

Memorandum

Date: April 28, 2011
To: Greg Weykamp
From: Ron Schults
Subject: Development Steps – Rochester Port Marina

Cc: Bob Bogner

The following is a summary of recent meetings and conversations with numerous real estate developers and private and institutional investors regarding the development opportunity at the Rochester Port Marina project:

1. Meetings with Investors / Developers / Banks on Timing of the Project

- The current interest for developers/investors to build new projects is good. Developers/investors are looking for projects that can get underway within the next one to two years and meet market demand in the following years.
- Financing of projects is also significantly improved. The ability to borrow funds and raise investment capital is good today and in the coming years as investors are buying real estate projects that are priced “right.” The pricing we have suggested earlier at the Port Marina project, i.e., \$5,000 to \$10,000 per residential unit (plus) for a shovel-ready site, fits within the current market for acquisition pricing. Smaller regional banks that have taken little or no federal “bailout” money are seeking quality developers with quality projects with realistic pricing structures. However, many larger national banks that have taken federal “bailout” monies are not looking for new projects. Smaller phases are being considered in projects with 20 to 50 units versus 100+ unit projects that were considered five years ago. An emphasis is to design a project that is expandable into market-sensitive phases.

2. Initial Phase Development Plan

We have spent considerable time studying Parcel I (north and south) to identify a proposed development scheme that minimizes risk to investors/developers and allows the project to “grow” off the success of the initial step within those parcels. The drawings attached herewith depict what we believe is a realistic strategy that can be financed in today’s market, starting with an 8-story, 35-unit building as Step 1 and then expanding to a 12-story, 70-unit building west of the initial building. Future phases into Parcel I South and 2 and 3 can then proceed over time.



These steps within Parcel I are further described as follows:

Step 1-- Parcel I North – “East”: Build an 8-story residential condominium containing approximately 35 units on top of a 16’ 2-story parking structure. This step would also include 4 townhomes and a 1- to 2-story restaurant as shown on the plans. The 3 products could be built as one initial project or it could begin with the 8-story building and then add the townhomes and restaurant project at a later date per market demand.

This is a project that is within the reach of mid-size developers who can test initial market response and gain confidence for continuing the project into future phases. The investment for this building by a developer is projected at \$7,000,000 for the residential building and \$1,200,000 for the townhomes and 4,000 s.f. restaurant. The tax base these products can create is \$15,500,000 based upon an average selling price of \$300 per square foot for the residential units and \$200 for the restaurant.

Step 2 -- Parcel I North – “West”: Add a 12-Story Building with Plinth on Parcel I Along Lake Avenue
This 52-unit building would contain 12 stories above the 3-story plinth per the plan. The investment for this building is \$12,000,000, and the tax base created at \$300 per square foot is \$28,500,000.

Future buildings would then continue in the development scheme as planned on Parcel I South, 2 and 3, with potentially larger phases since the market has been verified in the first two steps on Parcel I.
