

APPENDIX B – CASH FLOW ANALYSIS REQUIREMENTS

To provide GIPEC with insight into the Proposal’s financial feasibility and attractiveness, Respondents must submit a **financial summary sheet** as well as a detailed **cash flow pro forma model** including a **statement of assumptions**. The degree to which the assumptions used in the financial model reflect market and economic reality will play a role in the evaluation of financial feasibility. Financial attractiveness will be measured in the amount of rent payments, common area maintenance¹ (“CAM”) payments, PILOT²/PILOST³/PILOMRT⁴ Payments, one-time upfront land payments, and/or any other payments to GIPEC.

1. FINANCIAL SUMMARY SHEET

The **financial summary sheet** should follow the template shown in the table below; it should include the information for each category marked by an X, depending on the type of Proposal submitted: Whole-Island Development, Component Development, or Leasing.

FINANCIAL SUMMARY SHEET	Whole-Island Development	Component Development	Leasing
Space Summary			
• Total Development Land Area (acres)	X	X	X
• Total Development Building Area (square feet)	X	X	X
Development Budget (in \$2006)			
• One-Time Land Payment to GIPEC (\$)	X	X	
• Land Development Cost (\$ including soft costs)	X	X	
• Utility Infrastructure Cost (\$ including soft costs)	X	X	
• Transportation Infrastructure Cost (\$ incl. soft costs)	X	X	
• Building Construction Cost (\$ including soft costs)	X	X	
• Total Development Cost (\$ including soft costs)	X	X	
Capital Sources			
• Equity	X	X	
• Debt	X	X	
• Other (specify: _____)	X	X	
Operations			
• Operating Revenues (\$ stabilized year)	X	X	X
• Net Operating Income (\$ stabilized year)	X	X	X
• Rent Payment to GIPEC/Developer (\$)	X	X	X
• CAM Payment to GIPEC/Developer (\$)	X	X	X
• PILOT²/PILOST³/PILOMRT⁴ Payments to GIPEC (\$)	X	X	X
• Net Cash Flow	X	X	X
Return			
• NPV of Cash Flows (\$)	X	X	
• Discount Rate Used (%)	X	X	
• Internal Rate of Return (%)	X	X	

APPENDIX B – CASH FLOW ANALYSIS REQUIREMENTS

2. PRO FORMA MODEL AND STATEMENT OF ASSUMPTIONS

In support of the above financial summary sheet, Respondents must also submit the following:

- A. A **cash flow pro forma model** covering 20-years of development and operating cash flows, and summarizing all cash flows in a total column. The required pro forma content varies by Proposal type; individual financial information requirements for each Proposal type are shown in Section 3 below.
- B. A **statement of assumptions**. Assumptions should be incorporated into the pro forma model wherever possible; they should also be submitted as a separate list accompanying the pro-forma model, showing unit rates (e.g. \$/square foot for construction cost) for each category. All unit rate assumptions should be shown in \$2006.

Both, the cash flow pro forma model and the statement of assumptions must be submitted in hard copy on 8"x11" paper in the bound Proposal and on a CD in Excel format. The Excel spreadsheet must include formulas.

3. REQUIREMENTS

The requirements shown below should be seen as an outline. Due to the comprehensive nature of this RFP not all possible categories may have been included; at the same time not all categories shown may apply to each Proposal. Respondents are urged to use proper judgment when including additional categories or omitting inapplicable categories; all additions should be clearly labeled and explained.

A. Whole-Island Development Proposals

- **General Assumptions:** Revenue Growth Rates, Cost and Expense Escalations, Discount Rates
- **Predevelopment Costs:** GIPEC Reimbursement, Overhead, Administrative, Legal, Consultants, Sources of Predevelopment Capital
- **One-Time Land Payment to GIPEC**
- **Land Development Costs:** Demolition, Excavation, Site Preparation for Development Parcels, Public Open Space Development, Contingency
- **Infrastructure Development Costs:** Utilities, Communication, Marine Infrastructure, Solid Waste, Transportation Infrastructure, Roadways, Off-Island Transportation Improvements, On-Island Transportation Improvements, Transportation Equipment, Maintenance Equipment, Contingency
- **Component Building Construction Costs:** PROVIDE A SEPARATE DEVELOPMENT AND OPERATING CASH FLOW PRO FORMA FOR EACH INDIVIDUAL COMPONENT INCLUDED IN THE WHOLE-ISLAND PROPOSAL – SEE COMPONENT DEVELOPMENT SECTION. ALSO PROVIDE A ROLL-UP MODEL SUMMARIZING ALL COMPONENT CASH FLOWS.
- **Soft Costs:** Construction Manager Fee; General Conditions; Planning, Architecture and Engineering Fees; Design Contingency; Access and Phasing; Environmental Studies and Testing; Legal; Accounting; Consultants; Leasing; Sales and Marketing; Insurance; Financing Fees; Project Management and Overhead; Owner's Contingency; and any other Contingencies.
- **Development Fee/Profit**

APPENDIX B – CASH FLOW ANALYSIS REQUIREMENTS

- **Sources of Capital:** Equity, Mezzanine, Debt, Grants, Incentives and Other Sources, including Terms and Required Rates of Return/Interest Rates
- **Island Operating Budget:** Ground lease payment to GIPEC, Administration and Overhead, Grounds and Infrastructure Maintenance, Park/Public Space Revenues and Costs, Transportation Revenues and Costs, Management Fee, Reserves, Taxes, Contingency, Debt Service
- **Ground Lease Payment to GIPEC**
- **CAM Payment to GIPEC**
- **PILOT²/PILOST³/PILOMRT⁴ Payments to GIPEC:** Respondents seeking to make payments (PILOT, PILOST, and/or PILOMRT) reflecting a discount from taxes that would otherwise be due shall clearly denote the annual value of foregone taxes within the pro forma
- **Component Operations:** PROVIDE A SEPARATE DEVELOPMENT AND OPERATING CASH FLOW PRO FORMA FOR EACH COMPONENT INCLUDED IN THE WHOLE-ISLAND PROPOSAL – SEE COMPONENT DEVELOPMENT SECTION. ALSO PROVIDE A ROLL-UP MODEL SUMMARIZING ALL COMPONENT CASH FLOWS.
- **Returns:** Net Cash Flow, Net Present Value, Project Internal Rate of Return.

B. Component Development Proposals

Individual components are any uses that can be developed and operated independently, including, but not limited to, hotels, conference centers, retail, office, education, entertainment, etc. IF YOU ARE SUBMITTING A PROPOSAL FOR MORE THAN ONE LAND USE COMPONENT, PROVIDE A SEPARATE DEVELOPMENT AND OPERATING CASH FLOW PRO FORMA FOR EACH.

- **General Assumptions:** Revenue Growth Rates, Cost and Expense Escalations, Discount Rates
- **Predevelopment Costs:** GIPEC Reimbursement, Overhead, Administrative, Legal, Consultants, Sources of Predevelopment Capital
- **Space Assumptions:** Land Use(s), Land Area (acres), Buildings, Gross Building Square Footage, Rentable Building Square Footage
- **Land Development Costs:** Demolition, Excavation, Site Preparation for Development Parcels, Public Open Space Development, Contingency
- **Infrastructure Development Costs:** Utilities, Communication, Marine Infrastructure, Solid Waste, Transportation Infrastructure, Roadways, Off-Island Transportation Improvements, On-Island Transportation Improvements, Transportation Equipment, Maintenance Equipment, Contingency
- **Building Construction Costs:** Site Development Cost, Building Construction Hard Cost, Furniture, Fixtures and Equipment (FF&E), Contingency
- **Soft Costs:** Construction Manager Fee; General Conditions; Planning, Architecture and Engineering Fees; Design Contingency; Access and Phasing; Environmental Studies and Testing; Legal; Accounting; Consultants; Leasing; Sales and Marketing; Insurance; Financing Fees; Project Management and Overhead; Owner's Contingency; and any other Contingencies.
- **Tenant Improvements**
- **Development Fee/Profit**
- **Sources of Capital:** Equity, Mezzanine, Debt, Grants, Incentives and Other Sources, including Terms and Required Rates of Return/Interest Rates
- **Ground Lease Payment to GIPEC/Developer**
- **CAM Payment to GIPEC/Developer**

APPENDIX B – CASH FLOW ANALYSIS REQUIREMENTS

- **PILOT²/PILOST³/PILOMRT⁴ Payments to GIPEC:** Respondents seeking to make payments (PILOT, PILOST, and/or PILOMRT) reflecting a discount from taxes that would otherwise be due shall clearly denote the annual value of foregone taxes within the pro forma.
- **Component Operations:** Lease-up, Vacancy Rates, Detailed Project Revenue (depending on land use – e.g. show RevPar for Hotel), Detailed Operating Expenses, Capital Improvements Reserves, Debt Service Payments. Assumptions must show the rents per square foot for each type of tenant/space.
- **Returns:** Net Cash flow, Net Present Value, Project Internal Rate of Return

APPENDIX B – CASH FLOW ANALYSIS REQUIREMENTS

C. Leasing Proposals

Individual components are any uses that can be developed and operated independently, including, but not limited to, hotels, conference centers, retail, office, education, entertainment, etc. IF YOU ARE SUBMITTING A LEASING PROPOSAL FOR MORE THAN ONE LAND USE COMPONENT, PROVIDE A SEPARATE OPERATING CASH FLOW PRO FORMA FOR EACH.

- **General Assumptions:** Revenue Growth Rates, Cost and Expense Escalations, Discount Rates
- **Space Assumptions:** Land Use, Land Area (acres), Buildings, Gross Building Square Footage, Rentable Building Square Footage
- **Lease Payment to GIPEC/Developer**
- **CAM Payment to GIPEC/Developer**
- **PILOT²/PILOST³/PILOMRT⁴ Payments to GIPEC:** Respondents seeking to make payments (PILOT, PILOST, and/or PILOMRT) reflecting a discount from taxes that would otherwise be due shall clearly denote the annual value of foregone taxes within the pro forma.
- **Component Operations:** Detailed Project Revenue (depending on land use – e.g. show RevPar for Hotel), Detailed Operating Expenses, Capital Improvements Reserves, Debt Service Payments,
- **Returns:** Net Cash Flow, Net Present Value, Project Internal Rate of Return

¹ CAM charges are defined as the amount of additional rent charged to the tenant/user to maintain the common areas and infrastructure of the Island shared by all tenants/users and from which all tenants/users derive some benefit, such as parks and open space, utilities and transportation infrastructure. CAM Charges will be distributed proportionately amongst the Island users.

² GIPEC's ownership of the Project Area exempts the property from City real property taxes and certain sales taxes. However, the Successful Respondent(s), as tenant(s) under long-term ground lease(s), will be required to make payments in lieu of taxes (PILOT), which may or may not reflect a discount from the real property taxes that would otherwise be due.

³ Project developments shall receive an exemption from sale and compensating use taxes on materials incorporated into Governors Island buildings during the period of redevelopment. However, the Successful Respondent(s) will be required to make periodic payments in lieu of sales tax (PILOST), which may or may not reflect a discount from the sale and compensating use taxes that would otherwise be due.

⁴ GIPEC shall permit the Successful Respondent(s) to take advantage of GIPEC's exemption from mortgage recording tax (MRT) in connection with the Successful Respondent(s)' initial construction financing. However, the Successful Respondent(s) will be required to pay GIPEC a payment in lieu of MRT (PILOMRT), which may or may not reflect a discount from the MRT that would otherwise be due.