THE STUART BUILDING, L.L.C.

Pamela B. Stuart, Managing Member
1101 Connecticut Avenue, N.W., Suite 1000
Washington, D.C. 20036
Telephone: (202) 835-2200
Telecopier: (202) 835-2202

January 8, 2002

Mr. Arthur Jackson, Jr.
Office of Planning
801 North Capitol St., NW
Suite 4000
Washington, DC 20002

Ms. Jerrily Kress
Mr. Richard Nero
Office of Zoning
441 4th Street, NW
Washington, DC 2001

Re: Application for Special Exemption and Variances
The Stuart Building, LLC
1750 N Street, NW
case no. 16827
Hearing Date January 29, 2002

Dear Mr. Jackson, Ms. Kress and Mr. Nero:

I met yesterday with Mr. Jackson at 1750 N Street to go over the plans for the renovation. As a result of my discussions with Mr. Jackson, I am submitting additional information as justification for the special exemption and FAR variance previously requested and I would also like to request a variance from the requirement of 3 parking spaces to permit space for two cars. I would also request that you permit this justification to be filed late. I apologize but I did not realize that I should submit the kind of economic analysis set forth below prior to the hearing (I had intended to reference it at the hearing) and did not realize that I needed the variance from the parking space requirements. In order to efficiently process this application, this material should be considered.

In support of my request on behalf of the Stuart Building, LLC, I would like to rely on the following representations.

(1) Special Exemption for general office use

While I hope that the building will house primarily (if not

BZA
Case No. 16827
Exhibit No. 26

Board of Zoning Adjustment
District of Columbia
CASE NO.16827
EXHIBIT NO.26

Pamela B. Stuart
ATTORNEY AND COUNSELLOR AT LAW

exclusively) attorneys, I might rent an office or two to a consultant or other professional (licensed or not). It is not inconceivable that the building might be used for residential purposes at some future date, so whatever permission is needed for that use should be contemplated as well.

(2) Request for variance from Floor Area Ratio regulation.

The applicable regulations permit FAR's in an SP zone of up to 6 for residential use and 2.5 for other uses. The D.C. Office of Tax and Revenue records state that the current floor area of the building is 4,351 square feet. However, when the building was appraised during the pre-sale period, my appraiser personally measured the space and calculated it to be 5,221 square feet (see copy of relevant pages from the appraisal, attached, at pp. 9, 26). When completed as proposed, the building would have 6,732 square feet. The lot site area is 1,817 square feet.

This variance is urgently needed in order to make the building economically viable. It would wreak havoc with the finances of the building and place an undue hardship on the owner not to grant the variance. This is because rising property values on the block due to much renovation activity increased the amount needed to acquire a "shell" such as this to the astronomical level of $1 million. The renovation of the building and the cost of carrying it until it is completed will be in the range of $850,000. Much of the cost is required by District of Columbia fire and building code regulations and is also due to the age of the building which has not been substantially improved since 1973 when the electrical wiring was upgraded.

As the building is presently configured, it consists of five floors (with the highest floor being a storage area/attic). As it presently is laid out, the building could be occupied by five attorneys if each were to have his or her own office. By reconfiguring the rear interior space and adding approximately 1500 square feet (total) on the upper three floors and reconfiguring the rear of the ground floor, it will be possible to create a total of ten offices and include space for an elevator. This change would not be visible from N Street as the facade and elevations/sight lines would remain the same. The building would be expanded on the third, fourth and fifth floor at the rear so that those floors come out to the level of the second floor. In other words, the top three floors will be expanded but the "footprint" of the building will remain the same.

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In the pre-sale period, I prepared a proposed budget for the operation of the building. It included such major components as debt service, taxes, management, and utilities. The total monthly mortgage payment is expected to be approximately $17,500 or $210,000 annually. Expenses I was told should estimated at $8.50 per square foot or $4,768.50 per month or $57,222 annually for a 6,732 square foot building (or about $49,000 for a 5200 square foot building). Taxes are currently $13,433 annually and may be expected to increase substantially (but also, hopefully, will be reduced by historic tax credits). With only ten people paying rent, it will be a challenge to meet the expenses projected. With less than ten, it would be nearly impossible. Thus, it would be an "undue hardship" not to grant the variance when there would be no extraordinary burden on the neighborhood (basically the addition of five additional persons during the day).

(3) Variance from on site parking requirements.

While the architect who prepared plans for the building thinks that the parking area will hold three cars once the renovation is complete, out of an abundance of caution I would like to request a variance to permit a parking area of only two cars. The reasons for this are compelling. First of all, DC fire regulations require me to spend $35,000 for a fire escape stairway to be affixed to the rear of the building. When completed, it will necessarily encroach upon the parking area to a limited extent. The present parking area is about 17'6" x 38 feet. To make matters even more complicated, the area available for parking includes some space (about 2-3 feet) that technically belongs to 1748 N St. Indeed, there are some issues of access as access to the parking lot behind 1750 N Street by car requires traversing part of the lot belonging to 1748 N Street.

Fortunately, not only metered parking but two private parking lots are within about 100 feet of 1750 N Street, NW. The Dupont Circle metro station is only a few blocks away. Accomodating the cars of any commuting tenants within the existing facilities in the area is probably not going to be a problem. For all of these reasons, I would request that a variance be granted.

I have attached selected portions of the appraisal of the building and a copy of the site plan which was requested by Mr. Jackson at our meeting.

Pamela B. Stuart
ATTORNEY AND COUNSELLOR AT LAW

Again, I thank all of you for your assistance with this project and, in advance, for your consideration of this request. Please let me know if I may be of any additional assistance or if you need any additional information.

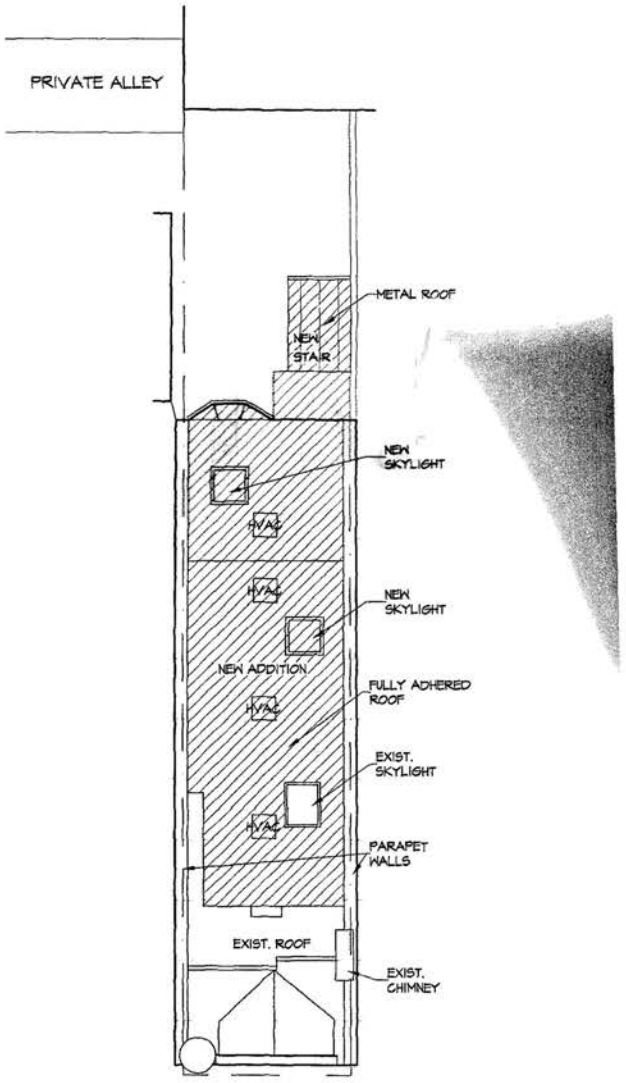
Sincerely,

Pamela B. Stuart

Pamela B. Stuart, for the
Stuart Building, LLC

Attachments

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Always the Best
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A Nationwide Network of 57 Cities
i-800-230-0242



SITE PLAN

APPRAISAL REPORT
OF
1750 N STREET, N.W.
WASHINGTON, D.C. 20036

AS OF
APRIL 18, 2001
AND
NOVEMBER 30, 2001

Prepared By

EVALUATION AND REVIEW ASSOCIATES, INC.



18500 FIDDLELEAF TERRACE
OLNEY, MARYLAND 20832
Telephone: (301) 570-3394
Facsimile: (301) 570-3394

CERTIFICATION OF THE APPRAISER

The undersigned appraiser hereby certifies that, to the best of his knowledge and belief:

- The statements of fact contained in this appraisal 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, impartial 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 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 relate 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 (USPAP) and the Appraisal Policies and Guidelines adopted by the client.
- I certify that, to the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- I am an Associate Member of the Appraisal Institute and this report is subject to the requirements of the Appraisal Institute, relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.
- Jane M. Diven provided significant professional assistance to the person signing this report. Ms. Diven assisted in property inspections, data gathering, economic analysis and report preparation.
- I currently hold the "Certified General" Appraisal License in Maryland, Virginia and the District of Columbia.

EVALUATION AND REVIEW ASSOCIATES, INC.

Thomas P. Gallup
District of Columbia Certified General Appraiser No. 10241

QUALIFICATIONS OF THOMAS GALLUP - Continued

PROFESSIONAL EXPERIENCE

June 1992 - January 1997
Vice President and Examiner-In-Charge - Credit Review Division
NationsBank - Baltimore, MD

January 1994 - December 1995
Associate Appraiser
Libeg, Moroney & Associates, Inc. - Rockville, MD

January 1990 - December 1993
Associate Appraiser
Philip R. Lamb & Co. - Silver Spring, MD

March 1988 - May 1992
Senior Vice President and Senior Lending Officer
Metropolitan Bank, N.A. - Washington, D.C.

June 1987 - March 1988
Director of Financial Operations
Benco Enterprises, LTD. - Bethesda, MD

1983 - May 1987
Assistant Vice President
First American Bank of Maryland - Silver Spring, MD

REPRESENTATIVE APPRAISAL CLIENTS

National Banks, Savings Banks, Institutional Investors, Federal Government Agencies and Private Investors

REPRESENTATIVE TYPES OF PROPERTY APPRAISED

Office Buildings	Shopping Centers	Retail Buildings
Vacant Land	Industrial Buildings	Self Storage Facilities
Apartment Projects	Mixed-Use Projects	Warehouse Condominiums
Churches	Subdivision Development	Office Condominiums

OTHER

P.C. proficiency in Windows, DOS, WordPerfect, Word, Excel, Lotus, and ARGUS

Gallup, Thomas P. "Lending Lessons Learned During Recessions Don't Change With Time" Commercial Lending Newsletter, July 1992, Robert Morris Associates. Philadelphia, PA.

Gallup, Thomas P. "Two Approaches to Valuing Contaminated Real Estate" Commercial Lending Newsletter, June 1996, Robert Morris Associates. Philadelphia, PA.

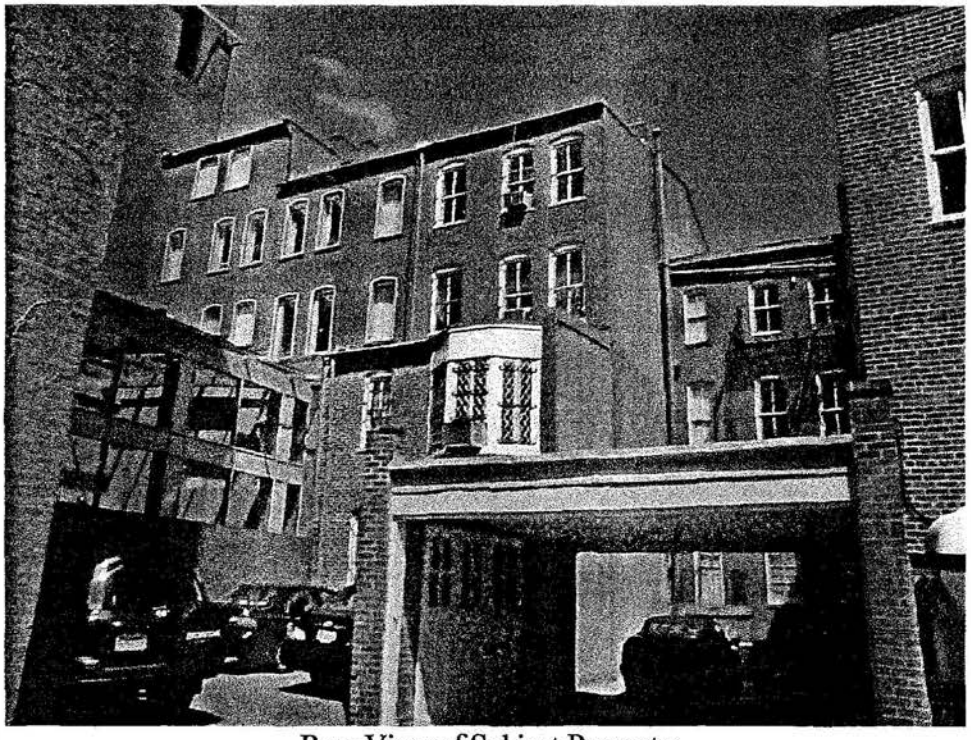
Gallup, Thomas P. "An Appraisal Update - Questions and Answers for Users of Appraisals and Evaluations" Prime Interest, Summer 1997, Robert Morris Associates. Charlottesville, VA.

Editor of The Appraisal Update - A quarterly newsletter of current lending and appraisal issues published by Evaluation and Review Associates, Inc.

SUBJECT PHOTOGRAPHS



Front View of Subject Property



Rear View of Subject Property

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Property Description:	The subject property consists of a single parcel of SP-1 zoned land situated on the southern side of N Street, N.W. between its intersections with 17th and 18th Streets in the DuPont Circle area of Northwest Washington, D.C. The site is improved with a five-level masonry office structure currently being used as an office building proposed to be expanded and renovated.
Property Rights Appraised:	The property rights appraised comprise the Fee Simple Estate.
Highest and Best Use:	As Renovated.
Site Area:	1,817 Square Feet
Census Tract Number:	0053.02
FEMA Flood Map Number:	According to FEMA Flood Map Community Panel Number 110001 0020 B (dated 11/15/85), the property lies within a Zone C, a designated area of minimal flooding.
Improvements:	The site is improved with 5-story masonry building proposed to be expanded from 5,221 square feet of GBA to 6,732 square feet of GBA.
Zoning:	SP-1 (Special District – Medium Density); District of Columbia
Public Utilities:	Public water, sewer, natural gas, electricity, and telecommunications are available to the site.
Market Value Opinion "As Is" as of April 18, 2001:	***$1,000,000***
Market Value Opinion "As If Complete and Stabilized" as of November 30, 2001:	***$1,800,000***
Appraiser:	Thomas Gallup District of Columbia Certified General Appraiser

IDENTIFICATION OF THE PROPERTY

The subject property consists of a single parcel of SP-1 zoned land situated on the southern side of N Street, N.W. between its intersections with 17th and 18th Streets in the DuPont Circle area of Northwest Washington, D.C. The 1,817 square foot site is improved with a five-level, masonry structure currently being used as an office building. The building is proposed to be expanded to a total of 6,732 square feet of Gross Building Area (GBA) and completely renovated by the contract purchaser.

According to tax records the subject site has a street address of 1750 N Street, N.W. and is located in the 20036 zip code area. The subject can further be identified by its legal description of Square 159, Lot 70.

HISTORY OF SUBJECT PROPERTY

Research was conducted to identify, analyze and consider: a) any agreement of sale, option, or listing of the property being appraised, and b) any prior sale of the property that occurred in the three years preceding the effective date of this appraisal.

To the best of the appraiser's knowledge, as of the effective date of this appraisal, legal title to the subject property was vested in the name 1750 N Street Company. Historically, the subject has been used as an office building.

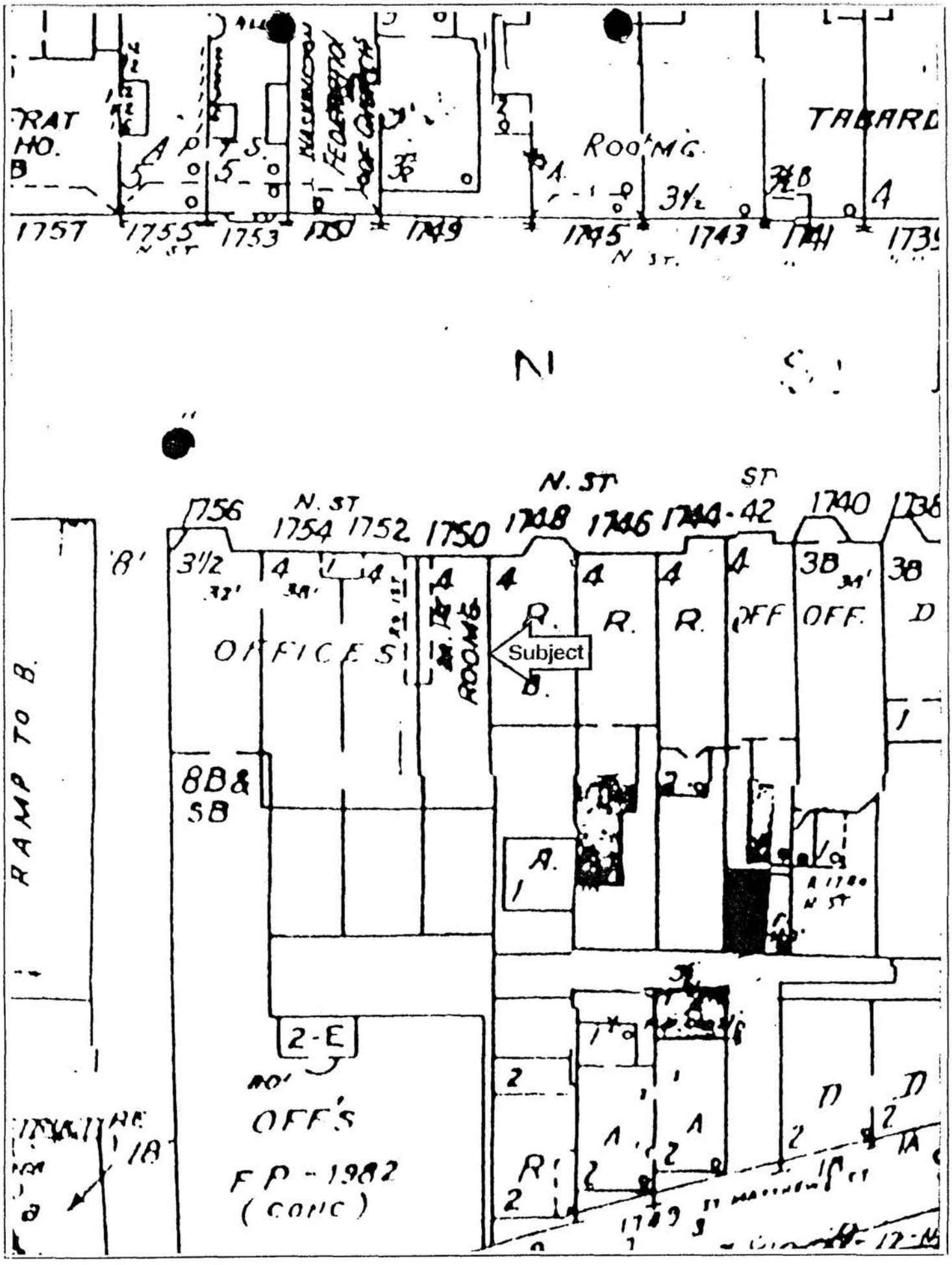
According to the public records searched, the subject property has changed hands only once during the three years preceding the effective date of this appraisal. On January 2, 2001, Phi Delta Phi International Legal Fraternity conveyed the property to 1750 N Street Company for the consideration of $600,000. The building was then leased back to Phi Delta Phi on a short-term basis.

The $600,000 purchase price paid in January 2001 is believed to be a significantly below-market transaction. After discussions with several of the parties to the sale, it appears that the seller did not exercise adequate due diligence and was unaware of the true market value of the property.

The property is currently under a contract of sale between 1750 N Street Company and Pamela B. Stuart. Settlement is expected sometime in May 2001. The contract purchaser intends to renovate and add additional space to the subject property.

The above should not be construed as a report of title. The information provided is only a recitation of information the appraiser believes to be accurate.

SITE PLAN


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N. ST
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1744-42
1740
1736
Subject
OFFICES
ROOMS
RAMP TO B.
8B & SB
2-E
OFF'S
FP - 1982
(CONC)
ROOMING
TABARD

SITE DESCRIPTION AND ANALYSIS

GENERAL

The subject property consists of a single parcel of SP-1 zoned land situated on the southern side of N Street, N.W. between its intersections with 17th and 18th Streets in the DuPont Circle area of Northwest Washington, D.C. The 1,817 square foot site is improved with a five-level, masonry structure currently being used as office building. The building is proposed to be expanded to a total of 6,732 square feet of Gross Building Area (GBA) and completely renovated by the contract purchaser.

TOPOGRAPHY

Surface topography of the site is generally level. Surface water run-off is controlled by curbs and storm drains. Drainage on the site appears to be adequate. Topography does not pose any discernible physical limitation to the use of the site.

CENSUS TRACT DATA AND FLOOD INFORMATION

The subject is situated in Census Tract 0053.02. According to HUD Flood Map Panel Number 110001 0030 B (dated 11/15/85), the property lies within a Zone C, a designated area of minimal flooding.

INGRESS AND EGRESS

Vehicular access to the rear of the subject site can be gained from a secured alley off St. Matthews Court (from Rhode Island Avenue, N.W.). Pedestrian access is via concrete sidewalks that run along N Street, N.W., at the front (northern perimeter) of the subject site. There is an asphalt-paved parking area at the rear of the building improvements with parking for three vehicles. Street and public parking is also available nearby.

VISIBILITY AND ACCESSIBILITY

The subject property is readily visible from N Street, N.W. which is a secondary, one-way street that transverses Northwest Washington, D.C. Through connections to other major transportation arteries (Connecticut Avenue, N.W., 16th Street, N.W., K Street, N.W.), the property is accessible to all parts of the Washington Metropolitan Area.

ZONING AND TAX ASSESSMENT DATA

ZONING

The subject property is zoned SP-1 - a Residential Special Purpose (Medium Density) classification applied within the District of Columbia. The purpose of the SP-1 District is to act as a buffer between adjoining commercial and residential areas, and to ensure that new development is compatible in use, scale and design with the transitional function this zone. The SP District is designed to preserve and protect areas adjacent to commercial districts that contain a mix of row houses, apartments, offices and institutions of medium to high density including buildings of historic and architectural merit.

Permitted uses in this category include, not exclusively, single- and multi-family residences, general offices and elderly/child day care.

The following table shows the area requirements in the SP-1 zone.

ZONING REQUIREMENTS SP-1 ZONE – DISTRICT OF COLUMBIA	
Standard Lot Size	Not specified; Lot coverage up to 80% allowed
Coverage and Set-Back	Rear Yard: 12 feet minimum Side Yard: None required for non-residential dwellings
Maximum Building Height	65 Feet
Floor Area (FAR) Restrictions	FAR 4.0 for residential uses; 2.5 for all other permitted uses
Parking	Office: In excess of 2,000 SF, one space for each additional 1,000 SF of GFA
Source: Zoning Ordinance, District of Columbia	

ZONING SUMMARY

On the basis of a review and inspection of the subject with respect to existing zoning regulations, it appears that the property's utilization is in conformance with provisions of the current ordinance or legally non-conforming due to pre-existing current provisions.

TAX AND ASSESSMENT DA[redacted]

The subject property is located within the taxing jurisdiction of the District of Columbia. Beginning January 1, 2001, the District of Columbia returned to the annual assessment system whereby all real property will be valued for property tax purposes every year. Previously, the District of Columbia used a triennial assessment cycle.

The law provides that the proposed increases or decreases in assessment value will be effective immediately, i.e., there is no phase in of reductions or increases over a specified time.

The 1999 full market value for the properties, and related taxes, has been established by the District of Columbia's tax assessment office as follows:

SUBJECT'S TAX ASSESSMENTS AND REAL ESTATE TAXES FOR 1999	
Street Address:	1750 N Street, N.W.
Lot & Square:	Square 159, Lot 70
Land Value	$154,536
Improvement Value	$534,364
Total Assessment:	$688,900
1999 Taxes:	$14,811.36

The total tax bill for the subject for 1999 was $14,811.36. Upon completion of the proposed renovations, the subject will be re-assessed and its value is likely to increase. This increase will result in increased real estate taxes for the subject in future years.

DESCRIPTION OF IMPROVEMENTS

GENERAL

For this section of the report, an examination of the improvements was made to establish the building improvement's quality, design, layout, construction details, size, structural components, materials and mechanical systems. A thorough understanding of the physical characteristics is necessary for the identification and selection of comparables. This description is based on an inspection of the property and interviews with the contract purchaser and the owner's representative. **Copies of the Building Plans for the existing structure and the proposed renovation can be found on the preceding pages.**

BUILDING IMPROVEMENTS

The subject property is improved with five-story structure. The first four levels are currently used for offices; the fifth level is used for storage only and does not have full ceiling height. Renovation plans call for expansion of the top three levels including the conversion of the fifth level from storage to office use. A summary of the proposed building improvements follows:

BUILDING DESCRIPTION – 1750 N STREET, N.W. PROPOSED RENOVATIONS		
	Amount/Description	Condition
No. of Floors	Five	Good
Gross Building Area	6,732 SF	
Space Use	Office Space	
Structural System	Masonry Block and Brick	Good
Roof	Pitched Metal Roof	Good
Exterior Walls	Brick and Block	Good
Interior Walls	Painted Plaster/Exposed Brick	Good
Fenestration	Glass in Wood Frames	Good
Floor Coverings	Carpet/Tile/Wood	Good
Interior Lighting	Mixed Fluorescent and Incandescent	Good
Ceilings	Plaster	Good
Sprinklered	No	
HVAC	Gas-Fired, Water Radiated HVAC	Good
Other	1 Passenger Elevator	

FUNCTIONAL UTILITY AND EFFECTIVE AGE

The building constitutes a typical converted residential building which is oriented towards general office use. Its floor plan is functional for this use and is similar to other buildings which have gained market acceptance in the area.

The building was originally constructed in the 1880's as a rooming house and contains approximately 5,221 square feet of GBA. The building is a typical urban row structure with the rear of the top three levels offset from the lower two levels. The contract purchaser intends to fully renovate the structure and expand it to approximately 6,732 square feet. The top three levels will be extended to match the lower floor plates. The fifth floor, currently a low-ceiling storage area, will be upgraded and expanded to match the lower levels floor plates. An elevator, servicing all five levels, will be added, as well as a second staircase at the rear of the building.

The main entrance to the building is at street level along N Street. The ground level will contain a lobby, reception, office and work areas. The building's mechanical systems and an ADA-compliant restroom will also be located on the ground level as well as access to the rear parking area. The upper levels will contain offices, conference rooms and storage areas. In addition to the elevator and the rear stairwell, the levels can be accessed by a central staircase. The building contains many amenities not found in typical office structures, such as pocket doors, ornamental plaster and carved wood. Several chandeliers can be found in great rooms throughout the building. Many rooms have fireplaces with tile hearths and wood mantels that are decorative only.

A low level of physical depreciation will affect the subject upon completion of the proposed renovations. Based on life expectancy guidelines contained in the *Marshall Valuation Service* cost manual, a physical inspection of the property and review of proposed renovation plans, the subject's effective age, upon completion of the proposed renovations, is estimated at 10 years with a remaining economic life of 35 years. However, routine maintenance could significantly prolong the economic life.

SITE IMPROVEMENTS

The building and site improvements cover nearly 100% of the subject parcel. Landscaping is limited to trees along N Street.

IMPROVEMENTS SUMMARY

The building improvements appear to be adequate for office use. They are also harmonious with surrounding uses. The structure will be in good overall condition upon completion of the proposed renovations.

HIGHEST AND BEST USE

GENERAL

Analysis and interpretation of highest and best use is an economic study of market forces focused on the subject property wherein the appraiser identifies the most profitable, competitive use to which the property can be put. Highest and best use is undoubtedly the most important concept of any appraisal report. It is the foundation on which the market value of the subject is premised. The determination of highest and best use guides appraisers in the collection and analysis of data, and is the primary consideration on which value is based.

Highest and best use is the basis on which all valuation assignments rest, and is the foundation for analyzing feasibility, the reasonable likelihood that a property will satisfy specific objectives. General market and specific property data collected and analyzed to estimate property value provide the evidence on which the highest and best use conclusion is based.

Highest and best use answers the basic question with regard to the subject property; *how should the property be used?*

In other sections of this report, the market environment and behavior of the economic forces which constitute supply and demand were analyzed. It is those market forces which create market value and are the driving force behind highest and best use analysis. In this section of this report, an examination of the highest and best use has been made as it relates to the subject property.

Highest and best use is defined as:

> "The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability."[10]

Implied in this definition is that the determination of highest and best use takes into account the contribution of a specific use to the community and community development goals as well as the benefits of that use to individual property owners. Hence, in certain situations, the highest and best use of land may be for parks, greenbelts, preservation, conservation, wildlife habitats, and the like.

A study of the highest and best use of a property is the most important, fundamental, and critical of all the valuation steps. Highest and best use analysis identifies the most profitable, competitive use to which the property can be put. This analysis actually involves two separate and distinct studies; analysis of the subject property "As if Vacant" and available to be put to its highest and best use;

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[10] *The Dictionary of Real Estate Appraisal*, Third Edition, (The Appraisal Institute, Chicago, 1993), p.171.

and analysis of the property "As Improved". Regardless of whether the subject is vacant land or improved, the property must meet four basic criteria. The highest and best use must be 1) physically possible, 2) legally permissible, 3) financially feasible, and 4) maximally productive.

SUMMARY ANALYSIS AS VACANT LAND

In ascertaining the highest and best use of a site, each of the four criteria delineated in the foregoing was studied. The analytic process involves a careful study of both the impact and relationship of each factor to the subject property, and the best use conclusion reflects the optimal combination of them. Because land is a residual factor of production, land value is analyzed in terms of being available to be put to its highest and best use.

In my opinion, the highest and best use of the subject, as though vacant, would be development of commercial improvements to the highest density permitted by zoning which would benefit from the current demand within the immediate area.

SUMMARY ANALYSIS AS IMPROVED

As was indicated in the Description of Improvements section of this report, the subject consists of five-level commercial structure improved with office space. The building is currently in an advancing state of physical depreciation. It also suffers from functional obsolescence due to the lack of an elevator (users do not typically walk up more than three flights of stairs).

The building will be in good condition upon completion of renovations. It will be considered functionally adequate for its use. The commercial structure will suffer from a low level of physical depreciation upon completion of renovation as well as no external obsolescence or functional obsolescence.

Overall, the subject's building improvements contribute to economic value to the site. No alternative use would economically justify the demolition of the current improvements and the construction of new, and/or different, improvements at the present time.

Thus, the highest and best use of the subject is for the continued use "As Renovated".

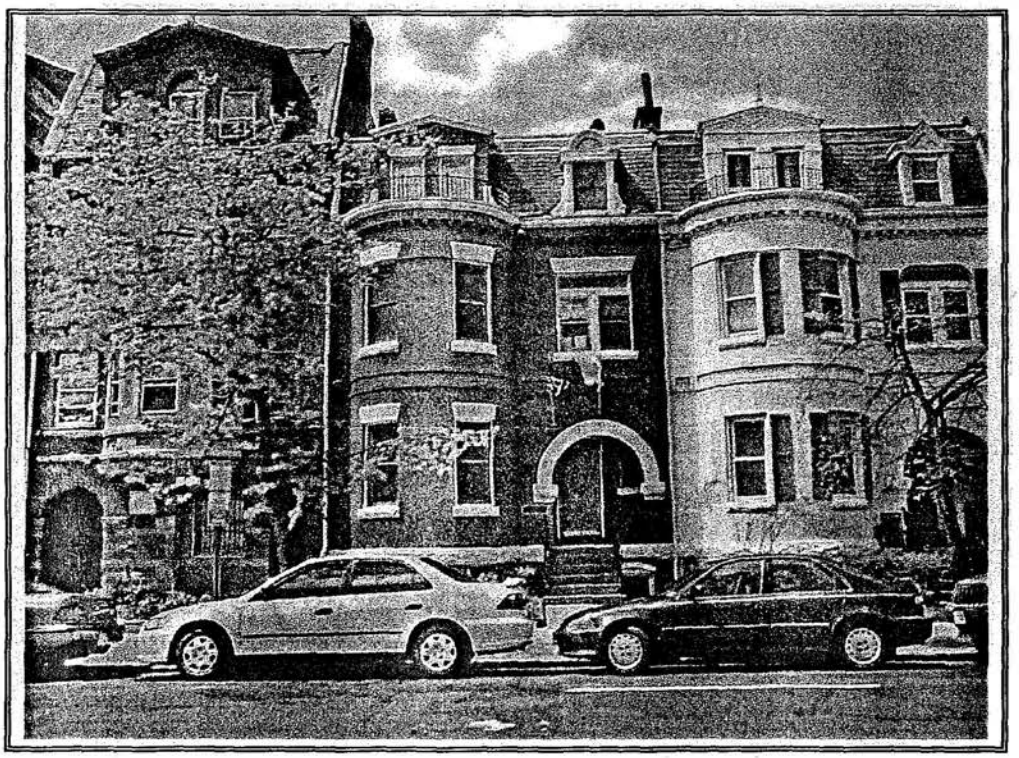
COMPARABLE IMPROVED SALE TWO



Location:	1711 N Street, N.W. Washington, D.C.
Improvement Description:	Commercial Building
Grantor:	Catholic Cemeteries of Archdiocese
Grantee:	Red Brick, LLC
Recording Reference:	2000 10 1207
Date of Sale:	November 1, 2000
Consideration:	$1,400,000
Financing:	All Cash Sale
Land Area:	2,193 Square Feet
Gross Building Area:	5,013 Square Feet
Price per Square Foot of GBA:	$279.27
Year Built:	1910
Zoning:	SP2; District of Columbia

Comments: This property is located in the same block of N Street as the subject. Its condition is average-to-good. It has average visibility and access.

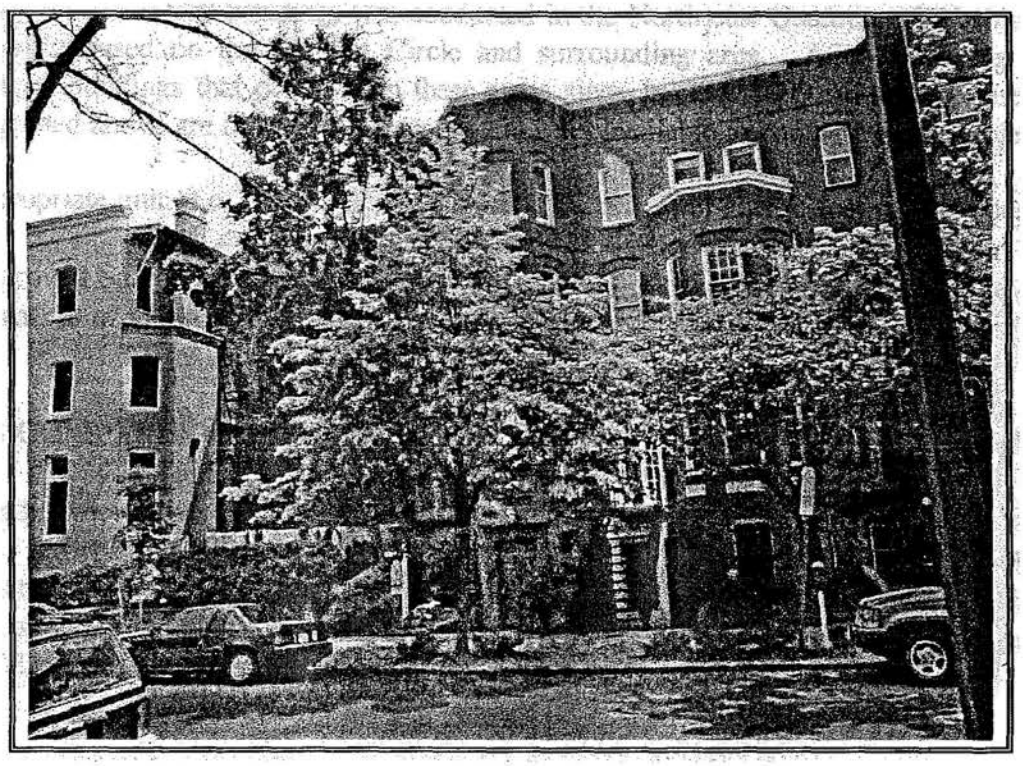
COMPARABLE IMPROVED SALE THREE



Location:	1526 18th St., N.W. Washington, D.C
Improvement Description:	Office Building
Grantor:	The Fund for American Studies
Grantee:	Republic of Turkey
Recording Reference:	Liber 1245 at Folio 0917
Date of Sale:	June 1, 1999
Consideration:	$975,000
Financing:	All Cash Sale
Land Area:	1,419 Square Feet
Gross Building Area:	4,444 Square Feet
Price per Square Foot of GBA:	$219.40
Year Built:	1900
Zoning:	SP1; District of Columbia

Comments: This property is approximately one-quarter mile south of the subject in Georgetown. The street level could be used for retail; the upper level for office. It is in average-to-good condition and has average visibility and access.

COMPARABLE IMPROVED SALE FOUR



Location:	1710 N Street, N.W. Washington, D.C.
Improvement Description:	Commercial Building
Grantor:	Riggsbank
Grantee:	Strategy Group International
Recording Reference:	Liber 1234 at Folio 1243
Date of Sale:	April 23, 1999
Consideration:	$1,050,000
Financing:	First Deed of Trust in the amount of $900,000 placed by Banco Popular
Land Area:	1,822 Square Feet
Gross Building Area:	4,452 Square Feet
Price per Square Foot of GBA:	$235.85
Year Built:	1890
Zoning:	R5D; District of Columbia

Comments: This property is located approximately in the same block of N Street as the subject property. It is in average-to-good condition, with average visibility and access.

ANALYSIS OF THE COMPARABLE SALES

A survey of commercial buildings was conducted in the Northwest Quadrant of Washington, D.C.; the search focused on the DuPont Circle and surrounding area. After reviewing all sales of commercial buildings that occurred in these areas since January 1999, in the appraiser's opinion, the sales cited above are the best and most recent sales available to compare to the subject.

The appropriate unit of comparison for the sales is the price-per-square-foot of gross building area.

An Improved Sale Adjustment Grid showing how the comparables were adjusted to arrive at an indication of value for the subject appears at the end of this section.

SALES COMPARISON CONCLUSIONS – "AS IF COMPLETE AND STABILIZED"

Before adjustments, the comparable sales formed a range from $219.40 to $279.27 per square foot of GBA. After adjustments, the comparables indicated a range of value for the subject of between $242.00 to $308.00 per square foot. Considering all factors influencing the value of the subject, the appropriate dollar amount to apply to the subject was estimated to be $277.00 per square foot for the 6,732 square foot building or $1,864,764.

6,732 Square Feet X $277.00 = $1,864,764

Based on the sales comparison approach, the ***Market Value*** of the Fee Simple estate in the subject, **"As If Complete and Stabilized"** as of November 30, 2001 was estimated to be **$1,865,000 (rounded).**

Discussion of Rental Comparables

Due to the structure's configuration and its historical use, it is most likely that this building (similar to others in the area like this one) would be leased to a single user. Therefore, Gross Building Area is considered to be the same as Net Rentable Area.

A summary of the comparable rental properties, and their adjustments to the subject property is as follows:

COMPARABLE RENT ADJUSTMENT GRID				
	Rent Comp 1	**Rent Comp 2**	**Rent Comp 3**	**Rent Comp 4**
Contract Rate of Lease	$27.60/SF	$29.18/SF	$26.75/SF	$25.00/SF
Terms of Lease (Triple Net Equivalent)	Landlord pays Taxes -$2.60	Triple Net $0	LL pays Taxes + Utils -$3.30	Landlord pays Taxes -$2.60
Location/Access	Inferior +	Inferior +	Inferior +	Similar 0
Physical Characteristics Condition	Inferior +	Inferior +	Inferior +	Inferior +
Indicated Triple Net Rate	$30.00/SF	$29.18/SF	$25.50/SF	$25.00/SF

Based on the rental comparables cited, the market rent and typical lease terms for office space similar to the subject, in the DuPont Circle area of Northwest Washington, is estimated as follows:

Face Rent	$25.00 - $30.00
Expense Provisions	Triple Net
Term:	3 – 5 Years
Escalations:	CPI Annually
Rental Concessions:	None

EFFECTIVE GROSS INCOME ESTIMATE

In order to estimate the effective gross income of the subject, the estimate of potential gross income must be adjusted for expected vacancy and collection losses.

The overall commercial market in the DuPont Circle area is currently sound (see market analysis section). Given the building's age, location, current use and historical occupancy, a vacancy and credit loss rate equal to about three percent was thought to be appropriate.

ESTIMATE OF STABILIZED NET OPERATING INCOME "AS IF COMPLETE AND STABILIZED"
1750 N STREET, N.W.; WASHINGTON, D.C.

							Subject Property 2000	1999
RENT						% of EGI		
Potential Gross Rent	6,732	SF @	$28.00	PSF	$188,496		Not Available	
Subtotal - Potential Gross Income (PGI)	6,732	SF			$188,496			
Expense Reimbursements					$26,255	$214,751		
Less Vacancy & Collection Loss	3.00%				($6,443)			
Effective Gross Income (EGI)					$208,308	$208,308	100.00%	
EXPENSES								
				PSF				
Real Estate Taxes				$2.80	$18,850			
Insurance				$0.10	$673			
Utilities				$0.00	$6,732			
Routine Maintenance & Repair				$0.37	$2,500			
Management Fees at 3% of EGI (net of expense reimbursements)				$0.83	$5,583			
Reserves for Replacement at $0.15 SF				$0.15	$1,010			
Other				$0.00	$0			
Leasing Commissions & TI's				$0.25	$1,674			
Total Expenses				$5.50		$37,022	17.77%	
NET OPERATING INCOME (NOI)						**$171,286**	82.23%	
Direct Capitalization Rate					10.00%			
							PSF	
Capitalized Value					$1,712,857		$254.44	
FINAL VALUE CONCLUSION BY DIRECT CAPITALIZATION					**$1,715,000**	**(Rounded)**	$254.75	

"AS IS" VALUE

The opinion of value for the subject on an "As Is" basis was also derived. Since sales of similar buildings in need of renovation were not available and sales of renovated or modernized buildings were relatively plentiful, the "As Is" value was quantified based on adjusted sales less construction costs required to deliver the building in accordance with its renovation plans. Based on the physical inspection of the property, discussions with representatives of the contract purchaser and a review of the construction budget, the renovation costs are summarized as follows:

Construction Item	**Estimate**
Demolition/General Conditions	$85,000
Concrete/Masonry/Steel	$58,350
Elevator	$75,000
Mechanical	$70,000
Electrical	$90,000
Appliances	$ 5,000
Painting/Finishes	$85,000
Carpentry	$80,000
Doors/Hardware	$35,000
Roofing	$27,500
Contractor Profit (10%)	$61,085
Sub Total	$671,935
Entrepreneurial Profit (10%)	67,000
Subtotal	738,935
Lost Rent During Renovation	$90,000
Total	**$828,935**

The total cost of renovations and lost potential revenue is estimated to be $828,935, say $830,000 (rounded). The estimate of value on an "As Is" basis, therefore, is the "As If Complete and Stabilized" estimate, less the costs to renovate. Thus,

$1,800,000 - $830,000 = $970,000

Additionally, the subject property is currently under contract for $1,000,000 (on an "as is" basis) and this has been considered as an additional indicator of value.

Based upon an inspection of the property and the investigations and analyses undertaken, subject to the underlying assumptions and limiting conditions set forth in this report, it is my opinion that the ***Market Value*** of the Fee Simple in the subject property, ***"As Is"***, as of April 18, 2001 is estimated to be:

ONE MILLION DOLLARS

($1,000,000)

FACE RENT ANALYSIS
West End Office Space Survey

	Direct Space				Sublet Space			
	# Spaces	Minimum	Avg Rent	Maximum	# Spaces	Minimum	Avg Rent	Maximum
Grand Totals								
Full Service	88	$14.00	$31.07	$50.00	25	$18.00	$35.64	$50.00
Triple Net	21	$12.00	$29.62	$50.00	3	$22.00	$27.49	$34.00
Plus Electric	21	$12.00	$27.42	$34.00	2	$25.00	$28.24	$30.00
Other	6	-	-	-	0	-		

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AVAILABILITY AND VACANCY ANALYSIS

04/17/2001

West End Office Space Survey

	Existing Rentable Bldg Area	Direct SF Vacant	Vacant Rate %	Direct w/ Sublet SF Vacant	Vacant % with Sublet	Total SF Available	Direct SF Available	Sublet SF Available	Max SF Contig	Avg Rate
Grand Totals (71 Bldgs)	6,262,871	491,940	7.85%	582,683	9.30%	1,188,875	1,039,905	148,970	178,659	$28.13

Vacancy is the total vacant direct space divided by the total rentable square feet for all existing buildings
Vacancy with Sublet is the total vacant direct and vacant sublet space divided by the total rentable square feet for all existing buildings

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COMPREHENSIVE ANALYSIS

AVAILABILITY and VACANCY REPORT 2

	Bldgs	Listgs	Total Rentable SF	Vacancy Rate*	Relet & New Vacant	SF Available Total	SF Vacant End 1st qtr 2001	SF Vacant End 4th qtr 2000	SF Vacant End 2nd qtr 2000
Total:	71	99	6,418,756	7.9%	491,940	1,188,875	568,952	424,072	510,060
Built Prior to 1960:	18	22	378,242	24.9%	94,351	109,380	99,819	94,426	54,348
Built 1960-1969:	6	10	637,233	11.1%	70,646	80,187	70,646	69,960	67,029
Built 1970-1979:	8	13	1,060,227	4.9%	52,440	123,209	74,121	71,997	56,134
Built 1980-1992:	33	48	3,868,617	6.5%	249,918	701,729	299,781	162,420	292,263
Built 1993-1995:	0	0	0	-	0	0	0	0	0
Built 1996-1997:	0	0	0	-	0	0	0	0	0
Built 1998-2001:	4	4	318,552	7.7%	24,585	23,185	24,585	25,269	40,286
Delivery 2001-2004:	2	2	155,885			0			
Delivery TBD:	0	0	0			0			
0-50,000 RBA:	33	38	545,969	30.2%	161,976	211,315	165,600	123,573	63,487
50,001-100,000 RBA:	14	19	1,153,837	10.7%	123,293	182,753	121,186	72,740	112,321
100,001-250,000 RBA:	19	32	3,093,506	5.8%	170,139	669,725	234,695	206,731	267,001
250,001 Plus RBA:	5	10	1,625,444	2.2%	36,532	125,082	47,471	21,028	67,251

* Vacancy Rate is the total new and relet square feet vacant divided by the total rentable square feet of all existing buildings.

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Stuart Building: 1750 N Street, NW — Preliminary Construction Estimate — 22-Mar-01 — 16-Apr-01

		Unit	Quantity	Unit Cost	Extended	Category Totals	Category Totals	Notes
01	General Conditions					$57,800.00	$70,000	longer job
	permits 2 % of Cons Cost	ea	1	8000	8000			
	project management	weeks	24	500	12000			
	supervision	weeks	24	600	14400			
	general labor	weeks	24	500	12000			
	dumpsters	ea	12	450	5400			
	misc. materials	lump sum	1	1500	1500			
	protection	lump sum	1	1500	1500			
	cleaning	lump sum	1	3000	3000			
02	Demolition					$10,370.00	$15,000	demo attic temp protect
	elevator shaft	crew hours	25	90	2250			
	back egress doors	crew hours	20	90	1800			
	misc	crew hours	80	79	6320			
03	Concrete					$7,850.00	$7,850	
	footings for elevator	CY	6	350	2100			
	footings for exit stair	CY	5	250	1250			
	misc cut & patch in basement	SF	200	5	1000			
	sidewalk - new service	lump sum	1	3500	3500			
04	Steel					$30,000.00	$33,000	elevator, stairwell misc.
	elevator steel	lump sum	1	7500	7500			
	exit stairs	lump sum	1	20000	20000			
	rooftop HVAC unit supports	lump sum	1	2500	2500			
05	Masonry					$7,100.00	$12,500	rebuild at back?
	back egress door openings	ea	3	700	2100			
	misc interior alterations	lump sum	1	5000	5000			
06	Carpentry					$64,700.00	$80,000	wall, floor, windows, cabinetry stairs
	elevator shaft reframed	crew hours	40	105	4200			
	misc. interior structural	crew hours	60	105	6300			
	interior trim	carp hours	240	55	13200			
	millwork, cabinetry	lump sum	1	30000	30000			
	historical detailing - TBD	lump sum	1	10000	10000			
	new and reinstalled subfloor	SF	500	2	1000			
07	Roofing and Waterproofing					$22,000.00	$27,500	insulation, more roof
	roofing - new work, patching	lump sum	1	20000	20000			
	exterior caulking, flashing	lump sum	1	2000	2000			
08	Doors, Hardware, Glazing					$26,280.00	$35,000	add doors, windows
	exterior egress	ea	3	650	1950			
	interior doors	ea	8	325	2600			
	restore existing	ea	20	100	2000			
	new hardware	ea	20	160	3200			
	closers	ea	6	155	930			
	new windows	ea	26	600	15600			
09	Finishes					$62,915.00	$65,000	wood floor?
	a. Drywall (new partitions)	LF	150	28	4200			
	b. Plaster repairs	lump sum	1	10000	10000			
	c. Elevator shaftwall	SF	1300	4.3	5590			
	d. Painting	lump sum	1	15000	15000			
	e. Flooring	SF	8000	2.25	18000			
	carpet							
	sand and refinish							
	VCT							
	f. Wood floor repairs	lump sum	1	2500	2500			
	g. Ceramic tile	bathrooms	4	900	3600			
		fireplaces	4	350	1400			
	h. Acoustic ceiling (bsmt?)	SF	1500	1.75	2625			
10	Specialties, Appliances					$3,600.00	$5,000	

	bathroom accessories, mirrors	bathrooms	4	400	1600		
	appliances	lump sum	1	2000	2000		
14	Elevator	floors	4	15000	60000	$60,000.00	$75,000
	4 stops (basement + 3)						
15	Mechanical					$58,300.00	$70,000
	a. HVAC	floors	4	10000	40000		
	b. Sprinklers	NOT REQUIRED??					
	c. Plumbing	bathrooms	4	2400	9600		
		hot water HTR	1	1700	1700		
		kitchens	2	1500	3000		
		groundwork	1	4000	4000		
10	Electrical					$65,000.00	$90,000
	a. Service Heavyup - PEPCO	lump sum	1	10000	10000		
	b. Electrical - power and lighting & fire alarm	lump sum	1	60000	60000		
	c. Telecom	lump sum	1	15000	15000		
		Cost Subtotal				$495,915.00	$810,850
		Contingency				$50,000.00	$85,000
		Fee				$50,000.00	$85,000
		Preliminary Cost Estimate				**$595,915.00**	**$740,850**