report on an as-is basis. This has a negative impact on the value and marketability of the property. After renovation, rehabilitation and enlargement, the assessment should increase.

The estimated real estate tax expense used in the income capitalization approach is based on the value estimated based on comparable properties. Although the developer has indicated that real estate tax relief is probable for the project, there are no agreements pending or in place based on conversations with John Zoimek, city assessor, and Munro Johnson, Middletown community development specialist.

A copy of the property record card and the portion of the assessor's tax map showing the subject are included in the Addendum.

SITE DESCRIPTION

Location

The subject site is located along the easterly side of Main Street in the city of Middletown, Connecticut. The property address is 646-654 Main Street. Main Street, a four-lane, paved, municipally maintained street, provides access through the downtown connecting State Routes 66 and 17 to the north with a connector to State Route 9 to the south.

Physical Characteristics

Survey	The recorded plan is entitled " <i>Plan Prepared for Alderhouse Residential Communities, Inc., Property known as the Anenberg Block, located at 646-654 Main Street, Middletown, Connecticut.</i> " It was prepared by Swamp Yankee Survey and is dated November 2000. A copy is included in the Addendum.
Land area	Approximately 4,237.89 square feet, or 0.10 acres
Frontage	Approximately 48.63 feet of frontage along the easterly side of Main Street
Topography	The property is level with the site frontage at the road grade of Main Street.
Configuration	Fairly rectangular
Inland wetlands	The property is not affected by inland wetlands. A copy of the inland wetlands map, including the subject, is in the Addendum.
Access	There is no curb cut from Main Street. Vehicular access is via a right-of-way at the rear of the property granted over abutting land.

SITE DESCRIPTION (continued)

Site Improvements

Parking area

A small portion of overgrown sand and gravel parking is located at the northeast corner of the property. There are no additional site improvements at the present time.

The development proposal includes installation of a handicapped parking space at the rear of the building, new concrete sidewalks and ramp with handrails, exterior lighting at the front and rear of the building, and miscellaneous landscaping.

Landscaping

None

Other

Signage

Easements/Restrictions

The only easement or restriction noted on the legal description is the 12-foot right-of-way granted in favor of the subject over abutting land at the rear of the subject property. A potential party wall agreement granted in favor of the property bordering the subject to the south has no impact on the subject property.

This office is not a title-searching firm and, to ensure that no adverse easements/restrictions exist, a title search should be conducted.

Nuisances and Hazards

Federal Emergency
Management Agency
Flood Hazards Map

Community panel: #090068-0003-B

Effective date: July 16, 1990

The site is in Zone X, an area outside of 500-year floodplain. (See copy of FIRM in Addendum.)

A more recent version of the FIRM is available in the town clerk's office. The subject is now shown on panel #090068-0006-C and is still included in Zone X. These new panels have an effective date of March 7, 2001.

SITE DESCRIPTION (continued)

Utilities

Sanitary sewers	Connected
Municipal water	Connected
Natural gas	Connected
Electricity	Connected
Telephone	Connected

Excess Land

None

Site Utility

The size and configuration of the site provide average utility for the improvements.

Hazardous Materials

A copy of the Phase 1 Environmental Site Assessment indicates asbestos and lead paint in the interior of the building and an underground fuel storage tank on site.

The appraisal is predicated on the assumption that hazardous substances do not adversely affect the market value or marketability of the subject property.

Conclusion

The subject site is average for an urban core property. It has sufficient area for the present building and will allow for the proposed expansion during renovation. Visibility from Main Street is average and the subject location proximate to Connecticut Routes 9, 17 and 66 provides good accessibility to the state and interstate highway systems.

BUILDING DESCRIPTION

General Description – As Is

On the effective date of valuation, the subject improvements were in poor to fair condition. The building has been vandalized as evidenced by broken windows, spray painting, damaged interior walls and damaged appliances and fixtures. At some time all of the building windows were replaced with aluminum-frame, insulated units, although many are presently broken. An additional result of the vandalism is that birds have entered and damaged and soiled the interior. A central set of interior stairs for the upper floors is accessed from the front of the building by a separate entrance. The rear of the building shows evidence of doorways on each level (boarded over), but there are no second means of ingress/egress from these doorways. A metal fire escape is located along the north side of the building. There were no working utilities at the times of inspection.

The floor plan is divided into two commercial units on the first floor and three floors of apartments above. The unit on the north side of the building was most recently a sewing supply shop and there are a few notions racks left. There is minimal partitioning for a back room and lavatory. A set of stairs accesses the basement below. The floor is predominately commercial-grade carpet. The ceiling is suspended acoustical tile and approximately 10 feet high. The unit has direct street access and large plate glass display windows. There is a rear entrance.

The unit on the south side is similar in design with minimal partitioning, a separate Main Street entrance and a rear exit. The walls are pressed tin and the floor is predominately hardwood. Again, the ceiling is suspended acoustical tile.

The apartments above are in poor to fair condition. Many of the replacement windows are intact, but walls, kitchens and bathrooms have been damaged. Radiators are often disconnected and many fixtures are damaged or missing. Kitchens are dated with framed lumber cabinets and older appliances (if present). Walls are plaster and/or drywall. Floors are tile, carpet or hardwood. The renovation plans call for retaining as much of the hardwood flooring as possible for the living/work spaces.

It is unknown whether any spaces are insulated, and the condition of the mechanical systems appears questionable.

BUILDING DESCRIPTION (continued)

General Description – As Proposed

The proposed building description is based on plans provided and printed schedule of work and construction budget. The building is shown on plans provided. Mr. Widmer, president of Alderhouse Residential Communities, Inc., is an architect and provided the floor plans. Copies to illustrate the proposed facility are included in the Addendum. Also included in the Addendum are the schedule of work and the construction budget.

As stated in the Special Assumptions and Limiting Conditions section of this report, there are discrepancies in the floor plans provided and the apartment tally provided in the rent roll/cash flow. Because this project viability is based on the income generated, the owner's rent roll breakdown is used in the analysis. **Please note:** This provides less rental income and, consequently, less net operating income for the project.

General Information for Proposed Construction

Building type	Commercial/residential
Type of construction	Wood-frame, brick, structural steel where necessary
Date of construction	Actual circa 1900
Gross building area	Approximately 13,948 square feet after the addition of space for a enclosed rear stairway
Commercial space	Approximately 3,487, or 25 percent of the gross building area
Apartment space	Nine units encompassing approximately 75 percent of the gross building area including common space

Construction Details

Exterior Description

Foundation	Unknown, new footings and foundation for new addition and elevator shaft
Exterior walls	Brick with decorative masonry, with approximately 250 square feet of brick repaired or replaced in rear Fill in 20 windows in alleyway with CMU
Wall heights	Exterior wall height of approximately 12 feet per floor

BUILDING DESCRIPTION (continued)

Exterior Description (continued)

Roof	Flat, EPDM roof system over entire main roof and fiberglass shingles over new roof at rear entry addition
Gutters and drains	Gutters installed at rear
Doors and windows	All doors and windows replaced, unit windows replaced with vinyl-framed units, fixed wire-glass units in rear stair interior

Interior Description

Walls	Painted sheet rock, glass-block
Insulation	R-30 in roof, R-11 at all unit division walls and elevator shaft, R-19 in floors, basement joists and exterior walls, R-13 in existing walls
Ceiling heights	Approximately 10 feet in the commercial space and eight feet in the apartments
Ceilings	Drywall
Floors	Carpet in common hallways, hardwood in commercial space and main rooms of apartments, resilient flooring in kitchens and baths
Restrooms	One two-fixture lavatory in each commercial unit and one three-fixture bath with exhaust fan in each apartment
Kitchens	One unit per apartment to include new cabinets, refrigerator, dishwasher, and electric range with hood
Other	One 12-unit postal station, wire shelf and rod in each closet

BUILDING DESCRIPTION (continued)

Equipment and Mechanical Systems

Electric	Adequate, separately metered per unit, alarm with pull stations on each floor connected to a monitored panel, emergency lighting for halls and stairways
Sprinkler system	Per specifications for apartments and basement only
HVAC	Heating is supplied by separately metered gas-fired domestic water/heat coil with air handler for each unit. Roof-mounted air conditioning condenser unit for each unit
Elevator	One five-stop passenger elevator
Other	Two coin-operated washers and three coin-operated dryers in basement
Loading	The building will have access to the rear parking area.

Physical Deterioration

The subject is essentially proposed construction, so it has little physical deterioration. Because the exterior walls and building framing are essentially sound, but approximately 100 years old, the building does exhibit some physical deterioration, although it will be minimal after renovation.

Functional Utility

The subject property is adequately designed to meet the needs of a commercial/residential use. The large living/work space in each unit should appeal to the targeted artist-tenants. The plans indicate an abundance of natural light in each residential unit. The plans also indicate that handicap-accessible concerns are addressed with the installation of a ramp, enlarged doorways, lavatories and an elevator.

Economic Obsolescence

The subject should not be affected by economic obsolescence. There is limited available art space, and similar projects are 100 percent occupied with notable waiting lists.

<u>Total Economic Life</u>	50 years
<u>Effective Age</u>	10 years
<u>Remaining Economic Life</u>	40 years, assuming complete

BUILDING DESCRIPTION (continued)

Conclusion

The improvements will be essentially new construction and assumed to be in excellent condition when completed. Given the size, layout, commercial gallery space and location, the subject will be well suited to art space use.

Comments

Construction Budget

As per the Department of Economic and Community Development instructions, the proposed construction budget was reviewed and compared to available data and market norms for reasonableness. Understanding that each renovation/rehabilitation project is unique, these data are used for comparison purposes and not as a sole standard or measure of individual line items.

This project benefits from the experience of the Alderhouse Residential Community, Inc., development team. Not only has the organization completed a number of rehabilitated/renovated residential housing projects, they also were responsible for developing a similar art space project recently in New London, Connecticut. Coupled with Mr. Widmer's architectural background is the team's experience working with available funding agencies and direct hands-on construction experience.

Exact project specifications were not available (i.e., how many feet of board, or how many pounds of concrete), however, based on the information provided and the size of the project, the line-item costs appear reasonable. This conclusion is based on our experience with similar projects, a review of the segregated cost item data available from Marshall Valuation Service and a more home-spun approach of general estimating with a check at both Lowe's and Home Depot for items such as residential appliances and flooring costs.

The estimated costs of approximately \$800,000 equate to approximately \$57.00 per square foot, a reasonable projection for a project of this scope. One item of note may be the estimated cost of the elevator. A five-stop passenger elevator may exceed \$50,000.

Use of Funds

The projected use of the DECD Home Funds and other funding sources includes the construction budget costs as well as additional soft costs. The construction budget of \$800,000 already includes \$134,000 in construction management and general requirement fees, representing 16.75 percent of the total construction budget. The DECD costs include additional fees for management and oversight. The architect's fee is \$84,920, above the Marshall Valuation norms. Also shown are a developer's fee of \$79,412 and a developer's overhead of \$26,471. Considering that the development team is Alderhouse Residential Communities, Inc.,

BUILDING DESCRIPTION (continued)

there appears to be an overlap of duties. The developer's fee and overhead are based on a cost of \$1,058,824 that cannot be totaled from the information provided. The operating deficit of \$11,001 may be based on a percentage of costs but is not explained in the documentation. Given the contingencies already included in the budget, this may be aggressive.

One final item of note is the estate of real estate tax to be paid during construction. Based on the present assessment and the estimated construction period, this may be high. The final project equates to approximately \$85.00 per square foot, which is still reasonable, given the scope of the project. A copy of the spreadsheet provided is included in the Addendum.

HIGHEST AND BEST USE

Highest and best use is defined as:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

Source: The Dictionary of Real Estate Appraisal, 3rd Edition
Appraisal Institute

Real estate is valued in accordance with its highest and best use. Proper analysis of highest and best use of the subject property includes estimating the highest and best use of the subject site as though vacant and available to be developed to its highest and best use and of the site as improved.

The purpose of estimating the highest and best use of a site is to identify the use that causes the land to have the greatest value. The highest and best use of the site as though vacant identifies a separate land value used within the cost approach and identifies comparable properties. Likewise, determination of the highest and best use of a property as improved helps to identify the use of the property that is expected to produce the maximum overall return and to help in identifying comparable improved properties.

In estimating the highest and best use of the site as though vacant and as improved, the following four criteria must be addressed:

Physically Possible – Consideration of physically possible uses includes the analysis of those uses for which the site is physically suited. Relevant characteristics in determining the highest and best use of the site as though vacant include size, shape, road frontage, terrain, area, depth, capacity and availability of utilities, topography and subsoil conditions. The conclusion of the highest and best use of the site as improved also depends on physical characteristics such as size, design, and condition of the structural improvements.

Legally Permissible – Legally permissible uses include those physically possible uses that may be legally permitted on the site. Private deed restrictions, zoning constraints, building codes, environmental and governmental regulations, historical district controls, and other related factors must be given consideration. It is probable that any one of these factors may preclude a potential highest-and-best-use conclusion.

Financially Feasible – These uses include all physically possible and legally permissible uses that are analyzed to determine that will produce an income or return equal to, or greater than, the amount needed to satisfy capital amortization, financial obligations, and operating expenses. If the returns are positive, the uses are considered financially feasible.

HIGHEST AND BEST USE (continued)

Maximally Productive – The financially feasible use that produces the highest value, given market parameters, is the highest and best use of the property.

In summary, in deriving the highest and best use of a site as though vacant and as improved, appraisers must analyze all logical and feasible alternatives. Physically possible and legally permissible uses are analyzed to determine which are financially feasible. Of the financially feasible uses, the use that produces the greatest rate of return is considered the highest and best use.

Subject Property as Though Vacant

The estimation of the highest and best use of the subject site as though vacant assumes that the site is currently vacant or can be made vacant readily through the demolition of existing improvements. The test performed by the appraisers in this analysis is to question what would be constructed on the subject site if it were vacant, given the criteria defined above.

The subject site is approximately 4,237.89 square feet, or 0.10 acres with frontage along a municipally maintained roadway. It is generally level, which would allow for many types of development. The existence of other structures in the neighborhood indicates that the soils can support development, and public water, sewer, gas, electricity and telephone are available to the property. In this case, the zoning regulations limit development to predominately commercial and residential uses.

Financial feasibility of any project in the area would be affected by the asking prices of commercial land in Middletown and the abutting communities. A review of available data from land sales in the area indicates that small commercial lots have sold for \$1.20 per square foot to \$8.83 per square foot, with a 5,662 square foot site at 129 Washington Street selling for \$50,000. The majority of the urban parcels transferred as land sales in Middletown have been for assemblage or to expand parking. The subject, located along Main Street, could not have a curb cut for use as a parking lot, and therefore, its desirability is limited. The development restrictions placed on Main Street property in the Central Business zoning district severely limit development options. Based on the costs of constructing a new building, development of the site would not appear feasible at the present time.

The maximally productive use of the site, if vacant and available for development, would be to hold the property for future commercial or commercial/residential development.

Subject Property – Improved As Proposed

The test of the highest and best use of the site as though vacant indicated that the subject property would be held (land-banked) for future development. The subject property is proposed for rehabilitation/renovation and enlargement to an approximately 13,948 square foot commercial/residential facility and supporting site improvements.

HIGHEST AND BEST USE (continued)

Applying the four criteria of highest and best use, it is assumed that the site can support the proposed use, and the project will receive approvals for development from the city of Middletown.

Research shows excellent market activity for similar art space projects, with waiting lists. Although new construction would not appear feasible, similar rehabilitated/renovated space projects with a mix of public/private funding have fared well. In the subject's market the project is expected to do very well, given the projected demand, the community support and the small scale that will only add nine living/work space apartments.

No similar art space properties were found to have sold and therefore, no comparable data are available. However, the financial viability of the project is supported by other similar use projects and high market demand.

Conclusion

The highest and best use of the subject as improved is for the proposed art space use. This highest and best use satisfies the criteria above and satisfies the test of the subject as to be improved.

INTRODUCTION TO VALUATION

In the process of estimating the market value of a property, the appraisal problem is defined; the scope of the assignment is developed; the work needed to solve the problem is determined; and the necessary data are gathered, analyzed and used in presenting a value conclusion. The appraisers develop the approaches to value considered applicable, either the cost, sales comparison, or income capitalization. The final step in the valuation process includes reconciling value indications from the applicable approaches.

The following is a description of the three approaches to value:

Cost Approach – A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of, or replacement for, the existing structure; deducting accrued depreciation from the reproduction or replacement cost; and adding the estimated land value plus an entrepreneurial profit. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.

Sales Comparison Approach – A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when comparable sales data are available.

Income Capitalization Approach – A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.

Source: The Dictionary of Real Estate Appraisal, 3rd Edition
Appraisal Institute

The cost approach is not developed in this appraisal for the subject, as is, due to the age and condition of the subject improvements. Typical market participants would not consider replacement costs when analyzing purchase decisions for properties such as the subject.

The cost approach is not developed for the property, as proposed, because the subject could not be recreated with similar utility at a cost that would be financially feasible. New construction would greatly exceed the proposed costs of renovation/rehabilitation and enlargement.

INTRODUCTION TO VALUATION (continued)

The sales comparison approach includes gathering information pertaining to recent sales of properties considered similar to the subject. These sales are analyzed and compared to the subject and adjustments are made for differences between the sale and the subject properties. The reliability of the sales comparison approach is affected by the adequacy of recent sale transactions.

The sales comparison approach is developed to estimate the market value of the subject property, as is. The greater Middletown mixed-use market has shown minimal activity for comparable transactions through the date of valuation. An extensive search of transactions during the last two years revealed only three market sales similar in use to the subject. Because of this, the search was expanded to include apartment properties in the neighborhood.

The sales comparison approach could not be developed for the property as improved due to a lack of data. The building will be commercial and residential space, but the development restrictions of the project will limit its use to art space. No sales of similar-use properties were found.

The income capitalization approach is a process by which anticipated future benefits (periodic cash flows) and capital appreciation are discounted to a present-value estimate. Income-producing real estate is typically purchased as an investment by a speculative investor or partial owner-occupant.

The income capitalization approach could not be developed for the property, as is. At this time the shell condition of the improvements are unable to generate rental income. A hypothetical cash flow projecting costs to cure and lease-up would have little validity in estimating market value.

The income capitalization approach is developed within this report for the property, as proposed. This approach most accurately reflects the characteristics of the property and is the measure of financial feasibility. Sufficient market data pertaining to rental rates, vacancy and collection loss, and operating expenses are available to develop a reliable estimate of net operating income for the subject property. The form of income capitalization used within this report involves yield capitalization through direct capitalization of the first year's income or average expected new income.

Reconciliation is required, since the value conclusions estimated from the approaches typically provide a value range. The reconciliation process takes into consideration the appropriateness, accuracy, and quantity of market data available within each valuation approach. The greatest consideration in the determination of the final value estimate is placed on the approach or approaches that provides the most convincing indicator of market value.

SALES COMPARISON APPROACH

The sales comparison approach is based upon the principle of substitution, whereby value tends to be set at the cost of acquiring an equally desirable substitute property, assuming no costly delay in making the substitutions. Since two properties are seldom identical, it is necessary to make adjustments for significant dissimilarities (i.e. size, age, location, time, motivation, or utilization potential) when comparing the sales to the subject property.

A thorough investigation of the real estate market of Middletown and the surrounding towns was made to identify transactions offering characteristics and/or utilization potential similar to those of the subject property, as is. Seven elements of comparison were considered in this analysis: property rights conveyed, financing terms, conditions of sale, market condition (date of sale), location, physical characteristics, and economic characteristics.

These key elements are analyzed and adjusted, both on a cumulative and an additive basis. That is to say, certain elements of comparison, such as property rights conveyed, financing terms, conditions of sale, and market condition, might be viewed individually as they relate to the comparable properties when comparing them with the subject property. The other adjustments, such as location, physical characteristics, economic characteristics, and any other pertinent adjustments, are viewed as added adjustments.

The primary unit of comparison considered within this analysis is sale price per square foot of gross building area, since properties such as the subject are typically purchased on this basis. The sale data in this report indicate a price per square foot ranging from \$4.55 per square foot to \$16.10 per square foot before adjustment. The current listings in the market are summarized in the Addendum. Although there are truly comparable properties, all available neighborhood properties were also considered.

The following five sales are selected for detailed analysis and inclusion in this report. Each is considered, after adjustment, to be representative of the subject's market value.

SALES COMPARISON APPROACH (continued)

Improved Sale 1



Location	642-644 Main Street, Middletown, Connecticut
Grantor	Citizen's Bank of Connecticut
Grantee	Gairy A. Williams
Date of Sale	January 3, 2000
Reference	Volume 1222, page 967, Quitclaim Deed
Sale Price	\$85,000
Zone	Central Business (B-1)
Verification	City records, city assessor, representative of grantor

Land Data The site is approximately 1,742 square feet, or 0.04 acres, with 20 feet of frontage along Main Street. This property abuts the subject to the south. The site is accessed via a right-of way from Green Street. The topography is level. All public utilities are available and connected to the improved parcel.

Improvements The property is improved with a four-story, brick commercial/residential building totaling 5,280 square feet. The building was constructed circa 1900. It has a full basement used for storage and three two-bedroom apartments above the first-floor retail space. At the time of sale, the property was in average condition.

SALES COMPARISON APPROACH (continued)

Improved Sale 1 (continued)

Comments	The property is located in an area of mixed commercial and residential uses. Highway access is good. Assessor's map 22/17-36/3. Assessment at time of sale was \$95,900.
Financing	The sale was financed by an open-end mortgage granted to First Republic Mortgage Bankers, Inc., in the principal amount of \$88,400 that included some money for renovation. The note term is 30 years, and a one-to-four family mortgage rider was included.
Sales History	The prior transfer of the property was in 1996, when Citizen's Bank acquired it via foreclosure.
Sale Price/Sq. Ft. of Building Area	\$16.10

SALES COMPARISON APPROACH (continued)

Improved Sale 2



Location	530 Main Street, Middletown, Connecticut
Grantor	Citizen's Bank of Connecticut
Grantee	El-Sharnouby
Date of Sale	July 19, 1999
Reference	Volume 1207, page 309, Warranty Deed
Sale Price	\$53,000
Zone	Central Business (B-1)
Verification	City records, city assessor, representative of grantor
Land Data	The site is approximately 3,920 square feet, or 0.09 acres, with approximately 66 feet of frontage along Main Street. The site is accessed via a right-of-way from Ferry Street. Rights granted to Connecticut Power Company for underground utilities also encumber the property. The topography is level. All public utilities are available and connected to the improved parcel.
Improvements	The property is improved with a four-story, brick commercial/residential building totaling 11,656 square feet. The building was constructed circa 1860. It has a full finished basement, without plumbing, used for storage and 12 one-bedroom apartments above the first-floor retail space. At the time of sale, the property was in fair condition.

SALES COMPARISON APPROACH (continued)

Improved Sale 3



Location	49 Ferry Street, Middletown, Connecticut
Grantor	Fairbanks Capital Corporation
Grantee	Daniel Chambers
Date of Sale	July 15, 1998
Reference	Volume 1167, page 564, Limited Warranty Deed
Sale Price	\$20,500
Zone	Central Business (B-1)
Verification	City records, city assessor

Land Data This approximately 3,485 square foot site has 39.30 feet of frontage along the southerly side of Ferry Street. There is one driveway cut. No recorded easements or restrictions are noted in the legal description. All public utilities are available and connected. The site is level.

Improvements The property is improved with an approximately 3,294 square foot, two-story wood-framed apartment building. The building was constructed circa 1880. It has a full basement used for storage and four two-bedroom apartments. At the time of sale, the property was in fair condition

SALES COMPARISON APPROACH (continued)

Improved Sale 4



Location	51-55 Ferry Street, Middletown, Connecticut
Grantor	Ocwen Federal Bank
Grantee	Naushabu Yetka
Date of Sale	December 12, 1998
Reference	Volume 1185, page 492, Quitclaim Deed
Sale Price	\$29,260
Zone	Central Business (B-1)
Verification	City records, city assessor, representative of grantor

Land Data This approximately 7,841 square foot site has 76.5 feet of frontage along the southerly side of Ferry Street. There is one driveway cut. No recorded easements or restrictions are noted in the legal description. All public utilities are available and connected. The site is level.

Improvements The property is improved with two buildings. The property at 51 Ferry Street was constructed circa 1900 and is a two-story, wood-frame structure containing approximately 2,615 square feet divided into four two-bedroom apartments. The property 53 Ferry Street was constructed circa 1880 and is approximately 2,374 square feet divided into two two-bedroom apartments. Each building has a full basement used for storage. At the time of sale, the property was in fair condition.

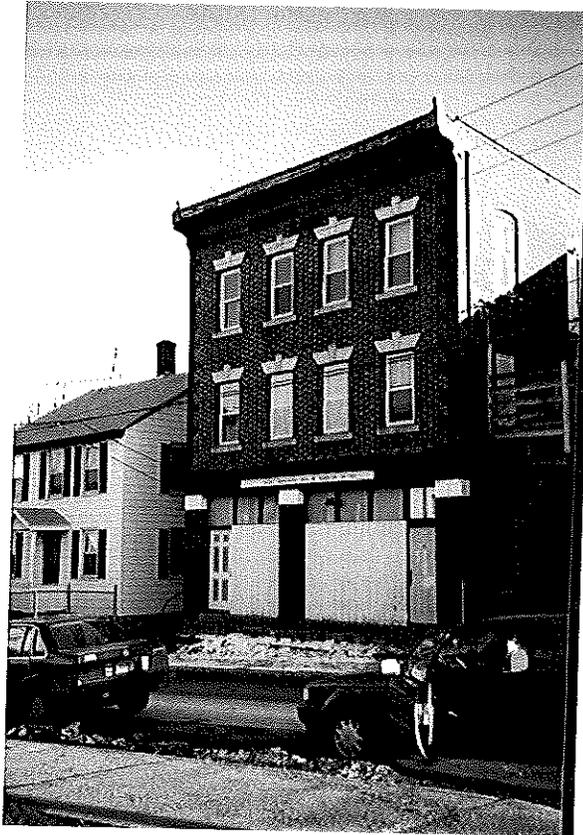
SALES COMPARISON APPROACH (continued)

Improved Sale 4 (continued)

Assessment	Map 22/17-47/26. The assessment is \$60,550.
Comments	The property is located in an area of mixed commercial and residential uses. Highway access is good.
Financing	No financing was recorded.
Sales History	The last transfer of the property was in 1997.
Sale Price/Sq. Ft. of Building Area	\$5.86

SALES COMPARISON APPROACH (continued)

Improved Sale 5



Location	47 Ferry Street, Middletown, Connecticut
Grantor	Ocwen Federal Bank, FSB
Grantee	47 Ferry Street, LLC
Date of Sale	June 25, 1998
Reference	Volume 1165, page 31, Quitclaim Deed
Sale Price	\$41,800
Zone	Central Business (B-1)
Verification	City records, city assessor, representative of grantor

Land Data This approximately 3,920 square foot site has frontage along the southerly side of Ferry Street. There is one driveway cut. No recorded easements or restrictions are noted in the legal description. All public utilities are available and connected. The site is level.

Improvements The property is improved with a mixed-use commercial/residential building constructed circa 1900. This three-story, brick and wood-frame structure contains approximately 6,063 square feet divided into a 1,819 square foot commercial unit and six two-bedroom apartments above. The building has a full basement used for storage. At the time of sale, the property was in fair condition.

AMADON & Associates, Inc.

SALES COMPARISON APPROACH (continued)

Analysis of Sale Data/Explanation of Adjustments

The sale data are compared to the subject, and adjustments made for either superior or inferior characteristics. The adjustment process includes adjustments for real property rights conveyed, conditions of sale, financing terms, market conditions (time), location and other physical and economic characteristics of the sale properties. The adjusted sale prices reveal a range of value that can be reconciled into a final indication of market value for the subject via this approach.

Real Property Rights Conveyed

Adjustments for rights conveyed depend on whether the property is subject to a lease. Adjustments when a lease exists then depend upon whether the lease is at market rent or below market and are tempered by the remaining term of the lease. The subject property is being analyzed under fee simple estate. All sales used as comparables are either owner-occupied or leased at market rates, so no adjustments are necessary.

Financing Terms

The transaction price of one property may differ from another identical property, given favorable or unfavorable financing arrangements. For example, lower interest rates or higher loan-to-value ratios that are readily available for competing properties may affect the price a willing market participant may pay for a property.

Adjustments for financing are concentrated on two different parameters, the interest rate and the loan-to-value ratio. No atypical financing is associated with any of the sales, therefore, no adjustments are required.

Conditions of Sale

Conditions-of-sale adjustments typically reflect the motivations of either a buyer or seller. Examples of purchaser motivations that would affect a price include assemblage or plottage that would increase the utility of the site for a purchaser. Conversely, a seller who is in a hurry to obtain cash may sell at a discount. In either of the foregoing or similar cases, a sale must be used as a comparable only after extensive verification.

Although all of the sales were sold out of foreclosure, this is not atypical for similar properties in like condition, and no adjustments are required.

SALES COMPARISON APPROACH (continued)

Analysis of Sale Data/Explanation of Adjustments (continued)

Market Conditions

Different market conditions at the time of sale typically require adjustment. Subsequent to the date of sale, values may have either appreciated or depreciated due to inflation/deflation, or investor's perceptions of market conditions may have changed. This adjustment is typically referred to as a time adjustment, although time itself is not the cause of the adjustment.

All of the sales transferred within the 31 months prior to this date of valuation. Market conditions have remained stable during this time. No adjustments are required.

Location

Location adjustments are typically required when aspects of the location of a sale property vary from those of the subject. This may be due to roadway accessibility, neighborhood characteristics or zoning. Even properties within the same neighborhood often have locational attributes that are either favorable or unfavorable compared to the subject. Sales 3-5 have less desirable locations along a side street and are adjusted upward.

Physical Characteristics

Physical differences between the subject and sale comparables are typically adjusted when the differences are considered significant. This adjustment category typically includes differences in site/land-to-building ratio characteristics, quality and condition of construction, and percentage of office space.

Site Size

Each comparable has a site area large enough to support the building and site improvements. Due to zoning and physical characteristics, no site has excess land, therefore, no adjustments are necessary.

Site Access

No adjustments are required.

Construction Details

Sales 3, 4 and 5 are adjusted upward for wooden construction materials that are considered inferior to brick.

SALES COMPARISON APPROACH (continued)

Analysis of Sale Data/Explanation of Adjustments (continued)

Building Size

Smaller buildings tend to sell for a higher unit value based on economies of scale. Sales 1, 3, 4 and 5 are adjusted downward for smaller building size. Sale 2 requires no adjustment.

Building Condition

The subject, as is, is in poor to fair condition and therefore each comparable is adjusted downward for superior condition.

Percentage of Commercial Space

The subject is a mixed-use building. The potential tenant turn-over for commercial space appears less in the neighborhood than the residential tenant turn-over. Because of this, Sales 3 and 4 are adjusted upward for no commercial space and Sale 5 is adjusted downward for a greater percentage of commercial space.

Unit Mix

The subject will have a mix of efficiency, one-bedroom and two-bedroom units based on information provided. There are fewer two-bedroom units in the market than one-bedroom units. Because of this tenants tend to stay longer and landlords can command higher rents. Sales 1, 3, 4 and 5 are adjusted downward for having all two-bedroom units, which is superior to the subject, whereas Sale 2 is adjusted upward for having all one-bedroom units, which is considered inferior to the subject.

Economic Characteristics

Economic characteristics include adjustment for factors associated with attributes of sale properties that affect net operating income. These adjustments typically apply to items such as operating expenses and occupancy levels. Two characteristics adjusted for within this category include real estate taxes and/or occupancy levels.

Real Estate Taxes

The real-estate-tax impact in comparison to the subject must be determined for the comparables. As discussed within the Assessment and Tax Data section of this report, the subject property is proportionately assessed based upon comparison with competitive properties with similar construction characteristics. No adjustments are made for economic characteristics.

The sales, and the adjustments made to each, are summarized in the following charts.

SALES COMPARISON APPROACH (continued)

Analysis of Sale Data/Explanation of Adjustments (continued)

	Subject	Sale 1	Sale 2	Sale 3
	646-654 Main St. Middletown, CT	642-644 Main St. Middletown, CT	530 Main St. Middletown, CT	49 Ferry Street Middletown, CT
Date of Sale		01/03/00	07/19/99	07/15/98
Sale Price		\$85,000	\$53,000	\$20,500
Land Area +/-SF	4,238	1,742	3,920	3,485
Building Area +/-SF	12,876	5,280	11,656	3,294
Percent Commercial	25%	25%	25%	0%
Construction Details	Brick	Brick	Brick	Wood
Building Condition	Poor to Fair	Average	Fair	Fair
Zone	Central Business	Central Business	Central Business	Central Business
Sale Price/SF		\$16.10	\$4.55	\$6.22

Adjustments

Property Rights				
Financing Terms				
Conditions of Sale				
Market Conditions				
Subtotal		\$16.10	\$4.55	\$6.22
Location				+10%
Physical				
Characteristics				
Site Access				
Construction				
Details				+5%
Bldg. Size		-20%		-25%
Bldg. Condition		-30%	-5%	-5%
Percent				
Commercial				+5%
Unit Mix		-5%	+10%	-5%
Economic				
Characteristics				
Additive Total		-55%	+5%	-15%

Value/SF		\$7.25	\$4.78	\$5.29
----------	--	--------	--------	--------

SALES COMPARISON APPROACH (continued)

Analysis of Sale Data/Explanation of Adjustments (continued)

	Subject	Sale 4	Sale 5
	646-654 Main St. Middletown, CT	51-55 Perry St. Middletown, CT	47 Perry St. Middletown, CT
Date of Sale		12/12/98	06/25/98
Sale Price		\$29,260	\$41,800
Land Area +/-SF	4,238	7,841	3,920
Building Area +/-SF	12,876	4,989	6,063
Percent Commercial	25%	0%	33%
Construction Details	Brick	Wood	Brick
Building Condition	Poor to Fair	Fair	Fair
Zone	Central Business	Central Business	Central Business
Sale Price/SF		\$5.86	\$6.89

Adjustments

Property Rights		
Financing Terms		
Conditions of Sale		
Market Conditions		
Subtotal	\$5.86	\$6.89

Location	+10%	+10%
Physical		
Characteristics		
Site Access		
Construction		
Details	+5%	+5%
Bldg. Size	-20%	-20%
Bldg. Condition	-5%	-5%
Percent		
Commercial	+5%	-5%
Unit Mix	-5%	-5%
Economic		
Characteristics		
Additive Total	-10%	-20%

Value/SF	\$5.27	\$5.51
----------	--------	--------

SALES COMPARISON APPROACH (continued)

Analysis of Sale Data/Explanation of Adjustments (continued)

Conclusion

A fee simple market value indication of \$5.00 per square foot is estimated based on an analysis of the preceding information, consideration of other known sales of properties similar to the subject property, and adjustments where necessary for pertinent factors. This value indication is within the adjusted range of the sales, \$4.78 per square foot and \$7.25 per square foot. Each sale is given equal weight in the analysis.

The estimated as is market value, using sales comparison is \$64,380, rounded to \$65,000.

**Estimated As Is Value via
Sales Comparison Approach
\$65,000**

INCOME CAPITALIZATION APPROACH

Direct capitalization is considered the appropriate method to value the subject by the income capitalization approach. The highest and best use of the property is as art space, as proposed, and as such, this approach is developed. There is a shortage of similar space in the market and the property is to be preleased. With no major projected fluctuations in the income or expenses would be projected over the holding period, this technique is considered the most appropriate valuation method.

Estimating of the prospective market value of the fee simple estate of the subject property by direct capitalization includes the following steps:

- An analysis of current comparable market rentals
- An estimation of current market rentals for the subject space and estimation of future market rentals over the holding period
- Development of potential gross income for the property
- An analysis of expenses applicable to the subject property
- Development of a stabilized operating statement for the property
- Estimation of appropriate financing and development of lender and investor parameters as applied to the subject property
- The capitalization of net income into a final indication of value

Analysis of Market (Economic) Rent

Although the property will be owner-occupied and not encumbered by leases, the costs will be recouped via rental agreements. A search for leases of properties similar in size and use to the subject revealed no data in the surrounding communities. Because of this, the search was extended to Hartford to include two art space projects that have similar utility to the subject. For supporting data, local apartment rents were also considered. These data provide secondary support, as they have no gallery space to complement any artistic endeavors.

INCOME CAPITALIZATION APPROACH (continued)

The best data are summarized below.

<u>Location</u>	<u>Units</u>	<u>Tenant Paid Utilities</u>	<u>Unit Mix</u>	<u>Unit Size +/-SF</u>	<u>Monthly Rent</u>	<u>Comments</u>
ArtSpace 555 Asylum St. Hartford	45	Elect	1-bdrm (19) 2-bdrm (21) 3-bdrm (5)	1,173 1,274 1,650	\$551-\$607 \$734 \$851	Rehab project specifically designed for artist housing and work space. Project is 100% occupied. Parking includes 45 covered spaces and 12 uncovered spaces
Colt Ind. Park 140 Huyshope Hartford	82	None	Studio (82)	1,000- 1,200	\$800-\$900	Portion of an industrial complex. All units are studios, although many now contain lofts constructed by the tenants. No air-conditioning. Complex includes a restaurant and laundry room. Adequate parking at 1.5 spaces per unit
Forge Square Apartments So. Main Street Middletown	77	None	One- and two-bedroom units	N/A	\$460-\$637	Downtown apartment building
Sagamore Hills 1151 Washington St. Middletown	212	Electric	One- and two-bedroom units	N/A	\$690-\$790	Fitness center, remodeled kitchens and baths, laundry and swimming pool
Ridgefield Westlake Drive Middletown	262	All	Studios One- and two-bedroom units	595 790	\$650-\$760	Portion of a large planned unit development, private balconies, some lofts, appliances, wall-to-wall carpet. Current incentive includes \$99 security deposit and ½ month free rent
Subject	9	All	1- bdrm (6) 2-bdrm (3)	670 817 1,039	\$200 \$462 \$550-591	Art space with first floor gallery and community space. Totally remodeled units, all appliances provided

INCOME CAPITALIZATION APPROACH (continued)

Estimation of Market Rental Rate for Subject

After analysis of comparable rents in the marketplace, the projected rental rates for the subject developed by the owner appear reasonable and comparable, with the exception of the one-bedroom rate of \$200 per month. As stated previously, the project is based on offering affordable housing options with artistic workspace and, as such, is governed by governmental guidelines and regulations. The rates are based on the subject's design as art space, the location, site accessibility, renovated condition, and affordable housing restrictions. The potential gross rental income for the subject is \$47,760 from the apartments.

The first-floor tenant is to be asked to pay \$300 per month in carrying costs, plus the cost of its utilities. The development goal is to have a tenant such as Wesleyan University on the first floor to promote the project and to provide additional experience for the operation of the community and gallery space. As a community commitment, this arrangement appears reasonable, however to date no commitment has been made. Because this tenant would also have the ability to promote its identity, a minimal rent per month appears reasonable. The information provided by the ownership uses \$250 per month in the cash flow (commercial space and laundry) and \$300 per month (commercial space only) in correspondence. The \$250 per month figure is used in the analysis for the commercial space.

The last potential income item is laundry receipts. The coin-operated machines in the basement will provide some additional revenue, estimated at approximately \$50 per month.

The total gross potential income from all sources is estimated to be \$51,360.

Estimation of Vacancy Rate and Credit Loss

As cited in the market analysis section, there is no vacancy in similar art space in the two competing projects in Hartford. During a term of ownership, even with a project at 100 percent occupancy, there will be some tenant turn-over and some rent loss due to nonpayment or late payment. For the purposes of this analysis, a five percent vacancy and collection loss factor is assumed throughout the holding period and is applied to both the potential gross rental income and the anticipated commercial and laundry income.

Analysis of Expenses

The subject is proposed construction and therefore has no historic income or expense data. When necessary, property expenses are estimated based on data on file from similar properties (we have experience with both the ArtSpace and the Colt Building projects) and public record information. Many of the property expenses are variable with occupancy; if the property were unoccupied, they would be negligible. Others are considered fixed expenses and remain constant, such as real estate taxes and basic insurance.

INCOME CAPITALIZATION APPROACH (continued)

Only tenant utilities are the responsibility of the individual tenants. The remaining expenses will be paid from the receipts collected in the form of rent. The following expenses are assumed the responsibility of the ownership.

Property taxes – As indicated in the Assessment and Tax Data section of this report, the current real estate tax liability for the subject property is estimated to increase after renovation and enlargement. Based on comparable buildings in the community, an assessment of approximately \$18.00 per square foot is considered reasonable. Using the current mill rate this equates to approximately \$250,000 of assessed value and a real estate liability of \$8,650, more than the amount estimated by the ownership.

Insurance – This expense is for basic property casualty and liability insurance. Any additional expense associated with the specific use of the property would be the responsibility of the tenant when the property is occupied. An estimate of \$0.11/SF, or \$1,500, is used in the analysis.

Maintenance and repairs – The expense is based on normal maintenance associated with the property, including cleaning of the common areas and exterior maintenance. This does not include capital expenditures, which are the considered reserves for replacement. Based on the fact that the subject will be essentially new construction, this expense category is estimated at \$0.25/SF, or \$3,487, annually during the holding period.

Utilities – This expense will vary depending on the season, as it includes the cost to light and heat common areas, as well as provide water and sewer to each unit. An amount of \$5,000 is estimated.

Management fees – Fees have been estimated at \$600 per month. The plan is hire a local property management firm to oversee the daily operation of the property, leaving the tenants free to concentrate on their art.

Structural reserve – A structural reserve of five percent of effective gross income has been assumed based upon the age and condition of the subject property. This would allow for on-going replacement of structural and mechanical components, as well site improvements.

Short-lived items reserve – This category covers the reserve for replacement of appliances and mechanical components. An amount equal to two percent of the effective gross income is used in the analysis due to the small number of tenants and the ownership interest of each.

INCOME CAPITALIZATION APPROACH (continued)

Accounting and legal – This expense is to cover the costs of the business aspects of overseeing the project. An amount equal to \$2,500 per annum is used.

Leasing and tenant improvements — This expense is generally to cover the costs of re-leasing space. Although there are significant reasons for tenants to remain at the property, there will at some time be people who choose to leave. The vacated spaces will have to be readied for new occupancy and the costs associated with tenant screening must be accounted for. An expense of \$1,000 per year is included in the cash flow.

Lender and Investor Parameters

It is recognized in real estate markets today that properties are purchased with a combination of debt and capital. It is, therefore, necessary that the overall capitalization rate must satisfy the market-return requirements of both investment positions. Lenders must anticipate receiving a competitive interest rate commensurate with the perceived risk of the investment or, frankly, they will not make the funds available. Lenders also require that the principal amount of any debt be repaid from the funds available. By the same token, an investor, or equity investor, also must anticipate receiving a compatible equity cash return commensurate with the perceived risk, or the investor will not invest in the project.

Interest Rates and Equity Yields

AMADON & Associates, Inc., conducts monthly surveys of private and industrial investment criteria from the marketplace. The survey provides insights into market rates, yields, risk assumptions, and availability of funds in Connecticut and New England. It is the result of confidential surveys conducted on the phone by staff people with major financial institutions. The survey is meant to give a cross section of opinion on the current cost of real estate debt, availability, and expected terms under which loans would currently be granted. From this analysis we have determined that the loan-to-value ratio most appropriate to the subject property would be 70 to 75 percent, with a typical rate of nine percent.

The AMADON & Associates, Inc., survey also references alternative financial investments available in the marketplace. It quotes rates on U.S. Treasury bonds, corporate Aaa bonds, corporate Bbb bonds, junk bond yields, and yields on other investments that investors would consider as viable alternatives to investing in real estate. The source of this information is *The Wall Street Journal*, the *Appraiser News*, as published by the Appraisal Institute, and the *Korpacz Quarterly Report*. The purpose of this survey is to help select a discount rate for the subject property from the data by measuring spreads between various types of investments. The survey also helps to establish trends from which we are better able to project future yields and terminal capitalization rates. The spread is indicative of the risk investors perceive from each of the type of investments, with U.S. Treasury bond yields at the base or low end of the risk scale and real estate generally more at the higher end.

INCOME CAPITALIZATION APPROACH (continued)

Appraisers know that each property is unique and the merits of it must be measured individually against this scale. We have not seen real estate equity yield requirements come down with other capital market rates, as investors still perceive that substantial risks remain today with most real estate projects, especially in our area. Consequently, our survey shows a historically wide spread between Treasury and real estate yields. We believe the prevailing real estate market conditions entail a high degree of risk, particularly for noninvestment grade properties such as the subject, and warrant a premium to compensate for those risks. Investors usually acquire properties based on the potential return on the real estate investment. Based upon this analysis, we have selected a rate of 10 percent as reasonable for what an investor would consider as a potential return on equity for a property similar to the subject.

Capitalization Process via Direct Capitalization

The purpose of this appraisal is to estimate the prospective market value of the fee simple estate for the property as proposed. As indicated previously in this report, the highest and best use is completion of the proposed renovation, rehabilitation and enlargement of the building for owner-occupancy as an artists' cooperative with gallery space.

Direct capitalization is a method by which a meaningful indication of value can be estimated where net operating income is expected to remain stable over an extended period of time. The income expectancy is frequently the anticipated income for the following year, or what the appraisers believe would be a typical year. The rate, or factor, represents the relationship between income and value observed in the market and is derived through comparable sales analysis, or, frequently, a band of investment methodology.

If adequate data to derive an overall capitalization rate are available, dividing the net operating income of each sale property by its sale price can derive overall capitalization rates. Deriving rates from comparable sales is the preferred technique when income and expenses of the subject property and comparable properties are estimated on the same basis and market expectations and conditions for all of the properties are similar.

The band of investment methodology is also used to derive overall capitalization rates and is frequently employed when adequate market data to extract an overall capitalization rate are not available. The band of investment technique is an appropriate rate-development technique, because most properties are purchased with a combination of debt and equity, and the technique takes into account the market-return requirements of both investment positions.

For the purpose of this analysis, it is appropriate to use the band of investment methodology, since adequate market data needed to extract a reliable capitalization rate from market sales are not available. The capitalization rate is a composite rate weighted in proportion to the total property investment represented by debt and equity. The formula for calculating the overall capitalization rate through a band of investment analysis is as follows:

INCOME CAPITALIZATION APPROACH (continued)

Mortgage component = $M \times R_m$
 Equity component = $(I-M) \times R_e$
 Overall capitalization rate = $(M \times R_m) + (I-M) \times R_e$

When:

M = Loan-to-value ratio 70 to 75 percent
 R_m = Mortgage constant .107967 (9 percent @ 20 years)
 R_e = Equity rate 10 percent
 R_o = Overall capitalization rate

The band of investment overall capitalization rate calculations are:

Assumption 1

Mortgage component
 70 percent x .107967
 (9 percent at 20 years) = .07557
 30 percent x 10 percent = .03000
 .1056 or 10.5 percent

Assumption 2

Mortgage component
 75 percent x .107967
 (9 percent at 20 years) = .08097
 25 percent x 10 = .02500
 .10597 or 10.6 percent

The indicated overall capitalization rate is 10.5 percent, with equal weight placed both calculations.

Korpacz Real Estate Investor Survey, Fourth Quarter 2000, provides the following National Apartment Market Indicators for noninstitutional grade properties.

Overall Cap Rate	Current Quarter	Last Quarter	Year Ago
Range	7.50% - 12.00%	8.25% - 12.00%	8.25% - 12.00%
Average	9.67%	9.88%	9.83%
Change (Basis Points)	-21	+5	--

The data indicate that although the range in rates is decreasing, the average overall rate is increasing. The Korpacz data are given secondary consideration in the analysis.

INCOME CAPITALIZATION APPROACH (continued)

Following is a stabilized income and expense statement based upon the assumptions discussed earlier in the text. Also included is an estimate of market value via the direct capitalization process.

Pro Forma Income and Expense Statement

Income			
Potential gross income			\$51,360
Vacancy and credit loss	5%	x	<u>-\$2,568</u>
Effective gross income			\$48,792
Expenses			
Real estate taxes			\$8,650
Insurance			\$1,500
Maintenance & repairs			\$3,487
Utilities			\$5,000
Management			\$7,200
Reserves			\$2,440
Short-lived items			\$976
Accounting & legal			\$2,500
Tenant improvement & leasing			<u>\$1,000</u>
Total expenses			\$32,753
Net operating income			\$16,039
Overall capitalization rate	10.5%		
Value estimate			\$152,752
Rounded to			\$155,000

Based on the analysis, the estimated prospective market value of the subject, using income capitalization, is \$152,752, rounded to \$155,000.

**Estimated Prospective Market Value via
Income Capitalization Approach
\$155,000**

RECONCILIATION AND FINAL VALUE ESTIMATE

As-Is

Land Value	Not developed
Cost Approach	Not developed
Sales Comparison Approach	\$65,000
Income Capitalization Approach	Not developed

As-Proposed

Land Value	Not developed
Cost Approach	Not developed
Sales Comparison Approach	Not developed
Income Capitalization Approach	\$155,000

As stated within the body of this report, the highest and best use of the subject property is the proposed development as art space.

All three approaches to value were considered in this appraisal assignment, however, the cost approach was not developed to estimate the as-is value due to the condition of the improvements. The cost approach was not developed to estimate the prospective value, because the costs to rehabilitate the space exceed the value conclusion. Projects similar to the subject can only be developed with public funding, and although the costs to develop the project are important, the cash flow to carry the repayment tends to be a more important factor. Buyers of similar properties would not consider the cost approach when estimating value.

The sales comparison approach is used to estimate the as is market value of the property, because it generally most closely models the motivations of investors of small multifamily properties in the market. The lack of recent comparable data in Middletown made it necessary to expand the search time frame and to include some property that did not include commercial space. Because a number of similar properties have been purchased in the neighborhood, the sales comparison approach is considered a good indicator of the as-is market value.

The sales comparison approach could not be developed for the prospective market value because there are no known sales of similar space.

The income capitalization approach is used to estimate the prospective market value. Properties similar to the subject are most often purchased for investment. The income capitalization approach is predicated on the principle of anticipation and the assumption that in addition to a return on the investment (income stream), there will also be a return of the investment at resale (reversion).

RECONCILIATION AND FINAL VALUE ESTIMATE (continued)

Therefore, after taking into consideration all of the factors that influence value, it is our opinion that the current market value for the fee simple estate, as of February 1, 2001, exclusive of furniture, fixtures and equipment, is \$65,000. The prospective market value of the subject assuming rehabilitation, renovation and enlargement of the subject to a 13,948 square foot art space facility and supporting site improvements as described, as of December 1, 2001, inclusive of furniture, fixtures and equipment, is \$155,000.

**Final As-Is Value Estimate
\$65,000**

**Final As-Proposed Value Estimate
\$155,000**

CERTIFICATION

The undersigned does hereby certify that, except as otherwise noted in this appraisal report:

1. To the best of our knowledge and belief, the statements of fact contained in this appraisal report, upon which the analyses, opinions, and conclusions expressed herein are based, are true and correct. No pertinent facts or information have been knowingly overlooked.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the real estate that is the subject of this appraisal report, and we have no personal interest or bias with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute.
8. Carol Denvir Johnson and Dean C. Amadon have made inspections of the property that is the subject of this report.
9. No one provided significant professional assistance to the persons signing this report.
10. We have both the knowledge and experience necessary to complete the appraisal assignment competently. Please refer to the Qualifications section for the educational and professional background, areas of expertise, and licensing/certification status.

CERTIFICATION (continued)

Standard Form Restrictions Upon Disclosure and Use

Disclosure of the contents of this appraisal report is governed by the by-laws and regulations of the Appraisal Institute.

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 as to valuation conclusions, the identity of the authors or firm with which they are connected, or any reference to the Appraisal Institute or to the MAI designation.

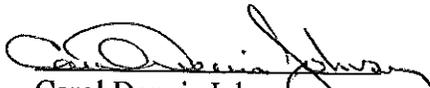
By reason of our investigation and by virtue of our experience, we have been able to inform and have formed the opinion that as of February 1, 2001, the as-is market value of the fee simple estate for the subject property is:

SIXTY-FIVE THOUSAND DOLLARS
\$65,000

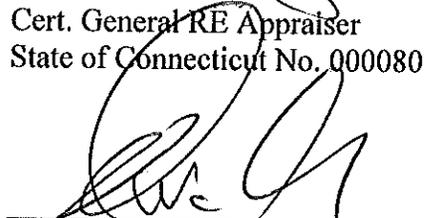
The prospective market value of the fee simple estate, as of December 1, 2001, including furniture, fixtures and equipment, is:

ONE HUNDRED FIFTY-FIVE THOUSAND DOLLARS
\$155,000

As of the date of this report, Dean C. Amadon, MAI, has completed the requirements under the continuing education program of the Appraisal Institute.



Carol Denvir Johnson
Cert. General RE Appraiser
State of Connecticut No. 0000801



Dean C. Amadon, MAI
Cert. General RE Appraiser
State of Connecticut No. 0000023

ASSUMPTIONS AND LIMITING CONDITIONS

1. No investigation of title to the property has been made, and the premises are assumed to be free and clear of all deeds of trust, (leases), use restrictions and reservations, easements, cases or actions pending, tax liens, and bonded indebtedness, unless otherwise specified.

No responsibility for legal matters is assumed. All existing liens and encumbrances have been disregarded, and the property is appraised as though free and clear, unless otherwise specified.

2. The maps, plats, and exhibits included in this report are for illustration only to help the reader visualize the property. They should not be considered as surveys or relied upon for any other purpose. No appraiser responsibility is assumed in connection therewith.
3. The appraisers, by reason of this report, are not required to give testimony or be in attendance in any court or before any government body with reference to the property in question unless arrangements have been previously made.
4. No engineering survey has been furnished to the appraisers, and no responsibility is assumed for engineering matters, mechanical or structural. Good mechanical and structural condition is assumed to exist.
5. No soil borings or analyses have been made at the subject. It is assumed that soil conditions are adequate to support standard construction consistent with the highest and best use as stated in this report.
6. It is assumed that all required licenses, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in the report is based, unless noncompliance is stated and considered in this report.
7. The individual values estimated for the various components of the subject property are valid only when taken in the context of this report and are invalid if considered individually or as components in connection with any other appraisal.
8. When the Discounted Cash Flow Analysis is utilized, it is prepared on the basis of information and assumptions stipulated in this report. The achievement of any financial projections will be affected by the fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, the actual results achieved may well vary from the projections, and such variations may be material.

ASSUMPTIONS AND LIMITING CONDITIONS (continued)

9. The date of value of the opinions expressed in this report is set forth in a letter of transmittal. The appraisers assume no responsibility for economic or physical factors occurring at some later date that may affect the opinions herein stated.
10. If this report is used within a credit sale-leaseback-type transaction or is the offering structure of a syndicate or syndication partnership, joint venture, or association, it is to be noted that the market value estimate rendered is restricted exclusively to the underlying real property rights defined in this report. No consideration whatsoever is given to the value of any partnership unit(s) or interest(s), broker or dealer selling commissions, general partners' acquisition fees, operating deficit reserves, offering expenses, atypical financing, and other similar considerations.
11. Our value estimate presumes that all benefits, terms, and conditions have been disclosed in any lease agreements and we have been fully informed of any additional considerations (i.e., front-end cash payments, additional leasehold improvement contributions, space buy-backs, free rent, equity options).
12. 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 about valuation conclusions, the identity of the authors or firm with which they are connected, or any reference to the Appraisal Institute or to the MAI designation.
13. This appraisal was prepared for the confidential use of the client for the purpose specified and must not be used in any other manner without the written consent of the appraisers. The report and the data herein contained, except that provided by the client, remain the exclusive property of our firm.
14. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

ASSUMPTIONS AND LIMITING CONDITIONS (continued)

15. This appraisal report is predicated on the assumption that hazardous substances do not exist at the subject property. No apparent evidence of contamination or potentially hazardous materials was observed on the date of inspection. The appraisers, however, are not qualified to detect such substances and urge the client to retain an expert in that field, if desired. It is assumed that the subject is in full compliance with all applicable federal, state, and local environmental regulations and laws, unless noncompliance is stated and considered in this report.

16. Your appraisers are not qualified to detect the presence of lead paint. However, the client should consider that lead paint was banned for interior or residential use in 1977, and that the use of lead paint was common until 1950. Since there is a strong possibility that lead paint could have been used in buildings constructed prior to 1977, we recommend that buildings constructed prior to that date be inspected by a professional, especially if children under the age of six years may be inhabiting the property.

PARTIAL LIST OF CLIENTS

Accounting Firms

Ernst & Young
Peat, Marwick, & Mitchell

Architectural Firms

Jeter, Cook and Jepson

Cities, Towns, and Municipalities

City of Hartford
City of New Britain
City of Philadelphia
Town of Windsor

Corporations, Nonprofit Organizations, Utility Companies

A-1 Toyota
The Balf Company
Church Homes, Inc.
Connecticut Natural Gas
Culbro Land Resources
Hartford Chamber of Commerce
Intertown Realty
Kaman Corporation
Keith Corporation
Purcell Associates
Tomasso Construction
USCO Distribution Services Inc.
Wilmorite

Financial Institutions

Advest Bank
Bank of Boston Connecticut
Bank of Hartford
BayBank
Boylston Capital Advisors
Centerbank
Chase Manhattan Bank of Connecticut
Citicorp Mortgage, Inc.
Consolidated Asset Recovery Corporation
First Bank of West Hartford
Fleet Bank, N.A.
Glastonbury Bank & Trust Company
J.E. Roberts Company of New England
Mechanics Savings Bank
New England Savings Bank
Northeast Savings
Norwich Savings Society

Financial Institutions (continued)

RECOLL Corporation
Savings Bank of Manchester
Shawmut National Corporation
Society for Savings
Union Trust

Governmental Agencies

Connecticut Development Authority
Connecticut Department of Economic
Development
Connecticut Housing Authority
Connecticut Housing Finance Authority
CHEFA
Norwalk Health Services Corporation
U.S. Department of Housing and Urban
Development
U.S. Postal Services

Insurance Companies

Aetna Life & Casualty
Connecticut Mutual Life
Monarch Life
Principal Financial Group
The Travelers Companies

Law Firms

Cummings & Lockwood
Day, Berry, & Howard
Hoberman & Pollack, P.C.
Kotchen & Ripper
Krass, Jacobson
Levin & D'Agostino
Murtha, Cullina, Richter & Pinney
Pepe & Hazard
Robinson & Cole
Rogin, Nassau, Caplan, Lassman & Hirtle
Updike, Kelley, & Spellacy

Small Companies and Individuals

Numerous individuals and other small
privately owned companies

QUALIFICATIONS OF THE APPRAISERS

Qualifications - Carol Denvir Johnson

BankBoston (9/93-11/98)

Team Leader & Senior Real Estate Appraiser. Managed the operation of the Appraisal Unit Satellite Office in Worcester, Massachusetts since May 1994. Responsible for providing appraisal services to all lending areas in Connecticut and the Massachusetts lending areas in Worcester, Springfield, Holyoke, and Pittsfield. Assignments included the valuation of special use properties such as nursing homes, hospitals, time-share developments, and hotels.

Patrick McMahon Associates (11/88-9/93)

Staff Appraiser with Patrick McMahon Associates, Inc., Worcester, Massachusetts. Appraisal assignments included: office buildings, retail properties, regional shopping centers, industrial buildings, banks, apartments, condominium developments, subdivisions, unimproved land, and special use properties. Regional clients included: Bank of Boston, Shawmut, Fleet, RECOLL, FDIC, and RTC.

Town of Brookfield, Massachusetts (3/87-5/89)

Assessor with MAA designation. Supervised total property revaluation, including contracted staff. Chaired public meetings. Developed computer valuation models. Worked with Department of Revenue to certify values. Responsible for 1,500+ real estate parcels.

Education

Graduate of Emmanuel College, Boston, Massachusetts
Awarded Bachelor of Arts w/Honors and Distinction in Political Science.

Appraisal Institute

- Basic Valuation Procedures
- Standards of Professional Practice, Parts A & B
- Advanced Applications
- Advanced Income Capitalization
- Advanced Sales Comparison and Cost and Approaches
- Highest & Best Use and Market Analysis
- Report Writing and Valuation Analysis
- Accepted as candidate for membership

International Association of Assessing Officers

- Fundamentals of Real Property Appraisal
- Income Approach to Value
- Mass Appraisal of Residential Property
- Computer Assisted Appraisal Systems

Massachusetts Department of Revenue & Mass Association of Assessing Officers

- Assessment Administration: Law, Procedures and Valuation
- Principles of Assessing Procedures

Certified General RE Appraiser - Comm. Of Mass #544
Certified General RE Appraiser - State of Connecticut #801

Dean C. Amadon, MAI

Appraisal Institute MAI. Engaged full time as a real estate appraiser and analyst since 1970. President of AMADON & Associates, Inc. Assignments have included marketability and feasibility studies, a variety of narrative appraisal assignments, highest-and-best-use studies, tax-equalization studies, condemnation and tax-appeal assignments.

Has testified before various boards and commissions in the state of Connecticut and has qualified as an expert witness before the courts of the state of Connecticut.

Thirty years of commercial real estate experience in the Greater Hartford area; has participated in and/or been a member of numerous civic/service and local professional organizations.

Has lectured before the Connecticut Savings Bank Association, various realtor groups, and several lending institutions.

Received a Bachelor of Science degree in communication from Emerson College (1966), Boston, Massachusetts.

State of Connecticut Certification No. 0000023

Commonwealth of Massachusetts Certification No. 3124

ADDENDUM

Subject location maps

Deeds

Demographic data

Census tract map

Topographical map

Zoning map

Section 32.02 of Middletown zoning

Downtown Visions 2000 and Beyond map

Property record card

Site plan

Inland wetlands map

Flood Insurance Rate Map

Building plans

Scope of work

Construction budget

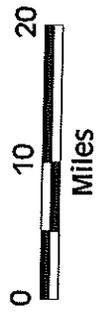
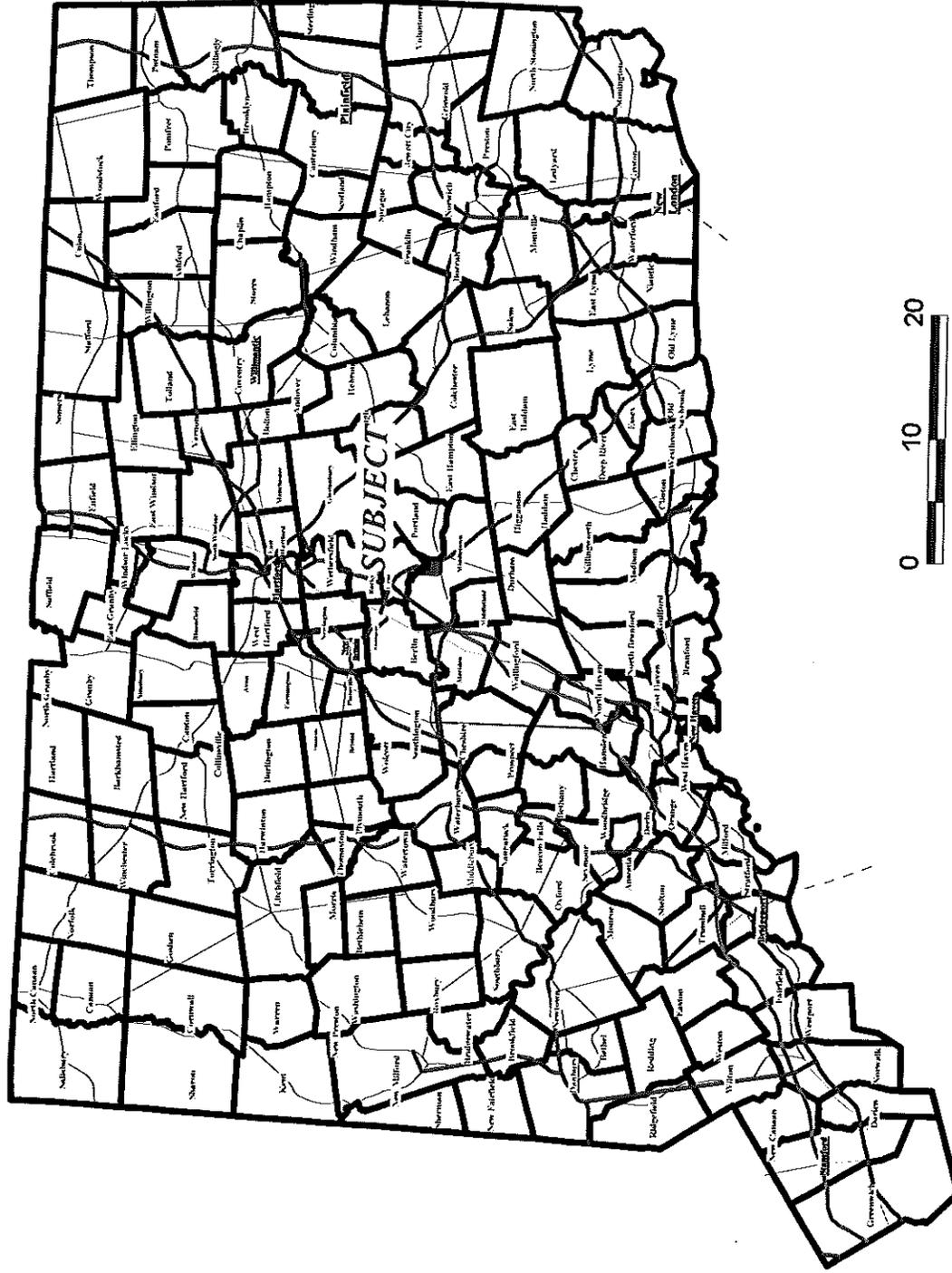
Spreadsheet provided

Available properties

Comparable location map

DECD checklist

State Map



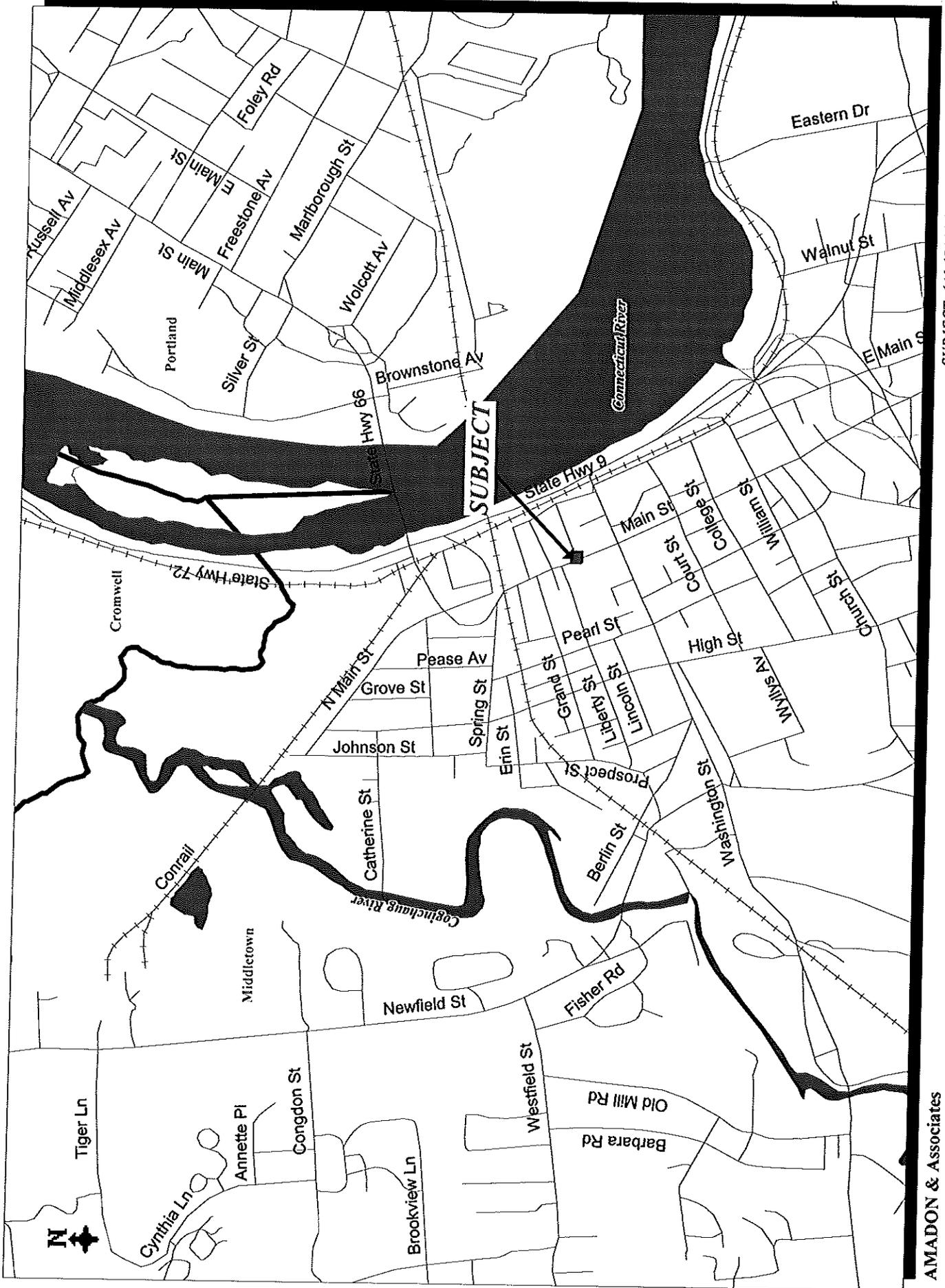
Regional Map



AMADON & Associates

SUBJECT: 646-654 Main Street, Middletown, Conn.

Neighborhood Map



TO ALL PEOPLE TO WHOM THESE PRESENTS SHALL COME,
GREETING:

KNOW YE, that the CITY OF MIDDLETOWN, a Connecticut municipal corporation, for and in consideration of One Dollar (\$1.00) received to its full satisfaction of ALDERHOUSE RESIDENTIAL COMMUNITIES, INC., a Connecticut nonprofit corporation with its principal place of business in the Town of Middletown, County of Middlesex and State of Connecticut does give, grant, bargain, sell and confirm unto the said ALDERHOUSE RESIDENTIAL COMMUNITIES, INC., and unto its successors and assigns

A certain piece or parcel of land, together with all buildings and improvements thereon, situated in the City of Middletown, County of Middlesex and State of Connecticut and described in Exhibit A attached hereto.

To Have and To Hold the above granted and bargained premises, with the appurtenances thereof, unto it, the said grantee, its successors and assigns forever, to them and their own proper use and behoof. And also, the said grantor does for itself and its successors and assigns, covenant with the said grantee, its successors and assigns, that at and until the ensembling of these presents, it is well seized of the premises, as a good indefeasible estate in Fee Simple; and has good right to bargain and sell the same in manner and form as is above written; and that the same is free from all encumbrances whatsoever, except as hereinbefore mentioned.

And Furthermore, the said grantor does by these presents bind itself and its successors and assigns forever to WARRANT AND DEFEND the above granted and bargained premises to it the said grantee, its successors and assigns, against all claims and demands whatsoever, except as hereinbefore mentioned.

IN WITNESS WHEREOF, the CITY OF MIDDLETOWN has caused these presents to be executed this 27th day of November, 2000.

Signed, Sealed and Delivered in
the Presence of or Attested by

THE CITY OF MIDDLETOWN

[Handwritten Signature]

[Handwritten Signature]
Domenique S. Thornton, Mayor

[Handwritten Signature]

STATE OF CONNECTICUT)

: ss. Middletown November 27, 2000

COUNTY OF MIDDLESEX)

Personally appeared Domenique S. Thornton, Mayor of the City of Middletown, as aforesaid signer of the foregoing instrument, and acknowledged the same to be her free act and deed as such Mayor, and the free act and deed of said municipal corporation, before me.

This Conveyance Tax collected
[Handwritten Signature]
Town Clerk of Middletown

[Handwritten Signature]
Notary Public
My Commission Expires 12/28/01
CONNECTICUT

EXHIBIT A

All that certain piece or parcel of land, situated in the Town of Middletown, County of Middlesex and State of Connecticut, known as 646-654 Main Street and located on the east side of Main Street known as "Anenberg Block," more particularly bounded and described as follows:

NORTH: by land now or formerly of Carmen Milardo, et al, 145.82 feet;
 EAST: by land now or formerly of Sebastian D. Daniels, et al, and Salvatore C. Pandolfio, et al, in part by each, in all, 49.91 feet;
 SOUTH: by land now or formerly of the City of Middletown, a right-of-way, and by land now or formerly of Daniel J. and Ruth E. Fountain, in part by each, in all, 145.90 feet; and
 WEST: by Main Street, 48.63 feet.

Together with a right-of-way of record twelve (12) feet wide from Green Street, so-called, to said premises and together with a strip of land about one (1) inch in width and seventy-nine (79) feet in depth running from Main Street along the North line of land now or formerly of Thomas E. Smith formerly known as 538 Main Street, and along the South line of land conveyed to Tobias Anenberg by Edward S. Miller, together with rights to join a brick building onto wall now or formerly of said Thomas E. Smith, together with rights in said wall of said property now or formerly of Thomas E. Smith.

Excepting therefrom: Beginning at a point, said point being the northwesterly corner of the property to be conveyed and is located eighty-six and forty-eight hundredths (86.48') feet easterly to the east street line of Main Street; thence, continuing northeasterly along property now or formerly of Josephine M. DiModica et al in a straight line, having a bearing of N 68° 59' 25" E, for a distance of fifty-nine and thirty-four hundredths (59.34') feet to a point, said point being the northeasterly corner of property to be conveyed; thence, continuing in a southeasterly direction along property now or formerly of Sebastian D. Daniels in a straight line, having a bearing of S 22° 06' 34" E, for a distance of nine and seventy-eight hundredths (9.78') feet to a point on the easterly property line of property to be conveyed; thence continuing in a southeasterly direction along the properties, now or formerly of Sebastian D. Daniels and Joseph and Helen Pantano, in a straight line, having a bearing of S 22° 20' 45" E, for a distance of forty and thirteen hundredths (40.13') feet to a point, marking the southeasterly corner of property to be conveyed; thence continuing in a southwesterly direction along properties, now or formerly of Michael J. Wauzasick, a twelve (12') foot right of way, and Daniel J. and Ruth E. Fountain, in a straight line, having bearing of S 69° 29' 01" W, for a distance of sixty and forty-three hundredths (60.43') feet to a point marking the southwesterly corner

of property to be conveyed, thence; continuing in a northwesterly direction along other property now or formerly of Douglas Militzok and Ronald J. Saxon in a straight line, having a bearing of N 21° 02' 54" W for a distance of forty-nine and thirty-seven hundredths (49.37') feet to the point and place of beginning.

Together with and subject to any and all rights in a passageway as described in an agreement, dated November 7, 1980 and recorded in Volume 115 at Page 521 of the Middletown Land Records.

Being the same piece or parcel of land referred to as "PARCEL A" as shown on a map entitled: "PROPERTY OF DOUGLAS MILITZOK & RONALD J. SAXON 646-654 MAIN STREET, MIDDLETOWN, CONNECTICUT DATED: JULY 20, 1984 SCALE: 1"=10' PREPARED BY MIDDLETOWN PUBLIC WORKS DEPARTMENT Salvatore C. Fazzino, P.E., & L.S., Public Works Director, which map is to be filed in the Middletown Land Records.

Being the same premises known as 646-654 Main Street and also having been known as 648-654 Main Street, both being one and the same property, described in a Committee Deed to the City of Middletown, dated October 13, 1998 and recorded on December 3, 1998 in Volume 1182 at page 498 of the Middletown Land Records.

FAREA\dths-NoMain.wpd

NOV 29 2000 10 40 A.
Rec'd for Record
Recorded by *Charles P. Blanton*
TOWN CLERK

RECORDED
Charles P. Blanton
TOWN CLERK

TO ALL PEOPLE TO WHOM THESE PRESENTS SHALL COME,
GREETING:

KNOW YE, that the CITY OF MIDDLETOWN, a Connecticut municipal corporation, for and in consideration of One (\$1.00) Dollar and other valuable consideration received to its full satisfaction of ALDERHOUSE RESIDENTIAL COMMUNITIES, INC., a Connecticut nonprofit corporation having offices in the Town of Middletown, County of Middlesex and State of Connecticut does remise, release and forever Quit-Claim unto the said, ALDERHOUSE RESIDENTIAL COMMUNITIES, INC., and unto its successors and assigns

A certain piece or parcel of land, together with all buildings and improvements thereon, situated in the City of Middletown, County of Middlesex and State of Connecticut, and described in Schedule A attached hereto.

IN WITNESS WHEREOF, the CITY OF MIDDLETOWN has caused these presents to be executed this 27th day of November, 2000.

Signed, Sealed and Delivered in
the Presence of or Attested by

THE CITY OF MIDDLETOWN

Sandra Olsen

Domenique S. Thornton
Domenique S. Thornton, Mayor

Nancy E. Byrd

No Conveyance Tax collected \$0-

Jordan P. [Signature]
Town Clerk of Middletown

STATE OF CONNECTICUT)

: ss. Middletown

November 27, 2000

COUNTY OF MIDDLESEX)

Personally appeared Domenique S. Thornton, Mayor of the City of Middletown, as aforesaid signer of the foregoing instrument, and acknowledged the same to be her free act and deed as such Mayor, and the free act and deed of said municipal corporation, before me.

Sandra Olsen
Commissioner of the Superior Court
Notary Public com. exp. 8/28/01

Schedule A

All that certain piece or parcel of land with all buildings and structures thereon, situated in the City of Middletown, County of Middlesex and State of Connecticut, known as 646-654 Main Street and located on the east side of Main Street and shown as "Land of the City of Middletown - to be Conveyed to Alderhouse Residential Communities, Inc." on a certain map entitled "Plan Prepared For Alderhouse Residential Communities, Inc. Property Known As 'The Anenberg Block' Located At 646-654 Main Street Middletown, Connecticut Scale: 1"=10', Date: Nov 2000", prepared by Douglas Bonoff, CT LS # 17381, more particularly bounded and described as follows:

Beginning at a point, said point being the northwesterly corner of the property described herein, thence N68°59'25"E, 86.48 feet to a point; thence along property n/f of the City of Middletown, S21°03'04"E, 49.38 feet to a point; thence S69°29'01"W, 86.47 feet to a point; thence along Main Street, N21°04'10"W, 48.63 feet to the point and place of beginning.

Rec'd for Record NOV 29 2000 10 41 A.
Recorded by *[Signature]*
Town Clerk

#11/1/20

RECORDED

MIDDLETOWN
TOWN CLERK
[Signature]

Amadon & Associates
Profile Report
1999 Updates, AI, HV -

Population Facts 1	5414		5413		5412	
Population						
2004 Projection	7,461		6,125		4,663	
1999 Estimate	7,061		5,829		4,421	
1990 Census	6,659		5,580		4,185	
1980 Census	5,966		2,849		4,225	
Population growth, 1980 to 1990	11.62%		95.86%		-0.95%	
Households						
2004 Projection	3,013		3,275		2,066	
1999 Estimate	2,824		3,088		1,940	
1990 Census	2,608		2,897		1,800	
1980 Census	2,174		1,366		1,580	
Household growth 1980 - 1990	19.96%		112.08%		13.92%	
1999 Population by race	7,061	% base	5,829	% base	4,421	% base
White	6,247	88%	4,886	84%	3,931	89%
Black	538	8%	702	12%	367	8%
Asian or Pacific Islander	203	3%	181	3%	86	2%
Other races	73	1%	60	1%	37	1%
Hispanic origin	215	3%	190	3%	143	3%
1990 Occupied units by tenure	2,608	% base	2,897	% base	1,800	% base
Owner occupied	1,626	62%	1,247	43%	881	49%
Renter occupied	982	38%	1,650	57%	919	51%
1990 Average persons per household	2.48		1.93		2.29	
1999 Households by income	2,824	% base	3,088	% base	1,940	% base
\$150,000 or More	119	4%	13	0%	31	2%
\$100,000 to \$149,999	323	11%	190	6%	144	7%
\$75,000 to \$99,999	373	13%	484	16%	244	13%
\$50,000 to \$74,999	609	22%	957	31%	518	27%
\$35,000 to \$49,999	481	17%	836	27%	260	13%
\$25,000 to \$34,999	331	12%	343	11%	274	14%
\$15,000 to \$24,999	259	9%	193	6%	251	13%
\$5,000 to \$15,000	310	11%	72	2%	201	10%
Under \$5,000	19	1%	0	0%	17	1%
Average household income	\$ 63,566		\$ 57,213		\$ 53,980	
Median household income	\$ 50,512		\$ 52,623		\$ 48,075	
Estimated per capita income	\$ 25,901		\$ 30,309		\$ 24,075	

**Amadon & Associates
Profile Report
1999 Updates, AI, HV -**

Population Facts 1	5411		5416		5417	
Population						
2004 Projection	2,240		2,962		1,666	
1999 Estimate	2,331		2,817		1,786	
1990 Census	2,704		2,689		2,215	
1980 Census	2,644		2,834		2,325	
Population growth, 1980 to 1990	2.27%		-5.12%		-4.73%	
Households						
2004 Projection	967		1,385		667	
1999 Estimate	1,002		1,293		710	
1990 Census	1,148		1,174		866	
1980 Census	1,149		1,207		856	
Household growth 1980 - 1990	-0.09%		-2.73%		1.17%	
1999 Population by race	2,331	% base	2,817	% base	1,786	% base
White	2,024	87%	1,981	70%	1,065	60%
Black	195	8%	539	19%	548	31%
Asian or Pacific Islander	62	3%	145	5%	90	5%
Other races	50	2%	162	5%	83	5%
Hispanic origin	130	6%	279	10%	128	7%
1990 Occupied units by tenure	1,148	% base	1,174	% base	866	% base
Owner occupied	362	32%	125	11%	418	48%
Renter occupied	786	68%	1,049	89%	448	52%
1990 Average persons per household	2.17		1.82		2.54	
1999 Households by income	1,002	% base	1,293	% base	710	% base
\$150,000 or More	5	0%	4	0%	3	0%
\$100,000 to \$149,999	20	2%	16	1%	55	8%
\$ 75,000 to \$ 99,999	64	6%	18	1%	83	12%
\$ 50,000 to \$ 74,999	187	19%	151	12%	130	18%
\$ 35,000 to \$ 49,999	228	23%	130	10%	121	17%
\$ 25,000 to \$ 34,999	170	17%	228	18%	95	13%
\$ 15,000 to \$ 24,999	155	15%	204	16%	82	12%
\$ 5,000 to \$ 15,000	143	14%	476	37%	135	19%
Under \$ 5,000	30	3%	66	5%	6	1%
Average household income	\$ 40,600		\$ 28,117		\$ 48,715	
Median household income	\$ 35,229		\$ 20,122		\$ 39,611	
Estimated per capita income	\$ 18,100		\$ 16,091		\$ 19,665	

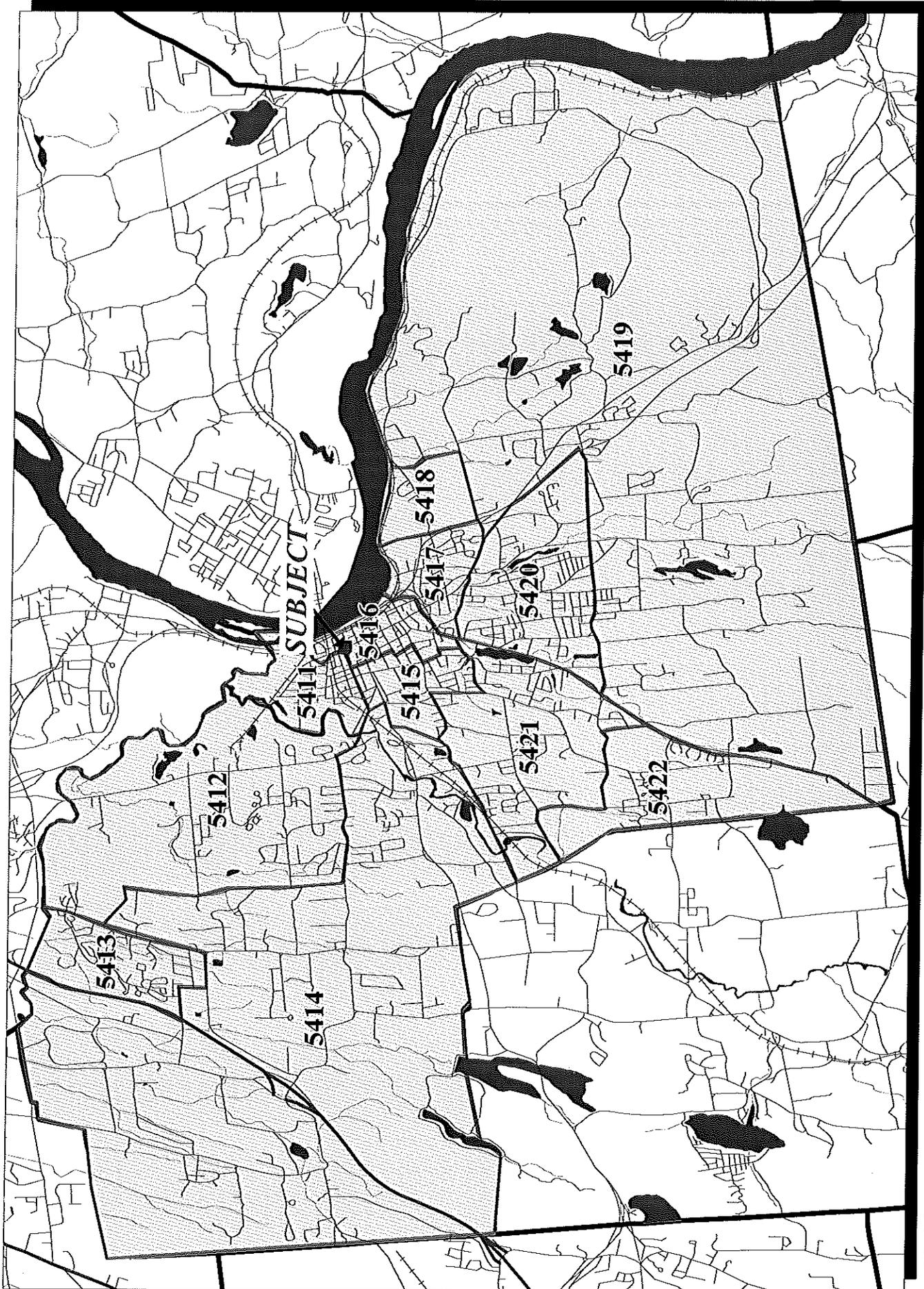
Amadon & Associates
Profile Report
1999 Updates, AI, HV -

Population Facts 1	5418		5419		5420	
Population						
2004 Projection	636		7,286		4,448	
1999 Estimate	637		6,680		4,351	
1990 Census	693		5,725		4,437	
1980 Census	460		5,783		4,447	
Population growth, 1980 to 1990	50.65%		-1.00%		-0.22%	
Households						
2004 Projection	7		2,782		1,831	
1999 Estimate	8		2,524		1,776	
1990 Census	11		2,107		1,778	
1980 Census	12		1,878		1,631	
Household growth 1980 - 1990	-8.33%		12.19%		9.01%	
1999 Population by race	637	% base	6,680	% base	4,351	% base
White	489	77%	5,381	81%	3,897	90%
Black	137	22%	959	14%	337	8%
Asian or Pacific Islander	1	0%	139	2%	68	2%
Other races	10	2%	201	3%	49	1%
Hispanic origin	32	5%	346	5%	118	3%
1990 Occupied units by tenure	11	% base	2,107	% base	1,778	% base
Owner occupied	6	55%	1,260	60%	1,205	68%
Renter occupied	5	45%	847	40%	573	32%
1990 Average persons per household	2.64		2.60		2.45	
1999 Households by income	8	% base	2,524	% base	1,776	% base
\$150,000 or More	0	0%	143	6%	80	5%
\$100,000 to \$149,999	0	0%	260	10%	158	9%
\$75,000 to \$99,999	1	13%	436	17%	179	10%
\$50,000 to \$74,999	2	25%	540	21%	499	28%
\$35,000 to \$49,999	0	0%	359	14%	330	19%
\$25,000 to \$34,999	0	0%	316	13%	156	9%
\$15,000 to \$24,999	0	0%	200	8%	196	11%
\$5,000 to \$15,000	5	63%	238	9%	142	8%
Under \$5,000	0	0%	32	1%	36	2%
Average household income	\$ 35,000		\$ 65,454		\$ 64,878	
Median household income	\$ 12,500		\$ 55,430		\$ 51,425	
Estimated per capita income	\$ 6,309		\$ 25,317		\$ 26,753	

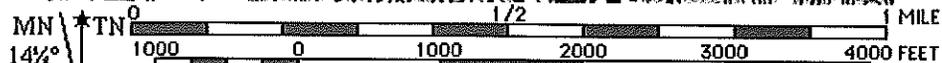
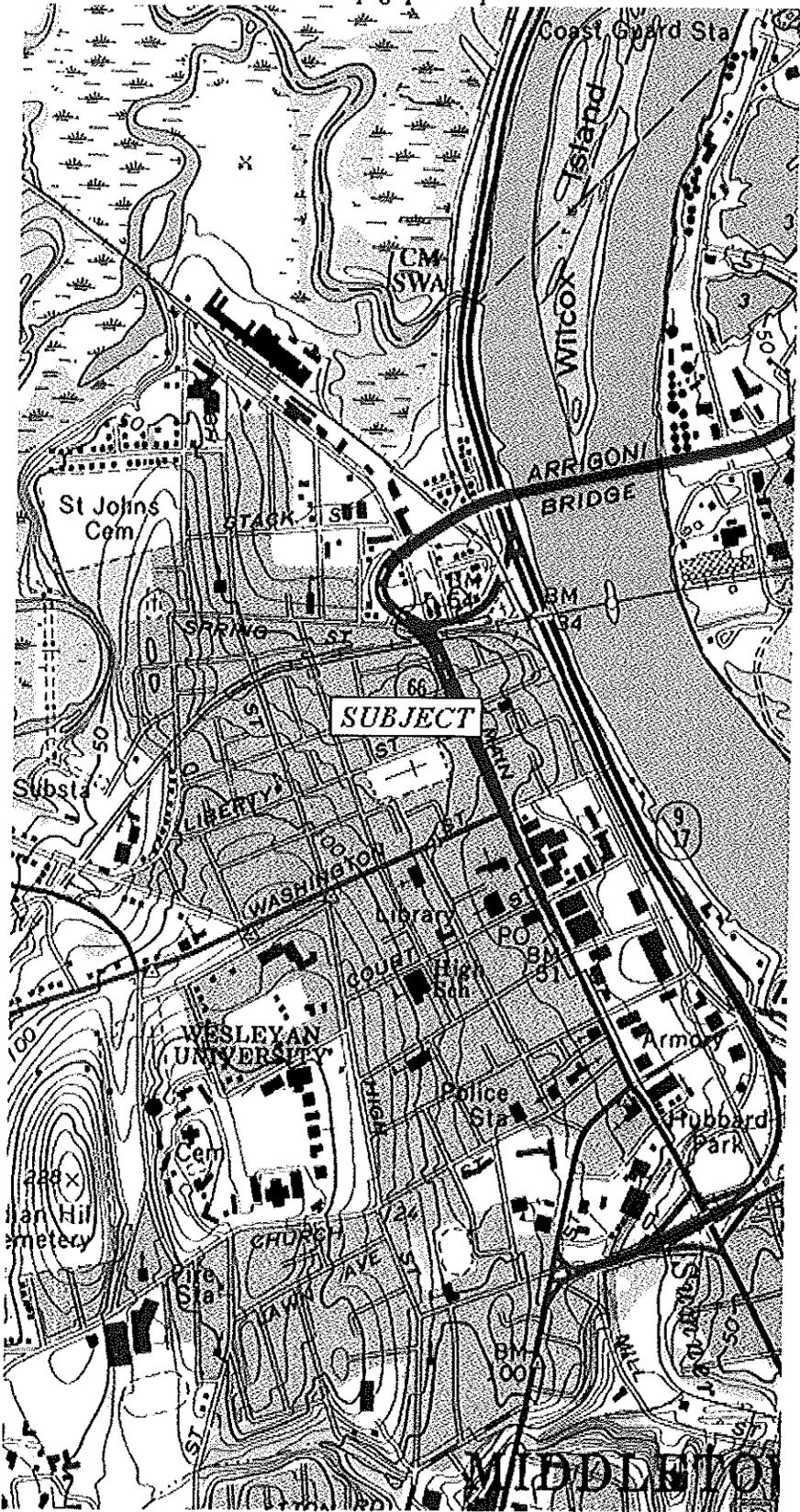
Amadon & Associates
Profile Report
1999 Updates, AI, HV -

Population Facts 1	5415		5421		5422	
Population						
2004 Projection	2,324		3,774		1,811	
1999 Estimate	2,418		3,565		1,727	
1990 Census	2,887		3,343		1,661	
1980 Census	2,611		3,539		1,357	
Population growth, 1980 to 1990	10.57%		-5.54%		22.40%	
Households						
2004 Projection	431		1,413		676	
1999 Estimate	474		1,318		640	
1990 Census	633		1,200		605	
1980 Census	714		1,124		439	
Household growth 1980 - 1990	-11.34%		6.76%		37.81%	
1999 Population by race	2,418	% base	3,565	% base	1,727	% base
White	1,904	79%	2,657	75%	1,541	89%
Black	254	11%	702	20%	121	7%
Asian or Pacific Islander	211	9%	73	2%	65	4%
Other races	49	2%	133	4%	0	0%
Hispanic origin	97	4%	241	7%	32	2%
1990 Occupied units by tenure	633	% base	1,200	% base	605	% base
Owner occupied	196	31%	683	57%	532	88%
Renter occupied	437	69%	517	43%	73	12%
1990 Average persons per household	2.14		2.54		2.75	
1999 Households by income	474	% base	1,318	% base	640	% base
\$150,000 or More	51	11%	38	3%	101	16%
\$100,000 to \$149,999	25	5%	107	8%	165	26%
\$ 75,000 to \$ 99,999	23	5%	159	12%	122	19%
\$ 50,000 to \$ 74,999	99	21%	325	25%	154	24%
\$ 35,000 to \$ 49,999	59	12%	220	17%	23	4%
\$ 25,000 to \$ 34,999	55	12%	157	12%	56	9%
\$ 15,000 to \$ 24,999	35	7%	111	8%	8	1%
\$ 5,000 to \$ 15,000	108	23%	183	14%	11	2%
Under \$ 5,000	19	4%	18	1%	0	0%
Average household income	\$ 56,597		\$ 58,703		\$ 101,092	
Median household income	\$ 40,124		\$ 47,930		\$ 88,923	
Estimated per capita income	\$ 19,472		\$ 23,192		\$ 37,463	

Middletown Census Tracts



Topographic Map



SECTION 32 B-1 CENTRAL BUSINESS ZONE

32.00 DESCRIPTION OF ZONE

This zone is composed and limited to the downtown retail area. It is recognized that within this zone there are two unique classes of structures: Class A structures are those located along Main Street and Class B structures are located to the rear of Main Street buildings. The zone provides for the central retail, cultural and governmental activities of the community. 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 traffic 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. Further, the front fifty percent (50%) of the ground floor space of buildings fronting on Main Street shall be restricted to the following permitted uses: Eating and Drinking Places, Entertainment, Restaurants, Retail Business, Retail Sales, Retail Service, and Theaters. Any other use allowed in the B-1 zone in Section 61 proposed for the front fifty percent (50%) of the ground floor space of buildings fronting on Main Street shall be a Special Exception Use. Cafeterias are not permitted as accessory uses in this zone.

(Section amended effective 11/15/99)

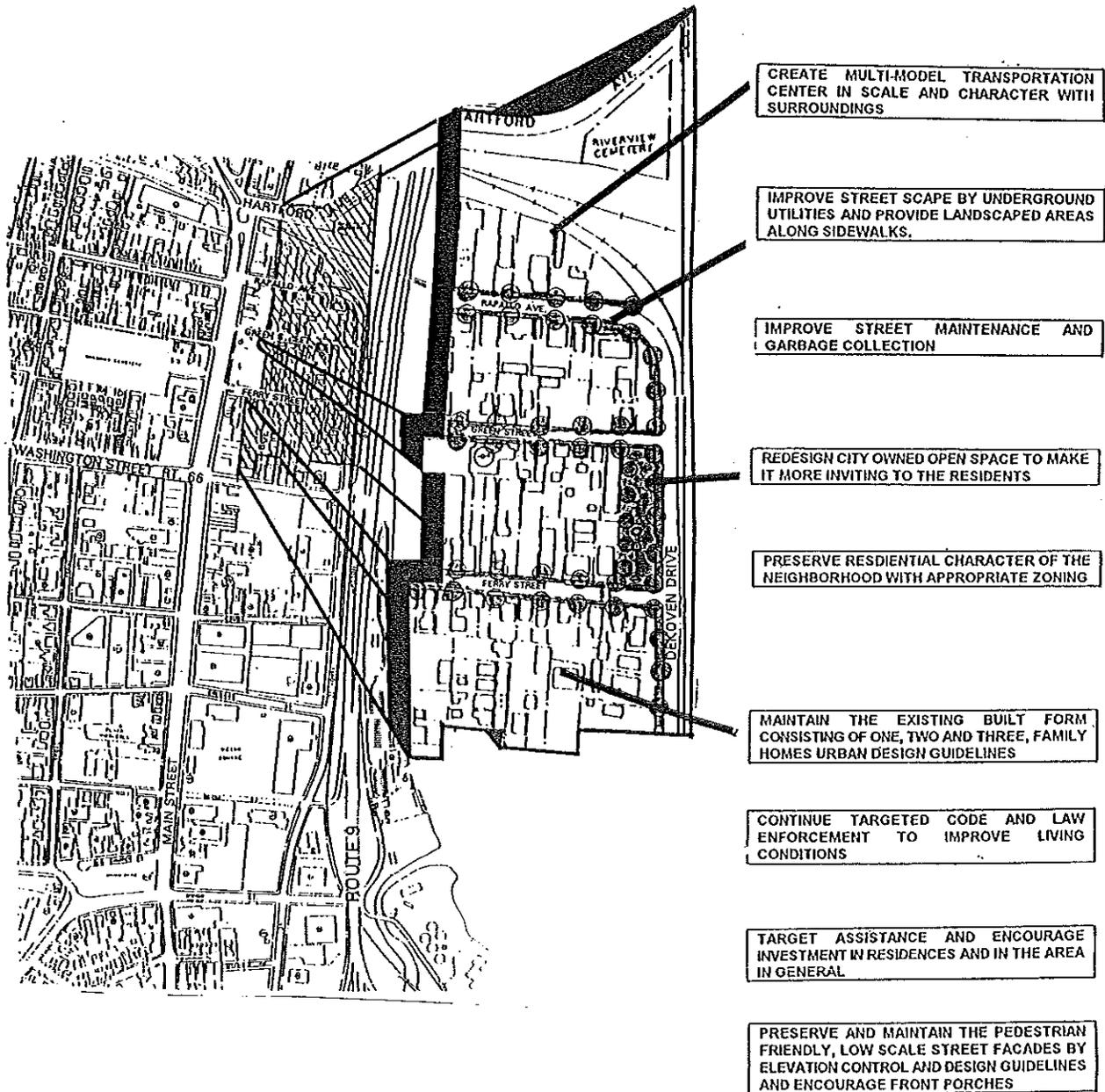
32.02 HEIGHT

The maximum permitted stories shall be twelve (12) stories (168 ft.) except that any building fronting on Main Street shall have a maximum height of six (6) stories (84 ft.) and a minimum height of two (2) stories (28 ft.).

32.03 LOT AREA, WIDTH AND YARD REQUIREMENTS

No minimum lot area or frontage required. Yard requirement is that any building shall have yards sufficient to insure proper design and placement of buildings as determined in the site plan review process. The maximum setback from Main Street shall be five (5) feet with the front line of the building located within the maximum setback area for a minimum of eighty percent (80%) of the lot frontage on Main Street and there shall be no driveway access or parking lot fronting on Main Street.

RECEIVED
99 NOV 15 PM 3:23
TOWN CLERK
MIDDLEBURY, CONN.



FERRY AND GREEN MIXED-USE NEIGHBORHOOD

This district is located at the northern end of Downtown in the area between Hartford Avenue on the north, Washington Street on the south, the rear of Main Street Buildings on the west and deKoven Drive on the east. The district is characterized by a mix of single family and multifamily residences, public buildings, small businesses and eating places. The area has a number of historic buildings.

Once a thriving residential neighborhood, the neighborhood now consists of individuals from lower socio-economic populations and is characterized by problems such as loitering, drug use, and in some cases substandard housing conditions. However, it is noted that there has been significant investment in the area and some of the housing stock is in very good condition. The neighborhood represents an important built in customer base for retail and service establishments located along the northern end of Main Street who are now catering to this diverse clientele. This neighborhood should be preserved and enhanced.

MIDDLETOWN CT COMMERCIAL/INDUSTRIAL PROPERTY DESCRIPTION CARD

646 MAIN ST Account Number: R01424 MAP/BLOCK/LOT 22 17-36 4 Living Units: 9 Class: C 903 Zoning: B-1 Card # 1 of 1

OWNER HISTORY:

CURRENT OWNER/ADDRESS: ALDERHOUSE RESIDENTIAL COMMUNITIES INC, 363 MAIN ST MIDDLETOWN CT 06457
 DEED VOL/PAGE: 1 DISTRICT: 1
 Neighborhood ID: 302.00 Deed Volume: 1246
 Census Tract: 5416 Deed Page: 749
 Deed Date: 2000/11/29
 Deed Type: NOV

DBA/NOTES:

LAND DATA:

PRIMARY TYPE SIZE
 0.000
 0.000
 0.000
 0.000
 0.000

LAND INFLUENCE(S) FACTOR LAND VALUE
 0 0 27,200
 0 0 0
 0 0 0
 0 0 0
 0 0 0

Cost Estimate - 233,500
 Income Estimate - 217,500
 Override Reason - NO OVERRIDE
 Total Value - 217,500
 Total Assessed: 152,250

VALUATION INFORMATION -

TOTAL ACREAGE: 0.090 TOTAL LAND VALUE: 27,200

ATTACHED IMPROVEMENTS:

TYPE	M1	M2	M3	#UNITS	TYPE	M1	M2	M3	#UNITS
	0	0	0	0		0	0	0	0
	0	0	0	0		0	0	0	0
	0	0	0	0		0	0	0	0
	0	0	0	0		0	0	0	0

SKETCH DATA:

* 4s CBK/B 10 0 3140 D E G

COST APPROACH DETAIL:

LEVELS	USE	HEATING	A/C	AREA	SF RATE	RCN	% GOOD	RCNLD
B1 TO B1	086-SUPPORT AREA	HW/STEAM	NONE	3140	23.73	74.510	.00	0
01 TO 01	034-RETAIL STORE	HW/STEAM	NONE	3140	49.34	154.010	.00	0
02 TO 04	011-APARTMENT	UNIT HEAT	NONE	3140	161.57	507.350	.00	0
TO	0	NONE	NONE	0	0.00	0	.00	0
TO	0	NONE	NONE	0	0.00	0	.00	0
TO	0	NONE	NONE	0	0.00	0	.00	0
TO	0	NONE	NONE	0	0.00	0	.00	0
TO	0	NONE	NONE	0	0.00	0	.00	0

BUILDING # 1
 YEAR BUILT 1900
 # UNITS 0
 # QUALITY GRADE C
 # EFFICIENCIES 0
 # 1-BEDROOMS 0
 # 2-BEDROOMS 9
 # 3-BEDROOMS 0

TOTAL UNADJ. RCNLD 257,880
 GRADE FACTOR 1.00
 # IDENT UNITS 1
 FUNC/ECON FACTOR 0.80
 RCNLD 206,300

OUTBUILDING/YARD ITEM DETAIL:

DESCRIPTION	WIDTH	LENGTH OR SIZE	QUAN.	YEAR BUILT	PHYS. COND.	FUNC. UTIL.	VALUE
OTHER IMPROV	0	0	0	0	0	NONE	0
	0	0	0	0	0	NONE	0
	0	0	0	0	0	NONE	0
	0	0	0	0	0	NONE	0
	0	0	0	0	0	NONE	0
	0	0	0	0	0	NONE	0

PERMIT DATA: # PRICE

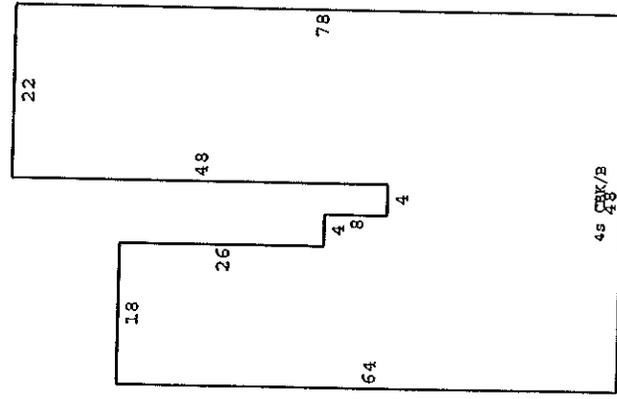
TOTAL OBY/YARD VALUE: 0

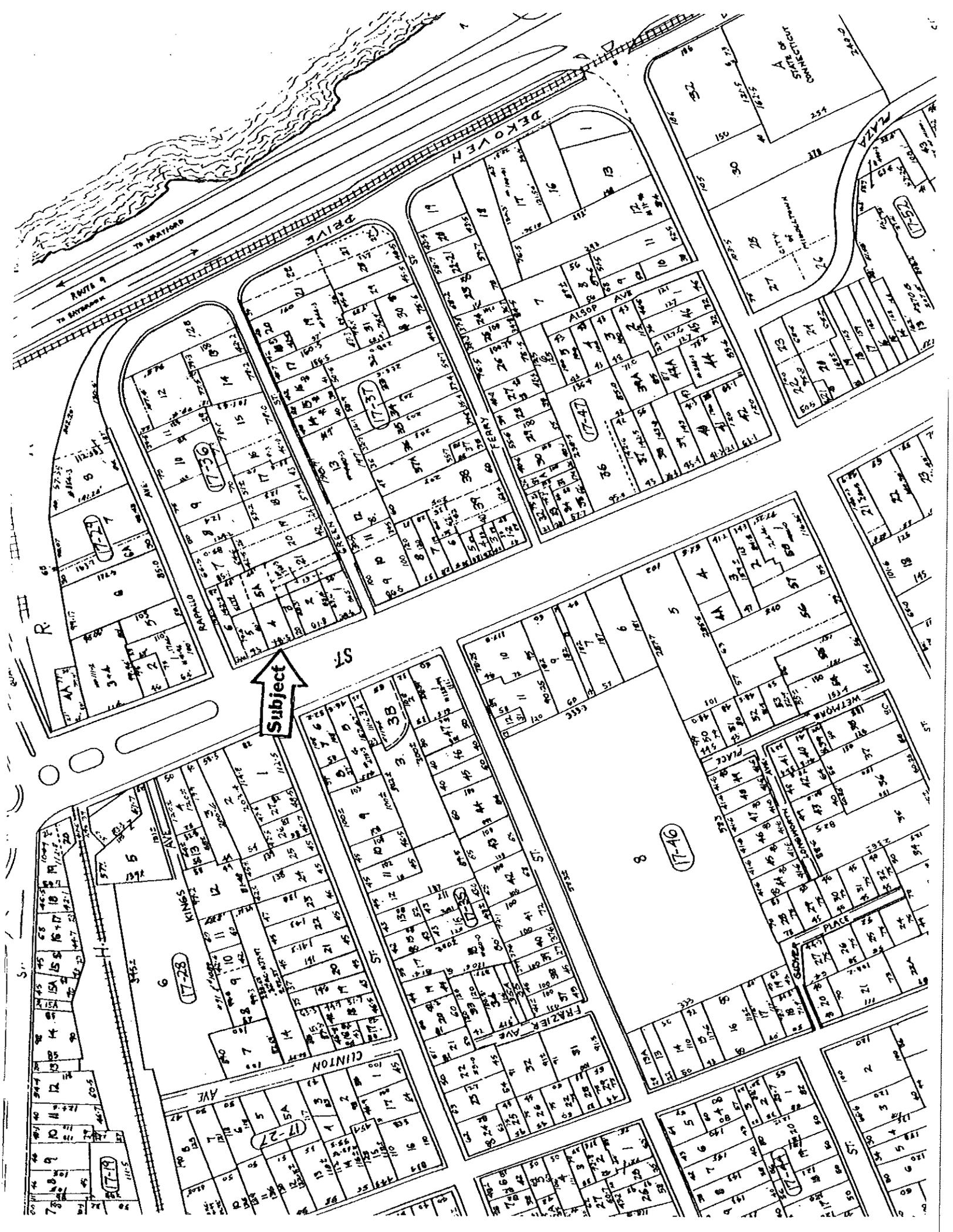
PURPOSE

INCOME APPROACH SUMMARY:

TOTAL RENTABLE SQUARE FEET:
 MARKET RENT/SQUARE FOOT:
 POTENTIAL GROSS INCOME:
 TOTAL EXPENSES (INCL. MNGMNT.):
 TOTAL NET OPERATING INCOME:
 OVERALL RATE:
 INCOME INDICATED VALUE:

23.73
 161.57





ROUTE 9
TO SOUTHWICK

DRIVE
DEKOVEN

17-28

17-27

Subject

17-36

17-37

17-47

17-46

17-49

R

28

8

ST

KINGS AVE

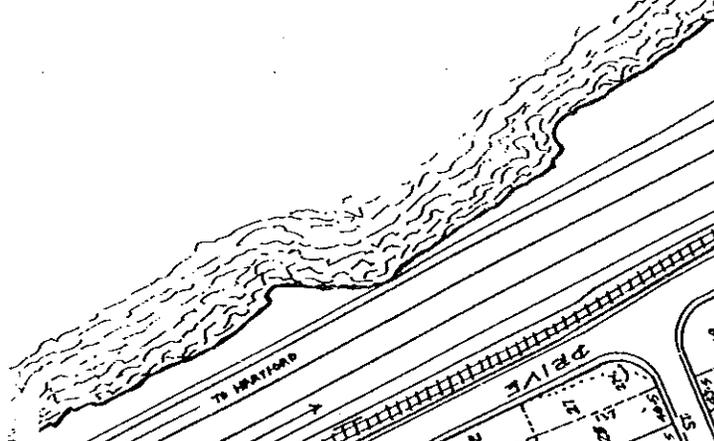
CLINTON AVE

FRENCH AVE

WETMORE PLACE

GOVER PLACE

CONNECTOR STATE ST



TO SOUTHWICK

128

129

130

131

132

133

134

135

136

137

138

139

140

141

142

143

144

145

146

147

148

149

150

151

152

153

154

155

156

157

158

159

160

161

162

163

164

165

166

167

168

169

170

171

172

173

174

175

176

177

178

179

180

181

182

183

184

185

186

187

188

189

190

191

192

193

194

195

196

197

198

199

200

201

202

203

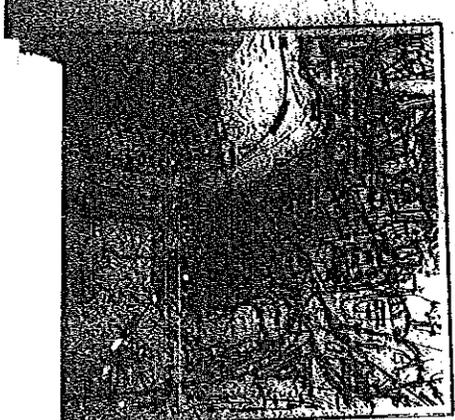
204

205

206

207

208

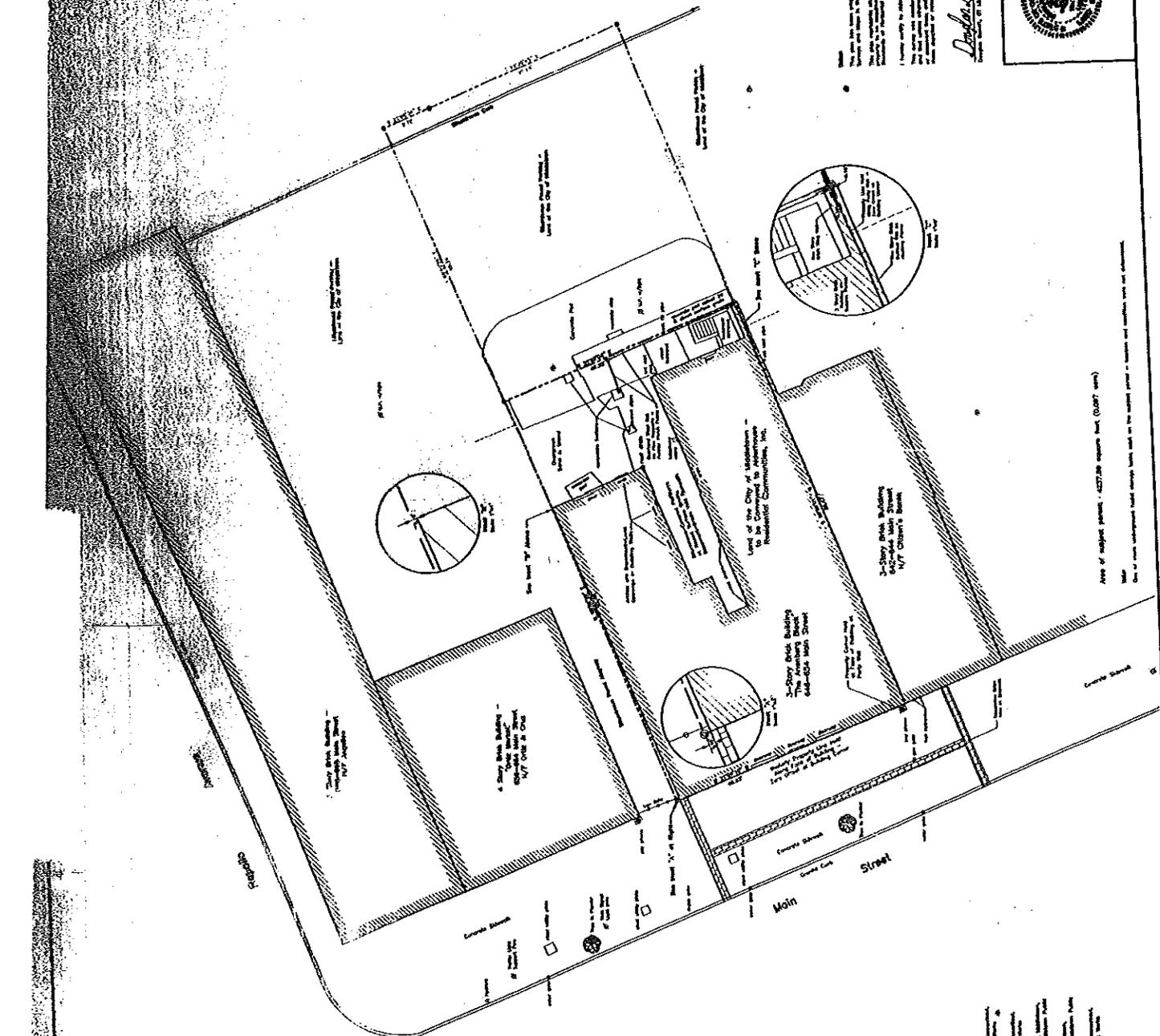


SITE LOCATION



LEGEND

- Boundary of Subject Property
- Boundary of Lot (Property Part of Subject Property) Contained in the City of Middletown, CT
- Building Foot
- Property Owner
- Unimproved Foot (Range from 10' to 100' from Property)
- 1" = 100'
- 1" = 100'



This plan and map are prepared for the purpose of recording the location of the proposed building and the location of the proposed building. The plan and map are prepared for the purpose of recording the location of the proposed building and the location of the proposed building. The plan and map are prepared for the purpose of recording the location of the proposed building and the location of the proposed building.

Doyle & Kelly
 11/17/2000

SWAMP ZONE SURVEY
 EAST HARTFORD, CONNECTICUT

PLAN PREPARED FOR:
ALDERHOUSE RESIDENTIAL COMMUNITIES, INC.
 PROPERTY KNOWN AS THE ALDERHOUSE BLOCK

645-664 MAIN STREET, MIDDLETOWN, CONNECTICUT

SCALE: 1" = 10' DRI DT: PHS
 DATE: NOV 2000

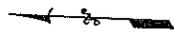
SHEET 1 OF 1



Area of subject property: 4,272.00 square feet (104.77 acres)

This document is a site plan for the Alderhouse Residential Communities, Inc. property located at 645-664 Main Street, Middletown, Connecticut. The plan shows the location of the proposed building and the location of the proposed building. The plan and map are prepared for the purpose of recording the location of the proposed building and the location of the proposed building.





LEGEND

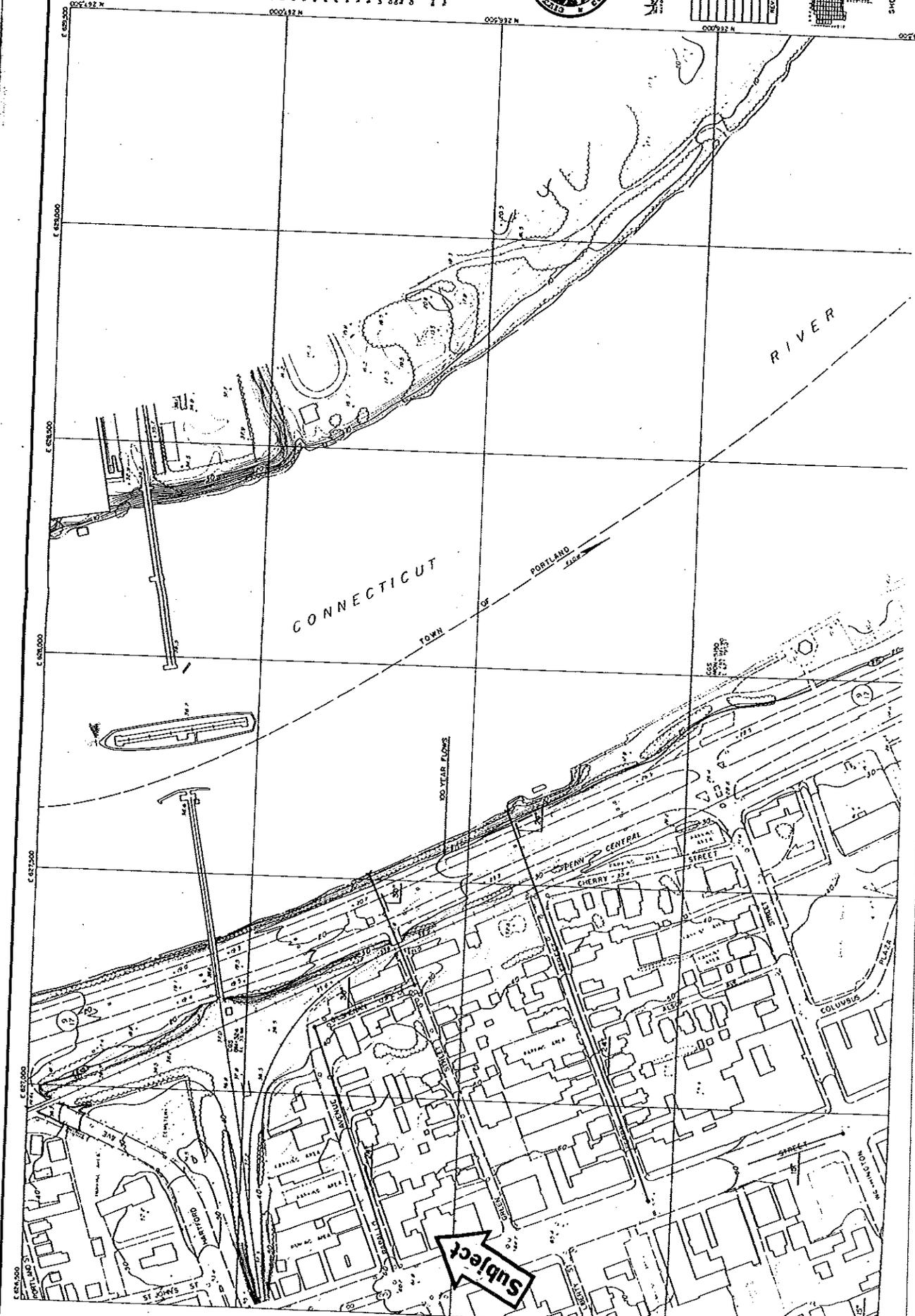
- Water
- Shoreline
- Channel
- Gravel
- Sand
- Silt
- Clay
- Rock
- Concrete
- Steel
- Timber
- Other



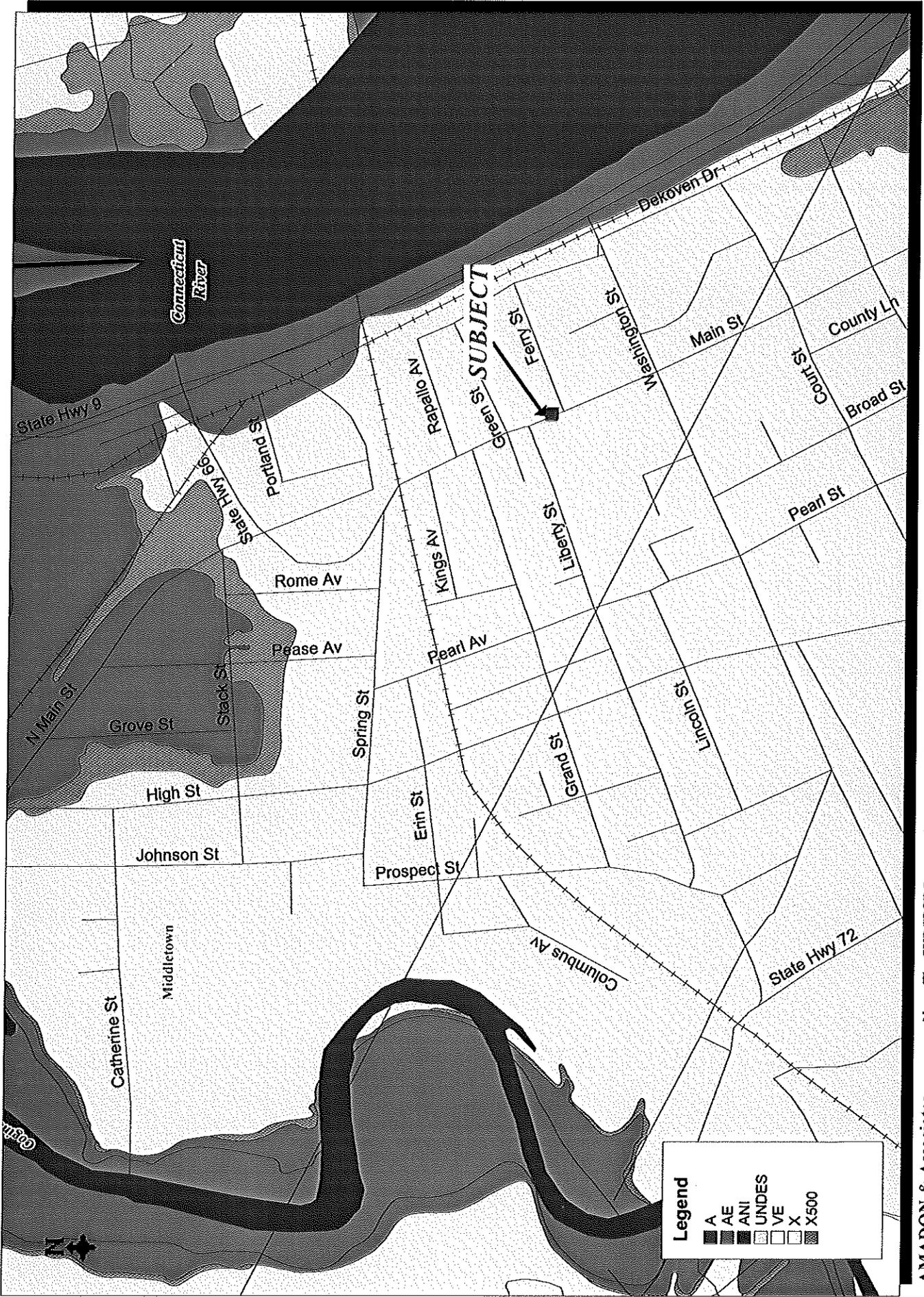
1	2	3	4	5	6	7	8	9	10
11	12	13	14	15	16	17	18	19	20



SHEET INDEX

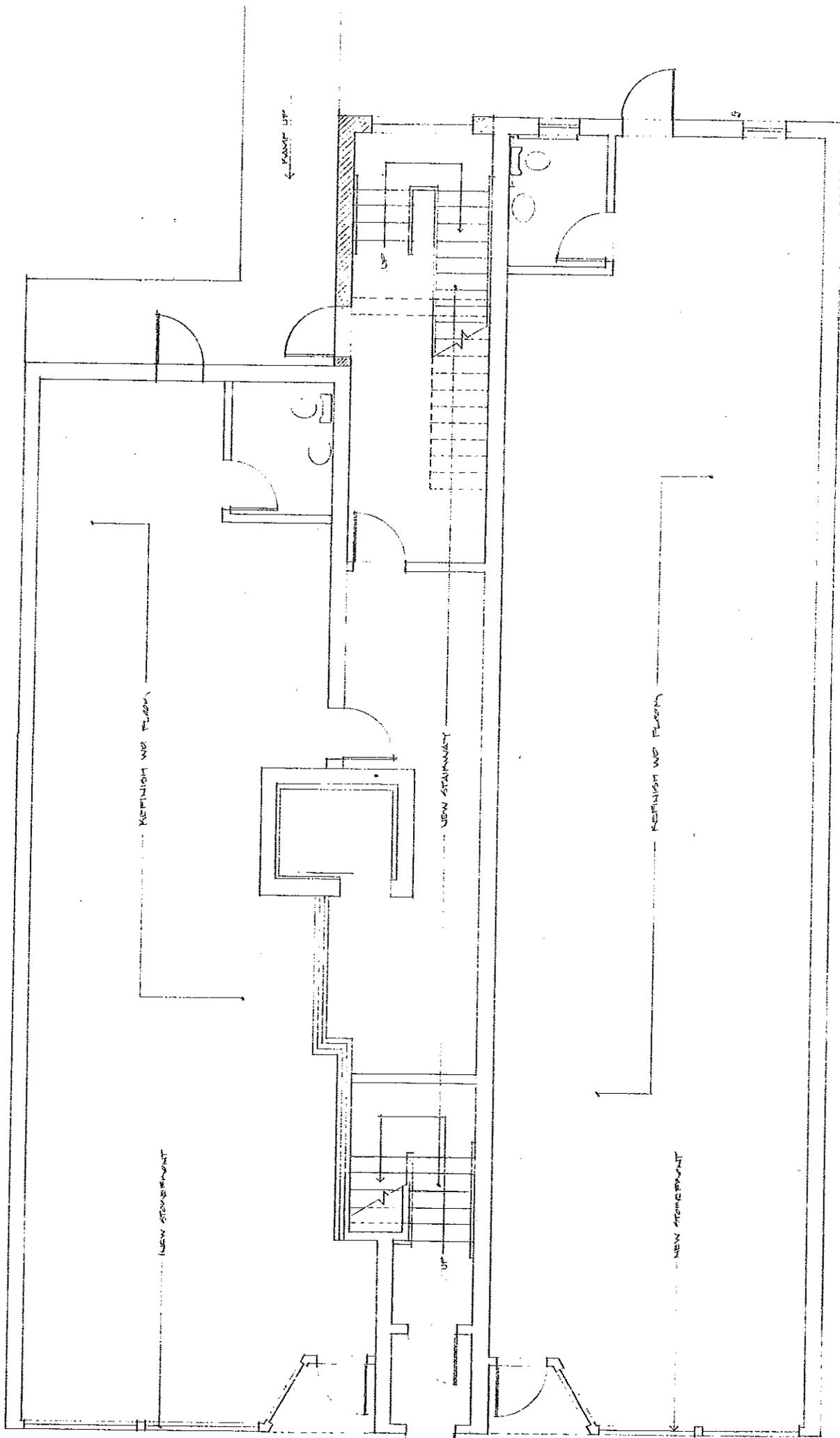


Flood Hazard Map

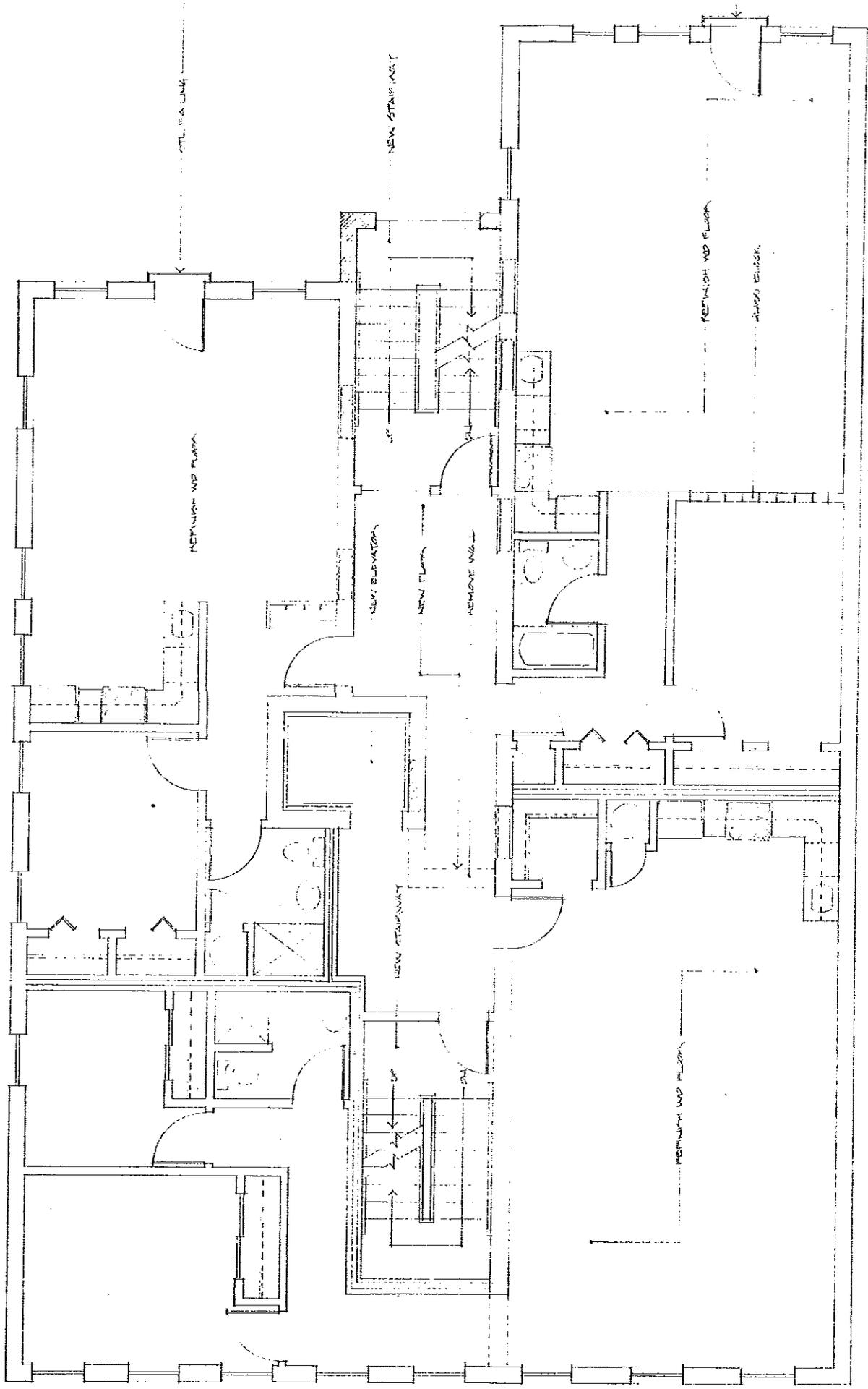


Legend	
[Solid Black]	A
[Diagonal Lines /]	AE
[Diagonal Lines \]	ANI
[Stippled]	UNDES
[Horizontal Lines]	VE
[Vertical Lines]	X
[Cross-hatched]	X500

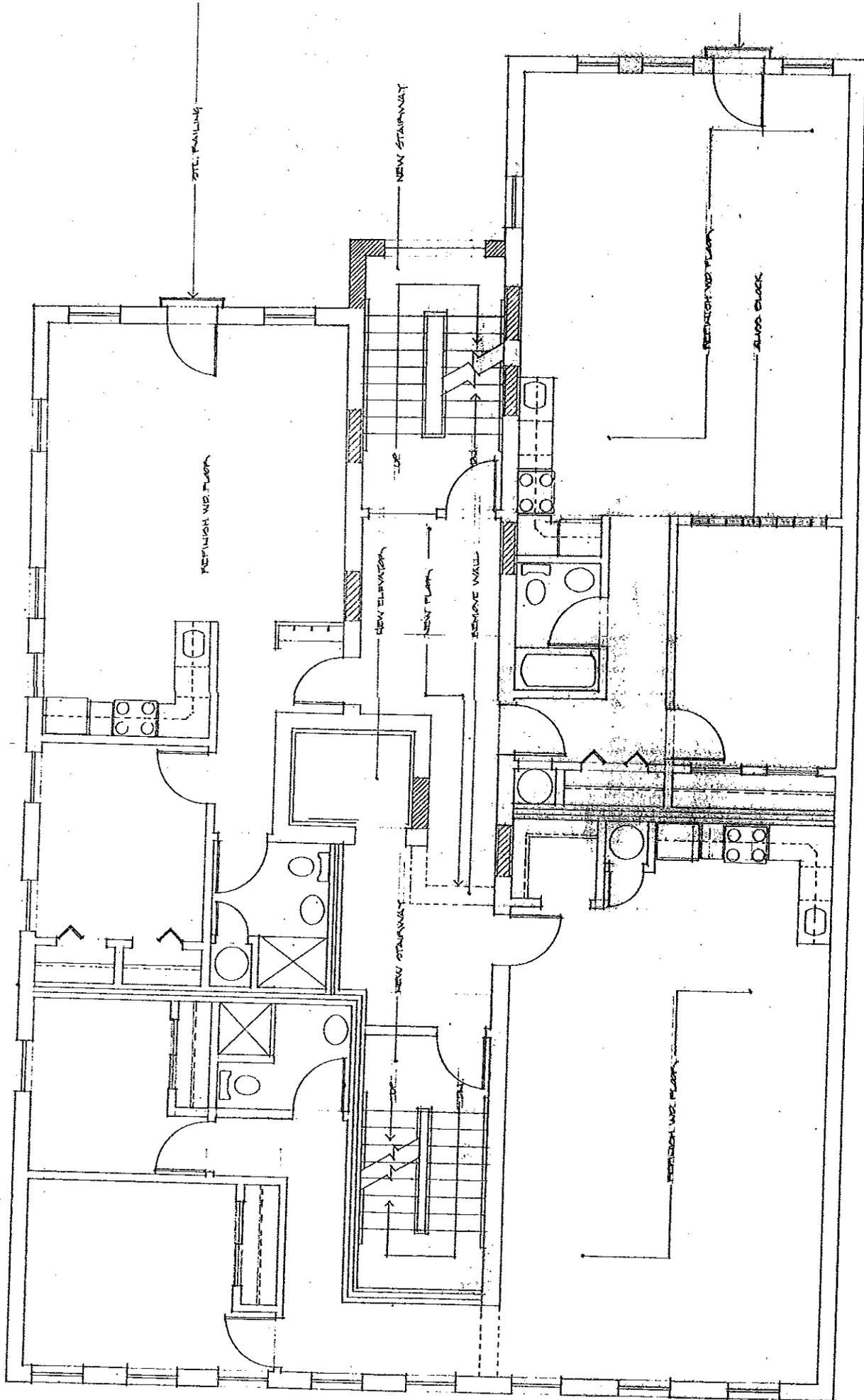
AMADON & Associates Note: The SUBJECT Property is located in Zone X: areas outside 500 year floodplain SUBJECT: 646-654 North Main Street, Middletown, Conn.



FIRST FLOOR PLAN 1/4" = 1'-0"
 MAIN ST. ARTIST 20-01



SECOND FLOOR PLAN
 MAIN ST. ARTIST CO-OP



FOURTH FLOOR PLAN April 1901
 MAIN ST. ARTIST CO-OP

**Main Street Artist's Cooperative
646 Main Street
Middletown, Ct. 06457**

Schedule of Work

Division 1 General

Demolish all interior partitions necessary to accommodate new work and strip all interior surfaces to studs.
Demolish exterior walls where indicated on drawings
Remove fire escape on North façade.
Remove all concrete in rear

Division 2 Sitework

One handicapped parking space in rear
Miscellaneous planting in rear
Excavate for new addition

Division 3 Concrete

Footings and foundation for new stair addition and elevator pit
New concrete slab in existing alleyway and new stair addition
New concrete sidewalks and ramp in rear where indicated

Division 4 Masonry

Repair or replace approximately 250 square feet of brick in rear
Fill in 20 windows (3' x 6') in alleyway with CMU
Glassblock at each floor where indicated
Elevator shaft walls

Division 5 Metals

Structural steel as necessary
Handrails on rear ramp and stairways
Steel frame windows and doors at stairways
Gypsum shaftwall assembly at unit division walls
Install resilient channel at floors
Steel railing guard at doors on rear exterior wall where indicated

Main Street Artist's Housing Cooperative
646-654 Main Street
Middletown, Ct.

Construction Budget

Site Utilities	\$	4,000
Paving and Walks		3,200
Other Site work		3,500
Demolition		58,000
Concrete		5,500
Masonry		19,500
Metals		18,000
Rough Carpentry		54,000
Finish Carpentry		46,000
Insulation		9,000
Roofing		18,000
Doors and Hardware		25,000
Windows and Glazing		35,000
Drywall		67,500
Wood Flooring		12,000
Resilient Flooring		5,000
Painting		17,500
Carpet		18,000
Cabinets and Vanities		17,000
Appliances		10,800
Elevators		50,000
Plumbing and Hot Water		45,000
HVAC		49,500
Sprinkler		35,000
Electrical		<u>40,000</u>
SubTotal	\$	666,000
Construction Management Fees		55,000
General Requirements		<u>79,000</u>
Total Construction	\$	800,000

DEVELOPMENT COSTS	TOTAL	Per Res. Unit 9	Units	100.00%		0.00%	Comments
				Demolition Costs	Acquisition		
				Resist!	Non-Res	Amortized	Expensed
Land	0	0	0	0	0	0	
Building	1*	0	1	0	0	0	
Basic Construction	0*	0	0	0	0	0	
Const. Contingency	800,000	86,889	0	0	0	0	
Utility Charges During Construction	80,000	8,889	0	92,000	708,000	0	
Architect(Design & Supervision)	2,000	222	0	0	80,000	0	
Building Permit	84,920	9,436	0	0	2,000	0	
Environmental Abatement	5,000	556	0	0	84,920	0	
Other Costs:Property Management Equipment	38,554	4,284	0	0	5,000	0	
Construction Period Interest & Fees Capitalized	0	0	0	0	38,554	0	
Construction Period Real Estate Taxes	0	0	0	0	0	0	
Construction Period Water/Sewer	9,000	1,000	0	0	0	0	
Construction Period Insurance	0	0	0	0	9,000	0	
Furnishings	5,000	556	0	0	0	0	
Relocation	0	0	0	0	5,000	0	
Title & Recording	0	0	0	0	0	0	
Appraisal/Market Study	5,000	556	0	5,000	0	0	
Property Survey	4,250	472	0	0	4,250	0	
Environmental Report	1,600	178	0	0	1,600	0	
Accounting/Cost. Cert/Audit	5,000	556	0	0	0	0	
Legal: Real Estate & Organization	6,000	667	0	0	5,000	0	
: DECD Legal	15,000	1,667	0	15,000	0	0	6,000
	4,000*	444	0	0	0	0	4,000
Operating Losses(Pre/During Construction)	0*	0	0	0	0	0	0
Marketing and Rent-up Costs during construction	0*	0	0	0	0	0	0
Tax Credit Allocation Fee	5,000	556	0	0	0	0	0
Developer Fee	0	0	0	5,000	0	0	0
Developer Overhead	79,412	8,824	0	0	0	0	0
Operating Deficit Reserve	1,058,824	26,471	0	0	79,412	0	0
	11,001*	1,222	0	11,001	26,471	0	0
Total Development Cost	1,187,208	131,912	0	128,002	1,049,206	0	6,000
* Not included in Developer Fee and Overhead calculation							
CONSTRUCTION FINANCING							
TOTAL	% OF TDC	% OF Construction					
CHFA HTCC Grant Funds	223,208	18.80%					
AHP Grant Funds	45,000	3.79%					
City CDBG Grant	92,000	7.75%					
Developer Equity	0	0.00%					
DECD HOME Grant Funds	822,000	69.24%					
Liberty Bank Grant	5,000	0.42%					
1,187,208	100.00%	100.00%	Less 50% of Developer Fee & 50% of Rent-up Reserve				
PERMANENT FINANCING							
TOTAL	% OF TDC						
DECD HOME Grant Funds	822,000	69.24%					
CHFA HTCC Grant Funds	223,208	18.80%					
AHP Grant Funds	45,000	3.79%					
City CDBG Grant	92,000	7.75%					
Developer Equity	0	0.00%					
Liberty Bank Grant	5,000	0.42%					
1,187,208	100.00%						
						\$ 8,000,000 X .06	

City of Middletown, CT

Department of Planning, Conservation Development
860-344-3425

Commercial Properties, Available, sorted by Zone

Zone	SF	Acres	Type	Address	Realty/Development Co	Phone
		1,400		1937 South Main ST	Joe Sarcia	(860) 635-2587
B-1			Retail/Housing	682-694 Main ST	William Raveis Real Estate	(203) 925-4549
			Restaurant	Ferry ST	Sterling Realtors	(860) 343-3820
			Bakery	Ferry ST	Sterling Realtors	(860) 343-3820
			Land/Office	Broad ST	Midfield Corp	(860) 638-5192
			Retail	check Main ST	Balaban	(860) 638-7085
	1,000		Office	44 Washington ST	Coughlin	
	1,000		Office	329 Main ST	Ruth Realty Corp	(860) 658-2008
	1,000		Office	423 Main ST	Balaban	(860) 638-7085
	1,000		Office	505 Main ST	Wells Guilmartin	(860) 347-5689
	1,260		Office	57 Washington ST	Hurwit & Simons	(860) 561-2340
	1,600		Office/Retail	147 William ST	Commercial Advantage	(860) 638-5454
	1,600		Office	426 Main ST	Vincent Amato	(860) 347-1893
	1,600		Retail	Metro SQ Main ST	Metro Realty, LLC	(860) 674-5644
	1,687		Retail	422 Main ST	Vincent Amato	(860) 347-1893
	1,880		Office	85 Church ST #400	Commercial Advantage	(860) 638-5454
			Gas Station	649 Main ST	Century 21 Neil Realty	(860) 635-5974

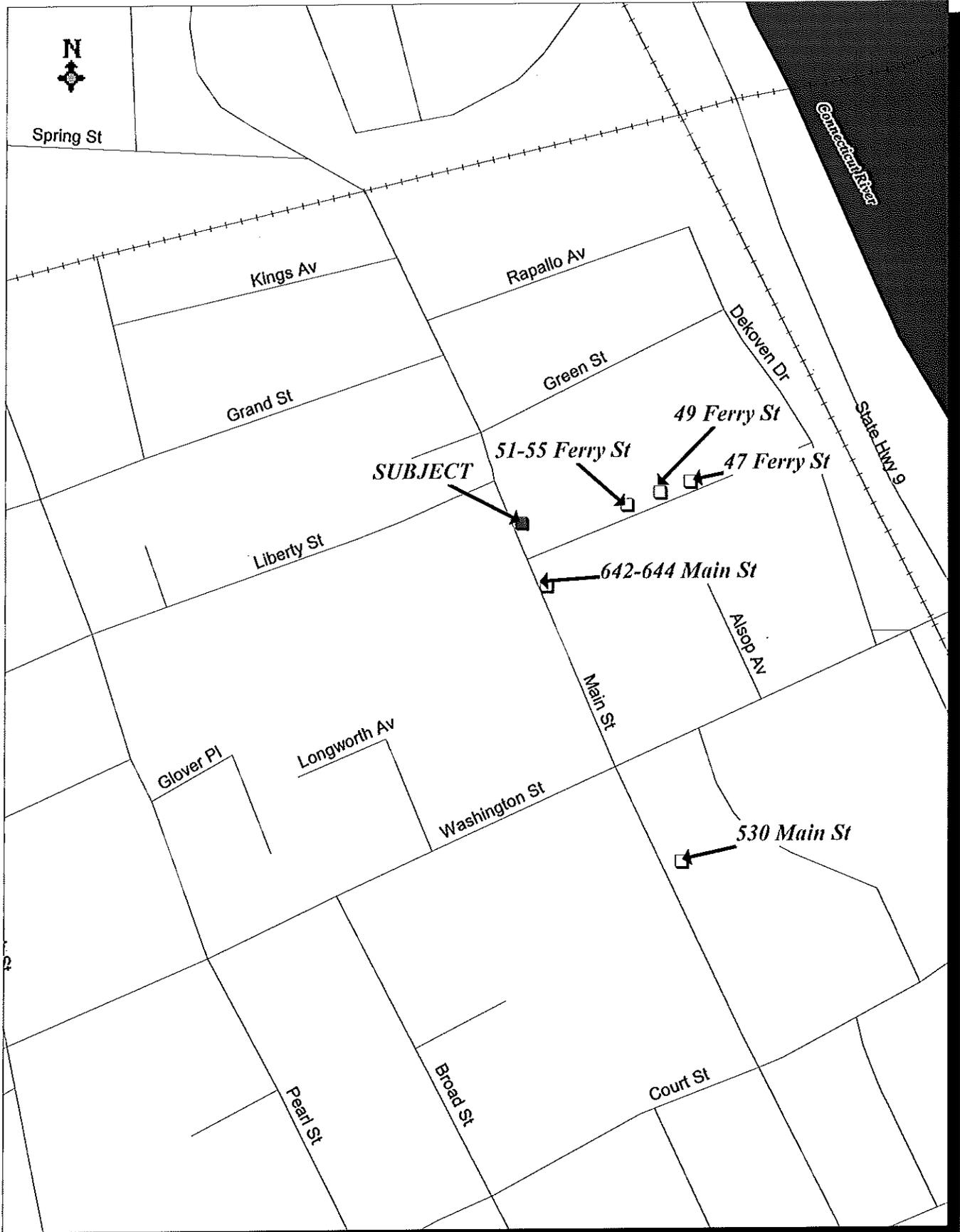
Thursday, February 01, 2001

Zone	SF	Acres	Type	Address	Realty/Development Co	Phone
	2,000		Office	418 Main ST	Vincent Amato	(860) 347-1893
	3,000		Office	438 Main ST	Morning Pond Resources	(860) 267-9652
	3,000		Restaurant	169 Main ST	Midfield Corp	(860) 638-5192
	3,500		Office	213 Court ST	Midfield Corp	(860) 638-5192
	5,000		Office	Plaza MDLSX Main ST	Midfield Corp	(860) 638-5192
	5,100		Retail/Office	Riverview CTR Main ST	Mackey LLC	(860) 344-5551
	5,400		Restaurant	200 Main ST	Metro Square, LLC	(860) 674-5644
	5,500		Office	45 Broad ST	Morning Pond Resources	(860) 267-9652
	6,950		Office	124 Court ST	Midfield Corp	(860) 638-5192
	7,000		Restaurant/Retail	516 Main ST	Morning Pond Resources	(860) 267-9652
	7,000		Office	363 Main ST	Morning Pond Resources	(860) 267-9652
	7,000		Retail	606 Main ST	Midfield Corp	(860) 267-9652
	7,500		Office	386 Main ST	KGA	(860) 638-5192
	7,868	0.42	Office	15 Pleasant ST	Prudential Connecticut Commercial Re	(860) 347-6626
	9,000		Retail	412 Main ST	Midfield Corp	(860) 521-1741
	10,000		Office	225 Main ST	Citizens Bank	(860) 638-5192
	12,000		Office	386 Main ST	KGA	(860) 685-8800
	13,000		Office	386 Main ST	KGA	(860) 347-6626
	16,902	0.29	Office	77-83 Crescent ST	KGA	(860) 347-6626
	17,000		Retail/Office	Riverview CTR Main ST	Prudential Connecticut Commercial Re	(860) 521-1741
	18,600		Retail/Office	098 Main ST	Mackey LLC	(860) 344-5551
	20,000		Office	94 Court ST	Midfield Corp	(860) 638-5192
					Commercial Advantage	(860) 638-5454
	2,000	7.00	Land/Industrial/Offi	693 Saybrook RD	Colliers Dow & Condon	(860) 249-6521
			Retail/Office	635D South Main ST	Location Realty	(860) 344-0001

B-2

Thursday, February 01, 2001

Comparable Sales Map



HOME Predevelopment Loan Policy

Predevelopment loans will be provided to HOME Developers only for those expenses which are unique to the DECD HOME Program and are necessary to permit the Developer to complete the Underwriting Phase I Checklist.

Specifically, loans will be limited to the cost of the following items and will not exceed \$50,000:

- Environmental Phase 1 Review
- Environmental Phase 2 Review
- NEPA Checklist
- Appraisal(s)
- Market Study or Market Analysis Checklist

The terms of the loan will be 0% interest and will be due and payable upon:

1. First draw-down of HOME funds; or
2. Determination that project is not feasible; or
3. Failure of the Developer to secure all necessary financing/approvals; or
4. Abandonment of project by the Developer.

No Predevelopment Loans will be forgiven. In the event that a HOME pre-application that was originally approved for processing is subsequently rejected by the DECD, the Developer may attempt to remedy the deficiency or deficiencies which caused the rejection through a maximum of two additional HOME funding rounds. However, there will be no increase in the amount of the Predevelopment Loan.

HOME Procurement Policy

In addition to following 24 CFR Section 85.36, all Developer/Owners will make a good faith effort to, provide for: an open and competitive process; and reach out to neighborhood, small, minority and women owned businesses.

HOME Real Property Acquisition Policy

Appraisals

The following appraisal process will be used for all HOME Projects:

1. One independent professional "as is" and "to be developed" appraisal is required for each acquisition unless there are multiple acquisition of similar properties where, in the opinion of DECD, the acquisitions can be grouped under one appraiser.

2. The Owner/Developer will select and commission one Connecticut licensed appraiser of its own choosing from a list provided by DECD. The firm will then be hired by DECD. The Developer/Owner will pay for the appraisal in advance. The appraisal fee is nonrefundable. The appraisal will be prepared according to industry standards and within guidelines and standards established by DECD. The DECD reserves the right to review, analyze, and/or modify the appraisal, and, if deemed necessary by DECD, to commission a review appraisal to be paid for by the Developer/Owner.
3. The appraisal will be performed by a Connecticut certified general appraiser and, at a minimum, conform to the Uniform Standards of Professional Appraisal Practice (USPAP). A minimum of two-thirds of the comparables shall be non-government-assisted properties. Government-assisted property will include property acquisitions financed by HUD, USDA, CHFA, DECD and local government programs.
4. The appraiser will also be instructed to provide from the municipal land records the sales history for the subject property for the last three arms-length sales.
5. The selected appraiser will perform the task to determine the highest and best use under current zoning and will include the following methods of valuation:
 - Direct Sales or Market Value Approach – This approach is based on the proposition that an informed purchaser would pay no more for a property than the cost of acquiring an existing property with the same utility;
 - Income Approach – This procedure in appraisal analysis converts anticipated benefits (dollar income or amenities) to be derived from ownership of the property into a value estimate. Anticipated future income and/or reversions are discounted to a present worth figure through the capitalization process; and
 - Cost Approach – This approach in appraisal analysis is based on the proposition that an informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property.
6. The appraiser must be a Connecticut state certified general appraiser, and possess the necessary educational background, academic affiliations, professional, and business experience. The appraiser must also provide a statement to DECD attesting to a non-conflict of interest.
7. The appraiser shall retain the narrative appraisal report for a period of five (5) years after acceptance by DECD. Subject to written authorization from DECD, the appraiser shall make the narrative appraisal report available to anyone designated by DECD.
8. The appraiser shall provide a letter to DECD certifying that the appraisal meets prevailing standards and providing a value for the subject property. DECD reserves the right to test the veracity of the certification and statement of value by requesting a copy of the appraisal narrative report.

9. DECD reserves the right to have the appraisal reviewed by a review appraiser. The review appraiser shall have the authority to accept, reject, request modification of, or, with appropriate documentation and justification, substitute a new value for the property.
10. If DECD HOME funds will not be used for acquisition, then an appraisal secured by the primary lender may be substituted provided the appraisal includes a "to-be-developed" value and is reviewed and accepted by DECD.

HOME Sales History Policy

Sales History

As part of the acquisition file for each property acquired with State HOME funds, the Developer/Owner must secure from the seller an affidavit documenting the dates and terms of the previous three sales of that property. A Developer/Owner must also place in the acquisition file a certification that it has reviewed the affidavits and that it is not acquiring a property where any unusual sales activity has occurred and that the acquisition is an "arms-length transaction." (See attached "Owner's Affidavit").

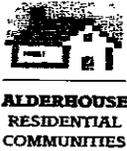
In addition to the Owner's Affidavit, the appraiser must be instructed to provide the sales history for the property for the past five years as documented in the town's land records.

**SUPPLEMENTARY CRITERIA REQUIRED FOR ALL COMPLETE
SELF-CONTAINED APPRAISALS SUBMITTED TO THE AUTHORITY/DECD**

1. Appraisals are to be in writing. Any failure to conform to the Uniform Standards of Professional Appraisal Practice (as required by Connecticut law) must be clearly stated and explained. If there are limiting conditions under which the appraisal was performed, they must be emphasized and analyzed. Inability to obtain pertinent information must be noted in the report and a commentary must be included on the efforts taken by the appraiser to obtain such information. The appraisal must state that it is a "complete and self-contained" report.
2. Appraisals must be signed and performed by Connecticut Certified General appraisers only. No one, including a real estate trainee, will provide significant professional assistance to the approved principal appraiser signing the report unless stated and given prior written approval by the Authority/DECD. License certifications of appraisers signing and performing the appraisal are to be included in the report. Subcontracting of the assignment or portions of the appraisal is expressly forbidden without the prior written consent of the Authority/DECD. Clerical staff are never permitted to sign or initial a report on behalf of an appraiser.
3. If an appraisal firm is operating under a corporation state certification license and has been approved by the Authority/DECD to perform appraisals as a corporation, the designated appraiser representative under which the corporation has been certified by the Real Estate Appraisal Commission of the Connecticut Department of Consumer Protection must then sign all appraisals submitted.
4. A personal inspection of the subject property is required of the approved appraiser and is not to be limited to exterior inspection only.
5. If a particular appraisal assignment is substantially dissimilar than was implied in the appraisal assignment process, the appraiser must inform the Authority/DECD before proceeding.
6. Fee simple estate or leased fee estate must be clearly defined and appropriately applied in the report. A leased fee property interest appraisal must include a full analysis of each individual lease and the risks associated therein. The valuation difference (if applicable) between these two property interests must be discussed and analyzed.
7. Use of the terms "market value" and "fair value" are to be clearly defined in the report and are not to be used interchangeably. All definitions should be appropriately referenced.
8. Software programs and the version used in the analysis must be stated. The underlying assumptions of the software are to be stated and analyzed (especially when using pre-packaged software), and the computer disc (one copy only) with these inputs must be attached to the submitted appraisal report.
9. Whether subsidized housing comparable sales or non-subsidized housing comparable sales should be used exclusively in the analysis will be agreed upon prior to contracting for services with the Authority/DECD. Such specifications should be clearly stated to avoid misunderstandings.
10. When verifying government subsidized contract rents, the appraiser must not rely solely on information provided by a property owner. Rental income and anticipated increases must always be independently verified by the mortgagee's asset manager monitoring the property.
11. The highest and best use analysis must be thorough and adequately supported by sufficient economic facts.

12. The complete subject deed and supplementary information must be included in the appraisal report.
13. Regional and neighborhood data provided must be adequate. Statistics included must be analyzed and related to the appraisal report.
14. Current census tract data (with maps) must be included in the report. Census data rental statistics must be thoroughly analyzed and related to all estimated value conclusions.
15. An adequate history of the subject property (minimum of 5 years, longer if pertinent) must be provided. If the subject has been on the market for sale within the past three years, an analysis of the asking price and any subsequent price reductions must be made. If the subject property is under contract for sale, or an option to purchase exists, an analysis of the offering price or agreement and conditions thereof must be made.
16. Data must be provided to concur with the analysis regarding declining, stable, or appreciating market conditions. The appraiser must analyze and report on current market conditions and trends that will effect estimates of income or absorption to the extent they effect the value of the subject property.
17. The appraiser must provide the amount of annual property taxes and any past due taxes in the report and comment on their reasonableness. If high, explain the impact on the estimated value. Additionally, tax field cards should be included in the addenda.
18. Appraisals should be based on existing zoning. However, the appraiser may value the property based on both current zoning and any other zoning that is likely to be obtainable within a short period of time. The likelihood of the alternative zoning should be explained in the report for all cases in which it is appropriate to supply both valuations.
19. Zoning, site, wetlands, topographical and flood maps must be included in the appraisal report.
20. The positive and negative features and condition of the subject and surrounding properties must be stated and the impact upon value analyzed in the report. The "due diligence" used in the discovery of any environmental hazards must be fully explained.
21. The appraisal report must enable the reader to understand the value conclusion without referring to other documents. The appraisal must not incorporate by reference a document that is not readily available. Studies prepared by others should be verified to the extent that they impact assumptions or conclusions used by the appraiser. Cost estimates provided to the appraiser must be separately and independently verified by the appraiser. Workouts done by the appraiser verifying or invalidating cost estimates provided by another must be included in the appraisal report.
22. Estimates to complete essential repairs and to cure violations must be provided, and the appraiser must specify whether those expenses (with a breakdown), have already been considered in estimating the appraised value.
23. A minimum of three exterior photographs of the subject property (front, rear, street or location view) and a minimum of three interior photographs of the subject property are required. Any detrimental conditions on or near the subject property must be noted, analyzed, and photographed. Additional photographs of special features and amenities (community house, pool, recreation areas) are required.
24. A minimum of one exterior photograph of each comparable (sales, rentals, or listings) is required. If pending sales are used, a minimum of one exterior photograph is required.

25. Proper location maps of the subject property and comparables are required. These should be clearly reproduced and identifiable. If a field review becomes necessary, the information provided should be more than adequate to locate for an inspection.
26. A minimum of three comparable closed sales is required of all appraisals. The Authority/DECD prefers the use of additional sales to the minimum required.
27. All comparable sales must be verifiable. If a pending sale is included, it must only be used as a fourth or additional comparable to the minimum required.
28. A comparable more than three years old will be considered questionable and may seriously undermine the estimate of value unless an adequate and thorough explanation is provided. It should only be used as a fourth or additional comparable to the minimum required.
29. A detailed analysis of all comparables must be provided. Emphasis should be on location, design appeal, property rights transferred, neighborhood, terms of sale, conditions of sale, condition of property, and any additional features important to the particular circumstances of the property. Detailed comparable adjustment grids must always be included in the analysis and adjustments accounted for in the proper sequence. All sales and market rental adjustments are to be factored individually, i.e., clearly defined and delineated.
30. Adjustment patterns must be consistent. Condition adjustment of a comparable property must be made in relation to the subject condition, NOT sale or adjusted sale price. Use of or failure to use a time adjustment must be explained, consistent with market conditions as stated in the report.
31. Listings comparable to the subject property must be analyzed. If a competing property is on the market for sale and superior to the subject property and is offered for sale at an amount less than the estimated value that the appraiser has arrived at, then any value conclusion will be undermined without a proper and thorough analysis.
32. In the Income Approach to value, the choice of a particular methodology must be explained. Why the appraiser considers it the most appropriate methodology applied to the subject property and market conditions must be examined.
33. When a discounted cash flow analysis is used, a five to seven year holding period is adequate unless otherwise stated in the Authority/DECD appraisal contract specifications.
34. When an approach to value is not used, a clear and thorough statement must be made and a proper and adequate explanation provided.
35. Any personal property, fixtures and intangible items that are not real property but are included in the appraisal must be identified and separately valued and the impact of their inclusion or exclusion on the estimate of market value must be discussed in the appraisal report. Incentives that result in intangible property rights (e.g., Low Income Housing Tax Credits) must be separately analyzed in relation to the modifications/restrictions to the real property rights.
36. The valuation, date, and property interest estimated must be properly stated, e.g., "prospective market value is expected to be as of", "leased fee estate estimate of market value as of."
37. If investment value is requested in the contract for services, a complete investment analysis must be done and included in the report.
38. A copy of these instructions is to be made a part of the appraisal report. (Revised 1/96)



Munro Johnson
City Planners Office
City of Middletown
245 DeKoven Drive
Middletown, CT 06457

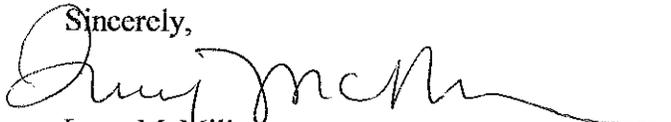
February 28, 2001

Dear Mr. Johnson:

As you know, Alderhouse Residential Communities, Inc. is renovating 646-654 Main Street into an artist cooperative. The building will have 9 residential units and a bottom floor gallery space occupied by a local non-profit. The current 15 year proforma illustrates the annual gross rental income, operating expenses, and cash flow for the property. It is extremely important, and is recommended by HUD, that this cooperative hire a property manager to take on the responsibilities of collecting carrying costs, funding the reserve account, arranging for maintenance, compiling reports, etc. The cost of this service is approximately 10% of the gross rental income or \$5000 a year. Given the current rent structure and the operating costs it will be very difficult for the cooperative to hire a reliable company.

Initially we projected the annual property taxes after the 4 year deferment to be approximately \$14,200 and wrote our proforma accordingly. The enclosed Market Study of the project property, given the restrictions on the use of property, the appraisal value and the limited rental income, indicates that the after rehab value of the property is estimated to be \$155,000. At a mill rate of 34.60 the estimated annual property taxes are calculated to be approximately \$5,500 annually. As a result, Alderhouse would like to request a review of the annual taxes on this property. A reduction in the property taxes will provide this cooperative with the funds they need to maintain a quality management company and run a successful cooperative. I have enclosed a copy of the Market Analysis, our current development budget, a 15 year operating proforma and a list of the current operating costs for the project. Thank you for considering this request and please call if you have any questions.

Sincerely,



Lucy McMillan

Cc: Bill Warner, Rick Carney