

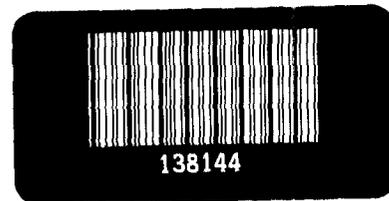
GAO

Report to the Chairman, Committee on
the District of Columbia, House of
Representatives

March 1989

FEDERAL REAL PROPERTY

Appraisal of Land to Be Sold to Columbia Hospital for Women



General Government Division

B-234148

March 10, 1989

The Honorable Ronald V. Dellums
Chairman, Committee on
the District of Columbia
House of Representatives

Dear Mr. Chairman:

On July 27, 1988, you requested that we obtain an independent appraisal of the government-owned property, as unimproved land, located at 2400 M Street, N.W., in the District of Columbia. H.R. 4700, introduced in the 100th Congress but not enacted, would have authorized the Administrator of General Services to sell this property to the Columbia Hospital for Women Medical Center for \$5 million. The bill limited use of the property to certain hospital-related purposes, such as a clinic, rehabilitation center or medical research institution. As requested, we obtained an appraisal of this special use value of the property for 1981 because, as you indicated, that is the year in which the hospital began concerted efforts to purchase the property. The results of the appraisal we obtained are summarized in this letter, and a copy of the full appraisal can be found in the appendix.

Results in Brief

Our contract appraiser estimated that the special use value and fair market value of the government-owned property located at 2400 M Street, N.W., Washington, D.C., as unimproved land, was \$8,550,000 on December 31, 1981, and was \$20,000,000 on October 31, 1988. We are satisfied that this appraisal represents a reasonable and appropriate estimate of the property's value on those dates.

Objectives, Scope, and Methodology

As agreed with the Committee, we obtained an appraisal of the 1981 value of the property as unimproved land to be used for nonprofit hospital-related purposes; that is, its special use value in 1981. Following existing federal policy, we defined the 1981 special use value as the marketable measure of the value of the property to the Columbia Hospital for Women that may be above, equal to, or below the fair market value of the property on December 31, 1981, as determined by its highest and best use, which we also determined.

Because under established law the criterion for just compensation is the fair market value of property at the time of its taking, we also, as agreed with the Committee, obtained the special use value and fair market

value based on the highest and best use of the property as of October 31, 1988, the latest practicable date.

Because we do not have an in-house appraisal capability, we engaged a contract appraiser, Mr. Ryland L. Mitchell III, to provide, for our review and approval, an appraisal of the property in accordance with generally recognized professional standards and existing federal policies and practices. Mr. Mitchell, a partner in the real estate consulting firm of Lipman, Frizzell and Mitchell, is experienced in the valuation of commercial, industrial, residential and special purpose properties, and unimproved land in the Washington, D.C., metropolitan area. He is qualified as an expert witness in the U.S. District Court of Maryland, Federal Bankruptcy Courts, and the Superior Court of the District of Columbia. We selected his firm in a competitive solicitation of offers from three qualified appraisal firms in the local area.

The report of our appraiser was reviewed by a professional appraiser in GSA's Federal Property Resources Service using GSA's appraisal evaluation check sheet. The appraisal report was judged to be adequately detailed, reasoned, and supported.

The market approach to value, which relies on an analysis of comparable land sales, was used to estimate the fair market values of the property as unimproved land in 1981 and 1988. This approach develops the estimated values by comparing the subject property to similar properties that have sold in the relevant time periods in the same or comparable neighborhoods. The appraiser identified 10 comparable sales that took place between October 1980 and October 1988. One property was sold twice during this period—October/November 1981 and October 1988—which helped establish the rate of price appreciation between the two valuation dates.

The appraiser did not identify any comparable sales of special use property during the relevant time frames. Instead, the appraiser used a judgmental analysis of the value of the property to the Columbia Hospital for Women Medical Center for the limited set of hospital-related purposes specified in H.R. 4700.

Property Description and Valuation

The subject property is a 53,437 square foot parcel of land at the corner of 24th and M Streets, N.W., in Washington, D.C., and is improved by a 6-story 30,000 gross square foot office building and an open paved parking lot. The property is bordered to the west and south by two contiguous parcels of land owned and occupied by the Columbia Hospital for Women Medical Center. Both parcels were conveyed to Columbia on June 28, 1952, by Public Law 82-423 to be used for a hospital for women. One lot is improved with the Columbia Hospital for Women, a facility that specializes in the care of women and infants. The second parcel contains a 2-year-old medical office building having a reported 109,000 square feet of rentable space that is presently fully leased. In addition, a combined 4-level parking garage and power plant is under construction between the hospital and the medical office building.

Each of the other three quadrants of the intersection of 24th and M Streets, N.W., contains hotels constructed during the last few years. Adjacent to these hotels are major office building developments which are also relatively new.

The property is located in what is known as the "West End" of Washington, D.C., which is north of G Street, N.W., south of N Street, N.W., west of 22nd Street, N.W., and east of Rock Creek Park. Although the West End contains only a small portion of the total office space in the District of Columbia, it does contain much of the newer office space with rental rates at the high end of the local scale. The neighborhood has also been a prime location for new hotel development, notably the Westin, Park Hyatt, and Grand Hotels at the intersection of 24th and M Streets, N.W. In addition, the area contains significant medical and educational developments, including the Columbia Hospital for Women Medical Center and George Washington University Hospital and Medical School. Consequently, the West End neighborhood is a very desirable location for the development of office, hotel, medical, and educational projects.

Fair Market Value

The fair market value of the property as unimproved land at its highest and best use was defined as the most probable price that the property should bring in a competitive and open market under all conditions requisite to a fair sale, with the buyers and sellers each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Because the estimated demolition costs of the existing improvements represent such a small percentage of the total value of the property, the appraiser did not deduct the estimated \$100,000 in demolition costs in 1988 from the estimated values of the property.

Determination of highest and best use was based on a judgment about the reasonable and probable use of the property that would result in the highest present value. Specifically, highest and best use was defined as those alternative uses that are legally, physically, and financially feasible; appropriately supported; and result in the highest land value. Our appraiser concluded that hotel, office, and mixed use development met the criteria for highest and best use of the subject property.

After examining five comparable sales that took place between October 1980 and January 1984, with adjustments for dates of sale, location, corner influence, zoning, size, configuration, and other factors, our appraiser estimated the fair market value of the land at 2400 M Street, N.W., on December 31, 1981, to be at a rate of \$160 per square foot for a rounded total of \$8,550,000. This amount would equal approximately \$10,950,000 in current dollars. We are satisfied that this appraisal represents a reasonable and appropriate estimate of the property's fair market value.

After examining an additional five comparable sales that took place between December 1986 and October 1988, with adjustments for the factors mentioned above, our appraiser estimated the fair market value of the land at 2400 M Street, N.W., on October 31, 1988, to be at the rate of \$375 per square foot for a rounded total of \$20,000,000. We are satisfied that this appraisal represents a reasonable and appropriate estimate of the property's fair market value.

Special Use Value

In estimating the special use value of the property to the Columbia Hospital for Women, our appraiser took into consideration the special uses specified by H.R. 4700, the nonprofit nature of the Columbia Hospital for Women Medical Center, and the premium value of the property to Columbia because of its contiguous location.

For this appraisal, special use value was defined as the marketable measure of the value of the unimproved land to the Columbia Hospital for Women to be used only for the purposes of a hospital, clinic, rehabilitation center, medical research institution, medical education institution, and domiciliary care institution. These are the uses specified in H.R. 4700. The special use value may be above, equal to, or below the fair market value of the property as determined by its highest and best use value. This definition of special use value focuses attention on the value of the particular property to the Columbia Hospital for Women Medical Center for only the uses specified in H.R. 4700.

Our appraiser took into account two considerations in estimating the special use values of the property in 1981 and 1988. First, the government's parcel of land is the only property available to the Columbia Hospital for Women Medical Center for expanding the existing hospital and medical office building facilities within the same block. Because the property is uniquely superior to any other parcel of land for expansion purposes, Columbia Hospital for Women could justify paying more of a premium above fair market value for the property than could any other prospective purchaser.

However, the second consideration is the limitation placed on the types of uses permitted by H.R. 4700. These uses are typical of those provided by government or nonprofit organizations but not those typically associated with commercial real estate. Our appraiser concluded that the limited uses along with the budgetary constraints of a nonprofit organization like the Columbia Hospital for Women would offset the premium above fair market value that Columbia might otherwise pay for the property because of its unique desirability for expansion purposes. Our appraiser therefore concluded that for the Columbia Hospital for Women Medical Center, the special use value of the government-owned property at 2400 M Street, N.W., was the same as the fair market value of the property on December 31, 1981, (\$8,550,000) and October 31, 1988, (\$20,000,000). We are satisfied that this appraisal represents a reasonable and appropriate estimate of the property's special use value.

As arranged with the Committee, we will send copies of this report to the Administrator of GSA and other interested parties. If you have any questions or would like further information, please contact me on 275-8676, or Robert C. Taylor on 535-7550.

Sincerely yours,



L. Nye Stevens
Director, Government Business
Operations Issues

Appraisal of 2400 M Street, N.W., Washington, D.C.

Appraisal Of

2400 M STREET, N.W.
Washington, D.C.

For:

U.S. General Accounting Office

December 12, 1988

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Lipman Frizzell & Mitchell
a Maryland General Partnership

LIPMAN FRIZZELL & MITCHELL
Real Estate Appraisers & Consultants
8607 Second Avenue, Suite 402
Silver Spring, Maryland 20910

LFM-2739

Appraisal of 2400 M Street, N.W.,
Washington, D.C.

Lipman Frizzell & Mitchell

Real Estate Consultants

M. Ronald Lipman, CRE, MAI
George P. Frizzell, CRE, MAI
Ryland L. Mitchell, III, CRE, MAI

David H. Brooks, MAI
Howard K. Cohen, MAI
Robert B. Becker
Elizabeth W. Vandermause
Stephen L. Rudow
Dennis E. McMillen
Sheldon A. Stern
Ilene R. Sheer

December 12, 1988

Mr. Bob Taylor
U.S. General Accounting Office
GGD/Room 3858
441 G Street, N.W.
Washington, D.C. 20548

RE: 2400 M Street, N.W.
Washington, D.C.

Dear Mr. Taylor:

In accordance with your request for an appraisal of the above captioned property at the southwest corner of 24th and M Streets, N.W. in Washington, D.C., for the purpose of developing value estimates for its land only in fee simple, we herewith submit our report.

The subject property was personally inspected by your appraisers for purposes of this assignment on Friday, November 18, 1988. In its present form, the subject is improved with a six story office building containing an estimated 30,000 sq.ft. plus a basement and an open macadam paved parking lot. As the purpose of this assignment is to estimate land value only, we have excluded from consideration the existing improvements other than to develop an estimate of the cost of their demolition. We have developed an opinion as to appropriate zoning for this government owned property and have provided in this report a discussion of highest and best use. For purposes of this report, we have familiarized ourselves with the immediate and general neighborhood. As this appraisal deals with 53,437 sq.ft. of land only, we have relied solely on the market data approach wherein we have analyzed pertinent comparable land sales. The following report sets forth facts and data used in arriving at our value conclusions.

As a result of our investigation and by virtue of our experience, it is our opinion that as of December 31, 1981 both fair market value and special use value of the subject property was EIGHT MILLION FIVE HUNDRED FIFTY THOUSAND (\$8,550,000) DOLLARS in fee simple. It is further our opinion that as of October 31, 1988, both fair market value and special use value of the subject property was TWENTY MILLION (\$20,000,000) DOLLARS in fee simple. Both of these value estimates recognize that a prospective purchaser of the subject at either of these points in time would additionally incur the cost of demolition of the existing improvements which have been estimated herein as of the present time.

Respectfully submitted,

LIPMAN FRIZZELL & MITCHELL



Ryland L. Mitchell III, CRE, MAI

RLM/er

8422 Bellona Lane-Suite 203
8607 Second Avenue-Suite 402

Baltimore, Maryland 21204-2048
Silver Spring, Maryland 20910-3327

(301) 321-0022
(301) 565-3380

Lipman Frizzell & Mitchell

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SUMMARY OF SALIENT FACTS & CONCLUSIONS

Location: 2400 M Street, N.W.
Washington, D.C. 20037

Ownership: United States Government

Land Area: 53,437 sq.ft.

Zoning: This property is not zoned due to its government ownership/use. Your appraisers consider C2C zoning to be most appropriate for the subject.

Improvements: Existing six story office building with approximately 30,000 sq.ft. that has been excluded from consideration in this appraisal of land only.

Date of Appraisal: December 31, 1981 and October 31, 1988.

Value Indicators:

	December 31, 1981	October 31, 1988
Fair Market Value	\$8,550,000	\$20,000,000
Special Use Value	\$8,550,000	\$20,000,000

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PURPOSE OF APPRAISAL

At the request of the United States General Accounting Office, Lipman Frizzell & Mitchell has contracted to prepare an appraisal of the land only at 2400 M Street, N.W. in Washington, D.C., consisting of 53,437 sq.ft. excluding existing improvements. The purpose of this appraisal is to estimate both fair market value in fee simple and special use value in fee simple.

Fair market value and special use value are defined below.

FAIR MARKET VALUE

The fair market value of the property as unimproved land, at its highest and best use shall be the most probable money price which the property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeable, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of the specified dates and the passing of title from seller to buyer under the following conditions whereby:

1. Buyer and seller are typically motivated.
2. Both parties are well informed or well advised, and each acting in what they consider their own best interest.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of cash or its equivalent.
5. Financing, if any, is on terms generally available in the community at the specified dates of valuation and typical for the property type in its locale.
6. The prices represent a normal consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs, or credits incurred in the transactions.

SPECIAL USE VALUE

The special use value of the property will be the marketable measure of the value of the unimproved land to the Columbia Hospital for Women to be used only for the purposes of a hospital, clinic, rehabilitation center, medical research institution, medical education institution, and domiciliary care institution. Such value may be above, equal to, or below the fair market value of the property as determined by its highest and best use value.

DATE OF APPRAISAL

The date of this appraisal shall be as of two points in time: December 31, 1981 and October 31, 1988.

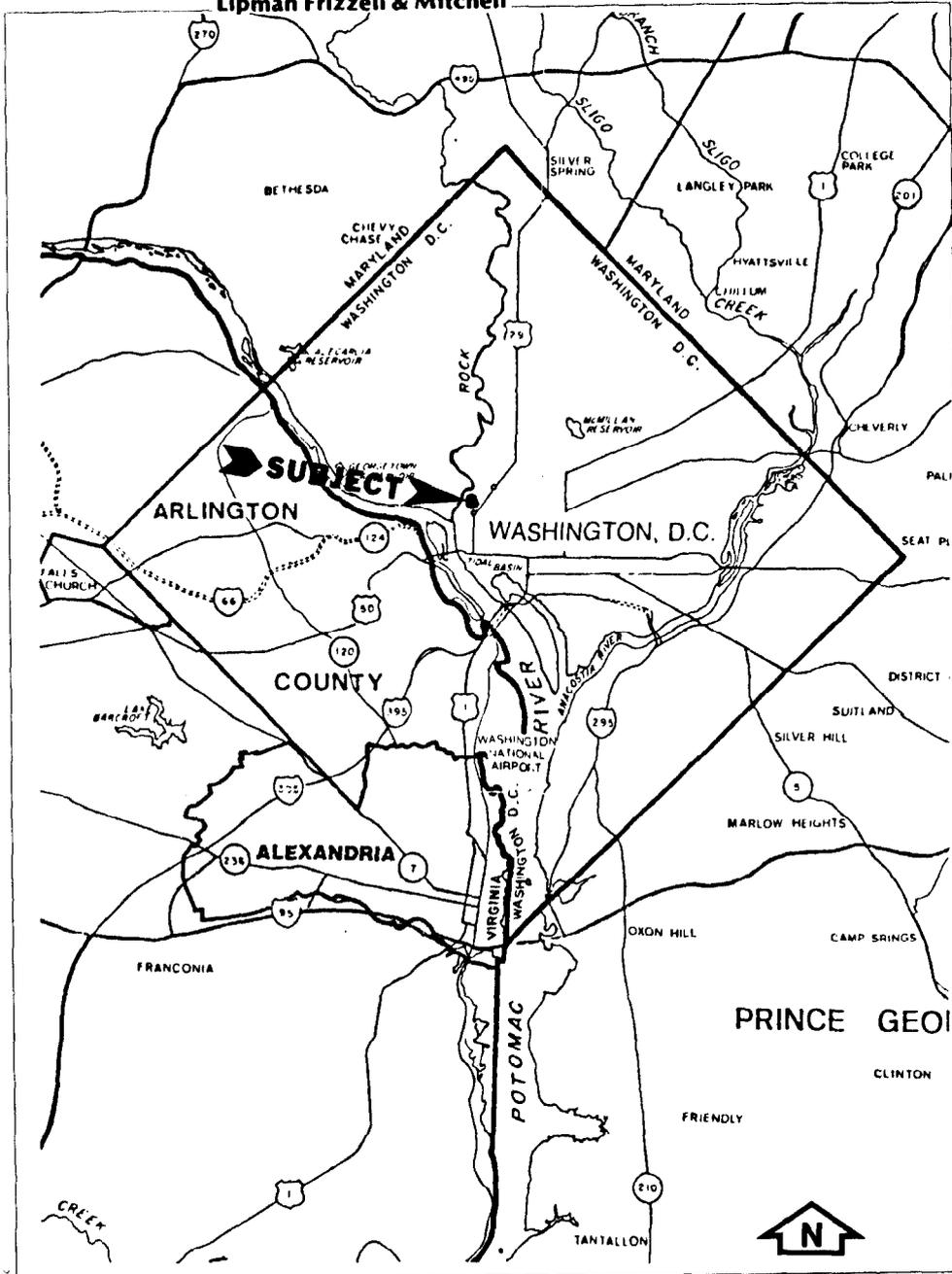
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LEGAL DESCRIPTION

The subject property is estimated to consist of 53,437 sq.ft. of land at the southwest corner of 24th and M Streets in Northwest Washington, D.C. This property has a street address of 2400 M Street, N.W. and is identified as Lot 803 in Square 25. Ownership of the subject property is in the name of the United States Government.

Appraisal of 2400 M Street, N.W.,
Washington, D.C.

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NEIGHBORHOOD DESCRIPTION

The subject neighborhood represents a portion of the Metropolitan Statistical Area (MSA) of Washington, D.C., which includes Montgomery, Prince Georges, Frederick, and Charles Counties in Maryland; the northernmost counties of Arlington, Fairfax, Loudoun, and Prince William in Virginia; the Cities of Alexandria, Fairfax, Falls Church, and Manassas, which are also located in northern Virginia; and finally the District of Columbia itself. According to the 1987 edition of "Editor & Publisher Market Guide" this metropolitan area is estimated to have a population of approximately 3,588,000 residents. This represents an increase of over 10% from its population estimate by the 1980 U.S. Census. It is further noted that this population total makes the Washington MSA the 6th largest such area in the United States. According to this same publication, the Washington MSA has an average of 2.7 persons per household with disposable income per household estimated at about \$48,000.

According to this same edition of "Editor & Publisher Market Guide" population in the District of Columbia is estimated at 593,425. This amount represents about 16.5% of the total for the Washington MSA. This total represents a 7% decline from the population estimate by the 1980 U.S. Census of 638,000. This occurred in spite of the popular concept concerning renewed interest in residential development in the urban core. The District of Columbia has not gained population as have most surrounding suburban counties. The movement to the suburbs from the urban center is perceived as strongest among the so called middle class. Present trends indicate movement of middle class District of Columbia residents to the Maryland and Virginia suburbs is occurring along with a movement by many suburban residents to more rural locations. The city does benefit from immigration by singles and childless couples who are primarily young professionals thus continuing the trend of the District of Columbia toward being composed of residents at the upper and lower levels of the economic scale with a dwindling middle class. The result is a decreasing population for the city which averages 2.43 residents per household reflecting its high concentration of singles and childless couples. Income levels of D.C. residents reportedly average about \$41,550 per household which is lower than the MSA average.

As the Capital of the United States and the seat of our nations government, extensive employment by the federal government exists in the Washington area. While employment by this source, as well as state and local government, is significant; greatest employment increases in recent years have been reflected in the private sector. This has occurred in the service industries in the area and the numerous organizations which are in the business of consulting, advising, and dealing with governmental agencies. Numerous organizations and associations have relocated their headquarters to the Washington area and many firms have found the need to have a Washington office. This has particularly been the case with major law firms and trade associations. Growth in terms of new development and increased employment has been experienced in recent years in the District of Columbia, but even to a greater extent in the Maryland and Virginia suburbs.

Our general area of interest for purposes of this report is identified as the West End of Washington, D.C. This location is west of the downtown area and east of Georgetown. It is bordered by N Street to the north, Rock Creek to the west, G Street to the south, and 22nd Street to the east. This area constitutes a compact location generally considered desirable by the market. It is crossed by major roads such as Pennsylvania and New Hampshire Avenues, as well as K Street which connects with the Whitehurst Freeway. Significant facilities in the area include the Watergate on Virginia Avenue just north of the Kennedy Center and

Appraisal of 2400 M Street, N.W.,
Washington, D.C.



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Neighborhood description (cont'd.)

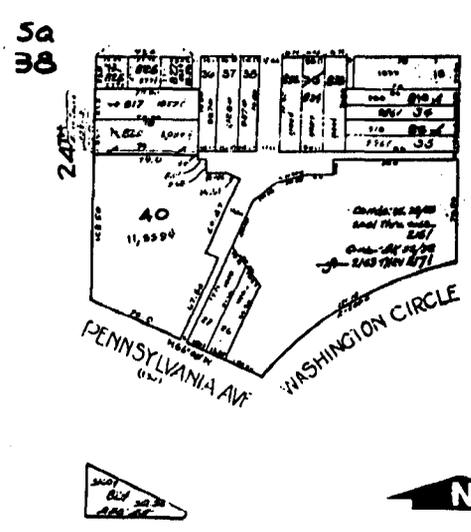
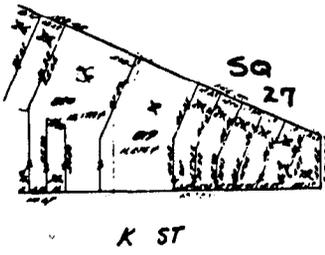
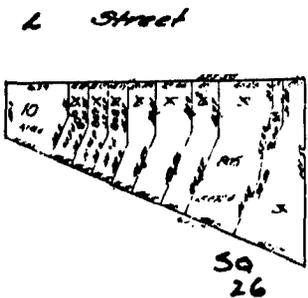
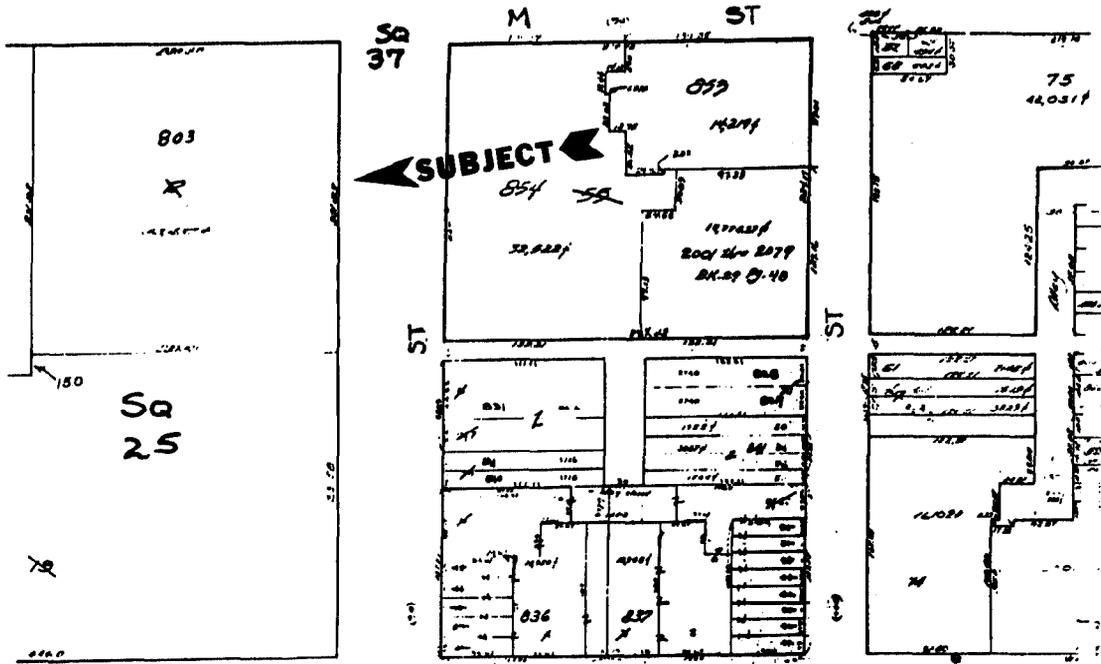
George Washington University south of Pennsylvania Avenue oriented to 22nd Street. Metro service on Washington's rapid rail transit system is provided to the West End by the Foggy Bottom Station on the Blue and Orange Lines located just south of Washington Circle.

The main concentration of office space in Washington is in the downtown area from 22nd Street to 15th Street between Massachusetts and Pennsylvania Avenues. Office development in the West End is a logical extension of growth from the downtown area. The West End constitutes only a small portion of the more than 70 million sq.ft. of office space in the District of Columbia. It does, however, contain much of the newer development with rental rates primarily at the higher end of the range for available space. The West End has also become a prime location for new hotel development to include the Westin, the Park Hyatt, and Grand. Located just west of Rock Creek and Pennsylvania Avenue is the Four Seasons, while on Pennsylvania and New Hampshire Avenues to the west and south of Washington Circle are located Guest Quarters suite hotels. Residential development exists in the West End primarily in the form of apartment buildings, plus a few townhouses.

In recent years, a number of major office users such as law firms and associations have relocated to the West End from the downtown area. One of the reasons for this relocation is the opportunity to occupy new office space in a less congested environment which is also closer to the residences of many of these individuals in the neighborhoods of upper northwest Washington. A principal development located in the West End is the Columbia Hospital for Women which occupies the majority of the block bounded by 24th, 25th, M, and L Streets. The extensive facilities of George Washington University also include a hospital and a school of medicine. Retail development in the West End is modest being primarily located along Pennsylvania Avenue and on the ground level of many office buildings to serve the needs of these tenants. Extensive retail development exists in the Georgetown area just west of Rock Creek. The subject neighborhood is served by all utilities, streets are primarily macadam surfaced, and most areas contain concrete curbs, gutters, and sidewalks with accompanying street lights. Public transportation in the form of bus service exists throughout the area in addition to the previously mentioned Metro rail service. In summary, the subject neighborhood represents a very desirable location for a variety of uses to include office, hotel, and medical/educational which is just removed from the downtown area of Washington, D.C.

Appraisal of 2400 M Street, N.W.,
Washington, D.C.

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SITE DESCRIPTION

The subject of this report represents a 53,437 sq.ft. parcel of land at the southwest corner of 24th and M Streets, N.W. in Washington, D.C. The street address of the subject is 2400 M Street, N.W. The property is bordered to the west and south by land and improvements owned and occupied by Columbia Hospital for Women. The subject property is improved with a six story 30,000 gross square foot office building with an open macadam paved parking lot which is excluded from our consideration in this report.

The intersection of 24th and M Streets is traffic light controlled with 24th Street permitting single lanes of traffic in both north and south directions, while M Street is one way west bound containing three traffic lanes. Each of the other three quadrants of this intersection are developed with hotels. These are the Westin in the northwest quadrant, the Park Hyatt in the northeast quadrant, and the Grand in the southeast quadrant. Each of these hotels is relatively new having been constructed in the last few years. There also exists significant office building development which is relatively new and adjacent these hotels along both 24th and M Streets.

The subject property represents a slightly sloping parcel of land which is at or slightly above grade with its frontages on 24th and M Streets. The subject enjoys an estimated 230.5 feet of frontage on the south side of M Street and 231.83 feet of frontage on the western side of 24th Street. It is thus rectangular in shape and its highest point of elevation is in its southwestern corner from which it slopes down to both the north and east. Vehicular access is presently provided the subject by means of single curb cuts on both of its street frontages. Located along both the streets at the subject frontage are concrete curb, gutter, and sidewalk. Necessary utilities are present and serve existing development in the area. It is further believed that these utilities would be available to support possible future redevelopment of the subject.

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DESCRIPTION OF IMPROVEMENTS

Existing improvements at the subject property consist of a six story office building containing approximately 30,000 sq.ft. plus a basement. This structure is located in the northwestern portion of the site with the majority of the remaining land area being open and macadam paved for parking with an estimated 150 individually marked spaces. The existing office building is known as the old Weather Bureau Building which was reportedly built in 1940. The purpose of this appraisal is to estimate value of the subject land only thus excluding the existing improvements. For this reason, we will provide only a brief description of the existing subject improvements.

The existing improvements are occupied by the Drug Enforcement Administration of the Department of Justice. The fifth and sixth floors are primarily devoted to computer operations. The first through fourth floors serve a general office function and the basement is used for storage and contains mechanical equipment. The building is served by two elevators and two stairwells. The entire structure is sprinklered by a wet system, plus there is a Halon fire suppressant system in the computer areas.

Finish on the fifth and sixth floors is superior to the other levels of the building. Individual offices on the fifth and sixth floors have wall-to-wall carpet with painted drywall sidewalls and lay-in acoustical ceiling with flush fluorescent lights. The computer areas have a raised floor and similar finish being primarily open areas. Finish on floors one through four is of a lesser quality carpet floor covering, older painted drywall partitions, and older lay-in ceiling tiles with mounted fluorescent lights. Around the perimeter on each floor and interior columns exists painted plaster. A central corridor exists on each of the second through fourth floors off of which are located individual offices. Restrooms are stacked in this building with there being one restroom/floor. The main entrance into this structure is from its M Street frontage.

The basement has a few storage rooms plus mechanical areas containing two air compressors, an air handling system, and a gas fired boiler and a gas fired hot water heater. Radiator heat is provided in the basement and floors one through four of the building by this boiler. The two chillers mounted on the ground outside the building provide air conditioning for these same levels. Mounted on the roof of this structure is a cooling tower providing air conditioning for the fifth and sixth floors which does not have a heat requirement as it rises in the building and as heat is generated by the extensive computer equipment.

At the date of our inspection, the subject improvements were found to be in only fair condition, particularly with regard to floors 1 through 4. One of the two elevators was not in operation and the building generally evidenced a lack of attention to its proper repair and maintenance. Some improvements have been made in recent years to include an all new electrical system reportedly installed in 1985.

Lipman Frizzell & Mitchell

ASSESSMENT DATA & TAXES

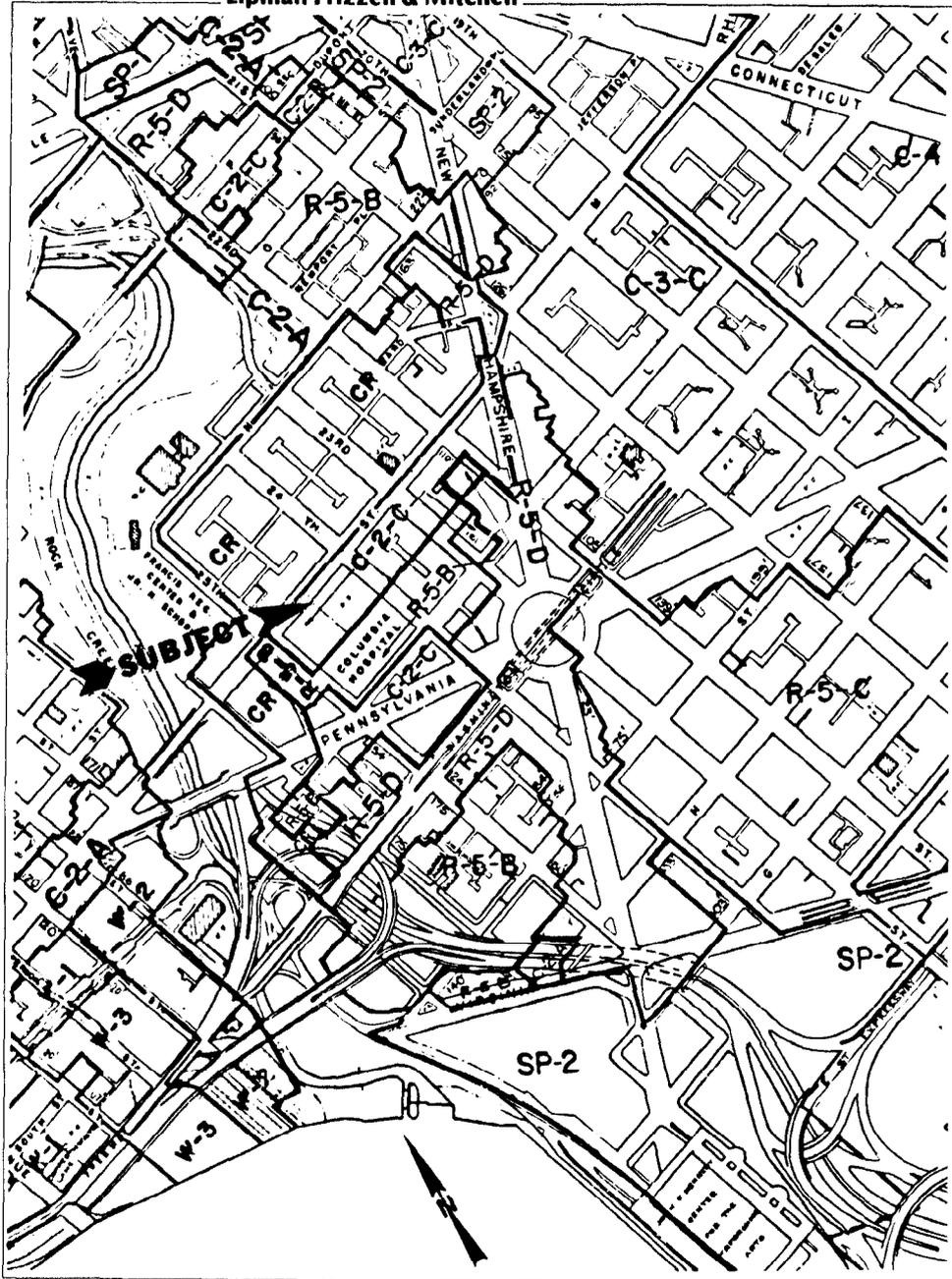
The subject property is currently assessed by the District of Columbia to the United States Government at \$8,229,298 for land and \$1,959,402 for improvements. This develops a total assessment of \$10,188,700 which has application to the 1989 tax year that covers the period from mid 1988 to mid 1989. As the owner of the subject is the United States Government, this property is classified as non-taxable and is thus not obligated to pay annual real estate taxes. If this property were under private ownership and obligated to pay real estate taxes, they would total \$206,830 for the current tax year based on the present tax rate of \$2.03/\$100 of assessed valuation.

Assessments in the District of Columbia are performed annually and are intended to represent 100% of market value. The current land assessment at the subject property reflects a rate of \$154/sq.ft. Based on the information presented in this report and the value estimates developed, it is your appraiser's conclusion that present assessment of the subject land significantly understates its value.

We believe support for this opinion is reflected by comparing assessment of the subject with other properties in the immediate vicinity. The subject of this report is located at the southwest corner of 24th and M Streets. The other three quadrants of this intersection are presently improved with hotels. The northeast and northwest quadrants contain very similar size land areas as the subject, are zoned CR, and have land assessments averaging \$275/sq.ft. The southeast quadrant of this intersection has a lot containing 32,522 sq.ft. which is zoned C2C and whose land assessment is presently \$342/sq.ft. Your appraisers believe the present assessment of the subject land at \$154/sq.ft. is at least in part a reflection of its ownership by the Federal Government resulting in an unzoned status for development purposes and excluded from the obligation to pay real estate taxes.

Appraisal of 2400 M Street, N.W.,
Washington, D.C.

Lipman Frizzell & Mitchell



Lipman Frizzell & Mitchell

ZONING

The subject of this report is not presently governed by the District of Columbia zoning regulations as it is owned by the United States Government. It thus becomes necessary for this assignment to estimate which of the District of Columbia zoning categories is most appropriate for this property. Present zoning in the vicinity of the subject finds land to the east and west zoned C2C, land to the north of M Street is zoned CR, and land to the south is zoned R5B (Medium Density Residential). Presented on the facing page is a copy of the District of Columbia zoning map showing the location of the subject property.

Based on our investigation and review, it is the opinion of your appraisers that C2C zoning is most appropriate for the subject property. We believe this is consistent and compatible with surrounding zoning in the immediate vicinity. We thus believe that C2 zoning of the subject property would be in keeping with our interpretation of the overall intention of the present zoning plan in the District of Columbia.

The C2C classification is a community business center district designed to serve commercial and residential functions similar to the C2A district, but with higher density residential and mixed uses. A C2C district should be compact and located in or near the central employment area. In this district, buildings may be entirely residential, or a mixture of commercial and residential uses. Principal permitted uses under C2C zoning include office, a broad range of retail/service establishments, hotel, and residential apartments/condominiums. Building height in the C2C category is limited to 90 feet. Maximum permitted floor area ratio under C2C zoning is 6.0 to 1 for an apartment house or other residential use to also include a mixed use commercial and residential development. Percentage of lot occupancy under C2C zoning shall not exceed 80% for a residential use, excluding that of a hotel. In a residential development, at least 15% of the gross floor area devoted to residential use shall be provided as residential recreation space.

For further information on the C2C zoning category, the reader is referred to the District of Columbia zoning regulations.

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HIGHEST & BEST USE

Consideration of the subject property in this regard is a reflection of that reasonable and probable use which indicates the highest present value. Highest and best use is further defined as that legal alternative use which is physically possible, appropriately supported, financially feasible, and which results in the highest land value. In this report, we are concerned with the land only at 2400 M Street, N.W. in Washington, D.C..

Highest and best use is an opinion resulting from judgement; it is not intended to be a fact that can be definitively proven. The concept of highest and best use is a premise on which value is based in real estate appraising. There are four principal factors which are evaluated in the development of a highest and best use estimate and which were generally identified in the preceding paragraph. The first factor is that highest and best use must be a legal alternative use. The preceding section on zoning noted permitted uses which could be developed on the subject property at the present time. It is our opinion that development of the subject property with one or more of the permitted uses previously identified is most appropriate.

The second factor is that development be physically possible and which would be evaluated for any proposed project. At the present time, we are not aware of any development plans for the subject property. We do believe that all necessary utilities are available to support development and that there is no present moratorium on construction of a new project at this site. Prior to development, final plans will have to be prepared in order to determine that development is physically possible and in compliance with existing regulations.

The third factor in the analysis of highest and best use focuses on a particular use being appropriately supported and financially feasible. In this regard, your appraisers consider it important to note that the subject property is located at an intersection where the other three quadrants have each been developed with a hotel. We further consider it significant that adjacent these hotels are office buildings. Finally, we note that plans are in progress for development to commence in the near future on three mixed used projects in this immediate vicinity. These three mixed used projects are further identified and described in this report as Comparable Nos. 6, 7, and 10. We believe this information clearly establishes that hotel, office, and mixed use development in the immediate vicinity of the subject is both legally permissible and physically possible. This existing and proposed development also attests to the financial feasibility of such projects.

While Washington, D.C. is generally considered to have an overbuilt hotel market, it does appear that conditions are improving. Information compiled by Laventhol & Horwath in their monthly survey of the Washington hotel market indicates occupancy levels are fairly stable at about 70% with average room rates increasing from almost \$80/night in 1987 to approximately \$85 at the present time. The three hotels at other quadrants of the same intersection as the subject are considered to represent some of the most modern such facilities in the District of Columbia. In discussing office buildings, the Washington metropolitan area is estimated to represent the fourth largest office market in the United States. The strongest segment of this area's office market is in the District of Columbia where current vacancy is less than 10% out of a total supply of more than 70,000,000 sq.ft. The subject property is located in the West End area, which contains only about 3,000,000 sq.ft. of existing office space and is thus a small segment of the overall market in the District

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Highest & Best Use (cont'd.)

of Columbia. Current vacancy in the West End is reportedly even less than the average in the City of Washington and there is only about 500,000 sq.ft. of new office space under construction or proposed for this area at the present time. We believe the preceding information provides appropriate support for the financial feasibility of these two forms of development at the subject. We further believe that support exists for the alternative of a mixed use commercial/residential project for the subject as evidenced by activity of this nature proposed to commence soon on three nearby sites. There also have been previous mixed use projects in this general area such as Comparable No. 7.

The fourth factor in the analysis of highest and best use focuses on development which represents the highest land value. Your appraisers believe that any development proposal for the subject property must be carefully analyzed as to market conditions at that time. We believe that office, hotel, or mixed use projects for the subject would be appropriate and worthy of consideration. Prior to development of the subject, market/feasibility studies should be performed to evaluate the alternatives. It is your appraiser's conclusion that highest and best use for the subject is for development consistent with that described herein and which we believe should result in the highest land value for this property.

Your appraisers have further recognized the special use alternative for the subject property. On this basis, we are concerned with the value of the unimproved land to Columbia Hospital for Women as a hospital, clinic, re-hab center, medical research/education institution, and domiciliary care institution. We recognize that these special uses are not compatible with the definition of highest and best use and the development of a fair market value estimate. We have considered, however, that while an organization such as Columbia Hospital for Women has financial constraints as do most non profit organizations, the location of the subject property makes it worth more to Columbia Hospital for women than it would be to any other organization desirous of creating a similar special use.

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DEMOLITION COSTS

The purpose of this assignment is to estimate value of the land only located at 2400 M Street, N.W. This property is presently improved with a six story office building estimated to contain approximately 30,000 gross sq.ft. and supported by an open macadam paved parking lot. As we are not concerned with value of the existing improvements, it is appropriate for your appraisers to address the question of demolition costs for the improvements.

In this regard, we have contacted two local demolition companies: Wrecking Corporation of America in Alexandria, Virginia and Hercules Demolition Corporation in Capitol Heights, Maryland. The former company is recognized as the largest demolition firm in the Washington metropolitan area, while the latter firm has been in this business for more than 30 years. Both of these companies are well recognized as experts in the field. For purposes of this assignment, we contacted representatives of both of these firms to obtain a preliminary estimate of demolition costs for the improvements at the subject property. It should be noted that the estimates furnished are based on a brief telephone conversation and are thus of general information considered sufficient for this report, but by no means do they constitute a precise detailed estimate.

The representative of Wrecking Corporation of America based his estimate of demolition cost on a rate of \$2.25/sq.ft. of building area to include the basement. Your appraisers calculate this total cost at about \$80,000. The representative states that this rate reflects that the subject building is freestanding and not attached to any other building. It further takes into consideration that there exists open land around the building which could be utilized in connection with the demolition.

A representative of Hercules Demolition Corporation developed his estimate in an entirely different manner. He estimated a cost of \$.14/cubic foot to tear down the building, a price of \$500/trip to haul away the debris to a dump, and a modest amount for necessary permits. Our calculations using these rates develop a \$56,000 cost to tear the building down, \$25,000 to haul the debris to a dump, and \$2,000 for permits. This totals \$83,000.

Both of the independent estimates by these demolition firms produce similar totals. It is further noted that both of these estimates assume no asbestos or other hazardous materials such as PCB's are present in the subject structure. If it is subsequently determined that asbestos or other hazardous materials are present, then the estimate for demolition costs would significantly increase. Both of the companies contacted would not attempt to hazard a guess as to the costs in this regard and would only base such an estimate on a personal inspection. Your appraisers consider it appropriate to apply a slight adjustment factor to the estimates received for unknowns and contingencies with the result that it is our opinion that demolition cost for the existing improvements at the subject property should not exceed a total of \$100,000 assuming no asbestos or hazardous materials such as PCB's are present in the structure.

As our estimate of demolition costs represents such a small percentage of the total value of the subject property, we do not believe it should be deducted from our value estimate. Rather, we believe a prospective purchaser of the subject would be willing to pay the price we have estimated as value, plus the added expense of demolition costs.

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APPROACH TO VALUE

As the subject of this report is considered with land only, your appraisers approach to value is restricted to the market approach. The cost approach is not considered relevant as the existing subject improvements are not being considered in this assignment. The income approach has also not been utilized as the subject, without consideration of its existing improvements, does not have the potential to generate income in relation to its value for development purposes.

The market approach is essential in almost every appraisal of the value of real property and relies upon an analysis of comparable sales. Value, estimated by this approach, frequently is defined as "the price at which a willing-seller would sell and a willing-buyer would buy, neither being under abnormal pressure". This definition assumes that both buyer and seller are fully informed as to the property and state of the market for that type of property, and that the property has been exposed to the open market for a reasonable time.

The application of the market approach leads to a value estimate of a property by comparing it with similar properties which have sold recently in the same or competing areas. The process utilized in determining the degree of comparability between two properties with development potential involves judgement as to similarity with respect to many value factors such as location, date of sale, corner influence, availability of utilities, zoning, size/configuration, and other such pertinent items. The adjusted sales prices of those properties deemed most comparable tend to set a range in which value of the subject property will fall. Further consideration of the comparable data will indicate to the appraiser a figure representing value of the subject property, i.e., a probable price at which it could be sold by a willing seller to a willing buyer as of the date of the appraisal.

The subject represents a parcel with development potential located in downtown Washington, D.C. In our data search for comparable sales, we have concentrated on recent activity in the immediate area involving individual parcels and assemblages. Analysis of the sale data has been on the basis of price/sq.ft. of land and price/FAR which reflects development potential. The following pages set forth pertinent details on the comparable sales considered appropriate and our analysis in arriving at estimates of fair market value and special use value for the subject property as of two points in time.

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COMPARABLE NO. 1

LOCATION:	2833 M Street, N.W.
LEGAL:	Square 1212, Lot 196
GRANTOR:	Deanewood Development Corporation
GRANTEE:	Madison National Bank
INSTRUMENT NO.:	29396
DATE:	September 16, 1980
PURCHASE PRICE:	\$505,341
SQ.FT.:	5,519
PRICE/SQ.FT.:	\$92
ZONING:	C2A (Permits 2.5 FAR)
FAR:	2.5 (Maximum permitted)
FAR USED:	2.7 (Based on actual development)
PRICE/FAR:	\$34
FINANCING:	The grantor took back a first trust of \$195,573.
COMMENTS:	This property is situated on the northern side of M Street, between 28th and 29th Streets, N.W. The sale of the property included plans and permits for construction of a residential/office building. The building has been completed and contains approximately 15,000 sq.ft. of space on four stories and a one story garage. The top two floors contain five 2-bedroom condominium units.
CONFIRMATION:	Representative of Madison National Bank.

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COMPARABLE NO. 2

LOCATION:	2401 Pennsylvania Avenue, N.W.
LEGAL:	Square 26, Lots 805-808
GRANTOR:	B. Policelli and T. A. Linder
GRANTEE:	Bar "H" Ranch, N.V.
INSTRUMENT NO.:	31036, 35853
DATE:	September 30, 1981 and November 20, 1981
PURCHASE PRICE:	\$3,497,600
SQ.FT.:	18,320
PRICE/SQ.FT.:	\$191
ZONING:	C2C (Permits 6.0 FAR)
FAR:	6.0 (Maximum permitted)
FAR USED:	N/A (No development proposal)
PRICE/FAR:	\$32
FINANCING:	V. Policelli took back a \$510,000 mortgage representing 60% of his price at 14% quarterly interest due in 5 years. No mortgage data was found relative to the sale by Linder. The grantee did assume an existing note with a \$400,000 balance.
COMMENTS:	This property occupies the eastern end of the triangular shaped block bordered by L Street on the north, 24th Street to the east, and Pennsylvania Avenue on the south. It consisted at date of sale of an open parking lot in its eastern portion with a couple row type structures in its western end which have subsequently been demolished creating more parking. The western end of this block contains a small park. The site was purchased by foreign investors intending redevelopment in the future.
CONFIRMATION:	Representative of Bar "H" Ranch, N.V.

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COMPARABLE NO. 3

LOCATION: 2300 M Street, N.W.
LEGAL: Square 37; Lots 832, 840, 842, 844-847
GRANTOR: Army Times Publishing Company
GRANTEE: Square 37 Partnership
INSTRUMENT NO.: 01131, 01134
DATE: January 13, 1982
PURCHASE PRICE: \$9,774,346
SQ.FT.: 30,597
PRICE/SQ.FT.: \$320
ZONING: C2C (Permits 6.0 FAR)
FAR: 5.7 (Based on development)
FAR USED: 95% of potential
PRICE/FAR: \$56
FINANCING: The grantor took back a first trust of \$7,049,856 and Suburban Bank holds a second trust of \$2,600,000. Information was not available as to rates and terms.
COMMENTS: This property is located on the south side of M Street between 23rd and 24th Streets. It represents part of an assemblage that has been improved with a nine story 110,000 sq.ft. office building and a 265 room hotel by the Kaempfer Company. An estimated 175,000 sq.ft. of improvements is being supported by this land. Additional land/FAR was also used in this project, to include closing an alley, and use was made of below grade space.
CONFIRMATION: Representative of the Kaempfer Company

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COMPARABLE NO. 4

LOCATION: 2401 M Street, N.W.
LEGAL: Square 24, Lot 870
GRANTOR: Oliver T. Carr, Jr., Trustee
GRANTEE: Westin Center Hotel Company
INSTRUMENT NO.: 29864 through 29870
DATE: September 16, 1983
PURCHASE PRICE: \$10,535,475
SQ.FT.: 58,688
PRICE/SQ.FT.: \$180
ZONING: CR (Permits 6.0 FAR)
FAR: 5.5 (Based on development)
FAR USED: 92% of potential
PRICE/FAR: \$33
FINANCING: Wells Fargo Realty Advisors provided an acquisition loan of \$16,500,000 and a development loan of \$33,500,000.
COMMENTS: This property is located at the northwestern corner of 24th and M Streets in Northwest Washington. At date of sale, this parcel was a vacant lot. Site work on this property began in October, 1983, as the first stage in the construction of a 416 room hotel. This facility was proposed to have 15 meeting rooms, an auditorium, and an athletic facility with its opening scheduled for 1985. Office development on the adjoining lot to the west of this parcel was proposed by Oliver Carr which is anticipated to include some retail space and to connect to the Westin Hotel.
CONFIRMATION: Representative of Westin Hotels.

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COMPARABLE NO. 5

LOCATION: 2721 M Street, N.W.
LEGAL: Square 1214, Lot 29
GRANTOR: District of Columbia
GRANTEE: DRG Ventures, Inc.
INSTRUMENT NO.: 01491
DATE: January 13, 1984
PURCHASE PRICE: \$1,759,011
SQ.FT.: 32,358
PRICE/SQ.FT.: \$55
ZONING: C2A and R3 (Permits 1.75 FAR)
FAR: 1.75 (Based on development)
FAR USED: 100% of potential
PRICE/FAR: \$31
FINANCING: American Security Bank provided a land acquisition and development loan of \$8,900,000 at an unspecified rate and term.
COMMENTS: This property is located on the northern side of M Street and the southern side of Olive Street on the western border of Rock Creek Park. Development was proposed to consist of 20,000 sq.ft. of office space, eight 2-story condominiums containing approximately 1,000 sq.ft. each around a court, and five townhouses with three levels containing 2,800 sq.ft. each. The condominiums and townhouses are to be sold to individual owners, and the townhouses will front on Olive Street being individually supported by approximately 2,000 sq.ft. of land. Underground parking is also to be provided on one level below grade with room for an estimated 58 spaces. Finally, the former Corcoran School building containing 15,000 sq.ft. is being completely renovated for use as offices. The school has been approved as an historic structure and the facade is being preserved but the interior will be completely changed. Due to the extensive work required to renovate this building, it was considered to have little or no value for purposes of this transaction. Terms of this agreement were negotiated more than one year prior to settlement.
CONFIRMATION: Representative of DRG Ventures, Inc.

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COMPARABLE NO. 6

LOCATION:	1220-1236 23rd Street, N.W.
LEGAL:	Square 36; Lots 816, 819, 850, and 851
GRANTOR:	Tasea Investments
GRANTEE:	23 West Limited Partnership
INSTRUMENT NO.:	56139
DATE:	December 31, 1986
PURCHASE PRICE:	\$14,500,000
SQ.FT.:	37,630
PRICE/SQ.FT.:	\$385
ZONING:	CR (Permits 6.0 FAR)
FAR:	6.0 (Based on development proposal)
FAR USED:	100% of potential
PRICE/FAR:	\$64
FINANCING:	The seller provided a purchase money mortgage in the amount of \$10,000,000 in this transaction.
COMMENTS:	This property is located on the western side of 23rd Street in the middle of the block between M and N Streets. The grantee in this transaction is Rose Associates of New York City who plans to break ground in late 1988 for a mixed use project on this site whose address is 1250 23rd Street, N.W. The proposed project is to consist of an eight story building with ground level retail, 132,000 sq.ft. of office space on four floors and the top three levels containing 97 condominium apartments. This development will also include below grade parking and it is anticipated to be available for initial occupancy in late 1989 or early 1990.
CONFIRMATION:	Representative of 23 West Limited Partnership.

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COMPARABLE NO. 7

LOCATION: 2311 M Street, N.W.

LEGAL: Square 36, Lots 820 and 49

GRANTOR: AME Church Inc. and 2315 M Street N.W. Associates

GRANTEE: Investment Banking Group Limited Partnership (2311 M Street Associates)

INSTRUMENT NO.: 63299, 35910

DATE: November 6, 1987 and July 1, 1988

PURCHASE PRICE: \$5,500,000

SQ.FT.: 9,173

PRICE/SQ.FT.: \$600

ZONING: CR (Permits 6.0 FAR)

FAR: 7.63 (Based on development proposal)

FAR USED: This proposed development exceeds maximum permitted FAR by constructing the lowest retail level partially below grade.

PRICE/FAR: \$79

FINANCING: In November, 1987 when the first of the two parcels in this assemblage was acquired, the grantee obtained a land loan from Baltimore Federal Financial in the amount of \$2,560,000, plus the seller took back a mortgage for \$850,000. When the assemblage was completed in July, 1988, the grantee obtained construction financing for their project from Signet Bank in the amount of \$17,500,000.

COMMENTS: This property is located in the middle of the block on the northern side of M Street between 23rd and 24th Streets. Development is anticipated to begin on this mixed use project around the end of 1988 with initial occupancy anticipated possibly by January, 1990. The building will contain two levels of retail space totalling about 10,000 sq.ft., above which are to be four floors of office in approximately 31,500 sq.ft. The top four floors of the structure are proposed to contain an estimated 34 luxury rental units in 28,500 sq.ft. A basement parking garage with approximately 80 spaces is also planned.

CONFIRMATION: Representative of Investment Bank Group Limited Partnership.

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COMPARABLE NO. 8

LOCATION: 1001 New York Avenue, N.W.
LEGAL: Square 343; Lots 8, 17, 811, 812, and 826-828
GRANTOR: North American Financial Corporation
GRANTEE: 1001 New York Avenue Associates
INSTRUMENT NO.: 36145
DATE: July 5, 1988
PURCHASE PRICE: \$15,000,000
SQ.FT.: 25,575
PRICE/SQ.FT.: \$587
ZONING: C3C (Permits 6.5 FAR)
FAR: 6.0 (Maximum permitted)
FAR USED: 9.5 (Additional density achieved by developer through the D.C. Government's housing linkage program)
PRICE/FAR: \$62
FINANCING: A \$14,000,000 loan was provided at date of sale by the National Bank of Washington.
COMMENTS: This property is located at the northwest corner of 10th Street and New York Avenue across from the D.C. Convention Center. Development is planned to start in the Spring of 1985 with a 10 story office building proposed to contain about 243,000 sq.ft. Completion of this structure is anticipated in mid 1990. To increase density of this proposed building in excess of the maximum permitted by zoning, the developer has agreed to make a financial contribution toward providing more housing in the District of Columbia.
CONFIRMATION: Representative of 1001 New York Avenue Associates.

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COMPARABLE NO. 9

LOCATION:	526 1st Street, N.W.
LEGAL:	Square 569, Lot 81
GRANTOR:	Salvation Army
GRANTEE:	Square 569 Corporation
INSTRUMENT NO.:	36592
DATE:	July 6, 1988
PURCHASE PRICE:	\$21,000,000
SQ.FT.:	56,214
PRICE/SQ.FT.:	\$374
ZONING:	C3C/HR (Permits 6.5 FAR with hotel residential overlay)
FAR:	8.5 (Maximum permitted)
FAR USED:	8.5 (Based on anticipated development)
PRICE/FAR:	\$44
FINANCING:	None indicated in public record.
COMMENTS:	This property is located at the southwest corner of 1st and F Streets with existing improvements at date of sale not considered to add value. The Salvation Army reportedly has the right to continue to occupy this property until August, 1989. The grantee went through a competitive bid process to acquire this property. Present plans are to develop this property with a mixed use project that will not begin construction before 1990.
CONFIRMATION:	Representative of Square 569 Corporation.

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COMPARABLE NO. 10

LOCATION:	2401 Pennsylvania Avenue, N.W.
LEGAL:	Square 26, Lots 805-808
GRANTOR:	Bar "H" Ranch, N.V.
GRANTEE:	2401 Pennsylvania Avenue Joint Venture
INSTRUMENT NO.:	58828
DATE:	October 21, 1988
PURCHASE PRICE:	\$8,325,000
SQ.FT.:	18,320
PRICE/SQ.FT.:	\$454
ZONING:	C2C (Permits 6.0 FAR)
FAR:	6.0 (Maximum permitted)
FAR USED:	7.66 (Based on development proposal)
PRICE/FAR:	\$60
FINANCING:	Reportedly a private lender provided financing in the amount of 100% of the purchase price plus \$3,000,000 to begin work on the proposed development.
COMMENTS:	This property occupies the eastern end of the triangular shaped block bordered by L Street on the north, 24th Street to the east, and Pennsylvania Avenue on the south. It consisted at date of sale of an open parking lot and occupies all of the block except its extreme western end which contains a small park. A representative of the grantee reported that the price for this transaction was established in 1987 with the final total consideration adjusted for time to extend settlement. Naing Development is the major partner in 2401 Pennsylvania Avenue Joint Venture. A representative stated that the grantee plans to begin development in March, 1989 on a mixed use project which is to consist of two levels of retail space with three levels of office space above containing about 50,000 sq.ft. and residential apartments on the top floor which are to be initially rented and at some future

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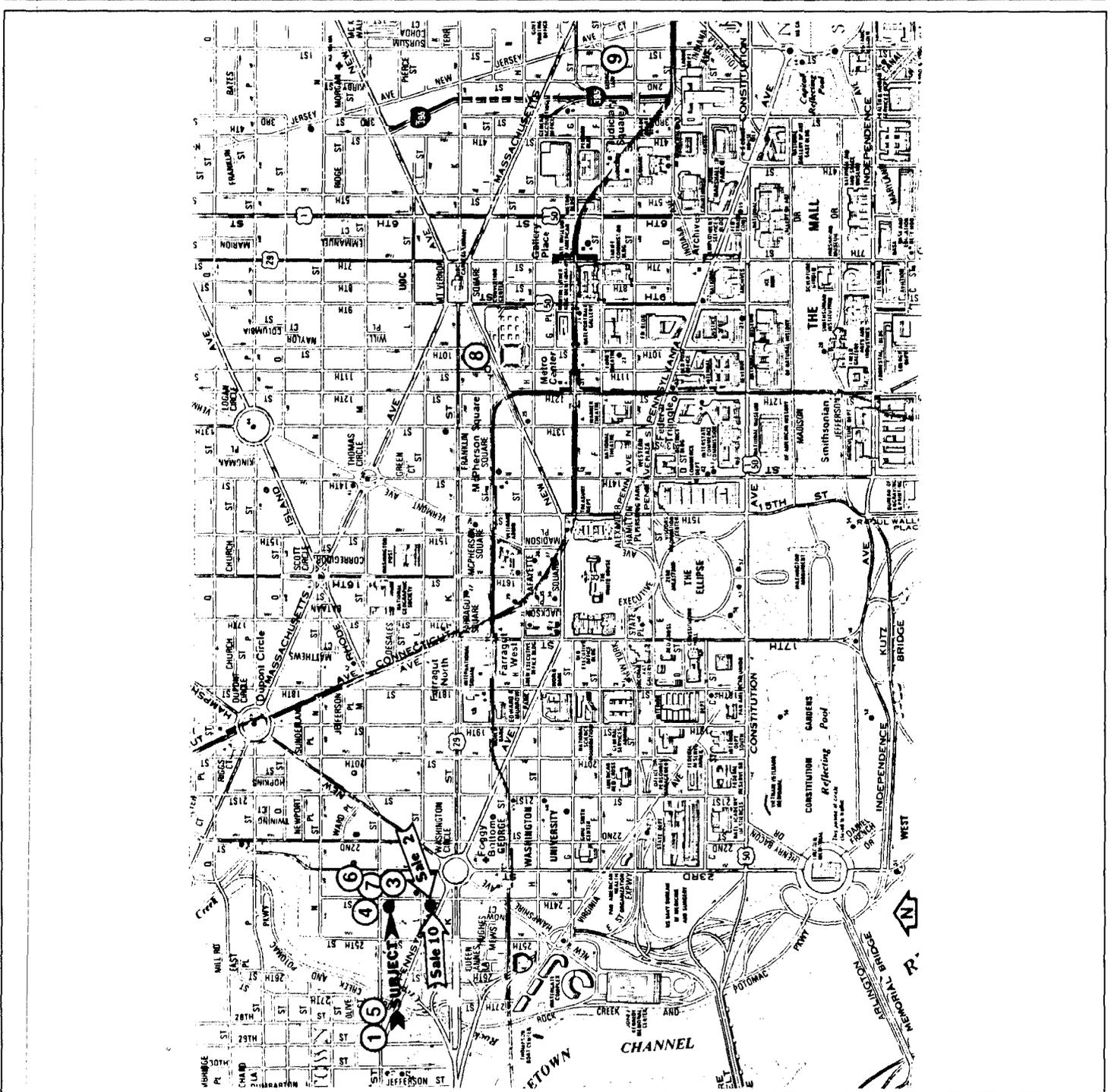
Comparable No. 10 (cont'd.)

date sold as condominiums. The developer reported to your appraisers that this mixed use concept enables them to increase the density and exceed the 6.0 FAR that typically governs this zoning.

CONFIRMATION:

Representative of 2401 Pennsylvania Avenue Joint Venture.

Appraisal of 2400 M Street, N.W.,
Washington, D.C.



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COMPARABLE SALES SUMMARY

NO.	LOCATION	DATE	PRICE	SQ.FT.	\$/SF	FAR	\$/FAR	ZONE
1	2833 M Street	10/80	\$ 505,341	5,519	\$ 92	2.7	\$34	C2A
2	2401 Pennsylvania Avenue	10/81 & 11/81	3,497,600	18,320	191	6.0	32	C2C
3	2300 M Street	1/82	9,774,346	30,597	320	5.7	56	C2C
4	2401 M Street	10/83	10,535,475	58,688	180	5.5	33	CR
5	2721 M Street	1/84	1,759,011	32,358	55	1.75	31	C2A & R3
6	1220-1236 23rd Street	12/86	14,500,000	37,630	385	6.0	64	CR
7	2311 M Street	11/87 & 7/88	5,500,000	9,173	600	7.63	79	CR
8	1001 New York Avenue	7/88	15,000,000	25,575	587	9.5	62	C3C
9	526 1st Street	7/88	21,000,000	56,214	374	8.5	44	C3C
10	2401 Pennsylvania Avenue	10/88	8,325,000	18,320	454	7.66	60	C2C

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CORRELATION & CONCLUSIONS

Your appraisers have listed comparable sales considered pertinent to the development of requested value estimates for the subject property on the preceding pages. This information has been presented in profile form with a summary page and facing map. These comparables took place over the period of from October, 1980 to October, 1988. These sales vary as to the size of their land area and zoning. Your appraisers analysis of these sales has been on the basis of both price/sq.ft. of land and price/FAR reflecting development potential. We particularly note that one property is listed twice. This is 2401 Pennsylvania Avenue which sold in October/November of 1981 and again in October, 1988. These two separate transactions are reflected herein as Nos. 2 and 10 which we consider to be particularly instructive as to the price appreciation which has occurred between the period of our two valuation dates of December 31, 1981 and October 31, 1988.

The ten comparable sales presented in this report are divided into two groups of five each which are respectively considered to pertain to the two valuation dates in question. Nos. 1 through 5 have been utilized in our analysis as of December 31, 1981, while Nos. 6 through 10 have been used for our valuation estimate as of October 31, 1988. For sales 1 through 5, some of the transactions took place after the valuation date and required appropriate downward adjustments. All of the transactions utilized for the October 31, 1988 date settled prior to that date. We will begin our analysis by focusing on fair market value of the subject property. We will separately discuss each of the two sets of sales data and then in greater detail focus on the two arms length transactions involving the property at 2401 Pennsylvania Avenue. Our final step will be to address the question of special use value for the subject property as of the two points in time.

Comparable No. 1 involves the sale of a property at the northeast corner of 29th and M Streets. This property was previously improved with a service station which was converted to a restaurant. These former improvements were demolished by the grantee in this transaction who constructed a mixed use building with one level of garage parking. This transaction requires upward adjustment for date and downward adjustment for size. It also occupies a superior location in comparison with the subject as to visibility/exposure being at the point where Pennsylvania Avenue intersects with M Street. This property does not have as desirable zoning as the subject property.

Comparable No. 2 is a triangular shape parcel with frontage on Pennsylvania Avenue, 24th Street, and L Street. At date of sale it consisted of an open parking lot plus a couple row type structures which have subsequently been demolished. The acquisition of this property was reportedly by foreign investors who contemplated future development. This transaction requires a slight upward adjustment for size, but no adjustment is indicated for date. It is also considered to require a slight downward adjustment for its superior location on Pennsylvania Avenue. This property is governed by the same zoning which your appraisers consider appropriate for the subject.

Comparable No. 3 is located on the south side of M Street between 23rd and 24th Streets. It represents part of an assemblage that has subsequently been developed with an office building and hotel. This transaction represents part of the land in another quadrant of the same intersection occupied by the subject. It requires no adjustment for location and none for date of sale. It does require a slight downward adjustment for size, while zoning is the same as that considered appropriate for the subject.

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Correlation & Conclusions (cont'd.)

Comparable No. 4 occupies the northwest quadrant of the same intersection as the subject. It involves the sale of a similar size parcel of land which was subsequently improved with a hotel. Bordering this structure are office buildings. This property has been developed under existing zoning which is similar as to permitted density of the zoning considered appropriate for the subject. This transaction required downward adjustment for date and no size adjustment.

Comparable No. 5 is located just west of Rock Creek on the northern side of M Street. It involves a property which was to consist of office space and residential condominiums/townhouses. Development of this property also was to include a complete renovation of the former Corcoran School into office space preserving the facade of this designated historical structure. The existing improvements utilized in the redevelopment of this property were considered to have minimal value. This transaction requires downward adjustment for date of sale and upward adjustment for size. It is governed by a significantly lower density than is considered to be appropriate for the subject. This property occupies a somewhat similar location as the subject.

After consideration of the preceding information and based on adjustments discussed herein which are considered appropriate, it is the opinion of your appraisers that fair market value of the subject land at 2400 M Street, N.W. in Washington, D.C., as of December 31, 1981, is a rounded total of \$8,550,000. This is at a rate of \$160/sq.ft. of land and almost \$27/FAR. Application of these rates to the subject's 53,437 sq.ft. of land and considering its development potential at the maximum permitted under C2C zoning, we arrive at a rounded fair market value estimate of \$8,550,000.

Comparable No. 6 is located in the middle of the block on the western side of 23rd Street. This proposed development is just now breaking ground and it is to be mixed use in design. This transaction requires upward adjustment for date and a slight downward adjustment for size. It is governed by a different zoning category than what is anticipated for the subject; but they both permit similar density of development.

Comparable No. 7 is located in the middle of the block on the northern side of M Street between 23rd and 24th Streets. This property was acquired by the grantee as an assemblage at two points in time. It is also proposed to be developed with a mixed use project including lower level retail, office floors above, and apartments/condominiums on the top one or two levels. This transaction requires slight upward adjustment for date and considerable downward adjustment for size. Zoning of this property permits similar density as does anticipated zoning of the subject.

Comparable No. 8 is removed from the immediate vicinity of the subject being located along New York Avenue just north of the Convention Center in the east end. This transaction involves a corner parcel where the grantee has been able to increase density through a planned contribution to the D.C. Government's housing linkage program which is designed to attract money to build housing in the center city. This transaction requires no significant adjustment for date with a downward size adjustment. This property has similar zoning as the subject but occupies an inferior location.

Comparable No. 9 involves the sale of a property owned and operated by the Salvation Army for many years. This property is located near Capitol Hill at the corner of 1st and F Streets, N.W. Existing improvements are not considered to add value and the

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Correlation & Conclusions (cont'd.)

Salvation Army has the right to continue to occupy this property for about one year after settlement. Present plans are to develop this property with a mixed use project anticipated to begin in about one year. This transaction requires significant upward adjustment for its inferior location. No adjustment is indicated for size or zoning. This property does benefit from being in a hotel residential overlay area which enables it to increase density from a 6.5 FAR to an 8.5 FAR. No significant adjustment for date is indicated.

Comparable No. 10 involves the same property which was previously discussed as Comparable No. 2. This transaction settled in October, 1988 involving the same land area as mentioned previously. The price in this transaction was established in 1987 but adjusted to reflect that settlement did not occur until the Fall of 1988. Present use of this property as a parking lot is considered to be of an interim nature until they begin development with their proposed mixed use project for this location. No significant adjustment for date is indicated in this sale, while a slight downward size adjustment is considered appropriate. This property is also considered to require a slight downward adjustment for its superior Pennsylvania Avenue visibility/exposure at a traffic light controlled intersection. Zoning is the same as that considered appropriate for the subject.

After consideration of the preceding information and based on adjustments considered appropriate, it is the opinion of your appraisers that fair market value of the subject property as of October 31, 1988, is \$20,000,000. This is at a rate of \$375/sq.ft. based on the subject's 53,437 sq.ft. of land. It is also at a rate of \$62.50/FAR based on the subject's potential for development at a 6.0 FAR. Your appraisers consider this estimate of fair market value for the subject property as of October 31, 1988, to be appropriate and well supported by the information presented herein.

We consider it appropriate to compare the price appreciation over the seven year period from late 1981 to late 1988 as demonstrated by Sale Nos. 2 and 10 involving 2401 Pennsylvania Avenue. Indicated consideration in this transaction involving 18,320 sq.ft. of land only increased from \$3,497,600 in late 1981 to \$8,325,000 in late 1988. These two transactions reflect respective rates of \$191/sq.ft. of land and \$454/sq.ft. of land. This increase in price over the seven years from late 1981 to late 1988 reflects a compound increase in price of approximately 13%/year. Your appraisers feel particularly fortunate in having the benefit of such information that enables us to gain this insight. We further note that this same compound rate of increase of 13%/year is indicated by the difference between our fair market value estimates of \$8,550,000 as of December 31, 1981 and \$20,000,000 as of October 31, 1988 which were developed for the subject of this report.

As a final step, your appraisers have been asked to estimate special use value of the subject land as of the same points in time for which we have previously estimated fair market value. For this assignment, special use value has been defined as the value of the unimproved land to the Columbia Hospital for Women to be used only for a hospital, clinic, rehab center, medical research/medical education institution, and domiciliary care institution. We are thus concerned with the value of this property to a specific user for a limited number of applications.

First, we should discuss the meaning of special use value to the Columbia Hospital for Women. This medical facility occupies all of the block bounded by 24th, 25th, L, and M Streets except for the subject property. If Columbia Hospital for Women desires to expand their existing facilities, then the subject land represents the only property which could be added to their ownership that would give them convenient access within this same block

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Correlation & Conclusions (cont'd.)

without crossing any streets. The subject property is thus uniquely superior to any other piece of land for expansion of the existing facilities occupied by the Columbia Hospital for Women. It is apparent that due to the relationship of the subject property to the existing property owned and occupied by the Columbia Hospital for Women, that this single user could justify paying more of a premium for this property than could any other prospective purchaser.

The second factor to consider in this value estimate are the limited types of uses permitted by the definition of special use value. The facilities listed in this definition are not those which are typically associated with development of income producing real estate. Rather, they reflect facilities typically provided by the government or non-profit organizations. The government recognizes the right to pay market value for land which they utilize through the just compensation statutes of land acquisition. Non-profit organizations typically find it more difficult to obtain the necessary funds to pay market value and in many cases are dependent upon contributions for their existence. We do not believe that the non-profit status of an organization should by itself permit that entity to acquire real estate at less than its market value. We do believe that the non-profit nature of the Columbia Hospital for Women, along with a limited number of uses permitted, offsets what otherwise would represent a premium above fair market value for this property due to its unique desirability because of its proximity within the same block.

After consideration of the preceding information and based on the adjustments and analysis described herein, it is the opinion of your appraisers that special use value of the subject property corresponds to our previously developed estimates of fair market value as of both December 31, 1981 and October 31, 1988. We therefore conclude that special use value of the subject 53,437 sq.ft. of land only at 2400 M Street, N.W. in Washington, D.C. is \$8,550,000 as of December 31, 1981 and \$20,000,000 as of October 31, 1988.

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UNDERLYING ASSUMPTIONS & CONTINGENT CONDITIONS

This appraisal is subject to the following limiting conditions:

That the legal description - if furnished us - is assumed to be correct.

That no responsibility is assumed for matters legal in character, nor is any opinion rendered by us to title which is assumed to be marketable. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.

That the stamps placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.

That unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.

That the appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made therefor.

The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used. The current (as of the date of appraisal) purchasing power of the dollar is the basis for our value; no extreme fluctuations in economic cycles are anticipated.

The plans in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.

Information, estimates and opinions contained in this report, obtained from sources outside of this office, are considered reliable, however, no liability for them can be assumed by the appraiser.

Possession of this report, or a copy thereof, does not carry with it the right of publication, nor may it be used for any purposes by any but the client without the previous written consent of the appraiser or the client, and in any event, only with proper qualification.

That this appraisal shall be considered in its entirety. No part thereof shall be utilized separately or out of context.

That the value found herein is subject to these and to any other predications set forth in the body of this report but which may have been inadvertently omitted herein.

That, if required by governmental authorities, any environmental impact statement prepared for the subject property will be favorable and will win approval of the appropriate regulatory bodies.

That, unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective.

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Underlying Assumptions & Contingent Conditions (cont'd.)

That, if the appraisal is for mortgage loan purposes 1) we assume physical completion, 2) no consideration has been given rent loss during rent-up, and 3) occupancy at levels consistent with our "Income & Expense Projection" are anticipated.

It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

It is assumed that all required licenses, consents or other legislative or administrative authority from any local, state or national governmental 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.

Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and general limiting conditions.

That this appraisal is not intended to be used, and may not be used, on behalf of or in connection with a real estate syndicate or syndicates. A real estate syndicate means a general or limited partnership, joint venture, unincorporated association or similar organization formed for the purpose of, and engaged in, an investment or gain from and interest in real property, including, but not limited to a sale or exchange, trade or development of such real property, on behalf of others, or which is required to be registered with the United States Securities and Exchange Commission or any state regulatory agency which regulates investments made as a public offering. It is agreed that any user of this appraisal who uses it contrary to the prohibitions in this section indemnifies the appraiser and the appraiser's firm and holds them harmless of and from all claims, including attorney's fees, arising from said use.

This appraisal will not take into consideration the possibility of the existence of asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (hazardous material), or the cost of encapsulation or removal thereof.

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CERTIFICATION

I certify that, to the best of my knowledge and belief, the statements of fact contained in this appraisal report are true and correct. I further certify that the reported appraisal analyses and opinions are limited only by the reported assumptions and limited conditions and are my personal, unbiased, professional analyses, opinions and conditions. I further certify that I have no present or prospective interest in the property that is the subject of this report and that I have no personal interest or bias with respect to the parties involved. The appraisal analyses and opinions were developed and this appraisal report has been prepared in conformance with (and the use of this report is subject to) the requirements of the Code of Professional Ethics and Standards of Professional Practice of the American Institute of Real Estate Appraisers. I do not authorize the out-of-context quoting from or partial reprinting of this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of media or public communication without the prior written consent of the appraiser(s) signing this appraisal report. The MAI's listed below are currently certified under the AIREA voluntary continuing education program.

Respectfully submitted,

LIPMAN FRIZZELL & MITCHELL



Lipman Frizzell & Mitchell

QUALIFICATIONS OF APPRAISER & CONSULTANT - RYLAND L. MITCHELL III

Member:

Member (CRE): American Society of Real Estate Counselors
Member (MAI): American Institute of Real Estate Appraisers
Washington Board of Realtors and Greater Baltimore Board of Realtors

Education, Background & Experience:

Bachelor of Science Degree in Business Administration, University of Richmond, 1965
Graduate School majoring in Real Estate, University of Florida, 1969-70
Instructor for basic Real Estate Appraisal Course, University of Baltimore, 1976-80
Instructor for Maryland Assessment Officers School, 1977-86
Instructor for GRI Courses of Maryland Association of Realtors, 1978-86
Instructor for AIREA Condemnation/Litigation Course in Baltimore, Maryland, 1979-80
and at American University, 1983
Instructor for AIREA Course entitled "Real Estate Appraisal Principles" at University of
Minnesota, 1980 and at American University, 1981-88
President of Baltimore Chapter No. 24 - Society of Real Estate Appraisers 1981-82
Associate Appraiser with McCurdy-Lipman & Associates, 1970-77
Partner-Lipman Frizzell & Mitchell, 1977 to present
Actively engaged in appraising since 1970 and counselling since 1977

Qualified as an Expert Witness in U.S. District Court of Maryland, Federal Bankruptcy
Courts, Maryland Tax Court, Superior Court of the District of Columbia, and Circuit
Court in various Maryland Counties

Assignments include counseling and valuation of commercial, industrial, residential and
special purpose properties, as well as unimproved land; real estate tax assessment
analysis; and market/feasibility studies primarily in the State of Maryland and
Washington, D.C. metropolitan area.

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Chrysler Corporation	National Bank of Washington
Citibank	Prudential Insurance Company
Department of the Navy	Robert T. Foley Company
Equitable Life Assurance	Shulman Rogers Gandal Pordy & Ecker
EXXON	Sovran Bank
Federal Home Loan Bank Board	Stern & Moran Properties
First American Bank of Maryland	U.S. Corps of Engineers
First National Bank of Maryland	The Washington Corporation
Ford Motor Company	Washington Federal S & L Assn.
General Services Administration	Weinberg and Green
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