

Gainesville Incentive Request  
6/11/2007

Upgraded items to improve overall project appeal for City		
Added cost to locate public areas on 2nd floor to allow retail on 1st floor	\$	350,000
Geopiers to cure poor soil conditions	\$	250,000
Upgraded façade from all EIFS to Arcustone/Brick/EIFS	\$	250,000
Upgrade dimensional relief of Façade	\$	100,000
Upgrade architectural details like balusters and lintels	\$	100,000
Enlarged meeting space from 1200SF to 2100 SF	\$	100,000
Performance Bonds required by developer agreement	\$	60,000
Water & sewer meter fee (1-2" & 2-3/4" mains)	\$	56,000
Upgrade sewer line along 2nd avenue	\$	30,000
Upgraded Street Scaping	\$	30,000
Electrical transformer enclosures for neighborhood	\$	30,000
Covered walk for Star Garage	\$	25,000
Dumpster enclosures	\$	25,000
Contribution to solid waste relocation	\$	20,000
Upgraded exterior lighting package	\$	20,000
Electrical Transformer enclosure for hotel	\$	20,000
Remove & install existing brick pavers and expand side walk width	\$	20,000
Relocate electrical transformer	\$	15,000
Upgrade common sewer line to star Garage	\$	12,000
Water & sewer Inspection fee	\$	10,000
Relocate electrical junction boxes	\$	5,000
Relocate traffic signal controller	\$	5,000
Storm water cost and connection fee	\$	-
Added cost due to off site staging and compressed on site lay down		?
Water & sewer tap charges		?
Electrical meter fees		?
Undergrounding utilities		included in transformers
<b>Total cost of items</b>	<b>\$</b>	<b>1,533,000</b>
Annual payment based on 15 yr amortization at 11%		(\$213,187.01)

## CRA Staff comment:

With the exception of the costs related to enlarged meeting space (\$100,000) and performance bonds (\$60,000), all of the items listed by the applicant are reimbursable expenses. Thus, the total amount of reimbursable expenses is \$1,373,000. The "but for" gap is derived from these expenses.

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Storm water cost and connection fee	\$	-
Added cost due to off site staging and compressed on site lay down		?
Water & sewer tap charges		?
Electrical meter fees		?
Undergrounding utilities		included in transformers
<b>Total cost of items</b>	<b>\$</b>	<b>1,373,000</b>

## **Review and Summary of Conclusions of the Hampton Inn & Suites Hotel Proposal**

RERC has been asked to review the Hampton Inn & Suites proposal as submitted by the Windsor Aughtry Company for the development of 124 room hotel on a publicly-owned parcel (lot #9) in downtown Gainesville. The purpose of the review was to analyze and respond to the changes presented by the developer since their submission of January, 2006.

The specific modifications, or revisions, to the initial submission related to increases in costs to both the initial capital requirements as well as on-going operational expenses. These modifications are specified in Attachment "A". The most significant elements of the increases related to 1) the site/foundation costs; 2) overall increase in construction costs; 3) increases in insurance premiums; and 4) the anticipated increase in property taxes. On the capital side, the increases requested from the CRA incentives amounted to an additional \$55,000. Attachment "B" provides three charts, the first one indicating the original incentive request, the second presenting the revised request, with the third providing the calculations based on our findings and input from staff. Please note that the calculations for first two charts were erroneously based on the total property taxes (city, county, school board, water management district, etc.) not on the tax increment amount.

Relating only to those items that were not in the original request or have been revised upward, the following are our conclusions:

- Construction cost increases from \$100/SF to \$114/SF seem to be appropriately justifiable. Costs for concrete, steel and sheetrock have been significantly higher over the past 18 months and are beginning to moderate. Separate discussions with other contractors/construction projects indicate the developer's costs are consistent with the current market.
- Increase in insurance rates from \$25,000 to \$100,000. The current insurance environment in the state of Florida as a result of hurricane and other weather related damages has dramatically increased premiums. Checking with current hotel developers/managers, they have verified that the proposed cost of \$800+ per room premium is consistent with inland hotel properties in Florida.
- The \$250,000 costs associated with the proposed construction technology for the foundation was difficult to verify from another independent source since it is very site-specific regarding soils, bedrock depth, etc. We therefore, have no comment regarding this cost.
- With the exception of the property taxes annual costs, the overall proforma projections appear to be consistent with industry standards and the anticipated market in Gainesville when this property would be coming online.
- The developer has indicated that the projected property taxes for this hotel have increased to \$250,000 per year over the original \$120,000 per year or a \$130,000 per year increase in operating expenses. It is our understanding that these figures were

based on meetings with the Alachua County Property Appraiser's staff. We feel that the tax figures are at the high end of the spectrum for a limited service hotel property. However, even if the taxes do not initially meet these projections, the historical records for properties with in the CRA area should grow faster than the conservative 3% growth rate indicated in Attachment "B". Over the fifteen year period of the proposed rebates, the overall revenues should be available to support the incentive package.

In summary, the proposed incentive package would be supported by the development and be consistent with the CRA's policy of not exceeding over 70% of the tax increment in rebates for the agreed upon rebate period. In this particular case, the rebate percentage over a 13 year period would average around 59% of the increment revenue.

	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
GROSS OPERATING PROFIT		\$ 1,251,358	1,357,365	1,429,088	1,521,815	1,599,763	1,646,645	1,695,443	1,746,353	1,799,073	1,853,003										
FIXED EXPENSES:																					
TIF REBATE		(46,750)	(102,000)	(105,060)	(76,380)	(78,660)	(81,000)	(83,460)	(85,980)	(88,560)	(91,200)										
PROPERTY INSURANCE	3%	50,000	51,500	53,000	54,600	56,200	57,900	59,600	61,400	63,200	65,100										
PROPERTY TAXES	3%	55,000	120,000	123,600	127,300	131,100	135,000	139,100	143,300	147,600	152,000										
OTHER FIXED EXPENSES		227,400	273,600	320,390	371,800	384,800	395,604	405,204	415,104	425,204	435,704										
TOTAL FIXED EXPENSES		285,650	343,100	391,930	477,320	493,440	507,504	520,444	533,824	547,444	561,604										
NET OPERATING INCOME		965,708	1,014,265	1,037,158	1,044,495	1,106,323	1,139,141	1,174,999	1,212,529	1,251,629	1,291,399										
DEBT SERVICE:																					
INTEREST		\$ 8,490,984	615,596	606,207	596,138	585,338	573,755	561,333	548,009	533,720	518,395	501,959									
PRINCIPAL	7.25%	129,504	138,893	148,962	159,762	171,345	183,767	197,091	211,380	226,705	243,141										
TOTAL DEBT SERVICE		745,100	745,100	745,100	745,100	745,100	745,100	745,100	745,100	745,100	745,100										
NET CASH FLOW		220,608	269,165	292,058	299,395	361,223	394,041	429,899	467,429	506,529	546,299										
CASH FLOW FROM INVESTMENT																					
INVESTMENT RETURN/(EQUITY)		\$ (3,168,000)	-	-	-	-	-	-	-	-	4,585,986										
OPERATING CASH FLOW		220,608	269,165	292,058	299,395	361,223	394,041	429,899	467,429	506,529	546,299										
TOTAL CASH FLOW		(3,168,000)	220,608	269,165	292,058	299,395	361,223	394,041	429,899	467,429	506,529	5,132,285									
IRR		13.2%																			
FRONT-END INCENTIVES																					
RELOCATE UTILITIES		60,000																			
OFF_SITE STORMWATER		100,000																			
PERFORMACE ON BONDS		45,000																			
BUILDING PERMITS		25,000																			
SE 2ND AVE BALCONY		87,500																			
COVERED WALK		-																			
BACK-END INCENTIVES																					
TIF REBATE		46,750	102,000	105,060	76,380	78,660	81,000	83,460	85,980	88,560	91,200	93,960	96,780	99,660	-	-	-	-	-	-	-
TOTAL		\$ 317,500	46,750	102,000	105,060	76,380	78,660	81,000	83,460	85,980	88,560	91,200	93,960	96,780	99,660	-	-	-	-	-	-

NPV--> \$ 873,698 = Target NPV  
Discount Rate--> 9.0%

PROPERTY TAX INCREMENT	3%	132,040	136,000	140,080	127,300	131,100	135,000	139,100	143,300	147,600	152,000	156,600	161,300	166,100	171,100	176,200	181,500	186,900	192,500	198,300	204,200
		47%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
		75%	75%	75%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	0%	0%	0%	0%	0%	0%	0%

REVISED INCENTEIVES

Front-end incentives																					
Relocate Utilities		60,000																			
Off-site stormwater		45,000																			
Performance on bonds																					
Building permits																					
SE 2nd Ave balcony																					
Coverd walk for star garage		15,000																			
Back-end incentives																					
TIF rebate on taxes																					
Change in program cost/revenues																					
Foundation cost due to poor soil		250,000																			
Construction costs																					
Property insurance	3%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property taxes	3%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revised TIF Rebate		54,190	57,140	60,190	63,320	66,550	69,880	73,310	76,840	80,470	84,210	88,070	92,040	96,130	100,350	104,690	-	-	-	-	-
TOTAL		\$ 370,000	54,190	57,140	60,190	63,320	66,550	69,880	73,310	76,840	80,470	84,210	88,070	92,040	96,130	100,350	104,690	-	-	-	-

NPV--> \$ 873,700  
Discount Rate--> 9.0%

Additional TIF required-->		\$ 52,500	7,440	(44,860)	(44,870)	(13,060)	(12,110)	(11,120)	(10,150)	(9,140)	(8,090)	(6,990)	(5,890)	(4,740)	(3,530)	100,350	104,690	-	-	-	-
NPV-->		\$ 1																			
		\$ 77,066	81,270	85,600	90,060	94,653	99,384	104,257	109,276	114,446	119,771	125,256	130,905	136,724	142,717	148,890	155,248	161,797	168,543	175,491	182,647
		55%																			
	3%	\$ 140,120	144,324	148,654	153,114	157,707	162,438	167,311	172,330	177,500	182,825	188,310	193,959	199,778	205,771	211,944	218,302	224,851	231,597	238,545	245,701
		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	70%	15	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	0%	0%	0%	0%	0%

		TOTAL	Year 1 2010	Year 2 2011
3%	Total Property Taxes	\$ 4,650,000	\$ 250,000	257,500
55%	TIF Revenue stream	2,557,700	137,500	141,600
	Rebate to Project	1,507,600	123,800	127,400
	Residual to CRA	1,050,100	13,700	14,200
		Average		
	TIF Rebate % to Development	59%	90%	90%
TOTAL				
	NPV to Developer	\$ 802,200		
	NPV to CRA	357,000		
	NPV of Total TIF Revenue	\$ 1,159,200		
	Discount Factor-->	11%		

Year 3 2012	Year 4 2013	Year 5 2014	Year 6 2015	Year 7 2016	Year 8 2017
265,200	273,200	281,400	289,800	298,500	307,500
145,900	150,300	154,800	159,400	164,200	169,100
131,300	135,300	139,300	95,600	98,500	101,500
14,600	15,000	15,500	63,800	65,700	67,600
90%	90%	90%	60%	60%	60%

Year 9 2018	Year 10 2019	Year 11 2020	Year 12 2021	Year 13 2022	Year 14 2023	Year 15 2024
316,700	326,200	336,000	346,100	356,500	367,200	378,200
174,200	179,400	184,800	190,400	196,100	202,000	208,000
104,500	107,600	110,900	114,200	117,700	-	-
69,700	71,800	73,900	76,200	78,400	202,000	208,000
60%	60%	60%	60%	60%	0%	0%



**SCANNED**

**Hampton Inn & Suites - Gainesville, FL**  
**Revised TIF Request**  
**May 29, 2007**

The original response to the RFP on Lot 9, requested approximately \$317,500 in up front incentives which were to go towards various site specific expenses during construction. Through the due diligence process, several of these have been reduced or eliminated. Below is a summary of the each item.

**Utility Relocation Expense:** Original \$60,000 budget remains.

Electrical Transformer on SW corner shall be relocated to the rear of the hotel building. The developer is to install conduit and concrete from the SW corner of the site to the new pad location. GRU will furnish and install two transformers and pull the wires to the new location at their expense. The two transformers that are planned for behind the building, include one to serve the hotel and one to serve the neighborhood. The civil engineer estimates this cost to be approximately \$15,000.

Electrical Junction boxes along SE 1<sup>st</sup> St currently service the interior parking lot lights. They shall be terminated and removed. Estimated cost \$5000.

Traffic signal controller at SW corner of site no longer has any signal equipment in it, but does have some electrical junctions to it. They will need to be relocated into a in ground junction box within the sidewalk area. Estimated cost \$5000.

Solid Waste will relocate the collection station to the corner of 1<sup>st</sup> Ave & Third St. (corner of US Post Office parking lot). Solid waste has asked for a contribution to help off set costs. Estimate \$5000 for demolition not including contribution.

Public pay phone shall be removed and terminated. Cost should be less than \$1000.

Sewer line along SW 2<sup>nd</sup> Ave needs to be upgraded using either a slip liner or a pipe burst technique. The civil engineer estimates this cost at \$15,000-\$30,000 depending on which technique is used.

Common sewer line in 20' leased strip needs to be upgraded as well. Engineer estimates \$12000 including a man hole at connection in SW 2<sup>nd</sup> Ave.

**Off-site Storm water:** Requested connection to off site system at no cost to developer. Tie in should be available at the SW corner of the site. Storm Water management fees are built into property taxes as additional Millage.

**Performance Bonds and Permits:** Requested no bond and ½ price on building permits. The site qualifies for ½ price building permits under the empowerment zone. Performance bonds for the subs are budgeted at \$50,000.

**SE 2<sup>nd</sup> Ave Balcony:** Requested ½ of budgeted cost of \$175,000. Balcony has been deleted.

In addition to these previously requested subsidies, we have encountered several other hidden or unanticipated costs during the due diligence process.

**Site Work:** The Geotechnical study indicated poor soil conditions across the site. To achieve the required bearing capacity for the building there are two solutions. The first solution is to remove the top 8' of dirt on the site and replace it with new structurally compacted fill and then set the building on a shallow foundation system. This solution was ruled out, due to the proximity of neighboring buildings and the noise and vibration associated with compaction. The second solution is to drill and install a system of micro pilings across the site to a depth of 30'-60' bearing on bedrock. This solution will add approximately \$250,000 to the cost of site work.

**Construction costs:** Over the last eighteen months, our construction costs have increased from \$100/SF to \$115 per square foot, fueled in part by the hurricanes that have passed through Florida in the last few years.

**Property Taxes:** Originally budgeted at \$120,000, consistent with similar sized properties we own elsewhere, we now calculate property taxes in Downtown Gainesville to be approximately \$250,000 per year.

**Property Insurance:** Originally budgeted at \$25,000 per year, again, consistent with our other properties, including Tallahassee, FL, we now estimate this cost at \$100,000 per year given the current state of the insurance market in Florida.

Fortunately, most of the construction cost increase, when financed with twenty-five year debt, can be offset with the recent increase in rental rates for the lodging market in Gainesville. Unfortunately, the increase of \$300,000 in front end expenses and \$150,000 in recurring annual expenses, is still too much burden for the project. The projected internal rate of return has dropped from 13.2% to 6.9%, well below our threshold for moving forward with this project. This return can be increased back to a 12.5% internal rate of return by increasing the TIF request to 90% for twenty years. A copy of the original proforma and revised proforma is attached.

In summary, this deal is projecting a very thin return based on today's market conditions, but we believe Downtown Gainesville is headed in the right direction and has good momentum to continue its resurgence. In our opinion, Downtown is only going to get better and stronger, which is why we are continuing to pursue the project.

**Hampton Inn & Suites - Gainesville, FL**  
**Net Present Value Analysis of City Incentives**  
**29-May-07**

**Request From RFP**

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Front End Incentives								
Relocate utilities (100% of cost)	\$ 60,000							
Off Site Storm Water (100% of cost)	\$ 100,000							
Performance Bonds (1/2 of \$90,000)	\$ 45,000							
Building Permits (1/2 of \$50,000)	\$ 25,000							
SE 2nd Ave Balcony (1/2 of \$175,000)	\$ 87,500							
Back End Incentives								
TIF Rebate on Taxes (3yrs @ 75%; 10 yrs @ 60%)	\$ -	\$ 46,750	\$ 102,000	\$ 105,060	\$ 76,380	\$ 78,660	\$ 81,000	\$ 83,460
<b>Total Incentive Package</b>	<b>\$ 317,500</b>	<b>\$ 46,750</b>	<b>\$ 102,000</b>	<b>\$ 105,060</b>	<b>\$ 76,380</b>	<b>\$ 78,660</b>	<b>\$ 81,000</b>	<b>\$ 83,460</b>
*NPV @ 13.2%	\$ 729,897							

**Revised Incentive Request**

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Relocate utilities	\$ (60,000)							
Off Site Storm Water (100% of cost)	\$ -							
Performance Bonds (1/2 of \$90,000)	\$ (45,000)							
Building Permits (1/2 of \$50,000)	\$ -							
SE 2nd Ave Balcony (1/2 of \$175,000)	\$ -							
Covered walk for Star Garage	\$ (15,000)							
Increase in foundation cost due to poor soil	\$ (250,000)							
Increase in construction costs	\$ -							
Increase in property insurance	\$ -	\$ (75,000)	\$ (77,250)	\$ (79,568)	\$ (81,955)	\$ (84,413)	\$ (86,946)	\$ (89,554)
Increase in property taxes (based on 80% of \$12.5mm)	\$ -	\$ (150,000)	\$ (154,500)	\$ (159,135)	\$ (163,909)	\$ (168,826)	\$ (173,891)	\$ (179,108)
90% TIF Rebate on Real Property (taxes based on 80% of \$11mm)	\$ 104,840	\$ 104,840	\$ 104,840	\$ 104,840	\$ 104,840	\$ 104,840	\$ 104,840	\$ 104,840
90% TIF Rebate on FF&E (taxes based on \$1.5mm)	\$ 17,870	\$ 17,870	\$ 17,870	\$ 17,870	\$ 17,870	\$ 17,870	\$ 17,870	\$ 17,870
<b>Total</b>	<b>\$ (370,000)</b>	<b>\$ (102,289)</b>	<b>\$ (109,039)</b>	<b>\$ (115,992)</b>	<b>\$ (123,153)</b>	<b>\$ (130,529)</b>	<b>\$ (138,126)</b>	<b>\$ (145,951)</b>
*NPV @ 13.2%	\$ (1,228,265)							
Additional TIF requested	\$ (317,500)	\$ 75,961	\$ 20,711	\$ 17,651	\$ 46,331	\$ 44,051	\$ 41,711	\$ 39,251
*NPV @ 13.2%	\$ 22,536							

\* 13.2% was the effective IRR shown in RFP response with incentives

**Hampton Inn & Suites - Gainesville, FL**  
**Net Present Value Analysis of City Incentives**  
**29-May-07**

**Request From RFP**

	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16
Front End Incentives									
Relocate utilities (100% of cost)									
Off Site Storm Water (100% of cost)									
Performance Bonds (1/2 of \$90,000)									
Building Permits (1/2 of \$50,000)									
SE 2nd Ave Balcony (1/2 of \$175,000)									
Back End Incentives									
TIF Rebate on Taxes (3yrs @ 75%; 10 yrs @ 60%)	\$ 85,980	\$ 88,560	\$ 91,200	\$ 93,936	\$ 96,754	\$ 99,656	\$ -	\$ -	\$ -
<b>Total Incentive Package</b>	<b>\$ 85,980</b>	<b>\$ 88,560</b>	<b>\$ 91,200</b>	<b>\$ 93,936</b>	<b>\$ 96,754</b>	<b>\$ 99,656</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

\*NPV @ 13.2%

**Revised Incentive Request**

	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16
Relocate utilities									
Off Site Storm Water (100% of cost)									
Performance Bonds (1/2 of \$90,000)									
Building Permits (1/2 of \$50,000)									
SE 2nd Ave Balcony (1/2 of \$175,000)									
Covered walk for Star Garage									
Increase in foundation cost due to poor soil									
Increase in construction costs									
Increase in property insurance									
Increase in property taxes (based on 80% of \$12.5mm)	\$ (92,241)	\$ (95,008)	\$ (97,858)	\$ (100,794)	\$ (103,818)	\$ (106,932)	\$ (110,140)	\$ (113,444)	\$ (116,848)
90% TIF Rebate on Real Property (taxes based on 80% of \$11mm)	\$ (184,481)	\$ (190,016)	\$ (195,716)	\$ (201,587)	\$ (207,635)	\$ (213,864)	\$ (220,280)	\$ (226,886)	\$ (233,695)
90% TIF Rebate on FF&E (taxes based on \$1.5mm)	\$ 104,840	\$ 104,840	\$ 104,840	\$ 104,840	\$ 104,840	\$ 104,840	\$ 104,840	\$ 104,840	\$ 104,840
90% TIF Rebate on FF&E (taxes based on \$1.5mm)	\$ 17,870	\$ 17,870	\$ 17,870	\$ 17,870	\$ 17,870	\$ 17,870	\$ 17,870	\$ 17,870	\$ 17,870
<b>Total</b>	<b>\$ (154,011)</b>	<b>\$ (162,313)</b>	<b>\$ (170,863)</b>	<b>\$ (179,671)</b>	<b>\$ (188,742)</b>	<b>\$ (198,086)</b>	<b>\$ (207,709)</b>	<b>\$ (217,622)</b>	<b>\$ (227,832)</b>

\*NPV @ 13.2%

Additional TIF requested

\*NPV @ 13.2%

\* 13.2% was the effective IRR shown in RFP response with incentives

**Hampton Inn & Suites - Gainesville, FL**  
**Net Present Value Analysis of City Incentives**  
**29-May-07**

**Request From RFP**

	Year 17	Year 18	Year 19	Year 20
Front End Incentives				
Relocate utilities (100% of cost)				
Off Site Storm Water (100% of cost)				
Performance Bonds (1/2 of \$90,000)				
Building Permits (1/2 of \$50,000)				
SE 2nd Ave Balcony (1/2 of \$175,000)				
Back End Incentives				
TIF Rebate on Taxes (3yrs @ 75%; 10 yrs @ 60%)				
<b>Total Incentive Package</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

\*NPV @ 13.2%

**Revised Incentive Request**

	Year 17	Year 18	Year 19	Year 20
Relocate utilities				
Off Site Storm Water (100% of cost)				
Performance Bonds (1/2 of \$90,000)				
Building Permits (1/2 of \$50,000)				
SE 2nd Ave Balcony (1/2 of \$175,000)				
Covered walk for Star Garage				
Increase in foundation cost due to poor soil				
Increase in construction costs				
Increase in property insurance				
Increase in property taxes (based on 80% of \$12.5mm)				
90% TIF Rebate on Real Property (taxes based on 80% of \$11mm)				
90% TIF Rebate on FF&E (taxes based on \$1.5mm)				
<b>Total</b>	<b>\$(120,353)</b>	<b>\$(123,964)</b>	<b>\$(127,682)</b>	<b>\$(131,513)</b>
	<b>\$(240,706)</b>	<b>\$(247,927)</b>	<b>\$(255,365)</b>	<b>\$(263,026)</b>
	<b>\$ 104,840</b>	<b>\$ 104,840</b>	<b>\$ 104,840</b>	<b>\$ 104,840</b>
	<b>\$ 17,870</b>	<b>\$ 17,870</b>	<b>\$ 17,870</b>	<b>\$ 17,870</b>
	<b>\$(238,348)</b>	<b>\$(249,180)</b>	<b>\$(260,337)</b>	<b>\$(271,828)</b>

\*NPV @ 13.2%

Additional TIF requested

\*NPV @ 13.2%

\* 13.2% was the effective IRR shown in RFP response with incentives

**Preliminary  
Proforma Financial Projections**

**Proposed  
Hampton Inn & Suites - Downtown  
Gainesville, Florida**

**122 Keys  
79 rooms / 43 studio suites**

**Chris Cargen  
2/1/2006**

**FROM RFP WITH CITY INCENTIVES**

**HAMPTON INN & SUITES**  
*interior corridor*  
**Non-Standard Prototype**  
*with Outdoor Swimming Pool*

**Downtown**  
**Gainesville, FL**

**PROJECT COSTS**  
**&**  
**DEVELOPMENT BUDGET**

122

KEYS

	<u>TOTAL</u>	<u>COST PER ROOM</u>
<b>DIRECT COSTS:</b>		
Land including Acquisition Fee	\$500,000	\$4,098
Architectural & Engineering Fees	\$185,000	\$1,516
Construction Contract <input type="text" value="86,360"/> sf <input type="text" value="\$100.00"/> per sf	\$8,636,000	\$70,787
Utility Relocation Expense		
Off site storm water		
Site Work	\$100,000	\$820
Performance Bonds, Permits etc.	\$25,000	\$205
Landscaping	\$50,000	\$410
F, F & E Design Fees	\$35,000	\$287
F, F & E Purchasing Fees	\$50,000	\$410
SW 2nd Ave Balcony	\$87,500	\$717
Furniture, Fixtures & Equipment (F, F & E)	\$1,464,000	\$12,000
Franchise Commitment Fee	\$61,000	\$500
Appraisal/Market Study	\$15,000	\$123
Travel/Project Expense	\$50,000	\$410
Contingency/Rounding	<b>\$260,000</b>	<b>\$2,131</b>
<b>TOTAL DIRECT COSTS:</b>	<b>\$11,518,500</b>	<b>\$94,414</b>
<b>INDIRECT &amp; FINANCING COSTS:</b>		
Closing Costs/Legal/Recording Fees/Taxes	\$65,000	\$533
Development Fee	\$300,000	\$2,459
Lender's Inspecting Architect	\$10,000	\$82
Construction Mortgage Fee (1/2%)	\$47,500	\$389
Construction Loan Interest @ 6.5%, 10 mo.	\$220,000	\$1,803
Property Taxes during construction	\$10,000	\$82
<b>TOTAL INDIRECT &amp; FINANCING COSTS</b>	<b>\$652,500</b>	<b>\$5,348</b>
<b>PRE-OPENING COSTS:</b>		
Preopening Operations	\$175,000	\$1,434
Initial Inventories	\$122,000	\$1,000
<b>TOTAL PRE-OPENING COSTS</b>	<b>\$297,000</b>	<b>\$2,434</b>
<b>TOTAL PROJECT COSTS</b>	<b>\$12,468,000</b>	<b>\$102,197</b>
<b>WORKING CAPITAL</b>	<b>\$200,000</b>	<b>\$1,639</b>
<b>TOTAL PROJECT COSTS PLUS WORKING CAPITAL</b>	<b>\$12,668,000</b>	<b>\$103,836</b>
<b>PERMANENT FINANCING:</b>		
<b>EQUITY</b>	<b>\$3,168,000</b>	<b>25.0%</b>
<b>MORTGAGE</b>	<b>\$9,500,000</b>	<b>75.0%</b>
<b>TOTAL</b>	<b>\$12,668,000</b>	<b>100.0%</b>

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>STATISTICS:</b>					
Rooms	122	122	122	122	122
Room Nights Available	44,530	44,530	44,530	44,530	44,530
Room Nights Sold	29,835	31,171	32,062	32,952	33,398
Occupancy %	67.0%	70.0%	72.0%	74.0%	75.0%
Average Rate (Sold)	\$99.00	\$102.96	\$106.05	\$109.23	\$112.51
<b>REVENUES:</b>					
Rooms	\$2,953,700	\$3,209,400	\$3,400,100	\$3,599,400	\$3,757,500
Telephone	\$15,200	\$16,500	\$17,500	\$18,500	\$19,400
Rentals and Other Income	\$73,800	\$80,200	\$85,000	\$90,000	\$93,900
<b>TOTAL REVENUES</b>	<b>\$3,042,700</b>	<b>\$3,306,100</b>	<b>\$3,502,600</b>	<b>\$3,707,900</b>	<b>\$3,870,800</b>
<b>DEPARTMENTAL EXPENSE:</b>					
Rooms	\$723,700	\$786,300	\$833,000	\$881,900	\$920,600
Hilton Honors	\$73,843	\$80,235	\$85,003	\$89,985	\$93,938
Telephone	\$14,400	\$15,700	\$16,600	\$17,600	\$18,400
Rentals and Other Income	\$40,600	\$44,100	\$46,800	\$49,500	\$51,600
<b>TOTAL DEPARTMENTAL EXPENSE</b>	<b>\$811,943</b>	<b>\$882,235</b>	<b>\$934,603</b>	<b>\$989,485</b>	<b>\$1,032,938</b>
<b>DEPARTMENTAL PROFIT (LOSS):</b>					
Rooms	\$2,156,158	\$2,342,865	\$2,482,098	\$2,627,515	\$2,742,963
Telephone	\$800	\$900	\$900	\$900	\$1,000
Rentals and Other Income	\$33,200	\$36,100	\$38,200	\$40,500	\$42,300
<b>TOTAL DEPARTMENTAL PROFIT (LOSS)</b>	<b>\$2,190,158</b>	<b>\$2,379,765</b>	<b>\$2,521,198</b>	<b>\$2,668,915</b>	<b>\$2,786,263</b>
<b>UNDISTRIBUTED OPERATING EXPENSE:</b>					
Administrative & General	\$301,000	\$327,000	\$347,000	\$367,000	\$378,000
HI Franchise Royalty Fees (5% of RS)	\$147,700	\$160,500	\$170,000	\$180,000	\$187,900
Marketing	\$150,000	\$154,500	\$159,100	\$163,900	\$168,800
HI Marketing Fees (4% of RS)	\$118,100	\$128,400	\$136,000	\$144,000	\$150,300
Repairs & Maintenance	\$100,000	\$120,000	\$140,000	\$148,500	\$158,500
Energy Costs	\$122,000	\$132,000	\$140,000	\$148,000	\$155,000
<b>TOTAL UNDISTRIBUTED OPERATING EXP.</b>	<b>\$938,800</b>	<b>\$1,022,400</b>	<b>\$1,092,100</b>	<b>\$1,147,100</b>	<b>\$1,188,500</b>
<b>GROSS OPERATING PROFIT</b>	<b>\$1,251,358</b>	<b>\$1,357,365</b>	<b>\$1,429,098</b>	<b>\$1,521,815</b>	<b>\$1,597,763</b>
<b>FIXED EXPENSES:</b>					
Parking Space Rental-110 spaces	\$75,200	\$75,200	\$75,200	\$75,200	\$75,200
Property Taxes	\$55,000	\$120,000	\$123,600	\$127,300	\$131,100
TIF Rebate	(\$46,750)	(\$102,000)	(\$105,060)	(\$78,380)	(\$78,660)
Insurance	\$50,000	\$51,500	\$53,000	\$54,500	\$56,200
Management Fees	\$91,300	\$99,200	\$105,100	\$111,200	\$116,100
Reserve for Replacement	\$60,900	\$69,200	\$74,100	\$78,500	\$83,500
<b>TOTAL FIXED EXPENSES</b>	<b>\$285,650</b>	<b>\$343,100</b>	<b>\$391,940</b>	<b>\$477,320</b>	<b>\$493,440</b>
<b>NET OPERATING INCOME</b>	<b>\$965,708</b>	<b>\$1,014,265</b>	<b>\$1,037,158</b>	<b>\$1,044,495</b>	<b>\$1,104,323</b>
<b>INFLATION FACTOR:</b>	<b>3.0%</b>	<b>EXCEPT 1.5% Commercial Condo Lease + Condo CAM Fees</b>	<b>3.0%</b>	<b>EXCEPT 1.5% Commercial Condo Lease + Condo CAM Fees</b>	<b>3.0%</b>



	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
<b>STATISTICS:</b>					
Rooms	122	122	122	122	122
Room Nights Available	44,530	44,530	44,530	44,530	44,530
Room Nights Sold	33,398	33,398	33,398	33,398	33,398
Occupancy %	75.0%	75.0%	75.0%	75.0%	75.0%
Average Rate (Sold)	\$119.36	\$122.94	\$126.63	\$130.43	\$130.43
<b>REVENUES:</b>					
Rooms	\$3,870,200	\$3,986,300	\$4,105,900	\$4,229,100	\$4,355,900
Telephone	\$19,900	\$20,500	\$21,100	\$21,800	\$22,400
Rentals and Other Income	\$96,800	\$99,700	\$102,600	\$105,700	\$108,900
<b>TOTAL REVENUES</b>	<b>\$3,986,900</b>	<b>\$4,106,500</b>	<b>\$4,229,600</b>	<b>\$4,356,600</b>	<b>\$4,487,200</b>
<b>DEPARTMENTAL EXPENSE:</b>					
Rooms	\$948,200	\$976,600	\$1,005,900	\$1,036,100	\$1,067,200
Hilton Honors	\$96,755	\$99,658	\$102,648	\$105,728	\$108,898
Telephone	\$18,900	\$19,500	\$20,000	\$20,700	\$21,300
Rentals and Other Income	\$53,200	\$54,800	\$56,400	\$58,100	\$59,900
<b>TOTAL DEPARTMENTAL EXPENSE</b>	<b>\$1,063,855</b>	<b>\$1,095,758</b>	<b>\$1,128,548</b>	<b>\$1,162,528</b>	<b>\$1,197,398</b>
<b>DEPARTMENTAL PROFIT (LOSS):</b>					
Rooms	\$2,825,245	\$2,910,043	\$2,997,353	\$3,087,273	\$3,179,803
Telephone	\$1,000	\$1,000	\$1,100	\$1,100	\$1,100
Rentals and Other Income	\$43,600	\$44,900	\$46,200	\$47,600	\$49,000
<b>TOTAL DEPARTMENTAL PROFIT (LOSS)</b>	<b>\$2,869,845</b>	<b>\$2,955,943</b>	<b>\$3,044,653</b>	<b>\$3,135,973</b>	<b>\$3,229,903</b>
<b>UNDISTRIBUTED OPERATING EXPENSE:</b>					
Administrative & General	\$389,000	\$401,000	\$413,000	\$425,000	\$438,000
Hi Franchise Royalty Fees (5% of RS)	\$193,500	\$199,300	\$205,300	\$211,500	\$217,800
Marketing	\$173,900	\$179,100	\$184,500	\$190,000	\$195,700
Hi Marketing Fees (4% of RS)	\$154,800	\$159,500	\$164,200	\$169,200	\$174,200
Repairs & Maintenance	\$153,000	\$157,600	\$162,300	\$167,200	\$172,200
Energy Costs	\$159,000	\$164,000	\$169,000	\$174,000	\$179,000
<b>TOTAL UNDISTRIBUTED OPERATING EXP.</b>	<b>\$1,223,200</b>	<b>\$1,260,500</b>	<b>\$1,298,300</b>	<b>\$1,336,900</b>	<b>\$1,376,900</b>
<b>GROSS OPERATING PROFIT</b>					
	\$1,646,645	\$1,695,443	\$1,746,353	\$1,799,073	\$1,853,003
<b>FIXED EXPENSES:</b>					
Parking Space Rental-110 spaces	\$76,704	\$76,704	\$76,704	\$76,704	\$76,704
Property Taxes	\$136,000	\$139,100	\$143,300	\$147,600	\$152,000
TIF Rebate	(\$81,000)	(\$83,460)	(\$85,980)	(\$88,560)	(\$91,200)
Insurance	\$57,900	\$59,600	\$61,400	\$63,200	\$65,100
Management Fees	\$119,600	\$123,200	\$126,900	\$130,700	\$134,600
Reserve for Replacement	\$199,300	\$205,300	\$211,500	\$217,800	\$224,400
<b>TOTAL FIXED EXPENSES</b>	<b>\$507,504</b>	<b>\$520,444</b>	<b>\$533,824</b>	<b>\$547,444</b>	<b>\$561,604</b>
<b>NET OPERATING INCOME</b>					
	\$1,139,141	\$1,174,999	\$1,212,529	\$1,251,629	\$1,291,399
<b>INFLATION FACTOR:</b>					
	28.6%	28.6%	28.7%	28.7%	28.8%

NOTE: Percentages are of total revenue except department expenses and profits are percentages of departmental revenue.

# INVESTMENT ANALYSIS:

With Retail Space (7563 SF) Sold Prior to Opening @ \$120/SF = \$910,000  
 HAMPTON INN & SUITES 122-keys, Downtown Gainesville, FL

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	TOTALS
HOTEL OCCUPANCY %	67.0%	70.0%	72.0%	74.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	
NET OPERATING INCOME	\$965,708	\$1,014,265	\$1,037,158	\$1,044,495	\$1,104,323	\$1,139,141	\$1,174,999	\$1,212,529	\$1,251,629	\$1,291,399	\$11,235,643
DEBT SERVICE:											
INTEREST	(\$618,600)	(\$609,200)	(\$599,000)	(\$588,000)	(\$576,200)	(\$563,600)	(\$550,000)	(\$535,400)	(\$519,600)	(\$502,700)	(\$5,662,300)
PRINCIPAL	(\$126,500)	(\$135,900)	(\$146,100)	(\$157,100)	(\$168,900)	(\$181,500)	(\$195,100)	(\$209,700)	(\$225,500)	(\$242,400)	(\$1,788,700)
TOTAL DEBT SERVICE	(\$745,100)	(\$745,100)	(\$745,100)	(\$745,100)	(\$745,100)	(\$745,100)	(\$745,100)	(\$745,100)	(\$745,100)	(\$745,100)	(\$7,451,000)
CASH FLOW AFTER DEBT SERVICE	\$220,608	\$269,165	\$292,058	\$299,395	\$359,223	\$394,041	\$429,899	\$467,429	\$506,529	\$546,299	\$3,784,643
DEBT COVERAGE RATIO	1.30	1.36	1.39	1.40	1.48	1.53	1.58	1.63	1.68	1.73	
CASH FLOW AVAILABLE FOR DIST	\$220,608	\$269,165	\$292,058	\$299,395	\$359,223	\$394,041	\$429,899	\$467,429	\$506,529	\$546,299	\$3,784,643

  

YEAR	TOTAL EQUITY CAPITAL	ANNUAL PRINCIPAL REDUCTION	PRINCIPAL REDUCTION AS % OF TOTAL EQUITY CAPITAL	PRE-TAX CASH FLOW AVAILABLE FOR DISTRIBUTION	ANNUAL CASH ON CASH RETURN	INTERNAL RATE OF RETURN:				NET CASH FLOW
						YEAR	INVESTMENT	OPERATING RETURN	FROM SALE	
YEAR 0	\$11,758,000	\$8,590,000	\$3,168,000	\$0	7.0%	YEAR 0	(\$3,168,000)			(\$3,168,000)
YEAR 1		\$126,500	4.0%	\$220,608	7.0%	YEAR 1		\$220,608		\$220,608
YEAR 2		\$135,900	4.3%	\$269,165	8.5%	YEAR 2		\$269,165		\$269,165
YEAR 3		\$146,100	4.6%	\$292,058	9.2%	YEAR 3		\$292,058		\$292,058
YEAR 4		\$157,100	5.0%	\$299,395	9.5%	YEAR 4		\$299,395		\$299,395
YEAR 5		\$168,900	5.3%	\$359,223	11.3%	YEAR 5		\$359,223		\$359,223
YEAR 6		\$181,500	5.7%	\$394,041	12.4%	YEAR 6		\$394,041		\$394,041
YEAR 7		\$195,100	6.2%	\$429,899	13.6%	YEAR 7		\$429,899		\$429,899
YEAR 8		\$209,700	6.6%	\$467,429	14.8%	YEAR 8		\$467,429		\$467,429
YEAR 9		\$225,500	7.1%	\$506,529	16.0%	YEAR 9		\$506,529		\$506,529
YEAR 10		\$242,400	7.7%	\$546,299	17.2%	YEAR 10		\$546,299		\$546,299
TOTALS - 10 YEARS:		\$1,788,700	56.5%	\$3,784,643		TOTALS		\$3,784,643		\$5,132,285

6. VALUE OF PROJECT BASED ON SALE AT END OF YEAR 10:

Net Operating Income - Year 10	\$1,291,399
Capitalization Rate	11.0%
Sales Price	\$11,739,986
Sales Costs @ 3%	(\$352,000)
Mortgage Balance (End Year 10)	(\$6,802,000)
<b>TOTAL NET PROFIT FROM SALE</b>	<b>\$4,585,986</b>

**DISCLAIMER:**  
 THE FINANCIAL PROFORMAS AND INVESTMENT ANALYSIS REPRESENTED HEREIN CONTAIN ESTIMATES AND ASSUMPTIONS BASED UPON OUR STUDY OF CURRENT MARKET CONDITIONS. HOSPITALITY AMERICA NEITHER WARRANTS NOR GUARANTEES THE RESULTS OF THESE ANALYSES.

- 1. TOTAL PROJECT COSTS: \$11,758,000
- 2. EQUITY: \$3,168,000
- 3. PROJECTIONS ASSUME 3% ANNUAL INFLATION.
- 4. MORTGAGE @ 7.25% INTEREST, 25 YRS
- 5. PRINCIPAL - END YR 10: \$6,802,000

**Preliminary  
Proforma Financial Projections**

**Proposed  
Hampton Inn & Suites - Downtown  
Gainesville, Florida**

**124 Keys  
97 rooms / 27 studio suites**

**Chris Cargen  
5/21/2007**

**REVISED WITHOUT CITY INCENTIVES**

**HAMPTON INN & SUITES**  
**interior corridor**  
**Non-Standard Prototype**  
**with Outdoor Swimming Pool**

**Downtown**  
**Gainesville, FL**

**PROJECT COSTS**  
**&**  
**DEVELOPMENT BUDGET**

**124** KEYS

	<b>TOTAL</b>	<b>COST PER ROOM</b>
<b>DIRECT COSTS:</b>		
Land including Acquisition Fee	\$500,000	\$4,032
Architectural & Engineering Fees	\$250,000	\$2,016
Threshold Inspection Fees	\$50,000	\$403
Construction Contract <input type="text" value="82,885"/> sf <input type="text" value="\$115.00"/> per sf	\$9,532,000	\$76,871
Utility Relocation Expense	\$60,000	\$484
Off site storm water	\$1,000	\$8
Site Work	\$250,000	\$2,016
Performance Bonds, Permits etc.	\$100,000	\$806
Laminated Windows	\$50,000	\$403
Parking Expense	\$25,000	\$202
Landscaping	\$50,000	\$403
F, F & E Design Fees	\$35,000	\$282
F, F & E Purchasing Fees	\$50,000	\$403
Furniture, Fixtures & Equipment (F, F & E)	\$1,612,000	\$13,000
Franchise Commitment Fee	\$62,000	\$500
Appraisal/Market Study	\$15,000	\$121
Travel/Project Expense	\$100,000	\$806
Contingency/Rounding	<b>\$248,000</b>	<b>\$2,000</b>
<b>TOTAL DIRECT COSTS:</b>	<b>\$12,990,000</b>	<b>\$104,758</b>
<b>INDIRECT &amp; FINANCING COSTS:</b>		
Closing Costs/Legal/Recording Fees/Taxes	\$65,000	\$524
Development Fee	\$350,000	\$2,823
Lender's Inspecting Architect	\$10,000	\$81
Construction Mortgage Fee (1/4%)	\$27,000	\$218
Construction Loan Interest @ 6.5%, 10 mo.	\$240,000	\$1,935
Property Taxes during construction	\$10,000	\$81
<b>TOTAL INDIRECT &amp; FINANCING COSTS</b>	<b>\$702,000</b>	<b>\$5,661</b>
<b>PRE-OPENING COSTS:</b>		
Preopening Operations	\$200,000	\$1,613
Initial Inventories	\$124,000	\$1,000
<b>TOTAL PRE-OPENING COSTS</b>	<b>\$324,000</b>	<b>\$2,613</b>
<b>TOTAL PROJECT COSTS</b>	<b>\$14,016,000</b>	<b>\$113,032</b>
<b>WORKING CAPITAL</b>	<b>\$200,000</b>	<b>\$1,613</b>
<b>TOTAL PROJECT COSTS PLUS WORKING CAPITAL</b>	<b>\$14,216,000</b>	<b>\$114,645</b>
<b>PERMANENT FINANCING:</b>		
<b>EQUITY</b>	<b>\$3,516,000</b>	<b>24.7%</b>
<b>MORTGAGE</b>	<b>\$10,700,000</b>	<b>75.3%</b>
<b>TOTAL</b>	<b>\$14,216,000</b>	<b>100.0%</b>

	YEAR 1 = 2008		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>STATISTICS:</b>							
Rooms		124	124	124	124	124	124
Room Nights Available		45,260	45,260	45,260	45,260	45,260	45,260
Room Nights Sold		29,872	31,229	32,587	33,040	33,040	33,040
Occupancy %		66.0%	69.0%	72.0%	73.0%	73.0%	73.0%
Average Rate (Sold)		\$117.00	\$121.68	\$125.33	\$129.09	\$129.09	\$132.96
<b>REVENUES:</b>							
Rooms		\$3,495,000	\$3,800,000	\$4,084,200	\$4,265,100	\$4,393,100	\$4,393,100
Telephone		\$18,000	\$19,600	\$21,000	\$22,000	\$22,600	\$22,600
Rentals and Other Income		\$87,400	\$95,000	\$102,100	\$105,600	\$109,800	\$109,800
<b>TOTAL REVENUES</b>		<b>\$3,600,400</b>	<b>\$3,914,600</b>	<b>\$4,207,300</b>	<b>\$4,393,700</b>	<b>\$4,525,500</b>	<b>\$4,525,500</b>
<b>DEPARTMENTAL EXPENSE:</b>							
Rooms		\$856,300	\$931,000	\$1,000,600	\$1,044,900	\$1,076,300	\$1,076,300
Hilton Honors		\$87,375	\$95,000	\$102,105	\$106,628	\$109,828	\$109,828
Telephone		\$17,100	\$18,600	\$20,000	\$20,900	\$21,500	\$21,500
Rentals and Other Income		\$48,100	\$55,000	\$56,200	\$58,600	\$60,400	\$60,400
<b>TOTAL DEPARTMENTAL EXPENSE</b>		<b>\$960,775</b>	<b>\$1,044,600</b>	<b>\$1,122,705</b>	<b>\$1,172,428</b>	<b>\$1,207,628</b>	<b>\$1,207,628</b>
<b>DEPARTMENTAL PROFIT (LOSS):</b>							
Rooms		\$2,551,325	\$2,774,000	\$2,981,495	\$3,113,573	\$3,206,973	\$3,206,973
Telephone		\$800	\$1,000	\$1,000	\$1,100	\$1,100	\$1,100
Rentals and Other Income		\$39,300	\$42,700	\$45,900	\$48,000	\$49,400	\$49,400
<b>TOTAL DEPARTMENTAL PROFIT (LOSS)</b>		<b>\$2,591,525</b>	<b>\$2,817,700</b>	<b>\$3,028,395</b>	<b>\$3,162,673</b>	<b>\$3,257,473</b>	<b>\$3,257,473</b>
<b>UNDISTRIBUTED OPERATING EXPENSE:</b>							
Administrative & General		\$356,000	\$388,000	\$417,000	\$435,000	\$448,000	\$448,000
Hi Franchise Royalty Fees (5% of RS)		\$174,800	\$190,000	\$204,200	\$213,300	\$219,700	\$219,700
Marketing		\$150,000	\$154,500	\$159,100	\$163,900	\$168,800	\$168,800
Hi Marketing Fees (4% of RS)		\$139,800	\$152,000	\$163,400	\$170,600	\$175,700	\$175,700
Repairs & Maintenance		\$100,000	\$120,000	\$140,000	\$144,200	\$148,500	\$148,500
Energy Costs		\$144,000	\$157,000	\$168,000	\$176,000	\$181,000	\$181,000
<b>TOTAL UNDISTRIBUTED OPERATING EXP.</b>		<b>\$1,064,600</b>	<b>\$1,161,500</b>	<b>\$1,251,700</b>	<b>\$1,303,000</b>	<b>\$1,341,700</b>	<b>\$1,341,700</b>
<b>GROSS OPERATING PROFIT</b>							
		\$1,526,925	\$1,656,200	\$1,776,695	\$1,859,673	\$1,915,773	\$1,915,773
<b>FIXED EXPENSES:</b>							
Parking Space Rental-110 spaces		\$0	\$75,200	\$75,200	\$75,200	\$75,200	\$75,200
Property Taxes		\$252,622	\$260,200	\$268,000	\$276,000	\$284,300	\$284,300
TIF Rebate		\$0	\$0	\$0	\$0	\$0	\$0
Insurance		\$100,000	\$103,000	\$106,100	\$109,300	\$112,600	\$112,600
Management Fees		\$108,000	\$117,400	\$126,200	\$131,800	\$135,800	\$135,800
Reserve for Replacement		\$72,000	\$117,400	\$168,300	\$219,700	\$226,300	\$226,300
<b>TOTAL FIXED EXPENSES</b>		<b>\$532,622</b>	<b>\$673,200</b>	<b>\$743,800</b>	<b>\$812,000</b>	<b>\$834,200</b>	<b>\$834,200</b>
<b>NET OPERATING INCOME</b>							
		\$994,303	\$983,000	\$1,032,895	\$1,047,673	\$1,081,573	\$1,081,573
<b>INFLATION FACTOR:</b>							
		3.0%	EXCEPT 1.5% Commercial Condo Lease + Condo CAM Fees				

	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
<b>STATISTICS:</b>					
Rooms	124	124	124	124	124
Room Nights Available	45,260	45,260	45,260	45,260	45,260
Room Nights Sold	33,040	33,040	33,040	33,040	33,040
Occupancy %	73.0%	73.0%	73.0%	73.0%	73.0%
Average Rate (Sold)	\$136.95	\$141.06	\$145.29	\$149.65	\$154.14
<b>REVENUES:</b>					
Rooms	\$4,524,900	\$4,860,600	\$4,800,400	\$4,944,400	\$5,092,800
Telephone	\$23,300	\$24,000	\$24,700	\$25,500	\$26,200
Rentals and Other Income	\$113,100	\$116,500	\$120,000	\$123,600	\$127,300
<b>TOTAL REVENUES</b>	<b>\$4,661,300</b>	<b>\$4,981,100</b>	<b>\$4,945,100</b>	<b>\$5,093,500</b>	<b>\$5,246,300</b>
<b>DEPARTMENTAL EXPENSE:</b>					
Rooms	\$1,108,600	\$1,141,800	\$1,176,100	\$1,211,400	\$1,247,700
Hilton Honors	\$113,123	\$116,515	\$120,010	\$123,610	\$127,320
Telephone	\$22,100	\$22,800	\$23,500	\$24,200	\$24,900
Rentals and Other Income	\$62,200	\$64,100	\$66,000	\$68,000	\$70,000
<b>TOTAL DEPARTMENTAL EXPENSE</b>	<b>\$1,243,823</b>	<b>\$1,281,115</b>	<b>\$1,319,610</b>	<b>\$1,359,210</b>	<b>\$1,399,920</b>
<b>DEPARTMENTAL PROFIT (LOSS):</b>					
Rooms	\$3,303,178	\$3,402,285	\$3,504,290	\$3,609,390	\$3,717,780
Telephone	\$1,200	\$1,200	\$1,200	\$1,300	\$1,300
Rentals and Other Income	\$50,900	\$52,400	\$54,000	\$55,600	\$57,300
<b>TOTAL DEPARTMENTAL PROFIT (LOSS)</b>	<b>\$3,355,278</b>	<b>\$3,455,885</b>	<b>\$3,559,490</b>	<b>\$3,666,290</b>	<b>\$3,776,380</b>
<b>UNDISTRIBUTED OPERATING EXPENSE:</b>					
Administrative & General	\$461,000	\$475,000	\$489,000	\$504,000	\$519,000
HI Franchise Royalty Fees (5% of RS)	\$226,200	\$233,000	\$240,000	\$247,200	\$254,600
Marketing	\$173,900	\$179,100	\$184,500	\$190,000	\$195,700
HI Marketing Fees (4% of RS)	\$181,000	\$186,400	\$192,000	\$197,800	\$203,700
Repairs & Maintenance	\$153,000	\$157,600	\$162,300	\$167,200	\$172,200
Energy Costs	\$186,000	\$192,000	\$198,000	\$204,000	\$210,000
<b>TOTAL UNDISTRIBUTED OPERATING EXP.</b>	<b>\$1,381,100</b>	<b>\$1,423,100</b>	<b>\$1,485,800</b>	<b>\$1,510,200</b>	<b>\$1,555,200</b>
<b>GROSS OPERATING PROFIT</b>	<b>\$1,974,178</b>	<b>\$2,032,785</b>	<b>\$2,093,690</b>	<b>\$2,156,090</b>	<b>\$2,221,180</b>
<b>FIXED EXPENSES:</b>					
Parking Space Rental-110 spaces	\$76,704	\$76,704	\$76,704	\$76,704	\$76,704
Property Taxes	\$292,800	\$301,600	\$310,600	\$319,900	\$329,500
TIF Rebate	\$0	\$0	\$0	\$0	\$0
Insurance	\$116,000	\$119,500	\$123,100	\$126,800	\$130,600
Management Fees	\$139,800	\$144,000	\$148,400	\$152,800	\$157,400
Reserve for Replacement	\$233,100	\$240,100	\$247,300	\$254,700	\$262,300
<b>TOTAL FIXED EXPENSES</b>	<b>\$858,404</b>	<b>\$881,904</b>	<b>\$906,104</b>	<b>\$930,904</b>	<b>\$956,504</b>
<b>NET OPERATING INCOME</b>	<b>\$1,115,774</b>	<b>\$1,150,881</b>	<b>\$1,187,586</b>	<b>\$1,225,186</b>	<b>\$1,264,676</b>
<b>INFLATION FACTOR:</b>					
	23.9%	24.0%	24.0%	24.1%	24.1%

NOTE: Percentages are of total revenue except department expenses and profits are percentages of departmental revenue.

# INVESTMENT ANALYSIS:

With Retail Space (7750 SF) Sold Prior to Opening @ \$125/SF = \$970,000

HAMPTON INN & SUITES 124-keys, Downtown Gainesville, FL

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	TOTALS
HOTEL OCCUPANCY %	66.0%	69.0%	72.0%	73.0%	73.0%	73.0%	73.0%	73.0%	73.0%	73.0%	73.0%
NET OPERATING INCOME	\$994,303	\$983,000	\$1,032,895	\$1,047,673	\$1,081,573	\$1,115,774	\$1,150,881	\$1,187,586	\$1,225,186	\$1,264,576	\$11,083,546
DEBT SERVICE:											
INTEREST	(\$700,700)	(\$690,000)	(\$678,500)	(\$666,000)	(\$652,700)	(\$638,400)	(\$623,000)	(\$606,400)	(\$588,600)	(\$569,500)	(\$6,413,800)
PRINCIPAL	(\$143,200)	(\$153,900)	(\$165,400)	(\$177,900)	(\$191,200)	(\$205,500)	(\$220,900)	(\$237,500)	(\$255,300)	(\$274,400)	(\$2,025,200)
TOTAL DEBT SERVICE	(\$843,900)	(\$843,900)	(\$843,900)	(\$843,900)	(\$843,900)	(\$843,900)	(\$843,900)	(\$843,900)	(\$843,900)	(\$843,900)	(\$8,439,000)
CASH FLOW AFTER DEBT SERVICE	\$150,403	\$139,100	\$188,995	\$203,773	\$237,673	\$271,874	\$306,981	\$343,686	\$381,286	\$420,776	\$2,644,546
DEBT COVERAGE RATIO	1.18	1.16	1.22	1.24	1.28	1.32	1.36	1.41	1.45	1.50	
CASH FLOW AVAILABLE FOR DISTR	\$150,403	\$139,100	\$188,995	\$203,773	\$237,673	\$271,874	\$306,981	\$343,686	\$381,286	\$420,776	\$2,644,546

YEAR	ORIGINAL PROJECT COSTS	ORIGINAL MORTGAGE COSTS	TOTAL PROJECT COSTS	TOTAL EQUITY CAPITAL	PRINCIPAL REDUCTION AS % OF TOTAL EQUITY CAPITAL	PRE-TAX CASH FLOW AVAILABLE FOR DISTRIBUTION	ANNUAL CASH ON CASH RETURN	INTERNAL RATE OF RETURN:																	
								YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	TOTALS						
YEAR 0	\$13,246,000	\$9,730,000	\$3,516,000	\$0		\$0		YEAR 0																	
YEAR 1			\$143,200	\$143,200	4.1%	\$150,403	4.3%	YEAR 1																	
YEAR 2			\$153,900	\$153,900	4.4%	\$139,100	4.0%	YEAR 2																	
YEAR 3			\$165,400	\$165,400	4.7%	\$188,995	5.4%	YEAR 3																	
YEAR 4			\$177,900	\$177,900	5.1%	\$203,773	5.8%	YEAR 4																	
YEAR 5			\$191,200	\$191,200	5.4%	\$237,673	6.8%	YEAR 5																	
YEAR 6			\$205,500	\$205,500	5.8%	\$271,874	7.7%	YEAR 6																	
YEAR 7			\$220,900	\$220,900	6.3%	\$306,981	8.7%	YEAR 7																	
YEAR 8			\$237,500	\$237,500	6.8%	\$343,686	9.8%	YEAR 8																	
YEAR 9			\$255,300	\$255,300	7.3%	\$381,286	10.8%	YEAR 9																	
YEAR 10			\$274,400	\$274,400	7.8%	\$420,776	12.0%	YEAR 10																	
TOTALS - 10 YEARS:			\$2,025,200	\$2,025,200	57.6%	\$2,644,546		TOTALS																	

NOTES:

- TOTAL PROJECT COSTS: \$13,246,000
- EQUITY: \$3,516,000
- PROJECTIONS ASSUME 3% ANNUAL INFLATION.
- MORTGAGE @ 7.25% INTEREST, 25 YRS
- PRINCIPAL - END YR 10: \$7,704,000

6. VALUE OF PROJECT BASED ON SALE AT END OF YEAR 10:

Net Operating Income - Year 10	\$1,264,676
Capitalization Rate	11.0%
Sales Price	\$11,497,055
Sales Costs @ 3%	(\$345,000)
Mortgage Balance (End Year 10)	(\$7,704,000)
<b>TOTAL NET PROFIT FROM SALE</b>	<b>\$3,448,055</b>

DISCLAIMER:  
THE FINANCIAL PROFORMAS AND INVESTMENT ANALYSIS REPRESENTED HEREIN CONTAIN ESTIMATES AND ASSUMPTIONS BASED UPON OUR STUDY OF CURRENT MARKET CONDITIONS. HOSPITALITY AMERICA NEITHER WARRANTS NOR GUARANTEES THE RESULTS OF THESE ANALYSES.

**Preliminary  
Proforma Financial Projections**

**Proposed  
Hampton Inn & Suites - Downtown  
Gainesville, Florida**

**124 Keys  
97 rooms / 27 studio suites**

**Chris Cargen  
5/21/2007**

**REVISED WITH CITY INCENTIVES**



**HAMPTON INN & SUITES**  
**interior corridor**  
**Non-Standard Prototype**  
**with Outdoor Swimming Pool**

**Downtown**  
**Gainesville, FL**

**PROJECT COSTS**  
**&**  
**DEVELOPMENT BUDGET**

124 KEYS

	<u>TOTAL</u>	<u>COST PER ROOM</u>
<b>DIRECT COSTS:</b>		
Land including Acquisition Fee	\$500,000	\$4,032
Architectural & Engineering Fees	\$250,000	\$2,016
Threshold Inspection Fees	\$50,000	\$403
Construction Contract 82,885 sf @ \$115.00 per sf	\$9,532,000	\$76,871
Utility Relocation Expense	\$60,000	\$484
Off site storm water	\$1,000	\$8
Site Work	\$250,000	\$2,016
Performance Bonds, Permits etc.	\$100,000	\$806
Laminated Windows	\$50,000	\$403
Parking Expense	\$25,000	\$202
Landscaping	\$50,000	\$403
F, F & E Design Fees	\$35,000	\$282
F, F & E Purchasing Fees	\$50,000	\$403
Furniture, Fixtures & Equipment (F, F & E)	\$1,612,000	\$13,000
Franchise Commitment Fee	\$62,000	\$500
Appraisal/Market Study	\$15,000	\$121
Travel/Project Expense	\$100,000	\$806
Contingency/Rounding	<b>\$248,000</b>	<b>\$2,000</b>
<b>TOTAL DIRECT COSTS:</b>	<b>\$12,990,000</b>	<b>\$104,758</b>
<b>INDIRECT &amp; FINANCING COSTS:</b>		
Closing Costs/Legal/Recording Fees/Taxes	\$65,000	\$524
Development Fee	\$350,000	\$2,823
Lender's Inspecting Architect	\$10,000	\$81
Construction Mortgage Fee (1/4%)	\$27,000	\$218
Construction Loan Interest @ 6.5%, 10 mo.	\$240,000	\$1,935
Property Taxes during construction	\$10,000	\$81
<b>TOTAL INDIRECT &amp; FINANCING COSTS</b>	<b>\$702,000</b>	<b>\$5,661</b>
<b>PRE-OPENING COSTS:</b>		
Preopening Operations	\$200,000	\$1,613
Initial Inventories	\$124,000	\$1,000
<b>TOTAL PRE-OPENING COSTS</b>	<b>\$324,000</b>	<b>\$2,613</b>
<b>TOTAL PROJECT COSTS</b>	<b>\$14,016,000</b>	<b>\$113,032</b>
<b>WORKING CAPITAL</b>	<b>\$200,000</b>	<b>\$1,613</b>
<b>TOTAL PROJECT COSTS PLUS WORKING CAPITAL</b>	<b>\$14,216,000</b>	<b>\$114,645</b>
<b>PERMANENT FINANCING:</b>		
<b>EQUITY</b>	<b>\$3,516,000</b>	<b>24.7%</b>
<b>MORTGAGE</b>	<b>\$10,700,000</b>	<b>75.3%</b>
<b>TOTAL</b>	<b>\$14,216,000</b>	<b>100.0%</b>

	YEAR 1 = 2008	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>STATISTICS:</b>						
Rooms	124	124	124	124	124	124
Room Nights Available	45,260	45,260	45,260	45,260	45,260	45,260
Room Nights Sold	29,872	31,229	32,587	33,040	33,040	33,040
Occupancy %	66.0%	69.0%	72.0%	73.0%	73.0%	73.0%
Average Rate (Sold)	\$117.00	\$121.68	\$125.33	\$129.09	\$129.09	\$132.96
<b>REVENUES:</b>						
Rooms	\$3,495,000	\$3,800,000	\$4,084,200	\$4,265,100	\$4,393,100	\$4,393,100
Telephone	\$18,000	\$19,600	\$21,000	\$22,000	\$22,600	\$22,600
Rentals and Other Income	\$87,400	\$95,000	\$102,100	\$109,600	\$109,800	\$109,800
<b>TOTAL REVENUES</b>	<b>\$3,600,400</b>	<b>\$3,914,600</b>	<b>\$4,207,300</b>	<b>\$4,393,700</b>	<b>\$4,525,500</b>	<b>\$4,525,500</b>
<b>DEPARTMENTAL EXPENSE:</b>						
Rooms	\$856,300	\$931,000	\$1,000,600	\$1,044,900	\$1,076,300	\$1,076,300
Hilton Honors	\$87,375	\$95,000	\$102,105	\$109,628	\$109,828	\$109,828
Telephone	\$17,100	\$18,600	\$20,000	\$20,900	\$21,500	\$21,500
Rentals and Other Income	\$48,100	\$52,300	\$56,200	\$58,800	\$60,400	\$60,400
<b>TOTAL DEPARTMENTAL EXPENSE</b>	<b>\$960,775</b>	<b>\$1,044,600</b>	<b>\$1,122,705</b>	<b>\$1,172,428</b>	<b>\$1,207,628</b>	<b>\$1,207,628</b>
<b>DEPARTMENTAL PROFIT (LOSS):</b>						
Rooms	\$2,551,325	\$2,774,000	\$2,981,495	\$3,113,573	\$3,206,973	\$3,206,973
Telephone	\$800	\$1,000	\$1,000	\$1,100	\$1,100	\$1,100
Rentals and Other Income	\$39,300	\$45,000	\$45,900	\$48,000	\$49,400	\$49,400
<b>TOTAL DEPARTMENTAL PROFIT (LOSS)</b>	<b>\$2,591,525</b>	<b>\$2,817,700</b>	<b>\$3,028,395</b>	<b>\$3,162,673</b>	<b>\$3,257,473</b>	<b>\$3,257,473</b>
<b>UNDISTRIBUTED OPERATING EXPENSE:</b>						
Administrative & General	\$356,000	\$388,000	\$417,000	\$435,000	\$448,000	\$448,000
HI Franchise Royalty Fees (5% of RS)	\$174,800	\$190,000	\$204,200	\$213,300	\$219,700	\$219,700
Marketing	\$150,000	\$154,500	\$159,100	\$163,900	\$168,800	\$168,800
HI Marketing Fees (4% of RS)	\$139,800	\$152,000	\$163,400	\$170,600	\$175,700	\$175,700
Repairs & Maintenance	\$100,000	\$120,000	\$140,000	\$144,200	\$148,500	\$148,500
Energy Costs	\$144,000	\$157,000	\$168,000	\$176,000	\$181,000	\$181,000
<b>TOTAL UNDISTRIBUTED OPERATING EXP.</b>	<b>\$1,064,600</b>	<b>\$1,161,500</b>	<b>\$1,251,700</b>	<b>\$1,303,000</b>	<b>\$1,341,700</b>	<b>\$1,341,700</b>
<b>GROSS OPERATING PROFIT</b>						
	\$1,526,925	\$1,656,200	\$1,776,695	\$1,859,673	\$1,915,773	\$1,915,773
<b>FIXED EXPENSES:</b>						
Parking Space Rental-110 spaces	\$0	\$75,200	\$75,200	\$75,200	\$75,200	\$75,200
Property Taxes	\$252,622	\$260,200	\$268,000	\$276,000	\$284,300	\$284,300
TIF Rebate	(\$118,732)	(\$122,284)	(\$125,960)	(\$129,720)	(\$133,621)	(\$133,621)
Insurance	\$100,000	\$103,000	\$106,100	\$109,300	\$112,600	\$112,600
Management Fees	\$108,000	\$117,400	\$126,200	\$131,800	\$135,800	\$135,800
Reserve for Replacement	\$72,000	\$72,000	\$72,000	\$72,000	\$72,000	\$72,000
<b>TOTAL FIXED EXPENSES</b>	<b>\$473,890</b>	<b>\$550,906</b>	<b>\$617,840</b>	<b>\$682,280</b>	<b>\$700,579</b>	<b>\$700,579</b>
<b>NET OPERATING INCOME</b>						
	\$1,113,035	\$1,105,294	\$1,158,855	\$1,177,393	\$1,215,194	\$1,215,194
<b>INFLATION FACTOR:</b>						
	3.0%	EXCEPT 1.5% Commercial Condo Lease + Condo CAM Fees				

	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
<b>STATISTICS:</b>					
Rooms	124	124	124	124	124
Room Nights Available	45,260	45,260	45,260	45,260	45,260
Room Nights Sold	33,040	33,040	33,040	33,040	33,040
Occupancy %	73.0%	73.0%	73.0%	73.0%	73.0%
Average Rate (Sold)	\$136.95	\$141.06	\$145.29	\$149.65	\$154.14
<b>REVENUES:</b>					
Rooms	\$4,524,900	\$4,660,600	\$4,800,400	\$4,944,400	\$5,092,800
Telephone	\$23,300	\$24,000	\$24,700	\$25,500	\$26,200
Rentals and Other Income	\$113,100	\$116,500	\$120,000	\$123,600	\$127,300
<b>TOTAL REVENUES</b>	<b>\$4,661,300</b>	<b>\$4,801,100</b>	<b>\$4,945,100</b>	<b>\$5,093,500</b>	<b>\$5,246,300</b>
<b>DEPARTMENTAL EXPENSE:</b>					
Rooms	\$1,108,600	\$1,141,800	\$1,176,100	\$1,211,400	\$1,247,700
Hilton Honors	\$113,123	\$116,515	\$120,010	\$123,610	\$127,320
Telephone	\$22,100	\$22,800	\$23,500	\$24,200	\$24,900
Rentals and Other Income	\$62,200	\$64,100	\$66,000	\$68,000	\$70,000
<b>TOTAL DEPARTMENTAL EXPENSE</b>	<b>\$1,243,823</b>	<b>\$1,281,115</b>	<b>\$1,319,610</b>	<b>\$1,359,210</b>	<b>\$1,399,920</b>
<b>DEPARTMENTAL PROFIT (LOSS):</b>					
Rooms	\$3,303,178	\$3,402,285	\$3,504,290	\$3,609,390	\$3,717,780
Telephone	\$1,200	\$1,200	\$1,200	\$1,300	\$1,300
Rentals and Other Income	\$50,900	\$52,400	\$54,000	\$55,600	\$57,300
<b>TOTAL DEPARTMENTAL PROFIT (LOSS)</b>	<b>\$3,355,278</b>	<b>\$3,455,885</b>	<b>\$3,559,490</b>	<b>\$3,666,290</b>	<b>\$3,776,380</b>
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Administrative & General	\$461,000	\$475,000	\$489,000	\$504,000	\$519,000
HI Franchise Royalty Fees (5% of RS)	\$226,200	\$233,000	\$240,000	\$247,200	\$254,600
Marketing	\$173,900	\$179,100	\$184,500	\$190,000	\$195,700
HI Marketing Fees (4% of RS)	\$181,000	\$186,400	\$192,000	\$197,800	\$203,700
Repairs & Maintenance	\$153,000	\$157,600	\$162,300	\$167,200	\$172,200
Energy Costs	\$186,000	\$192,000	\$198,000	\$204,000	\$210,000
<b>TOTAL UNDISTRIBUTED OPERATING EXP.</b>	<b>\$1,381,100</b>	<b>\$1,423,100</b>	<b>\$1,465,800</b>	<b>\$1,510,200</b>	<b>\$1,555,200</b>
<b>GROSS OPERATING PROFIT</b>					
	\$1,974,178	\$2,032,785	\$2,093,690	\$2,156,090	\$2,221,180
<b>FIXED EXPENSES:</b>					
Parking Space Rental-110 spaces	\$76,704	\$76,704	\$76,704	\$76,704	\$76,704
Property Taxes	\$292,800	\$301,600	\$310,600	\$319,900	\$329,500
TIF Rebate	(\$137,616)	(\$141,752)	(\$145,982)	(\$150,353)	(\$154,865)
Insurance	\$116,000	\$119,500	\$123,100	\$126,800	\$130,600
Management Fees	\$139,800	\$144,000	\$148,400	\$152,800	\$157,400
Reserve for Replacement	\$233,100	\$240,152	\$247,300	\$254,700	\$262,300
<b>TOTAL FIXED EXPENSES</b>	<b>\$720,788</b>	<b>\$740,152</b>	<b>\$760,122</b>	<b>\$780,551</b>	<b>\$801,639</b>
<b>NET OPERATING INCOME</b>					
	\$1,253,390	\$1,292,633	\$1,333,568	\$1,375,539	\$1,419,541
<b>INFLATION FACTOR:</b>					
	26.9%	26.9%	27.0%	27.0%	27.1%

NOTE: Percentages are of total revenue except department expenses and profits are percentages of departmental revenue.

# INVESTMENT ANALYSIS:

With Retail Space (7750 SF) Sold Prior to Opening @ \$125/SF = \$970,000

HAMPTON INN & SUITES 124-keys, Downtown Gainesville, FL

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	TOTALS
HOTEL OCCUPANCY %	66.0%	69.0%	72.0%	73.0%	73.0%	73.0%	73.0%	73.0%	73.0%	73.0%	73.0%
NET OPERATING INCOME	\$1,113,035	\$1,105,294	\$1,158,855	\$1,177,393	\$1,215,194	\$1,253,390	\$1,292,633	\$1,333,568	\$1,375,539	\$1,419,541	\$12,444,441
DEBT SERVICE: INTEREST	(\$700,700)	(\$690,000)	(\$678,500)	(\$666,000)	(\$652,700)	(\$638,400)	(\$623,000)	(\$606,400)	(\$588,600)	(\$569,500)	(\$6,413,800)
DEBT SERVICE: PRINCIPAL	(\$143,200)	(\$153,900)	(\$165,400)	(\$177,900)	(\$191,200)	(\$205,500)	(\$220,900)	(\$237,500)	(\$255,300)	(\$274,400)	(\$2,025,200)
TOTAL DEBT SERVICE	(\$843,900)	(\$843,900)	(\$843,900)	(\$843,900)	(\$843,900)	(\$843,900)	(\$843,900)	(\$843,900)	(\$843,900)	(\$843,900)	(\$8,439,000)
CASH FLOW AFTER DEBT SERVICE	\$269,135	\$261,394	\$314,955	\$333,493	\$371,294	\$409,490	\$448,733	\$489,668	\$531,639	\$575,641	\$4,005,441
DEBT COVERAGE RATIO	1.32	1.31	1.37	1.40	1.44	1.49	1.53	1.58	1.63	1.68	
CASH FLOW AVAILABLE FOR DISTR	\$269,135	\$261,394	\$314,955	\$333,493	\$371,294	\$409,490	\$448,733	\$489,668	\$531,639	\$575,641	\$4,005,441

  

ORIGINAL PROJECT COSTS	ORIGINAL COSTS MORTGAGE AFTER RETAIL SPACE SOLD	TOTAL PROJECT COSTS	PRINCIPAL REDUCTION AS % OF TOTAL EQUITY CAPITAL	ANNUAL PRINCIPAL REDUCTION	PRE-TAX CASH FLOW AVAILABLE FOR DISTRIBUTION	ANNUAL CASH ON CASH RETURN	INTERNAL RATE OF RETURN:										NET CASH FLOW			
							YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9		YEAR 10	TOTALS	
\$13,246,000	\$9,730,000	\$3,516,000		\$0	\$0	7.7%	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	TOTALS	12.5%	
			4.1%	\$143,200	\$269,135	7.4%														
			4.4%	\$153,900	\$261,394	9.0%														
			4.7%	\$165,400	\$314,955	9.5%														
			5.1%	\$177,900	\$333,493	10.6%														
			5.4%	\$191,200	\$371,294	11.6%														
			5.8%	\$205,500	\$409,490	12.8%														
			6.3%	\$220,900	\$448,733	13.9%														
			6.8%	\$237,500	\$489,668	15.1%														
			7.3%	\$255,300	\$531,639	16.4%														
			7.8%	\$274,400	\$575,641															
			57.6%	\$2,025,200	\$4,005,441															

NOTES:

- TOTAL PROJECT COSTS: \$13,246,000  
EQUITY: \$3,516,000
- PROJECTIONS ASSUME 3% ANNUAL INFLATION.
- MORTGAGE @ 7.25% INTEREST, 25 YRS
- PRINCIPAL - END YR 10: \$7,704,000
- VALUE OF PROJECT BASED ON SALE AT END OF YEAR 10:  
Net Operating Income - Year 10: \$1,419,541  
Capitalization Rate: 11.0%  
Sales Price: \$12,904,918  
Sales Costs @ 3%: (\$387,000)  
Mortgage Balance (End Year 10): (\$7,704,000)  
TOTAL NET PROFIT FROM SALE: \$4,813,918

**DISCLAIMER:**  
THE FINANCIAL PROFORMAS AND INVESTMENT ANALYSIS REPRESENTED HEREIN CONTAIN ESTIMATES AND ASSUMPTIONS BASED UPON OUR STUDY OF CURRENT MARKET CONDITIONS. HOSPITALITY AMERICA NEITHER WARRANTS NOR GUARANTEES THE RESULTS OF THESE ANALYSES.

## **Review and Summary of Conclusions of the Hampton Inn & Suites Hotel Proposal**

RERC has been asked to review the Hampton Inn & Suites proposal as submitted by the Windsor Aughtry Company for the development of 124 room hotel on a publicly-owned parcel (lot #9) in downtown Gainesville. The purpose of the review was to analyze and respond to the changes presented by the developer since their submission of January, 2006.

The specific modifications, or revisions, to the initial submission related to increases in costs to both the initial capital requirements as well as on-going operational expenses. These modifications are specified in Attachment "A". The most significant elements of the increases related to 1) the site/foundation costs; 2) overall increase in construction costs; 3) increases in insurance premiums; and 4) the anticipated increase in property taxes. On the capital side, the increases requested from the CRA incentives amounted to an additional \$55,000. Attachment "B" provides three charts, the first one indicating the original incentive request, the second presenting the revised request, with the third providing the calculations based on our findings and input from staff. Please note that the calculations for first two charts were erroneously based on the total property taxes (city, county, school board, water management district, etc.) not on the tax increment amount.

Relating only to those items that were not in the original request or have been revised upward, the following are our conclusions:

- Construction cost increases from \$100/SF to \$114/SF seem to be appropriately justifiable. Costs for concrete, steel and sheetrock have been significantly higher over the past 18 months and are beginning to moderate. Separate discussions with other contractors/construction projects indicate the developer's costs are consistent with the current market.
- Increase in insurance rates from \$25,000 to \$100,000. The current insurance environment in the state of Florida as a result of hurricane and other weather related damages has dramatically increased premiums. Checking with current hotel developers/managers, they have verified that the proposed cost of \$800+ per room premium is consistent with inland hotel properties in Florida.
- The \$250,000 costs associated with the proposed construction technology for the foundation was difficult to verify from another independent source since it is very site-specific regarding soils, bedrock depth, etc. We therefore, have no comment regarding this cost.
- With the exception of the property taxes annual costs, the overall proforma projections appear to be consistent with industry standards and the anticipated market in Gainesville when this property would be coming online.
- The developer has indicated that the projected property taxes for this hotel have increased to \$250,000 per year over the original \$120,000 per year or a \$130,000 per year increase in operating expenses. Our analysis of the Alachua County Tax

Collector's records for 2006 on twelve (12) hotels in Gainesville with approximately 100-200 rooms do not support the projected property tax increase. Attachment "C" shows the taxes paid by the hotels on a per room basis in the Gainesville area. Attachment "D" reflects the tax payments for all the Hampton Inns or Hampton Inn & Suites in Orange County which are newer hotels and in the tourism/convention area. Again, there is no property that would remotely reflect a \$2,000 per room tax payment that would be required for a \$250,000 per year property tax expense. Our assessment would indicate that the real estate tax payment would be around \$1,000 per room with the tangible property tax payment around \$130 per room. The total estimated annual property tax payment would be based on a millage rate of 25.2622.

$$124 \text{ rooms} \times \$1,130/\text{room}/\text{year} = \$140,120/\text{year}$$

The TIF revenue based on 13.9303 mils would be approximately 55% of the above figure:

$$\frac{13.9303 \text{ mils}}{25.2622 \text{ mils}} = 55\%$$

$$\$140,120 \times 55\% = \$77,066/\text{year}$$

Therefore, we have substituted this estimated TIF revenue support into the second chart format in Appendix "B". We have used a discount factor of 9% to calculate the Net Present Value for the proposed incentive package. Based on the risk factors indicated in a hotel venture of this sort, we feel this is relatively conservative. Based on staff input, we projected calculations only on the capital needs for the project (estimated at \$370,000) and eliminated the operational costs increase requests (i.e. the insurance and tax increases). The result was an incentive package that could be supported by a TIF incentive rebate of 70%/year for a 15 year period.

## ATTACHMENT C

## GAINESVILLE AREA HOTELS

Hotel	Address	# Rooms	Yr Built	2006 Taxes	Taxes per Room
Fairfield Inn by Marriott	6901 NW 4th Boulevard	135	1989	\$64,333	\$476.54
Days Inn I-75	7516 Newberry Road	102	1986	\$67,658	\$663.31
Holiday Inn	7417 Newberry Road	170	1967	\$192,270	\$1,131.00
LaQuinta Inn	920 NW 69th Terrace	134	1989	\$87,776	\$655.04
Cabot Lodge	3726 SW 40th Boulevard	208	1986	\$155,965	\$749.83
Hampton Inn Gainesville	4225 SW 40th Boulevard	106	1994	\$74,844	\$706.08
Motel 6	4000 SW 40th Boulevard	121	1989	\$64,880	\$536.20
Extended Stay America	3600 SW 42nd Street	129	1997	\$77,114	\$597.78
Red Roof Inn Gainesville	3500 SW 42nd Street	129	1998	\$87,411	\$677.60
Gainesville Inn & Suites	4021 SW 40th Boulevard	114	1983	\$47,560	\$417.19
Homewood Suites by Hilton	3333 SW 42nd Street	103	2007	NA	NA
Spring Hill Suites by Marriott	4155 SW 40th Boulevard	126	TBD	NA	NA
Quality Inn	3455 SW Williston Road	86	1985	\$47,538	\$552.77
Courtyard by Marriott	3700 SW 42nd Street	78	1998	\$72,015	\$923.27

## Summary Statistics

<i>Average per Room</i>	\$673.89
<i>Median per Room</i>	\$659.18
<i>Wtd Average per Room</i>	\$687.41

## ATTACHMENT D

## HAMPTON INN &amp; SUITES - ORANGE COUNTY

<b>Hotel</b>	<b>Address</b>	<b># Rms</b>	<b>Yr Blt</b>	<b>2006 Taxes</b>	<b>Taxes Per Room</b>
Hampton Inn North Universal Blvd	5621 Windhover Drive	120	1992	\$88,572	\$738.10
Hampton Inn Orlando - Florida Mall	8601 South Orange Blossom Trail	128	1974	\$36,505	\$285.20
Hampton Inn Orlando - International Airport	5767 TG Lee Blvd	123	1995	\$93,907	\$763.47
Hampton Inn - South of Universal Studios	7110 South Kirkman Road	170	1991	\$94,984	\$558.73
Hampton Inn & Suites	7448 International Drive	108	2003	\$120,292	\$1,113.81
Hampton Inn Orlando - Convention Centre International Drive Area	8900 Universal Blvd	170	1999	\$179,958	\$1,058.58
Hampton Inn & Suites Orlando - East University of Central Florida	3450 Quadrangle Blvd	113	1998	\$76,157	\$673.96
Hampton Inn & Suites Orlando/ Lake Buena Vista	8150 Palm Parkway	147	1998	\$149,341	\$1,015.93

**Summary**

<i>Average Per Room</i>	\$775.97
<i>Weighted Average Per Room</i>	\$778.24
<i>Median</i>	\$750.79