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Cleveland, Ohio 44125

FINAL DRAFT

July 13, 2015

Mr. Dru Siley
Director, Planning & Development
City of Lakewood
12650 Detroit Ave.
Lakewood, OH 44107

Dear Mr. Siley:

Enclosed you will find Allegro Realty Advisors, Ltd. ("Allegro") final report related to the physical conditions, current market values, and estimated future values of the following three properties (collectively, the "Subject Properties").

1. Lakewood Hospital Professional Building — 14601 Detroit Avenue, Lakewood, OH 44107
2. Lakewood Community Health Center — 1450 Belle Avenue, Lakewood, OH 44107
3. Lakewood Hospital Parking Garage — 1422 Belle, Lakewood, OH 44107

Allegro, working in conjunction with Simplified Facilities Group, completed a physical assessment, broker's opinions of value ("BOV"), and projected future values for the Lakewood Hospital Professional Building ("POB") and the Lakewood Community Health Center ("CHC"). Additionally, Allegro developed a broker's opinion of value and projected future value for the Lakewood Hospital Parking Garage ("Garage").

Allegro has provided the City of Lakewood ("City") with three distinct sections: 1) Physical Conditions Assessment; 2) Broker's Opinions of Value; and 3) Projected Future Values. Supporting documentation is included and referenced throughout as appendices.

1. Physical Conditions Assessment

Allegro collaborated with Simplified Facilities Group, Inc. ("SFG") to conduct physical conditions assessments of the POB and CHC. SFG completed a thorough inspection of the following building components: roof, building exterior, doors and windows, landscapes and walks, building interior, electrical, HVAC, and building systems.

SFG evaluated each of these components and assigned each with a Risk Rating and a Cost to Repair Rating. Both ratings are from one to three, with one being "High" and three being "Low" (risk and cost). Where appropriate, SFG assigned a budget figure for cost to repair as a reference.

SFG's Risk Ratings are as follows:

1. Immediate concern or needs immediate attention
2. Will need attention in the near term or regularly
3. Not a significant concern

SFG's Cost to Repair Ratings are as follows:

1. High cost or over $15,000
2. Medium cost or between $5,000 and $15,000
3. Low cost or less than $5,000

Reports for both properties were compiled by SFG and are included as Appendices A (POB) and B (CHC). At a high level, it should be noted that SFG's evaluations determined that both properties were well maintained and in good condition. Neither required any immediate attention related to their structural components or systems. As the report notes, SFG made several recommendations aimed at extending the useful lives of current components, but did not believe significant capital improvements were required in either building at this time. It should be noted that SFG's evaluation and corresponding report did not contemplate any change in use, rather it assumes continued use in the building's current configuration.

2. Broker's Opinions of Value – current market value

Allegro developed the following report in order to provide the City with its professional opinions of value for the Subject Properties. These opinions of value are based on a reasonable degree of professional certainty and leverage Allegro's experience in the commercial real estate market. Please note that these opinions of value are not formal appraisals. Rather, they are estimates of the realistic market values in the context of current and near-term market and submarket conditions, likely user/investor perceptions of the Subject Properties' strengths and weaknesses, competitive properties currently on the market and recent transactions deemed comparable due to characteristics including location, zoning, size, configuration, and physical condition. The enclosed valuations are premised on what a reasonable buyer would pay for the Subject Properties considering all of the above dynamics.

Additionally, it should be noted that Allegro's opinions of value are premised on the assumption that Subject Properties are not subject to a master lease between the Lakewood Hospital Association ("LHA") and the City. Rather, these analyses assumed that a potential buyer would assume the subleases, not the master lease, which includes multiple unrelated properties. This methodology was employed in order for the report to reflect typical market conditions.

Subject Property Description

The Subject Properties are located at 14601 Detroit Avenue (POB), 1422 Belle Avenue (Garage), and 1450 Belle Avenue (CHC), Lakewood, Ohio. The Subject Properties are located in close proximity to the high-traffic intersection of Detroit Avenue and Warren Road and are located approximately one and two-tenths (1.2) miles from Interstate 90, two (2) miles from the Triskett RTA Rapid Station, and eight (8) miles from Cleveland-Hopkins International Airport.

The site, including all three buildings, is comprised of the 15 parcels listed in the table on the following page and consists of 2.74 acres. For the purposes of determining market and tax values, the County recorded two primary parcels[1]: 314-04-001, which includes the POB and 314-04-003, which includes the Garage and CHC.

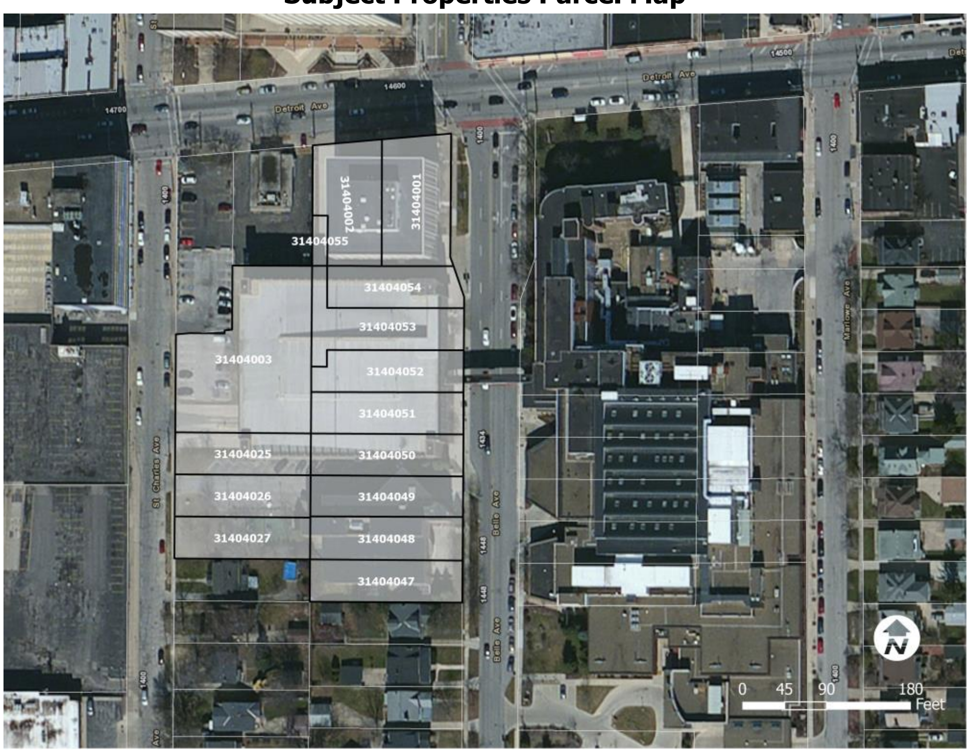
[1] *Source: Cuyahoga County Fiscal Officer, Cleveland GIS (for parcel size)*

Subject Properties Parcel Table

Parcel	Owner	Market Value	Taxable Value	Taxes	Acres
31404001	City of Lakewood	$ 5,123,300.00	$ 1,110,000.00	$ 47,368.46	0.23
31404002	Listed with 31404001				0.20
31404055	Listed with 31404001				0.02
31404003	City of Lakewood	$ 4,929,000.00	$ -	$ -	0.50
31404025	Listed with 31404003				0.15
31404026	Listed with 31404003				0.15
31404027	Listed with 31404003				0.15
31404047	Listed with 31404003				0.17
31404048	Listed with 31404003				0.17
31404049	Listed with 31404003				0.16
31404050	Listed with 31404003				0.17
31404051	Listed with 31404003				0.17
31404052	Listed with 31404003				0.16
31404053	Listed with 31404003				0.19
31404054	Listed with 31404003				0.15
Total		$ 10,052,300.00	$ 1,110,000.00	$ 47,368.46	**2.74**

For additional reference, Allegro has included a parcel map depicting the geographic location of the parcels listed in the table above.

Subject Properties Parcel Map



Lakewood Professional Office Building

The POB was built in 1974 and is comprised of 86,805 gross square feet on eight levels (including a lower level) with a total of 77,324 rentable square feet. According to the rent roll provided to Allegro, 65% of the rentable square footage is occupied. The POB is adjacent to the Garage and is connected by a skywalk on the third building level. The building includes ground floor retail along both Detroit Avenue and Belle Avenue. Common areas are in good condition and appear to have been recently renovated. Additionally, Allegro toured multiple vacant suites within the POB to assess typical layouts, finishes, and in-suite amenities. Based on Allegro's conversations with the current building manager, the suites toured reflected the majority of the building's spaces (i.e., layouts and finishes in occupied spaces largely mirrored vacant spaces).

During the tour of the space, Allegro generally observed suites that were configured for medical use (i.e., multiple small exam rooms/offices, waiting areas), comprised of outdated finishes (e.g., carpets, cabinets, etc.), and challenged for natural light due to the window placement and configuration. Based on observations, Allegro would categorize the building as comprised of Class C office space. The interior photos below and on the following page provide examples of the types of spaces available in the POB.

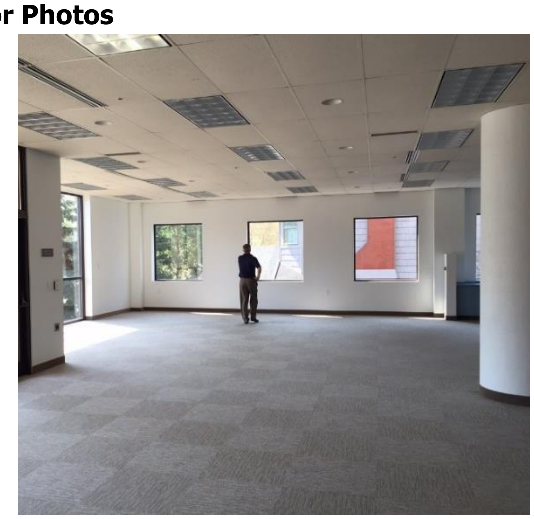
POB Interior Photos

Lakewood Community Health Center

The Community Health Center was built in 1990 and is comprised of 34,938 gross square feet on three floors with a total of 25,895 rentable square feet. According to the rent roll provided to Allegro 77% of the rentable square footage is occupied. The CHC is adjacent, but not connected, to the Garage. The CHC also has approximately 20 surface parking spaces. Common areas appeared to be in good condition and appear to have been recently renovated. Additionally, as with the POB, Allegro toured multiple vacant spaces within the CHC to assess typical layouts, finishes, and in-suite amenities. Based on Allegro's tour and knowledge of the building, the suites toured reflected the majority of the building's spaces (i.e., layouts and finishes in occupied spaces largely mirrored vacant spaces).

During the tour of the space, Allegro observed suites that were configured for either medical/office use (i.e., multiple small exam rooms/offices, waiting areas), large flexible space (e.g., conference space), or specialized space (e.g., daycare). Unlike the POB, the CHC is comprised of space with updated finishes (e.g., carpets, cabinets, etc.), outdoor space, and better natural light. Based on observations, Allegro would categorize the building as comprised of Class B office space. The interior photos on the following page provide examples of the types of spaces available in the POB.

CHC Interior Photos

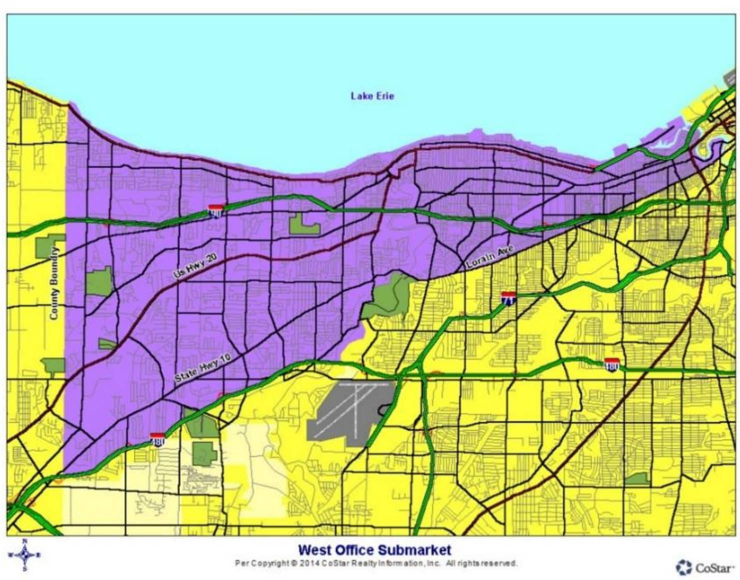


In general both properties are well-maintained. However, the POB, though well-maintained, consists of outdated spaces, limited natural light, and is in need of renovations to attract new office tenants. Conversely, the CHC appears well maintained and includes more updated space. Accordingly, Allegro does not believe it would require significant improvements in order to attract new office tenants. Finally, it is worth noting that both the POB and CHC are occupied by medical tenants (see attached Rent Roll, Appendix C) who currently benefit from the proximity to Lakewood Hospital.

Market Conditions

The Subject Properties are located within what is generally accepted as the West Office Submarket in Greater Cleveland and Northeastern Ohio. The West Office Submarket is generally bounded by Lorain Ave, then Valley Parkway, then I-480 to the south; the Cuyahoga County/Lorain County line to the west; Lake Erie to the north; and the Cuyahoga River to the east and is generally defined to include western Cleveland neighborhoods including Ohio City and Detroit Shoreway and western suburbs of Cleveland, such as Lakewood, Rocky River, Westlake, Bay Village, Fairview Park, and North Olmsted. The map on the following page provides a visual representation of the West Office Submarket.

CoStar Greater Cleveland West Office Submarket Map



In order to assess market conditions, Allegro reviewed data on the submarket provided by CoStar, a professionally-recognized, commercial real estate industry property database. These data provide an overview of the market and submarket conditions affecting the Subject Properties' values. The CoStar Office Report calculates office statistics using CoStar Group's entire database of existing and under construction office buildings in each metropolitan area. Included are office, office condominium, office loft, office medical, all classes and all sizes, and both multi-tenant and single-tenant buildings, including owner-occupied buildings. CoStar Group's national database includes approximately 80.7 billion square feet of coverage in 3.5 million properties. All rental rates reported in the CoStar Office Report have been converted to a Full Service equivalent rental rate.[2]

According to CoStar, Office property within this submarket can be generally described as Class B property with some Class A property in the western half of the submarket, including the area around Crocker Park. The Subject Properties are generally comparable in age to other medical properties in the submarket.

In general, the submarket has experienced declining vacancies, modest absorption, and stable rent rates[3]. The table below highlights recent trends within the submarket.

Period	Vacancy %	Net Absorption	Quoted Rates
2015 1Q	11.0%	26,383	$ 14.56
2014 4Q	11.4%	5,936	$ 14.45
2014 3Q	11.4%	46,775	$ 14.24
2014 2Q	12.0%	17,525	$ 14.26
2014 1Q	12.2%	13,079	$ 14.28
2013 4Q	12.4%	35,820	$ 14.54
2013 3Q	12.9%	57,243	$ 14.63
2013 2Q	13.8%	1,993	$ 14.47
2013 1Q	14.0%	13,753	$ 13.86

Over the nine quarter period examined, the submarket experienced a three percentage point decrease in vacancy, positive net absorption of nearly 220,000 square feet, and an increase in quoted rent rates of $0.70 per square foot. It should be noted that the trends evident in the West Office submarket are mirrored across the entire Cleveland Office market.

In order to understand how these trends are impacting specific transactions, Allegro reviewed both recently sold office properties and office properties currently for sale within the submarket. These data are used in deriving Allegro's opinions of value for the POB and CHC. Specifically, Allegro examined properties that met the following criteria:

- Cleveland West submarket
- Class B or Class C Office
- Total building size of over 25,000 SF
- Located on a commercial corridor
- Sold in the last 6 years

[2] The CoStar Office Report, First Quarter 2015, Cleveland Office Market
[3] Ibid.

Office Properties Sold in West Submarket, Over 25,000 Square Feet, between 2009-2015

Address	Name	City	Property Type	Sale Price	Sale Date	Size(SF)	Price/SF	Vacancy
14701-14725 Detroit Ave	INA Building	Lakewood	Office	$3,700,000	1/29/2009	128,316	$17.62	24.34%
20575 Center Ridge Rd	HealthSpan Bldg.	Rocky River	Office	$750,000	2/23/2010	51,695	$14.51	58.89%
24650 Center Ridge Rd	The Westlake Center	Westlake	Office	$750,000	6/22/2010	63,297	$11.85	28.98%
18519 Detroit Ave	Bonne Bell/Georgetown…	Lakewood	Office	$675,000	4/12/2011	38,055	$17.74	0.00%
20325 Center Ridge Rd	Westgate Plaza	Rocky River	Office	$1,150,250	12/29/2011	89,000	$12.92	19.60%
25425 Center Ridge Rd		Westlake	Office	$1,050,000	1/8/2013	48,000	$21.88	0.00%
14600 Detroit Ave	Lakewood Center North	Lakewood	Office	$3,385,000	2/19/2013	258,470	$13.10	29.53%
22255 Center Ridge Rd		Rocky River	Office	$1,000,000	2/21/2013	94,089	$10.63	5.78%

From these data, it is evident that there is a disparity in sales price as it relates to occupancy. Specifically, in those buildings where there is greater vacancy (i.e., 28%+) the sales price per square foot averaged **$13.15 per square foot** and ranged from $11.85 per square foot to $14.51 per square foot. Where the building experienced less vacancy (i.e., less than 28%) the sales price per square foot averaged **$16.16 per square foot** and ranged from $10.63 per square foot to $21.88 per square foot.

In addition to reviewing the larger market, the recent sale of Lakewood Center North required additional attention given its proximity to the Subject Properties and similarity in vacancy rates, finishes, amenities, and building class,. In this case, vacancy at the time of sale averaged 29.53%, assumed lower average rent rates averaging approximately $13.00 to $15.00 per square foot[4], and as CoStar data demonstrates, market conditions were not materially different than market conditions today. In summation, Allegro believes the sale of Lakewood Center North represents the most relevant recent comparable sale for the analysis of both the POB and CHC. In this case, the property sold for **$3,385,000 or $13.10 per square foot.**

In addition to reviewing recently sold properties, Allegro also examined properties currently for sale within the Submarket, using the criteria as outlined above. The table below highlights those three properties that are currently listed for sale within the Submarket.

Office Properties For Sale in West Submarket, Over 25,000 Square Feet

Address	City	Asking Price	Asking Price/SF	Size(SF)	Vacancy	Stories	Yr Blt/Ren	Class
24610 Detroit Rd	Westlake	$2,150,000	$74.14	29,000	0.00%	2	1989, Renov 2012	C
20800 Center Ridge Rd	Rocky River	$1,400,000-1,800,000	$27.78-35.71	50,400	8.00%	4	1957	C
21330-21360 Center Ridge Rd	Rocky River	$1,200,000	$24.00	50,000	100.00%	4	1965	B

Although the data is limited on relevant comparable properties currently listed for sale, Allegro believes that the data generated from the two properties located on Center Ridge Road can be incorporated into a final value for the POB and CHC. Specifically, the building located at 20800 Center Ridge Road is a four-story office building, located directly across the street from the Westgate Shopping Plaza. While the building is listed at $28.00 per square foot, given that it has been on the market for 1,952 days, Allegro believes that this asking price both reflects a premium on the anticipated final negotiated price and is not reflective of market conditions.

Collectively, these data inform Allegro's final determination on the values for the POB and CHC.

[4] CoStar, signed leases and average quoted rent rates for Lakewood Center North

However, in the case of the Garage, given the dearth of data on garage sales and industry practice, Allegro employed income and net land value methodology approaches to determine the value. It is industry practice to value parking garages through the income approach[5]. However, the Garage currently generates $244,463 in annual revenue and has $287,135 in operating expenses. Therefore, employing an income approach does not yield a positive value for the property. Importantly, if operating expenses for the garage remain constant and included no significant capital expenses, the Garage would need to increase annual revenue by 18% in order to generate a positive value, based on a capitalization rate of 8.25%[6]. Based on the limited data provided to Allegro, the Garage appears to be underutilized as a revenue generating source. As one perspective, a "back of napkin" assessment that assumes only all-day parkers[7] at $8.00 per day for 5-days per week, the revenue generated in 2014 only accounts for parking 117 cars per day, or 18.6% of the 630 parking spaces in the garage.

Given the above data, Allegro recommends that the City primarily look to Section Three of this report and the Excel financial modeling scenarios to determine potential current and future values for the Garage. However, as an alternative in this section, Allegro also evaluated the Garage's value utilizing a net land value approach. The fundamental premise of this approach is that a potential user of real estate will not pay more for a property than it would cost to construct an equivalent condition.

During the past 10 years, four commercial properties on Detroit Avenue in Lakewood were sold. The average land value in the transactions was $18.31 per square foot. More specifically, the properties located at 16403 Detroit and 15501 Detroit required the buyer to demolish the existing structures. The table below highlights the purchase price for each of the properties.

Vacant Land Sales in the City of Lakewood, 2008 through 2014

Address	Sale Price	Sale Date	Land(SF)	Price/Land SF
1426 Parkhaven Row on Detroit Ave	$850,000	12/10/2013	39,204	$21.68
15501 Detroit Ave	$900,000	7/14/2011	56,628	$15.89
16403 Detroit Ave	$575,000	9/10/2009	30,927	$18.59
17609 Detroit Rd	$385,000	7/14/2008	19,166	$20.09

It is worth noting that the average price per square foot of land for the two most relevant land sale comps (i.e., 16403 Detroit and 15501 Detroit) was **$17.24 per square foot.** The table below highlights those parcels and the corresponding size that could be included in a land sale of the Garage only.

Parcel	Acres	Square Feet
31404050	0.17	7,405
31404025	0.15	6,534
31404003	0.50	21,780
31404051	0.17	7,405
31404052	0.16	6,970
31404053	0.19	8,276
31404054	0.15	6,534
Total	**1.49**	**64,904**

[5] Anglyn, William (2013, October). How Appraisers Value Parking Facilities. *Parking Today*.
[6] Cap rate specific for parking garages in the Cleveland market provided by CoStar Group, 2015.
[7] Allegro realizes that this not actually the case but has insufficient data to calculate otherwise.

The cost of demolishing the existing structure must be deducted from the calculated value of the land. For the purposes of this analysis, Allegro utilized construction contractor Makovitch and Pusti's estimate of $1,025,000 to demolish the Garage and restore the site.

The table below provides the City with a quick analysis of the potential value of the Garage to a developer interested in acquiring the land only for an alternative use.

Square Feet Land	65,000
Value per Foot	$ 17.00
Total Value	$ 1,105,000
Square Feet Building	180,000
Demo Cost per Foot	$ 5.69
Total Demo Cost	$ 1,025,000
Potential Value	$ 80,000

Summary & Conclusions – Broker's Opinions of Values

Taking into consideration all of the data contained above, Allegro assessed the general strengths and weaknesses of the Subject Properties, relative to comparable properties, to arrive at a range for its opinion of values.

Specifically, when developing an opinion of value for the POB and CHC, Allegro considered the following factors:

- Submarket data that suggests stable values, modest absorption, and slowly declining vacancy, indicators of a stable market
- Recently completed sales transactions demonstrated prices ranging from $10.63 per square foot to $21.88 per square foot
- The most relevant comparable sale, Lakewood Center North, was completed in 2013 for $13.10 per square foot. However, due to its size (i.e., considerably larger than the POB and CHC), Allegro would assume there was a discount applied to the final negotiated price.
- Relevant properties currently on the market demonstrate higher than expected asking prices, ranging from $24.00 per square foot to $28.00 per square foot. These properties are located in areas outside of Lakewood that command higher rents.
- The office market for the City of Lakewood suffers from inferior highway accessibility and increased competition from Class A office space to the west in Westlake
- The interior finishes at the CHC building are superior to those at the POB

Taking the above characteristics and data into consideration, Allegro is offering the following opinions of value for the POB and CHC. These ranges take into account historic submarket trends, current market activity, and the condition of the two properties.

Reasonable Range of Value, Lakewood Professional Office Building
$15.00 to $17.00 per square foot or
$1,300,000 to $1,475,000

Reasonable Range of Value, Lakewood Community Health Center
$18.00 to $20.00 per square foot or
$625,000 to $700,000

Again, in the case of the Garage, Allegro recommends that the City look to Section Three for a more reliable value. However, based on a recent market transactions for land, less demolition costs, Allegro is offering the following range of value for the Garage.

Reasonable Range of Value, Lakewood Garage Land
$75,000 to $100,000

3. Projected Future Values – Financial Modeling

While the market data provided in Section Two provides the City with a snapshot of where similar properties are selling, Section Three allows the City to test different assumptions, model a variety of scenarios, and better understand the underlying future values of the Subject Properties.

In this vein, Allegro also performed financial modeling utilizing Argus software for the POB and CHC. Argus software is designed exclusively for commercial real estate use and has become the industry standard software employed for valuation modeling. Cash flow analysis and valuations are the foundation of the software. It should be noted that Allegro leverages Argus software for clients and projects of all sizes and scales. All Argus models are included as Appendix D and labeled appropriately.

In the case of the Garage, Allegro developed an Excel model which permits the City to manipulate a number of variables impacting the asset's potential annual performance and therefore value. The assumptions that were included in the model are detailed in the following section and the model is included as Appendix E and delivered electronically.

POB and CHC Financial Modeling

For the purposes of this analysis, Allegro modeled four different scenarios for the POB and CHC – a status quo model, an intermediate model, a recapitalization model using market rents and another with below market rents. In all cases, Allegro assumed that the owner, the City, assumed control of the property with the existing subleases in place and that the properties were not subject to a master lease with LHA. As with Section Two, this was done in order to replicate typical market conditions. Beyond this baseline assumption, the four scenarios included very different assumptions.

At a high level, the Status Quo model assumes that the Lakewood Hospital remains in place and operating during the term of the model (2015-2025). Therefore, during this period, the existing related leases (i.e., those to Hospital Affiliates or Cleveland Clinic Affiliates) remain largely intact. Moreover, given these facts, the POB and CHC do not require significant capital investment for renovations, both continue to leverage their location across from the hospital and generate considerable occupancy related to hospital operations.

The Intermediate model assumes that the Lakewood Hospital exits the property across the street during 2016 and is replaced by a 50-60,000 square foot wellness center. In this case, the POB and CHC continue to derive some occupancy benefits from their location in proximity to a wellness center, but at a significantly lower rate than previously. Correspondingly, given the reduction in demand for space by related users, this model assumes that 50% of the tenants exit at lease termination and of those that remain, a majority renew their lease. In those spaces after tenants exit, the model assumes that the owner would need to make significant capital investments into the space to enhance its marketability for typical office users.

The Recapitalization model assumes that the Lakewood Hospital exits the property across the street during 2016. It does not assume that the POB and CHC are required to support a future wellness center. Rather, it assumes that all existing related leases (i.e., Hospital Affiliates and Cleveland Clinic Affiliates) exit upon lease expiration. Given this exodus of current tenants, the model assumes that the owner would need to make significant capital investments into the space to enhance its marketability and lease up the vacant space. In order further understand the recapitalization scenario, Allegro analyzed the cash flows using market rents and again with below market rents. The analysis using below market rents would require less up-front investment in the property and potentially lead to stronger leasing activity.

Listed below are the underlying assumptions included in the POB model:

Scenario #1 (POB), Status Quo:

- Property remains as-is with current tenants
- As current leases expire, 80% of current tenants renew leases at 5-year terms
- As current leases expire, current tenants are not subject to rent increase
- Occupancy increases from current 60% to 80% during the term of the model
- As existing tenants move-out, space is backfilled with new tenants
- New tenants sign 5-year leases, pay market rent ($13.50/foot), increasing annually at 2%
- New tenants require a $10.00 per square foot tenant improvement concession
- Existing tenants do not receive a tenant improvement concession at renewal
- Commissions are paid at 8% for new leases and 4% for renewals
- Upon turnover, spaces remain vacant for an average of 10 months
- Year 1 Operating Expenses and Real Estate Taxes are $6.71 per square foot per year for the entire building. Expenses are assumed to increase annually at 3%
- Tenants reimburse operating expenses and taxes over specific base stop amounts established at the time of lease execution.
- Real estate taxes are held constant given that tenant makeup remains consistent
- Capital improvements are reserved at $0.50 per square foot annually for future expenses

Scenario #2 (POB), Intermediate:

- As current Hospital Affiliate and Cleveland Clinic Foundation leases expire, 50% of tenants exit
- As current private leases expire, 80% of current tenants renew leases at 5-year terms
- As current private leases expire, current tenants are not subject to a rent increase
- Occupancy fluctuates during the term of the model, but stabilizes at 80% in year six
- New tenants sign 5-year leases, pay market rent ($13.50/foot), increasing annually at 2%
- New tenants require a $45.00 per square foot tenant improvement concession
- Existing tenants do not receive a tenant improvement concession at renewal
- Commissions are paid at 8% for new leases and 4% for renewals
- Upon turnover, spaces remain vacant for an average of 10 months
- Year 1 operating expenses and real estate taxes are $6.71 per square foot per year for the entire building. Expenses are assumed to increase annually at 3%

- Tenants reimburse expenses over specific base stop amounts established at the time of lease execution.
- Real estate taxes are held constant despite change in tenant makeup, assumes owner would challenge taxable value
- Capital improvements are reserved at $0.50 per square foot annually for future expenses

Scenario #3 (POB), Recapitalization:

- As current Hospital Affiliate and Cleveland Clinic Foundation leases expire, 100% of tenants exit
- As current private leases expire, 80% of current tenants renew leases at 5-year terms
- As current private leases expire, current tenants are not subject to a rent increase
- Occupancy fluctuates during the term of the model, but stabilizes at 80% in year six
- New tenants sign 5-year leases, pay market rent ($13.50/foot), increasing annually at 2%
- New tenants require a $45.00 per square foot tenant improvement concession
- Existing tenants do not receive a tenant improvement concession at renewal
- Commissions are paid at 8% for new leases and 4% for renewals
- Upon turnover, spaces remain vacant for an average of 10 months
- Year 1 operating expenses and real estate taxes are $6.71 per square foot per year for the entire building. Expenses are assumed to increase annually at 3%
- Tenants reimburse expenses over specific base stop amounts established at the time of lease execution
- Real estate taxes are held constant despite change in tenant makeup, assumes owner would challenge taxable value
- Capital improvements are reserved at $0.50 per square foot annually for future expenses

Scenario #4 (POB), Recapitalization w/ Below Market Rents:

- As current Hospital Affiliate and Cleveland Clinic Foundation leases expire, 100% of tenants exit
- As current private leases expire, 80% of current tenants renew leases at 5-year terms
- As current private leases expire, current tenants are not subject to a rent increase
- Occupancy fluctuates during the term of the model, but stabilizes at 80% in year six
- New tenants sign 5-year leases, pay below market rent ($8.00/foot), increasing annually at 2%
- New tenants require a $10.00 per square foot tenant improvement concession
- Existing tenants do not receive a tenant improvement concession at renewal
- Commissions are paid at 8% for new leases and 4% for renewals
- Upon turnover, spaces remain vacant for an average of 10 months
- Year 1 Operating expenses and real estate taxes are $6.71 per square foot per year for the entire building. Expenses are assumed to increase annually at 3%
- Tenants reimburse expenses over specific base year amounts established and defined at the time of lease execution.
- Real estate taxes are held constant despite change in tenant makeup, assumes owner would challenge taxable value
- Capital improvements are reserved at $0.50 per square foot annually for future expenses

Listed below are the underlying assumptions included in the CHC model:

Scenario #1 (CHC), Status Quo:

- Property remains as-is with current tenants

- As current leases expire, 100% of current tenants renew leases at 5-year terms
- As current leases expire, current tenants are not subject to rent increase
- Occupancy remains constant during term of model (i.e., vacant space is not leased)
- Existing tenants do not receive a tenant improvement concession at renewal
- Operating expenses (not including Electric) are assumed to be $2.56 per square foot per year and increase annually at 3%. These charges are not reimbursed by the tenants.
- Electrical Expenses are $1.50 per square foot per year. Every tenant, with the exception of the Lakewood Child Care Center, reimburse the expense based on their lease area.
- Real estate taxes are held constant ($0.00) given that tenant makeup remains consistent
- Capital improvements are reserved at $0.50 per square foot annually for future expenses

Scenario #2 (CHC), Intermediate:

- As current Hospital Affiliate and Cleveland Clinic Foundation leases expire, 50% of tenants exit
- Child care center remains in building during term of model
- As remaining leases expire, 100% of the tenants renew leases at 5-year terms
- Current tenants are not subject to rent increase
- Occupancy stabilizes at 100% occupancy in year four
- New tenants sign 5-year leases, pay market rent ($13.50/foot), increasing annually at 2%
- New tenants require a $10.00 per square foot tenant improvement concession
- Existing tenants do not receive a tenant improvement concession at renewal
- Upon turnover, spaces remain vacant for an average of 10 months
- Operating expenses are assumed to be $2.56 per square foot and electrical expenses are assumed to be $1.50 per square foot, both increasing annually at 3%
- Real estate taxes increase to $45,000 based on change in tenant makeup
- Current tenants only reimburse the electrical expense based on their prorate share. All new tenants and leases will require the reimbursement of the electrical and real estate tax expenses.
- Capital improvements are reserved at $0.50 per square foot annually for future expenses

Scenario #3 (CHC), Recapitalization:

- As current Hospital Affiliate and Cleveland Clinic Foundation leases expire, 100% of tenants exit
- Child care center remains in building during term of model
- As current private leases expire, 100% of current tenants renew leases at 5-year terms
- As current leases expire, current tenants are not subject to rent increase
- Occupancy stabilizes at 100% occupancy in year four
- New tenants sign 5-year leases, pay market rent ($13.50/foot), increasing annually at 2%
- New tenants require a $10.00 per square foot tenant improvement concession
- Existing tenants do not receive a tenant improvement concession at renewal
- Upon turnover, spaces remain vacant for an average of 10 months
- Operating expenses are assumed to be $2.56 per square foot and electrical expenses are assumed to be $1.50 per square foot, both increasing annually at 3%
- Real estate taxes increase to $45,000 based on change in tenant makeup
- Current tenants only reimburse the electrical expense based on their prorata share. All new tenants and leases will require a prorata reimbursement of the electrical and real estate tax expenses.
- Capital improvements are reserved at $0.50 per square foot annually for future expenses

Scenario #4 (CHC), Recapitalization w/ Below Market Rent:

- As current Hospital Affiliate and Cleveland Clinic Foundation leases expire, 100% of tenants exit
- Child care center remains in building during term of model
- As current private leases expire, 100% of current tenants renew leases at 5-year terms
- As current leases expire, current tenants are not subject to rent increase
- Occupancy stabilizes at 100% occupancy in year four
- New tenants sign 5-year leases, pay below market rent ($8.00/foot), increasing annually at 2%
- New tenants require a $10.00 per square foot tenant improvement concession
- Existing tenants do not receive a tenant improvement concession at renewal
- Upon turnover, spaces remain vacant for an average of 10 months
- Operating expenses are assumed to be $2.56 per square foot and electrical expenses are assumed to be $1.50 per square foot, both increasing annually at 3%
- Real estate taxes increase to $45,000 based on change in tenant makeup
- Current tenants only reimburse the electrical expense based on their prorata share. All new tenants and leases will require a prorata reimbursement of the electrical and real estate tax expenses.
- Capital improvements are reserved at $0.50 per square foot annually for future expenses

POB Conclusions

The models demonstrate similar outcomes for the potential future owner. First, in the Status Quo model, in year 2 (2016), the property generates an NOI of approximately $255,028. As a note, this value is significantly higher than Allegro's opinion of value produced in Section Two above. Assuming an 11.2% cap rate, which is the average cap rate for office properties in the West Submarket, the building is valued at $2,277,035. However, once the City considers the additional expenses associated with ownership of the property (i.e., leasing commissions, tenant improvement concessions, and capital reserves), the model demonstrates lower positive cash flows. In sum, the property generates cash flows of $1,400,000 during the 10-year period.

Second, the Intermediate model, in year 2 (2016), the property generates an NOI of approximately $255,969. Again, using the cap rate of 11.2% above, the value is higher than Allegro's opinion of value from Section Two at $2,285,000. Unlike the Status Quo model, the Intermediate model generates negative cash flows once additional expenses are considered for leasing and tenant improvements. In the Intermediate model the primary driver for losses are the tenant improvements the owner would be required to make in order to attract new office tenants. In this model, more than $2,000,000 is invested by the owner to upgrade space for new tenants during the 10-year period. Despite the investment, the sum of the cash flows after all expenses are considered is negative.

Third, the Recapitalization model highlights an even more challenging financial picture for the future owner. Again, the model demonstrates that the property consistently generates positive NOI during the term of the model, ranging from $199,000 to $296,000 annually. However, as with the Intermediate model, the inclusion of additional expenses generates total negative cash flows of ($387,000). Given that this model assumes an exodus of all hospital related tenants, again, the primary driver for losses are the tenant improvement costs required to attract new office tenants. In this model more than $2,400,000 is invested by the owner to upgrade the space for new tenants during the 10-year period.

The Recapitalization model that uses below market rents presents a scenario that starts strong but continually weakens over time. While the tenant improvement and leasing costs are lower over of the 10-year period, the persistence of below market rents creates negative cash flow as the building expenses catch up to the depressed revenue stream. Overall, a total of $1,500,000 million is invested to create a total negative cash flow of ($260,000) over the 10-year period.

Based on these models, Allegro believes that while the POB could continue its operations sufficiently as currently tenanted (Status Quo), the overall cash flow generated would not offset the long term risk in holding the property. Additionally, there would be minimal capital for long term tenant and/or capital improvements. In this ownership strategy, the owner is a caretaker for the property, maintaining the building's systems and current tenants, but not making significant investments that would add value to the building. Perhaps more importantly, based on the underlying assumptions included in the alternative Intermediate and Recapitalization models, Allegro believes that stabilizing the property would require significant investment and patience on the part of the owner.

CHC Conclusions

Unlike the POB model, the CHC demonstrates similar, but positive long term financial outcomes for the future owner. First, in the Status Quo model, in year two (2016), the property generates an NOI of approximately $220,029. It is worth noting that when applying the same cap rate of 11.2%, the model generates a value greater than Allegro's market research would indicate. Specifically, based on the Argus modeling and 11.2% cap rate, the CHC generates a value of $1,965,000. More importantly, given the current condition of the building, even when including additional expenses in the analysis, the property consistently demonstrates positive cash flows annually.

Second, in the Intermediate and Recapitalization models, although it takes some time for the CHC to rebound from the initial tenant losses related to Cleveland Clinic Foundation and Hospital Affiliate tenants and the corresponding tenant improvements, by year four (2018) the property generates positive NOI and cash flows after additional expenses in both models.

Based on these models, Allegro believes that the CHC is likely to continue to generate positive cash flows for the future owner, whether a turnover in tenants is required or not. This is due primarily to the following factors: 1) in all models, Allegro assumed the building maintained its an anchor tenant in place with the Child Care Center; and 2) significant capital investment is not required in the space in order to backfill vacant spaces.

Garage Financial Modeling

In the case of the Garage, rather than utilize Argus for financial modeling, Allegro developed an Excel model that the City could manipulate in order to determine breakeven parking figures based on the estimated capital repairs required at the building.

Allegro referenced Makovitch and Pusti's ("Makovitch report") garage report and utilized the report's estimates related to Option #1 – Repair the existing structure and upgrade construction to current standards. Based on the Makovitch report, the Garage requires $5,186,000 in repairs plus $100,000 annually to address deferred maintenance.

Listed below are the underlying assumptions included in the Garage model:

- $5,186,000 total capital investments spread out over the first two years as follows: $3,700,000 in upfront renovation costs and $1,500,000 spread over the next 24 months
- $100,000 in annual capital investments for deferred maintenance
- Expenses are assumed to increase annually at 3% (based on current operating expenses provided to Allegro)
- A maximum daily rate of $6.00 per car
- 260 potential parking days (52 weeks per year, 5 days per week)

Based on these assumptions, Allegro developed a model for the City aimed at providing the City with two meaningful data points for decision making: first, Allegro's model, which can be manipulated by the City, provides the City with a tool to determine how many daily parkers are required for the Garage owner to breakeven on annual expenses (current operating expenses + $100,000 in deferred maintenance improvements); and second, how many daily parkers are required to generate various rates of return based on a $5,186,000 investment in the building spread over three years.

As the table below demonstrates (also included in large-scale format as Appendix E), breakeven for the Garage, given the increases in operating expenses, requires approximately 260 all day parkers.

Garage Parking Model

Garage Data	
Spaces	630
Pricing per Day	$6.00
Days Available	260
Annual Operating Expenses	$403,251
Construction Costs (Phase I)*	$3,700,000
Construction Costs (Phase II)**	$1,500,000

*Costs incurred upfront at start of project.
**Costs incurred over the first 24 months

Scenario	Annual Occupancy %	Spaces Filled Per Day (min. 2 hours)	Gross Potential Income	$/Day/Space	$/Year/Space	Net Operating Income	$/Day/Space	$/Year/Space
Positive Return	100%	630	$982,800	$6.00	$1,560.00	$579,549	$3.54	$919.92
on Investment	90%	567	$884,520	$5.40	$1,404.00	$481,269	$2.94	$763.92
	85%	536	$835,380	$5.10	$1,326.00	$432,129	$2.64	$685.92
	80%	504	$786,240	$4.80	$1,248.00	$382,989	$2.34	$607.92
	75%	473	$737,100	$4.50	$1,170.00	$333,849	$2.04	$529.92
	70%	441	$687,960	$4.20	$1,092.00	$284,709	$1.74	$451.92
	65%	410	$638,820	$3.90	$1,014.00	$235,569	$1.44	$373.92
	60%	378	$589,680	$3.60	$936.00	$186,429	$1.14	$295.92
	55%	347	$540,540	$3.30	$858.00	$137,289	$0.84	$217.92
	50%	315	$491,400	$3.00	$780.00	$88,149	$0.54	$139.92
	45%	284	$442,260	$2.70	$702.00	$39,009	$0.24	$61.92
	41%	258	$403,251	$2.46	$640.08	$0	$0.00	$0.00
	35%	221	$343,980	$2.10	$546.00	($59,271)	($0.36)	($94.08)
	30%	189	$294,840	$1.80	$468.00	($108,411)	($0.66)	($172.08)
Status Quo	26%	164	$255,528	$1.56	$405.60	($147,723)	($0.90)	($234.48)
	20%	126	$196,560	$1.20	$312.00	($206,691)	($1.26)	($328.08)
	15%	95	$147,420	$0.90	$234.00	($255,831)	($1.56)	($406.08)
	10%	63	$98,280	$0.60	$156.00	($304,971)	($1.86)	($484.08)
	5%	32	$49,140	$0.30	$78.00	($354,111)	($2.16)	($562.08)

Additionally, as the tables below demonstrate, generating a positive return on the owner's initial three-year investment during the model's 10-year period, would require approximately occupancy levels greater than 90% of the garage on all weekdays for 10 years.

Garage Estimated Rate of Return on Initial Investment

Status Quo Scenario - 164 Cars Per Day @ $6.00/space									**IRR**	**-100%**
Renovation Costs	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
($3,700,000)	($897,723)	($894,769)	($141,873)	($139,036)	($136,255)	($133,530)	($130,859)	($128,242)	($125,677)	($123,164)

41% Occupancy (Annual Income = Annual Expenses) - 258 Cars Per Day @ $6.00/space									**IRR**	**-80%**
Renovation Costs	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
($3,700,000)	($749,998)	($749,998)	$2	$2	$2	$2	$2	$2	$2	$2

50% Occupancy - 315 Cars Per Day @ $6.00/space									**IRR**	**-24%**
Renovation Costs	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
($3,700,000)	($661,851)	($660,088)	$91,710	$93,544	$95,415	$97,324	$99,270	$101,255	$103,281	$105,346

60% Occupancy - 378 Cars Per Day @ $6.00/space									**IRR**	**-15%**
Renovation Costs	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
($3,700,000)	($563,571)	($559,842)	$193,961	$197,840	$201,797	$205,833	$209,949	$214,148	$218,431	$222,800

70% Occupancy - 441 Cars Per Day @ $6.00/space									**IRR**	**-9%**
Renovation Costs	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
($3,700,000)	($465,291)	($459,597)	$296,211	$302,135	$308,178	$314,342	$320,629	$327,041	$333,582	$340,254

80% Occupancy - 504 Cars Per Day @ $6.00/space									**IRR**	**-4%**
Renovation Costs	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
($3,700,000)	($367,011)	($359,351)	$398,462	$406,431	$414,560	$422,851	$431,308	$439,934	$448,733	$457,707

90% Occupancy - 567 Cars Per Day @ $6.00/space									**IRR**	**0%**
Renovation Costs	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
($3,700,000)	($268,731)	($259,106)	$500,712	$510,727	$520,941	$531,360	$541,987	$552,827	$563,883	$575,161

100% Occupancy - 630 Cars Per Day @ $6.00/space									**IRR**	**4%**
Renovation Costs	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
($3,700,000)	($170,451)	($158,860)	$602,963	$615,022	$627,322	$639,869	$652,666	$665,720	$679,034	$692,615

As the first model and table demonstrate, while it is possible for the Garage to breakeven on its annual operations, even considering the annual deferred maintenance commitment, it would require an increase in the number of daily parkers paying for parking at the Garage. Because this analysis does not include a parking demand component, Allegro cannot opine on the probability that the garage would demand 250+ parkers per day. However, in a hypothetical scenario where the parking demand doubled from its current state and generated approximately 315 parkers (or 50% capacity) paying the daily rate of $6.00, the

Garage would yield an NOI of approximately $88,000 annually. Applying an 8.25% cap rate[8] to the property would generate a value of $1,066,000.

Perhaps more importantly, the second model and table, provide the City with data that details the occupancy levels required in the Garage in order to realize various rates of return on the initial $5,186,000 investment required to repair the property. As the table demonstrates, for the City to realize a 0% rate of return during a 10-year period, the garage would require 90%+ occupancy during the entire term. It is worth noting that assuming a more conservative estimate of 50% occupancy, Allegro's estimates are that it would require approximately 20 years for the City to recoup its initial capital investment.

[8] Cap rate specific for parking garages in the Cleveland market provided by CoStar Group, 2015.

simplified facilities group, inc.

Lakewood Professional Building Facility Inspection

City of Lakewood

A Single Source Solution…
For the Future of Your Facility

5/2015

Simplified Facilities Group, Inc.

A Single Source Solution for the Future of Your Facility

Simplified Facilities Group, Inc. would like to thank you for the opportunity to provide you the service of inspecting the Lakewood Professional Building for the City of Lakewood.

Enclosed is our summary for the property.

We have evaluated different components of the building and assigned each summary with a Risk Rating and Cost to Repair Rating. Both are from 1 to 3 with 1 being High and 3 being Low (risk and cost). We have assigned a budget figure for certain areas and that is for reference/range of magnitude only.

Risk Ratings

1 - Immediate concern or needs immediate attention

2 - Will need attention in the near term or regularly

3 - Not a significant concern

Cost Ratings (Dollar values for reference only)

1 – High Cost (Over $15,000)

2 – Medium Cost ($5,000 to $15,000)

3 – Low Cost (Less than $5,000)

As you move forward with this project, please do not hesitate to call on us for any questions or service. Our experience lends us to be familiar with the unique characteristics of similar buildings and what it may take to help you reach your desired results.

Thank you again for the opportunity and we look forward to working with you in the future.

Sincerely,

Michael Sherrill

President

Professional Building – Summary

Multi-Tenant Office Building – Built ~1970's

Roof

- EPDM Single-Ply Rubber
  - Most likely installed in the last 12-15 years. The roof is clean and in good shape. The roof area is approximately 11,000 square feet.
  - This roof system is designed to last 20 years but with proper maintenance and attention can surely surpass that number. Additionally, today there are number of coatings than can be applied over the membrane to extend its life.

Overall Condition – Good; Overall Risk – 2; Overall Cost Exposure – 2

The roof is good shape but as any roof does, will need constant maintenance and has a finite life. Budget $.30 - $.75 per square foot per year for inspection, cleaning and maintenance.

Building Exterior

- Steel and concrete construction with concrete veneer.

Overall Condition – Good; Overall Risk – 3; Overall Cost Exposure – 3

Doors & Windows

- Doors & windows appear to be in good condition.

Overall Condition –Good; Overall Risk – 3; Overall Cost Exposure – 3

Landscape & Walks

- Grounds are minimal but are well maintained.
- Sidewalks are in good condition

Overall Condition – Good; Overall Risk – 3; Overall Cost Exposure – 3

Landscaping, Snow Removal is a constant maintenance cost. Exterior maintenance such as window cleaning, pressure washing and minor repairs should be factored in to maintenance budgets based on past costs of services.

Building Interior

- The interior of the building is in good condition overall.

Overall Condition – Good; Overall Risk – 3; Overall Cost Exposure – 3

Common areas are somewhat dated but well maintained. Future use would dictate the necessity for minor renovations.

Electrical

- There is large capacity electrical service feeding this building. No apparent issues were observed.

Overall Condition – Good; Overall Risk – 3; Overall Cost Exposure – 3

We would recommend a periodic Infrared Thermal Imaging Scan of the building service to determine any faults or potential hazards. Budget $3,000 for a 2-day scan.

HVAC

- The building is conditioned by Air Handlers with Hot Water Reheat VAV boxes throughout.
- The space temps are controlled by an aging Building Control System that is specific to the building but is controlled by the same interface as the hospital. There will need to be an interface set-up to control this building as well as the LCHC building
- This is large equipment. Motors, Compressors, Pumps and a Cooling Tower and, as such, requires much attention to upkeep and preventive maintenance.
    - It was noted that some years ago that the cooling tower was lined in order to extend its life and now the lining is failing and clogging the chiller tubes. This will need to be addressed in order to prevent failures in the future.

Overall Condition – Fair; Overall Risk – 2; Overall Cost Exposure – 1

Besides utilities, we anticipate HVAC to be the highest operating/maintenance cost and must be maintained with repairs, preventive and predictive maintenance functions. Existing costs with planned capital expenses must be factored into the operating and maintenance budget for the building.

BUILDING SYSTEMS

- The building has a new 100KW generator to control the freight elevator and emergency lighting throughout.
- There are 3 elevators that are maintained by Otis.
    - Pay particular attention to the maintenance contract. These are typically self-renewing with automatic price increases. If the building transfers ownership, these should be renegotiated.
- There are Sanitary and Storm Water pumps in the basement that will be a constant maintenance cost.
- The building fire pumps and controls are in the basement.
    - While on site, these were being serviced and it was stated that both the main pump and jockey pump controllers were suspect and should be replaced.

Conclusion

Based on this brief inspection, this building is in overall good condition and depending on its purpose, may require only minor repairs and cosmetic attention to be in great shape.

Most importantly, a proper maintenance plan and budget should be established to preserve the condition of this facility. CBRE has been maintaining this facility since September 2013 and is establishing a protocol for proper maintenance. It would be our recommendation to maintain the current relationships with maintenance providers until a documented system is established and then other relationships or strategies can be explored.

LCHC Building
Facility Inspection

City of Lakewood

A Single Source Solution…
For the Future of Your Facility

5/2015

Simplified Facilities Group, Inc.

A Single Source Solution for the Future of Your Facility

Simplified Facilities Group, Inc. would like to thank you for the opportunity to provide you the service of inspecting the LCHC Building for the City of Lakewood.

Enclosed is our summary for the property.

We have evaluated different components of the building and assigned each summary with a Risk Rating and Cost to Repair Rating. Both are from 1 to 3 with 1 being High and 3 being Low (risk and cost). We have assigned a budget figure for certain areas and that is for reference/range of magnitude only.

Risk Ratings

1 - Immediate concern or needs immediate attention

2 - Will need attention in the near term or regularly

3 - Not a significant concern

Cost Ratings (Dollar values for reference only)

1 – High Cost (Over $15,000)

2 – Medium Cost ($5,000 to $15,000)

3 – Low Cost (Less than $5,000)

As you move forward with this project, please do not hesitate to call on us for any questions or service. Our experience lends us to be familiar with the unique characteristics of similar buildings and what it may take to help you reach your desired results.

Thank you again for the opportunity and we look forward to working with you in the future.

Sincerely,

Michael Sherrill

President

LCHC Building – Summary

Multi-Tenant Medical Office Building – Built ~1970's

Roof

- EPDM Single-Ply Rubber
  - Most likely installed in the last 12-15 years. The roof is clean and in good shape. The roof area is approximately 11,500 square feet.
  - This roof system is designed to last 20 years but with proper maintenance and attention can surely surpass that number. Additionally, today there are number of coatings than can be applied over the membrane to extend its life.

Overall Condition – Good; Overall Risk – 2; Overall Cost Exposure – 2

The roof is good shape but as any roof does, will need constant maintenance and has a finite life. Budget $.30 - $.75 per square foot per year for inspection, cleaning and maintenance.

Building Exterior

- Steel and block construction with brick veneer.

Overall Condition – Good; Overall Risk – 3; Overall Cost Exposure – 3

Doors & Windows

- Doors & windows appear to be in good condition.
- This facility has an atrium along the south side. There is a reported minor leak. Atriums such as this are a constant maintenance item.

Overall Condition –Good; Overall Risk – 3; Overall Cost Exposure – 3

Landscape & Walks

- Grounds are minimal but are well maintained.
- Sidewalks are in good condition

Overall Condition – Good; Overall Risk – 3; Overall Cost Exposure – 3

Landscaping, Snow Removal is a constant maintenance cost. Exterior maintenance such as window cleaning, pressure washing and minor repairs should be factored in to maintenance budgets based on past costs of services.

Building Interior

- The interior of the building is in good condition overall.

Overall Condition – Good; Overall Risk – 3; Overall Cost Exposure – 3

Common areas are somewhat dated but well maintained. Future use would dictate the necessity for minor renovations.

Electrical

- There is large capacity electrical service feeding this building. No apparent issues were observed.

Overall Condition – Good; Overall Risk – 3; Overall Cost Exposure – 3

We would recommend a periodic Infrared Thermal Imaging Scan of the building service to determine any faults or potential hazards. Budget $3,000 for a 2-day scan.

HVAC

- The building is conditioned by Air Handlers with Hot Water Reheat VAV boxes throughout.
- The space temps are controlled by an Apogee Building Control System that is specific to the building but is controlled by the same interface as the hospital. There will need to be an interface set-up to control this building as well as the Professional building.
- This is large equipment. Motors, Compressors, Pumps and a Cooling Tower and, as such, requires much attention to upkeep and preventive maintenance.
- The boilers are new high efficiency units.

Overall Condition – Good; Overall Risk – 2; Overall Cost Exposure – 2

Besides utilities, we anticipate HVAC to be the highest operating/maintenance cost and must be maintained with repairs, preventive and predictive maintenance functions. Existing costs with planned capital expenses must be factored into the operating and maintenance budget for the building.

BUILDING SYSTEMS

- There are 2 elevators that are maintained by Otis.
    - Pay particular attention to the maintenance contract. These are typically self-renewing with automatic price increases. If the building transfers ownership, these should be renegotiated.
- The building fire pumps and controls are in the mechanical room.

Conclusion

Based on this brief inspection, this building is in overall good condition and depending on its purpose, may require only minor repairs and cosmetic attention to be in great shape.

Most importantly, a proper maintenance plan and budget should be established to preserve the condition of this facility. CBRE has been maintaining this facility since September 2013 and is establishing a protocol for proper maintenance. It would be our recommendation to maintain the current relationships with maintenance providers until a documented system is established and then other relationships or strategies can be explored.

LAKEWOOD PROFESSIONAL BUILDING
14601 Detroit Avenue
Lakewood, Ohio 44107
RENT ROLL

February 1, 2015

TENANT	SUITE	SQ FT	TNT CTGRY	COMMENCEMENT DATE	LEASE TERM	RENT SF	RENT MONTHLY	RENT ANNUAL	BASE YEAR	%	SECURITY DEPOSIT	RENEWAL OPTIONS / OTHER
Westshore Career Technical District	LL10	3,487	HA	7/1/2005	07/01/13 - 06/30/16	N/A	N/A	N/A	N/A	4.49		Either party has the right to terminate upon 90 days prior written notice.
Lakewood Hospital / Data Processing	LL 20	2,150	HA		12/01/13 - 11/30/16	19.13	3,428.11	41,137.35	OE 416,042 RE 37,170	2.81		
Lakewood Hospital	LL25	400	HA		06/01/12 - 05/31/15	12.50	416.67	5,000.00	OE 416,042 RE 37,170	0.52		
Available	LL30	547								0.71		
Available	LL 40	1,826								2.38		
Hospice of the Western Reserve	100	4,152	P	10/01/05	10/01/12 - 11/30/17	16.00	5,536.00	66,432.00	OE 470,830 RE 46,991	5.40	5,709.00	The first two months of the Extended Term were free Base Rent.
Lakewood Travel Bureau, Inc.	120	852	P		08/01/10 - 07/31/15	17.50	1,242.50	14,910.00	OE 391,808 RE 31,142	1.11		
Thrifty Peddler	130	1,785	HA		08/01/12 - 07/31/15	N/A	N/A	1.00	N/A	2.33		Either party has the right to terminate upon 120 days prior written notice.
Available	200 / 220	4,506								5.80		
Lakewood Hospital Foundation	240	1,345	HA	05/01/99	05/01/14 - 04/30/16 05/01/16 - 04/30/19	16.50 17.00	1,849.38 1,905.42	22,192.50 22,865.00	OE 357,971 RE 117,555	1.75	1,625.21	
Lakewood Hospital (Occupational Health)	250	1,654	HA		01/01/14 - 12/31/16	17.00	2,343.17	28,118.00	OE 2014 RE 2014	2.16	0.00	
Lakewood Hospital (Timeshare Office)	260	1,908	HA							2.45		
Lakewood Hospital (Teen Health Center)	270	965	HA		06/15/14 - 06/30/16	16.50	1,326.88	15,922.50	OE 2014 RE 2014	1.26	0.00	
Lakewood Hospital (MIS Training)	310	1,269	HA		12/01/13 - 11/30/18	19.13	2,023.38	24,280.60	OE 416,042 RE 37,170	1.65		
Available	330	2,478								3.23		
Premier Physicians Centers, Inc. and Steven C. Pearse, M.D.	350	1,090	P		08/01/10 - 07/31/15	17.00	1,544.17	18,530.00	OE 344,175 RE 117,302	1.42		Tenant is not using 401 sf in Suite 350.
Available	360	1,979								2.59		
Lakewood Hospital (Care Management)	390	2,037	HA		10/01/12 - 09/30/17	18.00	3,055.50	36,666.00	OE 460,815 RE 33,519	2.66	0.00	
Govin Baskar, M.D. Umarani Ramachandran, M.D.	395	1,164	P		11/01/12 - 10/31/15	17.50	1,697.50	20,370.00	OE 400,922 RE 28,407	1.50	1,552.00	Tenant is entitled to a Base Rent credit not to exceed $10,000 upon producing evidence of its expenditures for improvements to Suite 395.
Available	400A	887								1.14		
Carole Rojas, M.D., Inc.	400B	887	P	04/01/01	04/01/11 - 03/31/15	17.50	1,293.54	15,522.50	OE 400,922 RE 28,407	1.14		
George Khuri, M.D.	400C	887	P	09/01/05	04/01/11 - 03/31/15	N/A	1,086.28	13,035.41	OE 403,748 RE 40,598	1.14		A portion of the Premises is being used by Tenant on a timeshare basis.
Available	400D	886								1.14		
Available	450	1,958								2.56		
Lakewood Hospital (Timeshare Office)	460	2,009	HA		06/01/12 - 05/31/17	17.00	2,929.79	35,157.50	OE 460,815 RE 33,519	2.62		
Available	480	1,431								1.87		
Available	490	1,560								2.04		
Available	500	1,499								1.93		
Lakewood Hospital (Diabetes Center)	540 / 690	3,464	HA		03/01/13 - 02/28/18	19.13	5,521.62	66,259.47	OE 428,974 RE 37,381	4.55		
CCF (Lakeland Eye Surgeons)	550	1,867	CA		10/01/14 - 09/30/15	19.70	3,064.43	36,773.19	OE 432,304 RE 37,381	2.44	0.00	
Dr. William Riebel	570	655	P		05/01/14 - 04/30/15	16.50	900.63	10,807.50	N/A	0.85		Tenant has a death and disability clause. See Section 3 of the Fifth Amendment for details.
Lakewood Hospital (IT Department)	580	463	HA		09/01/13 - 08/31/18	19.70	759.95	9,119.44	OE 432,304 RE 37,381	0.60	0.00	
Fairview Health System Federal Credit Union	585	337	HA		Month-To-Month	N/A		1.00	N/A	N/A	N/A	Either party may terminate on 30 days notice.

LAKEWOOD PROFESSIONAL BUILDING
14601 Detroit Avenue
Lakewood, Ohio 44107
RENT ROLL

February 1, 2015

TENANT	SUITE	SQ FT	TNT CTGRY	COMMENCEMENT DATE	LEASE TERM	RENT SF	RENT MONTHLY	RENT ANNUAL	BASE YEAR	%	SECURITY DEPOSIT	RENEWAL OPTIONS / OTHER
Nazih Zein, M.D.	590	1,410	P		05/01/14 - 04/30/15	17.00	1,997.50	23,970.00	OE 357,204 RE 99,216	1.85		Tenant entitled to a Rent Credit not to exceed $5,040 upon completion of repainting the Suite and furnishing Landlord with paid receipts.
Lakewood Hospital Diabetes Education	595	603	HA		01/01/15 - 12/31/19	19.13	961.47	11,537.59	OE 428,974 RE 37,381	0.79		
Clifford L. Thomas, D.D.S.	610 / 620	1,693	P		06/01/10 - 05/31/15	17.50	2,468.96	29,627.50	OE 327,998 RE 90,838	2.18		Tenant entitled to rent credit not to exceed $3,400 after providing - proof of lien - free carpet installation.
Available	630	1,450								1.90		
Kenneth W. Chapman, M.D.	640	2,082	P		05/01/13 - 04/30/15	16.50	2,862.75	34,353.00	OE 354,327 RE 123,806	2.70	2,734.17	Tenant has subleased to CCF (Lorain Institute) for one day per week.
Westend Pediatrics/Rosemary Robbins, M.D.	650	3,070	P		09/01/14 - 08/31/16	18.00	4,605.00	55,260.00	OE 437,168 RE 44,213	4.03	4,605.00	
Marie Albano, D.D.S.	680	1,368	P		09/01/12 - 08/31/15 09/01/15 - 08/31/17	18.00 18.50	2,052.00 2,109.00	24,624.00 25,308.00	OE 398,179 RE 131,054	1.77		
Lakewood Hospital (Timeshare Suite)	700	4,504	HA		06/01/12 - 05/31/17	18.00	6,756.00	81,072.00	OE 460,815 RE 33,519	5.91	0.00	
CCF (Concern EAP)	710	843	CA		05/01/14 - 04/30/15	11.25	790.31	9,483.75	OE 460,815 RE 33,519	1.11	0.00	Monthly electric charge of $105.38.
Available	710A	2,289								3.01		
Available	730	2,856								3.75		
TOTALS		**76,552**					**62,513.48**	**750,161.80**		**99.24**	**16,225.38**	

There is also a vacant space LL50 (772 S/F) in the lower level.

Occupancy:			*Totals:*			*Other:*	
Total # of Suites	44		Total Actual Rent	$62,513.48 / month	$750,161.80 / year	Average Rent / SF (excl Hosp)	$17.36
Total # of Occupied Suites	30		Total Potential Rent	$100,339.78 / month	$1,204,077.38 / year	Month-to-Month Leases SF	337
Total # of Vacant Suites	14		Variance	($37,826.30) / month	($453,915.58) / year	SF Expiring in 2014	0
Total Square Feet	76,552					SF Expiring in 2015	15,615
Total SF Occupied	50,400	65.84%	Hosp. Affiliate SF (HA)	28,380	37.07%	SF Expiring in 2016	11,326
Total SF Vacant	26,152	34.16%	CCF Affiliate SF (CA)	2,710	3.54%	SF Expiring in 2017+	23,122
			Private SF (P)	19,310	25.22%		

LAKEWOOD COMMUNITY HEALTH CENTER
1450 Belle Avenue
Lakewood, Ohio 44107
RENT ROLL

February 1, 2015

TENANT	SUITE	SQ FT	TNT CTGRY	LEASE TERM	RENT SF	RENT MONTHLY	RENT ANNUAL	MONTHLY ELECTRIC	%	SECURITY DEPOSIT	RENEWAL OPTIONS
Lakewood Child Care Center	100	6,504 (Does not include 1,841 sf of outside play-ground space)	P	09/01/14 - 08/31/15 09/01/15 - 08/31/16	13.39 13.79	7,257.38 7,475.10	87,088.56 89,701.22	Included in Base Rent	N/A	0.00	None.
Available	2nd	5,891							24.93	0.00	
Geriatric Center	2nd	2,227	HA	Month-To-Month	17.00	3,154.92	37,859.00	278.38	9.42	0.00	
General Meeting Room	2nd	682	HA	Month-To-Month	17.00	966.17	11,594.00	85.25	2.89	0.00	
Cleveland Clinic Foundation (OBGYN & Women's Health Institute)	300, 300A, 310, 320, 330	9,697	CA	07/01/11 - 04/30/16	17.50	14,141.46	169,697.50	1,212.13	37.45	0.00	None
Building/Conference Room	BR	894	HA						3.77		
TOTALS		**25,895**				**25,519.92**	**306,239.06**	**1,575.76**	**78.46**	**0.00**	

Occupancy:			*Totals:*				*Other:*	
Total # of Suites	6		Total Actual Rent	$25,519.92 / month		$306,239.06 / year	Average Rent / SF (excl Hosp)	$16.03
Total # of Occupied Suites	5		Total Potential Rent	$33,386.89 / month		$400,642.74 / year	Month-to-Month Leases SF	2,909
Total # of Vacant Suites	1		Variance	($7,866.97) / month		($94,403.68) / year	SF Expiring in 2014	0
Total Square Feet	25,895						SF Expiring in 2015	0
Total SF Occupied	20,004	77.25%	Hosp. Affiliate SF (HA)	3,803	14.69%		SF Expiring in 2016	16,201
Total SF Vacant	5,891	22.75%	CCF Affiliate SF (CA)	9,697	37.45%		SF Expiring in 2017+	0
			Private SF (P)	6,504	25.12%			

Schedule Of Prospective Cash Flow
In Inflated Dollars for the Fiscal Year Beginning 1/1/2015

For the Years Ending	Year 1 Dec-2015	Year 2 Dec-2016	Year 3 Dec-2017	Year 4 Dec-2018	Year 5 Dec-2019	Year 6 Dec-2020	Year 7 Dec-2021	Year 8 Dec-2022	Year 9 Dec-2023	Year 10 Dec-2024
Potential Gross Revenue										
Base Rental Revenue	$746,976	$838,408	$906,820	$900,608	$900,855	$902,712	$912,936	$912,126	$910,187	$920,823
Absorption & Turnover Vacancy	(35,837)	(51,727)	(67,388)	(16,165)	(4,917)	(35,782)	(40,370)	(49,305)	(24,464)	(13,327)
Base Rent Abatements	(3,514)	(8,379)	(10,693)	(2,284)	(759)	(3,173)	(2,837)	(5,167)	(3,096)	(1,019)
Scheduled Base Rental Revenue	707,625	778,302	828,739	882,159	895,179	863,757	869,729	857,654	882,627	906,477
Expense Reimbursement Revenue										
Operating Expenses	23,709	22,763	23,914	24,230	30,971	35,911	32,673	26,844	23,239	33,075
Real Estate Taxes	4,132	3,843	3,059	2,261	2,963	3,484	3,136	2,554	2,194	3,089
Total Reimbursement Revenue	27,841	26,606	26,973	26,491	33,934	39,395	35,809	29,398	25,433	36,164
Total Potential Gross Revenue	735,466	804,908	855,712	908,650	929,113	903,152	905,538	887,052	908,060	942,641
Effective Gross Revenue	735,466	804,908	855,712	908,650	929,113	903,152	905,538	887,052	908,060	942,641
Operating Expenses										
Operating Expenses	484,955	499,504	514,489	529,923	545,821	562,196	579,062	596,433	614,326	632,756
Real Estate Taxes	49,388	50,376	51,384	52,411	53,460	54,529	55,619	56,732	57,866	59,024
Total Operating Expenses	534,343	549,880	565,873	582,334	599,281	616,725	634,681	653,165	672,192	691,780
Net Operating Income	201,123	255,028	289,839	326,316	329,832	286,427	270,857	233,887	235,868	250,861
Leasing & Capital Costs										
Tenant Improvements	29,769	78,431	89,990	18,186	6,060	31,491	33,166	49,116	28,760	14,304
Leasing Commissions	50,432	47,251	80,460	32,786	10,885	45,529	40,693	74,177	44,434	14,617
Capital Expenditures	39,822	41,017	42,247	43,514	44,820	46,164	47,549	48,976	50,445	51,958
Total Leasing & Capital Costs	120,023	166,699	212,697	94,486	61,765	123,184	121,408	172,269	123,639	80,879
Cash Flow Before Debt Service & Taxes	$81,100	$88,329	$77,142	$231,830	$268,067	$163,243	$149,449	$61,618	$112,229	$169,982

Schedule Of Prospective Cash Flow
In Inflated Dollars for the Fiscal Year Beginning 1/1/2015

For the Years Ending	Year 1 Dec-2015	Year 2 Dec-2016	Year 3 Dec-2017	Year 4 Dec-2018	Year 5 Dec-2019	Year 6 Dec-2020	Year 7 Dec-2021	Year 8 Dec-2022	Year 9 Dec-2023	Year 10 Dec-2024
Potential Gross Revenue										
Base Rental Revenue	$751,534	$856,504	$908,397	$923,857	$919,293	$915,759	$926,069	$929,672	$934,217	$944,881
Absorption & Turnover Vacancy	(41,981)	(66,691)	(137,645)	(90,336)	(8,368)	(37,371)	(42,489)	(37,290)	(36,819)	(24,098)
Base Rent Abatements	(3,408)	(10,211)	(13,532)	(12,564)	(5,637)	(3,578)	(3,008)	(3,588)	(4,243)	(1,873)
Scheduled Base Rental Revenue	706,145	779,602	757,220	820,957	905,288	874,810	880,572	888,794	893,155	918,910
Expense Reimbursement Revenue										
Operating Expenses	23,709	22,437	23,407	22,454	29,010	34,999	32,973	31,764	25,868	31,245
Real Estate Taxes	4,132	3,810	3,009	2,085	2,769	3,395	3,165	3,020	2,443	2,917
Total Reimbursement Revenue	27,841	26,247	26,416	24,539	31,779	38,394	36,138	34,784	28,311	34,162
Total Potential Gross Revenue	733,986	805,849	783,636	845,496	937,067	913,204	916,710	923,578	921,466	953,072
Effective Gross Revenue	733,986	805,849	783,636	845,496	937,067	913,204	916,710	923,578	921,466	953,072
Operating Expenses										
Operating Expenses	484,955	499,504	514,489	529,923	545,821	562,196	579,062	596,433	614,326	632,756
Real Estate Taxes	49,388	50,376	51,384	52,411	53,460	54,529	55,619	56,732	57,866	59,024
Total Operating Expenses	534,343	549,880	565,873	582,334	599,281	616,725	634,681	653,165	672,192	691,780
Net Operating Income	199,643	255,969	217,763	263,162	337,786	296,479	282,029	270,413	249,274	261,292
Leasing & Capital Costs										
Tenant Improvements	117,413	218,938	327,717	403,346	232,134	148,453	158,317	161,823	196,282	106,269
Leasing Commissions	48,915	53,417	64,938	65,637	33,907	43,977	43,143	51,532	60,903	26,889
Capital Expenditures	39,822	41,017	42,247	43,514	44,820	46,164	47,549	48,976	50,445	51,958
Total Leasing & Capital Costs	206,150	313,372	434,902	512,497	310,861	238,594	249,009	262,331	307,630	185,116
Cash Flow Before Debt Service & Taxes	($6,507)	($57,403)	($217,139)	($249,335)	$26,925	$57,885	$33,020	$8,082	($58,356)	$76,176

Lakewood Professional Building
14601 Detroit Avenue
Lakewood, OH 44107

Software : ARGUS Ver. 15.0.1.26
File : Medical Office Building - Scenario 3
Property Type : Office & Retail
Portfolio : City of Lakewood
Date : 7/8/15
Time : 4:53 pm
Ref# : ANK

Schedule Of Prospective Cash Flow
In Inflated Dollars for the Fiscal Year Beginning 1/1/2015

For the Years Ending	Year 1 Dec-2015	Year 2 Dec-2016	Year 3 Dec-2017	Year 4 Dec-2018	Year 5 Dec-2019	Year 6 Dec-2020	Year 7 Dec-2021	Year 8 Dec-2022	Year 9 Dec-2023	Year 10 Dec-2024
Potential Gross Revenue										
Base Rental Revenue	$750,561	$860,289	$934,436	$946,129	$935,814	$929,980	$932,981	$937,201	$941,636	$972,300
Absorption & Turnover Vacancy	(51,201)	(99,698)	(163,029)	(95,759)	(30,394)	(34,570)	(38,336)	(40,382)	(41,394)	(44,156)
Base Rent Abatements	(2,574)	(13,571)	(16,947)	(14,801)	(6,327)	(4,953)	(2,849)	(3,851)	(4,680)	(1,291)
Scheduled Base Rental Revenue	696,786	747,020	754,460	835,569	899,093	890,457	891,796	892,968	895,562	926,853
Expense Reimbursement Revenue										
Operating Expenses	17,255	16,666	18,872	19,621	26,435	32,832	32,877	31,190	23,923	30,232
Real Estate Taxes	3,756	3,436	2,696	1,863	2,556	3,213	3,191	2,999	2,274	2,849
Total Reimbursement Revenue	21,011	20,102	21,568	21,484	28,991	36,045	36,068	34,189	26,197	33,081
Total Potential Gross Revenue	717,797	767,122	776,028	857,053	928,084	926,502	927,864	927,157	921,759	959,934
Effective Gross Revenue	717,797	767,122	776,028	857,053	928,084	926,502	927,864	927,157	921,759	959,934
Operating Expenses										
Operating Expenses	470,830	484,955	499,504	514,489	529,923	545,821	562,196	579,062	596,433	614,326
Real Estate Taxes	48,420	49,388	50,376	51,384	52,411	53,460	54,529	55,619	56,732	57,866
Total Operating Expenses	519,250	534,343	549,880	565,873	582,334	599,281	616,725	634,681	653,165	672,192
Net Operating Income	198,547	232,779	226,148	291,180	345,750	327,221	311,139	292,476	268,594	287,742
Leasing & Capital Costs										
Tenant Improvements	86,004	326,132	467,208	491,260	263,166	201,322	129,593	173,469	213,470	61,017
Leasing Commissions	36,932	67,670	75,745	76,163	29,865	47,780	40,901	55,258	67,170	18,540
Capital Expenditures	38,662	39,822	41,017	42,247	43,514	44,820	46,164	47,549	48,976	50,445
Total Leasing & Capital Costs	161,598	433,624	583,970	609,670	336,545	293,922	216,658	276,276	329,616	130,002
Cash Flow Before Debt Service & Taxes	$36,949	($200,845)	($357,822)	($318,490)	$9,205	$33,299	$94,481	$16,200	($61,022)	$157,740

Lakewood Professional Building
14601 Detroit Avenue
Lakewood, OH 44107

Software : ARGUS Ver. 15.0.1.26
File : Medical Office Building - Scenario 4 Final
Property Type : Office & Retail
Portfolio : City of Lakewood
Date : 7/8/15
Time : 4:53 pm
Ref# : AOA

Schedule Of Prospective Cash Flow
In Inflated Dollars for the Fiscal Year Beginning 1/1/2015

For the Years Ending	Year 1 Dec-2015	Year 2 Dec-2016	Year 3 Dec-2017	Year 4 Dec-2018	Year 5 Dec-2019	Year 6 Dec-2020	Year 7 Dec-2021	Year 8 Dec-2022	Year 9 Dec-2023	Year 10 Dec-2024
Potential Gross Revenue										
Base Rental Revenue	$725,716	$793,451	$807,209	$782,579	$758,571	$736,135	$725,767	$720,686	$713,218	$735,899
Absorption & Turnover Vacancy	(30,947)	(60,260)	(98,543)	(57,882)	(18,371)	(20,896)	(23,170)	(24,407)	(25,020)	(26,691)
Base Rent Abatements	(2,404)	(11,273)	(13,101)	(10,686)	(3,825)	(3,673)	(2,236)	(2,995)	(3,440)	(782)
Scheduled Base Rental Revenue	692,365	721,918	695,565	714,011	736,375	711,566	700,361	693,284	684,758	708,426
Expense Reimbursement Revenue										
Operating Expenses	23,709	21,869	22,183	20,841	27,394	33,826	33,878	32,132	24,646	31,149
Real Estate Taxes	4,132	3,753	2,888	1,927	2,610	3,281	3,253	3,056	2,327	2,906
Total Reimbursement Revenue	27,841	25,622	25,071	22,768	30,004	37,107	37,131	35,188	26,973	34,055
Total Potential Gross Revenue	720,206	747,540	720,636	736,779	766,379	748,673	737,492	728,472	711,731	742,481
Effective Gross Revenue	720,206	747,540	720,636	736,779	766,379	748,673	737,492	728,472	711,731	742,481
Operating Expenses										
Operating Expenses	484,955	499,504	514,489	529,923	545,821	562,196	579,062	596,433	614,326	632,756
Real Estate Taxes	49,388	50,376	51,384	52,411	53,460	54,529	55,619	56,732	57,866	59,024
Total Operating Expenses	534,343	549,880	565,873	582,334	599,281	616,725	634,681	653,165	672,192	691,780
Net Operating Income	185,863	197,660	154,763	154,445	167,098	131,948	102,811	75,307	39,539	50,701
Leasing & Capital Costs										
Tenant Improvements	19,685	120,915	153,206	135,577	60,235	46,080	29,664	39,704	48,861	13,966
Leasing Commissions	34,492	56,080	57,339	55,980	18,052	38,616	32,085	43,000	49,344	11,207
Capital Expenditures	39,822	41,017	42,247	43,514	44,820	46,164	47,549	48,976	50,445	51,958
Total Leasing & Capital Costs	93,999	218,012	252,792	235,071	123,107	130,860	109,298	131,680	148,650	77,131
Cash Flow Before Debt Service & Taxes	$91,864	($20,352)	($98,029)	($80,626)	$43,991	$1,088	($6,487)	($56,373)	($109,111)	($26,430)

Community Health Center
1450 Belle Avenue
Lakewood, OH 44107

Software : ARGUS Ver. 15.0.1.26
File : Community Health Center - Scenario 1 Final
Property Type : Office & Retail
Portfolio : City of Lakewood
Date : 7/8/15
Time : 4:44 pm
Ref# : AQP

Schedule Of Prospective Cash Flow
In Inflated Dollars for the Fiscal Year Beginning 1/1/2015

For the Years Ending	Year 1 Dec-2015	Year 2 Dec-2016	Year 3 Dec-2017	Year 4 Dec-2018	Year 5 Dec-2019	Year 6 Dec-2020	Year 7 Dec-2021	Year 8 Dec-2022	Year 9 Dec-2023	Year 10 Dec-2024
Potential Gross Revenue										
Base Rental Revenue	$307,106	$308,840	$308,840	$308,840	$308,840	$308,840	$304,739	$304,850	$305,355	$305,355
Absorption & Turnover Vacancy							(41,051)	(7,519)		
Base Rent Abatements							(4,279)	(810)		
Scheduled Base Rental Revenue	307,106	308,840	308,840	308,840	308,840	308,840	259,409	296,521	305,355	305,355
Expense Reimbursement Revenue										
Operating Exp. (excl. elec.)										
Electric	18,910	19,477	20,060	20,662	21,282	21,921	19,684	22,361	23,954	26,131
Total Reimbursement Revenue	18,910	19,477	20,060	20,662	21,282	21,921	19,684	22,361	23,954	26,131
Total Potential Gross Revenue	326,016	328,317	328,900	329,502	330,122	330,761	279,093	318,882	329,309	331,486
Effective Gross Revenue	326,016	328,317	328,900	329,502	330,122	330,761	279,093	318,882	329,309	331,486
Operating Expenses										
Operating Exp. (excl. elec.)	66,291	68,280	70,328	72,438	74,611	76,850	79,155	81,530	83,976	86,495
Electric	38,843	40,008	41,208	42,444	43,718	45,029	46,380	47,771	49,205	50,681
Total Operating Expenses	105,134	108,288	111,536	114,882	118,329	121,879	125,535	129,301	133,181	137,176
Net Operating Income	220,882	220,029	217,364	214,620	211,793	208,882	153,558	189,581	196,128	194,310
Leasing & Capital Costs										
Tenant Improvements							38,689	7,156		
Leasing Commissions		51,877	9,891				61,420	11,622		
Capital Expenditures	12,947	13,336	13,736	14,148	14,573	15,010	15,460	15,924	16,402	16,894
Total Leasing & Capital Costs	12,947	65,213	23,627	14,148	14,573	15,010	115,569	34,702	16,402	16,894
Cash Flow Before Debt Service & Taxes	$207,935	$154,816	$193,737	$200,472	$197,220	$193,872	$37,989	$154,879	$179,726	$177,416

ARGUS SOFTWARE

Community Health Center
1450 Belle Avenue
Lakewood, OH 44107

Software : ARGUS Ver. 15.0.1.26
File : Community Health Center - Scenario 2 Final
Property Type : Office & Retail
Portfolio : City of Lakewood
Date : 7/8/15
Time : 4:47 pm
Ref# : AQI

Schedule Of Prospective Cash Flow
In Inflated Dollars for the Fiscal Year Beginning 1/1/2015

For the Years Ending	Year 1 Dec-2015	Year 2 Dec-2016	Year 3 Dec-2017	Year 4 Dec-2018	Year 5 Dec-2019	Year 6 Dec-2020	Year 7 Dec-2021	Year 8 Dec-2022	Year 9 Dec-2023	Year 10 Dec-2024
Potential Gross Revenue										
Base Rental Revenue	$307,106	$364,840	$354,858	$354,857	$354,857	$354,857	$364,784	$369,290	$367,519	$367,519
Absorption & Turnover Vacancy		(119,432)	(22,700)				(61,562)	(37,593)		
Base Rent Abatements		(6,628)	(11,350)				(5,158)	(4,030)		
Scheduled Base Rental Revenue	307,106	238,780	320,808	354,857	354,857	354,857	298,064	327,667	367,519	367,519
Expense Reimbursement Revenue										
Operating Exp. (Excl. Elect.)										
Electric	18,910	19,793	38,633	42,444	43,715	45,030	39,126	43,295	49,204	50,680
Real Estate Taxes		16,711	44,760	49,171	50,646	52,163	45,329	50,162	57,004	58,713
Total Reimbursement Revenue	18,910	36,504	83,393	91,615	94,361	97,193	84,455	93,457	106,208	109,393
Total Potential Gross Revenue	326,016	275,284	404,201	446,472	449,218	452,050	382,519	421,124	473,727	476,912
Effective Gross Revenue	326,016	275,284	404,201	446,472	449,218	452,050	382,519	421,124	473,727	476,912
Operating Expenses										
Operating Exp. (Excl. Elect.)	66,291	68,280	70,328	72,438	74,611	76,850	79,155	81,530	83,976	86,495
Electric	38,843	40,008	41,208	42,444	43,718	45,029	46,380	47,771	49,205	50,681
Real Estate Taxes	45,000	46,350	47,741	49,173	50,648	52,167	53,732	55,344	57,005	58,715
Total Operating Expenses	150,134	154,638	159,277	164,055	168,977	174,046	179,267	184,645	190,186	195,891
Net Operating Income	175,882	120,646	244,924	282,417	280,241	278,004	203,252	236,479	283,541	281,021
Leasing & Capital Costs										
Tenant Improvements		58,900	102,875				52,745	41,211		
Leasing Commissions		51,285	53,571				53,370	41,707		
Capital Expenditures	12,947	13,336	13,736	14,148	14,573	15,010	15,460	15,924	16,402	16,894
Total Leasing & Capital Costs	12,947	123,521	170,182	14,148	14,573	15,010	121,575	98,842	16,402	16,894
Cash Flow Before Debt Service & Taxes	$162,935	($2,875)	$74,742	$268,269	$265,668	$262,994	$81,677	$137,637	$267,139	$264,127

Community Health Center
1450 Belle Avenue
Lakewood, OH 44107

Software : ARGUS Ver. 15.0.1.26
File : Community Health Center - Scenario 3
Property Type : Office & Retail
Portfolio : City of Lakewood
Date : 7/8/15
Time : 4:49 pm
Ref# : AQA

Schedule Of Prospective Cash Flow
In Inflated Dollars for the Fiscal Year Beginning 1/1/2015

For the Years Ending	Year 1 Dec-2015	Year 2 Dec-2016	Year 3 Dec-2017	Year 4 Dec-2018	Year 5 Dec-2019	Year 6 Dec-2020	Year 7 Dec-2021	Year 8 Dec-2022	Year 9 Dec-2023	Year 10 Dec-2024
Potential Gross Revenue										
Base Rental Revenue	$307,106	$356,227	$345,462	$345,461	$345,461	$345,461	$358,088	$363,568	$361,207	$361,207
Absorption & Turnover Vacancy		(152,813)	(22,700)				(54,191)	(45,112)		
Base Rent Abatements		(9,966)	(11,350)				(3,961)	(5,070)		
Scheduled Base Rental Revenue	307,106	193,448	311,412	345,461	345,461	345,461	299,936	313,386	361,207	361,207
Expense Reimbursement Revenue										
Operating Exp. (Excl. Elect.)			464	944	1,440	1,948	928			
Electric	18,910	10,359	29,533	33,344	34,615	35,930	36,582	42,401	49,204	50,680
Real Estate Taxes		5,782	34,216	38,631	40,102	41,623	42,381	49,125	57,004	58,713
Total Reimbursement Revenue	18,910	16,141	64,213	72,919	76,157	79,501	79,891	91,526	106,208	109,393
Total Potential Gross Revenue	326,016	209,589	375,625	418,380	421,618	424,962	379,827	404,912	467,415	470,600
Effective Gross Revenue	326,016	209,589	375,625	418,380	421,618	424,962	379,827	404,912	467,415	470,600
Operating Expenses										
Operating Exp. (Excl. Elect.)	66,291	68,280	70,328	72,438	74,611	76,850	79,155	81,530	83,976	86,495
Electric	38,843	40,008	41,208	42,444	43,718	45,029	46,380	47,771	49,205	50,681
Real Estate Taxes	45,000	46,350	47,741	49,173	50,648	52,167	53,732	55,344	57,005	58,715
Total Operating Expenses	150,134	154,638	159,277	164,055	168,977	174,046	179,267	184,645	190,186	195,891
Net Operating Income	175,882	54,951	216,348	254,325	252,641	250,916	200,560	220,267	277,229	274,709
Leasing & Capital Costs										
Tenant Improvements		88,863	102,875				42,325	51,944		
Leasing Commissions		57,150	53,571				40,982	52,462		
Capital Expenditures	12,947	13,336	13,736	14,148	14,573	15,010	15,460	15,924	16,402	16,894
Total Leasing & Capital Costs	12,947	159,349	170,182	14,148	14,573	15,010	98,767	120,330	16,402	16,894
Cash Flow Before Debt Service & Taxes	$162,935	($104,398)	$46,166	$240,177	$238,068	$235,906	$101,793	$99,937	$260,827	$257,815

Community Health Center
1450 Belle Avenue
Lakewood, OH 44107

Software : ARGUS Ver. 15.0.1.26
File : Community Health Center - Scenario 4 Final
Property Type : Office & Retail
Portfolio : City of Lakewood
Date : 7/8/15
Time : 4:50 pm
Ref# : AQJ

Schedule Of Prospective Cash Flow
In Inflated Dollars for the Fiscal Year Beginning 1/1/2015

For the Years Ending	Year 1 Dec-2015	Year 2 Dec-2016	Year 3 Dec-2017	Year 4 Dec-2018	Year 5 Dec-2019	Year 6 Dec-2020	Year 7 Dec-2021	Year 8 Dec-2022	Year 9 Dec-2023	Year 10 Dec-2024
Potential Gross Revenue										
Base Rental Revenue	$307,106	$292,612	$273,654	$273,653	$273,653	$273,653	$259,344	$263,704	$262,304	$262,304
Absorption & Turnover Vacancy		(90,558)	(13,452)				(32,115)	(26,734)		
Base Rent Abatements		(8,606)	(6,726)				(3,410)	(3,146)		
Scheduled Base Rental Revenue	307,106	193,448	253,476	273,653	273,653	273,653	223,819	233,824	262,304	262,304
Expense Reimbursement Revenue										
Operating Exp. (Excl. Elect.)	18,910	13,750	49,282	54,965	56,372	57,808	58,607	67,590	77,670	79,221
Electric			180	364	552	744	352			
Real Estate Taxes		5,726	33,452	37,311	38,268	39,241	39,783	45,881	52,722	53,777
Total Reimbursement Revenue	18,910	19,476	82,914	92,640	95,192	97,793	98,742	113,471	130,392	132,998
Total Potential Gross Revenue	326,016	212,924	336,390	366,293	368,845	371,446	322,561	347,295	392,696	395,302
Effective Gross Revenue	326,016	212,924	336,390	366,293	368,845	371,446	322,561	347,295	392,696	395,302
Operating Expenses										
Operating Exp. (Excl. Elect.)	66,291	67,617	68,969	70,349	71,756	73,191	74,655	76,148	77,671	79,224
Electric	38,843	39,619	40,412	41,220	42,044	42,885	43,743	44,618	45,510	46,420
Real Estate Taxes	45,000	45,900	46,818	47,754	48,709	49,684	50,677	51,691	52,725	53,779
Total Operating Expenses	150,134	153,136	156,199	159,323	162,509	165,760	169,075	172,457	175,906	179,423
Net Operating Income	175,882	59,788	180,191	206,970	206,336	205,686	153,486	174,838	216,790	215,879
Leasing & Capital Costs										
Tenant Improvements		73,736	50,444				19,958	24,257		
Leasing Commissions		50,731	31,746				35,302	32,555		
Capital Expenditures	12,947	13,206	13,471	13,740	14,015	14,295	14,581	14,873	15,170	15,473
Total Leasing & Capital Costs	12,947	137,673	95,661	13,740	14,015	14,295	69,841	71,685	15,170	15,473
Cash Flow Before Debt Service & Taxes	$162,935	($77,885)	$84,530	$193,230	$192,321	$191,391	$83,645	$103,153	$201,620	$200,406

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Garage Data	
Spaces	630
Pricing per Day	$6.00
Days Available	260
Annual Operating Expenses	$403,251
Construction Costs (Phase I)*	$3,700,000
Construction Costs (Phase II)**	$1,500,000

*Costs incurred upfront at start of project.

**Costs incurred over the first 24 months

Scenario	Annual Occupancy %	Spaces Filled Per Day (min. 2 hours)	Gross Potential Income	$/Day/Space	$/Year/Space	Net Operating Income	$/Day/Space	$/Year/Space
Positive Return on Investment	100%	630	$982,800	$6.00	$1,560.00	$579,549	$3.54	$919.92
	90%	567	$884,520	$5.40	$1,404.00	$481,269	$2.94	$763.92
	85%	536	$835,380	$5.10	$1,326.00	$432,129	$2.64	$685.92
	80%	504	$786,240	$4.80	$1,248.00	$382,989	$2.34	$607.92
	75%	473	$737,100	$4.50	$1,170.00	$333,849	$2.04	$529.92
	70%	441	$687,960	$4.20	$1,092.00	$284,709	$1.74	$451.92
	65%	410	$638,820	$3.90	$1,014.00	$235,569	$1.44	$373.92
	60%	378	$589,680	$3.60	$936.00	$186,429	$1.14	$295.92
	55%	347	$540,540	$3.30	$858.00	$137,289	$0.84	$217.92
	50%	315	$491,400	$3.00	$780.00	$88,149	$0.54	$139.92
	45%	284	$442,260	$2.70	$702.00	$39,009	$0.24	$61.92
	41%	258	$403,251	$2.46	$640.08	$0	$0.00	$0.00
	35%	221	$343,980	$2.10	$546.00	($59,271)	($0.36)	($94.08)
	30%	189	$294,840	$1.80	$468.00	($108,411)	($0.66)	($172.08)
Status Quo	26%	164	$255,528	$1.56	$405.60	($147,723)	($0.90)	($234.48)
	20%	126	$196,560	$1.20	$312.00	($206,691)	($1.26)	($328.08)
	15%	95	$147,420	$0.90	$234.00	($255,831)	($1.56)	($406.08)
	10%	63	$98,280	$0.60	$156.00	($304,971)	($1.86)	($484.08)
	5%	32	$49,140	$0.30	$78.00	($354,111)	($2.16)	($562.08)

Status Quo Scenario - 164 Cars Per Day @ $6.00/space									**IRR**	**-100%**
Renovation Costs	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
($3,700,000)	($897,723)	($894,769)	($141,873)	($139,036)	($136,255)	($133,530)	($130,859)	($128,242)	($125,677)	($123,164)

41% Occupancy (Annual Income = Annual Expenses) - 258 Cars Per Day @ $6.00/space									**IRR**	**-80%**
Renovation Costs	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
($3,700,000)	($749,998)	($749,998)	$2	$2	$2	$2	$2	$2	$2	$2

50% Occupancy - 315 Cars Per Day @ $6.00/space									**IRR**	**-24%**
Renovation Costs	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
($3,700,000)	($661,851)	($660,088)	$91,710	$93,544	$95,415	$97,324	$99,270	$101,255	$103,281	$105,346

60% Occupancy - 378 Cars Per Day @ $6.00/space									**IRR**	**-15%**
Renovation Costs	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
($3,700,000)	($563,571)	($559,842)	$193,961	$197,840	$201,797	$205,833	$209,949	$214,148	$218,431	$222,800

70% Occupancy - 441 Cars Per Day @ $6.00/space									**IRR**	**-9%**
Renovation Costs	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
($3,700,000)	($465,291)	($459,597)	$296,211	$302,135	$308,178	$314,342	$320,629	$327,041	$333,582	$340,254

80% Occupancy - 504 Cars Per Day @ $6.00/space									**IRR**	**-4%**
Renovation Costs	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
($3,700,000)	($367,011)	($359,351)	$398,462	$406,431	$414,560	$422,851	$431,308	$439,934	$448,733	$457,707

90% Occupancy - 567 Cars Per Day @ $6.00/space									**IRR**	**0%**
Renovation Costs	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
($3,700,000)	($268,731)	($259,106)	$500,712	$510,727	$520,941	$531,360	$541,987	$552,827	$563,883	$575,161

100% Occupancy - 630 Cars Per Day @ $6.00/space									**IRR**	**4%**
Renovation Costs	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
($3,700,000)	($170,451)	($158,860)	$602,963	$615,022	$627,322	$639,869	$652,666	$665,720	$679,034	$692,615
	$579,549									