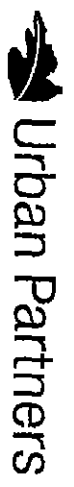


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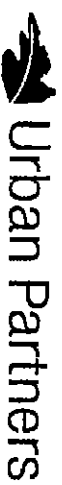
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2ND STREET DISTRICT



2nd Street District Retail Agreement with AMLI/Urban Partners

2ND STREET DISTRICT



History of 2nd Street Negotiations

- February 2000 – CSC Retail Subleases commence and shell space to be constructed
- October 2000 – AMLI/Bonner Carrington selected for exclusive negotiations to take over sublease obligations
- 2001 - ROMA hired by AMLI to develop Great Streets design for 2nd Street (*now part of approved 2nd Street Streetscape Design*)
- 2001-03 - Changes to Retail Subleases sought from CSC to give Retail Developer more latitude in approving signage, storefront designs and other issues expected to arise from tenants
- 2003 – CSC not receptive to changes, but will entertain case-by-case requests; development agreement to be finalized using unchanged Retail Subleases
- 2003 – Urban Partners hired by AMLI to develop and market retail spaces and key terms of development agreement finalized

2ND STREET DISTRICT



AMLI
RESIDENTIAL

Retail Spaces

▪ CSC Block 2, City Retail Sublease	23,932 sf
▪ CSC Block 2, Schneider Store Sublease	4,200 sf
▪ CSC Block 4, City Retail Sublease	31,256 sf
▪ City Hall	3,683 sf
▪ AMLI Block 20	41,675 sf
▪ AMLI Block 22	est. 41,759 sf
▪ <u>City's Block 21</u>	est. 42,000 sf
Total:	188,505 sf

2ND STREET DISTRICT

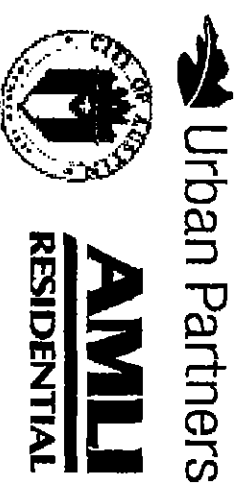


AMLI
RESIDENTIAL

Proposed Tenant Mix for Retail District

Apparel	30 – 40%
Food and Beverage	25%
Home Furnishings and	
Hard Goods	10 – 20%
Entertainment	10 – 20%

2ND STREET DISTRICT



2ND Street District Leasing Goals

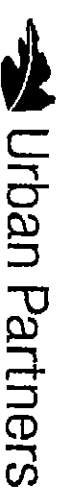
Block 20 March 2004 – March 2005
Restaurants, day spa/salon, apparel, home furnishings, coffee house, wine or piano bar

Block 4 April 2004 – March 2005
Women's and men's apparel, including jewelry, eyewear, footwear, sportswear, food and beverage, and home furnishings

Block 2 July 2004 - August 2005
Women's and men's apparel, including jewelry, eyewear, footwear, sportswear, food and beverage, and home furnishings

City Hall April 2004 - November 2004
Reasonably priced, fast casual restaurant; City store

2ND STREET DISTRICT



Benefits from CSC and City Hall Retail Spaces

- Generates \$2 million in sales tax during first 10 years
- Generates an estimated \$3.7 million in property taxes (for all jurisdictions) during first 10 years
- Creates over 400 new jobs
- Brings shoppers to Austin
- Provides opportunities for small, local retailers and restaurant owners
- Provides new marketing opportunities for the Convention Center and Hilton Hotel
- Stimulates the downtown residential market
- Showcases the New City Hall
- Creates a modern day community gathering place

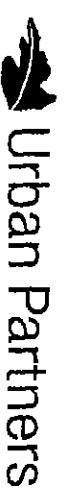
2ND STREET DISTRICT



Key Terms of Retail Agreement with AMLI

- City assigns its subleasehold interest in the CSC retail spaces for remaining 95 years
- AMLI, through Urban Partners, develops, markets, leases and manages the CSC spaces and secures tenants for the New City Hall café and store
- City and AMLI to agree on how City Hall Parking Garage is operated for retail customers
- AMLI will work with the City to identify M/WBE firms for service contracting opportunities
- AMLI is encouraged to include businesses that reflect the nature and character of Austin in their décor, merchandise and cuisine and agreement includes a local tenant goal of 30%

2ND STREET DISTRICT



Local Tenant Definitions

- Has its headquarters or first retail location in the Austin MSA
- Is an individual who resides in or has his or her principal place of business in the Austin MSA
- Is a group of individuals and more than half reside in or have their principal place of business in the Austin MSA
- Is controlled by or at least 51% owned by an individual who resides in or has his or her principal place of business in the Austin MSA, or by a group of individuals or an organization having its principal place of business in the Austin MSA; or
- Is a business that the City agrees constitutes a local business, but does not meet the above requirements (to capture businesses that have an "Austin identity")

2ND STREET DISTRICT



Key Terms of Retail Agreement with AMLI

- AMLI funds 100% of \$5.5 million Development Budget
- Development Budget includes \$3.6 million to reimburse tenants for their construction of tenant improvements (\$65 per sq. ft. estimated)
- City reimbursed \$362,500 for construction of sanitary sewer and grease traps serving the retail spaces – funding will be used to add parking control equipment to the City Hall garage and fund tenant improvement allowances for the City Hall leases.
- City to approve any changes to the Development Budget and annual operating budgets
- AMLI to provide quarterly and annual income statements reflecting the results of the operation and its financial position

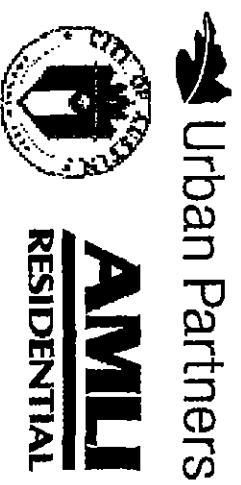
2ND STREET DISTRICT



Key Terms of Retail Agreement with AMLI

- Net Operating Income dispersed in the following order:
 - Cash flow payment to AMLI (13% return on Development Budget that is funded)
 - Payment to retire Development Budget funding
 - Remaining income split City 80%, AMLI 20%
- After three years and when 90% leased, the subleasehold interest can be sold – City receives 80%, AMLI 20% of sale proceeds after Development Budget repaid
- Sales price in next 10 years projected to be between \$13.6–14.8 million, based on current leasing and income projections

2ND STREET DISTRICT



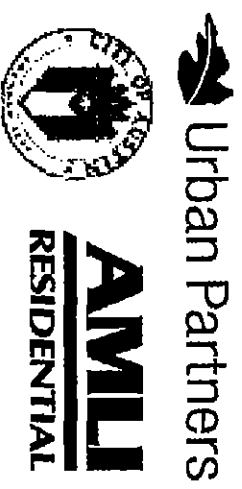
Development Budget

Tenant Improvement Reimbursements (\$65 per sq. ft.)	\$3,586,765
Leasing Commissions (5%)	\$582,745
Legal Services for Tenant Leasing	\$200,000
Marketing	\$94,990
Mechanical, Plumbing, Electrical and HVAC Build-Out	\$400,000
Reimbursement to City for construction of grease traps and sanitary sewer service (<i>remaining amount after AMLI's negotiation deposit is applied</i>)	\$85,500
Reimbursement to AMLI for certain development costs	\$350,000
Contingency	\$200,000
TOTAL	\$5,500,000

Distribution of Project Income – First 4 Years

2nd Street Retail Project – Blocks 2 and 4	2004	2005	2006	2007
Estimated Net Operating Income	29,665	607,586	1,066,851	1,093,165
Cash Flow Payment to AMLI (13% of Advanced Development Budget)	(29,665)	(607,586)	(702,000)	(687,063)
Balance of Unpaid Cash Flow Payment to AMLI, deferred for future payment	139,043	149,954	0	0
Payment of Deferred Cash Flow Payment to AMLI	-	-	(149,954)	0
Repayment of AMLI Development Budget	-	-	(214,897)	(406,101)
AMLI Development Budget Expensed	3,198,735	2,101,265	200,000	0
AMLI Cumulative Development Budget and Accrued Cash Flow Payment	3,337,778	5,449,954	5,285,103	4,879,001

2ND STREET DISTRICT



Repayment of City's Investment if Subleasehold Interest Sold in Year 4

CIP Appropriation

Rent for 99 year Retail Subleases \$ 2,296,700

Shell Construction \$ 6,794,500

Total Amount Appropriated and Spent \$ 9,091,200

Sources of Funds

80% of Sales Proceeds, based on current income projections \$ 7,028,500

Transfer from City's Support Services Fund

FY 03 Excess Ending Balance \$ 2,062,700

(to be repaid from future sales and property taxes
generated by the retail project)