

Subject: 101 Ash

Date: Wednesday, July 13, 2016 at 5:56:47 PM Central Daylight Time

From: Jason Wood

To: 'Thompson, Cybele', 'Jason Hughes'

Cybele and Jason:

Sorry for the delay in getting this to you after we spoke Cybele but yesterday was a hectic day with the All Star game and I'm just now getting caught up today.

Appraisal – I spoke with Dave Davis and he is getting me a proposal and says he can jump on it right after his return from vacation and get it done by late August. His charge is about \$14,000. Is that an acceptable figure for the City under any of the scenarios where the City would reimburse us for that cost?

Proposed Lease Terms – interest rates have moved up the past few days but I think I can keep to the 3.55% interest rate I am using right now if they don't move much further. If that rate cannot be held I have some cushion in the numbers below to absorb a little decrease in the loan amount caused by an increased interest rate. I understand that rather than the TBD lease rate I had in the draft letter I sent, you need a firm lease rate in the agreement that will be presented to committee later this month and then presented to City Council in September. With a firm lease rate I need to keep some cushion in our quote as we can't lock rate until we are closer to a closing and you are focused on our lease option versus the purchase assumption option. I am currently at \$1.67 PSF on 314,545 SF flat with no escalations and a \$5 Million TIA so annual rent of \$6,303,482 flat over the entire 20 years. I am hesitant to sharpen the pencil with the way rates have moved the past few days and your need to have a firm number now with Cisterra taking the interest rate risk until we can lock rate in September.

Assumed Loan Terms – I am using 3.55% and a \$90 Million loan amount with a monthly \$1,000 trustee fee for the 20 year term. Obviously, if rates move higher between now and September, the loan amount will come down as you require the rent to be fixed during this approval process - most of the items below are fixed and non-negotiable so can't absorb any of this loss in loan amount so it will mostly all need to be absorbed by one single line item below. The \$90 Million is comprised of a \$72,282,500 purchase price (assumes November 1, 2016 closing and rent commencement – increases \$2,500 per day for a closing beyond that date) and the following items that total the remaining \$17,717,500:

- \$5 Million TIA for The City
- Closing Costs
- Appraisal and other Due Diligence Costs
- Legal Costs
- Special Risk Insurance for Casualty/Condemnation/Appropriation gaps in the lease
- Entity Costs for 20 years for the 3 required entities (legal, accounting, LLC fees)
- Cisterra Profit
- Underwriting and Investment Banking Fees
- Loan Fees

I understand that the City may be able to use tax exempt bonding with a lower interest rate and less fees but we can provide a traditional lease option or a flat lease option (as proposed above in "Proposed Lease Terms") that is at or below competing buildings and with the added benefit of free ownership at the end of the lease term and property tax exemption with that end of term ownership predetermined. Our lease also enables the City to maintain bonding capacity for other needs of the City while being a lease option below

other leasing options in town.

I hope to get you the draft agreement tomorrow or Friday morning that spells out the above as a 2nd option along with the 1st option of assuming our purchase position and the City bonding direct..

Thanks,

Jason