

Final Report

Cost Estimate and Financial Analysis

Part 1C:

Tasks 1.11, 1.15, 1.16, 1.16A,
1.16B, 1.16C, 1.17, 1.18 and 1.19

October 20, 2004

Town of Chapel Hill



Council Committee



SPPRE Team:
Economics Research Associates
HKS Architects
McDonald-York
Analytical Consultants
ECS, Inc.



Table of Contents

Executive Summary (Short Version) (October 14, 2004)

Executive Summary (September 21, 2004)

1. The Final Building Program (September 21 – Tab 1)
2. The Final Finance Models and Assumptions (September 21 – Tab 2)
3. The Final Financial Sensitivity Analysis (September 21 – Tab 3)
4. The Final Public/Private Finance Plan (September 21 – Tab 4)
 - Public/Private Finance Plan
 - Schedule for Sources and Usage of Funds (issued September 21st as an insert)
5. Summary of the Nontax Income and tax Revenue for the Town and Related Government Entities (September 21 – Tab 5)
6. Federal Finance Programs for Transit, TODs and Related Projects (August 25 – Tab 10)
7. Alternative Public/Private Finance Instruments for Affordable Housing (September 13 – Tab 9)
8. Recommended Developer Solicitation Methods
 - The Eight Alternative Developer Solicitation Methods (August 25 – Tab 8)
 - Three Recommended Developer Solicitation Methods (September 13 – Tab 10)
9. Implementation Phasing Schedule (September 13 – Tab 4)
10. Recommendations to Council Committee (September 21 – Tab 6)

October 18, 2004

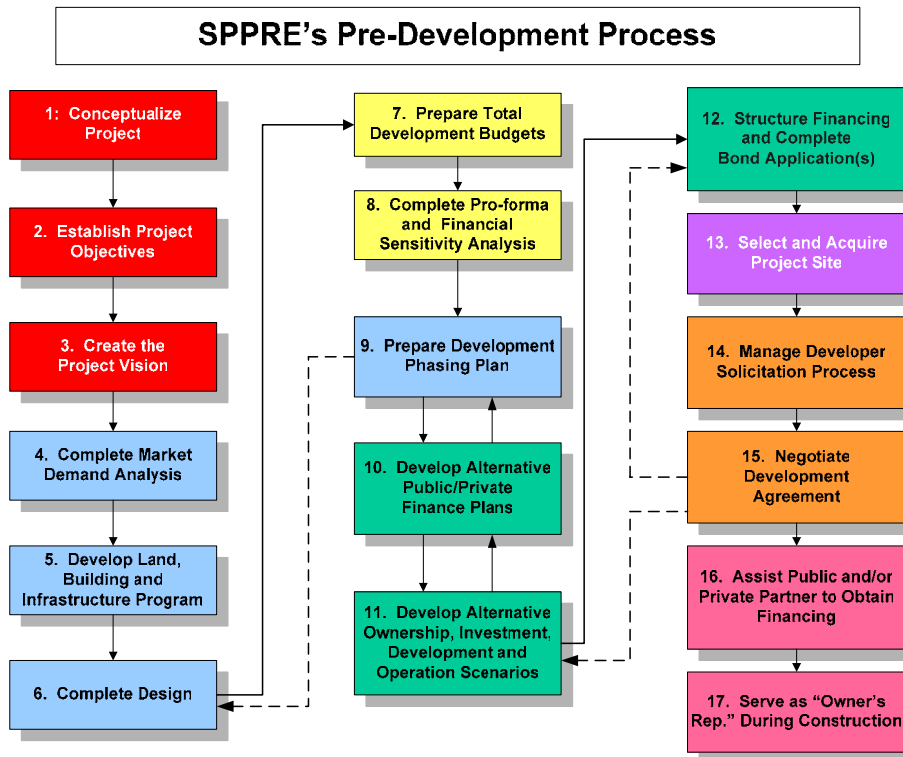
To: Council Committee for the Development of Lots 2 and 5

From: John Stainback and Will Reed, SPPRE

Re: **The “Bottom-line” of the Financial Analysis**

The SPPRE Pre-Development Process

The sole purpose of Stainback Public/Private Real Estate (SPPRE) is to assist public or private partners to complete all, or a portion of the pre-development process and serve as the public partners’ “owner’s rep” during construction for major public/private developments. This process includes 17-steps extending from project conceptualization to completion of construction. (See the diagram below). Because the Town had completed project conceptualization and visioning, the Town of Chapel Hill hired SPPRE to complete steps 4-17, beginning with the market demand analysis.



The reason we began with Step 4, the market demand study, was to assure the Council Committee and the private development community that the building program was market driven. By design, SPPRE hired a nationally recognized firm specializing in market demand analysis to serve as the objective third-party to determine the proposed building program. The Building Program (Step 5) is the basis for all design work (Step 6). Again, SPPRE brought a nationally recognized firm (HKS Architects) to develop the conceptual master plans.

During the last several weeks, SPPRE has completed Steps 7-11. The fundamental component of the Total Development Budget (Step 7) is the estimate of hard construction costs. Again, SPPRE turned to an outside objective third-party firm to prepare the construction cost estimate. In addition, SPPRE hired an outside local firm to complete a Land Appraisal for Lots 2 and 5. Consequently, all of the work completed by SPPRE for Steps 7-11 is based on the results of work completed by some of the nation's best talent, all entities performing as the objective third-party to SPPRE and the Town. This not only eliminates any potential conflicts of interest on the part of SPPRE, but also assures the Town that some of the best talent available was responsible for steps, which have a substantial "ripple-effect" throughout the pre-development process.

SPPRE's Primary Objectives for the Development of Lots 2 and 5

Performing as the prime consultant to the Council Committee and Town staff, the primary objectives for SPPRE include:

- Minimize the investment required by the Town
- If the Town is required to invest in projects, optimize debt supported solely by nontax income and/or tax revenue generated by the projects. In other words, limit the Town's financing responsibilities to self-financing debt.
- Optimize private investment, but have confidence that the required private debt and equity meets the current requirements of the capital markets
- Until voters cast their ballots for Tax Increment Financing (TIF) do not depend on TIF-Backed Revenue Bonds.
- Reduce Town market, finance, construction and ownership risks
- Structure the Public/Private Finance Plan from the perspective of both the Town and the private developer community, so that ultimately when the Developer RFQ/RFP is issued developers will be willing to invest their time and money to submit proposals and implement the projects.

The Recommended Public/Private Finance Plan

SPPRE has not only developed a Public/Private Finance Plan for the Town that achieves all of the primary objectives described earlier, but has also demonstrated a positive cash flow for the Town in years 2007- 2011, the years where the focus will be on financing and constructing the proposed projects. Based on our financial analysis and Schedule of the Sources and Uses of Funds, the positive cash flow ranges from a low of \$2,249,153 in year 2010 to a high of \$2,847,300 in year 2007.

In a nutshell, the Public/Private Finance Plan has been designed to maximize the sources of nontax income paid to the Town by the developer(s) of Lot 5, Lot 2 and the expansion of Wallace Deck. SPPRE has fully utilized multiple types of Land Lease payments paid to the Town and project income from Town-owned projects to directly cover project costs or be leveraged to provide one-hundred percent (100%) support of two bonds issued by the Town. Under this Public/Private Finance Plan, the Town does not issue any debt requiring the full faith and credit of the Town. In other words, the proposed financing of the following “public” components is totally covered by land lease and parking lease payments paid to the Town by the developer or net operating income generated by the Town-owned projects:

- The portion of the debt service on the existing Wallace Deck garage, which is dependent on the current income generated by the existing Parking Lots 2 and 5
- The \$6,138,001 above-grade public parking garage developed on the RBC property
- The \$ 2,141,037 Transit Transfer Center (TTC)
- The \$457,679 second-level enclosed pedestrian bridge connecting the Lot 2 development and the garage developed on the property currently owned by RBC Centura
- The \$3,425,566 cost required to construct the 173 replacement parking spaces included in the underground garage on Lot 5, and the estimated \$2,543,074 cost “delta”, or difference in the cost of underground versus above-grade parking for the 539 spaces included in the development of Lot 5.

The estimated total development cost for all public and private development components is \$73,446,049. The total cost of three private development components, which include the expansion of the Wallace Deck. Lots 2 and 5, is \$58,740,692, or 80% of the total cost for all projects. The total cost of the four public components is \$14,705,357, or 20% of the cost of all public and private components. SPPRE wants to take this opportunity to remind the Council Committee, that a major portion of the Town’s investment of \$14.7 million is the cost of the garages required to accommodate the 274 replacement parking spaces. The cost per parking stall

in Lot 5 is \$21,745 and in the above-grade garage located on the existing RBC property is \$12,434. The cost for replacement parking is \$7,224,474, including the delta cost referred to above, is equal to almost 50% of the Town's investment.

The Estimated Development Schedule

By starting construction of Lot 5, before Lot 2, the development phasing plan proposed by SPPRE has substantially reduced the risk for the Town. The Town avoids the risk of financing and constructing the RBC Garage to accommodate 100% of the replacement parking, not knowing whether Lot 5 or Wallace Deck proceeds to construction.

The estimated concurrent start of construction for Lot 5 and Wallace Deck is August 2007 with an anticipated completion date of Wallace Deck 14 months later or October 2008. The projected completion of construction for Lot 5 is February 2009. SPPRE, in conjunction with the Town, will issue the Developer Request for Proposal (RFP) for the development of Lot 2 in December 2007. The construction of Lot 2 and related developments is scheduled to start construction in February 2010 with a completion date of May 2011.

Our Recommendation to Proceed to the Developer Solicitation and Selection Process

Based on the results of Steps 4-12 of the pre-development process for the proposed three private commercial developments and the six public project components and transactions, SPPRE recommends that the Council Committee and the Town staff proceed with the developer solicitation and selection process for the concurrent finance, design, development and construction of Lot 5 and the expansion of the Wallace Deck.

Executive Summary of the Revised Financial Analysis

September 21, 2004 (Revised September 30, 2004)

Council Committee Directives to SPPRE Resulting from September 13, 2004 Project Review

The SPPRE Team completed a work session with the Council Committee on September 13, 2004. The following reflects our understanding of the major directives for SPPRE to refine the financial analysis for the four primary development projects:

Item 1: Change the building program so that 100% of the proposed 305 housing units are owner-occupied. The mix of housing is 80% Market-Rate Condominium units and 20% Affordable Condominium units.

While we revised the finance models to reflect this directive by the Council Committee, SPPRE remains concerned that this shift from 100% market-rate rental housing to 100% condominium housing may reduce the number of proposals submitted by developers in response to the RFQ and/or RFP for these projects. Many developers will be concerned that ERA, a nationally recognized consultant, concluded from their market demand analysis that the most effective building program would include 100% market-rate rental housing and that there appeared to be only “negligible demand for owner-occupied units in multi-unit buildings....”

Item 2: The term of Town-issued bonds should be 20 and possibly 25 years, not 30 years as proposed in the initial finance modeling.

Item 3: Tax Increment Financing (TIF) – Backed Bonds should be referred to as “Self-Financing Bonds”.

Item 4: SPPRE was instructed not to rely on any tax abatements in structuring public/private finance plans.

Item 5: Town staff informed SPPRE that the development schedule should allow 8 months to process the Special - use Permit and complete project reviews by the Town.

Organization of Executive Summary

The Executive Summary is organized into the seven (7) tabs included in this report:

Tab 1: The Revised Building Program

Tab 2: Summary of the Revised Finance Models and Assumptions

Tab 3: The Revised Financial Sensitivity Analysis

Tab 4: The Revised Public/Private Finance Plan

Tab 5: The Revised Summary of the Nontax Income and Tax Revenue for the Town and Related Government Entities

Tab 6: SPPRE Recommendations to Council Committee Based on the Completion of the Financial Analysis

Tab 1: The Revised Building Program

As the Council Committee will see in Tab 4: The Revised Public/Private Finance Plan, the “Overall Project” includes nine (9) public and private components: Three private commercial developments, three public development projects and three public non-building or finance transactions.

The Three Private Developer Components:

- Developer Project 1: The Expansion of the Wallace Deck
- Developer Project 2: The Commercial Development of Lot 5
- Developer Project 3: The Commercial Development of Lot 2

The Six Public (Town) Building and Non-Building Components:

- Town project 1: Continued Funding of the Revenue Bond for the Wallace Deck
- Town project 2: The Financing of the Town’s Replacement Parking in Lot 5
- Town Project 3: The Financing of the Delta Cost of Below-Grade parking versus Above-Grade parking
- Town Project 4: The Construction of the Transit Transfer Center (TTC)

- Town Project 5: The Development of the RBC Garage
- Town Project 6: The Construction of a Second-Level Pedestrian Bridge connecting Lot 2 to the RBC Garage

The Total Building Program for the Six (6) Public and Private Building Projects includes:

As described in detail in Tab 1: The Revised Building Program, the Total Building Program for the Six Developments includes:

Retail Space:	62,750 GSF
Market-Rate Condominium:	305,440 GSF (244 units)
Affordable Condominium:	76,360 GSF (61 units)
Subtotal:	444,550 GSF
Pedestrian Space:	55,100 GSF
Parking Garage Spaces:	
Private-Use:	696
Public-Use:	593
Total:	1,289
	(1,061 new parking spaces plus remaining 228 existing spaces)

Transit Transfer Center: 43,560 GSF

Second-level Pedestrian Bridge: Approximately 60 Linear Feet

Developer Project 1: The Expansion of the Wallace Deck (Phase 1A)

Retail Space at Street Level:	4,000 GSF
Market-Rate Condominium:	109,120 GSF (87 Units)
Affordable Condominium:	27,280 GSF (22 Units)
Pedestrian Space:	12,200 GSF
Parking Spaces:	400 (320 existing spaces plus 80 new spaces)

Developer Project 2: Lot 5 Development (Phase 1B)

Retail Space at Street Level:	30,250 GSF
Market-Rate Condominium:	128,480 GSF (102 Units)
Affordable Condominium:	32,120 GSF (26 Units)
Pedestrian Space:	28,300 GSF
Parking Spaces:	539

Developer Project 3: Lot 2 Development (Phase 2A)

Retail Space at Street Level: 20,100 GSF
Market-Rate Condominium: 67,840 GSF (54 Units)
Affordable Condominium: 16,960 GSF (14 Units)
Pedestrian Space: 14,600 GSF
Parking Spaces: 0

Town Project 4: Transit Transfer Center (Phase 2B)

Street Level Space: 43,560 GSF

Town Project 5: Second-Level Pedestrian Bridge (Phase 2C)

The proposed pedestrian bridge connecting the commercial development on Lot 2 and the RBC Garage would span approximately 60 to 65 Linear Feet. This bridge would be approximately 10 to 12 feet wide including structure. The bridge therefore, would include approximately 600 to 780 GSF.

Town Project 6: RBC Garage (Phase 2D)

Retail Space at Street level: 8,400 GSF
Parking Spaces: 342

In Tab 1, we have also included at the request of Town staff , a comparative analysis of the Building Program at three key milestones:

- The Building Program Recommended by ERA
- The Building Program Approved by the Town Council on June 14, 2004
- The Building Program included in this Final Financial Analysis

This comparative analysis reveals the following major points:

- The proposed new construction building program is well within the projected market demand determined by ERA
- The parking demand has increased and the supply has been reduced so ultimately there are no surplus parking spaces for the proposed projects. This reduces the Town's cost and market risk.

Tab 2: Summary of Revised Finance Models and Assumptions

Changes in Assumptions Since September 13, 2004

Overview

SPPRE recognizes that the costs of construction, interest rates and market-rate condominium and Retail prices and many financial components of the project may fluctuate prior to the finance and development of Lot 5, Wallace Deck, Lot 2 or RBC Garage. However, because this project is a market-rate driven project the costs and revenues will follow the Market Demand. These Financial Proformas represent a 'snapshot' of what the current demands and financial returns of a market driven program. This further emphasizes the notion of 'capturing the market' by the Town and SPPRE moving in an efficient manner in the continued developments of these projects.

Interest Rate

The SPPRE Team felt it was beneficial to use a nationally recognized objective third-party source to determine the current interest rate for the various types of proposed developments. Using the Internet, as well as our firm's national network, we determined that the national average interest rate for commercial apartments is 6.98% and 7.25% for retail development. The primary source for these average rates is RealtyRate.com. RealtyRates.com is a national source used by developers and investors seeking comprehensive commercial real estate, investment, financial and market data.

Major Assumptions in ALL Finance Models (Lot 5, Wallace, Lot 2)

Building Program:

- It is assumed that there will be a 20% Affordable Housing component that is available for purchase by residents whose income levels qualifies.
- SPPRE has assumed that the Town does not want to incur the cost of surplus parking and has removed the spaces at each project site.

Development Budget:

- The Land Lease payment to be made to the Town is allocated by use-type (Market-Rate Condos, Affordable Housing, Retail).
- The land valuation for each site is determined by using a 2.5% discount rate over a 30-year period using the projected total land payments at 9% appraised land value at each site.
- The Town pays appraised value for RBC Property.
- Assume Market Rate Condominium units are account for 83% if of the Total Hard Costs proposed by McDonald-York and Affordable Housing accounts for 17%.

Market Rate Condominiums

- The Market Rate Condominiums are assumed to be financed at a 70% LTV Interest Construction Rate of 7.00%, Term: 30 years.
- The Garage spaces in are sold at cost to the end-users where applicable (Lot 5, and 80 spaces in Wallace Deck).
- Assume the Town will receive 20% of the Market-Rate Condo Proceeds at sellout in each development. The Town will not receive proceeds from the Affordable Housing component at sellout.
- Assume Land Lease Payment to town for Market-Rate Condominium portion is paid in Month 1 of Construction to Town.

Affordable Housing:

- Assume that the Private Partner will be eligible for Grant monies.
- Assume Private Partner still pays Land Lease Payment to Town in year 1.
- Assume Financing for Affordable Housing using two permanent loans:
 1. Senior Mortgage: Interest Rate: 4.25% Term: 20 years
 2. Junior Mortgage. Interest Rate: 2.50% Term: 25 years
- Affordable housing Land Lease Payment is grouped into the Financing of the MR Units because the Equity required at an LTV of 90% for Affordable Housing does not

cover the cost of the Land Lease Payment. The Town will be paid the Land Lease Payment as part of the MR Condominiums Sales.

Retail Component

- Assume that the Private Developer carries the cost of the required Retail Garage spaces on the Retail Proforma, including financing, in all projects.
- Assume an Interest rate of 7.25%, a term of 25 years, and an LTV of 70%. This is the average for Retail Financing from RealtyRates.com (9/20/04).
- Assume Town will receive 20% of the proceeds at the sellout of the Retail and Retail Garage Component in Year 10 of all projects.

Non-Tax Income Worksheet

- Assume Base Rent from Retail component will continue after sale in year 10. (New owner will takeover lease payments to Town).

Major Assumptions Specific to Lot 5

Development Budget:

- The Delta Land Cost to the Private Partner is assumed to be paid by the Town.

Retail Component

- Income assumes parking for the 59 required Retail spaces are priced at \$1.00 per hour and are free on weekends and holidays.

Major Assumptions Specific to Wallace Deck

Building Program/Development Budget

- Assume cost for the 80-space garage will be carried on the Market-Rate Condominium financing package.

- Assume the 80-space garage extension will be sold at cost to end-users during the sellout period.
- Assume the Wallace St. Garage will provide parking for Residential and Retail demand totaling 172 spaces (No storage assumed at Wallace Deck). Because the Developer is building an 80-space extension this leaves 92 spaces to be absorbed by the current spaces at Wallace Garage. This 92-space shortfall in the Wallace deck will be replaced by incorporating these 92 spaces into the new RBC Garage.
- The developer will privately finance and develop the 80-space extension and the Town will assume operations for the entire garage at completion.
- The Town will manage monthly/annual-parking leases from Wallace demand (92 spaces) and manage the existing hourly parking operations.

Retail Component

- Assume parking rates are \$1.60 per hour (approximate current rate at Wallace Deck).
- Opportunity cost on Wallace Deck needs to be determined because cash flow is negative now, pay off Wallace debt, or leverage land lease payment into future debt service payments at current rates. We should possibly explore the refinance of the Wallace Deck.

Major Assumptions Specific to Lot 2

- No Cost for Garage spaces from Lot 2 Demand to Private Developer.
- Assume end-users will lease 140 spaces directly from the Town at RBC Garage. (No Storage assumed at RBC Garage). Spaces in the RBC Garage from Lot 2 demand will be either Monthly/Annual or Hourly rates for users.

Major Assumptions Specific to RBC Garage

- Land Valuation at RBC Property is \$990,090 or \$38/SF.
- Assume Hard Cost Construction per Retail SF is equal to Lot 2 estimate.
- Assume RBC building will be demolished (the Town will not keep the Garage, HKS needs to indicate whether keeping the RBC building would constitute an efficient Garage).

- Assume new Retail space will be built in 1st floor of garage and Privately managed for the Town.

Income Assumptions

Market-Rate Condominium Sales (Owner Occupied):

ERA report states: "...condos are selling briskly even at a comparatively high price point of nearly \$250.00 per square foot."

Comparable Market Rate Condominiums:

(9/16/04)

Development:	SF	Price
Meadowmont Village:	1,532	\$399,900
Meadowmont Village:	1,532	\$364,900
Rosemary Condominiums:	950	\$289,900
Market Street Condominiums:	880	\$189,900

	SF	Without Garage	With Garage
Lot 5:	1,255	\$225,844	\$273,214
Wallace Deck:	1,251	\$225,248	\$267,271
Lot 2:	1,247	\$224,471	N/A

- There are only 80 private spaces for sale in Wallace deck. The remaining spaces for Residential Demand, both MR Condos and/or Affordable Housing must lease from the Town. This Lease Cost is not included in the above rates.
- HOA Fees, Insurance, Cable, and fees are not included.

Affordable Housing:

SPPRE's research in Orange County for comparable Condo/Townhome sales units that meet has produced the following comparables:

<i>Development</i>	<i>SF</i>	<i>Sales Price</i>	<i>Monthly Pmts*</i>
Greenway Condominiums	950	\$140,000	\$1,175
Vineyard Square (3 BR)	1,223	\$115,000	\$940+HOA
Vineyard Square (2 BR)	1,069	\$95,000	\$740+HOA

<i>Development</i>	<i>SF</i>	<i>Sales Price</i>	<i>Monthly Pmts (1)</i>
Lot 5 (2)	1,255	\$135,762(w/Garage)	\$858.25
Wallace Deck (3)	1,251	\$90,099	\$569.49
Lot 2	1,247	\$91,035	\$575.40

(1)

- Payments at 6.5%, Term: 30 yrs, do not include HOA, TBD.
- Lot 5 units are also available without a Garage space for \$90,338
- Assume Affordable Units in Wallace and Lot 2 will lease spaces monthly/annually from the Town in Wallace Garage (Wallace Units) or RBC Garage (Lot 2 Units). This cost is not included in the approximate monthly payments.
- Lot 5 Affordable units cannot carry the cost of underground Garage Spaces on the Total price and still remain affordable without assistance from State or Federal Agencies. For this model we assume that the parking requirement in Lot 5 can be reduced to 1 space per DU, and 1 storage space per DU. Totaling 2 available parking spaces per DU versus the MR Condo availability of 2.5 per DU.

Retail Operations:

ERA report states: "...ERA estimates rents averaging \$25 per square foot for retail space, with rents in the 100 block area of Franklin Street as high as \$40 per square foot."

SPPRE has assumed the following Retail Rents:

- Lot 5: \$25.00
- Wallace Deck: \$23.00
- Lot 2: \$24.00
- RBC: \$25.00

Tab 3: Revised Financial Sensitivity Analysis

The SPPRE Team focused on the impact to the financial measurements from increases in construction costs and interest rates for Lot 5 Development and the expansion of the Wallace Deck. See Sensitivity Analysis included in Tab 3.

Tab 4: Revised Public/Private Finance Plan

Overview

The primary objectives in structuring the Public/Private Finance Plan are to:

- Optimize private investment
- Minimize Town investment
- Eliminate Town-issued debt not supported 100% by the proposed projects
- Reduce the need for TIF related financing (TIF is on the State Ballot in November 2004)
- Reduce Town market, finance and construction risk
- Accelerate the development schedule

The SPPRE Team has achieved these objectives. The proposed Public/Private Finance Plan includes private and public financing instruments, all of which are supported 100% by the revenues generated and the nontax income paid to the Town by the private developer.

SPPRE has also structured the Public/Private Finance Plan, so that the nontax income for the Town generated by the proposed commercial development of Lots 2 and 5 and Wallace Deck and the proposed two Revenue Bonds cover 100% of the cost of the Town's six building and non-building transactions. This is clearly illustrated in the Foldout Chart titled "The Schedule for Sources and Uses of Funds for Scenario C-3." In fact, the Town's nontax income and the proceeds from the two Revenue Bonds exceed all Town costs by a minimum of 2.25 million.

In addition, the proposed Public/Private Finance Plan has tentatively avoided any dependence on Tax Increment Financing (TIF) because at this point in time, no one can be assured that the TIF Ballot in November will be passed by voters. The only reference to a TIF-Backed Revenue Bond, is as an option to finance the Transit Transfer Center (TTC). The TIF Bond option for the TTC is supported solely by 49% of the Property Tax generated by the three developer projects.

When the Council Committee changed the housing product from rental units to owner-occupied units, the Land Lease payments paid to the Town changed from annual payment over the term of the Land Lease to one-time payouts based on the sale of condominium units. The Land Lease Payout in Year Two exceeds the Present Value (PV) of the Land Lease payments paid over the term of 30-years. This allowed the SPPRE Team to avoid leveraging the Property Tax generated annually by the proposed commercial developments. In addition, the Base Rent paid to the Town by the private developer as part of the Land Lease structured developed by SPPRE now only applies to the retail space. In other words, the Land Lease Payout was structured by SPPRE to provide the Town with nontax income which exceeds the PV of the previous Land Lease structure.

Organization of the Proposed Nine-Part Development Project Implemented in Two Phases

The SPPRE Team has organized the “overall project” into nine (9) public and private components, including the three (3) private commercial developments and the six (6) public projects and transactions.

The Three Private Developer Components:

- Developer Project 1: The Expansion of the Wallace Deck
- Developer Project 2: Commercial Development of Lot 5
- Developer Project 3: Commercial Development of Lot 2

The Six (6) Public (Town) Building and Non-Building Components:

- Town Project 1: The Existing Revenue Bond for the Wallace Deck
- Town Project 2: A Portion of the Lot 5 below-grade garage to Accommodate the 173 Replacement Parking Spaces
- Town Project 3: The Delta Cost of Below-Grade Parking versus the Cost of Above-Grade Parking
- Town Project 4: The Transit Transfer Center (TTC)
- Town Project 5: The RBC Garage
- Town Project 6: Second-Level Pedestrian Bridge

The Proposed Public/Private Finance Plan

The SPPRE Team has structured the proposed Public/Private Finance Plan for the overall project so that the nine public and private development components are self-financing. *(We strongly recommend that Council Committee members pullout the Public/Private Finance Plan diagram included in Tab 4 so that they can better understand the proposed financing).*

The three (3) private developer components, excluding the affordable housing, are financially feasible using private equity and debt. The public/private financing for the affordable housing includes four parts: 1) Senior Debt provided by Fannie Mae at an interest rate of 4.25% for a term of 20 years, 2) Subordinated Junior Debt provided by Fannie Mae at an interest rate of 2.5% for a term of 25 years, 3) Grants provided by the Federal Home Loan Bank (FHLB)

Affordable Housing Program (AHP), and 4) Traditional Private Equity equal to 10% of the total retail cost. The proposed financing for the six (6) public, or Town Projects includes some combination of the following sources of financing:

- Land Lease Payouts (A one-time payment paid by the developer to the Town at the closing of the Construction Loan for each developer project)
- The Town's 20% Share of the Net Proceeds from the Sale of the Market-Rate Condominium units (A one-time payment made by the developer for each project two years after completion of construction).
- Annual Base Rent Payments Indexed to the CPI (Retail space only)
- The Town's 20% Share of the Net Proceeds from Selling the Retail Space in Year 10.
- Annual Net Income from Parking Operations

We recommend that the Town determine whether they can segregate the Property Tax generated and use this new stream of income toward infrastructure improvements related to the projects.

The Public/Private Finance of Public (Town) Project 1: The Existing Revenue Bond for the Wallace Deck:

When the Town and the selected developer begin construction of Lot 5 and later Lot 2, they will eliminate the existing Town Parking Lots. The Town currently uses the income from these two Town Parking Lots to cover a portion of the Debt Service for the existing Revenue Bond for the Wallace Deck. The approximate median annual income from Lot 5 is \$125,000. The median income generated by Lot 2 is \$285,000. Construction of Lot 5 is currently scheduled to start in August 2007. One of the initial actions of starting construction will be to demolish the existing parking lot and therefore, the Town will experience a loss of income, which must be replaced. Construction of Lot 2 is not scheduled until April 2010.

The proposed solution to replace the loss of income from Lot 5 is the interest income from the Land Lease Payout paid by the developer to the Town at the close of the construction loan for Lot 5, which is now scheduled for April 2007. The Land Lease Payout for Lot 5 is estimated to total \$2,714,489. Under the proposed Public/Private Finance Plan, this nontax income of \$2.7 million paid to the Town has been allocated to finance the proposed Transit Transfer Center (TTC), which is not needed until April 2010. If the Town places this nontax income in an interest bearing account yielding 4.5% annually, the \$122,152 of annual income will cover the loss of income at Lot 5 for three years (2007-2009). Beginning in Year 2010, the Town will have excess nontax income generated by the to cover this loss of income.

Construction of Lot 2 will generate a loss of income beginning in 2010. As graphically illustrated in the “Schedule of Sources and Uses of Funds”, this loss of income totals approximately \$285,000, which will be covered by the Town’s projected surplus nontax income generated by the private development of Lots 2 and 5 and Wallace Deck.

The Public/Private Finance of Town Projects 2 and 3: The Finance of the Replacement Parking in Lot 5 and the Cost Delta of Below-Grade Versus Above-Grade Parking

Several months ago, the Council Committee made the decision to replace the 274 parking spaces currently located on Lots 2 and 5 and to finance underground parking to free-up additional street-level space for larger pedestrian space. The estimated development cost to provide the 173 replacement parking spaces on Lot 5 is \$3,425,566. As described in the September 13 report, SPPRE has determined that adding the cost of underground parking to the traditional commercial developments are not financially feasible, so we are recommending that the Town incur the difference in cost of underground versus above-grade parking garage. That cost delta is \$2,543,074. The total cost covered by the Town is \$5,968,640.

The recommended public/private finance plan to cover the Town cost of \$5,968,640 includes two sources of financing: 1) Revenue Bond, and 2) A Land Lease Payout provided by the developer of Lot 5.

1) The Revenue Bond

The proposed Revenue Bond is supported by two sources of income to the Town: a) The Net Income from Operation of the Town’s portion of the Lot 5 Garage, and 2) The Base Rent paid by the developer of the Lot 5 Retail Space. Based on our financial analysis the Town will recognize \$190,397 of Net Income and \$76,689 in annual Base Rent. This amount of nontax income to the Town totals \$267,086.

This amount of annual income can support a Revenue Bond in the amount of \$2,553,424 applying the following assumptions:

Term:	20 years
Coupon Rate:	5.50%
DCR:	1.25

2) Land Lease Payout

Based on the development of Market-Rate Condominium units, we are requiring the developer to pay the Town a one-time payment equal to the Present Value (PV) of a 30-year Land Lease. This payment of \$3,673,025 has been incorporated into the Proforma for Lot 5 and will be paid

to the town at the closing of the Construction Loan.

The combination of the Revenue Bond and the one-time Land Lease Payout totaling \$6,226,449 is in excess of the Town's cost of replacement parking and the "delta cost" totaling \$5,968,640.

Surplus Nontax Income and Tax Revenue to the Town

In addition to covering more than 100% of the Town's cost for Lot 5, the Town receives annual Property Tax equal to \$161,976 and allows the Town to apply their share of the Net Sales Proceeds from the Market-Rate Condominium units totaling \$867,111 to cover the cost of a Second Level Pedestrian Bridge from Lot 2 to the RBC Garage.

The Optional Finance Plans for the Public (Town) Project 4: Transit Transfer Center (TTC)

The estimated cost to construct the Transit Transfer Center (TTC) is \$2,141,037.

There are three options for the Town to cover the cost of the Transit Transfer Center (TTC).

Option 1: Use the Land Lease Payout included in the proposed public/private partnership between the Town and the developer of the Wallace Deck, which amounts to \$2,714,489.

Option 2: If Tax Increment Financing (TIF) is approved in November, use the annual Property Tax generated by the commercial development of the Wallace Deck, Lot 5 and Lot 2, which totals \$345,920 to support a TIF-Backed Revenue Bond. This amount of Property Tax can support a Bond in the amount of \$3,049,217 assuming the following:

Term: 20 Years
Coupon Rate: 6.50%
DCR: 1.25.

Option 3: The Town optimizes Federal and State grants and some combination of the financing instruments identified by SPPRE in an earlier report.

The Public/Private Finance of Public (Town) Project 5: A Second-Level Pedestrian Bridge (New)

The SPPRE Team highly recommends that the Town further explore the finance and design of a second level pedestrian bridge connecting the commercial development of Lot 2 and the RBC Garage. SPPRE took the initiative to obtain a cost estimate from the Spring Valley Construction

Company based in Dallas Texas. Our initial description of the bridge is that it spanned 65 feet over Rosemary Street and was 10 to 12 feet wide including the structural system. The total construction cost is estimated to be \$457,679. (See Cost Estimate dated September 21, 2004 in Tab 4).

The Public/Private Finance Plan for the Second-Level Pedestrian Bridge includes the use of the Town's 20% share of the Net Proceeds from selling the Market-Rate Condominium units included in Lot 5.. The Town will receive \$867,111 from the sale of the Lot 5 condominium units. We have assumed the developer will complete the sale of all Market-Rate units by the end of Year 2 of operations, The Town's nontax income from the Lot 5 condominium units exceeds the estimated construction cost of the pedestrian bridge. Of course, "soft costs" will need to be added to the "hard" construction cost.

The Public/Private Finance of Public (Town) Project 6: The RBC Garage

The RBC Garage is a 6-level above-grade garage which includes 342 parking spaces and 8,400 SF of retail space at the street level. The estimated cost of the garage is \$4,253,007, excluding the land cost and the retail space. The assumed cost of the RBC property is \$990,090, which reflects a cost of \$38 per square foot. The total cost of the RBC Garage, excluding the retail space is \$5,147,911, or \$15,052 per parking space. The total cost of the garage including the retail space and land cost is \$6,138,001

Revenue Bond:

The SPPRE Team completed a Proforma for the RBC Garage. Based on our assumptions, the projected income exceeds the operational expenses and the required debt service, so we are recommending to the Town to issue a traditional Revenue Bond in the amount of \$6,138,001, which covers the cost of the land and development costs associated with the RBC Garage.

The assumptions for the revenue Bond are as follows:

Term: 20 Years

Coupon Rate: 5.0%

Tab 5: Revised Summary of the Nontax Income and Tax Revenue for the Town and Related Government Entities

There are four government entities that will share the economic benefits of the development of Lots 2 and 5 and the Wallace Deck: 1) The Town of Chapel Hill, 2) Orange County, 3) The

Chapel Hill/Carrboro School District, and 4) The State of North Carolina. We have organized the economic benefits of this project into Non-Tax Income and Tax Revenue, as follows:

The Types of Nontax Income and Tax Revenue Generated by the Proposed Developments

Nontax Income:

- Land Lease Payouts (A one-time payment paid by the developer to the Town at the closing of the Construction Loan for each developer project)
- The Town's 20% Share of the Net Proceeds from the Sale of the Market-Rate Condominium units (A one-time payment made by the developer for each project in Year 2 of operations - two years after completion of construction).
- Annual Base Rent Payments Indexed to the CPI (Retail space only)
- The Town's 20% Share of the Net Proceeds from Selling the Retail Space in Year 10.
- Annual Net Income from Parking Operations

Tax Revenue

- Property Tax (Distributed to four Government Entities)
- Sales Tax (Distributed to two Government Entities)

Nontax Income Realized by the Town of Chapel Hill

All of the Nontax Income is paid to the Town of Chapel Hill. The Nontax Income includes:

- Land Lease Payout as part of the Land Lease with the to-be-selected developer

As part of the proposed Land Lease Agreement we will require the developer to pay the Present Value (PV) of the total rent that would have been paid in years 1-30 under a traditional Land Lease arrangement.

After completing our financial analysis of the Affordable Condominiums, we concluded that it was not financially feasible to include Land Lease Payouts. Therefore, we added the Payouts to the Land Lease Payouts for the Market-Rate Condominium units.

- Lot 5 Development: \$2,981,105 plus \$691,921 equals \$3,673,026.

- Wallace Deck Expansion: \$2,257,383 plus \$457,107 equals \$2,714,490.

- Lot 2 Development: \$1,448,968 plus \$362,242 equals \$1,811,210.

The three developer projects (Wallace, Lots 2 and 5) will generate payouts for the Town totaling \$8,198,726.

- The Town's 20% share of the Net Proceeds from the Sale of the Market-Rate Condominium units

The developer of the Market-Rate Condominium units should sell the units in two years or less after construction is completed. We have positioned the Town to be paid a 20% share of the Net Sale Proceeds. Because of cost, we did not structure the public/private partnership so that the developer shared the Net Sales Proceeds of the Affordable Condominium units.

- Lot 5 Development: \$867,111

- Wallace Deck: \$560,052.

- Lot 2 Development: \$296,701.

The total Net Proceeds paid to the Town is \$1,723,864.

- Base Rent and Indexed Rent as part of the Land Lease with the to-be-selected developer

As part of the proposed Land Lease Agreement we will require the developer to pay a base rent that has been indexed to the 2004 Consumer Price Index (CPI). The only development component not sold by the developer by year 2 is the retail space, so retail space generates the following Base Rent income to the Town from the three proposed projects:

- Lot 5 Development:	\$2,636,239
- Lot 5 Development:	\$253,442
- Lot 2 Development:	\$1,623,359

The total Base Rent paid to the Town from years 1 – 30 is \$4,513,040.

- The Town's 20% Participation in the Net Sales Proceeds of retail Space in Year 10.

As part of the proposed Land Lease Agreement we will require the developer to allow the Town to have a 20% position when the retail space is sold to a third party. We have assumed that each retail component will be sold in Year 10.

- Lot 5 Development: \$756,148.
- Wallace Deck: \$107,611
- Lot 2 Development: \$482,719

The total Net Sales Proceeds for the Town equals \$1,346,478.

Clearly, at this point in time, no one knows when the buildings will be sold, if ever, but many developers do sell their buildings between Years 5 and 10. This type of Land Lease Payment allows the Town to participate in the appreciation of the development value and the developer's "upside".

- The Town's Net Parking Income from Public Parking in Years 1-30.

The Town will own a portion of the Lot 5 garage and own 100% of the RBC and Wallace Deck garages. Therefore, there is the potential that the Town will realize net income from these parking facilities. Based on our Proformas for each garage and the developer lease arrangements, we are projecting that the Town will realize the following net income in years 1-30:

- Lot 5 Development: \$6,492,439.
- Wallace Deck: \$14,715,136
- Lot 2 Development: \$7,099,249

Based on our financial analysis the Town may receive net income from parking operations totaling \$28,306,824 over the first 30 years.

Based on our proposed Public/Private Finance Plan and Land Lease arrangements, the total nontax income generated for the Town from the proposed developments in years 1-30 is \$39,874,942.

Tax Revenue

Tax Revenue generated by the proposed projects has been organized into Property Tax and Sales Tax.

Property Tax

The proposed three private developments (Lot 5, Lot 2, and the expansion of the Wallace Deck) generate the following amounts of property tax in Years 1 – 30:

- Orange County: \$16,452,214
- Chapel Hill/Carrboro School District: \$3,739,140
- Chapel Hill City Revitalization: \$10,750,025
- Downtown Revitalization District: \$1,159,133

Because SPPRE leveraged these property taxes on behalf of the Town, we have totaled the taxes into the following categories:

- County and School District: \$20,191,354
- Total Town Property Tax: \$11,909,158

The total property tax generated by the proposed projects in years 1 – 30 equals \$32,100,512.

Sales Tax

Based on the Retail Building Program and the \$330 in sales per S.F. as quoted by the International Council of Shopping Centers (ICSC), we have determined that the proposed development projects will generate Sales Tax in years 1 – 30 as follows:

- State of North Carolina: \$22,275,891
- Orange County: \$12,375,495

The total Sales Tax generated in years 1 – 30 equals \$34,651,386.

The total tax revenue generated by the proposed projects over years 1 – 30 equals \$66,751,898..

The Total Nontax Income and Tax Revenue

In summary, during construction and in years 1-30 of operations the Town of Chapel Hill could realize a total nontax income of \$39,874,942 and Property Tax revenue equal to \$11,909,158. The total nontax income and tax revenue generated by the proposed projects for the Town may be as much as \$51,784,100.

Tab 6: 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.

SECTION 1

Total Building Program

Total Building Program						
Scenario C-3: RBC, Lot 2 and TTC Included (5 Projects)						
	Type of Use	Gross SF	Units	Efficiency	Lease SF	Sales SF
Lot 5	Residential					
	Market Rate - Condo	128,480	102	1.00	-	128,480
	Market Rate - Rental	-	-	0.92	-	-
	Affordable Housing-Ownership	32,120	26	1.00	-	32,120
	Retail	30,250	-	0.92	27,830	-
	Open Space	28,300	-	0.00	-	-
	Subtotal	219,150	128		27,830	160,600
Lot 5 Garage	Private Parking					
	Parking-Residential					
	Market Rate - Condo	48,960	153	1.00	-	48,960
	Market Rate - Rental	-	-	1.00	-	-
	Affordable Housing-Ownership	8,320	26	1.00	-	8,320
	Parking-Residential Storage	-	-	0.00	-	-
	Market Rate - Condo	32,640	102	1.00	-	32,640
	Market Rate - Rental	-	-	1.00	-	-
	Affordable Housing-Ownership	8,320	26	1.00	-	8,320
	Parking-Retail	18,880	59	1.00	18,880	-
	Subtotal	117,120	366		18,880	98,240
	Public Parking					
	Parking-Replacement	55,360	173	1.00	55,360	-
	Parking Surplus (Public Parking)	-	-	0.00	-	-
	Subtotal	55,360	173		55,360	-
	Total Parking upon completion	172,480	539		74,240	-
	Total GSF	391,630				
	Parking Space/SF	320				
	Average SF per Residential Unit	1,255				
Wallace	Residential					
	Market Rate - Condo	109,120	87	1.00	-	109,120
	Market Rate - Rental	-	-	0.92	-	-
	Affordable Housing-Ownership	27,280	22	1.00	-	27,280
	Retail	4,000	-	0.92	3,680	-
	Open Space	12,200	-	0.00	-	-
	Subtotal	152,600	109		3,680	136,400
Wallace Garage	Private Parking					
	Parking-Residential					
	Market Rate - Condo	41,920	131	1.00	-	41,920
	Market Rate - Rental	-	-	1.00	-	-
	Affordable Housing-Ownership	10,560	33	1.00	-	10,560
	Parking-Retail	2,560	8	1.00	2,560	-
	Subtotal	55,040	172		2,560	52,480
	Public Parking					
	Parking-Replacement	72,960	228	1.00	72,960	-
	Parking Surplus (Public Parking)	-	-	0.00	-	-
	Subtotal	72,960	228		72,960	-
	Total Parking upon completion	128,000	400		75,520	-
	Total GSF	280,600				
	Parking Space/SF	320				
	Average SF per Residential Unit	1,251				

Total Building Program						
Scenario C-3: RBC, Lot 2 and TTC Included (5 Projects)						
	Type of Use	Gross SF	Units	Efficiency	Lease SF	Sales SF
Lot 2	Residential					
	Market Rate - Condo	67,840	54	1.00	-	67,840
	Market Rate - Rental	-	-	0.92	-	-
	Affordable Housing-Ownership	16,960	14	1.00	-	16,960
	Retail	20,100	-	0.92	18,492	-
	Open Space	14,600	-	0.00	-	-
	Subtotal	119,500	68		18,492	84,800
RBC	Retail Space-Ground Level	8,400		0.92	7,728	
	Parking-Market Rate Condos (Lot 2)	25,920	81	1.00	25,920	
	Parking-Affordable Housing (Lot 2)	6,720	21	1.00	6,720	
	Parking-Retail (Lot2)	12,160	38	1.00	12,160	
	Parking-Retail (RBC)	3,200	10	1.00	3,200	
	Parking-Replacement (Wallace)	29,120	91	1.00	29,120	
	Parking-Replacement (Lot 2)	32,320	101	1.00	32,320	
	Totals after completion	109,440	342		109,440	
	Total GSF	117,840				
	Parking Space/SF	320				
Totals	Residential					
	Market Rate - Condo	305,440	244		-	305,440
	Market Rate - Rental	-	-		-	-
	Affordable Housing-Ownership	76,360	61		-	76,360
	Retail	62,750	-		57,730	-
	Open Space	55,100	-		-	-
	Subtotal	499,650	305		57,730	381,800
	Private Parking					
	Parking-Residential					
	Market Rate - Condo	90,880	365		-	90,880
	Market Rate - Rental	-	-		-	-
	Affordable Housing-Ownership	25,600	80		6,720	18,880
	Parking-Residential Storage					
	Market Rate - Condo	32,640	102		-	32,640
	Market Rate - Rental	-	-		-	-
	Affordable Housing-Ownership	8,320	34		2,560	8,320
	Parking-Retail	36,800	115		36,800	-
	Subtotal	194,240	696		46,080	150,720
	Public Parking					
	Parking-Replacement	116,800	365		116,800	
	Parking Surplus (Public Parking)	-	-		-	
	Subtotal	116,800	365		116,800	
	Total Parking Spaces Built	1,061				
	Wallace Spaces that Remain	228				
	Total Public Parking (inc. remaining Wallace Parking)		593			
	Total Parking Spaces Upon Completion	1,289				
	Total GSF	810,690				

Comparative Analysis of Building Programs

Comparative Analysis of Building Programs				
Town of Chapel Hill				
September 21, 2004				
Key Decision Points				
	ERA Final Report	Town Council	Final Financial Analysis	
	Febraury 27, 2004	June 14, 2004	September 21, 2004	
Building Program				
Market Rate/Affordable Housing	386 units	381,800 SF/ 305 units	381,800 SF/305 units	
Retail/Dining/Entertainment	112,100 SF	55,600 SF	62,750 SF (3)	
Open Space	NA	55,100 SF	55,100 SF	
Parking Demand	1,077 (1)	1,158 spaces	1,289 spaces (4)	
Parking Supply	NA	1,375 spaces (2)	1,289 spaces	
Surplus Parking Spaces	NA	217 spaces	0	
Footnotes				
(1) ERA recommended that 100% of the retail demand was for GAFO space, so we applied their parking ratio of 1/225 SF for "retail". We also used 1.5 spaces per DU. ERA stated that parking ratios should range from 0.2 to 2.0 spaces per DU.				
(2) Includes 274 replacement parking spaces. Total Parking includes 1,375 spaces (Lot 5: 615 spaces, RBC Garage:360 spaces and Wallace Deck: 400 spaces).				
(3) SPPRE has proposed that 8,400 GSF of retail is included on a portion of the RBC Garage fronting on Columbia and Rosemary Streets.				
(4) There are 594 existing parking spaces included in Lot 2, Lot 5 and Wallace Deck. The overall demand for parking is 1,289 spaces. The Town and the developer will develop a total of 1,061 new parking spaces. After demolition there are only 228 existing spaces remaining. The supply was reduced to eliminate surplus parking financed by the Town and additional spaces are required for the additional retail space in the RBC Garage.				

Section 2

2. Summary of Revised Finance Models and Assumptions

Lot 5 Development

Wallace Deck Expansion

Lot 2 Development

RBC Garage

**Affordable Housing Comparables
Condominiums/Townhomes**

Commercial Mortgage Rates & Terms

Financial Summary

Summary of Finance Models						
(Stabilized Year 3)						
		Lot 5	Wallace	Lot 2	RBC	Total
Private Partner						
Residential	1					
Market-Rate Condo						
Equity		\$6,322,264	\$4,853,026	\$2,863,450		
Debt		\$14,751,949	\$11,323,728	\$6,681,383		
Affordable Housing						
Equity		\$91,560	\$223,512	\$154,682		
Debt		\$824,039	\$1,508,705	\$1,392,137		
Grants		\$0	\$300,000	\$0		
Retail						
Equity		\$1,398,904	\$138,517	\$883,370		
Debt		\$3,264,109	\$323,205	\$2,061,198		
Public Partner						
Public Investment		\$ 3,425,566	n/a	n/a	\$5,147,911	\$ 8,573,478
Parking Delta Cost	2	\$ 2,543,074	n/a	n/a	n/a	\$ 2,543,074
Transit Transfer Center		n/a	n/a	\$2,141,037	n/a	\$ 2,141,037
Office for Land Swap (RBC)	3	n/a	n/a	n/a	\$990,090	\$ 990,090
Total Development Cost						
Public and Private Investment		\$30,078,392	\$18,670,693	\$16,177,257	\$6,138,001	\$71,064,344
Non-Tax Income to Town						
Public Partner						
Land Lease Payment						
Market-Rate Condo (yr. 1)	4	\$3,673,025	\$2,257,383	\$1,448,968	n/a	\$7,379,376
Affordable Housing (yr. 1)		\$0	\$457,107	\$362,242	n/a	\$819,349
		\$3,673,025	\$2,714,489	\$1,811,210	\$0	\$8,198,724
Net Proceeds-RBC (yr. 3)					\$71,279	
Lease of 92 Parking Spaces			\$44,712			
Lease of 140 Parking Spaces						
Replacement Parking Net Income (yr. 3)	5	\$ 190,397	\$431,535	n/a	n/a	
Retail Base Rent (yrr 3)		\$ 76,689	\$7,373	\$47,224	n/a	
Property Tax to Town (yr. 3)		161,976	\$104,656	\$79,956	n/a	346,589
Proceeds from MR Condo Sale		867,111	\$921,496	\$296,701	n/a	

Financial Summary

Sales Performance Measures						
ROE (Sales)						
Market-Rate Condo		54.86%	75.95%	41.45%	n/a	
Affordable Housing		10.28%	9.54%	6.58%	n/a	
Retail Performance Measures						
Internal Rate of Return (IRR) (yr. 3)		17.21%	25.05%	16.76%	n/a	
Debt Coverage Ratio (DCR)(yr. 3)		1.63	1.98	1.58	1.12	
Return on Cost (ROC)(yr. 3)		9.91%	12.03%	9.59%		
Maximum Loan Amount						
Retail	0					
Required Debt		\$ 3,697,745	\$444,546	\$2,258,692	n/a	\$ 6,400,983
		\$ 3,264,109	\$323,205	\$2,061,198	n/a	\$ 5,648,512
		=Surplus	=Surplus	=Surplus	n/a	=Surplus
Gap Financing		\$0	\$0	\$0		\$0
Sales per SF (yr. 1)						
Market-Rate Condo		\$180.00	\$180.00	\$180.00		
Affordable Housing		\$78.00	\$78.00	\$72.00		
Retail Lease Rates psf (yr. 1)						
Retail	4	\$25.00	\$23.00	\$24.00	\$25.00	
Years 1-30 Summary Information						
		Lot 5	Wallace	Lot 2	RBC	Total
Property Tax						
Orange County		\$7,695,683	\$4,972,341	\$3,798,830	n/a	\$16,466,853
Chapel Hill/Carrboro School District		\$1,749,019	\$1,130,077	\$863,370	n/a	\$3,742,467
Chapel Hill Revitalization District		\$5,028,429	\$3,248,972	\$2,482,190	n/a	\$10,759,591
Downtown Revitalization District		\$542,196	\$350,324	\$267,645	n/a	\$1,160,165
Total Property Tax (1-30)		\$15,015,326	\$9,701,714	\$7,412,034	n/a	\$32,129,075
Non-Tax Income						
Land Lease Payment (Condo Units & Garage)(year 1)		\$2,981,105	\$2,257,383	\$1,448,968	n/a	\$6,687,455
Town Sale Proceeds (year 4)		\$867,111	\$921,496	\$296,701	n/a	\$2,085,308
Land Lease Payment (Affordable Units & Garage)(year 2)		\$691,921	\$457,107	\$362,242	n/a	\$1,511,269
Base Rent (Retail Component)		\$2,636,239	\$253,442	\$1,623,359	n/a	\$4,513,040
Potential Retail Component Sale Income(year 10)		\$756,148	\$107,425	\$482,719	n/a	\$1,346,292
Parking Income		\$6,492,439	\$14,715,136	\$2,885,261	n/a	\$24,092,836
Year 1-30 Total		\$14,424,962	\$18,711,989	\$7,099,249	n/a	\$40,236,200
Net Cash Flow RBC Development (1-30)					\$8,263,108	\$48,499,308

Financial Summary

Footnotes										
	1	Garage Costs are included in Private Partners Total Development Budgets.								
	2	This is the cost difference of developing an underground garage versus an above grade garage.								
	3	This is the 'transfer price' that the Town will pay for RBC Garage to move to Lot 5 Developmen.								
	4	Land Lease Payment for Aff. Housing are included in MR Condo Unit Development Cost.								
	5	RBC Replacement Parking Income is included in the Net Proceeds line item for RBC								

Lot 5 Development

Development Scenario: C-3 Lot 5 Development (Phase 1A)



Finance Model Downtown Chapel Hill Projects Town of Chapel Hill, North Carolina

Contents:	Page
Building Program	1
Development Budget	2-6
Condominium Sales Proforma (Market-Rate)	7-8
Condominium Construction Loan (Market Rate)	9
Condominium Sales Proforma (Affordable Housing)	10-11
Condominium Construction Loan (Affordable Housing)	12
Proforma (10 years) (Retail and Retail Garage Spaces)	13-15
Reversionary Analysis (Retail and Retail Garage Spaces)	16
Income Assumptions-Garage	17
Town Non-Tax Income/Tax Revenue	18-19



Stainback Public/Private Real Estate (SPPRE)
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Building Program						
	Type of Use	Gross SF	Units	Efficiency	Lease SF	Sales SF
Lot 5	Residential					
	Market Rate - Condo	128,480	102	1.00		128,480
	Market Rate - Rental	-	-	0.92	-	
	Affordable Housing-Ownership	1 32,120	26	1.00		32,120
	Retail	30,250	-	0.92	27,830	
	Open Space	28,300	-	-	-	
	Subtotal	219,150	128		27,830	160,600
Lot 5 Garage	Private Parking					
	Parking-Residential					
	Market Rate - Condo	48,960	153	1.00		48,960
	Market Rate - Rental	-	-	1.00	-	
	Affordable Housing-Ownership	8,320	26	1.00		8,320
	Parking-Residential Storage					
	Market Rate - Condo	32,640	102	1.00		32,640
	Market Rate - Rental	-	-	1.00	-	
	Affordable Housing-Ownership	8,320	26	1.00		8,320
	Parking-Retail	18,880	59	1.00	18,880	
	Subtotal	117,120	366		18,880	98,240
	Public Parking					
	Parking-Replacement	55,360	173	1.00	55,360	
	Parking Surplus (Public Parking)	2 -	-	-	-	
	Subtotal	55,360	173		55,360	
	Total Parking upon completion	172,480	539	-	74,240	
	Total GSF	391,630				
	Parking Space/SF	320				
	Average SF per Residential Unit	1,255				
	Footnotes					
		1 Allocation of 20% to Affordable Housing.				
		2 Assume TCH does not want to incur the cost of surplus parking.				

Development Budget												
		<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Total</u>
Site/Building Data												
Total Gross Land Area	1	75,000										
Gross Areas (GSF)												
Market Rate - Condo		128,480										
Market Rate - Rental		-										
Affordable Housing		32,120										
Retail		30,250										
Subtotal		190,850										
Private Partner's Parking GSF		117,120										
Parking Spaces		366										
Public Partner's Parking GSF		55,360										
Parking Spaces		173										
Sales Area (GSF)												
Market Rate - Condo		128,480										
Affordable Housing		32,120										
Subtotal		160,600										
Private Parking	2											
Parking-Residential												
Market Rate - Condo		48,960										
Market Rate - Rental		-										
Affordable Housing-Ownership		8,320										
Parking-Residential Storage		-										
Market Rate - Condo		32,640										
Market Rate - Rental		-										
Affordable Housing-Ownership		8,320										
Subtotal		98,240										
Leaseable Areas (LSF)												
Market Rate - Rental		-										
Retail		27,830										
Subtotal		27,830										
Private Parking												
Parking-Retail		18,880										
		18,880										
Public Parking												
Parking-Replacement		55,360										
Parking Surplus (Public Parking)	3	-										
Subtotal		55,360										
Total Garage SF		172,480										

Appraised Land Value	4	\$3,150,000																			
Land Valuation @ 2.5% discount rate	5	\$4,370,196																			
Building Costs																					
Residential																					
Market Rate - Condo	6	11,170,479																			
Market Rate - Rental		-																			
Affordable Housing	7	2,287,929																			
Retail	8	2,158,947																			
Retail TI Allowance		695,750																			
Garage (Private)	9																				
Parking-Residential																					
Market Rate - Condo		2,448,000																			
Market Rate - Rental		-																			
Affordable Housing-Ownership		416,000																			
Parking-Residential Storage																					
Market Rate - Condo		1,632,000																			
Market Rate - Rental		-																			
Affordable Housing-Ownership		416,000																			
Parking-Retail		944,000																			
Garage (Public)																					
TCH Garage Replacement Spaces		2,768,000																			
Subtotal		27,705,105																			
Hard Cost Contingency (3.0%)	10	831,153																		\$ 831,153	
Total Hard Costs																					
Market Rate - Condo		\$ 11,505,593																			
Market Rate - Rental		\$ -																			
Affordable Housing		\$ 2,356,567																			
Retail		\$ 2,940,338																			
Garage (Private)																					
Parking-Residential																					
Market Rate - Condo		\$ 2,521,440																			
Market Rate - Rental		\$ -																			
Affordable Housing-Ownership		\$ 428,480																			
Parking-Residential Storage																					
Market Rate - Condo		\$ 1,680,960																			
Market Rate - Rental		\$ -																			
Affordable Housing-Ownership		\$ 428,480																			
Parking-Retail		\$ 972,320																			
Garage (Public)																					
TCH Garage Replacement Spaces		\$ 2,851,040																			
Subtotal		\$ 25,685,218	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,685,218
Total Hard Costs/Condo Sales GSF		\$ 89.55																			
Total Hard Costs/Affordable Housing GSF		\$ 73.37																			
Total Hard Costs/Retail GSF		\$ 97.20																			

Soft Costs														
Architectural & Engineering	11	\$	1,027,409										\$	1,027,409
A&E Reimbursables	12	\$	102,741											
Consultants & Legal Counsel		\$	110,000											
Performance Bond	13	\$	218,324										\$	218,324
Insurance	14	\$	-										\$	-
Marketing		\$	77,056										\$	77,056
Materials Testing & Inspection		\$	38,528										\$	38,528
Soil Analysis		\$	10,000											
Initial Leasing Commissions (Retail)	15	\$	35,483	\$ 3,977	\$ 1,993	\$ 2,053	\$ 2,114	\$ 121	\$ -	\$ -	\$ -	\$ -	\$	45,741
Town Fees														
Permit Fee		\$	32,907											
Impact Fee	16	\$	-											
Plumbing Fees	17	\$	1,536											
Mechanical Fees		\$	150											
Electrical Fees	18	\$	-											
Development Review Fees	19	\$	20,000											
Site Plan Review	20	\$	34,145											
Traffic Impact Study Fee	21	\$	15,000											
Water Service Availability Fee	22	\$	20,025											
Resd. Sewer Availability Fee	23	\$	1,617											
Non-Resd. Sewer Availability Fee	24	\$	25,678											
Soft Cost Contingency (3%)		\$	53,118										\$	53,118
Total Soft Costs		\$	1,823,716	\$ 3,977	\$ 1,993	\$ 2,053	\$ 2,114	\$ 121	\$ -	\$ -	\$ -	\$ -	\$	1,833,974
Total Hard and Soft Development Costs														
Residential														
Market Rate - Condo		\$	12,147,818											
Market Rate - Rental		\$	-											
Affordable Housing		\$	2,550,070											
Retail		\$	3,125,133											
Garage (Private)														
Parking-Residential														
Market Rate - Condo		\$	2,749,434											
Market Rate - Rental		\$	-											
Affordable Housing-Ownership		\$	467,224											
Parking-Residential Storage														
Market Rate - Condo		\$	1,832,956											
Market Rate - Rental		\$	-											
Affordable Housing-Ownership		\$	467,224											
Parking-Retail		\$	1,060,239											
Garage (Public)														
TCH Garage Replacement Spaces		\$	3,108,837											
Total:		\$	27,508,934	\$ 3,977	\$ 1,993	\$ 2,053	\$ 2,114	\$ 121	\$ -	\$ -	\$ -	\$ -	\$	27,519,192

Footnotes										
1	Gross Land Area.									
2	Assume that Private Parking will be controlled by the Private Partner, including Finance, Development, Construction & Operations									
3	Assume TCH does not want to finance and develop surplus parking.									
4	Source of appraised value: Analytical Consultants Inc. (July 22, 2004 Report).									
5	Present value of appraised value at a discount rate of 2.5% over 30 years.									
6	Assume MR Condos are 83% of the const. estimate provided by McDonald York. Cost for Open Space is allocated to Cost.									
7	Assume Affordable Housing Condos are 17% of the const. estimate provided by McDonald York. Cst for Open Space is allocated to Cost.									
8	Assume cost for Open Space is allocated in the construction estimate from McDonald-York.									
9	McDonald-York specified a \$42.16/SF cost. At the request of Town staff, SPPRE increased to \$50.00/SF. (removed surplus parking)									
10	The Hard Cost Contingency is 3.0% of the Building Costs.									
11	The A&E Fee is 4.0% of Total Hard Construction Cost.									
12	A&E Reimbursables cost covers costs such as reproduction of Construction Documents.									
13	Performance Bonds are a surety company's guarantee of completion or performance of a General Contractor's contract.									
14	Insurance is included in the McDonald-York estimate.									
15	Initial Leasing Commission are accrued in years 1-3 for the Retail component only.									
16	Waived for Town permits?									
17	Inside Town limits: \$6 per fixture, assume 2 fixtures per unit.									
18	TBD-Fee is based on meter/amps.									
19	All Master Land Use Plans- \$5,000 plus \$20 per 100sf of land area.									
20	Site Plan Review Fee: \$1,700 plus \$17 per 100sf of floor area.									
21	Town Charges \$10-\$20k per site for a Consultant to complete a Traffic Impact Study.									
22	Non-Residential Water service availability fee: \$20,025. (Assume 2" meter)									
23	Residential Sewer Service Availability Fee: \$1,617 (5/8" meter multi-family residential)									
24	Non-Residential Sewer availability fee: \$2,568.00. (Assume 2" meter)									
25	This Development fee is 3.50% of the Total Development Budget for Residential/Retail/Garage.									
26	Developer Project Overhead is .75% of the Total Development Budget.									
27	Assume fee of \$1.00 per \$1,000, plus binder fee.									
28	DSRF is a fund for 6-months of Debt Service on permanent loan. (Private Partners option to include)									
29	This is the sum of varying Interest Rates, Terms, and Financing Instruments per project type.									
30	Town cost for 173 underground parking spaces in Lot 5 Garage.									
31	Total Cost for public portion of Garage, including Delta payment to Private Partner for underground spaces.									

Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11		
11	12	13	14	15	16	17	18	19	20	21	22	23	24		
4	4	4	4	4	4	4	4	4	4	4	3	3	3	2	
963,600	963,600	963,600	963,600	963,600	963,600	963,600	963,600	963,600	867,240	677,531	677,531	677,531	451,688		
202,115	202,115	202,115	202,115	202,115	202,115	202,115	202,115	202,115	181,904	142,112	142,112	142,112	94,741		
1,165,715	1,165,715	1,165,715	1,165,715	1,165,715	1,165,715	1,165,715	1,165,715	1,165,715	1,049,144	819,643	819,643	819,643	546,429		
8,657,308	7,991,361	7,325,415	6,659,468	5,993,521	5,327,574	4,661,628	3,995,681	3,329,734	2,663,787	1,997,840	1,331,894	665,947	(0)		
54,386	50,501	46,616	42,732	38,847	34,962	31,078	27,193	23,308	19,423	15,539	11,654	7,769	3,885		
665,947	665,947	665,947	665,947	665,947	665,947	665,947	665,947	665,947	665,947	665,947	665,947	665,947	665,947		
720,332	716,448	712,563	708,678	704,794	700,909	697,024	693,140	689,255	685,370	681,486	677,601	673,716	669,831		
445,383	449,267	453,152	457,037	460,921	464,806	468,691	472,575	476,460	363,773	138,158	142,043	145,927	(123,403)		

Condominium Sales Proforma (Affordable Housing)											
General Inputs			Financial Inputs				Income Factors				
Building value (Affordable Only)	1	\$3,662,396	LTV:		90%		Sales Price/Unit		\$97,866		
Land Lease Payout	2	\$0	Equity		366,240		Price per SF		78.00		
Grant-FHLB (AHP Grant)		\$0	Beginning Loan Amount		3,662,396		Number of Units		26		
Total Value		\$3,662,396	Ending Loan Amount		3,019,758		Sellout Period (years)		2		
Construction (years):		1.5	Senior Mortgage-FNMA (75% of debt)				Gross Sales		2,505,360		
			Interest Rate		4.25%		Cost with Garage Spaces:		\$135,762		
			Term (years)		20						
			Junior Mortgage-FNMA (25% of debt)								
			Interest Rate		2.50%						
			Term (years)		25						
			Quarterly Payment		\$63,350						
	Month	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
		0	1	2	3	4	5	6	7	8	9
Income			2	2	1	1	1	1	1	1	1
Residential	3										
Affordable Condo Home Sales			195,731	195,731	97,866	97,866	97,866	97,866	97,866	97,866	97,866
Garage Parking Sales	4		75,793	75,793	37,897	37,897	37,897	37,897	37,897	37,897	37,897
Cash Flow Before Financing			271,524	271,524	135,762	135,762	135,762	135,762	135,762	135,762	135,762
Interest Calculation During Construction											
Equity		366,240									
Loan Draw											
Balance with Interest											
Interest											
Principle Cumulative Balance		3,019,758	2,893,935	2,768,112	2,642,289	2,516,465	2,390,642	2,264,819	2,138,996	2,013,172	1,887,349
Interest			8,493	8,139	7,785	7,431	7,078	6,724	6,370	6,016	5,662
Principal Reduction			125,823	125,823	125,823	125,823	125,823	125,823	125,823	125,823	125,823
Debt Service			134,316	133,962	133,609	133,255	132,901	132,547	132,193	131,839	131,485
Loan Payoff											
Cash Flow After Financing		(366,240)	137,208	137,562	2,154	2,507	2,861	3,215	3,569	3,923	4,277
Net Profit		37,656									
Return on Equity		10.28%									
Footnotes											
	1	Building value is proportionate to the percentage of Affordable housing in the building.									
	2	Assume Land value cost for Affordable Housing is absorbed by the Market-Rate Condo Development (+\$691,921)									
	3	Assume that the Residents will have an annual association fee covering Exterior maintenance, Insurance, Trash pickup, and Basic Cable.									
	4	Reduced parking allocation to 1.0 spaces per DU from (1.5-HKS).									

Nov-09 10	Dec-09 11	Jan-10 12	Feb-10 13	Mar-10 14	Apr-10 15	May-10 16	Jun-10 17	Jul-10 18	Aug-10 19	Sep-10 20	Oct-10 21	Nov-10 22	Dec-10 23	Jan-11 24		
1	1	1	1	1	1	1	1	1	1	1	1	1	1	1		
97,866	97,866	97,866	97,866	97,866	97,866	97,866	97,866	97,866	97,866	97,866	97,866	97,866	97,866	97,866		
37,897	37,897	37,897	37,897	37,897	37,897	37,897	37,897	37,897	37,897	37,897	37,897	37,897	37,897	37,897		
135,762	135,762	135,762	135,762	135,762	135,762	135,762	135,762	135,762	135,762	135,762	135,762	135,762	135,762	135,762		
1,761,526	1,635,703	1,509,879	1,384,056	1,258,233	1,132,409	1,006,586	880,763	754,940	629,116	503,293	377,470	251,647	125,823	0		
5,308	4,954	4,600	4,247	3,893	3,539	3,185	2,831	2,477	2,123	1,769	1,416	1,062	708	354		
125,823	125,823	125,823	125,823	125,823	125,823	125,823	125,823	125,823	125,823	125,823	125,823	125,823	125,823	125,823		
131,131	130,778	130,424	130,070	129,716	129,362	129,008	128,654	128,300	127,947	127,593	127,239	126,885	126,531	126,177		
4,631	4,985	5,339	5,692	6,046	6,400	6,754	7,108	7,462	7,816	8,170	8,523	8,877	9,231	9,585		

Condominium Construction Loan (Affordable Housing)							
Construction Period:		18 mos					
Sellout:		24 mos					
Land Costs: (1)		\$0					
Building Costs:		\$3,662,396					
Grant-FHLB (AHP Grant)		\$0					
Total Costs:		\$ 3,662,396					
LTV:		90%					
Senior Loan	75%						
Interest Rate:		4.25%					
Debt		\$ 2,472,117					
Equity:		\$ 274,680					
Junior Loan	25%						
Interest Rate:		2.50%					
Debt		\$ 824,039					
Equity:		\$ 91,560					
Combined Construction Loan Draw							
Senior and Junior Loan							
	Date	Construction Cost	Loan Fees (2)	Equity (3)	Loan Draw	Interest	Total Outstanding
		3,296,156	10,415	366,240	2,940,332	79,427	3,019,758
1	Aug-07	183,120	10,415	193,535	-	-	-
2	Sep-07	183,120		172,705	10,415	36	10,451
3	Oct-07	183,120		-	183,120	583	194,154
4	Nov-07	183,120		-	183,120	679	377,953
5	Dec-07	183,120		-	183,120	775	561,847
6	Jan-08	183,120		-	183,120	2,369	747,337
7	Feb-08	183,120		-	183,120	2,959	933,415
8	Mar-08	183,120		-	183,120	3,551	1,120,086
9	Apr-08	183,120		-	183,120	4,144	1,307,349
10	May-08	183,120		-	183,120	4,740	1,495,209
11	Jun-08	183,120		-	183,120	5,337	1,683,666
12	Jul-08	183,120		-	183,120	5,936	1,872,722
13	Aug-08	183,120		-	183,120	6,538	2,062,379
14	Sep-08	183,120		-	183,120	7,141	2,252,640
15	Oct-08	183,120		-	183,120	7,747	2,443,507
16	Nov-08	183,120		-	183,120	8,354	2,634,981
17	Dec-08	183,120		-	183,120	8,963	2,827,064
18	Jan-09	183,120		-	183,120	9,575	3,019,758
Footnotes							
	1 Land costs are included in the Building Cost because the 10% Equity amount does not equal the Land Lease Payment for Affordable Housing.						
	2 The Loan Fees are equal to 3.50% of equity (assume no placement fee for Federal Debt).						
	3 Includes the \$200,000 FHLB Grant (AHP Program) for as non-leveraged equity for Affordable Housing.						

Proforma (10 years)		Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
Retail and Retail Garage Spaces		1	2	3	4	5	6	7	8	9	10
Potential Gross Income											
Retail	1	\$ 695,750	\$ 716,623	\$ 738,121	\$ 760,265	\$ 783,073	\$ 806,565	\$ 830,762	\$ 855,685	\$ 881,355	\$ 907,796
Garage (Retail Spaces)	2	\$ 110,625	\$ 110,625	\$ 110,625	\$ 110,625	\$ 110,625	\$ 110,625	\$ 110,625	\$ 110,625	\$ 110,625	\$ 110,625
Total		\$ 806,375	\$ 827,248	\$ 848,746	\$ 870,890	\$ 893,698	\$ 917,190	\$ 941,387	\$ 966,310	\$ 991,980	\$ 1,018,421
Vacancy/Collections Loss (VCL)	3	\$ 120,956	\$ 82,725	\$ 59,412	\$ 60,962	\$ 62,559	\$ 64,203	\$ 65,897	\$ 67,642	\$ 69,439	\$ 71,289
Vacancy Rate		15%	10%	7%	7%	7%	7%	7%	7%	7%	7%
Effective Gross Income (EGI)		685,419	744,523	789,334	809,928	831,139	852,987	875,490	898,668	922,542	947,131
Non-Tax Income to Town											
Land Lease Payment (Base)	4	\$ 76,689	\$ 76,689	\$ 76,689	\$ 78,982	\$ 78,982	\$ 78,982	\$ 81,343	\$ 81,343	\$ 81,343	\$ 83,776
Total		\$ 76,689	\$ 76,689	\$ 76,689	\$ 78,982	\$ 78,982	\$ 78,982	\$ 81,343	\$ 81,343	\$ 81,343	\$ 83,776
Building Maintenance											
Electrical		\$ 1,531	\$ 1,577	\$ 1,624	\$ 1,673	\$ 1,723	\$ 1,774	\$ 1,828	\$ 1,883	\$ 1,939	\$ 1,997
Plumbing		\$ 668	\$ 688	\$ 709	\$ 730	\$ 752	\$ 774	\$ 798	\$ 821	\$ 846	\$ 871
HVAC		\$ 4,035	\$ 4,156	\$ 4,281	\$ 4,410	\$ 4,542	\$ 4,678	\$ 4,818	\$ 4,963	\$ 5,112	\$ 5,265
Roof		\$ 222	\$ 229	\$ 235	\$ 242	\$ 250	\$ 257	\$ 265	\$ 273	\$ 281	\$ 289
Painting		\$ 195	\$ 201	\$ 207	\$ 213	\$ 220	\$ 226	\$ 233	\$ 240	\$ 247	\$ 255
Canopies/Store Fronts		\$ 577	\$ 594	\$ 612	\$ 630	\$ 649	\$ 669	\$ 689	\$ 709	\$ 731	\$ 753
Other		\$ 444	\$ 457	\$ 471	\$ 485	\$ 499	\$ 514	\$ 530	\$ 546	\$ 562	\$ 579
Total		\$ 7,672	\$ 7,902	\$ 8,139	\$ 8,383	\$ 8,634	\$ 8,893	\$ 9,160	\$ 9,435	\$ 9,718	\$ 10,010
Exterior CAM											
Landscape		\$ 3,145	\$ 3,239	\$ 3,336	\$ 3,436	\$ 3,539	\$ 3,646	\$ 3,755	\$ 3,868	\$ 3,984	\$ 4,103
Trash Removal		\$ 2,393	\$ 2,465	\$ 2,539	\$ 2,615	\$ 2,694	\$ 2,775	\$ 2,858	\$ 2,944	\$ 3,032	\$ 3,123
Sweeping		\$ 1,447	\$ 1,491	\$ 1,535	\$ 1,581	\$ 1,629	\$ 1,678	\$ 1,728	\$ 1,780	\$ 1,833	\$ 1,888
Sidewalk Maintenance		\$ 1,278	\$ 1,316	\$ 1,356	\$ 1,396	\$ 1,438	\$ 1,481	\$ 1,526	\$ 1,572	\$ 1,619	\$ 1,667
Security		\$ 10,993	\$ 11,323	\$ 11,662	\$ 12,012	\$ 12,373	\$ 12,744	\$ 13,126	\$ 13,520	\$ 13,925	\$ 14,343
Lighting		\$ 1,252	\$ 1,290	\$ 1,329	\$ 1,368	\$ 1,410	\$ 1,452	\$ 1,495	\$ 1,540	\$ 1,586	\$ 1,634
Directory/Signs		\$ 151	\$ 155	\$ 160	\$ 165	\$ 170	\$ 175	\$ 180	\$ 186	\$ 191	\$ 197
Electricity		\$ 5,260	\$ 5,418	\$ 5,580	\$ 5,748	\$ 5,920	\$ 6,098	\$ 6,281	\$ 6,469	\$ 6,663	\$ 6,863
Water		\$ 1,171	\$ 1,207	\$ 1,243	\$ 1,280	\$ 1,318	\$ 1,358	\$ 1,399	\$ 1,441	\$ 1,484	\$ 1,528
Other Exterior CAM		\$ 781	\$ 804	\$ 828	\$ 853	\$ 879	\$ 905	\$ 932	\$ 960	\$ 989	\$ 1,019
Fire Monitoring Service		\$ 639	\$ 658	\$ 678	\$ 698	\$ 719	\$ 741	\$ 763	\$ 786	\$ 809	\$ 834
Total		\$ 28,510	\$ 29,366	\$ 30,247	\$ 31,154	\$ 32,089	\$ 33,051	\$ 34,043	\$ 35,064	\$ 36,116	\$ 37,200

General & Administrative											
Management Fee	5	\$ 41,125	\$ 42,359	\$ 42,359	\$ 42,359	\$ 42,359	\$ 42,359	\$ 42,359	\$ 42,359	\$ 42,359	\$ 42,359
Leasing Commissions	6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,057	\$ 2,243	\$ 2,310	\$ 2,380	\$ 2,451
Marketing		\$ 1,171	\$ 1,207	\$ 1,243	\$ 1,280	\$ 1,318	\$ 1,358	\$ 1,399	\$ 1,441	\$ 1,484	\$ 1,528
Property Taxes	7	\$ 74,936	\$ 74,936	\$ 74,936	\$ 77,185	\$ 77,185	\$ 77,185	\$ 79,500	\$ 79,500	\$ 79,500	\$ 81,885
Business & Occupation Tax	8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance		\$ 12,885	\$ 13,272	\$ 13,670	\$ 14,080	\$ 14,503	\$ 14,938	\$ 15,386	\$ 15,847	\$ 16,323	\$ 16,812
Other		\$ 532	\$ 548	\$ 565	\$ 582	\$ 599	\$ 617	\$ 636	\$ 655	\$ 674	\$ 695
Total		\$ 130,651	\$ 132,322	\$ 132,773	\$ 135,485	\$ 135,964	\$ 138,513	\$ 141,522	\$ 142,112	\$ 142,720	\$ 145,731
Town Fees											
Recycling Fee	9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Storm Water Fees	10	\$ 590	\$ 590	\$ 590	\$ 590	\$ 590	\$ 590	\$ 590	\$ 590	\$ 590	\$ 590
Water Service Fee	11	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501
Total		\$ 2,091	\$ 2,091	\$ 2,091	\$ 2,091	\$ 2,091	\$ 2,091	\$ 2,091	\$ 2,091	\$ 2,091	\$ 2,091
Garage O&E											
Operations & Expenses		\$ 32,009	\$ 32,969	\$ 33,958	\$ 34,977	\$ 36,026	\$ 37,107	\$ 38,220	\$ 39,367	\$ 40,548	\$ 41,764
Benefits		\$ 8,730	\$ 8,992	\$ 9,261	\$ 9,539	\$ 9,825	\$ 10,120	\$ 10,424	\$ 10,736	\$ 11,058	\$ 11,390
Utilities		\$ 8,730	\$ 8,992	\$ 9,261	\$ 9,539	\$ 9,825	\$ 10,120	\$ 10,424	\$ 10,736	\$ 11,058	\$ 11,390
Maintenance		\$ 6,547	\$ 6,744	\$ 6,946	\$ 7,154	\$ 7,369	\$ 7,590	\$ 7,818	\$ 8,052	\$ 8,294	\$ 8,543
Taxes		\$ 8,730	\$ 8,992	\$ 9,261	\$ 9,539	\$ 9,825	\$ 10,120	\$ 10,424	\$ 10,736	\$ 11,058	\$ 11,390
Insurance		\$ 5,092	\$ 5,245	\$ 5,402	\$ 5,564	\$ 5,731	\$ 5,903	\$ 6,080	\$ 6,263	\$ 6,451	\$ 6,644
Supplies		\$ 2,182	\$ 2,248	\$ 2,315	\$ 2,385	\$ 2,456	\$ 2,530	\$ 2,606	\$ 2,684	\$ 2,765	\$ 2,848
Miscellaneous		\$ 727	\$ 749	\$ 772	\$ 795	\$ 819	\$ 843	\$ 869	\$ 895	\$ 922	\$ 949
Total		\$ 72,747	\$ 74,929	\$ 77,177	\$ 79,493	\$ 81,877	\$ 84,334	\$ 86,864	\$ 89,470	\$ 92,154	\$ 94,918
Total Operating Expenses											
		\$ 318,360	\$ 323,299	\$ 327,116	\$ 335,588	\$ 339,637	\$ 345,865	\$ 355,024	\$ 359,516	\$ 364,142	\$ 373,725
OER		55%	51%	48%	48%	47%	47%	46%	46%	45%	45%
Net Operating Income (NOI)											
		\$ 367,059	\$ 421,224	\$ 462,218	\$ 474,339	\$ 491,502	\$ 507,122	\$ 520,466	\$ 539,152	\$ 558,399	\$ 573,406
Debt Service											
Debt Service	12	\$ 283,118	\$ 283,118	\$ 283,118	\$ 283,118	\$ 283,118	\$ 283,118	\$ 283,118	\$ 283,118	\$ 283,118	\$ 283,118
CFBTD		\$ 83,940	\$ 138,105	\$ 179,100	\$ 191,221	\$ 208,383	\$ 224,004	\$ 237,348	\$ 256,034	\$ 275,281	\$ 3,024,590
IRR Including Reversion Value											
	14	17.21%									
Return on Cost (ROC)											
	15	9.91%									
Debt Coverage Ratio (DCR)											
		1.30	1.49	1.63	1.68	1.74					
Maximum Loan Amount											
	16	\$ 3,697,745									
(Assume 8.75% cap rate, 70% LTV)											

Reversionary Analysis											
Retail and Retail Garage Spaces											
		Year									
		1	2	3	4	5	6	7	8	9	10
Permanent Loan :		\$ 283,118	\$ 283,118	\$ 283,118	\$ 283,118	\$ 283,118	\$ 283,118	\$ 283,118	\$ 283,118	\$ 283,118	\$ 283,118
\$3,264,109											
NOI		\$ 367,059	\$ 421,224	\$ 462,218	\$ 474,339	\$ 491,502	\$ 507,122	\$ 520,466	\$ 539,152	\$ 558,399	\$ 573,406
Reversion Cash Flow		\$ 4,194,959	\$ 4,813,984	\$ 5,282,493	\$ 5,421,022	\$ 5,617,161	\$ 5,795,680	\$ 5,948,183	\$ 6,161,741	\$ 6,381,706	\$ 6,553,217
Cap Rate	8.75%										
Selling Expense		\$ 125,849	\$ 144,420	\$ 158,475	\$ 162,631	\$ 168,515	\$ 173,870	\$ 178,445	\$ 184,852	\$ 191,451	\$ 196,597
Fee	3%										
Remaining Principal		\$ 3,197,113	\$ 3,145,785	\$ 3,090,736	\$ 3,031,696	\$ 2,968,375	\$ 2,900,464	\$ 2,827,629	\$ 2,749,514	\$ 2,665,735	\$ 2,575,882
Net Proceeds Before Tax		\$ 871,998	\$ 1,523,780	\$ 2,033,282	\$ 2,226,695	\$ 2,480,271	\$ 2,721,346	\$ 2,942,108	\$ 3,227,375	\$ 3,524,520	\$ 3,780,738
Permanent Loan											
Rate (1)	7.25%										
Term	25										
LTV	70%										
Town's Non-Tax Income(2)	20.00%	\$ 174,400	\$ 304,756	\$ 406,656	\$ 445,339	\$ 496,054	\$ 544,269	\$ 588,422	\$ 645,475	\$ 704,904	\$ 756,148
Footnotes											
1 The Interest Rate, Term and LTV, are based on Realty Rates.com Commercial Mortgage rates and terms sheet included in this binder.											
2 Town will receive 20% from Sale of Retail and Retail Garage component, assume year 10.											

Town Non-Tax Income/Tax Revenue											
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income To City											
Property Taxes	1										
Market Rate - Condo		298,778	298,778	298,778	307,742	307,742	307,742	316,974	316,974	316,974	326,483
Market Rate - Rental		-	-	-	-	-	-	-	-	-	-
Affordable Housing-Ownership		62,883	62,883	62,883	64,770	64,770	64,770	66,713	66,713	66,713	68,714
Retail		74,936	74,936	74,936	77,185	77,185	77,185	79,500	79,500	79,500	81,885
Total Property Tax		436,598	436,598	436,598	449,696	449,696	449,696	463,187	463,187	463,187	477,083
Property Tax Allocations											
Orange County		223,766	223,766	223,766	230,479	230,479	230,479	237,393	237,393	237,393	244,515
Chapel Hill/Carrboro School District		50,856	50,856	50,856	52,382	52,382	52,382	53,953	53,953	53,953	55,572
Chapel Hill City Revitalization		146,211	146,211	146,211	150,597	150,597	150,597	155,115	155,115	155,115	159,768
Downtown Revitalization District		15,765	15,765	15,765	16,238	16,238	16,238	16,725	16,725	16,725	17,227
Property Tax Income Available		161,976	161,976	161,976	166,835	166,835	166,835	171,840	171,840	171,840	176,996
Non-Tax Income											
Land Lease Payment (Condo Units & Garage)	2	\$ 2,981,105									
Town Sale Proceeds (year 4)	3				\$ 867,111						
Land Lease Payment (Affordable Units & Garage)		\$ 691,921									
Base Rent (Retail Component)	4	\$ 76,689	\$ 76,689	\$ 76,689	\$ 78,982	\$ 78,982	\$ 78,982	\$ 81,343	\$ 81,343	\$ 81,343	\$ 83,776
Potential Retail Component Sale Income	5										\$ 756,148
Parking Income		\$ 186,645	\$ 188,512	\$ 190,397	\$ 192,301	\$ 194,224	\$ 196,166	\$ 198,128	\$ 200,109	\$ 202,110	\$ 204,131
Total Non-Tax Income		\$ 3,936,359	\$ 265,201	\$ 267,086	\$ 1,138,393	\$ 273,206	\$ 275,148	\$ 279,471	\$ 281,452	\$ 283,454	\$ 1,044,054
Total Income to TCH from Lot 5		\$ 4,098,335	\$ 427,177	\$ 429,062	\$ 1,305,229	\$ 440,041	\$ 441,983	\$ 451,312	\$ 453,293	\$ 455,294	\$ 1,221,050
Lot 5 Current Income		\$ 125,000	\$ 125,000	\$ 125,000	\$ 128,738	\$ 128,738	\$ 128,738	\$ 132,587	\$ 132,587	\$ 132,587	\$ 136,551
Town Opportunity Cost for Lot 5 Land Investment		3279%	342%	343%	1014%	342%	343%	340%	342%	343%	894%
Town Cost for Lot 5 Garage Portion	6	\$ 3,425,566									
Town Cost for Lot 5 Delta Δ	7	\$ 2,543,074									
Subtotal		\$ 5,968,640									

Footnotes											
1	\$1.717	per \$100	of Assessed Value								
	0.88000		Orange County								
	0.20000		Chapel Hill/Carrboro School District								
	0.57500		Chapel Hill City Revitalization								
	0.06200		Downtown Revitalization District								
	\$1.71700		Total Property Tax:								
	This includes the cost of the Garage in each Use Type (Excludes Debt & Equity Placement Fee and Interest during Construction).										
	Property Taxes increase 3% every 3 years.										
2	Land Lease Payment for Developer to build Condo Units and required parking on Lot 5.										
3	Town will receive 20% of sale proceeds upon Market-Rate Condo sellout.										
4	Retail Base Rent is increased every 3 yr by the 2004 CPI at 2.99%. (Land lease payment (base rent) would continue after sale).										
5	This assumes a possible sale of the Retail and Retail Garage Component in Year 10.										
6	This is the Town's portion of the Total Development Cost for the Lot 5 Garage (173 replacement spaces).										
7	This is the difference the in cost the developer incurs as a result of having to build underground vs. above ground parking at Lot 5.										

Wallace Deck Expansion

Development Scenario: C-3

Wallace Deck Development (Phase 1B)



Finance Model

Downtown Chapel Hill Projects

Town of Chapel Hill, North Carolina

Contents:	Page
Building Program	1
Development Budget	2-6
Condominium Sales Proforma (Market-Rate)	7-8
Condominium Construction Loan (Market Rate)	9
Condominium Sales Proforma (Affordable Housing)	10-11
Condominium Construction Loan (Affordable Housing)	12-13
Proforma (10 years) (Retail and Retail Garage Spaces)	14-16
Reversionary Analysis (Retail and Retail Garage Spaces)	17
Income Assumptions-Garage	18
Town Non-Tax Income/Tax Revenue	19



Stainback Public/Private Real Estate (SPPRE)
www.sppre.com

Wallace Deck Extension

Building Program						
	Type of Use	Gross SF	Units	Efficiency	Lease SF	Sales SF
Wallace	Residential					
	Market Rate - Condo	109,120	87	1.00		109,120
	Market Rate - Rental	-	-	0.92	-	
	Affordable Housing-Ownership	1 27,280	22	1.00		27,280
	Retail	4,000	-	0.92	3,680	
	Open Space	12,200	-	-	-	
	Subtotal	152,600	109		3,680	136,400
Wallace Garage	Private Parking					
Above-Grade	Parking-Residential					
	Market Rate - Condo	41,920	131	1.00		41,920
	Market Rate - Rental	-	-	1.00	-	
	Affordable Housing-Ownership	10,560	33	1.00		10,560
	Parking-Residential Storage	2				
	Market Rate - Condo	-	-	1.00		-
	Market Rate - Rental	-	-	1.00	-	
	Affordable Housing-Ownership	-	-	1.00		-
	Parking-Retail	2,560	8	1.00	2,560	
	Subtotal	55,040	172		2,560	52,480
	Public Parking					
	Parking-Replacement	3 72,960	228	1.00	72,960	
	Subtotal	72,960	228		72,960	
	Total Parking upon completion	128,000	400	-	75,520	
	Total GSF	280,600				
	Parking Space/SF	320				
	Average SF per Residential Unit	1,251				
	Footnotes					
		1 Allocation of 20% to Affordable Housing.				
		2 Assume that there is not Storage at Wallace Deck.				
		3 Assume that the 92 space Public Parking Deficit will be transferred to RBC Garage.				

Wallace Deck Extension

Development Budget												
		<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Total</u>
Site/Building Data												
Total Gross Land Area	1	52,272										
Gross Areas (GSF)												
Market Rate - Condo		109,120										
Market Rate - Rental		-										
Affordable Housing		27,280										
Retail		4,000										
Subtotal		140,400										
Private Partner's Parking GSF		55,040										
Parking Spaces		172										
Public Partner's Parking GSF		72,960										
Parking Spaces		228										
Sales Area (GSF)												
Market Rate - Condo		109,120										
Affordable Housing		27,280										
Subtotal		136,400										
Private Parking	2											
Parking-Residential												
Market Rate - Condo		25,600										
Market Rate - Rental		-										
Subtotal		25,600										
Leaseable Areas (LSF)												
Market Rate - Rental		-										
Retail		3,680										
Subtotal		3,680										
Private Parking												
Parking-Residential												
Affordable Housing-Ownership		10,560										
Parking-Residential Storage												
Market Rate - Condo		-										
Market Rate - Rental		-										
Affordable Housing-Ownership		-										
Parking-Retail		2,560										
		13,120										

Wallace Deck Extension

Soil Analysis		\$	10,000											
Initial Leasing Commissions (Retail)	14	\$	4,317	\$ 484	\$ 242	\$ 250	\$ 257	\$ 15	\$ -	\$ -	\$ -	\$ -	\$ 5,565	
Town Fees														
Permit Fee		\$	19,033											
Impact Fee	15	\$	-											
Plumbing Fees	16	\$	1,308											
Mechanical Fees		\$	150											
Electrical Fees	17	\$	-											
Development Review Fees	18	\$	15,454											
Site Plan Review	19	\$	25,568											
Traffic Impact Study Fee	20	\$	15,000											
Water Service Availability Fee	21	\$	20,025											
Resd. Sewer Availability Fee	22	\$	1,617											
Non-Resd. Sewer Availability Fee	23	\$	25,678											
Soft Cost Contingency (3%)		\$	32,387										\$ 32,387	
Total Soft Costs		\$	1,111,955	\$ 484	\$ 242	\$ 250	\$ 257	\$ 15	\$ -	\$ -	\$ -	\$ -	\$ 1,113,203	
Total Hard and Soft Development Costs														
Residential														
Market Rate - Condo		\$	11,629,347											
Market Rate - Rental		\$	-											
Affordable Housing		\$	2,414,939											
Retail		\$	414,530											
Garage (Private)														
Parking-Residential														
Market Rate - Condo		\$	1,239,422											
Market Rate - Rental		\$	-											
Affordable Housing-Ownership		\$	-											
Parking-Residential Storage														
Market Rate - Condo		\$	-											
Market Rate - Rental		\$	-											
Affordable Housing-Ownership		\$	-											
Parking-Retail		\$	-											
Garage (Public)														
TCH Garage Replacement Spaces		\$	1,111,955											
Total:		\$	16,810,193	\$ 484	\$ 242	\$ 250	\$ 257	\$ 15	\$ -	\$ -	\$ -	\$ -	\$ 16,811,441	

Footnotes	
1	Land Area as 1.2 Acres.
2	Assume that Private Parking will be controlled by the Private Partner, including Finance, Development, Construction & Operations
3	Assume TCH does not want to finance and develop surplus parking.
4	Land Value plus Air Rights, have been assumed at \$38/SF.
5	Land Valuation using a 2.5% discount rate for 30 years, and 9% Land Lease Payment.
5	Assume MR Condos are 83% of the const. estimate provided by McDonald York. Cost or Open Space is allocated to Cost.
6	Assume Aff. Housing Condos are 17% of the const. estimate provided by McDonald York. Cost for Open Space is allocated to Cost.
7	Assume cost for Open Space is allocated in the construction estimate from McDonald-York.
8	\$42.16/SF per McDonald-York revised estimate on 9-10-04. (removed surplus parking cost)
9	The Hard Cost Contingency is 3.0% of the Building Costs.
10	The A&E Fee is 4.0% of Total Hard Construction Cost.
11	A&E Reimbursables cost covers costs such as reproduction of Construction Documents.
12	Performance Bonds are a surety company's guarantee of completion or performance of a General Contractor's contract.
13	Insurance is included in the McDonald-York estimate.
14	Initial Leasing Commission are accrued in years 1-3 for the Retail component only.
15	Waived for Town permits?
16	Inside Town limits: \$6 per fixture, assume 2 fixtures per unit.
17	TBD-Fee is based on meter/amps.
18	All Master Land Use Plans- \$5,000 plus \$20 per 100sf of land area.
19	Site Plan Review Fee: \$1,700 plus \$17 per 100sf of floor area.
20	Town Charges \$10-\$20k per site for a Consultant to complete a Traffic Impact Study.
21	Non-Residential Water service availability fee: \$20,025. (Assume 2" meter)
22	Residential Sewer Service Availability Fee: \$1,617 (5/8" meter multi-family residential)
23	Non-Residential Sewer availability fee: \$2,568.00. (Assume 2" meter)
24	This Development fee is 3.50% of the Total Development Budget for Residential/Retail/Garage.
25	Developer Project Overhead is .75% of the Total Development Budget.
26	Assume fee of \$1.00 per \$1,000, plus binder fee.
27	DSRF is a fund for 6-months of Debt Service on permanent loan. (Private Partners option to include)
28	This is the sum of varying Interest Rates, Terms, and Financing Instruments per project type.
29	Total Cost for Project Components including Garage Costs (where applicable)

Wallace Deck Extension

Dec-09 11	Jan-10 12	Feb-10 13	Mar-10 14	Apr-10 15	May-10 16	Jun-10 17	Jul-10 18	Aug-10 19	Sep-10 20	Oct-10 21	Nov-10 22	Dec-10 23	Jan-11 24	
4	4	4	4	4	4	4	4	4	4	3	3	3	2	
818,400	818,400	818,400	818,400	818,400	818,400	818,400	818,400	818,400	818,400	736,560	675,743	675,743	675,743	450,495
0	0	0	0	0	0	0	0	0	0	0	0	0	0	
818,400	818,400	818,400	818,400	818,400	818,400	818,400	818,400	818,400	736,560	675,743	675,743	675,743	450,495	
6,643,660	6,132,610	5,621,559	5,110,508	4,599,457	4,088,406	3,577,356	3,066,305	2,555,254	2,044,203	1,533,152	1,022,102	511,051	(0)	
41,736	38,755	35,774	32,792	29,811	26,830	23,849	20,868	17,887	14,906	11,925	8,943	5,962	2,981	
511,051	511,051	511,051	511,051	511,051	511,051	511,051	511,051	511,051	511,051	511,051	511,051	511,051	511,051	
552,787	549,805	546,824	543,843	540,862	537,881	534,900	531,919	528,938	525,956	522,975	519,994	517,013	514,032	
265,613	268,595	271,576	274,557	277,538	280,519	283,500	286,481	289,462	210,604	152,768	155,749	158,730	(63,537)	

Wallace Deck Extension

Condominium Sales Proforma (Affordable Housing)											
General Inputs			Financial Inputs				Income Factors				
Building value (Affordable Only)	1	2,535,118	LTV:		90%		Sales Price/Unit		\$97,607		
Land Lease Payout	2	-	Equity		223,512		Price per SF		78.00		
Grant-FHLB (AHP Grant)		300,000	Beginning Loan Amount		2,235,118		Number of Units		22		
Total Value		2,235,118	Ending Loan Amount		1,842,924		Sellout Period (months)		22		
Construction (years):		1.5	Senior Mortgage-FNMA (75% of debt)				Gross Sales		2,127,840		
			Interest Rate		4.25%		Cost with Garage Spaces:		97,607		
			Term (years)		20						
			Junior Mortgage-FNMA (25% of debt)								
			Interest Rate		2.50%						
			Term (years)		25						
			Quarterly Payment		\$38,662						
			Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09
	Month		0	1	2	3	4	5	6	7	8
Income			1	1	1	1	1	1	1	1	1
Residential	3										
Affordable Condo Home Sales			97,607	97,607	97,607	97,607	97,607	97,607	97,607	97,607	97,607
Garage Parking Sales	4		0	0	0	0	0	0	0	0	0
Cash Flow Before Financing			97,607	97,607	97,607	97,607	97,607	97,607	97,607	97,607	97,607
Interest Calculation During Construction											
Equity		223,512									
Loan Draw											
Balance with Interest											
Interest											
Principle Cumulative Balance		1,842,924	1,759,155	1,675,386	1,591,616	1,507,847	1,424,078	1,340,308	1,256,539	1,172,770	
Interest			5,183	4,948	4,712	4,476	4,241	4,005	3,770	3,534	
Principal Reduction			83,769	83,769	83,769	83,769	83,769	83,769	83,769	83,769	
Debt Service			88,953	88,717	88,481	88,246	88,010	87,774	87,539	87,303	
Loan Payoff											
Cash Flow After Financing		(223,512)	8,655	8,890	9,126	9,362	9,597	9,833	10,068	10,304	
Net Profit		21,318									
Return on Equity		9.54%									
Footnotes											
	1	Building value is proportionate to the percentage of Affordable housing in the building.									
	2	Land Value is absorbed by the Market Rate Condo Units at Wallace.									
	3	Assume that the Residents will have an annual association fee covering Exterior maintenance, Insurance, Trash pickup, and Basic Cable.									
	4	Assume that Residents will Lease required spaces, including storage spaces, from Town in Wallace Garage.									

Wallace Deck Extension

Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10
9	10	11	12	13	14	15	16	17	18	19	20	21	22
1	1	1	1	1	1	1	1	1	1	1	1	1	1
97,607	97,607	97,607	97,607	97,607	97,607	97,607	97,607	97,607	97,607	97,607	97,607	97,607	97,607
0	0	0	0	0	0	0	0	0	0	0	0	0	0
97,607	97,607	97,607	97,607	97,607	97,607	97,607	97,607	97,607	97,607	97,607	97,607	97,607	97,607
1,089,001	1,005,231	921,462	837,693	753,924	670,154	586,385	502,616	418,846	335,077	251,308	167,539	83,769	0
3,298	3,063	2,827	2,592	2,356	2,120	1,885	1,649	1,414	1,178	942	707	471	236
83,769	83,769	83,769	83,769	83,769	83,769	83,769	83,769	83,769	83,769	83,769	83,769	83,769	83,769
87,068	86,832	86,596	86,361	86,125	85,890	85,654	85,418	85,183	84,947	84,712	84,476	84,240	84,005
10,540	10,775	11,011	11,246	11,482	11,718	11,953	12,189	12,424	12,660	12,896	13,131	13,367	13,602

Condominium Construction Loan (Affordable Housing)							
Construction Period:		18 mos					
Sellout:		24 mos					
Land Costs: (1)		-					
Building Costs:		\$ 2,535,118					
Grant-FHLB (AHP Grant)		\$ 300,000					
Total Costs:		\$ 2,235,118					
LTV:		90%					
Senior Loan	75%						
Interest Rate:		4.25%					
Debt		\$ 1,508,705					
Equity:		\$ 167,634					
Junior Loan	25%						
Interest Rate:		2.50%					
Debt		\$ 502,902					
Equity:		\$ 55,878					
Combined Construction Loan Draw							
Senior and Junior Loan							
	Date	Construction Cost	Loan Fees (2)	Equity (3)	Loan Draw	Interest	Total Outstanding
		2,011,607	6,356	223,512	1,794,451	48,473	1,842,924
1	Aug-07	111,756	6,356	118,112	-	-	-
2	Sep-07	111,756		105,400	6,356	22	6,378
3	Oct-07	111,756		-	111,756	356	118,490
4	Nov-07	111,756		-	111,756	414	230,660
5	Dec-07	111,756		-	111,756	473	342,889
6	Jan-08	111,756		-	111,756	1,446	456,091
7	Feb-08	111,756		-	111,756	1,806	569,653
8	Mar-08	111,756		-	111,756	2,167	683,575
9	Apr-08	111,756		-	111,756	2,529	797,860
10	May-08	111,756		-	111,756	2,892	912,509
11	Jun-08	111,756		-	111,756	3,257	1,027,522
12	Jul-08	111,756		-	111,756	3,623	1,142,901
13	Aug-08	111,756		-	111,756	3,990	1,258,647
14	Sep-08	111,756		-	111,756	4,358	1,374,761
15	Oct-08	111,756		-	111,756	4,728	1,491,244
16	Nov-08	111,756		-	111,756	5,098	1,608,099
17	Dec-08	111,756		-	111,756	5,470	1,725,325
18	Jan-09	111,756		-	111,756	5,843	1,842,924

Footnotes												
	1	Land costs are included in the Building Cost because the 10% Equity amount does not equal the Land Lease Payment for Affordable Housing.										
	2	The Loan Fees are equal to 3.50% of equity, (assume no debt fees on Federal Loans).										
	3	Includes the \$300,000 FHLB Grant (AHP Program) for as non-leveraged equity for Affordable Housing.										

Wallace Deck Extension

Proforma (10 years)		Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
Retail and Retail Garage Spaces		1	2	3	4	5	6	7	8	9	10
Potential Gross Income											
Retail	1	\$ 84,640	\$ 87,179	\$ 89,795	\$ 92,488	\$ 95,263	\$ 98,121	\$ 101,065	\$ 104,097	\$ 107,219	\$ 110,436
Garage (Retail Spaces)	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total		\$ 84,640	\$ 87,179	\$ 89,795	\$ 92,488	\$ 95,263	\$ 98,121	\$ 101,065	\$ 104,097	\$ 107,219	\$ 110,436
Vacancy/Collections Loss (VCL)	3	\$ 12,696	\$ 8,718	\$ 6,286	\$ 6,474	\$ 6,668	\$ 6,868	\$ 7,075	\$ 7,287	\$ 7,505	\$ 7,731
Vacancy Rate		15%	10%	7%	7%	7%	7%	7%	7%	7%	7%
Effective Gross Income (EGI)		71,944	78,461	83,509	86,014	88,595	91,252	93,990	96,810	99,714	102,705
Non-Tax Income to Town											
Land Lease Payment (Base)	4	\$ 7,373	\$ 7,373	\$ 7,373	\$ 7,593	\$ 7,593	\$ 7,593	\$ 7,820	\$ 7,820	\$ 7,820	\$ 8,054
Total		\$ 7,373	\$ 7,373	\$ 7,373	\$ 7,593	\$ 7,593	\$ 7,593	\$ 7,820	\$ 7,820	\$ 7,820	\$ 8,054
Building Maintenance											
Electrical		\$ 202	\$ 208	\$ 215	\$ 221	\$ 228	\$ 235	\$ 242	\$ 249	\$ 256	\$ 264
Plumbing		\$ 88	\$ 91	\$ 94	\$ 97	\$ 99	\$ 102	\$ 105	\$ 109	\$ 112	\$ 115
HVAC		\$ 534	\$ 550	\$ 566	\$ 583	\$ 601	\$ 619	\$ 637	\$ 656	\$ 676	\$ 696
Roof		\$ 29	\$ 30	\$ 31	\$ 32	\$ 33	\$ 34	\$ 35	\$ 36	\$ 37	\$ 38
Painting		\$ 26	\$ 27	\$ 27	\$ 28	\$ 29	\$ 30	\$ 31	\$ 32	\$ 33	\$ 34
Canopies/Store Fronts		\$ 76	\$ 79	\$ 81	\$ 83	\$ 86	\$ 88	\$ 91	\$ 94	\$ 97	\$ 100
Other		\$ 59	\$ 60	\$ 62	\$ 64	\$ 66	\$ 68	\$ 70	\$ 72	\$ 74	\$ 77
Total		\$ 1,014	\$ 1,045	\$ 1,076	\$ 1,108	\$ 1,142	\$ 1,176	\$ 1,211	\$ 1,248	\$ 1,285	\$ 1,324
Exterior CAM											
Landscape		\$ 416	\$ 428	\$ 441	\$ 454	\$ 468	\$ 482	\$ 497	\$ 511	\$ 527	\$ 543
Trash Removal		\$ 316	\$ 326	\$ 336	\$ 346	\$ 356	\$ 367	\$ 378	\$ 389	\$ 401	\$ 413
Sweeping		\$ 191	\$ 197	\$ 203	\$ 209	\$ 215	\$ 222	\$ 228	\$ 235	\$ 242	\$ 250
Sidewalk Maintenance		\$ 169	\$ 174	\$ 179	\$ 185	\$ 190	\$ 196	\$ 202	\$ 208	\$ 214	\$ 220
Security		\$ 1,454	\$ 1,497	\$ 1,542	\$ 1,588	\$ 1,636	\$ 1,685	\$ 1,736	\$ 1,788	\$ 1,841	\$ 1,897
Lighting		\$ 166	\$ 171	\$ 176	\$ 181	\$ 186	\$ 192	\$ 198	\$ 204	\$ 210	\$ 216
Directory/Signs		\$ 20	\$ 21	\$ 21	\$ 22	\$ 22	\$ 23	\$ 24	\$ 25	\$ 25	\$ 26
Electricity		\$ 696	\$ 716	\$ 738	\$ 760	\$ 783	\$ 806	\$ 830	\$ 855	\$ 881	\$ 907
Water		\$ 155	\$ 160	\$ 164	\$ 169	\$ 174	\$ 180	\$ 185	\$ 191	\$ 196	\$ 202
Other Exterior CAM		\$ 103	\$ 106	\$ 110	\$ 113	\$ 116	\$ 120	\$ 123	\$ 127	\$ 131	\$ 135
Fire Monitoring Service		\$ 84	\$ 87	\$ 90	\$ 92	\$ 95	\$ 98	\$ 101	\$ 104	\$ 107	\$ 110
Total		\$ 3,770	\$ 3,883	\$ 4,000	\$ 4,120	\$ 4,243	\$ 4,370	\$ 4,502	\$ 4,637	\$ 4,776	\$ 4,919

Wallace Deck Extension

General & Administrative											
Management Fee	5	\$ 4,317	\$ 4,446	\$ 4,446	\$ 4,446	\$ 4,446	\$ 4,446	\$ 4,446	\$ 4,446	\$ 4,446	\$ 4,446
Leasing Commissions	6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250	\$ 273	\$ 281	\$ 289	\$ 298
Marketing		\$ 155	\$ 160	\$ 164	\$ 169	\$ 174	\$ 180	\$ 185	\$ 191	\$ 196	\$ 202
Property Taxes	7	\$ 7,420	\$ 7,420	\$ 7,420	\$ 7,643	\$ 7,643	\$ 7,643	\$ 7,872	\$ 7,872	\$ 7,872	\$ 8,108
Business & Occupation Tax	8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance		\$ 1,704	\$ 1,755	\$ 1,808	\$ 1,862	\$ 1,918	\$ 1,975	\$ 2,034	\$ 2,096	\$ 2,158	\$ 2,223
Other		\$ 70	\$ 73	\$ 75	\$ 77	\$ 79	\$ 82	\$ 84	\$ 87	\$ 89	\$ 92
Total		\$ 13,666	\$ 13,853	\$ 13,913	\$ 14,197	\$ 14,260	\$ 14,575	\$ 14,894	\$ 14,972	\$ 15,051	\$ 15,370
Town Fees											
Recycling Fee	9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Storm Water Fees	10	\$ 78	\$ 78	\$ 78	\$ 78	\$ 78	\$ 78	\$ 78	\$ 78	\$ 78	\$ 78
Water Service Fee	11	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501
Total		\$ 1,579	\$ 1,579	\$ 1,579	\$ 1,579	\$ 1,579	\$ 1,579	\$ 1,579	\$ 1,579	\$ 1,579	\$ 1,579
Total Operating Expenses											
		\$ 27,402	\$ 27,733	\$ 27,941	\$ 28,597	\$ 28,818	\$ 29,294	\$ 30,007	\$ 30,256	\$ 30,512	\$ 31,245
OER		38%	35%	33%	33%	33%	32%	32%	31%	31%	30%
Net Operating Income (NOI)											
		\$ 44,542	\$ 50,728	\$ 55,568	\$ 57,417	\$ 59,777	\$ 61,958	\$ 63,983	\$ 66,554	\$ 69,202	\$ 71,460
Debt Service	12	\$ 28,034	\$ 28,034	\$ 28,034	\$ 28,034	\$ 28,034	\$ 28,034	\$ 28,034	\$ 28,034	\$ 28,034	\$ 28,034
CFBTD		\$ 16,508	\$ 22,694	\$ 27,534	\$ 29,383	\$ 31,743	\$ 33,924	\$ 35,949	\$ 38,520	\$ 41,169	\$ 429,701
IRR Including Reversion Value	14	25.05%									
Return on Cost (ROC)	15	12.03%									
Debt Coverage Ratio (DCR)		1.59	1.81	1.98	2.05	2.13					
Maximum Loan Amount	16	\$ 444,546									
(Assume 8.75% cap rate, 70% LTV)											

Wallace Deck Extension

Reversionary Analysis											
Retail and Retail Garage Spaces											
		Year									
		1	2	3	4	5	6	7	8	9	10
Permanent Loan :		\$ 28,034	\$ 28,034	\$ 28,034	\$ 28,034	\$ 28,034	\$ 28,034	\$ 28,034	\$ 28,034	\$ 28,034	\$ 28,034
\$323,205											
NOI		\$ 44,542	\$ 50,728	\$ 55,568	\$ 57,417	\$ 59,777	\$ 61,958	\$ 63,983	\$ 66,554	\$ 69,202	\$ 71,460
Reversion Cash Flow		\$ 509,047	\$ 579,749	\$ 635,066	\$ 656,192	\$ 683,167	\$ 708,092	\$ 731,237	\$ 760,620	\$ 790,884	\$ 816,686
Cap Rate	8.75%										
Selling Expense		\$ 15,271	\$ 17,392	\$ 19,052	\$ 19,686	\$ 20,495	\$ 21,243	\$ 21,937	\$ 22,819	\$ 23,727	\$ 24,501
Fee	3%										
Remaining Principal		\$ 316,572	\$ 311,489	\$ 306,038	\$ 300,192	\$ 293,922	\$ 287,198	\$ 279,986	\$ 272,251	\$ 263,956	\$ 255,059
Net Proceeds Before Tax		\$ 177,204	\$ 250,867	\$ 309,975	\$ 336,314	\$ 368,750	\$ 399,652	\$ 429,313	\$ 465,550	\$ 503,202	\$ 537,127
Permanent Loan											
Rate (1)	7.25%										
Term	25										
LTV	70%										
Town's Non-Tax Income(2)	20.00%	\$ 35,441	\$ 50,173	\$ 61,995	\$ 67,263	\$ 73,750	\$ 79,930	\$ 85,863	\$ 93,110	\$ 100,640	\$ 107,425
Footnotes											
		1 The Interest Rate, Term and LTV, are based on Realty Rates.com Commercial Mortgage rates and terms sheet included in this binder.									
		2 Town will receive 20% from Sale of Retail and Retail Garage component, assume year 10.									

Wallace Deck Extension

Income Assumptions-Garage												
Income Assumptions for PRIVATE Portion:												
Assume that the 80 spaces the Private Partner builds as the Wallace St. Extension are sold with the Market Rate Condominium Sales.												
Income Assumptions for PUBLIC Portion:												
Public Parking Operations												
# of Monthly Spaces (From Wallace Demand)	1	92										
Monthly Parking Rate		\$45										
Occupancy Factor		90%										
Subtotal (Annual)		44,712										
# of Remaining Public Spaces (upon completion)	2	228										
# of Hourly Spaces	3	236										
Hourly Parking Rate		\$1.60										
Number of Non-work Days per year		115										
Non-work Days Parking Hours		14										
Non-work Day Occupancy Factor	4	75%										
Subtotal		455,952										
Number of workdays per year		250										
Workday Parking Hours		10										
Work Day Occupancy Factor		75%										
Subtotal		708,000										
Annual Income to City from Lot 5 Garage		1,208,664										
Garage Operating Expenses	5	65%										
Net Income		\$423,032										
Footnotes												
1 Monthly Parking space demand from Wallace St. Garage is the total demand (172), minus the Deck Extension (80)												
2 Amount of existing public parking spaces in Wallace Garage after completion. (Includes Resid, Storage, and Retail parking demand)												
3 Equals Remaining spaces plus Retail spaces (8)												
4 Include a Vacancy factor for income assumptions for both Public and Private Components.												
5 Assume a Operating Expense Ratio (OER). Private Garages are typically 40% of Gross Income, assume Town is 65% Expenses.												

Wallace Deck Extension

Town Non-Tax Income/Tax Revenue											
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income To City											
Property Taxes	1										
Market Rate - Condo		231,147	231,147	231,147	238,082	238,082	238,082	245,224	245,224	245,224	252,581
Market Rate - Rental		-	-	-	-	-	-	-	-	-	-
Affordable Housing-Ownership		43,528	43,528	43,528	44,834	44,834	44,834	46,179	46,179	46,179	47,564
Retail		7,420	7,420	7,420	7,643	7,643	7,643	7,872	7,872	7,872	8,108
Total Property Tax		282,095	282,095	282,095	290,558	290,558	290,558	299,275	299,275	299,275	308,253
Property Tax Allocations											
Orange County		144,580	144,580	144,580	148,917	148,917	148,917	153,385	153,385	153,385	157,986
Chapel Hill/Carrboro School District		32,859	32,859	32,859	33,845	33,845	33,845	34,860	34,860	34,860	35,906
Chapel Hill City Revitalization		94,470	94,470	94,470	97,304	97,304	97,304	100,223	100,223	100,223	103,230
Downtown Revitalization District		10,186	10,186	10,186	10,492	10,492	10,492	10,807	10,807	10,807	11,131
Property Tax Income Available		104,656	104,656	104,656	107,796	107,796	107,796	111,030	111,030	111,030	114,361
Non-Tax Income											
Land Lease Payment (Condo Units & Garage)	2	\$ 2,257,383									
Town Sale Proceeds (year 4)	3				\$ 921,496						
Land Lease Payment (Affordable Units & Garage)		\$ 457,107									
Land Lease Payment (Retail Component)	4	\$ 7,373	\$ 7,373	\$ 7,373	\$ 7,593	\$ 7,593	\$ 7,593	\$ 7,820	\$ 7,820	\$ 7,820	\$ 8,054
Potential Retail Component Sale Income	5										\$ 107,425
Parking Income		\$ 423,032	\$ 427,263	\$ 431,535	\$ 435,851	\$ 440,209	\$ 444,611	\$ 449,057	\$ 453,548	\$ 458,083	\$ 462,664
Total Non-Tax Income		\$ 3,144,894	\$ 434,635	\$ 438,908	\$ 1,364,940	\$ 447,802	\$ 452,204	\$ 456,878	\$ 461,368	\$ 465,904	\$ 578,144
Total Income to TCH from Wallace		\$ 3,249,550	\$ 539,292	\$ 543,564	\$ 1,472,736	\$ 555,598	\$ 560,000	\$ 567,907	\$ 572,398	\$ 576,933	\$ 692,504
Footnotes											
	1	\$1.717 per \$100 of Assessed Value									
		0.88000	Orange County								
		0.20000	Chapel Hill/Carrboro School District								
		0.57500	Chapel Hill City Revitalization								
		0.06200	Downtown Revitalization District								
		\$1.71700	Total Property Tax:								
		This includes the cost of the Garage in each Use Type. Property Taxes increase 3% every 3 years.									
	2	Land Lease Payment for Developer to build Condo Units and required parking on Wallace.									
	3	Town will receive 20% of sale proceeds upon sellout of the Market-Rate Condos.									
	4	Retail Base Rent is increased every 3 yr by the 2004 CPI at 2.99%. (Land lease payment (base rent) would continue after sale).									
	5	This assumes a possible sale of the Retail and Retail Garage Component in Year 10.									
	6	Wallace Deck is currently operating in a deficit, so the revenue above debt service is the opportunity cost.									

Lot 2 Development

Development Scenario: C-3

Lot 2 Development (Phase 2A)



Finance Model

Downtown Chapel Hill Projects

Town of Chapel Hill, North Carolina

Contents:	Page
Building Program	1
Development Budget	2-8
Condominium Sales Proforma (Market-Rate)	9-10
Condominium Construction Loan (Market Rate)	11
Condominium Sales Proforma (Affordable Housing)	12-13
Condominium Construction Loan (Affordable Housing)	14
Proforma (10 years) (Retail and Retail Garage Spaces)	15-17
Reversionary Analysis (Retail and Retail Garage Spaces)	18
Income Assumptions-Garage	19
Town Non-Tax Income/Tax Revenue	20-21



Stainback Public/Private Real Estate (SPPRE)
www.sppre.com

Lot 2

Building Program							
	Type of Use	Gross SF	Units	Efficiency	Lease SF	Sales SF	
Lot 2	Residential						
	Market Rate - Condo	67,840	54	1.00		67,840	
	Market Rate - Rental	-	-	0.92	-		
	Affordable Housing-Ownership	16,960	14	1.00		16,960	
	Retail	20,100	-	0.92	18,492		
	Open Space	14,600	-	-	-		
	Subtotal	119,500	68		18,492	84,800	
	Transit Transfer Center	43,560					
	Total GSF	164,300					
	Parking Space/SF	320					
	Average SF per Residential Unit	1,247					
	Footnotes						
		1. Allocation of 20% to Affordable Housing.					

Development Budget												
		<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Total</u>
Site/Building Data												
Total Gross Land Area	1	42,000										
Gross Areas (GSF)												
Market Rate - Condo		67,840										
Market Rate - Rental		-										
Affordable Housing		16,960										
Retail		20,100										
Subtotal		104,900										
Private Partner's Parking GSF		44,800										
Parking Spaces		140										
Public Partner's Parking GSF		-										
Parking Spaces		-										
Sales Area (GSF)												
Market Rate - Condo		67,840										
Affordable Housing		16,960										
Subtotal		84,800										
Private Parking												
Parking-Residential												
Market Rate - Condo		-										
Market Rate - Rental		-										
Subtotal		-										
Leaseable Areas (LSF)												
Market Rate - Rental		-										
Retail		18,492										
Subtotal		18,492										

Total Hard Costs/Condo Sales GSF		\$	105.64											
Total Hard Costs/Affordable Housing GSF		\$	86.55											
Total Hard Costs/Retail GSF		\$	123.41											
Soft Costs														
Architectural & Engineering	8	\$	444,592											\$ 444,592
A&E Reimbursables	9	\$	44,459											
Consultants & Legal Counsel		\$	110,000											
Performance Bond	10	\$	94,476											\$ 94,476
Insurance	11	\$	-											\$ -
Marketing		\$	33,344											\$ 33,344
Materials Testing & Inspection		\$	16,672											\$ 16,672
Soil Analysis		\$	10,000											
Initial Leasing Commissions (Retail)	12	\$	22,634	\$ 2,537	\$ 1,271	\$ 1,309	\$ 1,349	\$ 77	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,178
Town Fees														
Permit Fee		\$	14,694											
Impact Fee	13	\$	-											
Plumbing Fees	14	\$	816											
Mechanical Fees		\$	150											
Electrical Fees	15	\$	-											
Development Review Fees	16	\$	13,400											
Site Plan Review	17	\$	19,533											
Traffic Impact Study Fee	18	\$	15,000											
Water Service Availability Fee	19	\$	20,025											
Resd. Sewer Availability Fee	20	\$	1,617											
Non-Resd. Sewer Availability Fee	21	\$	25,678											
Soft Cost Contingency (3%)		\$	26,613											\$ 26,613
Total Soft Costs		\$	913,704	\$ 2,537	\$ 1,271	\$ 1,309	\$ 1,349	\$ 77	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 920,247
Total Hard and Soft Development Costs														
Residential														
Market Rate - Condo		\$	7,757,296											
Market Rate - Rental		\$	-											
Affordable Housing		\$	1,615,541											
Retail		\$	2,655,676											
Garage (Private)														
Parking-Residential														
Market Rate - Condo		\$	-											
Market Rate - Rental		\$	-											
Affordable Housing-Ownership		\$	-											
Parking-Residential Storage														
Market Rate - Condo		\$	-											
Market Rate - Rental		\$	-											
Affordable Housing-Ownership		\$	-											

Lot 2

Parking-Retail	\$	-											
Garage (Public)													
TCH Garage Replacement Spaces	\$	-											
Total:	\$	12,028,513	\$ 2,537	\$ 1,271	\$ 1,309	\$ 1,349	\$ 77	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,035,056

Indirect Costs																
Development Fee	22	\$	421,227													
Developer Project Overhead	23	\$	90,263													
Title Insurance	24	\$	12,035													
Debt Service Reserve Fund	25	\$	-													
Total:		\$	523,525													
Equity and Debt Placement Fees																
Market Rate Condos & Parking																
Equity Placement Fee:		\$	85,007													
Debt Placement Fee:		\$	99,174													
Affordable Housing & Parking																
Equity Placement Fee		\$	5,951													
Retail & Retail Parking																
Equity Placement Fee:		\$	28,938													
Debt Placement Fee:		\$	33,761													
Interest During Construction																
(Public and Private)	26		#REF!													
Total Development Cost																
Residential																
Market Rate - Condo		\$	8,613,667													
Market Rate - Rental		\$	-													
Affordable Housing		\$	1,750,862													
Retail		\$	2,944,568													
Total:			#REF!													
Total Dev. Cost per Market-Rate Condo Unit		\$	158,339													
Total Dev. Cost per Market-Affordable Unit		\$	128,740													
Total Development Cost/Condo GSF		\$	126.97													
Total Development Cost/Affordable GSF		\$	103.23													
Total Development Cost/Retail GSF		\$	146.50													
Total Development Cost:																
Public Partner-Transit Transfer Center	0	\$	2,141,037													

Footnotes	
1	Land Area as 1.1 Acres.
2	Source of appraised value: Analytical Consultants Inc. (July 22, 2004 Report). SPPRE has increased the price by %
3	Assume a discount rate of 2.5% on the estimated Land Lease payments at 9% of appraised value.
4	Assume MR Condos are 83% of the const. estimate provided by McDonald York. Cost for Open Space is allocated to Cost.
5	Assume Aff. Housing Condos are 17% of the const. estimate provided by McDonald York. Cost for Open Space is allocated to Cost.
6	Assume cost for Open Space is allocated in the construction estimate from McDonald-York.
7	The Hard Cost Contingency is 3.0% of the Building Costs.
8	The A&E Fee is 4.0% of Total Hard Construction Cost.
9	A&E Reimbursables cost covers costs such as reproduction of Construction Documents.
10	Performance Bonds are a surety company's guarantee of completion or performance of a General Contractor's contract.
11	Insurance is included in the McDonald-York estimate.
12	Initial Leasing Commission are accrued in years 1-3 for the Retail component only.
13	Waived for Town permits?
14	Inside Town limits: \$6 per fixture, assume 2 fixtures per unit.
15	TBD-Fee is based on meter/amps.
16	All Master Land Use Plans- \$5,000 plus \$20 per 100sf of land area.
17	Site Plan Review Fee: \$1,700 plus \$17 per 100sf of floor area.
18	Town Charges \$10-\$20k per site for a Consultant to complete a Traffic Impact Study.
19	Non-Residential Water service availability fee: \$20,025. (Assume 2" meter)
20	Residential Sewer Service Availability Fee: \$1,617 (5/8" meter multi-family residential)
21	Non-Residential Sewer availability fee: \$2,568.00. (Assume 2" meter)
22	This Development fee is 3.50% of the Total Development Budget for Residential/Retail/Garage.
23	Developer Project Overhead is .75% of the Total Development Budget.
24	Assume fee of \$1.00 per \$1,000, plus binder fee.
25	DSRF is a fund for 6-months of Debt Service on permanent loan. (Private Partners option to include)
26	This is the sum of varying Interest Rates, Terms, and Financing Instruments per project type.

Condominium Sales Proforma (Market-Rate)												
General Inputs			Financial Inputs				Income Factors					
Building value (Market Rate Only)	1	8,095,865	LTV:				70%	Sales Price/Unit	\$224,471			
Land Lease Payout		1,448,968	Equity				2,863,450	Price per SF	180.00			
Total Value		9,544,833	Beginning Loan Amount				6,681,383	Number of Units	54			
Construction (years):		1.5	Ending Loan Amount				7,232,149	Sellout Period (years)	2			
			Interest Rate				7.00%	Gross Sales	12,211,200			
			Term				30					
			Quarterly Payment				133,354					
Month		Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06
		0	1	2	3	4	5	6	7	8	9	10
Income		3	3	3	3	3	3	3	3	3	2	2
Residential	2											
Market Rate Condo Home Sales			673,412	673,412	673,412	673,412	673,412	673,412	673,412	673,412	508,800	508,800
Garage Parking Sales	3		0	0	0	0	0	0	0	0	0	0
Cash Flow Before Financing			673,412	673,412	673,412	673,412	673,412	673,412	673,412	673,412	508,800	508,800
Interest Calculation During Construction												
Equity		2,863,450										
Loan Draw												
Balance with Interest												
Interest												
Principle Cumulative Balance		7,232,149	6,930,810	6,629,470	6,328,131	6,026,791	5,725,452	5,424,112	5,122,773	4,821,433	4,520,093	4,218,754
Interest			42,188	40,430	38,672	36,914	35,156	33,398	31,641	29,883	28,125	26,367
Principal Reduction			301,340	301,340	301,340	301,340	301,340	301,340	301,340	301,340	301,340	301,340
Debt Service			343,527	341,769	340,011	338,254	336,496	334,738	332,980	331,222	329,465	327,707
Loan Payoff												
Cash Flow After Financing		(2,863,450)	329,885	331,642	333,400	335,158	336,916	338,674	340,432	342,189	179,335	181,093
Profit		1,483,503										
Sale Payment to TCH	4	296,701	20%									
Net Profit		1,186,803										
Return on Equity		41.45%										
Footnotes												
		1 Building value is the ratio of SF to total building cost as estimated by McDonald-York										
		2 Assume that the Residents will have an annual association fee covering Exterior maintenance, Insurance, Trash pickup, and Basic Cable.										
		3 Parking Spaces will be leased from the Town and located at RBC Garage for Lot 2 Demand. Total (140)										
		4 20% of the Profits will goto the Town at Sale. The Land Lease Payment made to the town is in month 1 from Equity Funding.										

Dec-06 11	Jan-07 12	Feb-07 13	Mar-07 14	Apr-07 15	May-07 16	Jun-07 17	Jul-07 18	Aug-07 19	Sep-07 20	Oct-07 21	Nov-07 22	Dec-07 23	Jan-08 24
2	2	2	2	2	2	2	2	2	1	1	1	1	1
508,800	508,800	508,800	508,800	508,800	508,800	508,800	508,800	508,800	224,471	224,471	224,471	224,471	224,471
0	0	0	0	0	0	0	0	0	0	0	0	0	0
508,800	508,800	508,800	508,800	508,800	508,800	508,800	508,800	508,800	224,471	224,471	224,471	224,471	224,471
3,917,414	3,616,075	3,314,735	3,013,396	2,712,056	2,410,716	2,109,377	1,808,037	1,506,698	1,205,358	904,019	602,679	301,340	(0)
24,609	22,852	21,094	19,336	17,578	15,820	14,063	12,305	10,547	8,789	7,031	5,273	3,516	1,758
301,340	301,340	301,340	301,340	301,340	301,340	301,340	301,340	301,340	301,340	301,340	301,340	301,340	301,340
325,949	324,191	322,433	320,676	318,918	317,160	315,402	313,644	311,886	310,129	308,371	306,613	304,855	303,097
182,851	184,609	186,367	188,124	189,882	191,640	193,398	195,156	196,914	(85,658)	(83,900)	(82,142)	(80,385)	(78,627)

Condominium Construction Loan (Market Rate)							
Construction Period:		18	mos				
Sellout:		24	mos				
Land Costs: (1)		1,448,968					
Building Costs:	\$	8,095,865					
Total Costs:	\$	9,544,833					
LTV:		70%					
Interest Rate:		7.00%					
Debt	\$	6,681,383					
Equity:	\$	2,863,450					
	Date	Construction Cost	Loan Fees (3)	Equity	Loan Draw	Interest	Total Outstanding
		9,544,833	217,145	2,863,450	6,898,528	333,621	7,232,149
1	Jul-04	1,898,738	217,145	2,115,883	-	-	-
2	Aug-04	449,770		449,770	-	-	-
3	Sep-04	449,770		297,796	151,974	887	152,860
4	Oct-04	449,770		-	449,770	2,624	605,254
5	Nov-04	449,770		-	449,770	2,624	1,057,648
6	Dec-04	449,770		-	449,770	8,793	1,516,212
7	Jan-05	449,770		-	449,770	11,468	1,977,450
8	Feb-05	449,770		-	449,770	14,159	2,441,379
9	Mar-05	449,770		-	449,770	16,865	2,908,015
10	Apr-05	449,770			449,770	19,587	3,377,372
11	May-05	449,770			449,770	22,325	3,849,467
12	Jun-05	449,770			449,770	25,079	4,324,317
13	Jul-05	449,770			449,770	27,849	4,801,936
14	Aug-05	449,770			449,770	30,635	5,282,341
15	Sep-05	449,770			449,770	33,437	5,765,549
16	Oct-05	449,770			449,770	36,256	6,251,575
17	Nov-05	449,770			449,770	39,091	6,740,436
18	Dec-05	449,770			449,770	41,943	7,232,149
Footnotes							
	1	Land costs are included in the Total Development budget and are equal to the percentage of Market Rate Condo use in the building, (80%).					
	3	The Loan Fees are equal to 3.50% of equity and 1.75% of debt.					

Oct-06 9	Nov-06 10	Dec-06 11	Jan-07 12	Feb-07 13	Mar-07 14	Apr-07 15	May-07 16	Jun-07 17	Jul-07 18	Aug-07 19	Sep-07 20	Oct-07 21	Nov-07 22
1	1	1	1	1	1	1	1	1	1	1	1	1	1
89,788 0	89,788 0	89,788 0	89,788 0	89,788 0	89,788 0	89,788 0	89,788 0	89,788 0	89,788 0	89,788 0	89,788 0	89,788 0	89,788 0
89,788	89,788	89,788	89,788	89,788	89,788	89,788	89,788	89,788	89,788	89,788	89,788	89,788	89,788
1,004,861	927,564	850,267	772,970	695,673	618,376	541,079	463,782	386,485	309,188	231,891	154,594	77,297	(0)
3,044	2,826	2,609	2,391	2,174	1,957	1,739	1,522	1,304	1,087	870	652	435	217
77,297	77,297	77,297	77,297	77,297	77,297	77,297	77,297	77,297	77,297	77,297	77,297	77,297	77,297
80,341	80,123	79,906	79,688	79,471	79,254	79,036	78,819	78,601	78,384	78,167	77,949	77,732	77,514
9,448	9,665	9,882	10,100	10,317	10,535	10,752	10,969	11,187	11,404	11,622	11,839	12,056	12,274

Condominium Construction Loan (Affordable Housing)							
Construction Period:		18 mos					
Sellout:		24 mos					
Land Costs: (1)		-					
Building Costs:		\$ 2,062,425					
Grant-FHLB (AHP Grant)		\$ -					
Total Costs:		\$ 2,062,425					
LTV:		90%					
Senior Loan	75%						
Interest Rate:		4.25%					
Debt		\$ 1,392,137					
Equity:		\$ 154,682					
Junior Loan	25%						
Interest Rate:		2.50%					
Debt		\$ 464,046					
Equity:		\$ 51,561					
Combined Construction Loan Draw							
Senior and Junior Loan							
	Date	Construction Cost	Loan Fees (2)	Equity (3)	Loan Draw	Interest	Total Outstanding
		1,856,183	5,865	206,243	1,655,805	44,728	1,700,533
1	Jul-04	103,121	5,865	108,986	-	-	-
2	Aug-04	103,121		97,256	5,865	20	5,885
3	Sep-04	103,121		-	103,121	329	109,335
4	Oct-04	103,121		-	103,121	382	212,839
5	Nov-04	103,121		-	103,121	436	316,396
6	Dec-04	103,121		-	103,121	1,334	420,852
7	Jan-05	103,121		-	103,121	1,666	525,639
8	Feb-05	103,121		-	103,121	1,999	630,760
9	Mar-05	103,121		-	103,121	2,334	736,215
10	Apr-05	103,121		-	103,121	2,669	842,005
11	May-05	103,121		-	103,121	3,005	948,132
12	Jun-05	103,121		-	103,121	3,343	1,054,596
13	Jul-05	103,121		-	103,121	3,682	1,161,399
14	Aug-05	103,121		-	103,121	4,021	1,268,542
15	Sep-05	103,121		-	103,121	4,362	1,376,026
16	Oct-05	103,121		-	103,121	4,704	1,483,851
17	Nov-05	103,121		-	103,121	5,048	1,592,020
18	Dec-05	103,121		-	103,121	5,392	1,700,533

Footnotes														
	1	Land costs are included in the Building Cost because the 10% Equity amount does not equal the Land Lease Payment for Affordable Housing.												
	2	The Loan Fees are equal to 3.50% of debt and .00% of equity.												
	3	Includes the \$200,000 FHLB Grant (AHP Program) for as non-leveraged equity for Affordable Housing.												

Proforma (10 years)		Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
Retail and Retail Garage Spaces		1	2	3	4	5	6	7	8	9	10
Potential Gross Income											
Retail	1	\$ 443,808	\$ 457,122	\$ 470,836	\$ 484,961	\$ 499,510	\$ 514,495	\$ 529,930	\$ 545,828	\$ 562,203	\$ 579,069
Garage (Retail Spaces)	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total		\$ 443,808	\$ 457,122	\$ 470,836	\$ 484,961	\$ 499,510	\$ 514,495	\$ 529,930	\$ 545,828	\$ 562,203	\$ 579,069
Vacancy/Collections Loss (VCL)	3	\$ 66,571	\$ 45,712	\$ 32,959	\$ 33,947	\$ 34,966	\$ 36,015	\$ 37,095	\$ 38,208	\$ 39,354	\$ 40,535
Vacancy Rate		15%	10%	7%	7%	7%	7%	7%	7%	7%	7%
Effective Gross Income (EGI)		377,237	411,410	437,877	451,014	464,544	478,480	492,835	507,620	522,849	538,534
Non-Tax Income to Town											
Land Lease Payment (Base)	4	\$ 47,224	\$ 47,224	\$ 47,224	\$ 48,636	\$ 48,636	\$ 48,636	\$ 50,090	\$ 50,090	\$ 50,090	\$ 51,588
Total		\$ 47,224	\$ 47,224	\$ 47,224	\$ 48,636	\$ 48,636	\$ 48,636	\$ 50,090	\$ 50,090	\$ 50,090	\$ 51,588
Building Maintenance											
Electrical		\$ 1,017	\$ 1,048	\$ 1,079	\$ 1,111	\$ 1,145	\$ 1,179	\$ 1,214	\$ 1,251	\$ 1,288	\$ 1,327
Plumbing		\$ 444	\$ 457	\$ 471	\$ 485	\$ 500	\$ 514	\$ 530	\$ 546	\$ 562	\$ 579
HVAC		\$ 2,681	\$ 2,762	\$ 2,845	\$ 2,930	\$ 3,018	\$ 3,108	\$ 3,202	\$ 3,298	\$ 3,397	\$ 3,499
Roof		\$ 147	\$ 152	\$ 156	\$ 161	\$ 166	\$ 171	\$ 176	\$ 181	\$ 187	\$ 192
Painting		\$ 130	\$ 134	\$ 138	\$ 142	\$ 146	\$ 150	\$ 155	\$ 160	\$ 164	\$ 169
Canopies/Store Fronts		\$ 383	\$ 395	\$ 407	\$ 419	\$ 431	\$ 444	\$ 458	\$ 471	\$ 486	\$ 500
Other		\$ 295	\$ 304	\$ 313	\$ 322	\$ 332	\$ 342	\$ 352	\$ 363	\$ 373	\$ 385
Total		\$ 5,097	\$ 5,250	\$ 5,408	\$ 5,570	\$ 5,737	\$ 5,909	\$ 6,087	\$ 6,269	\$ 6,457	\$ 6,651
Exterior CAM											
Landscape		\$ 2,090	\$ 2,152	\$ 2,217	\$ 2,283	\$ 2,352	\$ 2,422	\$ 2,495	\$ 2,570	\$ 2,647	\$ 2,726
Trash Removal		\$ 1,590	\$ 1,638	\$ 1,687	\$ 1,738	\$ 1,790	\$ 1,844	\$ 1,899	\$ 1,956	\$ 2,015	\$ 2,075
Sweeping		\$ 962	\$ 990	\$ 1,020	\$ 1,051	\$ 1,082	\$ 1,115	\$ 1,148	\$ 1,183	\$ 1,218	\$ 1,255
Sidewalk Maintenance		\$ 849	\$ 875	\$ 901	\$ 928	\$ 956	\$ 984	\$ 1,014	\$ 1,044	\$ 1,076	\$ 1,108
Security		\$ 7,304	\$ 7,523	\$ 7,749	\$ 7,982	\$ 8,221	\$ 8,468	\$ 8,722	\$ 8,983	\$ 9,253	\$ 9,531
Lighting		\$ 832	\$ 857	\$ 883	\$ 909	\$ 937	\$ 965	\$ 994	\$ 1,023	\$ 1,054	\$ 1,086
Directory/Signs		\$ 100	\$ 103	\$ 106	\$ 110	\$ 113	\$ 116	\$ 120	\$ 123	\$ 127	\$ 131
Electricity		\$ 3,495	\$ 3,600	\$ 3,708	\$ 3,819	\$ 3,934	\$ 4,052	\$ 4,173	\$ 4,298	\$ 4,427	\$ 4,560
Water		\$ 778	\$ 802	\$ 826	\$ 851	\$ 876	\$ 902	\$ 929	\$ 957	\$ 986	\$ 1,016
Other Exterior CAM		\$ 519	\$ 534	\$ 551	\$ 567	\$ 584	\$ 602	\$ 620	\$ 638	\$ 657	\$ 677
Fire Monitoring Service		\$ 425	\$ 437	\$ 450	\$ 464	\$ 478	\$ 492	\$ 507	\$ 522	\$ 538	\$ 554
Total		\$ 18,944	\$ 19,512	\$ 20,098	\$ 20,701	\$ 21,322	\$ 21,961	\$ 22,620	\$ 23,299	\$ 23,998	\$ 24,718

General & Administrative											
Management Fee	5	\$ 22,634	\$ 23,313	\$ 23,313	\$ 23,313	\$ 23,313	\$ 23,313	\$ 23,313	\$ 23,313	\$ 23,313	\$ 23,313
Leasing Commissions	6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,312	\$ 1,431	\$ 1,474	\$ 1,518	\$ 1,563
Marketing		\$ 778	\$ 802	\$ 826	\$ 851	\$ 876	\$ 902	\$ 929	\$ 957	\$ 986	\$ 1,016
Property Taxes	7	\$ 47,320	\$ 47,320	\$ 47,320	\$ 48,740	\$ 48,740	\$ 48,740	\$ 50,202	\$ 50,202	\$ 50,202	\$ 51,708
Business & Occupation Tax	8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance		\$ 8,562	\$ 8,819	\$ 9,083	\$ 9,356	\$ 9,636	\$ 9,926	\$ 10,223	\$ 10,530	\$ 10,846	\$ 11,171
Other		\$ 354	\$ 364	\$ 375	\$ 387	\$ 398	\$ 410	\$ 422	\$ 435	\$ 448	\$ 462
Total		\$ 79,649	\$ 80,618	\$ 80,918	\$ 82,646	\$ 82,964	\$ 84,603	\$ 86,521	\$ 86,911	\$ 87,313	\$ 89,233
Town Fees											
Recycling Fee	9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Storm Water Fees	10	\$ 392	\$ 392	\$ 392	\$ 392	\$ 392	\$ 392	\$ 392	\$ 392	\$ 392	\$ 392
Water Service Fee	11	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501	\$ 1,501
Total		\$ 1,893	\$ 1,893	\$ 1,893	\$ 1,893	\$ 1,893	\$ 1,893	\$ 1,893	\$ 1,893	\$ 1,893	\$ 1,893
Total Operating Expenses											
		\$ 152,807	\$ 154,498	\$ 155,541	\$ 159,446	\$ 160,552	\$ 163,003	\$ 167,212	\$ 168,463	\$ 169,752	\$ 174,083
OER		41%	38%	36%	35%	35%	34%	34%	33%	32%	32%
Net Operating Income (NOI)											
		\$ 224,429	\$ 256,912	\$ 282,336	\$ 291,568	\$ 303,992	\$ 315,477	\$ 325,623	\$ 339,157	\$ 353,097	\$ 364,451
Debt Service											
Debt Service	12	\$ 178,782	\$ 178,782	\$ 178,782	\$ 178,782	\$ 178,782	\$ 178,782	\$ 178,782	\$ 178,782	\$ 178,782	\$ 178,782
CFBTD		\$ 45,648	\$ 78,130	\$ 103,555	\$ 112,786	\$ 125,210	\$ 136,696	\$ 146,841	\$ 160,375	\$ 174,315	\$ 1,930,876
IRR Including Reversion Value											
	14	16.76%									
Return on Cost (ROC)											
	15	9.59%									
Debt Coverage Ratio (DCR)											
		1.26	1.44	1.58	1.63	1.70					
Maximum Loan Amount											
	16	\$ 2,258,692									
(Assume 8.75% cap rate, 70% LTV)											

Reversionary Analysis											
Retail and Retail Garage Spaces											
		Year									
		1	2	3	4	5	6	7	8	9	10
Permanent Loan :		\$ 178,782	\$ 178,782	\$ 178,782	\$ 178,782	\$ 178,782	\$ 178,782	\$ 178,782	\$ 178,782	\$ 178,782	\$ 178,782
\$2,061,198											
NOI		\$ 224,429	\$ 256,912	\$ 282,336	\$ 291,568	\$ 303,992	\$ 315,477	\$ 325,623	\$ 339,157	\$ 353,097	\$ 364,451
Reversion Cash Flow		\$ 2,564,908	\$ 2,936,132	\$ 3,226,703	\$ 3,332,200	\$ 3,474,194	\$ 3,605,455	\$ 3,721,408	\$ 3,876,078	\$ 4,035,389	\$ 4,165,150
Cap Rate	8.75%										
Selling Expense		\$ 76,947	\$ 88,084	\$ 96,801	\$ 99,966	\$ 104,226	\$ 108,164	\$ 111,642	\$ 116,282	\$ 121,062	\$ 124,954
Fee	3%										
Remaining Principal		\$ 2,018,891	\$ 1,986,479	\$ 1,951,717	\$ 1,914,435	\$ 1,874,449	\$ 1,831,565	\$ 1,785,572	\$ 1,736,244	\$ 1,683,340	\$ 1,626,601
Net Proceeds Before Tax		\$ 469,069	\$ 861,569	\$ 1,178,185	\$ 1,317,800	\$ 1,495,519	\$ 1,665,726	\$ 1,824,194	\$ 2,023,552	\$ 2,230,987	\$ 2,413,595
Permanent Loan											
Rate (1)	7.25%										
Term	25										
LTV	70%										
Town's Non-Tax Income(2)	20.00%	\$ 93,814	\$ 172,314	\$ 235,637	\$ 263,560	\$ 299,104	\$ 333,145	\$ 364,839	\$ 404,710	\$ 446,197	\$ 482,719
Footnotes											
1 The Interest Rate, Term and LTV, are based on Realty Rates.com Commercial Mortgage rates and terms sheet included in this binder.											
2 Town will receive 20% from Sale of Retail and Retail Garage component, assume year 10.											

Income Assumptions-Garage																		
Income Assumptions for PRIVATE Portion:																		
Assume that the 140 spaces from the Demand at Lot 2 are leased at RBC Garage.																		
Income Assumptions for PUBLIC Portion:																		
Public Parking Operations																		
# of Monthly Spaces (From Lot 2 Demand)	1	102																
Monthly Parking Rate		\$45																
Occupancy Factor		90%																
Subtotal (Annual)		49,572																
# of Hourly Spaces	2	38																
Hourly Parking Rate		\$1.60																
Number of Non-work Days per year		115																
Non-work Days Parking Hours		14																
Non-work Day Occupancy Factor	3	75%																
Subtotal		73,416																
Number of workdays per year		250																
Workday Parking Hours		10																
Work Day Occupancy Factor		75%																
Subtotal		114,000																
Annual Income to City from Lot 2 Development		236,988																
Garage Operating Expenses	4	65%																
Net Income		\$82,946																
Footnotes																		
			1	Monthly Parking space demand from Lot 2 is the total Residential and Retail demand. We have assumed no storage at RBC.														
			2	Equals Retail spaces transferring to RBC Garage from Lot 2 Retail demand. (38)														
			3	Include a Vacancy factor for income assumptions for both Public and Private Components.														
			4	Assume a Operating Expense Ratio (OER). Private Garages are typically 40% of Gross Income, assume Town is 65% Expenses.														

Town Non-Tax Income/Tax Revenue											
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Transit Transfer Center		\$ (2,141,037)									
Income To City											
Property Taxes	1										
Market Rate - Condo		139,006	139,006	139,006	143,176	143,176	143,176	147,471	147,471	147,471	151,896
Market Rate - Rental		-	-	-	-	-	-	-	-	-	-
Affordable Housing-Ownership		29,192	29,192	29,192	30,068	30,068	30,068	30,970	30,970	30,970	31,899
Retail		47,320	47,320	47,320	48,740	48,740	48,740	50,202	50,202	50,202	51,708
Total Property Tax		215,518	215,518	215,518	221,984	221,984	221,984	228,644	228,644	228,644	235,503
Property Tax Allocations											
Orange County		110,458	110,458	110,458	113,772	113,772	113,772	117,185	117,185	117,185	120,700
Chapel Hill/Carrboro School District		25,104	25,104	25,104	25,857	25,857	25,857	26,633	26,633	26,633	27,432
Chapel Hill City Revitalization		72,174	72,174	72,174	74,339	74,339	74,339	76,570	76,570	76,570	78,867
Downtown Revitalization District		7,782	7,782	7,782	8,016	8,016	8,016	8,256	8,256	8,256	8,504
Property Tax Income Available		79,956	79,956	79,956	82,355	82,355	82,355	84,826	84,826	84,826	87,371
Non-Tax Income											
Land Lease Payment (Condo Units & Garage)	2	\$ 1,448,968									
Town Sale Proceeds MR-Condo (year 4)	3				\$ 296,701						
Land Lease Payment (Affordable Units & Garage)		\$ 362,242	\$ -								
Base Rent (Retail Component)	4	\$ 47,224	\$ 47,224	\$ 47,224	\$ 48,636	\$ 48,636	\$ 48,636	\$ 50,090	\$ 50,090	\$ 50,090	\$ 51,588
Potential Retail Component Sale Income	5										\$ 482,719
Parking Income (From Lot 2 Demand to RBC)		\$ 82,946	\$ 83,775	\$ 84,613	\$ 85,459	\$ 86,314	\$ 87,177	\$ 88,049	\$ 88,929	\$ 89,818	\$ 90,717
Total Non-Tax Income		\$ 1,941,380	\$ 130,999	\$ 131,837	\$ 430,796	\$ 134,950	\$ 135,813	\$ 138,139	\$ 139,019	\$ 139,909	\$ 625,023
Total Income to TCH from Wallace		\$ 2,021,336	\$ 210,956	\$ 211,793	\$ 513,151	\$ 217,305	\$ 218,168	\$ 222,965	\$ 223,845	\$ 224,734	\$ 712,394
Lot 2 Current Current Income	6	\$ 285,000	\$ 285,000	\$ 285,000	\$ 293,522	\$ 293,522	\$ 293,522	\$ 302,298	\$ 302,298	\$ 302,298	\$ 311,336
Town Opportunity Cost for Lot 2 Land Investment		709%	74%	74%	175%	74%	74%	74%	74%	74%	229%
Footnotes											
	1	\$1.717 per \$100 of Assessed Value									
		0.88000	Orange County								
		0.20000	Chapel Hill/Carrboro School District								
		0.57500	Chapel Hill City Revitalization								
		0.06200	Downtown Revitalization District								
		\$1.71700	Total Property Tax:								
		This includes the cost of the Garage in each Use Type. Property Taxes increase 3% every 3 years.									

Lot 2

	2	Land Lease Payment for Developer to build Condo Units and required parking on Lot 2.								
	3	Town will receive 20% of sale proceeds upon sellout of the Market-Rate Condos.								
	4	Retail Base Rent is increased every 3 yr by the 2004 CPI at 2.99%. (Land lease payment (base rent) would continue after sale)								
	5	This assumes a possible sale of the Retail and Retail Garage Component in Year 10.								
	6	Lot 2 Current Revenues								

RBC Garage

Development Scenario: C-3 RBC Garage (Phase 2B)



Finance Model Downtown Chapel Hill Projects Town of Chapel Hill, North Carolina

Contents: Page

Building Program	1
Total Development Budget	2-3
Proforma (20 Years)	4-5
Finance	6
Income Assumptions	7
Town Non-Tax/Tax Income	8



Stainback Public/Private Real Estate LLC (SPPRE)

RBC Garage

Building Program								
	Type of Use				Gross SF	Units	Efficiency	Lease SF
RBC	Retail Space-Ground Level	1			8,400		0.92	7,728
	Parking-Market Rate Condos (Lot 2)	2			25,920	81	1.00	25,920
	Parking-Affordable Housing (Lot 2)				6,720	21	1.00	6,720
	Parking-Retail (Lot2)				12,160	38	1.00	12,160
	Parking-Retail (RBC)				3,200	10	1.00	3,200
	Parking-Replacement (Wallace)				29,120	91	1.00	29,120
	Parking-Replacement (Lot 2)				32,320	101	1.00	32,320
	Totals after completion				109,440	342		109,440
	Total GSF				117,840			
	Parking Space/SF	3			320			
	Footnotes	1			Retail Space on Ground Level. (6 level garage / 5.5 levels of parking)			
		2			Replacement spaces from Lot 2.			
		3			Parking SF used by McDonald York			

Total Development Budget		<u>Total</u>											
Site/Building Data													
Total Land Area GSF			26,055										
Value of Opinion	1	\$	990,090										
McDonald York Cost Estimates													
RBC Garage per SF	2	\$	35.00										
Lot 2 Retail per SF	3	\$	72.95										
Building Costs													
RBC Garage Cost		\$	3,830,400										
Retail	4	\$	612,780										
Retail TI	5	\$	193,200										
Total		\$	4,636,380										
Hard Cost Contingency (3.0%)													
		\$	139,091										
RBC Garage Cost		\$	3,945,312										
Retail		\$	631,163										
Retail TI		\$	198,996										
Total Hard Costs		\$	4,775,471										
Total Hard Construction Costs/Garage GSF		\$	43.64										
Soft Costs													
Architectural & Engineering		\$	100,000										
A&E Reimbursables		\$	10,000										
Bonds		\$	80,000										
Materials Testing & Inspection		\$	50,000										
Leasing Commissions		\$	11,592										
Demolition & Sitework		\$	100,000										
Soil Analysis		\$	10,000										
Soft Cost Contingency (3%)		\$	10,848										
Total		\$	372,440										
RBC Garage Cost		\$	4,253,007										
Retail		\$	894,904										
Total Hard and Soft Development Costs		\$	5,147,911										
Total Development Cost (Inc. Land)		\$	6,138,001										
Cost per Parking Space		\$	12,436										

Footnotes												
	1	Value of Opinion from CBRE not yet obtained. Assumed \$38/sf. SPPRE assumes TCH and RBC can structure a lease/swap at Lot 5.										
	2	From McDonald York Cost estimate for RBC Garage.										
	3	Used Lot 2 Retail SF costs to estimate RBC Retail Cost.										
	4	Assume the garage at RBC will be built around the current RBC Building.										
	5	Retail LSF at \$25.00										

Proforma (20 Years)		Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
		1	2	3	4	5	6	7	8	9	10
Income											
Retail Income	1	193,200	198,996	204,966	211,115	217,448	223,972	230,691	237,612	244,740	252,082
Garage Parking Income	2	1,096,025	1,128,905	1,162,772	1,197,656	1,233,585	1,270,593	1,308,711	1,347,972	1,388,411	1,430,063
Potential Gross Income (PGI)		1,289,225	1,327,901	1,367,738	1,408,770	1,451,034	1,494,565	1,539,401	1,585,584	1,633,151	1,682,146
Vacancy/Collections Loss (7.0%)	3	13,524	13,930	14,348	14,778	15,221	15,678	16,148	16,633	17,132	17,646
Effective Gross Income (EGI)		1,302,749	1,341,831	1,382,086	1,423,548	1,466,255	1,510,243	1,555,550	1,602,216	1,650,283	1,699,791
Garage O&E											
Payroll		313,463	322,867	332,553	342,529	352,805	363,390	374,291	385,520	397,086	408,998
Benefits		85,490	88,055	90,696	93,417	96,220	99,106	102,079	105,142	108,296	111,545
Utilities		85,490	88,055	90,696	93,417	96,220	99,106	102,079	105,142	108,296	111,545
Maintenance		64,117	66,041	68,022	70,063	72,165	74,330	76,560	78,856	81,222	83,659
Insurance		49,869	51,365	52,906	54,493	56,128	57,812	59,546	61,333	63,173	65,068
Supplies		21,372	22,014	22,674	23,354	24,055	24,777	25,520	26,285	27,074	27,886
Miscellaneous		7,124	7,338	7,558	7,785	8,018	8,259	8,507	8,762	9,025	9,295
Total Expenses		712,416	645,734	665,106	685,059	705,611	726,779	748,582	771,040	794,171	817,996
OER		55%	48%	48%	48%	48%	48%	48%	48%	48%	48%
Building Maintenance											
Electrical		325	335	345	355	366	377	388	400	412	424
Plumbing		123	127	131	135	139	143	147	152	156	161
HVAC		1,035	1,066	1,098	1,131	1,165	1,200	1,236	1,273	1,311	1,350
Roof		62	63	65	67	69	71	74	76	78	80
Painting		54	56	58	59	61	63	65	67	69	71
Canopies/Store Fronts		160	165	170	175	180	186	191	197	203	209
Other		123	127	131	135	139	143	147	152	156	161
Total		1,883	1,939	1,997	2,057	2,119	2,183	2,248	2,315	2,385	2,456

Exterior CAM											
Landscape		873	899	926	954	983	1,012	1,043	1,074	1,106	1,139
Trash Removal		665	685	705	726	748	770	794	817	842	867
Sweeping		402	414	426	439	452	466	480	494	509	524
Sidewalk Maintenance		355	365	376	388	399	411	424	436	450	463
Security		177	183	188	194	200	206	212	218	225	232
Lighting		348	358	369	380	391	403	415	428	441	454
Directory/Signs		42	43	44	46	47	49	50	52	53	55
Electricity		951	979	1,008	1,039	1,070	1,102	1,135	1,169	1,204	1,240
Water		325	335	345	355	366	377	388	400	412	424
Other Exterior CAM		217	223	230	237	244	251	259	267	275	283
Fire Monitoring Service		177	183	188	194	200	206	212	218	225	232
Total		4,532	4,668	4,808	4,952	5,101	5,254	5,411	5,573	5,741	5,913
General & Administrative											
Management Fee		52,110	53,673	55,283	56,942	58,650	60,410	62,222	64,089	66,011	67,992
Marketing		325	335	345	355	366	377	388	400	412	424
Other		148	152	157	162	166	171	177	182	187	193
Total		52,583	54,161	55,785	57,459	59,183	60,958	62,787	64,671	66,611	68,609
Total Retail Operating Expenses		58,998	60,767	62,590	64,468	66,402	68,394	70,446	72,560	74,736	76,978
Total Expenses(Retail & Garage)		771,413	706,501	727,696	749,527	772,013	795,173	819,029	843,599	868,907	894,975
Net Operating Income (NOI)		\$ 531,335	\$ 635,330	\$ 654,390	\$ 674,021	\$ 694,242	\$ 715,069	\$ 736,521	\$ 758,617	\$ 781,375	\$ 804,817
Debt Service		\$ 613,800	\$ 598,455	\$ 583,110	\$ 567,765	\$ 552,420	\$ 537,075	\$ 521,730	\$ 506,385	\$ 491,040	\$ 475,695
Net Cash Flow to Town	4	\$ (82,465)	\$ 36,875	\$ 71,279	\$ 106,256	\$ 141,822	\$ 177,994	\$ 214,791	\$ 252,232	\$ 290,335	\$ 329,122
Debt Coverage Ratio:		0.87	1.06	1.12	1.19	1.26					
Footnotes											
	1	Refer to Income Assumptions sheet. Lease Rate includes Reimbursable CAM allocation.									
	2	See Income Assumptions worksheet.									
	3	Retail Vacancy of (7.0% stabilized), Occupancy factor for Garage is built into Income Assumptions.									
	3	Assume Operating Expenses are 65% of Potential Gross income.									
	4	Financial Performance Measure to the town.									

RBC Garage Finance						
Permanent Loan Debt		Year	Principal	Interest	Payment	Balance
\$ 6,138,001		1	306,900	306,900	613,800	5,831,101
		2	306,900	291,555	598,455	5,524,201
		3	306,900	276,210	583,110	5,217,301
		4	306,900	260,865	567,765	4,910,401
Rate	5.00%	5	306,900	245,520	552,420	4,603,501
Term (yrs)	20	6	306,900	230,175	537,075	4,296,601
		7	306,900	214,830	521,730	3,989,701
		8	306,900	199,485	506,385	3,682,801
		9	306,900	184,140	491,040	3,375,901
		10	306,900	168,795	475,695	3,069,001
		11	306,900	153,450	460,350	2,762,101
		12	306,900	138,105	445,005	2,455,200
		13	306,900	122,760	429,660	2,148,300
		14	306,900	107,415	414,315	1,841,400
		15	306,900	92,070	398,970	1,534,500
		16	306,900	76,725	383,625	1,227,600
		17	306,900	61,380	368,280	920,700
		18	306,900	46,035	352,935	613,800
		19	306,900	30,690	337,590	306,900
		20	306,900	15,345	322,245	(0)

Income Assumptions												
Retail Income			Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
			1	2	3	4	5	6	7	8	9	10
Rate per SF			\$25.00	\$25.75	\$26.52	\$27.32	\$28.14	\$28.98	\$29.85	\$30.75	\$31.67	\$32.62
<hr/>												
Parking Income	1			Type	Effective Income (Yr. 1)	Notes						
Parking-Market Rate Condos (Lot 2)			81	Monthly/Yearly	49,572	*From Lot 2 Garage Income worksheet.						
Parking-Affordable Housing (Lot 2)			21	Monthly/Yearly								
Parking-Retail (Lot2)			38	Hourly	236,988	*From Lot 2 Garage Income worksheet.						
Parking-Retail (RBC)			10	Hourly								
Parking-Replacement (Wallace)			91	Hourly	\$809,465							
Parking-Replacement (Lot 2)			101	Hourly	1,096,025							
Totals after completion			342									
# of Hourly Spaces	3		202									
Hourly Parking Rate			\$ 1.30									
Number of Non-work Days per year			115									
Non-work Days Parking Hours			14									
Non-work Day Occupancy Factor			75%									
Subtotal			317,090									
Number of workdays per year			250									
Workday Parking Hours			10									
Work Day Occupancy Factor			75%									
Subtotal			492,375									
Annual Income to City from Lot 5 Garage			809,465									
Effective Income			\$809,465									
<hr/>												
Footnotes	1	Assume that there are no Lot 2 Residential Storage Spaces in RBC Garage										
	2	Because of the elimination of Residential Storage, the RBC Garage can be 5 levels, 300 spaces, with one floor of Retail.										
	3	118 spaces are charged an hourly parking rate.										

Town Non-Tax/Tax Income										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income To City										
Cost of RBC Property	\$ (990,090)									
Sales Tax at RBC										
Non-Tax Income										
Net Income from Parking and Retail Operations	\$ (82,465)	\$ 36,875	\$ 71,279	\$ 106,256	\$ 141,822	\$ 177,994	\$ 214,791	\$ 252,232	\$ 290,335	\$ 329,122
Total Non-Tax Income	\$ (82,465)	\$ 36,875	\$ 71,279	\$ 106,256	\$ 141,822	\$ 177,994	\$ 214,791	\$ 252,232	\$ 290,335	\$ 329,122
Total Income to TCH from RBC	\$ (82,465)	\$ 36,875	\$ 71,279	\$ 106,256	\$ 141,822	\$ 177,994	\$ 214,791	\$ 252,232	\$ 290,335	\$ 329,122

Affordable Housing Condominiums/Townhomes

GREENWAY CONDOMINIUMS



**West Barbee Chapel Road
(behind Harris Teeter)**

**Conveniently located in the heart of
Meadowmont Village!**

- 2 bedroom, 1.5 bath , 950 s.f. (approximate s.f.)
- 9' ceilings
- sprinkler system
- automated lobby entry for security
- W/D hook-up

- stove, fridge, DW
- beautiful maple cabinetry
- private patio w/ fan
- Chapel Hill schools

Ready for Closing!
Now available to students
\$140,000

for 2 bedroom corner units
(available to families earning up to 100% AMI)
([see chart](#))

Monthly payments @ 6.5% interest will be approximately \$1,175.00, includes principle, interest, taxes, insurance, COA dues, ground lease fees and water bill!



TOWNHOMES

Located off Homestead Rd., on Weaver Dairy Extension
Chapel Hill, NC 27516



[click here for floor plans](#)

[click here for specs](#)

Property features

- Townhome
- Area: Northern Chapel Hill Subdivision: Vineyard Square County: Orange
- 2 story
- Vinyl Siding
- Slab foundation
- Whirlpool Range, DW included
- 2-3 BR, 2.5 bath
- W/D connections
- Oak cabinets
- Schools: Seawell Ele., Smith Middle, East Chapel Hill High

Price: **\$115,000 for 3BR, 1223 s.f.:**

monthly PITI payment @ 6.5 % = appr. \$940 + \$130 HOA dues

Several of these will be available for closing this summer!

\$95,000 for 2 BR, 1069 s.f.:

monthly PITI payment @ 6.5 % = appr. \$740 + \$130 HOA dues

Due to be completed in January/February 2005

Qualifications apply: must earn at or below 80% AMI ([see chart](#))

Under contract

1749 LEGION ROAD, Chapel Hill

\$94,000



Townhome, Area: Chapel Hill

Subdivision: Legion Road Townhomes

2 story, central heat/air conditioning (electric)

Property Features:

- 1117 s.f.
- 2 BR, 2.5 bath
- W/D hook-ups
- 9' ceilings
- automated sprinkler system
- alarm system installed
- quality construction, built 2001
- close to bus stop
- easy access to 15-501, I-40
- Chapel Hill Schools: Ephesus, Phillips, East
- HOA dues: \$115/mo (includes HO insurance, grounds maintenance, structural maintenance, garbage/recycling pick-up, community garden/picnic/playground area, automated sprinkler system)

Estimated monthly mortgage payment (@ 6.5% interest) : \$700 (+ HOA dues)

Qualifications apply: must earn < 80% AMI ([see chart](#))

Commercial Mortgage Rates & Terms

Commercial Mortgage Rates & Terms

The following commercial mortgage rates and terms were extracted from the most recent edition of the RealtyRates.com [Investor Survey](#).

Permanent Financing

RealtyRates.com INVESTOR SURVEY - 3rd Quarter 2004*

PERMANENT FINANCING

	Apt.	Golf	Health Senior Housing	Ind.	Lodging	RV/Camp Mfg Hsg MH Park	Office	Restaurant	Retail	Self Storage	Special Purpose
Spread Over Base*											
Minimum	1.05%	1.73%	1.30%	1.20%	1.22%	1.20%	1.20%	1.73%	1.20%	1.30%	1.73%
Maximum	4.27%	5.00%	5.13%	4.55%	10.00%	4.33%	4.80%	7.60%	4.58%	4.80%	12.00%
Average	2.26%	3.25%	2.68%	2.39%	3.12%	2.28%	2.50%	3.65%	2.53%	3.51%	4.91%
Interest Rate											
Minimum	5.77%	6.45%	6.02%	5.92%	5.94%	5.92%	5.92%	6.45%	5.92%	5.92%	6.45%
Maximum	8.99%	9.72%	9.85%	9.27%	14.72%	9.05%	9.52%	12.32%	9.30%	9.30%	16.72%
Average	6.98%	7.97%	7.40%	7.11%	7.84%	7.00%	7.22%	8.37%	7.25%	7.25%	9.63%
Debt Coverage Ratio											
Minimum	1.15	1.25	1.10	1.20	1.00	1.20	1.20	1.30	1.10	1.20	1.25
Maximum	1.90	1.80	2.25	1.90	3.00	1.90	1.90	2.10	1.90	2.30	2.40
Average	1.51	1.52	1.58	1.41	1.64	1.42	1.55	1.61	1.39	1.52	1.70
Loan-to-Value Ratio											
Minimum	50%	50%	50%	50%	50%	60%	50%	50%	50%	80%	50%
Maximum	90%	80%	90%	85%	85%	80%	85%	75%	85%	50%	80%
Average	73%	65%	71%	71%	68%	72%	70%	63%	73%	69%	65%
Amortization (Yrs.)											
Minimum	15	15	15	15	15	20	20	15	20	15	15
Maximum	35	30	35	30	30	30	30	25	30	30	30
Average	27	20	25	25	22	26	28	19	26	28	22
Term (Yrs.)											
Minimum	3	5	3	3	5	5	3	3	3	3	3
Maximum	40	30	25	30	30	30	30	15	10	10	20
Average	21.50	9.25	13.75	11.67	8.00	9.25	8.00	7.50	6.25	6.25	8.00
* 10-Year Treasury											

* 2nd Quarter 2004 Data

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Interim (Construction) Financing

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RealtyRates.com INVESTOR SURVEY - 3rd Quarter 2004*

INTERIM FINANCING - CONSTRUCTION

PROPERTY TYPE	SPREAD OVER BASE (Prime)	INTEREST RATE	LOAN FEES	LOAN-TO-VALUE RATIO	LOAN-TO-COST RATIO	LOAN TERM (Mos.)	AMORTIZATION
Apartments							
Minimum	1.00%	5.00%	2.00%	70.0%	75.0%	12.0	Interest Only
Maximum	6.75%	10.75%	4.50%	90.0%	100.0%	40.0	Interest Only
Average	2.38%	6.38%	3.25%	80.0%	87.5%	26.0	Interest Only
Golf							
Minimum	1.60%	5.60%	1.00%	65.0%	65.0%	12.0	Interest Only
Maximum	4.85%	8.85%	5.25%	90.0%	100.0%	24.0	Interest Only
Average	3.42%	7.42%	3.44%	77.5%	82.5%	18.0	Interest Only
Health Care/Senior Housing							
Minimum	1.80%	5.80%	2.00%	65.0%	65.0%	12.0	Interest Only
Maximum	6.75%	10.75%	5.00%	90.0%	100.0%	24.0	Interest Only
Average	2.82%	6.82%	3.38%	77.5%	82.5%	18.0	Interest Only
Industrial							
Minimum	1.00%	5.00%	2.00%	70.0%	75.0%	12.0	Interest Only
Maximum	6.75%	10.75%	4.75%	90.0%	100.0%	24.0	Interest Only
Average	2.51%	6.51%	3.31%	80.0%	87.5%	18.0	Interest Only
Lodging							
Minimum	1.95%	5.95%	2.00%	60.0%	75.0%	12.0	Interest Only
Maximum	6.75%	10.75%	5.50%	90.0%	100.0%	24.0	Interest Only
Average	3.28%	7.28%	3.50%	75.0%	87.5%	18.0	Interest Only
Mobile Home/RV Parks							
Minimum	1.75%	5.75%	2.00%	70.0%	75.0%	12.0	Interest Only
Maximum	6.75%	10.75%	4.75%	90.0%	100.0%	24.0	Interest Only
Average	2.40%	6.40%	3.31%	80.0%	87.5%	18.0	Interest Only
Office							
Minimum	1.75%	5.75%	2.00%	70.0%	75.0%	12.0	Interest Only
Maximum	6.75%	10.75%	4.50%	90.0%	100.0%	24.0	Interest Only
Average	2.63%	6.63%	3.25%	80.0%	87.5%	18.0	Interest Only
Restaurants							
Minimum	2.20%	6.20%	2.00%	60.0%	60.0%	12.0	Interest Only
Maximum	8.75%	12.75%	5.00%	90.0%	100.0%	24.0	Interest Only
Average	3.84%	7.84%	3.38%	75.0%	80.0%	18.0	Interest Only
Retail							
Minimum	1.00%	5.00%	2.00%	70.0%	70.0%	12.0	Interest Only
Maximum	6.75%	10.75%	4.50%	90.0%	100.0%	24.0	Interest Only
Average	2.66%	6.66%	3.25%	80.0%	85.0%	18.0	Interest Only
Self-Storage							
Minimum	1.65%	5.65%	2.00%	65.0%	70.0%	12.0	Interest Only
Maximum	6.75%	10.75%	4.75%	90.0%	100.0%	24.0	Interest Only
Average	3.69%	7.69%	3.31%	77.5%	85.0%	18.0	Interest Only
Special Purpose							
Minimum	2.25%	2.25%	2.00%	50.0%	50.0%	12.0	Interest Only
Maximum	8.75%	8.75%	5.00%	90.0%	100.0%	24.0	Interest Only
Average	1.82%	5.82%	3.31%	70.0%	75.0%	18.0	Interest Only
All Properties							
Minimum	1.00%	5.00%	1.00%	60.00%	50.00%	12.0	Interest Only
Maximum	8.75%	12.75%	5.50%	90.00%	100.00%	40.0	Interest Only
Average	2.66%	6.66%	4.16%	75.0%	75.0%	26.0	Interest Only

* 2nd Quarter 2004 Data

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Section 3

Financial Sensitivity Analysis									
<i>*italics indicate Current Financial Proforma returns</i>									
Lot 5									
Loan to Value (LTV)									
The Loan to Value Ratio in Market Rate Rentals and Retail Components are both 70%. With the returns being acceptable to the Capital Markets, decrease, or a larger requirement by the lending company would only increase the Developers cash-on-cash return.									
Interest Rate	Use Type	ROE	NOI (yr. 3)	Debt Service	IRR	ROC	Max. Loan Amt	DCR Yr. 3	
6.50%	Market Rate Condos	56.66%	n/a	n/a	n/a	n/a	n/a	n/a	
	Retail	n/a	\$462,218	\$263,304	18.44%	9.96%	\$3,697,745	1.76	
6.75%	Market Rate Condos	55.76%	n/a	n/a	n/a	n/a	n/a	n/a	
	Retail	n/a	\$462,218	\$269,827	18.04%	9.94%	\$3,697,745	1.71	
7.00%	Market Rate Condos	54.86%	n/a	n/a	n/a	n/a	n/a	n/a	
7.25%	Retail	n/a	\$462,218	\$283,118	17.21%	9.91%	\$3,697,745	1.63	
7.50%	Market Rate Condos	53.05%	n/a	n/a	n/a	n/a	n/a	n/a	
	Retail	n/a	\$462,218	\$289,884	16.80%	9.90%	\$3,697,745	1.59	
7.75%	Market Rate Condos	52.15%	n/a	n/a	n/a	n/a	n/a	n/a	
	Retail	n/a	\$462,218	\$296,729	16.38%	9.88%	\$3,697,745	1.56	
Construction Cost increases will effect Affordable housing. SPPRE assumes that Federal and State Assistance will enable the development of this component regardless of increase.									
Construction Cost	Use Type	ROE	Total Dev. Cost	Construction Draw	Debt Service	IRR	ROC	Max. Loan Amt	DCR Yr. 3
-5.00%	Market Rate Condos	66.63%	\$16,541,539	\$918,974		n/a	n/a	n/a	n/a
	Retail	n/a	\$4,471,113		\$271,467	18.99%	10.41%	\$3,722,416	1.71
0.00%	Market Rate Condos	54.86%	\$17,401,188	\$966,733		n/a	n/a	n/a	n/a
	Retail	n/a	\$4,663,013		\$283,118	17.21%	9.91%	\$3,697,745	1.63
5.00%	Market Rate Condos	44.02%	\$18,260,837	\$1,014,491		n/a	n/a	n/a	n/a
	Retail	n/a	\$4,854,914		\$294,770	15.51%	9.46%	\$3,673,074	1.56
10.00%	Market Rate Condos	33.99%	\$19,120,487	\$1,062,249		n/a	n/a	n/a	n/a
	Retail	n/a	\$5,046,814		\$306,421	13.87%	9.04%	\$3,648,402	1.49
15.00%	Market Rate Condos	24.69%	\$19,980,136	\$1,110,008		n/a	n/a	n/a	n/a
	Retail	n/a	\$5,238,715		\$318,073	12.28%	8.65%	\$3,623,731	1.42

Wallace Deck									
Loan to Value (LTV)									
The Loan to Value Ratio in Market Rate Rentals and Retail Components are both 70%. With the returns being acceptable to the Capital Markets, decrease, or a larger requirement by the lending company would only increase the Developers cash-on-cash return.									
Interest Rate	Use Type	ROE	NOI	Debt Service	IRR	ROC	Max. Loan Amt	DCR Yr. 3	
6.50%	Market Rate Condos	48.07%	n/a	n/a	n/a	n/a	n/a	n/a	
	Retail	n/a	\$55,588	\$26,002	26.33%	12.13%	\$444,706	2.14	
6.75%	Market Rate Condos	47.17%	n/a	n/a	n/a	n/a	n/a	n/a	
	Retail	n/a	\$55,588	\$26,646	25.94%	12.11%	\$444,706	2.09	
7.00%	Market Rate Condos	46.27%	n/a	n/a	n/a	n/a	n/a	n/a	
7.25%	Retail	n/a	\$55,588	\$27,958	25.16%	12.07%	\$444,706	1.99	
7.50%	Market Rate Condos	44.47%	n/a	n/a	n/a	n/a	n/a	n/a	
	Retail	n/a	\$55,588	\$28,626	24.77%	12.05%	\$444,706	1.94	
7.75%	Market Rate Condos	43.56%	n/a	n/a	n/a	n/a	n/a	n/a	
	Retail	n/a	\$55,588	\$29,302	24.37%	12.04%	\$444,706	1.90	
Construction Cost increases will effect Affordable housing. SPPRE assumes that Federal and State Assistance will enable the development of this component regardless of increase.									
Construction Cost	Use Type	ROE	Total Dev. Cost	Construction Draw	Debt Service	IRR	ROC	Max. Loan Amt	DCR Yr. 3
-5.00%	Market Rate Condos	87.81%	\$12,798,099	\$711,005	n/a	n/a	n/a	n/a	n/a
	Retail	n/a	\$443,577	n/a	\$26,932	26.77%	12.59%	\$446,879	2.07
0.00%	Market Rate Condos	75.95%	\$13,462,266	\$747,904	n/a	n/a	n/a	n/a	n/a
	Retail	n/a	\$461,722	n/a	\$28,034	25.05%	12.03%	\$444,546	1.98
5.00%	Market Rate Condos	65.16%	\$14,126,586	\$784,810	n/a	n/a	n/a	n/a	n/a
	Retail	n/a	\$479,872	n/a	\$29,136	23.41%	11.52%	\$442,213	1.90
10.00%	Market Rate Condos	55.31%	\$14,791,060	\$821,726	n/a	n/a	n/a	n/a	n/a
	Retail	n/a	\$498,027	n/a	\$30,238	21.84%	11.04%	\$439,878	1.82
15.00%	Market Rate Condos	46.30%	\$15,455,688	\$858,649	n/a	n/a	n/a	n/a	n/a
	Retail	n/a	\$516,186	n/a	\$31,341	20.35%	10.60%	\$437,544	1.75

Lot 2									
Lot 2 Sensitivity Analysis are estimates only. The Current schedule has the development beginning in 2010 and therefore can be subjected to a wide variety of market conditions.									
Loan to Value (LTV)									
The Loan to Value Ratio in Market Rate Rentals and Retail Components are both 70%. With the returns being accpetable to the Captial Markets, decrease, or a larger requirement by the lending company would only increase the Developers cash-on-cash return.									
Interest Rate	Use Type	ROE	NOI	Debt Service	IRR	ROC	Max. Loan Amt	DCR Yr. 3	
6.50%	Market Rate Condos	43.23%	n/a	n/a	n/a	n/a	n/a	n/a	
	Retail	n/a	\$282,336	\$166,270	17.97%	9.63%	\$2,258,692	1.70	
6.75%	Market Rate Condos	42.34%	n/a	n/a	n/a	n/a	n/a	n/a	
	Retail	n/a	\$282,336	\$170,389	17.57%	9.62%	\$2,258,692	1.66	
7.00%	Market Rate Condos	41.45%	n/a	n/a	n/a	n/a	n/a	n/a	
7.25%	Retail	n/a	\$282,336	\$178,782	16.76%	9.59%	\$2,258,692	1.58	
7.50%	Market Rate Condos	39.66%	n/a	n/a	n/a	n/a	n/a	n/a	
	Retail	n/a	\$282,336	\$183,054	16.35%	9.57%	\$2,258,692	1.54	
7.75%	Market Rate Condos	38.76%	n/a	n/a	n/a	n/a	n/a	n/a	
	Retail	n/a	\$282,336	\$187,377	15.94%	9.56%	\$2,258,692	1.51	
Construction Cost increases will effect Affordable housing. SPPRE assumes that Federal and State Assistance will enable the development of this component regardless of increase.									
Construction Cost	Use Type	ROE	Total Dev. Cost	Construction Draw	Debt Service	IRR	ROC	Max. Loan Amt	DCR Yr. 3
-5.00%	Market Rate Condos	55.08%	\$7,724,543	\$429,141	n/a	n/a	n/a	n/a	n/a
	Retail	n/a	\$2,832,355	n/a	\$171,969	18.36%	10.03%	\$2,273,118	1.65
0.00%	Market Rate Condos	40.54%	\$8,121,569	\$451,198	n/a	n/a	n/a	n/a	n/a
	Retail	n/a	\$2,952,705	n/a	\$179,276	16.64%	9.56%	\$2,257,646	1.57
5.00%	Market Rate Condos	27.16%	\$8,518,686	473,260	n/a	n/a	n/a	n/a	n/a
	Retail	n/a	\$3,073,083	n/a	\$186,585	14.98%	9.12%	\$2,242,170	1.50
10.00%	Market Rate Condos	14.79%	\$8,915,892	\$495,327	n/a	n/a	n/a	n/a	n/a
	Retail	n/a	\$3,193,490	n/a	\$193,895	13.38%	8.72%	\$2,226,690	1.44
15.00%	Market Rate Condos	3.34%	\$9,313,188	\$517,399	n/a	n/a	n/a	n/a	n/a
	Retail	n/a	\$3,313,925	n/a	\$201,208	11.82%	8.34%	\$2,211,206	1.37
The ROE is more sensitive to Construction increases(than Wallace or Lot 5) because there are less units being built.									

Section 4



SPRING VALLEY
CONSTRUCTION COMPANY

10950 ALDER CIRCLE
DALLAS TEXAS 75238-1353
PHONE 214-340-9800
FAX 214-340-9100
WWW.SVCC.BIZ

September 21, 2004

Mr. John Stainback
Managing Partner
Stainback Public/Private Real Estate
3100 Timmons Lane
Suite 520
Houston, TX 77027

Re: **Skybridge Estimate**

Dear John,

As discussed with Jim Archer earlier today, Spring Valley Construction Company has prepared a preliminary estimate of construction costs that should be anticipated for a proposed 65' x 10' skybridge. Based upon the information that Cliff Horsak described, the total preliminary construction cost is FOUR HUNDRED FIFTY-SEVEN THOUSAND SIX HUNDRED SEVENTY-NINE DOLLARS (\$457,679). The attached pricing sheet will provide a breakdown of that total for your review and analysis.

In addition, we have attached our listing of CLARIFICATIONS that provides a further description of the anticipated scope-of-work related to our pricing.

We trust that this information will meet your needs, however, if there are any questions or concerns, please contact us.

Sincerely,

SPRING VALLEY CONSTRUCTION COMPANY, L.P.

Danny E. Copeland
Executive Vice President – Estimating

enclosures

cc Jim Archer
Cliff Horsak

6 wks	1,485.00	30.00	
1 ls			4,000.00
200 lf	2.00	2.00	
1 ls			2,000.00
1 ls	500.00	500.00	
2 ea	1,000.00	750.00	
2 ea	500.00	500.00	
4 ea			1,000.00
4 ea			2,500.00
20 lf			150.00
6,500 sf			2.75
18 tons		4,000.00	
2.8 tons		2,000.00	
7 sq		150.00	
7 sq		150.00	
2.1 tons		3,000.00	
1 ls			35,000.00
20 lf	10.00	30.00	
20 lf	5.00	5.00	
40 lf	5.00	10.00	
104 lf	5.00	20.00	
6,500 BSF	0.10	0.10	
6,500 sf			1.00
6,500 sf			2.50
130 lf			10.00
60 lf			10.00
1,300 sf			25.00
390 sf w/above			30.00
6,500 sf			12.00
6,500 sf			2.00
760 sy			27.00
130 lf			3.75
1 ls			3,500.00
1 ls			3,000.00
7 ea			150.00
1 ls w/above			5,000.00
14 ea w/above w/above			350.00

.....

CLARIFICATIONS

Skybridge (65' x 10')
Spring Valley Construction Company

September 21, 2004

This Preliminary Pricing is based upon the following scope-of-work:

- 1 Drilled piers at each end of Skybridge trusses.
- 2 Cast-in-place concrete columns & beams at each end.
- 3 Steel tube trusses with steel floor & roof framing.
- 4 Erection of Skybridge structure will occur during weekend with street barricaded/closed.
- 5 Concrete floor slab on metal floor deck.
- 6 Insulated membrane roofing on metal roof deck.
- 7 Continuous, prefinished gutters with downspouts at each end.
- 8 Aluminum window-wall system with vision glass and spandrel glass.
- 9 Suspended lath & plaster soffit below Skybridge structure.
- 10 Acoustical ceiling (2x2) in Skybridge at 10' above floor.
- 11 Direct-glue carpet.
- 12 Exposed, painted steel truss members.
- 13 Extend existing sprinkler system into Skybridge with additional heads.
- 14 Extend existing HVAC system into Skybridge with additional mixing box/duct/grilles.
- 15 Extend circuiting and breaker for 14 new 2'x4' lay-in light fixtures in Skybridge ceiling.

TOTAL DEVELOPMENT COST COMPONENTS A-F:
\$70,881,083

TOWN'S PORTION OF COST

BONDS

SOURCES OF NONTAX INCOME

FOOTNOTES

Town Project 1

Existing Wallace Deck

Existing Revenue Bond:
Est.: \$460,000

Operating Expenses:
\$531,000

Existing Lot 5 Income: \$125,000

Existing Lot 2 Income: \$285,000

Wallace Income: \$570,000

Developer Project 1

Wallace Expansion
Retail / Housing
Cost: \$18,453,683

A

Loss of Income:
1) Demo of Lot 5: \$125,000
2) Demo of Lot 2: \$285,000

Revenue Bond: \$497,949

Sale of M-R Condo & Prkg: \$664,385

Property Tax (Private): \$104,348

Developer Leases 92 Spaces: \$44,712

Base Rent (Retail): \$7,373

Land Lease Payout: \$2,714,489

Retail Sale Proceeds (yr. 10): \$107,611

Wallace Deck Non-Tax Income & Tax Revenue

Developer Project 2

Lot 5 Development
Retail / Housing / Garage
Cost: \$30,078,392

B

Town Projects 2 & 3

\$5,968,640

Lot 5
173 Replacement
Parking Spaces
Cost: \$3,425,566

Cost Delta of Underground vs.
Above-grade Parking
\$2,543,074

\$6,226,449

Revenue Bond: \$2,553,424

Term: 20 yrs / Interest: 5.5% / DCR: 1.25

Land Lease Payout: \$3,673,025

Property Tax: \$161,976

Town Parking Net Income: \$190,397

Base Rent (Retail Space & Prkg): \$76,689

Sale of M-R Condo & Prkg: \$867,111

Retail Sale Proceeds (yr. 10): \$756,148

Lot 5 Non-Tax Income & Tax Revenue

Developer Project 3

Lot 2 Development
Retail / Housing / Garage
Cost: \$16,177,257

C

Town Project 4

Transit Transfer Center
Cost: \$2,141,037

D

Land Lease Payout: \$2,714,489

Town Project 5

Pedestrian Bridge: \$457,679

E

Net Sale Proceeds: \$1,163,812

Town Project 6

RBC Garage: \$5,147,911
RBC Land Cost: \$990,090
Total: \$6,138,001

F

Revenue Bond: \$6,138,001

Base Rent (Retail - Lot 2): \$47,224

Property Tax: \$79,596

Sale of M-R Condo & Prkg: \$296,701

Retail Sale Proceeds (yr. 10): \$482,719

Lot 2 Non-Tax Income & Tax Revenue

RBC Net Cash Flow after Debt Service:
\$126,522
(Year 3 Stabilization; Retail and Parking
Operations includes RBC Land Cost &
Garage Cost)

RBC Garage Non-Tax Income & Tax Revenue

Assumptions and Footnotes

1) All Revenue Bonds assume a Term: 20 years, Coupon Rate: 5.50%, Debt coverage ratio (DCR): 1.25.

2) Land Lease Payout will be paid to the Town by the developer at closing of the Construction Loan. The payout is based on the Present Value (PV) of a 30-year Land Lease with a Discount Rate of 2.50%.

3) The "Sale of M-R Condo & Prkg" : Represents the Town's 20% share of the Net Proceeds from the sale of the Market-Rate Condominium units. The one-time payment will be paid to the Town two years after completion of construction.

In order to reduce the cost of Affordable Condominium units, the Town will not share in the marginal Net Sale Proceeds of these Units.

Surplus Non-Tax Income & Tax Revenue to Town:
\$393,144 Annually
with Sale of Retail
(yr. 10):
\$1,739,622

Public/Private Finance Plan for Scenario C-3

Town Of Chapel Hill
September 21, 2004

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Sources of Funds

5/28/2007
Town issue Bond (Lot 5):
C) \$2,553,424
From Town Parking NOI
and Base Rent (Retail)

8/21/2007
Lot 5 & WD
Const. Start

9/15/2008
WD Construction
Complete

1/15/2009
Lot 5 Construction
Completed

1/25/2010
Developer Pays Town
Land Lease Payout (Lot 2):
G) \$1,811,210

3/22/2010
Town Issues Bond:
H) \$6,138,001
For RBC Garage
(Based on Proj. Income)

4/21/2010
Lot 2 Const.
Start

12/29/2010
RBC Const.
Start

1/5/2011
Developer pays Town 20% of Sales
proceeds from MR Condos (Lot 5):
M) \$867,111
Used to Finance Ped. Bridge

6/14/2011
Lot 2 Construction
Completed

Running Total

2007	
4/2/07	A) \$2,714,489
4/3/07	B) \$3,673,027
5/28/07	C) \$2,553,424
8/20/07	D) (\$125,000)
10/21/07	E) (\$3,425,566)
10/21/07	E) (\$2,543,074)
	\$2,847,300

2008	
	\$2,847,300
4/2/08	A1) \$122,152
5/28/08	C1) (\$267,086)
8/20/08	D1) (\$125,000)
	\$2,577,366
9/15/08	WD Complete

2009	
	\$2,577,366
4/2/09	A2) \$122,152
5/28/09	C2) (\$267,086)
8/20/09	D2) (\$125,000)
9/15/09	(Yr. 1) Property Tax WD \$104,348
9/15/09	Dev. Leases 92 spaces \$44,712
9/15/09	Base Rent(WD Retail) \$7,373
	\$2,463,865
1/15/09	Lot 5 Complete

2010	
	\$2,463,865
1/15/10	(Yr. 1) Property Tax Lot 5 \$161,976
1/15/10	Town Parking NOI Lot 5 \$190,397
1/15/10	Base Rent (Retail & Prkg) \$76,689
1/25/10	G) \$1,811,210
3/22/10	H) \$6,138,001
3/24/10	F) (\$285,000)
4/21/10	I) (\$2,141,037)
4/21/10	J) (\$6,138,001)
4/21/10	K) (\$457,679)
5/28/10	C3) (\$267,086)
8/20/10	D3) (\$125,000)
9/15/10	(Yr. 2) Property Tax WD \$104,348
9/15/10	Dev. Leases 92 spaces \$44,712
9/15/10	Base Rent(WD Retail) \$7,373
9/15/10	L) \$664,385
	\$2,249,153

2011	
	\$2,249,153
1/15/11	M) \$867,111
1/15/11	(Yr. 2) Property Tax Lot 5 \$161,976
1/15/11	Town Parking NOI Lot 5 \$190,397
1/15/11	Base Rent (Retail & Prkg) \$76,689
3/22/11	H1) (\$642,030)
3/24/11	F2) (\$285,000)
5/28/11	C4) (\$267,086)
8/20/11	D4) (\$125,000)
9/15/11	(Yr. 3) Property Tax WD \$104,348
9/15/11	Dev. Leases 92 spaces \$44,712
9/15/11	Base Rent(WD Retail) \$7,373
	\$2,382,643
6/14/11	Lot 2 Complete
6/14/11	RBC Garage Complete

Uses of Funds

8/20/2007
Lot 5 Development:
Loss of Town income:
D) \$125,000

10/21/2007
Cost of replacement
parking on Lot 5:
E) \$3,425,566

Cost Delta Below Grade
vs. Above Grade Parking:
E) \$2,543,074

5/28/2008
Debt Service on
Lot 5 Revenue Bond:
C1): \$267,086

5/28/2009
Debt Service on
Lot 5 Revenue Bond:
C2): \$267,086

3/24/2010
Lot 2 Development:
Loss of Town income:
F) \$285,000

4/21/2010
Lot 2 Development:
TTC:
I) \$2,141,037

4/21/2010
Lot 2 Development:
RBC Garage:
J) \$6,138,001

4/21/2010
Lot 2 Development:
Ped. Bridge:
K) \$457,679

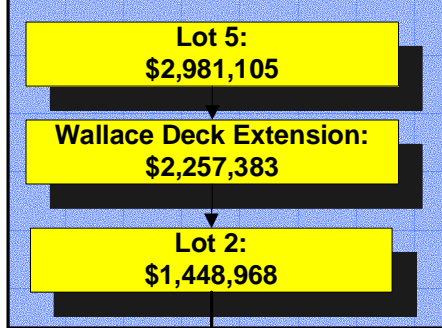
5/28/2010
Debt Service on
Lot 5 Revenue Bond:
C3): \$267,086

3/22/2011
Debt Service on
Lot 2 Revenue
Bond:
H1) \$642,030

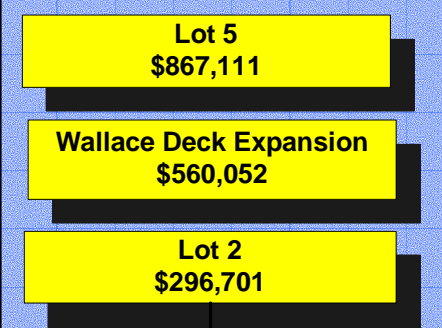
5/28/2011
Debt Service on
Lot 5 Revenue
Bond:
C4) \$267,086

Section 5

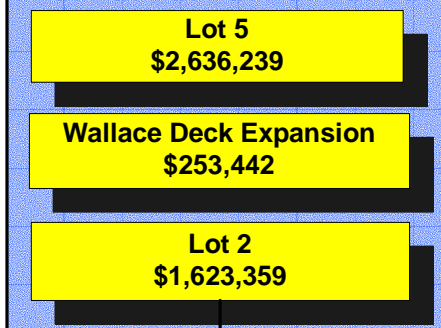
**Land Lease Payouts
(MR Condo & Garage)
(Construction closing)**



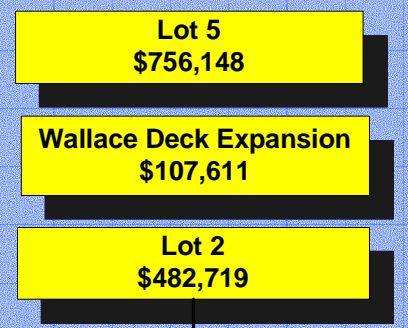
**Participation in Net Sale
Proceeds- MR Condos
(assumed Sale in Yr. 2)**



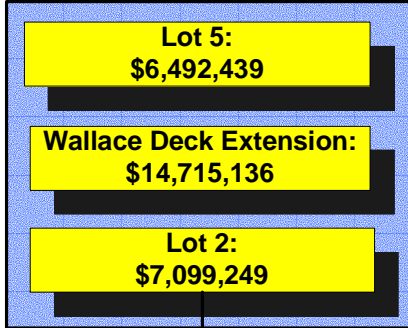
Base Rent - Retail (Yrs.1-30)



**Participation in Net Sale
Proceeds- Retail
(assumed Sale in Yr. 10)**

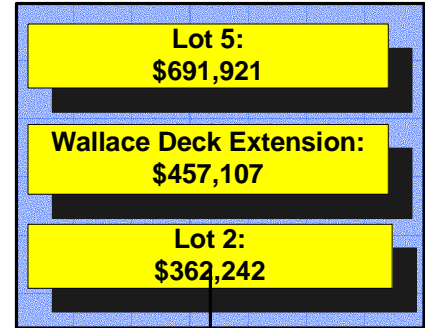


Parking Income (1-30)

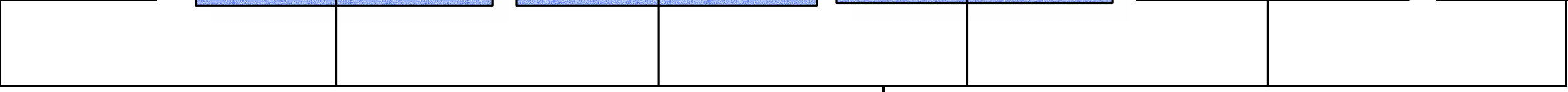


**Affordable Housing Land
Lease Payout (yr. 1)**

Land Lease Payout absorbed by MR Condominiums



NON-TAX INCOME



**Total Non-Tax Income:
\$39,874,942**

Non-Tax Income Town: \$39,874,942	Property and Sales Tax: Town: \$11,909,158 County: \$32,566,849 State: \$22,275,891 School District: \$3,739,140
Town: \$51,784,100	

\$106,626,840

**Non-Tax Income and
Tax Revenue for Town
Generated from Proposed
Developments**

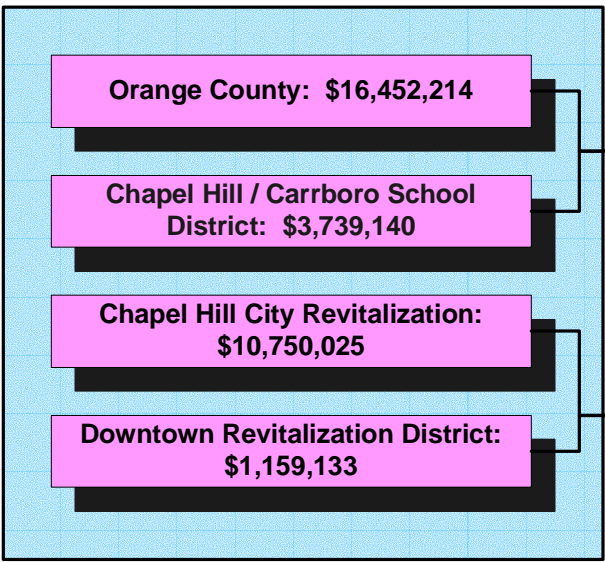
Town Of Chapel Hill
September 21, 2004

Prepared By SPPRE ©

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TAX REVENUE

Property Tax (Yrs: 1 - 30)



**County & School District:
\$20,191,354**

**Total Town Property Tax:
\$11,909,158**

**Total Property Tax:
\$32,100,512**

Sales Tax (Yrs: 1 - 30)

**Total Sales Tax:
\$34,651,386**

**Orange County:
\$12,375,495**

**State of North Carolina:
\$22,275,891**

**Total Tax Revenue:
\$66,751,898**

Section 6

Federal Finance Programs for Transit, TODs and Related Projects			
August 16, 2004			
Transit Projects			
	Program Overview	Funding Status	Eligibility
FEDERAL GOVERNMENT PROGRAMS			
A	Federal Transit Administration (FTA)		
A.1.	Transportation Equity Act (TEA-21)	On June 9, 1998, the President signed into law PL 105-178, the Transportation Equity Act for the 21st Century (TEA-21) authorizing highway, highway safety, transit and other surface transportation programs for the next 6 years. This portion of the matrix is focused only on transit related programs. TEA-21 builds on the initiatives in ISTEA (1991).	The Senate-House Conference Committee considering the reauthorization of the Transportation Equity Act for the 21st Century adjourned for the 5-week Congressional summer recess on July 23, 2004 without reaching an agreement on overall funding levels for the six-year renewal period.
		TEA-21 builds on the innovative financing initiatives begun under ISTEA (1991) to leverage Federal resources by encouraging PRIVATE participation in the delivery of surface transportation infrastructure.	TEA-21 provides \$41 billion over the 6 years for transit programs
a	State Infrastructure Bank (SIB)	States are authorized to enter into cooperative agreements with the Secretary to set up infrastructure revolving funds to be capitalized with Federal transportation funds authorized for FY 1998-2003.	Highway and transit capital projects
		SIBs are in addition to the traditional reimbursable grant.	
		SIBs provide assistance in the following forms: 1) below-market rate subordinate loans; 2) interest rate buy-downs on third-party loans; 3) guarantees; and 4) other forms of credit-enhancement. In addition, SIB Assistance can include: A) Loans: 1) Loans at subsidized rates and/or with flexible repayment provisions; 2) Grant Anticipation Notes (GANs); 3) Short-term construction or long-term debt financing; 4) COPs. B) Credit Enhancement: 1) Capital reserves and other security for bond or debt financing; 2) Letters of Credit (direct pay or stand by); 3) Lines of credit; 4) Bond insurance and loan guarantees. C) Other Forms of Assistance: 1) Other forms of proposed assistance should be submitted to the Secretary in writing for approval.	
		SIBs can provide assistance to public or private entity building public transportation infrastructure. These entities may include 1) Transportation Districts at the county and local levels; 2) Transportation Authorities; 3) Private project sponsors; and 4) State DOTs.	
		Transit systems may have access to : 1) Benefit Assessment Districts; 2) Special appropriations; 3) Dedicated Tax Increments; 4) Joint development Revenues	

b	Transportation Infrastructure Finance and Innovation Act (TIFIA)	TEA-21 established TIFIA, a new program through which US DOT can provide credit assistance on flexible terms directly to public-private sponsors of major surface transportation projects to assist them in gaining access to the capital markets.		highway and capital transit projects
		TIFIA provides a total of \$530 million of contract authority over FYs 1999-2003, and authorizes the Secretary to collect fees from borrowers, to fund up to \$10.6 billion of direct loans, loan guarantees, and lines of credit to support up to 33% of project costs.	\$530 million in FY 1999-2003	Projects must cost at least \$100 million or 50% of a state's annual apportionments and be supported by user charges or other dedicated revenue streams, or other non-Federal dedicated funding sources and included in the state's Transportation Plan. The project is subject to all Federal requirements and at the time of application must have circulated a Draft EIS or received either a Finding of No Significant Impact (FONSI) or Categorical Exclusion.
		Three types of financial assistance: 1) Direct Federal Loans with flexible repayment terms. Combined construction and permanent financing of capital costs. (Rate is 30 year Treasury plus 5 bp--can use sales or propoerty tax increment to repay loan); 2) Loan guarantees with full faith and credit of federal government to institutional investors; 3) Standby Lines-of- Credit that represent secondary sources of funding in the form of contingent Federal loans. These loans may be drawn upon to supplement project revenues, if needed, during the first 10 years of project operations.	\$2.2 Billion funding in 2001	Funds can be used for: 1) Transportation Related improvements within 1500 feet of station; 2) Station improvements; 3) Commuter parking; 4) Landscaping, lighting and security; 5) Top platform of a garage that becomes the platform for the new development; 6) Public buildings required by local government; 7) Pedestrian plaza above the parking structure, including plaza improvements such as a fountain; 8) Transfer facilities for buses; 9) Underground connection to station; 10) Community service activities (daycare, healthcare and police)
		Unlike other innovative financing instruments, TIFIA assistance involves a competitive Federal application process.		
c	Surface Transportation Program (STP)	The STP provides funding that may be used by states and localities for projects on any Federal-aid highway, including the NHS, bridge projects on any public road, transit capital projects, and public bus terminals and facilities.	\$33.3 billion over 6 years	
d	Urbanized Area Formula Grant Program	Under this program, 91.23% of the funding is made available to all urbanized areas with a population of 50,000 or more. For urbanized areas with populations less than 200,000, funding may be used for either capital or operating costs at local option and without limitation.		
		For urbanized areas with populations of 200,000 or more, the definition of "capital" has been revised to include preventive maintenance.		
		Operating assistance for these larger areas is no longer an eligible expense. Also, for these larger areas, at least 1% of the funding apportioned to each area must be used for transit enhancement activities such as historic preservation, landscaping, public art, pedestrian access, bicycle access, and enhanced access for persons with disabilities.		

e	Grant Anticipation Revenue Vehicle - GARVEE Bonds	A GARVEE is a designation applied to a debt financing instrument that has a pledge of future Federal-aid for debt service and is authorized for federal reimbursement of debt service and related financing costs.		The issuer may be a state, political subdivision, or a public authority
		This funding mechanism generates up-front capital for major highway projects that the state may be unable to construct in the near term using traditional pay-as-you-go funding approaches. The 1995 NHS Act was a significant enabler for GARVEEs, expanding the eligibility of debt financing costs for Federal-aid reimbursements.	Five states have issued nearly \$1 billion of GARVEEs to supplement traditional "pay-as-you-go" financing methods.	As of June 2001, 5 states (Michigan, California, Ohio, New Mexico and Mississippi) had authorized GARVEE Bonds. Three states: Texas, Georgia and Alaska had pending legislation for GARVEEs. It was reported in the Sept. 17, 2001 issue of ENR that Arizona has already issued \$200 million in GARVEE bonds to help finance 3 projects.
		This mechanism is also being used by transit agencies to borrow against future Federal-aid funding.		
		The GARVEE bond technique enables a state to accelerate construction timelines and spread the cost of a transportation facility over its useful life rather than just the construction period.		
Housing and Other Projects				
A Federal Transit Administration				
A.1.	Livable Communities Initiative (LCI)	The FTA LCI is demonstrating ways to improve the link between transit and communities.		Under LCI, FTA has awarded funding (\$55.1 M) to 21 projects (\$118.1 M) that demonstrate the characteristics of community-sensitive transit.
		In accordance with the Federal Transit Act, FTA grantees may use FTA financial assistance for joint development projects that are physically or functionally related to transit or that increase transit ridership in a corridor.		Eligible recipients: transit operators, MPOs, city and county governments, states, planning agencies and other public bodies with the authority to plan or construct transit projects.
		Contact: FTA - Region IV: 1720 Peachtree Road, NW, Suite 400, Atlanta, GA 30309. Telephone: 404.347.3948.		Eligible project planning activities: 1) preparation of implementation plans and designs; 2) assessment of environmental, social, economic, land use and urban design impacts of projects; 3) feasibility studies and technical assistance; 4) participation by community organizations; 5) evaluation of best practices; and 6) development of innovative urban design, land use and zoning practices.
				Eligible capital activities or capital project enhancements: 1) property acquisition, site preparation, utilities, walkways and open space that are physically and functionally related to transportation facilities; 2) the purchase of buses, enhancements to transit stations, park-and-ride lots and transfer facilities incorporating community services such as day care, health care and public safety; 3) safety elements such as lighting, surveillance and community police and security services; 4) site design improvements; 5) operational enhancements.

B	U.S. Department of the Treasury			
	Community Development Financial Institutions Fund			
B.1.	New Markets Tax Credits (NMTC)	The NMTC is anew tax credit established to stimulate economic and community development and job creation in the nation's low-income communities. In March 2003, the US Dept. of the Treasury announced the selection of 66 organizations to receive the frist tax credit allocations.	These 66 entities are authorized to issue to their investors, on the aggregate, \$2.5 billion in equity.	The NMTC program permits individual and corporate taxpayers to receive a credit against federal income taxes for making "qualified equity investments" in privately managed investment vehicles known as Community Development Entities (CDEs).
		Through the sale of stock or equity interests in qualified CDEs, individual and institutional investors will be able to make tax-favored equity investments to the CDE for re-investment in the form of loans or direct equity investments in "qualified active low-income community businesses". The definition of a qualified active low-income community business is quite expansive and may include commercial real estate projects, daycare centers, retail and wholesale businesses, etc.	Under the NMTC program, the CDFI Fund will allocate, through a competitive process,, up to \$15 billion of tax credit allocations over six years (through 2007) to CDEs..	The credit provided to the investor totlas 39% of the cost of the investment and is claimed over a 7-year allowance period.
				CDEs are required to invest in low-income communities, defined as those census tracts with poverty rates of greater than 20% and/or median family incomes that are less than or equal to 80% of the area median family income.
	Fannie Mae www.efanniemae.com			
C		Between 1994 and 2003, Fannie Mae committed \$3 trillion to help serve the housing needs of 28 million families in America.		Fannie Mae invests in the new construction, preservation, and rehabilitation of America's rental housing, by providing loans, tking equity positions, purchasing bonds, and offering credit enhancements of bonds and securities.
		Fannie Mae guarantees the timely payment of principal and interest on tax-exempt and taxable bonds issued to finance multifamily housing developments. FM provides credit enhancement during both construction and permanent loan phases for new or rehab properties.		Example: Supporting the preservation of affordable housing by keeping rents below market, FM provided credit enhancement for a non-profit 501©3 bond issue. Together with lending partnersthey created the largest ever 501©3 housing revenue bond in AZ for a non-profit
				Example: CH Apts.-The \$25 million loan for this 766-unit apt. FM offered a creative loan strucutre that included a senior loan of \$21M and a subordinate loan of \$4M, with the latter collateralized by a LOC.
C.1.	American Communities Fund (ACF)	Fannie Mae will invest \$2 trillion over 10 years to close homeownership gaps and strengthen communities. Fannie Mae will invest up to \$3 billion through ACF, spark \$30 billion in leveraged public and private community development investments, and make a positive impact in 300 communities through this effort.	In 2001, ACF invested \$150 million in 78 transactions in 48 cities supporting more than 6,000 housing units.	ACF's community development and investment professionals, located across the country, work closeley with Fannie Mae's Partnership Offices to identify investment opportunities that support communities' housing strategies.

	North Carolina is located in the Southeastern Office: 404.398.6690.	Established in 1996 as a community development equity investment fund, today ACF has committed to provide up to \$3 billion in equity and non-mortgage debt products over the next 10 years for investment in neighborhoods that lack adequate access to traditional capital or where housing needs are underserved.		Eligible transactions: 1) rental housing;2) For-sale housing; 3) mixed-use properties; 4) retail, historic, and other properties directly supporting residential areas
		ACF is one of America's leading private capital community development investment funds. By the end of 1999, ACF had invested almost \$300 million in tangible, high impact residential and neighborhood developments.		ACF looks for clear evidence of strong community support, such as the investment of state or city funds, tax abatements, TIF, etc.
		ACF works closely with their partners to leverage the resources of: 1) financial services industry; 2) for-profit and non-profit developers; 3) the federal government; and 4) state and local governments		
		Fannie Mae expects a reasonable return on its investment. They look for partners experienced in the type of development being proposed, as well as developers with strong financial resources.		
C.2.	America's Living Communities Plan	The America's Living Communities Plan commits Fannie Mae to being the nation's premier private sector source of housing investment in targeted communities.		ALCP works closely with local partners, including lenders, developers, government entities, and nonprofit organizations to help them achieve their affordable housing goals and invest in their communities.
C.3.	Smart Commute Initiative (SCI)	The SCI program increases a homebuyers' purchasing power in exchange for abandoning their cars and using mass transit. Homebuyers are provided with larger loans than they normally would qualify for and lower downpayments.		In return for larger loans and reduced downpayments, Fannie Mae and a city(?) will request that participants own one car or less per household and live within a quarter mile of a bus line or half a mile from a train or light rail transit system.
		On March 11, 2004, Fannie Mae launched 50 SCI programs nationwide to provide financing for infill or transit-oriented residential development as part of a major "workforce housing" initiative.		This program supports 50 neighborhood-based pilots to promote the rehabilitation of existing housing or provide financing for infill or transit-oriented residential development projects for a variety of populations including first-time home buyers.
C.3.a.	Triangle Smart Commute Initiative	Home buyers in Durham, Orange and Wake counties can save money by purchasing a home within a quarter-mile of a public bus stop are eligible. Participating lenders can add part of the buyers' potential transportation savings to their qualifying income. That credit could increase their home-buying power and help them afford more house.		
		Partners include the greater Triangle Regional Council, Chapel Hill Transit, Triangle Transit Authority, Chapel Hill Board of Realtors, local lenders and Fannie Mae (FNM/NYSE).		
		Participating lenders: RBC Centura, Allied Home Mortgage Capital Corp., Central Carolina Bank, Country Home Loans and State Employees' Credit Union.		To determine eligibility and apply for a mortgage loan through the Smart Commute Initiative, consumers may contact participating lenders.

C.4.	American Dream Commitment		In 2000, Fannie Mae announced that the American Dream Commitment will provide \$2 trillion in private capital for 18 million people.	
	Phase 1 of the ADC Program	Particular emphasis on increasing minority homeownership.		
	Phase 2 of the ADC Program	Focuses on increasing the ability of new and long-time homeowners to stay in their homes and preserving our nation's stock of affordable rental housing.		
	Phase 3 of the ADC Program	In January 2004, Fannie Mae joined with the National Association of Home Builders (NAHB) in the initiative to help revitalize 1,000 communities across America by expanding the stock of affordable housing for working families. This is the third phase of Fannie Mae's American Dream Commitment designed to tackle the roughest housing problems facing America.	Loan amount 2000-2003: 1) Community Reinvestment Act: \$23.6 billion; 2) Reverse Mortgages: \$6.5 billion; 3) Mortgage Revenue Bonds: \$19.4 billion; 4) All rental units/multifamily renter households: \$80.3 billion.	
		North Carolina is the Southeastern Regional Office of the ADC Program, which is located in Atlanta at 404.380.6000.	The North Carolina Partnership Office: 704.344.6960.	
C.4.a	Community Development Financial Institutions (CDFI)	Fannie Mae's CDFI Initiative is part of the American Dream Commitment. The CDFI Initiative helps build strong communities by providing investment capital - equity, debt and equity equivalent investments, and deposits - to community-based financial institutions and intermediaries that directly support affordable housing development.	Under the ADC, Fannie Mae's CDFI Initiative has committed to increase its investment to \$150 million by the end of the decade.	
C.5.	Fannie Mae Multifamily Investments	Fannie Mae's multifamily financing solutions include debt financing provided through lender partners and investments in Low Income Housing Tax Credits (LIHTC) through syndication partners.	On February 2004, FM announced that the company's 2003 multifamily investments totaled approximately \$36 billion.	
C.6.	Mortgage-Backed Securities (MBS)	Fannie Mae creates FM MBS supported by multifamily residential property mortgages. A pool of one or more multifamily mortgages, which can be either adjustable-rate (ARM) or fixed-rate, backs a multifamily Fannie Mae MBS.		
D	U.S. Housing and Urban Development (HUD)			
D.1.	Economic Development Initiative (EDI)	EDI grants to local governments that can be used to enhance both the security of loans guaranteed through the Economic Development Loan Fund and the feasibility of the large economic development and revitalization projects they finance.	Submit to: Processing and Control Branch, Room 7251; Attn: Fy2003 EDI-Special projects, CPD; HUD, 451 7th st. SW, Washington DC 20410	States and CDBG entitlement and non-entitlement communities can apply for EDI/loan fund assistance.

		HUD awards EDI funds as competitive project grants, in conjunction with 108 loan commitments. EDI grant program offers communities a way to decrease the level of risk to their CDBG funds: 1) the grant can provide additional security for the loan; and 2) use the grant to simply make the project more feasible by paying some of the project costs with grant funds or by reducing the interest rate to be paid for loans from a revolving fund.		EDI grant funds can only be used with projects assisted through Section 108 Economic Development Loan Fund, which may involve such activities as: acquisition; rehabilitation of publicly owned property; housing rehabilitation; economic development activities; acquisition, construction, reconstruction and installation of public facilities; and for colonias, public works and other improvements.
D.2.	Section 108 Loan Guarantee Program	Section 108 enables states and local governments participating in the CDBG program to obtain federally guaranteed loans that can help fund large economic development projects and other revitalization activities. This program is part of the CDBG program.		
		HUD guarantees repayment of notes issued by local governments to raise funds for approval projects. The guarantee represents the full faith and credit of the US government, providing private investors with enough security that the participating local governments can borrow funds at lower interest rates comparable to those that the Government commands when borrowing through the US Treasury.		CDBG entitlement communities are eligible to apply for a guarantee from Section 108 Loan Guarantee program. Except in New York and Hawaii (HUD administers the CDBG Small Cities Program), CDBG non-entitlement communities also may apply, provided that their State agrees to pledge funds necessary to secure the loan.
		The guaranteed amount must not exceed 5 times the community's (or State's) most recent CDBG allocation. The maximum loan term is 20 years. Loan commitments are often paired with EDI grants, which can be used for predevelopment costs of a section 108-funded project, as a loan loss reserve (in lieu of CDBG funds), to write-down interest rates, or establish a debt service reserve.		Like other CDBG assistance, Section 108 loan guarantees must be used for activities that meet national CDBG objectives. They must: 1) benefit low and moderate-income families; 2) prevent or eliminate blight; or 3) meet other urgent community development needs.
		Although funded projects generate enough cash flow to support loan payments, the 20-year term means that projects do NOT necessarily need to support repayment immediately. Statutory amendments in 1994 expanded the list of eligible activities to include public facilities, which generally do not yield cash flow.		The Office of Community and Economic Development Finance in HUD's Office of Community Planning and Development (CPD) administers the program.
		Local governments borrowing funds guaranteed by Section 108 must pledge their current and future CDBG allocations (up to the loan amount) as security for the loan.		
D.3.	Home Investment Partnerships Program (HOME)	HOME provides formula grants to States and localities that communities use-often in partnership with local nonprofit entities to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low (moderate?) income people.	HOME funds are awarded annually as formula grants to participating jurisdictions.	States are automatically eligible for HOME funds and receive either their formula allocation or \$3 million, whichever is greater.
	HUD in North Carolina: Greensboro: Asheville Building 1500 Pinecroft Road, Suite 401 Greensboro, NC 27407. Telephone: 336.547.4000.	HOME is the largest Federal block grant to State and local governments exclusively to create affordable housing for low-income households. Each year it allocates approximately \$2 billion among the states and hundreds of localities nationwide.		Participating jurisdictions may choose among a broad range of eligible activities, using HOME funds to provide home purchase or rehabilitation financing assistance to eligible homeowners and new homeowners; build or rehab housing for rent or ownership; or for "other reasonable and necessary expenses related to the development of non-luxury housing.

		HUD establishes Home Investment Trust Funds for each grantee, providing lines of credit that the jurisdiction may draw upon as needed. The program's funds allows States and local governments to use HOME funds for grants, direct loan guarantees, or other forms of credit enhancement, or rental assistance and security deposits.		For rental housing and rental assistance, at least 90% of benefiting families must have incomes that are no more than 60% of the HUD-adjusted median family income for the area.
D.4.	American Dream Downpayment Initiative (ADDI)	The American Dream Downpayment Initiative (ADDI) was signed into law on December 16, 2003. The ADDI authorizes up to \$200 million annually for fiscal years 2004-2007. ADDI will provide funds to all fifty states and to local participating jurisdictions that have a population of at least 150,000 or will receive an allocation of at least \$50,000 under the ADDI formula.	ADDI will be administered as a part of the HOME Investment Partnerships Program, a formula grant program.	To be eligible, individuals must be first-time homebuyers interested in purchasing SF housing. ADDI funds may be used to purchase 1to4 family housing, condominium unit, cooperative unit or manufactured housing.
			In FY 2003, the ADDI appropriation was \$74.5 million. The FY 2004 appropriation is pending.as of June 2004.	Individuals who qualify for ADDI assistance must have incomes not exceeding 80% of area median income.
	LOCAL INITIATIVES SUPPORT CORP. (LISC)			
E		LISC helps resident-led, community-based development corporations (CDCs) transform distressed communities and neighborhoods into healthy ones. LISC provides capital, technical expertise, training and information.	In 2002, LISC invested over \$500 million in equity, loans, and grants through 762 CDCs .	Eligible projects: affordable housing, new industrial and commercial space, schools, daycare centers, health clinics and playing fields.
		LISC is an intermediary - a pipeline through which corporations, foundations,individual investors and government deliver capital and technical expertise to CDCs and their communities.		
		LISC operates on three levels:		
		1. Providing direct assistance to individual CDCs. LISC acts as an intermediary for over 900 corporations and foundations, providing technical and financial resources to help CDCs become strong and stable neighborhood institutions.		
		2. Improving Local Community Development Environments. LISC, through local programs it establishes in selected cities and regions works to build environments in which CDCs can be successful-environments charaterized by partnerships among local LISC programs, community organizations, local foundations,private industry, and state and local governments.		
		3. Strengthening National Supprot for Community Development. LISC brings national resources to local programs and promotes the exchange in adaptation of effective, creative community development strategies among these localities.		
		LISC provides grants, below-market capital and equity investments to CDCs for neighborhood redevelopment. When LISC begins a new program, National LISC matches locally-raised funds and gives that much more to the community for renovation. The CDC then designates the funds to a variety of projects that will best suit the neighborhood.		

	Prepared by Stainback Public/Private Real Estate (SPPRE)			

Section 7

September 10, 2004

To: Council Committee for the Development of Lots 2 and 5

From: John Stainback

Re: **Alternative Public/Private Financing Instruments for Affordable Housing**

The proposed commercial development of Lots 2 and 5 and the expansion of the Wallace Deck include 305 housing units. The twenty percent (20%) allocation requirement equals 61 units of affordable housing. The purpose of this memo is to identify alternative public/private financing instruments and programs to facilitate the financing of the 61 units of affordable housing.

Some of these affordable housing programs apply only to end-users and not developers. We believe these programs could be incorporated into a public/private partnership between the Town and the to-be-selected developer(s).

Orange County, NC

- Orange Community Housing & Land Trust (OCHLT)

OCHLT is a nonprofit community based membership organization funded by Orange County and the towns of Chapel Hill, Carrboro and Hillsborough. OCHLT are developers of affordable housing, predominantly serving people at or below 80% of the Area Median Income (AMI). OCHLT's mission is to provide affordable housing for both rental and homeownership.

OCHLT acquires land trust properties by use of a variety of funding sources. Some of these properties have pre-existing homes on them; some require development. OCHLT markets and sells the ownership interest in the homes, while retaining title to the property. OCHLT then leases the land and improvements, for a minimal fee, to the homeowner via a 99-year renewable ground lease.

SPPRE recommends that the Town and/or SPPRE explore structuring a Public-Public Partnership between the Town and OCHLT whereby OCHLT purchases a small portion of the land under Lots 2 and 5 and the Wallace Deck.

State of North Carolina

- Individual Development Account Demonstration Program

In 1998, the North Carolina Small Cities Community Block Grant (CDBG) Program

invested in the development of prototype programs at four rural sites. These programs are designed to foster homeownership through the creation of individual development accounts (IDAs) and the provision of ancillary homeownership support services.

The North Carolina Small Cities CDBG Program has invested \$240,000 in the four sites. CDBG funds are used in conjunction with other contribution: for every \$1 of CDBG matched savings, the saver must deposit \$1 and local sources must contribute \$1

- Self-Help Durham, North Carolina

According to the Self-Help website, Self-Help's mission is to create home ownership and economic opportunities for minorities, women, rural residents and low-wealth families. Since 1980, they have provided over \$3.5 billion in financing to 40,000 small businesses, nonprofits and homebuyers.

Self-Help provides low cost, low interest rate home loans for borrowers who cannot qualify for conventional financing. Self-Help's Nonconforming Lending program includes:

- As little as 3% down payment
- Down payment assistance often available
- Common sense underwriting
- No discount points; maximum 1% origination fees
- Low closing costs

Self-Help offers both Fannie Mae and USDA loans for those customers who qualify. USDA loans offer 100% financing with a minimum customer investment of \$500.

- Community Advantage Home Loan Secondary Market Program

The Community Advantage Home Loan Secondary Market program, created in 1998, is an expansion of Self-Help's current Home Loan Secondary Market Program. By providing participating lenders with a guaranteed market for low-income loans, Community Advantage increases lender's incentive and ability to make Community Reinvestment Act (CRA) loans.

Community Advantage is a partnership among Self-Help, a North Carolina-based community development organization, Fannie Mae and the Ford Foundation. Initial lenders participating in the program include Bank of America, Bank One, Branch Banking & trust, Centura Bank, Chase Manhattan Bank, First Citizens Bank & Trust, First Union National Bank, Norwest, the North Carolina State Employees' Credit union and Wachovia.

Because CRA loans require lower downpayments and have more flexible underwriting standards, they rarely meet the mortgage-purchase requirements of the secondary market. Fannie Mae, for example, will not buy directly from a bank any uninsured or guaranteed before Fannie Mae will consider purchasing them. As a result, many banks have amassed in their portfolios a large number of long-term, fixed-rate CRA mortgages, because these mortgages cannot be sold on the secondary market, banks are prevented from offering affordable mortgages to new low-income borrowers.

With Fannie Mae, Ford and Self-Help creating a guaranteed market for these loans, banks can originate affordable mortgage loans with the knowledge that they will be able to sell them.

- North Carolina State Employees' Credit Union Programs for Homebuyers

State Employees' Credit Union (SECU) operates two programs to finance members' home purchases: the First-Time Homebuyers Program and the Homestead Mortgage Program.

Both programs require that "the property to be financed must be a freestanding, traditional built home: factory-built homes, condominiums and townhouses, duplexes and triplexes are NOT acceptable collateral for a first-time homebuyer's loan."

Federal Housing Programs

As part of our contract with the Town of Chapel Hill, SPPRE identified and described "Federal Finance Programs for Transit, TODs and Related Projects." This eight (8) page matrix includes the following housing programs:

- Federal Transit Administration (FTA):
 - Livable Communities Initiative (LCI)
- U.S. Department of the Treasury
 - New Markets Tax Credits (NMTC)
- Fannie Mae
 - American Communities Fund (ACF)
 - America's Living Communities Plan
 - Smart Commute Initiative (SCI), includes the "Triangle Smart Commute Initiative

- American Dream Commitment
- Fannie Mae Multifamily Investments
- Mortgage-Backed Securities (MBS)
- U.S. Housing and Urban Development (HUD)
 - Economic Development Initiative (EDI)
 - Section 108 Loan Guarantee Program
 - Home Investment Partnerships Program (HOME)
 - American Dream Downpayment Initiative (ADDI)

Town of Chapel Hill

Optional ways to Facilitate the Financing and Development of Affordable Housing:

- Tax Abatements for a term to be negotiated and/or reduction of abatement at certain time periods
- Predevelopment grants and loans
- Soft Second Mortgages
- An accruing, low-interest, soft second loan that does not amortize until the project is generating sufficient cash flow
- Payment-in-Lieu-of-Taxes (PILOT)

Freeze property tax at pre-development rates for a predetermined period or allocate property tax as debt service for a Tax-exempt Revenue Bond for the proposed housing.

- Counseling for developers on how to obtain and use federal low-income housing tax credits (LIHTC)

Section 8

August 17, 2004

To: Council Committee for Lots 2 and 5

From: John Stainback

Re: Alternative Developer Solicitation Methods for Chapel Hill

There are eight (8) alternative developer solicitation methods. These methods include:

1. The one-step traditional Request for Proposal (RFP)
2. Pre-qualify developers and issue an RFP
3. The two-step RFQ/RFP
4. The three-step RFI/RFQ/RFP
5. Interview developers to pre-qualify and issue RFQ/RFP
6. Issue RFQ with option to negotiate or issue an RFP
7. Issue an RFQ, then proceed to negotiations
8. Sole Source

Solicitation Methods Recommended for Consideration of the Council Committee

Based on three important factors: 1) the extensive experience of our company; 2) the desire to avoid the impact of increasing interest rates, and 3) our desire to minimize the substantial increase in construction materials, we recommend the Council Committee focus on the following developer solicitation methods:

1. Pre-qualify developers and issue an RFP
2. The two-step RFQ/RFP
3. Issue RFQ with option to negotiate or issue an RFP

Overview of the Three Recommended Solicitation Methods:

Method One: Pre-qualify Developers and Issue an RFP

The driving force behind this method is to eliminate the Request for Qualifications (RFQ) process. By eliminating the RFQ process, the Council Committee will save time and money. The average time required to complete the RFQ process is 12 to 18 weeks. The Town and SPPRE have allowed 14 weeks to complete the RFQ process. If the Committee selected this method, it would require one to two weeks for our firm to complete the research and select the development companies to receive the RFP. Of course, the Town staff and the Committee would need at least a week to review our recommended list of pre-qualified developers.

The Town would miss the opportunity to advertise the development opportunities. The Town would also miss the opportunity of completing a Pre-Proposal Conference. The purpose of a pre-proposal conference is to “sell” the development opportunities to the real estate and related industries and receive feedback, as well as better understand the concerns of potential development candidates.

Method Two: The Two-Step RFQ/RFP Process

The two-step RFQ/RFP process is by far the most popular method to solicit developers. We estimate that 75 to 85 percent of public entities use this method. We believe the majority of public entities use this method because it has proven to be successful. It opens up the competition to any and all developers. Moreover, it allows firms such as architects, engineers and contractors to assemble a multidisciplinary team to respond to the RFQ.

The major drawback to this method is that it requires so much time to complete. We have allowed 37 weeks excluding two weeks for the Christmas Holidays to complete the RFQ/RFP process.

When compared to the RFP process, developers prefer the two-step process, because it substantially reduces their risk. Developers dislike the one-step RFP method because they are forced to invest an enormous amount of time and money to prepare a highly technical proposal when they could be one of 20 to 30 firms submitting a proposal. From the perspective of a developer, in order to compete for the project, they are forced to invest this time and money with a three to five percent (3% to 5%) chance of being selected. So they prefer to submit their qualifications in response to an RFQ and then hopefully be “short-listed” to three or five firms to receive an RFP. If there are three firms short-listed, each firm now has a 33 % chance of being selected, so the investment is warranted.

Method Three: Issue an RFQ with the Option to Negotiate or Issue an RFP

This method is appealing in two ways: 1) If we found a team that was a perfect “fit” for the Town and the proposed projects, we have eliminated the cost (the fee for SPPRE) and the time

required to complete the RFP process (37 weeks), and 2) if the Council Committee does not feel that they have adequate information to select a team they have the “option” of issuing an RFP.

The advantage of this method is that it allows the Council Committee the option to avoid the lengthy RFP process. The problem with this method is what if the Committee selects a team and proceeds directly to negotiations and concludes that they have selected the wrong team, or uncover that they are not a good private partner, the Committee has to start negotiations with the second ranked team.

The underlying concept of this method is that the public partner quickly selects a team based on their RFQ process and then they quickly become a partner of the developer. In other words, the public and private partner become a team and structure and implements the proposed project.

The other major problem with this method is that if the Council Committee proceeds directly to negotiations, avoiding the RFP process, they lose the opportunity of receiving and reviewing several in depth proposals in response to the RFP. In other words, the Committee may feel that they have insufficient information to proceed directly to negotiations. Of course, the Committee has the option of requiring the developers to respond to an RFP.

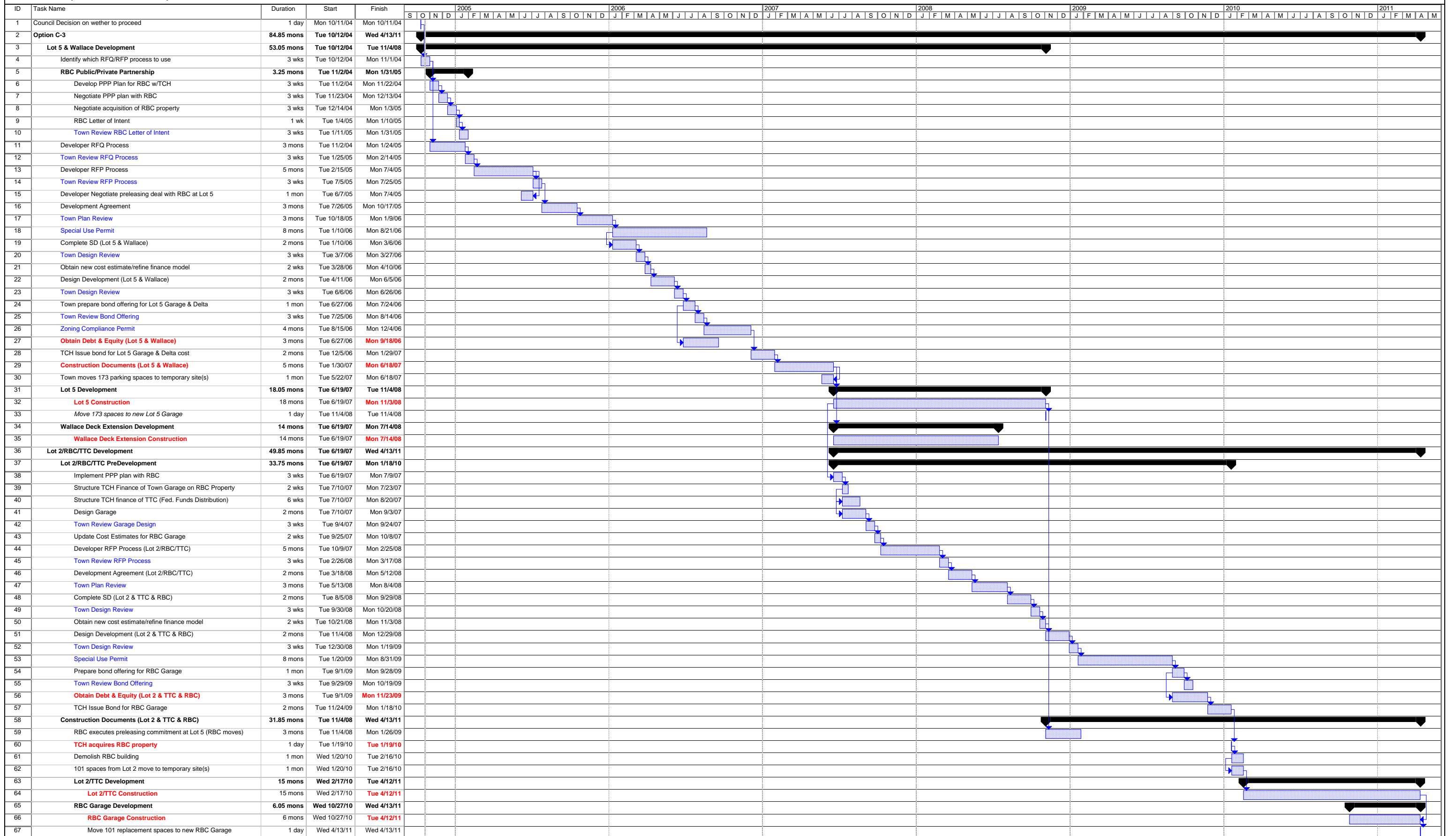
Some developers really like this method, because they have a chance to win a major project and avoid the costly RFP process.

SPPRE Recommendation

Based on having worked with the Town staff, Town Council and the Council Committee, we believe the two-step RFQ/RFP process will provide sufficient information to select a developer, which best fits the Town’s analytical, methodical and demanding requirements.

Section 9

Town of Chapel Hill Schedule Option C-3



Section 10

Tab 6: 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.
