

Development Team Financial Information
MADISON COLLEGE REDEVELOPMENT



Ownership Structure

The leasehold owner of the proposed development will be MC Lofts, LLC, a single-purpose entity to-be-formed for the sole purpose of owning the property. A second to-be-formed LLC, which will be owned and controlled by The Alexander Company's employees and affiliates, will be created to act as the managing member and 0.01% member of the owner. A corporate investor, who will utilize the credits, will be admitted as 99.99% investor member.

Funding Structure

We are estimating that the total cost of the project would be approximately \$25,275,000. As we have done many times in the past, this proposal anticipates that equity of approximately \$19,500,000 will be procured from investors that will benefit from State and Federal historic tax credits along with Federal affordable housing tax credits. Long-term senior debt of approximately \$3,750,000 and subordinate financing from the City's affordable housing fund of approximately \$1,700,000 is anticipated. Both the senior and subordinate loans will be secured by leasehold mortgages.

Sources	\$ Amount
Senior Debt	\$3,750,000
City of Madison Loan	\$1,700,000
Investor Equity	\$19,478,000
Developer Equity	\$347,000
Total Sources	\$25,275,000

Uses	\$ Amount
Construction	\$21,975,000
Soft Costs & Reserves	\$3,300,000
Total Uses	\$25,275,000

Ownership Structure

For the Hotel component, a joint venture will take the legal form of a specific purpose limited liability company formed between AIG and a Mortenson Development, Inc. specific purpose limited liability company (“MDI”). MDI shall be the general partner with a 10% ownership interest, and AIG shall be the limited partner with a 90% ownership interest. MDI will oversee all day-to-day development activities related to the project, which shall include but not be limited to project procurement, due diligence, government entitlements, debt sourcing, design oversight, and construction.

A brief overview of AIG, and additional project team members Aimbridge and Hilton, is included below.

AIG Global Real Estate

AIG Global Real Estate is an international real estate investor and developer that was founded in 1987. AIG Global Real Estate includes a group of international companies within American International Group, Inc., a global insurance organization that was founded in 1919. As of June 30, 2016, AIG Global Real Estate managed an \$18.8 billion portfolio of real estate investments for clients and AIG member companies. The portfolio includes investments in North America, Europe and Asia across a range of property types. In the U.S. hospitality market, AIG focuses on the acquisition, development and redevelopment of premium branded select-service and extended-day hotels.

Aimbridge Hospitality

Aimbridge Hospitality is one of the largest independent management companies in North America with a portfolio of more than 450 hotels and resorts and more than 63,000 guestrooms. Aimbridge manages a variety of property types in addition to independent luxury, boutique and lifestyle hotels and is an exclusive management company approved to operate all brands within the Marriott, Hilton, Hyatt, Starwood, Wyndham and InterContinental systems. Aimbridge was founded in 2003 and in 2015 acquired Evolution Hospitality, leading to its current status as one of the largest privately held hotel and resort operating companies in the world.

MORTENSON / Hotel Component

Hilton Worldwide Holdings

Hilton Worldwide Holdings, Inc., is the world's premier lodging company, with total revenues of approximately \$11.7 billion in 2016. Hilton was founded in 1919 and is recognized around the world as a preeminent hospitality company, offering guests and customers the finest accommodations, services, amenities and value for business or leisure. Hilton develops, owns, manages and franchises hotels, resorts and vacation ownership resorts. As of January 2017, Hilton's portfolio includes more than 4,900 hotels, resorts and timeshare properties under 14 brands: Hilton Hotels & Resorts, Waldorf Astoria Hotels & Resorts, Conrad Hotels & Resorts, Canopy by Hilton, Curio - A Collection by Hilton, Tapestry Collection by Hilton, DoubleTree by Hilton, Embassy Suites by Hilton, Hilton Garden Inn, Hampton by Hilton, Tru by Hilton, Homewood Suites by Hilton, Home2 Suites by Hilton and Hilton Grand Vacations. Hilton Hotels & Resorts is the most recognized hotel brand in the world. Hilton's award-winning customer loyalty program, Hilton Honors, has more than 60 million members.

Funding Structure

Sources	\$ Amount	% of Capital	
		Stack	% of Equity
Construction Loan	\$37,265,060	65%	N/A
Mezz Debt	\$0	0%	N/A
Cash Equity:			
LP	\$18,059,221	31.5%	90%
GP	\$2,006,580	3.5%	10%
Total Sources	\$57,330,861	100%	100%

Uses	\$ Amount	% of Total	\$/GSF
Ground Lease	\$0	0%	\$0
Hard Costs	\$49,794,744	86.9%	\$332
Soft Costs:			
Development Costs	\$5,427,083	9.5%	\$36
Financing Costs	\$2,109,034	3.7%	\$14
Total Uses	\$57,330,861	100%	\$383

Multi-family Component

We propose a 98-year capital lease with lease payments of \$150,000 per year, commencing 12 months after completion. With a 30-year affordable housing compliance period, we cannot increase rent on our subtenants enough to pay an escalator during that time. However, we would agree to increase the rent in year 32 to \$250,000 with a 1% escalator thereafter.

Alternatively, and subject to legal review, we could likely provide additional value to the college as follows:

The State historic credit is estimated at \$4.8 million and gets issued as a certificate, which can then be sold to an investor. This alternative provides that Madison College:

1. Receives the certificate;
2. Sells the certificate to the investor with proceeds of approximately \$4,500,000;
3. Loans approximately \$3,800,000 of the proceeds to the development entity; and
4. Keeps approximately \$700,000 of the proceeds.

In this scenario the lease payment during the first 30 years would be zero; however, the loan payment would be \$150,000, amortizing the loan to zero over the 30-year term.

Hotel Component

Below are some high-level ground lease terms for the Select Service Hotel in Madison. Ground rent projections are included on the following pages.

Term: 98-year ground lease

Extension Options: None

Rent Paid: the greater of Annual Base Rent (ABR) or Percentage Rent (PR)

Total Rent:

Construction Period:	\$0
Operations Year 1:	\$75,000
Operations Year 2:	\$100,000
Operations Year 3:	\$125,000
Operations Year 4:	\$150,000
Operations Year 5:	\$153,000
Operations Year 6:	\$156,060

GROUND LEASE / Madison College Redevelopment

Operations Year 7:	\$159,181
Operations Year 8:	\$162,365
Operations Year 9:	\$165,612
Operations Year 10:	\$297,642
Operations Year 11:	\$304,992
Operations Year 12:	\$311,092
Operations Year 13:	\$317,314
Operations Year 14:	\$324,546
Operations Year 15:	\$330,133
Operations Year 16:	\$336,736
Operations Year 17:	\$343,470
Operations Year 18:	\$351,300
Operations Year 19:	\$357,346
Operations Year 20:	\$364,494

Year 21 and thereafter: ABR equal to prior year ABR increased by CPI (subject to CPI Collar)

Percentage Rent:

Years 1 through 10: 0%
Year 11 and thereafter: Percentage rent equal to 2% of Gross Room Revenue

CPI Collar: greater than or equal to 1% but cannot exceed 2% per annum

ROFR: in favor of Lessee in the event Lessor wants to sell fee-interest

Transfer: Subject to permitted transfers

Lease Guaranty: Limited to Tenant's interest in the property via building improvements

GROUND LEASE / Madison College Redevelopment

Year	Multi-Family Component		Hotel Component			Overall Development	
	Tax Credit Sale Proceeds	Lease/Loan Payment	Base Rent	% Rent	Total Rent	Total Annual Proceeds	Present Value @ 4.50% Discount Rate
0	\$700,000	-	-	-	-	\$700,000	\$12,006,350
1	-	-	\$75,000	\$0	\$75,000	\$75,000	
2	-	\$150,000	\$100,000	\$0	\$100,000	\$250,000	
3	-	\$150,000	\$125,000	\$0	\$125,000	\$275,000	
4	-	\$150,000	\$150,000	\$0	\$150,000	\$300,000	
5	-	\$150,000	\$150,000	\$0	\$150,000	\$300,000	
6	-	\$150,000	\$153,000	\$0	\$153,000	\$303,000	
7	-	\$150,000	\$156,060	\$0	\$156,060	\$306,060	
8	-	\$150,000	\$159,181	\$0	\$159,181	\$309,181	
9	-	\$150,000	\$162,365	\$0	\$162,365	\$312,365	
10	-	\$150,000	\$165,612	\$0	\$165,612	\$315,612	
11	-	\$150,000	\$168,924	\$128,718	\$297,642	\$447,642	
12	-	\$150,000	\$172,303	\$132,689	\$304,992	\$454,992	
13	-	\$150,000	\$175,749	\$135,343	\$311,092	\$461,092	
14	-	\$150,000	\$179,264	\$138,050	\$317,314	\$467,314	
15	-	\$150,000	\$182,849	\$141,697	\$324,546	\$474,546	
16	-	\$150,000	\$186,506	\$143,627	\$330,133	\$480,133	
17	-	\$150,000	\$190,236	\$146,500	\$336,736	\$486,736	
18	-	\$150,000	\$194,041	\$149,429	\$343,470	\$493,470	
19	-	\$150,000	\$197,922	\$153,378	\$351,300	\$501,300	
20	-	\$150,000	\$201,880	\$155,466	\$357,346	\$507,346	
21	-	\$150,000	\$205,918	\$158,576	\$364,494	\$514,494	
22	-	\$150,000	\$210,036	\$161,747	\$371,783	\$521,783	
23	-	\$150,000	\$214,237	\$166,021	\$380,258	\$530,258	
24	-	\$150,000	\$218,522	\$168,282	\$386,804	\$536,804	
25	-	\$150,000	\$222,892	\$171,648	\$394,540	\$544,540	
26	-	\$150,000	\$227,350	\$175,080	\$402,430	\$552,430	
27	-	\$150,000	\$231,897	\$179,707	\$411,604	\$561,604	
28	-	\$150,000	\$236,535	\$182,154	\$418,689	\$568,689	
29	-	\$150,000	\$241,266	\$185,797	\$427,063	\$577,063	
30	-	\$150,000	\$246,091	\$189,513	\$435,604	\$585,604	
31	-	\$150,000	\$251,013	\$194,520	\$445,533	\$595,533	
32	-	\$250,000	\$256,033	\$197,169	\$453,202	\$703,202	

GROUND LEASE / Madison College Redevelopment

Year	Multi-Family Component		Hotel Component			Overall Development	
	Tax Credit Sale Proceeds	Lease/Loan Payment	Base Rent	% Rent	Total Rent	Total Annual Proceeds	Present Value @ 4.50% Discount Rate
33	-	\$252,500	\$261,154	\$201,112	\$462,266	\$714,766	
34	-	\$255,025	\$266,377	\$205,135	\$471,512	\$726,537	
35	-	\$257,575	\$271,704	\$210,555	\$482,259	\$739,834	
36	-	\$260,151	\$277,138	\$213,422	\$490,560	\$750,711	
37	-	\$262,753	\$282,681	\$217,691	\$500,372	\$763,125	
38	-	\$265,380	\$288,335	\$222,044	\$510,379	\$775,759	
39	-	\$268,034	\$294,101	\$227,912	\$522,013	\$790,047	
40	-	\$270,714	\$299,983	\$231,015	\$530,998	\$801,713	
41	-	\$273,421	\$305,983	\$235,635	\$541,618	\$815,039	
42	-	\$276,156	\$312,103	\$240,348	\$552,451	\$828,606	
43	-	\$278,917	\$318,345	\$246,699	\$565,044	\$843,961	
44	-	\$281,706	\$324,712	\$250,058	\$574,770	\$856,476	
45	-	\$284,523	\$331,206	\$255,059	\$586,265	\$870,788	
46	-	\$287,369	\$337,830	\$260,160	\$597,990	\$885,359	
47	-	\$290,242	\$344,587	\$267,035	\$611,622	\$901,864	
48	-	\$293,145	\$351,478	\$270,671	\$622,149	\$915,294	
49	-	\$296,076	\$358,508	\$276,084	\$634,592	\$930,668	
50	-	\$299,037	\$365,678	\$281,606	\$647,284	\$946,321	
51	-	\$302,027	\$372,992	\$289,047	\$662,039	\$964,066	
52	-	\$305,048	\$380,452	\$292,983	\$673,435	\$978,482	
53	-	\$308,098	\$388,061	\$298,842	\$686,903	\$995,001	
54	-	\$311,179	\$395,822	\$304,819	\$700,641	\$1,011,820	
55	-	\$314,291	\$403,738	\$312,874	\$716,612	\$1,030,903	
56	-	\$317,434	\$411,813	\$317,134	\$728,947	\$1,046,381	
57	-	\$320,608	\$420,049	\$323,477	\$743,526	\$1,064,134	
58	-	\$323,814	\$428,450	\$329,946	\$758,396	\$1,082,210	
59	-	\$327,052	\$437,019	\$338,665	\$775,684	\$1,102,736	
60	-	\$330,323	\$445,760	\$343,276	\$789,036	\$1,119,358	
61	-	\$333,626	\$454,675	\$350,142	\$804,817	\$1,138,443	
62	-	\$336,962	\$463,768	\$357,144	\$820,912	\$1,157,875	
63	-	\$340,332	\$473,044	\$366,581	\$839,625	\$1,179,957	
64	-	\$343,735	\$482,505	\$371,573	\$854,078	\$1,197,813	
65	-	\$347,173	\$492,155	\$379,005	\$871,160	\$1,218,332	

GROUND LEASE / Madison College Redevelopment

Year	Multi-Family Component		Hotel Component			Overall Development	
	Tax Credit Sale Proceeds	Lease/Loan Payment	Base Rent	% Rent	Total Rent	Total Annual Proceeds	Present Value @ 4.50% Discount Rate
66	-	\$350,644	\$501,998	\$386,585	\$888,583	\$1,239,227	
67	-	\$354,151	\$512,038	\$396,799	\$908,837	\$1,262,987	
68	-	\$357,692	\$522,278	\$402,203	\$924,481	\$1,282,174	
69	-	\$361,269	\$532,724	\$410,247	\$942,971	\$1,304,240	
70	-	\$364,882	\$543,378	\$418,452	\$961,830	\$1,326,712	
71	-	\$368,531	\$554,246	\$429,509	\$983,755	\$1,352,286	
72	-	\$372,216	\$565,331	\$435,357	\$1,000,688	\$1,372,904	
73	-	\$375,938	\$576,638	\$444,064	\$1,020,702	\$1,396,640	
74	-	\$379,697	\$588,170	\$452,945	\$1,041,115	\$1,420,813	
75	-	\$383,494	\$599,934	\$464,914	\$1,064,848	\$1,448,342	
76	-	\$387,329	\$611,932	\$471,244	\$1,083,176	\$1,470,506	
77	-	\$391,203	\$624,171	\$480,669	\$1,104,840	\$1,496,043	
78	-	\$395,115	\$636,654	\$490,283	\$1,126,937	\$1,522,052	
79	-	\$399,066	\$649,388	\$503,238	\$1,152,626	\$1,551,691	
80	-	\$403,057	\$662,375	\$510,090	\$1,172,465	\$1,575,522	
81	-	\$407,087	\$675,623	\$520,292	\$1,195,915	\$1,603,002	
82	-	\$411,158	\$689,135	\$530,698	\$1,219,833	\$1,630,991	
83	-	\$415,270	\$702,918	\$544,721	\$1,247,639	\$1,662,909	
84	-	\$419,422	\$716,976	\$552,138	\$1,269,114	\$1,688,537	
85	-	\$423,616	\$731,316	\$563,181	\$1,294,497	\$1,718,113	
86	-	\$427,853	\$745,942	\$574,444	\$1,320,386	\$1,748,239	
87	-	\$432,131	\$760,861	\$589,623	\$1,350,484	\$1,782,615	
88	-	\$436,452	\$776,078	\$597,652	\$1,373,730	\$1,810,183	
89	-	\$440,817	\$791,600	\$609,605	\$1,401,205	\$1,842,022	
90	-	\$445,225	\$807,432	\$621,797	\$1,429,229	\$1,874,454	
91	-	\$449,677	\$823,580	\$638,227	\$1,461,807	\$1,911,485	
92	-	\$454,174	\$840,052	\$646,918	\$1,486,970	\$1,941,144	
93	-	\$458,716	\$856,853	\$659,856	\$1,516,709	\$1,975,425	
94	-	\$463,303	\$873,990	\$673,053	\$1,547,043	\$2,010,346	
95	-	\$467,936	\$891,470	\$690,837	\$1,582,307	\$2,050,243	
96	-	\$472,615	\$909,299	\$700,245	\$1,609,544	\$2,082,160	
97	-	\$477,342	\$927,485	\$714,249	\$1,641,734	\$2,119,076	
98	-	\$482,115	\$946,035	\$728,534	\$1,674,569	\$2,156,684	



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