

Tab 10: SPPRE Recommendations to Council Committee Based on the Completed Financial Analysis

Based on our comprehensive financial analysis, the SPPRE Team highly recommends that on October 11, 2004, the Council Committee proceed to the next step in the pre-development process, which is to complete "Part Two: The Developer Solicitation and Selection Process" as described in the SPPRE Scope of Work.

The SPPRE Team believes the design, financial analysis and deal structure include several features, which should provide the Town with a level of comfort to proceed with the solicitation of technical proposals from highly respected national and regional development companies. These design and finance modeling features include:

- Interest rates which we believe can be significantly decreased through presentations and negotiations with equity and debt providers.
- Loan-to-Value (LTV) which can be increased, once equity and debt investors better understand the project and market.
- Cost reductions resulting from design refinements based on developer and construction company input.
- The potential approval of Tax Increment Financing (TIF).

Although SPPRE completed a Financial Sensitivity Analysis for the Council Committee to better manage their risk, the Town is susceptible to the following:

- Increase in construction costs
- Increase in the cost of financing
- A significant delay could increase market risk by not capturing current market demand as described by ERA in March 2004.

The Town must do everything in their power to incorporate and accommodate public input but accelerate the design and finance approval process.