

DONNELL DONNELL AND ASSOCIATES

April 29, 1988

Board of Pensions
 Presbyterian Church (USA)
 c/o Gaylan and Leona Friesenborg
 417 Paseo de Peralta
 P.O. Box 1888
 Santa Fe, New Mexico 87504

REFERENCE: Appraisal Report
 Plaza del Monte Retirement Community
 417 Paseo de Peralta
 Santa Fe, New Mexico

Dear Mr. and Mrs. Friesenborg:

Attached is our report containing our conclusions of market value from the inspection of the above referenced property. Our analysis indicated the values of the property under the valuation criteria outlined in the report are as follows:

EFFECTIVE DATE: February 11, 1988

	<u>Market Value</u>	<u>Present Value, Two Years</u>	<u>Future Sale, Four Years</u>
1. Casa Grande Tract, at its market supported Highest and Best Use (Land Value)	\$1,350,000	\$1,100,000	\$ 850,000
<i>C.Ramirez</i> 2. Casa Grande Tract, as a congregate care retirement facility Non-Profit	\$ 400,000	\$ 325,000	\$ 250,000
	\$ 350,000	\$ 275,000	\$ 225,000
<i>PdMonte</i> 3. Las Placitas Tract, at its market supported Highest and Best Use (Land Value)	\$1,275,000	\$1,000,000	\$ 800,000

SUMMARY OF SALIENT FACTS

Property:	Plaza del Monte Retirement Community
Location:	417 Paseo de Peralta
Client:	Board of Pensions Presbyterian Church (USA)
Land Area:	9.146 acres
Net Usable Land Area:	
Casa Grande Tract	2.826 acres
Las Placitas Tract	5.802 acres
Present Use:	Retirement Community
Highest and Best Use:	
Casa Grande Tract	Speculative holding for commercial development
Las Placitas Tract	Residential development, interim use as residential rental compound
Date of Valuation:	February 11, 1988
Value Conclusions:	
Casa Grande Tract	\$1,350,000
Las Placitas Tract	\$1,275,000
Total Property (Plaza del Monte)	\$2,625,000

Neighborhood Development

Neighborhood development is mixed. Two fraternal organizations, the Scottish Rite Temple and Masonic Lodge, front on Paseo de Peralta. A large local law office occupies a converted school dormitory on the north side of the Masonic Lodge. The Plaza del Monte retirement community, a mix of a congregate living facility, freestanding dwellings, and apartments, borders Fort Marcy Park on the north and fronts on Paseo de Peralta and Old Taos Highway on the southwest. There are several single family residences fronting on Bishop's Lodge Road between the Scottish Rite Temple and Plaza del Monte.

Development immediately south of Paseo de Peralta is a Federal Office complex including the Federal Courthouse, Post Office and other federal government offices. Development in the northwest quadrant of Paseo de Peralta and Old Taos Highway consists of small professional offices in the BCD zoning district. Fort Marcy Park, a large City operated recreational complex approximately 27 acres in size, includes playing fields, a swimming pool/gymnasium complex, a small amphitheater, tennis courts, jogging trails and open space, and a City fire station. North of Fort Marcy Park, east of Bishop's Lodge Road, and northwest of the neighborhood is a mix of single and multiple family residential development.

Zoning

Zoning in the neighborhood is RM-2, Multiple Family Residential District, and C-1, Office and Related Commercial District. The zoning of the 2.697+ acre parcel currently occupied by the Masonic Lodge and the White, Koch, Kelly and McCarthy law offices was changed in 1984 from RM-2 to C-1.

Zoning south of Paseo de Peralta and west of Old Taos Highway is BCD, Business Capitol District, Marcy Subdistrict. Zoning west of Bishop's Lodge Road is RM-1, Multiple Family Residential District. Zoning north and northwest of the neighborhood is Single and Multiple Family Residential (R-3, R-4, R-5 and RM-1).

Community Services

All community services are available and adequate. Utility suppliers are discussed in the Santa Fe Profile. Police and fire protection are typical for Santa Fe.

Conclusions

The subject neighborhood is a mixed-use area on the northern fringe of the Santa Fe Central Business District. The area is well located and accessible and no detrimental influences have been observed. Please refer to the Santa Fe and Central Business District profiles in the addenda to the report for additional information.

Detrimental Influences

The primary detriment to development is the drainage easement for Arroyo Mascaras in the northwest corner of the site. The arroyo is four or more feet below street grade of Old Taos Highway and the drainage is supported by a stone retaining wall. Although we have not been able to document the drainage easement, according to Ormand Earp, City Engineer, the easement was acquired in the original 1901 U.S. patent to the City of Santa Fe and/or by a proscriptive easement as a natural drainageway. The drainage is maintained by the City and we assume the easement to be legally supported. The calculated area of the easement is .519 acres, or 22,608+ sq.ft., leaving a net usable area of 8.627+ acres. All of the encumbered area is in the Las Placitas tract. Net usable area of Las Placitas tract is 5.802 acres (6.321 - .519), or 252,735+ sq.ft.

With the exception of the drainage channel, there are no known detrimental influences on the property. There have been no problems with soil or subsoil conditions on the subject or adjacent properties and the site is assumed to have adequate load bearing capability for the existing or any proposed development. Drainage is adequate. There are no other known restrictive or atypical easements. The property is in an architecturally controlled historic district.

Zoning

The property is zoned RM-2, Multiple Family Residential District. The intent of the zoning is to provide for single-family, two-family and multiple-family residences and related developments. The existing improvements are in conformance with the zoning. Zoning and potential zoning changes are discussed more fully in the Highest and Best Use section of the report.

Utilities

All public utilities are available and in place on the site.

Conclusions

The subject site is a well located property on the northern fringe of the downtown Central Business District of Santa Fe. The site has access and visibility from three arterial streets. With the exception of the previously discussed drainage easement, the site is not affected by any known nuisances or hazards.

IMPROVEMENT DESCRIPTION

At the time of inspection, the subject property was improved with the Plaza del Montè retirement community. The complex consists of Casa Grande, a congregate living facility in the southwest portion of the site, and Las Placitas, a residential compound of 41 dwelling units in the northern portion of the site. Please refer to the reduced copies of construction plans and photographs in the addenda to the report for visual representation of the improvements. Improvement features are briefly outlined as follows:

Casa Grande

Architecture:

Pueblo style, stuccoed masonry construction.

Building Area:

Gross heated building area has been calculated at 28,428 sq.ft. from the building plans.

Floor Plan:

The floor plan consists of one main common use facility and four residential wings. Common use facilities include a lobby/reception area, lounge, shop, kitchen and dining room, employee lounge and sleeping quarters, public restrooms, and manager's office. There are three dormitory-style dwelling wings with one and two bedroom units. One wing has been converted to four two-bedroom apartments.

Foundation:

Reinforced concrete.

Floors:

Concrete slab on steel joists. There is a crawl space under the majority of the building.

Walls:

All interior and exterior load-bearing walls are concrete block. Interior portions are steel frame and drywall.

Roof:

Three-inch concrete on steel joists. Roofing is built-up and graveled asphalt over one-half inch rigid insulation.

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Roof:

Three-inch concrete on steel joists. Roofing is built-up and graveled asphalt over one-half inch rigid insulation.

Interior Finish:

Floor covering is a mix of carpeting and vinyl asbestos tile. Walls are painted and stuccoed. Ceilings are painted drywall and acoustic tile. There are ceramic tile floors and wall covering in the kitchen and wainscoting in the baths is ceramic tile. The ceilings in the dining room and lounge are exposed beams.

Electrical:

Assumed to be adequate and to code. Fluorescent and incandescent lighting fixtures.

Plumbing:

The dormitory style dwelling wings have one toilet and lavatory per room. Seven units have been remodeled to add bath or shower facilities. The dormitory style wings also have common bath, shower and laundry facilities. The remodeled apartment wing has one full bath, two half baths and kitchen facilities per apartment. The common use facility has men's and women's public restrooms, men's and women's employee baths, and the kitchen is plumbed for commercial food preparation. The employee lounge and sleeping rooms have full baths.

Mechanical Systems:

Heat is from a gas-fired hot water baseboard system. The heating system was separated from the domestic hot water system in 1987. Domestic hot water is now heated by six 100-gallon gas water heaters. There is no air conditioning system. A new kitchen ventilating system was installed in 1987.

Site Improvements:

Site improvements associated with Casa Grande include extensive landscaping, concrete walks, paved parking and drives, a 378+ sq.ft. greenhouse adjacent to the north residential wing, and covered parking from a six-car carport, one two-car garage and one one-car garage.

Comments:

The original Casa Grande structure was built in 1962. The north residential wing was built in 1973 and was converted to two-bedroom apartments in 1977. The improvements are well maintained and in good condition. No deferred maintenance was observed.

Changes not shown on the attached plans include:

- * Two of the dormitory style apartments in the north-central wing have been converted to an activity room.
- * Showers have been added to four dormitory style rooms and baths have been added to an additional three rooms.
- * Interior doors have been added to convert four sets of adjacent one bedroom units to two-room units.
- * The greenhouse, six-car carport and two-car garage have been added.
- * A walk-in cooler was added to the kitchen in March, 1988.

An energy conservation study was prepared for the building in 1986. Improvements made pursuant to the study have been:

- * The heating and domestic hot water systems are now independent. A new heating system boiler and six 100-gallon domestic hot water heaters were installed in 1986.
- * Storm windows were installed in 1986.
- * A new kitchen ventilation system was installed in 1987.

The study also called for a tempered fresh air system for the apartments. The system was scheduled for 1989.

The main common use building is functional in design and of average appeal. The kitchen is a well designed and equipped commercial quality facility. The dining room and lounge area are of superior quality finish to the remainder of the structure.

The apartments in the remodeled north wing are average quality rental units and typical of the local rental market. The dormitory style dwelling units are somewhat institutional in design and of limited appeal by current market standards. The two bedroom apartments in the north wing contain approximately 1,070 sq.ft. apiece. The one-room dormitory style apartments contain 249+ sq.ft. and the two-room apartments contain 498+ sq.ft.

The Casa Grande facility is of good to average quality construction. The structure has been well maintained and is in good condition. Although there have been improvements and upgrading, the design of the structure, particularly the dormitory style apartments, is somewhat dated. Actual age of the base structure is 26 years, and the addition was built 13 years ago and remodeled four years later. We estimate effective age of the improvements to be approximately 25 years.

Las Placitas

The Las Placitas Compound consists of 37 dwelling units in 25 structures. The unit mix is 19 single-family dwellings, three duplexes, and three fourplexes. Five of the residences were existing at the time the project was dedicated. The remainder of the dwellings were built over the approximate time frame of 1962 to 1972. The existing dwellings have all been renovated and/or remodeled. Following is a chart briefly outlining the major design features. (NOTE: The I.D. number refers to the numbering system used on the site plan in the addenda).

As of 1988

IMPROVEMENT SUMMARY CHART
LAS FLACITAS RESIDENTIAL COMPOUND
PLAZA DEL MONTE

J/Sg Ft

I.D.	Street Address	Type of Dwelling	Area (Sq.Ft.)	Room Count (Total-Bedrooms-Baths)	Age (Yrs.)	Comments
R-1	104 Camino Matias	Single-Family	944	4-2-1.5	26	
R-2	102 Camino Matias	Single-Family	944	4-2-1.5	26	
R-3	106 Camino Matias	Single-Family	944	4-2-1.5	26	
R-4	118 Camino Santiago	Single-Family	1,141	5-2-2	16	
R-5a	110 Camino Matias	Duplex	897	5-2-1	26	
R-5b	112 Camino Matias	Duplex	839	4-1-1	26	Addition 1968
R-6	111 Camino Matias	Single-Family	1,433	6-3-2	Unknown	Remodeled/Renovated 1962
R-7a	116 Camino Matias	Duplex	1,072	4-2-2	Unknown	Renovated 1967, Renovated 1986
R-7b	120 Camino Matias	Duplex	1,099	4-2-2	Unknown	Renovated 1962, Renovated 1986
R-8	109 Camino Matias	Single-Family	1,095	5-2-1	Unknown	Remodeled/Renovated 1962
R-9	107 Camino Matias	Single-Family	932	4-2-1	Unknown	Remodeled/Renovated 1962
R-10	105 Camino Matias	Single-Family	932	5-2-1	Unknown	Remodeled/Renovated 1962
R-11	101 Camino Santiago	Single-Family	1,163	4-2-1	20	
R-12	103 Camino Santiago	Single-Family	1,064	5-2-2	20	
R-14a	105a Camino Santiago	Fourplex	926	4-2-1	26	
R-14b	105b Camino Santiago	Fourplex	699	3-2-1	26	
R-14c	105c Camino Santiago	Fourplex	699	3-2-1	26	
R-14d	105d Camino Santiago	Fourplex	926	4-2-1	26	
R-15	109 Camino Santiago	Single-Family	1,029	4-2-2	25	
R-16	111 Camino Santiago	Single-Family	1,082	4-2-2	25	
R-17a	115a Camino Santiago	Duplex	1,052	4-2-2	18	
R-17b	115b Camino Santiago	Duplex	1,179	4-2-2	18	
R-18	117 Camino Santiago	Single-Family	1,356	6-2-2	Unknown	Estimated effective age 20-25 yrs.
R-19	119 Camino Santiago	Single-Family	1,105	5-2-1	25	
R-20	121 Camino Santiago	Single-Family	1,152	5-2-2	18	
R-21a	125a Camino Santiago	Fourplex	944	4-2-1	19	
R-21b	125b Camino Santiago	Fourplex	676	3-2-1	19	
R-21c	125c Camino Santiago	Fourplex	676	3-2-1	19	~ 1969
R-21d	125d Camino Santiago	Fourplex	944	4-2-1	19	
R-22	122 Camino Santiago	Single-Family	1,218	5-2-2	Unknown	Estimated effective age 20-25 yrs.
R-23	124 Camino Santiago	Single-Family	1,153	4-2-2	21	
R-24a	126a Camino Santiago	Fourplex	690	3-1-1	21	
R-24b	126b Camino Santiago	Fourplex	690	3-1-1	21	
R-24c	126c Camino Santiago	Fourplex	690	3-1-1	21	
R-24d	126d Camino Santiago	Fourplex	690	3-1-1	21	
R-25	120 Camino Santiago	Single-Family	1,259	5-2-2	18	
R-26	114 Camino Santiago	Single-Family	1,318	4-2-2	17	

13

115
DA -
R-19
R-20

ml

Site Improvements:

Site improvements to Las Placitas include landscaped common area, landscaped yards for the individual residences, walks and drives, and two privately owned single-lane paved streets, Camino Matias and Camino Santiago, approximately 20 to 25 feet in width.

Comments:

All of the dwellings are of average quality concrete block or frame stucco construction. The dwellings have been well maintained and are in good condition. No deferred maintenance was observed. In general, the quality and type of construction of the dwellings is more typical of tract housing than northside Santa Fe development comparable in age and location. The landscaping of the compound is well cared for and has strong visible appeal.

NOTE: Area calculations, actual age and room counts are from drawings provided by our client and the project architect, Phillip Register. We assume these drawings to be accurate. Also, we have not inspected the interiors of all of the units. We assume that the units inspected are representative of the quality and condition of the compound.

- * Interviews with the City Planner's Office as well as the property owner and lessee of the adjacent property to the east.
- * The recent zoning change on the adjacent property to the east.

The most desirable zoning for the property in terms of development options would be Business Capital District, or BCD. Zoning west of Old Taos Highway and south of Paseo de Peralta is presently BCD, Marcy Subdistrict. C-1, or Office and Related Commercial District, would allow for development with professional offices or compatible uses. The zoning of the adjacent property to the east was recently changed from RM-2 to C-1.

Although in our opinion a zone change for the La Casa Grande tract is a reasonable expectation, it should be emphasized that there is risk involved in any zone change application. Zoning change applications, even with support of city staff, have been denied due to public opposition and other political factors.

It is also our opinion that there is substantially higher risk involved in a zone change for the Las Placitas tract (estimated 6.321 acres). This tract does not have access or visibility from Paseo de Peralta and development to the east and west is residential. Development to the north is a city park zoned residentially and north of the park is residential development. Opposition to a zone change for the Las Placitas tract could also be expected from city staff.

At present, there is an oversupply of office and retail space, as well as multi-family and high end (\$300,000+) residential property in Santa Fe in general and the downtown area in particular. Vacancy rates are substantial and the market is highly competitive.

Development of an office, retail, or mixed use project on the Casa Grande tract could be economic with a strong anchor tenant and significant pre-construction lease commitments. Otherwise, an investor can expect excessive vacancy rates and/or rent concessions with an office or retail development. Another development option for this location, depending on the scope of a potential zone change, is some sort of lodging and/or tourism industry project (hotel/motel, restaurant, gallery, shops, etc.). Even with the risks associated with a zoning change and the competitive commercial real estate market, however, the Casa Grande tract will support a higher land value than a strictly residential parcel. We therefore conclude highest and best use of the Casa Grande tract, if vacant, to be a speculative holding.

The dwellings on the Las Placitas tract are physically and legally adaptable as rental housing and there is a demand for rental housing particularly in this area of Santa Fe. We have investigated the possibility of subdividing Las Placitas and marketing the individual units. According to the City Subdivision Engineer, it is unlikely the tract could be legally subdivided due to the lot size, setback, and street width and right of way requirements. The individual units could be marketed, however as a condominium or planned unit development (PUD) project with the streets and common areas the responsibility of a homeowner's association. The income producing capacity of Las Placitas as a rental compound or PUD housing development will support value close to or slightly above the value of the underlying land.

Although the improvements to the Las Placitas tract have a limited contributory value, we have concluded that the highest return to this portion of the property would be from more intensive development. In our opinion, highest and best use of the Las Placitas tract is future high density residential development with an interim use as a residential rental compound.

MARKET RENT PROJECTION
LAS PLACITAS RESIDENTIAL COMPOUND

<u>ID</u>	<u>Address</u>	<u>Monthly Rent</u>
R-1	104 Camino Matias	\$600
R-2	102 Camino Matias	\$600
R-3	106 Camino Matias	\$600
R-4	118 Camino Santiago	\$650
R-5a	110 Camino Matias	\$550
R-5b	112 Camino Matias	\$525
R-6	111 Camino Matias	\$700
R-7a	116 Camino Matias	\$625
R-7b	120 Camino Matias	\$625
R-8	109 Camino Matias	\$600
R-9	107 Camino Matias	\$550
R-10	105 Camino Matias	\$550
R-11	101 Camino Santiago	\$600
R-12	103 Camino Santiago	\$625
R-14a	105a Camino Santiago	\$550
R-14b	105b Camino Santiago	\$450
R-14c	105c Camino Santiago	\$450
R-14d	105d Camino Santiago	\$550
R-15	109 Camino Santiago	\$625
R-16	111 Camino Santiago	\$625
R-17a	115a Camino Santiago	\$600
R-17b	115b Camino Santiago	\$600
R-18	117 Camino Santiago	\$650
R-19	119 Camino Santiago	\$600
R-20	121 Camino Santiago	\$625
R-21a	125a Camino Santiago	\$550
R-21b	125b Camino Santiago	\$450
R-21c	125c Camino Santiago	\$450
R-21d	125d Camino Santiago	\$550
R-22	122 Camino Santiago	\$650
R-23	124 Camino Santiago	\$600
R-24a	126a Camino Santiago	\$450
R-24b	126b Camino Santiago	\$450
R-24c	126c Camino Santiago	\$450
R-24d	126d Camino Santiago	\$450
R-25	120 Camino Santiago	\$650
R-26	114 Camino Santiago	\$650
Total Monthly Rent		\$21,075
Total Annual Rent (PGI)		\$252,900

PRESENT VALUE STUDY

Under a phased marketing strategy, sale proceeds may not be received until a future date. A prudent investor would therefore most likely discount future income (sale proceeds) to reflect lost income generating capacity until the income is received (the time value of money). A payment can be discounted to present value by calculating the amount that should be invested now to grow with compound interest at a satisfactory rate to equal the future payment.

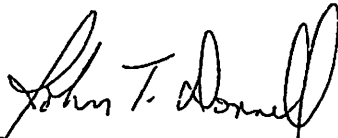
From review of real estate industry publications, interviews with real estate investors and other real estate professionals, and comparison with alternative investments considered comparable in terms of risk, liquidity and other investment criteria, in our opinion the most reasonable discount rate for future sale of the property is in the 12% to 13% range. Future sales will therefore be discounted to present value at a 12% interest rate. No appreciation or depreciation is projected over the proposed time frame. Our discounting analysis is summarized on the following chart.

Also:

- * The property has been inspected by the undersigned.
- * Facts cited or used are deemed accurate.
- * We have no present or anticipated interest, neither do we have any other personal bias.
- * Our compensation in no way depends on the reported conclusions.
- * All limiting conditions are presented within.
- * We have prepared this report in conformity with the professional standards of the organizations to which we subscribe.
- * The use of this report is subject to the requirements of the American Institute of Real Estate Appraisers relating to review by its duly authorized representatives.
- * No one provided significant professional assistance to the person signing this report.
- * The analyses, conclusions, and opinions are ours.

Respectfully,

DONNELL, DONNELL & ASSOCIATES



John T. Donnell, MAI

The American Institute of Real Estate Appraisers conducts a voluntary program of continuing education for its designated members. MAI's and RM's who meet the minimum standards of this program are awarded periodic education certification. John T. Donnell is certified under this program.

CERTIFICATION

This certifies that effective February 11, 1988, the estimated values of the subject of this report are:

	<u>Market Value</u>	<u>Present Value, Two Years</u>	<u>Future Sale, Four Years</u>
1. Casa Grande Tract, at its market supported Highest and Best Use (Land Value)	\$1,350,000	\$1,100,000	\$ 850,000
2. Casa Grande Tract, as a congregate care retirement facility			
Non-Profit	\$ 400,000	\$ 325,000	\$ 250,000
For-Profit	\$ 350,000	\$ 275,000	\$ 225,000
3. Las Placitas Tract, at its market supported Highest and Best Use (Land Value)	\$1,275,000	\$1,000,000	\$ 800,000
4. Las Placitas Tract, as a residential rental compound	\$1,200,000	\$ 950,000	\$ 775,000
5. Entire Property (Plaza del Monte), at its market supportable Highest and Best Use (Land Value)	\$2,625,000	\$2,100,000	\$1,675,000
6. Plaza del Monte as a retirement community			
Non-Profit	\$1,500,000	\$1,200,000	\$ 950,000
For-Profit	\$1,300,000	\$1,050,000	\$ 825,000