ONE FOURTH AVENUE MINNEAPOLIS

Eagle Iron Partners

A JOINT VENTURE

Eagle Iron Partners
A JOINT VENTURE

February 22, 2008

Ms. Carrie Flack
Community Planning & Economic Development
Crown Roller Mill
105 – 5th Ave. So. Suite # 200
Minneapolis, MN 55401

Dear Ms. Flack,

Please accept the response and proposal from Eagle Iron Partners for Parcel A known as One Fourth Avenue. One Fourth Avenue represents the best in city development. It transforms two acres of cracked asphalt into two tree-lined blocks of urbanity and civility, with diverse housing, storefront retail and a new public pathway to the riverfront.

The opportunity is to interact and connect with the neighborhood, both old and new. The project design, a collaboration between two of Minneapolis' finest architectural firms, respects the urban grid and historical context while introducing a fresh design style. The concept offers a commitment to sustainable architecture, construction and management.

The collaboration continues with two developers dividing Parcel A, each bringing their own energy and creativity to the site, while inviting Mill Place to join them in a joint venture partnership to provide an underground parking structure satisfying the project's parking needs as well as serve as the foundation for the retail and housing components.

This mixed-use proposal includes up to 16,000 sf of retail, 166 units of affordable rental housing, 119 for-sale condominium housing units, 600 parking stalls in an underground ramp, the reconstruction of Fourth Avenue as a private street, and a public link to an historic rail corridor and the river. The estimated development is $75 million.

We welcome the opportunity to engage with city planners, neighbors and stakeholders in this exciting concept, and look forward to your questions on this proposal may be brought to reality.

EAGLE IRON PARTNERS JOINT VENTURE

Lupe Development Partners, LLC

North First Ventures, LLC

Lupe Development Partners, LLC

February 22, 2008

Mr. Charles T. Lutz
Deputy Director
Community Planning & Economic Development
Crown Roller Mill
105 Fifth Avenue South
Minneapolis, MN 55401

In Re: Parcel A – Proposer Financial Statements

Dear Mr. Lutz,

Lupe Development Partners has been requested to provide financial statements in concert with our response to CPED's Request for Proposal on Parcel A. I desire to conform to this request, but wish to preserve my rights to retain this information as "Not Public Data."

Pursuant to Minnesota Statutes, I am availing myself of the opportunity to keep financial data "Not Public Data," by submitting same to the Director or his Designee under separate cover. The explicit purpose of providing this data is so that analytical staff can gauge the proposer's ability to execute and perform on the proposed project.

This confidential data is provided with the understanding that the data will not become part of the permanent application file and will not be subject to a data practice or freedom of information act request. This information is confidential, proprietary and remains the property of Lupe Development Partners. I request its immediate return – uncopied – upon completion of the staff review.

Very truly yours,

Steven M. Minn
Principal

Lupe Development Partners

a. **Developer's Name and Mailing Address**

Lupe Development Partners, LLC	North First Ventures, LLC
1701 Madison Street NE - Suite 111	700 Washington Avenue N, Suite 211
Minneapolis, MN 55413	Minneapolis, MN 55401

b. **Current Legal Status**

Limited Liability Company	Limited Liability Company

c. **Federal ID Number**

41-1771739	20-0967486

d. **State ID Number**

142550	6948174

e **Contact Person**

Steven Minn	Charles Leer
Lupe Development Partners	North First Ventures, LLC
1701 Madison Street NE - Suite 111	700 Washington Avenue N, Suite 211
Minneapolis, MN 55413	Minneapolis, Minnesota 55401

f **Signature of Authorized Corporate Officer**

Steven Minn	Charles Leer
Lupe Development Partners	North First Ventures, LLC

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Eagle Iron Partners

A JOINT VENTURE

The west block, which will be developed by Lupe Development, LLC, runs from the Third Avenue South to the new Fourth Avenue. Storefront retail will anchor the Third Avenue and Second Street corner and off-street customer parking will be tucked behind the complex. Townhouse-style rental units with individual entrances will run along Second Street and continue around the corner along Fourth Avenue. Above the retail and townhouses will be four levels of rental apartments. The roof of the retail space will be landscaped and act as an upper courtyard for the apartments.

The east block, which will be developed by North First Ventures, runs from the new Fourth Avenue to Fifth Avenue. The configuration of the for-sale housing will be similar to the structure for the rental housing and retail. A new alley will define the block and separate it from RiverWest. The alley will provide truck access to Mill Place and ingress and egress for guest parking. The new housing will be five levels, with a sixth level set back from the street. The building will be wrapped around a landscaped garden. The main entrance to the building will be on Fourth Avenue.

The Development team proposes to offer a combination of affordable rental housing, market-rate for sale housing, destination retail, and parking for existing office users in a compelling package of green space and public amenities.

Parking and Traffic – Phase 1

To meet the parking needs of the project, the development team proposes to construct a two level parking structure between 3rd Avenue and 5th Avenue, with access from a newly created 4th Avenue. The ramp provides for 600 parking stalls, and would be split and accessed by contour and grade. This is the first phase of the development.

To facilitate this construct, the development team proposes to partner with Mill Place, Inc in the development of the parking, in exchange for the land bisecting the parcel owned by Mill Place, Inc. The parties have collaborated on design and traffic concepts, but a formal development agreement would be predicated upon award of the development rights in the RFP response.

The parking ramp would be constructed of precast column, beam and plank and would be finished, illuminated and ventilated to conform with S2 occupancies. Egress would be provided per code. Natural light and open space provide for enhanced safety and security.

4th Avenue S

A private street constructed over the parking ramp would delineate the two portions of the project and provide vehicle ingress and egress from 2nd Street S. Private street is preferred. Entrances to the split parking structure would be accessed from this private street. The private street will be designed to match a public street. If the City desires a dedicated public street, the development team will cooperate with city Public Works to facilitate the city construction of public right-of-way at City expense.

North Alley

A dedicated public alley and greenway will be constructed along the northwesterly portion of the parcel, Connecting to our plaza and river plaza. An existing curb cut on 5th Avenue South will be preserved. This access will permit truck traffic, office building delivery access, and guest parking access to the eastern portion of the development.

Plaza

"The least a democratic society should do is to offer people wonderful public spaces."

The creation of One Fourth Street is in keeping with creating public spaces that contribute to the larger patterning of vehicular and pedestrian pathways forming a vibrant and enriching community. Looking at the larger urban organization, the new private street would introduce a smaller block pattern common in the city and a service alley, also part of the immediate urban pattern." The project also looks to create better urban 'sojourn' quality as well as a sense of intimate anonymity. Sojourn quality is influenced by several factors, including visual quality and safety. All of them influence each other and issues of visual quality and safety have been widely discussed. When physical well- being is guaranteed, a place will be populated by more people and social control and safety result from this. Intimate Anonymity prescribes the intimate and simultaneous sharing of public space by anonymous people. In order to achieve this, urban public space should not be seen as an end in itself. It must be a part of a network of urban spaces that allow random movement of people through. The notion of community is most readily expressed in the idea of a small, homogeneous and intimate village or neighborhood, where everyone knows everyone else and feels more or less comfortable in a familiar setting.

Development of Parking Structure and Parcel A Valuation

We have proposed a two-level 600-stall parking structure serving as the foundation for the project. It would be the largest and most cost-effective parking structure to build and operate. In that ramp we have allocated 150 parking stalls to Lupe Development, 150 to North First Ventures, 100 to Mill Place and left 200 stalls unassigned.

The parking ramp would be developed by the new Eagle Iron Joint Venture Partnership. Partners would include Lupe, North First Ventures and possibly Mill Place. (We have invited Mill Place to become a partner in the joint venture and have drafted an agreement in principle, which they are considering.) Partners would share the construction and operating costs of the ramp based on usage. We anticipate an "air-rights allocation cost" to each component of the project, with each partner purchasing parking spaces much as a homeowner would purchase parking in a condominium project. (

The RFP requires the developer to accommodate a long-term parking agreement with the owners of the Crown Roller Mill and Ceresota Mill office buildings for tenant parking on Parcel A. Since the largest tenant is the Minneapolis Community Planning and Economic Development Department, the City would appear to be a significant beneficiary of this favorable agreement. The economic terms of the current parking agreement do not guarantee an income stream sufficient to finance improved, structured parking to replace the current surface parking arrangement.

Until Mill Place becomes a party to the Eagle Iron Joint Venture and a new agreement can be reached with the owners of the Crown Roller Mill and Ceresota office buildings, we cannot size and finance a parking structure. Furthermore, without a resolution of these parking issues, we are unable to determine the scope of the reuse of Parcel A and therefore unable to establish a value for the site.

Within a reasonably short period of time we are confident we can come to an agreement with Mill Place and address the parking needs of Crown Roller Mill and Ceresota. The possible parking solutions range from the office building owners becoming partners in the parking ramp joint venture to locating parking nearby at attractive rates. The City's own Mills Quarter Parking Facility two blocks away has excess capacity and on weekdays during office hours has offered bulk monthly rates as low as $50 per stall. The ramp might be an ideal location for city employee parking as part of the parking solution.

We believe we can satisfy the RFP parking requirements that burden the site. We simply need time to work in good faith with the stakeholders and find cost-effective solutions.

One Fourth Place West – Phase 2
Retail and Walk-outs by Lupe Development Partners

The western portion of the parcel would be developed with a 16,000 sf anchor pharmacy-type retail tenant on the hard corner of Third Avenue and 2nd Street. Six walk-up residential units would ring the remainder of the street façade along 2nd Street and the new 4th Avenue South. The "U" shaped structure would permit interior surface parking for retail use of approximately 31 spaces, and permit a necessary drive-thru component to exit a one-way drive lane to Third Avenue. Drive-thrus are now critical economic factors in the success of pharmacy concepts and account for a critical component of retail success. Details are in the proforma section.

The walk-out housing units would be affordable 2+ BR offerings. The balance of the ground floor space, would be dedicated to common space, amenities and entrance for the housing portion of the development. This includes substantial bike storage, exercise room and tenant storage. The hard corner entrance at Fourth Avenue provides a gracious and natural complement to the structures across the street in both scale and material textures. A combination of masonry and brick features will be appropriately matched.

Affordable Housing
Each of floors two through five will contain approximately 35-40 units of affordable rental housing, for a total of 160 rental units. 20% of these units will be set aside at 50% of the MMI index and no less than 60% of the remaining units will be set aside at 60% of the MMI index. If practical, the developer prefers a 20% component of 80% MMI in the project, but will conform to tax credit guidelines as dictated by MHFA rulemaking. Details are in the proforma section.

Asset Management would be by Lupe. Property management by Pinnacle/American Property Management. This team is well known and respected by the Minneapolis Rental Housing inspection team.

The unit sizes will range from 700 sf to 850 sf in size and will be fully featured in terms of appliances and finishes. The building will fully utilize energy and resource conservation, which the developer has extensive experience in producing. Occupancy, day lighting and water conservation as well as a green roof for storm water infiltration and flow control will be deployed.

Construction Methods- Energy Savings Innovation

The developer and architecture team believe that the site is perfect as a demonstration project for an innovative construction technique known as "structured insulated panel system," or SIPS. Replacing traditional on-site framing which is wasteful and subject to weather limitations, this concept is a modification of the growing trend towards panelized construction. The technique uses structural foam panels sandwiched between structural plywood and capped with dimensional lumber. The product is fabricated off-site in controlled conditions and can be uniformly cut and fitted on site to exact dimensions. The elimination of weather exposure waste and cold weather productivity loss, coupled with the efficient performance of the product as a hard, durable and easily finished product, makes for cost savings and economy of assembly. Traditional drywall (interior) and any exterior finish make for flexible and competitive completion of the project.

Capital and Economics Analysis

One Fourth Place West (affordable housing and retail) will be developed using Housing Finance Bonds with federal 4% tax credits and City supported Pay-Go tax increment. The developer will provide traditional market-rate letter of Credit to support the bonds and be fully at risk for the bond security. This puts the developer fully "at risk," on the bonds, including the indemnity pledge of the City TIF Note for Security to the bond holders. The tax credits are strictly limited to the 4% coupon credits that are provided by the housing bonds. The development does NOT propose to take any of the City's limited 9% tax credit allocation.

The tax increment will fully accelerate due to the large surplus of tax generation this project will create. The tax increment is necessary because the census tract location of Parcel A is one of the few "Non-target" areas under populated per HUD. The calculated tax credits are 30% less than a traditional affordable project because the census tract is non targeted. To meet the city goal of affordable housing, but overcome the limitations of the development site, the TIF is requested as a supporting revenue source for the housing bonding.

One Fourth Avenue East – Phase III

The east block, which will be developed by North First Ventures, runs from the new Fourth Avenue to Fifth Avenue. This block will be the third and final phase of the project. After completion of the base parking structure, construction of the west block will begin, which will allow use of the east block for construction staging and interim surface parking during the pre-sale period for the new housing. It is anticipated that construction of the new housing would begin fall 2010, with occupancy by fall 2011.

The configuration of the for-sale housing will be similar to the structure for the rental housing and retail. The new housing will be five levels, with a sixth level set back from the street. The building will be wrapped around a landscaped garden. A new alley will define the north side of the block and separate it from RiverWest, using the existing curb cut. The alley will provide truck access to Mill Place and ingress and egress for guest parking. Ingress and egress to the underground parking structure for the homeowners will be from Fourth Avenue. There will be nor curb cuts along Second Street. The main entrance to the building will be on Fourth Avenue.

The current plans call for 25 studios, 54 one-bedroom and 40 two-bedroom condominiums, a total of 119 units. Studios would be compact at 600 sf. One-bedrooms would average 940 sf. Two-bedrooms would range from 1,100 – 1,300 sf. Floor-to-ceiling heights of ten feet would be critical to making the relatively small unit sizes work in the market. Sales prices would range from $190,000 for studios up to $490,000 for two-bedroom units on the top floor.

The target demographic would be active seniors. A rich amenity package will be offered with full services and security. The units will be relatively small with easy lay-outs. Custom detailing of the interiors will be an option.

Lead with LEED Green Design

The Minnesota Energy Code is of particular interest to the developer, since the nation's most aggressive and far reaching building code for energy conservation was developed and signed into law while Principal Steve Minn was State Commissioner of Public Service.

The team is committed to sustainable development practices and obtaining at a minimum, "certified" status for LEED rankings in the retail shell and affordable rental portion of the project.

The state Conservation Improvement Program (CIP) energy custom consulting program will be utilized to maximize operational aspects of the project mechanical and electrical systems. These investment performance reviews can window and roof design, insulation and occupancy controls. The developer has been recognized in past projects for innovative water conservation techniques, including energy star laundry facilities, water conservation plumbing, power assist toilets, rain water gardens stored rainwater, and irrigation reservoirs The goal of this project is to offer as many of these techniques as can practically be supported. There will be a direct correlation between project development costs and the extent to which full LEED principles can be implemented. The developer desires fully implementation and has budgeted accordingly.

The retail surface parking are will be covered by an extensive green roof planting scheme that will slow the rate of storm water runoff and support a number of water active sedums and other water-sturdy plantings. This will afford the north facing residential units a lovely "green courtyard" rather than an asphalt parking lot.

Subject to HPC review and approval within the district guidelines, the developer would like to offer a compact solar pre-heat array on the building rooftop, to provide for domestic hot water preheat.

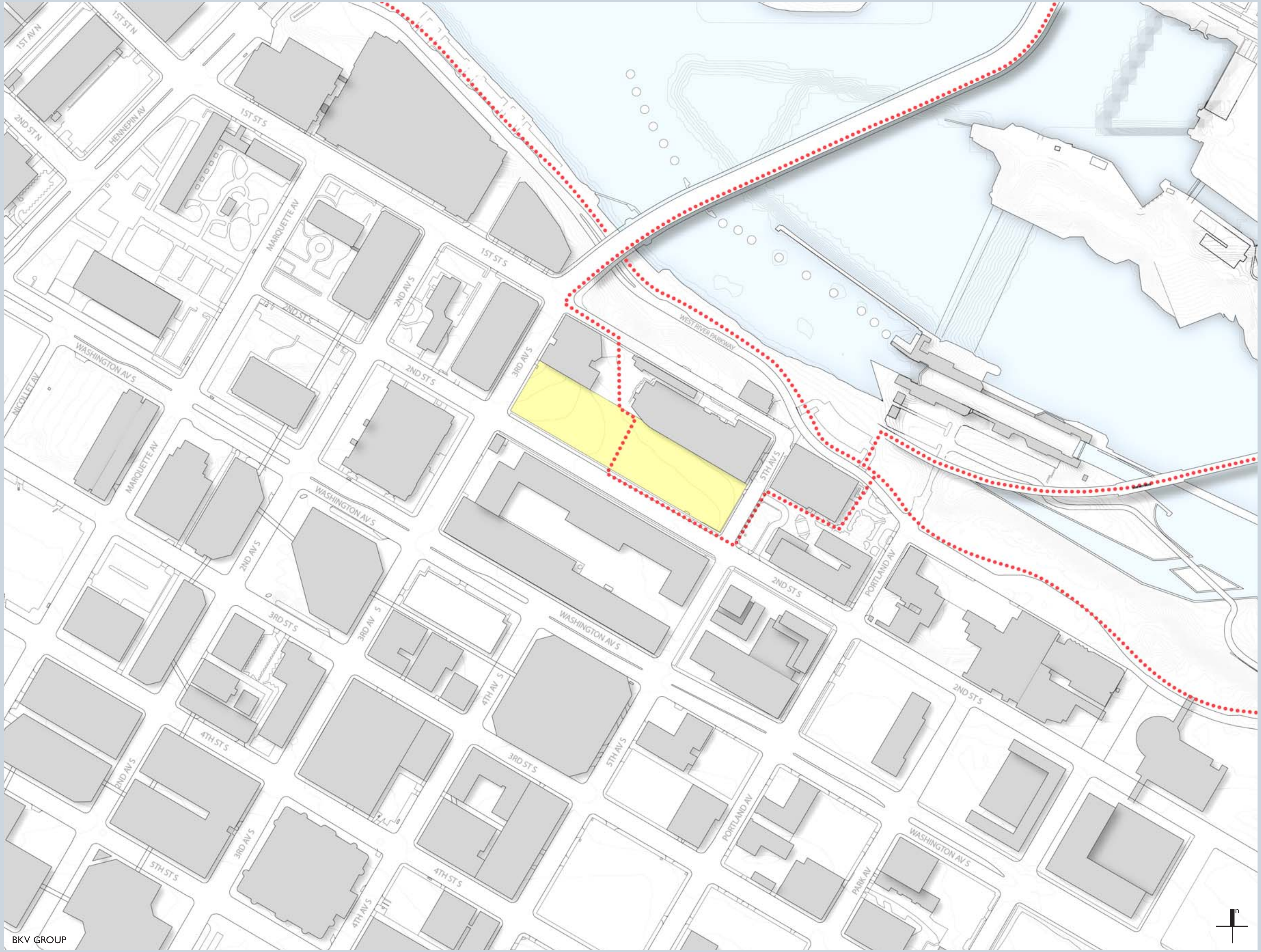
Power roof vents will be integrated into the design to provide for mitigation of heat or cooling loss while systemically evaporating humidity from bathrooms. PRV's tied to a sub duct system will provide a quiet and high quality air exchange program, creating a "healthy" building environment.

Lupe Development Partners

BKV GROUP

NORTH FIRST VENTURES, LLC

MS&R



ONE FOURTH AVENUE - PEDESTRIAN PATHWAYS

Lupe Development Partners

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NORTH FIRST VENTURES, LLC

MS&R

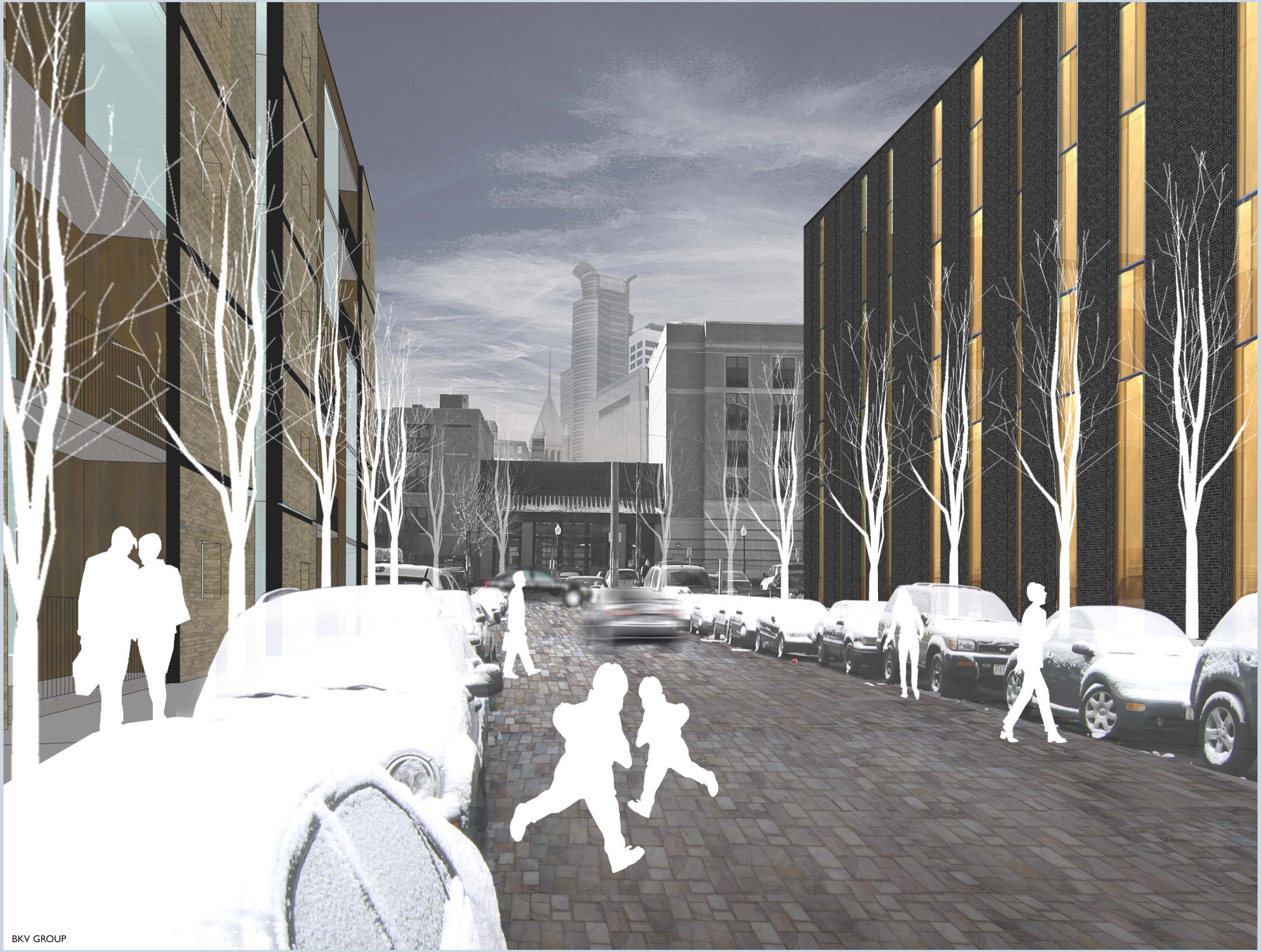
ONE FOURTH AVENUE - MASTER PLAN

Lupe Development Partners

BKV GROUP

NORTH FIRST VENTURES, LLC

MS&R



ONE FOURTH AVENUE - PERSPECTIVE

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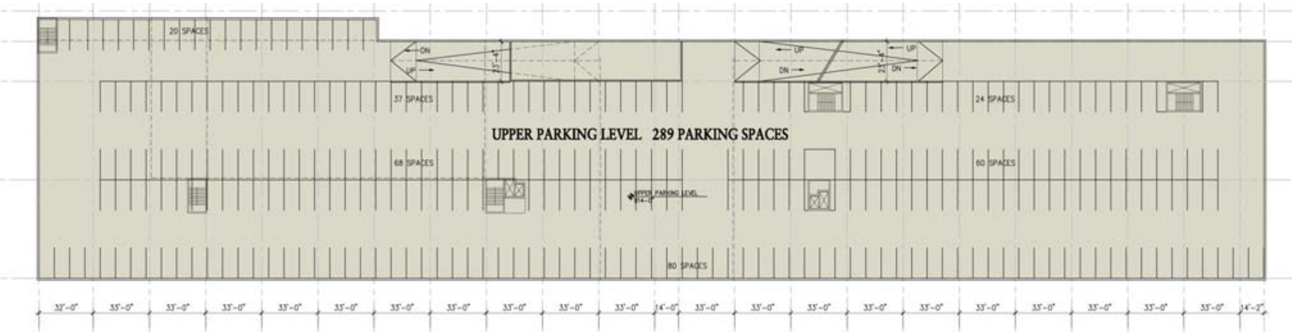
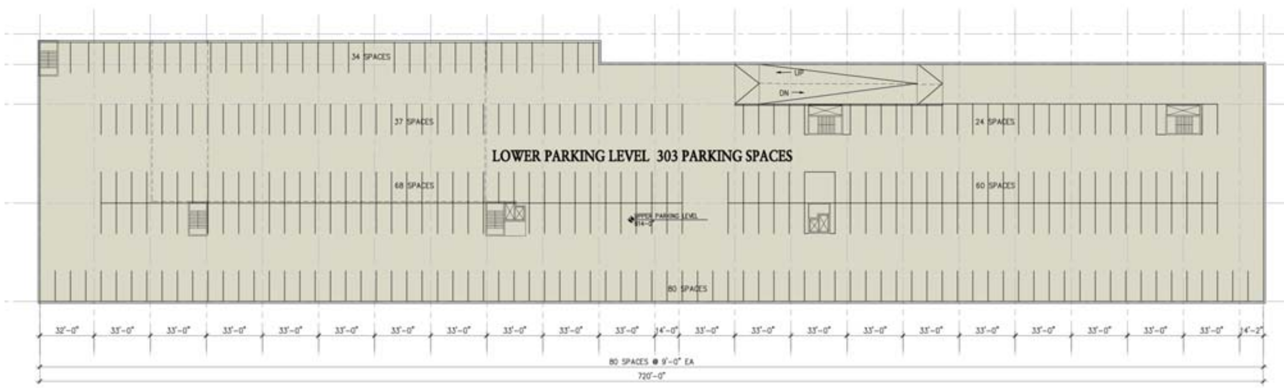
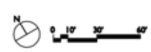


LOWER LEVEL PARKING PLAN 1



LOWER LEVEL PARKING PLAN 2



Lupe Development Partners

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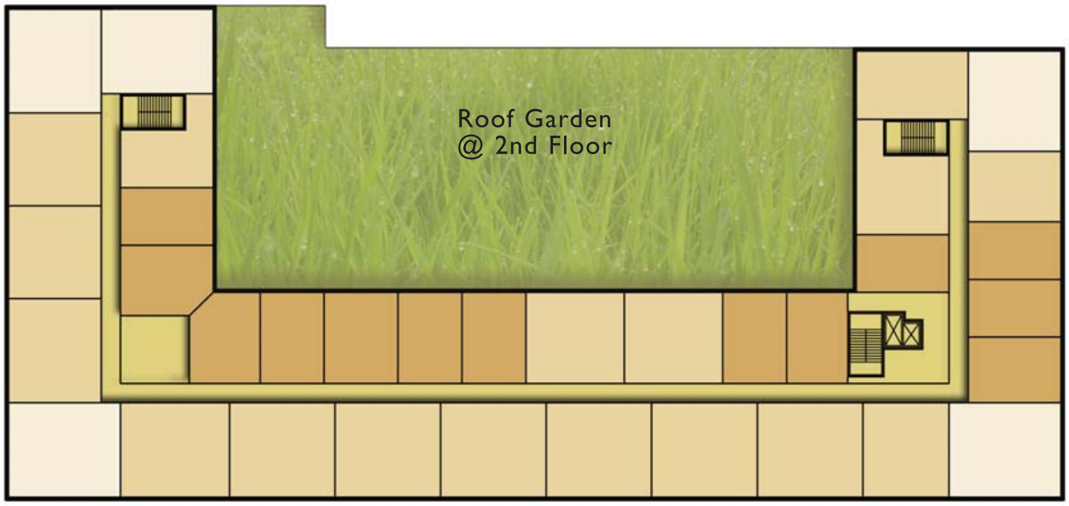
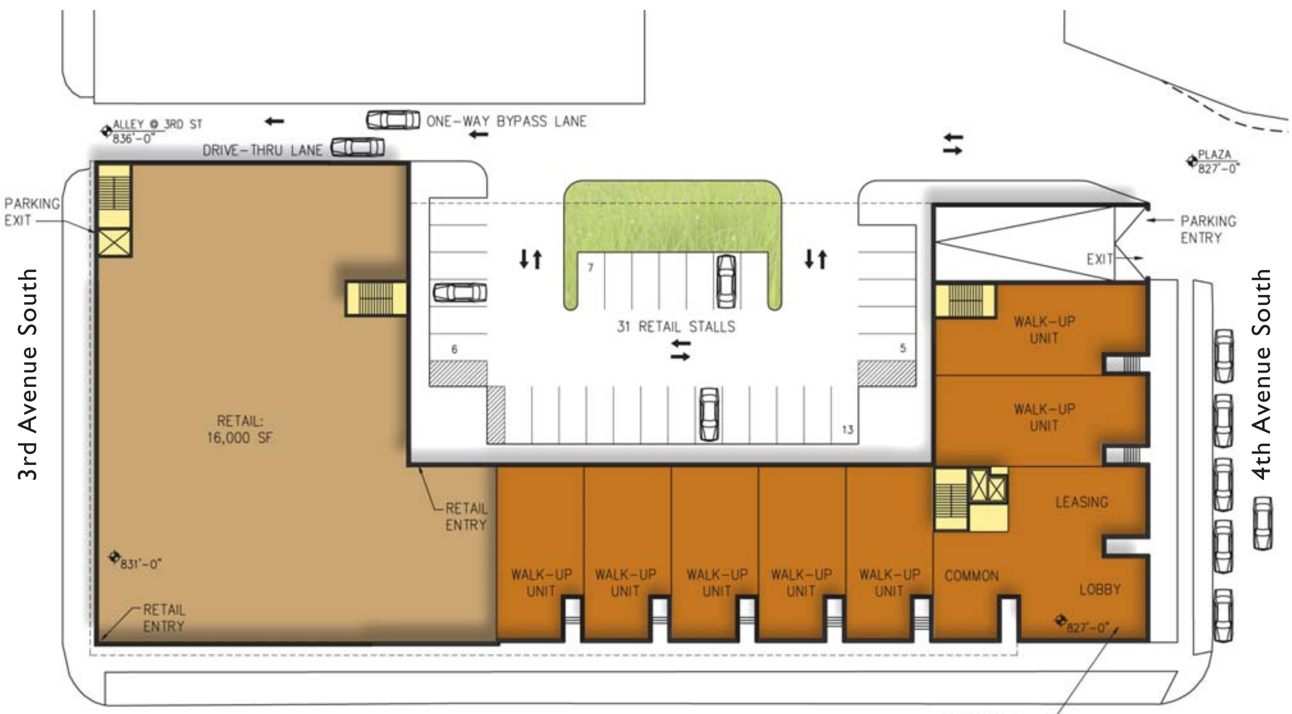
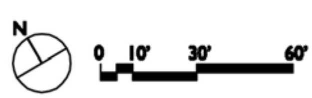
Retail | Efficiency | 1-bedroom | 2-bedroom | 3-bedroom

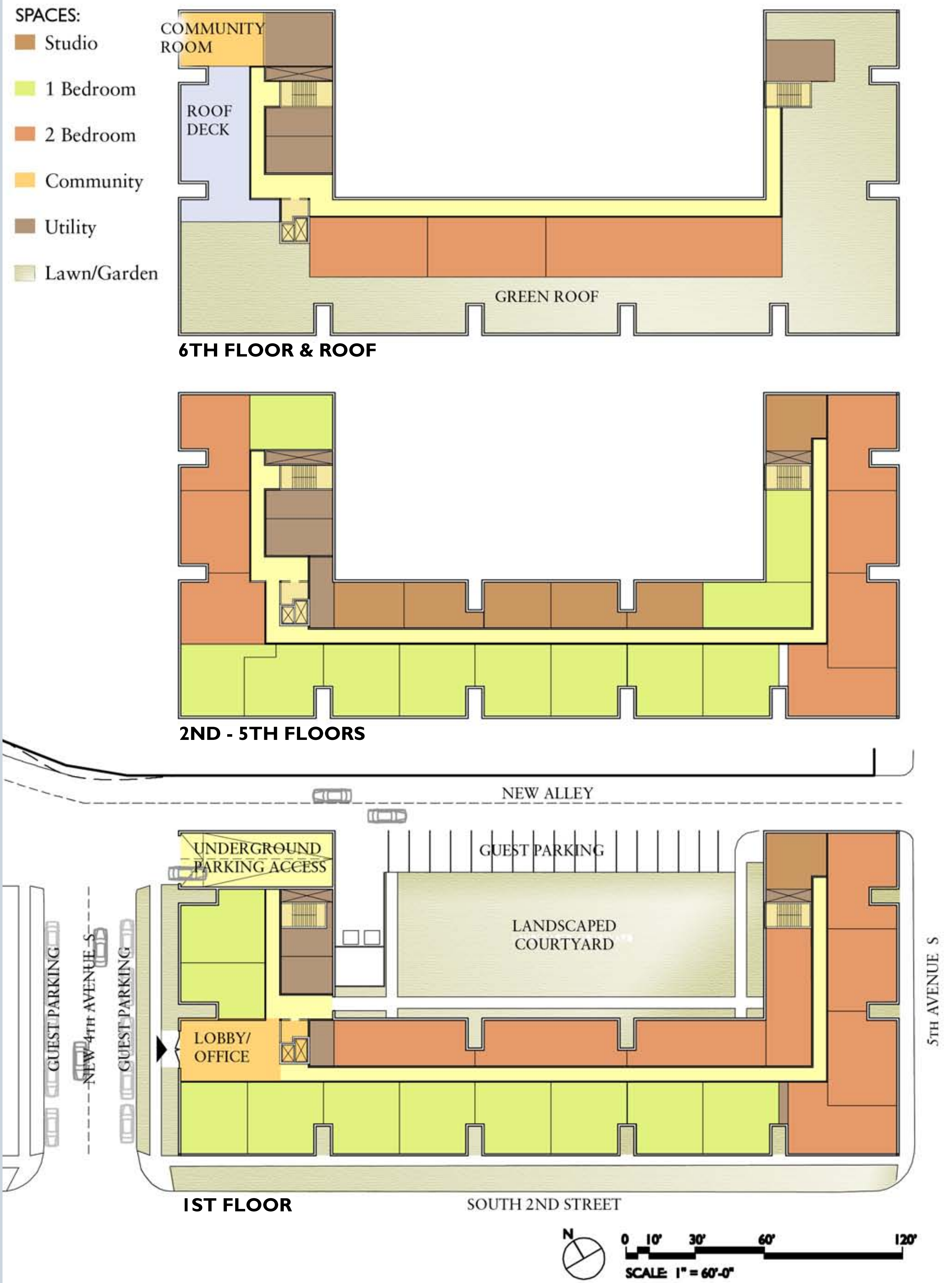


TYPICAL UPPER FLOOR PLAN
35 rental units/floor
32,650 sf/floor



1ST FLOOR PLAN
7 walk-up rental units
16,000 sf of retail




SPACES:
Studio
1 Bedroom
2 Bedroom
Community
Utility
Lawn/Garden
COMMUNITY ROOM
ROOF DECK
GREEN ROOF
6TH FLOOR & ROOF
2ND - 5TH FLOORS
NEW ALLEY
UNDERGROUND PARKING ACCESS
GUEST PARKING
LANDSCAPED COURTYARD
GUEST PARKING
NEW 4TH AVENUE S
GUEST PARKING
LOBBY/ OFFICE
5TH AVENUE S
1ST FLOOR
SOUTH 2ND STREET
N
0 10' 30' 60' 120'
SCALE: 1" = 60'-0"

Lupe Development Partners

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ONE FOURTH AVENUE WEST - PERSPECTIVE

Lupe Development Partners

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ONE FOURTH AVENUE WEST - PERSPECTIVE

NORTH FIRST
VENTURES, LLC

MS&R

ONE FOURTH AVENUE EAST - PERSPECTIVE

NORTH FIRST
VENTURES, LLC

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ONE FOURTH AVENUE EAST - PERSPECTIVE

NORTH FIRST
VENTURES, LLC

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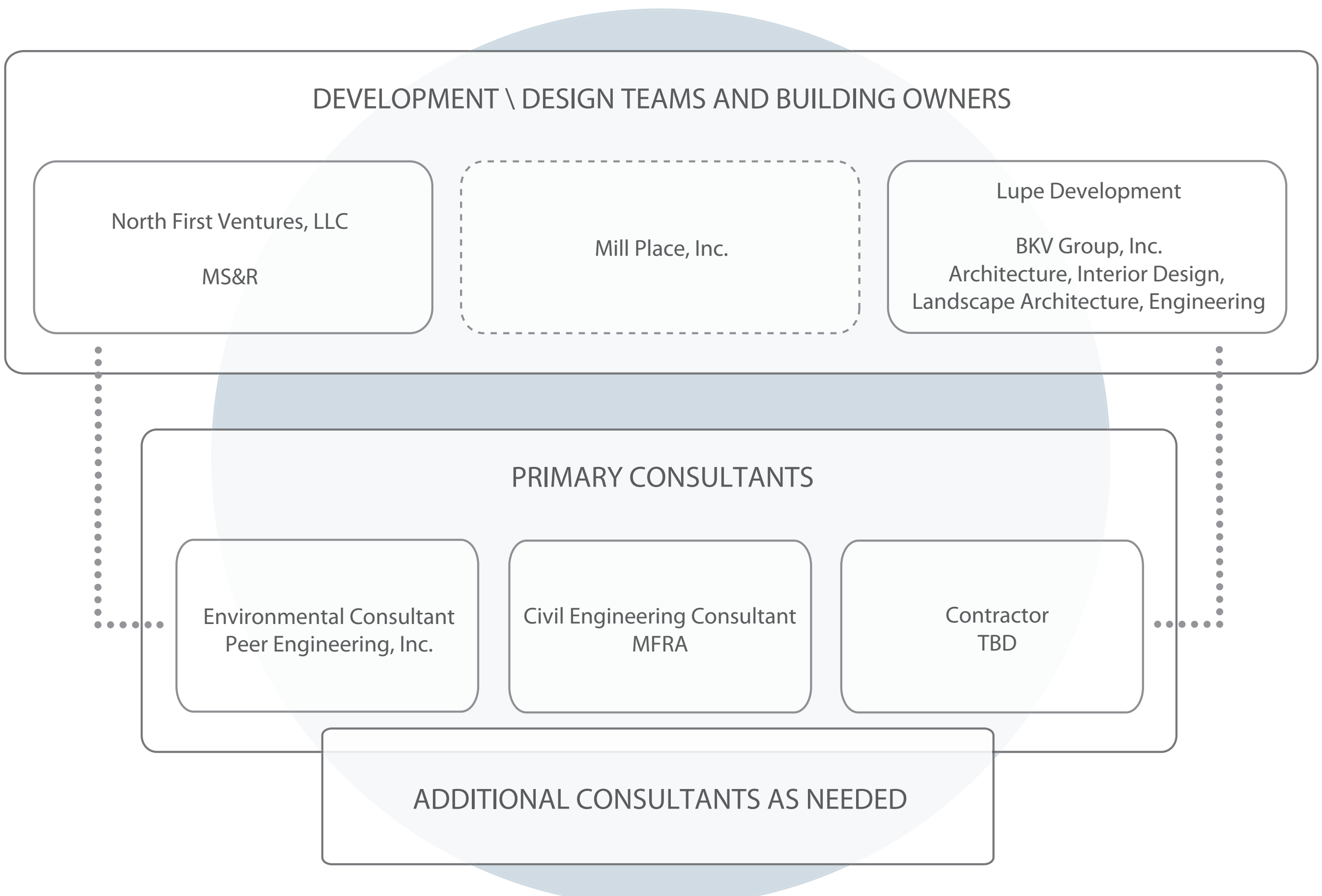
ONE FOURTH AVENUE EAST - PERSPECTIVE

City of Minneapolis
Community Planning and Economic Development (CPED)



MILL PLACE

111 THIRD AVE. SO. • MINNEAPOLIS, MN 55401

Mailing Address: P.O. Box 581398, Minneapolis, MN 55458-1398
Telephone: 612-339-2651 FAX: 612-339-2761

February 22, 2008

Mr. Steve Minn
Lupe Development Partners, LLC
1701 Madison Street NE, Suite 111
Minneapolis, Minnesota 55413

Mr. Chuck Leer
North First Ventures, LLC
700 North Washington, Suite 400
Minneapolis, MN

Re: Parcel A RFP Submission, February 2008

Dear Messrs. Minn and Leer:

Thank you for inviting Mill Place to sit in on the design process for the development of Parcel A.

The scale and scope of your uses is consistent with our own views of what should be on the site. Mill Place would not object to the traffic flow plan illustrated in your design and the green space and truck loading concepts (alley along RiverWest) would be acceptable to us.

Although we are still pursuing our own parking plans for 200 spaces through the land swap, we look forward to the opportunity of working with you further on the details and potential mutual advantage and efficiency of combining our parking needs into a parking joint venture should you be the successful developers of this parcel.

Yours truly,

Craig Kupritz
President

Cc: Beryl Miller, Mill Place
Carrie Flack, CPED

Lupe Development Partners LLC
West Side Developer
1701 Madison Street NE, 111—Minneapolis, Minnesota 55413
Phone: 612.436.3200 Fax: 612.436.3201

Lucy Brown Minn and Steve Minn are the principals of Lupe Development Partners. For over twenty years the firm has been actively shaping the urban streetscape with a varied and architecturally diverse portfolio of rental and for sale developments. Uniquely dedicated to the urban core, Lupe's broad portfolio ranges from small historic renovations of student housing near the University of Minnesota campus, to large new construction projects on the river's edge. Working with a variety of architectural teams, Lupe focuses on cleaning Brownfield sites and embraces challenging projects.

In 2002 Lupe delivered Marcy Park Apartments, a sixty unit market rate apartment complex, followed in 2003 with the award winning Stone Arch Apartments, a 221 unit affordable housing complex at the trail head of the Stone Arch Bridge. In development partnership with Wall Companies, Stone Arch was one of the first "green" developments to fully utilize energy resource and materials conservation throughout the construction and operational process. It was also one of the first "affordable" housing projects to be proposed along the riverfront. Lupe followed with the 2004 delivery of the Franklin Lofts – a 54 unit loft conversion of the historically significant Art Moderne classic Ramar Building. One of the first "affordable" ownership developments in the city. The Franklin Lofts redevelopment received trade and industry recognition for engineering and adaptive reuse techniques in the restoration process.

In 2005, Lupe redeveloped the 120,000 sf Town & Country Shopping Center, in Burnsville Minnesota, expanding and repositioning the aging center into a vibrant shopping facility. In 2006 Lupe delivered the Madison Lofts – a 47 unit conversion of an industrial warehouse into lofts in the Northeast Minneapolis arts district. Madison Lofts was selected as a recipient of the "Best in Real Estate" award from the Mpls-St. Paul Business Journal. In early 2007, Lupe delivered Eat Street Flats, a 63 Unit condominium project combined with a 25,000 sf retail component of pharmacy and service retail at the corner of Franklin and Nicollet. Later that year, Lupe and joint venture partner Wall Companies delivered Flour Sack Flats – a 59 unit new construction condominium in the East Bank Milling District.

Both Lucy and Steve are active in the community. Lucy has served for seven years on the Artspace, Inc Board of Directors and is a Trustee of her congregation. Steve serves on the Advisory Board of Aeon (Formerly Central Community Housing Trust) and is a director of Bridgewater Bank.

Minneapolis, MN

Urban Renewal with high Style!

Eat Street Flats, a cool, hip, fresh interpretation of the modern flat was recently completed at the intersection of Franklin and Nicollet. This 125,000 sf new construction project replaced two tired industrial buildings and a crime plagued gas/convenience store. With an open floor plan and huge windows, the units glow in the sunlight. Designed as an entry-level purchase for the first time buyer, ESF features the conveniences of a first floor retail pharmacy, plus fitness, and community room. Opened in July 2007.

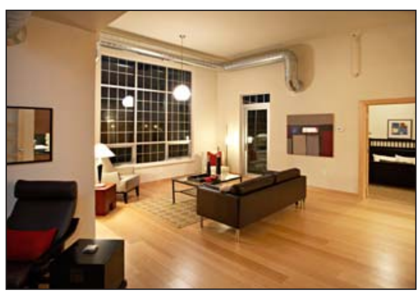
E a t S t r e e t F l a t s

F l o u r S a c k s F l a t s

Minneapolis, MN

Flour Sack Flats is in the heart of the East Bank Milling District…

Stylish and and urbane, FSF embraces ll the good there is in green development. From sustainable construction practices to a water filtering green roof, 'The Sack" epitomizes the best in design and sustainable development practice. The specification included renewable resources like bamboo floors and wool carpet, and an emphasis on buyer flexibility in customization. Delivered in September of 2007.



Minneapolis, MN

From the industrial roots of NE Minneapolis comes the Madison Lofts…

An authentic warehouse conversion to Loft space that claimed Business Journal's "Best of Real Estate 2006" for the residential renovation category. From the towering townhomes to the super cool brick and concrete surfaces of the Loft units, Madison Lofts delivers the true artist loft experience within 5 minutes from downtown. Soaring ceilings and glass, high end finishes and spectacular penthouses added to the original roofline. Delivery was in October, 2006.

M a d i s o n   L o f t s

Stone Arch Apartments

Minneapolis, MN

The Stone Arch Apartments are the first truly affordable rental apartments to be built in the high demand riverfront area of Minneapolis. Stone Arch Apartments are a fitting addition to an area successfully making the transition from historic and industrial to recreational, and residential. The Stone Arch Apartments are designed to reflect the history of the area while providing unique high tech living spaces that offer everything that modern lifestyles demand.

The warehouse/industrial-chic vernacular creates apartment styles previously found only in other cities like San Francisco, Chicago or New York…..but, Stone Arch's interior finishes include industrial lighting, high ceilings, huge windows, exposed beams, ductwork and warehouse-style spaces, create an environment fitting the modern urban professional ……here in Minneapolis!!

Lupe Development Partners

Boarman Kroos Vogel Group, Inc. (BKV Group)
Architecture Interior Design Landscape Architecture Engineering
222 North 2nd Street—Minneapolis, Minnesota 55401
Phone: 612.339.3752 Fax: 612.339.6212
A MN Corporation since 1978 www.bkvgroup.com

"Our commitment is to provide design solutions with the client always at the center of the process..."
— the staff of BKV Group

BKV Group, Inc. is an 90+person, multi-disciplinary firm providing architectural, interior design, engineering and construction administration services to development, government and corporate and clients for over 30 years. Our dedicated and talented professionals look forward to building new projects and new relationships.

Our designers are continually striving to create identifiable, livable communities with community spaces that respond functionally to the needs, but also enhance the user's spirit and enjoyment of their environment and their lives. Our goal is to create well-designed physical surroundings that support the individual as well as the community.

As dedicated and talented professionals, we encourage and promote diversity in our work through technical expertise, consensus building, innovation, collaboration and creativity. Through a variety of tools, we bring a unique approach to achieving an environment that is meaningful and supportive for our clients. BKV Group believes it is the client's values, attitude, needs and aspirations; design cues inherent in climate and region; and specific qualities in site and materials that define the resulting design. As seasoned professionals, we understand that our ultimate responsibility to our clients is to design and provide services that result in a "facility" that satisfies the needs of the program, schedule and budget. BKV Group's goal is to achieve a design solution that best meets our client's needs.

BKV Group has a fully integrated office staff including architects, interior designers, mechanical, electrical and structural engineers, construction administrators, account representatives, marketers and graphic designers. We effectively and efficiently deal with the broad coordination issues of residential facilities. We all work in one office, networked together on one computer system where communication and coordination occur on a minute-by-minute basis. We care about human and social implications of our designs. Our philosophy is to design within the cultural fabric of the community, using materials and systems that provide optimum value, functionality, flexibility, durability and timeless quality.

Our Mission
A team of creative design professionals whose mission is to engage clients in the process of creating enduring designs that enhance our environment

Comprehensive Capabilities

BKV Group is dedicated to working closely with clients to develop solutions that fit their organizational needs and culture while addressing concerns for quality, cost and service. The project delivery varies from traditional design-bid-build through turnkey or design build options. As a full-service architecture, interior design and engineering firm with over 25 years of experience, we have extensive capabilities with various sized projects.

Planning
Feasibility Studies
Facility Evaluation
Project Budget/Schedule
Program Development
Space Programming
Urban Design Studies
Land Use and Zoning Analysis
Site and Property Utilization
Phased Property Planning

Architecture
Site Planning
Architectural Design
Budgets and Schedules
CSI Specifications
Technical Documentation
Computer Aided Design (CAD)
Construction Administration
Computer-based Project Scheduling
Visioning Process
Graphic Design

Interior Design
Facility Evaluation
Feasibility Studies
Project Budget/Schedule
Space Planning
Interior Image Concepts
Interior Graphic Systems
Material Specifications
Furnishing Specifications
Furniture Installation
Future Planning

Mechanical Engineering
Building Commissioning
Energy Use/Conservation Analysis
HVAC System Design
System Operations and Training
Construction Phasing
Fire Protection Systems

Electrical Engineering
Existing Site Survey and Analysis
Lighting Design with Photometric Data
Power Distribution Design
Communication and A/V System Design
Security System Design
Fire Alarm System Design
Technology Data System Analysis/Design
Construction Phasing and Coordination

Structural Engineering
Structural Analysis and Design
Structural System Comparisons
Existing Structure Evaluations
Dynamic Vibration Analysis

Construction Administration
Contractor Selection Assistance
Contract Management
Cost Estimating
Construction Scheduling
Construction Observation
Quality Control Management
Lending Inspections
Eleven-Month Warranty Walk-Through

Sustainable Design
Enhanced Building Durability
Enhanced Occupant Comfort
Energy and Water Savings
Reduced Maintenance Operating Costs
Conservation of Natural Resources
Minimization of Waste and Pollution
Prepared for Future Legislation
Limits Risk and Possible Litigation
Positive Public Relations
Revenue from Recycling

The Pacific Redevelopment

Minneapolis, MN

Located between the historic North Loop Warehouse District and the downtown central business district, The Pacific represents a $75 million mixed-use redevelopment of an entire city-block bounded between Washington Avenue North and Second Street North.

The Pacific will provide a mix of commercial, hotel, office, residential spaces and urban park creating a vital destination place for area residents and visitors. It will provide unique housing opportunities, provide much needed neighborhood retail services to support the growing density of the neighborhood and create pedestrian-oriented streetscapes and other public amenities.

Features include:

- Historical restoration of four existing buildings:
  Monte Carlo Restaurant
  Pacific Flats Building
  Lowry Morrison Building
  Northwestern Building
- 9-story five-star boutique hotel with 150 rooms and 6,544 sf retail/commercial space
- 10-story condo tower with 56,215 sf of retail/clinic/health club space
- 295 car underground and screened parking structure
- Urban plaza with a pedestrian concourse linking Second and Third Avenue
- Top floor pool deck

The design process incorporated an intensive design review process by several agencies including the Historical Preservation Commission, North Loop Community Group and the Minneapolis City Council. BKV Group facilitated successful consensus building among all stakeholders to arrive at a mutually agreeable development plan for a signature site.

WASHINGTON AVENUE

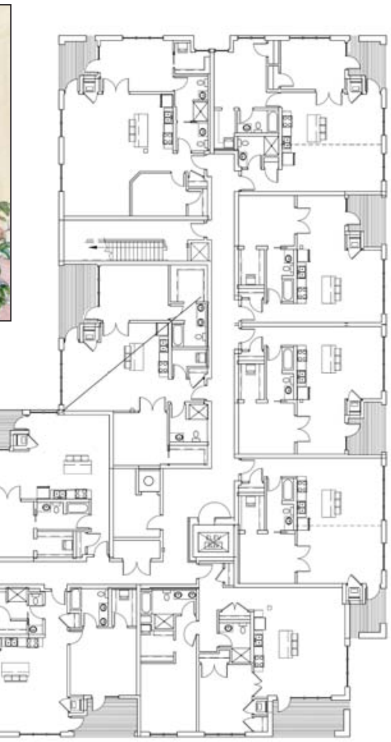
THIRD AVENUE NORTH AND NORTH SECOND STREET

Minneapolis, MN

The Flour Sack Flats is a creative and thoughtful interpretation of the flour milling district architecture of the 1900s, an era known for ornate facades, muscular building masses and wide windows. The blend of facades will include historically accurate "ironspot" brick, cast stone and corrugated metal. The units feature large windows with great neighborhood views, nine-foot ceilings, patio terraces and heated parking.

Sustainable design elements include a green roof covering the parking area with a shallow layer of vegetation designed to filter stormwater runoff and reduce energy expenses; energy-efficient appliances and environmentally sustainable flooring options.

F l o u r S a c k s F l a t s



THIRD FLOOR PLAN

Minneapolis, MN

The 301 Clifton Condominiums in the Loring Park Neighborhood offers residents uses and views of both Loring Park and downtown, while allowing easy access to major highways. Our design enhances the existing traditional neighborhood charm while incorporating effective unit design to conserve resources and energy in addition to providing needed housing alternatives. The 301 Clifton residences strives for a distinctive character by integrating open living spaces, high ceilings, bay windows and private balconies, brick and stone exterior materials, and natural interior millwork.

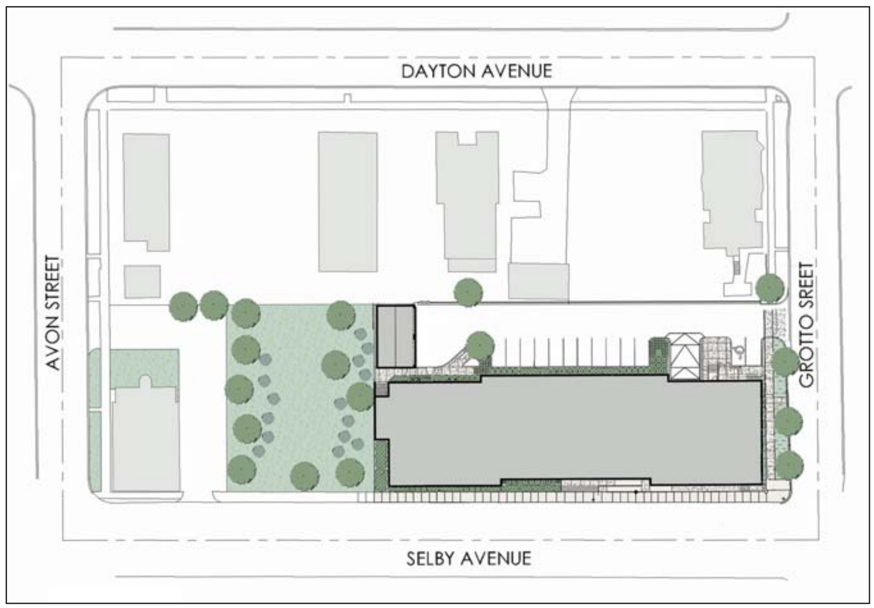
301 Clifton Condominiums

St. Paul, MN

BKV Group worked with the Selby Area CDC and Legacy Management & Development Corporation to construct a mixed-use building on Selby Avenue on a portion of vacant land between Grotto and Avon Streets. The building consists of 38 units of one and two bedroom apartments and approximately 6,100 sf of commercial space. The original plans called to rehabilitate the vacant 741-743 building as part of the Selby Grotto Project but are not feasible due to excessive lead, asbestos and mold that cause health and safety concerns and prohibitive cost estimates that would result from the remediation to correct the health and safety issues.

This project provides 60% of housing at market rate with 40% at various levels of affordability.

Selby Grotto Apartments



Acme Tag Redevelopment

Minneapolis, MN

The project site is bounded by Fremont Avenue to the east, Girard Avenue to the west, and the Midtown Greenway to the south. The former Acme Tag site presents a unique opportunity to develop a housing community located at the heart of the vibrant Lowry Hill East neighborhood of southwest Minneapolis, just blocks away from the popular Uptown area and fronting the revitalized corridor of the Midtown Greenway. The design offers a truly multi-modal lifestyle with easy access to recreational, commercial, and social amenities. Residents will have easy access to miles of public cycling and walking paths provided by the adjacent Midtown Greenway, Uptown and the Chain of Lakes, and downtown Minneapolis which is only minutes away. The objective of the proposed redevelopment is to create a distinctive and sustainable project that builds on the energy and diversity of the local community and nearby Greenway and becomes a vital component of the Uptown neighborhood. The plan will consists of market-rate rental housing with a variety of dwelling unit choices, below grade parking, community rooms, and open spaces.

VIEW FROM MIDTOWN GREENWAY

FREEMONT STREET ELEVATION

MIDTOWN GREENWAY ELEVATION

Minneapolis, MN

2833 Lyndale is comprised of 124 units of studio, one- and two-bedroom apartments, underground parking and 9,000 sf of retail opportunity located on the Midtown Greenway within the Whittier Neighborhood. The exterior, clad in stone, metal panel, glass and natural wood veneer panels, creates an architectural style that has a light and airy feel. Designed with a spacious loft sensibility, each unit has floor to ceiling windows, open floor plans and balconies on exterior units.

2833 Lyndale consists of three building sections organized around a southern facing courtyard with expansive views of Downtown and South Minneapolis. A community room and exercise room have access to an outdoor terrace with views to downtown. The two-story walk-up townhomes face the Soo Line community gardens and all tenants have access to several outdoor areas including common terraces, garden, outdoor plaza seating and pathway leading to the Greenway. The Greenway provides walking and biking paths networked with the broader Minneapolis trail system.

2833 Lyndale Avenue

SITE PLAN

University and Dale Apartments

St. Paul, MN

This mixed-use five-story project, described as a major hub of economic development, consists of one and two bedroom units, the Rondo Community and Outreach Library and underground parking. Located in a very diverse and vibrant community dedicated to renovating older structures, the new building is designed as a traditional multi-family complex with a new urban edge.

Each unit will have a balcony, nine to twelve foot ceilings with oversized windows. A raised public plaza will be located on the third floor of the site. The exterior of the building will be rendered in brick.

The new 39,226 sf Rondo Outreach Library replaces the current Lexington Branch Library and nearly doubles the space, providing more seating, books, public computers, community meeting space and an expansion of the library's small business resource center. The library will occupy the on-grade floor and there will be underground parking for the library's use.

This joint venture between the public library and a private developer utilizes the air space above the library for a 234,024 sf mixed-use five-story project that is described as a major hub of economic development. Located in a very diverse and vibrant community dedicated to renovating older structures, the new building is designed as a traditional multi-family complex with a new urban edge. The residential component consists of 103 one and two bedroom units and 194 underground parking stalls. This urban-revitalizing project is illustrative of the essential role a library can play in maintaining a strong neighborhood by helping to renew a culturally diverse neighborhood.

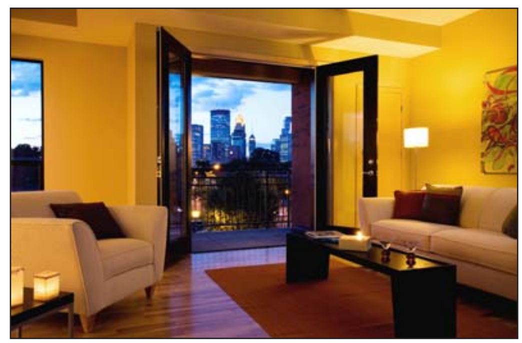
The University Dale Apartments and Rondo Community Outreach Library received the 2005 Re-Development/Extensive Renovation - Large Residential Award from the Business Journals Best in Real Estate.

The $25 million project will be a showcase of new, affordable housing anchored by a library which will continue serving as a resource for the Hmong, Somali and other neighborhood populations.

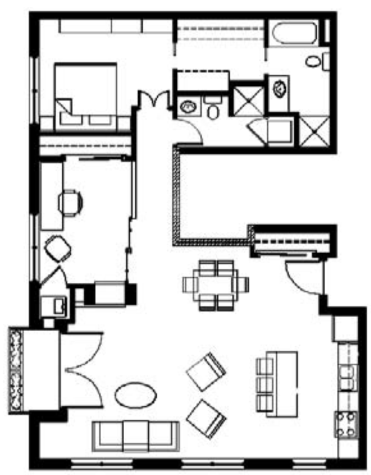
Greenleaf Lofts

Minneapolis, MN

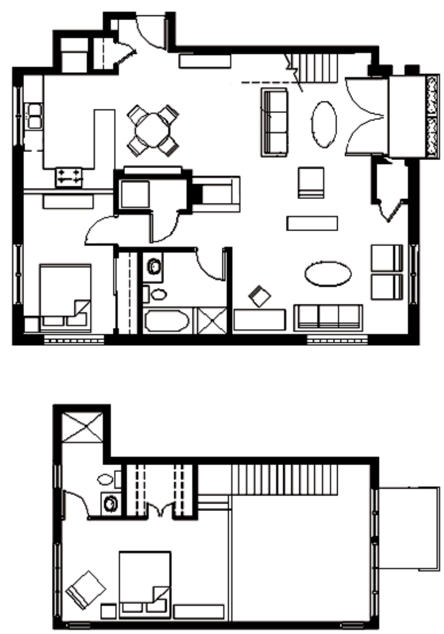
This project is a multi-use, four-story building including 27-units of market rate residential and ground floor retail and commercial space. The ground floor retail space has elevated outdoor plaza seating. The development concept is to create a living and working environment.



SECOND FLOOR UNIT
1 BEDROOM + DEN



LOFT UNIT
2 BEDROOM + DEN



Arts Quarter Lofts

Minneapolis, MN

The Arts Quarter site spans the public alley and extends the full length of the city block along 26th street. Private, secure and heated resident parking is tucked below the first floor retail space, while convenient visitor and retail parking is located within the east side of the first floor. Responding to the unique quality of the building's site, the unit plans at the Arts Quarter represent a wide variety of urban living options. Unit plans include one and two bedroom single story "flats" located on the second floor, as well as two story "lofts" spanning the third and fourth floors. One distinguishing feature of many is a unique "interlocking" loft design providing windows, light and air spanning both sides of the unit - assuring that each of these interlocking units receive rich South light and a visual connection to Eat Street as well as soft North light and balconies with skyline glimpses.

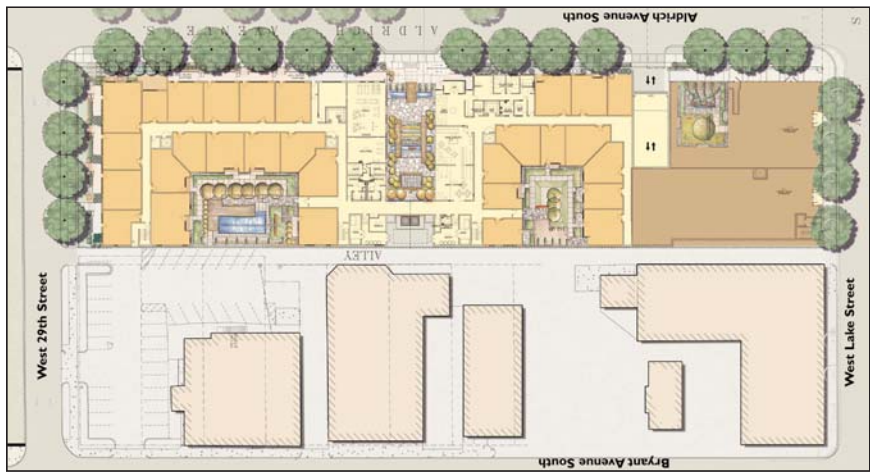
Located within the Washburn Fair Oaks Historic Preservation District, the building's exterior design is an extension of the unique interior unit designs. A faithful blend of the historic and the modern, the building's design concept is an interlocking of two related building forms, each originating on a separate side of the alleyway, integrating at the public lobby. The two building forms represent the cultural qualities of the Whittier Neighborhood - the brick mass of the West relating to the historic fabric of Nicollet Avenue, while the Victorian Shingle mass of the East uses a unique, historic residential cladding while representing the artistic and creative energy of the near-by art institutions. Each of these forms are present as a supporting accent to its neighbor, with the brick mass providing a solid base to the shingle mass while the shingles extend across the top of the brick building to create an intersecting and visually light crown. The resulting building design is a fresh yet faithful, modern interpretation of the indigenous historic character of Whittier.

Minneapolis, MN

2900 Aldrich Avenue Apartments

2900 Aldrich is comprised of two residential buildings ranging in height from 3 stories to 6 stories. The plan consists of market-rate rental housing with a variety of dwelling unit choices, community and open spaces, new shops and restaurants. The apartments consist of a variety of unique dwelling types including street-level walk-ups, terrace units, flats and two-story loft units and range in size from 500-1,300 sf. Units have views of the downtown skyline, the high energy Lyn-Lake neighborhood, as well as the Midtown Greenway. The newly constructed apartments feature secure, underground heated parking for its residents. The ratio of dwelling units to parking spaces for the South Building is 1:1, and North Building is 1:1.3.

The vision is to create an arrangement of buildings that engages with the scale of the neighborhood at its edges and street fronts, but also modulates itself through various heights, creating numerous open spaces, plazas and courtyards to maintain a sense of diversity, enjoy views, and create public amenity space. Through the manipulation of form, scale, patterns, and materiality, the architecture establishes a strong and cohesive contextual relationship with the existing fabric while maintaining its own unique character. The design is contemporary in nature but uses familiar materials found throughout the area such as stone, brick, glass, metal and stucco. The language of the articulated facades and cornices, varying building heights stepped back from the street edge, and overall style of the residences are evidence that it is grounded in traditional architectural elements and proportions, yet refined for the current day.



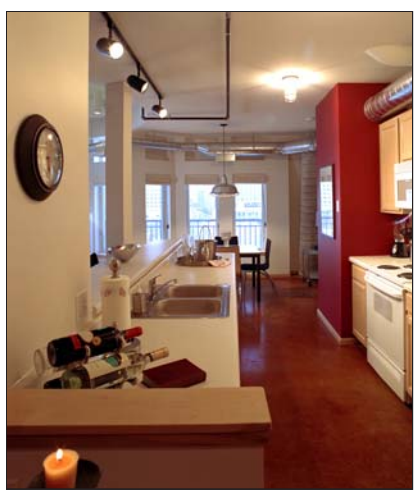
Minneapolis, MN

Heritage Landing represents a high-density, mixed-use, urban infill project in the heart of the historic Minneapolis Warehouse District.

The 229-unit rental complex combines flats, lofts and stacked two-story townhomes with 400 underground parking stalls and 7,500 sf of street-level retail. Our goal in the design was to combine contemporary living with an industrial aesthetic compatible to the historic neighborhood. The complex covers an entire city block and is positioned to create and maintain a strong urban edge along the street.

In addition to providing a variety of rental housing opportunities for area residents, the intent of this project was to promote the restoration of Minneapolis' Historic Warehouse District.

Heritage Landing Apartments and Townhomes



Eitel Building City Apartments

Minneapolis, MN

The Eitel Building City Apartments, a component of the mixed-use project in Loring Park, preserves the historic context of the existing Eitel Hospital. The structure will be fully integrated into a seven-story residential development, while possessing an architectural design that returns its original appearance and distinction within the neighborhood.

The majority of the building's newer additions will be demolished to make way for the new construction of contemporary, high-end apartments, lofts and live/work units. The existing elevator core and surrounding floors immediately north of the Eitel Hospital building will be reused. The Eitel Hospital building will undergo an interior demolition and be converted to new contemporary loft-style apartments. The exterior of the historic Eitel Hospital building will be restored as close to its original appearance as is feasible, including constructing of a new cornice that will be sympathetic to the original design.

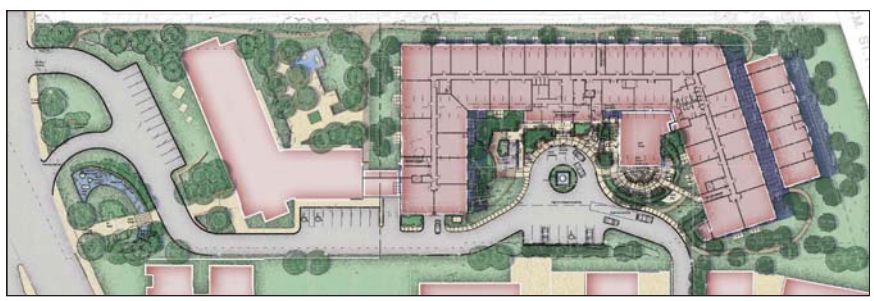
Lake Calhoun City Apartments

Minneapolis, MN

Lake Calhoun City Apartments is part of Minneapolis' popular Chain of Lakes District and designed on the inside and out around the active recreational community near the development. Combining this with its proximity to Minneapolis' metropolitan center, Lake Calhoun City Apartments will offer residents the atmosphere of a suburban escape amid the liveliness of an urban setting.

Lake Calhoun City Apartments' five-story main building will provide 152 apartments with six additional townhouses on site. The development will contain a combination of studio, alcove, one-bedroom, two-bedroom and three-bedroom units with an ample variety of floor plans from which to choose, offering flexibility and diversity to address every renter's need.

Based near the western shores of Lake Calhoun, the community will feature beautiful views of the natural scenery and complement the environs. Lake Calhoun City Apartments' green building design and environmentally conscious technology and products will blend in with its organic neighborhood, just as sky transitions to the landscape on the horizon. Residents will find easy access to wind surfing, sea kayaking, canoeing, sailing, fishing and swimming and appreciate being close to nature as they take advantage of miles of walking and bike paths and relish the Minneapolis skyline in the distance.



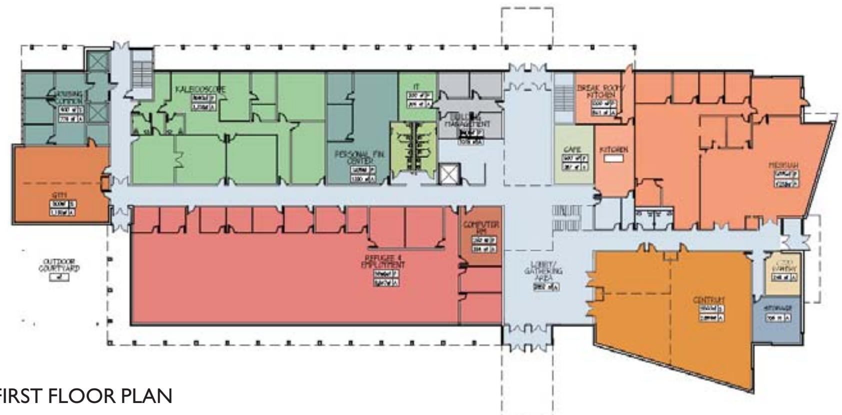
Minneapolis, MN

Lutheran Social Services and Messiah Lutheran Church

Lutheran Social Services (LSS) is developing a 60,000 sf office and social services provision building, to be called the Center for Changing Lives (CFCL). Several functions central to LSS' mission will be housed in the CFCL, including financial counseling, youth services, family resources, adoption services, refugee and employment and housing services.

The CFCL will be home to several community services, including the Faith in The City's Personal Finance Center and Wellness Connection as well as the Phillips West Neighborhood Organization. Messiah Lutheran Church a long-term presence in the Phillips West neighborhood will also relocate its office and worship spaces into the CFCL.

C e n t e r f o r C h a n g i n g L i v e s



FIRST FLOOR PLAN

SECOND FLOOR PLAN

North First Ventures LLC
East Side Developer
700 Washington Ave, 211—Minneapolis, Minnesota 55401
Phone: 612.236.1991 Fax: 612.746.0474

NORTH FIRST VENTURES, LLC

The principal of North First Ventures, Charles Leer, is an award-winning developer who has completed a wide array of projects along the Minneapolis downtown riverfront over the past twenty years. In 1988, he developed the first Guthrie on the river – The Lab Theater – on North First Street, followed in 1990 by the Minnesota Opera Center, which earned him the City's Stephen Murray Historic Preservation Award.

Charles is active in community affairs. For over a decade he has served as chair of the North Washington Jobs Park Steering Committee - a public/private partnership spearheading reuse of brownfields for jobs generation – and is past chair of the board of directors of Open Book. He is also president of New Ballpark Inc., a nonprofit organization advocating vital and green connections between the new ballpark and surrounding neighborhoods.

Minneapolis, MN

Charles Leers most recent major project is the 137-unit Tower Lofts; a stylish conversion of a landmark building on North Washington that mixes storefront retail, live/work studios and residential lofts. Tower Lofts in 2005 received a "Best in Real Estate" award from the Mpls-St. Paul Business Journal as well as a RAVE award in 2006 from AIA Minnesota.

Tower Lofts

Minneapolis, MN

Charles has collaborated extensively with MS&R Architects on projects ranging from Open Book on Washington Avenue South in the Mills District to the featured 801 Washington Lofts, a 61-unit for sale project that led the way in the revitalization of the North Loop.

801 Washington was one of the first true loft conversions in the North Loop neighborhood – way back in 2002. This historic building, built in 1913, was the home for a number of businesses including a car showroom. Amenities include an attached parking ramp, a shared rooftop deck and garden area.

801 Washington Lofts

Architecture & Interior Design

Meyer Scherer & Rockcastle, LTD
710 South 2nd Street, 7th Floor
Minneapolis, MN USA 55401-2294
612 375 0336 T 612 342 2216 F

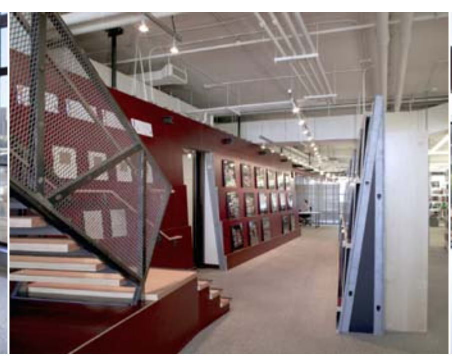
FIRM PROFILE

Meyer, Scherer & Rockcastle, Ltd., (MS&R) is a design firm rich in history and experience. For 26 years, the founders of the firm—Tom Meyer, FAIA, Jeffrey Scherer, FAIA, and Garth Rockcastle, FAIA—have led an independent, collaborative design studio focused on advancing imaginative, inspiring spaces. We work on a wide array of projects: learning environments, libraries, corporate campuses, and homes. We renovate, expand, or build new. Big or small. Multi-million dollar budget or just a few thousand dollars. The common denominator in our work is a client seeking unexpected, poetic, artistic design solutions. Our unique approach considers things from a different perspective, challenges boundaries, and creatively examines site, building, and materials to uncover innovative new uses that benefit the client's program and project goals.

We are prolific designers, constantly drawing, thinking, discussing design options and ideas. We deeply involve ourselves with a client, believing in an open, honest exchange of information, where anyone's idea can be a good idea. There is no hierarchy or ego in our approach either—if a client has a fantastic design concept, all the better. We thrive on such strong relationships and we believe our work is better for it.

The firm employs 47 individuals between its main office in Minneapolis, Minnesota, and its East Coast office, located in Hyattsville, Maryland. Of the design staff, 32 are architects or architects-in-training and 6 are interior designers or interior designers-in-training. The firm's founding principals—Tom, Jeff, and Garth—remain actively engaged, overseeing an array of work. Their leadership is extended through the firm's additional design principals: Jack Poling, AIA, LEED AP; Paul C.N. Mellblom, AIA, LEED AP; Jeffrey Mandyck, AIA; and Traci Engel Lesneski, CID, IIDA, LEED AP. Our open, collaborative office format reflects our approach. There are no walls, no barriers to great design.

For more information, visit our website: www.msrltd.com


FIRM PHILOSOPHY

MS&R MISSION

To create exceptional and enduring architecture through a leading, self-renewing practice.

THE SELF-RENEWING PRACTICE

Architecture, like any profession, involves the mastery of a systematic body of knowledge and skills, acquired through study, reflection, and repetition. But architecture that truly succeeds must also transcend its disciplined underpinning to achieve cultural and aesthetic expression. To a greater extent than other professions, the practice of architecture is also a creative art. And so, unlike other professionals, the architect seeks to replicate standards of performance—while not repeating the act of creation or the spatial experience in each new situation. Each project for the creative architect is a new conjunction of the tried and proven with the inspiring and meaningful.

The result of this balancing rarely stays private, and it often has some power to enrich or oppress others. And so architecture acknowledges a responsibility to serve humanity in general as well as to serve clients in particular. For us, this means we strive to render the social gift of aesthetic value in our work, as well as the private commodity of economic value. To truly serve our clients, the people who are affected by our work, and those who may be inspired by it, we have an obligation to continually renew ourselves—and not simply to repeat ourselves.

Our mission is to perpetuate a self-renewing practice. This has two meanings, each reinforcing the other. Internally, it means a place in which the practice of architecture is continually inspiriting—giving a daily sense of purpose and energy to our work. Externally, it means that the work we produce embodies a quality, worthiness, and grace that brings more opportunities to create.

The following page highlights the guiding principles that we promote within MS&R to ensure that our practice continues to strive for quality, creativity, and self-renewal.

"MS&R's responses to projects are most inspired when they're rooted in the client's needs, the site and a sens of public purpose.…Constantly on 'a search for meaning,' as the principals say, they're always checking the values against their actual output.…the guiding principles of MS&R…include integrity, mutual enrichmen innovation, respect, balance, responsibility, and joy.…The MS&R trio is intent, as they say, 'on ensuring tha our practice continues to strive for quality, creativity, and self-renewal.'"—*Architecture Minnesota*

GUIDING PRINCIPLES

INTEGRITY
The highest ethical and professional standards will guide our design and personal relationships. All dealings with clients, peers and contractors will be conducted with honesty, straightforwardness, and conviction. In aesthetic matters, we will seek enlightened consensus that solves problems but remains true to our standards.

ENDURING VALUE
We believe that quality architecture satisfies the client's need for space, but also transcends it. We approach each project with the intention of creating quality architecture—providing enduring value that exceeds the client's immediate expectations.

MUTUAL ENRICHMENT
Creating a design space ought to be a mutually enriching process for both clients and architects. Doing unique work enlarges upon the skills and experience of the architect, while enhancing the client's understanding of what is possible and appreciation of what is achieved.

INNOVATION
We want to work in an atmosphere that encourages creativity and a principled self-expression on behalf of the project. We will consistently adventure beyond ready-made answers to discover appropriate solutions.

RESPECT
We want to earn the respect and recognition of others for valuable work, done well. Winning respect requires more than doing outstanding work. It also involves behaving respectfully toward the opinions and contributions of clients, peers, coworkers, and all others with whom we work.

BALANCE AND WELL-BEING
Personal well-being is the source of the creativity and productivity that ensure a stable and economically rewarding practice. A healthy work life ought to sustain, and be sustained by, our intellectual, spiritual, and family lives.

RESPONSIBILITY
We recognize that professional responsibility must be practiced on both large and small scales. We will ensure that our work contributes positively to the social, built, and natural environments. And we will make and meet our commitments to each task, each relationship, and each project.

ATTENTION
We pay attention to the basics as an important part of our practice. The best creative work is a taut marriage of large insights and small details. Clients may buy inspirations, but they live with the details.

JOY
Seriousness of purpose does not preclude joy. Pressure should not kill grace. We want to have fun in the process—as well as the pleasure of seeing important work completed.

LOCATION
MINNEAPOLIS, MN

COMPLETION YEAR
2003

SIZE
120,000 SF

REPRESENTATIVE PROJECT EXPERIENCE

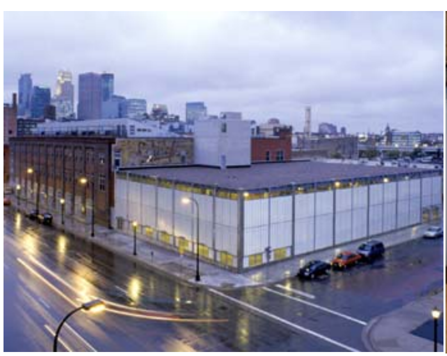
801 WASHINGTON LOFTS

» Mixed-use, live-work lofts in a converted warehouse.
» Featured in *Twin Cities Furnishings*.

Like other cities across the United States, Minneapolis is experiencing an urban renaissance along its riverfront. This conversion of a three-story, timber-frame, masonry-wall warehouse into residential lofts carries the development four blocks southwest of the river, four significant steps that helped organize the city's inner urban core. 801 Washington Lofts is the first such project in its immediate area.

MS&R's design respects the original building's modest exterior, while dramatically recasting its form and function inside. An interior street provides secure access and visibility to all units on the interior, while the first floor units have direct outside street access to allow them to function as residential or commercial spaces. The expansive ceiling heights provide space for mezzanine levels within most units, creating opportunities for unit customization to suit different life styles and the mingling of private and professional functions.

"An impressive mixture of creative problem solving and aesthetics, the renovation also pays homage to the original character of the structure....Forward-thinking amenities abound in this unusual project."
—*Twin Cities Furnishings*



MS&R

MS&R

LOCATION
MINNETONKA, MN

COMPLETION YEAR
2003

SIZE
14,800 SF (PHASE I)

REPRESENTATIVE PROJECT EXPERIENCE

SUNSETRIDGE TOWNHOMES

» Rental housing units for active seniors.
» Winner of an AIA Minnesota Honor Award.
» Featured in *Architecture Minnesota*.

This project is the first phase of a three phase development on five acres of land located north of two existing senior living towers in Minnetonka. The first phase includes eight rental units for older adults looking to maintain an active lifestyle while sharing the benefits and services of a senior community. Constructed on a budget of $155 per square-foot, the project utilizes masonry construction inside and out on the first level to create a series of sheltering planes—or "L" shapes—that create fire proof, durable, and low maintenance living environments. Large operable windows are placed carefully to capture specific views, or in the case of the clerestories, atmospheric lighting. Unit layouts are simple and open, with flexible storage to allow for personalization. Kitchen and bathroom cores are placed so as to capture efficiency in both layout and stacking. Elevator infrastructure is provided in each unit, so that occupants can remain in the unit as their needs change.

"'Too often senior housing isn't done with this amount of care and consideration,' noted one Honor Awards juror. 'This is beautifully studied.'"
—*Architecture Minnesota*



LOCATION
SAINT PAUL, MN

COMPLETION YEAR
2007

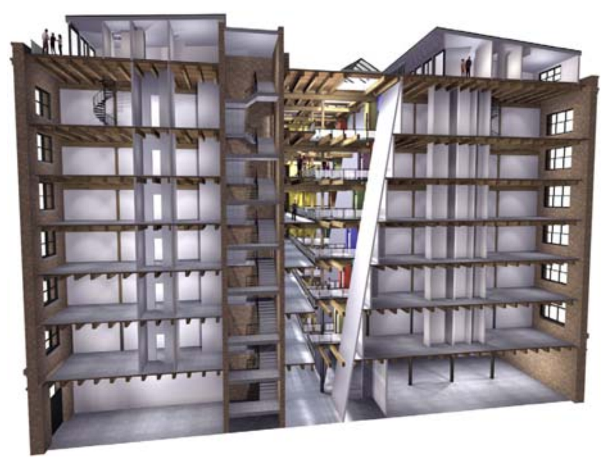
SIZE
157,500 SF

REPRESENTATIVE PROJECT EXPERIENCE

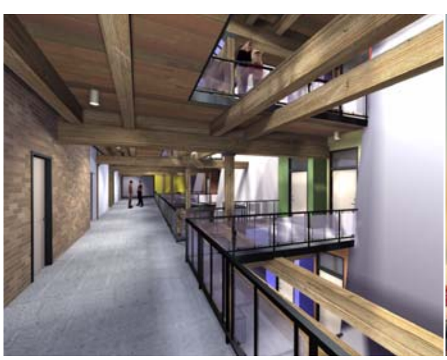
RIVER PARK LOFTS

» Residential lofts located in a converted office building and adjacent firehouse.

Located within Saint Paul's Historic Lowertown District, this project entails the conversion of the Buckbee-Mears (Control Data Corporation) Office Building and adjacent firehouse into residential lofts for 116 moderate to high-end buyers. The building consists of seven floors of housing, an underground parking level, and a new adjacent parking facility. Units will range from 700 to 2,300 square feet.



A deep void hollowed out of the existing building creates an interior street, providing natural light into the interior of each of the dwelling units. This interior street also creates community among the residents by encouraging them to interact with and get to know one another. Unit designs allow for maximum flexibility of spatial organization by concentrating core functions, thereby also reducing construction costs.



LOCATION
MINNEAPOLIS, MN

COMPLETION YEAR
2003

SIZE
100,000 SF

REPRESENTATIVE PROJECT EXPERIENCE

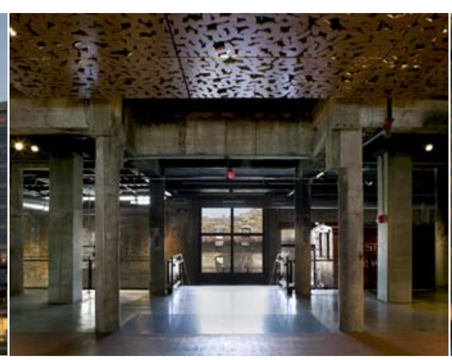
MILL CITY MUSEUM

- Adaptive reuse of the National Historic Landmark Washburn A Mill into a museum, offices, and residential lofts.
- Winner of an AIA Honor Award, National Trust for Historic Preservation Honor Award, and The Waterfront Center's Excellence on the Waterfront Top Honors.
- Featured in *Architectural Record, l'ARCA, Preservation Magazine*, and others.

MS&R's role in this project has spanned more than thirty years, ranging from historic district planning and stabilization of mill ruins to programming and design of the Mill City Museum itself. Located within the ruined walls of the National Historic Landmark 1874 Washburn A Mill, the museum focuses on the stories of grain farming and trading, railroading, water power, flour milling, food product development (Betty Crocker), as well as the related people, labor, and immigrant stories. With multiple entries on two levels, the museum functions as a porous link between downtown Minneapolis and the river.

"Architecturally, the building sets a fantastic precedent: It's the first adaptive reuse project in the United States to incorporate an existing ruin. In addition, MS&R's inspired interweaving of old and new materials results in a building that's a multilayered, three-dimensional exhibit in and of itself, one that tells the story of the city's past, present and future.

—*Architecture Minnesota*



LOCATION
MINNEAPOLIS, MN

COMPLETION YEAR
2002

SIZE
3,500 SF

REPRESENTATIVE PROJECT EXPERIENCE

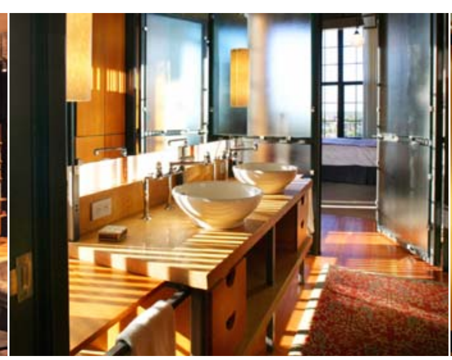
WASHBURN LOFT (9TH FLOOR)

» Winner of an AIA Minnesota/*Star Tribune* "Home of the Month" Award.
» Winner of two Minnesota Chapter ASID Awards for Interior Design.
» Featured in *Midwest Home & Garden*.

This active, retired couple (a former dancer/choreographer and a media owner) sought an accessible, adaptable loft home on the Minneapolis riverfront that would accommodate their passion for art and regional history and their casual style of living and entertaining. The design of their new home within the historic Washburn A Mill Utility Building accentuates the building's utilitarian aesthetic.

The loft space explores themes of everyday domesticity and accessibility and provides numerous Universal Design features throughout. Should it become necessary, the clients intend to employ a home healthcare worker, rather than moving to a nursing home. Conveniently located adjacent to the master bedroom, the current guest bedroom is designed to accommodate this assistant.

"Located in a renovated Minneapolis mill building, this downtown loft displays an inner beauty that dates back more than a century. Exposed ductwork, concrete columns, and juxtaposed industrial and household themes reinforce the character of the space."
—*Midwest Home & Garden*


LOCATION
MINNEAPOLIS, MN

COMPLETION YEAR
2002

SIZE
2,400 SF

REPRESENTATIVE PROJECT EXPERIENCE

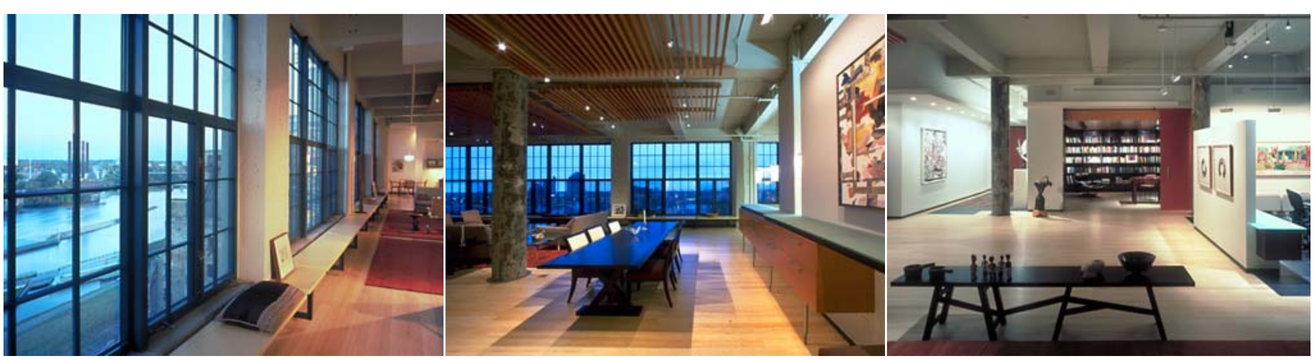
WASHBURN LOFT (8TH FLOOR)

» Winner of an AIA Minnesota/*Star Tribune* "Home of the Month" Award.
» Featured in *Midwest Home & Garden*.

The site of this riverfront residence is the restored Utility Building within the Washburn A Mill Ruin complex. Rooted in the history of Minneapolis, the eleven-story concrete building served as a support facility for the flour mills and is now on the National Register of Historic Places. The eighth floor space's most striking feature is sixty feet of continuous windows overlooking the Mississippi River and Saint Anthony Falls.

To create more intimate living spaces (such as kitchen, dining, and study areas) freestanding walls align perpendicularly to the windows. This layout allows light to penetrate uninterrupted into the space. The walls also function as hanging surfaces for the owners' art collection, as well as backgrounds for sculptures and display shelves. These wall planes shape the whole loft to the couple's preference for classic Modern design.

"From the minute you step through the Von Blons' front door, the Mississippi seems almost within reach through 60 continuous feet of floor-to-ceiling windows overlooking the river…[Architect Tom] Meyer minimized the number of walls. Instead, he used partitions, hanging wood decks and flooring to define the spaces, never orienting a wall parallel to the main bank of windows to avoid blocking the views."
—*Star Tribune*



LOCATION
MINNEAPOLIS, MN

COMPLETION YEAR
2002

SIZE
5,000 SF

REPRESENTATIVE PROJECT EXPERIENCE

WASHBURN LOFT (3RD FLOOR)

» Winner of two Minnesota Chapter ASID Awards for Interior Design.
» Featured in *Dream Lofts & Condos, Midwest Home & Garden,* and *Renovation Style*.

Previously living in a traditional Tudor home in the Kenwood neighborhood, this couple chose to relocate downtown to the riverfront. Selecting the original "Betty Crocker Kitchen" space within the Washburn A Mill Utility Building, they enjoy an almost 360-degree view of the Mississippi and downtown by combining two third-floor units front to back. The design features operable doors/walls that hinge, pivot, slide, and bi-fold overhead to create a dynamic space that adapts to changing use or conditions. Recalling the machine-like aesthetic of the historical functions of the mill, the kitchen occupies a central point in the main living space and can be concealed by these door/walls when the client has visitors. The bathrooms, designed as a series of translucent spaces, consist of shared showers and baths. The overall design combines an industrial aesthetic with Japanese simplicity, detail, and materiality.

"Function meets form in this exotic bathroom, uniquely designed to be many things to many people."
—*Midwest Home & Garden*



MS&R

LOCATION
MINNEAPOLIS, MN

COMPLETION YEAR
2000

SIZE
55,000 SF

REPRESENTATIVE PROJECT EXPERIENCE

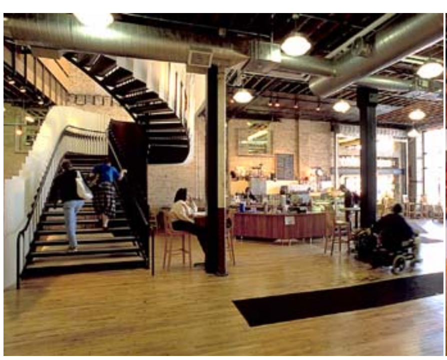
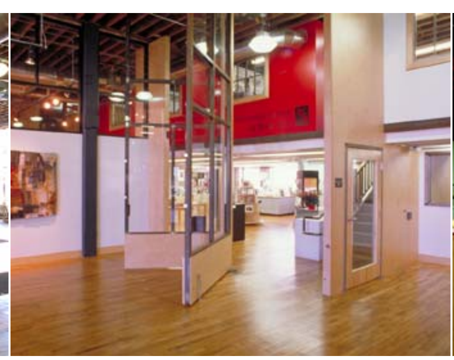
OPEN BOOK

» Adaptive reuse of three historic commercial buildings into shared facility for three nonprofit organizations.
» Winner of an AIA Minnesota Honor Award, Preservation Alliance of Minnesota Honor Award, Minneapolis Heritage Preservation Award, and Minneapolis Committee on Urban Environment (CUE) Award.

Housing three prominent book and literary arts organizations (Minnesota Center for Book Arts, The Loft, and Milkweed Editions) under one roof, this center for reading, writing, and the book arts serves as a first-of-its-kind national model for engaging communities through the intersection between the three fields. A renovation of three conventional, historic, commercial buildings, Open Book responds fully to the client's goals by embracing the limitations of budget, the existing conditions of the buildings, and the implications of the arts the project needed to accommodate.

"Outside the second-floor Loft office is the Literary Commons in which staff and visitors can sit and converse, read or write with a sense of community."

—*Architecture Minnesota*


MS&R

MS&R

LOCATION
MINNEAPOLIS, MN

COMPLETION YEAR
2006

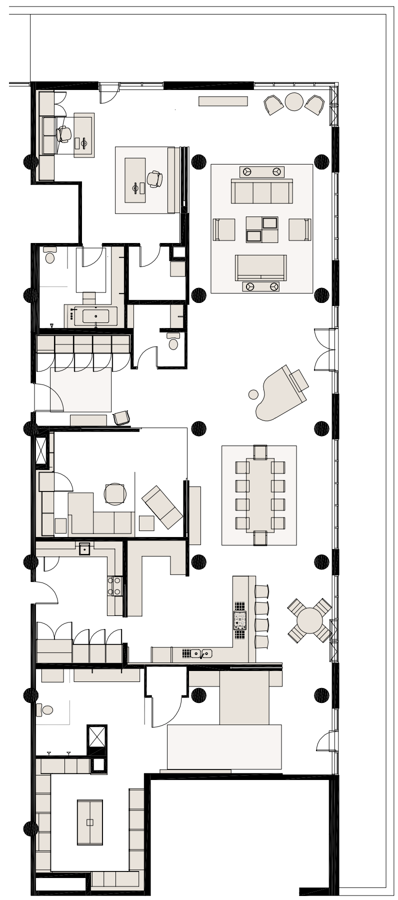
SIZE
3,850 SF

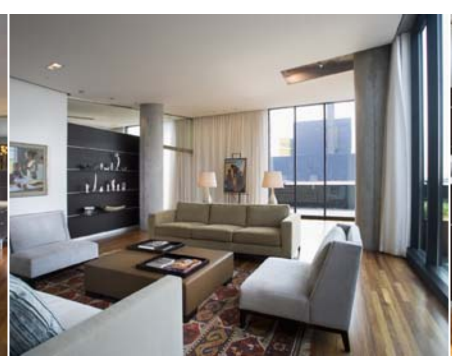
REPRESENTATIVE PROJECT EXPERIENCE

HUMBOLDT LOFT (8TH FLOOR)

This client, a board member of the Guthrie Theater and her husband, chose a space within the Humboldt Lofts building that overlooks the new Guthrie Theater building for their new home. Now empty-nesters, the couple is part of an urban community along the Mississippi, reminiscent of their family's former house on East River Parkway.

Involving the complete re-design of an existing base unit, the loft features dramatic, column-lined open spaces and a hovering, canted ceiling, which accentuate the spectacular view and allow natural daylight to fill the loft. The design provides generous space for the couple's art collection, as well as ample room for entertaining.





LOCATION
MINNEAPOLIS, MN

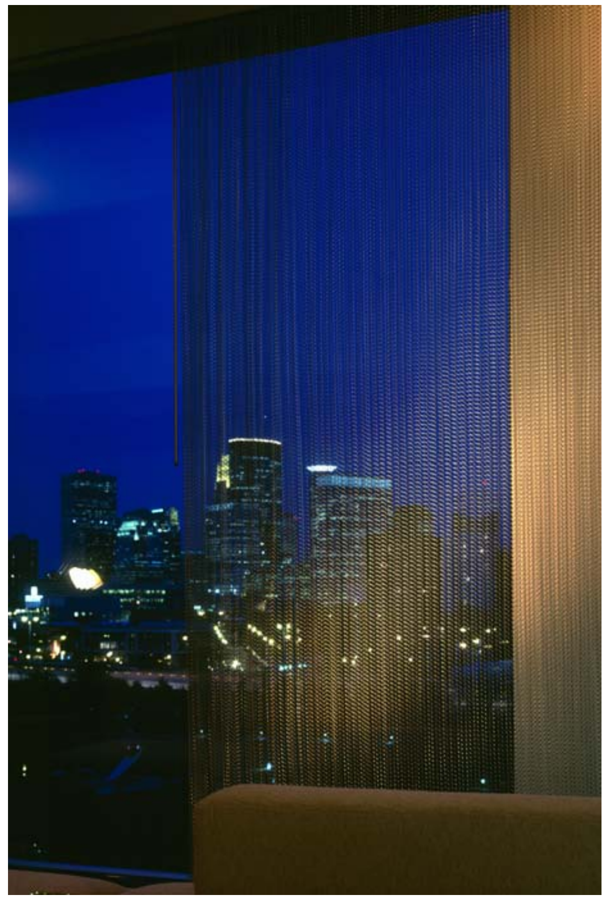
COMPLETION YEAR
2004

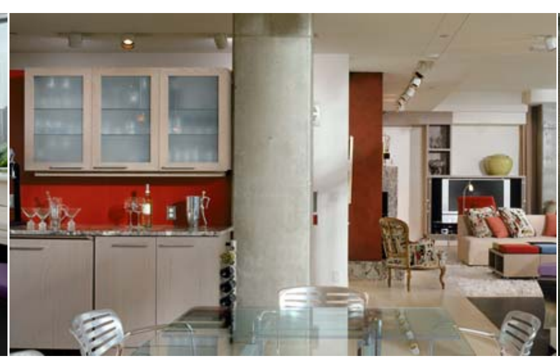
SIZE
3,255 SF

REPRESENTATIVE PROJECT EXPERIENCE

PRIVATE DOWNTOWN MINNEAPOLIS LOFT

Located in a new loft building across the street from the Walker Sculpture Garden just outside downtown Minneapolis, this loft is designed to take full advantage of the magnificent view of the garden. MS&R provided interior design services, arranging the furniture toward this key view and selecting finishes to match the client's needs.





MS&R

LOCATION
WILMINGTON, DE

COMPLETION YEAR
2008

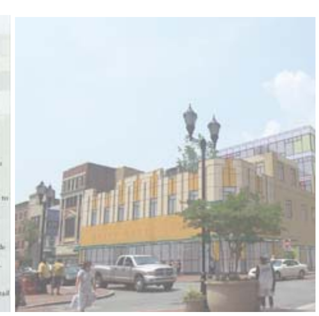
SIZE
22,000 SF

REPRESENTATIVE PROJECT EXPERIENCE

HAPPY HARRY'S HOUSING

» Conversion of upper floors of building in historic district into apartments.
» Existing pharmacy on first floor will remain in operation.

This project entails the conversion of an existing three-story historic building into apartments. Currently occupied by a fully functioning pharmacy on the first floor and basement, the building is located in the Upper Market Street Historic District of Wilmington, Delaware. The design places 25-30 rental units within the second and third floors of the existing structure, as well as in two additional floors above. While the majority of the residential units are within a five-story tower, several larger, two bedroom units will be located within the existing second and third levels and have a presence on Market Street. Following the idea of the simple box, capped by a decorative facade, the design bookends the Shipley Street end of the building with a colorful glass tower.



MS&R

identification of the entities

LOCATION
BALTIMORE, MD

COMPLETION YEAR
2008 (ESTIMATED)

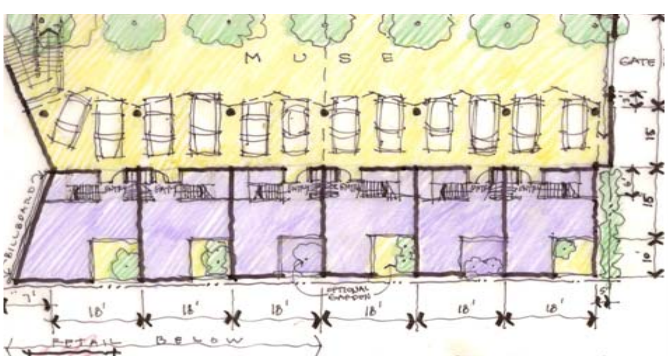
SIZE
20,000 SF

REPRESENTATIVE PROJECT EXPERIENCE

FALLS ROAD HOUSING AND RETAIL COMPLEX

» Study for mixed-use residential and retail complex.

This project encompasses housing over street-front retail space. Because of the topography of the site, residential traffic enters from the alley and parks at the front of the units. The parking/drive lane becomes a private mews that is heavily landscaped to provide precious outdoor space in downtown Baltimore. A volume is carved out of each condo unit to provide access to daylight up against an adjacent building. Rooftop decks offer private outdoor space with views of Baltimore's harbor.



LOCATION
MINNEAPOLIS, MN

COMPLETION YEAR
2005 (FOR STUDY)

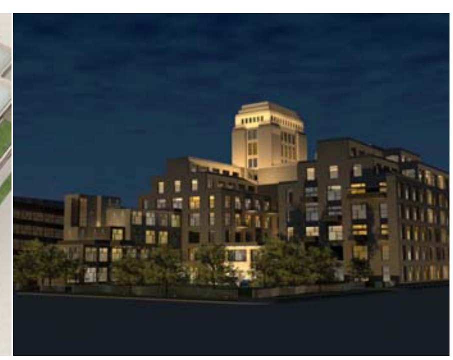
SIZE
250,000 SF

REPRESENTATIVE PROJECT EXPERIENCE

1010 BUILDING

» Study for mixed-use senior housing and retail complex.

Located in downtown Minneapolis near the Metrodome, this project involves the adaptive reuse of an existing 1920s office building. Varying in height from five to ten stories, the structure will be converted into a lifestyle center for active seniors. In addition to 112 for sale units, the mixed-use complex will include 3,000 square-feet of leasable retail space, a 5,000 square-foot banquet hall, conference room, leasable office space for residents, and a green roof courtyard. New construction, which will screen an existing parking structure, includes eleven units. The project will proceed once a probate trust issue is resolved.



LOCATION
BROOKLYN CENTER, MN

COMPLETION YEAR
2008

SIZE
67 UNITS OR MORE OF HOUSING

REPRESENTATIVE PROJECT EXPERIENCE

NORTHBROOK VILLAGE

» Mixed-use housing and commercial development.

This mixed-use commercial and residential development addresses the neighbors to the east of Logan Avenue and to the south of 57th Avenue. Northbrook Village will integrate a variety of housing types with neighborhood retail uses. We will continue the existing residential neighborhood adjacent to the site with a new owner-occupied, multi-family housing project. The development will be sited to allow open space, green spaces, and walking paths. Including a total of at least 67 units, housing will be a combination of townhomes and condominiums. We will offer a variety of housing choices to accommodate the needs of three main groups of home buyers, including seniors, small families and first-time home owners. The commercial aspect of the development will be located in three distinct buildings that create a village cluster environment.

LOCATION
VENTURA, CA

COMPLETION YEAR
2009 (ESTIMATED)

SIZE
360,000 SF

REPRESENTATIVE PROJECT EXPERIENCE

ARTSPACE ARTIST HOUSING

» Design consultation for live-work housing facility for artists.

MS&R was hired by Artspace, a non-profit developer based in Minneapolis, to provide ongoing design, site development and strategic project planning advice for a live-work housing facility for artists in Ventura, California. Artspace and the City of Ventura are looking at a number of industrial sites along Ventura Avenue as possibilities because the U.S. Environmental Protection Agency often provides cleanup grants to builders willing to clean them for development. The plan is for the facility to accommodate 50 units. MS&R helped develop site selection criteria, led workshops with stakeholders, and defined opportunities in conjunction with a local architectural firm.

Proposed Parcel A Parking Proforma
Confidential Information of Lupe Development Partners, LLC; No Duplication or Unauthorized Use

600 Parking spaces - 260,000 GSF
1 Level Below Grade - Precast Plank
Third Avenue@ 2nd Street

FINANCING ASSUMPTIONS:

First Mortgage Amount	$9,175,542	Term (for Construction Financing)	30
Construction Interest Rate	6.50%	Constant (Construction Financing)	7.584816%
Permanent Interest Rate	6.00%	Construction Time (Months)	7

ESTIMATE OF REVENUES:

# of Units	Unit Types	Base Price/ Unit	GSF/ Unit	Base Price/ GSF	Total Revenue	Percentage
150	Rental Apartment Spaces	19,000	350.00	54	2,850,000	23.36%
150	Condominium Spaces	19,000	350.00	54	2,850,000	23.36%
100	Mill Place Office Spaces	19,000	350.00	54	1,900,000	15.57%
200	Contract Spaces	23,000	350.00	66	4,600,000	37.70%
600	**Parking Spaces (Averages)**	**20,000**		**57**		
				Total Revenues	**12,200,000**	**100.00%**

ESTIMATE OF EXPENSES:

# of Units		Cost/ Unit	GSF/ Unit	Cost/ GSF	Total Expense	Percentage
	Land Acquisition Costs & Fees					
600	Environmental Phase I	17	350	$0.05	$10,200.00	0.09%
600	Environmental Phase II & Hazmat	50	350	$0.14	$30,000.00	0.26%
600	Geotechnical	50	350	$0.14	$30,000.00	0.26%
600	Survey	25	350	$0.07	$15,000.00	0.13%
600	Appraisal	25	350	$0.07	$15,000.00	0.13%
600	Plat/CIC	25	350	$0.07	$15,000.00	0.13%
600	Land	0	350	$0.00	$0.00	0.00%
	Ttl Acquisition Cost	**192**	**0**	**0.55**	**$115,200.00**	**1.00%**
	Soft Costs & Fees (Construction)					
600	Architecture & Engineering	$333.33	350	$0.95	$200,000.00	1.74%
600	Planning & Zoning	$41.67	350	$0.12	$25,000.00	0.22%
600	Inspecting Architect	$16.67	350	$0.05	$10,000.00	0.09%
600	Legal/Condo Docs	$16.67	350	$0.05	$10,000.00	0.09%
600	Accounting	$5.83	350	$0.02	$3,500.00	0.03%
600	Association Insurance	$25.00	350	$0.07	$15,000.00	0.13%
600	Real Estate Taxes	$41.67	350	$0.12	$25,000.00	0.22%
600	Project Management	$83.33	350	$0.24	$50,000.00	0.44%
600	Title Insurance (Owner & Lender)	$25.00	350	$0.07	$15,000.00	0.13%
600	Construction Loan Closing Fees	$18.75	350	$0.05	$11,250.00	0.10%
600	Financing Fee(50 bps)	$83.33	350	$0.24	$50,000.00	0.44%
600	Mortgage Registration tax	$11.33	350	$0.03	$6,800.00	0.06%
600	Mortgage Recording Fees	$8.33	350	$0.02	$5,000.00	0.04%
600	Draw Fees	$5.83	350	$0.02	$3,500.00	0.03%
600	Construction Financing w/ Reserve	$666.67	350	$1.90	$400,000.00	3.49%
600	Soft Construction Contingency	$69.17	350	$0.20	41,503	0.36%
	Average	**$1,452.59**		**$4.15**		
	Ttl Soft Costs (Construction)				**$871,552.50**	**7.60%**

Lupe Development Partners, LLC

Draft Proforma -- Subject To Change
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600 Parking spaces - 260,000 GSF
1 Level Below Grade - Precast Plank
Third Avenue@ 2nd Street

ESTIMATE OF EXPENSES (CONTINUED):

# of Units		Cost/ Unit	GSF/ Unit	Cost/ GSF	Total Expense	Percentage
	Marketing/Sales/Promotion					
600	Market Study	13	350	$0.04	$7,500.00	0.07%
600	Advertising & Promotion	42	350	$0.12	$25,000.00	0.22%
600	Contingency	3	350	$0.01	$1,625.00	0.01%
	Average	57		0.16		
	Ttl Marketing/Sales/Promotion				$34,125.00	**0.30%**
	Closing Costs					
600	Working Capital	$83.33	350	$0.24	$50,000.00	0.44%
600	Closing Taxes and Fees	$101.67	350	$0.29	$61,000.00	0.53%
600	Contingency	$9.25	350	$0.03	$5,550.00	0.05%
	Average	$194.25		$0.56		
	Ttl Closing Costs				$116,550.00	1.02%
	Total Soft Costs				$1,137,427.50	9.92%
	Hard Costs & Fees					
600	Parking Structure Constructed Cost	$13,000.00	350	$37.14	$7,800,000.00	68.01%
600	Garage Finishes	$2,000.00	350	$5.71	$1,200,000.00	10.46%
600	*Total Constructed Cost*	*$15,000.00*	*350*	*$42.86*	*$9,000,000.00*	78.47%
600	General Conditions @ 4.5%	$675.00	350	$1.93	$405,000.00	3.53%
600	Construction Fee @ 3.5%	$525.00	350	$1.50	$315,000.00	2.75%
600	Permits/SAC/Fees	$166.67	350	$0.48	$100,000.00	0.87%
600	Builder's Risk	$33.33	350	$0.10	$20,000.00	0.17%
600	Contingency @ 5%	$820.00	350	$2.34	$492,000.00	4.29%
	Average	$32,220.00		$49.20		
	Ttl Hard Costs & Fees				$10,332,000.00	90.08%
	Totals					
	TOTAL EXPENSES				$11,469,427.50	100.00%

Draft Proforma -- Subject To Change

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600 Parking spaces - 260,000 GSF
1 Level Below Grade - Precast Plank
Third Avenue@ 2nd Street

	Profit Margin				
600	Estimated Unit Revenues	$20,333.33	350	$58.10	$12,200,000.00
	Total Revenue	*$20,333.33*	350	*$58.10*	*$12,200,000.00*
600	Enviro Grant Rebate	1,250.00	1,353	0.92	$750,000.00
600	Project Development Cost	17,865.71	1,353	13.20	10,719,427.50
	Total Expenses	*19,115.71*	1,353	*14.13*	*11,469,427.50*
	Ttl Profit Margin B4 Principal	**2,468**		**$44.89**	**$730,572.50**
	AGGREGATE YIELD				**6.82%**

Parcel A Parking - Minneapolis Minnesota
New Construction Rental, Office & Condominium Use
Conventinal Construction Loan INTERNAL USE NOT FOR PUBLIC DISTRIBUTION

ESTIMATED SOURCE AND USE OF FUNDS
SUBJECT TO DISCUSSION AND VERIFICATION

	Bank Construction
Source of Funds	
Environmental Grant	$750,000
Construction Loan Proceeds	$9,175,542
Borrower Equity	$1,543,886
Total Source of Funds	$11,469,428
Use of Funds	
Land & Site Prep Costs	$115,200
Soft Finance & Design Costs	$871,553
Marketing/Sales/Promotion Costs	$34,125
Closing Costs (Sales)	$116,550
Hard Costs & Fees	$10,332,000
Total Use of Funds	$11,469,428

City of Minneapolis, Minnesota
Multifamily Housing Revenue Bonds
(Parcel-A Apartment Project)
Series 2008

Sources & Uses of Funds

SOURCES OF FUNDS:		
Series 2008 A-1 Tax Exempt Bond Proceeds		26,360,000
Low Income Tax Credits		9,532,793
Interest Earnings on Project Fund (Assumes Level Draws, Months)	14.00	361,977
Interest Earnings on Capitalized Interest Fund (Months)	14.00	42,319
Equity Contribution / Shortfall		-
TOTAL SOURCES OF FUNDS		36,297,089
USES OF FUNDS:		
Construction Costs:		24,342,875
Infrastructure/Land Improvements:		
Apartment Sitework	500,000	
Apartment Shoring & Export	500,000	
Structure:		
Apartment Building & Structure	19,207,500	
Non Eligible Parking Costs w/contingency	960,375	
Contractor Fees:		
Gnl & Winter Conditions	950,000	
Overhead & Construction Fee	950,000	
Hard Cost Contingency	1,275,000	
Tenant Improvement for Retail Space		320,000
Legal Planning & Professional		150,000
Municipal Fees (SAC/WAC)		580,737
Soft Cost Contingency		122,731
Architect Design Fee		705,876
Architect Supervision Fee		100,839
MEP Consulting		100,839
Interim Property Tax		50,000
Builder's Risk		50,000
Project Management		100,000
Development Fee		2,510,390
Air Rights over Parking		3,500,000
Working Capital (3 months of Income)		609,395
Marketing/Lease-up		100,000
FF&E		100,000
Bond Costs		1,030,159
Real Estate Costs		175,000
Gross Funded Capitalized Interest Fund (Months)	14.00	1,643,501
Rounding / Miscellaneous		4,748
TOTAL USES OF FUNDS		36,297,089

Lupe Development Partners

City of Minneapolis, Minnesota
Multifamily Housing Revenue Bonds
(Parcel-A Apartment Project)
Series 2008

Bond Costs of Issuance & Real Estate Costs

BOND COSTS:

Bond Counsel		35,000
Underwriter's Counsel		25,000
Borrower's Counsel		50,000
Issuer's Counsel		3,000
Issuer Fee Paid at Closing ($3,000 + $20 per $100,000)		8,272
Trustee (Up-Front Fee)		2,500
Trustee (First Semi-Annual Fee)		2,500
Rating Agency		13,500
Underwriter's Discount	1.000%	263,600
Underwriter's Expenses		3,000
Letter of Credit Fee (Origination Fee)	1.500%	399,192
Letter of Credit Fee (First Semi-Annual Fee Paid at Closing)	1.500%	199,596
Bank Counsel		25,000
Contingency / Miscellaneous		-
TOTAL BOND COSTS		1,030,159

REAL ESTATE & TAX CREDIT COSTS:

Borrower's Counsel	50,000
Finance & Legal Compliance	25,000
Organizational/Pre-Development/Third Party	50,000
Cost Certificate	15,000
Title & Recording	35,000
Contingency / Miscellaneous	-
TOTAL REAL ESTATE COSTS	175,000

City of Minneapolis, Minnesota
Multifamily Housing Revenue Bonds
(Parcel-A Apartment Project)

Estimated Tax Credit Proceeds

Basis Calculation		
Construction Costs:	23,382,500.0	
Architect	907,554.0	
Permits	580,737.0	
Developer's Fee	2,610,390.0	
FF&E	100,000.0	
Capitalized Interest	1,643,500.8	
Assumed 50% of Bond and Real Estate Costs	602,579.6	
(Eligible Basis)		29,827,261
Applicable Percentage		3.40%
Units Set-Aside		100.00%
Annual Tax Credits		1,014,127
Term of Tax Credits in Years		10
Total Tax Credits Allowed		10,141,269
Tax Credit Factor		94.00%
Tax Credit Proceeds Generated		9,532,792.74

City of Minneapolis, Minnesota
Multifamily Housing Revenue Bonds
(Parcel-A Apartment Project)
Series 2008

Series A-1 Tax Exempt Debt Service Schedule

Dated Date	08/01/08	Par Amount	26,360,000
Closing Date	08/01/08	Average Maturity	23.3508
First Interest PMT Date	02/01/09	Average Coupon	3.4700%

Date	Principal	Coupon	Interest	1.50% 1.25% LOC Fee	0.25% Issuer Fee	0.10% Remarketing Fee	Semi-Annual Debt Service	Annual Debt Service	Outstanding Bonds
08/01/08									26,360,000
02/01/09			457,346	199,596	32,950	13,180	703,072		26,360,000
08/01/09			457,346	199,596	32,950	13,180	703,072	1,406,144	26,360,000
02/01/10			457,346	199,596	32,950	13,180	703,072		26,360,000
08/01/10			457,346	199,596	32,950	13,180	703,072	1,406,144	26,360,000
02/01/11			457,346	199,596	32,950	13,180	703,072		26,360,000
08/01/11			457,346	199,596	32,950	13,180	703,072	1,406,144	26,360,000
02/01/12	170,000	3.470%	457,346	166,330	32,950	13,180	839,806		26,190,000
08/01/12	175,000	3.470%	454,397	165,257	32,738	13,095	840,486	1,680,292	26,015,000
02/01/13	175,000	3.470%	451,360	164,153	32,519	13,008	836,039		25,840,000
08/01/13	180,000	3.470%	448,324	163,049	32,300	12,920	836,593	1,672,632	25,660,000
02/01/14	185,000	3.470%	445,201	161,913	32,075	12,830	837,019		25,475,000
08/01/14	190,000	3.470%	441,991	160,746	31,844	12,738	837,318	1,674,337	25,285,000
02/01/15	195,000	3.470%	438,695	159,547	31,606	12,643	837,490		25,090,000
08/01/15	200,000	3.470%	435,312	158,316	31,363	12,545	837,535	1,675,025	24,890,000
02/01/16	205,000	3.470%	431,842	157,054	31,113	12,445	837,453		24,685,000
08/01/16	210,000	3.470%	428,285	155,761	30,856	12,343	837,244	1,674,697	24,475,000
02/01/17	215,000	3.470%	424,641	154,436	30,594	12,238	836,908		24,260,000
08/01/17	220,000	3.470%	420,911	153,079	30,325	12,130	836,445	1,673,353	24,040,000
02/01/18	230,000	3.470%	417,094	151,691	30,050	12,020	840,855		23,810,000
08/01/18	235,000	3.470%	413,104	150,239	29,763	11,905	840,010	1,680,865	23,575,000
02/01/19	240,000	3.470%	409,026	148,757	29,469	11,788	839,039		23,335,000
08/01/19	245,000	3.470%	404,862	147,242	29,169	11,668	837,941	1,676,980	23,090,000
02/01/20	250,000	3.470%	400,612	145,696	28,863	11,545	836,715		22,840,000
08/01/20	260,000	3.470%	396,274	144,119	28,550	11,420	840,363	1,677,078	22,580,000
02/01/21	265,000	3.470%	391,763	142,478	28,225	11,290	838,756		22,315,000
08/01/21	270,000	3.470%	387,165	140,806	27,894	11,158	837,023	1,675,779	22,045,000
02/01/22	280,000	3.470%	382,481	139,102	27,556	11,023	840,162		21,765,000
08/01/22	285,000	3.470%	377,623	137,336	27,206	10,883	838,047	1,678,209	21,480,000
02/01/23	295,000	3.470%	372,678	135,537	26,850	10,740	840,805		21,185,000
08/01/23	300,000	3.470%	367,560	133,676	26,481	10,593	838,309	1,679,115	20,885,000
02/01/24	310,000	3.470%	362,355	131,783	26,106	10,443	840,686		20,575,000
08/01/24	315,000	3.470%	356,976	129,827	25,719	10,288	837,809	1,678,496	20,260,000
02/01/25	325,000	3.470%	351,511	127,839	25,325	10,130	839,805		19,935,000
08/01/25	330,000	3.470%	345,872	125,788	24,919	9,968	836,547	1,676,352	19,605,000
02/01/26	340,000	3.470%	340,147	123,706	24,506	9,803	838,162		19,265,000
08/01/26	350,000	3.470%	334,248	121,561	24,081	9,633	839,522	1,677,684	18,915,000
02/01/27	355,000	3.470%	328,175	119,352	23,644	9,458	835,629		18,560,000
08/01/27	365,000	3.470%	322,016	117,112	23,200	9,280	836,608	1,672,237	18,195,000
02/01/28	375,000	3.470%	315,683	114,809	22,744	9,098	837,334		17,820,000
08/01/28	385,000	3.470%	309,177	112,443	22,275	8,910	837,805	1,675,139	17,435,000
02/01/29	395,000	3.470%	302,497	110,014	21,794	8,718	838,022		17,040,000
08/01/29	405,000	3.470%	295,644	107,521	21,300	8,520	837,985	1,676,007	16,635,000
02/01/30	415,000	3.470%	288,617	104,966	20,794	8,318	837,694		16,220,000
08/01/30	425,000	3.470%	281,417	102,347	20,275	8,110	837,149	1,674,843	15,795,000
02/01/31	435,000	3.470%	274,043	99,665	19,744	7,898	836,350		15,360,000
08/01/31	450,000	3.470%	266,496	96,921	19,200	7,680	840,297	1,676,646	14,910,000
02/01/32	460,000	3.470%	258,689	94,081	18,638	7,455	838,862		14,450,000
08/01/32	470,000	3.470%	250,708	91,179	18,063	7,225	837,174	1,676,036	13,980,000
02/01/33	485,000	3.470%	242,553	88,213	17,475	6,990	840,231		13,495,000
08/01/33	495,000	3.470%	234,138	85,153	16,869	6,748	837,907	1,678,138	13,000,000
02/01/34	505,000	3.470%	225,550	82,029	16,250	6,500	835,329		12,495,000
08/01/34	520,000	3.470%	216,788	78,843	15,619	6,248	837,497	1,672,826	11,975,000
02/01/35	535,000	3.470%	207,766	75,561	14,969	5,988	839,284		11,440,000
08/01/35	545,000	3.470%	198,484	72,186	14,300	5,720	835,690	1,674,974	10,895,000
02/01/36	560,000	3.470%	189,028	68,747	13,619	5,448	836,841		10,335,000
08/01/36	575,000	3.470%	179,312	65,213	12,919	5,168	837,612	1,674,453	9,760,000
02/01/37	590,000	3.470%	169,336	61,585	12,200	4,880	838,001		9,170,000
08/01/37	605,000	3.470%	159,100	57,862	11,463	4,585	838,009	1,676,010	8,565,000
02/01/38	620,000	3.470%	148,603	54,045	10,706	4,283	837,636		7,945,000
08/01/38	635,000	3.470%	137,846	50,132	9,931	3,973	836,882	1,674,518	7,310,000
02/01/39	650,000	3.470%	126,829	46,126	9,138	3,655	835,747		6,660,000
08/01/39	670,000	3.470%	115,551	42,024	8,325	3,330	839,230	1,674,977	5,990,000
02/01/40	685,000	3.470%	103,927	37,796	7,488	2,995	837,205		5,305,000
08/01/40	705,000	3.470%	92,042	33,474	6,631	2,653	839,800	1,677,005	4,600,000
02/01/41	720,000	3.470%	79,810	29,026	5,750	2,300	836,886		3,880,000
08/01/41	740,000	3.470%	67,318	24,483	4,850	1,940	838,591	1,675,476	3,140,000
02/01/42	755,000	3.470%	54,479	19,813	3,925	1,570	834,787		2,385,000
08/01/42	775,000	3.470%	41,380	15,049	2,981	1,193	835,603	1,670,390	1,610,000
02/01/43	795,000	3.470%	27,934	10,159	2,013	805	835,910		815,000
08/01/43	815,000	3.470%	14,140	5,143	1,019	408	835,709	1,671,619	-
Totals:	26,360,000		21,358,804	7,967,468	1,538,819	615,528	57,840,619	57,840,619	-

City of Minneapolis, Minnesota
Multifamily Housing Revenue Bonds
(Parcel-A Apartment Project)
Series 2008

Unit Mix & Other Income

	# of Units	Unit Types	Monthly Rent	Rent/ Sq.Ft.	Average Sq. Ft.	Total Sq. Ft.	Monthly Income	Annual Income
	20	1/1 - 50%	736	1.05	700	14,000	14,720	176,640
	75	1/1-60%	883	1.26	700	52,500	66,225	794,700
	12	2/1-50%	883	1.04	850	10,200	10,596	127,152
	53	2/1 - 60%	1,060	1.25	850	45,050	56,180	674,160
	6	TWNH	1,300	1.30	1,000	6,000	7,800	93,600
Total:	166							*1,866,252*

Other Income:		Rent	Monthly Income	Annual Income
Underground Parking	166	$75	12,450	149,400
Tenant Application Fees	166	$30	4,980	59,760
Laundry & Vending	166	$15	2,490	29,880
Total:				*239,040*

Retail Income:	Sq. Ft.	Rent	Monthly Income	
Anchor	16,000	2.33	37,333	448,000.00

City of Minneapolis, Minnesota
Multifamily Housing Revenue Bonds
(Parcel-A Apartment Project)
Series 2008

Unit Mix & Other Income

# of Units	Unit Types	Monthly Rent	Rent/ Sq.Ft.	Average Sq. Ft.	Total Sq. Ft.	Monthly Income	Annual Income
20	1/1 - 50%	736	1.05	700	14,000	14,720	176,640
75	1/1-60%	883	1.26	700	52,500	66,225	794,700
12	2/1-50%	883	1.04	850	10,200	10,596	127,152
53	2/1 - 60%	1,060	1.25	850	45,050	56,180	674,160
6	TWNH	1,300	1.30	1,000	6,000	7,800	93,600
Total: 166							*1,866,252*

Other Income:		Rent	Monthly Income	Annual Income
Underground Parking	166	$75	12,450	149,400
Tenant Application Fees	166	$30	4,980	59,760
Laundry & Vending	166	$15	2,490	29,880
Total:				*239,040*

Retail Income:	Sq. Ft.	Rent	Monthly Income	
Anchor	16,000	2.33	37,333	448,000.00

PiperJaffray.

800 Nicollet Mall – J13N01, Minneapolis, MN 55402
Tel: 612-303-6000 | Tel: 800-333-6000 | Fax: 612-303-6966
Piper Jaffray & Co. Since 1895. Member SIPC and NYSE.

February 19, 2008

Ms. Carrie Flack
Community Planning & Economic Development
105 5th Avenue S., Suite #200
Minneapolis, MN 55401

RE: Parcel A Request for Proposal Apartment Project – Minneapolis, Minnesota

Dear Ms. Flack:

Piper Jaffray & Co. has been engaged by Steven Minn of Lupe Development Partners to provide Investment Banking services in conjunction with a response to a City Request for Proposal (RFP) on Parcel A in Minneapolis.

Piper Jaffray has worked with Mr. Minn and the Lupe Development team in the development of the Stone Arch Apartments, a $23,720,000 Series A/B housing revenue issue. That transaction demonstrated considerable skill and perseverance. We had a very good experience working with Lupe and look forward to working with Mr. Minn and his partners in the future.

It is our understanding that Lupe is proposing to finance the project with the issuance of tax-exempt bonds and the syndication of low income housing tax credits. We are highly confident in the ability of Lupe Development to conceive, project manage, and lease-up this type of development project.

This is to advise that we are familiar with the Proposed Developer and that we consider them and the proposed Parcel A Apartment Project a suitable credit risk. We understand that bonds can be issued and privately placed/publicly sold for this purpose. The Bonds are currently anticipated to be secured by a bank letter of credit. We will work with Mr. Minn and his partners to explore this or more suitable types of bond financing including; HUD, FNMA, Freddie Mac, non-rated and private placement. Piper Jaffray would be interested in participating in this type of financing, subject to certain terms and conditions. This letter is not to be considered a commitment letter to purchase these bonds, but only an expression of interest therein.

Sincerely,

Pat McMullen

Patrick McMullen
Vice President
Piper Jaffray & Co.

LaSalle Bank
ABN AMRO

LaSalle Bank N.A.
3500 IDS Center
80 South Eighth Street
Minneapolis, MN 55402
(612) 752-9880
Fax: (612) 338-8687

Commercial Real Estate

February 20, 2008

Ms. Carrie Flack
Community Planning & Economic Development
105 – 5th Ave. So. Suite # 200
Minneapolis, MN 55401

Re: Parcel A Request for Proposal Apartment Project
Minneapolis, Minnesota

Dear Ms. Flack:

La Salle Bank, N.A. has recently been approached by Steven Minn of Lupe Development Partners to consider Letter of Credit and Banking services in conjunction with a response to a City Request for Proposal (RFP) on Parcel A in Minneapolis.

La Salle Bank. N. A. has worked with Mr. Minn and the Lupe Development team in the development of several projects, including Stone Arch Apartments - a housing bond/letter of credit transaction in excess of $23 million dollars. We also provided Mr. Minn construction financing for Marcy Park Apartments – an all market rate rental project and we provided Mr. Minn construction financing for Eat Street Flats, a retail and condominium development – all in Minneapolis. We have an excellent and on going banking relationship with Mr. Minn and Lupe Development Partners.

It is our understanding that Lupe is proposing to finance an affordable rental project with the issuance of tax-exempt bonds and the syndication of low income housing tax credits. We are highly confident in the ability of Lupe Development to conceive, project manage, and lease-up this type of development project.

This is to advise that we are familiar with the Proposed Developer and that we consider them and the proposed Parcel A Apartment Project a suitable credit risk. If the proposed bonds are to be secured by a bank letter of credit, La Salle Bank, N.A. would be interested in participating in this type of financing, subject to certain terms and conditions. This letter is not to be considered a commitment letter to issue a letter of credit, but only an expression of interest therein.

Sincerely,

Craig Przygoda
Vice President
La Salle Bank, N.A.

One Fourth Avenue - East

Capital Pro Forma

119 Unit For-Sale Residential

Sources of Funds:		
Debt Financing - Acquisition & Construction	$	17,025,139
Equity Financing	$	3,055,794
Equity Partner I	$	3,055,794
Equity Partner II	$	3,055,794
Sale of Units	$	32,992,200
Total of Sources:	$	59,184,722
Uses of Funds:		
Land Acquisition - Due Diligence	$	25,000
Land Acquisition - Closing Costs	$	50,000
Soil Correction - Hard Costs	$	250,000
Soil Correction - Soft costs	$	25,000
Infrastructure - Hard Costs	$	100,000
Infrastructure - Soft Costs	$	25,000
Acquisition of Parking Rights	$	2,850,000
Construction Hard Costs	$	16,496,100
Construction Soft Costs	$	659,844
Development Fee	$	1,010,766
Construction Period Debt Service/Repayment of Principal	$	19,408,658
Financing Fees	$	340,503
Construction Period Operating Costs and Utilites	$	100,000
Insurance	$	250,000
Permits,Licensing	$	200,000
Real Estate Taxes	$	247,000
Contingency	$	1,114,436
Sale of Units - Marketing Costs	$	329,922
Sales Commissions	$	1,649,610
Sales Closing Costs	$	659,844
Association dues on unsold units and operating costs	$	150,000
Total of Uses:	$	45,941,683
Net Proceeds:	$	13,243,039
Less Investor Equity	$	9,167,383
Return	$	4,075,656
ROI:		22.23%

One Fourth Avenue - East

Capital Pro Forma

119 Unit For-Sale Residential

Assumptions

Unit Mix:			
Unit Type	# of Units	SF	Total SF
Studio	25	600	15,000
1BR	54	941	50,814
2BR	40	1,104	44,160
Totals	119		109,974

* Unit sales price point/SF projected to be: $300

* Time period to construct and sell 100% of units projected to be: 24 Months

* Debt financing as a % of total project costs projected to be: 65%

* Acquisition of parking rights assumes stalls will be purchased in adjoining new construction. Cost calculation based upon the following: (119 Units x 1.3 stall/unit x $18,400 per stall)

* Unit hard construction costs/SF projected to be: $150

* All construction related soft costs as a % of hard costs projected to be: 4%

* Debt service and repayment of principal based upon a 7% interest only loan with a balloon principal repayment at the end of 24 months.

* Financing fees as a % of debt financing projected to be: 2%

* Cost contingency as a % of all hard and soft costs assumed to be: 5%

* Marketing costs of units as a % of sale price point projected to be: 1%

* Sales Commissions on units sold as a % of sale price point projected to be: 5%

* Sale closing costs on units sold as a % of sale price point projected to be: 2%

612.376.1500
800.328.6122
225 South Sixth Street
Suite 2900
Minneapolis, MN 55402
www.marshallgroupusa.com

MARSHALL GROUP

February 19, 2008

Charles Leer
North First Ventures, LLC
700 Washington Avenue North, Suite 211
Minneapolis, MN 55401

Re: One Fourth Avenue
Minneapolis, Minnesota

Dear Mr. Leer:

Thank you for the opportunity to be involved in the debt financing of your new project, One Fourth Avenue in the historic Mills District of Minneapolis.

We understand the new project will turn two acres of surface parking lots into a vital mixed-use development, with storefront retail, rental and for-sale housing. There will be three project components – retail/rental housing, for-sale housing, and parking - developed by three different entities. You have indicated you would be the developer of the for-sale housing as well as a partner in the parking component. You have further indicated that Lupe Development would develop the retail/rental housing and that Lupe, together with the ownership group of Mill Place, would be your partners on the parking.

We understand you are currently projecting development costs of approximately $26 million for the for-sale housing and up to $15 million for the parking.

Based on the success of your Tower Lofts project, for which Marshall arranged the debt and mezzanine financing of approximately $30 million, we would be interested in working with you to arrange the debt financing for the parking and for-sale housing components of One Fourth Avenue.

Please keep us apprised of your progress on the project and let us know when you have obtained control of the site.

We look forward to working with you on this exciting project.

Sincerely,

Rick Burnton

Rick Burnton
Managing Director
Marshall Group

City of Minneapolis, Minnesota
Multifamily Housing Revenue Bonds
(Parcel-A Apartment Project)
Series 2008

Underwriting - Proforma

Total Number of Units:	166				
Income Trended at:	102.00%				
Expenses Trended at:	103.00%				
Vacancy Underwritten & Projected at:	5.00%				
			Construction	Lease-Up	Stabilized
REVENUES			2008	2009	2010
Gross Residential Rental Income				933,126	1,866,252
Retail Rental Income				224,000	448,000
Underground Parking				74,700	149,400
Tenant Application Fees				29,880	59,760
Laundry & Vending				14,940	29,880
Less: (Apartment Vacancy)				(46,656)	(93,313)
Less: (Retail Vacancy)				(11,200)	(22,400)
EFFECTIVE GROSS INCOME				1,218,790	2,437,579
EXPENSES					
Administrative & Advertising				24,900	49,800
Management Fee	4.50%			45,270	90,539
Utilities (Common Areas)				8,300	16,600
Water & Sewer (Common Areas)				16,600	33,200
Utilities (Units)				29,050	58,100
Payroll				41,500	83,000
Trash/Maint/Repair				29,050	58,100
Supplies/Grounds/Snow				8,300	16,600
Insurance				20,750	41,500
Real Estate Taxes				149,400	298,800
TOTAL EXPENSES (PER UNIT)		-		373,120	746,239
NET OPERATING INCOME (PER UNIT)		-	-	845,670	1,691,340
Less:					
Replacement Reserve (Per Unit)		200	-		33,200
Add:					
TIF PAYMENT (Assumed to be 90% of Real Estate Taxes)				134,460	268,920
Float Fund Earnings	3.00%		-	5,717	5,717
Working Capital				609,395	
Capitalized Interest			1,409,144	234,357	-
CASHFLOW AVAILABLE FOR DEBT SERVICE (PER UNIT)		-	1,409,144	1,695,139	1,932,777
DEBT SERVICE DETAIL					
Principal			-	-	-
Interest	3.47%		914,692	914,692	914,692
LOC Fee (1.50% through Stabilization, 1.25% thereafter)	0.00%		399,192	399,192	399,192
Issuer's Fee	0.25%		65,900	65,900	65,900
Remarketing Fee	0.10%		26,360	26,360	26,360
Trustee Fee	2,500		2,500	2,500	2,500
Rebate Fee	500		500	500	500
Total Debt Service & Fees			1,409,144	1,409,144	1,409,144
Debt Service Coverage			1.00	1.20	1.37
REMAINING CASHFLOW AFTER DEBT SERVICE			-	285,996	523,634
Maximum Annual Debt Service			1,680,865	1,680,865	1,680,865
DS Coverage at Max Annual				1.01	1.15

City of Minneapolis, Minnesota
Multifamily Housing Revenue Bonds
(Parcel-A Apartment Project)
Series 2008

Underwriting - Proforma

Total Number of Units:	166
Income Trended at:	102.00%
Expenses Trended at:	103.00%
Vacancy Underwritten & Projected at:	5.00%

REVENUES		2011	2012	2013	2014
Gross Residential Rental Income		1,903,577	1,941,649	1,980,482	2,020,091
Retail Rental Income		456,960	466,099	475,421	484,930
Underground Parking		152,388	155,436	158,544	161,715
Tenant Application Fees		60,955	62,174	63,418	64,686
Laundry & Vending		30,478	31,087	31,709	32,343
Less: (Apartment Vacancy)		(95,179)	(97,082)	(99,024)	(101,005)
Less: (Retail Vacancy)		(22,848)	(23,305)	(23,771)	(24,246)
EFFECTIVE GROSS INCOME		2,486,331	2,536,058	2,586,779	2,638,514
EXPENSES					
Administrative & Advertising		51,294	52,833	54,418	56,050
Management Fee	4.50%	92,350	94,197	96,081	98,002
Utilities (Common Areas)		17,098	17,611	18,139	18,683
Water & Sewer (Common Areas)		34,196	35,222	36,279	37,367
Utilities (Units)		59,843	61,638	63,487	65,392
Payroll		85,490	88,055	90,696	93,417
Trash/Maint/Repair		59,843	61,638	63,487	65,392
Supplies/Grounds/Snow		17,098	17,611	18,139	18,683
Insurance		42,745	44,027	45,348	46,709
Real Estate Taxes		307,764	316,997	326,507	336,302
TOTAL EXPENSES (PER UNIT)		767,721	789,829	812,582	835,999
NET OPERATING INCOME (PER UNIT)		1,718,610	1,746,229	1,774,197	1,802,516
Less:					
Replacement Reserve (Per Unit)		33,200	33,200	33,200	33,200
Add:					
TIF PAYMENT (Assumed to be 90% of Real Estate Taxes)		276,988	285,297	293,856	302,672
Float Fund Earnings	3.00%	7,855	7,842	7,889	7,931
Working Capital					
Capitalized Interest		-	-	-	-
CASHFLOW AVAILABLE FOR DEBT SERVICE (PER UNIT)		1,970,252	2,006,168	2,042,742	2,079,919
DEBT SERVICE DETAIL					
Principal		345,000	355,000	375,000	395,000
Interest	3.47%	911,743	899,684	887,192	874,006
LOC Fee (1.50% through Stabilization, 1.25% thereafter)	0.00%	331,587	327,201	322,658	317,863
Issuer's Fee	0.25%	65,688	64,819	63,919	62,969
Remarketing Fee	0.10%	26,275	25,928	25,568	25,188
Trustee Fee	2,500	2,500	2,500	2,500	2,500
Rebate Fee	500	500	500	500	500
Total Debt Service & Fees		1,683,292	1,675,632	1,677,337	1,678,025
Debt Service Coverage		1.17	1.20	1.22	1.24
REMAINING CASHFLOW AFTER DEBT SERVICE		286,960	330,536	365,405	401,894
Maximum Annual Debt Service		1,680,865	1,680,865	1,680,865	1,680,865
DS Coverage at Max Annual		1.17	1.19	1.22	1.24

Lupe Development Partners

City of Minneapolis, Minnesota
Multifamily Housing Revenue Bonds
(Parcel-A Apartment Project)
Series 2008

Underwriting - Proforma

Total Number of Units:	166
Income Trended at:	102.00%
Expenses Trended at:	103.00%
Vacancy Underwritten & Projected at:	5.00%

REVENUES		2015	2016	2017	2018
Gross Residential Rental Income		2,060,493	2,101,703	2,143,737	2,186,612
Retail Rental Income		494,628	504,521	514,611	524,903
Underground Parking		164,950	168,249	171,614	175,046
Tenant Application Fees		65,980	67,299	68,645	70,018
Laundry & Vending		32,990	33,650	34,323	35,009
Less: (Apartment Vacancy)		(103,025)	(105,085)	(107,187)	(109,331)
Less: (Retail Vacancy)		(24,731)	(25,226)	(25,731)	(26,245)
EFFECTIVE GROSS INCOME		2,691,285	2,745,110	2,800,013	2,856,013
EXPENSES					
Administrative & Advertising		57,732	59,464	61,248	63,085
Management Fee	4.50%	99,962	101,962	104,001	106,081
Utilities (Common Areas)		19,244	19,821	20,416	21,028
Water & Sewer (Common Areas)		38,488	39,643	40,832	42,057
Utilities (Units)		67,354	69,374	71,456	73,599
Payroll		96,220	99,106	102,080	105,142
Trash/Maint/Repair		67,354	69,374	71,456	73,599
Supplies/Grounds/Snow		19,244	19,821	20,416	21,028
Insurance		48,110	49,553	51,040	52,571
Real Estate Taxes		346,391	356,783	367,486	378,511
TOTAL EXPENSES (PER UNIT)		860,098	884,902	910,429	936,702
NET OPERATING INCOME (PER UNIT)		1,831,186	1,860,209	1,889,583	1,919,311
Less:					
Replacement Reserve (Per Unit)		33,200	33,200	33,200	33,200
Add:					
TIF PAYMENT (Assumed to be 90% of Real Estate Taxes)		311,752	321,105	330,738	340,660
Float Fund Earnings	3.00%	7,970	8,003	8,095	8,118
Working Capital					
Capitalized Interest		-	-	-	-
CASHFLOW AVAILABLE FOR DEBT SERVICE (PER UNIT)		2,117,708	2,156,117	2,195,216	2,234,889
DEBT SERVICE DETAIL					
Principal		415,000	435,000	465,000	485,000
Interest	3.47%	860,126	845,552	830,198	813,889
LOC Fee (1.50% through Stabilization, 1.25% thereafter)	0.00%	312,815	307,515	301,930	295,999
Issuer's Fee	0.25%	61,969	60,919	59,813	58,638
Remarketing Fee	0.10%	24,788	24,368	23,925	23,455
Trustee Fee	2,500	2,500	2,500	2,500	2,500
Rebate Fee	500	500	500	500	500
Total Debt Service & Fees		1,677,697	1,676,353	1,683,865	1,679,980
Debt Service Coverage		1.26	1.29	1.30	1.33
REMAINING CASHFLOW AFTER DEBT SERVICE		440,010	479,764	511,351	554,909
Maximum Annual Debt Service		1,680,865	1,680,865	1,680,865	1,680,865
DS Coverage at Max Annual		1.26	1.28	1.31	1.33

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Underwriting - Proforma

Total Number of Units:	166
Income Trended at:	102.00%
Expenses Trended at:	103.00%
Vacancy Underwritten & Projected at:	5.00%

REVENUES		2019	2020	2021	2022
Gross Residential Rental Income		2,230,344	2,274,951	2,320,450	2,366,859
Retail Rental Income		535,401	546,110	557,032	568,172
Underground Parking		178,547	182,118	185,760	189,475
Tenant Application Fees		71,419	72,847	74,304	75,790
Laundry & Vending		35,709	36,424	37,152	37,895
Less: (Apartment Vacancy)		(111,517)	(113,748)	(116,022)	(118,343)
Less: (Retail Vacancy)		(26,770)	(27,305)	(27,852)	(28,409)
EFFECTIVE GROSS INCOME		2,913,133	2,971,396	3,030,824	3,091,440
EXPENSES					
Administrative & Advertising		64,978	66,927	68,935	71,003
Management Fee	4.50%	108,203	110,367	112,574	114,825
Utilities (Common Areas)		21,659	22,309	22,978	23,668
Water & Sewer (Common Areas)		43,318	44,618	45,957	47,335
Utilities (Units)		75,807	78,082	80,424	82,837
Payroll		108,296	111,545	114,891	118,338
Trash/Maint/Repair		75,807	78,082	80,424	82,837
Supplies/Grounds/Snow		21,659	22,309	22,978	23,668
Insurance		54,148	55,773	57,446	59,169
Real Estate Taxes		389,866	401,562	413,609	426,017
TOTAL EXPENSES (PER UNIT)		963,742	991,573	1,020,216	1,049,697
NET OPERATING INCOME (PER UNIT)		1,949,391	1,979,823	2,010,607	2,041,743
Less:					
Replacement Reserve (Per Unit)		33,200	33,200	33,200	33,200
Add:					
TIF PAYMENT (Assumed to be 90% of Real Estate Taxes)		350,880	361,406	372,248	383,416
Float Fund Earnings	3.00%	8,168	8,212	8,282	8,345
Working Capital					
Capitalized Interest		-	-	-	-
CASHFLOW AVAILABLE FOR DEBT SERVICE (PER UNIT)		2,275,238	2,316,241	2,357,938	2,400,304
DEBT SERVICE DETAIL					
Principal		510,000	535,000	565,000	595,000
Interest	3.47%	796,886	778,928	760,104	740,238
LOC Fee (1.50% through Stabilization, 1.25% thereafter)	0.00%	289,815	283,284	276,438	269,213
Issuer's Fee	0.25%	57,413	56,119	54,763	53,331
Remarketing Fee	0.10%	22,965	22,448	21,905	21,333
Trustee Fee	2,500	2,500	2,500	2,500	2,500
Rebate Fee	500	500	500	500	500
Total Debt Service & Fees		1,680,078	1,678,779	1,681,209	1,682,115
Debt Service Coverage		1.35	1.38	1.40	1.43
REMAINING CASHFLOW AFTER DEBT SERVICE		595,160	637,462	676,728	718,189
Maximum Annual Debt Service		1,680,865	1,680,865	1,680,865	1,680,865
DS Coverage at Max Annual		1.35	1.38	1.40	1.43

City of Minneapolis, Minnesota
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Total Number of Units:	166
Income Trended at:	102.00%
Expenses Trended at:	103.00%
Vacancy Underwritten & Projected at:	5.00%

REVENUES		2023	2024	2025	2026
Gross Residential Rental Income		2,414,196	2,462,480	2,511,729	2,561,964
Retail Rental Income		579,536	591,126	602,949	615,008
Underground Parking		193,265	197,130	201,073	205,094
Tenant Application Fees		77,306	78,852	80,429	82,038
Laundry & Vending		38,653	39,426	40,215	41,019
Less: (Apartment Vacancy)		(120,710)	(123,124)	(125,586)	(128,098)
Less: (Retail Vacancy)		(28,977)	(29,556)	(30,147)	(30,750)
EFFECTIVE GROSS INCOME		3,153,269	3,216,334	3,280,661	3,346,274
EXPENSES					
Administrative & Advertising		73,133	75,327	77,587	79,914
Management Fee	4.50%	117,122	119,464	121,854	124,291
Utilities (Common Areas)		24,378	25,109	25,862	26,638
Water & Sewer (Common Areas)		48,755	50,218	51,725	53,276
Utilities (Units)		85,322	87,881	90,518	93,233
Payroll		121,888	125,545	129,311	133,191
Trash/Maint/Repair		85,322	87,881	90,518	93,233
Supplies/Grounds/Snow		24,378	25,109	25,862	26,638
Insurance		60,944	62,772	64,656	66,595
Real Estate Taxes		438,798	451,962	465,521	479,486
TOTAL EXPENSES (PER UNIT)		1,080,040	1,111,269	1,143,413	1,176,497
NET OPERATING INCOME (PER UNIT)		2,073,229	2,105,065	2,137,248	2,169,777
Less:					
Replacement Reserve (Per Unit)		33,200	33,200	33,200	33,200
Add:					
TIF PAYMENT (Assumed to be 90% of Real Estate Taxes)		394,918	406,766	418,969	431,538
Float Fund Earnings	3.00%	8,402	8,452	8,452	8,452
Working Capital					
Capitalized Interest		-	-	-	-
CASHFLOW AVAILABLE FOR DEBT SERVICE (PER UNIT)		2,443,350	2,487,083	2,531,469	2,576,567
DEBT SERVICE DETAIL					
Principal		625,000	655,000	690,000	720,000
Interest	3.47%	719,331	697,383	674,395	650,191
LOC Fee (1.50% through Stabilization, 1.25% thereafter)	0.00%	261,610	253,628	245,267	236,465
Issuer's Fee	0.25%	51,825	50,244	48,588	46,844
Remarketing Fee	0.10%	20,730	20,098	19,435	18,738
Trustee Fee	2,500	2,500	2,500	2,500	2,500
Rebate Fee	500	500	500	500	500
Total Debt Service & Fees		1,681,496	1,679,352	1,680,684	1,675,237
Debt Service Coverage		1.45	1.48	1.51	1.54
REMAINING CASHFLOW AFTER DEBT SERVICE		761,854	807,731	850,785	901,330
Maximum Annual Debt Service		1,680,865	1,680,865	1,680,865	1,680,865
DS Coverage at Max Annual		1.45	1.48	1.51	1.53

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Total Number of Units:	166			
Income Trended at:	102.00%			
Expenses Trended at:	103.00%			
Vacancy Underwritten & Projected at:	5.00%			
REVENUES		2027	2028	2029
Gross Residential Rental Income		2,613,203	2,665,467	2,718,777
Retail Rental Income		627,308	639,854	652,651
Underground Parking		209,196	213,380	217,648
Tenant Application Fees		83,678	85,352	87,059
Laundry & Vending		41,839	42,676	43,530
Less: (Apartment Vacancy)		(130,660)	(133,273)	(135,939)
Less: (Retail Vacancy)		(31,365)	(31,993)	(32,633)
EFFECTIVE GROSS INCOME		3,413,200	3,481,464	3,551,093
EXPENSES				
Administrative & Advertising		82,312	84,781	87,325
Management Fee	4.50%	126,777	129,312	131,898
Utilities (Common Areas)		27,437	28,260	29,108
Water & Sewer (Common Areas)		54,875	56,521	58,216
Utilities (Units)		96,030	98,911	101,879
Payroll		137,186	141,302	145,541
Trash/Maint/Repair		96,030	98,911	101,879
Supplies/Grounds/Snow		27,437	28,260	29,108
Insurance		68,593	70,651	72,771
Real Estate Taxes		493,871	508,687	523,948
TOTAL EXPENSES (PER UNIT)		1,210,549	1,245,597	1,281,672
NET OPERATING INCOME (PER UNIT)		2,202,651	2,235,866	2,269,421
Less:				
Replacement Reserve (Per Unit)		33,200	33,200	33,200
Add:				
TIF PAYMENT (Assumed to be 90% of Real Estate Taxes)		444,484	457,818	471,553
Float Fund Earnings	3.00%	8,452	8,452	8,452
Working Capital				
Capitalized Interest		-	-	-
CASHFLOW AVAILABLE FOR DEBT SERVICE (PER UNIT)		2,622,387	2,668,937	2,716,226
DEBT SERVICE DETAIL				
Principal		760,000	800,000	840,000
Interest	3.47%	624,860	598,141	570,034
LOC Fee (1.50% through Stabilization, 1.25% thereafter)	0.00%	227,252	217,535	207,313
Issuer's Fee	0.25%	45,019	43,094	41,069
Remarketing Fee	0.10%	18,008	17,238	16,428
Trustee Fee	2,500	2,500	2,500	2,500
Rebate Fee	500	500	500	500
Total Debt Service & Fees		1,678,139	1,679,007	1,677,843
Debt Service Coverage		1.56	1.59	1.62
REMAINING CASHFLOW AFTER DEBT SERVICE		944,248	989,929	1,038,383
Maximum Annual Debt Service		1,680,865	1,680,865	1,680,865
DS Coverage at Max Annual		1.56	1.59	1.62

Market Conditions for Affordable Housing

The development team has closely analyzed market trends over the last twelve months and determined we are past the point of equilibrium between affordable housing supply and affordable housing demand.

Over the last six month, rents significantly stabilized, with the last remnants of the concessionary period between 2004-2006 burning off. GVA Marquette Advisors reported that net rents in the 2007 metropolitan market increased by 3.3 percent overall - with the largest concentration in the urban core and 1st ring suburbs. Concurrent with this increase in net rent is the associated decline in vacancy, which netted a stabilized reduction to 4.2 percent.

It has long been a staple of the apartment industry that vacancy above 5 percent reflects a market favoring the renter. Vacancy in the 4-4.5 percent range reflects a market in balance, and vacancy below 4 percent reflects a market favoring the Lessor. In these conditions, affordable rents will be come less available.

GVA projects that the Metropolitan areas 14,000-28,000 job growth line projected by the State Planning Office would result in a further reduction of vacancy to the mid-3 percent range. Rents will thereafter rise by 3.5 to 4 percent. Coupled with a continuing trendline of housing foreclosure and equity devaluation, there seems to be a "perfect storm" of rental housing demand at both the high end and low ends of the marketplace. We have attached excerpts of the GVA Apartment Trends Report© to reference this data

REIS Metro Trend indicates a continuing trendline of inventory absorption as the population continues at a 2-3 percent clip. Minneapolis outpaced the remainder of the Midwest in household growth over the last 18 months and is projected to continue to do so. This drives a higher demand for smaller 1, 1+ and 2 bedroom units. Asking rent growth over the last year reflects a substantial increase over the three year average with the majority of that trendline in the last two quarters. We have attached excerpts of the REIS MetroTrend© to support these conclusions.

Marcus & Millichap, a national investment advisor in apartment sales forecasts vacancy at 4.5 percent or lower, bolstered again by healthy job growth of at least 14,000 people in 2008 on the heels of an 18,000 person increase in 2007. Emphasis on the health services and educational employment sectors. Effective rents are forecasted to increase 3.8 percent, despite a projection for up to 1200 additional units added to inventory in the metro market. We have attached excerpts of the Marcus & Millichap National Report© to illustrate these findings.

Though not as scientific, the local news media is an influencer in market activity, and the recent boomerang story from the for-sale housing bust is the general rush to produce apartments to meet growing demand for displaced persons. We have included several relevant clippings and news articles which support the general perception that a return to rental is coming in 2008, and with it, increased rents.

Market Conditions for For Sale Housing.

There is not one specific trend-line or bell-wether indicie that can capture the essence of the for-sale housing market. There are too many "moving economic parts" to clearly decipher when the market will hit bottom or if in fact it already has.

2008 has already shown remarkable spriteliness as a result of the Federal Reserve's starling 125 basis point drop in the discount rate. Long bond investors have clearly shown an interest in qualified mortgage pools without the distraction of subprime junk cluttering the liquidity market.

Of particular note is the continuing growth and pressure in the downtown condominium market. Buyers without existing homes to offload, and matching the exact employment and population upticks we are seeing in rental analysis, are seizing the opportunity to purchase from swollen inventories using money cheaper than the last 14 months have afforded. These single or 2-person households are pursuing the remaining selection of "prime" and "choice" condominium locations, leaving a number of previously stalled project picked-over. Lesser locations not on the river or not in North Loop are seeing stagnant sales, while arts and activity areas see increases.

For this reason, the development team believes that it is prudent to permit the parking, affordable housing and retail portions of the project proceed first and allow the continued absorption of existing for-sale inventory to occur along the riverfront and adjacent to North Loop. If the trends continue, a sales center opening in 2009, leading to construction in 2010 seem perfectly poised to take advantage of a recovered market looking for new options.

We believe this concept is supported by the need to plan for market swings. The Minneapolis Plan provides the following insights:

The Market in the City

2.2 Minneapolis will support the existing economic base by providing adequate land and infrastructure to make city sites attractive to businesses willing to invest in high job density.

2.5 Minneapolis will focus resources and efforts on building a skilled and employable work force in livable wage occupations.

2.6 Minneapolis will focus resources and efforts on connecting residents to living wage jobs.

2.9 Minneapolis will strengthen long-term confidence in the economy by building innovative public to private sector partnerships.

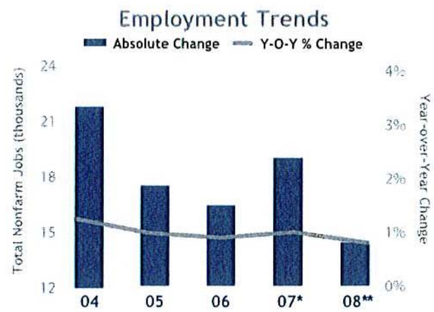
Marketplaces: Neighborhoods

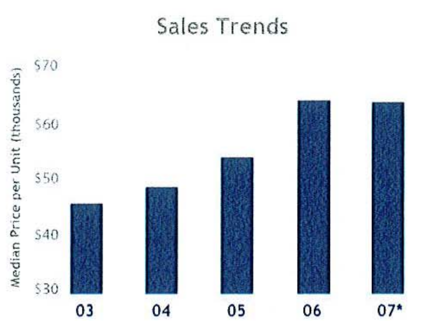
4.1 Minneapolis will encourage reinvestment along major urban corridors as a way of promoting growth in all neighborhoods.

4.4 Minneapolis will continue to provide a wide range of goods and services for city residents, to encourage the use and adaptive reuse of existing commercials buildings and to maintain and improve the quality of surrounding areas.

Minneapolis-St. Paul No Change 2008 Rank: 30 2007 Rank: 30

Renter Demand Spilling into Close-in Suburbs in the Twin Cities





* Estimate ** Forecast

Solid gains in the Minneapolis-St. Paul job market will offset elevated construction and support healthy apartment fundamentals in 2008. Job gains this year will be concentrated in the educational and health services, and leisure and hospitality industries. Many of these positions will be located in the Downtown Minneapolis submarket, where apartment vacancy is below 3 percent and several for-sale projects have been scaled down or canceled. Plans for the 222 Hennepin project, for instance, which originally consisted of a 33-story condo tower, have changed to include top-tier rental units. Indeed, demand for condo units has dissipated in Minneapolis, and many residents are turning to premium apartments as an alternative. This trend is generating demand for Class A units in outlying suburbs where some vacancy in the top tier persists.

In the investment market, buyer activity will be sustained by an active pool of local investors, some out-of-state capital and portfolio expansion by institutional buyers. Local investors with an eye on repositioning assets will focus on older, infill properties that are selling below replacement costs. With access to capital restrained, value-add plays will tend to involve assets with fewer than 50 units. Out-of-state buyers, however, are venturing into the suburbs, where conditions are still tight and large complexes offer favorable long-term revenue growth forecasts. Metrowide, average cap rates are in the low-7 percent range, with some upward pressure being applied as operations-based fundamentals dominate pricing. Strong Class A performance has generated an increased institutional presence in the marketplace in recent quarters, deepening and diversifying the buyer pool.

2008 Market Outlook

- **2008 NAI Rank: 30, No Change.** Below-average vacancy offset rising construction and slower job growth, keeping Minneapolis stable in the NAI.
- **Employment Forecast:** Supported by healthy gains in the educational and health services sector, metro employers will add 14,200 positions this year, expanding payrolls 0.8 percent. In 2007, 18,800 jobs were created in Minneapolis-St. Paul.
- **Construction Forecast:** This year, construction activity is expected to rise to 1,200 apartments, up from fewer than 600 units completed in 2007. Completions will increase inventory by a modest 0.8 percent.
- **Vacancy Forecast:** Heightened deliveries will push the metrowide vacancy rate up 20 basis points to a still healthy 4.5 percent by year end. Vacancy decreased 60 basis points in 2007, as demand was bolstered by healthy job growth.
- **Rent Forecast:** With vacancy remaining below 5 percent, owners are expected to trim concessions and accelerate rent growth. Asking rents are forecast to reach $968 per month, up 3.5 percent, while effective rents will advance 3.8 percent to $911 per month by year end.
- **Investment Forecast:** Buyer demand for apartments will increase along the Northstar Corridor Rail Project, which received federal funding last year. The 40-mile line will connect Big Lake with downtown Minneapolis and pass through Anoka, Coon Rapids, Elk River and Fridley.

Market Forecast Employment: 0.8% ▲ Construction: 102% ▲ Vacancy: 20 bps ▲ Asking Rents: 3.5% ▲

2008 National Apartment Report

Statistical

MSA Name	Employment Growth (%)[1] 05	06	07*	08**	Vacancy (Year-End, %)[1] 05	06	07*	08**	Asking Rent (Year-End, %)[1] 05	06	07*	08**
Atlanta	3.1	2.3	1.7	1.6	8.0	8.5	8.1	7.9	824	825	843	862
Austin	3.9	4.7	3.4	2.8	7.6	6.9	7.3	7.6	768	790	821	851
Boston	0.6	0.8	1.1	1.1	4.7	5.0	5.9	5.6	1,579	1,646	1,697	1,753
Charlotte	2.1	1.5	2.7	2.4	8.3	6.9	6.2	7.0	737	751	761	785
Chicago	1.1	1.2	1.0	0.6	6.5	5.7	4.7	4.5	969	1,001	1,044	1,079
Cincinnati	1.1	1.2	0.8	0.5	8.7	8.2	7.4	7.5	660	672	689	705
Cleveland	-0.3	-0.1	0.4	0.1	6.5	6.5	5.4	5.2	689	701	716	737
Columbus	0.5	0.6	0.7	0.6	8.3	7.9	6.6	6.3	634	639	653	672
Dallas/Fort Worth	2.9	3.3	2.8	1.9	9.5	9.5	8.5	8.5	722	734	757	780
Denver	2.2	1.5	1.3	1.1	7.9	8.3	7.2	7.8	849	847	869	893
Detroit	-0.8	-2.7	-0.3	0.1	7.3	7.4	6.9	6.8	812	816	831	838
Fort Lauderdale	4.4	4.9	1.0	1.1	2.6	3.2	4.8	5.6	1,025	1,098	1,113	1,134
Houston	3.3	4.3	2.5	1.8	8.2	11.3	11.2	11.0	701	715	737	760
Indianapolis	0.4	1.7	1.3	1.1	9.9	9.3	8.9	8.6	632	638	657	671
Jacksonville	3.9	2.9	2.3	2.0	3.8	5.4	6.8	8.6	760	781	801	820
Kansas City	0.9	1.3	1.3	1.4	7.6	7.2	6.4	5.7	651	664	679	697
Las Vegas	6.8	4.8	0.6	1.8	4.0	4.6	5.4	5.7	794	829	851	876
Los Angeles	0.8	1.2	0.5	0.6	3.1	3.1	3.5	3.7	1,275	1,355	1,432	1,504
Miami	2.1	3.0	1.2	0.7	3.3	3.5	4.2	4.7	1,025	1,089	1,117	1,135
Milwaukee	-0.3	1.0	0.6	-0.1	6.2	4.9	3.9	4.2	789	807	830	848
Minneapolis-St. Paul	1.0	0.9	1.0	0.8	5.3	4.9	4.3	4.5	889	906	935	968
New Haven	0.1	1.2	0.5	0.6	4.0	3.9	3.7	4.2	1,463	1,487	1,568	1,626
New York City	1.1	1.4	1.0	0.4	2.9	3.0	2.5	2.8	2,399	2,578	2,800	2,976
Northern New Jersey	-0.2	0.6	0.6	0.4	3.6	3.9	3.3	3.1	1,366	1,410	1,468	1,534
Oakland	1.6	1.4	0.8	0.7	5.6	4.0	4.3	4.5	1,201	1,281	1,349	1,410
Orange County	1.8	1.3	0.1	0.7	3.2	3.3	3.5	3.5	1,367	1,452	1,544	1,624
Orlando	5.4	3.1	2.3	1.7	4.8	4.6	7.3	8.1	819	865	881	899
Philadelphia	0.8	1.7	1.0	0.6	4.4	4.2	3.9	4.2	921	958	1,006	1,051
Phoenix	6.1	4.6	2.4	2.0	6.7	5.2	7.7	8.6	707	749	774	802
Portland	2.7	1.7	1.4	1.2	5.9	5.2	4.4	4.7	719	756	793	825
Riverside-San Bernardino	3.7	2.0	3.6	2.3	4.6	5.4	6.0	6.6	976	1,024	1,069	1,110
Sacramento	3.0	0.8	1.2	0.9	7.4	7.5	6.1	6.3	913	948	970	998
Salt Lake City	4.8	4.0	3.0	3.1	5.7	5.6	4.7	4.8	654	685	726	769
San Antonio	3.2	3.3	2.3	2.6	6.1	7.4	6.4	6.3	639	660	686	705
San Diego	1.5	1.4	1.2	0.9	3.6	3.8	4.3	4.3	1,191	1,240	1,298	1,350
San Francisco	0.9	1.8	1.3	1.0	4.7	4.1	4.3	4.0	1,579	1,694	1,850	1,995
San Jose	0.6	1.1	1.2	0.7	4.6	3.8	3.3	3.2	1,332	1,482	1,598	1,682
Seattle	3.8	2.7	3.0	1.9	5.8	5.0	4.6	4.9	877	941	1,009	1,072
St. Louis	0.9	1.1	1.3	0.7	8.0	8.0	6.9	6.8	686	700	716	736
Tampa	3.7	2.0	1.0	1.1	5.1	5.4	6.7	7.5	771	819	835	852
Tucson	1.5	4.9	2.8	1.7	6.2	5.7	5.7	5.3	590	618	643	667
Washington, D.C.	2.0	2.3	1.5	0.8	4.1	4.3	4.6	5.0	1,190	1,250	1,309	1,357
West Palm Beach	4.0	3.6	1.7	1.5	4.5	4.9	7.5	8.1	1,053	1,111	1,120	1,138

* Estimate ** Forecast

Summary

Median Sales Price per Unit ($)[1]			Completions (Units)[1]				
05	06	07*	05	06	07*	08**	MSA Name
52,800	55,200	63,200	5,100	4,600	4,000	4,100	Atlanta
56,000	54,700	54,300	1,400	2,350	4,800	5,100	Austin
123,000	121,500	125,400	2,200	4,200	5,100	3,000	Boston
56,000	59,000	63,000	1,660	1,226	1,000	2,300	Charlotte
83,400	78,300	82,700	2,000	2,200	400	2,200	Chicago
37,000	33,700	27,800	375	800	350	700	Cincinnati
33,600	38,500	42,100	295	300	430	275	Cleveland
43,200	47,900	35,800	2,164	1,200	100	400	Columbus
33,100	33,000	34,900	5,800	6,433	5,260	8,000	Dallas/Fort Worth
68,600	67,200	71,300	1,715	2,210	900	2,800	Denver
43,500	38,250	35,200	110	1,100	485	500	Detroit
106,300	102,500	92,800	344	300	800	800	Fort Lauderdale
35,900	38,000	43,400	6,683	5,416	6,800	7,500	Houston
34,000	32,000	30,200	1,065	710	775	900	Indianapolis
46,200	55,000	48,800	400	1,189	1,000	2,000	Jacksonville
38,000	46,500	45,900	1,117	1,100	1,200	500	Kansas City
73,500	92,900	95,700	1,040	1,628	2,500	1,500	Las Vegas
133,300	142,900	138,900	4,900	5,100	4,500	4,700	Los Angeles
95,000	100,000	94,400	969	400	500	700	Miami
44,000	57,500	54,600	275	300	231	700	Milwaukee
53,700	63,700	63,400	705	575	593	1,200	Minneapolis-St. Paul
81,500	82,300	71,800	849	469	700	900	New Haven
128,800	146,700	151,700	3,975	2,200	3,600	2,800	New York City
82,100	80,600	76,700	398	1,000	2,250	1,000	Northern New Jersey
133,300	137,500	141,700	900	700	1,100	1,300	Oakland
158,900	180,900	169,300	1,600	1,900	2,000	1,250	Orange County
74,800	73,000	63,400	2,500	1,200	600	1,300	Orlando
67,300	69,400	71,000	2,738	2,000	800	1,300	Philadelphia
56,900	66,500	71,400	6,100	6,086	5,800	4,200	Phoenix
60,000	66,500	69,400	598	1,650	700	1,700	Portland
101,300	114,100	103,100	3,800	3,900	2,350	1,550	Riverside-San Bernardino
94,900	90,900	83,200	2,600	850	750	800	Sacramento
48,000	61,000	70,150	1,117	700	800	1,800	Salt Lake City
45,100	48,700	47,800	3,148	3,267	3,470	2,800	San Antonio
146,300	138,700	127,300	1,550	1,850	900	1,200	San Diego
208,300	230,000	252,000	400	450	750	800	San Francisco
145,800	164,000	150,700	800	1,000	700	900	San Jose
90,900	102,600	118,200	1,800	2,325	2,500	3,500	Seattle
72,200	55,200	48,700	644	958	550	600	St. Louis
65,300	67,800	63,100	905	2,383	900	1,400	Tampa
50,900	54,700	52,900	575	25	30	350	Tucson
91,700	103,100	102,100	3,000	4,000	5,500	5,600	Washington, D.C.
104,100	119,400	101,300	0	500	0	500	West Palm Beach

[1]See Statistical Summary Note on page 59

GVA Marquette Advisors

Apartment TRENDS

Twin Cities Metro Area
Fourth Quarter 2007

The Twin Cities rental market is feeling the effects of a sluggish economy. Although we ended the year with a 4.2% vacancy rate, indicating an approximate balance between supply & demand, this represents a significant increase over the 3.6% third quarter vacancy rate.

During the first half of 2007, we saw the addition of 22,600 jobs metro-wide, according to the MN-Dept. of Employment & Economic Development. However, our economy took a turn for the worse during the second half of the year, with job losses exceeding 23,300. That's a net loss of 700 jobs for the year.

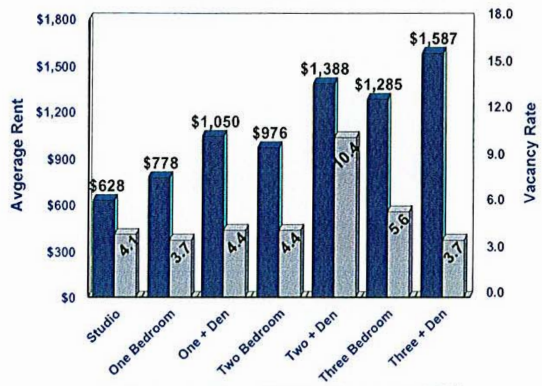
Meanwhile, the first half of 2007 saw the absorption of 1,300 apartment units, with negative absorption of (200) units during the second half. Given the state of the job market, we are encouraged that we didn't lose more renters during this time. Clearly, we are seeing the impact of some former homeowners re-entering the rental market as a result of foreclosures. Others are putting off the purchase of a home or condo, instead opting to rent. Expect that trend to continue this year.

An analysis of MN-DEED employment stats for 2007 2nd half shows that the mortgage and home buying/building market bust is impacting other sectors of our economy. The region lost 7,400 manufacturing jobs during the second half of 2007. It seems we have a disproportionately large share of manufacturing businesses tied to the home building industry. The professional & business services sector saw the elimination of 4,600 jobs during this time. Many of those jobs too are associated with the housing industry. More than 4,800 retail jobs were eliminated during this time, no doubt linked to declines in consumer spending. Thank goodness for the health care sector, which added 12,400 jobs during 2007.

Job growth is really the key to both the short-term and long-term health of our apartment market. It is clear that our region will remain competitive and that the depth and diversity in our economic base will sustain long-term growth and demand for rental housing. However, our regional economists and demographers seem to disagree about whether we're in a recession, and about what we can expect in the coming year. Some reports I'm reading suggest that 0.5% to 1.0% employment growth is expected, but I also recall similar reports projecting 1.5% to 2.0% job growth in 2007....and here we are.

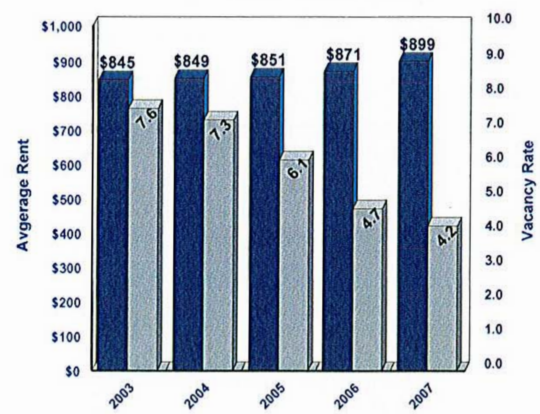
But we are not entirely discouraged. Rents were up 3.3% for the year. Our market saw the addition of 560 new units in 2007, mostly in the City of Minneapolis. New product has been well received. Other apartment owners have had success with value-added plays, upgrading well located assets and commanding substantial rent premiums. Clearly there is a market of renters who are willing to pay for a superior product and location.

Twin Cities Metro Area—4th Qtr 2007
Average Market Rents and Vacancy by Unit Type



Average Rent $899 Vacancy 4.2%

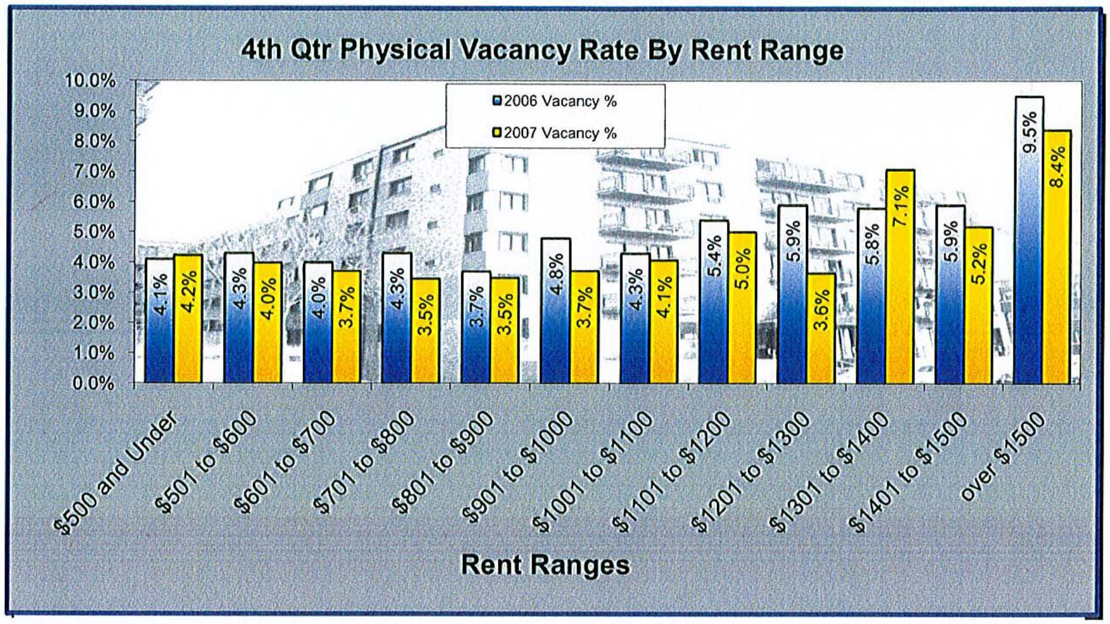
Twin Cities Metro Average Rent and Vacancy Rate
4th Qtr of Each Year 2003-2007



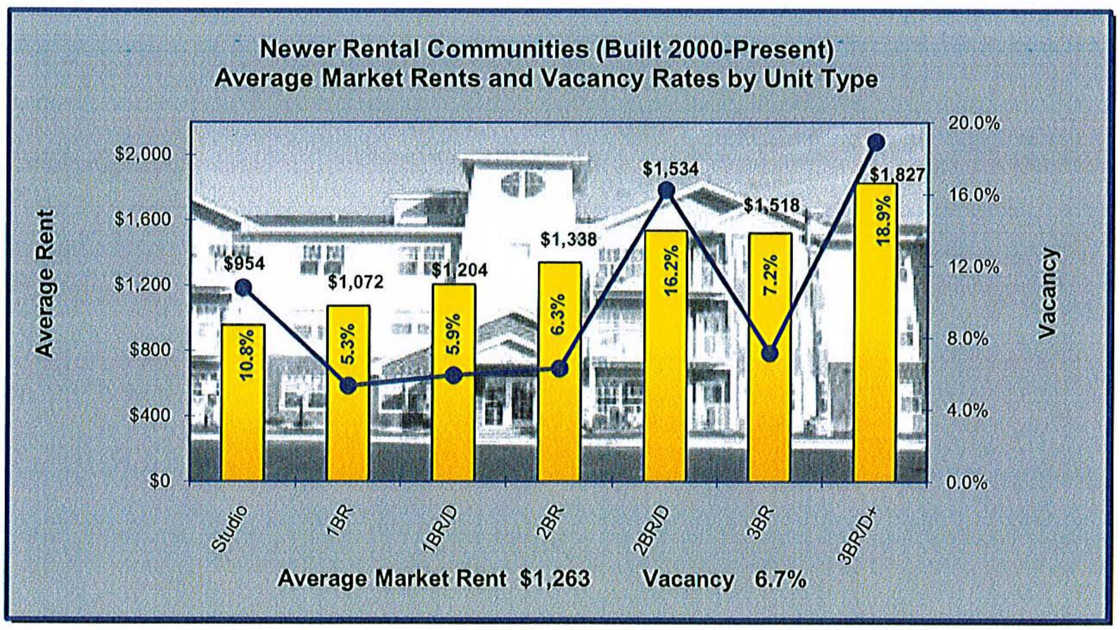
Another 870 units are expected to come online during 2008, mostly high-end urban product. Considering the recent trend, we expect the majority of these developments will enjoy a successful lease-up, as current renters upgrade to these superior communities. However, we simply need more jobs and more bodies moving into the region in order to sustain our current occupancy level as a market. If we do in fact see job growth of 0.5% to 1.0% (or about 14,000 to 28,000 jobs), that will spur another year of absorption, with a decline in the vacancy rate to the mid-3.0% range and rent increases of 3.5% to 4.0%.

Average Rents and Vacancies

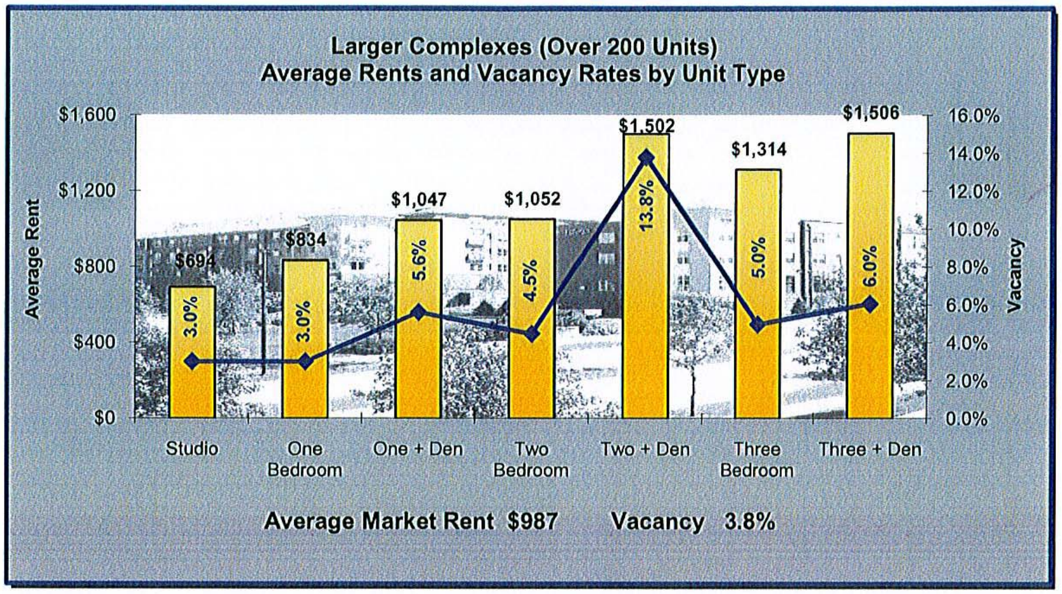
Area	Unit Type	Units Surveyed	Units Vacant	Avg Rent 12/2007	Avg Rent 12/2006	% Change	Vacancy 12/2007	Vacancy 12/2006	Change
Twin Cities Metro Area									
	Studio	5,421	224	$628	$605	3.8%	4.1%	3.4%	0.7%
	One Bedroom	48,738	1,796	$778	$751	3.7%	3.7%	3.9%	-0.2%
	One + Den	2,158	96	$1,050	$1,021	2.9%	4.4%	5.2%	-0.8%
	Two Bedroom	48,793	2,156	$976	$947	3.1%	4.4%	5.1%	-0.7%
	Two + Den	1,156	120	$1,388	$1,405	-1.2%	10.4%	12.1%	-1.7%
	Three Bedroom	6,480	361	$1,285	$1,255	2.4%	5.6%	7.5%	-1.9%
	Three Den/Four	367	13	$1,587	$1,490	6.5%	3.7%	5.4%	-1.7%
	Total	**113,113**	**4,765**	**$899**	**$871**	**3.3%**	**4.2%**	**4.7%**	**-0.5%**
City of Minneapolis	**Unit Type**	**Units Surveyed**	**Units Vacant**	**Avg Rent 12/2007**	**Avg Rent 12/2006**	**% Change**	**Vacancy 12/2007**	**Vacancy 12/2006**	**Change**
	Studio	2,576	118	$597	$583	2.4%	4.6%	3.5%	1.1%
	One Bedroom	8,470	369	$809	$782	3.4%	4.4%	3.1%	1.3%
	One + Den	138	12	$1,262	$1,248	1.1%	8.7%	1.4%	7.3%
	Two Bedroom	3,680	143	$1,162	$1,113	4.4%	3.9%	3.8%	0.1%
	Two + Den	11	3	$2,125	$1,679	26.6%	27.3%	0.0%	27.3%
	Three Bedroom	242	12	$1,382	$1,376	0.4%	5.0%	5.8%	-0.8%
	Four Bedroom	58	0	$1,595	$1,595	0.0%	0.0%	0.0%	0.0%
	Total	**15,175**	**657**	**$876**	**$848**	**3.3%**	**4.3%**	**3.3%**	**1.0%**
City of St. Paul	**Unit Type**	**Units Surveyed**	**Units Vacant**	**Avg Rent 12/2007**	**Avg Rent 12/2006**	**% Change**	**Vacancy 12/2007**	**Vacancy 12/2006**	**Change**
	Studio	838	35	$651	$610	6.7%	4.1%	2.5%	1.6%
	One Bedroom	5,317	215	$754	$731	3.2%	4.0%	4.8%	-0.8%
	One + Den	257	19	$1,141	$1,130	1.0%	7.4%	18.0%	-10.6%
	Two Bedroom	4,332	174	$958	$923	3.8%	4.0%	5.4%	-1.4%
	Two + Den	130	33	$1,665	$2,006	-17.0%	25.4%	47.0%	-21.6%
	Three Bedroom	507	29	$1,398	$1,343	4.1%	5.7%	5.7%	0.0%
	Three Den/Four	2	0	$2,500	$1,584	57.8%	0.0%	25.0%	-25.0%
	Total	**11,383**	**505**	**$872**	**$845**	**3.2%**	**4.4%**	**5.6%**	**-1.2%**
Downtown Minneapolis	**Unit Type**	**Units Surveyed**	**Units Vacant**	**Avg Rent 12/2007**	**Avg Rent 12/2006**	**% Change**	**Vacancy 12/2007**	**Vacancy 12/2006**	**Change**
	Studio	859	39	$598	$611	-2.1%	4.5%	5.9%	-1.4%
	One Bedroom	2,295	87	$1,041	$1,015	2.6%	3.8%	3.2%	0.6%
	One + Den	102	10	$1,358	$1,337	1.5%	9.8%	0.9%	8.9%
	Two Bedroom	915	75	$1,758	$1,620	8.5%	8.2%	5.3%	2.9%
	Two + Den	3	1	$3,493	$1,757	98.8%	33.3%	0.0%	33.3%
	Three Bedroom	20	0	$2,452	$2,394	2.4%	0.0%	10.0%	-10.0%
	Total	**4,194**	**211**	**$1,123**	**$1,088**	**3.2%**	**5.0%**	**4.1%**	**0.9%**
South Minneapolis	**Unit Type**	**Units Surveyed**	**Units Vacant**	**Avg Rent 12/2007**	**Avg Rent 12/2006**	**% Change**	**Vacancy 12/2007**	**Vacancy 12/2006**	**Change**
	Studio	1,158	30	$590	$573	3.0%	2.6%	2.3%	0.3%
	One Bedroom	3,732	131	$715	$696	2.7%	3.5%	3.2%	0.3%
	One + Den	7	0	$818	$818	0.0%	0.0%	0.0%	0.0%
	Two Bedroom	1,186	41	$970	$943	2.9%	3.5%	3.7%	-0.2%
	Two + Den	6	2	$1,450	$1,400	3.6%	33.3%	16.7%	16.6%
	Three Bedroom	69	3	$1,520	$1,526	-0.4%	4.5%	7.5%	-3.0%
	Total	**6,158**	**207**	**$750**	**$731**	**2.7%**	**3.4%**	**3.2%**	**0.2%**
North Minneapolis	**Unit Type**	**Units Surveyed**	**Units Vacant**	**Avg Rent 12/2007**	**Avg Rent 12/2006**	**% Change**	**Vacancy 12/2007**	**Vacancy 12/2006**	**Change**
	Studio	4	0	$465	$420	10.7%	0.0%	15.4%	-15.4%
	One Bedroom	95	12	$688	$664	3.6%	12.6%	7.1%	5.5%
	Two Bedroom	157	12	$948	$933	1.6%	7.6%	8.1%	-0.5%
	Three Bedroom	30	2	$1,268	$1,263	0.4%	6.7%	10.0%	-3.3%
	Total	**286**	**26**	**$888**	**$836**	**6.3%**	**9.1%**	**8.1%**	**1.0%**
East Minneapolis	**Unit Type**	**Units Surveyed**	**Units Vacant**	**Avg Rent 12/2007**	**Avg Rent 12/2006**	**% Change**	**Vacancy 12/2007**	**Vacancy 12/2006**	**Change**
	Studio	113	41	$683	$474	44.0%	36.2%	11.5%	24.7%
	One Bedroom	647	121	$788	$668	18.0%	18.7%	4.9%	13.8%
	One + Den	12	2	$1,373	N/A	N/A	16.7%	N/A	N/A
	Two Bedroom	133	3	$969	$933	3.9%	2.4%	4.8%	-2.4%
	Two + Den	2	0	$2,100	N/A	N/A	0.0%	N/A	N/A
	Three Bedroom	19	3	$931	$1,263	-26.3%	15.8%	0.0%	11.7%
	Total	**926**	**170**	**$815**	**$836**	**-2.6%**	**18.3%**	**4.1%**	**14.2%**
U of M, SE, & NE Mpls	**Unit Type**	**Units Surveyed**	**Units Vacant**	**Avg Rent 12/2007**	**Avg Rent 12/2006**	**% Change**	**Vacancy 12/2007**	**Vacancy 12/2006**	**Change**
	Studio	442	8	$592	$583	1.6%	1.7%	1.4%	0.3%
	One Bedroom	1,701	18	$716	$702	2.0%	1.1%	1.9%	-0.8%
	One + Den	17	0	$794	$794	-0.1%	0.0%	5.9%	-5.9%
	Two Bedroom	1,289	12	$963	$954	0.9%	1.0%	2.5%	-1.5%
	Three Bedroom	104	4	$1,200	$1,200	0.0%	3.8%	3.8%	0.0%
	Three + Den/ 4 BR	58	0	$1,595	$1,595	0.0%	0.0%	0.0%	0.0%
	Total	**3,611**	**42**	**$817**	**$807**	**1.3%**	**1.2%**	**2.1%**	**-0.9%**



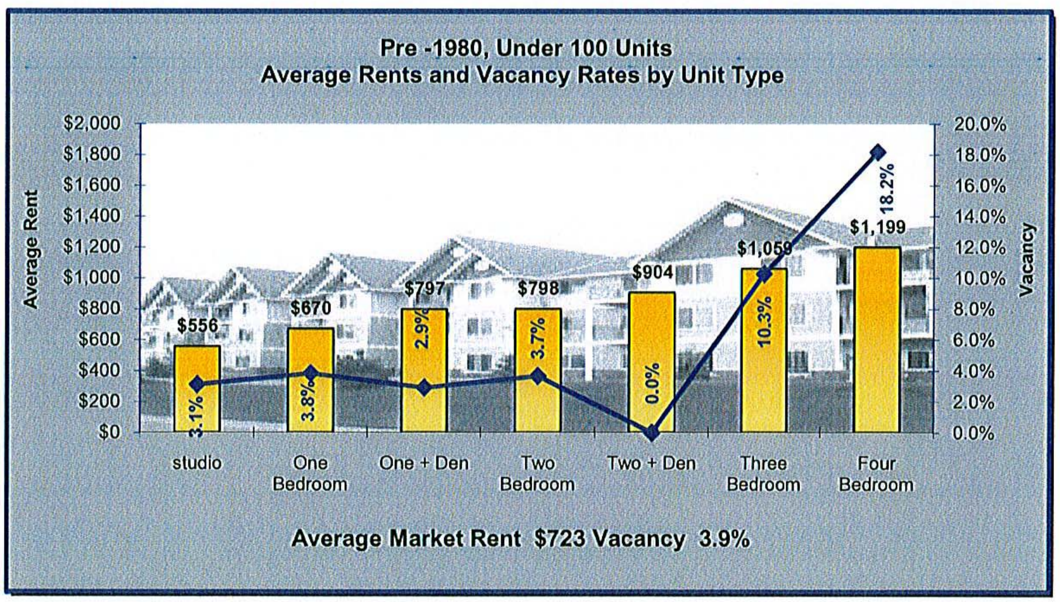
In the 4th Quarter of 2007, the highest vacancy rate was in the $1,500+ rent range, at 8.4%. The lowest vacancy rate occurred between the $701 to $800 and $801 to $900 rent ranges, both at 3.5%.



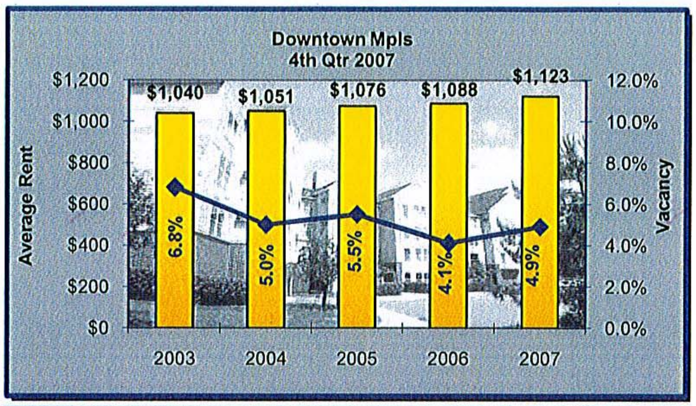
Among newer rental communities (built 2000-present), one-bedroom units showed a low vacancy rate of 5.3%. Studio units showed abnormally high vacancies in the 4th Qtr. (10.8%), but that was mainly due to recent supply increases within the City of Minneapolis. Three-bedroom + den & larger units had the highest vacancy rate, at 18.9%. The average market rent among these newer communities was $1,072 for one-bedrooms, $1,338 for two-bedrooms, and $1,518 for three-bedrooms. The overall average rent for all unit types was $1,263/month.



Larger rental communities (over 200 units) showed a weighted average rent of $987 per month for all unit types, with an overall vacancy rate of 3.8%, as of 4th Quarter 2007.

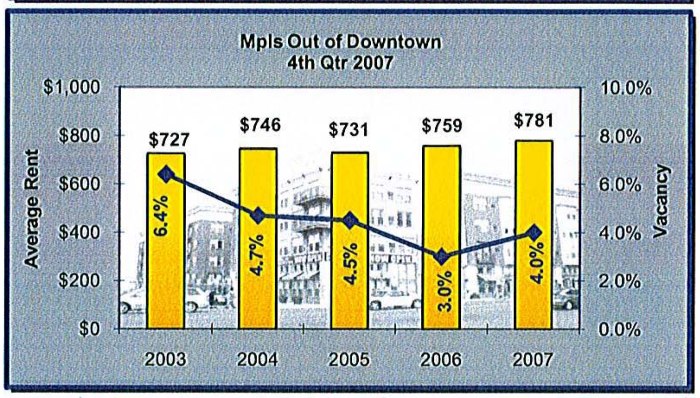


Apartment units in older (built before 1980) and smaller (under 100 units) rental communities averaged $723 per month. These properties had a combined physical vacancy rate of 3.9% for the 4th Quarter 2007.



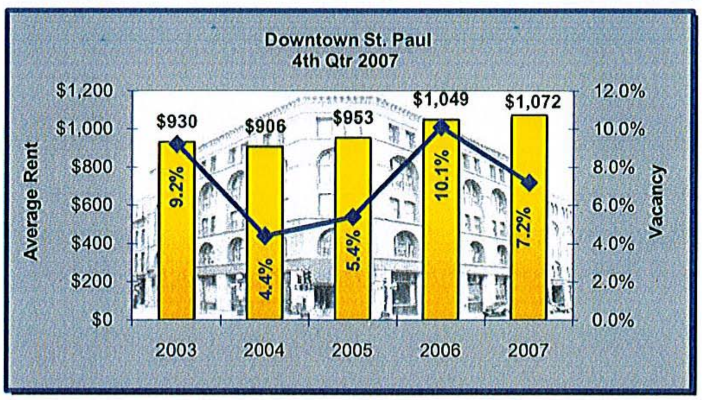
Downtown Minneapolis

In 4th Quarter 2007, the average market rent in Downtown Minneapolis reached its peak for the decade at $1,123 per month, the highest among all submarkets in the Metro Area. The 4thQtr. vacancy rate of 4.9% is up from 4.1% last year. The vacancy rate peaked for this decade in 2003, at 6.8%.



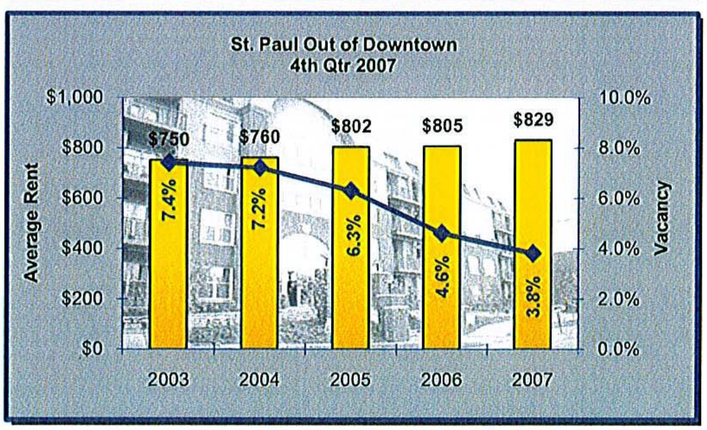
Minneapolis - Out of Downtown

At $781, the average rent in Minneapolis - Out-of-Downtown is up 2.9% for the year. The vacancy rate showed an increase of 1% from last year to 4.0%, as of 4th Quarter 2007. Absorption remains strong in this market, however, which has seen the addition of 480 units over the past 12 months.



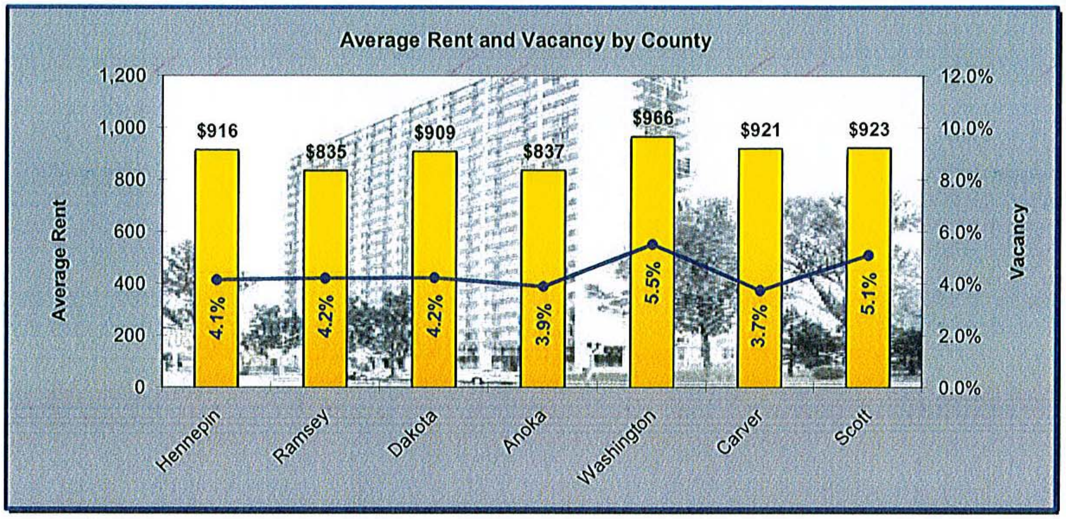
Downtown St. Paul

Downtown St. Paul had the 2nd highest market rent among all submarkets at $1,072 per month in 4th Quarter 2007. This was up from $1,049 in 2006. The vacancy rate in Downtown St. Paul (7.2%) is the highest of all submarkets in the Metro area, but did show a decline from last year, when it was 10.1%. This submarket is continuing to absorb new units completed in 2006.



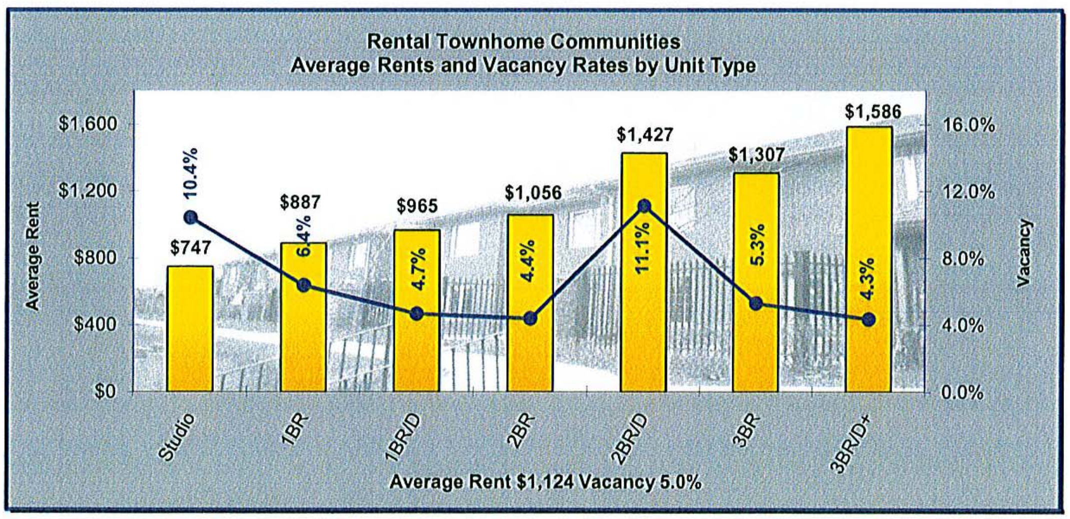
St. Paul - Out of Downtown

At $829, the average market rent was up 3.0% for the year. The vacancy rate has shown a decline in each of the last 5 years to a low of 3.8% in 4th Quarter 2007.



Average Market Rent & Vacancy by County

In the 4th Quarter of 2007, Washington County had the highest average rent among the seven metro counties ($966/month), as well as the highest vacancy rate (5.5%). Ramsey County had the lowest average rent ($835/month), while Carver County had the lowest vacancy rate (3.7%).



Townhome Market Rents & Vacancies

Townhome properties are typically larger in size and thus many of these communities command higher rents than traditional apartment complexes. As of 4th Quarter 2007, the average monthly rent for townhome communities was $1,124 per month. The overall physical vacancy rate was 5.0%, down from 5.4% in 2006 4th Qtr.

GVA Marquette Advisors

Apartment TRENDS is a quarterly publication produced by the Residential Analytics Group of GVA Marquette Advisors, providing an overview of the 7-county Twin Cities Metro Area rental housing market.

For subscription pricing information or for any additional information regarding the Twin Cities housing market, please contact:

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bwittenberg@gvamarquetteadvisors.com

GVA Marquette Advisors, your source for:
Apartment & Condominium Data • Market Research • Feasibility Studies • Appraisals

Apartment Trends makes every effort to provide the most accurate data possible. Although we believe all of our sources to be reliable, we cannot *guarantee* the accuracy of the information we receive. Apartment Trends and GVA Marquette Advisors would like to thank all Apartments Owners, Management Companies and On-Site Personnel for taking the time to work with us in updating our records each quarter.

REIS

MetroTrend

Apartment - 3rd Quarter 2007
Metro: Minneapolis

Section 1 - Current Metro Rent Details

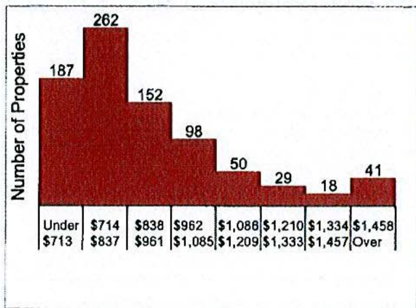
Asking Rent by Age

Year Built	Rent
Before 1970	$735
1970-1979	$798
1980-1989	$1,006
1990-1999	$1,103
After 1999	$1,331
All	$929

As of 09/30/07

Asking Rent Distribution

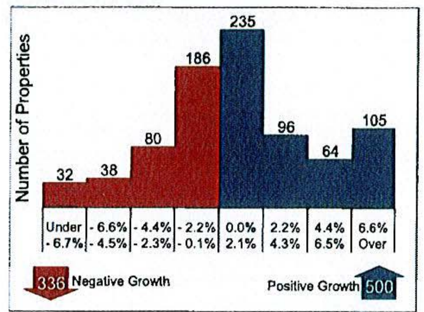
Low	25%	Mean	Median	75%	High
$589	$741	$929	$864	$1,034	$1,579



As of 09/30/07

Asking Rent Growth Rate Distribution

Low	25%	Mean	Median	75%	High
- 7.4%	- 1.1%	0.9%	0.5%	3.2%	10.1%



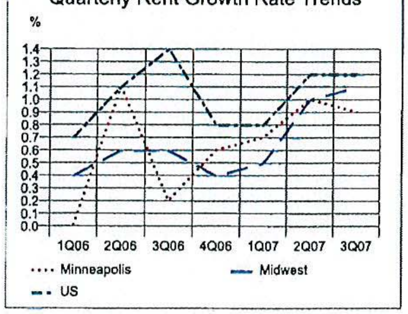
Qtr Ending 09/30/07

Section 2 - Rent Growth Comparisons

	Asking Rent Growth					
	Quarterly			Annualized		
	3Q07	2Q07	YTD Avg	1 Year	3 Year	5 Year
Minneapolis	0.9%	1.0%	0.8%	1.9%	0.7%	0.9%
Midwest	1.1%	1.0%	0.9%	2.0%	1.2%	1.1%
United States	1.2%	1.2%	1.1%	4.0%	2.9%	2.3%
Average over period ending:	09/30/07	06/30/07	09/30/07	12/31/06	12/31/06	12/31/06

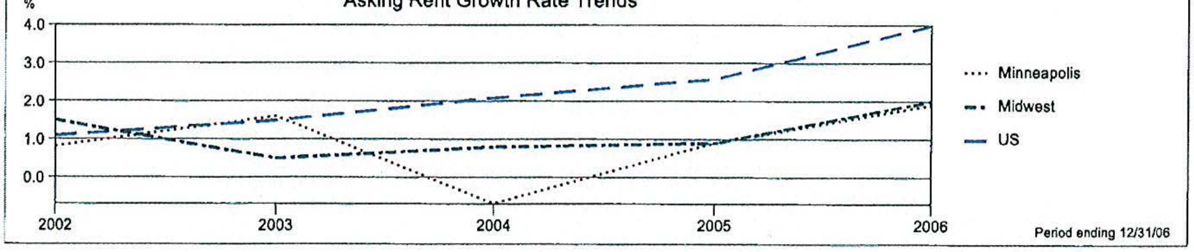
Metro Rank Compared to:	Total Metros	Metro Ranks					
		3Q07	2Q07	YTD	1 Year	3 Year	5 Year
Midwest	13	9	4	7	6	12	12
United States	79	47	33	49	56	73	65

Quarterly Rent Growth Rate Trends



Period ending 09/30/07

Asking Rent Growth Rate Trends



Period ending 12/31/06

REIS

MetroTrend

Apartment - 3rd Quarter 2007
Metro: Minneapolis

Section 3 - Current Metro Vacancy Details

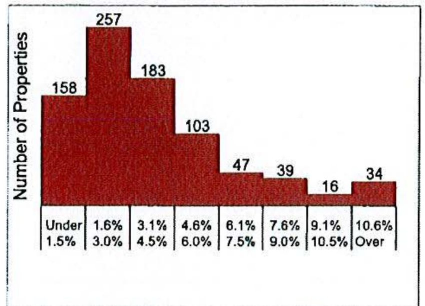
Vacancy Rate By Age

Year Built	Vac. Rate
Before 1970	3.9%
1970-1979	4.1%
1980-1989	4.2%
1990-1999	4.2%
After 1999	4.8%
All	4.2%

As of 09/30/07

Vacancy Rate Distribution

Low	25%	Mean	Median	75%	High
0.0%	2.1%	4.2%	3.3%	5.2%	12.4%

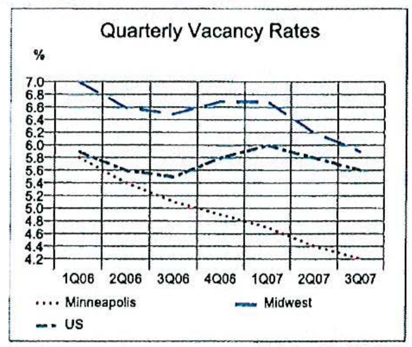


As of 09/30/07

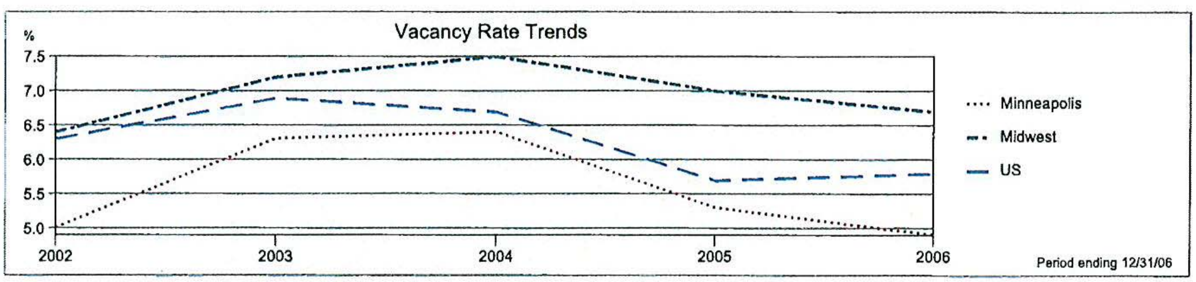
Section 4 - Vacancy Rate Comparisons

	Vacancy Rates					
	Quarterly			Annualized		
	3Q07	2Q07	YTD Avg	1 Year	3 Year	5 Year
Minneapolis	4.2%	4.4%	4.4%	5.1%	5.7%	5.2%
Midwest	5.9%	6.2%	6.3%	6.8%	7.1%	6.6%
United States	5.6%	5.8%	5.8%	5.8%	6.3%	6.0%
Average over period ending:	09/30/07	06/30/07	09/30/07	12/31/06	12/31/06	12/31/06

Metro Rank Compared to:	Total Metros	Metro Ranks					
		3Q07	2Q07	YTD	1 Year	3 Year	5 Year
Midwest	13	2	1	2	1	1	1
United States	79	18	16	16	28	32	29



Period ending 09/30/07



Period ending 12/31/06

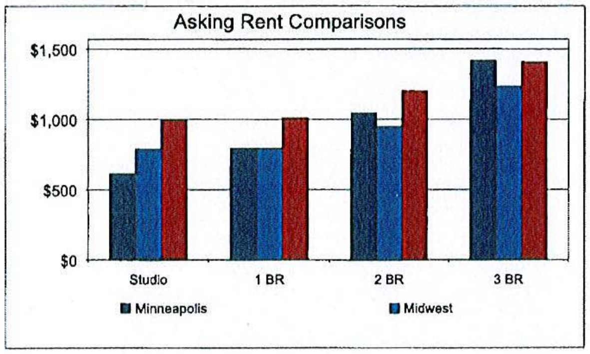
REIS

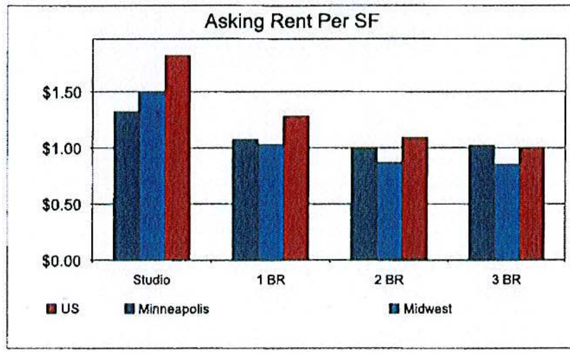
MetroTrend

Apartment - 3rd Quarter 2007
Metro: Minneapolis

Section 5 - Unit Mix Rent Details

Current Metro Average Rents and Sizes				Asking Rent Growth					
				Quarterly			Annualized		
	3Q 2007	Avg. SF	Avg. Rent PSF	3Q07	2Q07	YTD	1 Year	3 Year	5 Year
Studio/Efficiency	$613	464	$ 1.32	1.0%	1.0%	2.7%	2.4%	0.8%	0.7%
One Bedroom	$794	740	$ 1.07	1.1%	1.2%	2.8%	2.1%	0.5%	0.4%
Two Bedroom	$1,043	1052	$ 0.99	0.7%	0.9%	2.5%	1.9%	0.8%	1.0%
Three Bedroom	$1,419	1396	$ 1.02	1.2%	0.4%	1.5%	1.2%	0.1%	1.1%
			Average over period ending:	09/30/07	06/30/07	09/30/07	12/31/06	12/31/06	12/31/06





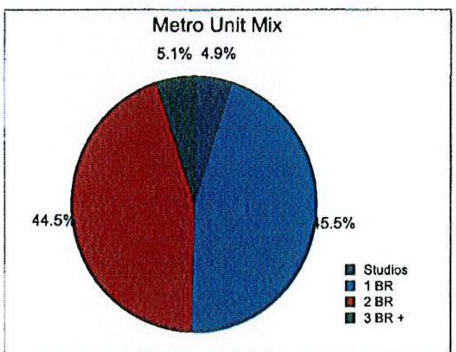
	Studio	1 BR	2 BR	3 BR
Minneapolis	$613	$794	$1,043	$1,419
Midwest	$788	$795	$949	$1,231
US	$997	$1,010	$1,203	$1,409

as of 09/30/07

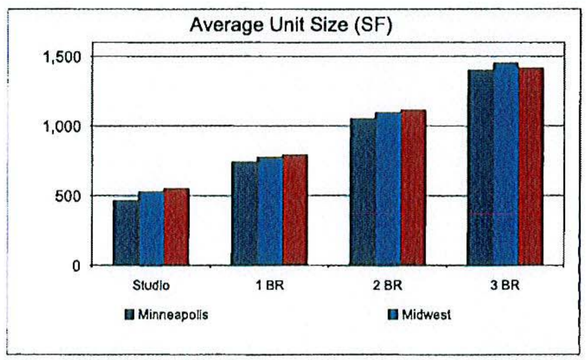
	Studio	1 BR	2 BR	3 BR
Minneapolis	$ 1.32	$ 1.07	$ 0.99	$ 1.02
Midwest	$ 1.49	$ 1.03	$ 0.87	$ 0.85
US	$ 1.82	$ 1.28	$ 1.09	$ 1.00

as of 09/30/07

Section 6 - Unit Mix Inventory Details



as of 09/30/07



as of 09/30/07

REIS **MetroTrend**

Apartment - 3rd Quarter 2007
Metro: Minneapolis

Section 6 - Metro Inventory Detail

Inventory By Building Age

Year Built	Percent
Before 1970	27.0%
1970-1979	30.0%
1980-1989	28.0%
1990-1999	7.0%
After 1999	8.0%
All	100.0%

As of 09/30/07

Apartment Stock Traits

	Metro			
	Low	Mean	Median	High
Size (units)	43	147	113	422
Distance to Highway (miles)	0	0.60	0.30	2.40
Distance to CBD (miles)	2.40	11.50	11.30	23.30
Distance to Landmark (miles)	0.30	5.10	4.20	13.90

As of 09/30/07 Landmark =Mississippi River

Current Inventory Level

Properties	Units
1,104	152,528

As of 09/30/07

Average Metro Lease Terms

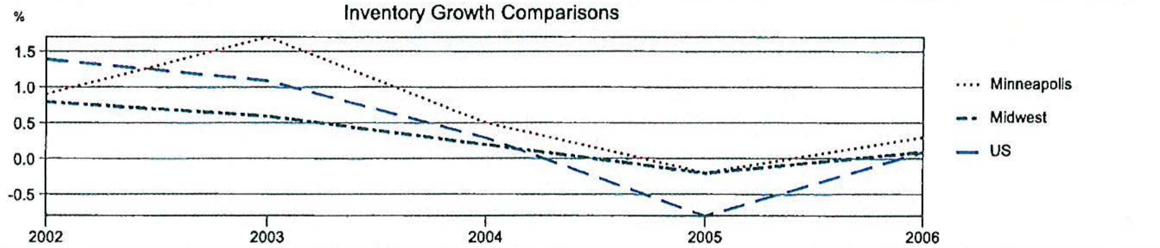
Free Rent (mos)	Expenses % (Apartment)
0.7	48.6%

Section 7 - Inventory Growth Comparison

	Inventory Growth Rates					
	Quarterly			Annualized		
	3Q07	2Q07	YTD Avg	1 Year	3 Year	5 Year
Minneapolis	0.0%	0.0%	0.0%	0.3%	0.2%	0.7%
Midwest	0.1%	0.0%	0.0%	0.1%	0.0%	0.3%
United States	0.3%	0.2%	0.2%	0.1%	- 0.1%	0.4%
Average over period ending:	09/30/07	06/30/07	09/30/07	12/31/06	12/31/06	12/31/06

Metro Rank Compared to:	Total Metros	Metro Ranks					
		3Q07	2Q07	YTD	1 Year	3 Year	5 Year
Midwest	13	5	7	8	7	8	6
United States	79	42	45	55	43	50	39

Inventory Growth Comparisons



Period ending 12/31/06

REIS **MetroTrend**

Apartment - 3rd Quarter 2007
Metro: Minneapolis

Section 5 - Unit Mix Rent Details

Current Metro Average Rents and Sizes				Asking Rent Growth					
				Quarterly			Annualized		
	3Q 2007	Avg. SF	Avg. Rent PSF	3Q07	2Q07	YTD	1 Year	3 Year	5 Year
Studio/Efficiency	$613	464	$ 1.32	1.0%	1.0%	2.7%	2.4%	0.8%	0.7%
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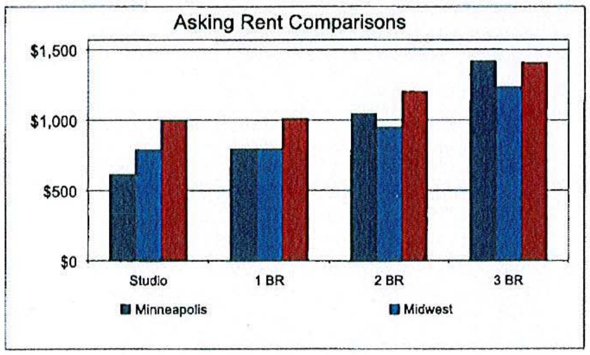
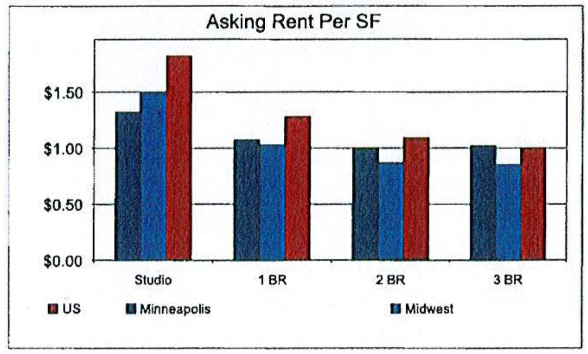
Two Bedroom	$1,043	1052	$ 0.99	0.7%	0.9%	2.5%	1.9%	0.8%	1.0%
Three Bedroom	$1,419	1396	$ 1.02	1.2%	0.4%	1.5%	1.2%	0.1%	1.1%
			Average over period ending:	09/30/07	06/30/07	09/30/07	12/31/06	12/31/06	12/31/06





	Studio	1 BR	2 BR	3 BR
Minneapolis	$613	$794	$1,043	$1,419
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as of 09/30/07

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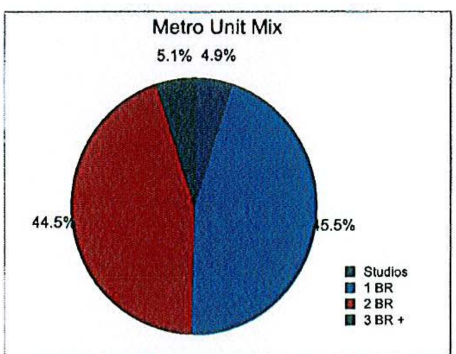
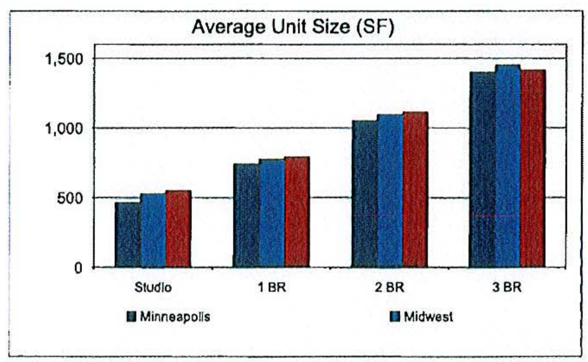
as of 09/30/07

Section 6 - Unit Mix Inventory Details



as of 09/30/07



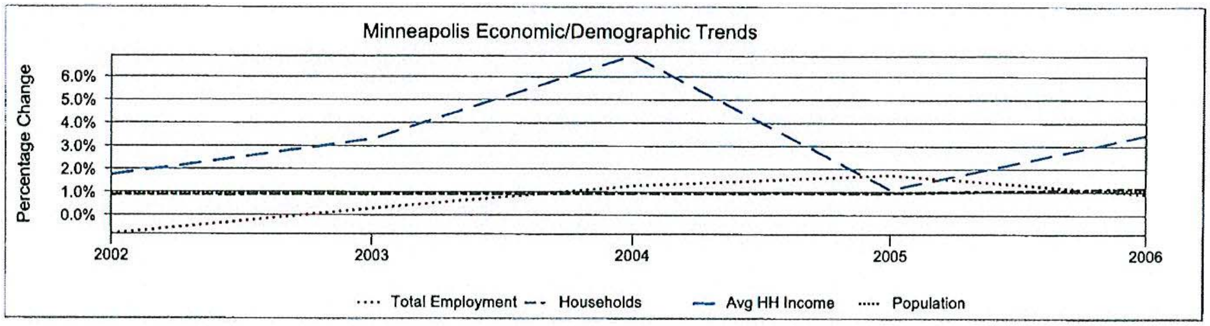
as of 09/30/07

REIS

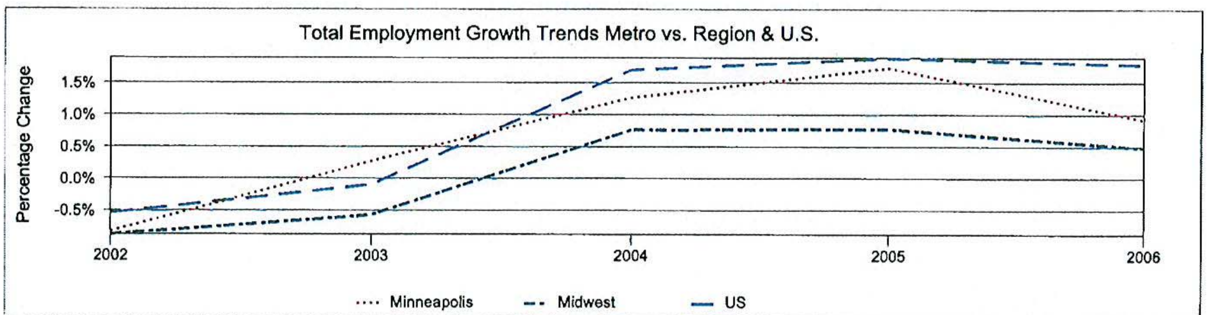
MetroTrend

Apartment - 3rd Quarter 2007
Metro: Minneapolis

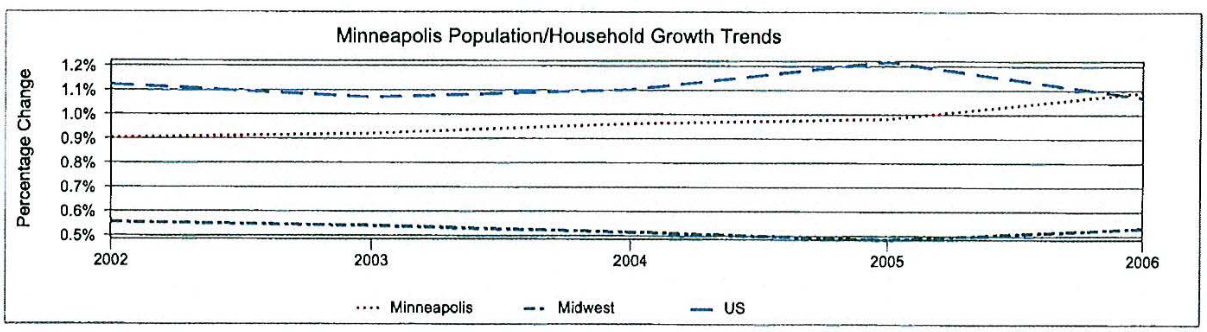
Section 9 - Economic and Demographic Trends



Provided by Moody's Economy.com, Period ending 12/31/06



Provided by Moody's Economy.com, Period ending 12/31/06



Provided by Moody's Economy.com, Period ending 12/31/06

REIS

MetroTrend

Apartment - 3rd Quarter 2007
Metro: Minneapolis

Section 11 - Metro Data

Year	Qtr	Inventory SF/Units	Completions	Inventory Growth%	Vacant Stock	Vacancy Rate	Vacancy Change(%)	Occupied Stock	Net Absorption	Asking Rent	Ask Rent % Chg
2002	Y	148,781	1,383	0.9%	7,453	5.0%	1.9%	141,328	-1,568	$873.00	0.8%
2003	Y	151,303	2,554	1.7%	9,505	6.3%	1.3%	141,798	470	$887.00	1.6%
2004	Y	152,113	1,711	0.5%	9,709	6.4%	0.1%	142,404	606	$881.00	- 0.7%
2005	4	151,796	212	0.0%	8,097	5.3%	- 0.2%	143,699	251	$889.00	0.2%
2005	Y	151,796	705	- 0.2%	8,097	5.3%	- 1.1%	143,699	1,295	$889.00	0.9%
2006	1	152,177	381	0.3%	8,757	5.8%	0.5%	143,420	-279	$889.00	0.0%
2006	2	152,177	0	0.0%	8,211	5.4%	- 0.4%	143,966	546	$899.00	1.1%
2006	3	152,291	178	0.1%	7,728	5.1%	- 0.3%	144,563	597	$901.00	0.2%
2006	4	152,307	16	0.0%	7,488	4.9%	- 0.2%	144,819	256	$906.00	0.6%
2006	Y	152,307	575	0.3%	7,488	4.9%	- 0.4%	144,819	1,120	$906.00	1.9%
2007	1	152,476	169	0.1%	7,206	4.7%	- 0.2%	145,270	451	$912.00	0.7%
2007	2	152,476	0	0.0%	6,679	4.4%	- 0.3%	145,797	527	$921.00	1.0%
2007	3	152,528	52	0.0%	6,379	4.2%	- 0.2%	146,149	352	$929.00	0.9%

Year	Qtr	Effective Rent	Eff Rent % Chg	Cons/Abs	Abs/Occ Stock%	Population	Pop% Chg	Employment	Emp% Chg	Households	HH% Chg	Avg HH Income	AHHI% Chg
2002	Y	$833.00	- 1.1%	-0.9	- 1.1%	3,068,450	0.9%	1,720,230	- 0.8%	1,173,910	0.9%	$99,240	1.7%
2003	Y	$829.00	- 0.5%	5.4	0.3%	3,096,670	0.9%	1,724,770	0.3%	1,184,350	0.9%	$102,496	3.3%
2004	Y	$819.00	- 1.2%	2.8	0.4%	3,126,420	1.0%	1,746,500	1.3%	1,195,380	0.9%	$109,558	6.9%
2005	4	$828.00	0.2%	0.8	0.2%	3,157,120	0.3%	1,776,730	0.4%	1,206,850	0.3%	$110,757	- 0.1%
2005	Y	$828.00	1.1%	0.5	0.9%	3,157,120	1.0%	1,776,730	1.7%	1,206,850	1.0%	$110,757	1.1%
2006	1	$829.00	0.1%	-1.4	- 0.2%	3,165,760	0.3%	1,786,800	0.6%	1,210,100	0.3%	$113,383	2.4%
2006	2	$840.00	1.3%	0.0	0.4%	3,175,040	0.3%	1,783,430	- 0.2%	1,213,610	0.3%	$114,052	0.6%
2006	3	$842.00	0.2%	0.3	0.4%	3,183,740	0.3%	1,793,100	0.5%	1,217,480	0.3%	$114,173	0.1%
2006	4	$848.00	0.7%	0.1	0.2%	3,191,610	0.2%	1,792,930	0.0%	1,220,810	0.3%	$114,578	0.4%
2006	Y	$848.00	2.4%	0.5	0.8%	3,191,610	1.1%	1,792,930	0.9%	1,220,810	1.2%	$114,578	3.4%
2007	1	$857.00	1.1%	0.4	0.3%	3,200,480	0.3%	1,799,570	0.4%	1,225,810	0.4%	$116,536	1.7%
2007	2	$865.00	0.9%	0.0	0.4%	3,210,270	0.3%	1,807,930	0.5%	1,230,990	0.4%	$117,164	0.5%
2007	3	$875.00	1.2%	0.1	0.2%	3,219,520	0.3%	1,808,440	0.0%	1,235,770	0.4%	$117,602	0.4%

Minneapolis / St. Paul Business Journal - January 24, 2008
http://twincities.bizjournals.com/twincities/stories/2008/01/21/daily36.html

MINNEAPOLIS ST. PAUL BUSINESS JOURNAL

Thursday, January 24, 2008 - 5:11 PM CST

Report: Twin Cities rents up 3.3%

Minneapolis / St. Paul Business Journal - by Doug Hamlin Staff Writer

The Twin Cities metro saw residential rents increase 3.3 percent last year, according to a report released Thursday by **GVA Marquette Advisors**.

The biggest increase came from four-bedroom apartments, which on average were 6.5 percent more expensive at the end of 2007 than year-end 2006. Rents for apartments with two bedrooms and a den declined 1.2 percent over the same period (it was the only segment to post a decline).

GVA Marquette Advisors looked at 113,113 metro rental units in its survey, which also found the area's vacancy rate decrease half a percentage point to 4.2 percent.

Vacancy on Minneapolis' east side shot up 14.2 percentage points to 18.3 percent while Cottage Grove, New Port and St. Paul Park saw vacancy drop 12 percentage points to 4.5 percent.

Minneapolis-based GVA, which releases its Apartment Trends report quarterly, said if the area sees job growth of between 14,000 and 28,000 jobs during 2008, the vacancy rate will fall to the mid-3 percent range and rents will rise 3.5 to 4 percent.

dhamlin@bizjournals.com

Rental on the rise

As the housing market continues its downhill slide, rental is returning in a big way. Here's some of the projects under construction or planned for Uptown and Lyn-Lake.

SUBMITTED IMAGE

A rendering of Aldrich Apartments, currently under construction.

Lake Calhoun City Apartments

Location: 3036 W. Lake St.
Developer: The Ackerberg Group and Village Green Companies
Units: 158
Stories: 4
Status: open
Website: www.lccityapts.com

Aldrich Apartments

Location: 2900 Aldrich Ave. S.
Developer: Greco Real Estate Development
Units: 242
Stories: 5
Status: under construction
Website: www.grecollc.com

Murals of Lynlake

Location: north of the Midtown Greenway between Lyndale and Garfield avenues
Developer: Turnstone Group and Integrity Management
Units: 109
Stories: 6
Status: under construction
Website: www.muralsoflynlake.com

2838 Fremont (no name yet)

Location: 2838 Fremont Ave.
Developer: Greco Real Estate Development
Units: 237
Stories: 8
Status: planning
Website: N/A

Bennett Lumber site (no name yet)

Location: east and west sides of Dupont Avenue north of the Midtown Greenway.
Developer: Turnstone Group and Integrity Management
Units: N/A
Stories: N/A
Status: planning
Website: N/A

The new American dream of not owning a home

• With a falling housing market and more people turning to apartment living, developers have new projects for the area – mostly high-end units.

By JIM BUCHTA • jbuchta@startribune.com

Twin Cities-area developers are responding to falling vacancy rates and rising rent prices with a batch of new luxury apartment buildings in the coming year — mostly high-rent units in and around Minneapolis' Uptown neighborhood.

Expect that to happen in St. Paul and some close-in suburbs as well, as more prospective homeowners choose renting over buying, and as aging baby boomers give up the houses in the suburbs for urban apartment living.

"There seems to be demonstrated demand for well-located urban projects," said Brent Wittenberg, vice president of GVA Marquette Advisors, who has been tracking projects in the metro area. The trend is also being driven by developers who once built condominiums — a segment of the market that is oversupplied.

But some property managers say that the market hasn't improved enough to justify new construction in some areas, and that it's still too soon to tell how the growing number of condos-turned-rentals will affect the market.

Apartment construction had been strong through 2004, with more than 1,500 units being built annually. But as home sales peaked, apartment construction plummeted. By the end of this year, only 570 new apartments are expected to hit the market — not including subsidized units, senior citizens-only rentals and condo buildings converted into rentals.

By the end of next year, developers are expected to build 857 units, with 1,570 more in 2009.

Developers are poised to build an additional 1,320 units by 2010, including 247 apartments above a planned Whole Foods store at the former Jaguar auto dealership at Washington and Hennepin Avenues in downtown Minneapolis.

Seattle-based developer Don Milliken presented plans for that project last week to members of the North Loop Neighborhood Association.

JOEY McLEISTER • jmcleister@startribune.com

Village Green is building several hundred apartments in Minneapolis. In Loring Park, the company is rehabbing the former Eitel Hospital building, above, into 213 units.

"The rental market is good and getting better," said Chip Johnson of the Turnstone Group in Minneapolis. "This trend should continue for the next several years."

Turnstone is building the Murals of Lynlake on the north side of the Midtown Greenway, a reclaimed stretch of rail bed that is used recreationally and for commuting by hikers, bikers and walkers.

The project will have 109 units and about 7,000 square feet of retail space along Lyndale Avenue.

Apartments continues on D5 ▸

◂ APARTMENTS FROM D1

Like many of the new projects coming online, this one was designed for young urban professionals who want high-end finishes and all the perks of a condo without the obligations of ownership. Rents will start at $1,000 for a studio unit; two-bedroom units start at more than $2,000 a month.

Johnson said that most of the concessions that were prevalent just a year ago at many properties have gone away. They were being used to lure prospective tenants who were considering buying a house, but they were also used to encourage renters in a tight market. Those concessions, in many cases, were paired with rent reductions that cut deeply into profit for many building owners.

"I think that renters will see all types of concessions go away and rents slowly creep up," Johnson said. "An individual interested in renting should rent now, before the spring market, which is always stronger."

During the third quarter, according to GVA data, the rental vacancy rate in the 13-county metro area dropped to 3.6 percent, from 3.9 percent in the second quarter, and was well below the 4 percent posted last year at this time. The average market rent in the third quarter was $890, up 2.7 percent from a year ago.

Four years ago, the average metro-area vacancy rate was 7 percent and rent averaged $845, but those indicators started heading in opposite directions, as prospective buyers began dropping out of the housing market and foreclosure victims went in search of rental housing.

As a result, the Twin Cities is drawing interest from national companies that are looking for growth markets.

The Village Green Companies, a Michigan-based rental property owner and developer, sees promise in the market, too. The company built two upscale buildings on the edge of downtown Minneapolis in the early part of the decade, and is in the process of building several hundred more units in Minneapolis.

Lake Calhoun City Apartments is a 158-unit building near Lake Calhoun. It recently received its certificate of occupancy and is more than 35 percent pre-leased.

In nearby Loring Park, the company is rehabbing the former Eitel Hospital building into 213 units.

Andrea Roebker, Village Green's director of public relations, said that, although the company has six communities in the area, it is considering other options.

Others are waiting and watching for signs of a healthier economy that will boost wages in line with rising development costs. In fact, most of the new projects that are coming to the market are luxury buildings that boast rents that are well above the area median. That's because, some say, site and construction costs are so high that it only makes sense to develop high-rent projects.

Wittenberg said that one of the most critical factors for the health of the rental market is job growth, which has generally performed worse than expected. And he said that it's still unclear how many condo buildings will be converted to rentals.

Steven Scott Management, one of the Twin Cities' largest property management companies, hasn't built anything since 2004 and doesn't have plans to do anything in the near future, according to Tracy Bolton, Steven Scott's marketing director.

She said that the company's strategy is wait-and-see.

"Occupancies are better and rents are growing back to where they were in the early 2000s," she said. "That's been at the forefront of what we're doing."

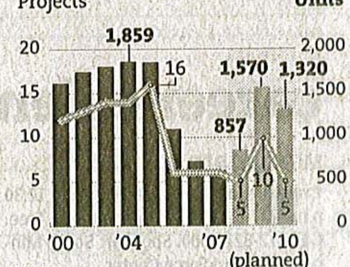
For more information about some of the projects, go to www.startribune.com/homes, and click on the report titled, "A Rental Rebound."

Jim Buchta • 612-673-7376

APARTMENT BUILDING

Construction of apartment complexes saw the influx of 11,328 rental units in the Twin Cities since 2000, with another 3,747 planned through the year 2010.

Twin Cities apartment construction



Source: GVA Marquette Advisors

Colliers Turley Martin Tucker

THE PACIFIC
200-226 Washington Av. N., Minneapolis
Type: Office, retail
Office area: 28,000 square feet
Retail area: 14,500 square feet
Developer: Lupe Development Partners
Details: With all its city approvals finally in hand, Lupe Development Partners is moving ahead with leasing activities for the commercial spaces of its ambitious Pacific development in the downtown Minneapolis Warehouse District.

Originally proposed as a pair of condominium towers of 28 and 18 stories, the project was revised late last year after running into opposition from city officials and historic preservationists. The new construction now consists of a single, 10-story tower set to hold 80 housing units above four levels of commercial space. It will be between the existing Pacific Flats and Lowry-Morrison buildings where a soon-to-be-demolished, one-story auto repair shop now stands.

Another structure on the Pacific block, the Northwestern building, will be converted into a boutique hotel.

The new mixed-use building, called the Pacific, will have retail on the first floor, office space on the second floor, medical offices on the third and a health spa on the fourth floor. A skyway will span an alleyway between the fourth-floor spa and the new hotel in the Northwestern Building.

Lupe has hired Colliers Turley Martin Tucker to find tenants for the Pacific's commercial spaces. Colliers' Andrea Christenson and Kelcey McKean will lead the search for retailers, while Brian Woolsey and Larry Chevalier will work to land office and medical tenants.

The Colliers brokers note that the Warehouse District's office market is performing "exceptionally" well, with vacancies on the decrease and asking rents on the rise, highlighted by several recent instances of large businesses, such as Creative Publishing International, moving there from the suburbs. As a result, large Warehouse District office spaces there are becoming scarcer. Its easy access to Interstate 394 and relatively low monthly parking rates are proving to be big amenities for business owners.

On the retail side, Colliers says its research indicates that North Loop residents are still looking for specialty retail, restaurants and delis and medical clinics.

Christenson said finding the right tenants for the Pacific will be exciting.

"The area is under-retailed, and with its close proximity to the new Twins stadium has tremendous potential," she said. "The site also presents a unique opportunity for rooftop dining, which would be especially attractive both to area residents and visitors."

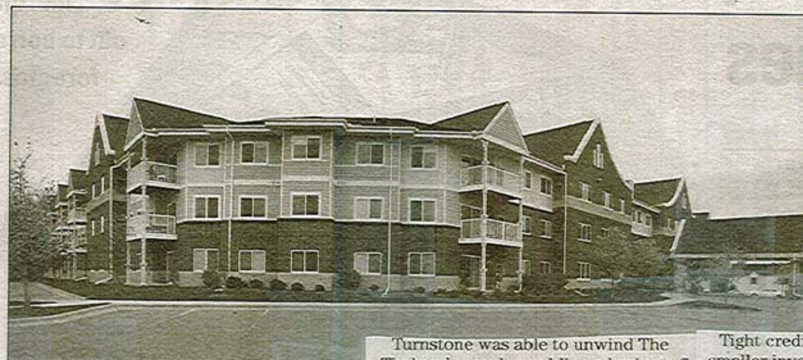
DON JACOBSON

Thursday, November 8, 2007 Finance and Commerce 7

Local firms find value in apartment investments

Soderberg, Lang Nelson each pick up new properties

BY MARK ANDERSON
F&C Finance Writer



Apartment sales slowed this year, but investors found creative ways to keep the market warm. In a recent deal the Turnstone Group sold The Timbers, an Apple Valley seniors building, after unraveling a burdensome public-private financing package that had forced the project's developer into default. An affiliate of Lang Nelson Associates was the buyer. (F&C photo by Bill Klotz)

Two recent apartment sales are a good example of the multifamily investment activity that has dominated Minnesota markets for much of 2007.

Both deals were filed in late September. Both involved local, veteran apartment investors following niche strategies. Neither included an institutional buyer or seller or a big Class A property.

And both projects look like smart investments for the buyers.

Soderberg Apartment Associates, headquartered in Brooklyn Center, was the buyer in the larger of the transactions, acquiring the 412-unit Rochester Village on the north side of Rochester.

Principal James Soderberg plans to complete a building renovation launched by the previous owners, according to Keith Collins, who represented the sellers on both transactions for CB Richard Ellis.

Soderberg's strategy is to rejuvenate the 1970s-era buildings to take advantage of a Rochester market that continues to grow. Occupancies are high in the city, but new development is constrained by the same cost pressures that have slowed Twin Cities apartment builders, Collins said.

"Jim has a good track record with that kind of strategy," renovating troubled properties in good markets, pushing up rents and bringing them back to profitability, he said.

Soderberg Apartments now operates multifamily campuses in seven Twin Cities locations along with its new Rochester asset.

Soderberg paid $20.3 million for the Rochester property. The seller was an investment group led by Stew Stender, Collins said.

In the other transaction, Lang Nelson Associates Inc., a St. Louis Park-based senior housing specialist, picked up a nearly new seniors development, The Timbers, a 106-unit building in Apple Valley.

The seller was Minneapolis-based Turnstone Group, which acquired the project after its nonprofit developer ran into financial problems in 2005.

Turnstone was able to unwind The Timbers' complex public and private financing package, closing down a TIF commitment and an affordable housing requirement in order to offer the project as a market-rate seniors community.

That sale closed for $14.3 million. The building, which is now 94 percent occupied, was built in 2003.

"That's a good price, but it gave Lang Nelson the opportunity to pick up an almost-new product at a premium compared to replacement cost," Collins said.

Both deals reflected a market climate that's still providing some value-added opportunities for smaller investors, while keeping out most of the largest investors, largely because of the credit chill.

"That's especially true on the sell side," Collins said. "A number of clients that would have taken Class A properties to market are staying on the sideline until the capital markets stabilize."

Tight credit markets usually hinder smaller investors more than institutions, but Collins said Freddie Mac, Fannie Mae and some life company lenders have continued to provide competitive debt pricing on strong smaller projects.

"Those guys are finding B and C properties in good locations, and they're able to syndicate those investments, push renovations and build returns."

He said national funds, such as Chicago-based Laramar Group, that target troubled, value-add properties have also stayed active this year.

But overall volume through most classes will be down significantly from last year's record pace, Collins said.

That constraint, combined with strong fundamentals this year in the multifamily markets, could signal a busy 2008 if the capital markets stabilize and open the gates again for buyers.

"There are a lot of people on the sidelines who want back in, and they're just waiting to see some consistency on the credit side. Once that returns, we'll see

Apartment market on the mend

New projects under way in several areas of Minneapolis.

BY BURL GILYARD
F&C Real Estate Writer

Condos are out and apartments are in. With the condo market continuing to struggle, developers have turned their attention to the apartment sector.

Recent figures show growing opportunities for local landlords, with apartment vacancies dropping to 3.6 percent in the third quarter, compared with 4.0 percent a year ago and 6.7 percent three years ago, according to GVA Marquette Advisors.

GVA estimates that 1,300 apartment units will be added in the Twin Cities next year.

One of the newest projects is The Murals of Lyn-Lake, a 109-unit apartment complex that is under construction in south Minneapolis near Lake Street and Lyndale Avenue. Minneapolis-based Turnstone Group is developing the project, which will include 7,000 square feet of first-floor retail space.

Chip Johnson, president of Turnstone, said the site is in an up-and-coming area that is close to Uptown and other nightlife.

The project, at 2833 Lyndale Ave. S., is expected to be completed next September. A vacant construction yard and older house were previously on the site.

"Condos today just don't work. We never considered it for condos," Johnson said.

Village Green Companies is under construction on Eitel Building City Apartments near Loring Park. (F&C photo by Bill Klotz)

The area is a bustling hive of apartment development. Across the street from the Turnstone project, the 242-unit Aldrich Avenue Apartments are being built by Minneapolis-based Greco Development.

Arnie Gregory, managing partner of Greco, said his firm began assembling land at Lyn-Lake because it was a good location. As the condo market evaporated, apartments with strong amenities became the clear choice.

"A lot of the rental in the area has been converted to ownership. I think in this neighborhood in particular, that's what people are looking for," Gregory said.

Gregory also has plans for another nearby apartment project at 2838 Fremont Ave. S., an Uptown site along the Midtown Greenway. Greco has begun preliminary talks with the neighborhood.

"We've got a project planned there. It'll be the same size and scope, 250 units, strong amenities," Gregory said. "We would hope to be in the ground on that probably next fall."

Johnson said the projects are helping to create enough critical mass to make the area a rental destination.

"I think the projects will help each other," he said.

MEND TO PAGE 5

Mend: 'Everything we thought this project was going to be, it's been.'

Continued from page 4

Elsewhere, Farmington Hills, Mich.-based Village Green Cos. is building the 213-unit Eitel Building City Apartments near Loring Park in downtown Minneapolis. The project combines new construction with a rehab of the former Eitel Hospital.

Andrea Roebker, director of public relations for Village Green Cos., said interest in the project has been strong, especially because of its downtown location. Completion is expected next spring.

At another Village Green project, residents began moving into the 158-unit Lake Calhoun City Apartments at the end of September. Construction will wrap up this winter for the project at 3036 Lake St. W.

"For that project, we were about 35 percent pre-leased. We're continuing to finish up our units and deliver them as quickly as we can," Roebker said. "We still continue to have interest in Minneapolis and hope to continue our growth there."

Developers are known to be weighing other apartment projects. At the downtown site originally slated for the Two Twenty Two condo tower, developer Don Milliken is reportedly mulling adding apartments to the mix for a reconfigured project.

In south Minneapolis, the 81-unit Chicago Commons condo project proved to be a bust, landing in foreclosure.

Earlier this year, the Chicago-area Tria Properties saw new opportunity in the nearly empty building. Tria paid $13 million for the project in May and is converting it into The Minneapolis Grand, an apartment project.

Alex Shapiro, CFO with Tria, said the project is going "amazingly well" since its conversion from condos to apartments.

"We're very happy with the results," Shapiro said. "Everything we thought this project was going to be, it's been. I think we've got a really good team on this. The building was done extremely well; the amenities are there."

Because of the way the structure was built, Shapiro said, it offers condo-style amenities for apartment dwellers.

"That was a very unique one-of-a-kind opportunity," he said.

Real estate forecasts never in short supply

I know what you're thinking.

When are these bums at Finance and Commerce going to print some good news, huh?

REAL ESTATE

BURL GILYARD

I know that you've probably seen enough stories about condo development projects that didn't quite pan out. Blame the media!

You can't stand to see one more miserable story about some lousy market study that says the commercial market is soft. Blah, blah, la-dee-freaking blah.

Office leasing? Anemic. Retail? Struggling. Industrial? Not what it used to be.

A new office tower in downtown Minneapolis? Forget it.

The economy is uncertain, the jobs numbers stink and the comeback ain't coming back anymore. But you've seen all those stories before. And you're tired of it.

I hear you.

But let's look on the bright side for a change.

Commercial real estate trade associations continue to hold meetings. As I look at the calendar in the months ahead, there's clearly no shortage of industry meetings, panel discussions and networking events.

Isn't that a good thing? That counts for something, right?

OK. Maybe you're looking for a stronger statement.

I can do that.

It's a bull market out there for real estate forecasts.

From my cubicle, that much is clear. Anyone willing to get up on a stage and make a few predictions about the commercial real estate market doesn't have much trouble finding a gig these days.

When times are uncertain, people want someone to say that brighter days are ahead.

The old predictions, whether they came true or not, are forgotten.

So never mind anything you might have seen in this column before.

My prediction? The future will bring more forecasts than ever.

How one apartment project went awry

BY BURL GILYARD
F&C Real Estate Writer

Wallace Johnson, president of Apple Valley-based Stonebridge Cos., thought that he had found a great site for a new apartment development in an area that hadn't seen any new projects.

Johnson was pitching a 261-unit apartment project at Noble Road and Highway 610 in Brooklyn Park.

But in the wake of an Oct. 3 community meeting, Johnson's project is effectively dead.

Although Johnson was proposing a higher-end, market-rate project, he was seeking some tax increment money for the project. That triggered a provision that 20 percent of the units meet affordability guidelines.

Johnson said he had been encouraged by his discussions with the city before the Oct. 3 public meeting. More than 200 residents packed the meeting after a local newspaper account of the plans.

"It had a 20 percent affordable component to it and the citizens went nuts. I think the opinion up in Brooklyn Park is that they don't want any more apartments," Johnson said.

"Everything was just rosy until it hit the newspaper," he added. "It just totally caught us off guard. That was one of our planned 2008 projects. There was no inkling whatsoever that the city was going to go the direction they went as quickly as it did."

Awry

Continued from page 4

A few days later, Johnson sent a letter to the city withdrawing his request for tax increment financing, but the issue appears moot.

Now, the city is weighing a one-year moratorium on multifamily development that could become effective on Dec. 1. The city's 134-acre Village Creek Redevelopment Area would be exempt from the moratorium.

"The city council decided that there was enough concern that came out of the public meeting that it warranted taking the time to take a step back and determine where it would be appropriate to build that type of housing," said Jason Aarsvold, economic and redevelopment director for the city of Brooklyn Park.

Aarsvold said the proposal from Stonebridge had been the only current proposal for new multifamily housing in Brooklyn Park.

"I think it's really been the public input that has changed the trajectory of this project more than anything," Aarsvold said.

Undaunted, Johnson said Stonebridge is considering projects on other sites in the Twin Cities.

In Lakeville, Stonebridge is building a 76-unit apartment project dubbed Lakeville Woods. The project is slated for completion in April.

Johnson said Stonebridge changed course on the Lakeville project as the market shifted.

"We bought that to be a condo site and decided late last year we were going to apartments," Johnson said.

Meanwhile, Johnson plans to break ground next spring on a 106-unit project in Rosemount that will include 13,000 square feet of commercial space.

And in St. Paul, Johnson plans to add another 133 apartments to the Gateway Village development.

As the condo market has cooled, Johnson said that market conditions have become more favorable for apartment developers.

"Land prices are kind of getting more attractive again, at least for the rental options," he said.

HOUSING

Foreclosures accelerate in Twin Cities, but slow nationally

BY JONATHAN EISENTHAL
CONTRIBUTING WRITER

In September, 223,538 mortgages were in some stage of foreclosure nationwide. This number represents a drop of 8.37 percent from the month before, yet still nearly double the figures for September 2006, according to RealtyTrac, an online marketplace for foreclosures that tracks a million properties in 2,500 counties across the nation.

Minnesota's housing market is heading the other way. It is seeing continued increases in foreclosures, rising by 4.35 percent from August to September and marking a total year-over-year increase of 183.3 percent since last September, according to RealtyTrac figures. It counts 1,510 properties in foreclosure during the month of September. According to federal officials, 17 percent of subprime mortgages are past due, making Minnesota fourth nationally in its rate of high-risk home loans heading into default.

Looking at the city of Minneapolis, among the hardest hit in the "mortgage meltdown," the trend becomes obvious: Quarterly foreclosure figures rose from 319 in the first three months of 2006 to 474 in the final quarter, for a yearly total of 1,610. The first quarter of this year saw Minneapolis home foreclosures jump to 678. And the three months ended in September saw the failure of 831 home mortgages. If this rate increase continues, we could see a total of 3,000 foreclosures for the year.

The steady stream of bad news is among the factors cited by local realtors for the drop in home sales: 41,375 single family homes sold in the 13-county metro area in the year ended in September, down 13.1 percent from the previous year. Another factor that outweighs even the public awareness of the foreclosure rate is the fact that currently, Minnesotans can buy a little less house than they could five years ago.

"Almost certainly the housing market slump will continue," said Lawrence Yun, senior economist with National Association of Realtors. He noted, however, that 2007 would still be the fifth highest year for home sales nationally, with one out of every 16 households purchasing a home.

Yun said: "I anticipate the soft figures to continue through November or December. In my view, there is a significant pent up demand that has been accumulating, and we should see a return to growth by 2009."

He pointed in particular to the restructuring of FHA-backed loans. Recently announced changes will save 240,000 borrowers from the uncertainty of ARM mortgage resets in the coming year, according to HUD chief Alphonso Jackson. Eventually, government-backed loans will completely take over the market segment that was served by subprime loans, while those will disappear, Yun predicted.

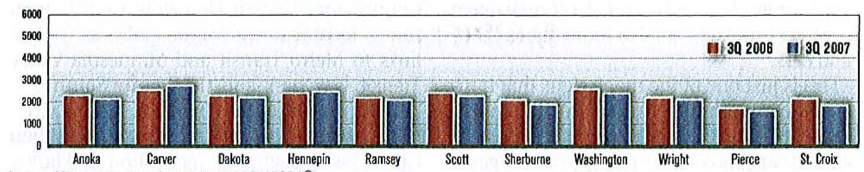
Jonathan Eisenthal is based in St. Paul.

Foreclosures (as of September 2007)

Rank	State	1 foreclosure for every # of household	Percentage change from September 2006
1	Nevada	185	186.82 %
2	Florida	248	157.64 %
3	California	253	246.20 %
24	Oklahoma	1,377	-19.30 %
25	Pennsylvania	1,419	22.27 %
26	Minnesota	1,491	183.30 %
48	North Dakota	16,914	28.57 %
49	South Dakota	26,764	-38.10 %
50	Vermont	61,469	150.00 %

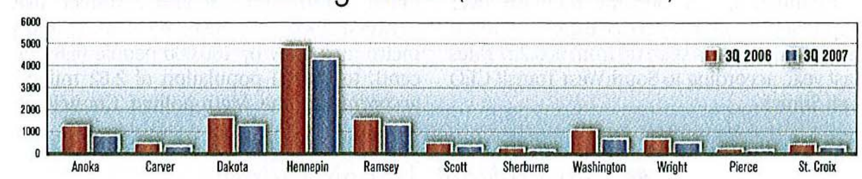
Source: RealtyTrac Inc.

Metro-area housing sales (median sale price)



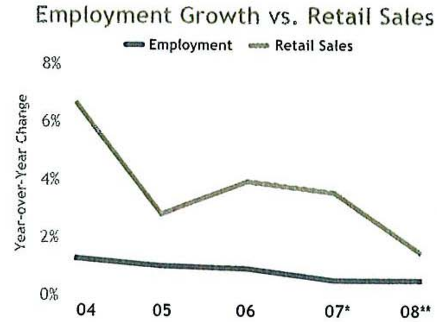
Source: Minneapolis Area Association of REALTORS®

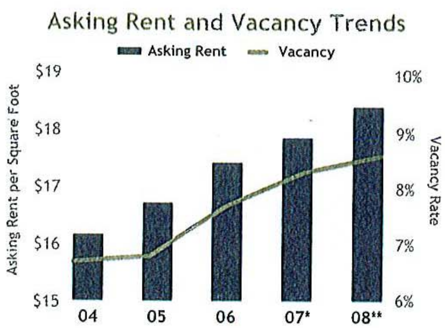
Metro-area housing sales (number of homes sold)

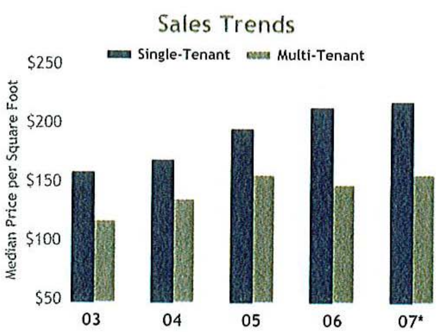


Source: Minneapolis Area Association of REALTORS®

Rents Rising in the Twin Cities Despite Slightly Higher Vacancy Levels







* Estimate ** Forecast

The supply-demand balance will begin to stabilize in the Minneapolis-St. Paul area this year, though new construction will outpace absorption modestly. Much of the new space coming online is big-box development in suburban areas, which will cause vacancy to inch higher this year. As such, conditions will remain tight in suburban areas, and owners will enjoy healthy rent gains. Around the metro area, robust tenant demand for new space in the East Hennepin County/Minneapolis submarket will be met with limited construction. Several condo projects in the area that included ground-level retail have been canceled in the wake of a softening housing market. In the Anoka/Southeast Sherburne County submarket, retailers are following the significant housing construction over the past few years, particularly in Blaine. The planned SportsTown USA, for example, will double in size to keep pace with demand. Elsewhere, owners in the Interstate 94 corridor in the West Hennepin County submarket should get a revenue boost from vacancy improvements as retail space delivered in 2007 is absorbed due to demand generated by the future Northstar Commuter Rail line.

Investment activity for single-tenant assets, which are trading at cap rates in the low-7 percent range, is expected to slow again this year as tighter lending standards reduce the buyer pool. Cash-heavy investors, however, will continue to target the market due to its favorable prices and healthy long-term economic outlook. Multi-tenant opportunities abound in the metro, with cap rates in the high-7 percent range. In the city center, buyers looking to reposition properties to cater to the new affluent residents living in condos will seek assets that are currently priced below replacement costs. In the suburbs, developers are listing newly completed projects that will likely garner interest from major buyers with long holding periods seeking the metro's top-tier properties.

2008 Market Outlook

- **2008 NRI Rank: 28, Up 2 Places.** Improving household growth pushed Minneapolis up two spots in the NRI.
- **Employment Forecast:** Employment growth in Minneapolis-St. Paul will remain healthy this year, as employers are forecast to expand payrolls 0.5 percent with the addition of 8,300 positions. In 2007, 9,000 jobs were created.
- **Construction Forecast:** Construction activity will slow to 2.2 million square feet of retail space in 2008, after 3.4 million square feet came online last year.
- **Vacancy Forecast:** The metrowide vacancy rate will inch up 30 basis points by year end to 8.6 percent. In 2007, high levels of construction fueled a 60 basis point increase in vacancy.
- **Rent Forecast:** Asking rents are expected to climb 3 percent this year to $18.32 per square foot, while effective rents advance 2.8 percent to $16.40 per square foot.
- **Investment Forecast:** Investors may want to target assets in Scott and Carver counties, which will receive the bulk of residential construction over the next decade, potentially fueling retailer demand.

Looking for a place to call home in Plymouth

By JENNA ROSS, Star Tribune

February 20, 2008

Plymouth City Hall rarely sees such a crowd.

But this week thousands of people parked their cars up, down and around Plymouth Boulevard and formed a line through the lobby and out the door.

Somali immigrants, elderly women, families six people deep -- they were all there for one reason: a chance to nab a coveted, federally subsidized housing voucher. Best known as Section 8, the vouchers give people with low incomes federal money to help pay their rent.

To Robert Hadley, 44, a voucher could mean an end to wasted nights at Minneapolis shelters. To Filsan Abdi, 27, it could mean stability for her mother and younger sister. To Tywana White, 43, it could mean less pressure on her husband -- badly injured in a car accident -- to find work.

In a steady stream over two days, about 3,700 people took applications, all hoping theirs will be one of the 300 drawn in a waiting list lottery for housing in Plymouth.

The turnout was a sign of a growing metro-area problem: a shortage of affordable housing. In fact, experts had predicted it. Each time a housing authority opens its Section 8 wait list, applicants overwhelm it.

"Everyone has a different situation," White said. "People are just trying to have somewhere to be comfortable."

When St. Paul invited applications for its Section 8 voucher list last year, nearly 11,000 people called, faxed or e-mailed their requests. Soon after, the Metropolitan Council received 25,000 requests for just 5,000 spots.

"A voucher is as rare and as valuable as gold," said Eric Hauge, an organizer for HOME Line, a Minneapolis-based nonprofit advocate for tenants.

Experts and housing advocates say the long lines point to a larger crisis in affordable housing: Paychecks have not kept pace with housing costs, and the supply of affordable housing pales in the face of growing demand.

In 2006, one in eight Minnesota households was paying half of its income on housing, according to a census analysis by Minnesota Housing Finance Agency. That's up from one in 15 in 2000.

Federal government left gaps

Renters in Minnesota are worse off. In 2006, nearly one in four renters was paying half her income on housing.

Meanwhile, the federal government, instead of increasing housing subsidies, has been backing away.

"It's incredibly frustrating," said state Housing Finance Commissioner Tim Marx. "No matter how much we ramp up the investment [in affordable housing] at the state and local levels -- and we have -- we can't possibly fill in the gaps the federal government has left us."

Local housing authorities, which handle and distribute federal funding for Section 8 and public housing, now open their waiting lists less often. It had been almost four years since Plymouth last opened its list, five years for St. Paul and the Met Council.

And getting on a waiting list is just the start.

Take St. Louis Park, which has a fairly small housing authority, as an example. More than 3,000 people requested an application for its waiting list in 2005. But the housing authority handles only 300 to 350 vouchers. And last year, it issued just 30, granted as their former users went off the list.

So people often spend years on waiting lists. According to a 2007 survey by HOME Line, the average time on a waiting list ranges from a year in Plymouth to three years in Richfield to five to seven years for the Metropolitan Council.

What do people do while waiting? "They struggle like you can't believe," said LaDonna Hoy, founder and executive director of Interfaith Outreach and Community Partners, a Wayzata-based nonprofit that helps people get and keep housing.

Each month, 180 to 190 people request rent or mortgage assistance from the organization. And although the nonprofit spends $100,000 a month on those requests, it still turns away between 30 to 40 legitimate requests a month, Hoy said.

No place to go

"The waiting lists are way, way long," she said. "And even if you're one of the lucky ones and you get a voucher, the housing just isn't there."

The same 2007 HOME Line report -- which surveyed 65,752 units in three counties --found that people could use the vouchers for only 27.3 percent of apartments in the metro area. This is despite the fact that 63.2 percent of those units' rents qualified for the Section 8 program. Most landlords choose not to participate.

That, coupled with tightening vacancy rates -- 3.9 percent at the time of the survey -- means the rental market for voucher holders is diminishing, said HOME Line's Hauge.

"We're seeing thousands of people line up to get a voucher on one hand," he said. "Meanwhile, there is a steady mark of long-term affordable housing being lost."

In response, Interfaith Outreach and Community Partners began building affordable housing itself.

"We were seeing the vulnerability of the people walking in our doors," said Hoy. "They're at the whim of a very unstable market."

In October, Interfaith and its partners celebrated the opening of Vicksburg Commons, a 50-unit affordable townhouse development in Plymouth -- a project more than five years in the making. Its ownership guarantees that it will remain affordable housing forever. With most Section 8 housing, there's no such promise.

Escape? Not so fast.

Five years ago, Section 8 was Annette Wilson's escape. Her family's roof over their heads was little more than a roof. The house stood on a tilt, field mice scurried by, and because there was no tub, her children bathed at family members' homes.

After a year on a waiting list, they got an apartment with a Section 8 voucher in Minneapolis, then in Maple Grove.

The joy was short-lived, though, Wilson said. Both landlords tried to up her rent more than Section 8 would allow. The Minneapolis landlord eventually discontinued accepting Section 8. And for months, Wilson paid the Maple Grove landlord an additional $100 a month under the table.

"Pretty soon, I got tired of this whole Section 8 thing," she said. She discovered an Otsego home she could rent for less -- with the option to buy -- and moved there with her six children and 2-month-old grandson.

But the home turned out to be part of an alleged mortgage fraud scheme. Now she faces an eviction notice.

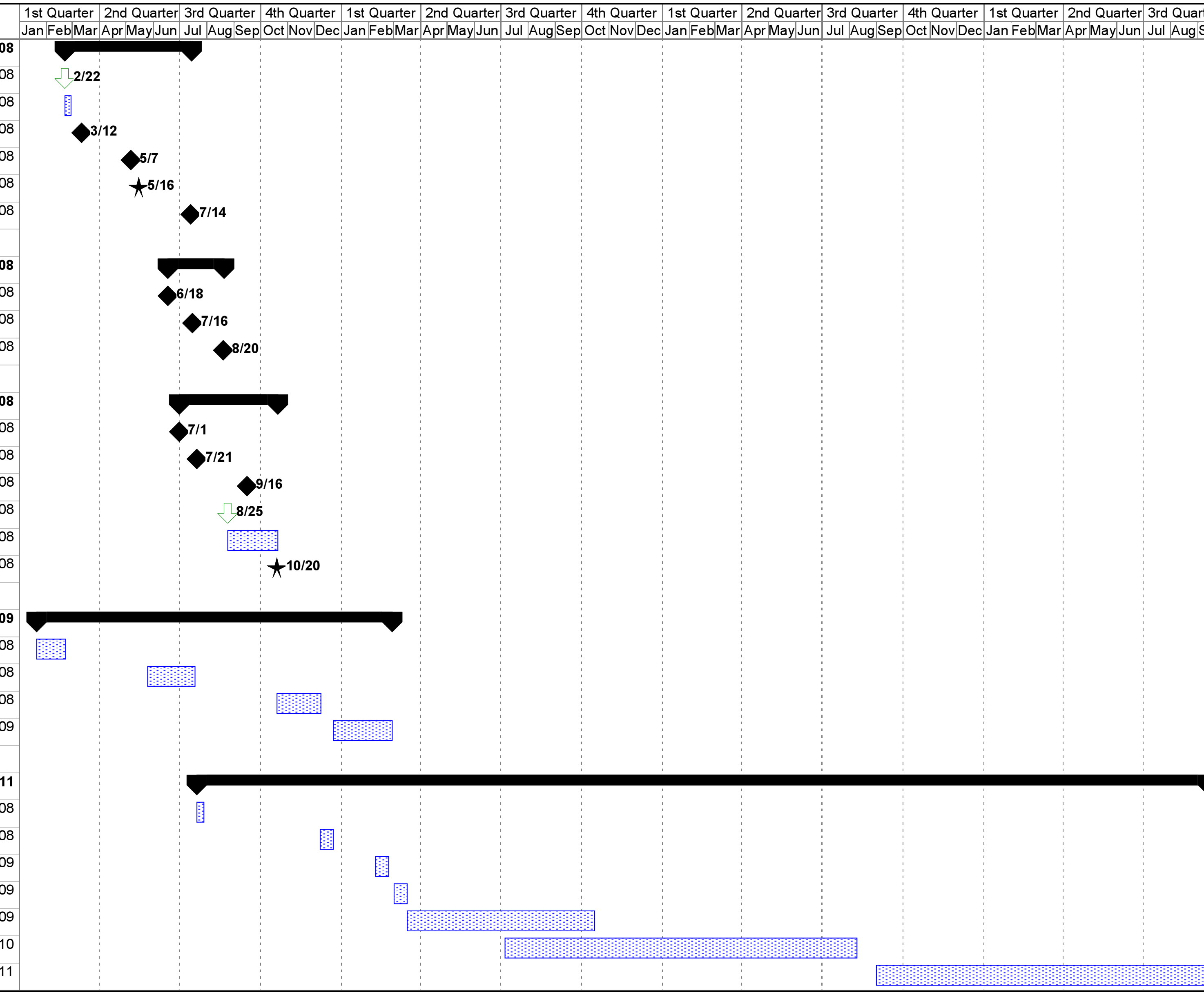
This joint venture project affords a number of touch-points for City policy that provide excellent benefits to the Public. In tabular form, those items include:

1. Restoration of the street grid to provide a simple, urban form.
2. Compliance with HPC district guidelines and conformance to neighborhood design standards.
3. Public amenity connection to the riverfront and River road waking and biking trails.
4. Annual tax revenue(*) of $1 MM based on the retail, rental and for-sale components of the project. More based on parking component.
5. Public art and plaza amenities establishing an important contribution to the city streetscape.
6. Low profile, appropriately massed structures contributing to the street edge and complimentary to the existing urban landscape.
7. Creation of approximately 25 FTE jobs dedicated to the retail component of the development project, ranging in wages from $12/hour to over $100,000. These jobs include clerical and cashier to stocking, managerial and specialty technical/professional.
8. Creation of approximately 8 FTE property management/maintenance positions between the rental, parking and for-sale components of the project at scales between $24,000 and $55,000 a year.
9. Thoughtful traffic and parking design that minimizes intersection loading and air pollution from car idling.
10. 166 quality, affordable housing units in the rapidly unaffordable Mills Quarter district.
11. 120 high quality for-sale market rate housing units complementing the growing demand for core urban living near arts.
12. High quality, hands-on local management with decades of experience and credibility in dealing with rental tenants, private owners and property management.
13. Environmentally sensitive construction methods emphasizing recycling, energy and resource conservation.
14. Accommodation for parking of existing office uses that is complementary to existing structures.
15. Important hard corner retail serving the growing needs of over 7500 new river front residents and area employees.
16. Operationally efficient lighting, HVAC, and water usage.
17. Flexible surplus parking to meet the challenges of existing City parking contract obligations.
18. Modest use of scarce development resources, preserving AHIF and 9% Credits.
19. Efficient and appropriately screened guest, visitor and customer parking.
20. Unique SIPS construction technique on the rental portion that provide for resource preservation and high energy performance.

Our team has the capacity to move quickly and thoroughly on this project of this scope and size. We have created a partnership, will finalize construction numbers, and have financing within 60 days of final required city approvals. Our team will work dillegently to move the project forward along an efficient project schedule. Our linear design process is clearly defined with time for reflection, questioning and decision making.

One Fourth Avenue
PROJECT SCHEDULE

ID	Task Name	Duration	Start	Finish
1	**1. CPED Selection Process**	**102 days**	**Fri 2/22/08**	**Mon 7/14/08**
2	Submission deadline for proposals	1 day	Fri 2/22/08	Fri 2/22/08
3	Evaluation of proposals	5 days	Fri 2/22/08	Thu 2/28/08
4	Neighborhood review of proposals	1 day	Wed 3/12/08	Wed 3/12/08
5	Recommendation to City Council - CDC	1 day	Wed 5/7/08	Wed 5/7/08
6	Final Action by City Council	1 day	Fri 5/16/08	Fri 5/16/08
7	Redevelopment Agreement	1 day	Mon 7/14/08	Mon 7/14/08
8				
9	**2. Community Meetings**	**46 days**	**Wed 6/18/08**	**Wed 8/20/08**
10	Downtown West Neighborhood Association	1 day	Wed 6/18/08	Wed 6/18/08
11	Downtown West Neighborhood Association	1 day	Wed 7/16/08	Wed 7/16/08
12	Downtown West Neighborhood Association	1 day	Wed 8/20/08	Wed 8/20/08
13				
14	**3. City of Minneapolis - Zoning & Planning**	**80 days**	**Tue 7/1/08**	**Mon 10/20/08**
15	Meeting w/ Planning Staff	1 day	Tue 7/1/08	Tue 7/1/08
16	Heritage Preservation Commission application	1 day	Mon 7/21/08	Mon 7/21/08
17	Heritage Preservation Commission hearing	1 day	Tue 9/16/08	Tue 9/16/08
18	Pre-application meeting w/ planner	1 day	Mon 8/25/08	Mon 8/25/08
19	Land Use Application Submittal & Review	41 days	Mon 8/25/08	Mon 10/20/08
20	Planning Commission public hearing	1 day	Mon 10/20/08	Mon 10/20/08
21				
22	**4. Project Design Process**	**290 days**	**Mon 1/21/08**	**Fri 2/27/09**
23	Master Plan Study	25 days	Mon 1/21/08	Fri 2/22/08
24	Schematic Design	40 days	Mon 5/26/08	Fri 7/18/08
25	Design Development	36 days	Mon 10/20/08	Mon 12/8/08
26	Construction Documents	49 days	Tue 12/23/08	Fri 2/27/09
27				
28	**5. Construction Services**	**821 days**	**Mon 7/21/08**	**Mon 9/12/11**
29	Schematic Design Estimate	6 days	Mon 7/21/08	Mon 7/28/08
30	Design Development Pricing	11 days	Mon 12/8/08	Mon 12/22/08
31	Final Bidding	11 days	Mon 2/9/09	Mon 2/23/09
32	Permit Process	11 days	Mon 3/2/09	Mon 3/16/09
33	Building Construction Phase 1:	153 days	Tue 3/17/09	Thu 10/15/09
34	Building Construction Phase 2:	286 days	Mon 7/6/09	Mon 8/9/10
35	Building Construction Phase 3:	269 days	Wed 9/1/10	Mon 9/12/11



Task		Progress		Summary		External Tasks		Deadline	
Split		Milestone		Project Summary		External Milestone			

Eagle Iron Partners

Thu 2/21/08

Eagle Iron Partners
A JOINT VENTURE

Proposed Time Frame

RFP Decision Date: May, 2008
Proposed Redevelopment Agreement Date: July, 2008
Proposed HPC Application: July, 2008
Proposed DEED Resolution Authority Date: August, 2008
Proposed CPC Application Date: August, 2008
Proposed HPC Decision: September, 2008
Proposed Bond Financing Commitment Dates: September, 2008
Proposed DEED Redevelopment Grant Application Date: September, 2008
Proposed CPC Decision Date: October, 2008
Proposed Bond Authority/Grant Resolutions Date: October, 2008
Proposed Coordinated Environmental Grant Application Date: November, 2008
Proposed DEED Redevelopment Grant Award: December, 2008
Proposed Coordinated Environmental Award Dates: January, 2009
Proposed Bond Closing/Land Conveyance Date: January, 2009
Proposed Excavation and Earthwork Date: January, 2009
Proposed Construction of Parking Commencement Date: March, 2009
Proposed completion of Parking Date: October, 2009
Proposed commencement of Phase 2 Retail/Affordable Housing: July, 2009
Proposed Completion of Retail Shell: February, 2010
Proposed Completion of Residential Units: August, 2010
Commence Lease-up: September, 2010

Other Public Financial Assistance

The developer seeks City sponsorship and support (by Resolution) for contamination clean-up grant applications based on future environmental analysis. The site is known to be contaminated. The development team has extensive experience in preparing, administering and executing on remediation action plans and is in good standing with the coordinating agencies that provide the grants.

The developer requests City sponsorship and support (by Resolution) for the DEED Redevelopment Grant Program for projects which produce high job and tax base growth. This program provides for public and private infrastructure investment such as the parking ramp, public art, public street and plaza amenities.

Attachment 3
Form of Consent for Release of Response Data

February 22, 2008

City of Minneapolis
Department of Community Planning and Economic Development
105 5th Avenue S.
Minneapolis, MN 55401

Re: Development of Parcel A Request for Proposals
Consent for Release of Response Data

Steven Minn and Charles Leer, on behalf of Lupe Development Partners, LLC and North First Ventures, LLC, hereby consents to the release of its development proposal in response to the Development of Parcel A Request for Proposals and waives any claims it may have under Minnesota Statutes Section 13.08 against the City of Minneapolis for making such information public. The foregoing consent and waiver does not extend to financial statements submitted under separate confidential cover.

Steven Minn

Charles Leer