# **2010** MIAMI MARINE STADIUM:RETAIL



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#### **Miami Marine Stadium**

The Marine Stadium site will be revitalized through a comprehensive plan including the proposed herein approximately 60,000 square feet of new retail space. Located at 3501 Rickenbacker Causeway on Virginia Key, the development will add to the character of the existing water front area as well as complement the stadium built in 1963. Damaged by Hurricane Andrew in 1992, the stadium has remained unused and is currently owned by Miami-Dade County. The code states that new structures may not be built over 47 feet, the height of the stadium. The total amount of dry land within the area is 4,660,920 square feet which will have 180 hundred permanent surface parking spaces. Its location on the bay is conducive for water activities such as boating, fishing and sporting events. As a result, the site is family friendly for social gatherings. The increased tax base from development of the site and opening of the site to the community will be beneficial to the County and residents alike. There are environmental and historical rules regulating development of the site that need to be considered before development.

#### Market Overview (Key Biscayne)

As previously mentioned, Miami Marine Stadium is located in the village of Key Biscayne. It is a small affluent community that has unique tourist attractions. Events such as the Sony Ericsson Open and Royal Caribbean Golf Classic are widely recognized and bring considerable traffic to this area. Bill Baggs Cape Florida State Park is well renowned park that attracts beach enthusiasts every year. From 2006 to 2008 visits to Cape Florida increased from 782,132 to 893, 543, an increase of 14.2 percent (University of Florida Bureau of Economic and Business Research). If this trend continues, the retail segment to Miami Marine Stadium can greatly benefit from increased recreational usage of the area.

#### Family-Friendly Environment

Many families with younger children who reside in South Florida or are vacationing want an environment that is appropriate for the entire family. While the famous Miami Beach is a big draw for many, there is a family segment that is underserved that prefers a family-oriented location. Museums and parks are two destinations many families choose to enjoy spending time with each other. Miami Marine Stadium is in close proximity with the Miami Seaquarium and both attractions should be able to create synergy with each other. Visitors to this aquarium may be inclined to visit Miami Marine Stadium because it offers a family-friendly experience.

#### **SWOT Analysis**

#### Strengths:

- 1. Area is located in a unique location for ecotourism and outdoor recreation enthusiasts
- 2. The Miami Marine Stadium is a unique architectural landmark that makes the location inherently attractive to a variety of users
- 3. Natural beauty of the site
- 4. Unique location for variety of uses including boat racing and concerts
- 5. A recreational environment suitable for families
- 6. A high per capita income (\$54,213) of the area

#### Weaknesses:

- 1. Limited permanent population located in close proximity (11,000)
- 2. An untested market with limited data
- 3. Maximum building height requirement of 47 feet limits vertical expansion

#### **Opportunities:**

- 1. Serve a currently underserved market
- 2. Provide first larger scale retail development in the area

#### Threats:

- 1. Surrounding communities such as Miami Beach offer similar experiences
- 2. Environmental regulation
- 3. Availability of financing
- 4. Potential negative public backlash from environmental activist groups.

#### **Market Analysis**

**Market Statistics** 

Since Key Biscayne is a small community, unique in Miami, it is difficult to find comparable retail spaces to determine rent ranges and absorption. Assumptions of rents and vacancy must be determined based on the overall Miami statistics and adjusted for the area. Below are the current market rents, absorption and vacancy:

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Market	#Bldgs	Rentable Area	Total Vacancy %	YTD Absorption	Under Construction	Average Asking Lease Rate NNN
Aventura	32	3,342,510	4.5	-108,051	0	\$24.32
North Miami	19	1,429,942	7.0	-36,884	0	\$23.71
Carol City/Miami Gardens	35	2,484,212	7.1	-62,445	0	\$15.28
Coral Gables	89	9,159,730	2.0	-116,425	0	\$29.51
Cutler Bay	10	913,574	6.9	-21,757	0	\$19.61
Doral/Medley	28	1,797,912	4.7	5,780	0	\$26.41
East Kendall	42	3,827,645	7.4	-119,596	0	\$24.66
Hialeah	57	5,179,231	4.8	-45,347	0	\$20.22
Homestead	22	1,805,171	10.5	220,519	0	\$16.24
Miami Beach	17	1,305,295	3.4	172,533	0	\$36.29
Miami Lakes	17	1,629,462	5.3	-18,009	0	\$26.10
Downtown Miami	10	851,086	26.4	-2,926	0	\$36.64
Miami Shores	13	939,633	10.3	-18,411	0	\$12.34
West Kendall	49	4,370,106	6.2	-82,580	81,081	\$23.88
West Miami	83	6,061,610	6.6	153,931	0	\$25.23
Central Miami	5	288,361	7.7	-8,774	0	\$17.44
Totals	528	45,385,480	5.8	-88,472	81,081	\$23.41

Inventory includes all single and multi-tenant shopping centers over 25,000 SF

#### **Regulatory Issues**

- Permanent Parking: There 60 available parking spots under the current proposal
- Building Height Requirements: Cannot exceed 47 feet, the height of Miami Marine Stadium
- No building should be closer than 100 feet per the local designation resident report
- The footprint of built space relative to open area should range between 3 and 5 percent of the land area
- The built space should not exceed 5 percent of the open land area at all

**Development Plan** 

#### Active Lifestyle & Environment Based Retail

Favorable climate conditions combined with pristine natural surroundings makes Virginia Key a prime location to facilitate active lifestyle and environment-based retail businesses. Many residents and tourists maintain an active lifestyle through participating in activities such as biking, running, swimming, kayaking, sailing, etc. This area of Miami is very active and residents travel here for a variety of recreational activities. The retail businesses that rent and sell equipment for outdoor activities, specifically, water sports will serve an underserved market in Miami and would be ideally located on the Marine Stadium site. In addition to renting and selling equipment, some of these tenants can provide experiences to customers by providing recreational activities such as rock climbing and sailing which can further differentiate from other recreational areas in South Florida. Virginia Key is a family oriented area and the retail tenant mix should reflect that. Driving consumers to this site during the day is an important consideration for development because the stadium will not be used daily.

The Miami Metropolitan Area is diverse when it comes to tastes and preferences involving retail. However, Key Biscayne is very different from communities such as Mid-Town or Coconut Grove. What differentiates Key Biscayne from neighboring communities is the ecological importance and participation in outdoor activities.

The positive attributes associated with this site for the suggested tenant mix are:

- 1. The area is used by many residents and tourists for outdoor activities
- 2. The environment is protected
- 3. Proximity to other activities including the Miami Seaquarium

The some site attributes to be considered before development are:

- 4. It is isolated from larger Miami populations
- 5. The bridge may act as a physical barrier
- 6. The retail portion does not have high traffic road frontage

#### **Tenant Mix**

#### <u>REI</u>

REI will be an anchor tenant for the following reasons:

- 1. Strong brand image and recognition can generate high foot traffic
- 2. Provides an experience to customers
- 3. Strong association with active, outdoor lifestyle

REI is a nationally renowned outdoor gear and services store. An REI Store is suited for this location because it can provide outdoor equipment such as bicycles and services such as teaching rock climbing class. There will be 40,000 square feet allocated to REI. This will include its sales floor, loading dock, rock climbing wall area, etc.



The reason why REI will become successful is twofold. REI will attract the active, outdoor enthusiast and the tourist interested in recreational activities. REI caters to the outdoor enthusiast by offering high quality outdoor apparel and equipment suited for land-based and aquatic activities. Due to numerous favorable climate conditions in

South Florida many people engage in outdoor recreational activities in the Key Biscayne Area. Past evidence suggests REI will be able to capture a large portion of the population that comprises its targeted segment. Furthermore, by offering services such as kayak rentals and rock climbing lessons, there will be a substantially higher amount of traffic generated from the family segment. Families that take their kids to the aquarium or to the beach may also want to spend some time here to make a purchase or engage in an activity. REI has a corporate mission aligned with environmental protection and this protected area of Virginia Key is an ideal location for the company. According to REI's website, stores range in size from 10,000 square feet to 95,000 square feet. This tenant could benefit from a store of at least 40,000 square feet so that it can provide in store activities such as rock climbing and also because a variety of large products are sold at REI such as bicycles, but also small items like athletic clothing. Cycling is very prevalent in the area as well as running and swimming.

#### Ron Jon Surf Shop



Ron Jon Surf Shop will be the second, but smaller, anchor tenant. There is no Ron Jon located in Miami yet and the closest currently is located in Sawgrass Mills. This Ron Jon Surf Shop is proposed to be 10,000 square feet and will contain primarily clothing and trinkets so not to compete directly with REI. This product mix is typical of Ron Jon Surf Shops of this size.

#### **Restaurants**

Smaller scale low to middle end restaurants would best suit this area. These restaurants could include Pizza Fusion and Flanagan's. If residents and tourists have spent time on Virginia Key, it seems practical to have a couple of restaurants that provide a casual, relaxed atmosphere for those at the beach or participating in other water activities. These places could also provide a live music on specific occasions and could be gathering spots for potential audience members attending a large scale concert at Marine Stadium before and after events. Proposed are 3 restaurants of 1,850 square feet.

#### Coffee/Drink Shop

Also proposed for the site is 1 coffee shop, Jamba Juice o Smoothie King at 1,000 square feet.

#### Other Retail Businesses

A business offering value goods such as a small convenience store would be suitable to this environment. The boating segment would be able to purchase items such as soft drinks, snacks, and other similar items prior to spending time on the seas. This store will also address the active lifestyle segment by providing refreshments for runners, cyclists, swimmers, etc. The total area will consist of 1,500 square feet. Another target business is a specialty bicycle store. A Beach Novelty Store could also be considered for one of the smaller retail spaces.

**Financial Analysis** 

#### **Assumptions:**

#### Square Footage

There are a total of 200,000 square feet available for retail space excluding the associated common area. For this project, 85,990 square feet will be developed, 70,269 square feet of which are the built structure and 59,550 square feet will be rentable retail space. The underlying assumption here is that there is not enough demand to justify allocating 200,000 square feet towards retail in this area because frontage and demand. Since this is a new area for development, only tenants that have a purpose that aligns closely with the area have been selected. There is room for future expansion above the proposed 60,000 square feet once the project is shown to be successful and leased.

#### Construction

The building plans to achieve a LEED Silver certification by the USGBC. To meet this standard, the hard costs are increased by five percent to account for the increased cost of green building. For the Sources and Uses for Marine Stadium Retail, soft costs are industry standard percentages as a proportion of total project cost.

#### Vacancy

A conservative vacancy rate of 7% is used in the analysis to account for market vacancy. Although, it is expected that occupancy will be greater than 93%.

#### Retail Absorption and Tenant Renewal

The two anchor tenants, REI and Ron Jon, will be leased before stabilization; therefore both are absorbed immediately at time zero. The Retail stores and the Restaurants are assumed to lease-up throughout a two-year period, with all leasable space occupied at the end of year two. These assumptions are due to the current economic climate, with slow growth and improving conditions throughout the first two years of operation.

#### Anchor Tenant Contingency

As a contingency, if the proposed anchor tenants, REI and Ron Jon cannot work out, similar tenants will be sought, respectively.

#### Expenses

Operating expenses for retail space are expected to be \$3.25 per square foot. The leases will be NNN, therefore, the majority of the operating expenses will be covered by the tenants with the exception of vacant space.

#### **Operating Expenses**

Capital improvements towards the sinking fund are \$0.12 per square foot. This sinking fund is based on a future value of \$100,000, an 8% interest rate, and over a ten year investment period. Real estate taxes, management fees, and insurance are based on current market rates and these expenses will be passed along to the tenants.

#### Ground Lease

The duration of this ground lease will be fifty years. After the first twenty-five years, there is an option to renew the ground lease for another fifty years. 111,787 square feet of land will be leased from Miami-Dade County at a rate of \$2.00 per square foot. Normally, \$5 per square foot is charged for retail outparcel; however, a more favorable rate of \$2.00 is assumed due to the current relationship with the County and site location. These rates were obtained from current asking land rates in Miami.

#### Economic Growth Rates

Inflation and expenses are expected to grow 3% annually. Annual growth for retail rent is projected at 2%. This is a conservative estimate since the expense growth rate exceeds rental growth rates.

#### Tenant Improvements

#### New Tenants

Improvements made to REI, Ron Jon, and other similar retail businesses are estimated to cost \$3 per square foot, Improvements made to restaurants and a coffee shop will cost \$5 and \$4 per square foot. TI for these tenants is expected to be higher because of kitchen buildouts which entail higher startup costs for the tenant. The typical retail box requires less tenant improvement allocation.

#### Renewal

For the larger tenant, there will be renewal tenant improvements allocation of \$1 per square foot. For all others, the renewal tenant improvements allocation is \$0.50 per square foot.

#### Leasing Commissions

Leasing commissions are expected to be 3% for new tenants and 1.50% for renewals. REI and Ron Jon have a lease term of 10 years while other all other tenants will have lease terms of 3 years.

#### Reversion

Reversion of the property occurs at the end of year 10, or 2022. For the reversion, the assumed exit cap rate of 8% takes into account the discount due to the land being leased and not owned outright. If the land was owned outright, an exit cap rate of 7% would be applied considering predicted future return requirements. For Marine Stadium Retail, a one point discount is given to account for the ground lease. Under sensitivity analysis for the worst case scenario the going out cap rate is 10% while under the best case scenario the going out cap rate is 6%.

#### Construction Loan

The terms of the construction loan will be for ten years interest only at 8.0% with an origination fee of 0.15% and closing costs of 0.10%. This loan will be refinanced after construction in the first year. The loan to value ratio is 65%. The construction interest expense will be \$315, 508

#### Permanent Loan/Equity Investment

The permanent loan will be 30 years fixed at 5.5% interest with a 0.50% origination fee, 0.25% closing costs. The origination fee and closing costs are lower because of an established relationship with the bank used to finance the construction loan. The total loan amount will be 65% of total construction cost while the equity amount is 35%.

# **Exhibits**

Exhibit 1 : Retail Rent RETAIL RENT ROLL	t Roll					
Tenant Name	# of Units	Square Feet	Total SF (Retail Share)	Lease Length (Years)	 rent Base nt per SF	Total Rent
REI	1	40,000	40,000	10	\$ 18.00	\$720,000
Ron Jon	1	10,000	10,000	10	\$ 20.00	\$200,000
REI and Ron Jon	1	50,000	50,000 84%	10	\$ 18.40	\$920,000
Retail	2	1,500	3,000 5%	3	\$ 25.00	\$75,000
Restaurants	3	1,850	5,550 9%	3	\$ 25.00	\$138,750
Coffee Shop	1	1,000	1,000 2%	3	\$ 25.00	\$25,000
Total			59,550			\$ 1,158,750

Exhibit 2: Financial ProForma	1				
	PRO	FORMA			
Retail SF	59,550				
Common SF	10,719				
Total Building SF	70,269	18%	Common Space		
Parking SF	39,303	*	1 Parking space per		00 SF - 220 SF
Extra Parking SF	7,861		per space, -180 Spa	ices	
Total Parking SF	47,164	20%	Buffer		
SF Total	117,433				
COSTS:					
	Hard Cost	Soft Cost	SF		Cost
Retail Cost Ś	68	25%	70,269	Ś	5,994,824
Retail Cost \$ Parking \$	20	15%	47,164		1,084,763
Developer Fees and Admir	N/A	N/A	N/A	ŝ	700,179
Total Cost			117,433	\$	7,779,766
Total Cost per SF			•	\$	66
INCOME:					
Retail					
	ent	SF		То	tal
REI and Ron Jon \$		50,000			920,000
Retail \$	25	3,000		č.	75,000
Restaurants Ś	25	5,550		ŝ	138,750
Retail \$ Restaurants \$ Coffee Shop \$	25	1,000		s s s s s	25,000
Total		59550		\$	1,158,750
Retail Income per SF				\$	19.46
Payback Period (years)					6.71
rayback reliou (years)					0./1
Total Income				\$	1,158,750
%	of Bldg	Income per	Weighted Avg		
Retail	100%	•	\$ 19.46		
Avg Income per SF		*	\$ 19.46		

Exhibit 3: Assumptions					
	Marine	Stad	lium Retai	l Assumpti	ons
Analysis Period	Ten-year analysis begins January 1, 2013				
	1 year construction period begins Januar December 31, 2012	y 1, 20	12. Construe	tion conclude	is on
Assumption Category	Assumption Subcategory		Amo	unt	Notes on Assumptions
Square Footage	Gross Site SF:	+-	117,433		
	Total Building SF:		70,269		
	Retail SF:		59,550	85%	
Vacancy	Retail:	_	7%		* * * * *
Expenses	Retail: *	_	\$3.25		* NNN
Operating Expenses	Capital Improvements: *		\$0.10		* Sinking fund: Future value of \$100,000, 8% Rate, 10 Year period
(per SF)	Real Estate Taxes:		\$3.00		
	Management Fee:		\$2.00		
	Insurance:		\$1.50		
Crowned Longer	Parking Lease:	_		per Space/Yr	# 200/ Income for welling
Ground Lease	Gross SF: *		152,662		* 30% increase for walkways, pavement, waterfront, seating, etc.
	Lease Rate: **			per SF	** App. \$5 for retail Outparcel, but given favorable rate due to relationship
Crowth Botos	Ground Lease	_	\$305,325		with County
Growth Rates	Inflation:		3% 3%		
	Expenses: **				** Conservative - Expense Growth Exceed Rent Growth
To so the loss of	Rent Increase Retail : ** REI and Ron John:	_	2%		
Tenant Improvements	Retail:			per SF	
New Tenants				per SF	A Manager and the stand of the state of the second data of the second state of the sec
	Restaurants: Coffee Shop:			per SF	* Higher due start-up cost, desire of tenant type, predicted renewal
Tenant Improvements	REI and Ron John:	_		per SF per SF	
Renewel	Retail:			per SF	
Reliewei	Restaurants:			per SF	
	Coffee Shop:			per SF	
Leasing Commssions	New Tenant	_	3.00%		
Leasing commissions	Renewal		1.50%		
Capitalization Rate	Going out Cap:	-	8.00%		
capitalization Nate	Sensitivity Analysis - Worst Case		10.00%		
	Sensitivity Analysis - Worst Case		6.00%		
	Sensitivity marysis - best case		0.0070		
Permanent Loan/Equity	Loan Term:	-	30	Year Fixed	
r ennenene zoun, zquit,	Years of IO Payments		0	ical rise a	
	Interest:		5.5%		
	Origination Fee		0.50%		
	Closing Costs		0.25%		
	Sensitivity Analysis - Worst Case		8.0%		
	Sensitivity Analysis - Best Case		4.0%		
	LTV		65.0%		
	Loan Amount:	\$	5,056,848		
	Equity Amount:	\$	2,722,918		
Construction Loan/Equity	Loan Term:		10		Years Interest Only, re-financed after 1 year
	Interest:		8.0%		
	Origination Fee		0.15%		Low due to assumed refincing with same bank
	Closing Costs		0.10%		Low due to assumed refincing with same bank
	Sensitivity Analysis - Worst Case		10.0%		
	Sensitivity Analysis - Best Case		6.0%		
	LTV		65.0%		
	Loan Amount:	\$	5,056,848		
	Construction Interest Expense	\$	404,548		
	Interest Expense -Worst Case	\$	505,685		
	Interest Expense - Best Case	\$	303,411		
Market Discount Rate			10%		
Capital Reserves	PSF		\$0.25		
Resale Costs			3.25%		

Exhibit 4: Sources & Uses									
		Pei	rmanent Ph	ase			Con	struction P	hase
SOURCES		Total	%		Per SF		Total	%	Per SF
Permanent Mortgage		\$5,056,848	65.00%	\$	76,331		\$ -		\$-
Construction Loan		\$ -					\$5,056,848	65%	\$ 76,331
Equity		\$2,722,918	35.00%	Ś	41,101		\$2,722,918	35%	\$ 41,101
Total Sources		\$7,779,766	100.00%	\$	117,433		\$7,779,766	100.00%	\$ 117,433
		Pei	rmanent Ph	ase		-	Con	struction P	hase
Uses	Note	Total	%		Per SF		Total	%	Per SF
Hard Construction Costs		\$4,567,485	58.77%	\$	68,944		\$4,567,485	58.77%	\$ 68,944
Parking		943,272	12.14%		14,238		943,272	12.14%	14,238
LEED Allowance	5.0%	275,538	3.55%		4,159		275,538	3.55%	4,159
Hard Cost Contingency	5.0%	289,315	3.00%		4,367		289,315	3.00%	4,367
Construction Interest Expense		404,548	5.21%		6,106		404,548	5.21%	6,106
Permanent Loan Origination Fee		25,284	0.36%		382		25,284	0.36%	382
Permanent Loan Closing Costs		12,642	0.18%		191		12,642	0.18%	191
Construction Loan Oringination Fee		7,585	0.10%		114		7,585	0.10%	114
Constructino Loan Closing Costs		5,057	0.07%		76		5,057	0.07%	76
Reserves Required by Lender	5.0%	252,842	3.25%		3,817		252,842	3.25%	3,817
Accounting		7,071	0.10%		107	1	7,071	0.10%	107
Appraisal		3,890	0.05%		59		3,890	0.05%	59
Architect		31,119	0.40%		470		31,119	0.40%	470
Building Permit		19,449	0.25%		294		19,449	0.25%	294
Engineering Fees		15,560	0.20%		235		15,560	0.20%	235
Impact Fees		19,449	0.25%		294		19,449	0.25%	294
Inspection Fees		19,449	0.25%		294		19,449	0.25%	294
Insurance		11,670	0.15%		176		11,670	0.15%	176
Legal Fees		38,899	0.50%		587		38,899	0.50%	587
Property Taxes		7,780	0.10%		117		7,780	0.10%	117
Soil Test Report		3,890	0.05%		59		3,890	0.05%	59
Survey		3,890	0.05%		59		3,890	0.05%	59
Title Insurance & Recording		38,899	0.50%		587		38,899	0.50%	587
Utility Connection Fee		19,449	0.25%		294		19,449	0.25%	294
Soft Cost Contingency	5.0%	47,421	0.61%		716		47,421	0.61%	716
Sub-Total		7,071,454					7,071,454		
Developer's Admin and Overhead	1.0%	77,798	1.00%		1,174		77,798	1.00%	1,174
Developer's Profit	8.0%	622,381	8.01%		9,395		622,381	8.01%	9,395
Total Project Cost		\$7,779,766	100.00%	\$	117,310		\$7,771,633	100.00%	\$ 117,310

#### Exhibit 5: Absorption of Retail and Renewed Space

Retail Absorption Sc	hedule and TI SF				Renewed			Renewed			
Tenant	Total	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
REI and Ron Jon*	50,000	50,000									
Retail **	3,000	1,500	1,500		1,500	1,500		1,500	1,500		
Restaurant **	5,550	2,775	2,775		2,775	2,775		2,775	2,775		
Coffee Shop	1,000	1,000			1,000			1,000			
		55,275	4,275	0	5,275	4275	0	5,275	4,275	0	0
	Total	55,275	59,550	59,550	59,550	59,550	59,550	59,550	59,550	59,550	59,550

Retail Occupancy Schedule:	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Occupancy	93%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Vacancy	7%	0%	0%	0%	0%	0%	0%	0%	0%	0%

\* REI and Ron John Lease is leased up before stabilization, therefore is Absorbed immediately
\*\* The Retail stores and the Restaurants are assumed to lease-up at 50% of leasable area per year due to the economy

Exhibit 6: 10 Year Cash Flow				10-Year	10-Year Cash Flow						
For the Years Ending	Year 0 Y	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9 Y	Year 10
)-F-L-L-L-L-D		2013									2022
Scheduled Gross Revenue Base Rental Revenue for Retail - REI and Ron John		\$ 920,000	\$ 947,600	\$ 976,028	\$ 1,005,309	1,035,468	1,066,532	\$ 1,098,528	1,131,484	1,165,428	\$ 1,200,391
Race Rental Revenue for Retail - Retail						42.207	43,473	-	46,120	47.504	-
Base Rental Revenue for Retail - Restaurants		\$ /5,000 \$ 138,750	\$ 38,625 \$ 71,456	\$ <u>39,784</u> \$ 73,600	\$ 40,977 \$ 75,808		\$ 43,473 \$ 80,425	\$ 44,777 \$ 82,837			\$ 48,929 \$ 90,519
Base Rental Revenue for Retail - Coffee Shop						28,138	28,982		30,747	31,669	
Total Miscellaneous Revenue											
Total Gross Revenue		\$ 1,158,750	\$ 1,083,431	\$ 1,115,934	\$ 1,149,412	1,183,895	\$ 1,219,411	\$ 1,255,994	\$ 1,293,674	1,332,484	\$ 1,372,458
Absorption & Turnover Vacancy Retail		\$ (164,297)	\$ (75,840)	\$ (78,115)	\$ (80,459)	\$ (82,873)	\$ (85,359)	\$ (87,920)	\$ (90,557)	\$ (93,274)	\$ (96,072)
Total Potential Rental Revenue		\$ 994,453	\$ 1,007,591	\$ 1,037,819	\$ 1,068,953	\$ 1,101,022	\$ 1,134,053	\$ 1,168,074	\$ 1,203,116	\$ 1,239,210	\$ 1,276,386
Expense Reimbursement Revenue											
Retail											
CAIM & Utilities		\$ 91,097	¢ 97.005	\$ 104,120	\$ 107,243	100 535	224,363	\$ 231,094	238,027	245,168	\$ 252,523
Real Estate Taxes						201.072		\$ 420.662		446.280	\$ 459.669
Management Fee		\$ 110,550	\$ 122,673	\$ 126,353	\$ 130,144		272,273		288,855		
Reimbusement Revenue						546,117	1,109,251	ц	1,176,804	1,212,108	1,
Effective Gross Income											
Total Potential Gross Revenue General Vacancy		\$ 1,444,837 \$ (14.448)	\$ 1,507,365	\$ 1,552,586	\$ 1,599,164 \$ (79.958)	\$ 1,647,139 \$ (107.064)	\$ 2,243,303 \$ (179.464)	\$ 2,310,602 \$ (184 848)	\$ 2,379,920 \$ (190 394)	\$ 2,451,318	\$ 2,524,858 \$ (201 989)
Effective Gross Income		4	4	4	4	1,540,075	2,063,839	2	2,189,527	2,255,213	\$ 2,322,869
Onersting Exnances											
CAM & Utilities		\$ (193,538)	\$ (199,344)	\$ (205,324)	\$ (211,484)	(217,828)	(224,363)	\$ (231,094)	(238,027)	(245,168)	\$ (252,523)
Insurance						(198,257)	(204,205)		(216,641)	(223,140)	
Management Fee		\$ (352,298) \$ (234,865)	\$ (352,857) \$ (241,911)	\$ (3/3,/53) \$ (249,168)	\$ (384,965) \$ (256,644)	\$ (396,514) \$ (264,343)	\$ (408,410) \$ (272,273)	\$ (420,662) \$ (280,441)	\$ (433,282) \$ (288,855)	\$ (44b,280) \$ (297,520)	\$ (306,446)
Parking Lease											
Total Operating Expenses		\$ (956,849)	\$ (985,555)	\$ (1,015,122)	\$ (1,045,575)	\$ (1,076,942)	\$ (1,109,251)	\$ (1,142,528)	\$ (1,176,804)	\$ (1,212,108)	\$ (1,248,471)
Net Operating Income		\$ 473,540	\$ 506,737	\$ 521,939	\$ 473,631	\$ 463,132	\$ 954,588	\$ 983,226	\$ 1,012,723	\$ 1,043,104	\$ 1,074,398
Leasing and Capital Costs											
Tenant Improvements		_	(16	,	(4	(2,942)			(2,942)		, ,
Leasing Commissions		\$ (30,950)	\$ (770)	\$	\$ (237)	\$ (192)		\$ (237)	\$ (192)	_	- \$
Capital Reserves						(29,358)	(29,358)		(29,358)	(29,358)	
Total Leasing and Capital Costs		\$ (222,633)	\$ (46,953)	\$ (29,358)	\$ (33,871)	\$ (32,492)	\$ (29,358)	\$ (33,871)	\$ (32,492)	\$ (29,358)	\$ (29,358)
Cash Flow Before Debt Service/Lease Payment		\$ 250,907	\$ 459,784	\$ 492,581	\$ 439,760	\$ 430,640	\$ 925,230	\$ 949,355	\$ 980,231	\$ 1,013,746	\$ 1,045,039
Ground Lease Payment, Construction/Perm Loan and	d Equity										
Construction/Perm Loan Lease Payment	\$ (404,548)	\$ (344,547) \$ (305,325)	\$ (344,547) \$ (314,485)	\$ (344,547) \$ (323,919)	\$ (344,547) \$ (333,637)	\$ (344,547) \$ (343,646)	\$ (344,547) \$ (353,955)	\$ (344,547) \$ (364,574)	\$ (344,547) \$ (375,511)	\$ (344,547) \$ (386,776)	\$ (4,518,519) \$ (398,380)
Cash Flow After Debt Serv,/Lease Payment	(\$404,548)	(\$398,964)	\$199,247	\$175,885	\$238,423	\$257,552	\$226,728	\$240,235	\$260,173	\$282,423	(\$3,871,859)
Return on Faulty/ COC		-14 65%	-7 37%	-6.46%	-8 76%	-9.46%	%EE 8	8 8 7 %	ם לל%	10 37%	-147 20%
Return on Asset		3.23%	5.91%	6.33%	5.65%	5.54%	11.89%	12.20%	12.60%	13.03%	13.43%
Equity Investment	\$ (2,722,918)										2
Property Cash Flows	(\$3,127,466)	(\$398,964)	\$199.247	\$175,885	\$238,423	\$257,552	\$226,728	\$240,235	\$260,173	\$282,423	\$ 12,995,495 \$9,121,637
Internal Rate of Return	9.70%	1									
Unlevered IRR	11.76%										
NPV (10% Discount Rate)	(\$100,544)										

Exhibit 7: Sensitivity Analysis - Worst Case Scenario	e Scenario																
							10-Yea	10-Year Cash Flow									
For the Years Ending Year 0	r0	Year 1	Year 2		Year 3		Year 4	Year 5		Year 6		Year 7	Year 8		Year 9	Year 10	
			2013	20	2014	2015		2016	2017		2018		2019	2020		2021	2022
Scheduled Gross Revenue Base Rental Revenue for Retail - REI and Ron John	n John	ŝ	828,000 \$	852,840		878,425	~	904,778 \$	931,921		959,879 \$	886	988,675 \$	1,018,336 \$	1,0	1,048,886 \$	1,080,352
Base Rental Revenue for Retail - Retail		ŝ	67,500 \$	69,525	25 \$	71,611	ŝ	73,759 \$		\$	78,251 \$	80	\$ 665'08	83,016 \$		85,507 \$	88,072
Base Rental Revenue for Retail - Restaurants	đ	ŝ		128,621		132,480	ŝ				144,764 \$	149		153,580 \$	11		162,934
Base Rental Revenue for Retail - Coffee Shop	q	ŝ		23,175		23,870	ŝ					26					29,357
Total Miscellaneous Revenue		s	- s		s		s	· s	-	s	-		_	- 5		-	
Total Gross Revenue		ŝ	1,042,875 \$	1,074,161	-	1,106,386		1,139,578 \$	1,173,765		1,208,978 \$	1,245,247	,247 \$	1,282,605 \$	1,3	1,321,083 \$	1,360,715
Absorption & Turnover Vacancy Apartments		ŝ															
Absorption & Turnover Vacancy Retail		s	(174,375) \$	(317,625)	25) \$	(257,020)	s	(109,251) \$	(46,596)	s (	(76,790) \$	(79	(79,094) \$	(81,467) \$	()	(83,911) \$	(86,428)
Total Potential Rental Revenue		Ś		756,536		849,366		1,030,327 \$		1,		1,166,153			1,23		1,274,287
Expanse Doimhursement December																	
Retail																	
CAM & Utilities		ŝ	\$ 21,097	101,087	-	104,120	ŝ	107,243 \$	110,461		224,363 \$	231	231,094 \$	238,027 \$	2	245,168 \$	252,523
Insurance		ŝ	-	92,005	-	94,765	ŝ	-			-	210	210,331 \$	-	2	-	229,834
Real Estate Taxes		ŝ	165,825 \$	184,010	10 \$	189,530	ŝ	195,216 \$		S 4	408,410 \$	420		433,282 \$	4	446,280 \$	459,669
Management Fee		s		122,673		126,353	s					280	280,441 \$	288,855 \$	2	297,520 \$	306,446
Reimbusement Revenue		s	450,385 \$	499,774	74 \$	514,768	Ş	530,211 \$	546,117	\$1,1	1,109,251 \$	1,142,528	,528 \$	1,176,804 \$	1,2	1,212,108 \$	1,248,471
Effective Gross Income																	
Total Potential Gross Revenue		\$	1,318,885 \$	1,256,311	11 \$		\$	1,560,537 \$		\$ 2,2	2,241,438 \$	2,308,681	,681 \$	2,377,942 \$	2,4	2,449,280 \$	2,522,759
General Vacancy		0	(13,189) 5	(12,563)		(13,641)	0	(78,027) \$	(108,764)		(179,315) 5	(184	(184,695) 5	(190,235) 5	(1)	(195,942) \$	(201,821)
Effective Gross Income		ŝ	1,305,696 \$	1,243,747		1,350,492		1,482,510 \$	1,564,522	\$ 2,0	2,062,123 \$	2,123,987	\$ 786,	2,187,707 \$	2,2		2,320,938
Operating Expenses		^	(174 194) ¢	(179 A09)	-	(184 707)	^	(190) 335) ¢	(196 045)		1701 077) ¢	505	(2012 0282) ¢	(710 77A) ¢	5	(220 221) ¢	(777 770)
Insurance		ŝ		(163,290)	-		ŝ	-				(189	(189,298) \$	-	(2	(200,826) \$	(206,851)
Real Estate Taxes		s s	(317,068) \$	(326,580)		-	s s	(346,469) \$	-		(367,569) \$	(378		(389,954) \$	(4)		(413,702)
Parking Lease		s v	5 (6/5'TT7)	- (217,720)	s (n7	(224,252)	s v	5 (5/6/07)	-	s s	(245,04b) \$ - \$	707)	- S	< (ca6/6c7)	(2)	- (sar)'s	- (TO8'c/7)
Total Operating Expenses		Ş	(861,164) \$	(886,999)	\$ (66	(913,609)	Ş	(941,018) \$	(969,248)		998,326) \$	(1,028,275)	,275) \$	(1,059,124) \$	(1,0	(1,090,897) \$	(1,123,624)
Net Operating Income		ŝ	444,531 \$	356,748	48 \$	436,883	Ş	541,493 \$	595,274	\$ 1,0	1,063,798 \$	1,095,712	,712 \$	1,128,583 \$	1,10	1,162,440 \$	1,197,314
Leasing and Capital Costs																	
Tenant Improvements		ŝ	(162,325) \$	(16,825)	25) \$		ŝ	(4,275) \$	(2,942)	s	ډ	(4	(4,275) \$	(2,942) \$		۔ ۶	
Leasing Commissions		ŝ	(30,950) \$	(7)	-	-	ŝ	(237) \$	-	s	s			(192) \$		, s	1
Capital Reserves		ŝ	-	(29,358)	-	-	s	-	-			(29				-	(29,358)
Total Leasing and Capital Costs		ŝ	(222,633) \$	(46,953)	53) \$	(29,358)	Ş	(33,871) \$	(32,492)	Ş	(29,358) \$	(33	(33,871) \$	(32,492) \$		(29,358) \$	(29,358)
Cash Flow Before Debt Service		ŝ	221,899 \$	309,795	95 \$	407,524	ŝ	507,622 \$	562,782	\$ 1,0	1,034,439 \$	1,061,841	,841 \$	1,096,091 \$	1,1	1,133,082 \$	1,167,955
Ground Lease Payment, Construction/Perm Loan and Equity	oan and Equity.																
Construction/Perm Loan \$	(505,685)	s,	(445,264) \$	(445,264)	64) \$	-	s.	(445,264) \$	-	S (4	(445,264) \$	(445	(445,264) \$	(445,264) \$	(4	(445,264) \$	(4,468,126)
Lease Payment		ŝ	(620,973) \$	(617,131)	-	(613,071)	s	(608,783) \$	(604,253)		(599,467) \$	(594	(594,412) \$	(589,071) \$	(5)	(583,429) \$	(571,172)
Cash Flow After Debt Serv./Lease Paymer \$	(505,685)		(844,339)	(752,60	,600)	(650,811)		(546,425)	(486,735)		(10,292)	22	22,165	61,756	E	104,389	(3,871,342)
Return on Equity/ COC			-31%	-21	-28%	-24%		-20%	-18%		0%		1%	2%		4%	-142%
	7 777 918		5%		4%	94.5		170	170		75%		14%	14%		%CT	%CT
Reversion	2,122,310															Ş	11,584,009
Property Cash Flows	(\$3,228,603)		(\$844,339)	\$752,600	500	\$650,811		\$546,425	\$486,735		\$10,292	\$2	\$22,165	\$61,756	Ş	\$104,389	\$7,712,667
Internal Rate of Return	11.20%																
NPV (10% Discount Rate)	(\$2,730,359)																

Exhibit 8: Sensitivity Analysis - Worst Case Scenario										
			Best 10	-Year Cash Flow				_		
Year 0 Ye	ear 1 Yea	r 2 Year	ω	4	σ.	6				r 10
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	000 010 0	_	-	-	_	_	_	-		00L 01C 1
	1,012,000	_	-	-	_	_	_	-	-	107 644
	152 625	_	-		_	_	_		_	199.141
6 1	27.500	_	-		_	_	_			35.881
	-	-	-	-	-	-	-	-	-	
16	1,274,625	1,312,864 \$	1,352,250 \$	1,392,817 \$	1,434,602 \$	1,477,640 \$	1,521,969 \$	1,567,628 \$	1,614,657 \$	1,663,097
5	(174,375)	_	-	-				(81,467)		(86,428)
5	1,100,250					1,400,849	1,442,875	1,4		1,576,668
\$	91,097							120,703		128,054
5	82,913							109,858	-	116,549
0	165,825	-	-	-		-	-	219,717	-	233,098
110	110,550							146,478		155,398
5	\$ 450,385 \$	499,774 \$	514,768 \$	530,211 \$	_	562,500 \$	579,375 \$	596,757 \$	614,659 \$	633,099
A 10	1,550,635			_				2,082,918		2,209,767
	(ooc,ce)		-	-		-		(cco/oor)	-	(201,012)
	antonia									- and - and -
6	(193.538)	_	-	-			-	(238.027)	-	(252.523)
-	(176,149)	-	-	-		-		(216,641)	-	(229,834)
	(352,298)	-	-	-		-		(433,282)	-	(459,669)
	(234,865)	-			_	-	-	(288,882)	_	(306,446)
	(956,849)	(985,555) \$	(1,015,122) \$	(1,045,575) \$	(1,076,942) \$	(1,109,251) \$	(1,142,528) \$	(1,176,804)	(1,212,108) \$	(1,248,471)
16	\$ 578,279 \$	494,508 \$	578,775 \$	677,513 \$	731,462 \$	697,031 \$	717,942 \$	739,480 \$	761,665 \$	784,515
5	(162,325)		- \$	(4,275) \$		- \$		(2,942) \$	- \$	
	(30,950)							(192)		-
	(29,358)		-					(29,358)		(29,358)
\$	\$ (222,633) \$	(46,953) \$	(29,358) \$	(33,871) \$		(29,358) \$	(33,871) \$		(29,358) \$	(29,358)
5	\$ 355,646 \$	447,555 \$	549,417 \$	643,642 \$	\$ 698,970	667,673 \$	684,071 \$	706,988 \$	732,307 \$	755,156
Equity										
(303,410.87)	(289,706)	-	-	-			-	(289,706)		(3,680,764)
	(305,325)	(314,485) \$	(323,919) \$	(333,637) \$			_	(375,511)		(398,380)
\$ (303,411)	(239,384)	(156,635)	(64,208)	20,300	65,618	24,012	29,792	41,771	55,824	(3,323,988)
	-8.79%	-5.75%	-2.36%	0.75%	2.41%	0.88%	1.09%	1.53%	2.05%	-122.07%
\$ 2,722,918	0,10-4	2.7270	7.007	0.2770	0.00/0	0.00/0	0.7270	0,00,0	0/14/6	0/17.6
	there erecht	64TC 02T							S S	20,131,602
. 3	(1223,584)	csa'acTč	202,4PG¢	900,5UZ		210 <sup>4</sup> 7¢	\$29,192	\$41,771	478'CCĈ	4Ta'//ng'aTć
15.17%										
\$3,185,033										
	0 (303,410,87) (303,410,87) (303,410,87) (303,411) (303,410,87) (303,411) (303,410,87) (303,411) (303,410,87) (303,411) (303,410,87) (303,411) (303,411) (303,411) (303,411) (317,88) (31	0     Year 1     2013       5     1,012,000     5     22,520       5     1,012,000     5     22,520       5     1,274,625     5     27,500       5     1,274,625     5     1,274,625       5     1,150,635     5     1,150,635       5     1,1550,635     5     1,1550,635       5     1,1550,635     5     1,1550,635       5     1,1550,635     5     1,274,825       5     1,1550,635     5     1,1550,635       5     1,1550,635     5     1,1550,635       5     1,1550,635     5     1,234,865)       5     1,235,283     5     2,234,865)       5     1,235,283     5     2,234,865)       5     1,235,283     5     2,234,865)       5     1,235,283     5     2,234,865)       5     1,235,283     5     2,235,83       6     1,232,283     5     2,235,846       10,33,4101     (2,333,84)	0     Vear 1     2013     Year 2     2014     Zee 200     See 21,2000     See 21,2000     See 21,20,200     See 21,20	0     Year 1     Year 2     Year 3     Year 3	Best 10-Year Cash Flow       Vort 1     Yoar 2     Yoar 3     Yoar 3 <thyoar 3<="" th="">     Yoar 3     Yoar 3<td>Bet UVER Cash Flow       Num     Num</td><td>Bert interviewee in</td><td></td><td>LLT     MCG     MCG<td>1000000000000000000000000000000000000</td></td></thyoar>	Bet UVER Cash Flow       Num     Num	Bert interviewee in		LLT     MCG     MCG <td>1000000000000000000000000000000000000</td>	1000000000000000000000000000000000000



### **Exhibit 11: Traffic Count**



## Exhibit 12: Vicinity Plan

