



Revival of a Miami Landmark: Marine Stadium MICOTA



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Summary of Project Description

The Miami Marine Industry Center of America (MICOTA) will consolidate manufacturers, builders, and distributors of marine products with exhibition, showroom, and office space under one roof. This one-of-a-kind trade center will also offer marine-related retail to serve the marine community and the general public in a LEED certified project.

The success of boat shows in Florida indicate a strong market for a permanent marine industry trade center leveraging convenience, a central location, and access to a marina. Even though this 18-acre site is not constrained by a zoning code, the MICOTA building structures will be low rise and blend with the natural environment.

Retail tenants would be anchored by West Marine, or a tenant of equal national status, as well as boat part wholesalers, boat manufacturers, watersport wholesale and manufacturers, triathlon products, a convenience store, dining options for consumers, and a daily fish market (similar to Garcia's in the Miami River). The project includes offices for marine-related services, workshops and instructional agencies; such as captain license and boater safety, scuba diving certification, and marine electronics.

Due to Virginia Key's popularity with cyclists, the public bicycle racks is an important feature the proposal incorporates for those cyclists that wish to visit MICOTA, as well as smaller retail options (such as a smoothie store) for those people in the area.

MICOTA emphasizes Miami's nexus to the water and the marine industry as a whole; this project is an opportunity to hedge the convenience and connectivity of a waterfront metropolitan city.



Introduction

Opened in December 1963, the Marine Stadium offered Miami a unique setting to watch waterfront spectacles and served as a concrete reminder of the city's inherent connection to water. The Chicago planning firm of Ralph H. Burke submitted a masterplan in 1962 to the City of Miami depicting a water basin in the shape of an aquatic circus maximus. The 26-year-old Hilario Candela, named lead designer of the stadium, erected a “giant work of origami in concrete” holding 6,500 seats.

From the early 60s to the mid 80s, the Marine Stadium hosted an array of events including concerts, speed boat races, beauty pageants, swimming competitions, political rallies, movies, opera, and rowing regattas. The stadium's life came to an end in 1992 when the City of Miami closed it to the public, claiming Hurricane Andrew had damaged the structure.

Abandoned for 17 years, in 2008 the City was in the process of permitting a new masterplan for all of Virginia Key, which eradicated the stadium and thus, a part of Miami's history. The group *Friends of Marine Stadium* was formed, led by architect Candela, to fight for the stadium's preservation. In two years the group spearheaded the effort to conserve the stadium and in 2009, it was a part of the *Florida Trust* Endangered List, the *National Trust of Historic Preservation's* 11 Most Endangered Sites List, and the *World Monument Fund's* List of 100 Sites Under Watch.

In this time since 1998, a series of very public pleas for preserving the stadium have been made and a series of proposals have come forward for how to salvage the site by converting it into something beneficial for the constituents of the City of Miami. Recent news in 2010 includes the release of a study that demonstrated that the costs to restore the stadium are significantly less than previously expected—only about \$5.5 to \$8.5 million. Couple that with a recent vote by the Miami-Dade Commission to set aside \$3 million toward the City's restoration of the site, and it has boosted the hopes of the site's advocates.



Stadium in the late 1960s



Present stadium after abandonment

Market Analysis

A. Trends

Unemployment, construction starts and deliveries, net absorption, lease rates, and vacancy, are all very important trends to track for retail real estate development. Unemployment has steadily increased since 2006 from about 3.5% in Miami Dade County to over 11% in 2009.

Construction starts and deliveries have drastically decreased since 2007 from greater than 1.5 million square feet started and 1.25 million square feet delivered to 81,000 started and 60,000 square feet delivered. Construction starts and deliveries are not expected to reach 2007 levels any time soon, but should not fall further than 2009 levels. In 2006 net absorption was about 100,000 square feet, but became -400,000 square feet in 2007 and even more drastically decreased in 2008 to -1,000,000 square feet. In 2009 net absorption was still negative but only -50,000 square feet, showing a trend towards positive absorption in the future also considering the lack of construction starts and deliveries are low.

Due to the trends mentioned above, lease rates have slowly declined and vacancies have risen. Three things are mainly occurring: retailers are renegotiating lease rates; retailers are downsizing and moving to lower lease rates; and retail companies are closing for good.

B. Identification of Unfilled Need

Perhaps the greatest advantage of the MICOTA proposal is the fact that there is a lack of a single location for boat builders, manufacturers and distributors to come together to showcase their products and services. This concept would be a one-of-a-kind facility that will surely serve the boating community in as unique and innovative a way as has been devised. There has never been a facility that has brought every element of the boating industry under the very same roof on a permanent basis, and so in that sense, MICOTA has the opportunity to be a historic facility that can attract leaders and other representatives from the boating industry together on a permanent basis.

The popularity of boat shows, for example, should demonstrate the market for this type of facility. While boat shows may serve this need to a certain degree, their temporary tenures along with their large crowds do not allow for the convenience and consistent advantages that a permanent facility such as this can provide. Over 900 exhibitors take part in the annual five-day Miami International Boat Show and more than 100,000 visitors participate. It is clear that there is a significantly large boating market, particularly in South Florida, and that the tremendous successes and popularity of the five-day boat shows should indicate an opportunity for a permanent facility of the nature of a MICOTA.

Furthermore, the boating market is solid and less affected by the economic times than other industries. Despite the effects of the recent American recession, adult participation in recreational boating actually increased in these years, signaling that the boating market is passionate and resilient against outside factors. The recreational boating industry alone generated more than \$33.6 billion in sales and services during 2008. Boat supplies retailer West Marine reported net revenues of \$109.6 million for its fiscal first quarter of 2010, an increase of \$8.6 million or 8.5 percent from net revenues of \$101.0 million a year ago. This year's Miami International Boat Show saw a 20 to 30 percent increase of sales for retailers of boating accessories, clothes and fishing gear. As a whole, the 2010 boat show saw more

boat sales for fishing boats and medium-sized yachts than 2009, showing the industry is coming back in full force. The Affordability Pavilion was a hit at the show this year, showcasing a collection of 17 boats that could be financed at a rate of less than \$250 per month.

The state of Florida in particular is first in total expenditures on new powerboats, engines, trailers and accessories. In fact, Florida ranks number one in boat sales and registrations in the U.S. Every year there are approximately 13 million new boat registrations taken out in combination with another 115,000+ more existing documented vessels. Florida ranks first in boat registrations taken out with almost 1,000,000 boat registrations taken on a yearly basis.

As the marine industry has a stronghold in South Florida, there are many institutions created to facilitate the many businesses related to this sector. Marine Retailers Association of America (MRAA) aims to keep members abreast of new developments, provide resources for timely information, enhancing the workforce, and find support in government to pass beneficial laws for this industry. Its annual convention has about 750 attendees and its memberships are growing every day. The Marine Industries of South Florida (MIASF) is a not-for-profit leadership organization created to promote and protect the sound growth of the marine industry in South Florida for the benefit and education of its members, the community, and the environment. There are also countless associations and clubs related to boating, water sports, fishing, sailing, and diving.

It is clear that there exists a market for a facility of this nature, and that it is perhaps currently underserved with only a five-day event a year to have so many of the key players in this industry under one roof.

Aside from the related retail tenants, there is also a need for marine industry local training and workshops. WorkForce One-Broward commissioned a study in late 2007 with the Center for Urban and Environmental Solutions (CUES) at Florida Atlantic University, who partnered with the Marine Industries Association of South Florida, the Marine Industries Association of Palm Beach County, Inc., and the Marine Council of Miami-Dade County, to develop a workforce needs assessment of the marine industries in the Tri-County area of Southeast Florida. This area encompasses Broward, Palm Beach, and Miami-Dade counties, a region that has a dominant marine industry. The survey was mailed out in February of 2008, and analysis was completed in May of 2008.

This report found that the need for trained and qualified employees is not being met, specifically among companies with five or more employees who cannot find skilled labor locally to fill positions vacated by qualified employees. Regardless of the number of sales positions in the marine industry and the need for experience in these positions, training is highly desirable for technical and trades positions, such as diesel engine technicians and boat systems technicians. Technical skills were ranked as the most important skills; these include welding, engineering, and electrical skills. Companies with four or less employees ranked outboard motor technicians number one as the most difficult position to fill, followed by sales staff, while sales ranks number one in importance for small-medium companies, followed by diesel technicians. The conclusions of the report showed a clear interest by the marine industry in a local training center that focuses on technology and mechanical training for marine technicians.

The office component of the MICOTA proposal aims to capture a training facility to fill this unmet need in the marine community. Specific skills acquired at this training facility would include: rigging and make ready, marine diesel engines, marine fuel systems, diesel and gas, advanced marine

composites, painting and refinish, marine electricity, air conditioning and refrigeration systems, diesel engines, inboard/outboard saildrive and transmissions, advanced electrical systems, marine electronics, and marine auxiliary equipment.

Aside from the marine industry training facility and retailers, there is also an opportunity to satisfy the area's users, such as the Key Biscayne residents and visitors, cyclists, joggers, beachgoers, marina users, and MICOTA visitors. On busy weekends, such as the Columbus Day Regatta, Virginia Key has 3,000-5,000 visitors and on regular weekends the visitor count is about 1,650 people. The Miami Seaquarium has an average of 600,000 annual visitors, while the traffic count of the Rickenbacker Causeway has an average of 25,000 vehicles per day. It is part of the Causeway's natural landscape to see athletes exercising roadside, whether cycling, jogging, rollerblading, or engaging in a watersport activity. As an illustration of the cycling community using the Rickenbacker Causeway, this past January 4,000 cyclists showed up to the memorial bike ride for the cyclists killed along the Causeway by a drunk driver. The Rickenbacker Causeway is used by a mix of visitors, athletes, and residents; therefore the retail mix of MICOTA considers the different users of Virginia Key. Thus, MICOTA will have a bicycle rack to lure triathlon trainees, cyclists, and pleasure riders to the center.

According to the 2000 Census, Key Biscayne has a substantial family presence and disposable income. The population is 95% White, 50% Hispanic, and with the largest income bracket being over \$200,000. The median age is 40, while 68% of the 6,500 households had children under 18 years.

A Smoothie King, Yogurbella, Pasha's and Energy Kitchen offer healthy options for the athletes and health-conscious residents of Key Biscayne. Other healthy "food fast" options are also considered. The fish market and restaurant provides the visitors and residents of the area a consistent source of fresh fish and an alternative to the Rusty Pelican for seafood dining. The resident of Key Biscayne also has a need for an auto repair shop and car wash, so the MICOTA proposal includes an eco-friendly version of this component.

A "green" auto repair shop and car wash might seem ironic, yet there are different practices used to make a more environmentally friendly car service. The reduction of liquids used and discharged, replace the petroleum naphtha solvent sink with an aqueous-based sink or parts washer, recycle plastic, glass, and cardboard containers, aim to repair and not replace auto parts, order motor oil, anti-freeze, and other fresh fluids in bulk, rather than in multiple, individual containers, eliminate the use of spray cans, use LED bulbs and motion sensors to reduce energy consumption, use waterborne painting system, and prevent soapy water from entering a storm drain. This auto repair shop and car wash would capture the vast majority of the Key Biscayne resident market, as well as MICOTA and nearby marina visitors that prefer the convenience of servicing their cars while shopping for marine goods or attending an educational workshop.

List of Possible Tenant Categories:

- Boat manufacturers, exhibition, and wholesale
- Jet Ski exhibition, wholesale, and rentals
- Boat part wholesale (boating, engine parts, anchors, docking, seats/covers, and maintenance)
- Watersports wholesale, gear retail, exhibition, classes, and rentals (sailing, rowing, water skiing, surfing, windsurfing, kite surfing, scuba diving, triathlon training)
- Marine Industry Training Facility

- Dining options (Pasah's, Energy Kitchen, YogurBella, Smoothie King)
- Fish Market (similar to Garcia's on the Miami River)

C. Existing and Planned Competition

There is no direct competition in the Miami-Dade County area, as there is no development in South Florida with such a scope of marine industry products and services. Yet, there are establishments throughout South Florida that have similar services of those we plan to offer and in fact, are possible tenants to the project.

Rickenbacker Marina, our neighbor, has plans to open a waterfront restaurant/bar with docking. They also offer docking, storage, fuel, wash/maintenance, certified mechanics, boat body/fiberglass repair, and electronics.

Monty's (Grove and Miami Beach locations) offers boat sales, boat and jet ski rentals, wet slips, boat related products, boat repairs, boat cleaning, sailing school, and bar/dining services.

Dinner Key Marina offers boat sales, boat repairs, dry storage, wet storage, fuel/gas, boat yard services, boat cleaning, and bar/dining services.

Bayside in Downtown Miami offers wet storage, boat sales, bar/dining services, fishing charters, pleasure cruise charters, party charters, boat tours, party boats, and a heavy emphasis on retail shops.

Glass-Tech Boat Building offers boat design, boat repairs, full service yard, Bertram specialist aluminum expertise, boat customization. This is the largest and most successful in the South Florida area and is a potential partner for services and products displayed and sold at MICOTA.

Outdoors World Fishing lessons (Florida Keys, Dade & Broward) offers retail store, bar/dining services, special events, displays and exposition provider, boat sales, Fishing hall of fame, and educational classes. Another potential tenant in MICOTA.

D. Rents and Vacancy in Area: Current and Forecast

Market trends for rent and vacancy for retail leasing are more favorable to the lessee than the lessor in Miami-Dade County. Retail lease rates in Miami-Dade County have been on the decline since 2006, dropping from an average of \$30 per square foot per year to \$23 per square foot per year. Vacancies are on the rise as well. In 2006 vacancies were about 2.5% but have risen to about 6% in 2009.

Unemployment is a key to tracking what is happening with demand for leasable square feet. As the economy improves, so will employment. A healthier economy is more adept to stabilized or possibly increasing lease rates. If it is seen that unemployment begins to stop increasing and steadily decrease, it can be safe to assume lease rates have bottomed out on average over the county. Also, considering the rise in absorption and low construction starts and deliveries, the available square feet could be decreasing, which could lead to increases in lease rates into the future.

MICOTA will leverage its waterfront location and synergy of tenant consolidation to charge prime rental rates.

SWOT Analysis

Strengths

- Unique setting - waterfront protected area, dredged basin, view of downtown, Virginia Key
- Historic Preservation / Architectural Landmark
- Location: Miami is a boating capital of the world
- Accessibility to water for marine industry and connected marina
- Convenience of a one-stop shopping center for the marine industry
- Virginia Key Master Plan will increase traffic flow on the Rickenbacker Causeway

Weaknesses

- Accessibility: only one road in/out of Virginia Key and must pay toll to access stadium
- Traffic Congestion on weekends and special events
- Funding for the project: Minimal economic support by the City of Miami
- Boating industry affected by economy and discretionary spending
- Strict approval of land use because of deeded land use restriction

Opportunities

- There is no MICOTA in the world: International appeal
- Unfilled marine market in Miami
- LEED certification or equivalent to set a standard in Miami
- Synergy with preserved marine stadium, marina, and MAST academy
- Relationships with local accommodation for MICOTA tourists
- Youngest project on the World Monument Fund Endangered list
- Strong community support for stadium
- Job creation

Threats

- Environmental activists
- Key Biscayne neighborhood opposition groups
- The Capital Markets
- Environmental Regulations for Development
- Unforeseeable construction condition

Development Plan

MICOTA 160,000 SF Gross

Retail	115,500	SF
Office	30,000	SF
Fish Market/Garcia's-type restaurant	6,000	SF
Pasha's	3,000	SF
YogurBella	2,000	SF
Health-conscious franchise restaurant (Energy Kitchen)	3,000	SF
Smoothie place (Smoothie King)	1,500	SF



The original proposal for the Marine Industry Trade Center of America (MICOTA) was approximately 200,000 square feet of wholesale exhibition, showroom, offices, a boating museum, and a marine industry magnet school space.

Our proposal eliminates the magnet school and boating museum due to the lack of feasible funding capabilities and market demand, yet highlights the wholesale exhibition, showroom and office components. The new proposal has the same size of approximately 160,000 square feet of buildable space for marine industry builders, manufacturers and distributors, as well as retail space to invigorate the project. The wholesale exhibition, showroom, and office tenants are similar to those as in a boat show, while the retail component features marine industry retail, dining and a local fish market. The new retail element creates a unique shopping experience and allows for consumers to spend a couple of hours at MICOTA. The dining options, fish market and marine-related products and services allow for synergy between the tenants, thus appealing to a larger customer base.

This development is based on the idea that the City of Miami will enter into a ground lease with the developer and the proceeds of the ground lease will be used to fund the City's bond issue that will be used to make improvements to the existing land and Marine Stadium. Improvements include

resurfacing the ground parking, renovation of the Marine Stadium and general landscaping.

The new proposal of 160,000 square feet is 12.5% dining/fish market/auto repair facility, while 87.5% marine-industry retail and training facilities. The respective surface parking and display area for products is not included in the developmental plan. It is assumed that the improvements to the land will be made by the City during the restoration of the Marine Stadium. MICOTA is proposed to be no taller than two stories height, (47 feet).

The 114,500 square feet of retail includes retail stores, ranging from 2,000-20,000 square feet per store depending on unique tenant demand. The 30,000 square feet of office will be leased by a marine industry training facility. The retail and office space will be held to two floors (under the 47 feet restriction), with retail occupying the first floor and offices occupying the second floor. Keeping retail to the first floor allows the tenants the ability to capitalize on the highest possible foot traffic. Although we identified an autobody shop as an unfilled need for the area, we determined that such a pristine site was not the correct place for that commercial service.

The 20,000 square feet of dining options and fish market will encompass five tenants. The idea behind adding dining and a local fish market is to allow the site to prosper even when the Marine Stadium is not being utilized for a specific event. It will allow for sufficient traffic flow as a mechanism to also support the Marine Stadium before, during and after events.

The views of the Miami downtown skyline and of Biscayne Bay available from the development site are truly unique and should be used as a strategic advantage being that they simply cannot be duplicated anywhere else in the area. An adequate outdoor dining experience, coupled with support from a locally-sourced fresh fish market and small quick service restaurants, provides for a truly unique experience that can only be found at the Miami Marine Stadium MICOTA.

Financial Analysis

Please see Appendix for full Financial Analysis Breakdown

Regarding construction costs, amount sources were devised by reviewing 3 planned community projects active within the last 3 years. Similar percentages of total costs were allocated to the proper line items. As for the construction of our buildings, market costs for construction were used again, conservative high end of the spectrum plugs. For retail space, construction costs are \$140 per square foot. For office, costs are \$135 per square foot. For both retail and office, new tenant improvement allowance is \$30 per square foot, and \$15 per renewal, putting delivery costs at openings over \$165 per square foot, which is 15% higher than high end market rates. Numbers are high to spur advanced leasing and to maintain a conservative pro-forma. Maximized construction costs allow for best possible product for any and all potential tenants. Thus means quicker absorption and a larger pool of potential tenants. Costs are also sufficiently high to cover LEED certification construction costs.

Construction costs will be paid by equity. Upon project completion a permanent loan will be taken out at a 30 year amortization at 7% APR. The loan to value used is 65% which is the norm for stable commercial investment three years from now.

The project averages 43% operating expenses to NOI, because additional expenses are the burden of tenants and the project involves high amount of income as a result of additional income that would not bear equally high expense ratios.

The discounted cash flow analysis of the projections shows a Net Present Value of \$13,222,626, and a project IRR of 17.88%. Appendix 4 shows a sensitivity analysis of changes to discount rates and cap rates and how NPV and IRR are affected. Since NPV is positive and IRR is greater than the required discount rate, the project should be taken on.

Conclusion

The MICOTA proposal fulfills unmet demands in the area and incorporates different markets related to the marine industry. This will be the first consolidated marine center of its kind in South Florida, boasting LEED certification. MICOTA will create jobs and generate revenue for the City, therefore giving an incentive for political support. A strong public-private partnership is imperative for the success of this project, and due to the benefits MICOTA offers to the community it is possible to assume this will be the case.

Appendix 1- MICOTA Construction Model

MICOTA
Construction Model
Long Term Proforma
Revision 4-21-10

	2010 Q1 - 2011 Q4	% of Total Cost	2011			2012				2013	2010 Q1 - 2011 Q4
			Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Acquisition & Development Costs											
Land Acquisition Including Fees Etc...	\$0	0.0%	-	-	-	-	-	-	-	-	-
Indirect Costs											
Appraisals/Market Studies/Renderings Etc	\$65,000	0.2%	15,000	15,000	10,000	-	-	-	15,000	10,000	65,000
Land Planner	\$115,000	0.3%	50,000	30,000	15,000	5,000	5,000	5,000	5,000	-	115,000
Engineering/Surveying	\$950,000	2.6%	150,000	200,000	200,000	100,000	50,000	50,000	100,000	100,000	950,000
Architect	\$400,000	1.1%	100,000	100,000	75,000	25,000	25,000	25,000	25,000	25,000	400,000
Testing/Inspections/Permits	\$410,000	1.1%	75,000	150,000	75,000	15,000	15,000	15,000	15,000	50,000	410,000
Management Fee	\$480,000	1.3%	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	480,000
Misc. Admin. Expenses	\$120,000	0.3%	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	120,000
Site Supervision	\$168,000	0.5%	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	168,000
Insurance	\$180,000	0.5%	10,000	10,000	10,000	30,000	30,000	30,000	30,000	30,000	180,000
Legal/Professional	\$490,000	1.3%	150,000	20,000	20,000	100,000	75,000	25,000	25,000	75,000	490,000
Taxes	\$500,000	1.3%	-	-	250,000	-	-	-	250,000	-	500,000
Land Lease	\$0	0.0%	-	-	-	-	-	-	-	-	-
Total Indirect	\$3,878,000	10.5%	646,000	621,000	751,000	371,000	296,000	246,000	561,000	386,000	3,878,000
Direct Costs											
Infrastructure											
Site Construction	\$1,000,000	2.7%	-	-	250,000	250,000	250,000	250,000	-	-	1,000,000
Landscape	\$600,000	1.6%	-	-	-	-	-	200,000	200,000	200,000	600,000
Hardscape	\$300,000	0.8%	-	-	-	-	-	75,000	150,000	75,000	300,000
Signage	\$35,000	0.1%	-	-	5,000	5,000	5,000	5,000	5,000	10,000	35,000
FDOT Improvements	\$150,000	0.4%	-	-	-	25,000	50,000	75,000	-	-	150,000
Master Water, Sewer, ... (Util. & Off Sites)	\$1,000,000	2.7%	-	-	250,000	250,000	200,000	150,000	150,000	-	1,000,000
Total	\$3,085,000	8.3%	-	-	505,000	530,000	505,000	755,000	505,000	285,000	3,085,000
Buildings											
Retail/Dining	\$18,830,000	50.8%	-	-	-	3,766,000	4,707,500	4,707,500	3,766,000	1,883,000	18,830,000
Office Instructional Services	\$4,050,000	10.9%	-	-	-	810,000	1,012,500	1,012,500	810,000	405,000	4,050,000
Total	\$22,880,000	61.7%	-	-	-	4,576,000	5,720,000	5,720,000	4,576,000	2,288,000	22,880,000
Park Amenities											
Walking/Bike Paths	\$350,000	0.9%	-	-	75,000	100,000	100,000	75,000	-	-	350,000
Entry Portal	\$100,000	0.3%	-	-	33,000	33,000	34,000	-	-	-	100,000
Parking Lot Other(striping, waste bins...)	\$0	0.0%	-	-	-	-	-	-	-	-	-
Guard Gates	\$0	0.0%	-	-	-	-	-	-	-	-	-
Key Biscayne Management Building	\$380,000	1.0%	-	-	-	-	100,000	100,000	100,000	80,000	380,000
Marine Stadium Renovation	\$1,500,000	4.0%	-	-	-	-	200,000	450,000	450,000	400,000	1,500,000
Docks/seawall	\$2,000,000	5.4%	-	-	-	-	500,000	500,000	500,000	500,000	2,000,000
Total	\$4,330,000	11.7%	-	-	-	133,000	934,000	1,125,000	1,050,000	980,000	4,222,000
Total Direct Costs	\$30,295,000	81.7%	-	-	-	5,239,000	7,159,000	7,600,000	6,131,000	3,553,000	29,682,000
Marketing											
Corporate Marketing	\$100,000	0.3%	-	-	-	20,000	20,000	20,000	20,000	20,000	100,000
Public Relations	\$90,000	0.2%	30,000	-	-	-	-	-	30,000	30,000	90,000
Advertising	\$105,000	0.3%	-	-	-	-	15,000	30,000	30,000	30,000	105,000
Website	\$40,000	0.1%	-	-	-	-	-	-	25,000	15,000	40,000
Other	\$0	0.0%	-	-	-	-	-	-	-	-	-
Total	\$335,000	0.9%	30,000	-	-	20,000	35,000	50,000	105,000	95,000	335,000
Contingency											
Indirect Contingency	5.00%	\$193,900	0.5%	32,300	31,050	37,550	18,550	14,800	12,300	28,050	193,900
Direct Contingency	8.00%	\$2,374,560	6.4%	-	-	-	419,120	572,720	608,000	490,480	2,374,560
Marketing Contingency	5.00%	\$16,750	0.0%	1,500	-	-	1,000	1,750	2,500	5,250	16,750
General Contingency		\$2,585,210	7.0%	33,800	31,050	37,550	438,670	589,270	622,800	523,780	2,585,210
Total Costs		\$37,093,210	100.0%	709,800	652,050	788,550	6,068,670	8,079,270	8,518,800	7,320,780	4,342,290
Cash Flow Before Financing		36,480,210		709,800	652,050	788,550	6,068,670	8,079,270	8,518,800	7,320,780	4,342,290
Cumulative Cash Flow Before Financing		\$0		709,800	1,361,850	2,150,400	8,219,070	16,298,340	24,817,140	32,137,920	36,480,210

Appendix 2 – Discounted Cash Flow Assumptions

10 Year Cash Flow Assumptions

Total Rentable Area (SF)	136,535
Market Vacancy Rate	7.27%
Annual Inflation for Capex	3.00%
Annual Expense Growth	3.00%

Full Service Lease Rate	\$ 38.58
Renewal Lease Rate	continues from prior year
Annual Lease Escalation	3.00%

Miscellaneous Income (annually)	
Signage Income	\$120,000
Exhibition Income	\$120,000
Special Event Income	\$120,000
Parking Income	\$150,000
Other Income Growth Rate	3.00%

Operating Expenses (annually)	\$2,048,025
Property Taxes	\$593,927
Insurance Expense	\$389,125
Utility Expense	\$266,243
Property Management	\$225,283
Repairs & Maint.	\$184,322
Professional Services	\$143,362
Landscaping	\$163,842
Janitorial Services	\$61,441
Other Expenses	\$20,480
Total Operating Expenses	\$2,048,025

Leasing Commissions	
New Leases	5.0%
Renewal Leases	2.5%

Tenant Improvements	
New Leases	\$30
Renewal Leases	\$15

Capital Reserves (SF)	\$1.00
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Capital Improvements	\$20,000
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Purchase Information	
Acquisition Price	\$36,480,210
Cost of Acquisition	2.00%
Gross Acquisition Price	\$37,209,814

Financing Information	
Loan to Cost	65.00%
Interest Rate	7.00%
Loan Type	Full Amort
Initial Loan Balance	\$24,186,379
Ending Loan Balance	\$20,754,908

Resale Information	
Going Out Cap Rate	8.00%
ReSale Costs	3.00%

Assumes Lease Start is at beginning of calendar

Appendix 3 – Discounted Cash Flow Analysis

	Ten Year Cash Flows										
	2013 Year 1	2014 Year 2	2015 Year 3	2016 Year 4	2017 Year 5	2018 Year 6	2019 Year 7	2020 Year 8	2021 Year 9	2022 Year 10	2023 Year 11
Scheduled Gross Income											
Base Rental Revenue	\$5,267,432	\$5,425,455	\$5,588,219	\$5,755,865	\$5,928,541	\$6,106,398	\$6,289,589	\$6,478,277	\$6,672,625	\$6,872,804	\$7,078,988
Miscellaneous Income											
Signage Income	\$120,000	\$123,600	\$127,308	\$131,127	\$135,061	\$139,113	\$143,286	\$147,585	\$152,012	\$156,573	\$161,270
Exhibition Income	\$120,000	\$123,600	\$127,308	\$131,127	\$135,061	\$139,113	\$143,286	\$147,585	\$152,012	\$156,573	\$161,270
Special Event Income	\$120,000	\$123,600	\$127,308	\$131,127	\$135,061	\$139,113	\$143,286	\$147,585	\$152,012	\$156,573	\$161,270
Parking Income	\$150,000	\$154,500	\$159,135	\$163,909	\$168,826	\$173,891	\$179,108	\$184,481	\$190,016	\$195,716	\$201,587
Expense Reimbursement	\$1,674,525	\$1,724,761	\$1,776,504	\$1,829,799	\$1,884,693	\$1,941,233	\$1,999,470	\$2,059,455	\$2,121,238	\$2,184,875	\$2,250,422
Total Miscellaneous Income	\$2,184,525	\$2,250,061	\$2,317,563	\$2,387,089	\$2,458,702	\$2,532,463	\$2,608,437	\$2,686,690	\$2,767,291	\$2,850,310	\$2,935,819
Total Potential Gross Income	\$7,451,957	\$7,675,516	\$7,905,781	\$8,142,955	\$8,387,243	\$8,638,861	\$8,898,027	\$9,164,967	\$9,439,916	\$9,723,114	\$10,014,807
Market Vacancy	-\$813,147	-\$837,541	-\$503,183	-\$518,278	-\$533,826	-\$549,841	-\$566,336	-\$583,326	-\$600,826	-\$618,851	-\$637,417
Effective Gross Income	\$6,638,810	\$6,837,975	\$7,402,599	\$7,624,677	\$7,853,417	\$8,089,020	\$8,331,690	\$8,581,641	\$8,839,090	\$9,104,263	\$9,377,391
Operating Expenses											
Property Taxes	\$593,927	\$611,745	\$630,097	\$649,000	\$668,470	\$688,524	\$709,180	\$730,456	\$752,369	\$774,940	\$798,189
Insurance Expense	\$389,125	\$400,798	\$412,822	\$425,207	\$437,963	\$451,102	\$464,635	\$478,574	\$492,932	\$507,720	\$522,951
Utility Expense	\$266,243	\$274,231	\$282,457	\$290,931	\$299,659	\$308,649	\$317,908	\$327,446	\$337,269	\$347,387	\$357,809
Property Management	\$225,283	\$232,041	\$239,002	\$246,173	\$253,558	\$261,164	\$268,999	\$277,069	\$285,381	\$293,943	\$302,761
Repairs & Maint.	\$184,322	\$189,852	\$195,547	\$201,414	\$207,456	\$213,680	\$220,090	\$226,693	\$233,494	\$240,499	\$247,714
Professional Services	\$143,362	\$147,663	\$152,092	\$156,655	\$161,355	\$166,196	\$171,181	\$176,317	\$181,606	\$187,055	\$192,666
Landscaping	\$163,842	\$168,757	\$173,820	\$179,035	\$184,406	\$189,938	\$195,636	\$201,505	\$207,550	\$213,777	\$220,190
Janitorial Services	\$61,441	\$63,284	\$65,182	\$67,138	\$69,152	\$71,227	\$73,363	\$75,564	\$77,831	\$80,166	\$82,571
Other Expenses	\$20,480	\$21,095	\$21,727	\$22,379	\$23,051	\$23,742	\$24,454	\$25,188	\$25,944	\$26,722	\$27,524
Total Operating Expenses	\$2,048,025	\$2,109,466	\$2,172,750	\$2,237,932	\$2,305,070	\$2,374,222	\$2,445,449	\$2,518,812	\$2,594,377	\$2,672,208	\$2,752,374
O Ex as % of NOI	44.61%	44.61%	41.55%	41.55%	41.55%	41.55%	41.55%	41.55%	41.55%	41.55%	41.55%
Net Operating Income	\$4,590,785	\$4,728,509	\$5,229,849	\$5,386,745	\$5,548,347	\$5,714,797	\$5,886,241	\$6,062,828	\$6,244,713	\$6,432,055	\$6,625,016
Land Lease(Less City Amenities Debt Service)	\$1,439,732	\$1,501,375	\$1,564,867	\$1,630,263	\$1,697,622	\$1,767,001	\$1,838,461	\$1,912,066	\$1,987,878	\$2,065,965	\$2,146,395
Debt Service											
Annual Debt Service	\$1,930,951	\$1,930,951	\$1,930,951	\$1,930,951	\$1,930,951	\$1,930,951	\$1,930,951	\$1,930,951	\$1,930,951	\$1,930,951	\$1,930,951
Leasing and Capital Costs											
Leasing Commissions	-\$263,372	-\$271,273	-\$279,411	-\$287,793	-\$296,427	-\$305,320	-\$314,479	-\$323,914	-\$333,631	-\$343,640	-\$353,949
Tenant Improvements	-\$4,096,050	\$0	\$0	\$0	\$0	-\$2,374,222	\$0	\$0	\$0	\$0	-\$2,752,374
Capital Reserves	-\$136,535	-\$140,631	-\$144,850	-\$149,195	-\$153,671	-\$158,281	-\$163,030	-\$167,921	-\$172,958	-\$178,147	-\$183,492
Capital Improvements	\$0	\$0	\$0	\$0	\$0	-\$23,185	\$0	\$0	\$0	\$0	\$0
Total Leasing and Capital Costs	-\$4,495,957	-\$411,904	-\$424,261	-\$436,989	-\$450,098	-\$2,861,009	-\$477,509	-\$491,835	-\$506,590	-\$521,787	-\$3,289,815
Cash Flow After Debt Service	-\$3,275,854	\$884,279	\$1,309,771	\$1,388,542	\$1,469,676	-\$844,164	\$1,639,319	\$1,727,977	\$1,819,294	\$1,913,351	-\$742,145
DSCR	2.377473808	2.448798023	2.708431766	2.789684719	2.87337526	2.959576518	3.048363814	3.139814728	3.23400917	3.331029445	3.430960328

Appendix 4 – NPV, IRR, and Cap Rate Analysis

Discounted Cash Flow Assumptions

Acquisition Price	\$36,480,210			
Acquisition Costs	2.00%			
Net Acquisition Cost	\$37,209,814			
Loan Balance	\$24,186,379			
Total Acquisition Cost (Equity)	\$13,023,435			
Going Out Cap Rate	8.00%			
Sales Expenses	3.00%			
Gross Sales Price	\$82,812,704			
Loan Balance	\$20,754,908			
Net Sales Price	\$59,573,414			
Discount Rate	10%			

NPV Stress	Cap Rate		
Discount Rate	6%	8%	10%
8%	\$30,913,109	\$18,510,591	\$11,069,079
10%	\$23,545,873	\$13,222,525	\$7,028,516
12%	\$17,491,388	\$8,870,198	\$3,697,484

IRR Stress	Cap Rate		
Discount Rate	6%	8%	10%
10%	21.70%	17.83%	14.78%

Discounted Cash Flow Analysis - Long Hand

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Discounted Annual Cash Flows	-\$2,978,049	\$730,809	\$984,050	\$948,393	\$912,553	-\$476,508	\$841,230	\$806,114	\$771,558	\$737,680
Discounted Resale	\$22,968,130									
Sum of Discounted Future CF's	\$26,245,960									
Net Present Value	\$13,222,525									

Internal Rate of Return

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Annual Cash Flows	-\$13,023,435	-\$3,275,854	\$884,279	\$1,309,771	\$1,388,542	\$1,469,676	-\$844,164	\$1,639,319	\$1,727,977	\$1,819,294	\$61,486,765

IRR Function	17.83%
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$$I_0 = \sum_{t=1}^r \frac{(CF_t)}{(1 + irr)^t}$$