

# **The Gorman Group, Ltd**

1200 West 175<sup>th</sup> Street

East Hazel Crest, Illinois 60429

708-799-4200

[www.gormangrp.com](http://www.gormangrp.com)

# **Cost Analysis Report**

xxxxxxxxxx Street  
Chicago, Illinois

## SUMMARY

**Location:** xxxxxxxx  
Chicago, Illinois

**Client:** xxxxxxxxxxxxxx  
xxxxxxxxxxxxxx  
Chicago, Illinois

**Ordered by:** xxxxxxxx

**Type of Property:** Strip Center

**Lot Size:** Approximately 265' by 125', or  
33,125 SF – approximately  $\frac{3}{4}$  acre  
(no survey was provided and the size  
is taken from public records)

**Building Size:** Building "A"  $\approx$  7,850 square feet  
above grade (via field measurements  
– no survey was provided)  
Building "B"  $\approx$  1,620 square feet  
above grade (via field measurements  
– no survey was provided)

**Report Type:** Summary

**Analysis Type:** MACRS

**Note:** We have accepted the client's land  
value for use in our analysis and if  
challenged, the client will be  
responsible for supporting the land  
value before the Internal Revenue  
Service. The accepted land value is  
\$200,000.00.

**Date of Analysis:** October 28, 2003

**Date of Inspection:** October 28, 2003

**Date of Report:** November 26, 2003

**PURPOSE OF THE ANALYSIS:**

The purpose of this report is to assist the client, xxxxx, LLC, for federal income tax reporting purposes and compliance for the property that is the subject of this report. Information necessary to complete this assignment was obtained from an inspection of the property, documents provided by either the client and/or the occupant of the property, public records and proprietary information either owned by the Gorman Group, or purchased from outside sources. This analysis is as of October 28, 2003. This analysis is subject to the Underlying Assumptions and Limiting Conditions contained herein.

**INTENDED USE / FUNCTION OF ANALYSIS:**

This report is to be used for federal tax planning and compliance. No other purpose is intended or meant or to be inferred. This report provides a Segregated Cost Analysis of the subject property for the purpose of allocation of the purchase price paid and to classify aspects of the property under the Modified Accelerated Cost Recovery System (MACRS), defined in Section 168 of the Internal Revenue Code.

**PROPERTY IDENTIFICATION:**

No legal description was provided, the property is identified by its Permanent Cook County Tax Index Number: xx-xx-xxx-xxx thru 006

**PROPERTY RIGHTS:**

The property was analyzed as a whole, owned in Fee Simple.

**PROPERTY HISTORY:**

The property was acquired on January 9, 2003 for a reported price of \$x,xxx,xxx.xx.

**COST/ALLOCATION:**

**Cost as Basis:**

The basis of property purchased is its cost plus amounts paid for items such as sales tax, freight charges, and installation and testing fees. The cost includes the amount paid in cash, debt obligations, other property, or services\*.

\*Page 11 Publication 946 Department of Treasury, Internal Revenue Service

**Land Improvements:**

Includes improvements directly to or added to land, whether such improvements are section 1245 property or section 1250 property, provided such improvements are depreciable. Examples of such assets might include sidewalks, roads, canals, waterways, drainage facilities, sewers (not including municipal sewers in Class 51), wharves and docks, bridges, fences, landscaping shrubbery, or radio and television transmitting towers. Does not include land improvements that are explicitly included in any other class, and buildings and structural components as defined in section 1.48-1(e) of the regulations. Excludes public utility, initial clearing and grading land improvements as specified in Rev. Rul. 72-403, 1972-2 C.B. 102.

**Property Class Recovery Period:**

3-year property . . . . .	3 years
5-year property . . . . .	5 years
7-year property . . . . .	7 years
10-year property . . . . .	10 years
15-year property . . . . .	15 years
20-year property . . . . .	20 years
25-year property . . . . .	25 years
Residential rental property . . . . .	27.5 years
Nonresidential real property . . . . .	39 years

15-Year Property:

- a) Certain improvements made directly to land or added to it (such as shrubbery, fences, roads, and bridges).
- b) Any retail motor fuels outlet (defined later), such as a convenience store.
- c) Any municipal wastewater treatment plant.\*

\*Page 28 Publication 946 Department of Treasury, Internal Revenue Service

The land improvements that are fifteen-year life property are those improvements on the land surrounding the building. Examples of such improvements are paving, site utilities, landscaping, and site electricity.

Land improvements include swimming pools, paved parking areas, wharves, docks, bridges, and fences.\*

\*Page 14 Publication 946 Department of Treasury, Internal Revenue Service

In addition, an allocation of soft costs must be made to all hard costs of construction components. Soft

cost includes such items as architectural services, construction period interest, material testing, and various fees.

1684.02 Real Estate  
Depreciation:

...land improvements are not included in the definition of 27½-year residential property or, 39 or 31½-year property. Land improvements, such as parking lots, sidewalks, roads, landscaping, and fences have a 20-year midpoint under ADR. A property with a 20-year midpoint is 15-year recovery property under MACRS. See 1685.01. Thus, land improvements - a major expense of any large project -- appear to qualify for 150% declining balance recovery over a 15-year period. See class 00.3 in Rev Proc 87-56, 1987-2 CB 674 at 1685.01.\*

\*[http://taxpoint.swcollege.com/taxpoint\\_2001/student/m10/m10\\_13.html](http://taxpoint.swcollege.com/taxpoint_2001/student/m10/m10_13.html)

**SCOPE OF WORK:**

This assignment is being prepared to assist the client in preparing for federal income tax reporting. Information necessary to complete this assignment was obtained from an inspection of the property, documents provided by either the client and/or the occupant of the property, public records and proprietary information either owned by the Gorman Group Ltd., or purchased from outside sources.

We have accepted the client's land value for use in our analysis and if challenged, the client will be responsible for supporting the land value before the Internal Revenue Service.

We have investigated the appropriate cost data for utilization in a cost analysis to develop a segregated cost analysis of the subject property. Our investigations included referencing xxxxxx as well as referencing our own files.

We have analyzed the data found and reached conclusions regarding the Segregated Costs, as defined in the report, of the subject property as of the date of value using appropriate methodology identified above. It should be expressly noted that since this report is being developed to provide guidance in Internal Revenue Service compliance, the analysis is prepared under IRS guidelines. For example, when real estate is leased, the lease can have either a positive or negative impact on the value of the property – it will not, however, impact the underlying cost of that real estate. This analysis is of the underlying cost of the real estate and may need modification before it is appropriate for federal tax purposes.

We have completed the segregated cost analysis in compliance with my interpretation of the *Uniform Standards of Professional Appraisal Practice* as promulgated by The Appraisal Foundation, Uniform Appraisal Standards for Federal Land Acquisitions – 2000 edition, and the Supplemental Standards of Professional Appraisal Practice and Code of Professional Ethics of the Appraisal Institute.

This report is classified as a summary report and includes photographs of the subject property, the site, any improvements on the site, and conclusions. Pertinent data and analyses not included in the report may be retained in appraiser's files.

We have analyzed the data to a degree sufficient to draw a reasonable conclusion.

**PROPERTY DATA**

**Location:** xxxxxxxx Street

**City:** Chicago, **County:** Cook  
**State:** Illinois

**Lot Size:**

Approximately 265 feet (along xx<sup>th</sup> Street) by 125 feet both along xxxx to the west and xxxxxxxxxxxx to the east (no survey was provided and the size is taken from public records).

**Total Lot Area:**

33,125 SF

**Building Improvements:**

2 buildings

Building one – 7,850 SF, masonry constructed (block), one story commercial store with a flat roof. Occupied by a Blockbuster outlet. The building is constructed on a concrete slab. The HVAC is roof mounted. The interior of the building is finished and has plumbing, electrical, restrooms, and interior partitions. The building was designed for a single tenant and is typical of “Blockbuster” stores of this vintage – approximately 15-20 years.

Building two – 1,620 SF, masonry constructed (white face brick),

commercial store with a flat roof. Occupied by a “co-branded” Subway/Dunkin Donuts. There is a small mansard façade on three sides of the roofline. The HVAC equipment is on the roof. The building appears to be about 20-25 years old.

<b>Lot Area Landscaped:</b>	There are four separate landscaped areas totaling approximately 325 square feet.
<b>Area Paved:</b>	$33,125 - 7,850 - 1,620 - 325 = 23,330$ SF
<b>Alley(s):</b>	At rear
<b>Street Paving:</b>	Asphalt
<b>Curbs/Sidewalks (public):</b>	Concrete
<b>Curbs/Sidewalks (service):</b>	Curbs around the landscaped areas and service walks in front of buildings.
<b>Sewer/Water:</b>	Five Storm sewers/manholes and two sanitary sewer/basin lines outside buildings.
<b>Utilities:</b>	All available, Public
<b>Parking:</b>	Approximately 60 cars (31 with bumpers)– the entire lot excluding only the building footprints and landscaped areas are paved for parking.
<b>Lighting:</b>	Three single lamp pole and lights and one quadruple lamp pole and lights
<b>Fencing:</b>	Guardrail perimeter – 255 feet, plus 185 feet of fencing (including fenced in trash areas)

**Sidewalks:** 125 feet of sidewalk along the west property line (while a public sidewalk, the developer/building is responsible for installation)

**Curb-cuts:** Three double wide curb-cuts

**Pole Signs:** Two – signs belong to tenants, poles to ownership.

## Building One – Cost Analysis

### Restaurant

Excavation	0.35	8100	\$	2,835.00
fill	0.33	4000	\$	1,320.00
prep	0.27	1620	\$	437.40
Foundation	2.44	1620	\$	3,952.80
Frame	1.75	1620	\$	2,835.00
Floor	3.32	1620	\$	5,378.40
vapor barrier	0.83	1620	\$	1,344.60
Floor cover	10.6	1620	\$	17,172.00
Ceiling	8.95	1620	\$	14,499.00
Frame Interior Partitions	35.79	1620	\$	57,979.80
Plumbing	6.69	1620	\$	10,837.80
HVAC	5.75	1620	\$	9,315.00
Elect	10.38	1620	\$	16,815.60
Ext Wall	16.17	1620	\$	26,195.40
Roof	6.83	1620	\$	11,064.60
Roof Cover	1.84	1620	\$	2,980.80
				\$184,963.20

## Building Two – Cost Analysis

### Store

Excavation	0.35	39000	\$ 13,650.00
fill	0.33	10000	\$ 3,300.00
prep	0.27	7850	\$ 2,119.50
Foundation	2.44	7850	\$ 19,154.00
Frame	1.75	7850	\$ 13,737.50
Floor	3.32	7850	\$ 26,062.00
vapor barrier	0.83	7850	\$ 6,515.50
Floor cover	2	7850	\$ 15,700.00
Ceiling	2	7850	\$ 15,700.00
Frame Interior Partitions	35.79	7850	\$ 80,951.50
Plumbing	6.69	7850	\$ 52,516.50
HVAC	5.75	7850	\$ 45,137.50
Elect	10.38	7850	\$ 81,483.00
Ext Wall	16.17	7850	\$126,934.50
Roof	6.83	7850	\$ 53,615.50
Roof Cover	1.84	7850	\$ 14,444.00
			\$ 771,021.00

## Two Building Site– Cost Analysis

### Site

Parking Areas	Paving	18655	2.25	\$ 41,973.75
	Landscaping	325	4	\$ 1,300.00
	Landscaping Parkway area			\$ 500.00
	Service walks	765	3	\$ 2,295.00
	Public walks	625	3	\$ 1,875.00
	Pipe Bollards	100	4	\$ 400.00
	Curbs	515	10	\$ 5,150.00
	Landscaping Island curbs	144	7	\$ 1,008.00
	Parking Bumpers	31	45	\$ 1,395.00
	Striping	60	7.5	\$ 450.00
	Striping - Handicapped	100	2	\$ 200.00
	Guardrails	255	21	\$ 5,355.00
	Fencing	185	15	\$ 2,775.00
	Sign	1000	2	\$ 2,000.00
Storm Sewer	Piping	235	100	\$ 23,500.00
	Storm Manhole	5	1940	\$ 9,700.00
Sanitary Sewer	Piping	95	100	\$ 9,500.00
	Catch Basins	2	500	\$ 1,000.00
Electric lateral	Underground connections	90	100	\$ 9,000.00

Total Site Improvements \$ 119,376.75

### Recompilation

Building One Cost New –	\$184,963.00
Building Two Cost New –	\$771,021.00
Site Improvements –	\$119,376.00
Land Value –	\$200,000.00 *
Total	\$1,275,360.00

\* We have accepted the client's land value for use in our analysis and if challenged, the client will be responsible for supporting the land value before the Internal Revenue Service.

## **CERTIFICATE OF APPRAISAL**

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

1. This appraisal report has been prepared for the exclusive benefit of xxxxxx Property, LLC. It may not be used or relied upon by any other party. Any party who uses or relies upon any information in this report, without the preparer's written consent, does so at his own risk.
2. The statements of fact contained in this report are true and correct.
3. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
4. I have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
7. The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of:  
  
USPAP Uniform Standards of Professional Appraisal Practice, and  
SPP-AI Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute; and, except as noted in the Scope of Appraisal (and/or transmittal letter, if any), in conformity with specific implementation rules of the following agencies:
9. The use of this report is subject to the requirements of the Appraisal Institute relating to its review by duly authorized representatives.
10. Robert C. Gorman has made a personal inspection of the property that is the subject of this report.

11. No one provided significant professional assistance to the person(s) signing this report.
12. I do not authorize the out-of context quoting from or partial reprinting of this appraisal report. Further, neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser nor the name of the firm with which he is connected, or any reference to the Appraisal Institute) shall be reproduced, published, or disseminated to the public through advertising media, public relations media, news media, or another public means of communication, without the prior written consent of the appraiser signing this report.
13. The Appraisal Institute conducts a continuing education program for its designated members. As of the date of this report, Robert Gorman has completed the requirements of the continuing education program of the Appraisal Institute.

The Gorman Group Ltd., an Illinois Corporation

**by:** \_\_\_\_\_

Robert C. Gorman, MAI  
President  
Illinois Certified General Appraiser  
License Number 153.000002  
Expires September 30, 2005