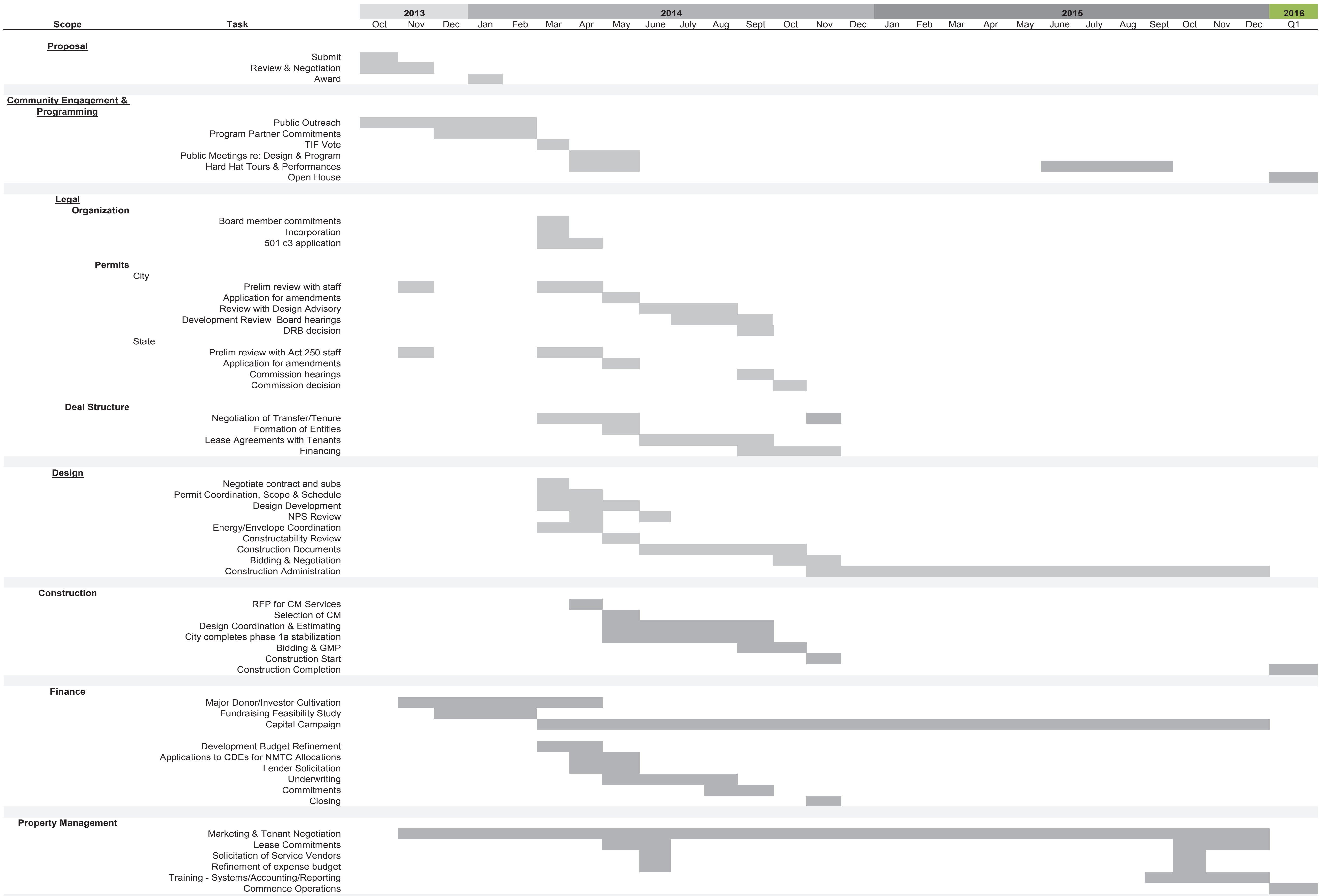
PROJECT FEASILBILITY

New Moran - Project Schedule



PROJECT BUDGET

1. Budget Elements

2. Specific RFP Requirements

•Project budget – Provide a detailed sources and uses budget, indicating which sources are committed or not, and provide evidence of that commitment as appendices at the end of the proposal.
See 1.0.

•Indicate what other sources a TIF investment will leverage.
See 1.0 – Sources. Leverage of $19.2M.

•Indicate the level of TIF requested as a proportion of the budget.
See 1.0 – Sources. TIF at 18%; Section 108 at 8%.

•Indicate how the construction portion of the budget was prepared, and indicate the level of experience of your construction estimator for the type of project proposed, with other similar projects referred to for reference.

Construction portion of budget ties to detailed estimate prepared by PC Construction, based on schematic plans prepared by SBA. See appendix for details and discussion of relevant experience.

•Indicate contingencies in the budget to account for any unforeseen changes prior to project bidding. See 1.0 – Uses of Funds. The following contingencies are included:

Hard Cost 20%	$2,369,600	
Design 5%	$ 100,000	
Soft Cost 5%	$ 75,000	
Total Project 5%	$1,250,000	
Total Contingency	$3,794,600	15%

Include an operating pro forma, including a start-up period (if applicable) and then an as-stabilized pro foma for at least 15 years. Include detailed sources of revenues and expenses with some explanation as to how the numbers were determined.

See 2.0 – Pro Forma and 2.1 Occupancy & Rent Schedule. Pro Forma includes lease-up percentage details per annum. Pro Forma includes detailed expense budget and relevant s.f. cost data derived from comparable projects and industry norms within the Burlington market.

•As an appendix, include a budget justification, or explanations for each budget line item.
See 1.0 Uses of Funds. Note "Justification/Reference" for each line item.

3. Budget Discussion

The forecast of development costs (Uses of Funds) is based upon a reasonable level of diligence, including the preparation of an up-to-date construction cost estimate, detailed review of costs incurred to date, quotations for professional services, and vendor- based estimates for certain products and services. As noted above, a prudent level of contingency was added to account for design development changes, cost escalation and the variables associated with rehabilitation. The development budget includes a detailed accounting of the expenses associated with equity syndication. As well, the uses of funds include capitalization of certain operating reserves.

Of particular note, the development costs include reimbursement to the City of $771k of general fund expenditures related to Moran. Furthermore, the development costs include reimbursement to the City of $717k of BEDI and Section 108 funds already expended.

The Sources of Funds was developed after consultation with legal counsel deeply experienced in the structuring of complex real estate transactions utilizing equity syndication based on access to federal historic tax credits (RITC) and New Markets Tax Credits (NMTC). With regard to RITC, our review has concluded that: a) it is reasonable to assume that the proposed design by SBA can, or can be adjusted as needed in order to, obtain approval from NPS; 2) that the project can be structured to satisfy the hobby loss rules; and, 3) that the project can be structured to avoid tax-exempt use prohibitions. With regard to NMTC, our review has concluded that: a) the project is located within an eligible area based on 2010 Census data; 2) that the proposed uses within the project are eligible for NMTC financing; 3) that one or more CDEs will consider a request for allocation of NMTC for the project; and, 4) that the project can be structured to comply with NMTC requirements.

The Sources of Funds is based on other key assumptions including: a) successful application for a nominal amount of Vermont Downtown Tax Credit and sale thereof; b) the inclusion of tenant provided capital for fit-up within the leverage loan structure in order to increase NMTC investment proceeds; c) commitment by a qualified lender for a non-recourse commercial loan to be serviced by the operation of the property; and, d) proceeds from a capital campaign associated with the formation of the new non-profit management entity.

The operating income forecast is based on detailed discussions with qualified, potential occupants and rents that are consistent with current market conditions. The operating expense forecast is detailed and the square foot costs are consistent with current market conditions as well as comparable properties.