

## Section 12 - Acquisition Cost Proposal

We envision that the entity developing the hotel would enter into an agreement to lease or purchase the air rights based on fair market value to be determined by an appraisal process to be mutually agreed upon. We would propose the purchase price or lease payments be reduced or deferred until such time as the City, or other government entity, builds a conference/meeting facility on the YMCA site in conformance with an agreed upon program and scope.

## Section 13 - Project Financing

As previously explained, it is the intent of the Acquest and White team to serve as the developer and operator of the project. Both firms have an established track record for creating, funding and completing successful hospitality projects to which they have committed as evidenced herein. Both Acquest and White have structured financing for over a hundred hospitality projects accessing institutional equity and debt and the tax-exempt bond markets as well. Given the current financial markets and the conceptual stage of this process, neither White, one of the largest hotel developers in the nation, nor Acquest can commit to the details of funding sources for the project at this time. It is our objective to design the hotel and structure its financing in a transparent and close collaboration with the City, the result of which will assure the long term viability of the hotel and provide a fair return to all the stakeholder's involved.

Within the appendix we have completed a hypothetical 10 year proforma for the hotel based upon our knowledge of the market, current Smith Travel Research data and the collective experience of the team in managing hotels. We believe this is a realistic estimate for a stand alone hotel based upon normal operating conditions.

The budget is \$150,000 per key and is also a projection based upon our collective past experience and takes into consideration the quality which we expect to be required.

Based upon the preliminary proforma and budget, we anticipate that funding for the hotel will involve some type of a public/private partnership. Favorable land terms, as suggested in Section 12 as well as possible tax abatement or other forms of public incentives may be critical to the economics of the proposal, but the need for public economic participation, if any, is impossible to assess at this time.

The anticipated time schedule for the assembly of financial commitments is not possible to gauge at this time given the conditions of the financial markets and conceptual nature of our proposal. Our objective is to work with the City to establish a schedule, by the March 1<sup>st</sup> date established in the RFP as the anticipated date of Council approval, that attempts to balance the interests of all the stakeholders while recognizing that time is of the essence. Once the program, scoping and design is agreed to, and once the use of and development timing of the YMCA site is determined, and all other requisite entitlements are in place, an 18 month construction schedule is anticipated.

## Section 13 - Project Financing

### 190 ROOM HOTEL - 5<sup>TH</sup> AND WILLIAMS, ANN ARBOR

	Year 1	Year 2	Year 3	<i>Stabilized</i> Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
For the Years Ending	Dec-2013	Dec-2014	Dec-2015	Dec-2016	Dec-2017	Dec-2018	Dec-2019	Dec-2020	Dec-2021	Dec-2022	Dec-2023
Occupancy	55%	60%	65%	67%	67%	67%	67%	67%	67%	67%	67%
ADR (inflated at 3.0%)	135	140.00	144.00	148.32	152.77	157.35	162.07	166.94	171.94	177.10	182.41
<b>GROSS REVENUE</b>											
Room Revenue	\$5,149,238	\$5,825,400	\$6,491,160	\$6,891,815	\$7,098,363	\$7,311,314	\$7,530,653	\$7,758,573	\$7,989,270	\$8,228,948	\$8,475,817
Food	1,029,848	1,165,080	1,268,232	1,378,323	1,419,673	1,462,263	1,506,131	1,551,315	1,597,854	1,645,790	1,695,183
Beverage	154,477	174,782	194,735	206,748	212,951	219,339	225,820	232,697	239,678	246,888	254,275
Telephone	102,985	116,508	129,823	137,832	141,967	146,228	150,613	155,131	159,785	164,579	169,516
Other	128,731	145,635	162,279	172,290	177,459	182,783	188,268	193,914	199,732	205,724	211,895
<b>TOTAL GROSS REVENUE</b>	<b>6,565,279</b>	<b>7,427,385</b>	<b>8,278,229</b>	<b>8,786,808</b>	<b>9,050,413</b>	<b>9,321,925</b>	<b>9,601,583</b>	<b>9,889,630</b>	<b>10,186,319</b>	<b>10,491,909</b>	<b>10,808,666</b>
<b>DEPARTMENTAL EXPENSES</b>											
Room Expense	1,235,817	1,398,096	1,557,678	1,653,988	1,703,607	1,754,715	1,807,357	1,861,578	1,917,425	1,974,948	2,034,198
Food	772,388	873,810	973,874	1,033,742	1,064,755	1,096,897	1,129,598	1,163,486	1,198,391	1,234,343	1,271,372
Beverage	69,515	78,643	87,631	93,037	95,828	98,703	101,664	104,714	107,855	111,091	114,424
Telephone	1,030	1,165	1,298	1,378	1,420	1,462	1,506	1,551	1,598	1,646	1,695
Other	55,354	62,623	69,780	74,066	76,307	78,597	80,954	83,383	85,885	88,461	91,115
<b>TOTAL DEPARTMENTAL EXPENSES</b>	<b>2,134,102</b>	<b>2,414,337</b>	<b>2,690,261</b>	<b>2,856,230</b>	<b>2,941,917</b>	<b>3,030,174</b>	<b>3,121,079</b>	<b>3,214,712</b>	<b>3,311,154</b>	<b>3,410,489</b>	<b>3,512,802</b>
<b>DEPARTMENTAL PROFIT</b>	<b>4,431,177</b>	<b>5,013,048</b>	<b>5,585,968</b>	<b>5,930,578</b>	<b>6,108,496</b>	<b>6,291,751</b>	<b>6,480,504</b>	<b>6,674,918</b>	<b>6,875,165</b>	<b>7,081,420</b>	<b>7,293,864</b>
<b>UNDISTRIBUTED EXPENSES</b>											
General and Admin.	525,222	594,191	662,098	702,946	724,033	745,754	768,127	791,170	814,908	839,353	864,533
Utilities	300,909	315,684	327,601	347,811	358,246	368,993	380,063	391,465	403,208	415,305	427,764
Repairs & Maintenance	340,000	360,000	400,000	412,000	424,360	437,091	450,204	463,710	477,621	491,959	506,708
Sales & Marketing	393,917	445,643	496,574	527,208	543,025	559,315	576,095	593,378	611,179	629,515	648,400
<b>TOTAL UNDISTRIBUTED EXPENSES</b>	<b>1,560,048</b>	<b>1,735,498</b>	<b>1,886,273</b>	<b>1,989,964</b>	<b>2,049,664</b>	<b>2,111,153</b>	<b>2,174,489</b>	<b>2,239,723</b>	<b>2,306,914</b>	<b>2,376,123</b>	<b>2,447,405</b>
<b>GROSS OPERATING PROFIT</b>	<b>2,871,129</b>	<b>3,277,550</b>	<b>3,699,695</b>	<b>3,940,614</b>	<b>4,058,832</b>	<b>4,180,598</b>	<b>4,308,015</b>	<b>4,435,195</b>	<b>4,568,251</b>	<b>4,705,297</b>	<b>4,846,459</b>
<b>FIXED EXPENSES &amp; COSTS</b>											
Base Management Fee	229,785	259,958	289,668	307,538	316,764	326,267	336,055	346,137	356,521	367,217	378,233
Franchise Fee	328,264	371,369	413,811	439,340	452,521	466,096	480,079	494,482	509,318	524,595	540,333
Insurance	72,218	81,701	91,039	96,655	99,555	102,541	105,617	108,786	112,050	115,411	118,873
Property Taxes	229,785	259,958	289,668	307,538	316,764	326,267	336,055	346,137	356,521	367,217	378,233
FF and E Reserve	136,777	278,527	413,811	439,340	452,521	466,096	480,079	494,482	509,318	524,595	540,333
<b>TOTAL FIXED EXPENSES &amp; COSTS</b>	<b>996,829</b>	<b>1,251,513</b>	<b>1,497,997</b>	<b>1,590,411</b>	<b>1,638,125</b>	<b>1,687,267</b>	<b>1,737,885</b>	<b>1,790,024</b>	<b>1,843,724</b>	<b>1,899,035</b>	<b>1,956,005</b>
<b>NET OPERATING INCOME</b>	<b>1,874,300</b>	<b>2,026,037</b>	<b>2,201,698</b>	<b>2,350,203</b>	<b>2,420,707</b>	<b>2,493,331</b>	<b>2,568,130</b>	<b>2,645,171</b>	<b>2,724,527</b>	<b>2,806,262</b>	<b>2,890,454</b>