

ATTACHMENT D

Additional Financial Analysis

Proforma: Six-Year Tax Exemption

Below is the 10-year proforma under a scenario where Core Campus receives a tax exemption for six years. The average cash on cash for the 10-year period is 8.5%.

With MUPT	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income	\$ 4,649,100	\$ 4,695,600	\$ 4,742,500	\$ 4,790,000	\$ 4,837,900	\$ 4,886,200	\$ 4,935,100	\$ 4,984,500	\$ 5,034,300	\$ 5,084,600
- Vacancy	\$ 232,500	\$ 234,800	\$ 237,100	\$ 239,500	\$ 241,900	\$ 244,300	\$ 246,700	\$ 249,200	\$ 251,700	\$ 254,200
= Effective Gross Rent	\$ 4,416,600	\$ 4,460,800	\$ 4,505,400	\$ 4,550,500	\$ 4,596,000	\$ 4,641,900	\$ 4,688,400	\$ 4,735,300	\$ 4,782,600	\$ 4,830,400
- Operating Exp	\$ 1,413,300	\$ 1,427,500	\$ 1,441,700	\$ 1,456,200	\$ 1,470,700	\$ 1,485,400	\$ 1,500,300	\$ 1,515,300	\$ 1,530,400	\$ 1,545,700
- Property Tax <i>(saved by MUPT)</i>	\$ (449,000)	\$ (462,500)	\$ (476,400)	\$ (490,700)	\$ (505,400)	\$ (520,600)	\$ -	\$ -	\$ -	\$ -
= NOI	\$ 3,452,300	\$ 3,495,800	\$ 3,540,100	\$ 3,585,000	\$ 3,630,700	\$ 3,677,100	\$ 3,188,100	\$ 3,220,000	\$ 3,252,200	\$ 3,284,700
- Debt Service	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522
= CF	\$ 960,778	\$ 1,004,278	\$ 1,048,578	\$ 1,093,478	\$ 1,139,178	\$ 1,185,578	\$ 696,578	\$ 728,478	\$ 760,678	\$ 793,178
Cash on Cash Return	8.7%	9.1%	9.5%	9.9%	10.4%	10.8%	6.3%	6.6%	6.9%	7.2%

Proforma: Five-Year Tax Exemption

Below is the 10-year proforma under a scenario where Core Campus receives a tax exemption for five years. The average cash on cash for the 10-year period is 8.1%.

With MUPT	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income	\$ 4,649,100	\$ 4,695,600	\$ 4,742,500	\$ 4,790,000	\$ 4,837,900	\$ 4,886,200	\$ 4,935,100	\$ 4,984,500	\$ 5,034,300	\$ 5,084,600
- Vacancy	\$ 232,500	\$ 234,800	\$ 237,100	\$ 239,500	\$ 241,900	\$ 244,300	\$ 246,700	\$ 249,200	\$ 251,700	\$ 254,200
= Effective Gross Rent	\$ 4,416,600	\$ 4,460,800	\$ 4,505,400	\$ 4,550,500	\$ 4,596,000	\$ 4,641,900	\$ 4,688,400	\$ 4,735,300	\$ 4,782,600	\$ 4,830,400
- Operating Exp	\$ 1,413,300	\$ 1,427,500	\$ 1,441,700	\$ 1,456,200	\$ 1,470,700	\$ 1,485,400	\$ 1,500,300	\$ 1,515,300	\$ 1,530,400	\$ 1,545,700
- Property Tax <i>(saved by MUPT)</i>	\$ (449,000)	\$ (462,500)	\$ (476,400)	\$ (490,700)	\$ (505,400)	\$ -	\$ -	\$ -	\$ -	\$ -
= NOI	\$ 3,452,300	\$ 3,495,800	\$ 3,540,100	\$ 3,585,000	\$ 3,630,700	\$ 3,156,500	\$ 3,188,100	\$ 3,220,000	\$ 3,252,200	\$ 3,284,700
- Debt Service	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522
= CF	\$ 960,778	\$ 1,004,278	\$ 1,048,578	\$ 1,093,478	\$ 1,139,178	\$ 664,978	\$ 696,578	\$ 728,478	\$ 760,678	\$ 793,178
Cash on Cash Return	8.7%	9.1%	9.5%	9.9%	10.4%	6.0%	6.3%	6.6%	6.9%	7.2%

Additional Payments to the City

At the May 29 work session, staff provided information on potential guaranteed payments Core Campus could make to the City in excess of the land property tax during years six through ten. The payments total \$955,000 and could be directed to an affordable housing fund.

Below is the 10-year pro-forma with the MUPTE and the additional payments to the City that was presented at the May 29 work session. The average cash on cash return for the 10-year period is 9.7%.

<i>With MUPTE</i>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income	\$ 4,649,100	\$ 4,695,600	\$ 4,742,500	\$ 4,790,000	\$ 4,837,900	\$ 4,886,200	\$ 4,935,100	\$ 4,984,500	\$ 5,034,300	\$ 5,084,600
- Vacancy	\$ 232,500	\$ 234,800	\$ 237,100	\$ 239,500	\$ 241,900	\$ 244,300	\$ 246,700	\$ 249,200	\$ 251,700	\$ 254,200
= Effective Gross Rent	\$ 4,416,600	\$ 4,460,800	\$ 4,505,400	\$ 4,550,500	\$ 4,596,000	\$ 4,641,900	\$ 4,688,400	\$ 4,735,300	\$ 4,782,600	\$ 4,830,400
- Operating Exp	\$ 1,413,300	\$ 1,427,500	\$ 1,441,700	\$ 1,456,200	\$ 1,470,700	\$ 1,485,400	\$ 1,500,300	\$ 1,515,300	\$ 1,530,400	\$ 1,545,700
- Property Tax (saved by MUPTE)	\$ (449,000)	\$ (462,500)	\$ (476,400)	\$ (490,700)	\$ (505,400)	\$ (520,600)	\$ (536,200)	\$ (552,300)	\$ (568,900)	\$ (586,000)
- Add'l Pymt to City	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,000	\$ 60,000	\$ 140,000	\$ 250,000	\$ 475,000
= NOI	\$ 3,452,300	\$ 3,495,800	\$ 3,540,100	\$ 3,585,000	\$ 3,630,700	\$ 3,647,100	\$ 3,664,300	\$ 3,632,300	\$ 3,571,100	\$ 3,395,700
- Debt Service	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522	\$ 2,491,522
= CF	\$ 960,778	\$ 1,004,278	\$ 1,048,578	\$ 1,093,478	\$ 1,139,178	\$ 1,155,578	\$ 1,172,778	\$ 1,140,778	\$ 1,079,578	\$ 904,178
Cash on Cash Return	8.7%	9.1%	9.5%	9.9%	10.4%	10.5%	10.7%	10.4%	9.8%	8.2%

Staff continues conversations with Core Campus about alternative “additional payment” scenarios. Staff will provide updated information to council as it becomes available.

Councilor Zalenka inquired about a mechanism to (a) ensure that the proposed later-year payments are paid and (b) obtain a guarantee from the Core Campus parent company. Council could require such a guarantee from the company by adding the guarantee as a condition of approval to the MUPTE resolution; such a condition could make the entire MUPTE conditional on the execution of a guarantee agreement with the parent company. Such a guarantee, however, should not be necessary to ensure payment since continuation of the MUPTE would be conditioned on each of the payments in the later years. For example, should Core Campus fail to make the proposed \$30,000 year six guaranteed payment, Core Campus would not receive the tax exemption for that year and would instead pay property taxes on the improved value to the site (estimated tax of \$520,600).