



Ocean properties, ltd.  
Hotels and Resorts

August 3, 2007

Ellen Sanborn  
Assistant Finance Director  
City of Portland  
389 Congress Street  
City Hall, Room 103  
Portland, Maine 04101

Re: Maine State Pier

Dear Ellen:

In response to Joe Cuetara's recent request for additional information, we offer the following detail. Please note, the majority of this information was provided to you previously and is available through that correspondence. The responses below correlate directly to the order of his memo dated July 26, 2007 and we enclose a copy of the same for your reference:

1. As we provided in our RFP, our requirement for an investment of this size is a 99 year lease and we have no interest in reducing the term by 24 years. As detailed in our construction cost estimate, the total investment is approximately \$110,000,000. With the risks inherent in a real estate development, we would not be agreeable to simple agreements on ROE and equity returns.

However, we have supplied detailed gross and present valued schedules indicating the generous returns to the City from our proposal and would suggest that focusing on these returns would be a more important factor in the City's decision.

2. As you know, upon your suggestion to both development teams, we have had a number of conversations with the City Assessor. Furthermore, it is my understanding, confirmed by your e-mail, that to date, you have no similar support for the Olympia tax values other than one number, with no detail supplied as to how that value was calculated. To summarize, the City Assessor has stated that the City owns the Pier and improvements to it will become property of the City and, therefore, not taxable. The bollards to be installed are still under discussion and we have assumed them to be taxable.

The improvements on the pier will be impacted by the easements for public space, public access and walkways, all of which will have an impact on the final assessment.

The City, on income producing property, utilizes the income approach to valuation, with our valuation for these projects based on a current review of similar developments in the City, including recent Olympia projects, and increasing the current values for inflation after discussion with Mr. Blackburn.

Lastly, the parking built on this site (estimated at 422 spaces) is valued at the per space value used by the City for the adjacent Casco Bay garage.

We believe the values in our proposal to be based on assessment policies as well as values presently utilized by the City and our figures are justified on that basis. The fact that Olympia has not supplied any detail and that the parking they propose is purchased from existing garages makes their estimate useless for evaluation purposes.

Although the construction budget previously stated is \$110,000,000 the following figures were arrived at after taking into consideration the discussions with Mr. Blackburn regarding the valuation process. Below is a schedule of values, with only the pier rehabilitation expected to be truly exempt from taxes at an estimated cost of fifteen million dollars. The three million dollars indicated as taxable is for the construction of the bollards.

<u>Development Description</u>	<u>Total Assessed</u>	<u>Value Tax Exempt</u>	<u>Taxable Value</u>
Pier Rehabilitation	\$18,000,000	\$15,000,000	\$ 3,000,000
Pier Buildings	\$ 8,000,000		\$ 8,000,000
Hotel	\$25,000,000		\$25,000,000
Office Building	\$15,000,000		\$15,000,000
Parking Garage	\$12,660,000		\$12,660,000
Park Land	\$0		\$0
Total Assessed Value			<u>\$63,660,000</u>