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A Real Estate Development Plan for the Bancroft-Rice School Site Boston, Massachusetts

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By

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Chapter I
Introduction

This paper focuses on a single real estate development project in Boston, Massachusetts. It is composed from the perspective of a consultant working for a private developer or real estate trust, charged with the duty of examining investment opportunities and providing recommendations. The presentation format parallels that of a prospectus which thoroughly researches and analyzes the site to reveal its development potential for varied types of investors.

The Bancroft-Rice School was chosen as the subject of research for two reasons. The first is because it exhibits significant potential for redevelopment. The school buildings, although recently fallen into disrepair, are impressive examples of French Academic architecture, quite uncommon in Boston's South End. It is also one of the few sites in the urban area with existing on-site parking. The school is excellently located within a short distance from the fashionable Back Bay District, in an area which is beginning to experience considerable reinvestment. In addition, the recently completed Copley Place mixed use project, situated only two blocks away, compounds the site's potential value. The proximity to work centers and access to retail, transportation, cultural and recreational facilities further expands the opportunities for successful adaptive reuse.

The second reason for studying the Bancroft-Rice property is because the disposition of public buildings, particularly schools, is becoming more and more common. The City of Boston recently placed nine schools on the market, while other communities have also begun selling their surplus properties. Tremendous development opportunities can be realized pending favorable agreements between municipalities and developers. The presentation of a financially sound project with community benefits outweighing public costs can often result in a reduced selling price, making the project economically very attractive.

Synopsis

I have set out to accomplish five basic tasks: site description, market analysis, formulation of viable development alternatives, complete financial analysis, and final recommendation for optimum development of the site. These tasks correspond to the five following chapters which are briefly summarized below.

Chapter II. Description of the Site. A detailed examination of the site is presented including a discussion of the architecture, size, condition and selling price of the buildings. This chapter also includes a sketch plan and photographs to illustrate the appearance and physical layout.

Chapter III. Market Analysis. This chapter is organized into two parts. The first section carefully explores the indirect economic forces affecting potential development. This investigation is generally focused on the ever import locational factors (ie. character of the area, access to services, parking, etc) as well as existing building and zoning regulations. Immediately these indirect influences begin to eliminate certain development options while indicating an increased potential for others. The primary suitable use identified for the area is residential with the possibility for a minor office component.

The second part of the chapter then analyzes the direct economic forces affecting supply and demand to further specify the highest and best use of the property. Census information at three levels, census tract, city wide, and SMSA is used to analyze current trends indicating housing demand, and also to identify the target population. Recent sales data allows the identification of the most marketable types, sizes, and prices of housing units as well as the most popular amenity features. This combination of information presents a true picture of current housing demand. The following examination of development currently underway and existing housing supply allows the projection of the estimated future residential demand and determines the marketability of the new units. The chapter concludes with a summary of market analysis findings and the resulting suggested parameters for optimum development of the site.

Chapter IV. Description of the Project. The suggested parameters are employed in this chapter to formulate two development alternatives. The first is an entirely residential condominium development. The second alternative is also primarily residential condominiums, but also contains professional offices on the first floor of both buildings. A complete description accompanies each alternative including the sizes, prices, and amenities of the units, as well as the financing arrangements and detailed cost estimate. Sketch plans and elevation drawings are also included to illustrate the proposed layout of the buildings and parking lot.

Chapter V. Financial Analysis. The financial feasibility of both development alternatives is thoroughly analyzed in this chapter. Three scenarios varying from most optimistic to "worst case" are detailed for each alternative. They differ in selling rate, price, rent, lease up period, and construction cost. Computer spread sheet models developed for the two alternatives are then used to test the varying scenarios, determining the sensitivity of these variables with regard to their effect on the financial success of the project. The key indicators used to indicate the measure of success are: Total Discounted Return After Taxes, Net Present Value of Profit, Return on Investment After Taxes, Internal Rate of Return and Investment Value.

This chapter also examines the possibility of developer assisted mortgage financing. As determined by the market analysis, a large percentage of the target population has the income necessary for mortgage payments but not the savings for a down payment. Therefore, reducing the initial equity requirement may greatly increase the sales appeal of the units. The cost of this type a buy down is weighed against the benefits of a potentially shortened selling time. The Total Discounted Return After Taxes resulting from varying selling periods is examined. This indicates the potential value of having the units sell more quickly and suggests a dollar amount parameter for investment in a buy down of this type.

The chapter concludes with the comparison of the two development alternatives. Each option is evaluated with regard to the differing needs of individual investors.

Chapter VI. Conclusion. Finally, the conclusion is presented in two parts. The first summarizes the analyses conducted, reiterates the recommendations for optimum development of the site and indicates the types of investors which would most likely gain from investment in the project. The second part focuses on how the project would benefit the

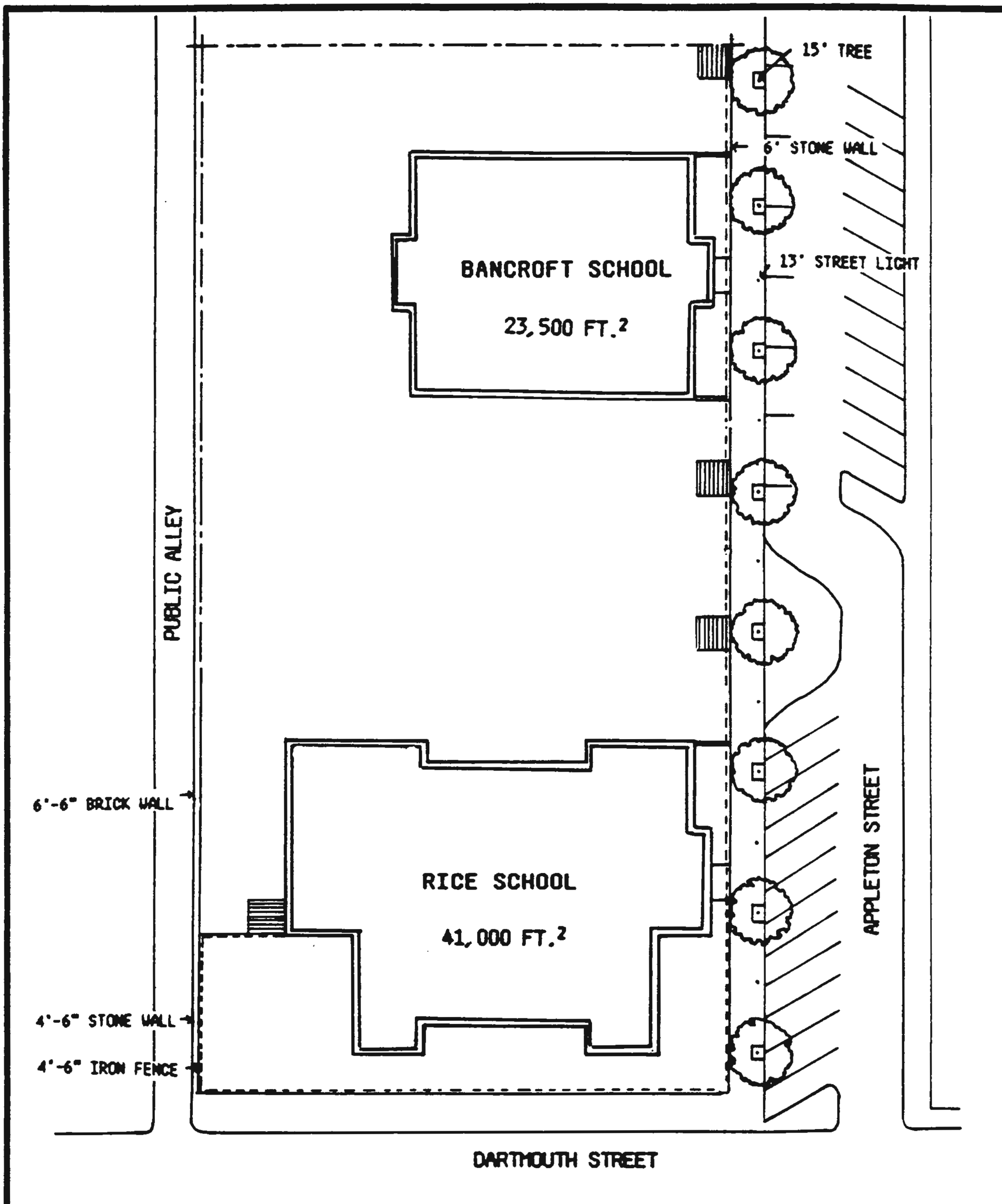
City of Boston. This is particularly important because the site is being sold at the City's discretion and it will be necessary to prove that the financial revenues and other advantages outweigh the public costs incurred. The results of a fiscal impact analysis are presented with other supporting information illustrating the lasting value of the project.

Chapter II
Site Analysis

Description of the Site

The Bancroft-Rice School is composed of two structures existing on a lot of just over one acre of land (45,579 sq. feet). Approximately two thirds of the site is a paved parking area which surrounds the buildings. The largest structure, the Rice Building, totals 40,520 square feet of floor space. It was constructed in 1869 and designed in the French Academic tradition by the prominent Boston firm of Emerson and Fehner.[1] The building illustrates many attractive characteristic elements of the style: the symmetrically organized facade, sculptural window enframents and mansard roof. The smaller structure, the Bancroft building, is comprised of 22,480 square feet of floor space and dates from 1870. It is somewhat less architecturally interesting than the Rice, although its design is similar and does possess aesthetic merit.

SOUTH END (Bancroft-Rice Site at center of photograph)



Bancroft-Rice School Site

BOSTON, MASSACHUSETTS

SCALE 1" = 40'

Condition

The Bancroft-Rice School was closed in July, 1981 and has been vacant and subject to vandalism since that time. The exterior appearance of both buildings is poor. Extensive renovation is needed to restore the facades to near their original beauty. Necessary exterior rehabilitation would include: cleaning and treatment of masonry, replacement of all windows, repair of window and door enframents, and repair and cleaning of the mansard roof. Although maintenance needs have been neglected in recent years, the buildings remain is relatively sound structural condi-

BANCROFT SCHOOL

RICE SCHOOL

tion and would be well worth the renovation efforts suggested. The interior structure would also require alteration, the extent of which is dependent on the proposed use. Plumbing, heating, air conditioning and electrical systems would need complete revamping in addition to any other customizing work necessary to accomodate the new use.

Selling Price

The current selling price for the property is $265,000. The school is to be packaged with two other schools which offer less attractive development opportunities. Prospective developers wishing to purchase the Bancroft-Rice School must also purchase the other two sites. However, for the purpose of this analysis, the Bancroft-Rice property will be viewed independently as a single development project. At the conclusion of the study, the results of the feasibility analysis may be tempered in light of the requirement to purchase all three schools.

BANCROFT-RICE SCHOOL SITE

Chapter III
Market Analysis

The market analysis is accomplished in two steps. First, the indirect economic influences which begin to suggest suitable uses for the site are explored. This includes locational factors such as proximity to services and character of the area as well as existing building and zoning regulations. Secondly, after the most appropriate general uses have been cited, the direct economic influences are examined in detail. The forces of supply and demand are examined to yield the best estimate of market conditions. The conclusion of the chapter utilizes the results of the market study to identify parameters for the optimum development of the site.

A. Indirect Economic Influences

All indirect economic influences are examined at the onset of the market analysis. These factors instantly begin to eliminate certain development alternatives while illustrating an increased potential for others. These influences are investigated under the following topics:

<u>Location</u>, the general description and background information concerning the neighborhood,

<u>Character of the Immediate Area</u>, an indication of the visual impression the area projects,

<u>Transportation Linkages</u>, an illustration of the site's accessibility to employment, retail and residential centers,

<u>Parking</u>, a description of the location, quantity and type of parking available to potential site users,

<u>Access to Services</u>, the proximity to commercial, cultural and recreational facilities,

<u>Existing Regulations</u>, the limitations on potential uses and restrictions affecting building expansion or alteration,

AND

<u>Points of Interest</u>, an identification of significant sites which exert an attracting force on potential development.

Location

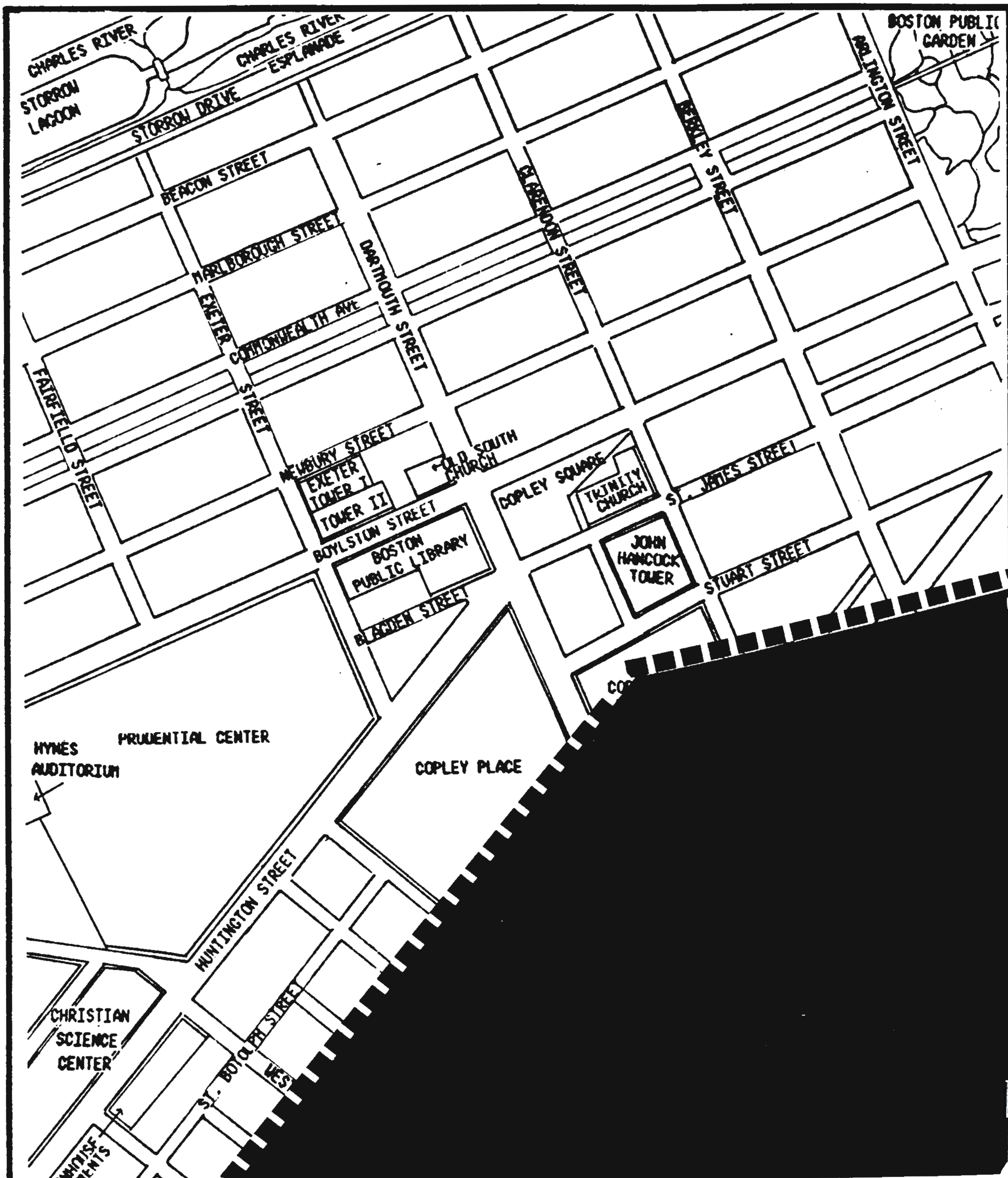
The Bancroft-Rice site is located on Appleton Street at the intersection of Dartmouth Street in Boston's Historic South End. The area is predominantly residential with a limited number of small first floor retail establishments and occasional offices. To understand the composition of this neighborhood, it is necessary to examine its developmental history. This city neighborhood developed primarily between 1850 and 1870 as a fashionable residential quarter. Three and four story brick townhouses with swell-fronts, mansard roofs, high stoops and black iron railings lined the streets. The area prospered and grew until the turn of the century. At that time the neighborhood began to decline. After wealthy residents abandoned the area, most large homes were converted to rooming houses and apartment buildings, housing poor immigrants. The crime rate rose sharply in the following years hastening the South End's decay.

Redevelopment efforts began in the 1960's and can be viewed as having occurred in two phases. The first phase benefited the low income residents who remained in the South End after the middle class exodus to the surrounding suburbs. Subsidized housing and other publicly aided projects helped to rejuvenate the area for its current population.

The second phase of redevelopment began in the late 70's and has continued into the 80's, coinciding with the renewed desire on the part of the middle and upper class to live within the City, and the redevelopment of the adjacent Back Bay District. Many areas of the South End, particularly those at the fringe of the Back Bay, have experienced redevelopment, generally of the small scale, building by building type. These private efforts are geared to attract middle and upper income residents into the area, an objective quite different from that of the first redevelopment phase.

It is helpful to note that most of the phase one type redevelopment has occurred in the Southern - most section of the South End and most of the phase two type has occurred in the Northern - most section bordering Back Bay. In between these two areas and within them as well, rows of original townhouses from the 1850's and 60's, primarily used for rental housing, remain potential targets for redevelopment.

The Bancroft-Rice School is located in the Northerly section of the South End as illustrated on the following map. This map as well as others depicting neighborhood influences, shows a significant portion of Back Bay, as the site's proximity to this prestigous residential, commercial and cultural center has a large impact on its desirability. Back Bay's Victorian buildings, brick sidewalks and historic lighting have created an impressive neighborhood attracting many residents who can affort its high prices and disappointing those who cannot. The logical spillover area for those wishing proximity to the elegance of high quality galleries, specialty shops, hotels and restaurants, but finding Back Bay unattainable, is the adjacent South End, lending greater potential to the Bancroft-Rice School location. Further, the site is only 1½ blocks from the new Copley Place Development with its mix of hotels, offices and retail establishments.



Bancroft-Rice School Site and Surrounding Area

South End

Back Bay

SCALE 1" = 500'

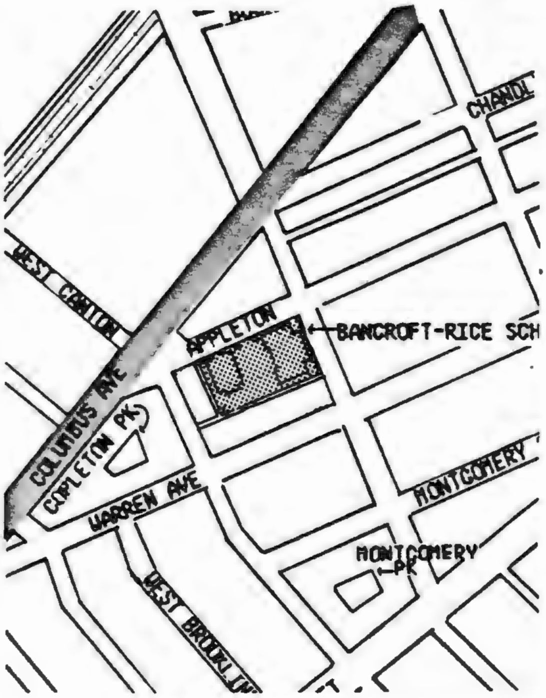
VIEW TO COPLEY PLACE FROM BANCROFT RICE SITE

TYPICAL TOWNHOUSE RENOVATION

Character of Immediate Area

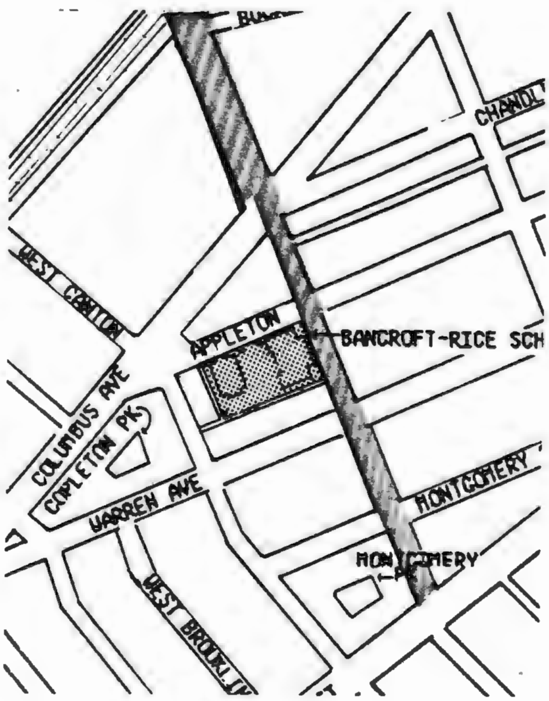
The image of the area immediately surrounding the site is not clearly positive or negative. It rather depends on what route is traveled to the site or which streets are focused upon. Attractive residential redevelopment has occurred on many streets. West Canton Street and Appleton Street primarily host appealing renovated residential structures. Dartmouth Street also has a number of rehabilitated commercial and residential buildings. However, many visitors to the site would travel by way of Columbus Avenue or Tremont Street and would receive quite a different impression of the area. Both streets have a striking number of rundown and vacant structures. The character of the streets surrounding the site are summarized and pictorially represented on the following pages.

Character of Immediate Area



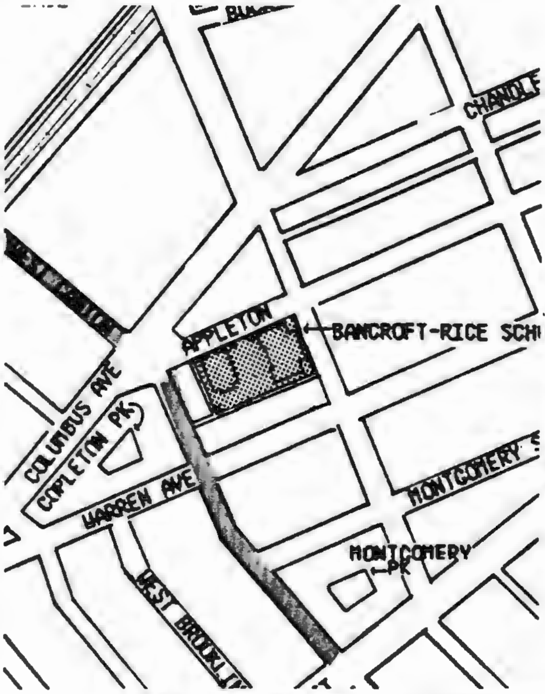
Columbus Avenue

Character: Commercial and residential, generally unattractive, poorly maintained buildings, many vacant and under-utilized structures, primarily rental housing.



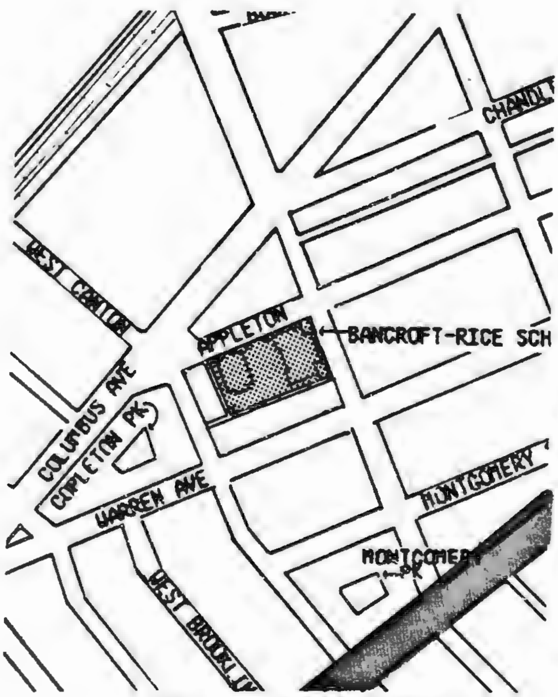
Dartmouth Street

Character: Commercial and residential, generally attractive, many renovated structures, some owner occupied dwellings



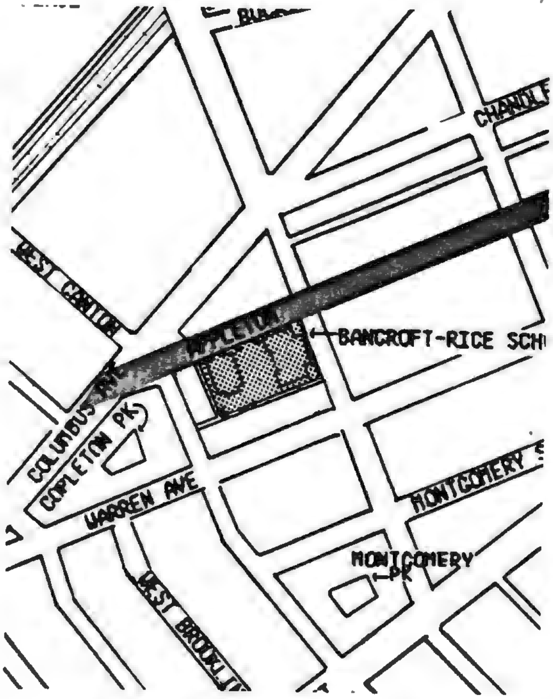
West Canton Street

Character: Residential, attractive, primarily renovated buildings, predominantly owner occupied dwellings.



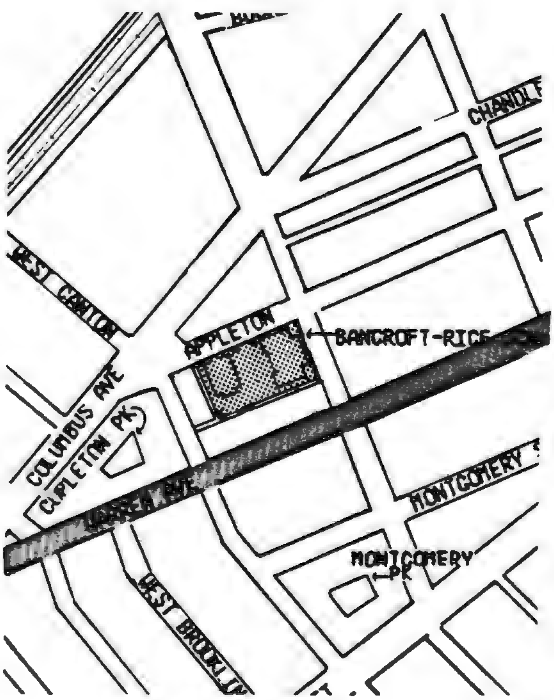
Tremont Street

Character: Commercial and residential, generally unattractive, many poorly maintained buildings, many vacant and under-utilized structures, primarily rental housing.



Appleton Street

Character: Residential, attractive, many renovated structures, many owner occupied dwellings.



Warren Avenue

Character: Residential and institutional, some renovated structures, primarily rental housing, unattractive school building, charred remains of a church fire.

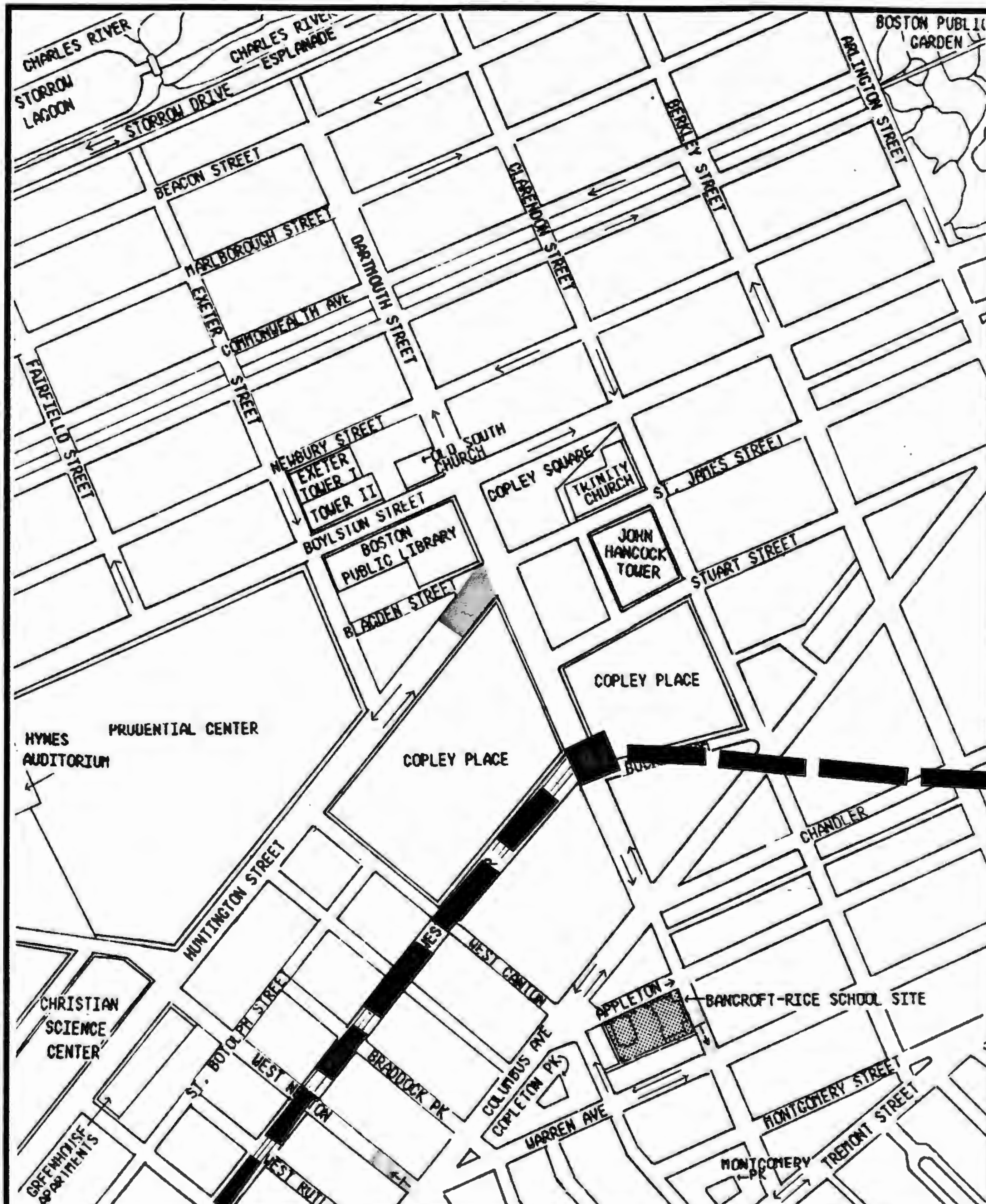
Transportation Linkages

As illustrated by the following map, the site is served by many modes of transportation. Traveling by automobile, Dartmouth Street provides a direct route to Back Bay, Commonwealth Avenue (Rt. 30), and Storrow Drive (a main East-West Route). In addition, the entrance to the Mass Turnpike is less than ½ mile from the site.

Public transportation is also readily available. Massachusetts Bay Transit Authority (MBTA) busses, both inbound and outbound, service stops within 2 blocks from the site and connect to the Greenline Subway. The completion of the Southwest Corridor, currently underway, will make public transportation even more accessible.

This project will provide an extension of the Orange Line Subway stretching from Washington Street in downtown (connecting with the Red Line) to the Forest Hills Station in Jamaica Plain (connecting with many commuter lines). The corridor will also provide a route for Amtrak high speed commuter trains expanding service between Boston and points South and West. The planned Back Bay Station offering access to the Subway and Commuter trains will be located only two blocks from the Bancroft-Rice School. In addition to the transportation advantages of the Corridor Project, a park is planned for the ground surface over the tracks from the Back Bay Station South West through the South End. The Corridor Parkland will provide new recreational facilities for residents. The project is scheduled to be completed in 1985.[2]

SOUTHWEST CORRIDOR (UNDER CONSTRUCTION)



Bankroft-Rice School Site and Surrounding Area

SCALE 1" =500'

Transportation Linkages

- T Bus Stop
- Future Train Station (Subway and Amtrak)
- Future Subway Rt.
- Main Rts.
- Mass Turnpike Entrance (underground)

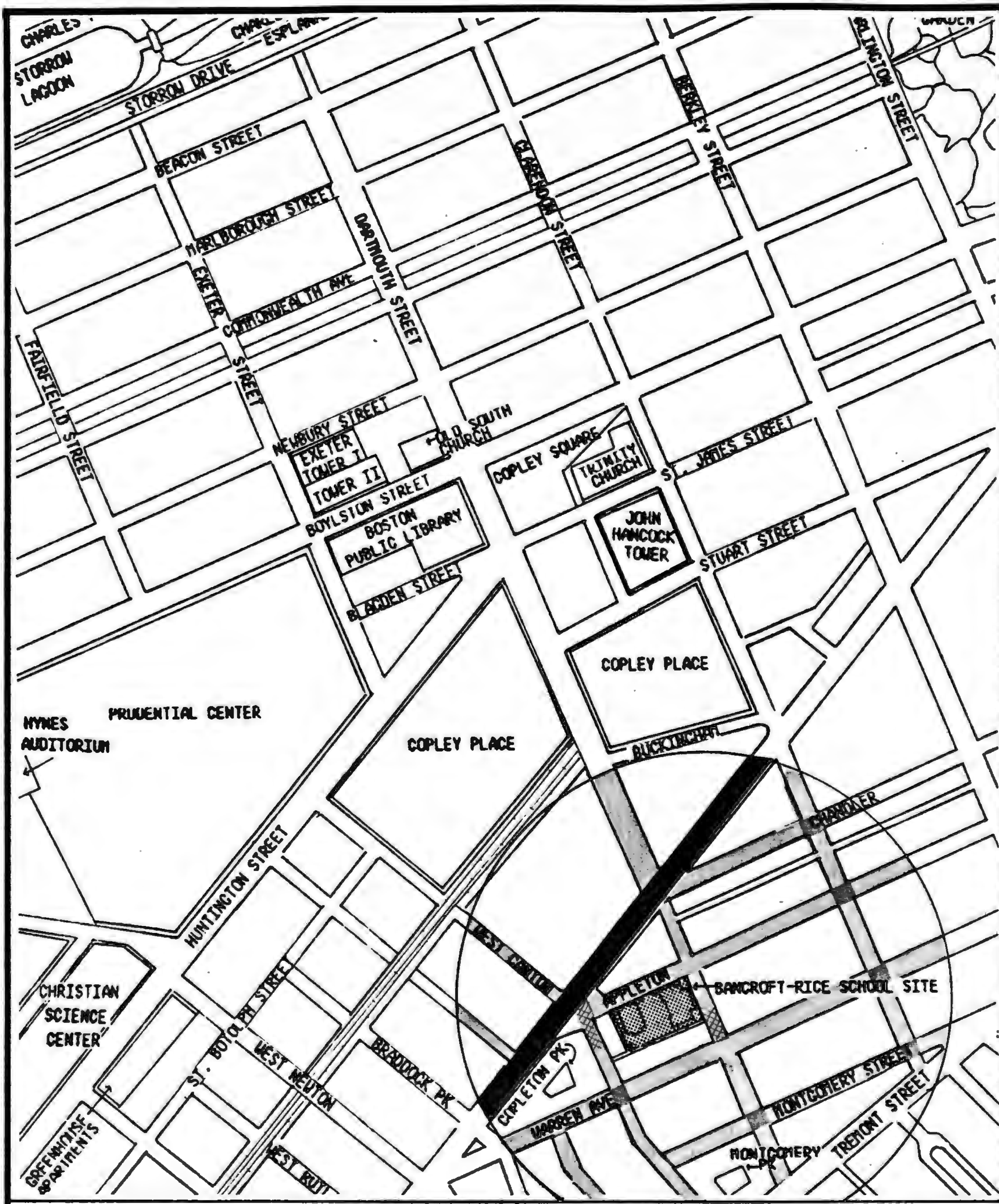
Parking

The site presently offers a generous amount of on-site parking. In addition, on-street parking is available in the surrounding area, however, the majority of spaces are restricted to South End residents and regulated by permits. A few visitor parking spaces are located on Dartmouth and West Canton Streets. Columbus Avenue and Tremont Street also provide public parking but are rather an inconvenient walk from the site. Parking availability is illustrated on the following map.

Access to Services

As indicated by the following map, the site is extremely accessible to all types of services. The area is rich in cultural and recreational activities with its many theaters, galleries and parks. Expanding present recreational facilities, the Corridor Parkland, discussed earlier, will be located only two blocks away. The Boston Public Library is also within comfortable walking distance. There is an abundance of retail establishments within close proximity to the site, ranging from the elegant boutiques of Newbury Street to the large anchor stores at the Prudential Center and Copley Place. Food shopping needs are met by a major grocery store located at the Prudential Center and small convenience-type stores in the immediate area. In total, the location clearly offers the carfree accessibility to services that most urbanites seek.

ON-SITE PARKING



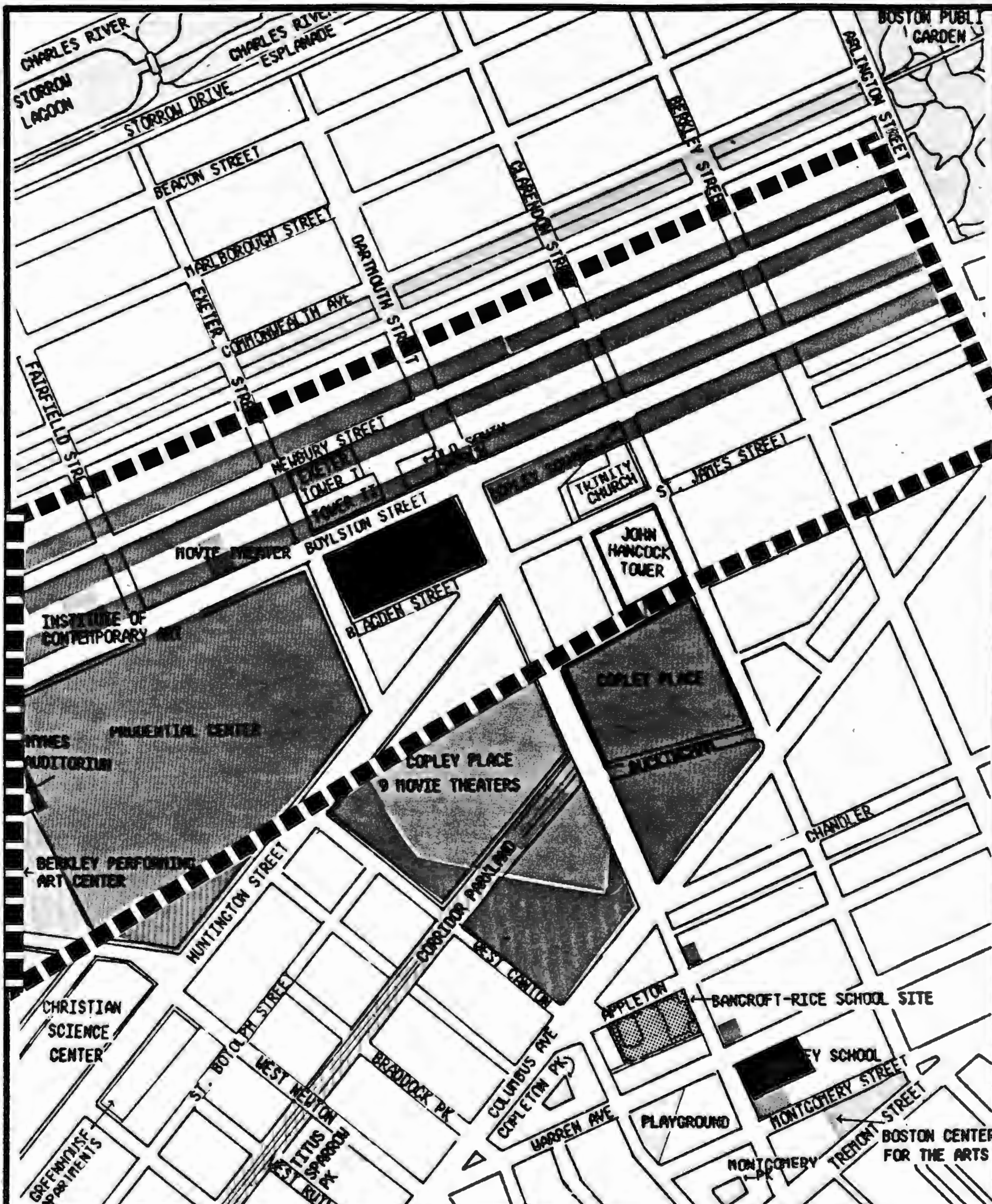
Bankroft-Rice School Site and Surrounding Area

SCALE 1" =500'

N

Parking

- South End Resident Permit
- No Parking 7-9 AM, 4-6 PM
- 2 Hr. Visitor
- Unrestricted



Bankroft-Rice School Site and Surrounding Area

SCALE 1" =500'

Access to Services

- Cultural Facilities
- Recreation Facilities
- Future Recreation
- Public School/Library
- Commercial/ Retail
- High Concentration of Offices

Existing Regulations [3]

Regulation of Uses

The site's zoning classification is H-3. In general, the "H" indicates that the District is intended for primarily residential use. All types of attached, detached and semi-detached single family, two family, and multi family dwellings are allowed. All commercial and industrial uses are prohibited. However, service establishments such as barber shops, dining rooms, and news stands are permitted as accessory uses to buildings with 50 dwelling units or more, as long as they are entered from within the building and geared primarily to serve the occupants of the site. Offices of an accountant, architect, attorney, dentist, physician or other person not accessory to a main use may be located in an H District as a conditional use. This requires the property owner to apply for a Conditional Use Permit from the Board of Appeal which will then make a determination on the case after public notice and hearing. Appendix A provides a complete list of uses permitted by right as well as conditional uses allowed within the H Districts.

Dimensional Regulations

The "3" in the site's H-3 zoning classification is indicative of a floor ratio requirement. This means that the floor area of a structure can be no greater than three times the total lot size. This is only one of the dimensional requirements imposed on the Bancroft-Rice property. Appendix B summarizes the dimensional regulations, interprets what they mean in terms of the site and examines the current status of compliance or non-compliance with the regulations.

Parking Requirements

All parking spaces provided on-site must have minimum dimensions of at least 8½ feet by 20 feet. The number of parking spaces required is dependent on the type of use:

Use	Requirement
Residential	.6 space per dwelling unit
Office	1 space per 900 sq. ft. of ground floor area and/space per 1,800 sq. ft. of other floor area
Institutional	1 space per 1,800 sq. ft. of floor area

Points of Interest

Specific points of interest existing in the area surrounding the Bancroft-Rice School Site are described and pictorially represented in Appendix C. The purpose of this display is to familiarize the reader with the many attractions of the neighborhood which may entice potential users to the site. These amenities increase the desirability of the site location and consequently also increase the potential market price once redeveloped. The Copley Place Development, designated as a point of interest is discussed in detail later in the chapter.

Summary of Indirect Economic Influences

The examination of indirect economic influences indicates the site's propensity for residential uses. To begin with, the immediate neighborhood is primarily a residential quarter, where considerable redevelopment is occurring. It's location offers many attractions for residents. The most important one being the proximity to the fashionable Back Bay District, where every desirable commercial, cultural and recreational service is available. The site is also easily accessible to many transportation modes, including a new subway line which will link the area with all commuter trains. The parking requirements of a residential use could be accomodated on the site. In addition, resident parking is available on most of the surrounding streets.

The existing zoning regulations also encourage residential development. All types of housing is permitted in the district, while industrial and almost all commercial uses are prohibited. Specific types of professional offices such as those of a physician, architect, or accountant are allowed as a "conditional use". However, this type of use is less established in the area. There may be a potential market for offices in the area but currently this remains relatively untested.

After initial review of the neighborhood, the permitted use which appears most viable is residential. A small number of offices may be considered as part of a mixed use development, but the most appropriate use is residential. No prohibited use appears attractive enough to contemplate the likelihood of a zoning change or variance.

In addition, many historical, cultural, architectural, and recreational points of interest are located within close proximity to the site. They seem to attract residents who wish to live near them. Their notariaty also helps to advertise and spotlight the neighborhood. All the preceeding factors add to the marketability of a residential development at the Bancroft-Rice site.

B. Direct Economic Influences

While indirect economic influences tend to limit viable development opportunities to some type of residential units, the analysis of factors directly affecting supply and demand further specifies the highest and best use for the property. The influences are investigated under the following topics:

Description of Market Area Population, general background information on consumers in the market area and identification of the target population,

Market Conditions, interpretation of present trends and other information regarding current conditions,

Recent Development, examination of all types of new development, with particular attention given to residential projects,

Projected Housing Demand, estimation of future residential demand,

AND

Competing Housing Projects, identification of current and expected future housing development.

The chapter concludes with a summary of market analysis findings and an indication of parameters for optimum development of the site.

Description of Market Area Population

The South End is a dichotomous neighborhood in transition. It can be viewed as two distinct geographic areas of diverse character as described in the previous "Location" section. In turn, its population can be viewed as two groups with dramatically different traits corresponding closely to the two geographic areas.

The first group is more established in the area and is generally situated in the Southern-most section of the South End. It is composed primarily of low to moderate income residents, the majority of whom are either black, hispanic or oriental. This group inherited the South End over the years as the neighborhood declined and the middle to upper income residents moved to outlying areas.

The second group is a recent addition to the area's population. They began appearing in the late 70's and located primarily in the Northern section of the South End. The attraction for this in-migration was and still is the proximity to points of interest, readily available services and access to transportation modes linking the area with major work centers. The new group of residents is predominantly white young professionals, generally single or newly married couples without children. They are often employed in the nearby office centers of Back Bay and the Financial District. This inward migratory segment of the neighborhood population, with its demonstrated preference for the Back Bay fringe area, and relatively high income, comprises the obvious target for any proposed residential development.

OVERVIEW OF THE SOUTH END

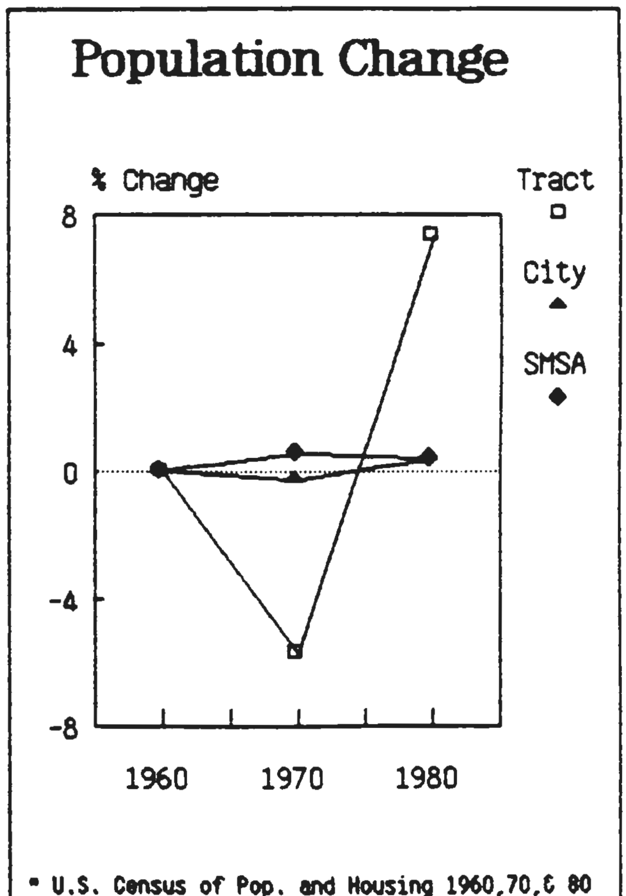
Market Conditions

The influx of this new-type resident group is expected to continue, increasing the demand for higher quality housing accordingly. To substantiate this assumption as well as the existence of generally perceived characteristics of the new population, current trends are analyzed and interpreted. For reader-ease, the information is organized by general interpretive claims which are supported by the available data. Census information is examined at three levels: the census tract (encompassing the site and comprising a portion of the Back Bay fringe area), the City of Boston (showing City wide trends), and the SMSA (indicating activity in the entire metropolitan area).

Appendix D illustrates the location of the number 707 Census Tract, which encompasses the site.

1. THE POPULATION OF THE IMMEDIATE AREA SURROUNDING THE SITE IS INCREASING.

While the population of the SMSA and the City has remained relatively constant over the last two decades, the census tract has experienced an 8% increase. The area had seen a decline in population through the 1960's but began enjoying a renewed popularity after 1970.

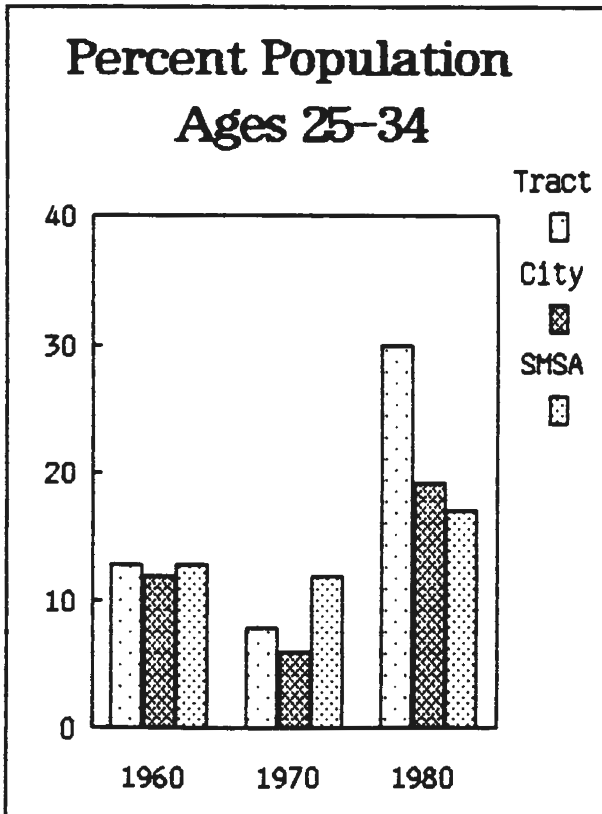


2. THE INCREASE IN POPULATION IS PRIMARILY DUE TO THE IN-MIGRATION OF YOUNG, SINGLE OR NEWLY MARRIED INDIVIDUALS MOSTLY WITHOUT CHILDREN, AND WHOM DEMONSTRATE THE DESIRE AND ABILITY TO PAY FOR RELATIVELY HIGH QUALITY HOUSING.

This claim is broken down into the following three main components:

YOUNG

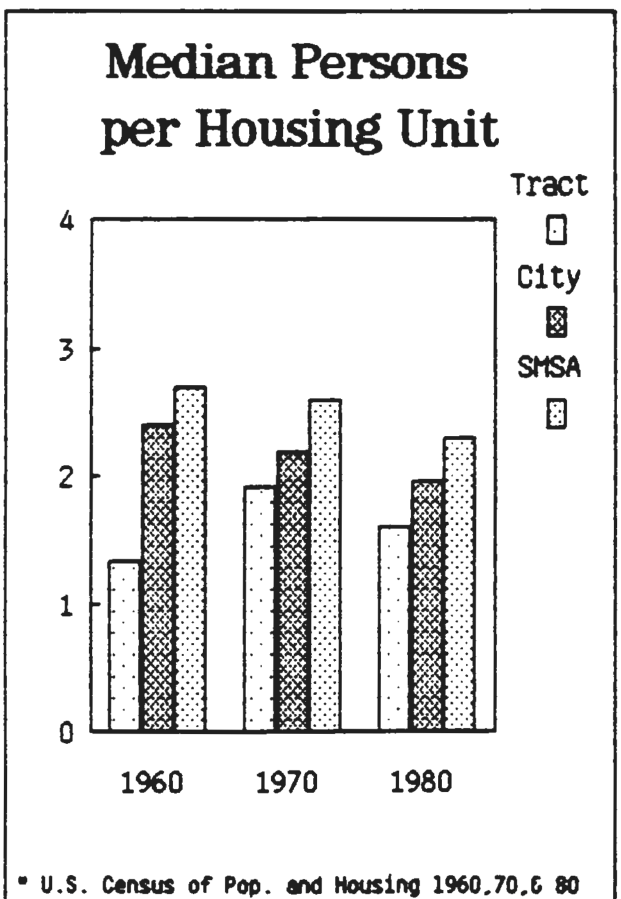
The percentage of the population ages 25-34 was distributed relatively evenly over the tract, city, and SMSA in 1960. However, between 1970 and 1980, the portion of total population in the tract comprised by this group rose sharply. As of the last decennial census, approximately a third of all the people living in the area surrouding the sites are between the ages of 25 and 34.



* U.S. Census of Pop. and Housing 1960,70,& 80

SINGLE OR NEWLY MARRIED, MOSTLY WITHOUT CHILDREN

The majority of the new population appears to be either single or childless couples. The median persons per household in the tract has decreased from 1.9 in 1970 to 1.59 in 1980. This is considerably less than the median household size found in the City or SMSA. This difference supports the notion that the immediate area is an urban neighborhood whose population turns over as its pre-family couples move to the suburbs when they decide to have children and new singles and couples seeking the amenities of urban life move in.



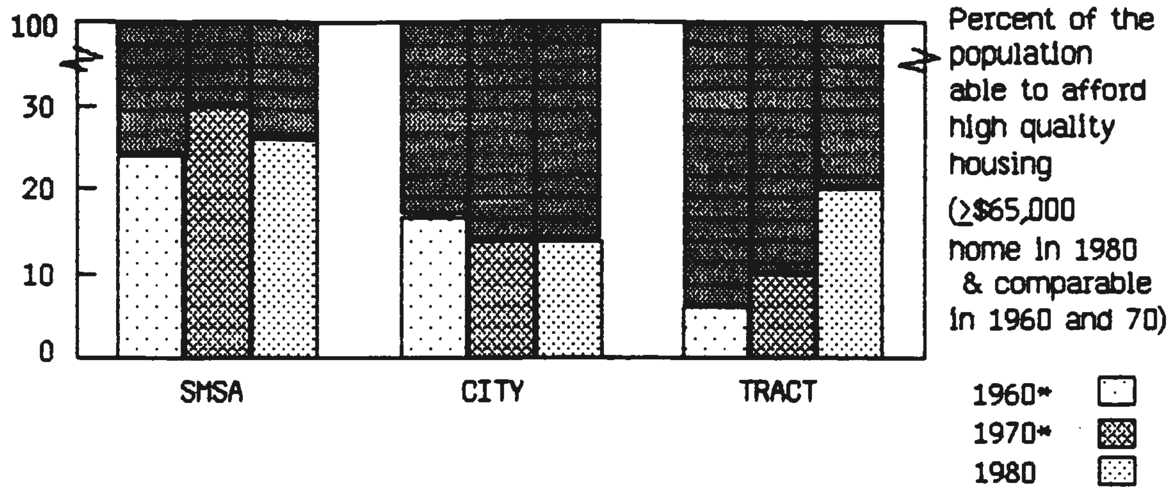
DESIRE AND ABILITY TO PAY FOR RELATIVELY HIGH QUALITY HOUSING

The percent of population in the neighborhood able to purchase relatively high quality housing has tripled since 1960. In 1980, one out of five households could afford a home valued at $65,000 or more. This compares with one out of seven households in the City and one out of four households in the SMSA. It is also important to note that these percentages have been decreasing in the City and SMSA while the census tract has experienced a steady increase. This information demonstrates that the area is attracting households with higher incomes and gentrification is occurring.

In the rental market, 39% of the census tract could afford $500 or more in 1980 compared to only 20% in the City and 31% in the SMSA. In other words, in 1980, there was a greater percentage of households earning $20,000 or more than in either the City or SMSA.

Income

Ability to Afford High Quality Housing ***



* Constant Dollars 1980

$$1980\$ = \frac{\text{CPI 1980}}{\text{CPI 1960}} \times 1960\$ \qquad 1980\$ = \frac{\text{CPI 1980}}{\text{CPI 1970}} \times 1970\$$$

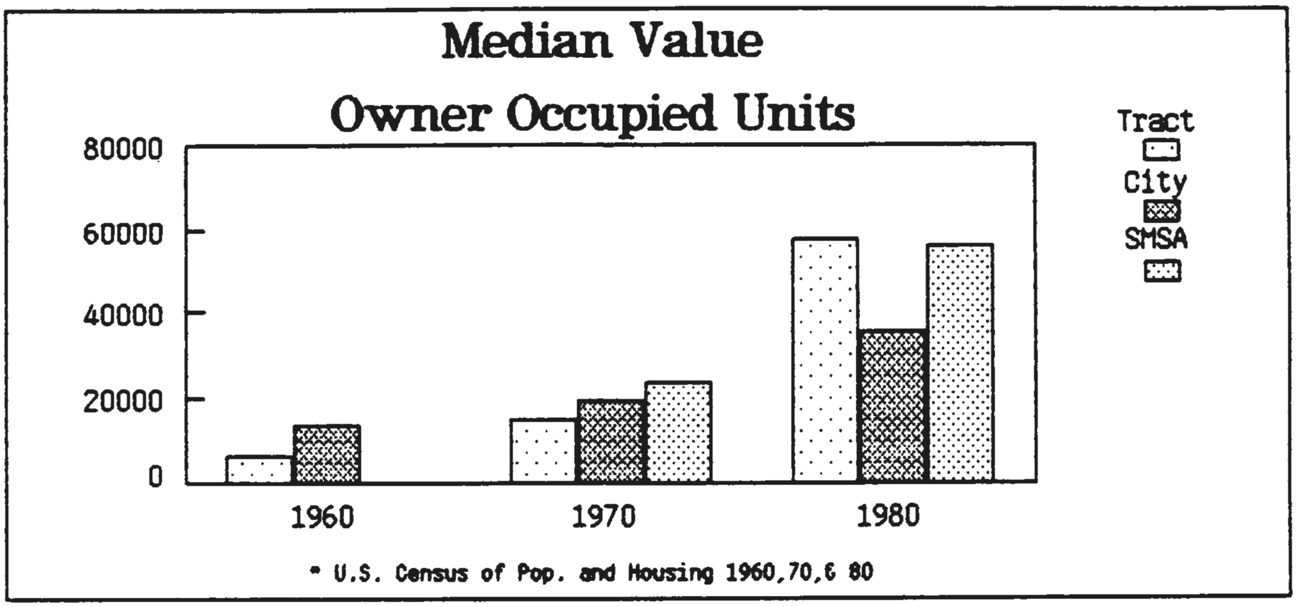
$$\$30{,}000 = \frac{246.7}{88.7} \times 1960\$ \qquad \$30{,}000 = \frac{246.7}{116.3} \times 1970\$$$

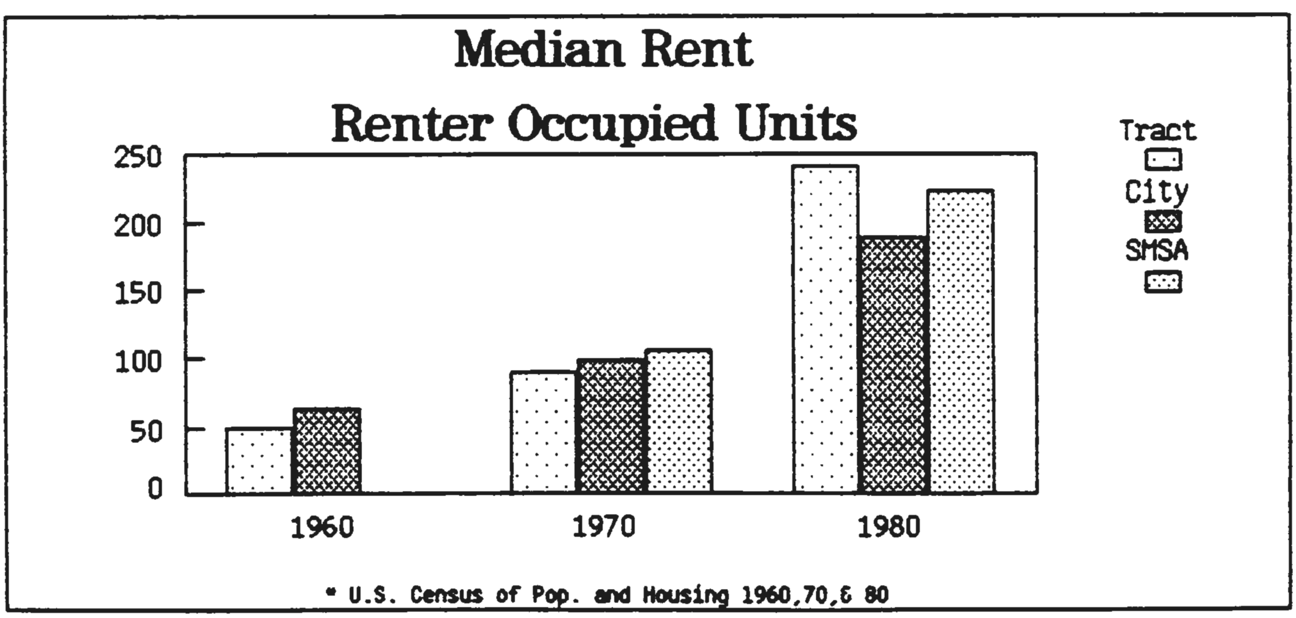
$$1960\$ = \$10{,}786 \qquad 1970\$ = \$14{,}143$$

** Affordability 1980 based on:
Mortgage @ 14%, 30 yrs., L/V= .8
Insurance = .09/sq. ft.
Tax rate = 2% Full Market Value
Annual Mortgage Payment ≤ 30% Annual Income

Sources:
U.S. Census of Pop.& Housing 1960-80
Economic Report of the President, 1982
Council Economic Advisers, U.S. Gov. 1982
1982 Income/Expense Analysis, IREM, 1982

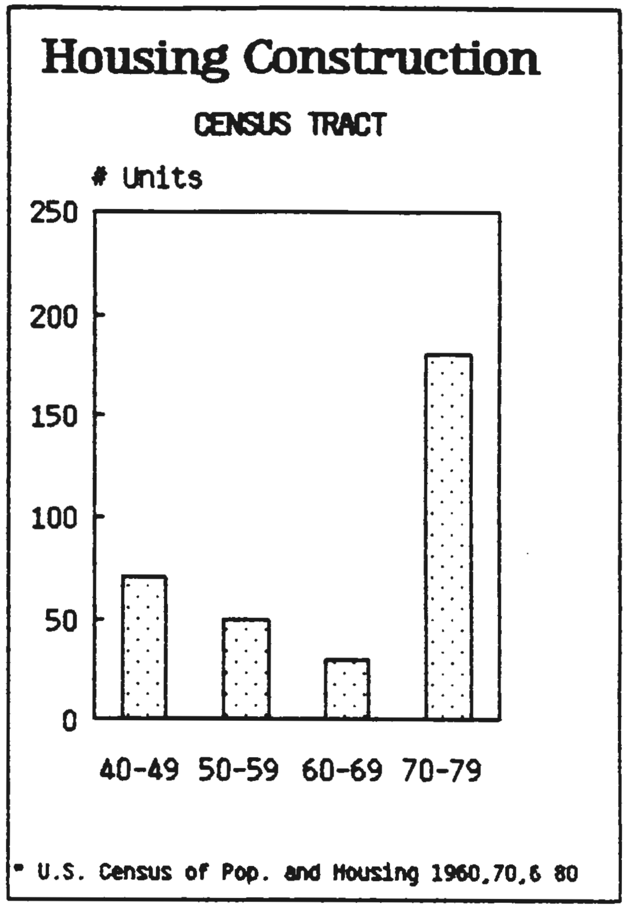
The examination of property values and contract rents also support the claim that the new neighborhood population is able to afford comparably high quality housing. In 1960 the census tract exhibits a relatively low median home value and rent level. However, by 1980, due to the influx of the new resident group, rents and home values in the tract had surpassed both the City and SMSA. The relatively high median housing prices, in light of the declining vacancy rates indicates a greater demand for housing and a preference for high quality residences.

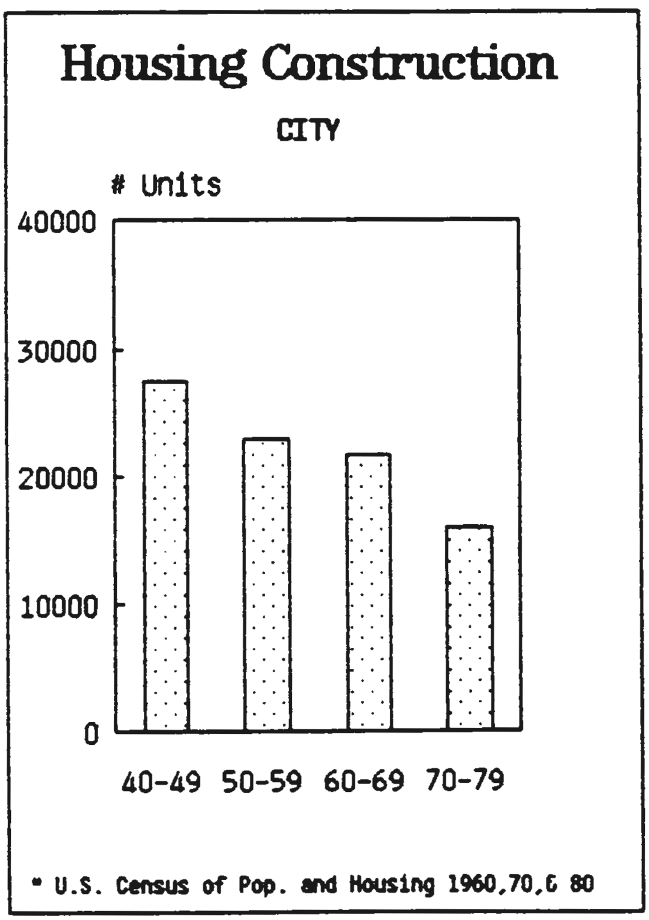


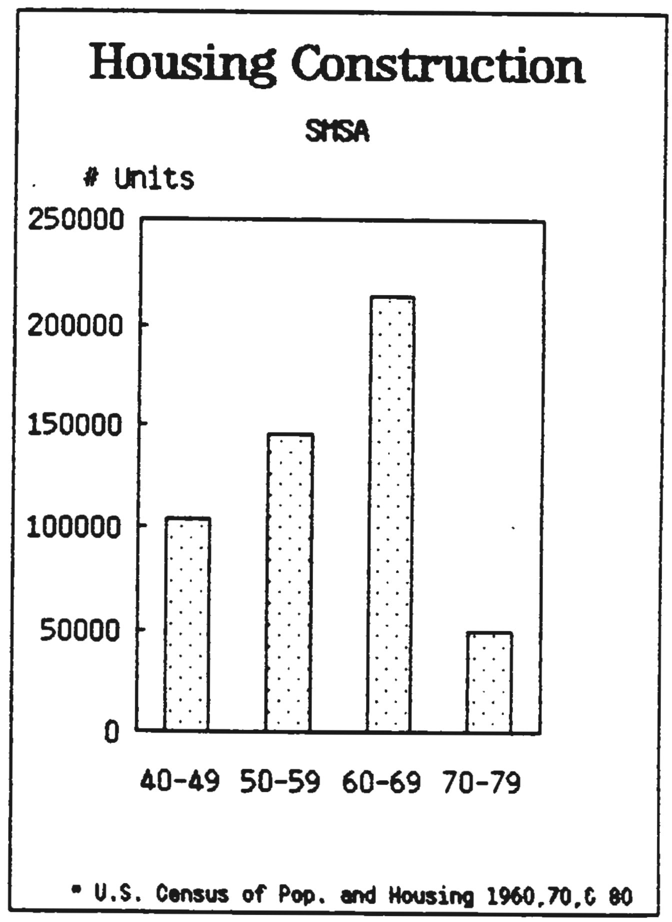


3. IN RESPONSE TO THE GROWTH IN POPULATION, HOUSING CONSTRUCTION IS INCREASING.

The neighborhood's renewed popularity has increased demand and caused a sharp incline in residential construction since 1970. This is compared to a decrease in construction in both the City and SMSA. This new construction is generally in the form of renovation of existing structures. New housing units are created within old buildings. The majority of new units are specifically geared to the characteristics of the new population group.

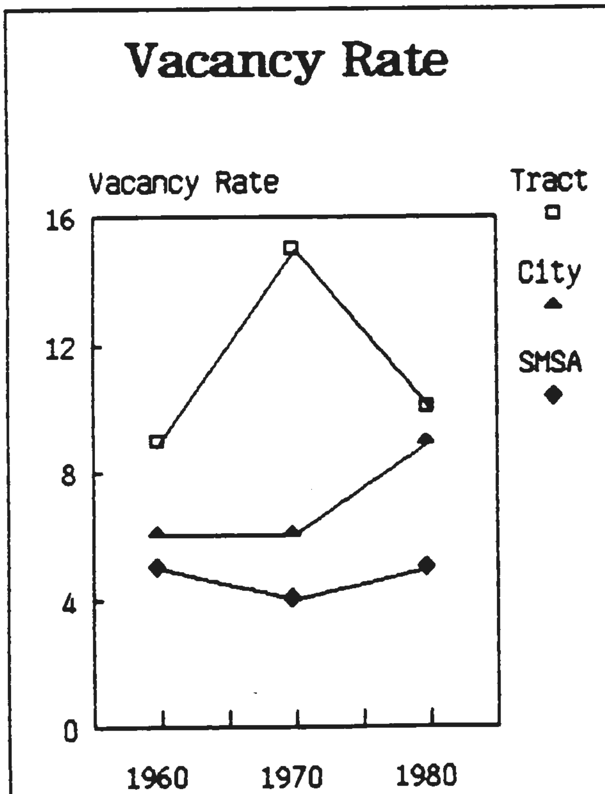






4. THE VACANCY RATE IN THE IMMEDIATE AREA IS DECLINING.

The decreasing vacancy rate of the census tract contrasts sharply with the increasing rate existing in the City. This trend parallels the expanding population. However, the vacancy rate still appears somewhat high. A partial explanation for the high rate lies in the type and condition of existing units. Many vacant units are in poor condition and exist in deteriorated buildings. In addition, many units lack the amenities which seem to attract the new resident population.



• U.S. Census of Pop. and Housing 1960,70,& 80

5. THE HIGH DEMAND FOR HOUSING IN THE BACK BAY DISTRICT HAS CREATED A SPILLOVER EFFECT IN THE ADJACENT SOUTH END FRINGE AREA, WHICH IS EXPECTED TO CONTINUE.

From the onset, the in-migration of middle-upper income residents into the South End has been closely related to the redevelopment activity in Back Bay. As Back Bay re-emerged as a prime prestigous residential quarter with its abundance of attractive amenities, housing in the area became more and more scarce and less and less affordable. The available rental housing is very limited and may only be obtained by procurring the services of a realtor generally charging a minimum of one month's rent. The high demand and relatively short supply has also significantly elevated selling prices. New condominium units range primarily from $90,000. to $140,000. for one bedroom and approximately $120,000. to $250,000 for two bedrooms. The logical spillover area for potential residents desiring the amenities of Back Bay, but unable to pay the high price, is the South End. The South End is also particularly attractive to residents who need to purchase property for tax benefits. Back Bay residents find they can purchase a home for close to the same monthly payments as they pay for rent in Back Bay.

The five following claims result from an informal survey of the area realtors and developers.[4] These statements are also compatible with the interpreted census data.

6. THE TYPICAL CONDOMINIUM PURCHASER IN THE AREA IS A FIRST TIME HOME-BUYER CURRENTLY RENTING AN APARTMENT AND MOST LIKELY PRICED OUT OF THE BACK BAY AND BEACON HILL NEIGHBORHOODS. THE PURCHASE OFTEN INVOLVES A TWO INCOME, CHILDLESS COUPLE. THEY ARE USUALLY PAYING RENT CLOSE TO $700 OR MORE AND DESIRE THE TAX BENEFITS OF HOME OWNERSHIP. COMMONLY THE POTENTIAL BUYERS HAVE SIZEABLE INCOMES BUT LIMITED SAVINGS FOR A DOWN PAYMENT.

7. CONDOMINIUM PRICES IN THIS SECTION OF THE SOUTH END RANGE FROM $50,000 TO $140,000. THE UNITS UNDER $70,000 ARE MOSTLY CONVERED APARTMENTS WITH ONLY COSMETIC IMPROVEMENTS. THE UNITS WELL OVER $100,000 ARE LUXURY UNITS, PERHAPS TOO LUXURIOUS FOR THE AREA, AND HAVE NOT SOLD WELL. THE MAJORITY OF DEMAND APPEARS TO BE FOR UNITS FROM $70,000 TO $100,000.

8. THE MOST MARKETABLE UNITS ARE LOCATED IN THE FRINGE AREA ADJACENT TO BACK BAY.

9. POPULAR AMENITIES FEATURES ARE: PATIOS OR DECKS, RESTORED FACADES, FIREPLACES, EXPOSED BRICK, HARDWOOD FLOORS AND PARKING.

10. NEW CONDOMINIUM UNITS APPROPRIATELY PRICED AND ACCESSORIZED SELL QUICKLY. THE AVERAGE TIME ON THE MARKET IS TWO MONTHS.

<u>**Recent Development**</u>

Residential Development

(immediate area)

It is evident that the most common new housing units in the area are condominiums created as a result of renovation of existing structures. A sample of recent condominium sales reveals that the most popular new units are approximately 950 sq.ft. in size and are priced around $100,000 Prices appear highly correlated to size and there is only a small amount of deviation from the medians. The number of bedrooms is also a determinant of price. The median cost for one bedroom is $62,750. and $103,000. for the two bedrooms. The two bedroom units are much more popular than those with one bedroom, and three bedroom units are rare. Popular amenities include decks or patios, fireplaces, hardwood floors, restored facades and parking.

APPLETON STREET

1 BR $63,500

2 BR $125,000

171 WARREN AVENUE

2 BR $115,000

53 CHANDLER STREET

2BR $130,000

W. CANTON STREET

2 BR $148,000

Comparable Condominium Sales Data [5]

ADDRESS		SQ. FT./# BEDROOMS	PRICE *	AMENITIES
11A	Appleton St.	950 s.f./2 bdrms	$103,000.	
	Appleton St. & West Canton	/1 bdrm	$ 63,000.	fireplace, hardwood floors
	Appleton St. & West Canton	/2 bdrm	$125,000.	
	Appleton St.	700 s.f./1 bdrm	$ 62,000.	AC, 2 level loft
50	Berkley St.	635 s.f./1 bdrm	$ 70,000.	
50	Berkley St.	872 s.f./2 bdrms	$ 97,000.	
50	Berkely St.	872 s.f./2 bdrms	$ 98,500.	
53	Chandler St.	1581 s.f./2 bdrms	$130,000.	
73	Dartmouth	1000 s.f./2 bdrms	$130,000.	
127	Penbroke St.	800 s.f./2 bdrms	$ 90,000.	hardwood floors, private decks, parking
	Rutland Sq.	/1 bdrm	$ 70,000.	
604	Tremont St.	1020 s.f./2 bdrms	$ 98,500.	penthouse with roof rights, parking
3	Union Pk.	/2 bdrms	$104,000.	AC, fireplace, 1 1/2 baths
3	Union Pk.	/2 bdrms	$165 000.	lux penthouse, AC, fireplace 1 1/2 baths
33	Union Pk.	940 s.f./2 bdrms	$112,000.	
	Union Pk.	950 s.f./2 bdrms	$105,000.	deck, AC
42	Union Pk.	940 s.f./1 bdrm + study	$105,000.	
	Union Pk.	/2 bdrms	$108,000.	

* In cases where the actual selling price was unavailable, feasible listing prices were substituted.

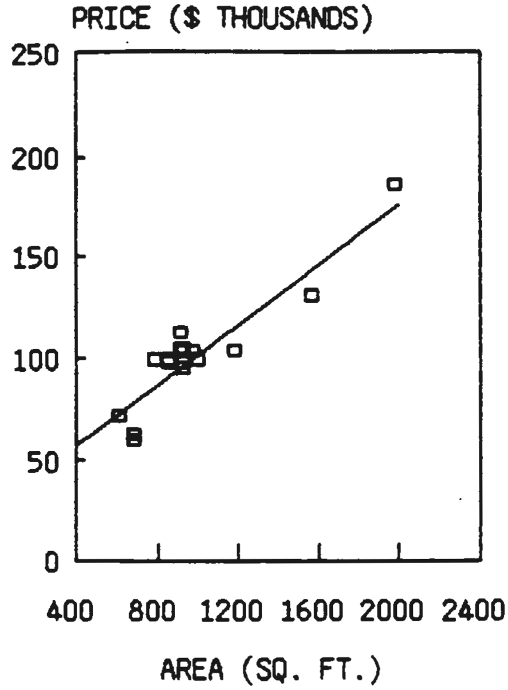
Comparable Condominium Sales Data [5]

ADDRESS	SQ. FT./# BEDROOMS	PRICE*	AMENITIES
Union Pk.	2000 s.f./2 bdrms	$185,000.	2 1/2 baths, roof deck
68 Waltham St.	950 s.f./2 bdrms	$ 96,500.	deck, fireplace, hard-wood floors
93 Waltham St.	700 s.f./1 bdrm	$ 59,000.	patio
93 Waltham St.	/2 bdrms	$ 77,900.	fireplace, AC
93 Waltham St.	950 s.f./2 bdrms	$ 93,900.	brick walls, hardwood floors
West Canton St.	/2 bdrms	$148,000.	patios
171 Warren Ave.	/2 bdrms	$115,000.	fireplace, hardwood floors, patio
84 West Concord	/1 bdrm	$ 49,900.	
110 West Concord	1200 s.f./2 bdrms	$103,000.	
116 West Concord	/2 bdrms	$ 79,000.	marble fireplace, ex-posed brick walls
111 West Dedham St.	/2 bdrms	$ 97,000.	fireplace, patio

* In cases where the actual selling price was unavailable, feasible listing prices were substituted.

Square Feet - Price[6]

COMPARABLE CONDOMINIUMS



PRICE

MEDIAN: $98,500

MODE: $103,000

AREA

MEDIAN: 950 SQ. FT.

MODE: 950 SQ. FT.

REGRESSION LINE EQUATION

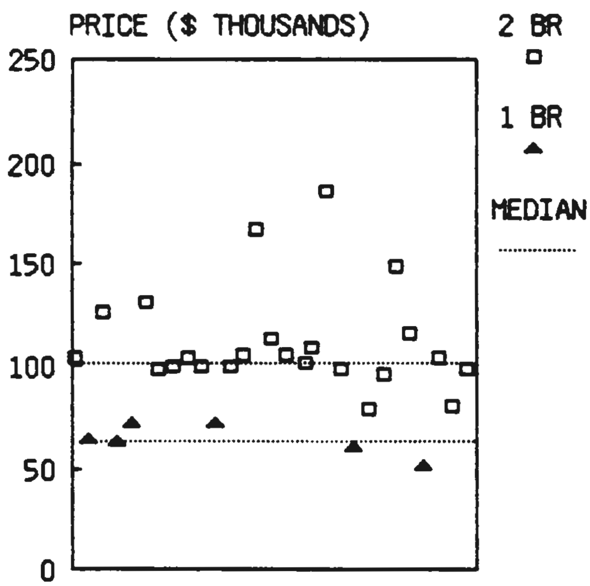
Y = 23.6 + .08(X)

CORRELATION COEFFICIENT

CORR = .93

Price - # of Bedrooms[7]

COMPARABLE CONDOMINIUMS



2 BEDROOM CONDOMINIUMS

MEDIAN PRICE: $103,000

1 BEDROOM CONDOMINIUMS

MEDIAN PRICE: $62,750

Commercial Development
(immediate area)

Some small scale commercial development has also occurred in the area. The majority of commercial activity is small retail establishments serving the needs of the growing resident population. A number of convenience markets and specialty stores have recently located in the immediate neighborhood, as well as a new restaurant on Dartmouth Street. Commercial activity is still the exception rather than the rule as the area remains almost entirely residential.

Mixed Use Development
(surrounding area)

A number of large scale mixed use development projects within relatively close proximity to the site are currently underway or recently completed. These successful projects contribute to the revitalization potential of the Back Bay/South End transitional zone surrounding the Bancroft-Rice School. The following projects are situated only a short distance from the site:

<u>Copley Place</u>

The most significant of these new development projects is Copley Place. It is a large scale mixed use development reminiscent of such grand Boston undertakings as Government Center, Downtown Crossing and Quincy Market. The 300 million dollar project received one of the largest UDAG's ever granted ($18.8 million). The components include two hotels, a health club, 8 cinemas, two office towers, and 720,000 sq.ft. of retail (anchor stores, mall shops and restaurants). This development adds prestige to the area and provides a large variety of

DARTMOUTH STREET RESTAURANT

entertainment and shopping opportunities within walking distance of the Bancroft-Rice site

COPLEY PLACE

COPLEY PLACE

Exeter Tower I and Exeter Tower II

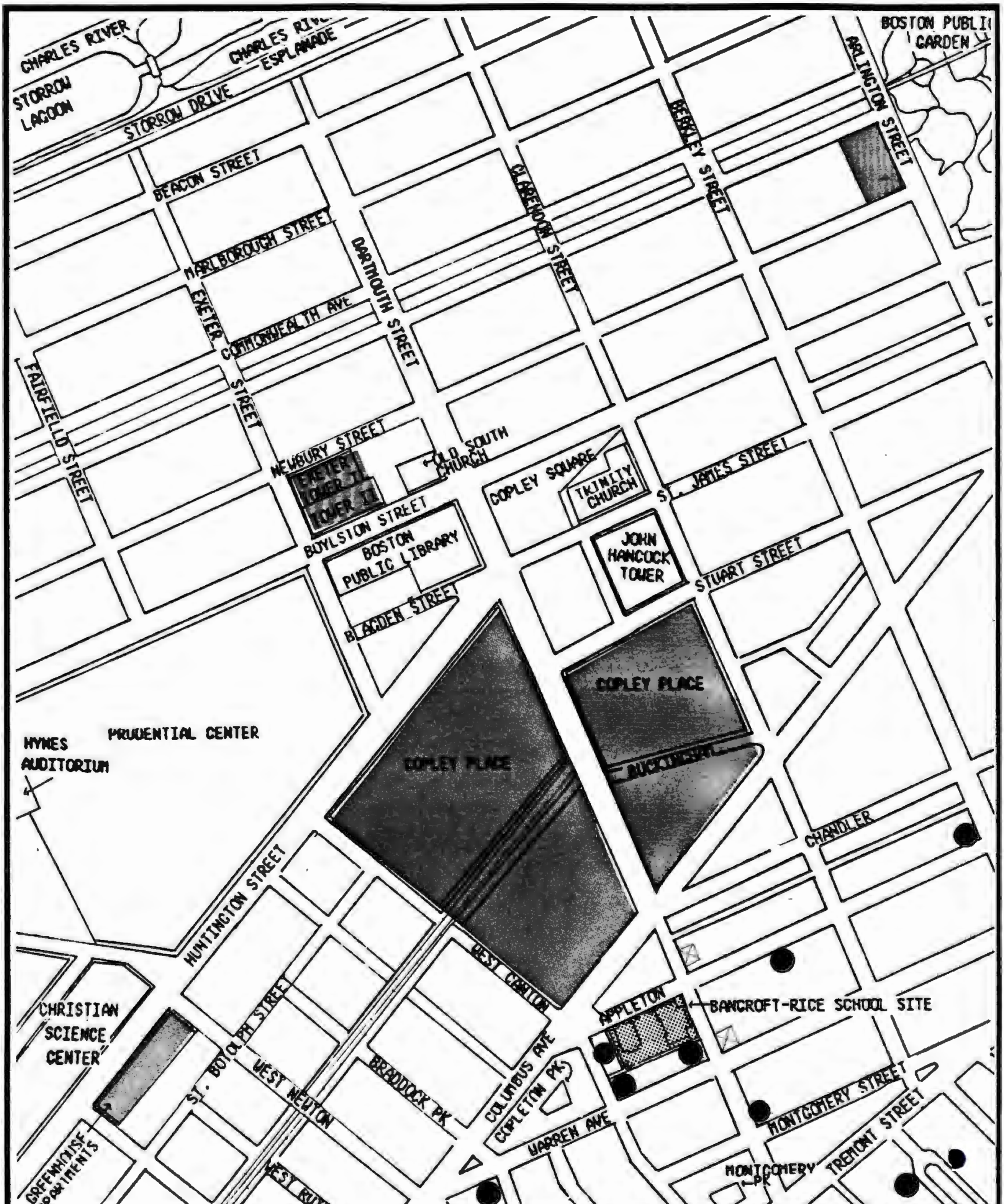
This attractive $10 million project will include both luxury rental units and retail. Tower I, located at Exeter and Newbury Streets, has been completed and contains 96 housing units and 6,000 sq.ft. of retail space. Tower II is located currently under construction and will be very similiar in composition.

The Greenhouse Apartments

The recently completed Greenhouse Apartments are located at the fringe of what is generally considered Back Bay, bordering on the speculative South End Neighborhood. The two 12 story towers are connected by a glass greenhouse type structure. This $17 million project contains 306 luxury housing units and 8,000 sq.ft. of retail. The majority of apartments overlook the spectacular Christian Science Center Complex.

EXETER TOWER

GREENHOUSE APARTMENTS



Bankroft-Rice School Site and Surrounding Area

SCALE 1" =500'

N

Recent Development

LARGE SCALE-SURROUNDING AREA

Mixed Use

SMALL SCALE-IMMEDIATE AREA

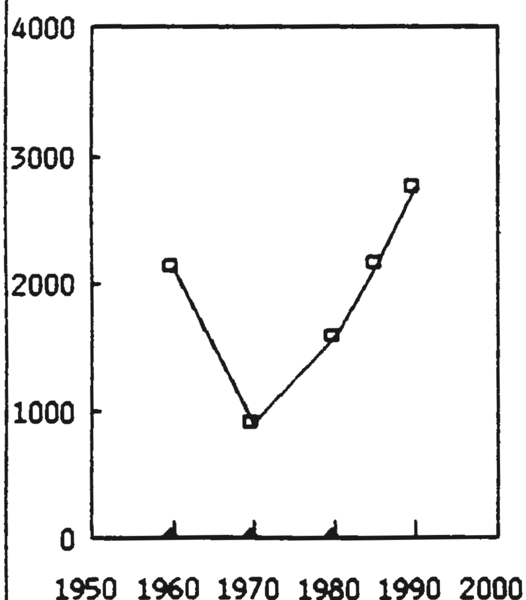
Commercial

Residential

Projected Housing Demand

The 1985 projected tract populations assuming that the 1970-1980 trend will continue (as predicted by the preceeding indicators), is estimated at 2,159. This represents an increase of 576 people or approximately 362 households. When compared to the 95 vacant units reported in the 1980 Census, there appears an excess of 267 units. Assuming an even absorbtion over the five year period from 1980-1985, there would be an expected demand of 53 units annually. A closer examination of the vacant housing units reported within the Census tract reveals that a large number were located in delapidated buildings. If half of the vacant units are assumed deteriorated and not counted as part of the viable supply, the excess projected demand is 314 units over 5 years of 63 units annually. There is no guaruntee that current trends will continue and this demand will be realized, however the indicators studied thus far point in that direction. In addition, there is always the possibility that introducing housing units of the most popular size, price and amenity features into the market will create their own demand and attract residents who many otherwise have settled in adjacent areas.

Population Projection



*U.S. Census of Pop. and Housing 1960,70 & 80

** Ratio Projection assuming 1970-80 trend will continue

Housing Unit Demand

1985 PROJECTED POULATION INCREASE TRANSFORMED TO NO. OF UNITS	576/1.59** = 362
NO. OF VACANT UNITS 1980	95
EXCESS DEMAND 1980-85	267
ABSORBED OVER 5 YRS.	53 UNITS ANNUALLY
*NO. OF VACANT UNITS 1980	48
EXCESS DEMAND 1980-85	314
ABSORBED OVER 5 YRS.	63 UNITS ANNUALLY

*Assuming 1/2 vacant units deteiorated and should not be counted as supply

**Median persons per household

Competing Housing Projects

There is currently only one evident housing project underway in the immediate area. It is located at the corner of Dartmouth and Warren. It is a small project resulting in approximately 12 units. The structure has considerably less architectural interest than the Bancroft-Rice School and no off-street parking is provided. It is not known how many other projects currently may be in the planning stage about to commense. There has been significant redevelopment activity in the area and it is reasonable to expect that other development projects may be initiated in the near future in response to the perceived demand. Therefore if the site is to be redeveloped, it is imperative that the project move along as quickly as possible.

WARREN AVENUE CONDOMINIUMS

C. Market Analysis Summary. . . PARAMETERS FOR OPTIMUM DEVELOPMENT

The following summary presents the condensed findings of the market analysis and indicates the resulting parameters for optimum development of the site.

GENERAL USE: RESIDENTIAL

The indirect economic factors, in particular, the existing composition of the neighborhood and current zoning, limit the potential viable uses for the site to primarily residential development. A small number of professional offices may be considered as part of a mixed use development but this would constitute a relatively new, untested use for the area.

ESTIMATED HOUSING DEMAND:

LOW 267 UNITS (53 UNITS ANNUALLY)

MED *314 UNITS (63 UNITS ANNUALLY)

HIGH DEMAND CREATED BY NEW UNITS

There appears to be an increasing demand for housing in the immediate area. Many factors contribute to the area's renewed popularity: readily available services, proximity to the prestigous Back Bay, access to transportation, neighboring points of interest, etc. These elements have attracted a new group composed primarily of young childless professionals with relatively high incomes.

This influx of population is expected to continue, creating an excess demand over the next several years. The preceeding table attempts to quantify this demand. The low estimated figure assumes that all existing vacant units must be filled before there is an excess demand. The medium figure assumes that approximately 1/2 of the vacant units exist in deteriorated buildings and should not be counted as part of the viable supply. Although no specific estimate is given, the table also indicates the possibility that the new development, if composed of outstanding units with popular characteristics, may create its own demand and attract people who may have otherwise settled in adjacent

SPECIFIC USE: CONDOMINIUMS

One of the major attractions of potential residential development of the Bancroft-Rice site is the prospect for home ownership at close to the monthly cost of renting in the neighboring Back Bay. The typical new housing consumer in the area earns, an income high enough to dictate the need for the tax benefits of ownership. In addition, the expected high cost of renovation may well require rent levels to be set only slightly lower than those of Back Bay. Very few high priced, luxury rental units currently exist in the South End. Most renters willing to pay high prices seem to demonstrate a preference for more established and prestigous areas.

SIZE AND PRICE OF UNITS:

1 BR. $65,000 - 75,000

2 BR. $90,000 - 100,000

1 BR. APPROX. 700 SQ. FT.

2 BR. APPROX. 950 SQ. FT.

Examination of recently constructed (and sold) condominiums in the area reveals that the most popular units have two bedrooms, approximately 950 sq.ft. and are priced around $110,000.

One bedroom units are slightly smaller and prices range the mid 60's to mid 70's. This is consistent with the perceived needs of the target population.

AMMENITIES TO INCLUDE:

DECKS, PATIOS, FIREPLACES, PARKING AND HARDWOOD FLOORS

An informal survey of area realtors combined with the investigation of recent sales indicates that these amenities improve marketability.

ADDITIONAL INCENTIVE:

DEVELOPER FINANCING

The analysis of the target population indicates that the majority of housing consumers have a sizable income but may have difficulty meeting down payment requirements. Developer financing with adjusted terms sensitive to this dilemma could significantly enhance demand for the units. This is particularly true in the case of attracting current Back Bay renters who could purchase for close to their present monthly rent if the burden of a down payment was lessened.

Chapter IV

Description of the Project

The parameters for optimum development of the site suggested in Chapter III are employed in the following chapter to formulate two development alternatives. The first, the basic development alternative, consists entirely of residential condominiums. The second development option represents a variation of the first, consisting primarily of residential condominiums with offices on the first floor of both buildings. A complete description accompanies both alternatives including the sizes, prices, and amenities of the units as well as the financing arrangements and detailed construction cost estimate. Sketch plans and elevation drawings are included to illustrate the layout of the buildings and parking lot. The final section of the chapter describes the option of providing developer assisted mortgage arrangements for condominium purchasers. This option along with both development alternatives will then be thoroughly analyzed for financial feasibility in the following chapter.

A. Basic Development Alternative - Residential Condominiums

LAYOUT

The suggested layout of both buildings is illustrated on the following pages. Living spaces are arranged in a manner which takes the most advantage of walls with windows. Kitchens and bathrooms are situated near the central core of each building so as to simplify plumbing system design. All units will be entered via the central hallway. There will be a limited number of exterior entrances to each building in order to reduce security risks. The Bancroft has two entrances, one from the parking lot on the first floor and one from Appleton Street on the second floor. The Rice has three entrances, one from the parking lot on the first floor and two on the second floor, one from Appleton Street and one from Dartmouth Street.

The possibility of expanding the buildings either vertically or horizontally was considered. However, the potential destruction of the historic character of the buildings and difficulty in obtaining variances makes this option unattractive.

CONDOMINIUM UNITS

The layout of the buildings comfortably allows a total of 46 units, 38 two bedroom and 8 one bedroom. This quantity is well within demand projections cited in the market analysis. Significantly fewer one bedroom units are included as they appear to be less popular in the South End.

The two bedroom units generously average 950-1,050 square feet of living space paralleling the currently most marketable units in the area. The one bedroom units approximate 700 square feet.

AMENITIES AND SPECIAL FEATURES

ROOF DECK AND TERRACES

Usable outdoor space is a reoccurring feature in newly renovative properties of the neighborhood which seems to improve sales appeal. Although a great deal of open area exists between the buildings, it does not lend itself to a court yard or other passive recreational use. This is mainly due to three factors: 1) the area is ten feet below street level with very little light and no prifacy, 2) the area would directly abut the parking area with its accompanying noise and smell of exhaust, and finally 3) this space could be better used for additional parking. Consequently, with the ground level not an option, the alternatives are reduced to roof decks and terraces.

The Bancroft building is well suited for a roof garden because it has a completely flat roof with no architectural detail. The common roof deck would provide residents a place for outdoor cooking, dining and sun-bathing which would be secure and private. In addition, the vegetation and solarium would increase the

4 ONE BEDROOM UNITS
24 TWO BEDROOM UNITS
28 UNITS TOTAL

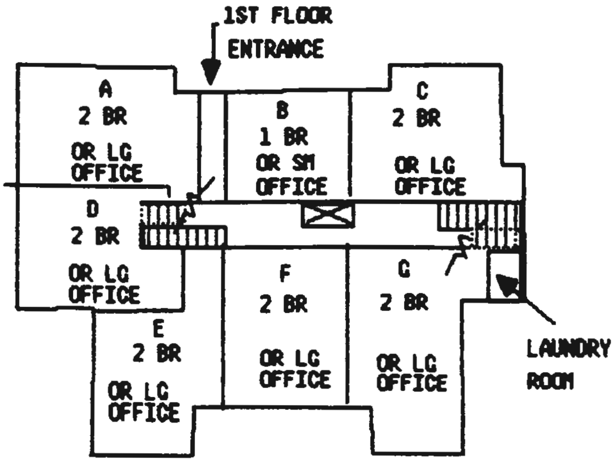
OR

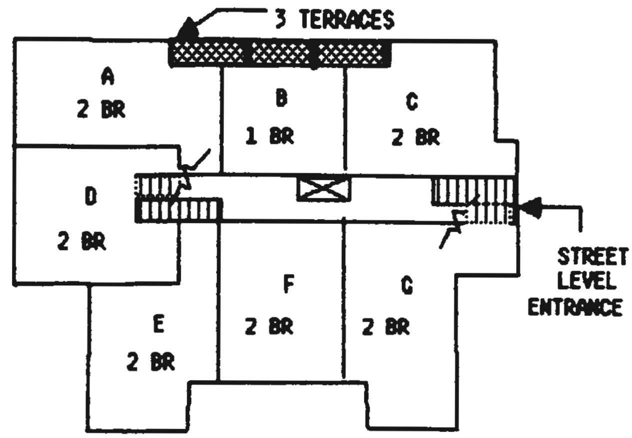
4 ONE BEDROOM UNITS
24 TWO BEDROOM UNITS
28 UNITS TOTAL

AND

1 SMALL OFFICE
6 LARGE OFFICES
7 OFFICE RENTALS

Rice Building





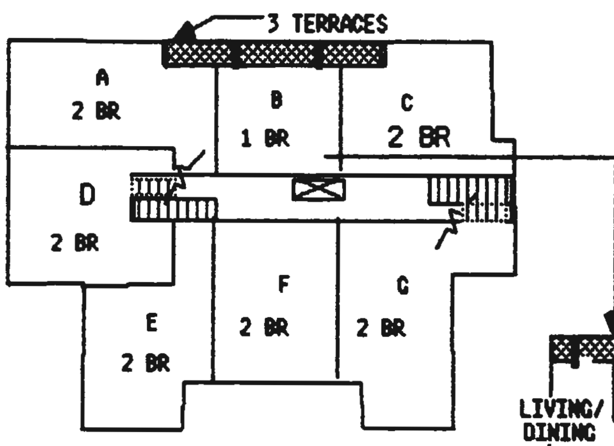
1st Floor

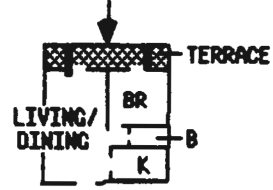
RES./OFFICE		CONDOMINIUMS		OFFICE RENTALS	
A	$ 85,000	E	$ 90,000	A $600/MO	E $700/MO
B	$ 65,000	F	$ 90,000	B $500/MO	F $700/MO
C	$ 90,000	G	$ 90,000	C $700/MO	G $700/MO
D	$ 85,000			D $600/MO	

2nd Floor

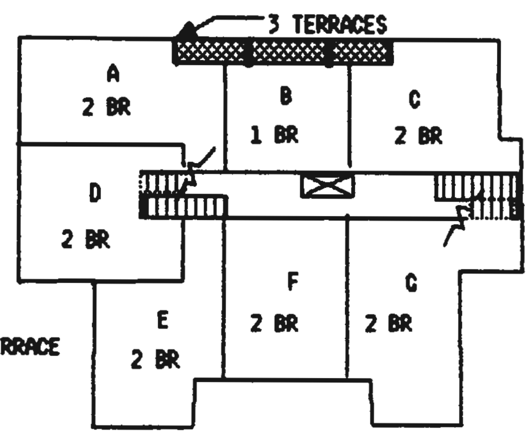
RES. CONDOMINIUMS

A	$ 100,000	E	$ 100,000
B	$ 80,000	F	$ 100,000
C	$ 110,000	G	$ 110,000
D	$ 90,000		





TYPICAL LAYOUT



3rd Floor

RES. CONDOMINIUMS

A	$ 100,000	E	$ 100,000
B	$ 80,000	F	$ 100,000
C	$ 110,000	G	$ 110,000
D	$ 90,000		

4th Floor

RES. CONDOMINIUMS

A	$ 100,000	E	$ 100,000
B	$ 80,000	F	$ 100,000
C	$ 110,000	G	$ 110,000
D	$ 90,000		

PARKING SPACE $5,000 EA

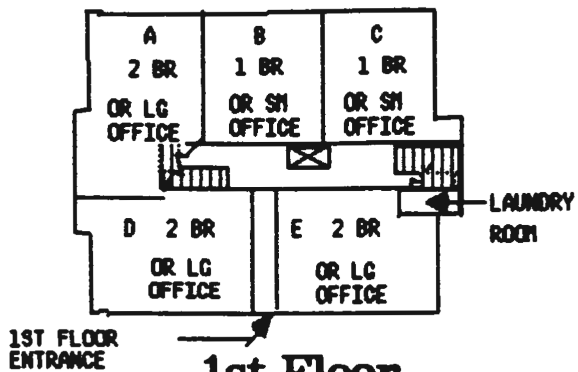
SCALE 1" = 40'

4 ONE BEDROOM UNITS
14 TWO BEDROOM UNITS
18 UNITS TOTAL

OR

2 ONE BEDROOM
11 TWO BEDROOM
13 UNITS
AND
2 SMALL OFFICES
3 LARGE OFFICES
5 OFFICE RENTALS

Bancroft Building



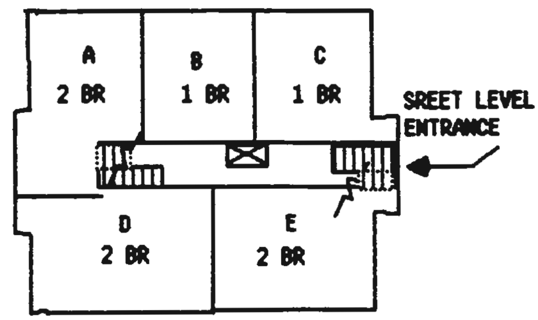
1st Floor

RES./OFFICE CONDOMINIUMS

A	$	85,000
B	$	60,000
C	$	90,000
D	$	90,000
E	$	90,000

OFFICE RENTALS

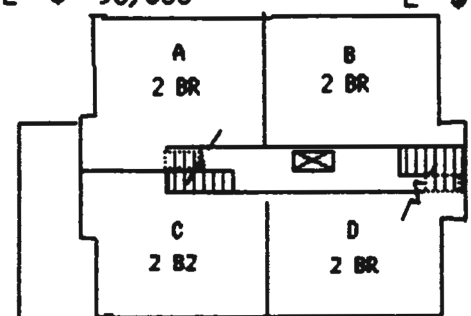
A	$ 600/MO
B	$ 500/MO
C	$ 500/MO
D	$ 700/MO
E	$ 700/MO



2nd Floor

RES. CONDOMINIUMS

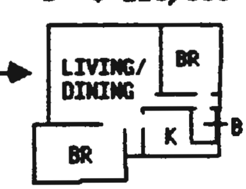
A	$	90,000
B	$	65,000
C	$	75,000
D	$	100,000
E	$	110,000



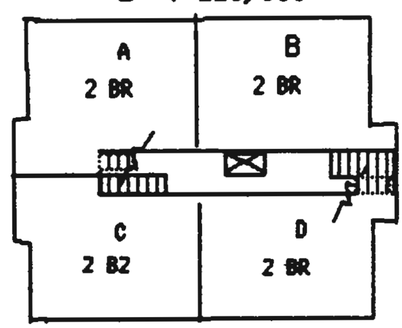
3rd Floor

RES. CONDOMINIUMS

A	$	90,000
B	$	110,000
C	$	100,000
D	$	110,000



TYPICAL LAYOUT



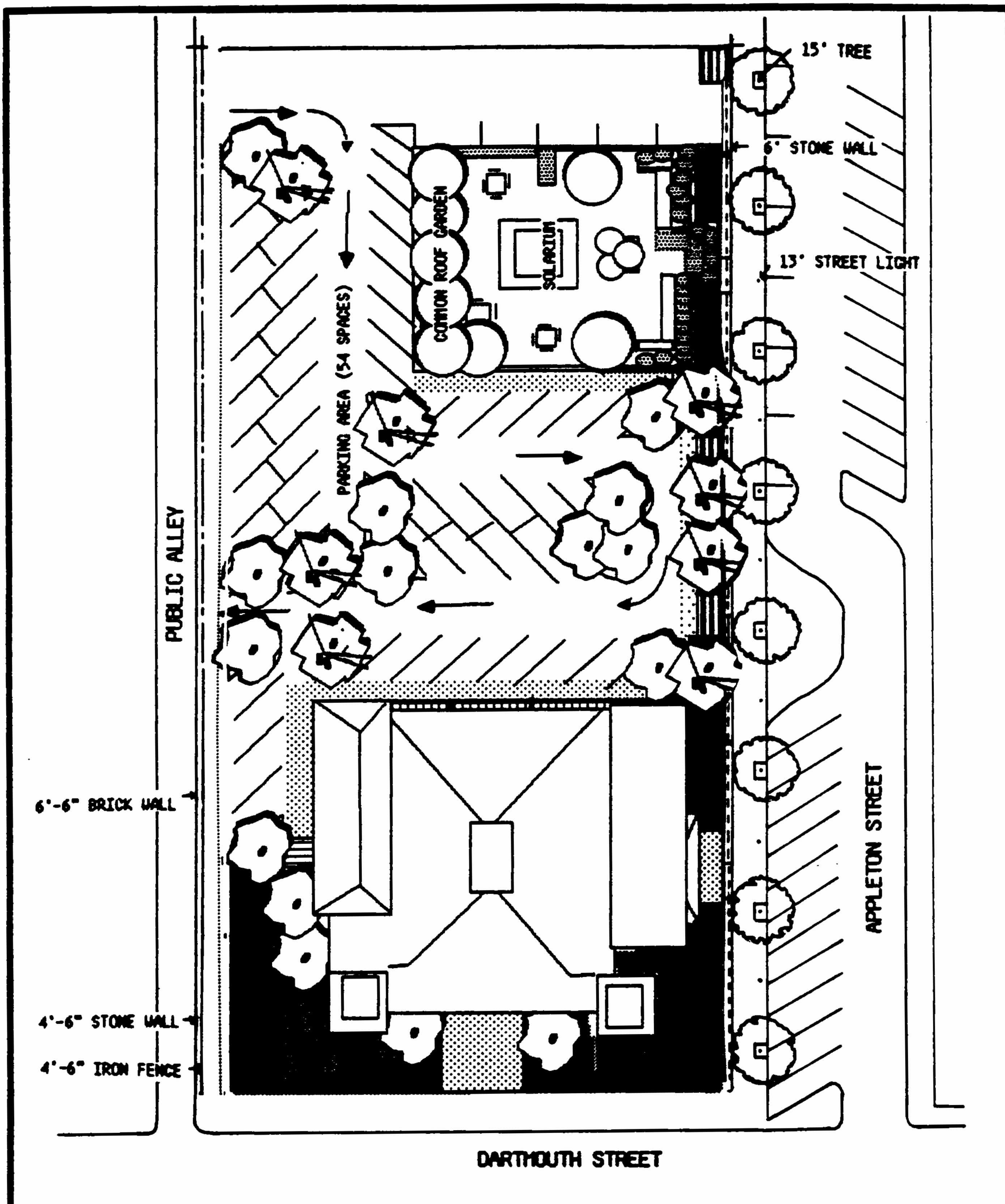
4th Floor

RES. CONDOMINIUMS

A	$	90,000
B	$	110,000
C	$	100,000
D	$	110,000

PARKING SPACES $5,000 EA

SCALE 1" = 40'



Bancroft-Rice School Site

BOSTON, MASSACHUSETTS

SCALE 1" = 40'

attractiveness of the building by giving the roof distinction. On the other hand, this is not appropriate for the Rice building with its well articulated mansard roof. Instead, the building seems to lend itself to terraces on its West side between the two corner pillars. This provides enough room to accomodate private terraces for three units on each of the above ground floors. These terraces would offer residents outdoor enjoyment and a pleasant view.

PARKING

One of the most valuable amenities that Bancroft Place has to offer is on-site parking. Employing a 45 degree, one way system the lot will accomodate 54 spaces. These spaces would be sold with the units. At first the spaces would be allocated one to each unit. The remaining eight spaces would be offered for sale to owners of two bedroom units on a first come first serve basis. After the sale of units whose owners do not wish to purchase parking spaces, those too will be offered to future or recent buyers. Each space will be priced at $5,000. (Parking space rental in the adjacent Back Bay area is $60-$70 per month.) The price may be raised or lowered depending on demand.

If any spaces remain after all the units are sold, they will be sold to the condominium association and designated for visitor parking. A fee will then be incorporated into the monthly condominium fee to cover this cost. However, it is not expected that there will be many spaces, if any, leftover. (Even though there is resident street parking available, it is limited and offers no vehicle security.) The model assumes that 1.17 spaces will be sold with each unit projecting that all units will be eventually sold. (See "Alternative Development Option" for office parking space arrangements.)

GOURMET KITCHENS

The kitchens will contain top quality appliances including range, refrigerator, dishwasher and disposal. There will also be ample built-in cabinet space and a place for a microwave oven. The modern kitchens will provide an attractive draw for current back bay renters as most apartment kitchens in the area are poorly equipped.

ELEVATORS

An elevator will be installed in each building. Although four floor walk-ups are not at all uncommon in the area, the elevator is necessary to distinguish the condo complex as "luxury living."

HARDWOOD FLOORS

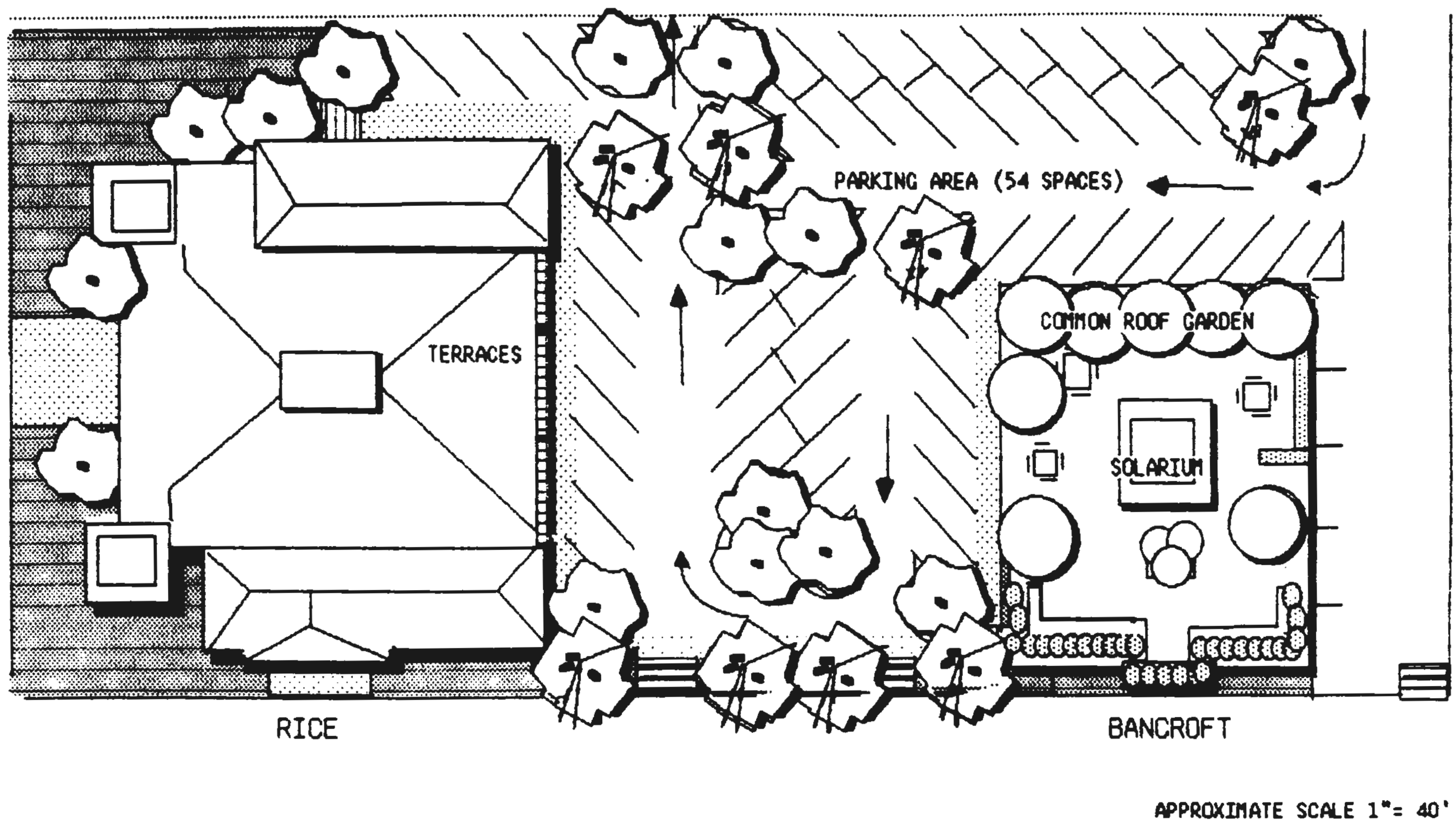
The living/dining room of each unit will be completed with hardwood floors. Although expensive to install, this feature promises to improve sale - ability of the units beyond the cost incurred. (as per market study information.)

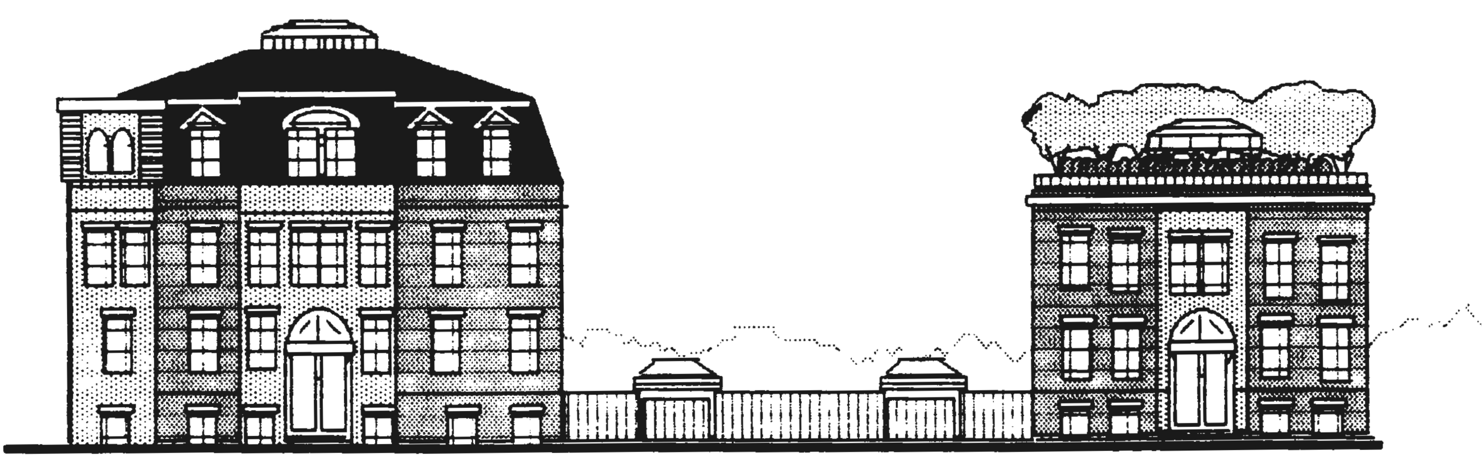
OTHER AMENITIES AND FEATURES

Other amenities and features such as fireplaces and exposed brick walls were cited as popular additions in the market study. However, these items did not originally exist within the building and would be too expensive and architecturally obtrusive to be added now.

EXTERIOR RENOVATION

The buildings will be meticulously cleaned and resurfaced to restore the natural beauty of the masonry. The three existing entry ways will be repaired, stripped, sanded and stained. An additional entry way will be created on the first floor of each building. They will be compatible in style to the original street level doors. All windows be replaced with gray tint





Bancroft Place

thermo panes and the roof will be repaired as necessary.

The terraces on the Rice building will be composed of black wrought iron in keeping with the historic character of the structure. The roof deck on the Bancroft will be patio floored with landscaping, benches, and a few tables. A solarium of gray tint thermo pane glass and black steel dividers will also be constructed to provide a sun room and receive the stairs from the fourth floor.

The existing walkways will be rehabbed and new ones will be created as illustrated on the sketch plan. The front and side yards as well as the parking lot will be generously landscaped with grass and hardy salt-resistent trees. This is particularly important in the parking area to buffer the harsh visual impact of automobiles and improve the view from the lower level units.

PRICE

Unit prices range from $65,000 to $80,000 for one bedroom units and from $85,000 to $110,000 for two bedroom units. These prices are compatible with the results of the market analysis. The individual condominiums are priced according to their amenity combinations. The suggested pricing is illustrated on the layout sketch plans. Bancroft Place offers a wide range of prices and unit styles to provide buying opportunity for many different types of consumers in the target group.

The first floor of both buildings contain the least desirable units. This is due to the less than pleasant view onto the parking lot or retaining wall and the increased security risk. Consequently, these units are priced lower than the upper floors. Their reduced marketability has prompted examination of an alternative to residential use which will be described later in the chapter.

Apart from the first floor, the main distinction in price lies with the quality of the view and the existence or non-existence of a terrace. In general the North facing units of both buildings and the East facing units of the Rice Building have the best views. For this reason they are priced slightly higher. The South facing units have a poor view, looking onto the parking lot and the alley. Although somewhat offset by the sunny exposure, these units are priced lower. The West facing units of the Bancroft Building have the worst view with little natural light, and consequently the lowest price-tag.

The terraces and roof deck add to the maretability and sales price of the units. Nine condos have terraces and are priced accordingly. The roof deck of the Bancroft adds to the value of all its units and offsets the fact that it is less architecturally interesting than the Rice.

CONSTRUCTION COST

A detailed estimate of the project renovation cost is described in the following table. The total cost is just over $2.5 million. This price includes approximately $100,000 for site work; parking lot and grounds and 2.4 million for building rehab. This averages around $38 per square foot.

Renovation Cost Estimate

ITEM DESCRIPTION	COST/UNIT X	# UNITS =	TOTAL
I. Exterior			
1. Two additional Entrances	450.00 ea.	2	900
2. Rehab. three existing entrances-scrape, paint	100.00 ea.	3	300
3. Clean, repaint masonry, repair window encasements	2.47/SF	52,150	128,811
4. Replace windows with insulated glass windows	200.00 ea.	approx. 140	28,000
5. Re-roofing	1.18/SF	15,725	18,555
6. Terraces			4,500
7. Roof deck			
A. Benches, tables			2,000
B. Landscaping			8,000
C. Flooring/drainage	7.20/SF	4,475	32,220
8. Parking lot			
A. Paving/striping/curbing	4.75/SF	16,725	79,444
B. Landscaping			10,000
9. Landscape Grounds			8,000
10. Total Exterior			320,730
II. Interior			
1. Tear Out and Cleaning	3.40/SF	64,500	219,300
2. New Walls - non-bearing with average amount of framing for doors, closets and corners including studding-furring	1.37/SF	52,440	71,843
3. All Walls, gypsum dry wall, fire code	.75/SF	104,880	78,660
4. Redo Ceilings, gypsum dry wall,	.75/SF	64,500	48,375
5. Carpet common hallways, entrances, stairs, etc.	2.61/SF	18,500	48,285
6. Passenger Elevators	15,000	2	30,000
7. Lighting - common areas			3,000
8. Blown in fiber glass insulation	1.29/SF	15,725	20,285
9. Electrical System	3.52/SF	64,500	227,040
10. Heating, Ventilation, Air-Conditioning	1.36/SF	64,500	87,720
11. Plumbing	3.04	64,500	196,080
12. Sliding insulated glass doors for units with terraces	924.00 ea	9	8,316
13. Laundry Facilities, coin operated washer, dryer, installation	1,400.00	2	2,800
15. Interior Painting (Walls & Ceilings)	.32/SF avg.	169,380	54,202

* SOURCE: HOME-TECH REMODELING AND RENOVATION COST ESTIMATOR 1984. VOL. 1. Field Manual. Henry Reynolds. Home-Tech Publications, Bethesda, Maryland, 1984.

Renovation Cost Estimate (CONTINUED)

ITEM DESCRIPTION	COST/UNIT X	# UNITS =	TOTAL
16. Total Interior except standard unit components			1,095,906
17. Units			
A. Kitchens			
1. Appliances (including installation, plumbing and electrical)			
-Single wall electric range	543.00 ea.	1	543
-Dishwasher	800.00 ea.	1	800
-Garbage disposal	468.00 ea.	1	468
-8" fan	175.00 ea.	1	175
-Refrigerator	600.00 ea.	1	600
2. Cabinets, counters, sink, installation	1,800.00 ea.	1	1,800
3. Broom closet	255.00 ea.	1	255
B. Bathroom			
1. Sink, toilet, tub, shower, plumbing, vanity (installation and plumbing)	3,000.00 ea.	1	3,000
2. Recessed medicine cabinet, mirrored door, light	71.00 ea.	1	71
3. Tub/shower sliding glass doors	158.00 ea.	1	158
C. General-Unit			
1. Two closets/doors	275.00 ea.	2	550
2. Floors: viny/covering - kitchen/bathroom	1.26/SF	25°	315
3. Floors: hardwood-living/dining room	4.43/SF	45°	1,994
4. Carpet: bedroom	3.15/SF	300	945
5. Three-four doors	110.00 ea.	3.9 avg.	429
6. Lighting			400
D. Std. Total Components-Units	124.04	46	570,538
III. Subtotal			
1. Subtotal + 10% area cost modification			2,027,674
IV. General			
1. Architectural, engineering services and plans, permits	13% job price	2,230,441	289,957

* SOURCE: HOME-TECH REMODELING AND RENOVATION COST ESTIMATOR 1984. VOL. 1. Field Manual. Henry Reynolds. Home-Tech Publications, Bethesda, Maryland, 1984.

Renovation Cost Estimate (CONTINUED)

ITEM DESCRIPTION	COST/UNIT X	# UNITS =	TOTAL
*Total			2,521,398
*Total Exterior Site Work - parking, grounds, etc.			99,444
*Total Building Rehab.			2,421,959
*Avg. Building Rehab. Per Square Foot			$38

* SOURCE: <u>HOME-TECH REMODELING AND RENOVATION COST ESTIMATOR 1984</u>, VOL. 1. Field Manual. Henry Reynolds. Home-Tech Publications, Bethesda, Maryland, 1984.

FINANCING

Construction financing would be required to build the project. This would be the only financing necessary if the entire project is to be sold as condominiums. If the office rental alternative is chosen, take out financing would be needed for the portion of the buildings which remains in the ownership of the developer. In this case the specified portion of the construction financing would roll over into a mortgage. The terms of both the construction and possible take out financing are described below.

CONSTRUCTION FINANCING

Equity Participation:

- Irrevocable letter of credit for 10-20% of the project which can be called on at any time (funds will be earning interest at this time) plus ownership of the building.

Length of the Loan:

- 18 months to 2 years with a charge of one point to renew the loan (length will depend on the rate of condo sales.)

Funding:

- Costs are funded monthly as work is completed according to the hard cost (construction, materials, etc.) and soft cost (marketing, legal fees, etc.) budgets.

- For the purpose of analysis the loan is assumed to be received in equal monthly installments over the period of construction (1 year).

Payback:

- Interest on the amount of funds advanced is paid monthly.

- 90% of each condominium sale is paid to the bank (the selling rate determines the length of the deal.)

Interest Rate:

- 2 points over prime, (assume 14% for analysis.)

Points:

- 1.5 points upon initiation and 1 point to renew the loan.

*The bank may also require letters from residential mortgage lenders expressing willingness to grant mortgages for the condominiums within the project.

*There would be no pre-construction sale requirement, given the current market conditions in the area.

TAKE OUT FINANCING

If the office rental alternative is chosen, the portion of the project remaining in ownership would require a mortgage.

Term:

- 30 years.

Loan/Value Ratio:

- .8 (the increase in value post construction would automatically make the loan less than 80% of the value. Consequently, no down payment would be required.)

Interest Rate:

- 1 point over prime (assume 13% for analysis.)

B. Alternative Development Option - First Floor Offices

The first floors of each buildings contain the least desirable space for residential use. The windows view primarily onto either the parking area or the ten foot retaining wall which surrounds the property on two sides. There is also a security problem (even if it may be only a perceived problem) associated with residing on the first floor. For these reasons one option which will be considered is creating luxury rental office units. These may be sold later as office condominiums after the neighborhood has gentrified more significantly. If the situation demands these units could also be converted to residential units.

SUITABILITY OF OFFICE USE

As discussed in Chapter II, the office market in the area appears yet untested. However, the two block proximity to Copley Place holds the potential for a prestigous address. There is also ample parking for the few number of offices suggested and easy access from many commercial and residential centers. No use variance would be required as many types of professional offices are permitted. The marketability of the offices could be tested as tenants are sought in the pre-construction phase.

INVESTMENT TAX CREDIT

Perhaps the largest benefit is that the creation of offices would allow the developer to take a 20% Investment Tax Credit on the Rehabilitation Cost. The building is more than 40 years old which qualifies it for the tax credit, however, the use must be non-residential. Consequently, the ITC would only be for the portion of the building intended for offices. The rehabilitation costs would be comparable to condo development totaling $616,116 for the first floors of both buildings (although the offices will not have full kitchens, they will have kitchenettes and other custom features which would make the condo rehab. price an adequate estimate). The 20% Investment Tax Credit on this amount would be $123,223. This is significantly larger than the initial investment into the project (initial investment, rental segment, includes: purchase price, construction interest, points, $106,093.)

SIZE

For the purpose of analysis, two sizes of offices are contemplated. The smaller offices would be large enough for approximately 3 rooms, one each for the professional, secretary/receptionist and library/equipment. There would also be a bathroom and kitchenette. The larger offices would allow for additional rooms to accomodate more than one professional or extra examination rooms. However, during the pre-construction phase when tenants are being sought, the space may be cut up differently as individual needs demand.

NUMBER OF UNITS

A layout comparable to that for the residential units will be used for analysis. This yields 12 offices, three of the smaller type, and nine larger. Of the larger offices, two have poor views and seven have better views. As previously stated this may change according to the needs of potential tenants. The analysis remains reasonably valid regardless of how the space is cut up as the rent is calculated per square foot.

RENT

The suggested rent for the office units range from seven to eight dollars per square foot. This is just slightly less than prevailing rates for comparable space in Back Bay. The monthly rent for the small units would be $500. There would be two distinctions of larger office groups. Those with the poorest view would start at $600 per month, and those with the better view would be set at $700 per month. The model assumes a 5% increase in rent annually. Parking space rental would be set at $50 per month, slightly less expensive than the going rate in Back Bay. The model assumes an average of one space will be rented for each office and a 5% annual increase in rent.

LIQUIDATION

As property values rise and the neighborhood gentrifies more significantly, the units can be sold as office condominiums. It is unlikely, given the current composition of the neighborhood, that these units would sell easily at the present time. Consequently, renting would allow the owner to carry the units until the property had sufficiently appreciated in value. Some amount of remodeling and capital improvements would be needed prior to sale. Ten percent of the selling price should be budgeted for this purpose.

C. Additional Consideration - Decreased Down Payment Requirement for Condominium Purchasers

Another option considered is the possibility of the developer buying down the initial equity requirement for condominium purchasers. The reason for this is that the market analysis showed a large percentage of potential buyers have the necessary income to meet mortgage payments but not the savings for the down payment. Therefore, reducing the initial equity requirement may greatly improve marketability.

However, from the developer's perspective, buying down the initial payment is effectively decreasing the sales price. Consequently, this alternative would have to be judged against the benefits of a potentially shorter selling period. Or, the possibility of increasing the purchase price in light of this favorable financing opportunity could be examined. This would not decrease the profit to the developer but may still provide an additional incentive to buyers. In other words, it may be worthwhile for condominium purchasers to pay more in the long run if they could invest less initially.

The project alternatives described in the preceeding chapter will be investigated and refined further as a result of the feasibility analysis which follows.

Chapter V
Financial Analysis

The following chapter provides a financial feasibility analysis of the proposed project. The two basic development alternatives described in Chapter IV will be examined. The first utilizes both buildings for the creation of residential condominiums. The units are priced, sized and equipped according to information resulting from the market investigation. The second option is also composed primarily of condominiums. However, recognizing the decreased marketability of the ground floor, office rental units are proposed at this location in both buildings.

Three scenarios varying from most optimistic to "worst case" are detailed for each development alternative. They differ in selling rate, price, lease up period, rent, and construction cost. The computer aided spread sheet analysis is used to test the sensitivity of these variables with regard to their effect on the financial success of the project. These findings will determine the best development option as well as its projected economic feasibility.

The contents of the chapter is presented in the following sequence:

1. At the onset, the general assumptions implicit in the spread sheet model are explained. This is intended to clarify the inputs and theories employed in the design of the model.
2. The main focus of the chapter provides a financial analysis of each development opportunity as presented in three varying scenarios. This exposes the vulnerable aspects of the project and illustrates the anticipated results if projected market conditions are not realized.
3. Following the analysis, the additional consideration of developer assisted residential mortgage arrangements is explored as it applies to the two proposed development plans.
4. Finally, the optimum development alternative will be recommended in accord with the results of the financial analysis.

A. Assumptions

CONSTRUCTION FINANCING

The construction financing arrangements assumed for the project represent the terms of a typical loan for condominium development. The construction loan agreement is discussed fully in Chapter IV. However, it bears brief repeating here due to the many accompanying assumptions which are necessary to model the project.

Equity Participation:

Irrevocable letter of credit for 15% of project rehabilitation cost and ownership of the building.

Length of Loan:

2 years, renewable, the rate at which the units sell actually determines the length of the loan.

Points:

1.5 point upon initiation.
1 point to renew loan.

Funding:

Costs are funded monthly as work is completed. The model assumes that the loan is received in twelve equal installments over the course of the construction time - one year.

Interest Payments:

Interest is calculated only on the amount currently loaned out. The model calculates the interest owed quarterly although it is actually paid monthly. (Interest rate - 14%).

Principal Payments:

Payments of principal occur when condominiums are sold. As each unit is sold, 90% of the selling price must go to the bank as a principal payment. For the purpose of analysis the model calculates the sales rate and principal payments quarterly.

TAKE OUT FINANCING

Take out financing would be necessary only for the portion of the buildings which were developed as offices.

Term:

30 years.

Interest Rate:

13%.

Points:

1.5

TAXES

Tax Rate:

The investor is assumed to be taxed 50% at the federal level and 5.375% in the State of Massachusetts.

Investment Tax Credit:

An ITC equal to 20% of the rehabilitation cost is assumed for the office segment of the project. The buildings are eligible for this credit because they are more than 40 years old. Two conditions accompany the ITC - the amount of the credit must be deducted from the basis for depreciation purposes, and the straight line method of depreciation must be elected. The ITC is actually larger than the initial investment. Consequently, for the purpose of analysis, rather than deducting the ITC from the initial outlay, yielding a negative number and making it impossible to calculate internal rate of return, the ITC is viewed as income in the first year.

Depreciation:

As previously stated straight line depreciation must be used for the office segment because of the ITC. The model also assumes straight line depreciation for the condominiums. This method was chosen because of the greater ease in estimation and the short amount of time the units would be depreciated. The units may only be depreciated after the building is placed "in service", which would be when the construction is complete, and only until the time that they sell. Consequently, the model uses the amount of time that the units remain unsold to calculate the depreciation allowed.

INITIAL INVESTMENT OUTLAY

The analysis model assumes that the initial investment for the rental segment is equal to that amount of the purchase price, construction loan interest, and points which is attributable to the office portion of the buildings.

The analysis model assumes that the initial investment for the condominium segment is equal to the purchase price (which also constitutes the equity participation necessary for the loan.). The construction loan interest and points are calculated in with the loan principle and other costs associated with the rehabilitation.

DISCOUNT FACTOR

The discount factor assumed within the model is 12.8%, equal to the current interest rate for long term treasury bill rates.

Expenses

The office rental expenses were estimated using information from the Institute of Real Estate Management Income/Expense Analysis for Office, Apartment and Condominiums. The expenses are assumed to increase 2% annually.

RENT

The model assumes a 5% annual increase in rent.

PARKING SPACES

The model assumes that 1.17 parking space will be sold with each condominium. This indicates that there will be a demand for every space. The model also assumes that one space will be rented with each office. When the office units are sold the price will include one space per unit.

B. Basic Development Alternative - Residential Condominiums Only

The residential condominium alternative is presented and tested in three scenarios. These scenarios are summarized in the following table. Selling rate, price, and construction cost are varied in order to illustrate the resulting financial consequences. The lengthy selling time reflects the fact that there are a number of less desirable first floor units. These units constitute approximately 25% of the entire project.

VARIABLE	PESSIMISTIC SCENARIO	MODERATE SCENARIO	OPTIMISTIC SCENARIO
Selling Rate			
pre construction	10%	10%	20%
yr 1, qrters 1 & 2	30%	40%	40%
yr 1, qrters 3 & 4	20%	15%	20%
yr 2, qrters 1 & 2	20%	15%	20%
yr 2, qrters 3 & 4	20%	20%	0
Total Sales Price			
Condominiums	3,897,000	4,330,000	4,763,000
Parking Spaces	243,000	270,000	297,000
Construction Cost	2,587,686	2,464,463	2,218,017

C. Findings: Basic Development Alternative – Condominiums Only

The following figures and narrative illustrate the financial analysis of the basic development alternative under three varying scenarios. The table presents a summary of the key measures of success. These indicators are interpreted and explained in the following text. The complete detailed financial spread sheets are then presented at the conclusion of the section.

It is clear in all three scenarios that the value added to the property through condominium development is substantial. Even though the estimated gross selling price, varies close to one million dollars from the worst to best case projections, the return remains high. Under the optimistic scenario, the total discounted return is $1,873,280. This assumes that the condominiums will sell within a year and a half after the building is placed in service and that the selling prices will be slightly higher than the current average for the neighborhood. However, even if the units take two full years to sell and command prices ten percent below the current area average, the project yields a discounted return of $843,215. The moderate scenario, most closely reflecting present market conditions shows a discounted return of $1,262,462.

The Net Present Value of the project is positive under all these scenarios. This indicates that the investor is receiving greater than his required rate of return. The model assumes 12.8% as the required rate. (This is equal to the current long term treasury bill rate.) It is clear at a glance that the project is yielding a much higher precent. The net present value for the moderate scenario is $997,462. Even under the pessimistic scenario, the net present value is over half of a million dollars. This is, of course, because all the units are being sold

SUMMARY OF KEY INDICATORS

	PESSIMISTIC SCENARIO	MODERATE SCENARIO	OPTIMISTIC SCENARIO
Total Return After Taxes and Brokerage Fees	1,001,198	1,479,252	2,114,489
Total Discounted Return At	843,215	1,262,462	1,873,280
NPV of Profit	578,215	997,462	1,608,280
% Return on Initial Investment At	378%	558%	798%
Internal Rate of Return	181%	402%	infinity
Investment Value	3,430,901	3,726,925	4,091,292

within a short period of time (2 yrs even in the pessimistic scenario) and the discount factor has less of an impact.

While the positive net precent value indicates the rate of return is greater than 12.8% (the discount factor employed), the actual rate is identified as the internal rate of return. The IRR calculated for the three scenarios is extremely high. As previously noted, this is because the units are developed and sold all in a short period. The discount factor has less of an impact because the return on the investment is received so quickly. The pessimistic and moderate scenarios show an internal rate of return of 181% and 402% respectively. The IRR for the optimistic is actually infinity. This is because the "best case" scenario assumes that 20% of the units will be sold during the pre-construction stage. Under this scenario, more proceeds from sales are received than funds are expended in the start up year. Consequently, regardless of the discount factor employed the net present value will never equal zero.

The return on the initial equity investment projected for all three scenarios is tremendous. Again, assuming the investor's required rate of return is 12.8%, the return on initial investment is 378% under the pessimistic scenario, 558% under the moderate scenario and 798% under the optimistic scenario. This illustrates the project's overwhelming potential for profit compared to the initial equity required.

The final measure of success, investment value, indicates the amount the investor would be justified in paying for acquisition and renovation costs, according to the selling schedule of the units. According to the selling rate projected in the moderate scenario, the investor would be justified in paying \$3,726,925. However the actual cost is only \$2,729,463. Consequently, the project represents a very good deal as the property is substantially under-priced. The optimistic scenario represents the project as even a better deal with an investment value of \$4,091,297 compared to a cost of \$2,483,017. The investment value under the pessimistic scenario is also far in excess of the actual acquistion and renovation price, \$3,430,901 compared to \$2,582,686.

From all indications, under all three scenarios, the project appears a sound investment with an extremely high potential for return. Only one other factor need be considered, particularly when comparing the basic development alternative with the mixed use office alternative. That is, the risk involved with the sale of the first floor units. Although the pessimistic scenario assumes a lowered price and long selling period for these units, there may be an outside chance that they would not sell in two years or only at a very unreasonable price. If the units did not sell the total discounted return would be reduced from \$843,215 to \$116,672 under the pessimistic scenario. The net present value in this case would actually fall below zero at -\$148,328 making the project a losing investment. The uncertain sales appeal of these first floor units should be considered when evaluating the two development alternatives.

Residential Condominiums Only

PESSIMISTIC SCENARIO

ASSUMPTIONS	YEAR	0	1	2	3	4	5
	Purchase Price	265,000					
	Est. Land Value	100,000					
	Rehabilitation Cost-Total	2,587,686					
	Acquisition Price & Renov	2,852,686					
	Total Floor Area (square feet)	64,500					
	Const Loan (hard & soft costs)	2,587,686	FUNDED AS	WORK IS	COMPLETED		
	Equity Participation	BLDG. +	LETTER OF	CREDIT			
	Pay Back •	MONTHLY	INTEREST ON	FUNDED LOAN	PORTION +	90% CONDO	SALES
	Construct. Loan Ann Int Rate	.14					
	Construct. Loan Int Rate/Month	.011666667					
.015	Points	38,815					
.01	Points to Renew Loan	0					
1	Construction Time	1					
	Construction Loan Term	2Yr-Renew					
	Aprox. Funding Schedule/Month	215,640					
.1	Est. Pre Comp. Condo Sales	389,700					
	Est. Pre Comp Pkg Space Sales	24,300					
	Mo Fund. w/90% pre cons sales	186,413					
	Int Construct Loan (1st 6mos)	45,671					
	Int Construct Loan(2nd 6 mos)	123,965					
	TOTAL CONST LOAN INT SU YR	169,636					
	Remain Prin at End Start Up Yr	2,236,956					
			1,184,766	-218154			
	Remain Prin Con Loan(1&2 qrtr)		1,184,766	0			
			483,306	-701460			
	Remain Prin Con Loan(3&4 qrtr)		483,306	0			
.3	Condo Sales Yr 1(1st & 2nd qrt		1,169,100				
	Pkg Space Sales Yr 1 (1&2 qrtr	72,900					
.2	Condo Sales Yr 1(3rd & 4th qrt		779,400				
	Pkg Space Sales Yr 1(3&4 qrtr)	48,600					
.2	Condo Sales Yr 2 (1 & 2 qrtr)			779,400			
	Pkg Space Sales Yr 2(3&4 qrtr)	48,600					
.2	Condo Sales Yr 2 (3 & 4 qrtr)			779,400			
	Pkg Space Sales Yr 2(3&4 qrtr)	48,600					
	Mo PayBack w/90% C Sales(1&2qr		175,365	116,910			
	Mo PayBack w/90% C Sales(3&4qr		116,910	116,910			
			66,018	8,732			
	Int Cons Loan(1st qrter)		66,018	8,732			
			47,605	(3,544)			
	Int Cons Loan(2nd qrter)		47,605	0			
			45,559	(15,819)			
	Int Cons Loan(3rd qrter)		45,559	0			
			33,283	(28,095)			
	Int Cons Loan(4th qrter)		33,283	0			
	TOTAL CONST LOAN INT		192,464	8,732			
	Prop Val-Condo Seg(sales price	3,897,000					
	Pkg Space Val-Condo Seg(sales	243,000					
	Acquis+Renov. Cost-Condo Seg	2,852,686					
	Est Land Value	100,000					
	Initial Investment-Condo Seg	265,000					
	Constant for Acc Deprec.	1.75					
	Income Tax Rate	0.50					
	Econ Life of Bldg	15					
.128	Investor Req. ROI	.128					
	No. of Units	46					
	Initial Equity	265,000					
	CONDOMINIUM & PKG SPACE SALES						
	Estimated Gross Sale Price	414,000	2,070,000	1,656,000			

		0	1	2	3	4	5
0.06	Brokerage Fees	24,840	124,200	99,360			
	Net Selling Price	389,160	1,945,800	1,556,640			
	Book Value of Unsold Units	2,477,417	1,426,320	(0)			
	Book Value of Building						
	Acc Depreciation						
	Est. Acc Deprec. Unsold Units						
	SL Depreciation	165,161					
	Est SL Deprec. Unsold Units		123,871	90,839			
	Book Val of Units&Spaces Sold	285,269	1,426,343	1,141,074			
	Capital Gains	128,731	643,657	514,926			
.5	Depr.Subj.-Ord IncTax(Dep>SL)						
	Amt Subj.-Cap Gains Tax	128,731	643,657	514,926			
.2	Capital Gains Tax Rate	.2					
	TOTAL TAX LIABILITY(from sale)	25,746	128,731	102,985			
	Purchase Price-Condo Seg	198,750					
	CONDO SEG COSTS						
2,587,686	Costruct. Loan Prin	258,769	1,293,843	1,035,074			
	Const Loan Interest	169,636	192,464	8,732			
	Points	38,815	0				
0.06	Brokerage Fees	24,840	124,200	99,360			
	Tax Liability From Sales	25,746	128,731	102,985			
	TOTAL COSTS-CONDO SEG	517,806	1,739,239	1,246,152			
	CONDO SEG REVENUES						
	Sum Of Tax Deductibles	233,291	316,664	108,092			
.5	Fed Tax Shelter	116,646	158,332	54,046			
.05375	Mass St Tax Shelter	12,539	17,021	5,810			
	TOTAL TAX SHELTER	129,185	175,353	59,856			
	Condominium & Pkg Space Sales	414,000	2,070,000	1,656,000			
	TOTAL REVENUES	543,185	2,245,353	1,715,856			
	TOTAL AFTER TAX RETURN	25,379	506,114	469,704			
	CUM AFTER TAX RETURN	25,379	531,493	1,00[illegible],198			
	DISC. RETURN	25,379	448,683	578,215			
	TOTAL DISC. RETURN	25,379	474,062	843,215			
	NPV OF PROFIT	(239,621)	209,062	578,215			
	ROI AFTER TAXES (cum)	0.10	2.01	3.78			
	INTERNAL RATE OF RETURN						
TRY DF'S	Trial Disc Factor	1.81					
TILL NPV=0	Total Disc Return (Trial DF)	25,379	180.112	59,486			
	Cum Total Disc Return(Trial DF	25,379	205,491	264,976			
	Net Present Value			(24)			
MUST RECALC	INTERNAL RATE OF RETURN			181.0			
	INVESTMENT VALUE	2,613,065	3,036,369	3,430,901			
	KEY INDICATORS						
	RESIDENTIAL CONDOMINIUM SEG						
	INVESTMENT LIQUIDATION						
	Estimated Gross Sale Price	414,000	2,070,000	1,656,000			
	TOTAL TAX SHELTER - ST & FED	129,185	175,353	59,856			
	ROI AFTER TAXES	0.10	2.01	3.78			
	TOTAL DISC. RETURN	25,379	474,062	843,215			
	NPV OF PROFIT	(239,621)	183,683	578,215			
MUST RECALC FOR CHANGES	INTERNAL RATE OF RETURN (5 yrs			181.0			
	INVESTMENT VALUE	2,613,065	3,036,369	3,430,901			

Residential Condominiums Only

MODERATE SCENARIO

ASSUMPTIONS	YEAR	0	1	2	3	4	5
	Purchase Price	265,000					
	Est. Land Value	100,000					
	Rehabilitation Cost-Total	2,464,463					
	Acquisition Price & Renov	2,729,463					
	Total Floor Area (square feet)	64,500					
	Const Loan (hard & soft costs)	2,464,463	FUNDED AS	WORK IS	COMPLETED		
	Equity Participation	BLDG. +	LETTER OF	CREDIT			
	Pay Back	MONTHLY	INTEREST ON	FUNDED LOAN	PORTION +	90% CONDO	SALES
	Construct. Loan Ann Int Rate	.14					
	Construct. Loan Int Rate/Month	.011666667					
.015	Points	36,967					
.01	Points to Renew Loan	0					
1	Construction Time	1					
	Construction Loan Term	2Yr-Renew					
	Aprox. Funding Schedule/Month	205,372					
.1	Est. Pre Comp. Condo Sales	433,000					
	Est. Pre Comp Pkg Space Sales	27,000					
	Mo Fund. w/90% pre cons sales	172,897					
	Int Construct Loan (1st 6mos)	42,360					
	Int Construct Loan(2nd 6 mos)	114,976					
	TOTAL CONST LOAN INT SU YR	157,336					
	Remain Prin at End Start Up Yr	2,074,763					
			515,963	-584550			
	Remain Prin Con Loan(1&2 qrtr)		515,963	0			
			(68,587)	-779400			
	Remain Prin Con Loan(3&4 qrtr)		0	0			
.4	Condo Sales Yr 1(1st & 2nd qrt		1,732,000				
	Pkg Space Sales Yr 1 (1&2 qrtr	108,000					
.15	Condo Sales Yr 1(3rd & 4th qrt		649,500				
	Pkg Space Sales Yr 1(3&4 qrtr)	40,500					
.15	Condo Sales Yr 2 (1 & 2 qrtr)			649,500			
	Pkg Space Sales Yr 2(3&4 qrtr)	40,500					
.2	Condo Sales Yr 2 (3 & 4 qrtr)			866,000			
	Pkg Space Sales Yr 2(3&4 qrtr)	54,000					
	Mo PayBack w/90% C Sales(1&2qr		259,800	97,425			
	Mo PayBack w/90% C Sales(3&4qr		97,425	129,900			
			54,431	(6,820)			
	Int Cons Loan(1st qrter)		54,431	0			
			27,152	(17,049)			
	Int Cons Loan(2nd qrter)		27,152	0			
			45,338	(36,372)			
	Int Cons Loan(3rd qrter)		45,338	0			
			35,108	(50,012)			
	Int Cons Loan(4th qrter)		35,108	0			
	TOTAL CONST LOAN INT		162,028	0			
	Prop Val-Condo Seg(sales price	4,330,000					
	Pkg Space Val-Condo Seg(sales	270,000					
	Acquis+Renov. Cost-Condo Seg	2,729,463					
	Est Land Value	100,000					
	Initial Investment-Condo Seg	265,000					
	Constant for Acc Deprec.	1.75					
	Income Tax Rate	0.50					
	Econ Life of Bldg	15					
.128	Investor Req. ROI	.128					
	No. of Units	46					
	Initial Equity	265,000					
	CONDOMINIUM & PKG SPACE SALES						
	Estimated Gross Sale Price	460,000	2,530,000	1,610,000			
0.06	Brokerage Fees	27,600	151,800	96,600			

		0	1	2	3	4	5
	Net Selling Price	432,400	2,378,200	1,513,400			
	Book Value of Unsold Units	2,366,517	1,228,237	(0)			
	Book Value of Building						
	Acc Depreciation						
	Est. Acc Deprec. Unsold Units						
	SL Depreciation	157,768					
	Est SL Deprec. Unsold Units		114,381	86,772			
	Book Val of Units&Spaces Sold	272,946	1,501,205	955,312			
	Capital Gains	187,054	1,028,795	654,688			
.5	Depr.Subj.-Ord IncTax(Dep>SL)						
	Amt Subj.-Cap Gains Tax	187,054	1,028,795	654,688			
.2	Capital Gains Tax Rate	.2					
	TOTAL TAX LIABILITY(from sale)	37,411	205,759	130,938			
	Purchase Price-Condo Seg	198,750					
	CONDO SEG COSTS						
2,464,463	Costruct. Loan Prin	246,446	1,355,455	862,562			
	Const Loan Interest	157,336	162,028	0			
	Points	36,967	0				
0.06	Brokerage Fees	27,600	151,800	96,600			
	Tax Liability From Sales	37,411	205,759	130,938			
	TOTAL COSTS-CONDO SEG	505,760	1,875,042	1,090,100			
	CONDO SEG REVENUES						
	Sum Of Tax Deductibles	221,903	313,828	96,600			
.5	Fed Tax Shelter	110,952	156,914	48,300			
.05375	Mass St Tax Shelter	11,927	16,868	5,192			
	TOTAL TAX SHELTER	122,879	173,782	53,492			
	Condominium & Pkg Space Sales	460,000	2,530,000	1,610,000			
	TOTAL REVENUES	582,879	2,703,782	1,663,492			
	TOTAL AFTER TAX RETURN	77,119	828,740	573,393			
	CUM AFTER TAX RETURN	77,119	905,859	1,479,252			
	DISC. RETURN	77,119	734,699	450,644			
	TOTAL DISC. RETURN	77,119	811,818	1,262,246			
	NPV OF PROFIT	(187,881)	546,818	185,644			
	ROI AFTER TAXES (cum)	0.29	3.42	5.58			
	INTERNAL RATE OF RETURN						
TRY DF'S	Trial Disc Factor	4.019					
TILL NPV=0	Total Disc Return (Trial DF)	77,119	165,121	22,762			
	Cum Total Disc Return(Trial DF	77,119	242,239	265,002			
	Net Present Value			2			
MUST RECALC	INTERNAL RATE OF RETURN			401.9			
	INVESTMENT VALUE	2,541,582	3,276,281	3,726,925			
	KEY INDICATORS						
	RESIDENTIAL CONDOMINIUM SEG						
	INVESTMENT LIQUIDATION						
	Estimated Gross Sale Price	460,000	2,530,000	1,610,000			
	TOTAL TAX SHELTER - ST & FED	122,879	173,782	53,492			
	ROI AFTER TAXES	0.29	3.42	5.58			
	TOTAL DISC. RETURN	77,119	811,818	1,262,462			
	NPV OF PROFIT	(187,881)	469,699	185,644			
MUST RECALC FOR CHANGES	INTERNAL RATE OF RETURN (5 yrs			401.9			
	INVESTMENT VALUE	2,541,582	3,276,281	3,726,925			

Residential Condominiums Only

OPTIMISTIC SCENARIO

ASSUMPTIONS	YEAR	0	1	2	3	4	5
	Purchase Price	265,000					
	Est. Land Value	100,000					
	Rehabilitation Cost-Total	2,218,017					
	Acquisition Price & Renov	2,483,017					
	Total Floor Area (square feet)	64,500					
	Const Loan (hard & soft costs)	2,218,017	FUNDED AS	WORK IS	COMPLETED		
	Equity Participation	BLDG. +	LETTER OF	CREDIT			
	Pay Back	MONTHLY	INTEREST ON	FUNDED LOAN	PORTION +	90% CONDO	SALES
	Construct. Loan Ann Int Rate	.14					
	Construct. Loan Int Rate/Month	.011666667					
.015	Points	33,270					
.01	Points to Renew Loan	0					
1	Construction Time	1					
	Construction Loan Term	2Yr-Renew					
	Aprox. Funding Schedule/Month	184,835					
.2	Est. Pre Comp. Condo Sales	952,600					
	Est. Pre Comp Pkg Space Sales	59,400					
	Mo Fund. w/90% pre cons sales	113,390					
	Int Construct Loan (1st 6mos)	27,780					
	Int Construct Loan(2nd 6 mos)	75,404					
	TOTAL CONST LOAN INT SU YR	103,185					
	Remain Prin at End Start Up Yr	1,360,677					
			(354,003)	-857340			
	Remain Prin Con Loan(1&2 qrtr)		0	0			
			(857,340)	0			
	Remain Prin Con Loan(3&4 qrtr)		0	0			
.4	Condo Sales Yr 1(1st & 2nd qrt		1,905,200				
	Pkg Space Sales Yr 1 (1&2 qrtr	118,800					
.2	Condo Sales Yr 1(3rd & 4th qrt		952,600				
	Pkg Space Sales Yr 1(3&4 qrtr)	59,400					
.2	Condo Sales Yr 2 (1 & 2 qrtr)			952,600			
	Pkg Space Sales Yr 2(3&4 qrtr)	59,400					
0	Condo Sales Yr 2 (3 & 4 qrtr)			0			
	Pkg Space Sales Yr 2(3&4 qrtr)	0					
	Mo PayBack w/90% C Sales(1&2qr		285,780	142,890			
	Mo PayBack w/90% C Sales(3&4qr		142,890	0			
			27,619	(10,002)			
	Int Cons Loan(1st qrter)		27,619	0			
			(2,388)	(25,006)			
	Int Cons Loan(2nd qrter)		0	0			
			7,614	0			
	Int Cons Loan(3rd qrter)		7,614	0			
			(7,389)	0			
	Int Cons Loan(4th qrter)		0	0			
	TOTAL CONST LOAN INT		35,234	0			
	Prop Val-Condo Seg(sales price	4,763,000					
	Pkg Space Val-Condo Seg(sales	297,000					
	Acquis+Renov. Cost-Condo Seg	2,483,017					
	Est Land Value	100,000					
	Initial Investment-Condo Seg	265,000					
	Constant for Acc Deprec.	1.75					
	Income Tax Rate	0.50					
	Econ Life of Bldg	15					
.128	Investor Req. ROI	.128					
	No. of Units	46					
	Initial Equity	265,000					

		0	1	2	3	4	5
	CONDOMINIUM & PKG SPACE SALES						
	Estimated Gross Sale Price	1,012,000	3,036,000	1,012,000			
0.06	Brokerage Fees	60,720	182,160	60,720			
	Net Selling Price	951,280	2,853,840	951,280			
	Book Value of Unsold Units	1,906,414	993,188	(0)			
	Book Value of Building						
	Acc Depreciation						
	Est. Acc Deprec. Unsold Units						
	SL Depreciation	127,094					
	Est SL Deprec. Unsold Units		88,966	76,257			
	Book Val of Units&Spaces Sold	496,603	1,489,810	496,603			
	Capital Gains	515,397	1,546,190	515,397			
.5	Depr.Subj.-Ord IncTax(Dep>SL)						
	Amt Subj.-Cap Gains Tax	515,397	1,546,190	515,397			
.2	Capital Gains Tax Rate	.2					
	TOTAL TAX LIABILITY(from sale)	103,079	309,238	103,079			
	Purchase Price-Condo Seg	198,750					
	CONDO SEG COSTS						
2,218,017	Costruct. Loan Prin	443,603	1,330,810	443,603			
	Const Loan Interest	103,185	35,234	0			
	Points	33,270	0				
0.06	Brokerage Fees	60,720	182,160	60,720			
	Tax Liability From Sales	103,079	309,238	103,079			
	TOTAL COSTS-CONDO SEG	743,858	1,857,442	607,403			
	CONDO SEG REVENUES						
	Sum Of Tax Deductibles	197,175	217,394	60,720			
.5	Fed Tax Shelter	98,587	108,697	30,360			
.05375	Mass St Tax Shelter	10,598	11,685	3,264			
	TOTAL TAX SHELTER	109,186	120,382	33,624			
	Condominium & Pkg Space Sales	1,012,000	3,036,000	1,012,000			
	TOTAL REVENUES	1,121,186	3,156,382	1,045,624			
	TOTAL AFTER TAX RETURN	377,328	1,298,940	438,221			
	CUM AFTER TAX RETURN	377,328	1,676,268	2,114,489			
	DISC. RETURN	377,328	1,151,543	344,409			
	ToTAL DISC. RETURN	377,328	1,528,870	1,873,280			
	NPV OF PROFIT	112,328	1,263,870	1,608,280			
	ROI AFTER TAXES (cum)	1.42	6.33	7.98			
	INTERNAL RATE OF RETURN						
TRY DF'S	Trial Disc Factor	2000					
TILL NPV=0	Total Disc Return (Trial DF)	377,328	649	0			
	Cum Total Disc Return(Trial DF	377,328	377,977	377,977			
	Net Present Value			112,977			
MUST RECALC	INTERNAL RATE OF RETURN			Infinity			
	INVESTMENT VALUE	2,595,345	3,746,887	4,091,297			
	KEY INDICATORS						
	RESIDENTIAL CONDOMINIUM SEG						
	INVESTMENT LIQUIDATION						
	Estimated Gross Sale Price	1,012,000	3,036,000	1,012,000			
	TOTAL TAX SHELTER - ST & FED	109,186	120,382	33,624			
	ROI AFTER TAXES	1.42	6.33	7.98			
	TOTAL DISC. RETURN	377,328	1,528,870	1,873,280			
	NPV OF PROFIT	112,328	1,263,870	1,608,280			
MUST RECALC FOR CHANGES	INTERNAL RATE OF RETURN (5 yrs			Infinity			
	INVESTMENT VALUE	2,595,345	3,746,887	4,091,297			

D. Alternative Development Option - Condominiums With First Floor Offices

Similar to the basic development alternative, the first floor office alternative is presented and tested in three scenarios. These scenarios are summarized in the following table. Selling rate, price, rent, lease up period, vacancy rate, construction cost and office liquidation price are varied in order to illustrate the resulting financial consequences.

VARIABLE	PESSIMISTIC SCENARIO	MODERATE SCENARIO	OPTIMISTIC SCENARIO
Selling Rate			
pre construction	10%	10%	20%
yr 1, qrters 1 & 2	30%	40%	40%
yr 1, qrters 3 & 4	30%	40%	40%
yr 2, qrters 1 & 2	20%	10%	0%
yr 2, qrters 3 & 4	10%	5%	0%
Total Sales Price			
Condominiums	2,947,000	3,330,000	3,663,000
Parking Spaces	189,000	210,000	231,000
Total Rent Offices and Parking Spaces	97,200 increasing 5% annually	97,200 increasing 5% annually	106,920 increasing 5% annually
Lease up Period/ Vacancy Rate	yr 1 30% >yr 1 6%	5%	3%
Construction Cost	2,587,686	2,464,463	2,218,017
Selling Price of Office Condominiums	no appreciation	2% annual appreciation	3% annual appreciation
yr 1	1,000,000	1,020,000	1,030,000
yr 2	1,000,000	1,040,000	1,060,900
yr 3	1,000,000	1,061,208	1,092,727
yr 4	1,000,000	1,082,432	1,125,509
yr 5	1,000,000	1,104,081	1,159,274

E. Findings: Alternative Option – Condominiums With First Floor Offices

The following figures and narrative illustrate the financial analysis of the mixed use alternative under the three varying scenarios. The five tables present a summary of the key measures of success. The first table addresses the residential segment of the project, the next three refer to the office segment and the final table deals with the entire project. These indicators are interpreted and explained in the following text. The analysis will focus first on the residential condominium segment alone, then on the office segment, and finally on the entire project. The complete detailed financial spread sheets are then presented at the conclusion of the section.

RESIDENTIAL CONDOMINIUM SEGMENT

Just as in the evaluation of the preceeding alternative, it is clear in all three scenarios that the value added to the property through condominium development is substantial. Even though the estimated gross selling price varies close to a million dollars from the worst to best case projections, the return remains extremely high. Under the optimistic scenario the total discounted return for just the condominium segment of the project is $1,483,469. It's important to compare this figure with the return projected under the optimistic scenario for the "condominiums only" alternative. Although the mixed use development offers 12 fewer units for sale, the return is only $400,000 less (much less than the actual cost of the units). This vividly illustrates the advantages of fewer units that sell quickly over a large number of units with a longer selling period. The total discounted return under the other two scenarios is even closer to the all residential alternative.

The net present value of the

SUMMARY OF KEY INDICATORS RESIDENTIAL CONDOMINIUM SEGMENT			
	PESSIMISTIC SCENARIO	MODERATE SCENARIO	OPTIMISTIC SCENARIO
Total Return After Taxes and Brokerage Fees	738,556	1,171,692	1,637,501
Total Discounted Return At	628,491	1,030,689	1,483,469
NPV of Profit	429,741	831,939	1,284,719
% Return on Initial Investment At	372%	590%	824%
Internal Rate of Return	186%	558%	infinity
Investment Value	2,569,255	2,879,036	3,146,982

project is positive in all three scenarios. This indicates the investor is receiving greater than his required rate of return. Again the NPV of the optimistic scenario ($1,284,719) is relatively close to the NPV of the "condominiums only" alternative. This indicator under the pessimistic ($429,741) and moderate ($831,839) scenarios is just slightly less than the preceeding alternative.

While the positive NPV's indicate the rate of return is higher than 12.8%, the internal rate of return identifies the actual rate. The IRR is very high in all three scenarios. As noted in the preceeding alternative this is because the condominiums are sold in a short period of time. The optimistic scenario exhibits an IRR of infinity because the preconstruction sales are greater than the initial investment. The IRR for the pessimistic and optimistic scenarios are 186% and 558% respectively.

The relatively small equity participation required makes the return on investment extremely high. The optimistic scenario shows an ROI of 824%. The moderate scenario exhibits an ROI of 590% and even though the pessimistic alternative yields a much lower return, the initial investment is more than tripled.

The final measure of success, investment value, indicates that, according to the selling rate of the moderate scenario, the investor would be justified in paying $2,879,036 for acquisition and renovation. Since the actual cost is only $2,047,097 , the investor is receiving a good deal (more than his required rate of return). The optimistic scenario illustrates the project as even a better deal with an investment value of $3,146,982 compared to the actual cost of $1,862,263. And, even under the pessimistic scenario the investment value is much greater than the actual cost.

OFFICE SEGMENT

Operation Phase

The main financial benefit of the property during the first five years is its ability to shelter other income. This is evidenced by the negative before tax cash flows and positive after tax cash flows. Tax shelter ability decreases over the life of the project reflecting the ratio of interest to principal. The total tax shelter (federal and state) under the moderate scenario ranges from \$49,954 to \$34,899 over the five year span.

The after tax cash flow is particularly high in the first year due to the project's eligibility for an Investment Tax Credit. This is one of the most attractive features associated with the office segment. This allows the investor to receive a tax credit equal to 20% of the rehabilitation cost. The building is eligible because it is more than 40 years old. However, only the office segment may receive an ITC, residential uses are excluded. To use the ITC, the straight line method of depreciation must be employed and the amount of the credit must be deducted from the depreciable basis. For the purpose of analysis, the ITC is viewed as income in the first year, \$123,223 under the moderate scenario. Another way to view the ITC is in relation to the initial investment. In this case, the ITC reduces the initial investment from \$106,093. to -\$17,130, strikingly portraying its advantages.

Due to the ITC, the return on investment is significantly high in the first year of all three scenarios, well over 100% under the moderate and optimistic, and 91% under the pessimistic scenario. Years two through five exhibit a much lower return on investment, ranging from 2% to 5% under the worst case scenario and from 11% to 17% under the best conditions.

This pattern is paralleled in the discounted after tax cash flows. The positive discounted ATCF's in all years of all three scenarios indicates that the project is never yielding less than the required rate of return. However, this indicator is large in the first year and very small in the following years. Under the moderate scenario, after the cash flows have been discounted at 12.8%, the excess in years two through five is only between \$2,000 and \$4,000. This illustrates that the project is yielding at just slightly over the required rate of return in these years.

The internal rate of return takes into account the after tax cash flows for all five years as well as the initial investment. The pessimistic scenario exhibits an operation phase IRR of only 2%. The moderate and optimistic scenarios show a much greater potential with IRR's of 32% and 59% respectively.

Termination Phase

The purpose of retaining ownership of the office segment of the project is not only to utilize the tax shelter, but also to wait until property values have appreciated significantly and the units would bring a higher selling price. Consequently, examining the termination phase is critical to evaluation of the investment. The three scenarios approximate varying market conditions at the time of sale.

In general, the model assumes that 5% of the property value will be devoted to renovation of the units before their sale as office condominiums. The base price in year one for all the units is \$1,000,000. This includes a parking

SUMMARY OF KEY INDICATORS: OFFICE SEGMENT - PESSIMISTIC SCENARIO

OPERATION PHASE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Before Tax Cash Flow	(71,612)	(43,800)	(40,081)	(36,144)	(31,977)
Return on Investment BT	(.52)	(.32)	(.29)	(.26)	(.23)
Total Tax Shelter (Fed. & State)	67,021	46,121	43,793	41,168	38,181
After Tax Cash Flow	124,793	2,321	3,712	5,025	6,205
Disc. After Tax Cash Flow	110,632	1,824	2,587	3,104	3,398
Return on Investment AT	91%	2%	3%	4%	5%
Total Benefit (ATCF & Equity)	112,379	116,176	121,220	127,585	135,470
Internal Rate of Return					2.29%
TERMINATION PHASE	**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**
Discounted Net to Seller	197,290	171,339	150,437	134,070	121,919
Total Discounted Return AT	307,105	282,714	264,149	250,654	241,683
NPV of Profit	171,550	147,159	128,595	115,099	106,129
Internal Rate of Return					39.49%
Investment Value	882,776	858,385	839,821	826,325	817,355

SUMMARY OF KEY INDICATORS: OFFICE SEGMENT MODERATE SCENARIO

OPERATION PHASE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Before Tax Cash Flow	(43,224)	(39,712)	(35,993)	(32,056)	(27,889)
Return on Investment BT	(.41)	(.37)	(.34)	(.30)	(.26)
Total Tax Shelter (Fed. & State)	49,954	42,772	40,457	37,853	34,899
After Tax Cash Flow	129,953	3,060	4,464	5,798	7,010
Disc. After Tax Cash Flow	115,207	2,405	3,110	3,581	3,839
Return on Investment AT	122%	3%	4%	5%	7%
Total Benefit (ATCF & Equity)	115,870	121,154	126,605	133,292	141,404
Internal Rate of Return					31%
TERMINATION PHASE	**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**
Discounted Net to Seller	230,137	212,718	198,133	186,232	176,996
Total Discounted Return AT	345,344	330,329	318,855	310,535	305,137
NPV of Profit	239,251	224,236	212,762	204,442	199,044
Internal Rate of Return					66.95%
Investment Value	895,209	880,195	868,721	860,400	855,003

SUMMARY OF KEY INDICATORS: OFFICE SEGMENT - OPTIMISTIC SCENARIO

OPERATION PHASE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Before Tax Cash Flow	(23,773)	(19,697)	(15,386)	(10,386)	(6,008)
Return on Investment BT	(.27)	(.22)	(.17)	(.12)	(.07)
Total Tax Shelter (Fed. & State)	36,488	29,518	26,901	23,966	20,744
After Tax Cash Flow	123,617	9,821	11,515	13,168	14,737
Disc. After Tax Cash Flow	109,509	7,718	8,023	8,134	8,070
Return on Investment AT	140%	11%	13%	15%	17%
Total Benefit (ATCF & Equity	111,086	120,497	130,626	141,554	153,470
Internal Rate of Return					58.48%

TERMINATION PHASE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Discounted Net to Seller	283,292	266,438	251,717	239,077	228,578
Total Discounted Return AT	392,881	383,746	377,048	372,542	370,112
NPV of Profit	304,498	295,363	288,665	284,159	281,729
Internal Rate of Return					89.5%
Investment Value	881,136	872,000	865,302	860,796	858,366

space for each unit. The breakdown is comparable to the prices for residential units in the "condominiums only" alternative.

The pessimistic scenario represents the worst possible market conditions in which the units do not appreciate in value. The moderate and optimistic scenarios assume an annual appreciation rate of 2 and 3 percent respectively.

From the termination phase information the investment appears safe. Even if units sell only at the base price, the net present value of profit is $106,129. In the more likely event of the property value appreciating, as in the moderate and optimistic scenarios, the NPV is significantly larger (ie. moderate - $199,044 and optimistic - $281,729). In either case the project is yielding much greater than the required rate of return.

The actual rate, the IRR, is 39% under the pessimistic scenario, 67% under the moderate and 90% under the optimistic scenario (if sold in the fifth year). This indicates a significant payoff to the investor which makes the office option attractive if the first floor residential units are not expected to sell easily.

The investment value calculated for the three scenarios supports the previous findings. In the moderate scenario, if the office condominiums are sold in year five, the investment value is $855,003. This compares to an actual cost of only $682,366, and representing a very good deal. This holds true even under the worst case scenario where the investment value is close to $110,000 greater than the actual cost.

Condominiums With First Floor Offices

PESSIMISTIC SCENARIO

ASSUMPTIONS	YEAR	0	1	2	3	4	5
	Purchase Price	265,000					
	Est. Land Value	100,000					
	Rehabilitation Cost-Total	2,587,686					
	Acquisition Price & Renov	2,852,686					
	Total Floor Area (square feet)	64,500					
	Const Loan (hard & soft costs)	2,587,686	FUNDED AS	WORK IS	COMPLETED		
	Equity Participation	BLDG. +	LETTER OF	CREDIT			
	Pay Back	MONTHLY	INTEREST ON	FUNDED LOAN	PORTION +	90% CONDO	SALES
	Construct. Loan Ann Int Rate	.14					
	Construct. Loan Int Rate/Month	.011666667					
.015	Points	38,815					
.01	Points to Renew Loan	1,122					
1	Construction Time	1					
	Construction Loan Term	2Yr-Renew					
	Aprox. Funding Scedule/Month	215,641					
.1	Est. Pre Comp. Condo Sales	294,700					
	Est. Pre Comp Pkg Space Sales	18,900					
	Mo Fund. w/90% pre cons sales	193,538					
	Int Construct Loan (1st 6mos)	47,417					
	Int Construct Loan(2nd 6 mos)	128,703					
	TOTAL CONST LOAN INT SU YR	176,120					
	Remain Prin at End Start Up Yr	2,322,456					
			1,438,356	112206.15			
	Remain Prin Con Loan(1&2 qrtr)		1,438,356	112,206			
			642,666	-153023.85			
	Remain Prin Con Loan(3&4 qrtr)		642,666	0			
.3	Condo Sales Yr 1(1st & 2nd qrt		884,100				
	Pkg Space Sales Yr 1 (1&2 qrtr	56,700					
.3	Condo Sales Yr 1(3rd & 4th qrt		884,100				
	Pkg Space Sales Yr 1(3&4 qrtr)	56,700					
.2	Condo Sales Yr 2 (1 & 2 qrtr)			589,400			
	Pkg Space Sales Yr 2(3&4 qrtr)	37,800					
.1	Condo Sales Yr 2 (3 & 4 qrtr)			294,700			
	Pkg Space Sales Yr 2(3&4 qrtr)	18,900					
	Mo PayBack w/90% C Sales(1&2qr		132,615	88,410			
	Mo PayBack w/90% C Sales(3&4qr		132,615	44,205			
			72,003	16,305			
	Int Cons Loan(1st qrter)		72,003	16,305			
			58,078	7,022			
	Int Cons Loan(2nd qrter)		58,078	7,022			
			44,154	10,116			
	Int Cons Loan(3rd qrter)		44,154	10,116			
			30,229	5,474			
	Int Cons Loan(4th qrter)		30,229	5,474			
	TOTAL CONST LOAN INT		204,464	38,916			
	Prop Val-Condo Seg(sales price	2,947,000					
	Pkg Space Val-Condo Seg(sales	189,000					
	Acquis+Renov. Cost-Condo Seg	2,139,515					
	Est Land Value	75000					
	Property Value-Rental Seg	1,000,000					
	Floor Area	15,725					
	Renovation Cost- Rental Seg	646,922					
	Est Land Value-Rental Seg	25000					
	Take Out Finan.- Rental Seg	646,922					
	Acquis.+Renov.Cost-Rental Seg	713,172					
	Est Land Value-Rental Seg	25000					
.015	Points	9,704					
.8	Mortgage L/V	.8					
	L/V Rental Seg	41.14					
	% Down Payment	0.80					
	Mortgage Int. Rate	.13					
30	Mortgage Term - Yrs	30					
.1327	Mortgage - Debt Constant	.1327					
	Initial Investment(Purchase $)	265,000					
.2	Investment Tax Credit (office)	129,384					
	Initial Invest-Rental Seg(inc						

		0	1	2	3	4	5
	Cons Loan Int & Points)	137,080					
		137,080					
	Initial Investment-Condo Seg	198,750					
	Constant for Acc Deprec.	1.75					
	Income Tax Rate	0.50					
	Econ Life of Bldg	15					
.128	Investor Req. ROI	.128					
	No. of Units	46					
	Initial Equity	265,000					
	CONDOMINIUM & PKG SPACE SALES						
	Estimated Gross Sale Price	313,600	1,881,600	940,800			
0.06	Brokerage Fees	18,816	112,896	56,448			
	Net Selling Price	294,784	1,768,704	884,352			
	Book Value of Unsold Units	1,858,063	855,787	0			
	Book Value of Building						
	Acc Depreciation						
	Est. Acc Deprec. Unsold Units						
	SL Depreciation	123,871					
	Est SL Deprec. Unsold Units		86,709	68,129			
	Book Val of Units&Spaces Sold	213,951	1,283,709	641,854			
	Capital Gains	99,649	597,891	298,946			
.5	Depr.Subj.-Ord IncTax(Dep>SL)						
	Amt Subj.-Cap Gains Tax	99,649	597,891	298,946			
.2	Capital Gains Tax Rate	.2					
	TOTAL TAX LIABILITY(from sale)	19,930	119,578	59,789			
	Purchase Price-Condo Seg	198,750					
	CONDO SEG COSTS						
1,940,765	Costruct. Loan Prin-Condo Seg	194,076	1,164,459	582,229			
	Const Loan Interest-Condo Seg	176,120	153,348	29,187			
	Points-Condo Seg	29,111	842				
0.06	Brokerage Fees	18,816	112,896	56,448			
	Tax Liability From Sales	19,930	119,578	59,789			
	TOTAL COSTS-CONDO SEG	438,053	1,551,123	727,654			
	CONDO SEG REVENUES						
	Sum Of Tax Deductibles	224,047	267,086	85,635			
.5	Fed Tax Shelter	112,024	133,543	42,818			
.05375	Mass St Tax Shelter	12,043	14,356	4,603			
	TOTAL TAX SHELTER	124,066	147,899	47,421			
	Condominium & Pkg Space Sales	313,600	1,881,600	940,800			
	TOTAL REVENUES- CONDO SEG	437,666	2,029,499	988,221			
	TOTAL AFTER TAX RETURN	(387)	478,376	250,567			
	CUM AFTER TAX RETURN	(387)	477,989	738,556			
	DISC. RETURN	(387)	424,092	204,786			
	TOTAL DISC. RETURN	(387)	423,705	628,491			
	NPV OF PROFIT	(199,137)	224,955	429,741			
	ROI AFTER TAXES (cum)	(0.00)	2.40	3.72			
	INTERNAL RATE OF RETURN						
TRY DF'S	Trial Disc Factor	1.86					
TILL NPV=0	Total Disc Return (Trial DF)	(387)	167,264	31,856			
	Cum Total Disc Return(Trial DF	(387)	166,877	198,733			
	Net Present Value			(17)			
MUST RECALC	INTERNAL RATE OF RETURN			186.0			
	INVESTMENT VALUE-Condo Seg	1,940,377	2,364,470	2,569,256			
	REVENUE FROM RENTALS						
.05	Mo. Rent Type #1		500	525	551	579	608
	No. of Type #1 Units	3					
.05	Mo. Rent Type #2		600	630	662	695	729
	No. of Type #2 Units	3					
.05	Mo. Rent Type #3		700	735	772	810	851
	No. of Type #3 Units	6					
1.05	Mo Pkg Rental for 12 Spaces	12	600	630	662	695	729
	GROSS SCHED INCOME		97,200	102,060	107,163	112,521	118,147
.05	Vacancy Allowance		29,160	5,103	5,358	5,626	5,907
.01	Bad Debt Allow.		972	1,021	1,072	1,125	1,181
	EFFECTIVE GROSS INC RENTALS		67,068	95,936	100,733	105,770	111,058
	EXPENSES FOR RENTALS	12 Units					
.025	Property Taxes		25,000	25,500	26,010	26,530	27,061
.09	Insurance		1,415	1,444	1,472	1,502	1,532
.09	Water/Sewer		1,415	1,444	1,472	1,502	1,532
.59	Administration/Manangement		9,278	9,463	9,653	9,846	10,043

		0	1	2	3	4	5
.51	Heat		8,020	8,180	8,344	8,511	8,681
.02	Rubbish Removal		314	321	327	334	340
1.57	TOTAL EXPENSES - RENTALS		52,833	53,890	54,968	56,067	57,188
	NET OPERATING INC.		14,235	41,026	44,694	48,578	52,688
table	Annual Debt Service		85,183	85,183	85,183	85,183	85,183
	NET CASH FLOW BT		(70,948)	(44,157)	(40,489)	(36,605)	(32,494)
	ROI BT		-0.523	-0.326	-0.299	-0.270	-0.240
	TAXABLE INCOME-RENTAL SEC						
	Net Operating Inc.		14,235	41,026	44,694	48,578	52,688
	Points		9,629				
	Mortgage Interest		83,450	83,224	82,745	81,948	80,730
	Straight Line Depreciation		41,128	41,128	41,128	41,128	41,128
	Acc Depreciation @175% DB		220,690	134,285	55,129	50,330	45,532
	Book Value of Bldg		513,659	472,531	431,403	390,275	349,147
	SL Dep of Rem Bk. Val		36,690	36,349	35,950	35,480	34,915
	Ann Mort. Principal		1,733	1,959	2,438	3,235	4,453
	Cum.Principal/Equity Buildup		1,733	3,692	6,130	9,365	13,818
	Remaining Mort Princ.		640,188	636,497	630,367	621,001	607,183
PASTE IN							
DEP METHOD	Straight Line Depreciation		41,128	41,128	41,128	41,128	41,128
	TAXABLE INCOME		(119,972)	(83,327)	(79,179)	(74,498)	(69,170)
.5	FED TAX SHELTER (TAX DUE)		59,986	41,663	39,589	37,249	34,585
.05375	MASS ST. TAX SHELTER (TAX DUE)		6,448	4,479	4,256	4,004	3,718
	TOTAL TAX SHELTER		66,434	46,142	43,845	41,253	38,303
	Investment Tax Credit		128,384				
	CASH FLOW AFTER TAXES		123,871	1,985	3,356	4,648	5,808
	ROI AT	0.914	0.015	0.025	0.034	0.043	
	DISC AT CASH FLOW		109,814	1,560	2,338	2,871	3,181
	CUM. DISC AT CASH FLOW		109,814	111,374	113,713	116,584	119,764
	Net Present Value						(15,790)
	Tot. Benefit(Cum D ATCF+Equity		111,548	115,066	119,843	125,949	133,583
	INTERNAL RATE OF RETURN						
TRY DF'S	Trial Disc Factor	.0229					
TILL NPV=0	AT CASH FLOW(Disc.at Trial DF)		121,097	1,897	3,136	4,246	5,187
	Cum. ATCF (Disc. at Trial DF)		121,097	122,995	126,130	130,376	135,562
	Net Present Value						8
MUST RECALC	INTERNAL RATE OF RETURN (5 yrs						2.29
FOR CHANGES							

		0	1	2	3	4	5
	INVESTMENT LIQUIDATION OFFICE						
	RENTAL SEG ASS NO APPREC	1,000,000					
	Estimated Gross Sale Price		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
0.06	Brokerage Fees	0.06	60,000	60,000	60,000	60,000	60,000
.05	Capital Improvements		50,000	50,000	50,000	50,000	50,000
	Net Selling Price		890,000	890,000	890,000	890,000	890,000
	Book Value of Property		588,659	547,531	506,403	465,275	424,147
	Capital Gains		411,341	452,469	493,597	534,725	575,853
	Depr.Subj.-Ord IncTax(Dep>SL)		0	0	0	0	0
	Tax Deductable Expenses		110,000	110,000	110,000	110,000	110,000
	Amt Subj.-Cap Gains Tax		411,341	452,469	493,597	534,725	575,853
.2	Capital Gains Tax Rate	.2					
	TOTAL TAX LIABILITY		27,268	35,494	43,719	51,945	60,171
	NET TO SELLER-1		222,544				
	NET TO SELLER-2			218,010			
	NET TO SELLER-3				215,914		
	NET TO SELLER-4					217,054	
	NET TO SELLER-5						222,647
	DISC. NET TO SELLER		197,290	171,339	150,437	134,070	121,919
	TOTAL DISC. RETURN		307,105	282,714	264,149	250,654	241,683
	NPV OF PROFIT		171,550	147,159	128,595	115,099	106,129
	INTERNAL RATE OF RETURN						
TRY DF'S	Trial Disc Factor	.3949					
TILL NPV=0	Disc Net To Seller(Trial DF)		159,541	112,044	79,552	57,332	42,160
	DISC. AT CASH FLOW		88,802	1,020	1,237	1,228	1,100
	CUM. DISC AT CASH FLOW		88,802	89,823	91,059	92,287	93,387
	Net Present Value						(42,168)
	Total Disc Return(At Trial DF)		248,343	201,867	170,611	149,619	135,547
	NPV OF PROFIT		112,789	66,312	35,057	14,064	(8)

		0	1	2	3	4	5
	NPV OF PROFIT		112,789	66,312	35,057	14,064	(8)
		0	1	2	3	4	5
MUST RECAL FOR CHANGES	INTERNAL RATE OF RETURN (5 yrs						39.49
	INVESTMENT VALUE		882,776	858,385	839,821	826,325	817,355
	KEY INDICATORS						
	OFFICE RENTAL SEGMENT						
	OPERATION PHASE						
	NET Before Tax CASH FLOW		(70,948)	(44,157)	(40,489)	(36,605)	(32,494)
	ROI BT		(0.52)	(0.33)	(0.30)	(0.27)	(0.24)
	TOTAL TAX SHELTER - ST & FED		66,434	46,142	43,845	41,253	38,303
	After Tax Cash Flow		123,871	1,985	3,356	4,648	5,808
	DISC. AT CASH FLOW		109,814	1,560	2,338	2,871	3,181
	ROI AT		0.91	0.01	0.02	0.03	0.04
	CUM. DISC AT CASH FLOW		109,814	111,374	113,713	116,584	119,764
Disc.	Total Benefit (ATCF + Equity)		111,548	115,066	119,843	125,949	133,583
MUST RECALC FOR CHANGES	INTERNAL RATE OF RETURN (5 yrs						2.29
	TERMINATION PHASE						
	USING EST. ANN APPREC.=0						
	Estimated Gross Sale Price		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
	DISC. NET TO SELLER		197,290	171,339	150,437	134,070	121,919
	TOTAL DISC. RETURN		307,105	282,714	264,149	250,654	241,683
	NPV OF PROFIT		171,550	147,159	128,595	115,099	106,129
MUST RECALC FOR CHANGES	INTERNAL RATE OF RETURN (5 yrs						39.49
	INVESTMENT VALUE		882,776	858,385	839,821	826,325	817,355
	RESIDENTIAL CONDOMINIUM SEC						
	INVESTMENT LIQUIDATION						
	Estimated Gross Sale Price	313,600	1,881,600	940,800			
	TOTAL TAX SHELTER - ST & FED	124,066	147,899	47,421			
	ROI AFTER TAXES	(0.00)	2.40	3.72			
	TOTAL DISC. RETURN	(387)	423,705	628,491			
	NPV OF PROFIT	(199,137)	224,955	429,741			
MUST RECALC FOR CHANGES	INTERNAL RATE OF RETURN (5 yrs			186.0			
	INVESTMENT VALUE	1,940,377	2,364,470	2,569,256			

Condominiums With First Floor Offices

MODERATE SCENARIO

ASSUMPTIONS	YEAR	0	1	2	3	4	5
	Purchase Price	265,000					
	Est. Land Value	100,000					
	Rehabilitation Cost-Total	2,464,463					
	Acquisition Price & Renov	2,729,463					
	Total Floor Area (square feet)	64,500					
	Const Loan (hard & soft costs)	2,464,463	FUNDED AS	WORK IS	COMPLETED		
	Equity Participation	BLDG. +	LETTER OF	CREDIT			
	Pay Back	MONTHLY	INTEREST ON	FUNDED LOAN	PORTION +	90% CONDO	SALES
	Construct. Loan Ann Int Rate	.14					
	Construct. Loan Int Rate/Month	.011666667					
.015	Points	36,967					
.01	Points to Renew Loan	0					
1	Construction Time	1					
	Construction Loan Term	2Yr-Renew					
	Aprox. Funding Scedule/Month	205,372					
.1	Est. Pre Comp. Condo Sales	333,000					
	Est. Pre Comp Pkg Space Sales	21,000					
	Mo Fund. w/90% pre cons sales	180,397					
	Int Construct Loan (1st 6mos)	44,197					
	Int Construct Loan(2nd 6 mos)	119,964					
	TOTAL CONST LOAN INT SU YR	164,161					
	Remain Prin at End Start Up Yr	2,164,763					
			832,763	-299700			
	Remain Prin Con Loan(1&2 qrtr)		832,763	0			
			(366,037)	0			
	Remain Prin Con Loan(3&4 qrtr)		0	0			
.4	Condo Sales Yr 1(1st & 2nd qrt		1,332,000				
	Pkg Space Sales Yr 1 (1&2 qrtr	84,000					
.4	Condo Sales Yr 1(3rd & 4th qrt		1,332,000				
	Pkg Space Sales Yr 1(3&4 qrtr)	84,000					
.1	Condo Sales Yr 2 (1 & 2 qrtr)			333,000			
	Pkg Space Sales Yr 2(3&4 qrtr)	21,000					
0	Condo Sales Yr 2 (3 & 4 qrtr)			0			
	Pkg Space Sales Yr 2(3&4 qrtr)	0					
	Mo PayBack w/90% C Sales(1&2qr		199,800	49,950			
	Mo PayBack w/90% C Sales(3&4qr		199,800	0			
			61,781	(3,496)			
	Int Cons Loan(1st qrter)		61,781	0			
			40,802	(8,741)			
	Int Cons Loan(2nd qrter)		40,802	0			
			19,823	0			
	Int Cons Loan(3rd qrter)		19,823	0			
			(1,156)	0			
	Int Cons Loan(4th qrter)		0	0			
	TOTAL CONST LOAN INT		122,405	0			
	Prop Val-Condo Seg(sales price	3,330,000					
	Pkg Space Val-Condo Seg(sales	210,000					
	Acquis+Renov. Cost-Condo Seg	2,047,097					
	Est Land Value	75000					
	Property Value-Rental Seg	1,000,000					
	Floor Area	15,725					
	Renovation Cost- Rental Seg	616,116					
	Est Land Value-Rental Seg	25000					
	Take Out Finan.- Rental Seg	616,116					
	Acquis.+Renov.Cost-Rental Seg	682,366					
	Est Land Value-Rental Seg	25000					
.015	Points	9,242					
.8	Mortgage L/V	.8					
	L/V Rental Seg	39.18					
	% Down Payment	0.80					
	Mortgage Int. Rate	.13					
30	Mortgage Term - Yrs	30					
.1327	Mortgage - Debt Constant	.1327					
	Initial Investment(Purchase $)	265,000					
.2	Investment Tax Credit (office)	123,223					
	Initial Invest-Rental Seg(inc Cons Loan Int & Points)	106,093					
		106093.015					

		0	1	2	3	4	5
	Initial Investment-Condo Seg	198,750					
	Constant for Acc Deprec.	1.75					
	Income Tax Rate	0.50					
	Econ Life of Bldg	15					
.128	Investor Req. ROI	.128					
	No. of Units	46					
	Initial Equity	265,000					
	CONDOMINIUM & PKG SPACE SALES						
	Estimated Gross Sale Price	354,000	2,832,000	354,000			
0.06	Brokerage Fees	21,240	169,920	21,240			
	Net Selling Price	332,760	2,662,080	332,760			
	Book Value of Unsold Units	1,774,888	409,410	(0)			
	Book Value of Building						
	Acc Depreciation						
	Est. Acc Deprec. Unsold Units						
	SL Depreciation	118,326					
	Est SL Deprec. Unsold Units		70,995	65,079			
	Book Val of Units&Spaces Sold	204,710	1,637,678	204,710			
	Capital Gains	149,290	1,194,322	149,290			
.5	Depr.Subj.-Ord IncTax(Dep>SL)						
	Amt Subj.-Cap Gains Tax	149,290	1,194,322	149,290			
.2	Capital Gains Tax Rate	.2					
	TOTAL TAX LIABILITY(from sale)	29,858	238,864	29,858			
	Purchase Price-Condo Seg	198,750					
	CONDO SEG COSTS						
1,848,347	Costruct. Loan Prin-Condo Seg	184,835	1,478,678	184,835			
	Const Loan Interest-Condo Seg	164,161	91,804	0			
	Points-Condo Seg	27,725	0				
0.06	Brokerage Fees	21,240	169,920	21,240			
	Tax Liability From Sales	29,858	238,864	29,858			
	TOTAL COSTS-CONDO SEG	427,819	1,979,266	235,933			
	CONDO SEG REVENUES						
	Sum Of Tax Deductibles	213,126	261,724	21,240			
.5	Fed Tax Shelter	106,563	130,862	10,620			
.05375	Mass St Tax Shelter	11,456	14,068	1,142			
	TOTAL TAX SHELTER	118,019	144,930	11,762			
	Condominium & Pkg Space Sales	354,000	2,832,000	354,000			
	TOTAL REVENUES- CONDO SEG	472,019	2,976,930	365,762			
	TOTAL AFTER TAX RETURN	44,200	997,663	129,829			
	CUM AFTER TAX RETURN	44,200	1,041,863	1,171,692			
	DISC. RETURN	44,200	884,453	102,036			
	TOTAL DISC. RETURN	44,200	928,653	1,030,689			
	NPV OF PROFIT	(154,550)	729,903	831,939			
	ROI AFTER TAXES (cum)	0.22	5.24	5.90			
	INTERNAL RATE OF RETURN						
TRY DF'S	Trial Disc Factor	5.584					
TILL NPV=0	Total Disc Return (Trial DF)	44,200	151,528	2,995			
	Cum Total Disc Return(Trial DF	44,200	195,728	198,723			
	Net Present Value			(27)			
MUST RECALC	INTERNAL RATE OF RETURN			558.4			
	INVESTMENT VALUE-Condo Seg	1,892,547	2,777,000	2,879,036			
	REVENUE FROM RENTALS						
.05	Mo. Rent Type #1		500	525	551	579	608
	No. of Type #1 Units	3					
.05	Mo. Rent Type #2		600	630	662	695	729
	No. of Type #2 Units	3					
.05	Mo. Rent Type #3		700	735	772	810	851
	No. of Type #3 Units	6					
1.05	Mo Pkg Rental for 12 Spaces	12	600	630	662	695	729
	GROSS SCHED INCOME		97,200	102,060	107,163	112,521	118,147
.05	Vacancy Allowance		4,860	5,103	5,358	5,626	5,907
.01	Bad Debt Allow.		972	1,021	1,072	1,125	1,181
	EFFECTIVE GROSS INC RENTALS		91,368	95,936	100,733	105,770	111,058
	EXPENSES FOR RENTALS	12 Units					
.025	Property Taxes		25,000	25,500	26,010	26,530	27,061
.09	Insurance		1,415	1,444	1,472	1,502	1,532
.09	Water/Sewer		1,415	1,444	1,472	1,502	1,532
.59	Administration/Manangement		9,278	9,463	9,653	9,846	10,043
.47	Repairs/Maintenance/Security		7,391	7,539	7,689	7,843	8,000
.51	Heat		8,020	8,180	8,344	8,511	8,681

		0	1	2	3	4	5
1.57	TOTAL EXPENSES - RENTALS		52,833	53,890	54,968	56,067	57,188
	NET OPERATING INC.		38,535	42,046	45,766	49,703	53,870
table	Annual Debt Service		81,759	81,759	81,759	81,759	81,759
	NET CASH FLOW BT		(43,224)	(39,712)	(35,993)	(32,056)	(27,889)
	% ROI BT		-0.407	-0.374	-0.339	-0.302	-0.263
	TAXABLE INCOME-RENTAL SEG						
	Net Operating Inc.		38,535	42,046	45,766	49,703	53,870
	Points		9,242				
	Mortgage Interest		80,095	79,879	79,418	78,653	77,485
	Straight Line Depreciation		39,408	39,408	39,408	39,408	39,408
	Acc Depreciation @175% DB		260,026	81,602	53,122	48,524	43,926
	Book Value of Bldg		494,735	455,327	415,919	376,512	337,104
	SL Dep of Rem Bk. Val		35,338	35,025	34,660	34,228	33,710
	Ann Mort. Principal		1,664	1,880	2,340	3,105	4,274
	Cum.Principal/Equity Buildup		1,664	3,543	5,884	8,989	13,263
	Remaining Mort Princ.		614,452	610,909	605,025	596,036	582,774
PASTE IN							
DEP METHOD	Straight Line Depreciation		39,408	39,408	39,408	39,408	39,408
	TAXABLE INCOME		(90,210)	(77,240)	(73,060)	(68,358)	(63,022)
.5	FED TAX SHELTER (TAX DUE)		45,105	38,620	36,530	34,179	31,511
.05375	MASS ST. TAX SHELTER (TAX DUE)		4,849	4,152	3,927	3,674	3,387
	TOTAL TAX SHELTER		49,954	42,772	40,457	37,853	34,899
	Investment Tax Credit		123,223				
	CASH FLOW AFTER TAXES		129,953	3,060	4,464	5,798	7,010
	ROI AT		1.225	0.029	0.042	0.055	0.066
	DISC AT CASH FLOW		115,207	2,405	3,110	3,581	3,839
	CUM. DISC AT CASH FLOW		115,207	117,611	120,722	124,303	128,141
	Net Present Value						22,048
	Tot. Benefit(Cum D ATCF+Equity		116,870	121,154	126,605	133,292	141,404
	INTERNAL RATE OF RETURN						
TRY DF'S	Trial Disc Factor	.317					
TILL NPV=0	AT CASH FLOW(Disc.at Trial DF)		98,673	1,764	1,954	1,927	1,769
	Cum. ATCF (Disc. at Trial DF)		98,673	100,437	102,392	104,319	106,088
	Net Present Value						(5)
MUST RECALC	INTERNAL RATE OF RETURN (5 yrs						31.70
FOR CHANGES							
	INVESTMENT LIQUIDATION OFFICE						
.02	RENTAL SEG ASS 2% APPREC	1,000,000					
	Estimated Gross Sale Price		1,020,000	1,040,400	1,061,208	1,082,432	1,104,081
0.06	Brokerage Fees	0.06	61,200	62,424	63,672	64,946	66,245
.05	Capital Improvements		51,000	52,020	53,060	54,122	55,204
	Net Selling Price		907,800	925,956	944,475	963,365	982,632
	Book Value of Property		570,735	532,347	493,980	455,633	417,308
	Capital Gains		449,265	508,053	567,228	626,799	686,773
	Depr.Subj.-Ord IncTax(Dep>SL)		0	0	0	0	0
	Tax Deductable Expenses		112,200	114,444	116,733	119,068	121,449
	Amt Subj.-Cap Gains Tax		449,265	508,053	567,228	626,799	686,773
.2	Capital Gains Tax Rate	.2					
	TOTAL TAX LIABILITY		33,753	44,389	55,079	65,826	76,630
	NET TO SELLER-1		259,595				
	NET TO SELLER-2			270,658			
	NET TO SELLER-3				284,371		
	NET TO SELLER-4					301,502	
	NET TO SELLER-5						323,228
	DISC. NET TO SELLER		230,137	212,718	198,133	186,232	176,996
	TOTAL DISC. RETURN		345,344	330,329	318,855	310,535	305,137
	NPV OF PROFIT		239,251	224,236	212,762	204,442	199,044
	INTERNAL RATE OF RETURN						
TRY DF'S	Trial Disc Factor	.6695					
TILL NPV=0	Disc Net To Seller(Trial DF)		155,493	97,107	61,112	38,810	24,922
	DISC. AT CASH FLOW		77,839	1,098	959	746	540
	CUM. DISC AT CASH FLOW		77,839	78,937	79,897	80,643	81,183
	Net Present Value						(24,910)
	Total Disc Return(At Trial DF)		233,332	176,044	141,008	119,453	106,105
	NPV OF PROFIT		127,239	69,951	34,915	13,360	12
MUST RECAL	INTERNAL RATE OF RETURN (5 yrs						66.95
FOR CHANGES							
	INVESTMENT VALUE		895,209	880,195	868,721	860,400	855,003

	INVESTMENT VALUE		895,209	880,195	868,721	860,400	855,003

		0	1	2	3	4	5
	KEY INDICATORS						
	OFFICE RENTAL SEGMENT						
	OPERATION PHASE						
	NET Before Tax CASH FLOW		(43,224)	(39,712)	(35,993)	(32,056)	(27,889)
	ROI BT		(0.41)	(0.37)	(0.34)	(0.30)	(0.26)
	TOTAL TAX SHELTER - ST & FED		49,954	42,772	40,457	37,853	34,899
	After Tax Cash Flow		129,953	3,060	4,464	5,798	7,010
	DISC. AT CASH FLOW		115,207	2,405	3,110	3,581	3,839
ROI AT		1.22	0.03	0.04	0.05	0.07	
	CUM. DISC AT CASH FLOW		115,207	117,611	120,722	124,303	128,141
Disc.	Total Benefit (ATCF + Equity)		116,870	121,154	126,605	133,292	141,404
MUST RECALC FOR CHANGES	INTERNAL RATE OF RETURN (5 yrs						31.70
	TERMINATION PHASE						
	USING EST. ANN APPREC.=0						
	Estimated Gross Sale Price		1,020,000	1,040,400	1,061,208	1,082,432	1,104,081
	DISC. NET TO SELLER		230,137	212,718	198,133	186,232	176,996
	TOTAL DISC. RETURN		345,344	330,329	318,855	310,535	305,137
	NPV OF PROFIT		239,251	224,236	212,762	204,442	199,044
MUST RECALC FOR CHANGES	INTERNAL RATE OF RETURN (5 yrs						66.95
	INVESTMENT VALUE		895,209	880,195	868,721	860,400	855,003
			RESIDENTIAL CONDOMINIUM SEG				
	INVESTMENT LIQUIDATION						
	Estimated Gross Sale Price	354,000	2,832,000	354,000			
	TOTAL TAX SHELTER - ST & FED	118,019	144,930	11,762			
	ROI AFTER TAXES	0.22	5.24	5.90			
	TOTAL DISC. RETURN	44,200	928,653	1,030,689			
	NPV OF PROFIT	(154,550)	729,903	831,939			
MUST RECALC FOR CHANGES	INTERNAL RATE OF RETURN (5 yrs			558.4			
	INVESTMENT VALUE	1,892,547	2,777,000	2,879,036			

Condominiums With First Floor Offices

OPTIMISTIC SCENARIO

ASSUMPTIONS	YEAR	0	1	2	3	4	5
	Purchase Price	265,000					
	Est. Land Value	100,000					
	Rehabilitation Cost-Total	2,218,017					
	Acquisition Price & Renov	2,483,017					
	Total Floor Area (square feet)	64,500					
	Const Loan (hard & soft costs)	2,218,017	FUNDED AS	WORK IS	COMPLETED		
	Equity Participation	BLDG. +	LETTER OF	CREDIT			
	Pay Back	MONTHLY	INTEREST ON	FUNDED LOAN	PORTION +	90% CONDO	SALES
	Construct. Loan Ann Int Rate	.14					
	Construct. Loan Int Rate/Month	.011666667					
.015	Points	33,270					
.01	Points to Renew Loan	0					
1	Construction Time	1					
	Construction Loan Term	2Yr-Renew					
	Aprox. Funding Scedule/Month	184,835					
.2	Est. Pre Comp. Condo Sales	732,600					
	Est. Pre Comp Pkg Space Sales	46,200					
	Mo Fund. w/90% pre cons sales	129,890					
	Int Construct Loan (1st 6mos)	31,823					
	Int Construct Loan(2nd 6 mos)	86,377					
	TOTAL CONST LOAN INT SU YR	118,200					
	Remain Prin at End Start Up Yr	1,558,677					
			93,477	0			
	Remain Prin Con Loan(1&2 qrtr)		93,477	0			
			(1,225,203)	0			
	Remain Prin Con Loan(3&4 qrtr)		0	0			
.4	Condo Sales Yr 1(1st & 2nd qrt		1,465,200				
	Pkg Space Sales Yr 1 (1&2 qrtr	92,400					
.4	Condo Sales Yr 1(3rd & 4th qrt		1,465,200				
	Pkg Space Sales Yr 1(3&4 qrtr)	92,400					
0	Condo Sales Yr 2 (1 & 2 qrtr)			0			
	Pkg Space Sales Yr 2(3&4 qrtr)	0					
0	Condo Sales Yr 2 (3 & 4 qrtr)			0			
	Pkg Space Sales Yr 2(3&4 qrtr)	0					
	Mo PayBack w/90% C Sales(1&2qr		219,780	0			
	Mo PayBack w/90% C Sales(3&4qr		219,780	0			
			39,169	0			
	Int Cons Loan(1st qrter)		39,169	0			
			16,092	0			
	Int Cons Loan(2nd qrter)		16,092	0			
			(6,985)	0			
	Int Cons Loan(3rd qrter)		0	0			
			(30,062)	0			
	Int Cons Loan(4th qrter)		0	0			
	TOTAL CONST LOAN INT		55,261	0			
	Prop Val-Condo Seg(sales price	3,663,000					
	Pkg Space Val-Condo Seg(sales	231,000					
	Acquis+Renov. Cost-Condo Seg	1,862,263					
	Est Land Value	75000					
	Property Value-Rental Seg	1,000,000					
	Floor Area	15,725					
	Renovation Cost- Rental Seg	554,504					
	Est Land Value-Rental Seg	25000					
	Take Out Finan.- Rental Seg	554,504					
	Acquis.+Renov.Cost-Rental Seg	620,754					
	Est Land Value-Rental Seg	25000					
.015	Points	8,318					
.8	Mortgage L/V	.8					
	L/V Rental Seg	35.26					
	% Down Payment	0.80					
	Mortgage Int. Rate	.13					
30	Mortgage Term - Yrs	30					
.1327	Mortgage - Debt Constant	.1327					
	Initial Investment(Purchase $)	265,000					
.2	Investment Tax Credit (office)	110,901					
	Initial Invest-Rental Seg(inc Cons Loan Int & Points)	88,383					
		88382.8862					
	Initial Investment-Condo Seg	198,750					
	Constant for Acc Deprec.	1.75					
	Income Tax Rate	0.50					

		0	1	2	3	4	5
	Econ Life of Bldg	15					
.128	Investor Req. ROI	.128					
	No. of Units	46					
	Initial Equity	265,000					
	CONDOMINIUM & PKG SPACE SALES						
	Estimated Gross Sale Price	778,800	3,115,200	0			
0.06	Brokerage Fees	46,728	186,912	0			
	Net Selling Price	732,072	2,928,288	0			
	Book Value of Unsold Units	1,429,810	372,443	(0)			
	Book Value of Building						
	Acc Depreciation						
	Est. Acc Deprec. Unsold Units						
	SL Depreciation	95,321					
	Est SL Deprec. Unsold Units		57,192	57,192			
	Book Val of Units&Spaces Sold	372,453	1,489,810	0			
	Capital Gains	406,347	1,625,390	0			
.5	Depr.Subj.-Ord IncTax(Dep>SL)						
	Amt Subj.-Cap Gains Tax	406,347	1,625,390	0			
.2	Capital Gains Tax Rate	.2					
	TOTAL TAX LIABILITY(from sale)	81,269	325,078	0			
	Purchase Price-Condo Seg	198,750					
	CONDO SEG COSTS						
1,663,513	Costruct. Loan Prin-Condo Seg	332,703	1,330,810	0			
	Const Loan Interest-Condo Seg	118,200	41,446	0			
	Points-Condo Seg	24,953	0				
0.06	Brokerage Fees	46,728	186,912	0			
	Tax Liability From Sales	81,269	325,078	0			
	TOTAL COSTS-CONDO SEG	603,852	1,884,246	0			
	CONDO SEG REVENUES						
	Sum Of Tax Deductibles	189,880	228,358	0			
.5	Fed Tax Shelter	94,940	114,179	0			
.05375	Mass St Tax Shelter	10,206	12,274	0			
	TOTAL TAX SHELTER	105,146	126,453	0			
	Condominium & Pkg Space Sales	778,800	3,115,200	0			
	TOTAL REVENUES- CONDO SEG	883,946	3,241,653	0			
	TOTAL AFTER TAX RETURN	280,094	1,357,407	0			
	CUM AFTER TAX RETURN	280,094	1,637,501	1,637,501			
	DISC. RETURN	280,094	1,203,375	0			
	TOTAL DISC. RETURN	280,094	1,483,469	1,483,469			
	NPV OF PROFIT	81,344	1,284,719	1,284,719			
	ROI AFTER TAXES (cum)	1.41	8.24	8.24			
	INTERNAL RATE OF RETURN						
TRY DF'S	Trial Disc Factor	2000					
TILL NPV=0	Total Disc Return (Trial DF)	280,094	678	1			
	Cum Total Disc Return(Trial DF	280,094	280,772	280,772			
	Net Present Value			82,022			
MUST RECALC	INTERNAL RATE OF RETURN			INFINITY			
	INVESTMENT VALUE-Condo Seg	1,943,607	3,146,982	3,146,982			
	REVENUE FROM RENTALS						
.05	Mo. Rent Type #1		500	525	551	579	608
	No. of Type #1 Units	3					
.05	Mo. Rent Type #2		600	630	662	695	729
	No. of Type #2 Units	3					
.05	Mo. Rent Type #3		700	735	772	810	851
	No. of Type #3 Units	6					
1.05	Mo Pkg Rental for 12 Spaces	12	600	630	662	695	729
	GROSS SCHED INCOME		106,920	112,266	117,879	123,773	129,962
.03	Vacancy Allowance		3,208	3,368	3,536	3,713	3,899
.01	Bad Debt Allow.		1,069	1,123	1,179	1,238	1,300
	EFFECTIVE GROSS INC RENTALS		102,643	107,775	113,164	118,822	124,763
	EXPENSES FOR RENTALS	12 Units					
.025	Property Taxes		25,000	25,500	26,010	26,530	27,061
.09	Insurance		1,415	1,444	1,472	1,502	1,532
.09	Water/Sewer		1,415	1,444	1,472	1,502	1,532
.59	Administration/Manangement		9,278	9,463	9,653	9,846	10,043
.47	Repairs/Maintenance/Security		7,391	7,539	7,689	7,843	8,000
.51	Heat		8,020	8,180	8,344	8,511	8,681
.02	Rubbish Removal		314	321	327	334	340
1.57	TOTAL EXPENSES - RENTALS		52,833	53,890	54,968	56,067	57,188
	NET OPERATING INC.		49,810	53,885	58,196	62,755	67,575
table	Annual Debt Service		73,583	73,583	73,583	73,583	73,583

		0	1	2	3	4	5
	Straight Line Depreciation		35,300	35,300	35,300	35,300	35,300
	Acc Depreciation a175% DB		235,587	52,448	48,329	44,211	40,093
	Book Value of Bldg		449,553	414,253	378,953	343,652	308,352
	SL Dep of Rem Bk. Val		32,111	31,866	31,579	31,241	30,835
	Ann Mort. Principal		1,497	1,692	2,106	2,795	3,846
	Cum.Principal/Equity Buildup		1,497	3,189	5,295	8,090	11,937
	Remaining Mort Princ.		553,007	549,818	544,523	536,433	524,496
PASTE IN							
DEP METHOD	Straight Line Depreciation		35,300	35,300	35,300	35,300	35,300
	TAXABLE INCOME		(65,893)	(53,306)	(48,580)	(43,333)	(37,462)
.5	FED TAX SHELTER (TAX DUE)		32,947	26,653	24,290	21,666	18,731
.05375	MASS ST. TAX SHELTER (TAX DUE)		3,542	2,865	2,611	2,329	2,014
	TOTAL TAX SHELTER		36,488	29,518	26,901	23,996	20,744
	Investment Tax Credit		110,901				
	CASH FLOW AFTER TAXES		123,617	9,821	11,515	13,168	14,737
	ROI AT	1.399	0.111	0.130	0.149	0.167	
	DISC AT CASH FLOW		109,589	7,718	8,023	8,134	8,070
	CUM. DISC AT CASH FLOW		109,589	117,308	125,331	133,464	141,534
	Net Present Value						53,151
	Tot. Benefit(Cum D ATCF+Equity		111,086	120,497	130,626	141,554	153,470
	INTERNAL RATE OF RETURN						
TRY DF'S	Trial Disc Factor	.5848					
TILL NPV=0	AT CASH FLOW(Disc.at Trial DF)		78,001	3,910	2,893	2,088	1,474
	Cum. ATCF (Disc. at Trial DF)		78,001	81,912	84,805	86,892	88,366
	Net Present Value						(17)
MUST RECALC	INTERNAL RATE OF RETURN (5 yrs						58.48
FOR CHANGES							
	INVESTMENT LIQUIDATION OFFICE						
.03	RENTAL SEC ASS 3% APPREC	1,000,000					
	Estimated Gross Sale Price		1,030,000	1,060,900	1,092,727	1,125,509	1,159,274
0.06	Brokerage Fees	0.06	61,800	63,654	65,564	67,531	69,556
.05	Capital Improvements		51,500	53,045	54,636	56,275	57,964
	Net Selling Price		916,700	944,201	972,527	1,001,703	1,031,754
	Book Value of Property		526,053	492,298	458,589	424,928	391,316
	Capital Gains		503,947	568,602	634,138	700,581	767,958
	Depr.Subj.-Ord IncTax(Dep>SL)		0	0	0	0	0
	Tax Deductable Expenses		113,300	116,699	120,200	123,806	127,520
	Amt Subj.-Cap Gains Tax		503,947	568,602	634,138	700,581	767,958
.2	Capital Gains Tax Rate	.2					
	TOTAL TAX LIABILITY		44,139	55,371	66,728	78,213	89,832
	NET TO SELLER-1		319,554				
	NET TO SELLER-2			339,012			
	NET TO SELLER-3				361,277		
	NET TO SELLER-4					387,057	
	NET TO SELLER-5						417,426
	DISC. NET TO SELLER		283,292	266,438	251,717	239,077	228,578
	TOTAL DISC. RETURN		392,881	383,746	377,048	372,542	370,112
	NPV OF PROFIT		304,498	295,363	288,665	284,159	281,729
	INTERNAL RATE OF RETURN						
TRY DF'S	Trial Disc Factor	.895					
TILL NPV=0	Disc Net To Seller(Trial DF)		168,630	94,405	53,090	30,015	17,082
	DISC. AT CASH FLOW		65,233	2,735	1,692	1,021	603
	CUM. DISC AT CASH FLOW		65,233	67,968	69,660	70,681	71,284
	Net Present Value						(17,099)
	Total Disc Return(At Trial DF)		233,863	162,373	122,750	100,696	88,366
	NPV OF PROFIT		145,480	73,990	34,367	12,313	(17)
MUST RECAL	INTERNAL RATE OF RETURN (5 yrs						89.50
FOR CHANGES							
	INVESTMENT VALUE		881,136	872,000	865,302	860,796	858,366

		0	1	2	3	4	5
	KEY INDICATORS						
	OFFICE RENTAL SEGMENT						
	OPERATION PHASE						
	NET Before Tax CASH FLOW		(23,773)	(19,697)	(15,386)	(10,827)	(6,008)
	ROI BT		(0.27)	(0.22)	(0.17)	(0.12)	(0.07)
	TOTAL TAX SHELTER - ST & FED		36,488	29,518	26,901	23,996	20,744
	After Tax Cash Flow		123,617	9,821	11,515	13,168	14,737
	DISC. AT CASH FLOW		109,589	7,718	8,023	8,134	8,070
	ROI AT		1.40	0.11	0.13	0.15	0.17
	CUM. DISC AT CASH FLOW		109,589	117,308	125,331	133,464	141,534
Disc.	Total Benefit (ATCF + Equity)		111,086	120,497	130,626	141,554	153,470
MUST RECALC FOR CHANGES	INTERNAL RATE OF RETURN (5 yrs						58.48
	TERMINATION PHASE						
	USING EST. ANN APPREC.=0						
	Estimated Gross Sale Price		1,030,000	1,060,900	1,092,727	1,125,509	1,159,274
	DISC. NET TO SELLER		283,292	266,438	251,717	239,077	228,578
	TOTAL DISC. RETURN		392,881	383,746	377,048	372,542	370,112
	NPV OF PROFIT		304,498	295,363	288,665	284,159	281,729
MUST RECALC FOR CHANGES	INTERNAL RATE OF RETURN (5 yrs						89.50
	INVESTMENT VALUE		881,136	872,000	865,302	860,796	858,366
	RESIDENTIAL CONDOMINIUM SEG						
	INVESTMENT LIQUIDATION						
	Estimated Gross Sale Price	778,800	3,115,200	0			
	TOTAL TAX SHELTER - ST & FED	105,146	126,453	0			
	ROI AFTER TAXES	1.41	8.24	8.24			
	TOTAL DISC. RETURN	280,094	1,483,469	1,483,469			
	NPV OF PROFIT	81,344	1,284,719	1,284,719			
MUST RECALC FOR CHANGES	INTERNAL RATE OF RETURN (5 yrs			INFINITY			
	INVESTMENT VALUE	1,943,607	3,146,982	3,146,982			

TOTAL PROJECT - RESIDENTIAL CONDOMINIUMS AND OFFICES

After viewing the residential and office segments, it is important to examine the project in total. The net present value of profit under all three scenarios is very high. This illustrates the project is yielding far in excess of the 12.8% required rate of return. Infact the NPV of the moderate and optimistic scenarios is over one million dollars.

The investment value also indicates that the project represents a financially sound undertaking. The investment value of the optimistic scenario, $4,005,348 is over 1.5 million dollars greater than the actual cost of the project. The moderate and pessimistic scenario show an investment value of close to one million dollars over actual cost. Consequently, the project represents an excellent deal.

From all indications, it appears that the mixed use alternative represents a sound investment. If actual conditions approximate the moderate scenario, the investor can expect over one million dollars in excess of his 12.8% rate of return.

F. Developer Assisted Mortgage Financing

The market study revealed that a large percentage of potential buyers have the necessary income to meet mortgage payments but not the savings for a large down payment. Therefore, reducing the loan to value ratio may greatly improve marketability. The developer could accomplish this by buying down the initial equity requirement. However, because this is effectively decreasing the sales price of the units, this alternative must be weighed against the benefits of a shorter selling period.

The moderate scenario of the "condominiums only" alternative illustrates the benefits of a shorter selling period. All other factors remaining equal, but shortening the selling time to one year after construction, yields a total discounted return of $1,394,540. This compares to $1,262,462 if the selling period is two years. Consequently, the developer has the flexibility of using $132,078 to buy down initial equity requirements if it appears he could cut the selling time in half.

SUMMARY OF KEY INDICATORS: TOTAL PROJECT - RESIDENTIAL CONDOMINIUMS AND OFFICES (ASSUMING OFFICE CONDOMINIUMS ARE SOLD IN YEAR 5)

	PESSIMISTIC SCENARIO	MODERATE SCENARIO	OPTIMISTIC SCENARIO
Total Discounted Return At	870,174	1,335,826	1,853,581
NPV of Profit	535,870	1,030,983	1,566,448
Investment Value	3,386,610	3,734,039	4,005,348

The same demonstration can be employed for the mixed use development. Shortening the selling period from 90% of the units being sold within 1 year after construction to 90% being sold within 6 months yields a total discounted return of $1,096,435. This compares to $1,030,689. This offers the developer $65,746 for buy downs if it appears the selling period can be significantly decreased.

Consequently, it appears that the shorter selling period in both alternatives outweighs the benefits of a higher sales price to some degree. However, the decision to buy down initial equity requirements should not be made until the units go on the market. The decision should be made in light of how well the units sell during the pre completion stage and early months after construction. This financing opportunity should not be made available unless absolutely necessary to move units. First the developer should try to sell the units with no financing assistance. Next, sales should be attempted, offering the lowered down payment but with an inflated sales price to cover the cost of the buy downs. And lastly, the lowered initial equity requirements should be offered with the originally scheduled sales prices if the units are selling too slowly.

G. Final Recommendation For Optimum Development

As clearly illustrated in the following table, the financial outcomes projected for the two development alternatives are quite similar. The moderate scenario of the mixed use development does exhibit a total discounted return of $1,335,826, which is greater than that projected for the "codominiums only" alternative ($1,262,462). However, under the pessimistic and optimistic scenarios of the mixed use development, just the opposite relationship exists, the discounted returns are less (even though to a smaller degree) than in the "condominiums only" alternative.

With the key financial indicators so close, it is difficult to choose one of the two alternatives from purely a "bottom line" perspective. Both alternatives appear to be financially sound investments which promise healthy returns. Both alternatives also offer a similar degree of uncertainty (ie. the sales appeal of the first floor condominiums and market potential for office rentals). If forced to choose merely on the basis of indicators presented, the mixed use development alternative is the best option. Under the moderate scenario, which after all is the most likely, the project is expected to yield a discounted return approximately $73,000 greater than the other alternative. This is significant enough to place favor with the mixed use alternative.

However, the most appropriate way to decide between the alternatives is with regard to the needs of the individual investor. If the investor wishes to make his profit quickly and be out of the deal, the "condominiums only" alternative makes the most sense. This alternative promises a good return without tying up resources for an extended period of time. On the other hand, if the investor expects income from other sources which he would like to shelter over the mext few years, the mixed use alternative would be the most suitable. This would allow the investor to make a rather large profit

SUMMARY OF KEY INDICATORS			
	PESSIMISTIC SCENARIO	MODERATE SCENARIO	OPTIMISTIC SCENARIO
RESIDENTIAL CONDOMINIUMS ONLY			
Total Discounted Return	843,215	1,262,462	1,873,280
NPV of Profit	578,215	997,462	1,608,280
Investment Value	3,430,901	3,726,925	4,091,297
CONDOMINIUMS WITH FIRST FLOOR OFFICES			
Total Discounted Return	870,174	1,335,826	1,853,581
NPV of Profit	535,870	1,030,983	1,566,448
Investment Value	3,386,610	3,734,039	4,005,348

initially but also to maintain ownership of the office segment to shelter income and sell at a later date.

In addition, regardless of the alternative chosen, developer assisted mortgage arrangements should be considered if the units begin to sell too slowly. As suggested in the preceeding section, this should first be attempted with inflated selling prices to cover the cost of the buy downs. If the units still do not move quickly enough the prices may be lowered. In most instances, this would still be in the best interest of the developer as the shorter selling period would outweigh the effects of the decreased sales prices.

Chapter VI
Conclusion

FINANCIAL BENEFIT TO THE INVESTOR

The Bancroft-Rice property exhibits tremendous potential for redevelopment. Both the residential and mixed use alternatives promise very high returns with a relatively small initial investment. The low purchase price of $265,000 makes the site almost irresistible in light of the over $1.2 million projected Total Discounted Return. This allows a Net Present Value of approximately $1 million.

As described in Chapter II, the Bancroft-Rice site is being sold as a package with two other somewhat less desirable schools ($265,000 = total price for all three schools). However, the prospect of more than quardrupling the initial investment with the Bancroft project alone certainly compensates for the expected lower return from development at the other sites. It is evident that the City is very anxious to dispose of the property and has consequently severely under-priced it.

The recommended optimum development alternative is dependent on the needs of the perspective investor. The "condominiums only" alternative offers the best option for the investor who wishes to make his profit quickly and has no interest in remaining involved in the project. The Return on Investment forecasted for this option under the moderate scenario is well over 500% with an Internal Rate of Return over 400%. Even if the units take two full years to sell and prices drop 10%, the initial investment is still expected to more than triple. This option offers a high return without tying up resources for an extended period of time.

The mixed use alternative is recommended for the investor who needs a tax shelter over the next few years and is willing to maintain ownership of a portion of the project. This alternative would provide the investor a large profit initially (ie. well over 500% return on investment under the moderate scenario). It would also offer tax shelter benefits and an Investment Tax Credit equal to 20% of the rehabilitation costs. This also allows the investor to wait until the neighborhood property values have appreciated significantly and then sell at a high price. The Net Present Value of Profit under the moderate scenario is $1.03 million for the entire mixed use project.

As indicated in the financial analysis, regardless of which alternative is selected, shortening the selling time for the condominiums would generously increase profits. If the units begin to sell too slowly, the developer assisted mortgage financing suggested in Chapter V should be instituted. This would increase the marketability of the units by reducing the down payment requirement.

TOTAL BENEFIT OF THE CITY OF BOSTON

This project, whether entirely residential or mixed use, will be very beneficial to the City. The school buildings, currently a neighborhood nuisance attracting vandalism and loitering, will be placed in service once again. The proposed rehabilitation promises an outstandingly attractive site, adding to the value of the immediate area. The project would also offer much needed high quality housing units without displacing a single current resident. All these indirect factors point to the potential positive impact of the project, however, the most striking benefit is the overwhelming revenue generated compared to the attributable municipal expenditures.

The fiscal impact analysis, detailed in Appendix E. clearly illustrates the project's direct financial benefit to the City. The four principal sources of public revenue are identified as departmental, state aid, federal aid and property tax. The projected increase in these revenue sources attributable to the residential project totals $136,678. This figure contrasts with an increase in City expenditures of only $77,218. The relatively small increase in necessary expenditures is primarily due to the expected lack of public education costs. The design of the units, market analysis, and description of the target population all indicate the probable absence of school aged children.

The comparison of revenues and expenditures shows that the project will much more than pay for its share of public services. The revenue, generated by the residential project is expected to be over one and a half times greater than its attributable municipal costs annually. The revenue to cost ratio of the mixed use alternative would be even larger. This is because the office segment would be taxed at a higher rate but most likely require less spent on public services.

SUMMARY

In total, the project offers considerable benefit to the City. The prospect of receiving almost two times as much revenue as would be expended appears to be a very attractive opportunity. These financial benefits coupled with the improvement of the site and lasting value added to the neighborhood would likely make the City amenable to sale.

The property also holds tremendous potential for the investor. The forecasted million dollar plus profit and small initial equity requirement makes this opportunity very difficult pass up. In addition, the successful completion of the project will establish credibility and may very well lead to other projects involving the adaptive reuse of public buildings.

Appendices

APPENDIX A.

Regulation of Uses: H Zoning Districts

ALLOWED USES	CONDITIONAL USES
Residential:	
-all types of attached, detached and semi detached single family, two family and multi family dwellings	-temporary dwellings, lodging and boarding houses, dormitories, sororities, fraternities, hotels, motels
Institutional:	
-group care residences	-hospitals or sanatariums other than for treatment of drug addicts, alcoholics, mentally ill or mentally deficient
-convalescent and nursing homes	
-library, museums	
-elementary schools, kindergarten & day care	-colleges, universities, trade or professional school
-places of worship	-scientific research or teaching
-extension of existing cemetery	-private club
-crematory or columbarium in cemetery	
Recreational:	
-public park, playground or recreation building	
-private games and sports not conducted for profit	
-adult education centers, community centers	
Public Services:	
-police stations	-pumping stations
-fire stations	-public service stations
	-telephone exchanges
Office Uses:	
	-offices of an accountant, architect, attorney, dentist, physician or other person not accessory to a main use
	-clinic not accessory to a main use
Vehicle Storage:	
	-parking lot or garage

Regulation of Uses: H Zoning Districts

ALLOWED USES	CONDITIONAL USES
Accessory Uses:	
-swimming pool or tennis court	-keeping of animals for profit or laboratory research
-customary home occupation	
-uses accessory to permitted office occupant	
-storage of flammable liquid or gas	
-amusement games in sorority, fraternity or private club	
-dwellings for personnel accessory to main use	
-as an accessory use to a building with 50 dwelling units or more in a hotel, barber shops, dining rooms, news stands and similar establishments primarily for the residents thereof, when conducted wholly within the building and entered solely from within the structure	

APPENDIX B.

Dimensional Regulations

REGULATION		INTERPRETATION FOR THE SITE		STATUS OF COMPLIANCE	
		Bancroft	Rice	Bancroft	Rice
Lot siz Min.	None	None	None	C	C
Lot Area Min./ Dwelling Unit	None	None	None	C	C
Lot Width	None	None	None	C	C
Floor Area Ratio	3				
Lot Size X F.A.R. =Allowable Floor Area (sq. ft.)		18,454 x 3 = 55,362	27,125 x 3 = 81,375	C, Allowable addition = 32,882 sq. ft.	C, Allowable addition = 40,855 sq. ft.
Max. Height	None	None	None	C	C
Front Yard Min. Depth (ft.)	15	15	15	NC, Need to apply for Variance on grounds that the structure predates the Zoning Code	NC, Need to apply for Variance on grounds that the structure predates the Zoning Code
Usable Open Space: Min. sq.ft./ Dwelling Unit	100	100/D.V.	100/D.V.	Existing open space including area likely to be used for parking = 12,834 sq. ft.	Existing open space including area likely to be used for parking = 16,777 sq. ft.
Unit		*may include balconies and roofs	*may include balconies and roofs		
Min. sq.ft./ other use	None	None	None	C	C

Dimensional Regulations

REGULATION		INTERPRETATION FOR THE SITE		STATUS OF COMPLIANCE	
		Bancroft	Rice	Bancroft	Rice
Rear Yard Min. Depth (ft.)	$10 + \frac{L}{20}$	$10 + \frac{115}{20} = 16$	$10 + \frac{70}{20} = 14$	C	C
Side Yard Min. (ft.)	None	None	None	C	C
Setback of Parapet Min. Distance from Lot Line (ft.)	$\frac{H + L^1}{6}$	$\frac{45 + 120}{6}$	$\frac{25 + 70}{6}$	NC, Need to apply for Variance on grounds structure predates Zoning Code	NC, Need to apply for Variance on grounds structure predates Zoning Code
Rear Yard Max. % occupied by Accessory Buildings	35	35	35	C, No accessory buildings	C, No accessory buildings

DIMENSIONAL REGULATIONS TABLE KEY

C = Currently in compliance with regulation

NC = Currently not in compliance with regulation

L = Length of wall parallel to lot line, measured parallel to lot line

H = Height of building above the height below which no setback is required

L^1 = Length of wall parallel to lot line, measured parallel to lot line at greatest length above the height below which no setback is required

APPENDIX C.

Points of Interest

The school property's value is enhanced by its close proximity to many of Boston's parks, landmarks and other places of special interest. The following narrative and photographs depict a number of these attractive sites. The map illustrates their location in relation to the Bancroft-Rice.

Charles River Esplanade

This park, dating from 1874, still serves as a valuable recreational resource. The mature vegetation and scenic lagoons provide a pleasant attractive atmosphere for passive and active recreation. The park contains dock facilities for many boaters. The Hatch Shell, an accoustic performance stage, is the focus of activity from May to September. The Boston Pops Orchestra, Boston Ballet and other groups perform free concerts which attract thousands annually. The existence of the park has protected the river from over-development and maintained it for public use. Magnificant views of the river have been preserved both for travelers along Storrow Drive and residents on Beacon Street.

Boston Public Garden

The Boston Public Garden is part of the famous park system designed by Frederick Law Olmsted, the father of Landscape Architecture. The system provides a continuous chain of greenery affectionately named the "Emerald Necklace". The idea of the grand scheme was to allow garden paths from one end of the City to the other. The Public Garden today is one of the finest parks in America. It serves as a flowering oasis in the heart of the City. It is particularly famous for its swan boats and monumental statuary The lively color accent provided by flowers and greenery are a welcome relief from the predominantly nuetral colors of the surrounding architecture

Prudential Center (above)

In comparison to other highlights of the area, the Prudential Center represents only a mediocre design. The stubby 52 story tower meets the sky abruptly, and is no match for the elegant John Hancock Building. However, the Center hosts many attractive components: the Sheraton Hotel, several restaurants, and many retail establishments including two large anchor stores.

Old South Church (next page)

The New Old South Church is a splendid Boston Landmark. It was built in 1875 and designed in the Italian Gothic Style. Its pointed arches, polychromatic finish and carved ornamentation total a most impressive facade.

Trinity Church and Parish House

Trinity Church (1877) in Copley Square established Henry Hobson Richardson in the architectural world. It was his finest achievement and gained him world wide fame. This splended landmark was designed in the Romanesque Style with a Greek floor plan, represented by the square cross. Many of the attractive features of the church, characteristic of Richardson, include: double end columns, varying capitals, light and dark materials used together, beautifully carved motiffs and narrow grouped columnettes. The tower of the Church is also an interesting element. Its intricate miniature detail relieves what otherwise might be a very heavy feature.

The attractive Parish House immediately adjacent to Trinity Church was also designed by Richardson. The private garden, a unique feature in an urban church maintains almost "italian villa" characteristics, with its fountain, statuary and mazes of vegetation.

Copley Square (above)

This plazza type courtyard links the Boston Public Library and Trinity Church. The attractive fountain provides a lively accent to the square.

Christian Science Center

The Christian Science Center headquarters of the church, contains a complex of buildings surrounding a magnificent reflecting pool. The structures are complemented by flower gardens and small trees. The original Mother Church was built in 1894. The church extension, constructed in 1906, is a grand domed limestone structure exhibiting Italian Renaissance and Byzantine influence. The Christian Science Publishing Society Building dates from 1935 and the three new structures were added in the early seventies. The abundance of white limestone and water in the complex makes the entire grouping of buildings seem to sparkle. The sitting areas and reflecting pool are used as open space for brown bag lunches or leisurely walks.

Boston Public Library

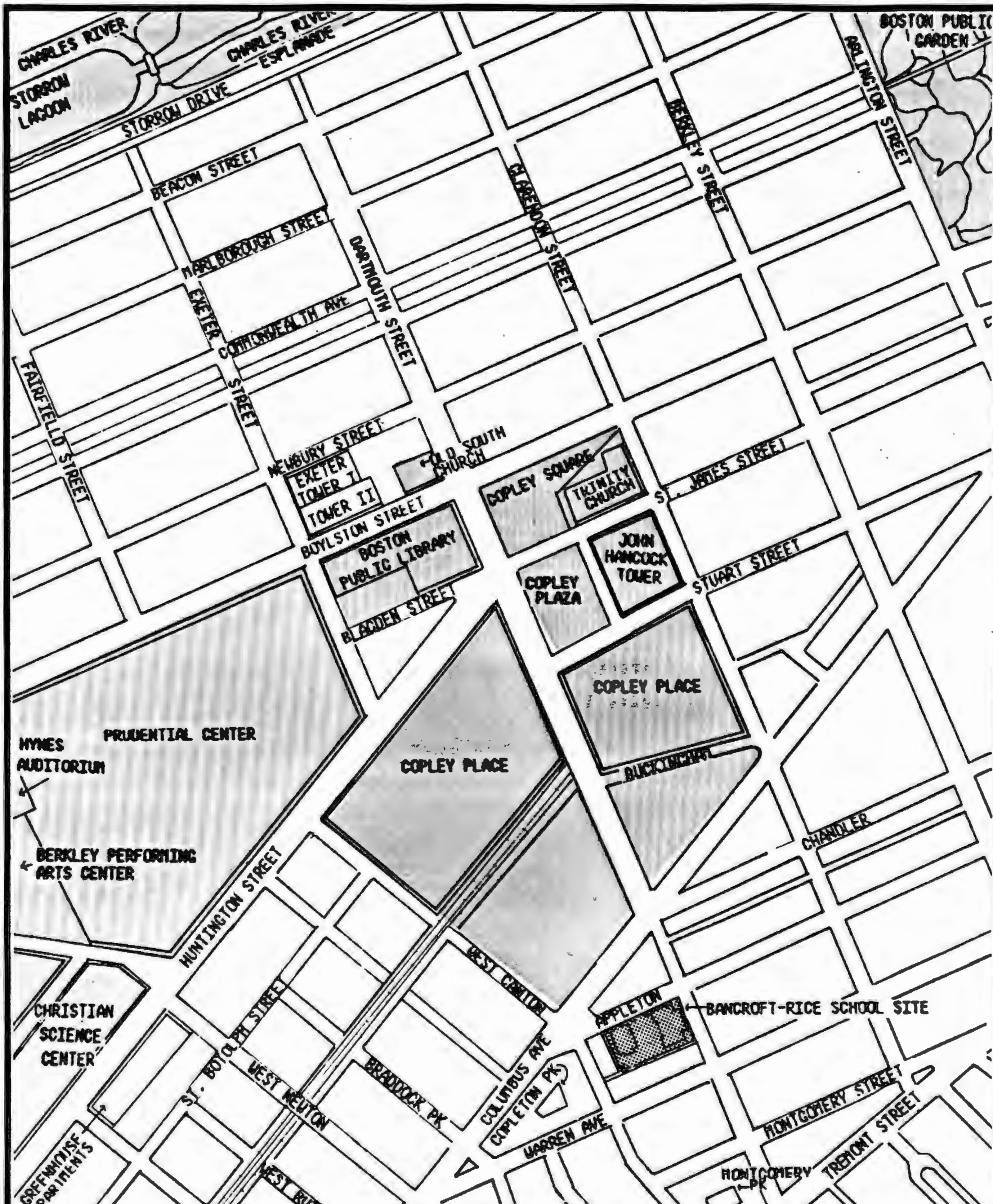
The handsome Boston Public Library houses an outstanding number of volumes and audio-visual materials. The original building was constructed in 1894 and designed in the grand Italian Renaissance Style. The Addition, completed in 1971 is also an attractive and compatible structure. The Library adds to the architectural integrity of the area as well as the educational benefits of the residents.

New John Hancock (right)

The unique parallelagram shaped tower was designed by I.M. Pei and constructed in 1969-72. The structure has been dubbed the "glass knife" illustrative of the elegant way the building meets the sky. As one drives around the City, the tower appears and disappears due to the unique shape and reflective glass. It provides beautiful mirror images of Trinity Church and the other attractive surrounding buildings. The grid iron arrangement of glass paines mimics the layout of blocks in the Back Bay, the only area of the City with parallel streets. The clean sleek design and predominance of glass minimizes the visual Mass of the building and proves to be a successful way to situate 62 floors on the site without overwhelming the surrounding area.

Copley Plaza Hotel

The Copley Plaza Hotel forms the South wall of Copley Square. The hotel was completed in 1912. Its style is elegant and tasteful. The facade is reminiscent of the grandiose massing of buildings in the French Academic tradition. The Hotel's restaurants, Grand Balls and Concerts entertain many visitors and residents.



Bankroft-Rice School Site and Surrounding Area

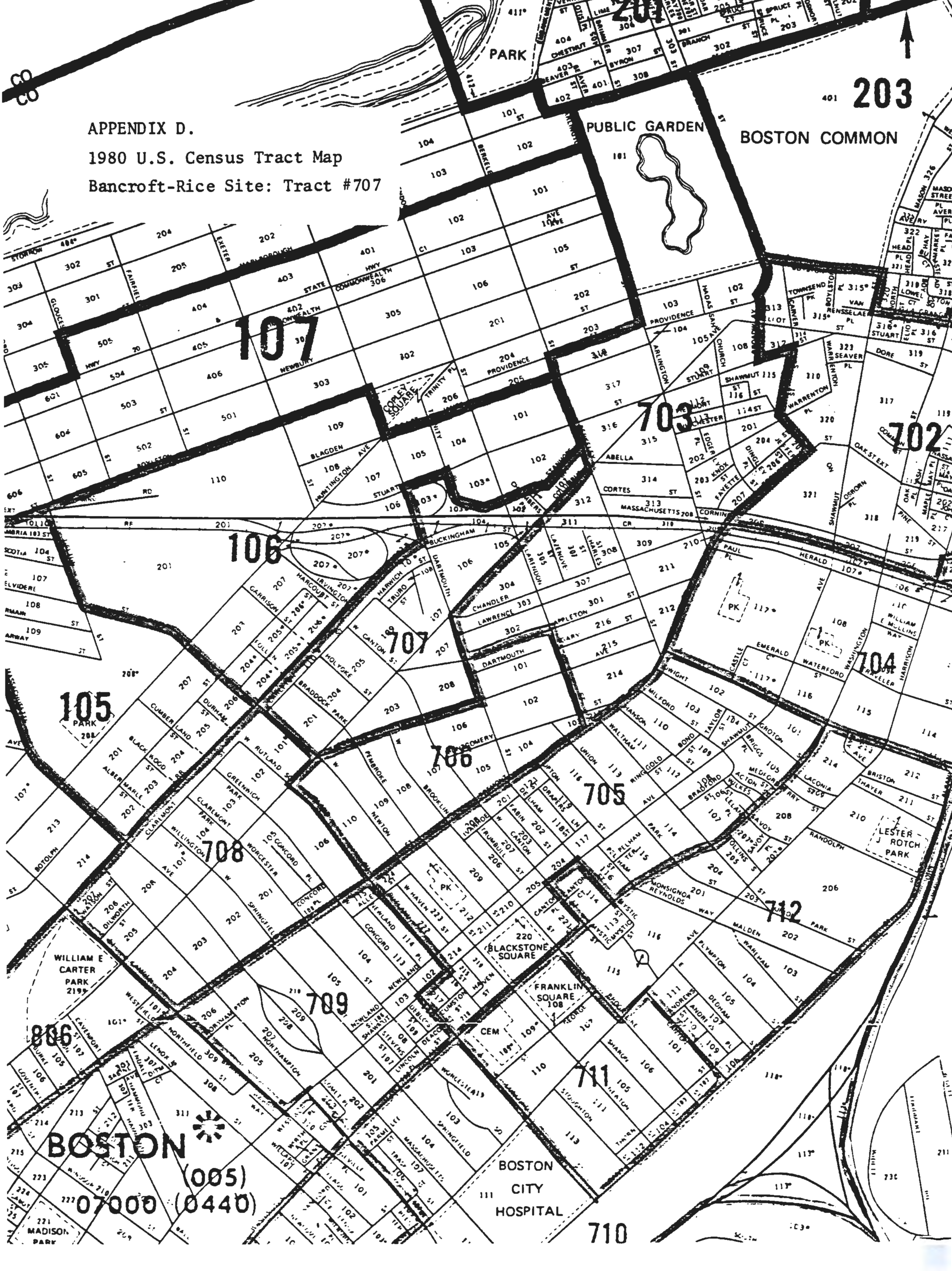
SCALE 1" =500'

Points of Interest

APPENDIX D.

1980 U.S. Census Tract Map

Bancroft-Rice Site: Tract #707



APPENDIX E.

Fiscal Impact Analysis

PROJECT SUMMARY

Project market value	$4,600,000.00
Additional population (Residential only)	80
Additional school enrollment (Residential only)	0

REVENUE FORECAST SUMMARY

Revenue	Current Revenues	Revenue Increment
Departmental*	$199,700,000.00	$ 28,376.86
State Aid	$190,100,000.00	$ 27,012.72
Fed. Aid	$ 18,500,000.00	$ 2,628.80
Project-Related Property Tax Rev.		$ 78,660.00
Additional Project Revenues		$ 0.00
TOTAL PROJECT-RELATED REVENUES		$136,678.40

PER CARITA COSTING METHOD SUMMARY

Total municipal expenditures	$904,099,900.00
Total school expenditures	$ NA
Residential share of local tax base:	60%
Non-residential refinement coeff.:	1.00
Residential expenditures	$542,459,940.00
Per capita residential expenditures	$ 963.52
Per student school expenses	NA
Forecast municipal exp. growth	$ 77,081.00
Forecast school exp. growth	$ 0.00
TOTAL forecast exp. growth	$ 77,081.00
TOTAL forecast revenue growth	$ 136,678.00

BALANCE: REVENUES COMPARED TO EXPENDITURES $59,597.00

*Departmental includes city, health and hospitals, parking meters, parking fines, payments in lieu of taxes, interests on investments, and other revenues.

End Notes

1. Boston Public Facilities Department, "Design and Development Guidelines, Surplus School Buildings".

2. Massachusetts Bay Transportation Authority, 1976. South West Corridor Development Plan.

3. Boston Inspectional Services Department, 1983. Boston Zoning Code and Enabling Legislation (as assembled through June 30, 1983).

4. Survey of Area Realtors:
   AES Realty, Boston, Massachusetts.
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   Betty Gibson Associates, Boston, Massachusetts.
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   Copley Square Associates, Boston, Massachusetts.
   58 Charles Street Associates, Boston, Massachusetts.
   Urban Renaissance Properties, Boston, Massachusetts.

5. Ibid.

6. Ibid.

7. Ibid.

8. Raw Data Sources: Boston Activities Budget, 1984,. Boston Department of Tax Assessment,. Boston Department of Budget.

Information sources for charts and graphs are noted on the figures.

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