SB Friedman
Development Advisors

S. B. Friedman & Company | 221 North LaSalle Street, Suite 820 | Chicago, IL 60601 | T (312) 424-4250 | F (312) 424-4262

MEMORANDUM

To: David Hales, City Manager
City of Bloomington, Illinois

From: Ranadip Bose, *SB Friedman Development Advisors*
Direct: (312) 384-2407; Email: rbose@sbfriedman.com

Date: February 1, 2016

RE: Review of BDRP Hotel & Conference Center Project

Introduction and Executive Summary

SB Friedman Development Advisors ("*SB Friedman*") has been engaged by the City of Bloomington (the "City") to review a financing request for the proposed redevelopment of the Commerce Bank and Front 'N' Center buildings into a 129-key hotel and conference center and restaurant cluster (the "Project"). Bloomington Downtown Redevelopment Partners LLC ("BDRP") has requested $13 million in City financial assistance and the contribution of an approximately half-acre City-owned parking lot ("Butler lot") at the northwest corner of Front and Madison Streets. City financial assistance would involve the creation of special financing districts, including a Tax Increment Financing (TIF) District and a Business District encompassing the Project site, as well as the use of hotel, sales, and food and beverage taxes, and TIF revenues generated by the Project to assist in its financing.

This memorandum summarizes BDRP's proposal and provides a preliminary analysis of the following:

1. The Project's need for public financing assistance.
2. The City's financing capacity based on project revenues.
3. Recommendations for next steps.

PROJECT OVERVIEW

The Project consists of the redevelopment of the Front 'N' Center building, the Commerce Bank building, the adjacent Elks building and Butler lot into a hotel and conference center, a restaurant cluster consisting of four restaurants/bars, and a parking structure. The proposed hotel is to be a full-service "upscale" hotel such as Hilton Garden Inn. Our analysis was based on Project documents dated December 2, 2015. Revised floor plans/site plan were received by *SB Friedman* on January 20, 2016; however, the changes made in these plans did not impact the Project assumptions included in our analysis.

The Project program includes:

- 129-key full-service upscale hotel including a restaurant operated as part of the hotel
- 12,000-SF conference center/ meeting space
- 10,000 SF of space for three restaurants that will be leased out to operators separate from the hotel
- 250-space parking garage
- Skybridge connecting the hotel with the conference center

REVIEW OF PROJECT CONCEPT

Based on our review of the development proposal, we believe the Project could be a pioneering development in Downtown Bloomington. The proposed Project site is strategically located adjacent to the historic downtown square anchored by the iconic McLean County Museum of History, and is directly north of the U.S. Cellular Coliseum-- a City-owned arena that hosts concerts, ice shows, motor sports and trade shows. The historic renovation of the mostly vacant and underutilized Commerce Bank and Front 'N' Center buildings into a hotel and cluster of four restaurants has the potential to activate the heart of downtown and create a new dining destination in the City. There are also significant opportunities for synergy between the Project's hotel, conferencing and restaurant/bar facilities and the adjacent U.S. Cellular Coliseum to boost programming, hotel stays and downtown dining.

PROJECT STATUS/PRELIMINARY NATURE OF INFORMATION

While BDRP has submitted estimates of Project development cost estimates, operating revenues and expenses, and financing sources, the Project is still in the pre-development concept stage. The Project program, plans and budget need to be finalized, other financing sources such as EB-5 and New Market Tax Credits (NMTCs) explored, and financing commitments from lending institutions and investors secured. It is our understanding that BDRP Principal Jeff Giebelhausen is functioning as a broker/development facilitator for the Project and is in discussions with multiple entities with experience in developing and operating similar hotel projects. He will partner with one of these entities who will be the final developer/operator of the Project and solicit the specific hotel flag and other restaurant tenants. The preliminary nature of cost estimates, financing and revenue projections suggests that significant work needs to be done to reach a full terms sheet and Redevelopment Agreement, including firming up the Project concept and securing actual developer/operator and financial partners.

SUMMARY OF ANALYSIS

SB Friedman reviewed and benchmarked the Project budget, cash flow and financing sources submitted by BDRP. We made several adjustments to the information submitted and conducted additional analyses to estimate the financing gap of the Project and the City's financing capacity based on tax revenues generated. Specific adjustments and analyses conducted by *SB Friedman* are summarized below and discussed in detail in this memorandum:

- Revised development costs based on industry data.
- Adjusted Project revenues and expenses to be more consistent with the Hotel & Conference Center Feasibility Study conducted by HVS for the City in 2014.
- Adjusted capital structure to reflect typical financing terms of lending institutions and investors.
- Projected tax revenues generated by the Project including hotel taxes, food and beverage taxes, sales taxes, and TIF revenues, and the associated present value off all the revenue streams.

- Assessed the financing gap of the Project and the availability of City tax revenues to fund the gap.

CONCLUSIONS

Our analysis of the Project's cash flow and pro forma, as detailed in the following section of this memorandum, indicates that the Project needs a present value of approximately $8.2 to 11.2 million in public assistance and the contribution of the City-owned Butler lot in order to achieve competitive returns. This estimate of the financing gap is $1.8 to $4.8 million lower than BDRP's request of $13 million in assistance.

Our review of select public revenues produced by the Project including hotel, sales and food and beverage taxes, and TIF revenues indicates that the Project is projected to generate up to $16.9 million in present-value terms over a 25-year period at a 4.5% discount rate. Depending on the form of City financial assistance and associated financing terms, the tax revenues from the Project would result in City financing capacity ranging from $8.8 to $13.2 million and could be adequate to cover *SB Friedman's* estimate of the Project financing gap of $8.2 to $11.2 million. Therefore, even after the public assistance is provided, over a 25-year period, the City stands to gain a net direct fiscal benefit of $5.7 to $8.7 million in present value terms.

However, because of the preliminary nature of the Project concept and real estate financial information, the estimates of financing gap and financing capacity can materially change once the Project concept is refined and the various parameters are firmed up. Prior to a firm commitment of City assistance and disbursement of funds, an experienced hotel developer/operator and financing commitments from investors and lending institutions must be attained. The specific form of assistance can be structured to further mitigate risk to the City. Some options are described in the "Analysis of Public Financing Capacity" section of the memorandum.

We recommend the City endorse BDRP's continued efforts to advance the Project and undertake preliminary steps such as creation of the TIF and Business Districts and obtaining appraisals of the Project site. The City could utilize an Inducement Resolution to memorialize the City's support for the Project subject to a complete and acceptable development team and program that would include the following:

- Commitment from an appropriate and acceptable hotel developer;
- Evidence of site control;
- Financing commitments from acceptable lenders, tax credit buyers and equity investors;
- Lease or other commitments from appropriate other tenants;
- Franchising agreement for an acceptable hotel brand;
- Detailed plans and specifications for the development acceptable to the City administration;
- Construction and development costs prepared in sufficient detail by a general contractor or professional cost estimator; and
- Revised, final financial projections of net operating income, tax generation, and other factors.

The Inducement Resolution should further detail the undertakings required and expected of each party, delineate the timeframe for performance, initiate the process to designate the TIF/Business Districts in the project area, and provide for undertaking the pre-development activities that are the City's responsibility.

BDRP Pro Forma Assumptions and Benchmarking

SB Friedman reviewed the preliminary data submitted by BDRP on December 2, 2015 and engaged in subsequent conversations with BDRP to obtain additional information and understand the underlying assumptions of the Project. The following data was received by *SB Friedman* from BDRP for review:

- Preliminary site plans and floor plans illustrating the Project.
- Development budget in PDF format that includes financing sources and Project hard and soft costs.
- Pro forma showing operating revenues and expenses of the Project, net operating income, and the repayment of Project debt. No returns calculations were included in the cash flow.
- Hotel and sales tax revenue assumptions (dated December 11, 2015).

The costs and assumptions included in BDRP's pro forma are preliminary in nature. As such, *SB Friedman* reviewed industry benchmarks for various Project components and made adjustments accordingly. The City commissioned HVS to conduct a Hotel & Conference Center Feasibility Study in 2014. *SB Friedman* used this study as a resource to validate hotel and market assumptions in the Project budget and pro forma, in addition to other data sources.

DEVELOPMENT BUDGET

A summary of BDRP's budget is presented in **Table 1** below. *SB Friedman* benchmarked BDRP's assumptions against the 2014 HVS Study and the 2014/15 HVS Hotel Development Cost Survey. Based on this information, *SB Friedman* made adjustments to the budget as noted below. The basis of each of these adjustments is discussed in the section that follows the table. A detailed budget is presented in **Appendix 2, Table 1.**

Table 1: Summary of Development Budget and Industry Benchmarks

Uses	Total	% of Total Cost	Benchmark for % of Total Cost[4]	Adjusted by *SB Friedman*	% of Total Cost
Land Acquisition	$5,400,000	10.0%	12.0%	$5,400,000	10.5%
Hard Costs **	$38,244,769	71.1%	75.0%	$37,125,417	72.5%
Soft Costs **	$2,515,358	4.7%		$2,569,627	5.0%
Financing **	$2,894,835	5.4%		$2,533,661	4.9%
Soft Costs + Financing [1]		10.1%	10.0%		10.0%
Pre-Opening & Marketing [2]**	$140,000	0.3%	3-4%	$1,190,851	2.3%
Development Management & Overhead **	$3,824,477	7.1%		$1,670,644	3.3%
Other [3]	$741,762	1.4%		$741,762	1.4%
TOTAL PROJECT COST	**$53,761,201**	100.0%		**$51,231,962**	100%
Total Cost/Key	$416,753		$315,333	$397,147	
Hard Costs/Key (excluding Conference, parking, Skybridge restaurant)	$171,665		$141,110	$162,988	

Sources: BDRP, *SB Friedman*, HVS.
** Items adjusted by *SB Friedman*.
1. HVS combines Financing Fees and Soft Costs as a single line-item.
2. Pre-Opening and Marketing was moved to a separate category outside Soft Costs per HVS standards.
3. Other includes Tenant Coordination, Franchise Fee, and Working Capital.
4. Percent of Total Cost was benchmarked using the 2014/15 HVS Hotel Development Cost Survey, the 2014 HVS Feasibility Study, and *SB Friedman* review of similar projects of this nature in the Midwest.

The following details key components of the development budget summary shown in the table above.

- **Land Acquisition.** BDRP assumes total land acquisition costs of $5.4 million or 10% of the total Project. This includes $3.8 million for the Commerce Bank building, Front 'N' Center building and Elks building, and $1.6 million for the future purchase of the DUI building and the relocation of DUI to the Catalyst building. BDRP has drawn two sets of plans, one incorporating and the other working around the DUI parcel. At this stage, the economics of the Project include the DUI parcel. Additionally, BDRP is assuming a contribution of the City-owned Butler lot at no cost.

  In absence of a site appraisal, *SB Friedman* has not independently validated the site acquisition cost. However, the $3.8 million site acquisition cost for the Commerce Bank building, Front 'N' Center building and Elks building appears to be three times higher than the assessor's market value of $1.2 million. While costs of site assembly in infill locations can be higher due to such factors as the need for tenant relocations, it is recommended that the City obtain an as-is appraisal of all properties being acquired. This will provide the extent of variance of site acquisition costs shown in the pro forma from the market value of the sites. Additionally, it will provide an understanding of the monetary value of the City contribution associated with the Butler lot.

- **Hard Costs and FF&E.** Hard costs include demolition and building construction costs for the hotel, conference center, restaurants, parking deck, and skybridge. FF&E, which typically includes supplies, equipment and finishes, was not specifically broken out in the development budget and was included along with hard costs. BDRP has estimated construction and building/renovation costs including FF&E to total $38.0 million, or 71% of the total Project budget. The only adjustment made by *SB Friedman* is the removal of $1.0 million for construction of a "Rooftop Bar/Restaurant/Lounge," which was listed as "TBD" on the sales revenue documents and was not included in the cash flow.

  On average, for projects of this nature, Hard Costs and FF&E represent 75% of the budget and therefore, overall, these costs appear to be in line with industry standards. However, on a per key basis, the Hard Costs for the hotel component of the program as adjusted by *SB Friedman* (and excluding conference center, parking, skybridge, and restaurant construction) are $161,785, or 13% higher than the HVS estimate of $141,110 per key for a new construction hotel of similar quality. Due to the preliminary nature of these estimates and the nature of historic renovation, we would recommend further validation of construction costs.

- **Soft Costs.** *SB Friedman* adjusted this cost upward to be 5.0% of total development costs, to be consistent with industry standards.

- **Pre-Opening and Marketing.** We adjusted this cost upward to be consistent with industry standards, which are on average 3-4% of total development costs (2014/15 HVS Cost Estimate).

- **Financing Costs.** Nearly $2.9 million has been included in the Project budget for financing costs, which include construction period interest, loan points and financing fees. BDRP did not include a draw schedule and a specific calculation that shows the basis of the financing cost calculation. *SB Friedman's* estimate of financing costs with an 18-month construction draw schedule and a

7% interest rate and the associated fees/expenses amounts to approximately $2.5 million. We adjusted the financing cost downwards accordingly.

- **Development Management & Development Overhead.** These combined developer fees amount to $3.8 million or 7% of the overall budget. *SB Friedman* reduced these fees to $1.7 million or 3.2% of the total budget, bringing this allocation closer to other comparable commercial development projects reviewed by our firm in the Midwest.

FINANCING SOURCES

BDRP anticipates that the Project will be financed by Historic Tax Credits, a 25-year permanent loan and developer equity, in addition to the requested City assistance, as seen below in **Table 2.** Per the assistance request, BDRP has assumed $13 million in City assistance stemming from TIF revenues, hotel taxes, food and beverage taxes, and sales tax revenues. *SB Friedman* reassessed the Project's financing gap after adjusting the Project's sources to adhere to financing parameters for similar projects as detailed below.

- **Historic Tax Credits (HTC).** BDRP has anticipated approximately $4.9 million in Federal Historic Tax Credits based on a calculation of 20% of eligible hard costs (hard costs net of conference center, skybridge, parking deck, construction management and contingency). The federal credits are presumed to sell at $1/credit. This is a reasonable assumption according to the National Trust for Historic Preservation, which cites $0.95-0.99/credit. *SB Friedman* did not make adjustments to the tax credit calculation. The Project is not eligible for State Historic Tax Credits. The funds generated by the tax credits function as additional equity in the project.

- **Permanent Loan.** BDRP assumes a 25-year permanent loan at a 4.5% interest rate. Lenders commonly use a Loan-to-Value (LTV) ratio to determine the optimal level of debt financing. The original $33.9 million loan assumed by BDRP far exceeds the industry standard 50-80% LTV ratio for hotel properties (PwC Investor Survey 2015 and RealtyRates Investor Survey, 2015). Currently, BDRP does not possess a Letter of Intent for financing. We adjusted the interest rate to 5% and the loan principal to $27.8 million to reflect a 70% Loan-to-Value ratio and a 1.6 debt coverage at stabilization to be consistent with industry conditions (RealtyRates Investor Survey, 2015). Depending on the Average Daily Rate (ADR) assumptions outlined under the "Cash Flow Assumptions" section, this results in a supportable permanent loan range of $25.7 to $27.8 million.

- **Equity.** The equity contribution as shown by BDRP represents a very low portion of total project costs (3%). With low equity and high debt service, BDRP's pro forma appears to offer little debt coverage and exceedingly high returns to the investor. *SB Friedman* adjusted BDRP's equity contribution to reflect 18-20% of the total Project costs. Since Historic Tax Credits generate project equity, the total effective equity for the Project ranges from 28% to 30% depending on the assumed ADR range. This is consistent with industry benchmarks which range from 20-41% equity (including equity from tax credits) for full-service hotels (RealtyRates Investor Survey, 2015). We assumed a target return on equity of 18% per HVS and industry standards to estimate the equity contribution range of $9.4 to $10.2 million.

- **Financing Gap/City Assistance.** After making the above alterations to the sources of cash, the remaining cash needs reflect the Project's adjusted financing gap and thus the required level of City assistance per *SB Friedman's* analysis. This amounts to a present value of $8.2 to $11.2

million and is reflective of the returns analysis discussed in greater detail in the "Need for Financial Assistance" section.

Table 2: Financing Sources

Sources	BDRP Budget	% of Total Sources	*SB Friedman* Adjusted Budget ADR = $129	% of Total Sources	*SB Friedman* Adjusted Budget ADR = $150	% of Total Sources
Historic Tax Credits	$4,986,715	9%	$4,947,663	10%	$4,947,663	10%
Permanent Loan	$33,869,556	63%	$25,685,629	50%	$27,838,968	54%
Equity	$1,904,929	3%	$9,426,681	18%	$10,246,392	20%
City Assistance (TIF, Hotel Tax, Sales Tax)	$13,000,000	24%	$11,171,989	22%	$8,198,939	16%
Total Sources	**$53,761,201**	**100%**	**$51,231,962**	**100%**	**$51,231,962**	**100%**

Sources: *SB Friedman*; BDRP.
Note: Original budget included a "cash needs" line as such that the total sources did not add up to total development costs. We included cash needs into the Equity line item.

CASH FLOW ASSUMPTIONS

SB Friedman reviewed BDRP's pro forma and benchmarked these assumptions to the HVS Feasibility Study as well as industry experience. Key assumptions are described below and illustrated in Tables 3A-3B. For full cash flow analysis, see **Appendix 2, Tables 3-4**.

- **Development Timeline.** BDRP's pro forma shows 2017 as Year 1 with a full year of operation. *SB Friedman* adjusted Year 1 to 2018, showing 2017 as the development period or Year 0.

- **Cash Flow Structure.** BDRP's cash flow is structured such that TIF reimbursements are paid annually from Year 3 in the amount of the full tax payment. It also shows a BD/HIZ Reimbursement paid annually from Year 1. The cash flow lists a second debt service (in addition to the permanent loan) for the City assistance.

  SB Friedman removed the second debt service and the TIF/BD reimbursements to more clearly account for the private debt repayment and equity cash flow related to the Project and the payback of public assistance. *SB Friedman*'s cash flow structure excludes the payback of public revenues in assessing the private sector real estate economics associated with the Project. The payback of the public revenues is separately estimated and discussed in the "Analysis of Public Financing Capacity" section **(Appendix 2, Tables 3-4).**

- **Revenue Assumptions**

  - **Average Daily Rate & Occupancy.** BDRP assumed $129 for the Average Daily Rate (ADR) in Year 1 with a stabilized occupancy of 61%. The ADR is assumed to grow 3% per year thereafter. *SB Friedman* assumed a higher stabilized occupancy of 69% in Year 3 in accordance with comparable hotels in the area and the HVS Feasibility Study. However we assumed a range from $129 to $150 for the ADR in Year 1 (2018). The lower end of the range was consistent with BDRP's assumption and the higher end was about $10 lower than the HVS Study projection of the 2018 ADR of $160 (this accounts for the $7 parking charge assumed in BDRP's pro forma). The range of ADR assumptions results in stabilized Hotel room revenues of $4.4 to $5.2 million in Year 3.

- **Hotel Food & Beverage Revenues.** Food & Beverage was included in the line item "GLA Income" in BDRP's pro forma. Per the provided Sales Tax Revenue Assumptions, the restaurant space operated by the hotel is assumed to generate approximately $2.5 million in revenue at stabilization ($554/SF). National Restaurant Association's 2010 Industry Operations Report shows that restaurants with an average check of $25+ reported a range of $209-$638 in sales per square foot. As this was listed as a bar/restaurant with room service, *SB Friedman* did not adjust this assumption.

- **Conference Center Food & Beverage Revenues.** The food and beverage sales associated with the conference center were projected to be $1.04 million by BDRP. We adjusted this assumption downwards to $520,000 to reflect a more conservative two events per week as opposed to four events per week.

- **Rental Income from Restaurants.** The Project is assumed to receive $30/SF in net rent for the three restaurants that total 10,000 square feet of space and will be leased to third-party operators not affiliated with the hotel. The viability of four restaurants in Downtown Bloomington should be validated by BDRP through market studies or letters of intent from potential restaurant operators.

- **Parking.** Approximately $500,000 in parking revenue is assumed at roughly $7 per space. This is consistent with Bloomington-Normal Marriott's parking fee of $8/day.

- **Expense Assumptions.** BDRP divided Expenses into Department Expenses, House Expenses, Fixed Costs, Real Estate Taxes, and Reserves. *SB Friedman* retained these categories for comparative purposes but slightly increased all expense categories other than Real Estate Taxes to be consistent with the HVS study. Real Estate Taxes were adjusted to reflect *SB Friedman's* assessed value for the Project as shown in **Table 4** and the TIF projection analysis (**Appendix 2, Table 5**).

Table 3A: *SB Friedman* Cash Flow Summary for Year 1-3 with ADR = $129

	Year 1	Year 2	Stabilized Year 3
Keys	129	129	129
Occupancy	62%	65%	69%
ADR	$129	$133	$137
Hotel Revenue	$3,765,858	$4,066,520	$4,446,270
Food/Beverage Revenue	$2,500,000	$2,675,000	$2,768,625
Conference Revenue	$390,000	$520,000	$535,600
Restaurant Rent	$150,000	$231,750	$318,270
Parking Revenue	$501,072	$516,104	$527,458
Total Revenue	**$7,306,930**	**$8,009,374**	**$8,596,223**
Total Expenses	$4,565,164	$5,223,637	$5,660,723
Net Operating Income	**$2,741,766**	**$2,785,737**	**$2,935,500**

Source: *SB Friedman.*

Table 3B: *SB Friedman* Cash Flow Summary for Year 1-3 with ADR = $150

	Year 1	Year 2	Stabilized Year 3
Keys	129	129	129
Occupancy	62%	65%	69%
ADR	$150	$155	$159
Hotel Room Revenue	$4,378,905	$4,728,511	$5,170,081
Food/Beverage Revenue	$2,500,000	$2,675,000	$2,768,625
Conference Revenue	$390,000	$520,000	$535,600
Restaurant Rent	$150,000	$231,750	$318,270
Parking Revenue	$501,072	$516,104	$527,458
Total Revenue	**$7,919,977**	**$8,671,365**	**$9,320,035**
Total Expenses	$4,957,514	$5,653,931	$6,138,438
Net Operating Income	**$2,962,463**	**$3,017,434**	**$3,181,596**

Source: *SB Friedman.*
Note: See **Appendix 2, Table 2** for BDRP's Original Cash Flow.

Need for Financial Assistance

Since BDRP did not submit a return calculation that showed the Project's financing gap, *SB Friedman* created a pro forma to analyze the Project return metrics with and without City assistance. *SB Friedman* used Leveraged Internal Rate of Return (IRR) as the primary return metric to evaluate and quantify the need for gap financing for the Project. Leveraged IRR is the rate of return or discount rate for the equity contribution in a project. In our experience, investors for this type of project will consider the leveraged IRR as the most important metric. Additionally, the debt coverage ratio (DCR) at stabilization will be key to obtaining debt financing. Therefore, *SB Friedman* focused on leveraged IRR and DCR at the point of permanent financing, the first stabilized year, in considering BDRP's request for TIF assistance.

SB Friedman made the following assumptions to generate the pro forma and estimate returns that are shown in **Table 4** below.

- **Adjustments to Development Budget Cash Flow and Financing Sources.** *SB Friedman* used the adjusted Project budget, cash flow and financing sources as described in the prior section of this memorandum.

- **Reversion Proceeds.** Reversion proceeds were calculated using the Year 11 Net Operating Income (NOI) reflecting a standard industry practice of forward capping. We assumed a 9% terminal cap rate (per HVS) and a 3% cost of sale to be subtracted from the sale proceeds. This resulted in net proceeds of $40-$43 million in Year 10 of the project depending on the ADR assumptions.

Table 4: Projected Returns with and without City Assistance

	SB Friedman Estimates			With BDRP's Requested $13MM Assistance ADR=$150	Benchmark Returns
	No Assistance ADR=$150	With $11.2 MM Assistance ADR=$129	With $8.2 MM Assistance ADR=$150		
Leveraged IRR	8.4%	17.9%	17.9%	30.6%	18.0%[2]
Equity Contribution as a % of Total Financing Sources to Maintain 1.6 DCR on Permanent Loan	37%	18%	20%	10.6%[1]	20%[3]

Sources: *SB Friedman.*

1. *SB Friedman* adjusted the equity contribution upward from the original 3.4% to reflect a 70% LTV Permanent loan and 1.6 debt coverage, while also maintaining BDRP's assumed $13 million in assistance.
2. HVS 2014 Hotel & Conference Center Feasibility Study.
3. HVS 2015 Hotel Cap Rates Report.

As shown in **Table 4,** with no City assistance and an ADR of $150, the needed equity contribution is estimated to increase to 37% of total financing sources to maintain a 1.6 debt coverage on the permanent loan. The higher equity contribution results in a relatively lower IRR of 8.41%, which is an unattractive level of return for investors. The assumed ADR range of $129 to $150 reduces BDRP's equity contribution to approximately 18% to 20% of project costs and results in estimated City financial assistance of $11.2 million and $8.2 million, respectively. The *SB Friedman* gap estimate is based on a target of 18% leveraged IRR, which is consistent with the leveraged IRR assumed by HVS in the 2014 Hotel & Conference Center Feasibility Study. However, at the $13 million in City assistance requested by BDRP and an ADR of $150, the leveraged IRR is significantly higher than benchmark levels and would result in above market returns for investors.

Therefore, the returns analysis suggests that the Project requires public assistance in order to maintain feasible debt coverage and return thresholds. However, the level of public assistance needed is approximately $8.2 million to 11.2 million or 14% to 37% lower than BDRP's request of $13 million. As the project is still in preliminary stages of development, it is possible for the financing gap and the potential for returns to shift. Some such scenarios include: change in construction costs, a higher interest rate for permanent financing, changes in the price and/or eligibility of Historic Tax Credits, or if additional programming is added to the Project, such as a Commerce Bank branch or office space.

Analysis of Public Financing Capacity

In addition to estimating the financing gap, *SB Friedman* estimated the Project's ability to produce revenue for the City to support its receipt of public assistance. For the City to capture the tax revenues from the Project, BDRP has assumed that a TIF District and a Business District (BD) will encompass the two City blocks where the Project is located. While the TIF revenues result in a reallocation of Project real estate property taxes above the base, the BD as requested by BDRP involves levying an additional 1% hotel tax and 1% food and beverage/sales tax to be imposed within the Project boundaries. In addition, the City is a home rule municipality and therefore has the capacity to pledge the City's local share and home rule hotel tax levies for the Project.

TIF revenues are based on the estimated assessed value of the completed Project. Sales taxes, food and beverage taxes, and hotel taxes are calculated by estimating projected sales and calculating the City tax share as detailed below.

ASSESSED VALUE CALCULATION

- BDRP has acknowledged that the projected value shown in the original cash flow is aggressive and provided documentation of an alternative market value by program that equals an equalized assessed value (EAV) of $8.26 million or $64,044 per key.

- *SB Friedman* calculated an assessed value of $3.9 million, or $30,352 per key, based on the average EAV/key for comparable hotel and conference centers as well as the EAV for comparable Bloomington restaurant and parking structures. (See **Table 5** below).

Table 5: Assessed Value of Comparable Properties

Restaurant Property	**SF**	**EAV**	**EAV/ SF**
Restaurant: Biaggi's (Bloomington)	7,650	$593,542	$77.59
Restaurant: Desthil (Normal)	8,000	$357,206	$44.65
Proposed Restaurant	**15,000**	**$750,000**	**$50.00**
Parking Structure	**Spaces**	**EAV**	**EAV/ Space**
Parking Structure: Courtyard Marriott (Peoria)	400	$1,667,760	$4,169
Parking Structure: State Farm (Bloomington)	1,170	$3,504,813	$2,996
Proposed Parking Structure	**250**	**$750,000**	**$3,000**

Hotel Property	**Keys**	**EAV**	**EAV/Key**	**Occupancy**	**2018 ADR**
Doubletree (Bloomington)	197	$3,413,129	$17,326	75%	$121
Marriott (Normal)	228	$4,901,962	$21,500	70%	$166
Courtyard Marriott (Normal)	78	$1,253,684	$16,073	75%	$138
Residence Inn (Bloomington)	100	$2,000,000	$20,000	-	New
Hampton Inn (Bloomington)	128	$1,675,423	$13,089	75%	$110
Proposed Hotel	129	$2,415,468	$18,725	69%	$150
Total Assessed Value: Hotel, Restaurant & Parking	**129**	**$3,915,468**	**$30,352**	**69%**	**$129-150**
Total BDRP Assessed Value[1]	129	$8,261,667	$64,044	65%	$129

Sources: HVS, *SB Friedman*, McLean County.

1. BDRP assumes a Fair Market Value of $24.7 million per the valuation break down on the Sales Tax Revenue worksheet. *SB Friedman* removed the Commerce Bank branch component from the given valuation.

CITY TAX REVENUE PROJECTIONS

The Tax Revenue Assumptions are summarized below in **Table 6**. BDRP has assumed that 1.5% of each tax share will be retained by the City and the remainder will go to BDRP towards City Assistance and Qualified Expenses.

Table 6: Sales Revenue Assumptions

	BDRP		*SB Friedman*	
Sales Revenue Assumptions [1]	**Total Sales**	**FB Sales/SF**	**Total Sales**	**FB Sales/SF**
Food & Beverage Revenue: Hotel Restaurant	$2,500,000	$554	$2,500,000	$554
Food & Beverage Revenue: Non-Hotel Affiliated Restaurants	$5,500,000	$520	$4,232,800	$400
Conference Food & Beverage Revenue [3]	$1,040,000		$520,000	
Hotel Revenue [4]	$3,948,077		$3,765,858 - $4,378,905	

Sources: BDRP, *SB Friedman.*

1. Table does not include additional $250,000 of retail sales from hotel.
2. Sales tax revenue was adjusted to assume an average across restaurants of $400/SF per 2010 National Restaurant Association Report.
3. Conference Revenue was based on events per week at $20/ticket
4. Based on an ADR range of $129-$150

Table 7: Tax Revenue Assumptions

Tax Revenue Assumptions	Tax Rate	BDRP Tax Revenue	SBF Tax Revenue
Sales & Food/Bev. Tax Revenue [1]	6.5%	$598,850	$482,682
Hotel Tax Revenue [2]	7.0%	$276,365	$263,610 - $306,523
TIF Revenue [3]	8.1142%	$968,428	$247,910

Sources: BDRP, *SB Friedman.*

1. 1% of State Sales Tax, 2% of City F/B Tax, 2.5% Home Rule Sales Tax, 1% New BD Tax. Includes $11,250 of Sales Tax revenue (at 4.5%) in addition to Food & Beverage Tax revenue. The 2.5% home rule sales tax includes a new 1% tax effective January 2016. Negotiations are still underway on the use of this new 1% sales tax revenue, therefore the potential to pledge this additional 1% is subject to further discussions.
2. 6% Hotel Tax + 1% BD Tax. Hotel Revenue based on an ADR range of $129-$150.
3. Revenue above the 2014 Base based on assessed value.

SB Friedman reviewed BDRP's projections of hotel revenues, food and beverage, and retail sales, and TIF revenues, and made the following adjustments:

- The projected food and beverage revenues of the restaurants not affiliated with the hotel were reduced based on the assumptions above such that the sales per square foot were consistent with industry data on the performance of restaurants.
- The conference food and beverage revenue was adjusted downwards to reflect two events per week as previously discussed.
- The hotel revenue was calculated using the ADR and occupancy assumptions show in **Table 5**.
- TIF revenue was based off of the assessed value calculation above in **Table 5**.

The appropriate City tax rates along with a 1% BD tax rate was applied to estimate the hotel, food and beverage, and sales taxes generated by the Project as shown in **Table 7**. To estimate TIF revenue at stabilization, the City property tax rate was applied to the equalized assessed value of the Project above the 2014 base value of the site.

The City financing capacity, based on the cumulative tax revenue stream, can be estimated by calculating the present value of the revenue stream at an appropriate discount rate and debt coverage. The discount rate is a function of the type of financing instrument that would ultimately be used to finance the City assistance and depends on the risk profile of each instrument. The financing options that could be considered for the Project include the following (in order of increasing level of risk from the City's perspective):

- Developer Notes – an obligation subject to the developer obtaining financing based on tax revenues generated by the Project.
- Special Revenue Bonds – a bond secured by the tax revenues generated by the Project only.
- Alternate Revenue Bond with Special Tax Backing – a bond secured by specific City-wide revenues sources such as sales taxes.
- Alternate Revenue Bond with General Obligation (GO) Backing – a revenue bond with the general obligation of the City serving as backup security for the bond.

For the purposes of calculating the financing capacity, *SB Friedman* used a 1.25 debt coverage and a range of discount rates from 4.5% to 7% that reflect a range of financing options. **Table 8** shows the present value of the tax revenue produced over a 20- and 25-year period and the associated City financing capacity.

Table 8: Financing Capacity of Project

	ADR= $129		ADR= $150	
	Direct Project Revenue (20-Years)	**Direct Project Revenue (25-Years)**	**Direct Project Revenue (20-Years)**	**Direct Project Revenue (25-Years)**
20/25-Year Revenue PV	$11,198,488	$16,086,987	$11,751,441	$16,874,796
Supportable Debt at 1.25 Debt Coverage	$8,958,790	$12,869,590	$9,401,153	$13,499,837
Financing Capacity (Less 2% Issuance Fee)	**$8,779,615**	**$12,612,198**	**$9,213,129**	**$13,229,840**

Sources: *SB Friedman.*
Note: See **Appendix 2, Table 6** for full City Revenue analysis.
1. Calculated with a discount rate of 7%
2. Calculated with a discount rate of 4.5%

As seen above in **Table 8**, assuming a 1.25 debt coverage, a 2% issuance cost for City assistance, and a public sector borrowing rate of 4.5%, the Project could support $8.8 to $13.2 million in public financing in present value terms. Therefore the level of public financing capacity generated by the project could support $8.2 million to 11.2 million recommended above in the pro forma analysis, which incorporates the Project's feasibility and ability to receive financing.

Conclusions and Next Steps

Based on *SB Friedman's* review of BDRP's pro forma, it appears that approximately $8.2 million to 11.2 million in City assistance in addition to the Butler lot contribution is required to make the Project financially feasible. The estimated City assistance is $1.8 to $4.8 million lower than BDRP's request of $13 million in assistance. *SB Friedman's* lower financing gap estimate is due to our adjustments in the Project development budget as detailed in the prior sections and the capping of the Project's leveraged Internal Rate of Return (IRR) at 18%.

Our review of select public revenues produced by the Project, including hotel tax, sales tax, food and beverage tax, and real estate tax revenues, indicates that over 25 years the Project would generate $16.1 to $16.9 million in revenues in present value at a 4.5% discount rate. The City has different options to finance the tax revenues depending on its risk tolerance level. Depending on the form of City financial assistance and associated financing terms, the tax revenues from the Project would result in City financing capacity ranging from $8.8 to $13.2 million and could be adequate to cover *SB Friedman's* estimate of the Project's financing gap of $8.2 to 11.2 million, depending on the structure of the financial assistance. Therefore, even after City assistance is deducted from the 25-year present value of Project tax revenues of $16.1 to $16.9 million, the City stands to gain a net direct fiscal benefit of $4.9 - $8.7 million in present value terms.

However, because of the preliminary nature of the Project concept and real estate financial information, the estimates of financing gap and financing capacity can materially change once the Project concept is refined and the various parameters are firmed up. Prior to a firm commitment of City assistance and disbursement of funds, a complete development team and program must be obtained. This would include, among other requirements, an experienced hotel developer/operator, identification of the hotel flag, detailed plans/costs, and financing commitments from equity investors, tax credit buyers and lending institutions. The specific form of assistance can be structured to further mitigate risk to the City.

Based on our review of the development proposal, we believe the Project, if successfully developed, would be a pioneering project in Downtown Bloomington. It has the potential to activate the heart of downtown and create a new dining destination in the City. There are also significant opportunities for synergy between the Project's hotel, conferencing and restaurant/bar facilities and the adjacent U.S. Cellular Coliseum to boost programming, hotel stays and downtown dining. However, because it is expected to be a pioneering development downtown, the Project presents a level of risk to BDRP and the City, higher than what may be found in other parts of the City. Therefore, there could be volatility in several key Project components during development and stabilization.

We recommend the City endorse BDRP's continued efforts to advance the Project and undertake preliminary steps such as creation of the TIF and Business Districts and obtaining appraisals of the Project site. The City could utilize an Inducement Resolution to memorialize the City's support for the Project subject to a complete and acceptable development team and program that would include the following:

- Commitment from an appropriate and acceptable hotel developer;
- Evidence of site control;
- Financing commitments from acceptable lenders, tax credit buyers and equity investors;
- Lease or other commitments from appropriate other tenants;
- Franchising agreement for an acceptable hotel brand;
- Detailed plans and specifications for the development acceptable to the City administration;
- Construction and development costs prepared in sufficient detail by a general contractor or professional cost estimator; and
- Revised, final financial projections of net operating income, tax generation, and other factors.

The Inducement Resolution should further detail the undertakings required and expected of each party, delineate the timeframe for performance by BDRP, initiate the process to designate the TIF/Business Districts in the project area, and provide for undertaking the pre-development activities that are the City's responsibility.

Appendix A

LIMITATIONS OF OUR ENGAGEMENT

Our memorandum is based on estimates, assumptions and other information developed from research of the market, knowledge of the industry, and meetings/teleconferences with the City of Bloomington and BDRP during which we obtained certain information. The sources of information and bases of the estimates and assumptions are stated in the memorandum. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our memorandum, and the variations may be material.

The terms of this engagement are such that we have no obligation to revise analyses or the memorandum to reflect events or conditions that occur subsequent to the date of the memorandum. These events or conditions include, without limitation, economic growth trends, governmental actions, changes in TIF statute, additional competitive developments, interest rates, and other market factors. However, we will be available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project.

Our memorandum is intended solely for your information, for purposes of reviewing a request for financial assistance, and is not a recommendation to issue bonds or other securities. The memorandum should not be relied upon by any other person, firm or corporation, or for any other purposes. Neither the memorandum nor its contents, nor any reference to our Firm, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan, or other agreement or document intended for use in obtaining funds from individual investors without our prior written consent.

We acknowledge that upon submission to the City of Bloomington, the memorandum may become a public document within the meaning of the Freedom of Information Act. Nothing in these limitations is intended to block the disclosure of the documents under such Act.

Appendix B

Table 1: Development Budget

	Developer	% of Total Budget	SBF Adjusted	% of Total Budget
Land				
Commerce Bank & Front n Center	$3,800,000	7.1%	$3,800,000	7.4%
City Parking Lot			$0	
DUI & Catalyst purchase	$1,600,000	3.0%	$1,600,000	3.1%
TOTAL LAND COSTS	**$5,400,000**	10.0%	**$5,400,000**	10.5%
Hard Costs				
Demolition, Site work and abatement	$3,000,000	5.6%	$3,000,000	5.9%
Permits, Fees, Other Charges	$600,000	1.1%	$600,000	1.2%
Building	$15,000,000	27.9%	$15,000,000	29.3%
Historic Rehab and Façade Preservation	$3,000,000	5.6%	$3,000,000	5.9%
*Rooftop Bar/Restaurant/Lounge ** *	$1,000,000	1.9%	$0	0.0%
Restaurant Construction	$2,000,000	3.7%	$2,000,000	3.9%
Conference Facility (Includes FFE)	$3,600,000	6.7%	$3,600,000	7.0%
Skywalk	$1,500,000	2.8%	$1,500,000	2.9%
	$29,700,000		**$28,700,000**	
Construction Contingency	$1,485,000	2.8%	$1,435,000	2.8%
Pre-Contracted Services & 3rd Party Consultants	$935,550	1.7%	$904,050	1.8%
Construction Manager	$1,124,219	2.1%	$1,086,367	2.1%
Parking Deck (250 Spaces)	$5,000,000	9.3%	$5,000,000	9.8%
TOTAL HARD COSTS	**$38,244,769**	71.1%	**$37,125,417**	72.5%
Soft Costs				
Architect & Structural & Engineering	$2,299,134	4.3%	$2,359,000	4.6%
Legal	$191,224	0.4%	$185,627	0.4%
RE Taxes 12/12	$25,000	0.0%	$25,000	0.0%
TOTAL SOFT COSTS	**$2,655,358**	4.9%	**$2,569,627**	5.0%
**Pre-Opening/marketing ** **	**$140,000**	0.3%	**$1,190,851**	2.3%
Management Fees				
Development Management **	$2,677,134	5.0%	$1,299,390	2.5%
Developer Overhead/Consultants **	$1,147,343	2.1%	$371,254	0.7%
Total Management/Overhead Fees	**$3,824,477**	7.1%	**$1,670,644**	3.3%
Financing & Financing Fees				
Construction Interest @ 7% **	$2,551,678	4.7%	$2,208,834	4.3%
Fees:				
Loan points	$182,263	0.3%	$163,933	0.3%
legal	$40,223	0.1%	$40,223	0.1%
Title	$40,223	0.1%	$40,223	0.1%
Appraisal	$40,223	0.1%	$40,223	0.1%
Inspections	$40,223	0.1%	$40,223	0.1%
Total Cost of Financing	**$2,894,835**	5.4%	**$2,533,661**	4.9%
Tenant Coordination (# of Tenants)	$154,762	0.3%	$154,762	0.3%
Franchise Fee	$87,000	0.2%	$87,000	0.2%
Working capital	$500,000	0.9%	$500,000	1.0%
TOTAL DEVELOPMENT COST	**$53,761,201**	100%	**$51,231,962**	100%
Cost/ KEY	$416,753		$397,147	

Sources: *SB Friedman,* BDRP

Table 2: Cash Flow Submitted by BDRP

	SF	Rent	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Potential Rent												
GLA			$6,517,164	$7,074,492	$7,576,076	$7,834,608	$8,101,990	$8,378,525	$8,664,528	$8,960,324	$9,266,249	$9,582,650
Retail			$300,000	$309,000	$318,270	$327,818	$337,653	$347,782	$358,216	$368,962	$380,031	$391,432
Total Parking Revenue		$7	$501,072	$516,139	$527,440	$527,440	$527,440	$527,440	$527,440	$527,440	$527,440	$527,440
Working Capital			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Revenue			**$7,318,236**	**$7,899,631**	**$8,421,786**	**$8,689,866**	**$8,967,082**	**$9,253,747**	**$9,550,184**	**$9,856,726**	**$10,173,719**	**$10,501,522**
Expense												
Expenses (Department, House and Fixed) [1]			$4,276,367	$4,446,147	$4,746,412	$4,907,207	$5,073,482	$5,245,423	$5,423,225	$5,607,088	$5,797,220	$5,993,836
Real Estate Taxes		*$37,000,000*	$25,000	$25,000	$1,105,623	$1,139,732	$1,174,863	$1,211,049	$1,248,320	$1,286,710	$1,326,251	$1,366,978
Reserves			$65,172	$141,490	$227,282	$313,384	$324,080	$335,141	$346,581	$358,413	$370,650	$383,306
TIF Reimbursements			$0	$0	($1,105,623)	($1,139,732)	($1,174,863)	($1,211,049)	($1,248,320)	($1,286,710)	($1,326,251)	($1,366,978)
Interest Reserve from Prior Cash Flow			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
BID/HIZ Reimbursement			($495,599)	($525,413)	($552,228)	($565,974)	($580,192)	($594,897)	($610,106)	($625,836)	($642,106)	($658,934)
TOTAL EXPENSE			**$3,870,940**	**$4,087,223**	**$4,421,466**	**$4,654,617**	**$4,817,370**	**$4,985,667**	**$5,159,700**	**$5,339,665**	**$5,525,764**	**$5,718,208**
Net Income before Debt Service			**$3,447,296**	**$3,812,408**	**$4,000,320**	**$4,035,249**	**$4,149,713**	**$4,268,080**	**$4,390,483**	**$4,517,061**	**$4,647,955**	**$4,783,313**
Debt Service- MAIN			*($2,284,130)*	*($2,284,130)*	*($2,284,130)*	*($2,284,130)*	*($2,284,130)*	*($2,284,130)*	*($2,284,130)*	*($2,284,130)*	*($2,284,130)*	*($2,284,130)*
Principal			($760,000)	($794,200)	($829,939)	($867,286)	($906,314)	($947,098)	($989,718)	($1,034,255)	($1,080,796)	($1,129,432)
Interest			($1,524,130)	($1,489,930)	($1,454,191)	($1,416,844)	($1,377,816)	($1,337,032)	($1,294,412)	($1,249,875)	($1,203,334)	($1,154,698)
Debt Service - 2												
Principal			$0	$0	($474,438)	($494,601)	($515,622)	($537,536)	($560,381)	($584,197)	($609,026)	($634,909)
Interest			($616,250)	($596,086)	($575,066)	($553,152)	($530,307)	($506,490)	($481,662)	($455,779)	($428,795)	($400,664)
EB5 Interest			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL Debt Service			**($2,900,380)**	**($2,880,216)**	**($3,333,633)**	**($3,331,883)**	**($3,330,058)**	**($3,328,156)**	**($3,326,173)**	**($3,324,106)**	**($3,321,950)**	**($3,319,703)**
Cash Flow			**$546,916**	**$932,192**	**$666,686**	**$703,366**	**$819,655**	**$939,924**	**$1,064,310**	**$1,192,955**	**$1,326,005**	**$1,463,610**
MORTGAGE												
Cash Flow Before DS			**$3,447,296**	**$3,812,408**	**$4,000,320**	**$4,035,249**	**$4,149,713**	**$4,268,080**	**$4,390,483**	**$4,517,061**	**$4,647,955**	**$4,783,313**
Coverage			1.19	1.32	1.20	1.21	1.25	1.28	1.32	1.36	1.40	1.44

Source: BDRP

[1] Expense details of cash flow have be combined to preserve proprietary information submitted by BDRP

Table 3: *SB Friedman*'s Adjusted Cash Flow with NO City Financial Assistance and Assumed 2018 ADR of $150

	SF	Rent	0 2017	1 2018	2 2019	3 2020	4 2021	5 2022	6 2023	7 2024	8 2025	9 2026	10 2027
			Rooms	129	129	129	129	129	129	129	129	129	129
			Occupancy	62%	65%	69%	69%	69%	69%	69%	69%	69%	69%
		3%	ADR	$150	$155	$159	$164	$169	$174	$179	$184	$190	$196
Hotel Revenue				$4,378,905	$4,728,511	$5,170,081	$5,325,184	$5,484,939	$5,649,487	$5,818,972	$5,993,541	$6,173,347	$6,358,548
F&B Revenue				$2,500,000	$2,675,000	$2,768,625	$2,865,527	$2,965,820	$3,069,624	$3,177,061	$3,288,258	$3,403,347	$3,522,464
Conference Revenue				$390,000	$520,000	$535,600	$551,668	$568,218	$585,265	$602,823	$620,907	$639,534	$658,720
"GLA Income"				**$7,268,905**	**$7,923,511**	**$8,474,306**	**$8,742,379**	**$9,018,978**	**$9,304,376**	**$9,598,855**	**$9,902,706**	**$10,216,229**	**$10,539,733**
Retail Rent	10,000 SF	*$30 Net*		$150,000	$231,750	$318,270	$327,818	$337,653	$347,782	$358,216	$368,962	$380,031	$391,432
Parking Revenue		*$7.23*		$501,072	$516,104	$527,458	$527,458	$527,458	$527,458	$527,458	$527,458	$527,458	$527,458
Total Revenue				**$7,919,977**	**$8,671,365**	**$9,320,035**	**$9,597,655**	**$9,884,089**	**$10,179,617**	**$10,484,530**	**$10,799,127**	**$11,123,718**	**$11,458,623**
Expense													
Expenses (Department, House and Fixed) [1]				$4,669,489	$5,099,540	$5,465,502	$5,634,094	$5,808,044	$5,987,523	$6,172,709	$6,363,783	$6,560,934	$6,764,357
Real Estate Taxes		*2% Growth*		$129,626	$294,250	$300,135	$306,138	$312,260	$318,506	$324,876	$331,373	$338,001	$344,761
Reserves		*4% of revenue*		$158,400	$260,141	$372,801	$383,906	$395,364	$407,185	$419,381	$431,965	$444,949	$458,345
TOTAL EXPENSE				**$4,957,514**	**$5,653,931**	**$6,138,438**	**$6,324,138**	**$6,515,668**	**$6,713,214**	**$6,916,966**	**$7,127,121**	**$7,343,884**	**$7,567,462**
NOI before Debt Service				**$2,962,463**	**$3,017,434**	**$3,181,596**	**$3,273,517**	**$3,368,421**	**$3,466,403**	**$3,567,564**	**$3,672,005**	**$3,779,835**	**$3,891,160**
Reversion Proceeds - YR 11 NOI		*9% Cap, 3% Cost of Sale*											**$43,086,963**
Debt Service													
Principal		*$27,838,968*		($583,295)	($612,460)	($643,083)	($675,237)	($708,998)	($744,448)	($781,671)	($820,754)	($861,792)	($21,407,231)
Interest				($1,391,948)	($1,362,784)	($1,332,161)	($1,300,007)	($1,266,245)	($1,230,795)	($1,193,572)	($1,154,489)	($1,113,451)	($1,070,362)
TOTAL Debt Service				**($1,975,243)**	**($1,975,243)**	**($1,975,243)**	**($1,975,243)**	**($1,975,243)**	**($1,975,243)**	**($1,975,243)**	**($1,975,243)**	**($1,975,243)**	**($22,477,592)**
Equity Contribution			($18,445,332)										
Cash Flow After DS			**($18,445,332)**	**$987,220**	**$1,042,191**	**$1,206,353**	**$1,298,274**	**$1,393,178**	**$1,491,160**	**$1,592,321**	**$1,696,762**	**$1,804,591**	**$24,500,531**
Debt Coverage				*1.50*	*1.53*	*1.61*	*1.66*	*1.71*	*1.75*	*1.81*	*1.86*	*1.91*	*1.92*
Leveraged IRR	**8.91%**												
NOI before Debt Service				$2,962,463	$3,017,434	$3,181,596	$3,273,517	$3,368,421	$3,466,403	$3,567,564	$3,672,005	$3,779,835	$3,891,160
Reversion Proceeds - YR 11 NOI		*9% Cap, 3% Cost of Sale*											$43,086,963
Tax Credit Equity			$4,947,663										
City Assistance in Present Value (PV) Terms			$0										
Project Costs			($51,231,962)										
			($46,284,300)	$2,962,463	$3,017,434	$3,181,596	$3,273,517	$3,368,421	$3,466,403	$3,567,564	$3,672,005	$3,779,835	$46,978,123
Unleveraged IRR	**6.76%**												

Source: *SB Friedman*

[1] Expense details of cash flow have be combined to preserve proprietary information submitted by BDRP

Table 4A: *SB Friedman*'s Adjusted Cash Flow with $8.2 M City Financial Assistance and Assumed 2018 ADR of $150

	SF	Rent	0 2017	1 2018	2 2019	3 2020	4 2021	5 2022	6 2023	7 2024	8 2025	9 2026	10 2027
			Rooms	129	129	129	129	129	129	129	129	129	129
			Occupancy	62%	65%	69%	69%	69%	69%	69%	69%	69%	69%
		3%	ADR	$150	$155	$159	$164	$169	$174	$179	$184	$190	$196
Hotel Revenue				$4,378,905	$4,728,511	$5,170,081	$5,325,184	$5,484,939	$5,649,487	$5,818,972	$5,993,541	$6,173,347	$6,358,548
F&B Revenue				$2,500,000	$2,675,000	$2,768,625	$2,865,527	$2,965,820	$3,069,624	$3,177,061	$3,288,258	$3,403,347	$3,522,464
Conference Revenue				$390,000	$520,000	$535,600	$551,668	$568,218	$585,265	$602,823	$620,907	$639,534	$658,720
"GLA Income"				**$7,268,905**	**$7,923,511**	**$8,474,306**	**$8,742,379**	**$9,018,978**	**$9,304,376**	**$9,598,855**	**$9,902,706**	**$10,216,229**	**$10,539,733**
Retail Rent	10,000 SF	*$30 Net*		$150,000	$231,750	$318,270	$327,818	$337,653	$347,782	$358,216	$368,962	$380,031	$391,432
Parking Revenue		*$7.23*		$501,072	$516,104	$527,458	$527,458	$527,458	$527,458	$527,458	$527,458	$527,458	$527,458
Total Revenue				**$7,919,977**	**$8,671,365**	**$9,320,035**	**$9,597,655**	**$9,884,089**	**$10,179,617**	**$10,484,530**	**$10,799,127**	**$11,123,718**	**$11,458,623**
Expense													
Expenses (Department, House and Fixed) [1]				$4,669,489	$5,099,540	$5,465,502	$5,634,094	$5,808,044	$5,987,523	$6,172,709	$6,363,783	$6,560,934	$6,764,357
Real Estate Taxes		*2% Growth*		$129,626	$294,250	$300,135	$306,138	$312,260	$318,506	$324,876	$331,373	$338,001	$344,761
Reserves		*4% of revenue*		$158,400	$260,141	$372,801	$383,906	$395,364	$407,185	$419,381	$431,965	$444,949	$458,345
TOTAL EXPENSE				**$4,957,514**	**$5,653,931**	**$6,138,438**	**$6,324,138**	**$6,515,668**	**$6,713,214**	**$6,916,966**	**$7,127,121**	**$7,343,884**	**$7,567,462**
NOI before Debt Service				**$2,962,463**	**$3,017,434**	**$3,181,596**	**$3,273,517**	**$3,368,421**	**$3,466,403**	**$3,567,564**	**$3,672,005**	**$3,779,835**	**$3,891,160**
Reversion Proceeds - YR 11 NOI		*9% Cap, 3% Cost of Sale*											$43,086,963
Total Income				**$2,962,463**	**$3,017,434**	**$3,181,596**	**$3,273,517**	**$3,368,421**	**$3,466,403**	**$3,567,564**	**$3,672,005**	**$3,779,835**	**$46,978,123**
Debt Service													
Principal		*$27,838,968*		($583,295)	($612,460)	($643,083)	($675,237)	($708,998)	($744,448)	($781,671)	($820,754)	($861,792)	($21,407,231)
Interest				($1,391,948)	($1,362,784)	($1,332,161)	($1,300,007)	($1,266,245)	($1,230,795)	($1,193,572)	($1,154,489)	($1,113,451)	($1,070,362)
Total Debt Service				**($1,975,243)**	**($1,975,243)**	**($1,975,243)**	**($1,975,243)**	**($1,975,243)**	**($1,975,243)**	**($1,975,243)**	**($1,975,243)**	**($1,975,243)**	**($22,477,592)**
Equity Contribution			($10,246,392)										
Cash Flow After DS			**($10,246,392)**	**$987,220**	**$1,042,191**	**$1,206,353**	**$1,298,274**	**$1,393,178**	**$1,491,160**	**$1,592,321**	**$1,696,762**	**$1,804,591**	**$24,500,531**
Debt Coverage				*1.50*	*1.53*	*1.61*	*1.66*	*1.71*	*1.75*	*1.81*	*1.86*	*1.91*	*2.09*
Leveraged IRR	**17.91%**												
NOI before Debt Service				$2,962,463	$3,017,434	$3,181,596	$3,273,517	$3,368,421	$3,466,403	$3,567,564	$3,672,005	$3,779,835	$3,891,160
Reversion Proceeds - YR 11 NOI		*9% Cap, 3% Cost of Sale*											$43,086,963
Tax Credit Equity			$4,947,663										
City Assistance PV			$8,198,939										
Project Costs			($51,231,962)										
			($38,085,360)	$2,962,463	$3,017,434	$3,181,596	$3,273,517	$3,368,421	$3,466,403	$3,567,564	$3,672,005	$3,779,835	$46,978,123
Unleveraged IRR	**9.61%**												

Source: *SB Friedman*

[1] Expense details of cash flow have be combined to preserve proprietary information submitted by BDRP

Table 4B: *SB Friedman*'s Adjusted Cash Flow with $11.2 M City Financial Assistance and Assumed 2018 ADR of $129

	SF	Rent	0	1	2	3	4	5	6	7	8	9	10
	SF	**Rent**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
			Rooms	129	129	129	129	129	129	129	129	129	129
			Occupancy	62%	65%	69%	69%	69%	69%	69%	69%	69%	69%
		3%	ADR	$129	$133	$137	$141	$145	$150	$154	$159	$163	$168
Hotel Revenue				$3,765,858	$4,066,520	$4,446,270	$4,579,658	$4,717,048	$4,858,559	$5,004,316	$5,154,445	$5,309,079	$5,468,351
F&B Revenue				$2,500,000	$2,675,000	$2,768,625	$2,865,527	$2,965,820	$3,069,624	$3,177,061	$3,288,258	$3,403,347	$3,522,464
Conference Revenue				$390,000	$520,000	$535,600	$551,668	$568,218	$585,265	$602,823	$620,907	$639,534	$658,720
"GLA Income"				**$6,655,858**	**$7,261,520**	**$7,750,495**	**$7,996,853**	**$8,251,086**	**$8,513,448**	**$8,784,199**	**$9,063,611**	**$9,351,960**	**$9,649,536**
Retail Rent	10,000 SF	*$30 Net*		$150,000	$231,750	$318,270	$327,818	$337,653	$347,782	$358,216	$368,962	$380,031	$391,432
Parking Revenue		*$7.23*		$501,072	$516,104	$527,458	$527,458	$527,458	$527,458	$527,458	$527,458	$527,458	$527,458
Total Revenue				**$7,306,930**	**$8,009,374**	**$8,596,223**	**$8,852,129**	**$9,116,198**	**$9,388,688**	**$9,669,874**	**$9,960,031**	**$10,259,450**	**$10,568,426**
Expense													
Expenses (Department, House and Fixed) [1]				$4,289,400	$4,689,106	$5,016,739	$5,171,868	$5,331,951	$5,497,148	$5,667,622	$5,843,544	$6,025,088	$6,212,435
Real Estate Taxes		*2% Growth*		$129,626	$294,250	$300,135	$306,138	$312,260	$318,506	$324,876	$331,373	$338,001	$344,761
Reserves		*4% of revenue*		$146,139	$240,281	$343,849	$354,085	$364,648	$375,548	$386,795	$398,401	$410,378	$422,737
TOTAL EXPENSE				**$4,565,164**	**$5,223,637**	**$5,660,723**	**$5,832,091**	**$6,008,860**	**$6,191,201**	**$6,379,293**	**$6,573,318**	**$6,773,466**	**$6,979,933**
NOI before Debt Service				**$2,741,766**	**$2,785,737**	**$2,935,500**	**$3,020,039**	**$3,107,338**	**$3,197,487**	**$3,290,581**	**$3,386,713**	**$3,485,983**	**$3,588,494**
Reversion Proceeds - YR 11 NOI		*9% Cap, 3% Cost of Sale*											$39,727,024
Total Income				**$2,741,766**	**$2,785,737**	**$2,935,500**	**$3,020,039**	**$3,107,338**	**$3,197,487**	**$3,290,581**	**$3,386,713**	**$3,485,983**	**$43,315,518**
Debt Service													
Principal		*$25,685,629*		($538,177)	($565,086)	($593,340)	($623,007)	($654,158)	($686,865)	($721,209)	($757,269)	($795,133)	($19,751,385)
Interest				($1,284,281)	($1,257,373)	($1,229,118)	($1,199,451)	($1,168,301)	($1,135,593)	($1,101,250)	($1,065,189)	($1,027,326)	($987,569)
Total Debt Service				**($1,822,459)**	**($1,822,459)**	**($1,822,459)**	**($1,822,459)**	**($1,822,459)**	**($1,822,459)**	**($1,822,459)**	**($1,822,459)**	**($1,822,459)**	**($20,738,955)**
Equity Contribution			($9,426,681)										
Cash Flow After DS			**($9,426,681)**	**$919,307**	**$963,278**	**$1,113,042**	**$1,197,580**	**$1,284,879**	**$1,375,029**	**$1,468,122**	**$1,564,254**	**$1,663,525**	**$22,576,563**
Debt Coverage				*1.50*	*1.53*	*1.61*	*1.66*	*1.71*	*1.75*	*1.81*	*1.86*	*1.91*	*2.09*
Leveraged IRR	**17.96%**												
NOI before Debt Service				$2,741,766	$2,785,737	$2,935,500	$3,020,039	$3,107,338	$3,197,487	$3,290,581	$3,386,713	$3,485,983	$3,588,494
Reversion Proceeds - YR 11 NOI		*9% Cap, 3% Cost of Sale*											$39,727,024
Tax Credit Equity			$4,947,663										
City Assistance PV			$11,171,989										
Project Costs			($51,231,962)										
			($35,112,310)	$2,741,766	$2,785,737	$2,935,500	$3,020,039	$3,107,338	$3,197,487	$3,290,581	$3,386,713	$3,485,983	$43,315,518
Unleveraged IRR	**9.62%**												

Source: *SB Friedman*

[1] Expense details of cash flow have be combined to preserve proprietary information submitted by BDRP

Table 5: TIF Increment Projection

Assumptions			
Current 2014 EAV	$410,293	**Projected EAV**	$ 3,915,468
Annual Inflation Factor	2.00%		
Tax Rate	8.1142%	Notes:	
Collection Loss	0.00%	Year 2 50% EAV Additions for new building	
Administration Cost	5.00%	Stabilized yr 2	
Discount Rate	4.50%		

TIF Year [1]	Calendar Year	Frozen Base EAV	Annual Inflation [2]	Inflated Base EAV	EAV Deductions	EAV Additions	Cumulative Taxable EAV	Incremental EAV	Tax Rate [3]	Gross TIF Revenue	Collection Loss	Admin Cost	Net TIF Revenue	RE Tax Payment
0	2016	$ 410,293	2.00%	$ 410,293			$ 410,293	**$ -**	8.1142%					$ 33,292
1	2017	$ 410,293	2.00%	$ 418,499	$ (418,499)	$ 391,547	$ 391,547	**$ -**	8.1142%	$ -	$ -	$ -	**$ -**	$ 31,771
2	2018	$ 410,293	2.00%	$ 426,869	$ (426,869)	$ 1,597,511	$ 1,597,511	**$ 1,187,218**	8.1142%	$ -	$ -	$ -	**$ -**	$ 129,626
3	2019	$ 410,293	2.00%	$ 435,407	$ (435,407)	$ 3,626,350	$ 3,626,350	**$ 3,216,057**	8.1142%	$ 96,333	$ -	$ (4,817)	**$ 91,517**	$ 294,250
4	2020	$ 410,293	2.00%	$ 444,115	$ (444,115)	$ 3,698,877	$ 3,698,877	**$ 3,288,584**	8.1142%	$ 260,958	$ -	$ (13,048)	**$ 247,910**	$ 300,135
5	2021	$ 410,293	2.00%	$ 452,997	$ (452,997)	$ 3,772,854	$ 3,772,854	**$ 3,362,561**	8.1142%	$ 266,843	$ -	$ (13,342)	**$ 253,501**	$ 306,138
6	2022	$ 410,293	2.00%	$ 462,057	$ (462,057)	$ 3,848,311	$ 3,848,311	**$ 3,438,018**	8.1142%	$ 272,846	$ -	$ (13,642)	**$ 259,203**	$ 312,260
7	2023	$ 410,293	2.00%	$ 471,298	$ (471,298)	$ 3,925,278	$ 3,925,278	**$ 3,514,984**	8.1142%	$ 278,968	$ -	$ (13,948)	**$ 265,020**	$ 318,506
8	2024	$ 410,293	2.00%	$ 480,724	$ (480,724)	$ 4,003,783	$ 4,003,783	**$ 3,593,490**	8.1142%	$ 285,214	$ -	$ (14,261)	**$ 270,953**	$ 324,876
9	2025	$ 410,293	2.00%	$ 490,338	$ (490,338)	$ 4,083,859	$ 4,083,859	**$ 3,673,566**	8.1142%	$ 291,584	$ -	$ (14,579)	**$ 277,004**	$ 331,373
10	2026	$ 410,293	2.00%	$ 500,145	$ (500,145)	$ 4,165,536	$ 4,165,536	**$ 3,755,243**	8.1142%	$ 298,081	$ -	$ (14,904)	**$ 283,177**	$ 338,001
11	2027	$ 410,293	2.00%	$ 510,148	$ (510,148)	$ 4,248,847	$ 4,248,847	**$ 3,838,554**	8.1142%	$ 304,709	$ -	$ (15,235)	**$ 289,473**	$ 344,761
12	2028	$ 410,293	2.00%	$ 520,351	$ (520,351)	$ 4,333,824	$ 4,333,824	**$ 3,923,530**	8.1142%	$ 311,469	$ -	$ (15,573)	**$ 295,895**	$ 351,656
13	2029	$ 410,293	2.00%	$ 530,758	$ (530,758)	$ 4,420,500	$ 4,420,500	**$ 4,010,207**	8.1142%	$ 318,364	$ -	$ (15,918)	**$ 302,446**	$ 358,689
14	2030	$ 410,293	2.00%	$ 541,373	$ (541,373)	$ 4,508,910	$ 4,508,910	**$ 4,098,617**	8.1142%	$ 325,397	$ -	$ (16,270)	**$ 309,127**	$ 365,863
15	2031	$ 410,293	2.00%	$ 552,201	$ (552,201)	$ 4,599,088	$ 4,599,088	**$ 4,188,795**	8.1142%	$ 332,571	$ -	$ (16,629)	**$ 315,942**	$ 373,180
16	2032	$ 410,293	2.00%	$ 563,245	$ (563,245)	$ 4,691,070	$ 4,691,070	**$ 4,280,777**	8.1142%	$ 339,888	$ -	$ (16,994)	**$ 322,894**	$ 380,644
17	2033	$ 410,293	2.00%	$ 574,510	$ (574,510)	$ 4,784,892	$ 4,784,892	**$ 4,374,598**	8.1142%	$ 347,352	$ -	$ (17,368)	**$ 329,984**	$ 388,257
18	2034	$ 410,293	2.00%	$ 586,000	$ (586,000)	$ 4,880,589	$ 4,880,589	**$ 4,470,296**	8.1142%	$ 354,965	$ -	$ (17,748)	**$ 337,216**	$ 396,022
19	2035	$ 410,293	2.00%	$ 597,720	$ (597,720)	$ 4,978,201	$ 4,978,201	**$ 4,567,908**	8.1142%	$ 362,730	$ -	$ (18,136)	**$ 344,593**	$ 403,942
20	2036	$ 410,293	2.00%	$ 609,674	$ (609,674)	$ 5,077,765	$ 5,077,765	**$ 4,667,472**	8.1142%	$ 370,650	$ -	$ (18,533)	**$ 352,118**	$ 412,021
21	2037	$ 410,293	2.00%	$ 621,868	$ (621,868)	$ 5,179,321	$ 5,179,321	**$ 4,769,027**	8.1142%	$ 378,729	$ -	$ (18,936)	**$ 359,792**	$ 420,261
22	2038	$ 410,293	2.00%	$ 634,305	$ (634,305)	$ 5,282,907	$ 5,282,907	**$ 4,872,614**	8.1142%	$ 386,969	$ -	$ (19,348)	**$ 367,621**	$ 428,667
23	2039	$ 410,293	2.00%	$ 646,991	$ (646,991)	$ 5,388,565	$ 5,388,565	**$ 4,978,272**	8.1142%	$ 395,375	$ -	$ (19,769)	**$ 375,606**	$ 437,240
24	2040	Collections for Year 2040								$ 403,948	$ -	$ (20,197)	**$ 383,751**	
												Undiscounted Total:	**$ 6,634,744**	
												2016 PV@ 4.5%	**$ 3,614,316**	
												DCR@ 1.25	**$ 2,891,453**	

Footnotes:

[1] The potential TIF is assumed to be established in 2016 using 2015 assessments as the base value, and terminate in 2040. Collections for the final year are assumed to occur in 2041.

[2] A 2.0% annual inflation rate has been assumed throughout the life of the TIF.

[3] Current Tax Rate for 120 Center Street

Source: *SB Friedman*

Table 6A: City Revenue Projection with ADR=$150

Assumptions	Stabilized Revenue	% Available for Bond
Annual Sales Tax Collected	$482,682	100%
Annual TIF Revenue	$247,910	100%
Annual Hotel Tax Revenues Equivalent	$361,906	100%
Total Stabilized Revenue Sources (2016 $s)	**$1,092,498**	
Annual Growth Factor RETaxes		2.0%
Annual Growth Factor Sales Tax, Hotel Tax		2.0%
AssumedDevelopment Note Interest Rate		7%
Assumed Alternate Bond Interest Rate		4.5%

Bond Revenue

Bond Year	TIF Year	TIF Revenue	Hotel/ Motel Tax	Sales Tax	20 Year Bond	25-Year Bond with Refinancing at Year 20
Cap I	0	$0	$0	$0	$0	0
Cap I	1	$0	$0	$0	$0	0
1	2	$0	$306,523	$362,012	$668,535	$668,535
2	3	$91,517	$330,996	$482,682	$905,195	$905,195
3	4	$247,910	$361,906	$492,336	$1,102,151	$1,102,151
4	5	$253,501	$369,144	$502,182	$1,124,827	$1,124,827
5	6	$259,203	$376,527	$512,226	$1,147,956	$1,147,956
6	7	$265,020	$384,057	$522,471	$1,171,548	$1,171,548
7	8	$270,953	$391,738	$532,920	$1,195,611	$1,195,611
8	9	$277,004	$399,573	$543,578	$1,220,156	$1,220,156
9	10	$283,177	$407,565	$554,450	$1,245,192	$1,245,192
10	11	$289,473	$415,716	$565,539	$1,270,728	$1,270,728
11	12	$295,895	$424,030	$576,850	$1,296,775	$1,296,775
12	13	$302,446	$432,511	$588,387	$1,323,343	$1,323,343
13	14	$309,127	$441,161	$600,154	$1,350,443	$1,350,443
14	15	$315,942	$449,984	$612,157	$1,378,084	$1,378,084
15	16	$322,894	$458,984	$624,401	$1,406,278	$1,406,278
16	17	$329,984	$468,164	$636,889	$1,435,036	$1,435,036
17	18	$337,216	$477,527	$649,626	$1,464,370	$1,464,370
18	19	$344,593	$487,077	$662,619	$1,494,290	$1,494,290
19	20	$352,118	$496,819	$675,871	$1,524,808	$1,524,808
20	21	$359,792	$506,755	$689,389	$1,555,937	$1,555,937
	22	$367,621	$516,890	$703,177		$1,587,688
	23	$375,606	$527,228	$717,240		$1,620,074
	24	$383,751	$537,773	$731,585		$1,653,108
		$6,634,744	**$9,662,125**	**$13,176,728**	**$25,281,261**	**$30,142,131**

	20 Year Bond	25-Year Bond with Refinancing at Year 20
Present value (7% to 4.5%)	**$11,751,441**	**$16,874,796**
Debt Coverage	1.25	1.25
Supportable Debt	**$9,401,153**	**$13,499,837**
Issuance Cost @2%	$188,023	$269,997
Financing Capacity	**$9,213,129**	**$13,229,840**

Table 6B: City Revenue Projection with ADR=$129

Assumptions	Stabilized Revenue	% Available for Bond
Annual Sales Tax Collected	$482,682	100%
Annual TIF Revenue	$247,910	100%
Annual Hotel Tax Revenues Equivalent	$311,239	100%
Total Stabilized Revenue Sources (2016 $s)	**$1,041,831**	
Annual Growth Factor RETaxes		2.0%
Annual Growth Factor Sales Tax, Hotel Tax		2.0%
AssumedDevelopment Note Interest Rate		7%
Assumed Alternate Bond Interest Rate		4.5%

Bond Revenue

Bond Year	TIF Year	TIF Revenue	Hotel/ Motel Tax	Sales Tax	20 Year Bond	25-Year Bond with Refinancing at Year 20
Cap I	0	$0	$0	$0	$0	0
Cap I	1	$0	$0	$0	$0	0
1	2	$0	$263,610	$362,012	$625,622	$625,622
2	3	$91,517	$284,656	$482,682	$858,855	$858,855
3	4	$247,910	$311,239	$492,336	$1,051,485	$1,051,485
4	5	$253,501	$317,464	$502,182	$1,073,147	$1,073,147
5	6	$259,203	$323,813	$512,226	$1,095,242	$1,095,242
6	7	$265,020	$330,289	$522,471	$1,117,780	$1,117,780
7	8	$270,953	$336,895	$532,920	$1,140,768	$1,140,768
8	9	$277,004	$343,633	$543,578	$1,164,216	$1,164,216
9	10	$283,177	$350,506	$554,450	$1,188,133	$1,188,133
10	11	$289,473	$357,516	$565,539	$1,212,528	$1,212,528
11	12	$295,895	$364,666	$576,850	$1,237,411	$1,237,411
12	13	$302,446	$371,959	$588,387	$1,262,792	$1,262,792
13	14	$309,127	$379,398	$600,154	$1,288,680	$1,288,680
14	15	$315,942	$386,986	$612,157	$1,315,086	$1,315,086
15	16	$322,894	$394,726	$624,401	$1,342,020	$1,342,020
16	17	$329,984	$402,621	$636,889	$1,369,493	$1,369,493
17	18	$337,216	$410,673	$649,626	$1,397,516	$1,397,516
18	19	$344,593	$418,887	$662,619	$1,426,099	$1,426,099
19	20	$352,118	$427,264	$675,871	$1,455,253	$1,455,253
20	21	$359,792	$435,810	$689,389	$1,484,991	$1,484,991
	22	$367,621	$444,526	$703,177		$1,515,323
	23	$375,606	$453,416	$717,240		$1,546,262
	24	$383,751	$462,485	$731,585		$1,577,820
		$6,634,744	**$8,309,428**	**$13,176,728**	**$24,107,115**	**$28,746,521**

	20 Year Bond	25-Year Bond with Refinancing at Year 20
Present value (7% to 4.5%)	**$11,198,488**	**$16,086,987**
Debt Coverage	1.25	1.25
Supportable Debt	**$8,958,790**	**$12,869,590**
Issuance Cost @2%	$179,176	$257,392
Financing Capacity	**$8,779,615**	**$12,612,198**