

# 2010

## MIAMI MARINE STADIUM:RETAIL



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## **Miami Marine Stadium**

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

### **Market Overview (Key Biscayne)**

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

#### *Family-Friendly Environment*

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

### **SWOT Analysis**

#### *Strengths:*

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

#### *Weaknesses:*

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

#### *Opportunities:*

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

*Threats:*

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

**Market Analysis**

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

**Market Statistics**

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

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

**Regulatory Issues**

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

**Development Plan**

## Active Lifestyle & Environment Based Retail

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

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

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

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

The some site attributes to be considered before development are:

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

## Tenant Mix

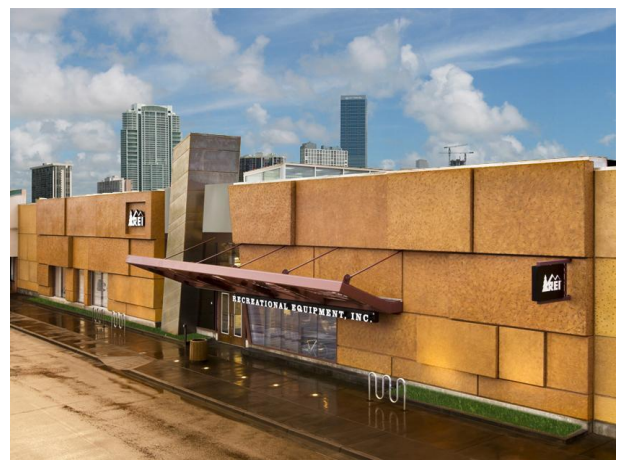
### REI

REI will be an anchor tenant for the following reasons:

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

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

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



South Florida many people engage in outdoor recreational activities in the Key Biscayne Area. Past evidence suggests REI will be able to capture a large portion of the population that comprises its targeted segment. Furthermore, by offering services such as kayak rentals and rock climbing lessons, there will be a substantially higher amount of traffic generated from the family segment. Families that take their kids to the aquarium or to the beach may also want to spend some time here to make a purchase or engage in an activity.

REI has a corporate mission aligned with environmental protection and this protected area of Virginia Key is an ideal location for the company. According to REI's website, stores range in size from 10,000 square feet to 95,000 square feet. This tenant could benefit from a store of at least 40,000 square feet so that it can provide in store activities such as rock climbing and also because a variety of large products are sold at REI such as bicycles, but also small items like athletic clothing. Cycling is very prevalent in the area as well as running and swimming.

#### Ron Jon Surf Shop



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

#### Restaurants

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

#### Coffee/Drink Shop

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

#### Other Retail Businesses

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

## **Financial Analysis**

### **Assumptions:**

### *Square Footage*

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

### *Construction*

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

### *Vacancy*

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

### *Retail Absorption and Tenant Renewal*

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

### *Anchor Tenant Contingency*

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

### *Expenses*

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

### *Operating Expenses*

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

### *Ground Lease*

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

### *Economic Growth Rates*

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

### *Tenant Improvements*

#### New Tenants

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

#### Renewal

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

### *Leasing Commissions*

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

### *Reversion*

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

### *Construction Loan*

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

### *Permanent Loan/Equity Investment*

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

# **Exhibits**



**Exhibit 1 : Retail Rent Roll****RETAIL RENT ROLL**

| <b>Tenant Name</b>     | <b># of Units</b> | <b>Square Feet</b> | <b>Total SF (Retail Share)</b> | <b>Lease Length (Years)</b> | <b>Current Base Rent per SF</b> | <b>Total Rent</b>   |
|------------------------|-------------------|--------------------|--------------------------------|-----------------------------|---------------------------------|---------------------|
| <i>REI</i>             | 1                 | 40,000             | 40,000                         | 10                          | \$ 18.00                        | \$720,000           |
| <i>Ron Jon</i>         | 1                 | 10,000             | 10,000                         | 10                          | \$ 20.00                        | \$200,000           |
| <b>REI and Ron Jon</b> | 1                 | 50,000             | 50,000<br>84%                  | 10                          | \$ 18.40                        | \$920,000           |
| <b>Retail</b>          | 2                 | 1,500              | 3,000<br>5%                    | 3                           | \$ 25.00                        | \$75,000            |
| <b>Restaurants</b>     | 3                 | 1,850              | 5,550<br>9%                    | 3                           | \$ 25.00                        | \$138,750           |
| <b>Coffee Shop</b>     | 1                 | 1,000              | 1,000<br>2%                    | 3                           | \$ 25.00                        | \$25,000            |
| <b>Total</b>           |                   |                    | <b>59,550</b>                  |                             |                                 | <b>\$ 1,158,750</b> |

**Exhibit 2: Financial ProForma**

**PRO FORMA**

|                          |                |   |
|--------------------------|----------------|---|
| Retail SF                | 59,550         |   |
| Common SF                | 10,719         |   |
| <b>Total Building SF</b> | <b>70,269</b>  | 18% <i>Common Space</i>                 |
| Parking SF               | 39,303         | * 1 Parking space per 1,000 SF - 220 SF |
| Extra Parking SF         | 7,861          | per space, -180 Spaces                  |
| <b>Total Parking SF</b>  | <b>47,164</b>  | 20% <i>Buffer</i>                       |
| <b>SF Total</b>          | <b>117,433</b> |   |

**COSTS:**

|                          | Hard Cost | Soft Cost | SF             | Cost                |
|--------------------------|-----------|-----------|----------------|---------------------|
| Retail Cost              | \$ 68     | 25%       | 70,269         | \$ 5,994,824        |
| Parking                  | \$ 20     | 15%       | 47,164         | \$ 1,084,763        |
| Developer Fees and Admir | N/A       | N/A       | N/A            | \$ 700,179          |
| <b>Total Cost</b>        |           |           | <b>117,433</b> | <b>\$ 7,779,766</b> |
| <b>Total Cost per SF</b> |           |           |                | <b>\$ 66</b>        |

**INCOME:**

| Retail                        | Rent  | SF           | Total               |
|-------------------------------|-------|--------------|---------------------|
| REI and Ron Jon               | \$ 18 | 50,000       | \$ 920,000          |
| Retail                        | \$ 25 | 3,000        | \$ 75,000           |
| Restaurants                   | \$ 25 | 5,550        | \$ 138,750          |
| Coffee Shop                   | \$ 25 | 1,000        | \$ 25,000           |
| <b>Total</b>                  |       | <b>59550</b> | <b>\$ 1,158,750</b> |
| <b>Retail Income per SF</b>   |       |              | <b>\$ 19.46</b>     |
| <b>Payback Period (years)</b> |       |              | <b>6.71</b>         |
| <b>Total Income</b>           |       |              | <b>\$ 1,158,750</b> |

|                          | % of Bldg | Income per Weighted Avg |
|--------------------------|-----------|-------------------------|
| Retail                   | 100%      | \$ 19.46 \$ 19.46       |
| <b>Avg Income per SF</b> |           | <b>\$ 19.46</b>         |

**Exhibit 3: Assumptions**

**Marine Stadium Retail Assumptions**

|  |  |  |  |
|--|--|--|--|
| <b>Analysis Period</b>                           | Ten-year analysis begins January 1, 2013<br>1 year construction period begins January 1, 2012. Construction concludes on December 31, 2012   |  |  |
| <i>Assumption Category</i>                       | <i>Assumption Subcategory</i>  | <i>Amount</i>  | <i>Notes on Assumptions</i>  |
| <b>Square Footage</b>                            | Gross Site SF:<br>Total Building SF:<br>Retail SF:   | 117,433<br>70,269<br>59,550 85%  |  |
| <b>Vacancy</b>                                   | Retail:  | 7%   |  |
| <b>Expenses</b>                                  | Retail: *  | \$3.25   | * NNN  |
| <b>Operating Expenses</b><br>(per SF)            | Capital Improvements: *<br>Real Estate Taxes:<br>Management Fee:<br>Insurance:<br>Parking Lease:   | \$0.10<br>\$3.00<br>\$2.00<br>\$1.50<br>\$0.00 per Space/Yr  | * Sinking fund: Future value of \$100,000, 8% Rate, 10 Year period   |
| <b>Ground Lease</b>                              | Gross SF: *<br>Lease Rate: **<br>Ground Lease  | 152,662<br>\$2.00 per SF<br>\$305,325  | * 30% increase for walkways, pavement, waterfront, seating, etc.<br>** App. \$5 for retail Outparcel, but given favorable rate due to relationship with County |
| <b>Growth Rates</b>                              | Inflation:<br>Expenses: **<br>Rent Increase Retail : **  | 3%<br>3%<br>2%   | ** Conservative - Expense Growth Exceed Rent Growth  |
| <b>Tenant Improvements</b><br><i>New Tenants</i> | REI and Ron John:<br>Retail:<br>Restaurants:<br>Coffee Shop:   | \$3 per SF<br>\$3 per SF<br>\$5 per SF<br>\$4 per SF   | * Higher due start-up cost, desire of tenant type, predicted renewal   |
| <b>Tenant Improvements</b><br><i>Renewel</i>     | REI and Ron John:<br>Retail:<br>Restaurants:<br>Coffee Shop:   | \$1 per SF<br>\$0.50 per SF<br>\$0.50 per SF<br>\$0.50 per SF  |  |
| <b>Leasing Commissions</b>                       | New Tenant<br>Renewal  | 3.00%<br>1.50%   |  |
| <b>Capitalization Rate</b>                       | Going out Cap:<br>Sensitivity Analysis - Worst Case<br>Sensitivity Analysis - Best Case  | 8.00%<br>10.00%<br>6.00%   |  |
| <b>Permanent Loan/Equity</b>                     | Loan Term:<br>Years of IO Payments<br>Interest:<br>Origination Fee<br>Closing Costs<br>Sensitivity Analysis - Worst Case<br>Sensitivity Analysis - Best Case<br>LTV<br><br>Loan Amount:<br>Equity Amount:  | <b>30</b> Year Fixed<br>0<br>5.5%<br>0.50%<br>0.25%<br>8.0%<br>4.0%<br>65.0%<br><br>\$ 5,056,848<br>\$ 2,722,918     |  |
| <b>Construction Loan/Equity</b>                  | Loan Term:<br>Interest:<br>Origination Fee<br>Closing Costs<br>Sensitivity Analysis - Worst Case<br>Sensitivity Analysis - Best Case<br>LTV<br>Loan Amount:<br><br>Construction Interest Expense<br>Interest Expense -Worst Case<br>Interest Expense - Best Case | 10<br>8.0%<br>0.15%<br>0.10%<br>10.0%<br>6.0%<br>65.0%<br>\$ 5,056,848<br><br>\$ 404,548<br>\$ 505,685<br>\$ 303,411 | Years Interest Only, re-financed after 1 year<br><br>Low due to assumed refinancing with same bank<br>Low due to assumed refinancing with same bank            |
| <b>Market Discount Rate</b>                      |  | 10%  |  |
| <b>Capital Reserves</b>                          | PSF  | \$0.25   |  |
| <b>Resale Costs</b>                              |  | 3.25%  |  |

**Exhibit 4: Sources & Uses**

|                      |  |  |  |  | <i>Permanent Phase</i> |                |                   | <i>Construction Phase</i> |                |                   |
|----------------------|--|--|--|--|------------------------|----------------|-------------------|---------------------------|----------------|-------------------|
| <b>SOURCES</b>       |  |  |  |  | <b>Total</b>           | <b>%</b>       | <b>Per SF</b>     | <b>Total</b>              | <b>%</b>       | <b>Per SF</b>     |
| Permanent Mortgage   |  |  |  |  | \$5,056,848            | 65.00%         | \$ 76,331         | \$ -                      |                | \$ -              |
| Construction Loan    |  |  |  |  | \$ -                   |                |                   | \$5,056,848               | 65%            | \$ 76,331         |
| Equity               |  |  |  |  | \$2,722,918            | 35.00%         | \$ 41,101         | \$2,722,918               | 35%            | \$ 41,101         |
| <b>Total Sources</b> |  |  |  |  | <b>\$7,779,766</b>     | <b>100.00%</b> | <b>\$ 117,433</b> | <b>\$7,779,766</b>        | <b>100.00%</b> | <b>\$ 117,433</b> |

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

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

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

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

\* REI and Ron John Lease is leased up before stabilization, therefore is Absorbed immediately

\*\* The Retail stores and the Restaurants are assumed to lease-up at 50% of leasable area per year due to the economy

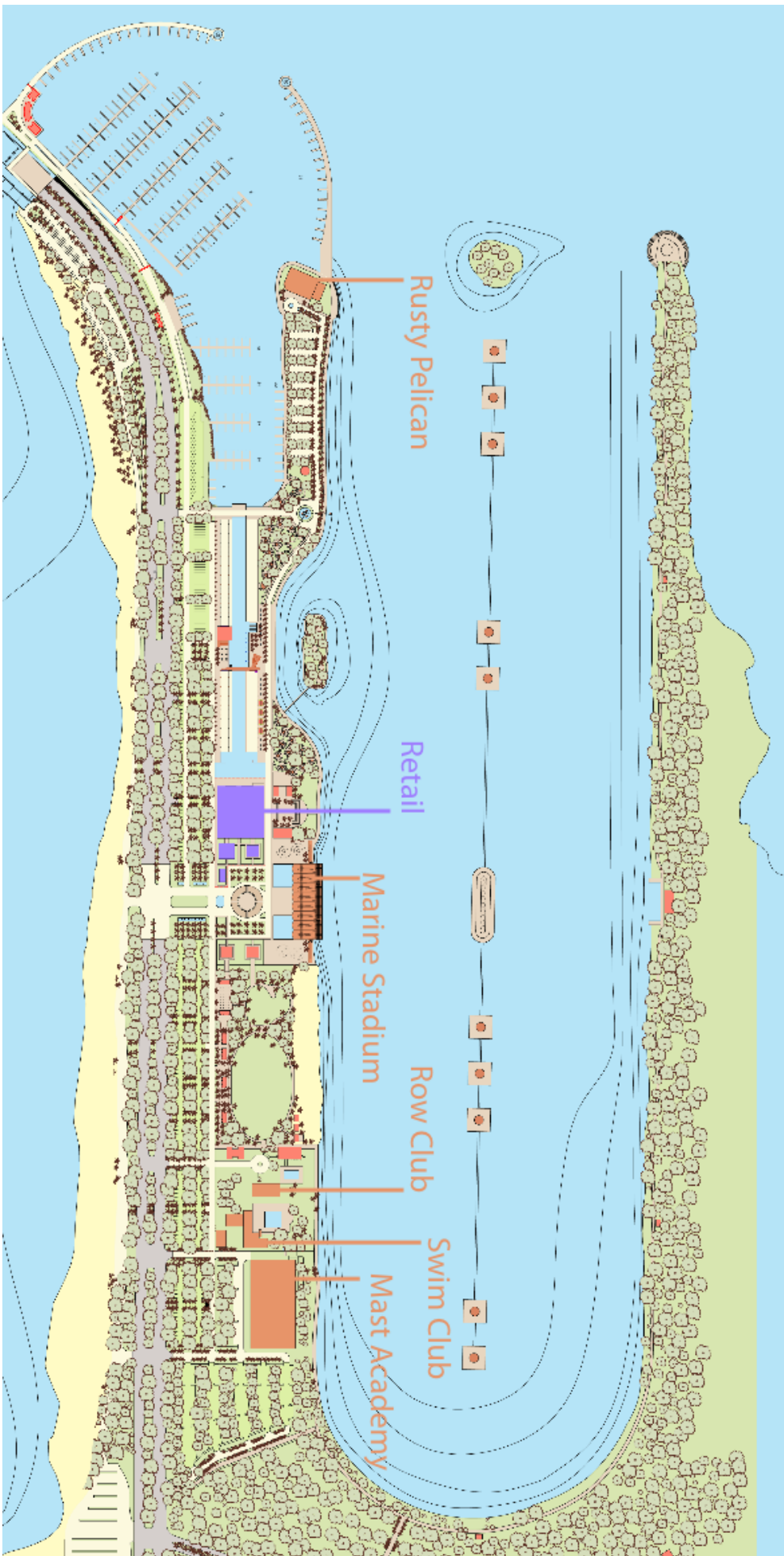








Exhibit 9: Site Plan





**Exhibit 11: Traffic Count**



**Exhibit 12: Vicinity Plan**

