

**SELF-CONTAINED APPRAISAL REPORT
"AS IS" & AS A "GOING-CONCERN"
EL VADO MOTEL
2500 CENTRAL AVENUE SW
ALBUQUERQUE, NEW MEXICO 87104**

Appraisal File #A07428

EFFECTIVE DATE OF VALUE:

October 26, 2007

DATE OF REPORT:

October 31, 2007



Prepared For:

CITY OF ALBUQUERQUE, LEGAL DEPARTMENT

Attention: Mr. James F. McNeely, Review Appraiser

P.O. Box 2248

Albuquerque, New Mexico 87103

Phone: (505) 768-3475 - FAX: (505) 768-3817

PREPARED BY:

AMERICAN PROPERTY - Consultants & Appraisers, Inc.

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Albuquerque, New Mexico 87107

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October 31, 2007

City of Albuquerque, Legal Department
Attention: Mr. James F. McNeely, Review Appraiser
P.O. Box 2248
Albuquerque, New Mexico 87103
Phone: (505) 768-3475 - FAX: (505) 768-3817

RE: Self-Contained Appraisal Report
El Vado Motel
2500 Central Avenue SW
Albuquerque, New Mexico 87104
Appraisal File #A07428

Mr. McNeely:

In accordance with your request, I have prepared a Self-Contained Appraisal Report on the above-referenced property. A detailed description of the site, improvements, and basis of valuation are found in the report herein. This "letter of transmittal" is not to be misconstrued as a complete and full narrative report, but merely indicates the final value estimate developed in the following self-contained narrative report. The report provides the necessary supporting data, assumptions, and justifications for my final value conclusions. The appraisal was prepared in conformance with the current requirements of the Appraisal Foundation as set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), and with the requirements of the federal bank regulating agencies. The Certification and Assumptions and Limiting Conditions are presented in the *Addenda*, and are considered an integral part of the report.

Considering analysis presented herein, the following "as is" value estimates have been reconciled under two scenarios; one, assuming that the City would grant a conditional use for residential development under the current C-2 zoning; and a second, assuming that the City would not grant a conditional use. In addition, a current going-concern value was estimated as a hypothetical condition, assuming identified renovations are complete, and the facility has been re-opened.

**1. FINAL ESTIMATE OF VALUE – ASSUMING A CONDITIONAL USE FOR RESIDENTIAL DEVELOPMENT
WOULD BE GRANTED**

Property Rights	Value Scenario	Effective Date of Value	Value Estimate
Fee Simple Estate	Value of the Site, less Cost of Demolition of the Improvements (mixed highest & best use)	October 26, 2007	\$815,000
"	"As Is" Value of the Property (real estate only)	"	\$322,000
	Difference in Value	"	\$493,000

2. FINAL ESTIMATE OF VALUE – ASSUMING A CONDITIONAL USE FOR RESIDENTIAL DEVELOPMENT WOULD NOT BE GRANTED

Property Rights	Value Scenario	Effective Date of Value	Value Estimate
Fee Simple Estate	Value of the Site, less Cost of Demolition of the Improvements (commercial only highest & best Use)	October 26, 2007	\$524,000
“	“As Is” Value of the Property (real estate only)	“	\$322,000
	Difference in Value	“	\$202,000

Please note that the above “as is” value of the property (real estate only - \$322,000) represents the value of the entire property as an inactive facility in its current condition (not a going-concern), and not in compliance with the highest and best use concluded herein. The values concluded under the highest and best use scenarios (**\$815,000 & \$524,000**) represent the value of the site after the improvements have been demolished, and the site has been made available for an alternative use.

3. FINAL ESTIMATE OF VALUE – AS A “GOING-CONCERN” – HYPOTHETICAL CONDITION

Property Rights	Value Scenario	Effective Date of Value	Value Estimate
Fee Simple Estate	Value of the Property as a “Going-Concern”	October 26, 2007	\$740,000
	Less the Cost of Furniture, Fixtures & Equipment	“	\$132,000
	Less the Cost of Renovations (City estimate dated 12/06/06)	“	\$964,706
Fee Simple Estate	Net Value “As a Going-Concern” After Required Expenditures	“	(-\$357,000@)
Feasibility Rating	Negative Value - Not Feasible		

Please note that the above “going-concern” value of the property represents the value of the entire property as an operating entity with projected income levels commensurate with certain criteria described in detail herein. The deductions to value noted above are necessary in order to achieve a “going-concern” status for the currently vacant and idle property.

Respectfully submitted,
AMERICAN PROPERTY - Consultants & Appraisers, Inc.



Mario J. Del Curto, MAI, ARA
 NM General Certified Appraiser #000247-G

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SUMMARY OF IMPORTANT FACTS & CONCLUSIONS

PROPERTY DESCRIPTION	El Vado Motel 2500 Central Avenue SW Albuquerque, New Mexico 87104
EFFECTIVE DATE OF VALUE AS IS VALUE	October 26, 2007
DATE OF REPORT	October 31, 2007
OWNERS OF RECORD	Current – Reportedly Richard L. Gonzales of Garden Homes by RLG. Previous - Salama Investments
SITE & IMPROVEMENT DATA	
TOTAL SITE AREA	54,670 square feet (1.2551 acres)
UNIT COUNT	33 units
ACTUAL/EFFECTIVE AGE	71/60 years
QUALITY & CONDITION	Fair/Fair
SITE SHAPE & TOPOGRAPHY	Irregular & essentially level
UTILITIES & SERVICES	All City utilities & services available & connected
FLOOD ZONE	FEMA Map #350002, Panel 0331, Suffix E (revised 11/19/03). Un-shaded Flood Zone "X" – areas of 0.2% annual chance flood; areas of 1% annual chance flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 1% annual chance flood.
ZONING	C-2 – Community Commercial Zone & R-T (Lot 24 only) Residential Zone (houses & townhouses)
HIGHEST & BEST USE AS THOUGH VACANT	Commercial Frontage & Rear Residential Loft or Townhouse Development.
AS IMPROVED	After Demolition of Existing Improvements, a Vacant Site Available for Sale & Development under its Highest & Best Use "As Though Vacant".
VALUE ESTIMATE(S) (HIGHEST & BEST USE)	
COST APPROACH	N/A
SALES COMPARISON APPROACH	\$815,000
INCOME APPROACH	N/A
FINAL VALUE ESTIMATE (HIGHEST & BEST USE)	\$815,000
"AS IS" VALUE ESTIMATES (REAL ESTATE ONLY)	
COST APPROACH	N/A
SALES COMPARISON APPROACH	\$322,000
INCOME APPROACH	N/A
"AS IS" FINAL VALUE ESTIMATE (REAL ESTATE ONLY)	\$322,000

"GOING-CONCERN" VALUE ESTIMATES (HYPOTHETICAL CONDITION)

COST APPROACH	N/A
SALES COMPARISON APPROACH	N/A
INCOME APPROACH	(-\$357,000)

"AS IS" FINAL VALUE ESTIMATE (GOING-CONCERN)**(-\$357,000)**

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APPRAISAL PREFACE

I have performed an appraisal on an inactive 33-unit, limited-service lodging facility locally identified as the El Vado Motel, and addressed as 2500 Central Avenue SW, within Albuquerque, Bernalillo County, New Mexico, zip code 87104. As defined in *The Dictionary of Real Estate Appraisal*, published by the Appraisal Institute:

An *appraisal* is defined as being...

*"(n.) The act or process of developing an opinion of value; an opinion of value. (adj.) Of or pertaining to appraising and related functions such as appraisal practice or appraisal services. (USPAP, 2003 ed.) See also complete appraisal; limited appraisal."*¹

The following text is an *appraisal report*, defined as:

*"The written or oral communication of an appraisal; the document transmitted to the client upon completion of an appraisal assignment. Reporting requirements are set forth in the Standards Rules in Standard 2 of the Uniform Standards of Professional Appraisal Practice."*²

The preface contains maps identifying the location of the appraised property on various map levels. Photographs of the property follow the locational maps.

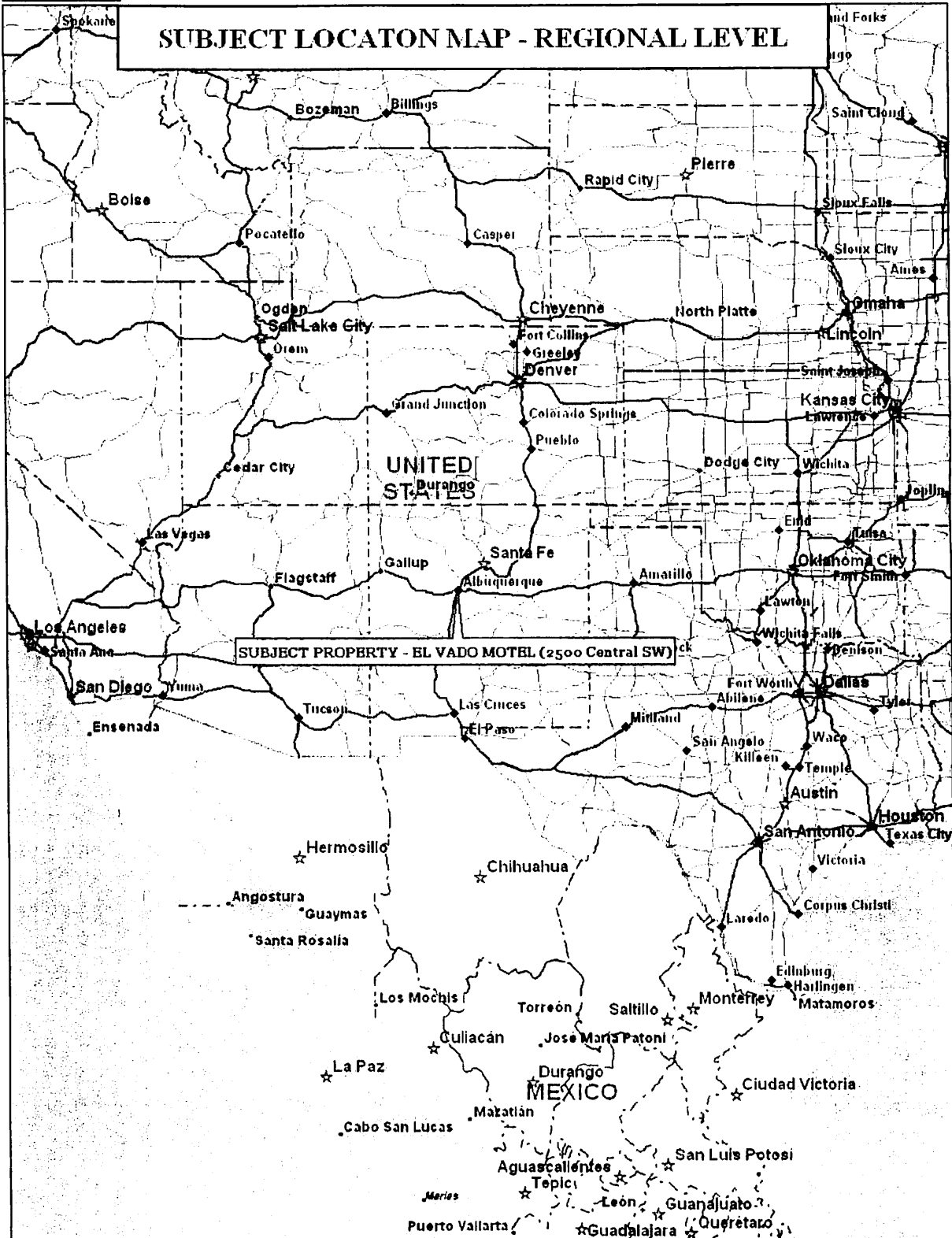
¹ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fourth Edition, 2002, page 15 (also USPAP 2002 Edition)

² *Ibid.*, page 16

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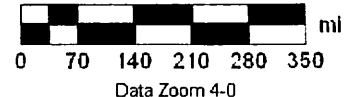
SUBJECT LOCATION MAP - REGIONAL LEVEL



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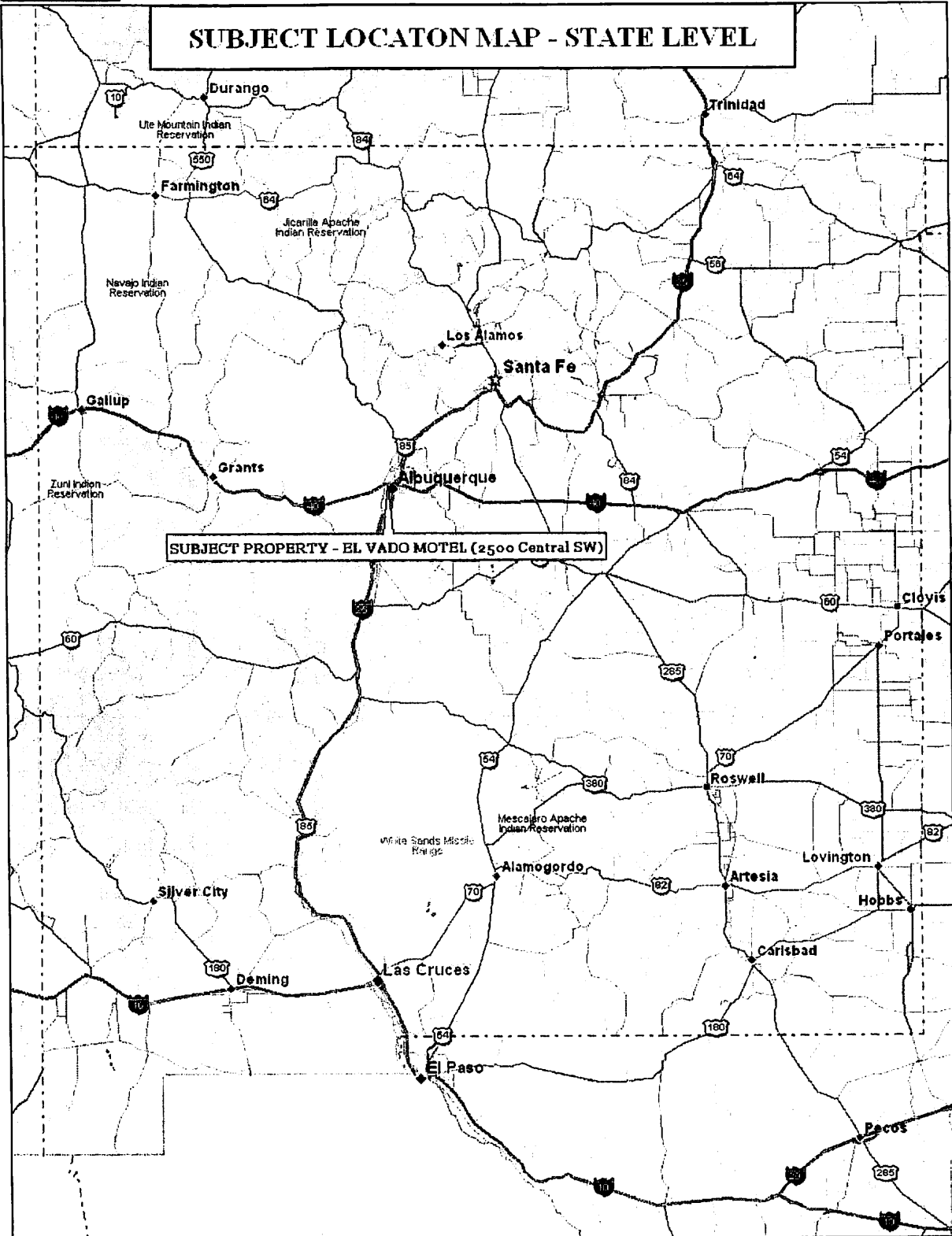


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SUBJECT LOCATON MAP - STATE LEVEL



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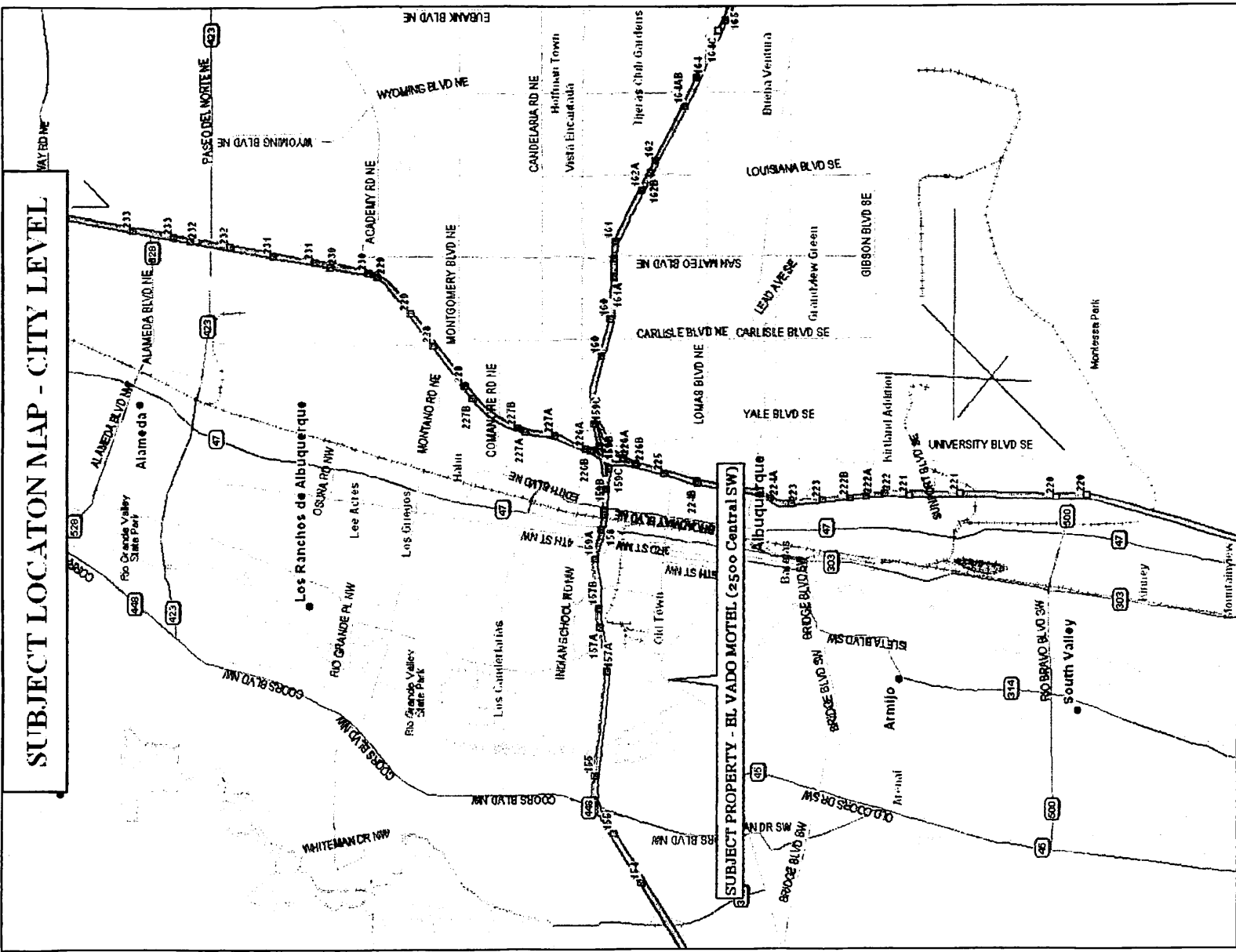
0 18 36 54 72 90 mi

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SUBJECT LOCATION MAP - CITY LEVEL



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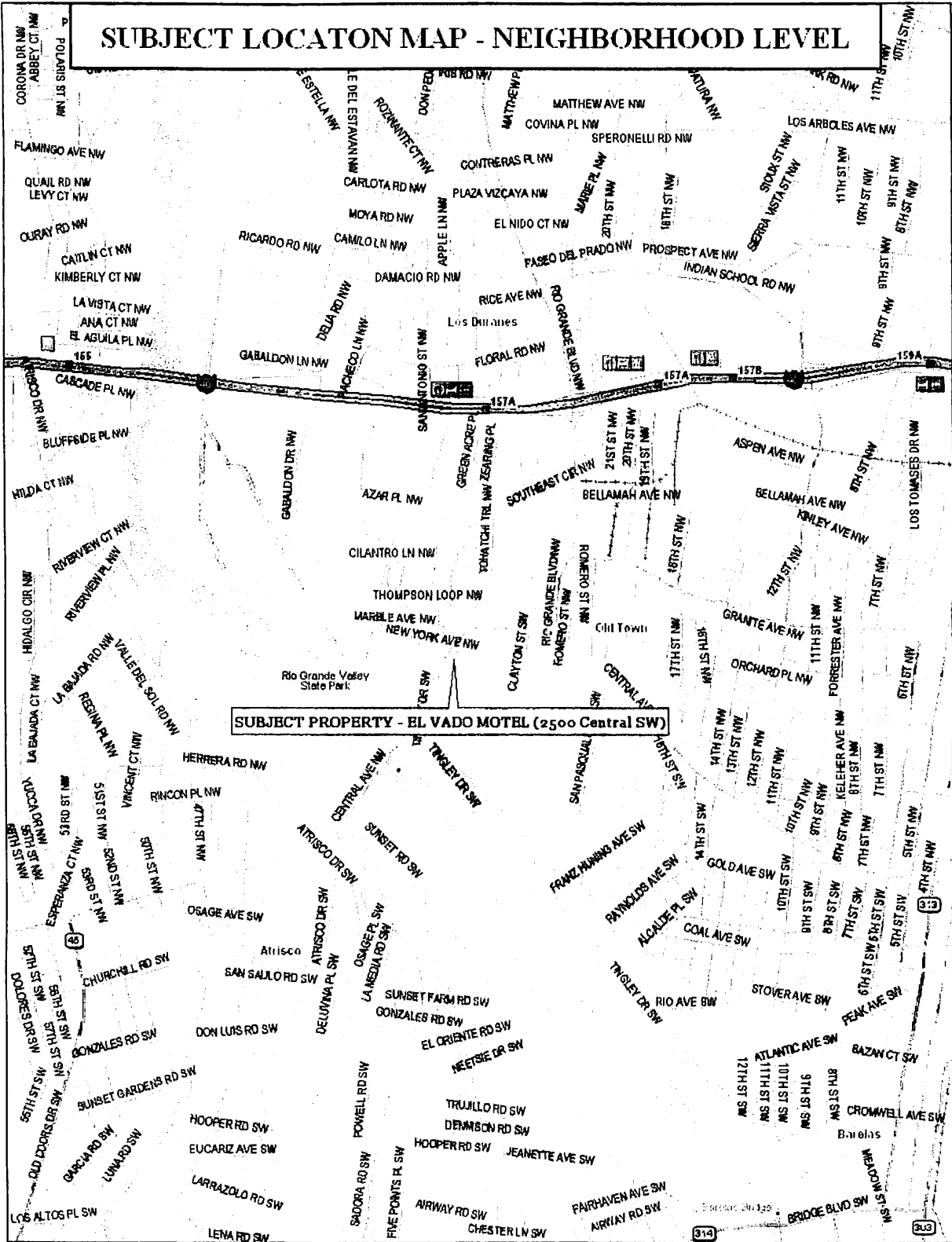
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SUBJECT LOCATON MAP - NEIGHBORHOOD LEVEL

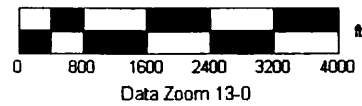


SUBJECT PROPERTY - EL VADO MOTEL (2500 Central SW)

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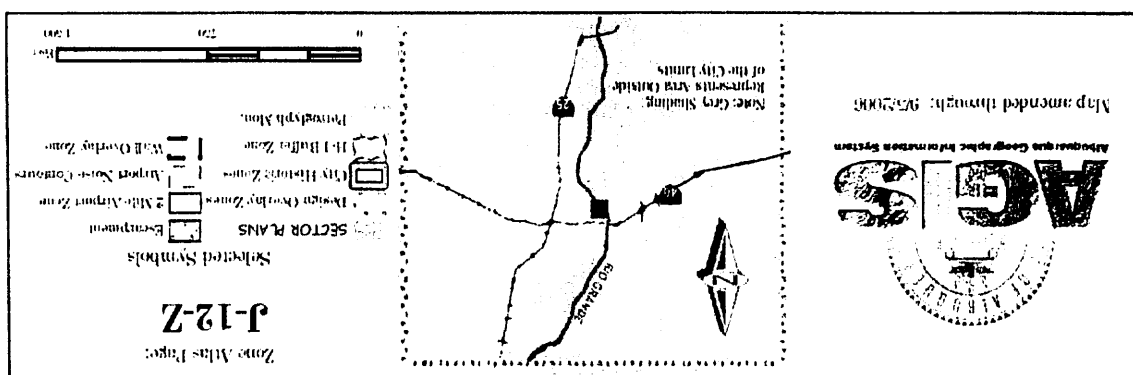
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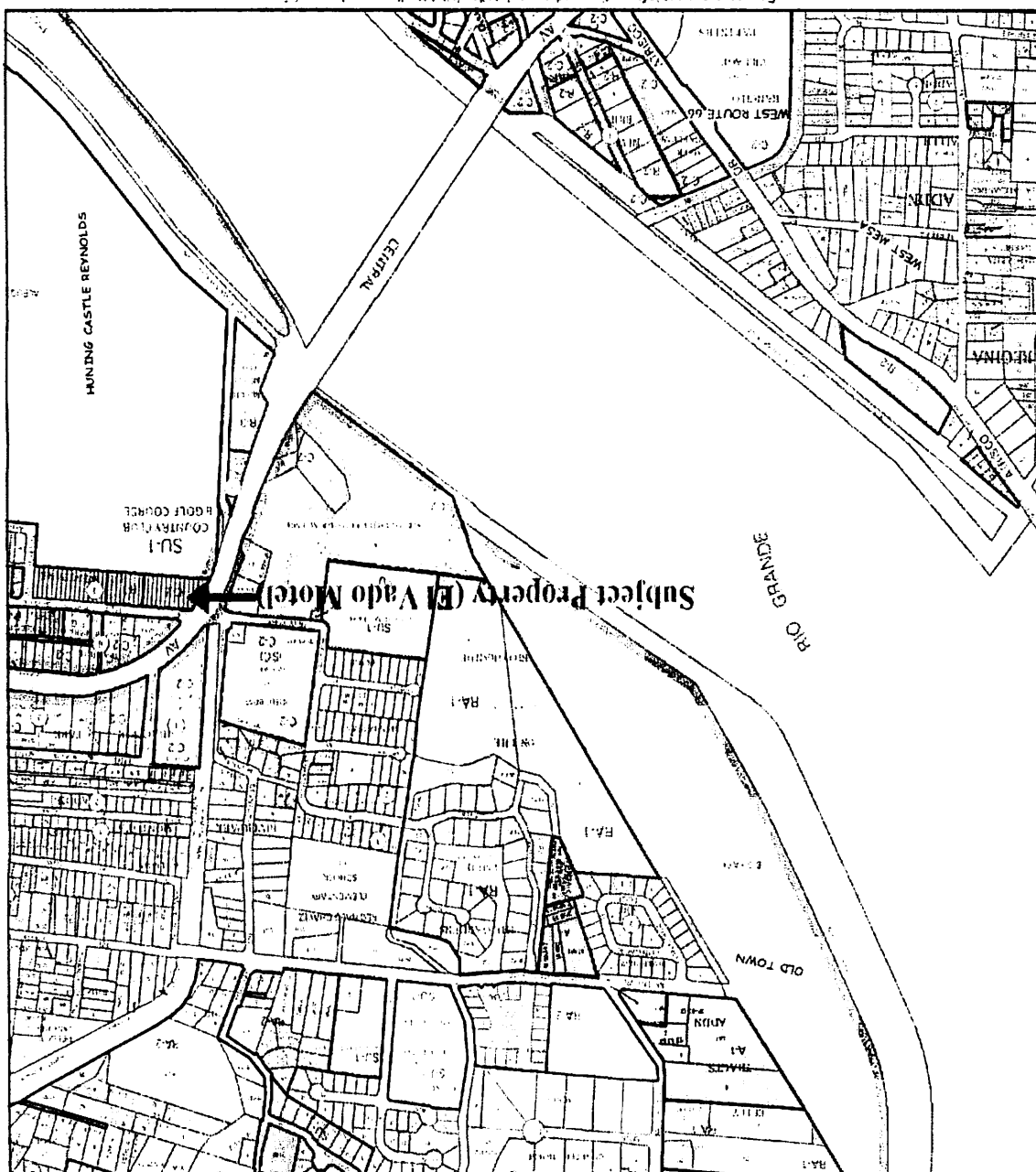
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For more current information and more details visit <http://www.cabq.gov/gis>



PHOTOGRAPHS OF THE SUBJECT PROPERTY

1. OVERALL FACING NE FROM CENTRAL AVENUE



2. OVERALL FACING SE FROM CENTRAL AVENUE



3. FRONTAGE VIEW ON CENTRAL AVENUE FACING NE (SUBJECT ON RIGHT)



4. FRONTAGE VIEW ON CENTRAL AVENUE FACING SW (SUBJECT ON LEFT)



5. FRONTAGE VIEW ON NEW YORK AVENUE FACING NW (SUBJECT ON LEFT)



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7. CLOSE-UP OF MOTEL UNITS ALONG NORTH BUILDING ATTACHED TO LOBBY / MANAGER'S APARTMENT
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8. CLOSE-UP OF MOTEL UNITS ALONG SOUTH BUILDING FACING EAST



9. CLOSE-UP OF REAR OF MOTEL UNITS ALONG SOUTH BUILDING FACING NW



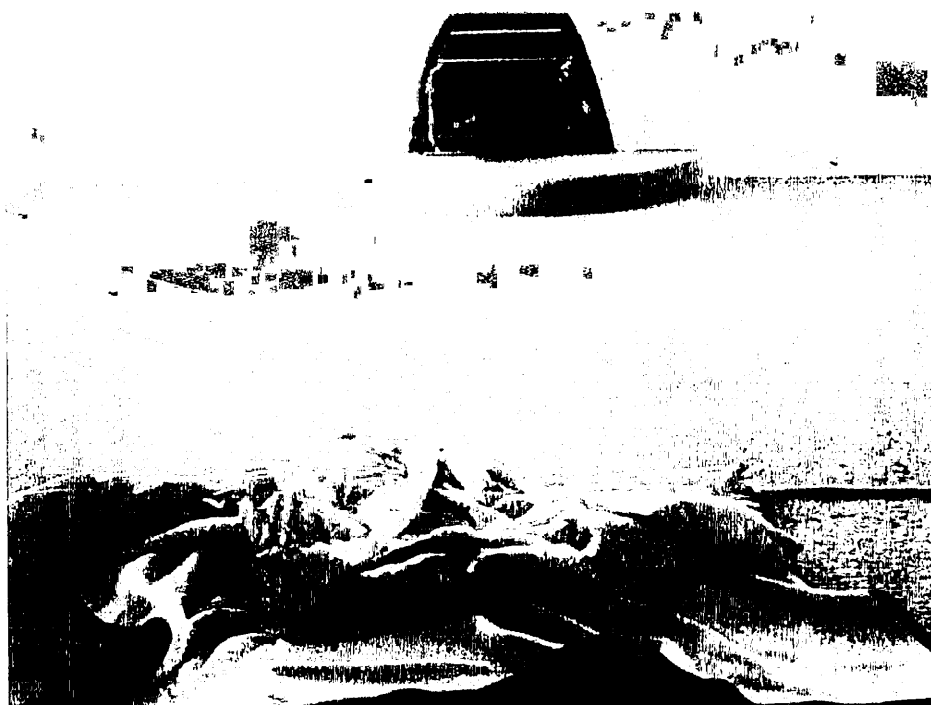
10. CLOSE-UP OF REAR OF MOTEL UNITS ALONG SOUTH BUILDING FACING SE



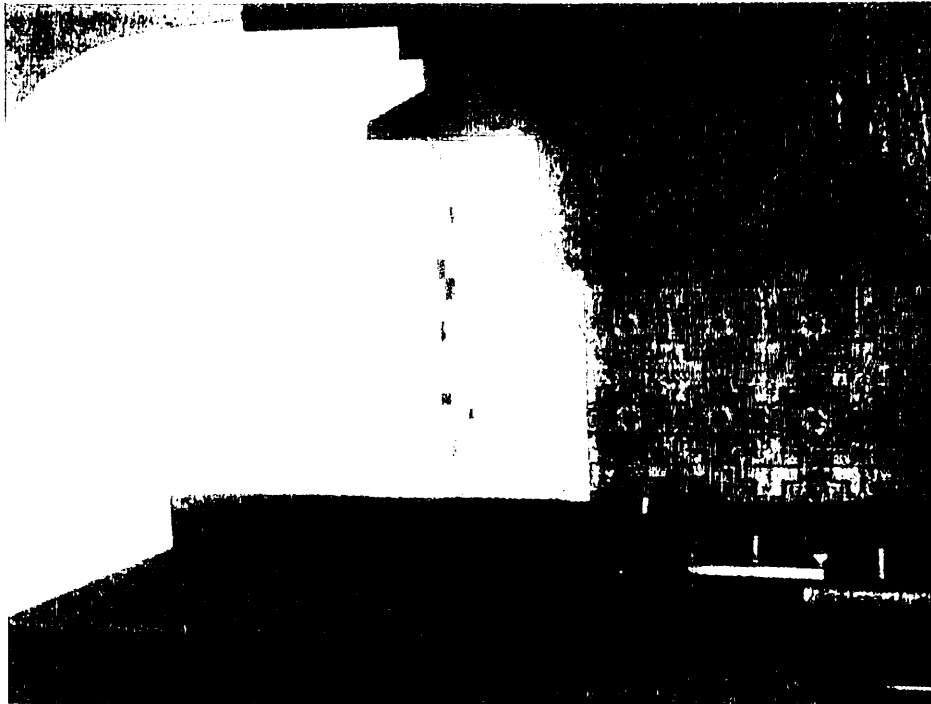
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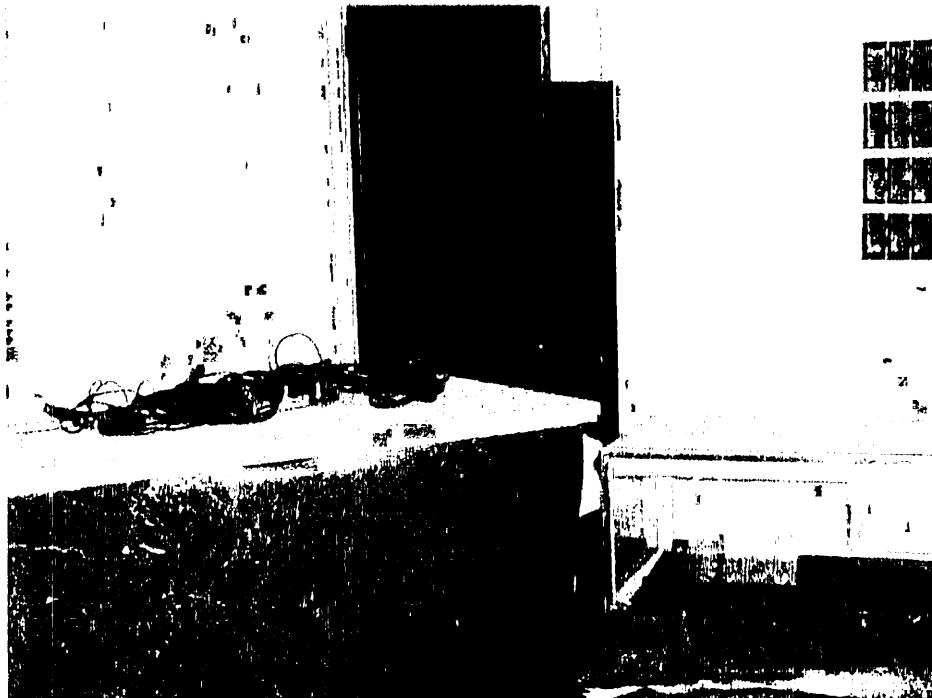
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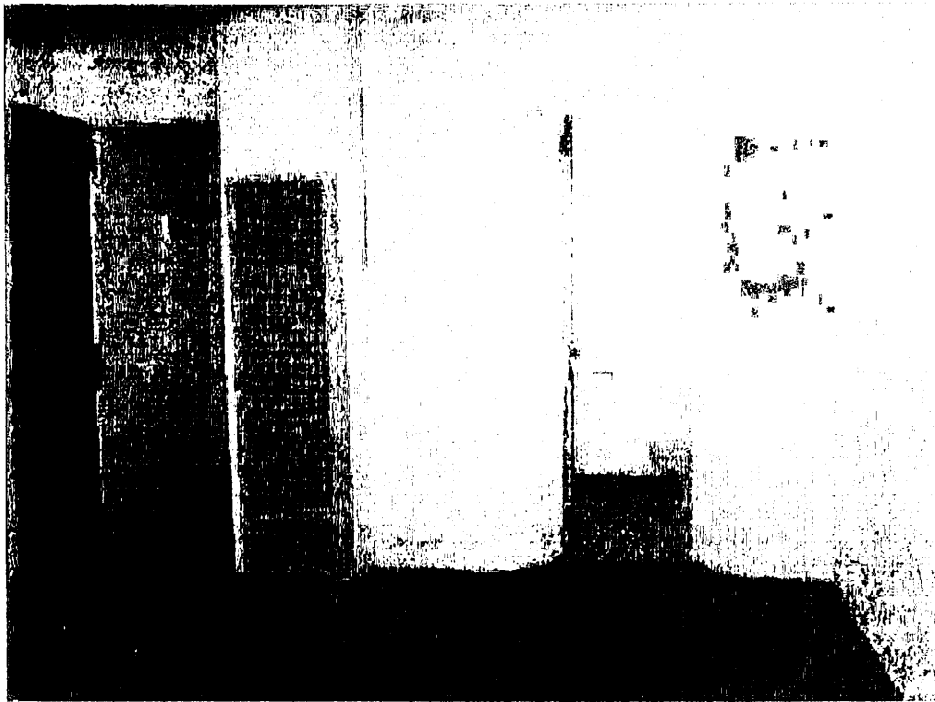
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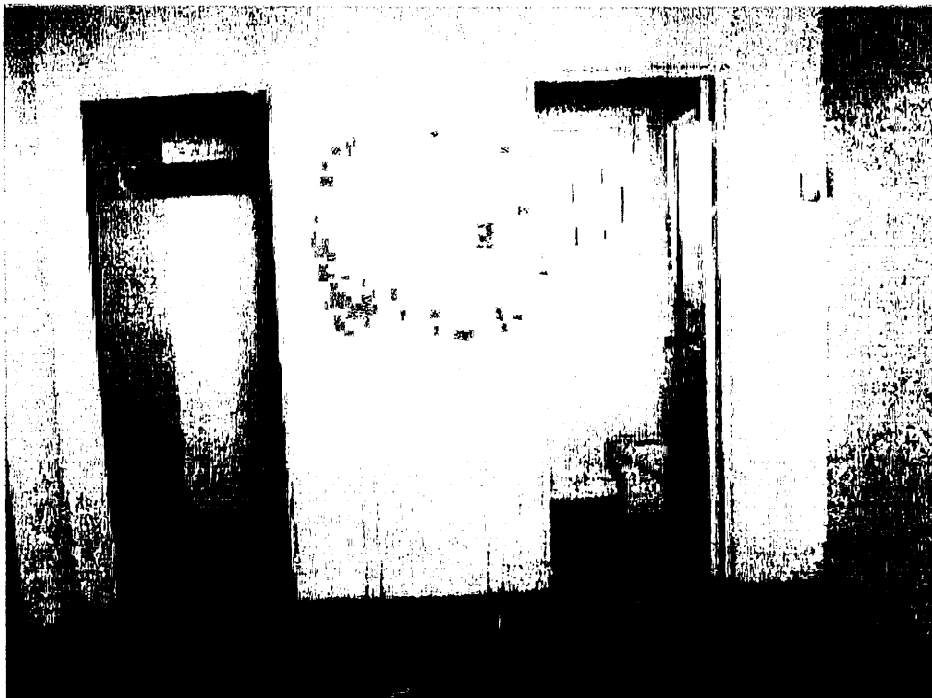
16. UNIT INTERIOR VIEW



17. UNIT INTERIOR VIEW



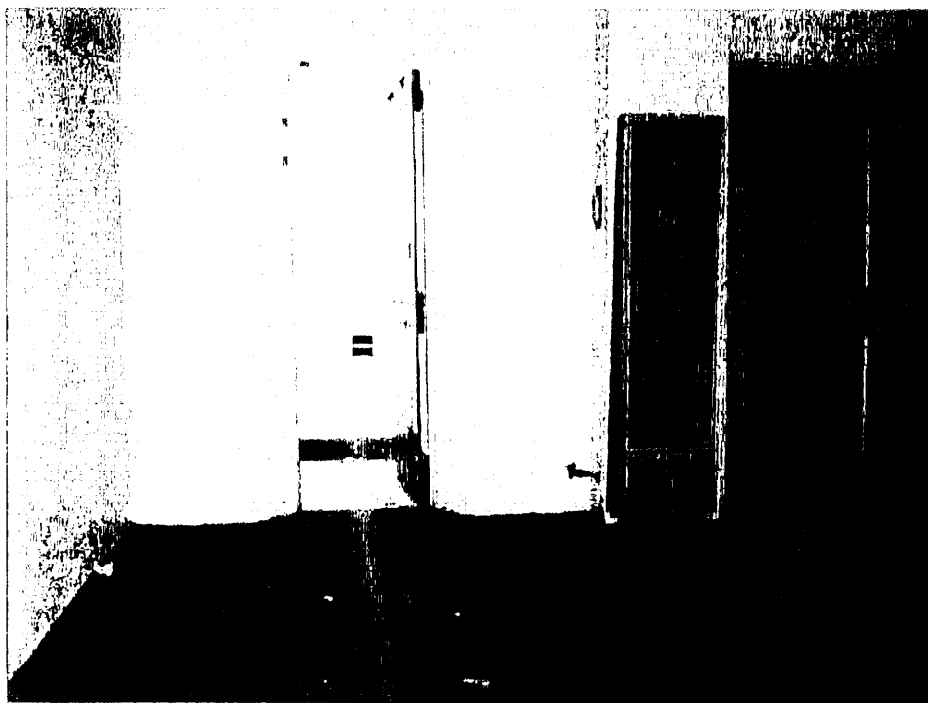
18. UNIT INTERIOR VIEW



19. UNIT INTERIOR VIEW



20. UNIT INTERIOR VIEW



21. UNIT INTERIOR VIEW





Introduction

Introduction...

This appraisal is divided into 10 distinct, but interrelated sections:

- (1) *Introduction*, which sets forth the purposes and objectives of the appraisal;
- (2) *Area, City, and Neighborhood*, where regional, local and neighborhood influences on the subject property are detailed;
- (3) *Market Overview*, which explains the specific market conditions affecting the subject and competing property types such as vacancy and absorption rates, as well as rental rates and new construction activity;
- (4) *Property Analysis*, where the site is described, the improvements are detailed, and the highest and best use of the property is analyzed;
- (5) *Valuation Methodology*, which elaborates on the specific valuation procedures followed in the report;
- (6) *Cost Approach*, which, if applicable, estimates the current cost of reproducing or replacing the improvements, minus the loss in value from depreciation, plus site value;
- (7) *Sales Comparison Approach*, which, if applicable, compares recent sales of similar properties to the subject, which follows an adjustment process to equate property differences into a value conclusion;
- (8) *Income Approach*, which, if applicable, estimates value for the subject by various capitalization methods that can be applied to the subject's earning power;
- (9) *Reconciliation and Final Estimate of Value*, where the approaches used in the valuation process are summarized, and a final estimate of value is concluded based on market-supported reasoning; and,

(10) *Addenda*, which contains certain exhibits and data crucial to the report, but best presented in this section to avoid interrupting the narrative portions of the report.

This particular section of the appraisal report is the Introduction, which begins with Property Identification where the subject is identified by as many different means as possible, including legal descriptions, address, physical location, etc., so that it cannot be confused with any other parcel of real estate. This section is followed by Purpose of the Appraisal, which communicates the objective of the appraisal assignment and defines the type of value sought in the appraisal. Next we discuss the Property Rights Appraised which define the particular rights or interests being valued. After this section we discuss the Function of the Appraisal, which involves a discussion of the intended use of the report. This leads to the Date of Value Estimate, which is the date the value determined by the appraisal is valid. This is followed by the Date of Report, which is the date the appraisal report is delivered to the specified client. The Scope of the Appraisal section encompasses the methodology utilized in the collection and reporting of market data. Finally, the History section elaborates on recent and current transactions involving the appraised property as well as present ownership.

PROPERTY IDENTIFICATION

The subject property is an existing, inactive 33-unit, limited-service lodging facility, which also houses a three-bedroom, one-bath apartment, previously occupied by the owner, or manager of the facility. The property, locally identified as the El Vado Motel, is located on the southeast corner of Central and New York Avenues SW, in Albuquerque, Bernalillo County, New Mexico. The property's street address is 2500 Central Avenue SW, Albuquerque, New Mexico 87104. The property is legally identified as...

Lots 24 through 39 Block 3, excluding the southerly 7.5 feet of West Park Addition, containing 54,670 square feet, more or less, within Albuquerque, Bernalillo County, New Mexico.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to determine the "as is" market value of the property described herein, under various valuation scenarios. Following is a widely used and accepted definition of "market value" as defined by the Office of the Comptroller of the Currency Regulation 12 CFR Part 34:

"the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;*
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;*
- (3) A reasonable time is allowed for exposure in the open market;*

- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and,*
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."*

Note that since the appraised facility is no longer an active and viable business, the value estimate developed in this report represent the value of the real estate only, with no consideration given to a potential going-concern value were the property to again be an active and viable business.

PROPERTY RIGHTS APPRAISED

The interest appraised is the "fee simple estate", defined as follows:

*Fee simple Estate – "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."*³

FUNCTION OF THE APPRAISAL

The appraisal is intended to assist the client, subsidiaries and/or affiliates in efforts to designate the property as a historic landmark.

EFFECTIVE DATE OF VALUE

The effective date of value is October 26, 2007, the date of property inspection and photographs.

DATE OF REPORT

The report was completed on October 31, 2007, and signed by Mario J. Del Curto, MAI, ARA.

³ Ibid., page 120

SCOPE OF THE APPRAISAL

Preceding and following the final inspection of the appraised property, I collected available data concerning recent sales, listings, and leases of vacant land and improved properties that compete with the subject property. Confirmation of the data was obtained through personal interviews or by telephone conversations with grantors, grantees, tenants, or real estate brokers. When possible, two or more parties involved with each transaction were questioned to enhance the validity of the data. Often only one party was available to provide the data. After pertinent information was confirmed, the data was entered into the body of this report to provide the groundwork for a thorough analysis of the factors affecting the market value of the appraised property as of the effective date of this appraisal. The data was then analyzed by various accepted appraisal methods and techniques. Opinions and conclusions based on the analysis of the gathered data were applied to the subject property's characteristics and a market value was concluded.

Additionally, when possible, complete on-site inspections of the comparable properties were performed. Knowledgeable investors, developers, and real estate brokers were surveyed for supply and demand relationships, comparable sales, listings and rentals, typical marketing times, and current market conditions. County records were searched, and City and County officials interviewed for pertinent data relating to the appraised property and the surrounding areas.

The appraisal report has been prepared in a manner to meet the standards of the Appraisal Institute and in accordance with the current guidelines and

recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP) by the Appraisal Foundation. Understanding that New Mexico is a non-disclosure state, information used in the report is as reliable as practical.

STATEMENT OF OWNERSHIP & HISTORY

The current owner is reportedly Richard L. Gonzales of Garden Homes by RLG (765-1547 or 362-7218). The previous owner was Salama Investments. Gonzales reportedly purchased the subject property from Salama Investments in 2005 for \$680,000. He continued to operate the property with an on-site manager, and finally closed it completely in November of 2005. He reported 80% to 90% occupancy during his tenure of operation, with extended stay occupants, mostly of the vagrant, or homeless variety.

The previous owners (Salama Investments) reportedly purchased the subject property in 1986 for \$370,000. By 1992 the property had deteriorated physically, and the current owner bought out his partner (brother) for \$333,000, with no changes in ownership since that time.

The property is currently listed for \$3,250,000 with Lynn Koch of La Puerta Realty in Placitas (867-3388).

No other transactions, offers for purchase, or listings for sale on this property within the last three (3) years are known, or have been reported.

The improvements were constructed in 1936, and the facility had been in continuous operation until the recent closing. The facility had reportedly been

relatively well maintained through the Salama Investment ownership.

REVPARs (revenues per available room), during the Salama Investment ownership period were confirmed previously at \$12.45 for 1994, \$12.39 for 1995, \$11.45 for 1996, \$12.50 for 1997, \$ 10.15 for 1998, \$9.86 for 1999, & \$10.00 for 2000. Subsequent REVPARs were confirmed with the City Lodger's Tax records, and were \$5.66 for 2003, \$6.34 for 2004, and \$8.12 for 2005.

The average annual occupancy reported by Shiraz Kassam in June of 2000 was 55% to 65%. At that time, the facility was offering the following nightly rack rates:

NO. OF UNITS & RACK RATE BREAKDOWN

	No.	Rate
One Bed (older units)	11	\$25.00/night
One Bed (newer units)	9	\$31.00-\$34.00/night
Two Bed	5	\$37.00-\$42.00/night
Large Suites Two Bed	3	\$200.00/week
Small Suites Two Bed	3	\$150.00/week
Small Suites One Bed	2	\$130.00/week

City Data

Metropolitan Statistical Area (MSA) Data...

According to the Census Bureau's 2000 census counts, Albuquerque, New Mexico is the 38th largest City in the United States, and the largest City and commercial center in New Mexico. The metropolitan statistical area encompasses the City



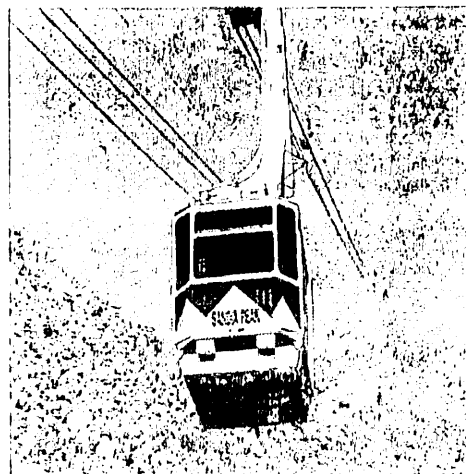
of Albuquerque and surrounding areas within Bernalillo County; Rio Rancho and Corrales within Sandoval County; and, Los Lunas, Bosque Farms, Belen, and Rio Communities within Valencia County. The

City of Albuquerque is located in the geographical center of the State, and is equidistant from Los Angeles, California to Kansas City, Kansas; from New Orleans, Louisiana to San Francisco, California; from Phoenix, Arizona to Denver, Colorado; and, from Salt Lake City, Utah to Dallas, Texas. All of the bordering states (Colorado to the north; Texas to the east; Mexico to the south; and, Arizona to the west) have major cities within a day's travel or a few hours of flying time. Comprising 121,510 square miles, New Mexico is the fifth largest state in the U.S. Current Albuquerque boundaries total about 133 square miles, which constitutes 0.109% of the

State's total area. With an average elevation of 5,314 feet, Albuquerque is the highest metropolitan City in the contiguous United States. The *Preface* presents maps identifying the location of Albuquerque on both Regional and State map levels.

PHYSICAL CHARACTERISTICS

Situated in the Rio Grande Valley, natural barriers form the east and west boundaries of the City; i.e., the Sandia and Manzano Mountain ranges to the east and southeast, and the volcanic escarpment formation which is approximately four miles west of the Rio Grande.



The north boundary of the City is established by the Sandia Indian Pueblo, and the south by the Isleta Indian Pueblo and Kirtland Air Force Base.

The Sandia and Manzano Mountain ranges reach altitudes of just under 11,000 feet above sea level, and some 4,000 to 6,000 feet above the elevations of the City. Along the western slope of these mountain ranges, a mile or so away from the foot of the mountains, deposition of the plain has resulted in a nearly featureless, semi-arid slope devoid of significant vegetation. Well-developed alluvial fans have been formed over time at the base of these mountains and create a gradual sloping plain extending to the river basin of the Rio Grande. Large arroyos that originate in the mountains drain the plains and finally empty into the Rio Grande. As a result of this process, decomposed granite underlain by clay and rock, constitute the primary soil and subsoil conditions that are generally suitable for most types of building construction.

The Sandia Mountains provide a buffer from the extreme temperatures of the eastern plains; resulting in relatively mild, dry seasons. Annual rainfall averages about eight inches; relative humidity averages 43%; and temperatures generally range between a low of 30 degrees Fahrenheit and a high of 95 degrees Fahrenheit. Because of the City's arid climate, a unique variety of plants can exist on 10 inches of rainfall annually. The combination of climatic conditions allows the State, and Albuquerque in particular, a favorable position in attracting industry, tourism and population growth.

Transportation

The State contains approximately 1,000 miles of interstate highway systems. Albuquerque is well positioned within this national highway system, with Interstate 40 (I-40) bisecting the City in an east-to-west direction, and Interstate 25 (I-25) in a north-to-south direction. Railway travelers are serviced by AMTRAK. Greyhound Bus Lines is currently the only nationally recognized bus carrier in the City, with TNM&O (Texas, New Mexico and Oklahoma) Coaches being a large carrier to the adjoining states identified by its name. Many chartered and rental bus lines do exist to serve the area. Within the City, municipal buses provide services to most areas on an adequate schedule. In 2006 the Rail Runner Express was added as a way to ease congestion due to significant growth in and around the Albuquerque area. The Rail Runner Express currently runs from Bernalillo in the north to Belen in the south. By the end of 2008, service to Santa Fe will be added. The Santa Fe Southern Railway Company, as well as several large trucking firms and airfreight carriers provide commercial and industrial transportation.

Albuquerque is served by eight major commercial carriers: American, America West, Continental, Delta, Frontier, Northwest, Southwest, and United. Regional airline service is provided by Shuttle America, Horizon Air, Mesa Airlines, and Skywest Airlines. It also receives regular service from commuter airlines: Great Lakes Airlines and Mesa Airlines. Freight service is provided by DHL Express, Empire, Federal Express, Southwest Aero Service, and UPS. In addition to the Albuquerque International Airport, light aircraft have the use of two general aviation airports, which are the Double Eagle Airport, west of the City, and Sandia Airpark, east of the City, in Edgewood.

The State has another international airport in Las Cruces (southern part of the State) that comprises a significantly smaller amount of air traffic in comparison to Albuquerque International. Albuquerque International has captured approximately 95% of the State's total departures since 1990.

Utilities & Services

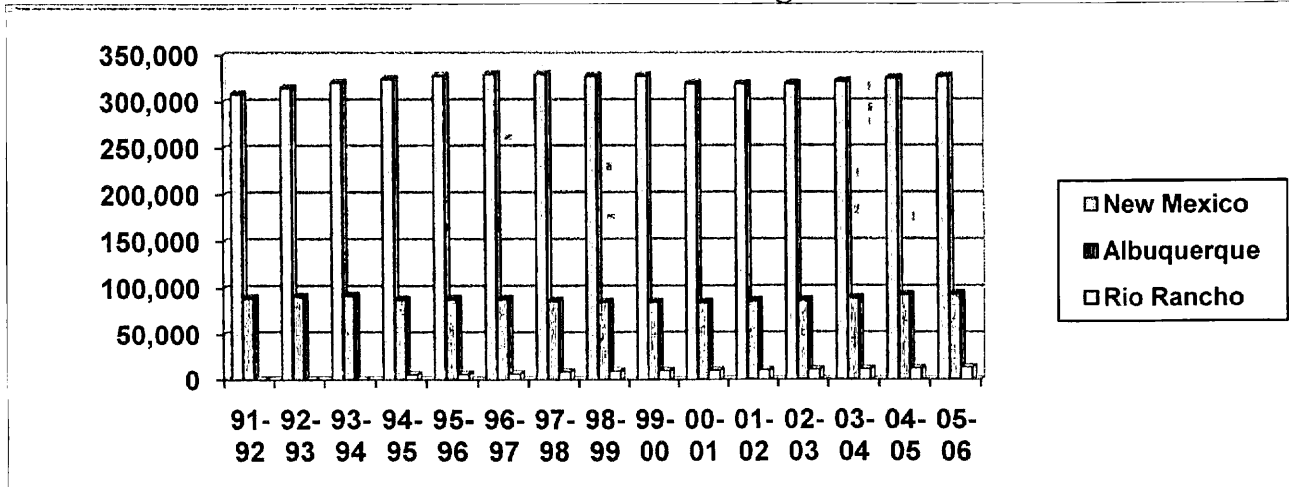
The Public Service Company of New Mexico (PNM, a state-regulated public utility company) provides electricity and natural gas. In addition to police and fire protection, water, sewer and garbage services are provided by the City, and are universally available to established areas of the City. The fire protection service and strict building codes help keep fire insurance rates comparable with other cities in the Southwest Region of the United States. Qwest Communications is the major provider of telephone exchanges.

Education

The Albuquerque Public School System (APS) is the 24th largest in the United States and includes

Bernalillo County and a portion of Sandoval County. With substantial growth on the West Mesa, APS has added new elementary and middle schools to this area in recent years. The district serves 84 elementary schools, 26 middle schools, 11 regular high schools, 10 alternative high schools, 36 charter schools and a Career Enrichment Center for a total of 164 schools and approximately 90,000 students. There are also private and parochial schools at all grade levels. About 11% of Albuquerque's children attend over 80 private or parochial schools in the community. The following chart illustrates school enrollment counts for grade levels kindergarten through 12th grade for the State, Albuquerque, and the City of Rio Rancho. Of note, prior to the 1994-95 school year, Rio Rancho was serviced by APS. In July of 1995 Rio Rancho established its own school district. To date, the Rio Rancho School District includes 13 schools.

School Enrollment Figures



Source: NM Public Education Department @ & www.ped.state.nm.us

Higher education is provided by the University of New Mexico (UNM) in Albuquerque. Additionally, flexible college curriculums are available through branches of the University of Phoenix, the College of Santa Fe, National American University and Webster University. Central New Mexico Community College (CNM) is the second largest post-secondary school in New Mexico, with an enrollment of more than 22,000 students. Other vocational schools provide very specific forms of education. As reported by the New Mexico Commission on Higher Education, University of New Mexico's 2005 fall semester enrollment was reported as being 26,280 students, representing a decrease of .22% as compared to 2004 fall semester levels of 26,339. Please Note: 2006 enrollment reports have not yet been released.

Government

Albuquerque has a Mayor-City Council form of government. The mayor is elected at large to a four-year term, and may succeed this term once. The nine-member, non-partisan council is elected from geographic districts to four-year terms, with the council president selected by the councilors among their number. Bernalillo County has a manager with five elected commissioners. The County commissioners are elected by the district for terms of four years. The County manager is hired by the commission, and conducts the day-to-day business of the County.

Recreational

Albuquerque offers year-round opportunities for social and cultural enrichment. One of the most spectacular events is the annual International Balloon Fiesta held in the fall. Albuquerque is

known as the "Hot-Air Balloon Capitol of the United States", because it hosts the largest international hot-air balloon competition in the world.

Various cultural activities are available at the annual New Mexico State Fair held in September. Horse racing and betting are available at the Downs of Albuquerque (on the State Fairgrounds in the center of the City) during various times of the year.

Albuquerque has a very diverse array of museums. The New Mexico Museum of Natural History is within walking distance of the Historic Old Town Plaza and minutes away from the Rio Grande Zoological Park, Albuquerque Aquarium and Rio Grande Botanic Gardens. Art museums include The Albuquerque Museum and the Johnson Gallery and University Art Museum at the University of New Mexico. Scientific museums include the National Atomic Museum, the Lodestar Astronomy Center and, for children, Explora. Cultural museums reflecting the area's three cultures include the Indian Pueblo Cultural Center Museum, the National Hispanic Cultural Center of New Mexico, sponsored by the government of Spain, and Casa San Ysidro, the Colonial Spanish Historic House of the Albuquerque Museum.

An aerial tramway just east of Tramway Boulevard (eastern fringe of the City) stretches 2.7 miles into the Sandia Mountains. This tramway has the longest span of any tram on earth.

The Petroglyph National Monument on Albuquerque's West Mesa was signed into legislation in 1990. This 7.369-acre monument

has 65 geologic and archaeological sites, along with some 15,000 petroglyphs (prehistoric drawings pecked or carved into the rocks by Indians). This is one of the most impressive displays of its kind in the Southwest.

Casinos have become a very important entertainment and economic activity in New Mexico and specifically in the Albuquerque area. The Albuquerque area is home to five pueblo owned casinos, two of which provide hotel accommodations and golf courses, and a third, which currently has a 27-hole golf course, will soon provide hotel accommodations. Some also provide nationally recognized entertainment.

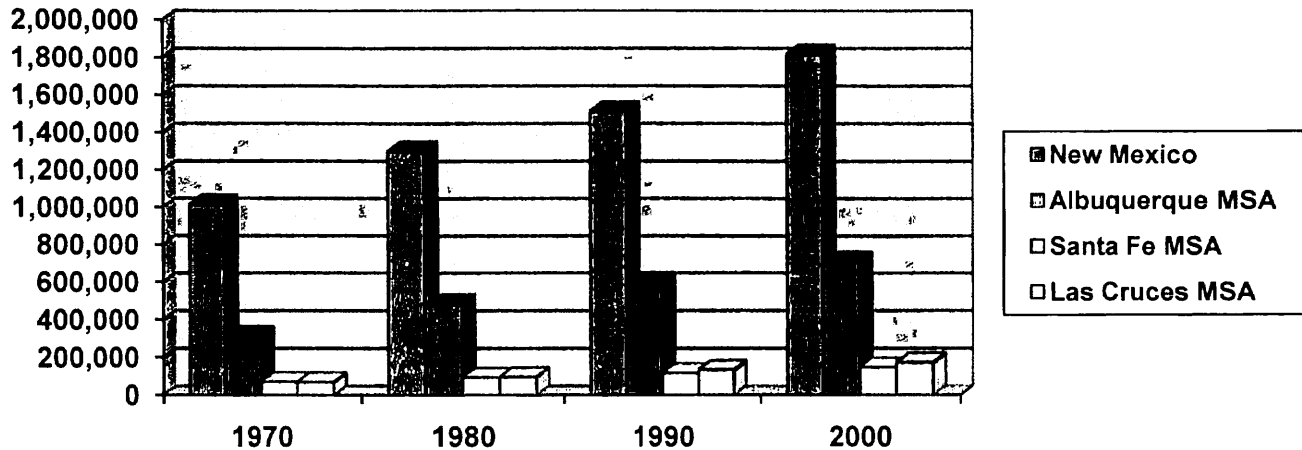
The Sandia Mountains provide two distinct climate zones within a very short distance. There are four City owned public golf courses plus the University of New Mexico course and some private courses, all of which are open year-around. Skiing is available a short distance away at the Sandia Peak Ski Area in the Sandia Mountains, most seasons.

Albuquerque is home to the New Mexico Scorpions, a professional hockey team, the Albuquerque Thunderbirds, a professional basketball team, and the Albuquerque Isotopes baseball team since 2003. The Isotopes are a Triple-A affiliate of the Florida Marlins and a member of the Pacific Coast League. Their new stadium, Isotopes Park, completely renovated at a cost of over \$25 million, can seat over 12,000 fans.

Population Statistics

The Albuquerque Metropolitan Statistical Area (MSA) comprises all of Bernalillo, and portions of Sandoval and Valencia Counties. The Albuquerque MSA is the largest metropolitan area in New Mexico. Between 1970 and 1980, New Mexico's population increased 28.1% (2.8% per year), and 16.2% (1.6% per year) between 1980 and 1990's census counts. Population counts for the State as of year 2000 indicate a 20% increase in population since 1990, or 2% per year. Albuquerque's population increased 53.7% (5.4% per year) from 1970 (315,774 people) to 1980 (485,429 people) surpassing Santa Fe and Las Cruces MSAs for the same time period, which increased 33.1% and 38.1%, respectively. Between 1980 and the 1990 census counts, Albuquerque's population increased 21.4% (2.1% per year) to 589,131 people, while Santa Fe and Las Cruces increased 25.7% and 40.7%, respectively, for the same time period. Between 1990 and 2000, Albuquerque's population increased to 712,738 people. This represents a 20.98% increase (approximately 2.10% per year) over 1990 figures. Santa Fe and Las Cruces increased 26.14% and 28.91% respectively, during the same time period. Based on the data presented, Albuquerque's MSA should continue to increase in population at a relatively steady rate of approximately 2% per year.

Population Statistics



Source: United States Department of Commerce, Bureau of the Census
2000 Figures Represent Most Current Data Available

Within the Albuquerque MSA, Rio Rancho (in Sandoval County) experienced dramatic growth from 1980 census counts of 9,985 people to 1990 counts of 32,512, an increase of 225.6%, or 22.6% per year. This City is the State's newest municipality, which was established in 1981. Between 1990 and 2000, Rio Rancho's population increased to 51,765, an increase of 59.22% (5.92% per year). Although growth has slowed, Rio Rancho is still reported as being one of the fastest growing communities in the United States.

Socioeconomic Profile

The following table details the socioeconomic profile of New Mexico's population. From the data presented, approximately 26% of the persons in New Mexico are under the age of 18 years, with approximately 11.6% of the population comprising individuals 65 years and older. The median family income increased at a rate of 6.8% per year from 1980 to 1990 and at a rate of 9.66% from 1990 to 2000. Per Capita Income for 2000 has been reported as being approximately \$21,788, representing a 45.8% increase from 1990 levels. Following this table is a chart depicting per capita income levels for the United States, Southwest and Rocky Mountain Regions in comparison to Albuquerque, Santa Fe & Las Cruces MSAs. The trends shown lean favorably toward stable economic patterns within the foreseeable future.

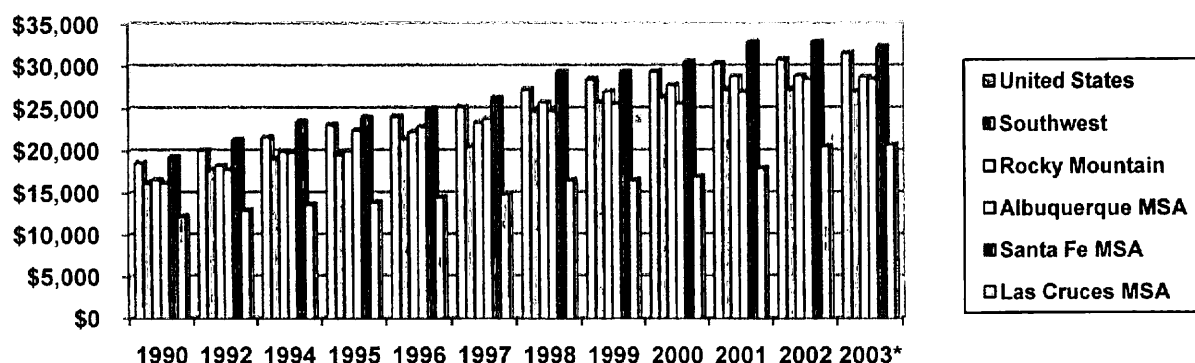
New Mexico Socioeconomic Profile

	1990	2000	10-Year % Change
Total Population	1,515,069	1,819,046	20.06%
Persons Per Household	2.74	2.63	-4.01%
Persons in Households	1,486,262	1,782,739	19.95%
Households	542,709	677,971	24.92%
White	1,146,028	1,214,253	5.95%
Black	30,210	34,343	13.68%
American Indian *	134,355	173,483	29.12%
Asian or Pacific Islander	14,124	20,758	46.97%
Other	190,352	309,882	62.79%
Ethnicity			
Hispanic (# or %)	579,224	765,386	32.14%
Non-Hispanic	935,845	1,053,660	12.59%
White	764,164	813,495	6.46%
Median Age	31.10	34.6	11.25%
Persons Under 18 (# or %)	29.6%	28%	-5.41%
Persons 65 & Older (# or %)	10.7%	11.7%	9.35%
% High School Graduate or Higher	75.1%	77.52%	3.22%
% Bachelor's Degree or Higher	20.4%	21.75%	6.62%
Per Capita Income	\$14,944	\$21,788	53.24%
% of Families Below Poverty	20.9%	19.3%	-7.66%

SOURCE: US Dept. of Commerce, Bureau of the Census & US Dept. of Housing & Urban Development, Bureau of Economic Analysis @www.bea.doc.gov

* American Indian includes Eskimos & Aleuts

Per Capita Income



Source: Bureau of Economic Analysis @www.bea.gov

* Most recent data available

Employment

The following chart illustrates non-farm employment growth rates for New Mexico and contiguous states. As shown, New Mexico's non-farm employment growth rates have decreased by approximately 3.9% from 1995-1996 to 2002-2003.

New Mexico's growth rates for 1997 to 1998 were reported as 1.7%, only slightly below those of Colorado, Oklahoma and Texas, which averaged 2.5% versus the average National Growth Rate of 2.9%. New Mexico's 1998-1999 employment growth rate was 1.4%. New Mexico's 1999-2000 growth rate was 2.1%, trailing all neighboring states, with the exception of Oklahoma, which had

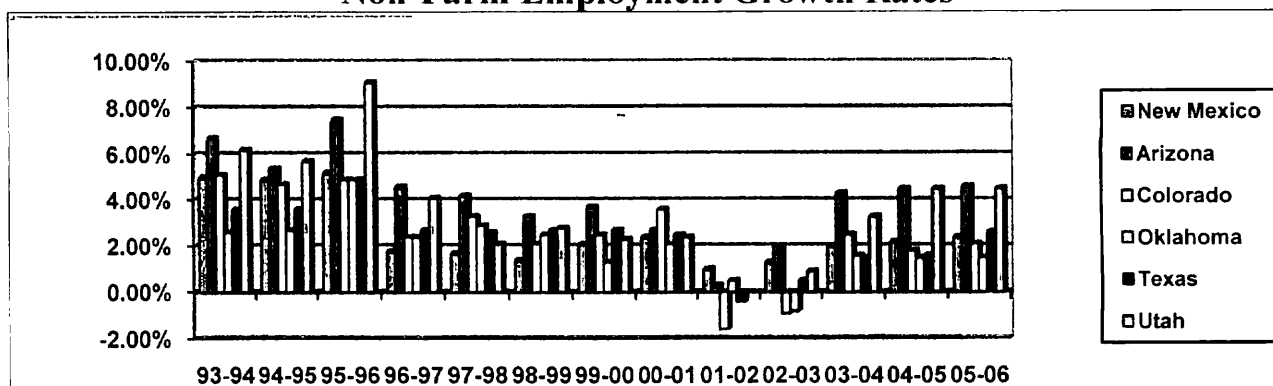
a growth rate of 1.3%. The growth rate for 2000-2001 in New Mexico was 2.4%. This figure continued to slightly trail all neighboring states, with the exception of Oklahoma and Utah, which had growth rates of 2.1% and 2.4%, respectively. New Mexico saw a 1.00% growth rate in 2001-2002. Employment growth in 2002-2003 was one of the best in the region at 1.3%. Only Arizona had a better rate at 2.0%. In 2003 the employment growth rate increased to 2.0% which was comparable to the regional average. The 2004-2005 growth rate in New Mexico was 2.2%. Only Arizona and Utah had higher rates for the year, each with 4.5%. The New Mexico 2005-2006 non-farm employment growth rate increased to 2.4%, trailing Arizona, Utah and Texas.

The New Mexico Department of Labor reported that the State had a net gain in employment for

year-end 2006 of 19,500 jobs. The State's rate of job growth was the thirteenth highest in the nation. Three of the industries that are increasing employment include information technology (IT), the State's natural resources and mining industry, and manufacturing.

The retail trade, construction, educational and health service, and mining industries increased steadily in 2006 while the other industries continued to increase at lower rates. Affordable real estate prices relatively to neighboring states, demand for natural resources, particularly oil and gas, and business-friendly local and state government should provide New Mexico with a favorable economic climate and resultant employment gains.

Non-Farm Employment Growth Rates

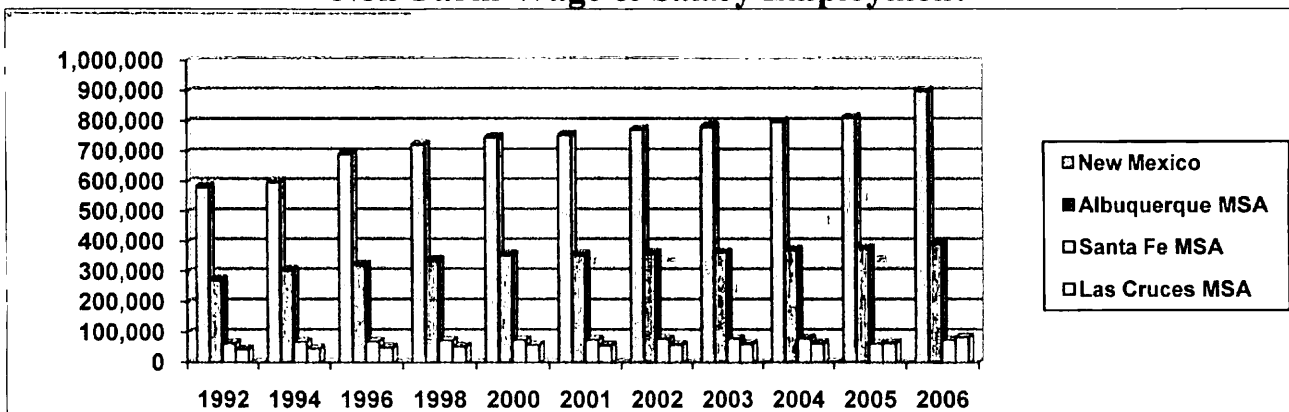


Source: New Mexico Department of Labor-Labor Market Report

In the context of wage and salary employment statistics, the following chart shows Albuquerque continually surpassing the Santa Fe and Las Cruces MSAs. Albuquerque's non-farm wage and salary employment constitutes roughly 44% of the State's total non-farm employment, while Santa Fe MSA constitutes slightly above 8%, and Las Cruces MSA just above 9%. The second chart shows that the majority of employment is found in "Services and Miscellaneous" industries which account for personal, business, health, social, engineering and management services, etc. Ranking second is the "Trade" industry that includes wholesale and retail services and leisure

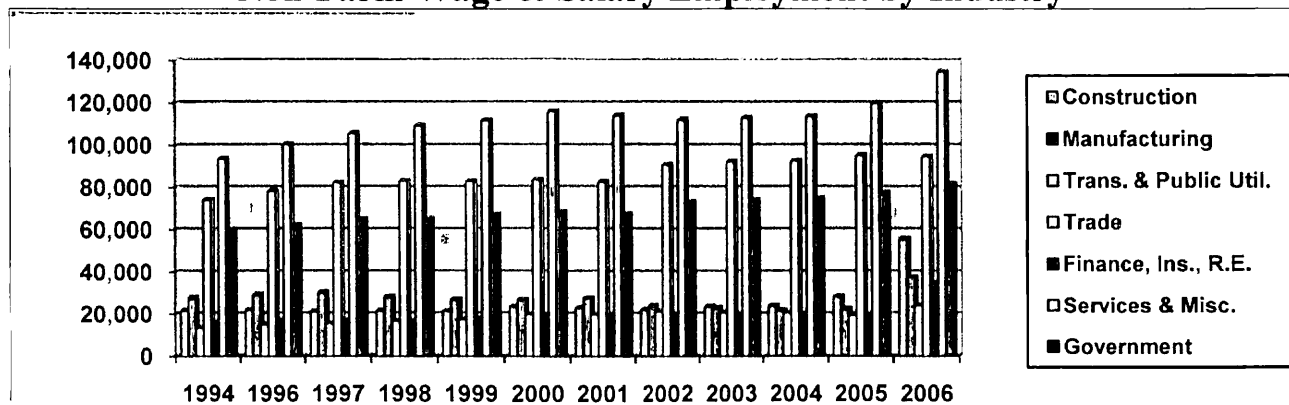
and hospitality, of which retail trade is the dominant force. The "Governmental" industry ranks third, and includes all sectors of federal, state and local governments, including Los Alamos National Laboratories. Within this industry, local government continues to surpass employment in both state and federal agencies. All three of these industries have experienced steady growth since 1990. The growth within the construction industry is directly related to the housing boom experienced over the last several years. As the housing market cools, construction employment stagnation or reduction is expected.

Non-Farm Wage & Salary Employment



Source: New Mexico Department of Labor, Economic Research & Analysis Bureau

Non-Farm Wage & Salary Employment by Industry



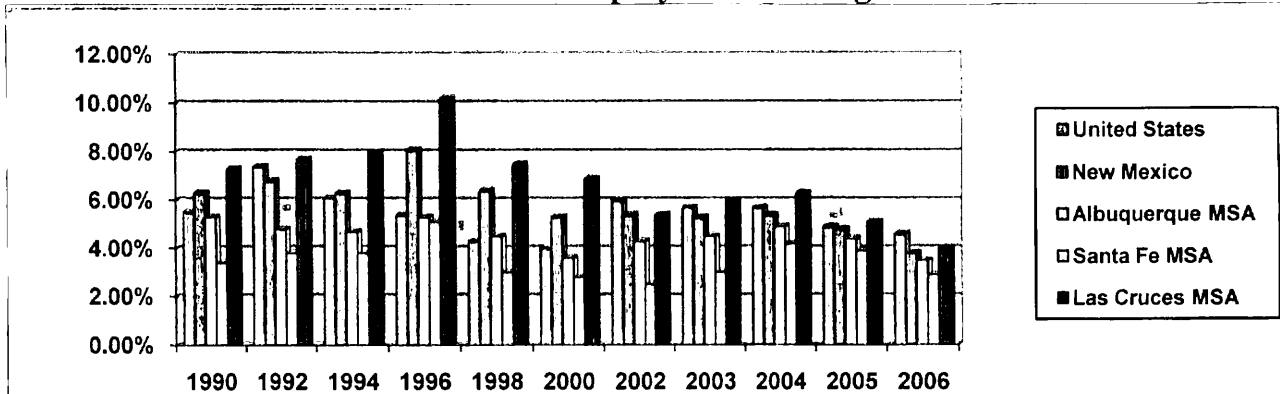
Source: New Mexico Department of Labor, Economic Research & Analysis Bureau

Unemployment

The December 2006 unemployment rate for New Mexico was reported at 3.8%, down from a rate of 4.8% for 2005. The revised year-end 2005 rate for the entire US was 4.7%, and 4.6% for year-end 2006. The Albuquerque MSA (3.5%) has

consistently experienced lower unemployment ratings (year-end 2006) as compared to the United States (4.6%), New Mexico (3.8%), and Las Cruces MSA (4.0%), and higher than those reported for the Santa Fe MSA (2.9%).

Labor Unemployment Ratings



Source: New Mexico Department of Labor, Economic Research & Analysis Bureau

Business & Industry

The top 40 employers in Albuquerque, representing 116,015 employees, account for about 29% of the total nonagricultural employment. Over 100,000 in the top 40 are in categories that are resistant to fluctuations in the economy, such as education, health care, military, government, casinos and Sandia National Labs. Manufacturing is one of the smaller categories in the top 40 with employment at 8,110 representing 7.0% of the total with most of the employment in the sector. The employment data obtained does not reference any major retail employers. However, retail industries represent a small proportion of overall employment within the Albuquerque MSA. While retail is an elastic industry, and highly sensitive to overall economic fluctuations, the overall risk to the Albuquerque MSA is minimal.

Albuquerque has achieved national recognition by providing research and development from Sandia National Labs. From the standpoint of employment, the defense industry field represents one of Albuquerque's largest employers. Following is a summary of employment by industry and percentage ratios to total employment.

EMPLOYMENT BY INDUSTRY

Industry	Employment	Ratio
Government	80,600	20.3%
Business Services	63,900	16.1%
Education & Health Services	48,600	12.2%
Retail Trade	46,200	11.6%
Leisure & Hospitality	38,300	9.6%
Mining & Construction	30,300	7.6%
Manufacturing	24,200	6.1%
Financial Activities	19,200	4.8%
Wholesale Trade	13,500	3.4%
Transportation & Utilities	10,700	2.7%
Information	9,300	2.3%
Other	12,200	3.0%

Following is the most current list of major employers in Albuquerque:

MAJOR EMPLOYERS IN THE ALBUQUERQUE AREA

Company Name	Employment	Description
Kirtland Air Force Base (Civilian) includes Sandia National Labs 7,720	16,360	Air Force Materiel Command Research Development
University of New Mexico	14,295	Educational Institution
Albuquerque Public Schools	14,480	Educational Institution
Presbyterian	6,670	Healthcare Services
City of Albuquerque	6,670	Government
Intel Corporation	5,500	Semiconductor Manufacturer
State of New Mexico	5,490	Government
Lovelace (formerly Lovelace Sandia Health System)	5,200	Hospital
Kirtland Air Force Base (Military Active Duty)	5,090	Air Force Materiel Command
UNM Hospital	4,600	Hospital/Medical Services
Bernalillo County	2,300	Government
Public Service of New Mexico	1,815	Utilities Provider
New Mexico Veterans Affairs Healthcare Systems	1,700	Hospital/Medical Services
Central New Mexico Community College	1,770	Educational Institution
T-Mobile	1,700	Customer Service Center
Sandia Resort and Casino	1,670	Pueblo of Sandia
Bank of America	1,600	Financial Institution
Rio Rancho Public Schools	1,580	Educational Institution
Los Lunas Public Schools	1,365	Educational Institution
Heritage Home Healthcare	1,300	Home-Based Healthcare Service
US Forest Service	1,200	Government
Route 66 Casino	1,200	Casino
CitiCards	1,165	Credit Card Collection Center
Isleta Gaming Palace	1,195	Casino
Honeywell Defense and Space Electronic Systems	1,100	Aircraft Avionics Manufacturer

Source: Albuquerque Economic Development, Inc. @ www.abq.org

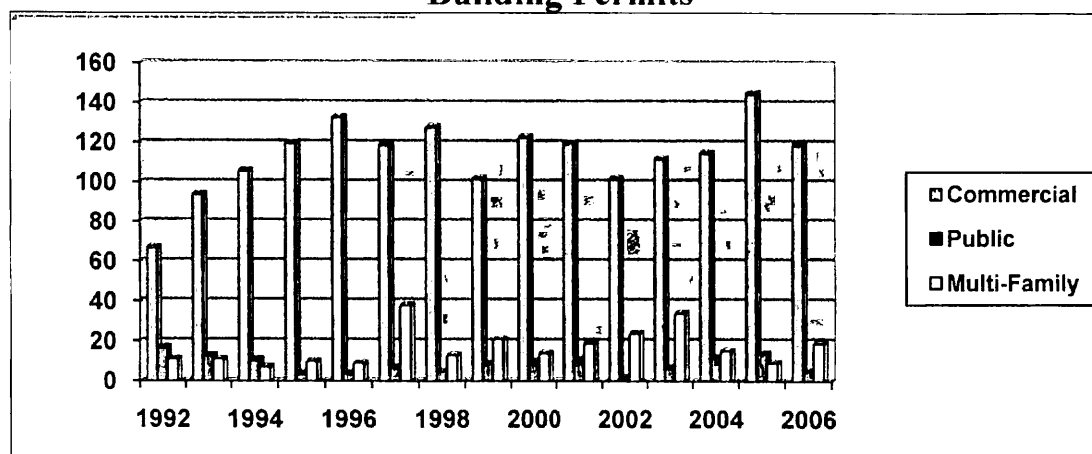
Building Permits

The following charts illustrate the number of building permits and related valuations of those permits for the Albuquerque MSA. The number of building permits issued in 2006 increased in multi-family units and decreased in commercial and public from 2005. Single-family units will be dealt with in more detail in the Housing Market section; however, single-family permits within the Albuquerque city limits have declined in recent years from 4,964 in 2004 to 4,676 in 2005 (-5.8%) to 3,334 in 2006 (-28.7%). Commercial permits declined 21.85 percent in 2006, from 145 in 2005 to 119 in 2006. However, 2005 was a banner year and the 119 permits issued in 2006 is just slightly lower than the last 10-year average of 119.9.

Public permits totaled 5 for 2006, a significant drop from the previous two years' totals of 12 and 14, respectively; however, only slightly lower than the 8.1 average for the 10-year period of 1996-2005. Multi-family permits have fluctuated throughout the years with the largest number of permits issued in 1997 at 38. From 1994 through 1997, average yearly permits were 1,560. Since that time, there has only been one year in which permits exceeded the 1,000 mark – 2002 which recorded 1,212 permits. From 1998 through 2006, the average has been 613 units per year.

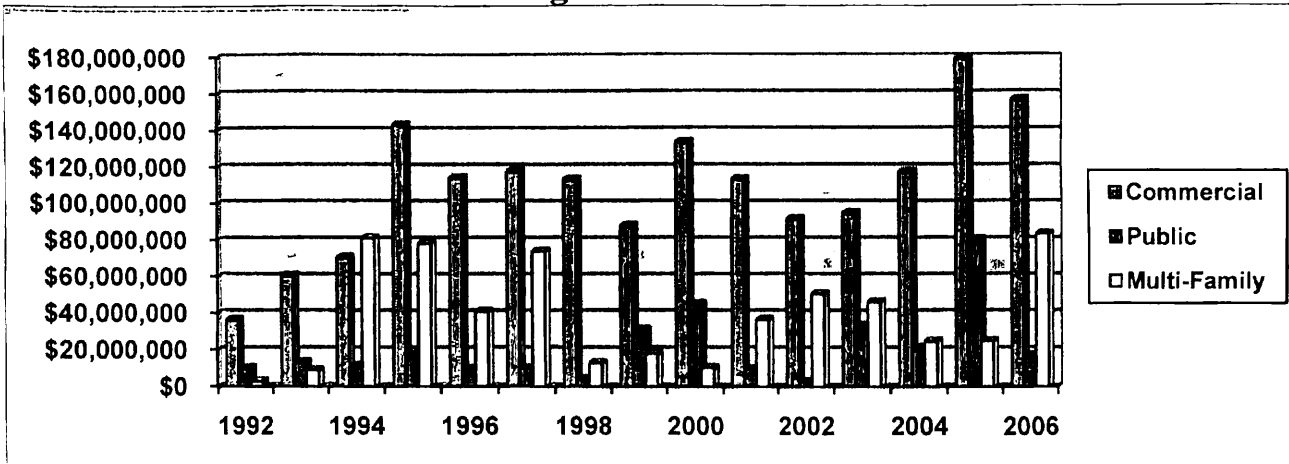
The total value of new permits in 2006 was \$843,725,441, a decline of 17.69% from the 2005 value of over \$1.025 billion, which was the highest value in Albuquerque's history.

Building Permits



Source: City of Albuquerque Planning Department@www.cabq.gov/planning/statistics

Building Permit Valuations



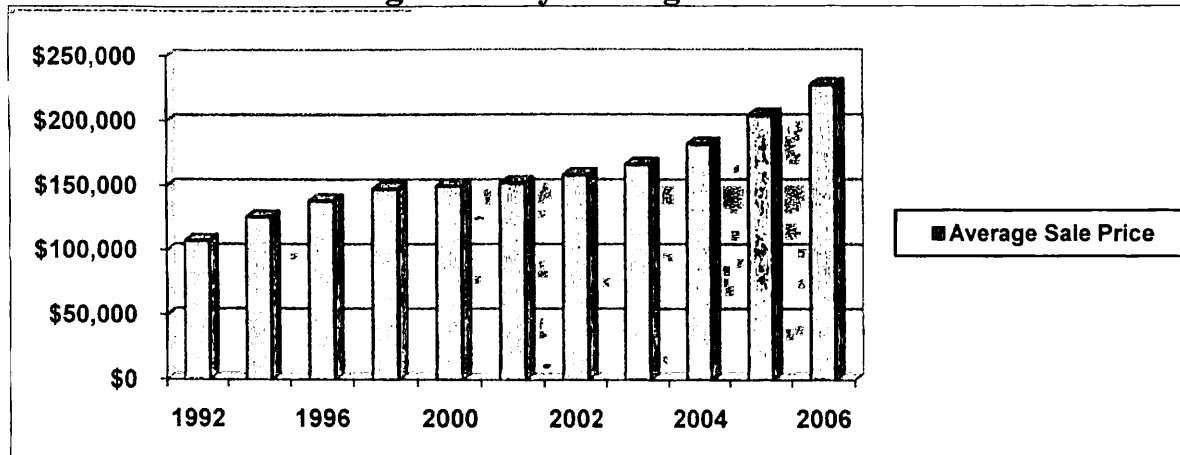
Source: City of Albuquerque Planning Department@www.cabq.gov/planning/statistics

Housing Market

The following chart depicts the number of single-family housing units that have sold, and the average sale prices found in the Albuquerque MSA. Albuquerque experienced yet another positive year in the number of homes sold in 2006 of 13,092 units, although it is a slight decrease from 2005's record year of 13,448 homes sold. Yet, this year's figure is still more than double the number of homes sold a decade earlier. The average sales price increased from \$204,502 in

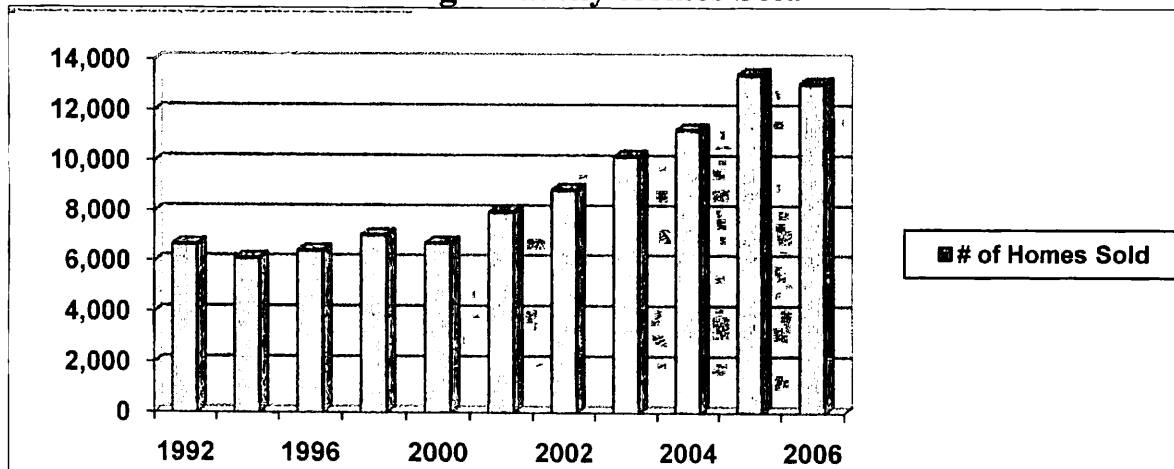
2005 to \$227,833 in 2006, an increase of 11.41%. The median sales price in the Albuquerque MSA was \$188,800 for 2006. It was reported at www.realestateabc.com that the median selling price of single-family homes in the US was approximately \$210,600 in 2006, a drop of 3.13% from 2005. However, New Mexico's median single-family home price is still significantly lower than the national median, which could prove to be an advantage for people or employers looking for areas to relocate.

Single-Family Average Sale Price



Source: Albuquerque Metropolitan Board of Realtors@ www.ambr.org

Single-Family Homes Sold



Source: Albuquerque Metropolitan Board of Realtors@ www.ambr.org

Real Estate Market

Albuquerque's economic growth over the last couple of years has been fueled by the migration of new businesses to the area, including many high-tech manufacturers, telemarketing firms and technical support centers along with several back office accounting operations. The stability in the local real estate market is attributed to several factors - affordable real estate, low property taxes, affordable healthcare, low interest rates and reasonable labor costs. The local business community is made up largely of small businesses that have not faced the corporate downsizing of larger firms, while the national laboratories, defense contractors, and military bases have been spared from *major* national cutbacks. Following is a brief summary of the individual market groups within the commercial sector of the City; i.e., office, retail, multi-family, hospitality, and industrial. CB Richard Ellis - Commercial Real Estate Group and Grubb and Ellis have been the major sources of the statistical data presented.

OFFICE – The office markets experienced a vacancy rate of 13.4% Citywide in 2006, the lowest rate in four years. Quoted rental rates remained similar to 2005's numbers (13.1%). The Albuquerque market had a positive absorption of 90,585 square feet in 2006. The Uptown, Far Northeast Heights, and the North I-25 submarkets had exceptionally high absorption levels and are expected to remain the very popular areas this year. Vacancy rates are expected to remain stable in 2007. Vacancies continue to be caused in part by a new trend where older buildings are functionally obsolete due to tenant demands for parking, HVAC, elevators, electrical capacity and computer networking capabilities.

Speculative projects are in the works due to the recent positive absorption and also because of the tenants' desire for new, more efficient buildings. In 2007, rent concessions and incentives from landlords will be based on submarket performance. At this time, the outlook for the Albuquerque office market depends largely on the overall economy and the City's ability to attract new employers.

RETAIL – The vacancy rate for the retail market for 2006 decreased from 9.4% in 2005, to 8.4% for year-end 2006. New retail buildings are demanding slightly higher rental rates while rates for the older centers are expected to remain steady. Older centers should see an increase in activity due to their more affordable rental rates. Many new retail developments are underway or nearing completion in the Duke City. Highlighting this is the ABQ Uptown project, which has added an estimated 1.8 million square feet to the retail market. Other projects include the renovations of both Winrock and Coronado shopping centers as well as the continued revitalization of Downtown.

Lease rates for Class A and B space have remained relatively stable to slightly positive while the higher number of vacancies in the Class C sub-sector have had a greater impact on the average lease rate. The decline in new construction and the introduction of new rental space coming on line should help stabilize all sectors of the market. These factors coupled with the willingness of the consumer to continue spending should put a positive aura on the retail sector for 2007.

INDUSTRIAL – The industrial market decreased its vacancy rate in 2006 with City-wide vacancies at

6.5%, down from 2005's rate of 10.8%. The North I-25 submarket continues to demand high rental and occupancy rates. North I-25 accounts for roughly 45% of the industrial inventory while the Rio Rancho has moved up to the second highest concentration at 17%, placing the Downtown sector which had been the second highest concentration, down to third at around 9%. The Albuquerque market absorbed a net positive 2,239,515 square feet in 2006 (according to Grubb & Ellis). There was significant absorption of industrial space in the West Mesa submarket (1,041,953 SF), and the North I-25 submarket (431,912 SF). It is expected that leasing activity will continue to increase this year as it has in the past three years. The new Tempur-Pedic mattress factory opened by year-end 2006. Also underway is the Mesa Del Sol project which will have a positive impact on the market. This newer market evidenced absorption of 87,596 square feet in 2006. In addition, Sandia Labs constructed a world class research facility outside Kirtland AFB on Eubank in 2006. This facility houses the nanotechnology facility employs about 100+/- people. Most are currently employed by Sandia Labs, but eventually this should create need for additional support services in the industrial sector, and longer term possible venture capital spin-offs. The local construction boom bodes well for the industrial market as warehouse and distribution space is needed to meet the demand.

New Mexico still outperforms the national standards in job growth and industrial real estate. Due to rising land prices and less selection of land in the North I-25 Corridor, it is anticipated that the Sunport/South I-40 (Mesa Del Sol) area and the West I-40 industrial area will emerge as the newer

industrial growth markets in the City. As the economy continues to rebound, expect help from local governments to land more jobs, thus creating greater demand for industrial space. A decrease in speculative project starts is expected to be met by more demand in the upcoming years. Also, the active, pro business state government is continually pursuing venture capital funded projects which could spur further absorption in the local market.

APARTMENTS – In 2004, apartment market occupancy rates decreased slightly to 92.9%. Occupancy levels had reached their lowest levels in ten years at the beginning of 1999, but by year-end had rebounded to 90.2%, the first time since 1997 that occupancy moved above 90%. Rent concessions offered in 1998 accounted for steady to slightly lower rent levels than in the mid 1990s. Rental concessions, while still offered, became less prevalent in 1999, and virtually disappeared throughout 2000 and 2001 as vacancy rates continually dropped. By the end of 1996 Albuquerque saw the construction of 1,838 multi-family apartments, 1,082 in 1997, 682 in 1998, 1,823 in 1999, 50 in 2000, 616 in 2001, 481 in 2002, and 720 in 2003. Of the 492 units permitted through year-end 2004, only 123 reported completion. The apartment construction experienced moderate growth in 2005 and 2006. The outlook for 2007 is conservatively optimistic and is expected to be similar to 2006. This is a positive trend even though construction rates are expected to remain below the long-term average. Since June of 1998, the average occupancy level has generally remained in the low to mid 90's. The new construction for 1998 met the demand within this market sector, causing a slight increase

in vacancy levels, yet not creating an overbuilt market. Building permits for new construction in 1998 and 1999 decreased dramatically from earlier years, and in 2000 no new major market rate apartments were permitted. New tax credit construction also slowed, and we began to see positive absorption. In 2003, single-family interest rates dipped to 40-year lows, and have remained at record lows. New construction is expected to remain on par with 2002-2005 levels. Existing properties should remain stable and continue to see average occupancies at the 90% level. Older class B and C properties in more desirable areas are expected to see improved occupancy as well.

Construction in this market sector in 2007 will continue to be largely focused on the West Side of the City, one of the few remaining areas with available land for apartment construction. Construction will still be slow relative to historical standards, focusing primarily on new market rate communities and tax-credit construction.

HOSPITALITY – The most concentrated areas of hospitality development in Albuquerque are located along Interstates 25 and 40, and proximate to the Albuquerque International Airport. Since 1995, over 5,000 new hospitality rooms have come on line in the City. The City Planning Department used to provide a detailed accounting of the total number of building permits issued for hospitality facilities. However, the City stopped making this data available in 2004.

The following summary presents a historical account (2003 through 2006) of occupancy, average daily room rates (ADRs), and revenues per available room (RevPAR) by “level” of

property type (Level 1 is the full-service market sector, Level 2, the limited-service market sector), as provided by New Mexico Hotel and Motel Association’s issue of the *Rocky Mountain Lodging Report* (RMLR).

OCCUPANCY & ADRS (2003 - 2006)

	Occ.	ADRs	RevPAR
2003			
Level 1	60.9%	\$73.90	
Level 2	55.2%	\$53.09	
City	58.9%	\$67.01	
2004			
Level 1	61.5%	\$74.73	
Level 2	57.4%	\$54.08	
City	60.1%	\$67.80	
2005*			
Downtown/Airport	71.0%	\$74.35	\$52.79
I-40 Corridor	62.7%	\$69.68	\$43.69
ABQ North	61.5%	\$93.18	\$57.31
City	64.8%	\$75.98	\$49.24
2006			
Downtown/Airport	73.4%	\$78.23	\$57.40
I-40 Corridor	60.3%	\$73.19	\$44.12
ABQ North	63.2%	\$99.84	\$63.11
City ⁽¹⁾	64.5%	\$80.59	\$51.94

* The reporting methodology changed from Level 1 & 2 to geographic area in 2005.

⁽¹⁾ Results for 2006, 2005 & 2004 are not directly comparable due to an increase in the number of hotels participating in 2006, and a change in the survey categories.

As shown, between 2005 and 2006, City-wide occupancy rates remained relatively stable (64.8% and 64.5%, respectively), while the average daily room rates increased from \$75.98 to \$80.59. Even though the room rates increased, because of the stabilization in occupancy levels, the revenues per available room increased from \$49.24 in 2005 to \$51.94 in 2006. According to conversations with knowledgeable brokers and hospitality property managers, the limited-service sector of the market is reaching its peak, and the market is becoming saturated. With this saturation, stability occurs, with nominal increases in revenues per available room expected.

Conclusion

Albuquerque is a viable community that has experienced steady economic growth over the past few years. 2005 brought relative stability in rental/asking rates throughout all market sectors. In the near future, market wide vacancy rates are expected to improve and asking rates are anticipated to experience continued stability. The hospitality sector of the real estate market experienced rather significant amounts of construction in prior years, and is now becoming saturated. Because of these increases in vacancies, rental rate increases in the hospitality sector have begun to slow, stabilize, or even decrease slightly, while increased occupancy in the apartment sector has facilitated increased rental rates. With supply beginning to surpass demand, construction activity in the hospitality, retail, and apartment markets is expected to decrease moderately. All other real estate market sectors are continuing to experience reasonably strong market acceptance and relative stability. These trends are anticipated to continue into the upcoming year.

NEIGHBORHOOD DATA

In the context of appraisal practice, a neighborhood is defined as *"a group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises."*⁴ For purposes of this report, the neighborhood can be defined as that area being located within the Huning Castle Neighborhood Sector, adjacent to the western parameter of the CBD (Central Business District). The appraised property is situated in the northwest portion of the sector, which provides neighborhood boundaries of Central Avenue to the north and east, and the Rio Grande to the west and south.

The Huning Castle Neighborhood Area Sector Development Plan was adopted on January 19, 1981. At that time, the neighborhood was deemed to have been zoned inappropriately, and new designations were issued designed to protect the historical nature of the area.

The neighborhood is essentially 95% to 100% built-up. Properties within these neighborhood parameters consist of sites with zoning classifications of single family, townhouse, medium and high density apartments, residential/commercial, office/institutional, neighborhood and community commercial, special use, park and mixed residential/office uses.

Of immediate concern to the subject property are the land uses along Central Avenue. Commercially zoned sites dominate the commercial land uses along the major arterial of Central. Just west of the subject is the new

Albuquerque Biological Park. Numerous motels and eating establishments are located in close proximity to the subject and the park.

Heavy concentrations of commercial activity are located northeast of the subject at Rio Grande Boulevard and within the Old Town boundaries. With the exception of Old Town (which is the major tourist center within the City), these establishments are dominated by neighborhood and community grade retail facilities that cater to daily consumer needs. Various other commercial users in the area (along Central and Lomas) include conventional and fast food restaurants and automobile service-oriented businesses. Office facilities, which cater largely to lawyers, are scattered along Central Avenue and Lomas Boulevard, of which only a small sampling are new construction.

For the most part, the quality of construction/workmanship of competing office facilities range from average to good, with typical construction being that of frame/stucco or concrete block, and building sizes typically not exceeding 10,000 square feet. Floor area ratios (building to land ratios) typically average around 0.40. Owner-occupied offices appear to out-weigh (in number) multi-tenant facilities in this area.

Traffic Arterials

The major arterials most affecting the subject property are Rio Grande Boulevard and Central Avenue.

⁴ Ibid., page 193

Rio Grande Boulevard, which supports four to six lanes, extends from Alameda Boulevard (roughly 8 miles to the north of Central Avenue) to its southerly terminus at Central Avenue, just north and east of the subject facility. This arterial provides access to Interstate 40 approximately 3/4 miles northeast of the subject.

Central Avenue also supports four to six lanes, and stretches the width of the City, intersecting with Interstate 40 and Interstate 25. This arterial provides direct access to the subject.

Following are the 2002 through 2004 average daily traffic counts for selected points proximate to the subject facility, and along Central Avenue, the traffic arterial which has the greatest impact on the subject property. *Figure 1* (at the end of this section) presents the most recently published (2004) Traffic Flow Map for the Greater Albuquerque Area.

AVERAGE DAILY TRAFFIC COUNTS

	2006	2005	2004
West of Rio Grande Blvd.	34,100	32,100	33,000
@ Tingley Drive	35,500	33,900	34,900

As shown, traffic counts have dropped slightly at these points between 2004 & 2005, and then rose somewhat between 2005 & 2006, however, this may be due to more accurate counts being taken recently due to the Bio Park expansion plans. Travel time to the major employment centers (Downtown and Uptown) averages 5 to 20 minutes. The neighborhood and subject site are well located to suit the needs of employees, prospective tenants, and clientele. Overall, the appraised property and neighborhood possess good arterial access and linkage.

Utilities

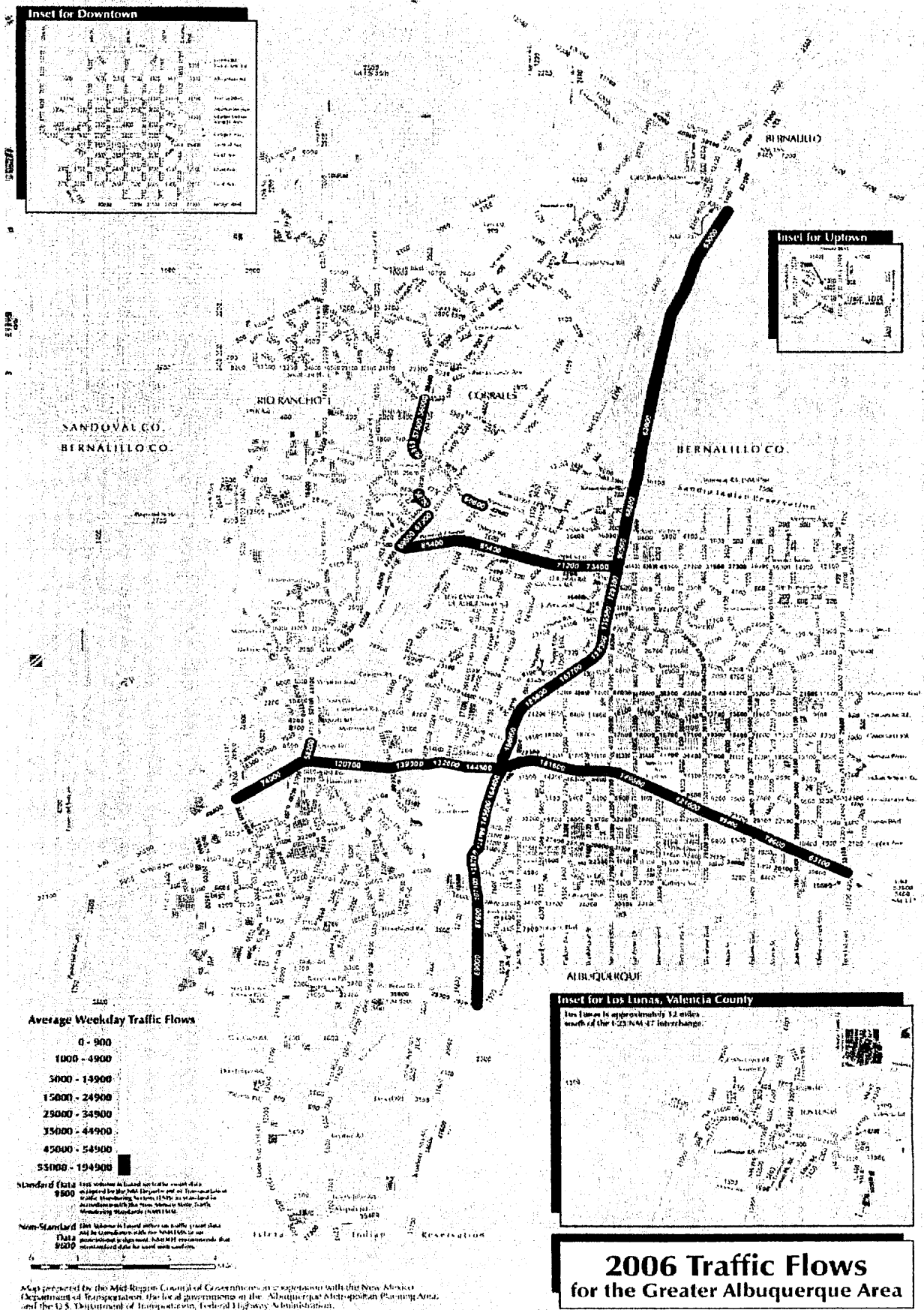
All public utilities are available to the neighborhood. Public Service Company of New Mexico (PNM) provides electric service; Gas Company of New Mexico (owned by PNM) provides natural gas; US West Communications provides telephone service; and, water, sewer and trash collection are provided by the City of Albuquerque.

Summary

The characteristics of the neighborhood have a relatively good impact on the subject property. Rehabilitation and revitalization have occurred within the neighborhood and within close proximity to the subject. While incentive monies for rehabilitation have diminished, the neighborhood is still experiencing developer interests as is evident from on-going renovation projects.

The neighborhood continues to be a prominent area of commercial retail, tourist, office, residential (lofts and townhomes) activity. Given reasonable supply and demand stability and the proximity to Interstate 25, Interstate 40, and Central Avenue, the neighborhood is economically and socially able to support the continued use of the appraised property. Given reasonable supply and demand stability, there is no reason to expect any significant changes in the neighborhood in the foreseeable future.

➤ Figure 1
Traffic Flow Map



Market Overview

Market Overview...

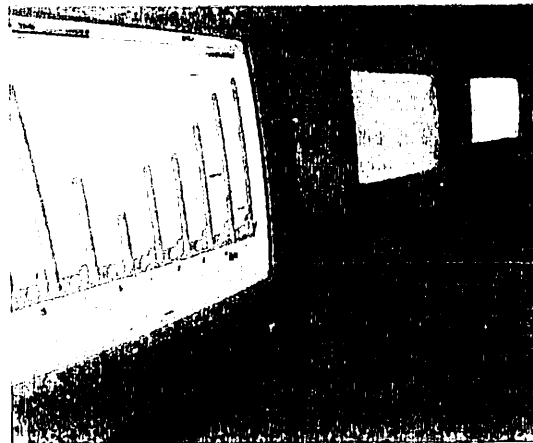
The valuation process requires that a property be appraised within the context of its market. Of particular significance to the Market Overview are the supply of competitive properties and the future demand for the appraised property. After gathering property-specific data, the appraiser inventories the supply of properties that constitute the major competition for the subject property in its defined market.

The supply inventory includes all competitive properties: rental units, properties that have been sold, properties being offered for sale, and properties that will come on the market at some future time. The appraiser must recognize that the subject property will always compete in a future market. Thus the appraiser's investigation must cover not only existing competition, but also prospective projects that will compete with the subject.

Along with the supply inventory of major competitive properties, the appraiser analyzes the prospective demand for the subject property. Even in the most stable markets, subtle shifts in the market appeal or utility of a category of properties can put some properties at a competitive disadvantage and

benefit others. Even in volatile markets characterized by rapid change due to factors such as accelerating growth, precipitous decline, or an upturn in proposed construction, the appraiser needs to quantify demand in some manner.

Market overviews may include analyses of construction and absorption trends, pricing and price changes, construction types and locations, or other factors relating to supply and demand. The market overview may reveal or explain facts and behavior regarding property types, investor activities, or other matters of market concern.



Albuquerque Hospitality Market – Year End 2006



The most concentrated areas of hospitality development in Albuquerque are located along Interstates 25 and 40, and proximate to the Albuquerque International Airport. Since 1995, over 5,000 new hospitality rooms have come on line in the City. The City Planning Department used to provide a detailed accounting of the total number of building permits issued for hospitality facilities. However, the City stopped making this data available in 2004.

Occupancy & Room Rates

The following summary presents a historical account (2003 through 2006) of occupancy, average daily room rates (ADRs), and revenues per available room (RevPAR) by “level” of property type (Level 1 is the full-service market sector, Level 2, the limited-service market sector), as provided by New Mexico Hotel and Motel Association’s issue of the *Rocky Mountain Lodging Report* (RMLR).

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Lodgers Tax Receipts

Lodger's tax receipts are perhaps the most comprehensive and meaningful demand indicators for hospitality properties. Following is a historical summary of lodger's tax receipts for Albuquerque for fiscal years 1994 through 2006. The lodger's tax rate is 5%. The Hospitality Fee Act was initiated in July 2004, adding an additional tax of 1%.

Lodgers Tax Receipts

Fiscal Year	Tax [®]	% Change
1994-95	\$6,187,000	
1995-96	\$7,344,000	+18.7%
1996-97	\$7,900,000	+7.6%
1997-98	\$7,168,957	-9.3%
1998-99	\$7,362,170	+2.7%
1999-00	\$7,648,254	+3.9%
2000-01	\$7,677,201	+0.4%
2001-02	\$8,319,031	+8.4%
2002-03	\$8,418,775	+1.2%
2003-04	\$7,997,508	-5.0%
2004-05 *	\$9,855,207	+23.2%
2005-06 *	\$10,922,781	+10.83%

Source UNM-BBER Data Bank

* Includes 1% Hospitality Act Fee

In 1995 and 1996, approximately 1,800 hospitality rooms came on line. Due to this increase in room counts, there was a significant increase of 18.7% in lodger's tax receipts for fiscal year 1995/1996. Another significant increase is noted in fiscal year 2004/2005, due to more rooms coming on line. Since 2000, the consumer price index (CPI) has increased at an average from 1.5% to 3.5% per year.

Market Segments

The types of guests staying in hotels are classified into four segments: 1) Business; 2) Tourists; 3) Conference & Convention; and, 4) Other. Following is a discussion of each of these segments:

Business - This market segment is composed of business-related travel by individuals who typically visit offices, industrial and other commercial establishments in the Albuquerque area. Executives, salespeople, trainees, and similar businesspersons are included in this classification. As defined herein, commercial individuals stay in hotels for less than five days.

Commercial individuals typically utilize hotel rooms Sundays through Thursdays, with the busiest nights being Tuesdays and Wednesdays. Travel by commercial individuals is fairly level throughout the year, with slow periods occurring in the customary Christmas, Easter and other holiday periods. Commercial individuals generally are less price sensitive than the other market segments since their companies often reimburse their lodging expenses. Also, there is a growing trend to brand loyalty to the large hotel chains among commercial individuals, spurred in part by frequent guest programs.

A large portion of individuals staying in the competitive market is booked by representatives of local companies that maintain corporate accounts with one or more hotels. Consequently, the management of the hotels dedicates significant efforts to maintaining strong relationships with these local corporate representatives.

Tourists - This market segment includes tourists visiting Albuquerque to see the International Balloon Fiesta as well as other sports and social events, friends and relatives of nearby residents, and others. The peak periods of visitation by leisure travelers occur during the summer and early fall.

Conference/Conventions - This market segment is composed of company sales, executive training and other meetings (often referred to as corporate groups), and conventions, and professional, social, educational, and similar meetings (association groups). Most of the room nights captured by this market segment are generated by hotels that attract "in-house" meetings although there is some "overflow" from conventions held in other facilities.

Other - This market segment largely comprises contract demands from airline crews, interstate and intrastate truckers, small sports teams, etc. In regard to Airlines/Airports, we expect to see more price competition as low cost air carriers expand routes and enter some long haul markets while major airlines cut costs to remain competitive. Studies indicate discounting can enhance leisure travel by as much as 15%.

In regard to automobiles, auto traffic is difficult, if not impossible, to accurately measure on intra/interstate highways. However, comparing interstate cities' lodging revenue versus state road/US highway revenue does give some insight into visitation trends as most out-of-state travelers use the Interstates some time during their stay and prefer convenient roadside lodging. Also, welcome center visitation and national park versus state park visitation can confirm some travel trends as the majority of National Park visitation is made up of out-of-state travelers.

Conclusion

The Albuquerque hospitality market has seen significant growth in construction since 1995. Although this market was a victim of the real estate glut of the 1980s; it recovered quickly and has continued to exhibit a steady increase in competitive units. According to conversations with knowledgeable brokers and hospitality property managers, the limited-service sector of the market is reaching its peak, and the market is becoming saturated. With this saturation, stability occurs, with nominal increases in revenues per available room expected.



Property Analysis

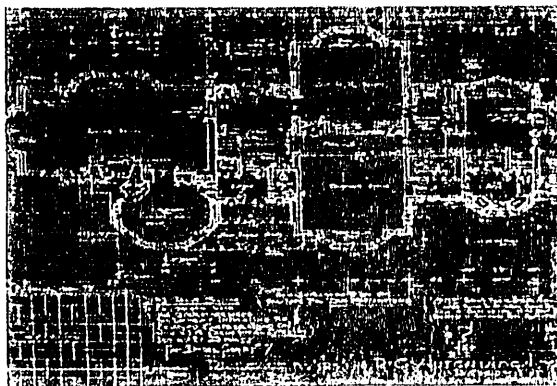
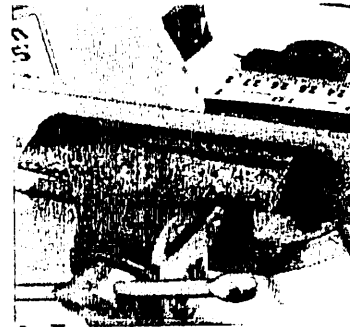
Property Analysis...

The Property Analysis portion of the appraisal report can involve three distinct sections of analysis - namely Site Description, Improvements' Description, and Highest and Best Use.

The Site Description & Analysis section details the location of the subject property, specifies its shape and size, discusses applicable property taxes and assessments, describes the property's zoning, comments on topographic and soil conditions, defines the possibility of flood hazard to the property, identifies easements and encroachments which might affect the property, and explains the availability of access and utilities to the property. Any other features that might impact the land or site are also covered in this section.

If improvements are present, the Improvements' Description & Analysis section identifies their existence and discusses construction and building improvement details. Further, major items of deferred maintenance and the existence of obsolescence are outlined if applicable.

The Highest and Best Use Analysis section looks at the most profitable and likely use to which the land or site could be put if vacant. If the site is improved, this section also determines if the existing use is the highest and best use for the site.



SITE DESCRIPTION & ANALYSIS

Following is a brief description of the site characteristics based on a physical inspection of the property and related supportive data.

Location

The subject site is located in the western portion of the neighborhood, on the south side of Central Avenue. The site composes the southeast corner of the intersection of Central Avenue and New York Avenue. It is bounded on the north by New York Avenue and a restaurant, on the northwest by Central Avenue, and another restaurant, on the west by the Albuquerque Bio Park, and on the south by the Albuquerque Country Club.

Shape & Size

The site is irregular in shape (*Exhibit E*). The site area is 1.2551 acres, which equates to approximately 54,670 square feet.

Topography & Soil

The site is essentially level and slightly above grade with adjoining streets and properties. Soil conditions appear stable for the existing improvements. The drainage and soil conditions of the property appear adequate. All run off is channeled away from the buildings. No major signs of soil settlement are apparent. There were no observed signs of any environmental contamination or problematic sub-soil conditions. However, no warranty is made (see *Environmental Statement* following the Improvements' Description & Analysis).

Flood Hazard

The property is located on Flood Hazard Map #350002, Panel 0331, Suffix D, dated September 20, 1996, and situated within un-shaded flood zone

"X", which is identified as areas of 500-year flood; areas of 100-year flood with average depths of less than one foot or with drainage areas less than one square mile; and areas protected by levees from 100-year flood. The applicable flood hazard map identifying the location of the property is presented in *Exhibit F*.

Accessibility & Visibility

The site has just less than 200 feet of frontage along the southeast side of Central Avenue, and approximately 300 feet along the south side of New York Avenue. Both arterials are paved and improved with concrete curbs, gutters, and sidewalks. New York is a minor arterial with no median dividers, while Central Avenue (a major thoroughfare) has landscaped median dividers. Central Avenue carries high traffic volumes past the subject property.

Access to the site is considered to be good. Two curb cuts provide access from Central Avenue. In addition, there are two curb cuts on New York Avenue, which provide access to the north wing of the motel.

The subject property has direct exposure from the major thoroughfare of Central Avenue, and the minor arterial of New York Avenue. The subject has good visibility because of its exposure to high traffic volumes along Central Avenue, and its corner location.

Easements & Encroachments

From my physical inspection of the site, there do not appear to be any encroachments on the site. Utility easements are typical and do not appear to have a negative effect on the subject's functional utility or value.

Utilities

All City and public utilities (gas, electric, water/sewer, telephone and cable television) are stemmed on site and connected to the improvements. Utility carrying capacity is assumed adequate for the existing use.

Zoning

The subject property is located in the Huning Castle Development Plan area. The subject is zoned C-2, a Community Commercial Zone which concurs with what is shown in the sector development plan. The C-2 zone allows a wide variety of uses ranging from office to retail including, but not limited to, institution, office, research, day care, clinics, schools, and public utility structures. *Exhibit G* provides a detail of allowable uses within the C-2 zone. Based upon the physical inspection, and according to documentation available through the City of Albuquerque Planning Department, the subject property has been improved in conformance with its zoning classification.

Property Taxes

The subject property is taxed under the authority of Bernalillo County by Uniform Property Code #1-012-058-465-250-40131. It is currently assed to Richard L. Gonzales. The 2007 assessed value of the property is \$322,000, with a taxable value of \$107,322. The 2006 assessed value of the property was \$500,000, with a taxable value of \$166,650; and 2006 real estate taxes in the amount of

\$5,383.16, paid in full, and no delinquencies owing from previous years. The 2005 assessed value was \$600,200, with a taxable value of \$200,047, and a tax amount of \$8,043.04. According to the Bernalillo County Assessor's Office, the mil levy rate is not anticipated to change significantly in the near future. As such, no significant changes in the real estate taxes for short-term assessments are anticipated.

Special Assessments

No special assessments have reportedly been affixed to the property.

On-Site Improvements

On-site improvements include an idle lodging facility with 33 guest units, plus a three-bedroom, one-bath apartment. The motel lobby is part of the apartment. The remainder of the site is improved with asphalt paving and a minimal amount of landscaping. A large swimming pool, which has been closed off to public use for several years due to its condition, is located on the south side of the lobby and apartment area.

IMPROVEMENTS' DESCRIPTION & ANALYSIS

Photographs of the property were presented in the *Preface*. The building improvements are pueblo style in architectural appeal, and are similar in such style in comparison to other older structures within proximate locale. Following is a breakdown of the various unit types:

UNIT SIZE SUMMARY CHART

	#	Size	Sub-Total
One Bed (older units)	11	230 SF	2,530 SF
One Bed (newer units)	9	230 SF	2,070 SF
Two Bed	5	230 SF	1,150 SF
Large Suites Two Bed	2	550 SF	1,100 SF
Large Suites Two Bed	1	756 SF	756 SF
Small Suites Two Bed	3	500 SF	1,500 SF
Small Suites One Bed	<u>2</u>	440 SF	<u>880</u> SF
TOTAL RENTABLE	33		9,986 SF

CONSTRUCTION & BUILDING IMPROVEMENT DETAILS

BUILDING QUALITY/CONDITION:	Fair/Fair
ACTUAL AGE:	71 years (built 1936)
EFFECTIVE AGE:	60 years
REMAINING ECONOMIC LIFE:	0 years (has reached the end of its economic life &, without significant maintenance, will soon reach the end of its physical life)
EXTERIOR WALLS & COVER:	Block with exterior stucco finish
FOUNDATION:	Reinforced concrete
ROOF STRUCTURE & COVER:	Flat roof with tar and gravel finish; rolled felt with tar
INTERIOR WALL & CEILING FINISH:	Plaster; celotex; gypsum board on wood studs, taped & bedded, and painted, plaster finish on dominant walls, some wood panel
INTERIOR FLOOR FINISH:	Low-grade commercial carpeting
PLUMBING:	Assumed built-to-code and thus considered adequate
HEATING/COOLING:	Wall-mounted electrical heating and evaporative cooling units
STRUCTURAL INTEGRITY:	There is evidence that the structural integrity of the buildings has been compromised, including floor and foundation settling due to excessive ground water, & cracks in bearing and non-bearing walls.
DEFERRED MAINTENANCE:	Significant items of deferred maintenance items were noted during property inspection. Numerous items noted that are probably not to code include electrical, gas distribution lines, plumbing, and some lighting. Note that the FF&E has been gutted.

Conclusion

The overall design of the facility is efficient, and the existing improvements conform to their legally permitted uses. Because of the placement of the building improvements on the site, the functional utility of the property is maximized.

AMERICANS WITH DISABILITIES STATEMENT

The concluded market value is based on the extraordinary assumption that the property is not adversely impacted by non-compliance with the Americans with Disabilities Act. Such determination requires investigation by a qualified expert in the field of architecture or engineering. I have not been provided with information from such an expert as to the subject's status with regard to the ADA. The user of this report is cautioned that the value conclusions provided might be hypothetical on the basis of this extraordinary assumption.

ENVIRONMENTAL STATEMENT

During my property inspection, I uncovered no apparent or obvious signs of hazardous materials. Hazardous materials may or may not be present on the site, but I am not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, leaking oil or gas tanks, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in these fields if so desired.

During my inspection with the owner, he informed me that he had a Phase I environmental study done, with no significant findings. He said that he would fax me a copy, but I have not received it to date.

HIGHEST & BEST USE ANALYSIS

Highest and best use is defined as:

"The reasonably probable and legal use of vacant land or an improved property which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."⁵

Alternatively, it is the most profitable likely use to which a property can be developed. An additional implication is that the determination of highest and best use results from the appraisers' judgment and analytical skills, and that the use determined from this analysis represents an opinion, not necessarily a fact to be found. As the site in question is improved, I must analyze the site as though vacant and as improved. The four highest and best use criteria noted in the conceptual definition are discussed as follows:

HIGHEST & BEST USE AS THOUGH VACANT

Legally Permissible

Except for a legally non-conforming property, the first step in determining what is legally permissible is to analyze zoning and building codes, historic district controls, environmental regulations, and private restrictions. I found no historic district controls, environmental regulations, or private

⁵ Ibid., page 135

restrictions, which would have an impact on the use of the property.

The subject property is in the Community Commercial, C-2 Zone, with one lot zoned R-T (residential, including townhouses). The C-2 zone allows a wide variety of uses ranging from office to retail including, but not limited to, institution, office, research, day care, clinics, schools, and public utility structures. Based on the above, a commercial retail, or office use are legally permissible for the subject site. The land uses in the neighborhood consist of office, retail, service, institutional and dwelling uses. The subject's existing use as a motel facility is permissible under this zoning. Considering the foregoing analysis, an office, service, institutional, or motel is a legally permissible use for the subject site. In addition, recognizing the R-T zoning of the rear lot, townhome, or loft development is a permissible, conditional use under C-2 zoning.

Physically Possible

The physical characteristics of a site can affect the uses to which it can be developed. These characteristics can include location, size, shape, topography, easements, utility availability, and surrounding property uses.

The physical characteristics of the site were described previously. If the subject site were vacant, there would be no significant physical limitations to development. Its configuration, topography, drainage, and soil conditions do not appear to present any adverse conditions for development. The site has all utilities available, and adequate utility carrying capacities exist for all

forms of legally permissible development. Access is paved and publicly maintained.

Property uses along Central Avenue are dominated by commercial retail and service grade facilities, with a moderate amount of older style, limited- and full-service hospitality properties. These properties are operational and appear to be financially stable, however, overall, they are somewhat inferior in comparison to new hospitality properties within the City, which dominate Interstates 25 and 40. Such a similar type development at this juncture within this sector of the City would appear unreasonable. However, the construction of the Albuquerque Bio Park, the Rio Grande Zoo, and other planned related tourist facilities in the immediate area would indicate that hospitality facilities could see a resurgence in the immediate area.

This sector of the City has experienced relatively high vacancy levels in recent years in both the office and retail markets. New construction in the City is currently strong in the West Side sector, west of the Rio Grande.

In summary, the legally permissible and physically possible criteria indicate a realistic use alternative "as vacant" of a variety of commercial and residential uses, with a mixed use, say commercial on the Central Avenue frontage, and residential townhomes, or lofts on the rear portion overlooking the Albuquerque Country Club Golf Facility.

Financially Feasible

The uses that are physically possible and legally permissible must be analyzed further to determine those that are likely to produce some income, or return, greater than the combined income needed to satisfy operating expenses, financial expenses, and

capital amortization. All uses that are expected to produce a positive return are regarded as financially feasible. Financially feasible uses must account for the physical and legal constraints already discussed.

Financially feasible uses must account for the physical and legal constraints already discussed. As previously mentioned, the site is considered to be best suited to a commercial use. By analyzing the subject's surrounding property uses, I find that the subject's feasible uses would be dictated by the principle of conformity. This states that a property's value tends to be maximized when it is in reasonable conformance to its surroundings.

The owner-user market remains an economically viable market segment because the feasibility of owner-user investment in real estate is dependent upon business enterprise and not the potential income from the real estate itself. Build-to-suits in the hospitality sector are not common. The hospitality market has been saturated in most recent years, and as such, current development of the site with a hospitality type use is not financially feasible. In analysis of the subject's market area, the highest and best use of the site as though vacant is considered to be a general commercial-grade development on the front, say one-third of the site along the Central Avenue frontage portion, and a loft, or townhome style development on the rear, say two-thirds of the site. The commercial development could be seen as a support use to the Bio Park facility across the street, say a tourist information and curio shop, or something along those lines.

Maximally Productive

Among financially feasible uses, the use that reflects the highest rate of return (or value) constitutes the maximally productive and highest and best use. Based upon the trends and development patterns (lack of, at this juncture) observed within the community, it is my opinion that the highest and best use of the site as vacant is development into a general commercial-grade development on the front, say one-third of the site along the Central Avenue frontage portion, and a loft, or townhome style development on the rear, say two-thirds of the site. The commercial development could be seen as a support use to the Bio Park facility across the street, say a tourist information and curio shop, or something along those lines.

HIGHEST & BEST USE OF SITE AS IMPROVED

The subject's existing improvements represent a legal use under current zoning codes, and are compatible with surrounding property uses. Analyses contained within the valuation portion of this report indicate that the development "as is" has reached the end of its economic life, and no longer contributes value to the site, under its current highest and best use, and that demolition of the improvements to produce a vacant site for an alternative use as stated previously in the "as vacant" analysis, is the Highest and Best Use of the site "as improved".

Also, note that were a historic landmark designation to be placed on the property by the City of Albuquerque, the highest and best use of the site would be restricted to its current use, whether active or inactive, or an alternative use that



Valuation Methodology

Valuation Methodology...

The methodology followed in the valuation process is used to develop a well supported estimate of a specific, defined value, based on the consideration of all relevant data collected by us and/or our research staff. We estimate the value of a property by applying standard appraisal procedures, which are market oriented and represent three distinct mathematical approaches for analyzing data. These methods include the Cost, Sales Comparison, and Income Approaches, which are outlined below. One or more of these approaches are appropriate in all estimations of value. The approaches applicable to a specific appraisal vary with the type of property, the use and purpose of the appraisal, and the quality and quantity of available data.

THE COST APPROACH

The Cost Approach estimates the value of the land (as if vacant) as of the effective date of appraisal by comparing it to similar sites, which have sold, or are currently listed for sale. The reproduction or replacement cost new of the improvements (building and site) is then estimated. Depreciation from all causes is estimated and subtracted from the reproduction or replacement cost. The depreciated value of the improvements (building and site) are added to the previously estimated value of the land, which produces an indication of value via the Cost Approach.

The principle of substitution is basic to the Cost Approach, which is predicated upon the assumption that a prudent investor pays no more for a given property than its cost of replacement, assuming no unusual delays, less any depreciation that has occurred. The Cost Approach is best suited for properties where the improvements are new or fairly new and suffer from little accrued depreciation.

THE SALES COMPARISON APPROACH

The Sales Comparison Approach is also reflective of the principle of substitution. It produces an estimate of value of the property by comparing it with similar properties of the same type and class that have sold recently or are currently offered for sale in the same or competing areas. The process used in determining the comparability between two properties involves judgment concerning their similarities with respect to many factors such as location, construction, utility, age and condition. Adjustments are made for differences, and the value range as indicated by the comparable sales is then correlated into a final indicated value for the subject via this approach. Additionally, income multipliers extracted from comparable sales can be utilized to provide a further valuation technique. The values derived from these two methods are then reconciled into a specific value conclusion or range of values.

The Income Approach

The Income Approach is a technique whereby the anticipated future net operating income is capitalized into an indication of value. Within this approach, the potential gross income is forecast and decreased by a vacancy and collection loss factor to arrive at the effective gross income. Further subtraction of operating expenses is performed to arrive at the net operating income. The projected net operating income stream is then capitalized into an indication of value by using direct capitalization rates extracted from sales of comparable properties or other market data, and/or by initiating other capitalization techniques when applicable (for example Discounted Cash Flow analysis).

Reconciliation & Final Estimate of Value

The reconciliation or correlation of value is the final step of the appraisal process which considers the relative applicability of each of the three approaches utilized, examine the range between the value indications, and places major emphasis on one or more approaches which appear to produce the most reliable and most applicable solution to the appraisal problem. Once all the approaches have been completely analyzed, a final value or range of values is concluded.

Applicable Approaches

For this assignment I will analyze and apply only the Sales Comparison Approach to value as described herein for the "As Is" value analysis. *Note that the Cost Approach is not utilized due to the age and historical status of the improvements, which make the use of the Cost Approach inappropriate. This statement is supported by the following quote taken from the "Appraisal of Real*

Estate", 14th edition, pages 354 & 355, which states "the cost approach is most applicable when valuing new or proposed construction.....the difficulty of estimating depreciation in older properties may diminish the reliability of the cost approach in that context".

Also, the Income Approach was not utilized for this assignment since the facility is appraised "as is" as an inoperative facility incapable of producing income.

For the going-concern analysis, I will analyze and apply only the Income Approach to value as described herein. The going-concern analysis will test the feasibility of spending the City's projected repair and renovation costs, estimated at \$964,706.

Sales Comparison Approach

Sales Comparison Approach...

Within the Sales Comparison Approach, market value is estimated by comparing the subject property to similar properties that have recently sold, are currently listed, or for which offers to purchase have been made. A major premise of the Sales Comparison Approach is that the market value of a property is directly related to the prices of comparable, competitive properties. This approach is most useful when a number of similar properties have sold or are currently listed for sale in the competing market. Using this approach, an appraiser produces an indication of value by comparing the subject property to similar properties called comparable sales. The sale prices of the comparable sales tend to set a range in which the value indication for the subject property falls. The appraiser considers and compares all differences between the comparable properties and the subject property that could affect their values. Adjustments for differences are made to the price of each comparable property to make the comparables equal to the subject property as of the date of the appraisal. Elements of comparison are the characteristics of properties and transactions that cause the prices paid for real estate to vary.

Common elements of comparison that should be considered in the Sales Comparison Approach include:

- real property rights conveyed;
- financing terms;
- conditions of sale;
- market conditions (date of sale);
- location;
- physical characteristics; and,
- income characteristics.

Furthermore, sales comparison analysis may be used in conjunction with the Income Approach as well as to value land in the cost approach. Capitalization rates and factors extracted from market analysis of comparable properties may be applied to the income projection for the subject property to derive an indication of value by the Income Approach.



SALES COMPARISON ANALYSIS

SITE VALUE ANALYSIS

The following sales comparison analysis relative to site value is presented in order to estimate the value of the site under , both as a mixed-use site (commercial and residential), and as a single use site (commercial). An in-depth search was conducted for vacant site sales, which exhibit similar zoning and end-use characteristics to the subject. Following is a detailed summary identifying those sales determined to be most comparable for my analysis. *Figure 2* presents a map identifying the location of the comparables in relation to the subject, while full details are presented in *Exhibit I*.

SUMMARY OF SITE SALES

	SUBJECT	Sale #1	Sale #2	Sale #3	Sale #4	Sale #5	Sale #6
Location	SEC Central/ New York SW	NWC Central & Yucca. NW	S/s/o Mountain E/o 12 th St. NW	1720 Central SW (S/s/o Central W/o Laguna)	1700 Central SW (S/s/o Central W/o Laguna)	S/s/o Central E/o San Pasquale SW	NEC Silver & 9th SW
Date	-	4/11/06	11/23/05	1/27/05	1/27/05	12/29/04	3/1/04
Terms	-	Cash	Cash	Cash	Cash	Cash	Cash
Site Area	54,670 SF	11,500 SF	8,530 SF	69,931 SF	59,128 SF	42,384 SF	28,428 SF
Zoning	C-2 & R-T	C-2	SU-2 NC	SU-2 CLD	SU-2 CLD	SU-2 CLD	SU-3
Zone Atlas	C-2 & R-T	K-11	J-13	J-13	J-13	J-13	K-13
Site Position	Corner	Minor Corner	Interior	Interior	Interior	Interior	Corner
Shape	Irregular	Rectangular	Mstly Rectangular	Slightly irregular	Slightly irregular	"L" Shaped	Rectangle
End Use	El Vado Motel	Speculative	Live/work Townhomes	Live/work Townhomes	Live/work Townhomes	Live/work Townhomes & small Commercial	Silver Lofts Phase 2
Price/SF	-	\$8.70	\$7.03	\$7.08	\$7.02	\$10.03	\$10.00
Comparability to Subject		Inferior in Location	Inferior in Location	Inferior in Location	Inferior in Location	Similar in Location	Similar in Location

ANALYSIS OF SALES

In order to estimate the market value of the subject site, possible adjustments to the comparables must be considered.

Real Property Rights Conveyed

Property rights transferred by the comparable transactions were all fee simple interests with no adjustments warranted.

Financing Terms

All of the sales were sold for cash. Therefore, no adjustments for financing are necessary.

Conditions of Sale

All of the sales were reported to be arm's-length transactions with no distress conditions evident; thus, no adjustments will be made for conditions of sale.

Market Conditions (Time of Sale)

No market condition adjustments are applicable to Sales 1 thru 4; however, the two older sales, 5 & 6 will both be adjusted upwards; 5% for Sale 5, and 10% for Sale 6, for passage of time.

Physical Characteristics

Topography, drainage, configuration, utility availability, easements, and size are primary

components in analysis of physical characteristics of the sites as they compare to the subject. With the exception of site size, all other physical components are mostly similar in comparison to the subject.

Site size typically influences value due to the "economies of scale" whereby smaller sites typically command higher values per square foot than larger sites. Based on the following array of sales based on size and unit price per square foot, an adjustment for size is not deemed warranted.

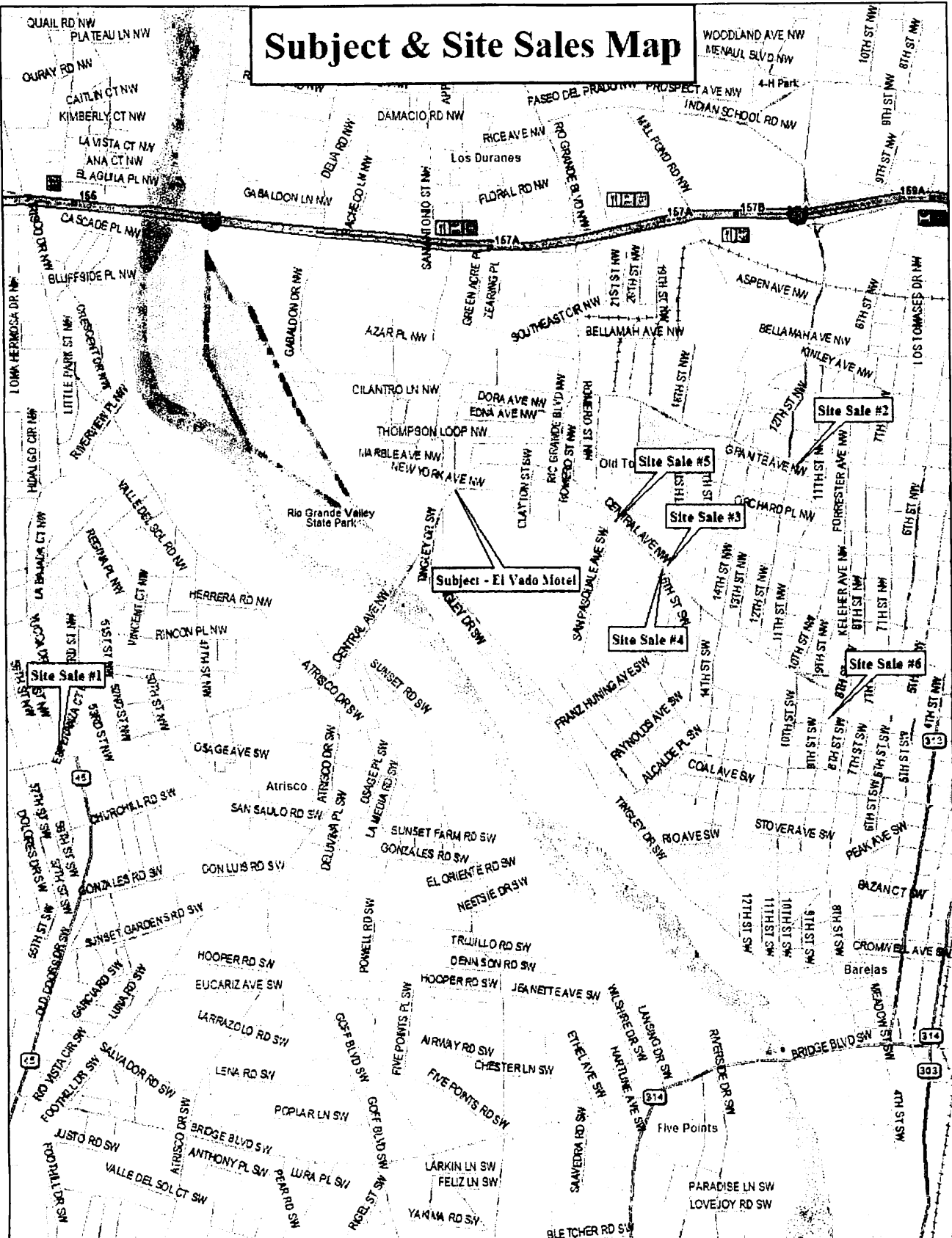
An analysis of the sales; however, does not indicate that price variances are due to differences in size.

Locational Characteristics

Arterial linkage, access, frontage, traffic volume, and surrounding developments are primary components in analysis of locational characteristics of the sites as they compare to the subject. Sales 1, 2, 3, & 4 are deemed to be inferior in location to the subject site due to immediate surrounding property influences. Sales 5, & 6 are deemed to be similar in immediate locational influences. An adjustment for Sales 1 thru 4 is based on the average sales price of Sales 1 thru 4, or \$7.46/SF, paired with the average sales price of Sales 5, & 6, or \$10.02/SF. From this pairing, the upward adjustment factor to be applied to Sales 1 thru 4 for locational variances is 35%.

➤ Figure 2
Location Map of
Site Sales

Subject & Site Sales Map

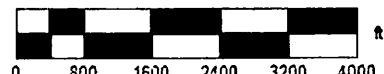


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Final Market Data Adjustment Grid

Following is the final market data grid based on foregoing analyses and adjustments noted:

FINAL MARKET DATA ADJUSTMENT GRID

	Sale #1	Sale #2	Sale #3	Sale #4	Sale #5	Sale #6
Price/SF	\$8.70	\$7.03	\$7.08	\$7.02	\$10.03	\$10.00
Property Rights	-	-	-	-	-	-
Financing	-	-	-	-	-	-
Conditions of Sale	-	-	-	-	-	-
Market Conditions	-	-	-	-	+5% +0.50	+10% +1.00
Physical Characteristics	-	-	-	-	-	-
Locational Characteristics	+35% +3.05	+35% +2.46	+35% +2.48	+35% +2.46	-	-
Final Adjusted Price/SF	\$11.75	\$9.49	\$9.56	\$9.48	\$10.53	\$11.00

ESTIMATED SITE VALUE

After adjustments, the sales present a range of values from \$9.48 to \$11.75 per square foot, with a mean and median of \$10.30 & \$10.05 per square foot. Considering all physical and locational characteristics of the subject site, I estimate a value of \$10.50 per square foot is reasonable for the site as a commercial use West-Central Avenue location. Following is the estimated value of the subject site based on the preceding analysis:

ESTIMATED SITE VALUE – ENTIRE SITE COMMERCIAL

54,670 SF x \$10.50/SF =\$574,035
Rounded To\$574,000

Estimate of Total Site Value (commercial use only) \$574,000

Less Cost of Demolition - \$50,000®

Final Estimate of Total Site Value (commercial use only) \$524,000

As stated previously, the highest and best use of the site (assuming a conditional use for residential development has been granted) would best reflect a mixed use, say commercial on the front one-third of the site (18,223 SF) to serve as a Central Avenue buffer zone, and a residential use on the rear two thirds of the site (36,447 SF) in order to maximize the value of the site (note that the site is considered a prime location for high-end housing such as lofts, or townhomes due to the extensive frontage on, and proximity of the site to the prestigious Albuquerque Country Club Golf Course.

Noting that the value of the site as a conditional residential use under C-2, would be the same as the commercial use value of \$10.00/SF (same sales apply - assuming no influence from the Albuquerque Country Club Golf Course); the adjustment to the commercial use value of the site (\$10.00/SF) is based on an analysis of view and restricted-view lots within three residential developments on the City's Westside & in Bernalillo, namely Andalucia @ La Luz, Oxbow North, and Estancias @ Santiago. The average price variance for view versus non, or restricted-view lots within these three developments is 75% for Andalucia @ La Luz, 90% for Oxbow North, and 100% for Estancias @ Santiago.

From this data, a price variance of 75% is believed to be reasonable to apply to the subject residential rear land. Thus, the value of this segment of the

subject site would be \$18.50@ (\$10.50/SF, plus a price variance of 75%).

Thus, the following values would apply to the subject site as a mixed-use property.

**ESTIMATED SITE VALUE – COMMERCIAL
FRONTAGE PORTION**

18,223 SF x \$10.50/SF =	\$191,342
Rounded to	\$191,000

**ESTIMATED SITE VALUE – REAR RESIDENTIAL
PORTION**

36,447 SF x \$18.50/SF =	\$674,270
Rounded to	\$674,000

**Estimate of Total Site Value (mixed
use)**

\$865,000

Less Cost of Demolition - \$50,000@

**Final Estimate of Total Site
Value (mixed use)**

\$815,000

IMPROVED SALES ANALYSIS

An in-depth search was conducted for older, inactive hospitality property sales along Central Avenue that represented the sale of real estate only, and not a going-concern. Typical investors in hospitality properties do not generally rely on a "price per unit" indicator of value, but rather rely on a value as determined by the income stream. However, because of the inoperative state, and physical condition of the subject facility, the Income Approach is not an applicable approach for valuation of this property, leaving the Sales

Comparison Approach as the only applicable approach.

Thus, I will use the price per unit as the base unit of comparison in the analysis to follow. The following summary identifies sales of older, inactive hospitality properties that sold as fee simple interests. **Figure 3** presents a location map of each sale in relation to the subject, while a complete delineation of each are presented in **Exhibit J**.

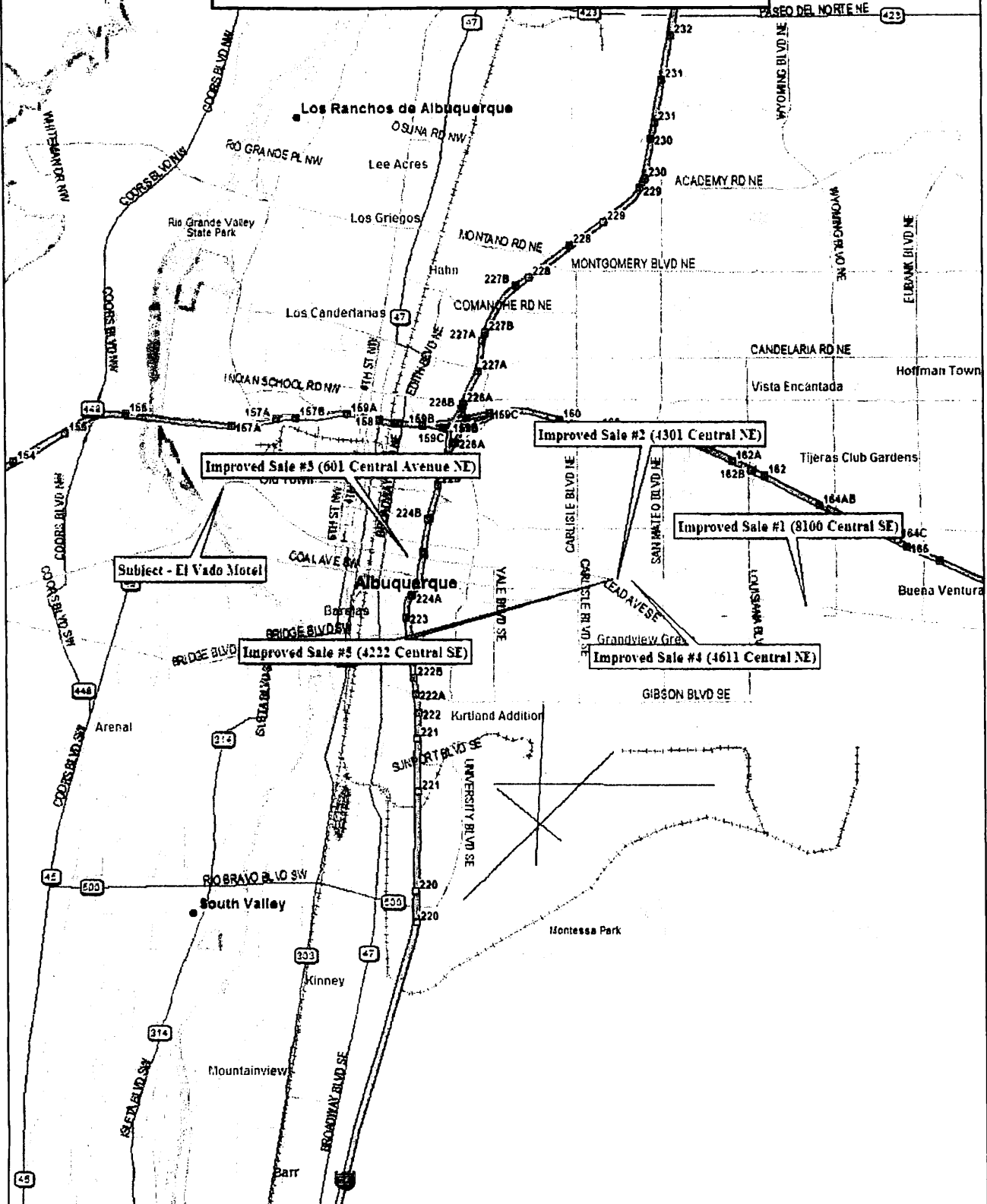
SUMMARY OF HOSPITALITY SALES

#	Name	# Units	Sale Date	Sale Price	\$/Unit	\$/SF	Status
	Subject Property El Vado Motel 2,500 Central Avenue SW	33					
#1	Route 66 Inn Motel 8100 Central Avenue SE	54	5/12/05	\$568,000	\$10,519	\$22.76	Building Razed
#2	De Anza Motel 4301 Central Avenue NE	85	7/22/03	\$891,000	\$10,482		Vacant (landmark property)
#3	Gas Light Motel 601 Central Avenue NE	44	10/17/02	\$540,000	\$12,273	\$33.75	Building Razed
#4	Zia Motor Lodge 4611 Central Avenue NE	29	8/1/01	\$330,000	\$11,379	\$28.53	Building Razed
#5	No Name 4222 Central Avenue SE	11	2/15/01	\$120,000	\$10,909	\$33.57	Vacant

*Refer to **Figure 4** in forthcoming Income Approach
 EGRM Effective Gross Revenue Multiplier (All Revenues)
 OER Operating Expense Ratio
 R_o Overall Capitalization Rate

➤ Figure 3 ◀
Location Map of
Improved Sales

Subject & Improved Sales Map

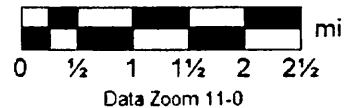


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ANALYSIS OF SALES

Real Property Rights Conveyed

All of the sales transferred fee simple estates. In-house data indicates that there is no price difference within this older sub-market between leased fee transfers and fee simple transfers. As such, no adjustment will be applied for real property rights conveyed.

Financing Terms

All of the sales were cash or cash-equivalent transactions, thus, no adjustments for financing terms are warranted.

Conditions of Sale

All of the sales were reported to be arm's-length transactions with no distress conditions evident. As such, no adjustments will be applied under this category.

Market Conditions (Time of Sale)

With a relatively tight time frame represented by the comparable sales (late 2003 to late 2005), there is no discernible evidence from the comparables analyzed that would indicate a market conditions adjustment is warranted.

Locational Characteristics

Location refers to arterial linkage, access, frontage, traffic volume, and surrounding developments. All of the sales are located within the Carlisle / San Mateo office corridor, except for Sale 3, which is within Ashcraft center at Pennsylvania and Mountain Road Place. This area is deemed similar to the subject area in age, condition, and quality of improvements. As such, no location adjustments will be made.

Physical Characteristics

Physical traits encompass construction quality, age/condition, building size, office percentage, and FARs. All of the sales exhibit size, quality, and condition characteristics within relatively tight parameters similar to the subject. FARs do vary somewhat, with the subject and Sale 3 indicating condo status; however, in-house data does not indicate a price variance for this element of comparison within this older office sub-market. Variances exist relative to effective ages. An adjustment for this variance is based on a 50-year typical life, or a 2% per year depreciation factor, which will be used as the adjustment applied to the variances in effective ages.

Adjustment Grid

	Subject	Sale #1	Sale #2	Sale #3	Sale #4	Sale #5
Address	El Vado – 2500 Central SW	Route 66 Motel – 8100 Central SE	De Anza Motel – 4301 Central NE	Gas Light Motel – 601 Central NE	Zia Motel Lodge – 4611 Central NE	No Name Motel – 4222 Central SE
Sale Date	N/A	5/12/05	7/22/03	10/17/02	8/1/01	2/15/01
Sale Price	N/A	\$568,000	\$891,000	\$540,000	\$330,000	\$120,000
Prop Rights	Fee simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Facility Status	Inactive	Razed	Inactive Landmark	Razed	Razed	Inactive
Gross Building Area	11,055 SF	24,958 SF	89,597 SF	16,000 SF	11,566 SF	3,575 SF
Quality	Fair	Fair-Average	Average	Fair-Average	Fair-Average	Average
Condition	Fair	Poor	Average	Poor	Fair-Average	Average
Effective Age	60 yrs	40+ yrs	40+ yrs	40+ yrs	40+ yrs	40+ yrs
R. Rate	N/A	N/Av	N/Av	N/Av	N/Av	N/Av
Price/GSF	N/A	\$22.76	N/Av	\$33.75	\$28.53	\$33.57
Price/Unit	N/A	\$10,519	\$10,482	\$12,273	\$11,379	\$10,909
Adjustments						
Property Rights	-	-	-	-	-	-
Financing	-	-	-	-	-	-
Conditions of Sale	-	-	-	-	-	-
Market Conditions	-	-	-	-	-	-
Locational Characteristics	-	-	-	-	-	-
Physical Characteristics						
Size	-	-	-	-	-	-
Quality	-	-	-	-	-	-
Condition	-	-	-	-	-	-
Age (2%/Yr.)	-	-	-	-	-	-
Net % Adjustment	-	-	-	-	-	-
\$ Adjustment	-	-	-	-	-	-
Final Adjusted Price/Unit	-	\$10,519	\$10,482	\$12,273	\$11,379	\$10,909
Final Adjusted Price/SF	-	\$22.76	N/Av	\$33.75	\$28.53	\$33.57

*Projected in forthcoming Income Approach

OER: Operating expense ratio

EGIM: Effective Gross Income Multiplier

R_c: Overall capitalization rate

Price Per Square Foot Method of Analysis

After necessary adjustments (previously discussed), the sales analyzed present values ranging from \$22.76 to \$33.75 per square foot, with a mean of \$29.64 per square foot, and a median of \$31.05 per square foot; and \$10,482 to \$12,273 per unit, with a mean of \$11,100 per unit, and a median of \$10,909 per unit. Considering the locational and physical characteristics of the subject, I estimate that a value of \$29.50 per square foot, or \$11,100 per unit is reasonable for the facility “as is”. Following are the summary values based on these unit values by this method

VALUE ESTIMATE

Based on a value of \$29.50/SF, a value of \$326,123 is indicated (11,055 SF times \$29.50/SF). Based on a value of \$11,100/Unit, a value of \$316,350 is indicated (28.5 units [based on the average size of the comparable units] times \$11,500/Unit). From within these parameters, a value of \$322,000 is concluded for the subject facility “as is”.

Sales Comparison Approach
"As Is" Real Estate Value Estimate
\$322,000

Income Approach

Income Approach

Income-Producing real estate is typically purchased as an investment, and from the investor's point of view, earning potential is the critical element affecting property value.

The Income Approach consists of methods, techniques, and mathematical procedures that an appraiser can use when analyzing a property's potential to generate monetary benefits and when converting the benefits into an indication of present value. Value is created by the expectation of benefits to be derived in the future, and value may be defined as the present worth of all rights to future benefits. All income capitalization methods, techniques, and procedures represent attempts to quantify expected future benefits.



The Income Approach considers the rent potential of the subject property under market conditions, less stabilized vacancy and collection losses, less anticipated owner's expenses. Once the net operating income is forecasted, an overall capitalization rate must be determined which can be used to convert the net operating income into

an estimate of value. This method is known as direct capitalization.

If appropriate to the appraisal problem, a discounted cash flow model (DCF) can be developed which will incorporate the

affect of anticipated lease rate and expense changes over the life of any existing leases, as well as the reversionary value of the property at the termination of a projected holding period. While direct capitalization converts a single year's net operating income into a present value estimate through the application of an overall capitalization rate, a discounted cash flow analysis estimates the present value of a series of future income streams through a discounting process.

INCOME ANALYSIS

The income analysis for hospitality properties is somewhat different from the traditional Income Approach to value. The income streams generated in a hospitality facility reflect an integration of real estate, furniture, fixtures and equipment (FF&E), and business value (goodwill). The income is achieved by renting furnished rooms, and charging for related lodging services. To produce income requires a large staff of employees, proper licensing, and often times, national franchise recognition. Income and expenses are therefore attributable to all aspects of operating a hospitality facility. This approach considers the economic income potential of the property minus anticipated vacancies and owner's expenses. On a hospitality property, several expense categories must be considered. The majority of hospitality operators are reluctant to discuss this information with

outsiders. As such, industry publications are utilized for supplementary data in establishing industry norms; i.e., Pannell Kerr Forster (PKF) Consulting Services. PKF is a nationally recognized hospitality consulting firm, which provides statistical operating, and financial data on hospitality properties throughout the country.

The following summary presents data obtained from the most competitive hospitality facilities located within close proximity to the subject. **Figure 4** identifies the location of each in relation to the subject, while photographs of each are presented in **Exhibit K**.

NOTE: Expenses not included in this analysis include: bank charges, structural depreciation, depreciation on furniture, fixtures and equipment, and interest expense.

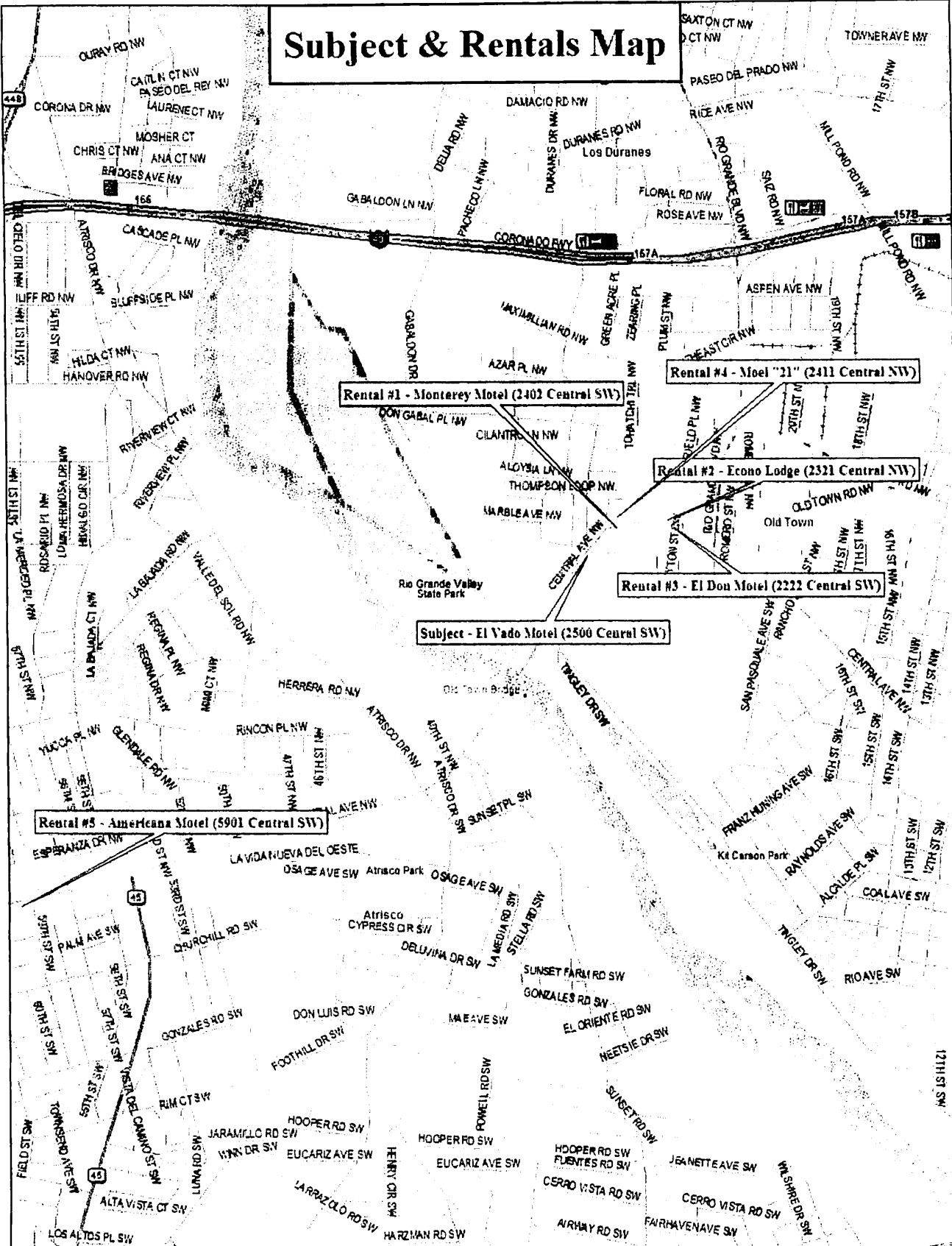
RENT COMPARABLES ANALYSES – EL VADO MOTEL, ALBUQUERQUE, NM

#	Name	# Rms	Amenities	Rack Rates	REVPARs
	<i>El Vado Motel</i> <i>2500 Central Avenue SW</i>	33	C,O,P	\$35.00 to \$55.00 <i>forecast after renovations</i>	<i>Historical ('94-'00)</i> <i>\$10.00 to \$12.50</i> <i>Most Recent ('03-</i> <i>\$5.66) ('04-\$6.34) &</i> <i>('05-\$8.12)</i> <i>\$13.00 forecast after</i> <i>renovations,</i> <i>stabilizing to \$15.00</i> <i>by Year 3</i>
#1	Monterey Motel 2402 Central SW	15	C,O,J	\$50.00 to \$65.00	2006: \$27.57
#2	Econo Lodge 2321 Central NW	44	C,O,J	\$50.00 to \$65.00	2006: \$19.37
#3	El Don Motel 2222 Central SW	20	P	\$30.00 to \$35.00	2006: \$6.23
#4	Motel "21" 2411 Central NW	36	P	\$25.00	2006: *\$2.70
#5	Americana Motel 5908 Central SW	17	P	\$35.00 to \$55.00	2006: \$10.72

Key C Continental Breakfast
I / O Indoor / Outdoor Pool
J Jacuzzi/Spa
P Accepts Pets
R Restaurant/Lounge
* Suspect

➤ Figure 4 ◀
Location Map of
Rent Comparables

Subject & Rentals Map



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Data Zoom 13-3

Projection of RevPar

The subject's pro-forma forecast rack rates (after repairs and renovations are complete) of \$35.00 to \$55.00 (nightly asking rates) are well-bracketed by the competitive properties.

From analysis of the information provided, and information presented herein, it is my opinion that a RevPar of \$14.00, with a 40% occupancy rate, would be reasonable to forecast for the subject property immediately after completion of renovations and repairs, stabilizing to just over \$18.00 by the 3rd year of operation.

Discounted Cash Flow Projection Period

Typical holding periods for commercial/hospitality properties range from 3 to 10 years. For valuation analysis, we will use a 5-year holding period, with a reversion, or sale of the property anticipated to occur at the beginning of Year 6.

REVENUE & EXPENSE ANALYSIS

Figure 5 presents the ratios to total revenues based on industry standards provided by Pannell Kerr Forster (PKF), as well as the projections for the subject property. Because the revenue and expense analysis for the subject property is supported by industry standards, following is a description of terms as they pertain to the particular accounting system utilized by Pannell Kerr Forster (PKF).

Limited-Service Hotel (Descriptive of Subject Property) - A hotel that provides only some of the facilities and amenities of a full-service property. Does not offer restaurant, lounge, or banquet service.

Rate Per Occupied Room - Total guest room revenue for a given period divided by the total

number of paid occupied rooms during the same period.

Percentage of Occupancy - The percentage of available rooms occupied for a given period. It is computed by dividing the number of paid and non-paid rooms occupied for a period by the number of rooms available for the same period.

Revenues

Rooms - Revenue from the rental of sleeping rooms and from charges for dishonored guaranteed reservations. Does not include any sales or lodging taxes.

Telecommunications - Charges for local and long-distance telephone calls and for faxes sent or received by guests. Also included are revenue or commissions received from public pay telephones.

Other Operated Departments - Revenues from departments operated by the hotel such as guest laundry and valet, gift shop/newsstand, recreational facilities, and garage/parking operations.

Rentals & Other Income - Revenues from the rental of stores and other space in the hotel for activities not operated by the hotel. Also includes income from interest, cash discounts, and commissions.

➤ Figure 5 ◀
Pannell Kerr Forster
Ratios to Total Revenues
&
Subject Projections

PKF Ratios to Total Revenues and Subject Projections

Appraisal File #A07428

Limited-Service Hotel - 2006

Ratios to Total Revenues

	All Limited- Service Hotels (%)	Average for Top 25% ¹ (%)	Mountain and Pacific (%)	Under 75 Rooms (%)	Under \$50 (%)	SUBJECT
Revenues:						
Rooms	97.1	97.1	96.4	95.1	96.4	96.5%
Telecommunications	0.4	0.4	0.4	0.3	0.3	0.3%
Other Operated Departments	1.5	1.7	1.9	2.2	0.7	0.7%
Rentals and Other Income	1.1	0.9	1.4	1.0	2.5	2.5%
Total Revenues	100.0	100.0	100.0	100.0	100.0	100.0%
Departmental Costs and Expenses:						
Rooms	24.6	21.4	26.1	27.8	28.0	12.1%
Telecommunications	0.8	0.6	0.8	1.1	1.2	1.2%
Other Operated Departments	0.6	0.7	0.7	1.9	0.3	0.7%
Total Costs and Expenses	26.1	22.7	27.7	30.8	29.5	14.0%
Total Operated Departmental Income	73.9	77.3	72.3	69.3	70.5	86.0%
Undistributed Operating Expenses:²						
Administrative and General	9.3	8.1	9.5	11.4	11.4	9.0%
Franchise Fees - Including Marketing Fees	5.7	5.6	5.0	4.5	4.1	0.0%
Marketing	2.8	2.7	2.4	5.2	3.0	3.0%
Property Operation and Maintenance	5.5	4.6	5.6	7.0	8.4	8.0%
Utility Costs	5.0	4.3	4.7	5.3	6.2	10.0%
Other Unallocated Operated Departments	-	-	-	-	-	-
Total Undistributed Expenses	28.2	25.3	27.1	33.5	33.1	30.0%
Income before Fixed Charges	45.7	52.0	45.2	35.8	37.4	56.0%
Management Fees, Property Taxes, and Insurance:²						
Management Fees	3.3	3.4	3.3	4.4	3.8	3.5%
Property Taxes and Other Municipal Charges	4.3	3.9	4.0	3.7	3.8	4.0%
Insurance	1.5	1.2	1.6	1.9	2.2	3.0%
Total Management Fees, Property Taxes, and Insurance	9.2	8.5	9.0	10.0	9.8	10.5%
Income before Other Fixed Charges¹	36.5	43.5	36.2	25.8	27.6	45.5%

Note: Payroll Taxes & Employee Benefits distributed to each department

Departmental Costs & Expenses

Rooms - Includes salaries, wages, and benefits for front desk personnel, reservations staff, housekeeping and laundry workers, bell staff, and concierge personnel. In addition, room department expenses include linen, guest supplies, reservations expenses, and commissions to travel agents.

Telecommunications - Payments to providers of telephone services and maintenance, but does not include costs for telephone equipment rental. Also included in this category are salaries and wages, payroll taxes and employee benefits, together with other expenses directly related to this activity.

Other Operated Departments - This category accounts for miscellaneous expenses.

Based on comparing the subject's ratios to those presented by PKF, the bottom-line total Departmental Costs and Expenses for the subject property are projected at 14.0% of effective gross revenues, as compared to a range from 22.7% to 30.8% by PKF. The subject's ratio is below PKF parameters for similar properties (especially noted in projected room expenses); however, it should be noted that the subject is somewhat different from typical PKF samplings. The subject, although classed as a "limited service property" is a very old historical property, and certain expenses are unique to the property. The forecast expenses in this, and all categories to follow take into account historical operating expenses maintained in-house from previous valuations of the property.

Undistributed Operating Expenses

Administrative & General - Expenditures for the operation of the general manager's office, the accounting department, human resources, security, data processing, and other similar activities. Examples of expenditures include salaries, wages, payroll taxes and employee benefits, legal and accounting fees, credit card

commissions, collection expenses, bad debts, computer expenses, office supplies, postage, etc.

Franchise Fees (Including Marketing Fees)

- All fees paid to franchisers except those for reservation services and/or systems.

Marketing - Expenditures to sell and promote the hotel's services and enhance its image to the general public. These include salaries, wages, payroll taxes and employee benefits, media advertising, agency fees, outdoor advertising, trade shows, and community projects.

Property Operation & Maintenance - Payments for salaries, wages, payroll taxes and employee benefits, tools and supplies to maintain the buildings, grounds, furniture and equipment of the hotel. Not included are major capital expenditures.

Utility Costs - Costs for electricity, gas and other fuels, steam, water, and sewer.

Other Unallocated Departments - Salaries, wages, employee benefits and other expenses applicable to non-revenue producing operations are charged to this category. Such operations might include, house laundry, print shop, etc.

Based on comparing the subject's ratios to those presented by PKF, the bottom-line total Undistributed Expenses for the subject property are projected at 30.0% of effective gross revenues, as compared to a range from 25.3% to 33.5% by PKF, well within the range. Relative to annual recurring franchise costs...Franchise acquisition and recurring fees are not applicable to the subject property. Due to its historical nature and functional design, it is not suited for any of the typical franchise facilities.

Fixed Charges

Management Fees - Fees paid for management services and supervision of the property. Includes both base and incentive fees.

Property Taxes & Other Municipal Charges - Includes real estate taxes, personal property taxes, business and occupational taxes, and all other taxes except payroll and income taxes.

Insurance - Includes premiums paid for insuring buildings and contents, liability, fidelity, and theft coverage. Premiums for workers' compensation insurance are not included in this category.

Based on comparing the subject's ratios to those presented by PKF, the bottom-line total Fixed Expenses for the subject property are projected at 10.5% of effective gross revenues, as compared to a range from 8.5% to 10.0% by PKF. The slightly higher ratio projected for the subject property is due to comparison, and reconciliation with historical expense information maintained in house.

Reserves for Replacements

Reserves for replacements include furnishings, fixtures and equipment which service the everyday needs of clientele and operation of the business enterprise. Industry experts state that lenders are currently requiring 3% to 4% of total effective revenues, with older properties typically requiring 4%. *This category is not typically included in reporting of net operating incomes of comparable sales.* Because of this, the overall capitalization rates must be applied to the net operating incomes prior to deduction for reserves. If reserves were to be accounted for in the expense stream, the overall capitalization rates utilized herein would be lower than reported. Note that the subject's FF&E was totally gutted, and complete replacement is now necessary.

ESTIMATE OF FF&E COSTS

Recent costs obtained from confidential sources for this category of limited-service facilities have ranged from \$3,000 to \$16,300 per room. Based on the subject's construction quality and class, the FF&E costs should be somewhere closer to the lower-end of the scale; however, since the FF&E was also gutted from the lobby and reception area, a replacement cost figure of \$4,000 per room is deemed reasonable.

COST NEW OF FF&E

33 Rooms x \$4,000/Room =	\$132,000
---------------------------------	-----------

Since the FF&E is new, depreciation is not a factor to contend with, and will not be addressed further.

NOTE: No responsibility is assumed for the actual valuation of the furniture, fixtures and equipment. We suggest a knowledgeable furniture, fixtures and equipment appraiser be retained for a more accurate, detailed accounting of value.

NET OPERATING INCOME

The Net Operating Income Pro-Forma is presented as **Figure 6**. The subject's projection of net operating income totals 45.5% of effective gross revenues, which is at the high-end of the parameters presented by PKF, which range from 25.8% to 43.5%. Again, this is due to recognition of past actual expense information on the subject. Thus, based on analysis herein, the net operating ratio to total revenues is deemed supported.

OVERALL CAPITALIZATION RATE ANALYSIS

Capitalization rates for hospitality properties are typically market driven, and reflect the appetites of mortgage investors as well as supply and demand factors affecting equity yield. An overall

capitalization rate (R_o) represents the relationship between net operating income and price. It is also used to convert net operating income into an indication of property value. I have therefore relied on traditional methods for determining the appropriate capitalization rate; i.e., 1) "Market Extraction", 2) "Debt Coverage Ratio", and 3) "Band of Investment - Mortgage/Equity Component" methods. The three methods employed in this analysis are all market oriented.

Market Extraction Method

Available overall capitalization rates from the sales analyzed within the Sales Comparison Approach section presented only one indication. That was 10.47%.

Band of Investment-Mortgage/Equity Component Method

Because real estate frequently is purchased with a combination of debt financing and equity capital, the return on investment component of the overall capitalization rate must satisfy the market return requirements of each investment position. Both lenders and equity investors anticipate receiving competitive interest rates commensurate with their perceived risks.

The mortgage constant is the capitalization rate for debt, and it is the ratio of the annual debt service to the principal amount of the mortgage loan. The equity investor seeks a rate of return on their capital investment and an eventual return of the amount invested. The rate used to capitalize equity income is referred to as the equity dividend rate. This is the ratio of equity dividend to the amount of equity. The overall rate must satisfy

both the mortgage constant requirements of the lender and the equity dividend requirements of the equity investor. This rate is thereby a composite rate weighted by the proportion of the total property investment represented by the debt and the equity.

According to conversations with area lenders, typical interest rates would range from 7.5% to 8.5%; loan to value ratios range from 70% to 75%; amortization schedules are in the range of 15 to 20 years, with five- to ten-year calls; and, debt coverage ratios ranging from 1.30 to 1.50. Equity dividend rates have trended upwards since the Tax Reform Act of 1986, as reduced tax benefits and loss of capital gains have caused investors to place more emphasis on cash flows.

The real estate market must compete with other financial markets to attract capital, including bonds, treasury bills, certificates of deposit, and the stock market. The overall rate must provide for a return "on" as well as return "of" the investment. The return "on" the investment must include a compensating factor for the risk involved. Bond yields are often used as a benchmark for interest rates on real estate investments. Following are the most recently provided comparative yields as they compare to the same period one-year prior¹:

¹ Appraisal Institute On-Line, Economic Indicators (Most recent)

BOND YIELDS

Investment	June 2007	June 2006
5-Year Bonds	5.03	5.07
10-Year Bonds	5.10	5.11
30 Year Bonds	5.20	5.15
Corporate Bonds (Aaa)	5.79	5.89
Corporate Bonds (A)	6.33	6.39
Corporate Bonds (Baa)	6.70	6.78

Besides the length of the investment, *risk* is a prime determinant of desired equity dividend rates. Given the risks associated within the subject's market sector, investors and developers indicate higher rates of roughly 10% to 15% are required in attracting capital. Thus, an equity dividend rate of 15% is considered appropriate for this analysis when considering additional *risk* associated with the subject property. With most emphasis placed on typical market interest rates obtainable in Albuquerque, the following criteria will be utilized in my analysis:

CRITERIA FOR RO ANALYSIS

Interest Rates	7.5% to 8.5%
Amortization Period	20 Years
Loan to Value Ratio	70%
Equity Dividend Rate	15%

Applying the preceding criteria indicates the following range of overall rates by the Band of Investment Method:

RO BY BAND OF INVESTMENT

Interest Rate	7.5%	Rates
Mortgage Component	0.70 x 0.0967	0.0677
Equity Component	0.30 x 0.1500	0.0450
R₀		0.1127
Interest Rate	8.5%	
Mortgage Component	0.70 x 0.1041	0.0729
Equity Component	0.30 x 0.1500	0.0450
R₀		0.1179

[Range from 11.27% to 11.79%]

➤ Figure 6 ◀
Net Operating Income
Pro-Forma

# Rooms	33	
Available Rooms	12,045	Ratios
Revenue per Available Room (REVPAR)	\$16.09	to Total Revenues
Effective Room Revenues	\$193,804	100.0%
Telecommunications		
Other Operated Departments		0.0%
Total Effective Revenues	\$193,804	100.0%
Departmental Costs & Expenses		
Rooms	(\$23,450)	-12.1%
Telecommunications	(\$2,326)	-1.2%
Other Operated Departments	(\$1,357)	-0.7%
Sub-Total	(\$27,133)	-14.0%
Undistributed Operating Expenses		
Administrative & General	(\$17,442)	-9.0%
Franchise Fees-including Marketing Fees	\$0	0.0%
Marketing	(\$5,814)	-3.0%
Property Operation & Maintenance	(\$15,504)	-8.0%
Utility Costs	(\$19,380)	-10.0%
Sub-Total	(\$58,141)	-30.0%
Fixed Charges		
Management Fees	(\$6,783)	-3.5%
Property Taxes & Other Municipal Charge	(\$7,752)	-4.0%
Insurance	(\$5,814)	-3.0%
Sub-Total	(\$20,349)	-10.5%
Total Operating Expenses	(\$105,623)	-54.5%
Net Operating Income	\$88,181	45.5%
Prepared on Excel Spreadsheet, minor rounding errors may occur		

Income
Overall Capitalization Rate 0.1150
Going-Concern Value \$766,790

\$/Room \$23,236

Debt Coverage Ratio Method

The Debt Coverage Ratio Method is the ratio of estimated net operating income to annual debt service. Because of the fiduciary obligations of lending institutions that lend money of depositors and policyholders, these lenders are quite sensitive to the safety and security of their investments. Therefore, in underwriting loans, these institutional lenders attempt to provide some sort of cushion, which in the event of declining income will enable the borrower to meet debt service obligations. The method of determining a capitalization rate for the subject is to multiply the debt coverage ratio by the mortgage constant and the loan to value ratio, with the formula being:

FORMULA FOR DETERMINING R_o

$$R_o = DCR \times R_m \times M$$

As previously noted, the debt coverage ratios from 1.30 to 1.50 are typical. Given the previously mentioned loan criteria, a debt coverage ratio of 1.50 is considered reasonable for the subject. Applying the preceding criteria indicates the following range of overall rates by the Debt Coverage Ratio Method:

RO BY DEBT COVERAGE RATIO

Interest Rate	7.5%
Debt Coverage Ratio	1.50
Multiplied by Mortgage Constant	0.0967
Multiplied by Loan to Value Ratio	0.70
R_o	0.1015
Interest Rate	8.5%
Debt Coverage Ratio	1.50
Multiplied by Mortgage Constant	0.1041
Multiplied by Loan to Value Ratio	0.70
R_o	0.1093

[Range from 10.15% to 10.93%]

Reconciliation of Overall Capitalization Rate

Following is a summary of the overall rates:

SUMMARY OF ESTIMATES OF R_o

Market Extraction Method

10.47 (one indication only)

Band of Investment Method

11.27% to 11.79%

Debt Coverage Ratio Method

10.15% to 10.93%

The Market Extraction Method is typically the most reliable indicator of an overall rate. The Band of Investment Method is more commonly relied upon within financial lending institutions for commercial properties, rather than the Debt Coverage Ratio Method. *Most weight is given to the overall rates presented by the improved sales by Market Extraction.* Considering the physical, locational, and economic characteristics of the subject property, and the current economics of the local hospitality market, an overall capitalization rate of 11.50% has been chosen for analysis herein.

“GOING-CONCERN” VALUE ESTIMATE

Direct capitalization of net operating income will provide us with an estimate of value by the Income Approach. As a simple mathematical process, the estimated net operating income of the facility at stabilized occupancy (from Figure is divided by the overall capitalization rate to arrive at the following indication of value:

DIRECT CAPITALIZATION

NOI (from average RevPar for first 3 years, or \$16.09 (note that stabilization is forecast @ 3 rd year)....	\$88,181
Divided by R_o	0.1150
Value Estimate	\$766,791
Rounded to	\$767,000

Income Approach
“Going-Concern” Value
Estimate (Direct Capitalization)
\$767,000

Discounted Cash Flow Value

The value indication from the DCF (refer to *Figure 6* to follow), is \$718,000®. The figure from the direct capitalization analysis (above) is \$767,000. From within these parameters, placing somewhat more weight on the DCF model, a value of \$740,000 is concluded.

Thus, the value of the subject property based on income based analyses is...

Income Approach
“Going-Concern” Value
Estimate (Reconciled)
\$740,000
Less Cost of FF&E - \$132,000
Adjusted Value - \$608,000
Less the Cost of Repairs &
Renovations - \$964,706
Final Value – (-\$357,000®)

➤ Figure 7 ◀
Discounted Cash Flow (DCF)

Discounted Cash Flow Analysis - El Vado Motel Update

Appraisal File #A07428

NOT USED

		1	2	3	4	5	6	
# of Rooms		33	33	33	33	33	33	
Available Rooms		12,045	12,045	12,045	12,045	12,045	12,045	
Occupied Rooms		4,818	5,420	6,023	6,023	6,023	6,023	
Average Occupancy		10.0%	45.0%	50.0%	50.0%	50.0%	50.0%	
Average Daily Rate (ADR)	2.00%	\$35.00	\$35.70	\$36.41	\$37.14	\$37.89	\$38.64	
Gross Room Revenues		\$421,575	\$430,007	\$438,607	\$447,379	\$456,326	\$465,453	
Less Vacancy		60.0%	55.0%	50.0%	50.0%	50.0%	50.0%	
Revenues	REVPAR	\$14.00	\$16.07	\$18.21	\$18.57	\$18.94	\$19.52	
Effective Room Revenues	97.0%	\$168,630	\$193,503	\$219,303	\$223,689	\$228,163	\$232,726	
Telecommunications & Other Operated Depts.	0.0%	0	0	0	0	0	0	
Rentals and Other Income	3.0%	5,215	5,985	6,783	6,918	7,057	7,198	5-Year Avg
Effective Gross Revenues	100.0%	\$173,845	\$199,488	\$226,086	\$230,608	\$235,220	\$239,924	\$213,019
Departmental Costs & Expenses								
Rooms (Includes Reservations)	-12.1%	(\$21,035)	(\$24,138)	(\$27,356)	(\$27,904)	(\$28,462)	(\$29,031)	
Telecommunications	-1.2%	(\$2,086)	(\$2,394)	(\$2,713)	(\$2,767)	(\$2,823)	(\$2,879)	
Other Operated Departments	-0.7%	(\$1,217)	(\$1,396)	(\$1,583)	(\$1,614)	(\$1,647)	(\$1,679)	
TOTAL	-14.0%	(\$24,338)	(\$27,928)	(\$31,652)	(\$32,285)	(\$32,931)	(\$33,589)	
Undistributed Operating Expenses								
Administrative and General	-9.0%	(\$15,646)	(\$17,954)	(\$20,348)	(\$20,755)	(\$21,170)	(\$21,593)	
Franchise Fees - including Marketing Fees	0.0%	\$0	(\$13,061)	(\$14,803)	(\$15,099)	(\$15,401)	(\$15,709)	5-Year Avg
Marketing	-3.0%	(\$5,215)	(\$5,985)	(\$6,783)	(\$6,918)	(\$7,057)	(\$7,198)	\$6,391
Property Operation and Maintenance	-8.0%	(\$13,908)	(\$15,959)	(\$18,087)	(\$18,449)	(\$18,818)	(\$19,194)	
Utility Costs	-10.0%	(\$17,385)	(\$19,949)	(\$22,609)	(\$23,061)	(\$23,522)	(\$23,992)	
Other Unallocated Operated Departments	-	-	-	-	-	-	-	
TOTAL	-30.0%	(\$52,154)	(\$72,908)	(\$82,629)	(\$84,281)	(\$85,967)	(\$87,686)	
Fixed Charges								5-Year Avg
Management Fees	-3.5%	(\$6,085)	(\$6,982)	(\$7,913)	(\$8,071)	(\$8,233)	(\$8,397)	\$7,457
Property Taxes and Other Municipal Charge	-4.0%	(\$6,954)	(\$6,954)	(\$6,954)	(\$7,162)	(\$7,162)	(\$7,162)	(3% increase every 3 years)
Insurance	-3.0%	(\$5,215)	(\$5,985)	(\$6,783)	(\$6,918)	(\$7,057)	(\$7,198)	
TOTAL	-10.5%	(\$18,254)	(\$19,921)	(\$21,649)	(\$22,157)	(\$22,452)	(\$22,757)	
Operating Expenses (Prior to Land Lease)	-54.5%	(\$94,746)	(\$120,736)	(\$135,930)	(\$138,718)	(\$141,349)	(\$144,033)	
Net Operating Income	45.5%	\$79,100	\$78,731	\$90,156	\$91,889	\$93,870	\$95,891	
X Present Value Factor	13.00%	0.8850	0.7831	0.6931	0.6133	0.5428		5-Year Avg
Present Value of Income Stream		\$70,000	\$61,658	\$62,482	\$56,357	\$50,949		\$60,289
Sum of Present Value of Income Stream				\$301,447				
Plus Present Value of Reversion:								
NOI Yr. 6 Divided by Terminal Cap Rate	11.75%	\$816,094						
Less Sales Expense	-6.00%	(\$48,986)						
Value of Reversion		\$767,128						
X Present Value Factor @		0.5428						
Present Value of Reversion			\$416,366	\$/Rm				
VALUE ESTIMATE BY DCF			\$717,813	\$21,752				



Final Reconciliation

Reconciliation & Final Estimate of Value

An appraisal report is performed to answer a client's question about real estate. In answering this question, appraisers follow the valuation process whereby the appraisers identify, gather, and analyze general and specific data; determine the subject property's highest and best use; and apply the Cost, Sales Comparison, and Income Approaches, as warranted by the question, and as suggested by the available data. Often, more than one approach is applied, and typically, each approach results in a different indication of value. Resolving the differences among various value indications is called reconciliation; i.e. the analysis of alternative conclusions to arrive at a final value estimate.

To prepare for reconciliation, appraisers review the entire appraisal making sure that the data available and the analytical techniques, rationales, and logic applied have led to consistent judgments. The data is reviewed to ensure that it is authentic, pertinent, and sufficient. Appraisers should examine the differences in the conclusions derived from the various approaches, apply tests of reasonableness to these primary conclusions, and resolve any inconsistencies. Finally, the logic employed throughout the valuation process is scrutinized.

Reviewing an appraisal helps substantiate its accuracy, its consistency, and the logic leading to the value indications. Appraisers rely more on professional experience, expertise, and judgment in reconciliation than in any other part of the valuation process. Appraisers weigh the relative significance, applicability, and defensibility of each value indication, relying most heavily on the approach that is most appropriate to the nature of the appraisal. All factors that influence the assignment are brought into focus and related to the client's question, which ultimately guides the appraiser's deliberations. In the reconciliation section of the report, appraisers explain variations among the indications derived within the different approaches and account for any inconsistencies between the value conclusions and methods with which they were derived.

Reconciliation requires educated appraisal judgment based on a careful, logical analysis of the procedures that lead to each value indication. Appropriateness, accuracy, and quantity of evidence are the criteria with which appraisers form a meaningful, defensible final value estimate. The value conclusion must be consistent with market thinking, and the quantity of data used should correspond to the amount of data the market considers relevant to the appraisal problem.

SUMMATION OF VALUE ESTIMATES

The values previously concluded are summarized and discussed below.

1. FINAL ESTIMATE OF VALUE – ASSUMING A CONDITIONAL USE FOR RESIDENTIAL DEVELOPMENT WOULD BE GRANTED

Property Rights	Value Scenario	Effective Date of Value	Value Estimate
Fee Simple Estate	Value of the Site, less Cost of Demolition of the Improvements (mixed highest & best use)	October 26, 2007	\$815,000
“	“As Is” Value of the Property (real estate only)	“	\$322,000
	Difference in Value	“	\$493,000

2. FINAL ESTIMATE OF VALUE – ASSUMING A CONDITIONAL USE FOR RESIDENTIAL DEVELOPMENT WOULD NOT BE GRANTED

Property Rights	Value Scenario	Effective Date of Value	Value Estimate
Fee Simple Estate	Value of the Site, less Cost of Demolition of the Improvements (commercial only highest & best Use)	October 26, 2007	\$524,000
“	“As Is” Value of the Property (real estate only)	“	\$322,000
	Difference in Value	“	\$202,000

Please note that the above “as is” value of the property (real estate only - \$322,000) represents the value of the entire property as an inactive facility in its current condition (not a going-concern), and not in compliance with the highest and best use concluded herein. The values concluded under the highest and best use scenarios (\$815,000 & \$524,000) represent the value of the site after the improvements have been demolished, and the site has been made available for an alternative use.

3. FINAL ESTIMATE OF VALUE – AS A “GOING-CONCERN” – HYPOTHETICAL CONDITION

Property Rights	Value Scenario	Effective Date of Value	Value Estimate
Fee Simple Estate	Value of the Property as a “Going-Concern”	October 26, 2007	\$740,000
	Less the Cost of Furniture, Fixtures & Equipment	“	\$132,000
	Less the Cost of Renovations (City estimate dated 12/06/06))	“	\$964,706
Fee Simple Estate	Net Value “As a Going-Concern” After Required Expenditures	“	(-\$357,000@)
Feasibility Rating	Negative Value - Not Feasible		

Please note that the above “going-concern” value of the property represents the value of the entire property as an operating entity with projected income levels commensurate with certain criteria described in detail herein. The deductions to value noted above are necessary in order to achieve a “going-concern” status for the currently vacant and idle property.

➤ Exhibit A

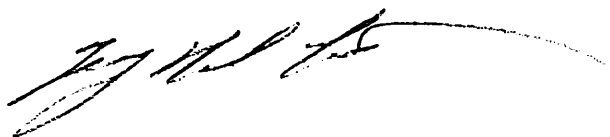
Certification

I certify that, to the best of my knowledge and belief, ...

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and have no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report, or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- Mario J. Del Curto, MAI, ARA made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- I hereby certify that I am competent to complete the appraisal assignment. The reader is referred to appraisers' qualifications contained in *Exhibit C*.
- As of the date of this report, Mario J. Del Curto, MAI, ARA has completed the requirements of the continuing education programs of the Appraisal Institute, the American Society of Farm Managers & Rural Appraisers and the State of New Mexico.

Respectfully submitted,

AMERICAN PROPERTY - Consultants & Appraisers, Inc.



Mario J. Del Curto, MAI, ARA
NM General Certified Appraiser #000247-G

➤ Exhibit B

Assumptions & Limiting Conditions

The certification of the appraisers appearing in this appraisal report is subject to the following conditions:

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by other is believed to be reliable. However, no warranty is given for its accuracy.
5. All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the report.
9. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. It is assumed that the utilization of the site and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. Possession of this report, or a copy thereof, does not carry with it the right of publication.
12. The appraisers, by reason of this appraisal, are not required to give further consultation or testimony, or be in attendance in court, with reference to the property in question unless arrangements have been previously made.
13. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or the firm with which the appraisers are connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval of the appraisers.
14. The forecasts, projections, or operating estimates contained herein are based upon current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes in future conditions.
16. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.
17. Unless otherwise stated in this report, the appraisers did not observe the existence of hazardous material, which may or may not be present on the property. The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers, however, are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.

➤ **Exhibit C**

Qualifications of Appraisers

MARIO J. DEL CURTO, MAI, ARA
Associate Appraiser

PROFESSIONAL ASSOCIATIONS

Member of the Appraisal Institute: MAI No. 9629
 State of New Mexico General Certified Real Estate Appraiser: No. 00247-G
 Accredited Member, American Society of Farm Managers and Rural Appraisers: Certificate No. 743 (ARA)

PROFESSIONAL EXPERIENCE

Senior Appraiser
 Expert witness in US District Bankruptcy Court
 Expert witness in US District Court
 American Property Consultants & Appraisers, March, 1991
 Senior Staff Review Appraiser
 Real Property Division, City of Albuquerque, Albuquerque, NM, March, 1989 to February, 1991
 Staff Appraiser, R/W Agent III
 NM State Highway Dept., Santa Fe, NM, February, 1988 to February, 1989 and January 1984 to June 1986
 Fee Appraiser
 Richard G. Godfrey & Associates, Albuquerque, NM, July, 1986 to January, 1988

SPECIALIZED APPRAISAL EXPERIENCE

During appraisal career has gained experience concentrated in the following areas:

Vacant land	Single-family residences	Farms & ranches
Multi-family residences	Industrial buildings	Restaurants
Office buildings	Motels	Subdivisions
Right-of-way	Retail Centers	Special use properties
Service stations	Warehouses	Banking facilities
Retail shopping centers	High-rise buildings	Expert witness testimony

EDUCATION

New Mexico State University, 1976; Bachelor of Science in Range Management
 American Institute of Real Estate Appraisers Courses:
 1A-1; Real Estate Appraisal Principles; 3/84
 8-2; Residential Valuation; 1985
 1A-2; Basic Valuation Procedures; 3/85
 1B-A; Capitalization Theory & Techniques Part A; 10/89
 1B-B; Capitalization Theory & Techniques Part B; 10/89
 2-1; Case Studies in Real Estate Valuation; 2/90
 2-2; Valuation Analysis & Report Writing; 2/90
 2-3; Standards of Professional Practice; 6/90
 MAI Comprehensive Examination; 8/91
 American Society of Farm Managers & Rural Appraisers Courses:
 Advanced Case Studies in Rural Valuation; 5/83
 Report Writing Seminar; 6/85
 ARA Comprehensive Examination; 11/89
 FLBS Loan Policies; 11/84
 Principles of Rural Appraising; 6/85
 International Right-of-Way Association
 The Appraisal of Partial Acquisitions; 10/85

CONTINUING EDUCATION

Expert Witness Testimony; 10/84-American Institute of Real Estate Appraisers
Accrued Depreciation; 5/85-American Institute of Real Estate Appraisers
Board Memorandum R-41B Seminar; 10/86-FHLBB
Standards of Professional Practice Update; 6/90-American Institute of Real Estate Appraisers
Mineral Appraisal Seminar; 10/92-American Society of Farm Managers & Rural Appraisers
Standards of Professional Practice Parts A & B - 10/94
Eminent Domain (A-25) 2/12-2/14 1996
Standards of Professional Practice Part C - 9/14/97
Advanced Cost & Sales Comparison Approaches (Salt Lake City, Utah) 11/9/98-11/14/98
Expert Witness Preparation & Testimony (Boulder, Colorado) 6/7/99 - 6/8/99
General Applications (Tempe, Arizona) 8/1/99 - 8/7/99
II540 Report Writing & Valuation Analysis; 6/01 - San Diego, California
II320 General Applications; 10/01 - Salt Lake City, Utah
II410 National USPAP Course, 3/27-3/28 2003 - Albuquerque, NM
I400 National USPAP Update Course, 1/28/05-1/28/05 - Albuquerque, NM
McKissock School of Real Estate - "Appraisal Trends" - 2/12/06
Appraisal Institute On-Line Course #420 - "Business Practices & Ethics" - 2/27/06
Kaplan Professional Schools Course - "Property Disclosures -
The Real Estate Professional's Guide to Reducing Risk" - 3/23/06
Columbia Institute Course #109 - "Review Appraisal Update" - 4/14/06
Appraisal Institute on-line course - "Analyzing Operating Expenses" - 4/26/06

➤ **Exhibit D**

Engagement Letter



September 28, 2007

City of Albuquerque – Legal Department
Attention: Mr. James F. McNeely, Review Appraiser

P.O. Box 2248

Albuquerque, New Mexico 87103

Telephone: (505) 768-3475

FAX: (505) 768-3817

RE: Time & Fee Proposal for Update Appraisal Services for the following Property

1. El Vado Motel @ 2500 Central Avenue SW

Albuquerque, Bernalillo County, New Mexico

Dear Mr. McNeely:

Per your request, I am submitting this time and fee proposal for appraisal work on the aforementioned property.

My fee for a complete summary format report addressing the "as is" & "as proposed" value of the property before the hypothetical placement of a "historic landmark" designation by the City, and "as proposed" value of the property after the hypothetical placement of a "historic landmark" designation.

My fee for these services is \$4,200, plus gross receipts tax of 6.875%.

The guaranteed delivery date would be no later than October 31, 2007, assuming that notice to proceed is given to me no later than one week from the date of this correspondence.

Respectfully submitted,

AMERICAN PROPERTY - Consultants & Appraisers, Inc.

Magdo J. Del Curto, MAI, ARA

NM General Certified Appraiser #000247-G

Accepted, James McNeely, Review Appraiser

City of Albuquerque

AMERICAN PROPERTY - CONSULTANTS & APPRAISERS, INC.
2420 MIDTOWN PLACE NE, SUITE A • ALBUQUERQUE, NM 87107-3232 • (505) 343-0400 • FAX (505) 343-0330

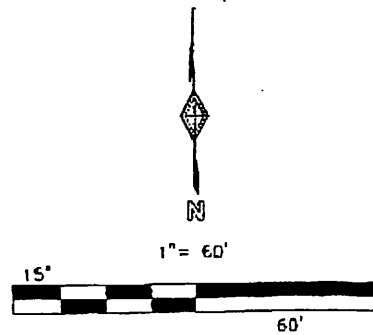
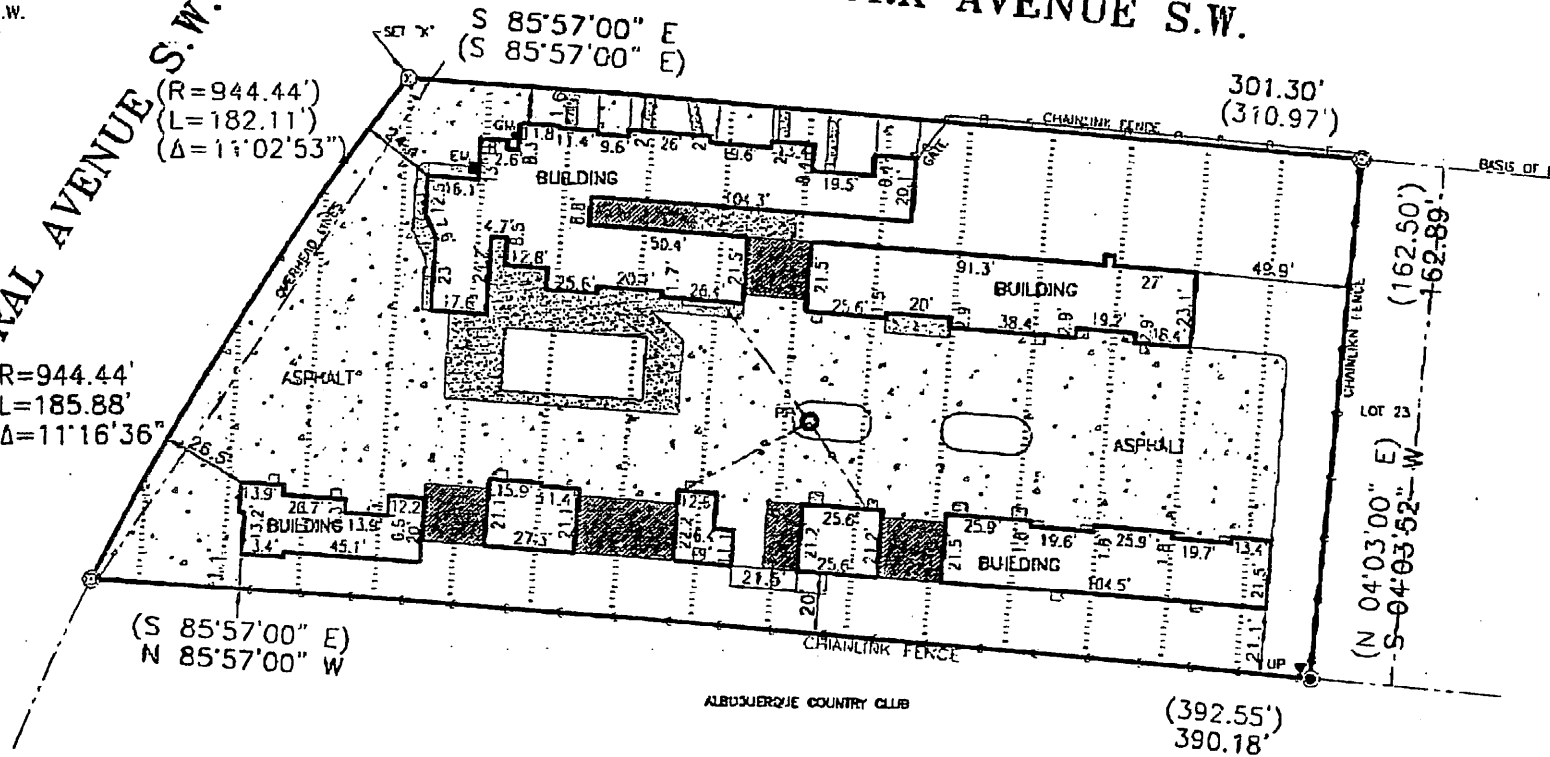
➤ **Exhibit E**

Site Plat

2500 CENTRAL AVENUE S.W.
 PORTION OF LOTS 36-39
 ALL OF LOTS 24-35
 BLOCK 3
 WESTPARK ADDITION
 AC.=1.2929±

CENTRAL AVENUE S.W.
 (R=944.44')
 (L=182.11')
 (Δ=11°02'53")
 R=944.44'
 L=185.88'
 Δ=11°16'36"

NEW YORK AVENUE S.W.



05-C-1-2205
 JOE/RHOMBUS

NOTE:
 BEARINGS AND DISTANCES IN PARENTHESIS ARE
 THE SAME AS THOSE ON THE RECORDED PLAT.
 ALL OTHERS ARE FIELD NOTES.

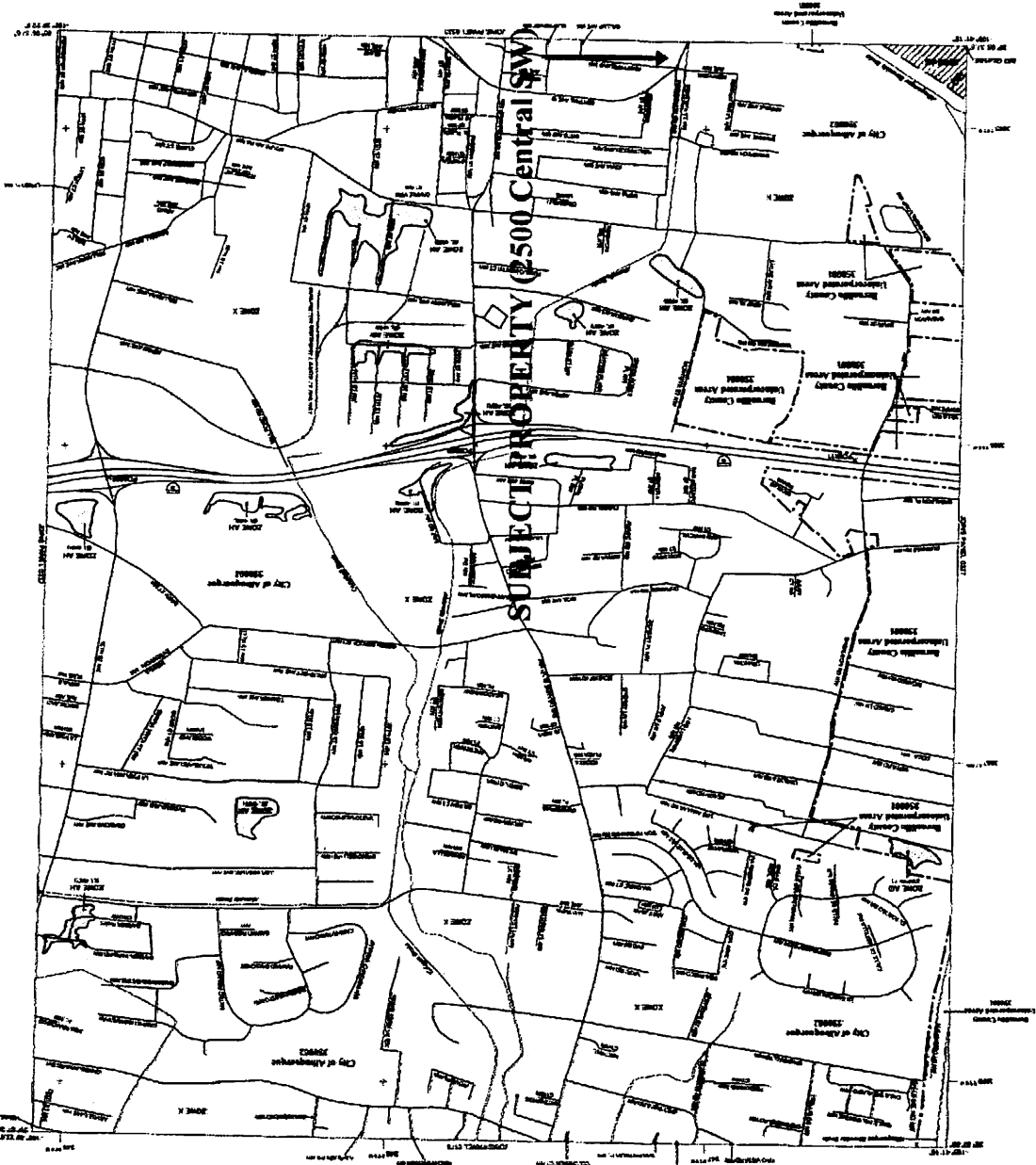
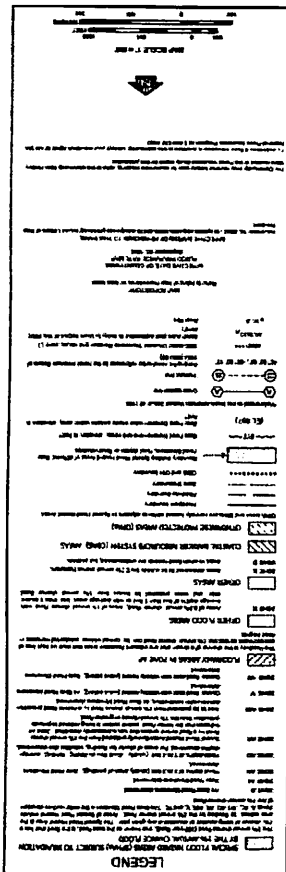
NOTE:
 BASIS OF BEARING
 NE CORNER OF LOT 21 TO
 NE CORNER OF LOT 17

LEGEND

- EM ■ ELECTRIC METER
- GM • GAS METER
- PP ○ POWER POLE
- UP ▼ UTILITY PEDESTAL
- SET P.K.
NAIL
- FOUND #4
REBAR

➤ **Exhibit F**

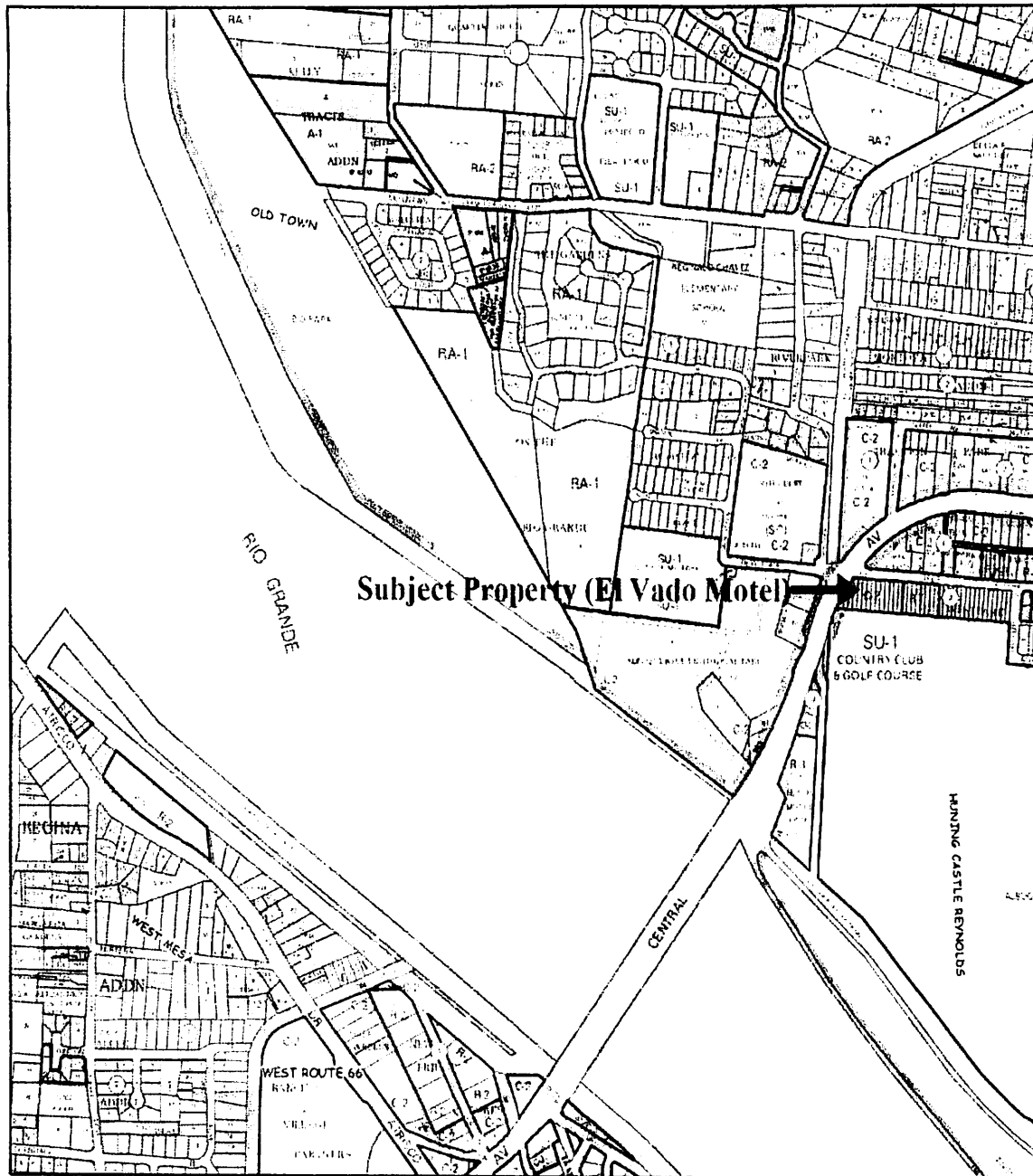
Flood Hazard Map



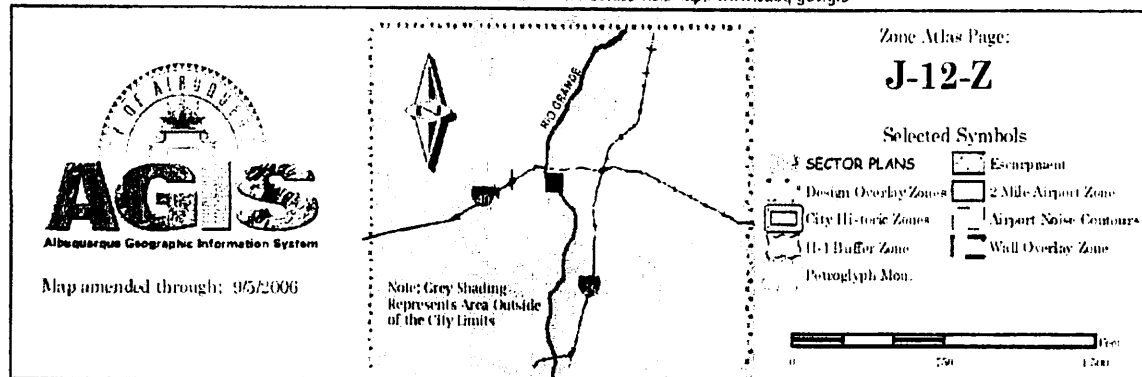
NOTES TO USERS

➤ **Exhibit G**

Zone Atlas Map & Regulations



For more current information and more details visit: <http://www.abq.gov/gis>



§ 14-16-2-17 C-2 COMMUNITY COMMERCIAL ZONE.

This zone provides suitable sites for offices, for most service and commercial activities, and for certain specified institutional uses.

(A) *Permissive Uses.* Permissive uses, provided there is no outdoor storage except parking and as specifically allowed below:

- (1) Antenna, up to 65 feet in height.
- (2) Clinic.
- (3) Copying, blueprinting.
- (4) Institution:
 - (a) Club.
 - (b) Day Care Center.
 - (c) Library.
 - (d) Museum.
 - (e) School, including caretaker's mobile home.
- (5) Office.
- (6) Park-and-ride temporary facilities.
- (7) Public utility structure, provided its location is in accord with an adopted facility plan and a site development plan for building permit purposes has been approved by the Planning Commission.
- (8) Sign, off-premise, as provided in § 14-16-3-5 of this Zoning Code, and further provided:
 - (a) Location.
 1. Only wall signs and free-standing signs are permitted in the Established or Redeveloping Areas.
 2. Only wall signs are permitted in the Developing or Semi-Urban Areas except that free-standing signs designated to be read from the Interstate Highway and with at least one edge within 150 feet of a moving through lane of an Interstate Highway, excluding interchange ramps, are also permitted.
 3. Separation.
 - a. No sign shall be nearer than 300 feet to any other off-premise sign.
 - b. No sign within 660 feet of the nearest edge of the public right-of-way of an Interstate Highway shall be nearer than 1,000 feet to any other off-premise sign.
 - c. But divisions a. and b. above shall not apply as to the distance between two signs separated by a building or other obstruction where the face of only one sign is visible from any point on the public right-of-way.
 - d. But divisions a. and b. above shall not apply to signs which are at some point within five feet of each other and only one of the sign faces is designed to be read from any given lane of traffic.
 4. No free-standing sign erected after January 1, 1976, shall be nearer than 100 feet to any preexisting on-premise sign.
 5. Setback
 - a. No sign shall be nearer than seven feet to any public street right-of-way, except a public right-of-way

containing an Interstate Highway without a frontage road between the sign and the Interstate Highway.

b. No sign shall overhang a public right-of-way containing an Interstate Highway without a frontage road between the sign and the Interstate Highway.

6. No free-standing sign shall be nearer than 150 feet to any conforming residential property.

(b) Size.

1. Free-standing sign area of any one sign shall not exceed 300 square feet plus an additional add-on sign area of 18 square feet, except that within 150 feet of a moving through lane of an Interstate Highway, excluding interchange ramps, the area of any one sign designed to be read from the Interstate Highway may be up to but shall not exceed 672 square feet plus an additional add-on sign area of 34 square feet. Free-standing sign length shall not exceed 60 feet.

2. Wall sign area shall be controlled by the provisions of division (9)(c)2. of this division (A).

(c) Height.

1. Sign height shall not exceed 26 feet, except:

a. As provided in division 2. below; and

b. the height of an add-on sign may be up to but shall not exceed 31 feet.

2. Within 150 feet of a moving through lane of an Interstate Highway, excluding interchange ramps, the height of the highest point of the sign shall not exceed 29 feet, measured either from grade or from the elevation of the Interstate Highway at its closest point, except the height of an add-on sign may be up to but shall not exceed 34 feet, measured in the same way.

(d) Illumination, Motion: No regulations, apart from the general sign regulations.

(9) Sign, on-premise, as provided in § 14-16-3-5 of this Zoning Code, and further provided:

(a) Location.

1. Building-mounted signs extending above the height of the building shall be permitted only if they are:

a. A continuation of the plane of a projecting sign or of the nearest facade; or

b. Counted and controlled by all number, size, and height regulations for free-standing signs, including division (c)2.b. below.

2. A sign shall not overhang into the public right-of-way more than five feet.

3. Projecting signs shall not project horizontally more than five feet, except marquee signs are permitted to project ten feet.

(b) Number.

1. In the Established or Redeveloped Areas. One free-standing or projecting sign shall be permitted for each street frontage of each premises or joint sign premises which has at least 100 feet of street frontage, or one per 300 feet of total street frontage (e.g., up to two signs allowed if 630 feet of frontage), whichever is more permissive.

2. In the Developing, Semi- Urban, or Rural and Open Areas.

a. No free-standing signs on sites of under five acres.

b. One free-standing sign per street frontage shall be permitted on premises of five acres or more, provided the street frontage is at least 100 feet wide.

c. One free-standing sign shall be permitted on a premises with 250 feet or more of street frontage but an area under five acres, provided the maximum sign area for each of one or two faces shall not exceed 35 square feet per face.

3. One canopy sign per entrance or exit shall be permitted.
4. No limit on number of wall signs.

(c) Size.

1. Size of Free-Standing and Projecting Signs. Sign area for a free-standing or projecting sign shall not exceed the following area:

- a. Seventy-five square feet if the most important street abutting the lot is a local street.
- b. One hundred square feet if the most important street abutting the lot is a collector street.
- c. Two hundred and fifty square feet if the most important street abutting the lot is an arterial street or freeway (if division d. below does not apply).
- d. Three hundred square feet if the sign is within 200 feet of a moving lane of a freeway and is visible from the freeway; in addition to the regular limits on numbers of signs, there shall be no more than one sign this large per business.

2. Size, Building-Mounted Signs, Except Projecting Signs.

a. A building-mounted sign on premises or joint sign premises where there is no free-standing on- or off-premise sign shall not exceed the following:

- i. Twenty percent of the area of the facade to which it is applied, if the sign area is not wholly visible from an abutting collector street, arterial street, or freeway;
- ii. Twenty-five percent of the area to which it is applied, if the sign area is wholly visible from an abutting collector street; or
- iii. Thirty percent of the area of the facade to which it is applied, if the sign area is wholly visible from an abutting arterial street or freeway.

b. A building-mounted sign on premises or joint sign premises where there is a free-standing or projecting on- or off-premise sign shall not exceed one-half the percentage of facade area listed in division a. above.

c. An off-premise wall sign may be substituted for the area which otherwise would be permitted for an on-premise sign; such sign shall be regulated by height regulations for off-premise signs.

(d) Height.

1. Height of a free-standing sign shall not exceed 26 feet, except a sign which is within 200 feet of a moving through lane of an Interstate Highway, excluding interchange ramps, may be up to but shall not exceed 26 feet above the freeway at its closest point.

2. Height of a building-mounted sign shall not exceed five feet above the height of the building, or it shall not exceed 30 feet, whichever is lower.

3. However, height of either a non-illuminated wall sign or an illuminated wall sign for a hotel or motel may be over 30 feet.

(e) Illumination, Motion, Lettering. No regulations, apart from general sign regulations.

(f) Exceptions.

1. Permitted building-mounted sign area from the front and sides of the principal building of the business may be transferred from the building to a customer service area of the same business on the same premises, provided the height of such signs shall not exceed 15 feet and setback shall be at least ten feet; such signing shall not be considered free-standing.

2. Any exceptions allowed for shopping centers, in order to provide adequate signing in special situations, shall be as provided in § 14-16-3-2 of this Zoning Code. Such a sign exception must be specifically defined in the Planning Commission resolution. Shopping centers approved prior to the effective date of this Zoning Code shall comply with sign regulations in this

article unless an exception is specifically defined in a Planning Commission resolution.

(10) Radio or television studio or station.

(11) Recycling bin as an accessory use on the site, as provided in § ~~14-16-3-13~~ of this Zoning Code.

(12) Retailing of any consumer product and provision of any customer, personal, or business service, except adult amusement establishments and adult stores, hospitals for human beings and transit facilities, provided it is not listed as a conditional use in this zone, or as a permissive or conditional use listed for the first time in the C-3 zone, and with the following limitation:

(a) Alcoholic drink sales for consumption off premises; except the sale of alcoholic drink within 500 feet of a community residential program or hospital for treatment of substance abusers is prohibited pursuant to § ~~14-16-3-12(A)(11)~~ ROA 1994;

1. are limited to building area which is not within 500 feet of a residential zone; and

2. shall not include the sale of broken packages or the following packages within 500 feet of a pre-elementary, elementary or secondary school, a religious institution, a residential zone, a designated Metropolitan Redevelopment Area (as defined in the State Metropolitan Redevelopment Code), a city owned park or city owned major public open space:

A. distilled spirits, as defined in the New Mexico Liquor Control Act, in any package that contains less than 750 milliliters;

B. beer, as defined in the New Mexico Liquor Control Act, in any single container labeled as containing 16 or fewer ounces; and

C. fortified wines with a volume of alcohol of more than 13.5 percent.

(b) Vehicle sales, rental, service, repair, and storage, both indoor and outdoor, provided:

1. Outdoor activity areas (display and storage of stock in trade) meet all the specifications for a parking lot, as regulated in the O-1 zone.

2. Outdoor storage of inoperative vehicles is limited to two vehicles at any time, and a given inoperative vehicle shall not be parked outdoors over two weeks in any 12-month period.

3. Painting and major automotive repair is conducted within a completely enclosed building at least 20 feet from any residential zone.

4. A truck terminal is not permitted.

5. Outdoor vehicle storage as a principal business, where vehicles are typically not moved for one week or more, is not a permissive use.

(c) Banking, loaning money, including pawn. Drive-in facilities included on the condition the vehicle movement plan is approved by the Traffic Engineer.

(d) Building materials, provided they are in a completely enclosed building or within an area enclosed on all sides by a wall or fence at least six feet high which must be solid when it faces or is contiguous to land not zoned C-2, C-3, M-1 or M-2.

(e) Circus or Carnival operation outdoor or in a tent provided:

1. The use is located at least 300 feet from a dwelling in a residential zone;

2. The use is permitted at one location for a period not to exceed seven days in any calendar year;

3. Hours of operation, including erection and dismantling of equipment are:

a. If the use is located between 300 feet and 500 feet from a dwelling, between 7:30 a.m. and 10:30 p.m.;

b. If the use is located 500 feet or more from a dwelling, between 6:00 a.m. and 11:30 p.m.;

4. There is sufficient off-street parking available on the premises to meet parking requirements for all the uses on the premises. The Zoning Enforcement Officer shall approve a site plan which shall demonstrate adequate parking and vehicle circulations;

5. There are toilet facilities on the premises; and

6. The City Fire Marshall or his authorized representative gives prior approval of any tent as meeting the requirements of Chapter 14, Article 2, Fire Code.

(f) Drive-in restaurant, provided a solid wall or fence at least six feet high shall be erected on sides which abut land, other than public right-of-way land, in a residential zone. However, if the wall or fence plus retaining wall would have an effective height of over eight feet on the residential side, the Zoning Hearing Examiner shall decide the required height; such decision shall be made by the same process and criteria required for a conditional use.

(g) Dry cleaning, laundry, clothes pressing, provided:

1. Only cleaning fluid which is not flammable at temperatures below 138.5° Fahrenheit may be used;

2. The number of persons engaged in operating a laundry or dry cleaning establishment is limited to five, excluding pressers, office, clerical, or delivery personnel;

3. That portion of the structure in which any cleaning process is done is at least 50 feet from any residential zone.

(h) Flowers and plants, including out-door sales.

(i) Gasoline, oil, and liquified petroleum gas retailing, including outdoor sales, but not truck plazas.

(j) Golf driving range, miniature golf course, baseball batting range, located in a building or outdoors, provided fencing or other suitable device is employed to insure that balls are not hit out of premises.

(k) Hospital for animals, provided it has no outside pens. One outside exercise run is permitted, provided it is enclosed with a solid wall or fence at least six feet high, and no more than one animal is permitted in the run at any one time.

(l) One mobile home for a watchman or caretaker on the same lot with commercial uses, permissive or conditional in this zone, which do not have or normally require a permanent structure, including but not limited to used car sales lot; mobile home or recreational vehicles sales or rental lot; and circus, carnival, or similar enterprise. However, the mobile home shall not be within 100 feet of a lot in a residential zone or a dwelling unit in any zone.

(m) Parking lot, as regulated in the O-1 zone.

(n) Pets, as regulated in the C-1 zone.

(o) Restaurant with outdoor seating.

(p) Sample dwelling unit used to sell such units, including incidental sales office activity.

(q) Secondhand store, including outside storage in the side or rear yard and if enclosed by a solid wall or fence at least six feet high.

(r) Stand or vehicle selling fruit, vegetables, or nursery stock, provided it is limited to a period of 90 days in any calendar year. However, one renewal for an additional 90 days may be permitted by the Planning Director.

(s) Not permissive as retailing or services are uses listed as conditional use in this section and uses that are in substantial part industrial or manufacturing activities, e.g., automobile dismantling, sheet metal working, or tire recapping and retreading.

(13) Storage structure or yard for equipment, material or activity incidental to a specific construction project, provided it is of a temporary nature and is moved after the specific construction project is completed or work on the project has been dormant for a period of six or more months, and further provided that it is limited to a period of one year unless the time is extended by the Planning Director.

(14) Wholesaling of jewelry.

(15) Uses or activities in a tent, if the uses or activities are listed elsewhere in this subsection, provided:

- (a) The tent may not be erected for more than seven days at a time and may not be erected more than two times a year on a given premises;
- (b) There is sufficient paved off-street parking available on the premises to meet parking requirements for all uses on the premises, including the activity in the tent. The Zoning Enforcement Officer shall approve the site plan for the tent, which shall demonstrate adequate parking and vehicle circulation, prior to erection of the tent; and
- (c) There are toilet facilities on the premises available to the users of the tent; and
- (d) The City Fire Marshall or his authorized representative gives prior approval of the tent as meeting the requirements of Chapter 14, Article 2, Fire Code.

(16) Wireless Telecommunications Facility, provided that the requirements of § 14-16-3-17 of this Zoning Code are met, and as specifically allowed below:

- (a) A free-standing wireless telecommunications facility, up to 65 feet in height.
- (b) A collocated free-standing wireless telecommunications facility, up to 75 feet in height.
- (c) A face-mounted wireless telecommunications facility.
- (d) A roof-mounted wireless telecommunications facility, up to 6 feet above the parapet of the building on which it is placed.
- (e) A concealed wireless tele-communications facility.
- (f) A Community Identity Feature if it is approved by the Planning Commission pursuant to § 14-16-3-17 of this Zoning Code.
- (g) A wireless telecommunications facility, the antennas of which all are mounted on an existing vertical structure.

(B) *Conditional Uses.*

- (1) Antenna, over 65 feet in height.
- (2) Cold storage plant.
- (3) Church or other place of worship, including incidental recreational and educational facilities. Incidental uses allowed include but are not limited to an emergency shelter operated by the church on the church's principal premises which is used regularly for public worship, notwithstanding special limitations elsewhere in this Zoning Code.
- (4) Community residential program, provided that the standards of § 14-16-3-12 of this Zoning Code are met.
- (5) Drive-in theater.
- (6) Dwelling unit (house, townhouse, or apartment), provided:
 - (a) Usable open space is provided on-site in an amount no less than specified in the R-3 zone; no more shall be required than specified in the R-2 zone except if located in an area designated by the master plan as "Developing" or "Semi-Urban," the total open space requirements of the R-D or RA-1 zone, respectively, shall be met.
 - (b) Where schools are at or over their designed capacity, dwelling units shall not be approved as a conditional use unless the applicant demonstrates that the proposed use will create no net increase in enrollment for area schools (e.g. senior housing).
 - (c) The ratio of jobs to housing units within an Impact Fee Transportation Service Area shall be a factor when determining whether approving additional dwelling units as a conditional use will be injurious to the community pursuant to § 14-16-4-2(C)(1)(a) and when the number of jobs divided by housing units falls below one point two (1.2) it shall be prima facie evidence of being injurious to the community.

- (7) Emergency shelter, provided the standards of § ~~14-16-3-13~~ of this Zoning Code are met.
- (8) Fire wood sales and related storage, provided the wood is not visible from land not zoned C-2, C-3, M-1, or M-2.
- (9) Kennel.
- (10) Mobile home development, provided the development contains at least three acres. Approval of a site development plan and landscaping plan is required prior to development.
- (11) One mobile home for a watchman or caretaker on the same premises with a commercial use other than one of those uses enumerated in division (A)(12)(1) of this section. However, the mobile home shall not be within 100 feet of a lot in a residential zone or a dwelling unit in any zone.
- (12) Outdoor storage or activity, except as specifically listed as a permissive or conditional use in this section, and as further provided below:
 - (a) No outdoor storage or activity specified as a principal special use in § 14-16-2-22(B) of the Zoning Code, the SU-1 zone, may be a conditional use considered under this division (B).
 - (b) Combinations of uses, some or all of which are outdoor uses, which interact to create a more intense use, operating as one coordinated enterprise or attraction are not normally appropriate for approval as conditional uses under this division (B), being more properly controlled as SU-1 zone special uses.
 - (c) Outdoor uses which would impact their environs with appearance, light, noise, odor, or similar environmental problems likely to be unpleasant to neighboring premises and uses shall not be approved.
 - (d) Outdoor conditional uses often justify special requirements to keep the appearance or other aspects of the outdoor storage or activity from negatively impacting adjacent land.
 - (e) Outdoor vehicle storage as a principal business, where vehicles are typically not moved for one week or more, is not appropriate if it will be significantly visible from adjacent streets or nearby residential, office, or commercial uses: if approved, this type of storage requires special buffering.
- (13) Parking of more than two truck tractors and two semitrailers for over two hours.
- (14) Park-and-ride joint-use facilities, if it is determined that under the conditions imposed there will not be a shortage of on-site parking for the activities on the site; in such situations, no parking variance is required.
- (15) Pony riding without stables, provided it is located at least 300 feet from a dwelling which is a conforming use.
- (16) Retail sale of alcoholic drink for consumption off premises, where the portion of the building used for such business is within 500 feet of a residential zone, provided such sales shall not include the sale of broken packages or the following packages within 500 feet of a pre-elementary, elementary or secondary school, a religious institution, a residential zone, a city owned park or city owned major public open space except the retailing of alcoholic drink, for on or off premise consumption, within 500 feet of a community residential program or hospital for treatment of substance abusers, is prohibited pursuant to § ~~14-16-3-12(A)(11)~~ ROA 1994 and further provided that such sales shall not include:
 - (a) distilled spirits, as defined in the New Mexico Liquor Control Act, in any package that contains less than 750 milliliters;
 - (b) beer, as defined in the New Mexico Liquor Control Act, in any single container; and
 - (c) fortified wines with a volume of alcohol of more than 13.5 percent.
- (17) Public utility structure which is not permissive.
- (18) Retail business in which products may be manufactured, compounded, processed, assembled, or treated, as an accessory use, including carpentry, plumbing, sheet-metal working, upholstery, sign painting, making of metal stamps, catering, baking, confectionery making, or jewelry or curio making, provided:
 - (a) All activities are conducted within a completely enclosed building.

(b) The number of persons engaged in the manufacturing, processing, assembling, or treating of products is limited to ten, excluding office, clerical or delivery personnel.

(c) Activities or products are not objectionable due to odor, dust, smoke, noise, vibration, or other cause.

(19) Tire recapping or retreading, provided:

(a) The activity is incidental to the major use and is conducted within a completely enclosed building.

(b) Outdoor storage of tires is enclosed by a solid wall or fence at least six feet high.

(c) Tires stored outdoors may not be stacked above the plane established by the top of the required surrounding wall.

(20) Transfer or storage of household goods, provided:

(a) Parking and maneuvering of trucks is permitted only off the street in an off-street parking area as regulated by this article.

(b) Servicing of trucks is permitted only within a building or an area completely enclosed by a solid wall or fence at least eight feet high.

(21) Uses or activities in a tent, if the uses or activities are listed elsewhere in this section, provided there is sufficient paved off-street parking available on the premises to meet parking requirements for all uses on the premises, including the activity in the tent, and provided that the Fire Marshal [i.e., the Chief of the Fire Prevention Bureau] or his designated representative gives prior approval of the tent as meeting the requirements of Chapter 14, Article 2, Fire Code.

(22) Wireless Telecommunications Facility, Roof-Mounted, up to 20 feet above the parapet of the building on which it is placed, provided that the requirements of § ~~14-16-3-17~~ of this Zoning Code are met.

(C) *Height.* Height shall be as provided in the O-1 zone, except sign and antenna height shall be as provided in division (A) of this section.

(D) *Lot Size.* No requirements.

(E) *Setback.* Setback shall be as provided in the O-1 zone.

(F) *Off-Street Parking.* Off-street parking shall be as provided in § ~~14-16-3-1~~ of this Zoning Code.

(G) *Shopping Center Regulations.* Any site in this zone classified as a Shopping Center site, as defined in § ~~14-16-1-5~~ of this Zoning Code, is subject to special site development regulations. The Shopping Center Regulations are provided in § ~~14-16-3-2~~ of this Zoning Code.

(H) An air quality impact review and assessment may be required. See § ~~14-16-3-14~~ of this Zoning Code.

(74 Code, § 7-14-22) (Ord. 80-1975; Am. Ord. 40-1976; Am. Ord. 57-1976; Am. Ord. 13-1977; Am. Ord. 26-1977; Am. Ord. 74-1977; Am. Ord. 38-1978; Am. Ord. 55-1978; Am. Ord. 74-1980; Am. Ord. 42-1981; Am. Ord. 40-1983; Am. Ord. 54-1983; Am. Ord. 74-1985; Am. Ord. 11-1986; Am. Ord. 80-1986; Am. Ord. 41-1987; Am. Ord. 62-1988; Am. Ord. 3-1990; Am. Ord. 12-1990; Am. Ord. 30-1990; Am. Ord. 47-1990; Am. Ord. 63-1990; Am. Ord. 69-1990; Am. Ord. 43-1991; Am. Ord. 39-1992; Am. Ord. 50-1992; Am. Ord. 13-1993; Am. Ord. 2-1994; Am. Ord. 58-1995; Am. Ord. 9-1999; Am. Ord. 11-2002; Am. Ord. 10-2004; Am. Ord. 42-2004; Am. Ord. 4-2005; Am. Ord. 16-2005; Am. Ord. 43-2005; Am. Ord. 7-2006)

§ 14-16-2-9 R-T RESIDENTIAL ZONE.

This zone provides suitable sites for houses, townhouses, and uses incidental thereto in the Established and Central Urban areas.

(A) Permissive Uses.**(1) Uses permissive in the R-1 zone, except:**

- (a) Agricultural animal keeping (see § 14-16-2-6(A)(2)(b)) is not permitted;
- (b) Front yard parking of recreational vehicles (§ 14-16-2-6(A)(2)(h)3.) is not permitted;
- (c) Hobby breeders (see § 14-16-2-6(A)(2)(k)) are not permitted; and
- (d) Houses are not limited to one per lot.

(2) Townhouses.**(B) Conditional Uses.** Uses conditional in the R-1 zone.**(C) Height.** Structures shall not exceed 26 feet in height, except as provided in § 14-16-3-3 of this Zoning Code.**(D) Lot Size.**

(1) For a townhouse, except as provided in division (2) below, minimum lot area shall be 2,200 square feet per dwelling unit; minimum lot width shall be 22 feet per dwelling unit.

(2) For a townhouse in a Family Housing Development or for a townhouse with vehicle access only to the rear yard from an alley, minimum lot area shall be 1,760 square feet; minimum lot width shall be 18 feet.

(3) For a house, except as provided in division (4) below, minimum lot area shall be 3,600 square feet per dwelling unit; minimum lot width shall be 36 feet.

(4) For a house in a Family Housing Development or for a house with vehicle access only to the rear yard from an alley or for a lot with a detached garage located in the rear yard and accessed by a driveway with a maximum width of 12 feet in the front yard and in the side yard abutting the side of the dwelling, minimum lot area shall be 2,880 square feet; minimum lot width shall be 29 feet.

(E) Setback.

(1) There shall be a front-yard setback of not less than 15 feet except driveways shall be not less than 20 feet long.

(2) For lots created after January 1, 2005 and for lots granted conditional use approval, if one of the following conditions is met, then there shall be a front yard setback of not less than 10 feet:

- (a) Vehicle access is only to the rear yard from an alley, or
- (b) The garage is set back not less than 25 feet and comprises no more than 50% of the width of the street-facing building facade and driveways and off-street parking areas cover no more than 60% of the area of the front yard.

(3) There shall be no required side-yard setback except:

- (a) There shall be ten feet on the street side of corner lots.
- (b) There shall be five feet from a side lot line that separates the R-T zone from another zone.

(4) There shall be a rear-yard setback of:

- (a) Not less than 15 feet; or
- (b) For houses with offset rear lot lines, not less than five feet, provided that the average rear yard setback is not less

than 15 feet. Such reduced setbacks are allowed only when approved by the Planning Director and specified on a subdivision plat for not less than two back-to-back lots.

(c) For lots created after January 1, 2005, if alleys are provided, either a second story heated space or the rear yard wall or fence shall provide a view of the alley.

(5) There shall be a distance of not less than ten feet between residential buildings.

(F) *Off-Street Parking.*

(1) Off-street parking spaces shall be as provided in § 14-16-3-1 of this Zoning Code.

(2) Maximum front yard setback area that can be an improved parking and maneuvering area: 85%, but no more than 22 feet in width or the width of the front of the garage, whichever is wider, perpendicular to the curb.

(3) Parking on any portion of a front yard setback area, other than the improved parking and maneuvering areas, is prohibited.

(G) *Usable Open Space.*

(1) Usable open space shall be provided on-site at 750 square feet per house, 650 square feet per house on a lot with vehicle access only to the rear yard from an alley or on a lot with a detached garage located in the rear yard and accessed by a driveway with a maximum width of 12 feet in the front yard and in the side yard abutting the side of the dwelling, 550 square feet per townhouse dwelling unit, and 360 square feet per townhouse dwelling unit on a lot with vehicle access only to the rear yard from an alley.

(2) Where an aggregate of two or more dwelling units is constructed on any given lot, the development shall include landscaping of the ground-level usable open space planted and maintained according to a landscaping plan approved by the Zoning Enforcement Officer.

(H) An air quality impact review and assessment may be required. See § 14-16-3-14 of this Zoning Code.

(I) *Dwelling Units Per Building.* Where the rear yard(s) of townhouse units abut the rear or side yard areas of lots zoned specifically for houses, no more than two townhouse units per residential building shall be permitted.

('74 Code, § 7-14-13) (Ord. 80-1975; Am. Ord. 40-1976; Am. Ord. 38-1978; Am. Ord. 23-1979; Am. Ord. 54-1980; Am. Ord. 92-1980; Am. Ord. 3-1986; Am. Ord. 12-1990; Am. Ord. 47-1990; Am. Ord. 69-1990; Am. Ord. 4-1995; Am. Ord. 15-1999; Am. Ord. 44-2005; Am. Ord. 17-2007)

➤ Exhibit H

Huning Castle & Raynolds Addition Sector Development Plan

I. INTRODUCTION

The area covered by the Huning Castle and Reynolds Addition is bounded approximately by Central Avenue on the north and west, 8th Street on the east, Gold Avenue on the north, Alcalde and the Rio Grande on the South. This area includes the Huning Castle and Reynolds Addition Neighborhoods and the residential area north of the Albuquerque Country Club. The area is surrounded by the Old Town, Downtown and North Baretas Neighborhoods and the downtown core of Albuquerque. Map 1 shows the Huning Castle and Reynolds Addition area in relation to the city. Map 2 shows the plan area in detail.

Planning Process

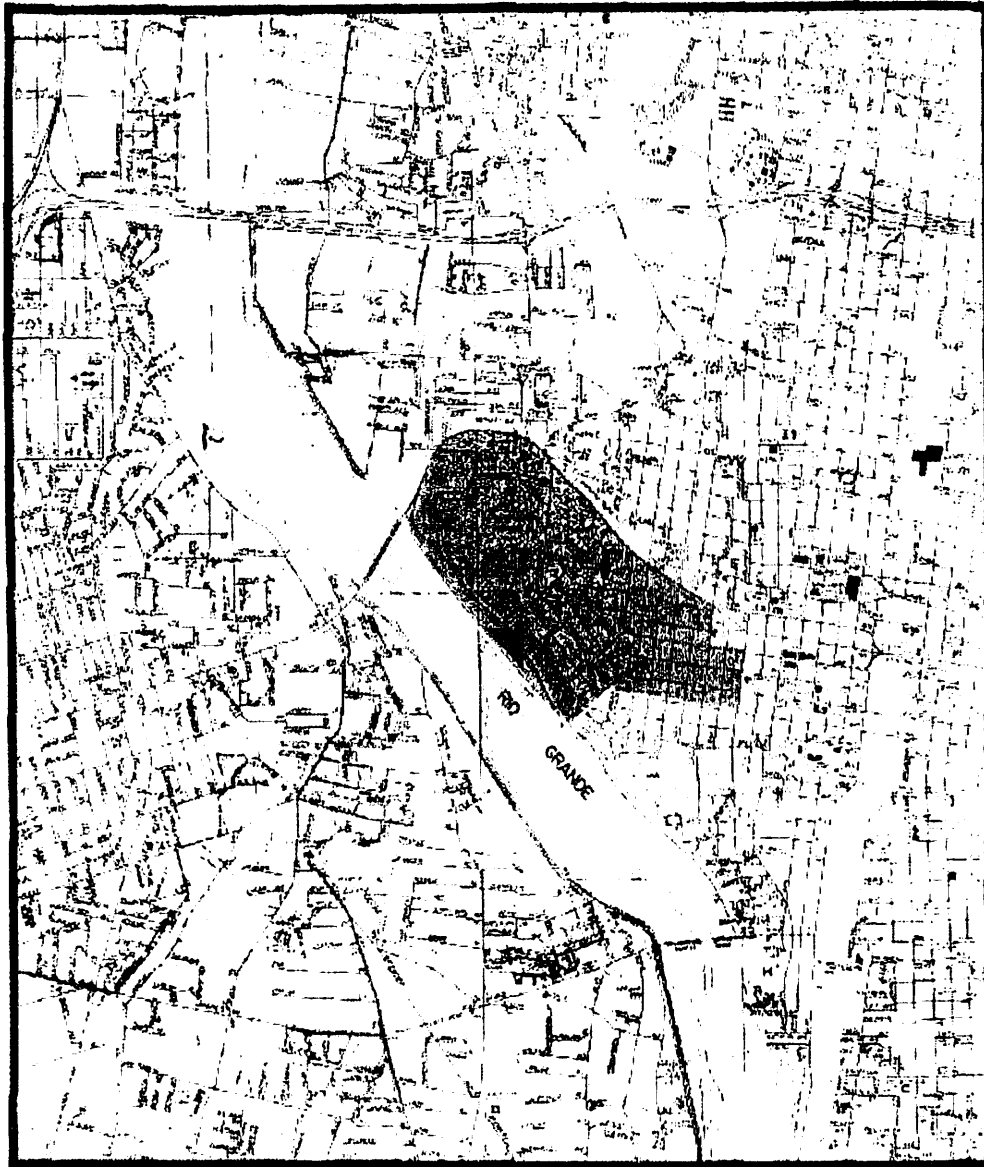
The development of a neighborhood plan for the Huning Castle/Reynolds Addition area was initiated by the Huning Castle Neighborhood Association. Major issues which prompted the initiation of the plan are transportation, zoning and land use. Additional issues were identified by area residents at community meetings.

A neighborhood planning task force composed of property owners, renters, homeowners, business people, and apartment owners reviewed the information gathered at the first community meeting and developed a work program outlining issues to be included in a study of the neighborhood. The task force advised planning staff throughout the development of a draft plan.

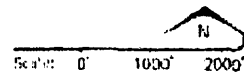
Four community meetings were held. The first meeting in March provided an opportunity for City staff to explain the planning process and to discuss area problems with the residents during the time that the plan was being prepared. Also, volunteers were recruited for the neighborhood planning task force. At the second meeting in May, the task force presented its work program. The work program identified the needs to be addressed in the plan and outlined activities to be carried out during the planning process. In July the task force presented the draft plan to the neighborhood. As a result of comments received during and after the third meeting, the task force revised its recommendations. A second draft of the plan was presented to the neighborhood at a fourth meeting. Throughout the development of the plan, every effort was made to notify all residents and property owners of community meetings and of the recommendations in the plan.

Purpose of the Plan

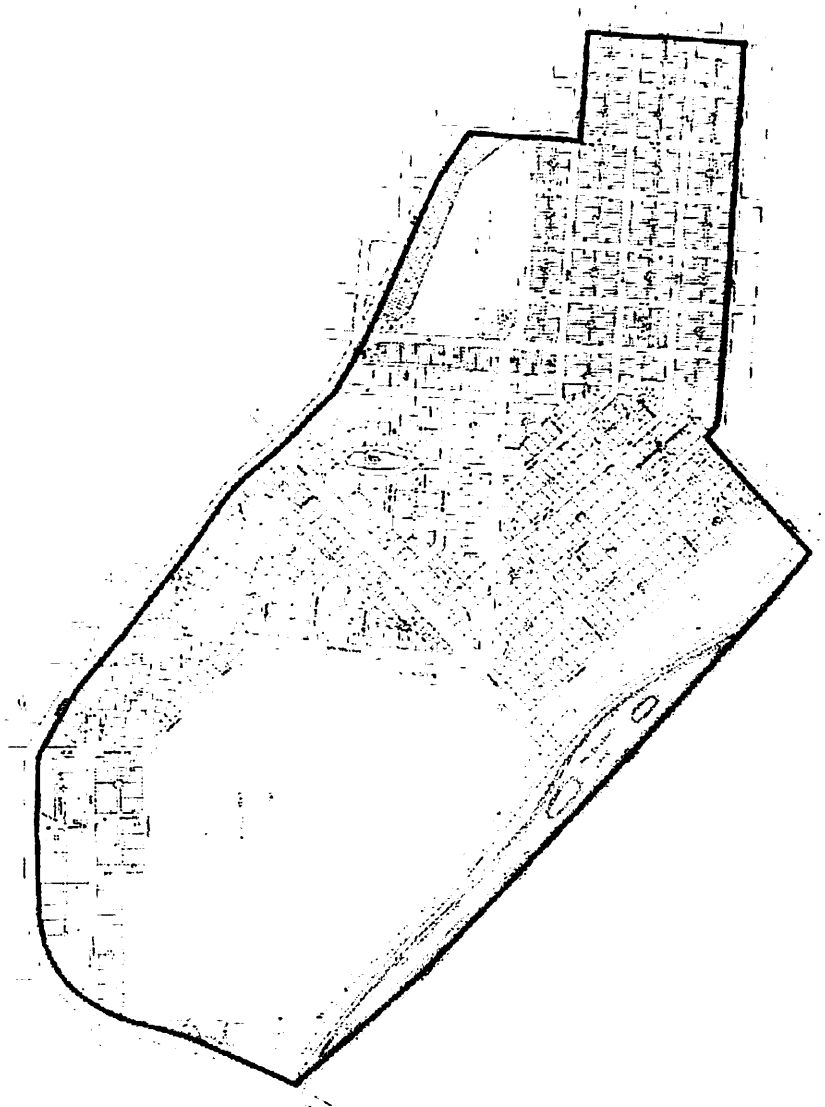
The purpose of a neighborhood plan is to define and propose solutions for problems in small areas of the city which need particular attention. Neighborhood plans may address a number of issues, including land use, zoning, transportation, parks, social services, and public facilities. Through the planning process, residents of the Huning Castle and Reynolds Addition neighborhoods have identified problems which have a negative effect on the livability of these neighborhoods. The plan outlines a strategy for maintaining the area's special qualities, including varied architectural styles, mature landscaping, and neighborhood scale.



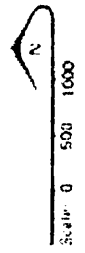
MAP 1



HUNING CASTLE AND RAYNOLDS ADDITION NEIGHBORHOOD PLAN



MAP 2
PLAN BOUNDARY



1. Continue neighborhood cooperation with the City Parks and Recreation Department in developing improvements to Kit Carson, Tingley, and Forest Parks.
2. Lease (by the City) land at the Washington Middle School Site for a playground for children in the Raynolds Addition.

V. Housing and Neighborhood Maintenance

A. Objectives

1. Improve the overall appearance of the area.

B. Recommendations

1. Organize the Raynolds Addition neighborhood so that residents become aware of ways to deal with problems of weeds and substandard housing. Provide residents with information about weed problems and substandard housing through neighborhood associations.

VI. Public Facilities

A. Objectives

1. Improve public facilities in the plan area.

B. Recommendations

1. Upgrade substandard water and sewer lines as streets are repaired.
2. Install new sidewalks and repair of substandard sidewalks through initiation of a sidewalk assessment district.

VII. Economic Development

A. Objectives

1. Stabilize and upgrade existing businesses.
2. Encourage new neighborhood oriented commercial development.

B. Recommendations

1. Implement an economic development strategy for commercial areas along Central Avenue.

VIII. Historic Preservation

A. Objectives

1. Preserve structures of historic significance.

B. Recommendations

1. Consider designation of the historic district identified in Map 11.

General Findings

1. A study of Central Avenue from the Rio Grande to downtown which incorporates land use, transportation, economic development and landscaping involving all adjacent neighborhoods should be made.
2. The SU-2 Special Use Zone should be expanded for use in Established Urban as well as Redeveloping Areas as identified in the Comprehensive Plan.
3. The long term plans for traffic flow around and through the Huning Castle and Raynolds Addition area should be evaluated. Routes to major traffic generators such as the Albuquerque Country Club, Albuquerque Little Theatre, and the Rio Grande Zoo should be studied so that adequate access can be provided with minimum impact on surrounding residential areas.

II. NEIGHBORHOOD HISTORY

The Huning Castle Neighborhood, sited between Old Town and New Town grew up around Albuquerque's second Country Club. The Country Club area was platted in March 1928 as the Huning Castle Addition. Attorney William Keleher and former city manager, A. R. Hebenstreit bought a large tract of land from the Huning family, whose famous 1880's home, the Huning Castle, stood until the 1950's. Keleher and Hebenstreit set the character of the addition by donating land for the Albuquerque Country Club. The two-story Mediterranean style club, built in 1928-29, undoubtedly contributed to the popularity of the fine California Mission, Mediterranean and Pueblo Revival Styles of homes in the district.

The Depression slowed down building in the area, but after the war the remaining lots quickly filled with large architect-designed homes. The neighborhood's focus is Laguna Boulevard, with its handsome median strip; indeed, the visual cohesiveness of the area is due as much to the fine landscaping as to the innate compatibility of the architectural styles. Several homes in this area dating from the 20's and 30's have been accepted on the National Register of Historic Places for their fine design; they are outstanding examples of their styles, revealing clearly Albuquerque's evolution in responding to national trends and adapting them to a regional expression. Eventually, a small historic district may be appropriately nominated to the National Register.

The Reynolds Addition, to the east of the Huning Castle Addition, was originally filed in July 1912. In 1924 it was first identified on the cover of the Sanborn Insurance Map. The Reynolds Addition is made up of small homes and apartment courts which continue, on a much smaller scale, the Southwest Revival Style of the Huning Castle Addition. There are interesting examples of "craftsman" bungalows; 1910 Prairie School homes with broad, low, proportions; and brick cottages, as well as some of Albuquerque's earliest apartment buildings. The Eller Apartments, 115-27 - 8th Street N.W., were built in 1922 with a handsome facade which alternates brick pavilions and frame porches. The Washington Apartments, 1002-1008 Central S.W., have been altered little since their construction in 1916. They provide a good transition in scale and style between this section of Central and the neighborhood to the south. The Reynolds Addition with its 1922 George Washington Junior High, small neighborhood businesses on Park Avenue, increasingly convenient residences adjoining downtown, and architecturally coherent scale, presents a unique opportunity in Albuquerque for neighborhood conservation.

IV. LAND USE AND ZONING

A review of existing land use and current zoning in the plan area identified several cases where zoning is clearly inappropriate. Given changes in the long range outlook for development in the areas around downtown and the need to preserve residential areas to support activities in the downtown area, major objectives of the plan are to revise zoning to be compatible with existing land uses and, to the extent possible, to use zoning as a tool for stabilizing the neighborhoods.

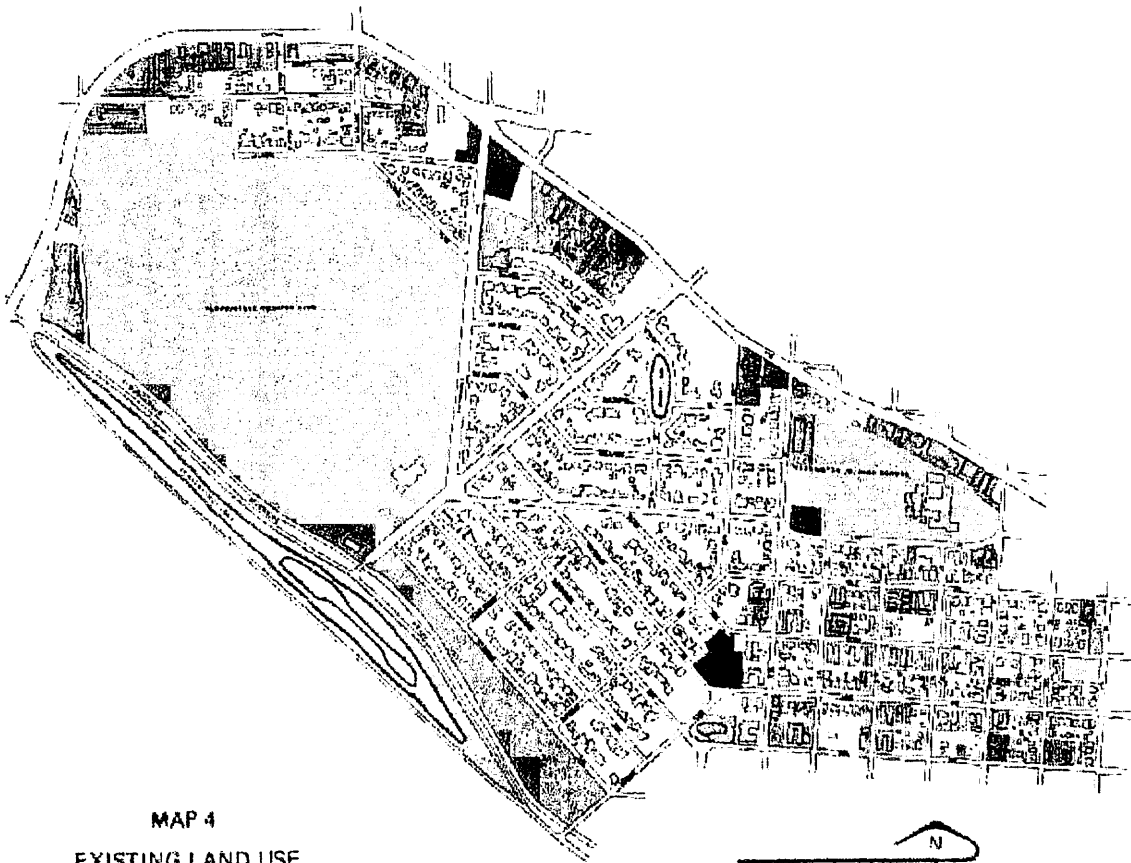
Map 4 and 5 indicate existing land use and zoning in the plan area as of March 1980. Map 6 shows proposed zoning for the plan area.

Proposed Zoning

This plan recommends that the Raynolds Addition be zoned SU-2, Special Neighborhood Zone, as provided for in the Comprehensive City Zoning Code, Article XIV, Chapter 7 of the Revised Ordinances of Albuquerque, New Mexico, 1974. The area was originally zoned O-1, as Office/Institutional. Residential uses were permissive in the original O-1 zone, which allowed the area to develop with residential uses predominant. In the early 1960's a text change to the zoning code made residential uses non-conforming in the O-1 zone. In spite of the zoning, this area has remained a stable, well maintained residential neighborhood. The plan proposes that zoning be changed to reflect existing land use to insure the stability of the Raynolds Addition. The use of an SU-2 zone allows for protection of the area's special qualities. Parking is primarily off the alleys, allowing for landscaped front yards. Some office conversions have occurred near downtown, and a few structures were originally built as offices or commercial establishments. The style and scale of existing structures and the mature landscaping create a pleasant mixed residential area within walking distance of downtown. Zoning changes are intended to implement the goal of maintaining the existing scale of the neighborhood and front yard landscaping through height, density, setback, off-street parking, and landscaping requirements. A higher density mixed residential and office area between 8th and 9th Streets will provide a buffer between downtown core uses and the low density development in the Raynolds Addition west of 9th Street.

Other significant changes include the rezoning of lots on the west side of San Pasquale between Alhambra and Chacoma. These lots are currently zoned C-2, for Community Commercial Uses, but are primarily developed with single-family residences. It is recommended that the zoning be changed to R-1. The north side of New York Avenue is presently zoned for single-family residences, although the area is developed with a mixture of apartments and houses. It is recommended that zoning be changed from R-1 to R-LT to allow townhouse development on vacant lots. It is also recommended that vacant lots on the northwest side of Alcalde Place be zoned R-T for townhouses to encourage infill in this area.

Property on Central Avenue adjacent to the Huning Castle subdivision is currently zoned C-2. Much of this commercial land is vacant or marginally used. Many commercial buildings are vacant. Because this property directly abuts single-family homes, it is important to minimize negative impacts of development on Central Avenue. Because there is a need for housing near downtown, a mix of commercial and residential uses is suitable for this strip. It is recommended that the land on Central Avenue between San Pasquale and 15th Street be zoned SU-2 for low density apartments or limited commercial development. Commercial uses which would have a negative impact



MAP 4
EXISTING LAND USE
MARCH, 1980

	SINGLE FAMILY RESIDENTIAL		OFFICE
	LOW DENSITY APARTMENTS		PUBLIC/SEMI-PUBLIC INSTITUTIONAL
	MEDIUM DENSITY APARTMENTS		PARKING
	TOWNHOUSES		OPEN SPACE
	COMMERCIAL		VACANT

RO Residential/Office Zone. This zone shall be the same as the R-3 Residential Zone in the Comprehensive City Zoning Code with the following exceptions:

1. **Conditional Uses.** Conditional uses include uses permissive in the O-1 Office and Institution Zone and not permissive in the R-3 Residential Zone. Sign regulations shall be those in the O-1 zone.
2. **Lot Size.** The minimum lot width for apartments shall be 150 feet, unless proposed development meets the requirements of the MFR zone, in which case regulations of the MFR zone shall apply.
3. **Usable Open Space.**
 - a. Usable Open Space shall be provided on site in an amount equal to 200 square feet for each efficiency or one bedroom dwelling unit, 250 square feet for each two bedroom dwelling unit, and 300 square feet for each dwelling unit containing three or more bedrooms.
 - b. Where an aggregate of two or more dwelling units is hereafter constructed on any given lot, the development shall include landscaping of the ground level usable open space, planted and maintained according to a landscaping plan approved by the Zoning Enforcement Officer prior to issuance of a building permit. Landscaping shall be consistent with the character of the surrounding area, including street trees, grass and shrubs. Southwestern style landscaping shall not necessarily be considered consistent with the character of the Reynolds Addition.

NCR Neighborhood Commercial/Residential. This zone provides suitable sites for commercial uses, houses, townhouses, and higher density apartments.

1. **Permissive Uses.**
 - a. Uses permissive in the R-3 zone of the Comprehensive City Zoning Code.
 - b. Uses permissive in the C-1 zone of the Comprehensive City Zoning Code with the following exception: No drive-through windows are allowed for restaurants or package liquor stores.
 - c. In addition, the following uses are also permissive, provided no outdoor storage accompanies them: commercial health gymnasium; mortuary; motel or hotel; nursing or rest home; radio or television studio or station, provided no helicopter landing facility is allowed; retailing of alcoholic drink for consumption on premises.
2. **Conditional Uses.** Uses conditional in the R-3 and C-1 zones and not listed as permissive above.
3. **Height.** Height shall be as provided in the R-3 zone of the Comprehensive City Zoning Code.
4. **Lot Size.**
 - a. The minimum lot width for residential development shall be 150 feet, unless proposed development meets the requirements of the MFR zone, in which case regulations of the MFR zone shall apply.
 - b. No lot size requirement shall apply to non-residential development.

5. Setback. Setback shall be as provided in the C-1 zone.
6. Density. Density of residential development shall be as provided in the R-3 zone.
7. Off-street Parking. Off-street parking spaces shall be as provided in Section 40.A of the Comprehensive City Zoning Code.
8. Usable Open Space. Usable open space shall be provided on-site as required in the R-3 zone.

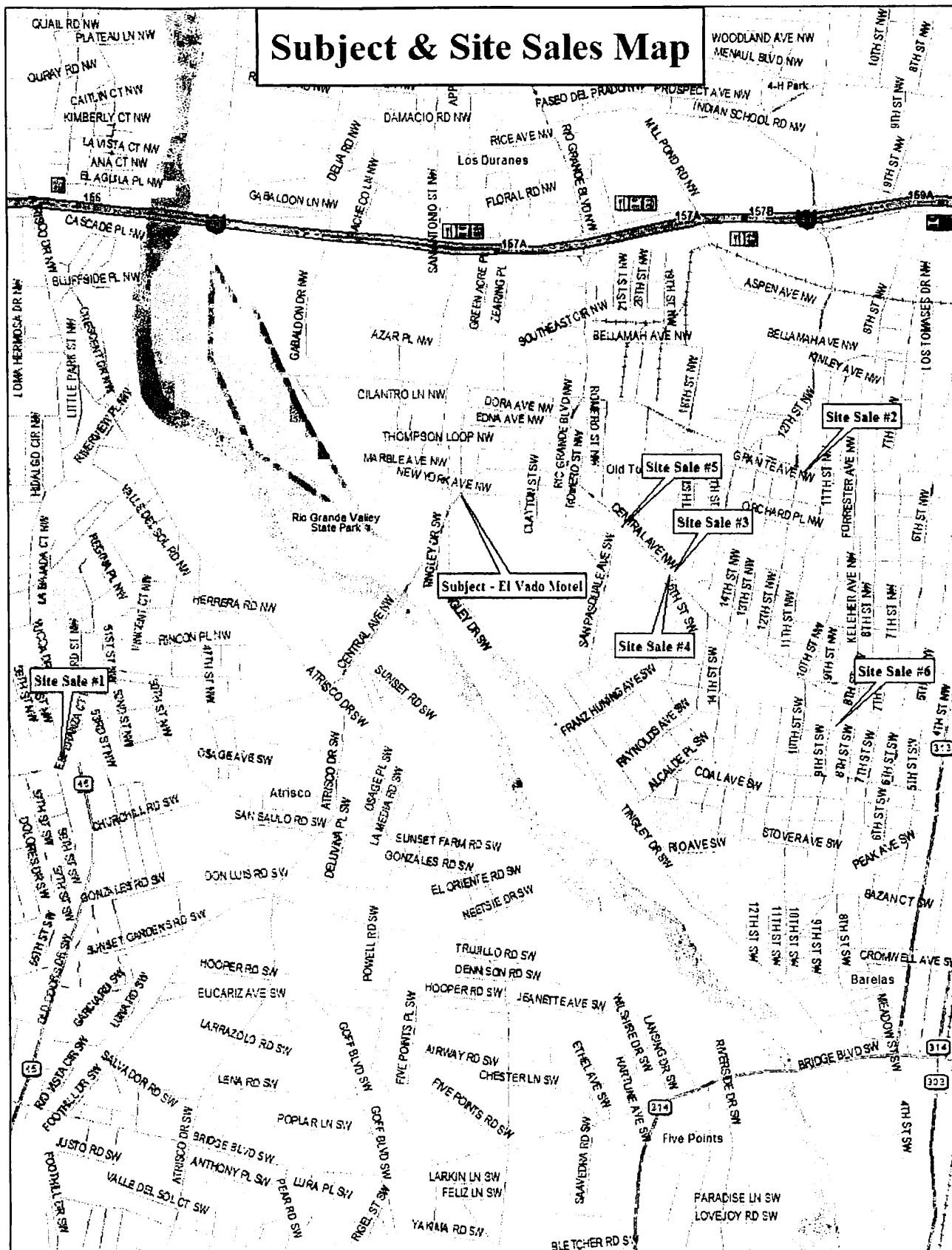
CLD Commercial/Low Density Apartment Zone. This zone provides suitable sites for houses, townhouses, low density apartments, and commercial uses.

1. Permissive uses.
 - a. Uses permissive in the R-2 Zone of the Comprehensive City Zoning Code.
 - b. Commercial uses as follows:
 Appliance store; art gallery; art supply store, auto supply store; bakery goods or confectionery shop; bank; bar; barber shop; beauty shop; book or stationery store (not an adult book store); catering; medical clinic; clothing store; club, lodge, or fraternal organization; church or other place of worship, including incidental educational and recreational facilities; day care center; dog obedience training school; dressmaking and tailoring; drug store; dry cleaning or clothes pressing establishment; drygoods store; florist shop; furniture store; garage for automotive repair, as long as repairs are done within a completely enclosed building at least 20 feet from any residential zone; grocery, fruit, vegetable, meat or fish market; delicatessen or super market; hardware store; commercial health gymnasium; insurance agency; interior decorating shop; jewelry store; library; medical or dental laboratory; museum; mortuary; motel; musical instrument shop; newstand; nursing or rest home; office machines equipment sales and repair; office; package liquor store (not a drive-through); paint store; parking lot or structure (as a separate business); pawn shop; pet shop, provided there is no outside pen; picture framing shop; pharmacy; photocopy shop; photo equipment shop; physiotherapy office; prosthetic or corrective devices shop; public utility structure or use; radio or television studio or station, provided there is no helipad; real estate office; record shop; religious articles supply store; restaurant or cafe (not a drive-in or drive-through); savings and loan association; service station; school, including a private school which serves to provide basic education to children as is provided in public schools in grades K through 12 and excluding all other private schools; shoe store; shoeshine stand or shoe repair store; smoker's shop; sporting goods shop; temporary storage structure or yard for equipment material, or activity incidental to a specific construction project; studio for the instruction of music or dance; taxidermy shop.
2. Height. Structure height up to 26 feet shall be permitted at any location which is no closer than 50 feet from an adjacent R-1 zone. The height of any structure over 26 feet tall shall fall within a 25 degree angle plane from the

➤ **Exhibit I**

Site Sales

Subject & Site Sales Map



DeLORME

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Data Zoom 13-0

VACANT SITE SALE ID # 1

IDENTIFICATION

LOCATION	NWC Central & Yucca	
CITY	Albuquerque, NE	
ZONE ATLAS PAGE	K-11	
DATE OF SALE	4/11/2006	
SALE PRICE	\$100,000	
PRICE PER UNIT COMPARISON	\$8.70 SF	\$378,783 AC
MARKETING TIME	N/A	
ORIGINAL LIST PRICE	N/A	

UNITS OF COMPARISON

SQUARE FEET	11,500 SF
ACRES	.2640 AC

PROPERTY DATA

ZONING	C-2
SITE POSITION	Corner
SHAPE	Rectangle
TOPOGRAPHY	Mostly Level
UTILITIES	<input checked="" type="checkbox"/> G <input checked="" type="checkbox"/> E <input checked="" type="checkbox"/> W/S <input checked="" type="checkbox"/> T <input type="checkbox"/> Septic <input type="checkbox"/> Well
PROPOSED / END USE	

FINANCING DATA

CASH EQUIVALENT PRICE (CE)	\$100,000
CE PRICE/UNIT OF COMPARISON	\$8.70 SF \$378,783 AC
TERMS OF SALE	

DOCUMENTATION/CONFIRMATION

GRANTOR	Allsup's Convenience Stores, Inc.
GRANTEE	Casper & Veronica Montoya
DOCUMENT NUMBER	WD 2006051219
LEGAL DESCRIPTION	Lot 1-A, replat of Lots 1 & S 1/2 of Lot 2, Lavaland Addition
PLAT BOOK AND PAGE	N/A
UNIFORM PROPERTY TAX CODE	101105732336710907
AGENT, COMPANY, PHONE	Mark Tekin, Tekin Group, (505)821-2911
CONFIRMED BY	Mark Tekin
CONFIRMED TO	Justin LeVois, American Property
DATE CONFIRMED	5/11/2007
COMMENTS	

VACANT SITE SALE ID # 2

IDENTIFICATION

LOCATION	S s/o Mountain, just east of 12th	
CITY	Albuquerque, NW	
ZONE ATLAS PAGE	J-13	
DATE OF SALE	11/23/2005	
SALE PRICE	\$60,000	
PRICE PER UNIT COMPARISON	\$7.03 SF	\$306,401 AC
MARKETING TIME	N/A	
ORIGINAL LIST PRICE	N/A	

UNITS OF COMPARISON

SQUARE FEET	8,530 SF
ACRES	.1958 AC

PROPERTY DATA

ZONING	SU-2/NC
SITE POSITION	Interior
SHAPE	Mostly rectangular
TOPOGRAPHY	Mostly Level
UTILITIES	<input checked="" type="checkbox"/> G <input checked="" type="checkbox"/> E <input checked="" type="checkbox"/> W/S <input checked="" type="checkbox"/> T <input type="checkbox"/> Septic <input type="checkbox"/> Well
PROPOSED / END USE	Proposed Live/Work Units

FINANCING DATA

CASH EQUIVALENT PRICE (CE)	\$60,000	
CE PRICE/UNIT OF COMPARISON	\$7.03 SF	\$306,401 AC
TERMS OF SALE	Cash	

DOCUMENTATION/CONFIRMATION

GRANTOR	Puccetti Irrevocable Trust
GRANTEE	SG Properties, LLC (Sean Gilligan)
DOCUMENT NUMBER	WD 2005-174057
LEGAL DESCRIPTION	Tract B, Block 47, Perea Subdivision
PLAT BOOK AND PAGE	N/A
UNIFORM PROPERTY TAX CODE	N/A
AGENT, COMPANY, PHONE	Sean Gilligan, , (505)440-5814
CONFIRMED BY	Sean Gilligan/Purchase Agree
CONFIRMED TO	Kelly LeMon, American Property
DATE CONFIRMED	3/31/2006
COMMENTS	#E06028

VACANT SITE SALE ID # 3

IDENTIFICATION

LOCATION	1720 Central (S s/o Central, W of Laguna Blvd)	
CITY	Albuquerque, SW	
ZONE ATLAS PAGE	J-13	
DATE OF SALE	1/27/2005	
SALE PRICE	\$535,000	
PRICE PER UNIT COMPARISON	\$7.65 SF	\$333,251 AC
MARKETING TIME	< One year	
ORIGINAL LIST PRICE	\$496,000	

UNITS OF COMPARISON

SQUARE FEET	69,931 SF
ACRES	1.6054 AC

PROPERTY DATA

ZONING	SU-2, CLD
SITE POSITION	Interior
SHAPE	Slightly irregular
TOPOGRAPHY	Mostly level
UTILITIES	<input checked="" type="checkbox"/> G <input checked="" type="checkbox"/> E <input checked="" type="checkbox"/> W/S <input checked="" type="checkbox"/> T <input type="checkbox"/> Septic <input type="checkbox"/> Well
PROPOSED / END USE	Raze existing buildings & develop with live/work/town homes

FINANCING DATA

CASH EQUIVALENT PRICE (CE)	\$535,000
CE PRICE/UNIT OF COMPARISON	\$7.65 SF \$333,251 AC
TERMS OF SALE	Cash to seller. SALE PRICE = \$495,000 PLUS \$40,000 TO RAZE EXISTING STRUCTURE (According to Purchaser)

DOCUMENTATION/CONFIRMATION

GRANTOR	RJ Management Corporation
GRANTEE	Infill Solutions, LLC
DOCUMENT NUMBER	
LEGAL DESCRIPTION	Tracts A & B, Lands of HB Horn & Calvin Horn, filed 3/2/78
PLAT BOOK AND PAGE	Book C13, Page 20
UNIFORM PROPERTY TAX CODE	N/A
AGENT, COMPANY, PHONE	George Herrera, Vaughan Company, (505)797-1100
CONFIRMED BY	Jay Rembe, Infill Solutions
CONFIRMED TO	Melissa Loudat, American Property
DATE CONFIRMED	12/9/2004
COMMENTS	Refer to AP File #A04415 for further details.

VACANT SITE SALE ID # 4

IDENTIFICATION

LOCATION	1700 Central (S s/o Central, W of Laguna Blvd)	
CITY	Albuquerque, SW	
ZONE ATLAS PAGE	J-13	
DATE OF SALE	1/27/2005	
SALE PRICE	\$425,000	
PRICE PER UNIT COMPARISON	\$7.19 SF	\$313,100 AC
MARKETING TIME	Not Actively Marketed	
ORIGINAL LIST PRICE	N/A	

UNITS OF COMPARISON

SQUARE FEET	59,128 SF
ACRES	1.3574 AC

PROPERTY DATA

ZONING	SU-2, CLD
SITE POSITION	Interior
SHAPE	Slightly irregular
TOPOGRAPHY	Mostly level
UTILITIES	<input checked="" type="checkbox"/> G <input checked="" type="checkbox"/> E <input checked="" type="checkbox"/> W/S <input checked="" type="checkbox"/> T <input type="checkbox"/> Septic <input type="checkbox"/> Well
PROPOSED / END USE	Raze existing building & develop with live/work/town homes

FINANCING DATA

CASH EQUIVALENT PRICE (CE)	\$425,000
CE PRICE/UNIT OF COMPARISON	\$7.19 SF \$313,100 AC
TERMS OF SALE	Cash to seller. SALE PRICE = \$415,000 PLUS \$10,000 TO RAZE EXISTING STRUCTURE (According to Purchaser)

DOCUMENTATION/CONFIRMATION

GRANTOR	Virginia M. & Angelo J. Del Frate
GRANTEE	Infill Solutions, LLC
DOCUMENT NUMBER	2005013177
LEGAL DESCRIPTION	Parcels 1, comprising a portion of Tract B, Block 3, Huning Castle Addition, and Parcel 2, comprising a portion of Tract 129B on MRGCD Map 38.
PLAT BOOK AND PAGE	N/A
UNIFORM PROPERTY TAX CODE	N/A
CONFIRMED BY	Jay Rembe, Infill Solutions
CONFIRMED TO	Melissa Loudat, American Property
DATE CONFIRMED	12/9/2004
COMMENTS	Refer to AP File #A04415 for further details

VACANT SITE SALE ID # 5

IDENTIFICATION

LOCATION	S s/o Central, just east of San Pasquale	
CITY	Albuquerque, SW	
ZONE ATLAS PAGE	J-13	
DATE OF SALE	12/29/2004	
SALE PRICE	\$425,000	
PRICE PER UNIT COMPARISON	\$10.03 SF	\$436,792 AC
MARKETING TIME	N/A	
ORIGINAL LIST PRICE	N/A	

UNITS OF COMPARISON

SQUARE FEET	42,384 SF
ACRES	.9730 AC

PROPERTY DATA

ZONING	SU-2, CLD
SITE POSITION	Interior
SHAPE	"L" - Shaped
TOPOGRAPHY	Mostly level
UTILITIES	<input checked="" type="checkbox"/> G <input checked="" type="checkbox"/> E <input checked="" type="checkbox"/> W/S <input checked="" type="checkbox"/> T <input type="checkbox"/> Septic <input type="checkbox"/> Well
PROPOSED / END USE	Live/work/town homes & small commercial building

FINANCING DATA

CASH EQUIVALENT PRICE (CE)	\$425,000
CE PRICE/UNIT OF COMPARISON	\$10.03 SF \$436,792 AC
TERMS OF SALE	Cash to seller

DOCUMENTATION/CONFIRMATION

GRANTOR	Albuquerque Little Theatre, Inc
GRANTEE	Theater Townhomes, LLC
DOCUMENT NUMBER	WD 04-181013
LEGAL DESCRIPTION	Tract A, Lands of Albuquerque Little Theatre, filed 5/12/04
PLAT BOOK AND PAGE	Book 4-C, Page 150
UNIFORM PROPERTY TAX CODE	101305819417730913
CONFIRMED BY	Tim McNaney
CONFIRMED TO	Melissa Loudat, American Property
DATE CONFIRMED	12/22/2004
COMMENTS	Refer to AP File 04-382 & 05-300 for further details

VACANT SITE SALE ID # 6

IDENTIFICATION

LOCATION	NEC Silver/9th Street	
CITY	Albuquerque, SW	
ZONE ATLAS PAGE	K-13	
DATE OF SALE	3/1/2004	
SALE PRICE	\$284,280	
PRICE PER UNIT COMPARISON	\$10.00 SF	\$435,600 AC
MARKETING TIME	N/A	
ORIGINAL LIST PRICE	N/A	

UNITS OF COMPARISON

SQUARE FEET	28,428 SF
ACRES	.6526 AC

PROPERTY DATA

ZONING	SU-3
SITE POSITION	Corner
SHAPE	Rectangle
TOPOGRAPHY	Mostly level
UTILITIES	<input checked="" type="checkbox"/> G <input checked="" type="checkbox"/> E <input checked="" type="checkbox"/> W/S <input checked="" type="checkbox"/> T <input type="checkbox"/> Septic <input type="checkbox"/> Well
PROPOSED / END USE	Silver Lofts - Phase 2

FINANCING DATA

CASH EQUIVALENT PRICE (CE)	\$284,280
CE PRICE/UNIT OF COMPARISON	\$10.00 SF \$435,600 AC
TERMS OF SALE	Cash to seller

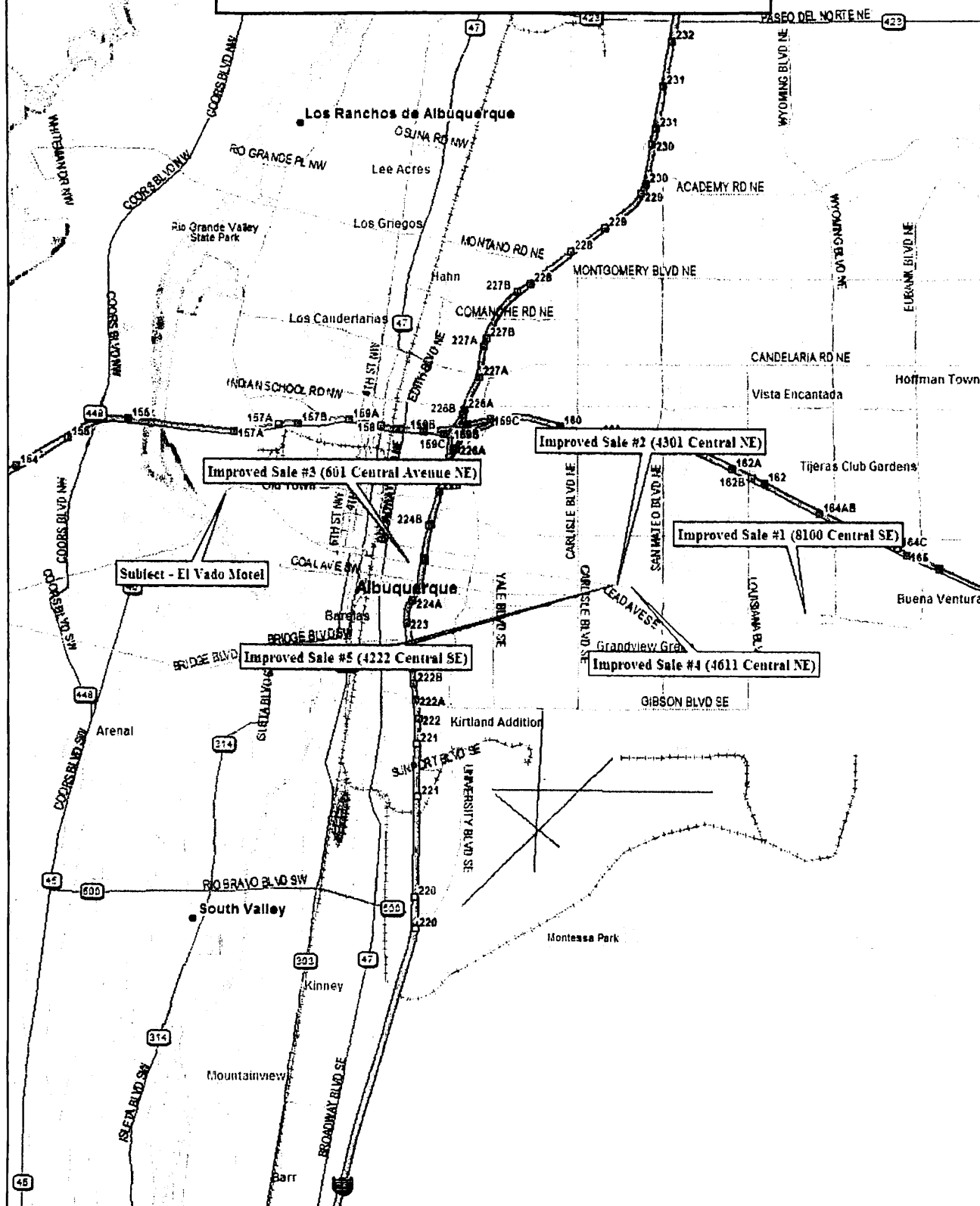
DOCUMENTATION/CONFIRMATION

GRANTOR	Journal Enterprises Inc., a NM Corp.
GRANTEE	Infill Solutions Development, LLC, a NM LLC (Jay R
DOCUMENT NUMBER	WD 04-26526
LEGAL DESCRIPTION	Lots 17, 18, 19, 20, 21, 22, 23 and 24, in Block 46 of the New Mexico Town Company's Original Townsite of Albuquerque, filed 12/29/1882
PLAT BOOK AND PAGE	Book D, Page 140
UNIFORM PROPERTY TAX CODE	N/A
AGENT, COMPANY, PHONE	Jay Rembe, Maestas & Ward, (505)878-0008
CONFIRMED BY	Jay Rembe (Grantee)
CONFIRMED TO	Melissa Loudat, American Property
DATE CONFIRMED	9/11/2003
COMMENTS	Based on \$10/SF. Purchaser paid for demolition of two residences and excavation at a cost of \$68,490, or \$2.41/SF.

➤ **Exhibit J**

Improved Sales & Photographs

Subject & Improved Sales Map

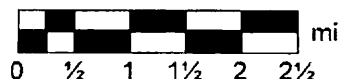


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IMPROVED SALE ID # 1**IDENTIFICATION**

PROPERTY TYPE	Hotel/Motel
NAME	Route 68 Inn
ADDRESS	8100 Central Avenue SE
CITY	Albuquerque, SE
LOCATION	SWC of Central & Texas SE
ZONE ATLAS PAGE	K-19
DATE OF SALE	May 12, 2005
SALE PRICE	\$568,000
PRICE PER UNIT OF COMPARISON	\$22.76 Per SF of Gross Building Area (GBA) \$28.86 Per SF of Rentable Building Area (RBA) \$10,519 Per Unit (UN)
MARKETING TIME	
ORIGINAL LIST PRICE	N/A

UNITS OF COMPARISON

BUILDING AREA IN SQUARE FEET	24,958 GBA	19,678 RBA
NUMBER OF UNITS (UN)	54	

PROPERTY DATA

SITE AREA	57,935 SF	1.3300 AC
FLOOR AREA RATIO	0.43:1.00	
NUMBER OF STORIES	2	
YEAR BUILT		
EFFECTIVE AGE	40+	
CONSTRUCTION TYPE	WdFr/Stucco	
QUALITY	Fair-Average	
CONDITION	Poor	
PROPERTY RIGHTS	Fee Simple	
OCCUPANCY AT TIME OF SALE	0%	
OWNER OCCUPANCY AT TIME OF SALE	0%	
OWNER OCCUPANCY AFTER SALE	0%	

FINANCING DATA

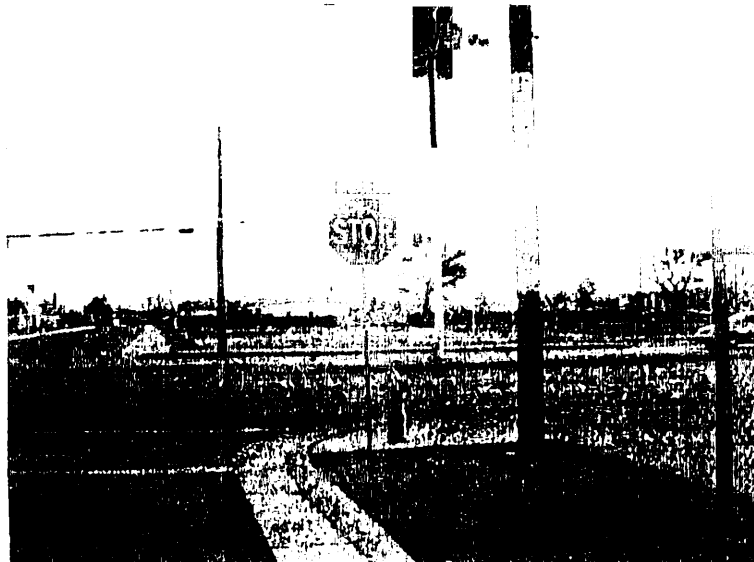
CASH EQUIVALENT PRICE (CE)	\$ 588,000
CE PRICE PER UNIT OF COMPARISON	\$22.76 Per SF of GBA \$28.86 Per SF of RBA \$10,519 Per Unit
DOWN PAYMENT	\$
FIRST YEAR'S DEBT SERVICE	\$ 0
TERMS OF SALE	Cash to Seller

INCOME/EXPENSE ANALYSIS**PRO FORMA**

POTENTIAL GROSS INCOME (PGI)	\$	
LESS VACANCY AND COLLECTION LOSS	\$	Vacancy
EFFECTIVE GROSS INCOME (EGI)	\$	
LESS EXPENSES	\$	Of EGI
NET OPERATING INCOME (NOI)	\$	
GROSS INCOME MULTIPLIER (GIM)		
EFFECTIVE GROSS INCOME MULTIPLIER (EGIM)		
OVERALL CAPITALIZATION RATE (OAR)		
EQUITY DIVIDEND RATE (EDR)		
OPERATING EXPENSE / SF RBA		

DOCUMENTATION/CONFIRMATION

GRANTOR	Zenin Investments, Inc.
GRANTEE	City of Albuquerque
DOCUMENT NUMBER	WD 2005065832
LEGAL DESCRIPTION	
PLAT BOOK AND PAGE	N/A
UNIFORM PROPERTY TAX CODE	N/A
CONFIRMED BY	James McNeely COA Legal Division
CONFIRMED TO	M. Del Curto, MAI, American Property
DATE CONFIRMED	December 20, 2005
COMMENTS	Real estate only, not a going-concern. Property was shut-down by the City due to "sub-standard" conditions prior to sale. Building razed as of 12/22/05. City paid an additional \$18,012 in back taxes at closing. Should have been paid by seller.



IMPROVED SALE ID # 2**IDENTIFICATION**

PROPERTY TYPE	Hotel/Motel
NAME	De Anza Motel
ADDRESS	4301 Central Avenue NE
CITY	Albuquerque, NE
LOCATION	NWC of Washington & Central NE
ZONE ATLAS PAGE	K-17
DATE OF SALE	July 22, 2003
SALE PRICE	\$891,000
	\$10,482 Per Unit (UN)
MARKETING TIME	
ORIGINAL LIST PRICE	N/A

UNITS OF COMPARISON

NUMBER OF UNITS (UN)	85
----------------------	----

PROPERTY DATA

SITE AREA	89,597 SF	2.0569 AC
FLOOR AREA RATIO	:1.00	
NUMBER OF STORIES	1	
YEAR BUILT	1980	
EFFECTIVE AGE	25	
CONSTRUCTION TYPE	WdFr/Stucco	
QUALITY	Average	
CONDITION	Average	
PROPERTY RIGHTS	Fee Simple	
OCCUPANCY AT TIME OF SALE	60%	
OWNER OCCUPANCY AT TIME OF SALE	0%	
OWNER OCCUPANCY AFTER SALE	0%	

FINANCING DATA

CASH EQUIVALENT PRICE (CE)	\$ 891,000
	\$10,482 Per Unit
DOWN PAYMENT	\$
FIRST YEAR'S DEBT SERVICE	\$ 0
TERMS OF SALE	Cash to seller

INCOME/EXPENSE ANALYSIS**PRO FORMA**

POTENTIAL GROSS INCOME (PGI)	\$ 513,913		
LESS VACANCY AND COLLECTION LOSS	\$ 308,348	60.00%	Vacancy
EFFECTIVE GROSS INCOME (EGI)	\$ 205,565		
LESS EXPENSES	\$ 112,275	54.62%	Of EGI
NET OPERATING INCOME (NOI)	\$ 93,290		
GROSS INCOME MULTIPLIER (GIM)	1.73		
EFFECTIVE GROSS INCOME MULTIPLIER (EGIM)	4.33		
OVERALL CAPITALIZATION RATE (OAR)	10.47%		
EQUITY DIVIDEND RATE (EDR)			

DOCUMENTATION/CONFIRMATION

GRANTOR	Kamnarr Investments, Inc.
GRANTEE	City of Albuquerque
DOCUMENT NUMBER	WD 2003126524
LEGAL DESCRIPTION	Lots 1 through 17 Block 4 Mesa Grande Addition
PLAT BOOK AND PAGE	N/A
UNIFORM PROPERTY TAX CODE	N/A
CONFIRMED BY	James McNeely (COA)
CONFIRMED TO	M. Del Curto, MAI, American Property
DATE CONFIRMED	December 20, 2005
COMMENTS	Sold per this transaction at a 60% to 70% reported vacancy rate. Not a true going-concern, very high vacancy, troubled property. City purchased to preserve historical integrity through landmarking. Owners planned to sell to Walgreens.



IMPROVED SALE ID # 3**IDENTIFICATION**

PROPERTY TYPE	Hotel/Motel
NAME	Gas Light Motel
ADDRESS	601 Central Avenue NE
CITY	Albuquerque, NE
LOCATION	NEC of Walter & Central NE
ZONE ATLAS PAGE	K-14
DATE OF SALE	October 17, 2002
SALE PRICE	\$540,000
PRICE PER UNIT OF COMPARISON	\$33.75 Per SF of Gross Building Area (GBA) \$12,273 Per Unit (UN)
MARKETING TIME	
ORIGINAL LIST PRICE	N/A

UNITS OF COMPARISON

BUILDING AREA IN SQUARE FEET	16,000 GBA
NUMBER OF UNITS (UN)	44

PROPERTY DATA

SITE AREA	28,400 SF	0.6520 AC
FLOOR AREA RATIO	0.56:1.00	
NUMBER OF STORIES	2	
YEAR BUILT	40	
EFFECTIVE AGE	40	
CONSTRUCTION TYPE	WdFr/Stucco	
QUALITY	Fair-Average	
CONDITION	Poor	
PROPERTY RIGHTS	Fee Simple	
OCCUPANCY AT TIME OF SALE	0%	
OWNER OCCUPANCY AT TIME OF SALE	0%	
OWNER OCCUPANCY AFTER SALE	0%	

FINANCING DATA

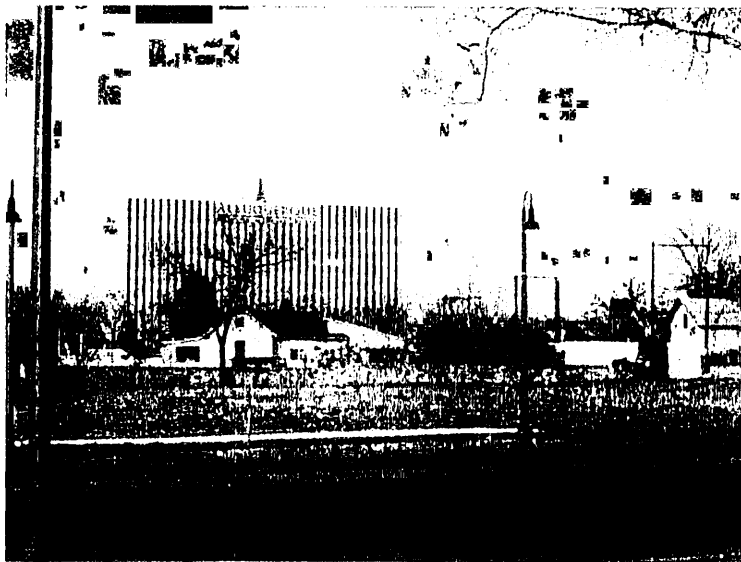
CASH EQUIVALENT PRICE (CE)	\$ 540,000
CE PRICE PER UNIT OF COMPARISON	\$33.75 Per SF of GBA
	\$12,273 Per Unit
DOWN PAYMENT	\$
FIRST YEAR'S DEBT SERVICE	\$ 0
TERMS OF SALE	Cash to Seller

INCOME/EXPENSE ANALYSIS**PRO FORMA**

POTENTIAL GROSS INCOME (PGI)	\$	
LESS VACANCY AND COLLECTION LOSS	\$	Vacancy
EFFECTIVE GROSS INCOME (EGI)	\$	
LESS EXPENSES	\$	Of EGI
NET OPERATING INCOME (NOI)	\$	
GROSS INCOME MULTIPLIER (GIM)		
EFFECTIVE GROSS INCOME MULTIPLIER (EGIM)		
OVERALL CAPITALIZATION RATE (OAR)		
EQUITY DIVIDEND RATE (EDR)		

DOCUMENTATION/CONFIRMATION

GRANTOR	M&N Hospitality, Inc.
GRANTEE	202 Corp
DOCUMENT NUMBER	WD 2002134959
LEGAL DESCRIPTION	Lots 9 through 12 Block 25 Hunings Highland Addition
PLAT BOOK AND PAGE	N/A
UNIFORM PROPERTY TAX CODE	N/A
CONFIRMED BY	Brian Godfrey
CONFIRMED TO	M. Del Curto, MAI, American Property
DATE CONFIRMED	December 20, 2005
COMMENTS	Real estate only, not a going-concern. Property was shut-down at the time of sale. Building razed as of 12/22/05.



IMPROVED SALE ID # 4**IDENTIFICATION**

PROPERTY TYPE	Hotel/Motel
NAME	Zia Motor Lodge
ADDRESS	4611 Central Avenue
CITY	Albuquerque, NE
LOCATION	NWC Central/Madison
ZONE ATLAS PAGE	K-17
DATE OF SALE	August 1, 2001
SALE PRICE	\$330,000
PRICE PER UNIT OF COMPARISON	\$28.53 Per SF of Gross Building Area (GBA) \$11,379 Per Unit (UN)
MARKETING TIME	N/A
ORIGINAL LIST PRICE	N/A

UNITS OF COMPARISON

BUILDING AREA IN SQUARE FEET	11,566 GBA
NUMBER OF UNITS (UN)	29

PROPERTY DATA

SITE AREA	24,829 SF	0.5700 AC
FLOOR AREA RATIO	0.47:1.00	
NUMBER OF STORIES	1	
YEAR BUILT		
EFFECTIVE AGE	30-40 yrs	
CONSTRUCTION TYPE	Fr/Stucco	
QUALITY	Fair-Average	
CONDITION	Fair-Average	
PROPERTY RIGHTS	Fee Simple	
OCCUPANCY AT TIME OF SALE	N/A	
OWNER OCCUPANCY AT TIME OF SALE		
OWNER OCCUPANCY AFTER SALE		

FINANCING DATA

CASH EQUIVALENT PRICE (CE)	\$ 330,000	
CE PRICE PER UNIT OF COMPARISON	\$28.53 Per SF of GBA	
	\$11,379 Per Unit	
DOWN PAYMENT	\$ 13,177	
FIRST YEAR'S DEBT SERVICE	\$ 39,190	
TERMS OF SALE	\$13,177 down payment; \$316,117 REC at 10% for 16.50 years	

INCOME/EXPENSE ANALYSIS

POTENTIAL GROSS INCOME (PGI)	\$	
LESS VACANCY AND COLLECTION LOSS	\$	Vacancy
EFFECTIVE GROSS INCOME (EGI)	\$	
LESS EXPENSES	\$	Of EGI
NET OPERATING INCOME (NOI)	\$	
GROSS INCOME MULTIPLIER (GIM)		
EFFECTIVE GROSS INCOME MULTIPLIER (EGIM)		
OVERALL CAPITALIZATION RATE (OAR)		
EQUITY DIVIDEND RATE (EDR)		

DOCUMENTATION/CONFIRMATION

GRANTOR	Libra Investments
GRANTEE	Kanani, K.
DOCUMENT NUMBER	REC 01-92009
LEGAL DESCRIPTION	Lots 15 - 20, Block 43, Valley View Addition
PLAT BOOK AND PAGE	N/A
UNIFORM PROPERTY TAX CODE	101705735221843301
CONFIRMED BY	Confidential/Reliable Source
CONFIRMED TO	Melissa Loudat, American Property
DATE CONFIRMED	November 8, 2001
COMMENTS	AP File #98-139; prior sale in 1992 for \$300,000. Building has been razed as of 12/22/05. Not a true going-concern, very high vacancy, troubled property. Vacancy, income information unknown.



IMPROVED SALE ID # 5**IDENTIFICATION**

PROPERTY TYPE	Hotel/Motel
NAME	
ADDRESS	4222 Central Avenue
CITY	Albuquerque, SE
LOCATION	SWC Central/Graceland
ZONE ATLAS PAGE	K-17
DATE OF SALE	December 18, 2000
SALE PRICE	\$88,942
PRICE PER UNIT OF COMPARISON	\$24.88 Per SF of Gross Building Area (GBA) \$8,086 Per Unit (UN)
MARKETING TIME	N/A
ORIGINAL LIST PRICE	N/A

UNITS OF COMPARISON

BUILDING AREA IN SQUARE FEET	3,575 GBA
NUMBER OF UNITS (UN)	11

PROPERTY DATA

SITE AREA	6,200 SF	0.1423 AC
FLOOR AREA RATIO	0.58:1.00	
NUMBER OF STORIES	1	
YEAR BUILT	1979	
EFFECTIVE AGE	20 yrs	
CONSTRUCTION TYPE	Fr/Stucco	
QUALITY	Average	
CONDITION	Average	
PROPERTY RIGHTS	Fee Simple	
OCCUPANCY AT TIME OF SALE	N/A	
OWNER OCCUPANCY AT TIME OF SALE		
OWNER OCCUPANCY AFTER SALE		

FINANCING DATA

CASH EQUIVALENT PRICE (CE)	\$ 88,942
CE PRICE PER UNIT OF COMPARISON	\$24.88 Per SF of GBA
	\$8,088 Per Unit
DOWN PAYMENT	\$ 88,942
FIRST YEAR'S DEBT SERVICE	\$ 0
TERMS OF SALE	Cash to seller

INCOME/EXPENSE ANALYSIS

POTENTIAL GROSS INCOME (PGI)	\$	
LESS VACANCY AND COLLECTION LOSS	\$	Vacancy
EFFECTIVE GROSS INCOME (EGI)	\$	
LESS EXPENSES	\$	Of EGI
NET OPERATING INCOME (NOI)	\$	
GROSS INCOME MULTIPLIER (GIM)		
EFFECTIVE GROSS INCOME MULTIPLIER (EGIM)		
OVERALL CAPITALIZATION RATE (OAR)		
EQUITY DIVIDEND RATE (EDR)		

DOCUMENTATION/CONFIRMATION

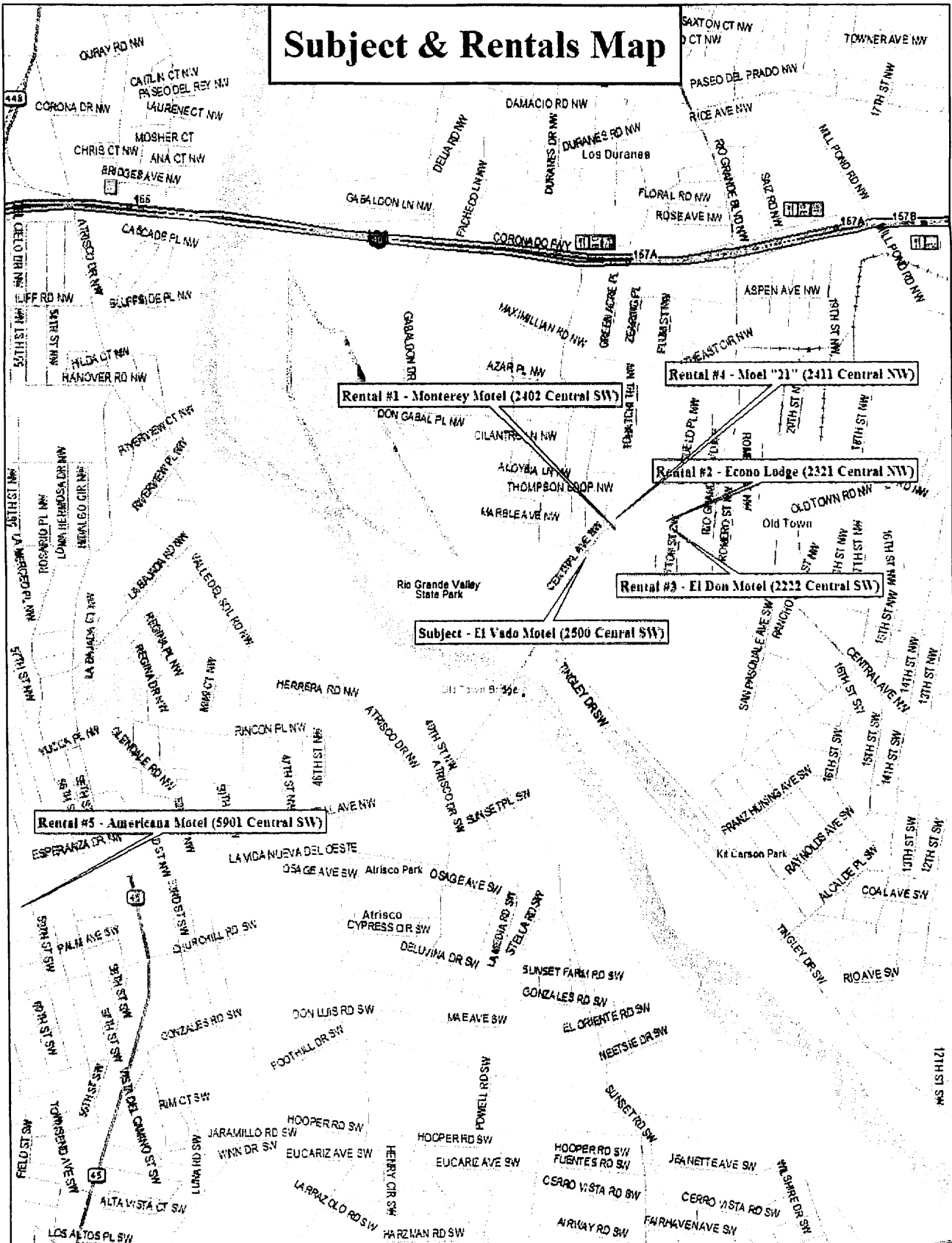
GRANTOR	Bartolucci, F.
GRANTEE	Koury, A.
DOCUMENT NUMBER	WD 00-126998
LEGAL DESCRIPTION	Lots 11 & 12, Block 6, Mesa Grande
PLAT BOOK AND PAGE	N/A
UNIFORM PROPERTY TAX CODE	101705723220334006
CONFIRMED BY	Confidential/Reliable Source
CONFIRMED TO	Melissa Loudat, American Property
DATE CONFIRMED	November 8, 2001
COMMENTS	Koury paid outstanding debts (???) and assumed contract



➤ Exhibit K

**Photographs of Comparable
Rentals**

Subject & Rentals Map

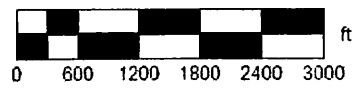


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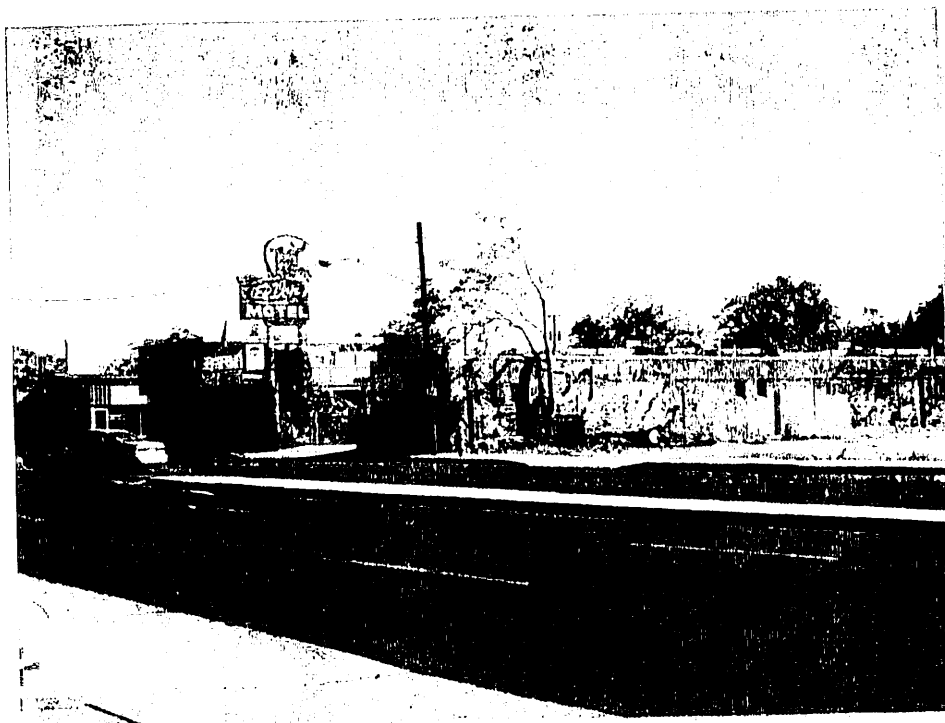
RENTAL #1 – MONTEREY MOTEL – 2402 CENTRAL SW



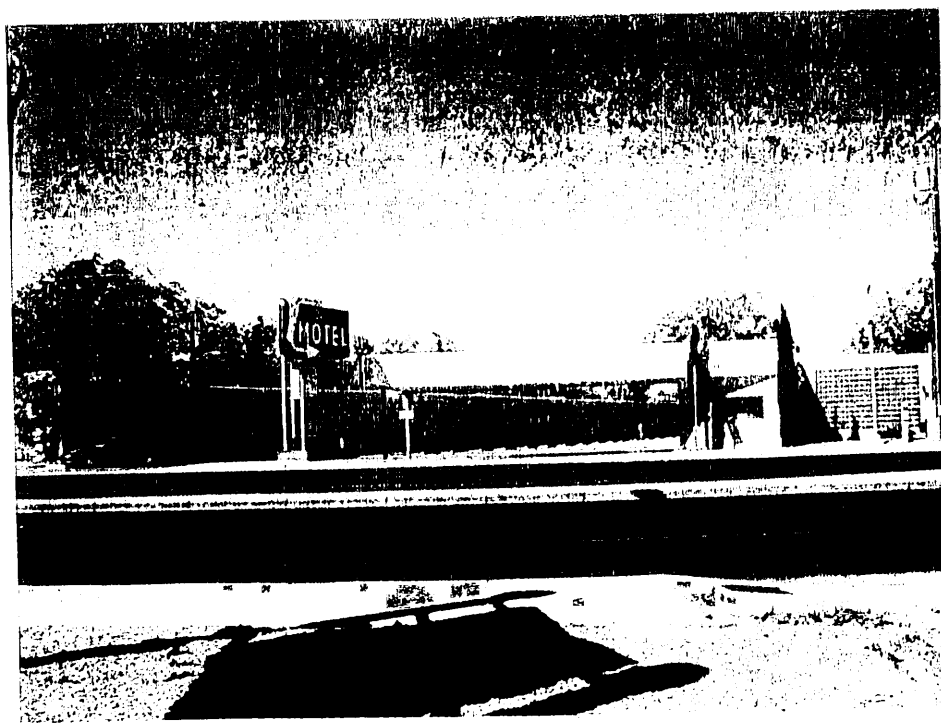
RENTAL #2 – ECONO LODGE – 2321 CENTRAL SW



RENTAL #3 – EL DON MOTEL – 2222 CENTRAL SW



RENTAL #4 – MOTEL "21" – 2411 CENTRAL NW



RENTAL #5 – AMERICANA MOTEL – 5908 CENTRAL SW



➤ Exhibit L

**Repair & Renovation Estimate
– Crocker Associates**

[illegible]

Submitted by Crocker & Associates
December 6, 2006

Conclusions

As the result of subsequent site visits beginning on November 16, 2006, Crocker & Associates has prepared, in consultation with Charles Bacchus, P.E., additional information on existing conditions and strategies for treatment of the El Vado Motel.

The conclusion of our earlier report – that the buildings are in remarkably good condition – is sustained by the most recent observations. Indeed, if anything, we would upgrade the overall condition to very good and note that if immediate measures are taken to protect the structures, that condition could be maintained for several years.

Additionally, we conclude that the Druc report is inaccurate, both technically and in its derivation of the project budget.

Our results have been developed as though we were preparing a bid. However, due to insufficient time, we were unable to obtain full-fledged electrical and mechanical bids and therefore view those as the only potentially weak component. Nevertheless, a 30% contingency on those items only would provide us with sufficient confidence to consider those numbers hard.

~~_____~~
~~_____~~
~~_____~~
~~_____~~

CONFIDENTIAL

References

For the sake of clarity, this report does not include graphics, but does refer to the Drug report as necessary for illustrations both graphic and narrative.

This response assumes familiarity with the original Crocker response to the Druc report.

The Structural Evaluation by Charles Bacchus (December, 2006) should be considered an integral part of this Addendum.

In addition to these errors are several cost estimates provided in the Druc report that in our view are extremely inflated because they outline unnecessary scopes of work, in some cases conjoined with inflated unit costs.

For these and other reasons, we feel that the Druc preliminary estimates are misleading and should be disregarded.

Findings

For clarity, we will address individual items as presented in the Druc report and respond with numbers that, unless otherwise noted, we would consider ourselves obliged to honor, as though under contract, for a period of six months. Our response is based on findings in the Bacchus report.

Site.

The Druc report provides \$10 per square foot for grading and repaving, which totals \$390,390. This is an extremely high number for the scope of work. Industry standard for asphalt paving is approximately \$.50 to \$1 per square foot. Demolition and grading would cost approximately \$2 per square foot. Thus, \$3 per square foot is the industry standard and brings us to a total of \$117,117. This cost would be sufficient to provide positive drainage from the structures, permeable driveway surfaces, and all required runoff management for storm water. Removal of the pool adds another \$8,000.

Druc estimate: \$390,390

Crocker finding: \$125,117

Foundation.

Drainage: The Druc report provides \$5 per linear foot of exterior wall, which has been calculated at 5,629 feet. As stated earlier, the actual length is less than 35% of this. The Bacchus report finds, and we concur, that this scope of work is unnecessary as the drainage issues have been addressed within the grading cost, as stated above.

Druc estimate: \$28,145

Crocker finding: *scope of work completed under site grading and drainage*

Underpinning: Additionally, under this line item the Druc report has helical piers at "every 8 feet" with \$1,200 per pier, for a Druc total of \$608,855. Based on structural assessment and our experience as certified helical pier installers, there are actually only 87 linear feet of wall that require underpinning – at approximately \$1,400 per pier, the total cost is \$16,000.

Druc estimate: \$38,875
Crocker finding: \$38,875 (no change)

Building: Roofing.

The Druc report provides \$94,105 for insulating and roofing the structures. The report is rather vague on what is being proposed. As earlier in the Druc report all the decking was replaced, a new roof is inferred, however only insulation is recommended for re-roofing, thus indicating that a sprayed on foam roof is being recommended. Again, this recommendation is not in compliance with standard practices for preservation. The industry standard warranty for a sprayed roof is ten years.

It is our recommendation that there be three components to the roof restoration: First is a complete tear-off of the old roof systems, including electrical and mechanical (industry standard at \$1 per square foot). Second, that a tapered rigid insulation is installed to R-40 (industry standard at \$1.50 per square foot). Finally, a new torch down 3-ply roofing system is installed with a 12 to 15 year warranty (industry standard at \$4 per square foot).

Based on these standard costs and actual roof area, the total expense would be \$96,018 for a better product with a longer warranty, that is in compliance with secretary of interior standards for historic preservation.

Druc estimate: \$94,105
Crocker finding: \$96,018

Interior Finishes.

Interior walls: The Druc report provides \$3 per square foot for painting interior walls. The standard for a commercial painting project is \$1 per square foot. There will be some small patching of existing cracks and repairs due to retrofitted windows, etc., but this will be a very small amount of the total square footage. An additional \$20,000 worth of interior patching and repairs should be anticipated.

Druc estimate: \$69,840
Crocker finding: \$43,280

Ceilings: The Druc report provides \$35,342 for ceiling painting. The existing ceiling is in very good condition and only limited areas require re-varnish or repair. Ceiling repair costs have been included in the previous section on roof sheathing, leaving only painting allowances in this section. To be conservative, this estimate provides for recoating the entire ceiling area at actual quantities (14,772 square feet) and at industry standard prices (\$1 per square foot).

a sink, toilet, and shower. This would indicate a simple cost of approximately \$1,500 per unit for fixture replacement and upgrade.

The heating/cooling should be provided by a standard commercial wall unit. These average in price from \$300 to \$500 per unit. Installation of the units would require approximately \$1,000 per unit for adobe work and plaster repairs.

The additional cost of providing new main sewer lines, main boiler with recirculating hot water, and water lines would add approximately \$60,000.

Druc estimate: \$368,623
Crocker finding: \$170,700

Electrical.

The Druc report provides for \$195,507 for installation of a new electrical system. This provides approximately \$5,621 per rental unit, if the main residence is budgeted at \$10,000. This is inflated in our view. Each unit would require approximately five receptacles, two light fixtures, and supply to a new heating/cooling unit. Standard pricing per receptacle and fixture is \$85. If a fixture allowance is provided at \$50 each, and a surcharge for remodel work is added of \$1,000 per rental unit, this equals an estimated cost of \$1,595 per unit.

Each building would require a subpanel feed from the main panel in the mechanical room. Approximate cost of these new panels plus overhead feed is \$25,000.

An additional \$25,000 is calculated for exterior lighting, sign restoration, and probable contingency.

Druc estimate: \$195,507
Crocker finding: \$112,635

Subtotal mechanical and electrical:

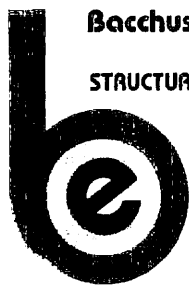
Druc estimate: \$564,130
Crocker finding: \$283,335

Subtotal buildings:

Druc estimate: \$2,204,595
Crocker finding: \$746,012

Contingency.

Standard contingency for historic restoration generally does not exceed 10% of the total estimated cost.



REPORT OF STRUCTURAL EVALUATION

EL VADO MOTEL Albuquerque, New Mexico

INTRODUCTION

This is a report to document the findings of a "walk-through structural evaluation" of the El Vado Motel located at 2500 Central Avenue SW in Albuquerque, New Mexico. A "walk-through structural evaluation" is a subset of a "preliminary assessment" as defined in the **GUIDELINE FOR STRUCTURAL CONDITION ASSESSMENT OF EXISTING BUILDING** which is Standard 11 of the Structural Engineering Institute of the American Society of Civil Engineers (SEI/ASCE 11). Depending on the results of the "walk-through structural evaluation", it may be necessary to complete a "preliminary assessment" or to make a "detailed assessment."

A "walk-through structural evaluation" consists, as indicated by the title, of a visit to the site of a structure to make a visual evaluation of the condition of the structure. In some cases, limited demolition is performed to expose hidden parts of the structural system. Analysis of the structural system is not typically included.

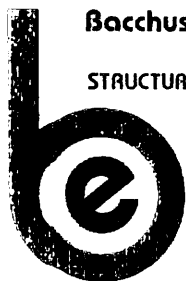
DESCRIPTION OF COMPLEX

The El Vado Motel is located in west central Albuquerque, adjacent to Tingley Beach, the Rio Grande Zoo and the Albuquerque Botanical Garden. It is a single story complex with adobe walls with a wood framed roof (tongue-and-groove sheathing supported on vigas). The foundation/ground floor is a monolithic concrete slab with little or no reinforcing. Among the unusual features (at least by today's standards) are carports - covered structures with walls on three sides - adjacent to each unit of the motel.

There are two rows of motel units facing each other. The lobby/front desk area is located at the west end (Central Avenue end) of the north row of units. A manager's residence area is located on the east side of the north end of the east row of units. The area between the two rows of units is paved with asphaltic concrete.

The original motel was constructed before World War II. An above ground swimming pool located on the west side of the north end of the east row of motel units was constructed at a later time.

More complete descriptions, accompanied by photographs have been prepared by others (Druc Engineering, August 2006; Crocker & Associates, November 2006).



The third area which requires attention is the stucco on the adobe walls. In a few places, the stucco has been completely removed, exposing the adobe. Although the stucco probably became separated from the adobe by natural processes, the complete removal of stucco from the wall was probably deliberate. In any case, the stucco should be replaced with stucco or other coating more compatible with the adobe than is the current stucco or measures should be taken to reliably attach or reattach as appropriate the existing stucco to the walls. The first solution is the more desirable but the second can be done piecemeal (except where the stucco has been completely removed) as funds become available.

The fourth area requiring attention is the exposed ends of some of the vigas. This kind of damage occurs on most if not all structures which had vigas with extended ends. In this case, there are only a few ends which require attention out of a total of several hundred. One solution is to cut off the ends of the vigas at the wall line and stucco over them. If this approach is taken, it is necessary to insure that the "rot" will not continue to extend along the length of the member, eventually affecting its strength in shear and bearing at the inside face of the wall. However, in this case, even if the strength of the cut-off vigas could be insured, the solution may not be visually acceptable. Fortunately, other repair methods are available to restore the appearance of the exposed ends of the deteriorated vigas to their original condition. Alternately, if reliable methods can be found to prevent additional deterioration, leaving the ends of the vigas in their existing, weathered condition would be visually desirable.

CONCLUSION

Demolition of the El Vado Motel is not justified on the basis of structural deficiency.

There is work to be done but the complex is not unsafe although it will eventually become so without repairs and continuing maintenance.

Upgrades to the mechanical and electrical systems which are beyond the scope of this report should also be made. The exact type and extent will depend on the use to which the complex will be put.

New roofing will also be required. This is a structural concern because of the need to slope the roof to drain properly. If the slope is to be achieved by secondary framing, it will be necessary to insure that the existing roof framing, i.e., the vigas, is not overstressed.

Report prepared by:

Charles Bacchus

Charles Bacchus, PE



CHARLES BACCHUS, PE, PhD

PROFESSIONAL EXPERIENCE

Since forming his firm in October, 1977, Dr. Bacchus has been responsible for the structural design of more than 800 projects with an aggregate construction cost in excess of \$750,000,000. Much of the firm's work has been in the Albuquerque area but a substantial portion has been elsewhere in New Mexico -- Santa Fe, Farmington, Gallup, Silver City, Las Cruces, and several other municipalities. In addition, the firm has had (or has) projects in Arizona, Colorado, Texas, California, Utah, Nevada, Kansas, Montana, Idaho, South Dakota, Minnesota and Oklahoma.

For several years, Dr. Bacchus was a member of the Standards Committee for the Condition Assessment and Rehabilitation of Buildings of the American Society of Civil Engineers (ASCE). This committee was formed after the Loma Prieta and Northridge earthquakes with a grant from the Federal Emergency Management Agency. Its original mission was to prepare a consensus standard for structural evaluation of buildings subjected to earthquakes, later broadened to prepare a more general standard to guide the structural evaluation of any building to be repaired or renovated.

Bacchus is particularly interested in the preservation of historic structures, such as his recent work as Principal Structural Engineer on different projects to evaluate the existing condition of the roof structures at the Sanctuary and the Rectory of the San Felipe de Neri church in Old Albuquerque, parts of which were constructed beginning in 1709, and to design the necessary enhancements to the structural systems without modifying the character of either structure.

He was also Principal Structural Engineer for a recently completed addition and renovation of the Heights Community Center, a City of Albuquerque landmark. Constructed in the late 1930s as a National Youth Administration project, it has adobe wall construction with vigas and tongue-and-groove boards for the roof. Work included evaluating the existing structure, assessing the structural condition of existing adobe walls, and preparing structural details for restoring rotted, exposed viga ends.

Other significant projects for which the Structural Engineering was performed by or under the direction of Dr. Bacchus:

Explora Children's Science Museum

Albuquerque, New Mexico

Construction cost: \$7,500,000 (1996 - 2000)

La Cueva High School

Albuquerque, New Mexico

Construction cost: \$26,000,000 (1985-1986, 1992-1993)