

5901 O Street Redevelopment Project  
Lincoln Public Schools District Office



## Total Value Analysis

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## Executive Summary

On January 10, 2012, the Lincoln Board of Education voted to select Continuum Partners as the developer to potentially purchase excess ground for retail development next to a new Lincoln Public Schools District Office building at 59<sup>th</sup> & O Street. After selection of the Continuum Proposal over three other developers' proposals, questions began immediately—was the Continuum Proposal the “best” proposal? Or were any of the other offers better deals? Some local developers began publicly stating LPS was selling its excess retail land for too little based upon other recent sales along the O Street corridor.

A Lincoln Journal Star editorial (February 16, 2012) repeated these questions and concerns. The newspaper reported that there is a considerable disparity between the Continuum Proposal and the recent comparable sales along the O Street corridor. Concerns grew and public expressions strongly suggested that LPS was “leaving money on the table” and “not maximizing taxpayer interest.”

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The purpose of this report is to analyze whether LPS is practicing good stewardship and making wise decisions regarding the redevelopment of the 59<sup>th</sup> & O Street site.

The LPS District Office building and its contents were destroyed by fire on May 30, 2011. Losing the District Office triggered a series of complicated decisions. First, LPS had to scramble to find temporary administrative space to base its operations while it formalized its plans for a permanent headquarters facility. This temporary space is costing approximately \$100,000 a month in rent. Fortunately, LPS's fire insurance policy covers this temporary monthly rent expense. However, late next summer, LPS will have exhausted this portion of its fire insurance proceeds. LPS will either need to be in its permanent new headquarters or begin using taxpayer funds to pay the \$100,000 monthly temporary rent.

After carefully looking at all the community's suggested headquarter sites, the Board narrowed the choices down to four sites, and then later selected the option to rebuild its headquarters back at the site where the former one story building burnt to the ground. Instead of using the entire 7.21 acre site, LPS officials favored a three story new building that could free up two or three acres that could be sold for redevelopment as part of a planned mixed-use center. The sales proceeds from the sale of the excess acres could then be used to help pay the cost of the new LPS headquarters facility. The new development located on the sold tract could then be put back onto the tax rolls.

Next, LPS was next faced with finding a buyer for the 2-3 excess acres who could timely work together with LPS in implementing the new mixed-use project. This meant that the proposed project would have to be expeditiously designed, rezoned, and site work completed by this summer. Otherwise, failure to begin construction this summer would mean that the new District Office would not be completed on or before the expiration of the fire insurance proceeds for the temporary rent.

Normally, it would take 3 to 24 months to market the excess tract to help ensure that LPS receives a high Market Value price. LPS's timeline could not accommodate a “normal marketing period” for the excess land. Instead, LPS made the strategic decision to seek Request for Proposals from interested buyers for a month.

LPS officials believed the accelerated Request for Proposal process would be a wise trade-off to forego the normal marketing period in order to have the District Office building completed on time. Accelerating the marketing period might lead to a lower sale price for the excess land, but this potential sacrifice would be more than made up by the savings incurred when LPS and the new buyer jointly plan, design, and fund site work together, and complete the District Office building on time—thus, avoiding the potential \$100,000 a month expense for temporary space after the expiration of the fire insurance proceeds.

The Request for Proposal process generated four responders. In addition, LPS received three other unsolicited proposals after the fire. In comparison, the Continuum Proposal did not have the highest total purchase price, highest unimproved land value per square feet, nor the highest buildable square foot value. However, the Continuum Proposal was competitive and had other important attributes--such as quality design, compatible land uses, open space enhancements, and site work savings--that caused the Board of Education to conclude that Continuum was the best fit.

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Subsequently, LPS officials have negotiated the basic economic terms with Continuum Partners which show Continuum paying LPS \$3,180,000 for a pad ready site, parking improvements and site enhancements. However, the question remains: Is Continuum paying a fair price under the terms of the legal documents? The answer is yes.

Prior to selecting Continuum, LPS hired Great Plains Appraisal, Inc (“GP”) to conduct an appraisal of the entire 7.21 acre tract and the potential sale of the northeast 2.07 acres of the site. After studying the appraisal values and assumptions with GP, it became apparent that the original appraisal was completed prior to the Board of Education’s strategic RFP decision. LPS’s shorter marketing timeframe, the proposed traffic circulation over the Continuum Tract and proposed land use restrictions on the use of the Continuum Tract, were new information and not contained in the GP appraisal. Based upon consultation with GP, this new information suggested different value adjustments. The projected excess land square foot value was reduced to \$18.50. This adjusted value compares favorably to the Continuum Proposal of \$20.08 per square foot. Based upon the new assumptions and value calculations, the Continuum Proposal is \$182,325 higher than the adjusted value.

Next, the Continuum Tract’s share of the general site work was reviewed and modeled in this report based upon four different formulas. In turn, the agreed upon general site work cost that Continuum is paying LPS under the legal documents is \$81,934 less than the model’s projection. Similarly, the Continuum Tract’s share of parking improvements was modeled. The agreed upon general site work figure Continuum is paying LPS under the legal documents is \$104,860 less than the model’s projected cost.

Collectively, Continuum’s advantage of paying \$186,794 less than the model for general site work and parking improvements is offset by LPS’s advantage of Continuum paying \$182,325 more than the GP adjusted unimproved land appraised value. In totality, the small net difference (\$4,469) suggests that Continuum is paying LPS a fair price.

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There are other additional benefits and savings that transpire to the LPS District Office site from the Continuum Proposal. Implementing LPS's general site work, paving, and other improvements together with Continuum's work, means there are efficiencies and economy of scale savings. For example, GP notes that there could be a 5% to 10% savings by having one general contractor perform both LPS's and Continuum's site work. This would translate into a \$75,000 savings to LPS. Continuum's quality design and extra site enhancements abutting the LPS District Office site are projected to contribute \$297,000 of extra value to the LPS tract. In addition, the implementation of the Continuum Proposal saves LPS from having to pay a projected \$116,000 real estate commission on the sale of the excess land.

Perhaps the biggest potential savings is that LPS avoids spending its own funds for temporary lease space after its fire insurance proceeds expire. If LPS and Continuum are successful at transferring title and LPS can begin construction of its new District Office building this spring, then LPS removes the risk of having to possibly pay \$300,000 to \$2,400,000 of potential temporary space rent after its insurance proceeds lapse while it remarkets the excess land to another party under the normal 3 to 24 month marketing period.

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Finally, the claims of interested developers and the media --that LPS may be selling to Continuum for "too little"--are reviewed. These claims center on Continuum's offer being too low based upon the "**buildable square foot**" values of other O Street corridor sales. This report concludes that comparing "**buildable square foot**" values produces an "apples to oranges" comparison of values. Instead, comparing "**land square foot**" values is a better "apples to apples" comparison of different land uses, zoning, parking, floor-to-area coverage, and open space requirements. Based upon a "**land square foot**" comparison, the Continuum Proposal is favorable or very much in line with recent sales involving Natural Grocers, Hy-Vee, and the recent subdivided sales from the former Villager properties located along the O Street corridor.

Given LPS's multitude of goals, LPS did not "leave money on the table" by working under the Request For Proposal framework and selecting the Continuum Proposal. Instead, LPS officials are good stewards of the public property at 59<sup>th</sup> & O Street—and in return, LPS and the community are receiving the benefits of a quality mixed-use project.





# 1. Need for a Permanent District Office Solution

## The Fire



Lincoln Journal Star

On May 30, 2011, the Lincoln Public Schools' District Office was destroyed by fire. The 100,165 square foot building was a total loss at an estimated replacement value of over \$16 million to the building and over \$7 million to the contents.



KingMobile Audio You Tube

## Two Temporary Relocation Sites



LPS officials relocated administrative operations to two temporary sites:

- The City-owned former Experian building, 949 W. Bond Street, at a cost of \$555,312 a year or \$46,276 per month, and
- Celerion building, 3801 S. 14<sup>th</sup> Street, at a cost of \$629,940 a year or \$52,495 per month.

Collectively, the two temporary sites' rent total \$1,185,252 per year or \$98,770 per month.

### Insurance Proceeds

LPS insured the former District Office against fire. LPS is insured against its building and content losses, as well as compensated for the approximate \$100,000 monthly rental of temporary space until late summer of 2013. This timeframe would hopefully allow time to find a new permanent district office site and, if necessary, build a new building. In the event LPS does not find its new permanent home by the summer of 2013, then the insurance company's responsibilities to fund the approximate \$100,000 per month rent would cease and LPS would have to begin using its own funds. The termination of the insurance company's rental payment reimbursements were identified by the Lincoln Board of Education as a major economic reason for LPS's goal of finding a new permanent home by the summer of 2013.

## Post-Fire Responses

After the fire, interested parties began contacting LPS about acquiring the 7.21 acre site. LPS received two unsolicited written proposals ranging from an estimated \$13.00 to \$15.18 per square foot for land and general site work to get the site “pad ready”. See Appendix, page 30 and 35.

## Where to Rebuild?

Immediately after the fire, the key decision was where to rebuild the LPS District Office. Should LPS rebuild at 5901 O Street—the former building site that was burnt to the ground? Or could school officials, with the community’s input, identify a “better” District Office site? After receiving many building site suggestions from the community, the Lincoln Board of Education narrowed the choices down to the former fire-destroyed district office site at 59<sup>th</sup> and O Street and three other alternative sites. The sites were publicly identified and further studied and input occurred regarding their positive and negative attributes.

### LPS District Office finalists

Replacement cost estimates include a new 75,000 square foot building and associated fees, the appraised value of the land (which could differ from the sale price), site development and necessary off-site improvements minus the sale of the existing headquarters property.



Source: Lincoln Public Schools

SHEILA STORY/Lincoln Journal Star

After much community dialogue, the Lincoln Board of Education decided on a 4-3 vote to rebuild its district office back at 5901 O Street—the former one story building site that was burnt to the ground. But this time around, the Board elected to explore a multi-story district office building strategy, which would free up some of the 7.21 acre site. An appraisal by Great Plains Appraisal, Inc. confirmed that the northeast corner of the site is the most valuable portion to resell. The multi-story building strategy could permit a sale of the eastern portion of the site which would allow reinvestment of the sale



proceeds to reduce the cost of the new District Office and put a portion of the site back on the tax rolls.

The challenge became how to identify an appropriate use(s) for the east portion of the site, receive a high value price, and have the general site work (access, grading, parking, building locations, etc.) be optimized and well planned, while still meeting the timeframe to locate and rebuild the new District Office building before the fire insurance rent reimbursement expired.

LPS studied the various land disposal techniques, but only one land disposal process—Request for Proposal—was identified that could possibly meet LPS’s multiple goals and needs for site optimization and still meet the building construction timeframe to attempt to save LPS approximately \$100,000 per month in rental fees.

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## Request for Proposals

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LPS sought ideas and specific written proposals for approximately one month from interested parties about how the 59<sup>th</sup> and O Street site could meet the multitude of LPS’s goals, including a fast design and construction timeframe. The comprehensive LPS Request for Proposal described LPS’s goals and included specific due diligence information, timeframe and a copy of the land appraisal. Four responders provided proposals to LPS.

- WRK L.L.C.
- Rare Hospitality Management, Inc.
- Realty Trust Group
- Continuum Partners, LLC

After interviewing all four candidates and careful deliberation, the Lincoln Board of Education’s Planning Committee recommended the Continuum Partners’ proposal as the best fit for both LPS as well as the community. In turn, the Board of Education approved the Continuum recommendation on a 6-0 vote with one abstention. Highlights of the Continuum Partners’ proposal includes:

- Locate the LPS headquarters building on the northwest corner
- 30,000 square foot grocery store on the northeast corner
- 12,000 gross square feet (3-5 bay) of retail spaces and pedestrian plaza in between
- Parking on the south side of the LPS headquarters, grocery store and retail spaces

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## Post-RFP Response

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After the selection of Continuum Partners as the LPS developer of record, LPS received two unsolicited written proposals from MJM Development & Management Inc. (Kimberly and Mike Marsh). MJM Development & Management Inc. offered to acquire an apparent “pad ready” site (three ± acres) for a grocery-anchored center site. Assuming three (3) acres, the higher MJM proposal would be approximately \$22.96 per square foot, which is less than Continuum Partners’ proposal of \$23.55 per square foot. See Appendix, page 35.

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## 2. Was Continuum Partners the Best Proposal?

“Best” is a relative term that can be measured based upon objective and subjective criteria. Below, is a chart that attempts to measure and compare some of the key objective factors between the two written “Post-Fire Responses” and the four responders to LPS’s Request for Proposals.

Buyer Proposals <sup>1</sup>							
Purchase Proposals	Acres	Square Feet	Total Square Foot Building Size	Pad-Ready Purchase Price	Pad-Ready Land Cost Per Acre	Pad-Ready Land Cost Per Square Foot	Buildable Square Foot Cost
Post-Fire Responses							
1 Royce Enterprises Incorporated <sup>2</sup>	7.21	314,068	TBD	\$4,082,879	\$566,280	\$13.00	TBD
2 Access Commercial, LLC <sup>3</sup>	7.21	314,068	TBD	\$4,767,048	\$661,172	\$15.18	TBD
Responses to LPS’s Request for Proposals							
1 WRK LLC							
Proposal A <sup>4</sup>	3.17	138,000	17,600	\$2,851,239	\$900,000	\$20.66	\$162
Proposal B <sup>4</sup>	3.17	138,000	18,300	\$2,851,239	\$900,000	\$20.66	\$156
Proposal C <sup>4,5</sup>	3.17	138,000	43,500	\$2,851,239	\$900,000	\$20.66	\$66
2 Rare Hospitality Management, Inc.	1.61	70,132	6,242	\$1,700,000	\$1,055,901	\$24.24	\$272
3 Realty Trust Group	TBD	TBD	TBD	TBD		\$20.00	TBD
4 Continuum Partners, LLC <sup>6</sup>	2.65	115,550	42,000	\$2,721,457	\$1,025,934	\$23.55	\$65
Post RFP Responses							
1 MJM Development & Management Inc. <sup>7</sup>	3.0±	130,680	TBD	\$2,750,000	\$916,667	\$21.04	TBD

<sup>1</sup> Source: Perry, Guthery, Haase & Gessford, P.C., L.L.O.

<sup>2</sup> The Intent to Purchase was presented by Thompson Realty Group; proposal assumed 6% commission split with Thompson Realty Group and Lockwood Realty, LLC.

<sup>3</sup> The initial “as is” proposal price was The Villager sale price of \$12.27 per square foot, plus the estimated additional general site work of \$913,439 (based upon Hampton Enterprises cost estimates for the Continuum Proposal) equals the estimated Pad Ready Purchase Price.

<sup>4</sup> Proposals were conditioned upon LPS constructing the LPS District Office in the south portion of the site.

<sup>5</sup> Proposal C was conditioned upon LPS constructing a two story parking garage in the south portion of the site.

<sup>6</sup> The Continuum Proposal, as negotiated, assumes LPS will sell to Continuum 1.65 acres in fee and grant an exclusive perpetual parking easement for approximately 1.0 acres. This report believes the exclusive parking easement is equivalent to fee based upon discussions with GP.

<sup>7</sup> On 2-29-12 LPS received another email from Mike Marsh complaining of fairness and a level playing field suggesting “[w]e were fully prepared to go up an additional \$250,000 to \$3,000,000” (\$22.96 per square foot). This square foot figure is still below Continuum’s \$23.55.

WRK’s three proposals sought the largest site (3.17 acres) which generated the highest proposal purchase price (\$2,851,239). Rare Hospitality’s proposal had the smallest site (1.61 acres), highest pad-ready land price per square foot (\$24.24), and the highest buildable square foot cost (\$272). Buildable square foot cost measures the building footprint compared to the overall parcel, but does not take into account parking and open space requirements for a pad ready site.

The Continuum Proposal generated the second highest offer per acre (\$1,025,394) and per square foot (\$23.55) for a pad-ready site. In addition, the Continuum’s mixed-use, shared parking design generated additional LPS benefits and savings beyond Rare Hospitality’s proposal that are described below in Section 4, titled, *Synergy: Does a Quality Mixed-Use Project Add Future Value?* LPS’s selection of Continuum, was based upon an “entire package” approach—Continuum’s competitive price per acre/square foot, sound financial track record, quality design, amenities and building materials, and assurances of compatible tenants.



Continuum Partners' Proposal <sup>1</sup>		
	Proposal Elements	Consideration
1	<b>Pad Ready Site</b>	
2	Unimproved Land	\$2,320,000 (or \$20.08 per sf)
3	General Site Work	<u>\$401,457</u>
4	Pad Ready Subtotal	\$2,721,457
5	<b>Parking Improvements</b>	\$178,543
6	<b>Site Enhancements</b>	<u>\$280,000</u>
7	<b>Total Consideration</b>	<b>\$3,180,000</b>

<sup>1</sup> Source: Perry, Guthery, Haase & Gessford, P.C., L.L.O.

Sections 3 and 4 below will analysis whether the above components of the Continuum Partners' Proposal are fair.

### 3. Is Continuum Paying a Fair Price?

To this point, the cost figures have often been stated as “pad-ready” costs, which generally include (i) unimproved land, plus (ii) general site work necessary to have the site ready to construct a building, parking areas and access for pedestrians and motor vehicles. As mentioned earlier, LPS obtained an appraisal of its 5901 O Street site after the fire. The appraisal was asked to value the site’s unimproved land value only and not model the necessary general site work to get the site ready to build.

As shown above, Continuum will be paying \$2,320,000 for 115,550 square feet (2.65 acres) for just the unimproved land which equates into \$20.08 per square foot. How do Continuum’s unimproved land costs compare to the appraisal’s unimproved land value?

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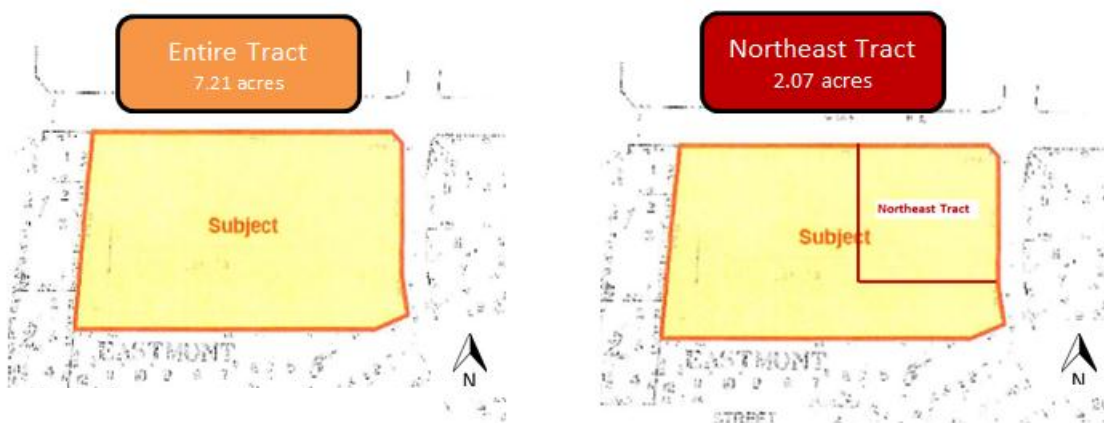
#### Market Value Appraisal prepared by Great Plains Appraisal, Inc. (“GP”)

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Great Plains Appraisal, Inc. (“GP”) completed a Market Value appraisal for LPS, with an effective date of September 29, 2011. The complete Market Value appraisal was provided to all interested responders to the Request for Proposal.

The appraisal estimated the Market Value for two unimproved tracts: the entire 5901 O Street tract (7.21 acres) as well as a potential Northeast Tract measuring 2.07 acres.





Source: Great Plains Appraisal Inc.

The following is a summary of the appraised Market Value for the Entire Tract and the Northeast Tract:

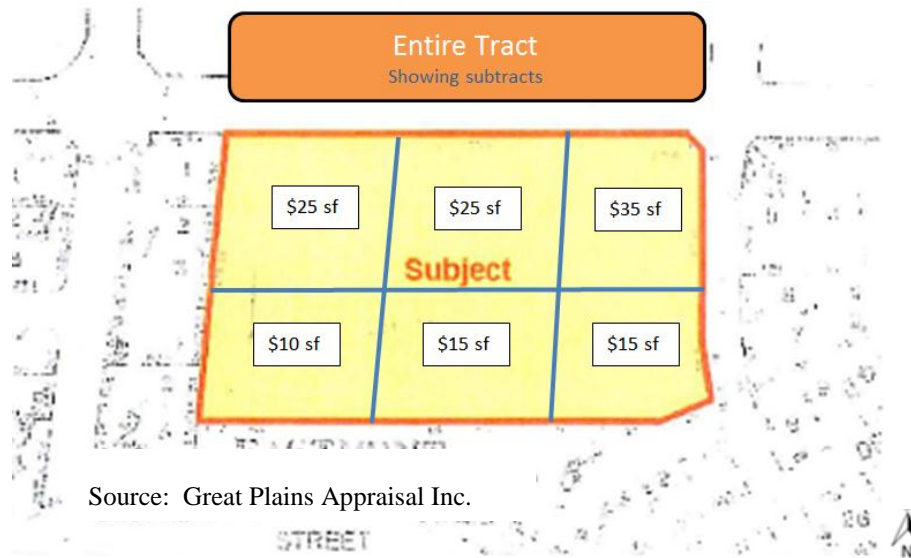
Appraised Market Value					
Tract	Total Acres	Total SF	Total Valuation	Per Acre Value	SF Value
Entire Tract	7.21	314,068	\$6,280,000	\$871,012	\$20
Northeast Tract	2.07	90,107	\$2,700,000	\$1,304,348	\$30

Source: Great Plains Appraisal Inc.

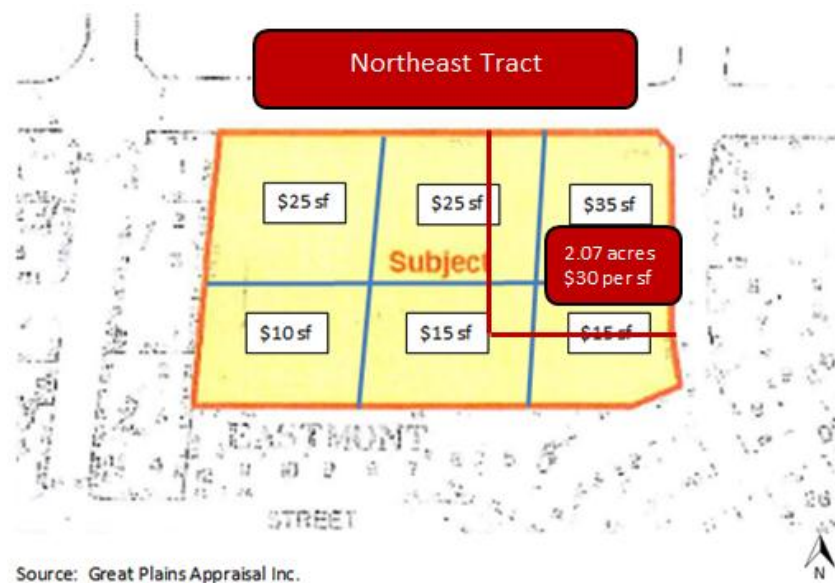
When GP's appraisal figures were reported, some real estate professionals in the community expressed the opinion that the appraisal figures might be too high, especially in light of the last three years of retail economic struggles. On first impression, the above stated Northeast Tract's appraised Market Value of \$30 per square foot is substantially higher than Continuum's proposal of \$20.08 per square foot. Is Continuum's proposed \$20.08 per square foot too low? Let's find out.

### Subarea Allocation Values

GP estimated the Market Value for the Entire Tract at \$20 a square foot and \$30 a square foot for the Northeast Tract. According to GP's field notes, the Entire Tract was further broken down into six subareas. The northeast quadrant had the highest estimate of \$35 a square foot and the southwest quadrant had the lowest estimate of \$10 a square foot.

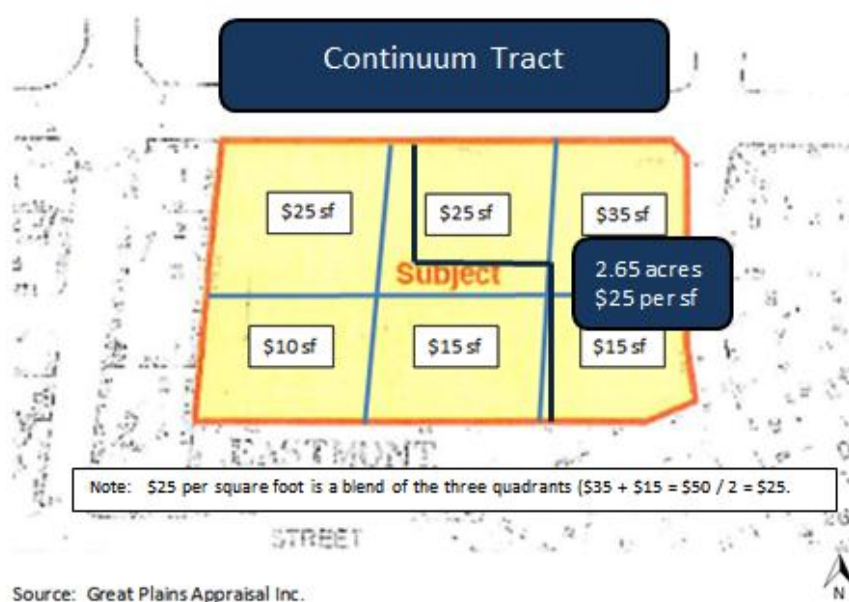


GP estimated Market Value of \$30 a square foot for the Northeast Tract can be generated by blending the estimated value of \$35 a square foot for the northeast quadrant with the estimated value of \$25 a square foot for a portion of the middle quadrant along O Street and \$15 a square foot for portions of the south middle and southeast quadrants.



### Adjusted Appraised Fair Market Value for Continuum Tract's Location and Size

Continuum's proposed 2.65 acre foot print is different than the Northeast Tract, which was appraised by GP. While there are similarities in the general location of the Northeast Tract and the proposed Continuum Tract, the Continuum Tract is larger and contains a larger percentage of the lower value quadrants.



If GP's quadrant values are applied to the Continuum Tract, the suggested adjusted Market Value would be \$25 per square foot compared to the Northeast Tract appraised Market Value of \$30 per square foot. GP reviewed the \$25 per square foot value for the Continuum Tract and expressed its occurrence as to the valuation methodology.

Adjusted Fair Market Value Based upon Subarea Values					
Tract	Total Acres	Total SF	Total Valuation	Per Acre Value	SF Value
Continuum Tract	2.65	115,550	\$2,888,750	\$1,090,094	\$25
Northeast Tract <sup>1</sup>	2.07	90,107	\$2,700,000	\$1,304,348	\$30

Source: <sup>1</sup> Great Plains Appraisal Inc.

## Key Appraisal Assumptions

A Market Value appraisal assumes three key points:

- The seller and buyer are typically motivated to consummate the sale (no one is under pressure);
- There is a reasonable time for exposing the tracts in the open market (*"Considering market condition, the most probable marketing period for the property as undeveloped land is estimated to be from three to 24 months,"* page 8 of the GP appraisal); and
- The property has no material title matters or encumbrances that could affect the value of the property.

GP based its Market Values on these three traditional assumptions. However, these traditional Market Value assumptions might not be applicable or are out of date for the current vision of the Lincoln Public Schools' District Office/Mixed Use redevelopment project. GP completed its appraisal prior to LPS identifying the Request for Proposal process, prior to LPS receiving the responders' offers, prior to the schematic design for the mixed-use site, prior to the identification of use restrictions and access easements, and prior to the identification of key off-site and on-site shared improvements. These new and additional matters would appear to have a material impact on the redevelopment property's value suggested by the responders.

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### **Seller Motivation: Disposition Value—Additional Adjustment**

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A Market Value appraisal assumes a seller is motivated to sell under a “normal” marketing time period. GP's Market Value appraisal assumed a marketing time (time from listing to executed purchase agreement) of three to 24 months. Because of the fire insurance rental payout provisions, LPS's “motivated to sell” time was compressed into a one month Request for Proposal process. In other words, instead of being a typical motivated seller, LPS could be viewed as a seller that is under “compulsion to sell” to avoid paying approximately \$100,000 per month for renting temporary space. If LPS did market the site under a “normal” marketing time period, LPS might achieve the desirable Market Value, but it could be greatly off-set in a negative way if LPS would have to pay an extra \$300,000 (3 months) to \$2,400,000 (24 months) of additional rent because of the assumed additional marketing period that would be required to obtain optimal Market Value, and not a discounted value, for the excess land.

When a seller is under some sort of pressure to sell within an accelerated time frame, the appraisal value should change from “Market Value” to “Disposition Value”. Disposition Value differs from Liquidation Value--Liquidation Value assumes “extreme compulsion to sell”. Therefore, Disposition Value falls between Market Value (motivated to sell) and Liquidation Value (extremely motivated to sell).

GP was asked to determine a Market Value and not a Disposition Value. When asked to determine the Disposition Value of a one month Request for Proposal process and a short planning and negotiation period, GP advised Seacrest & Kalkowski Law Firm that there is not much available data regarding Disposition Value sales. Given the small amount of available data, GP cautiously suggested that the Disposition Value may range from a 15% to 25% discount of the Adjusted Fair Market Value of \$25 per square foot for the Continuum Tract.

If GP's mid-range discount of 20% is used, it would suggest a Disposition Value of \$20 per square foot for the Continuum Tract which is very comparable to Continuum's proposal of \$20.08 per square foot for unimproved land as shown on page 12.



Disposition Market Value					
Tract	Total Acres	Total SF	Total Valuation	Per Acre Value	SF Value
Disposition Value <sup>1</sup>	2.65	115,550	\$2,311,000	\$872,075	\$20.00
Continuum's Proposal <sup>2</sup>	2.65	115,550	\$2,320,000	\$875,472	\$20.08

<sup>1</sup> Source: Great Plains Appraisal Inc.

<sup>2</sup> Source: Perry, Guthery, Haase & Gessford, P.C., L.L.O.

## Do the Proposed Circulation Easements and Land Use Restrictions Impact Market Value?

To insure land use compatibility, orderly operation and to allow reasonable access and circulation, LPS and Continuum have drafted the preliminary Easement Agreement and Covenants, Conditions and Restrictions ("Restrictions"). The draft Site Plan and Restrictions permit LPS employees and visitors to cross the Continuum Tract's fee and parking easement areas in order to enter and exit the site. Furthermore, the Restrictions prevent Continuum from implementing many of the permitted and economically viable land uses allowed by the proposed B-1 PUD zoning. GP believes LPS's motor vehicle circulation routes and Continuum's land use restrictions would place material title matters and encumbrances on the Continuum Tract, which would be contrary to GP's appraisal assumption of no material title matters/encumbrances.

Given the modified appraisal assumptions, GP believes that the Restrictions could further reduce the Disposition Value of the Continuum Tract by 5% to 10%. If the GP mid-range of 7.5% is used, then Continuum's unimproved land value of \$20.08 per square foot exceeds GP's appraised value as adjusted for assumption differences of \$1.58 a square foot.

Disposition Market Value Adjusted for Restrictions					
Tract	Total Acres	Total SF	Total Valuation	Per Acre Value	SF Value
Disposition Value adjusted for Restrictions <sup>1</sup>	2.65	115,550	\$2,137,675	\$806,670	\$18.50
Continuum's Proposal <sup>2</sup>	2.65	115,550	\$2,320,000	\$875,472	\$20.08

<sup>1</sup> Source: Great Plains Appraisal Inc.

<sup>2</sup> Source: Perry, Guthery, Haase & Gessford, P.C., L.L.O.

These adjustments would suggest that Continuum's proposed unimproved land value is \$182,325 higher than the GP appraised value, as adjusted for (i) LPS's accelerated "motivated to sell" time period to avoid the potential \$100,000 per month rent payments and (ii) the Restrictions placed on the Continuum Tract that materially limits Continuum's property interests. However, this LPS advantage will be offset by the general site work and parking improvement modeled in the next subsections.

## General Site Work

Hampton Enterprises estimates the general site work for the 7.21 acre mixed-use site at \$746,668. If design and construction manager fees and contingency are added (18%), then the total would be \$978,048. The negotiated legal documents indicate that Continuum will pay \$401,457 for its share of the general site work. Is \$401,457 a fair price for Continuum's share of general site work?

Seacrest & Kalkowski Law Firm was provided a summary of Hampton Enterprises preliminary estimates for general site work for the Entire Tract (7.21 acres). In turn, we modeled the categories of general site costs using four different allocation formulas.

General Site Work (Permits, Bonds, Fees, Design and Construction)						
	Work Item	Cost Sharing Formula	Estimated Costs	LPS %	LPS Estimated Costs	Continuum % Continuum Estimated Costs
1	O Street Right Turn Lane/Property Dedication	All Day Trip	\$ 40,744	17.7%	\$ 7,212	82.3% \$ 33,532
2	Curb Cuts & Aprons	All Day Trip	\$ 1,608	17.7%	\$ 285	82.3% \$ 1,323
3	Demolition	Acreage	\$ 227,150	53.4%	\$ 121,186	46.6% \$ 105,964
	Domestic Water Service Connection/Meters	Acreage	\$ 152,000	53.4%	\$ 81,168	46.6% \$ 70,832
4	Sanitary Sewer	Acreage	\$ 34,446	53.4%	\$ 18,377	46.6% \$ 16,069
5	Storm Sewer	Acreage	\$ 60,470	53.4%	\$ 32,261	46.6% \$ 28,209
6	Sidewalks & Street Trees	Abutting Lineal Feet	\$ 11,305	21.5%	\$ 2,436	78.5% \$ 8,869
7	Green Landscaping around buildings	Building Footprint Square Feet	\$ 103,971	50.3%	\$ 52,255	49.7% \$ 51,716
8	Driveways/circulation signage/primary driving aisles	All Day Trip	\$ 3,274	17.7%	\$ 580	82.3% \$ 2,694
9	Perimeter Fencing, screening	Acreage	\$ 24,200	53.4%	\$ 12,911	46.6% \$ 11,289
10	Other Conditions	Acreage	\$ 169,686	53.4%	\$ 90,529	46.6% \$ 79,157
11	<b>Subtotal</b>		<b>\$ 828,854</b>		<b>\$ 419,200</b>	<b>\$ 409,654</b>
12	Due Diligence/Design Soft Costs (11%)		\$ 91,174		\$ 46,112	\$ 45,062
13	CMR Contingency (2%)		\$ 16,577		\$ 8,384	\$ 8,193
14	CMR Overhead & Profit (5%)		\$ 41,443		\$ 20,960	\$ 20,483
15	<b>General Site Work Total</b>		<b>\$ 978,048</b>		<b>\$ 494,656</b>	<b>\$ 483,391</b>

Source: Hampton Enterprises and Seacrest & Kalkowski

As shown above, the more detailed allocation approach calculates Continuum's total "fair share" for general site work at \$483,391. This figure is \$81,934 higher than the \$401,457 figure outlined in the legal documents as Continuum's negotiated share of general site work.

## Parking Improvements

Hampton Enterprises estimated the costs for 466 parking stalls on the 7.21 acre site at \$785,049 (including design and construction manager fees and contingency of 18%). The Site Plan currently allocates the parking between LPS and Continuum as follows.

Parking Stall				
Entity	Right to Enforce Parking Stalls	Shared Parking Stalls*	Total Parking	Percentage
LPS	291	7	298	63.9%
Continuum	160	8	168	36.1%
<b>Total</b>	<b>451</b>	<b>15</b>	<b>466</b>	<b>100.0%</b>

If the total parking stall costs of \$785,049 were allocated based upon the above parking percentages, Continuum should pay \$283,403 versus the negotiated amount of \$178,543.

The \$182,325 LPS advantage of Continuum's unimproved land value being higher than the GP appraised value as adjusted above is off-set by Continuum's general site work and parking improvements allocation being \$186,794 lower than the formulas stated above. In totality, the small net difference (\$4,469) suggests that Continuum is paying LPS a fair price.

## 4. Synergy: Does a Quality Mixed-Use Project Add Future Value to LPS District Office Tract?

Can the design, implementation and operation of a mixed-use, public-private partnership actually protect both entities' long term investment and possibly increase its Future Value? Terms like Market Value can be based upon objective measurements. Future Value is generally based upon more subjective criteria, such as (i) efficiencies and economies of scale of the project or (ii) the resulting neighborhood effect the project produces. Being able to identify these respective forces at this early stage is far more important than specifically measuring the forces. This section outlines some of the prospective major benefits and savings LPS should receive from the Continuum Proposal that are not reflect in the cash consideration Continuum will pay LPS at title transfer closing.

### Efficiencies/Economies of Scale Effect

The Request for Proposal outlined possible shared and synergistic opportunities--design, grading, site preparation, construction, maintenance, operations, land use, access, and parking—to help create efficiencies and savings. For example:

- The master plan shows a very efficient layout and high “building to land” coverage.
- The three buildings utilize the most valuable site areas and the parking is located on the less valued portion.
- Instead of LPS and Continuum each constructing its own site improvements, their joint design and construction efforts share labor and reduce general condition costs, which equates into savings. GP estimates that LPS's savings might be 5% to 10% on the estimated general site

work (\$494,657) and parking improvements (\$503,206). Using the mid-range point of 7.5%, this potential LPS savings could be \$74,840.

## Neighborhood Effect

The famous real estate quote outlines the three most important value determinants: “location, location, and location.” The redundant phrase simply identifies how important location or “neighborhood effect” is to value. There is a “progression effect”--as neighborhoods decline, so do specific neighborhood values. Similarly, as a neighborhood improves, so can individual property values.

Specifically, the Continuum Proposal includes an additional capital investment of \$280,000 for an enhanced outdoor plaza and pedestrian spaces. These attributes are expected to produce a more productive work and shopping environment, while at the same time, help protect the large public and private investment in the mixed use project.

GP indicated that if the plans are implemented as shown, the enhanced improvements and “planned” development could generate an additional 5% to 10% increase in value to the LPS District Office land value. If the Entire Tract’s appraised Market Value is \$6,280,000 and the unimproved land offer of the Continuum Proposal is \$2,320,000, then the remaining value of \$3,960,000 could be allocated as the unimproved land value for the LPS District Office Tract. Taking the mid-range of 5% to 10%, would mean that the “sense of place” and quality physical environment might increase the value of LPS’s District Office Tract by \$297,000.

## Real Estate Commission Savings

While the Request for Proposal process most likely reduced the sale value, the process may have produced a savings to LPS. Assuming LPS closes with Continuum, the sale will occur without LPS listing the property with a real estate broker and paying a 4% to 6% real estate commission.

Based upon Continuum’s unimproved land value of \$2,320,000 and a hypothetical 5% commission, the savings would be \$116,000.

## 5. Total Value (current and future value)

Based upon the above multi-part analysis, the total consideration that LPS is modeled to receive from a hypothetical developer would be \$3,184,469.

Continuum Partners' Proposal <sup>1</sup>				
	Proposal Elements	Continuum Consideration	Analysis Adjusted Consideration	Difference
1	Pad Ready Site			
2	Unimproved Land	\$2,320,000 (or \$20.08 per sf)	\$2,137,675 (or \$18.50 per sf)	\$182,325
3	General Site Work	\$401,457	\$483,391	-\$81,934
4	Pad Ready Subtotal	\$2,721,457	\$2,621,066	\$100,391
5	Parking Improvements	\$178,543	\$283,403	-\$104,860
6	Site Enhancements	\$280,000	\$280,000	\$0
7	<b>Total Legal Document Consideration</b>	<b>\$3,180,000</b>	<b>\$3,184,469</b>	<b>-\$4,469</b>

<sup>1</sup> Source: Perry, Guthery, Haase & Gessford, P.C., L.L.O.



Under the draft legal documents, Continuum will be paying a very similar amount of \$3,180,000. Therefore, the Continuum Proposal is definitely in line and fair based upon the above analysis.

The total value to LPS becomes even more attractive when one estimates LPS's indirect and future benefits from the Continuum Proposal:

- \$74,840 of savings for LPS's general site work and parking improvements based upon projected efficiencies and economy of scale from the mixed-use project;
- \$297,000 of projected increased value in LPS's District Office Tract due to Continuum's site enhancements and quality "sense of place" design;
- \$116,000 potential real estate commission savings by not using the traditional market sales approach; and
- \$300,000 (3 months) to \$2,400,000 (24 months) of potential rent savings by having the Continuum commitment in hand. In turn, this enables LPS to confidently start construction of its new District Office building this spring and complete the building prior to the expiration of its \$100,000 a month insurance proceeds for temporary relocation.

Based upon a total value analysis, LPS appears to be receiving at or near maximum value based on the parameters of the sale involved.

## 6. Key Real Estate Professionals & Media Concerns

The Lincoln Journal Star published a news story on February 12 with the headlines, "Developers say LPS may be selling 59<sup>th</sup> and O street site for too little." Four days later, the newspaper had an editorial, titled "Get tough on LPS land deal." A local radio show has broadcast similar concerns that LPS is leaving money on the table. A selection of local developers has provided the media with several "buildable square foot" sales comparisons from other O Street corridor locations to determine whether LPS may be selling to Continuum for "too little."

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### Buildable Square Foot Value vs. Land Square Foot Value

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"**Buildable square foot**" value measures the total land's sales price utilizing just that portion of land on which the buildings would sit. The formula excludes the land required for the building's parking, open space, yard and stormwater storage needs. A more commonly used measurement for land value is "**land square foot**", which measures the total land's sale price utilizing all the land, including building, parking and open space areas.

"Buildable square foot" value is useful in measuring comparable sales within the same or similar land use categories. "Buildable square foot" values become less meaningful when measuring sales between significantly different land use classifications.

For example, when comparing two restaurant locations the "buildable square foot" value is useful because the two restaurants will have similar building, parking and open space features. However, comparing "buildable square foot" values for a restaurant and a small retail shop, is more problematic. A restaurant will generally have a higher customer demand and turnover rate than the same size small

shop retail building. Consequently, the restaurant will require more parking stalls than small retail shops, even though their buildings are the same size.

Some of the different land use features are reflected in the Lincoln Municipal Code. The City's zoning laws require three times more parking stalls per 1,000 square feet of building space for a restaurant than a retail shop. The extra parking stalls for the same size restaurant building mean a restaurant requires a larger lot area and thus, a buyer will have to purchase more land compared to a similar size small retail building.

This result produces different efficiency patterns or "building to land coverage" percentages. "Building to land coverage" measures the total land area compared to just the land on which the buildings would sit. A higher "building to land coverage" percentage generally means a more efficient development when it comes to needing less land resources and costing less for government services and infrastructure.

From the seller perspective, the restaurant, small retail shops and other permitted land uses are all potential and competitive buyers for the seller's tract that is for sale. Therefore, the analysis needs to be reworded when the size of the lot for sale is defined--for the same size lot and sales price, how much more small retail store building square feet can a buyer developer achieve compared to a restaurant? Both land uses would have the same calculated "land square foot" value from the seller's and buyer's perspective. However, the buyer developer could construct more small retail store space than a restaurant, so the small retail store space sale would generate a lower "buildable square foot" value than the restaurant sale.

When a seller is faced with two identical purchase price offers, one from the restaurant and one from a small retail shop, the "land square foot values" are identical. However, the small retail store offer would have a lower "buildable square foot" value. In the event the seller selects the small retail store's offer at the same purchase price, the seller is not "selling...for too little."

#### Advantage of Shared Parking in a Mixed-Use Project

Compared to stand-alone sites, mixed-use projects have the extra potential of allowing shared parking. For example, a grocery store or restaurant can share parking with an office building in a mixed-use project. A grocery store or restaurant parking demand peaks in the evening and on weekends, while office parking demand peaks mid-day. According to the *New Science of Parking*, dated August 4, 2009, this efficiency in sharing between multiple users and destinations typically allows 10-30% less parking compared with separate free standing sites that cannot share parking. In other words, a free standing site will need more parking and equivalent open space mass than a mixed-use site. The more efficient mixed-use site with shared parking has less parking and open space needs, making more land available for buildings. This land savings can translate into lower "buildable square footage" value.

Conversely, the same size seller's property could be bought and developed into stand-alone sites instead of a mixed-use, shared parking project. The stand-alone development pattern will contain less building, more parking and open space and have a higher "buildable square foot" value—but it does not generate a higher overall purchase price. The purchase price of both offers would be the same and the offer's "land square footage" values would be identical.

## Media Selected Comparable Sales

As noted, “buildable square foot” value is more meaningful when comparing sales of the same or similar land uses that would have similar parking needs and building to land coverage ratios. The “buildable square foot” value becomes more of an “apples to oranges” comparison when comparing two significantly different land uses that have materially different parking requirements, parking peaks and different ability to share parking. The table below lists the media’s reported comparison sales and highlights in green the sales “buildable square footage” values.

Comparables Mention in Lincoln Journal Star Newspaper					
	Natural Grocers by Vitamin Cottage	CVS	Walgreens	Hy-Vee	Continuum
Address	210 N. 48th Street	7000 O Street	48th & O Street	50th & O Street	59th and O Street
Acres <sup>1</sup>	1.482	1.7668		7.100	2.627
Square Feet <sup>1</sup>	64,553	76,961	61,765	309,386	115,550
Purchase Price <sup>1</sup>	\$1,400,000	\$2,678,170	\$1,730,333	\$7,695,000	\$2,721,457
Total Square Foot Building Size <sup>1</sup>	13,600	TBD	14,605	77,844	42,000
Land Square Foot Price <sup>1</sup>	\$21.69	\$34.80	\$28.02	\$24.11	\$23.55
Marketing Period To End Users <sup>1</sup>	36 months			Over 36 months	1 month
Building to Land Coverage <sup>1</sup>	21%	TBD	24%	25%	36%
Media reported Buildable Square Foot Value <sup>2</sup>	\$103	\$140	\$118 with TIF	\$99 with TIF	\$54
Updated Buildable Square Foot Value					\$65
Appraisal Notes	Buyer was responsible for demol, site prep and grading at a cost of \$32,000.	Does not include demo and site remediation.			

<sup>1</sup> Source: Great Plains Appraisal and County Assessor's Office

<sup>2</sup> Fee (72,058 sf) + Long term easements (43,492 sf) = 115,550 sf

<sup>3</sup> Source: Lincoln Journal Star Editorial, February 16, 2012

The CVS and Walgreens sales are much higher than the other comparable land use sales used by the media. Even when comparing the two pharmacies’ sales based upon “buildable square footage,” the resulting range suggests there are some unique market forces in play. GP has confirmed that CVS has unique motivation to be near Walgreens’ locations (48<sup>th</sup> & O, 70<sup>th</sup> & O, South 48<sup>th</sup> & Van Dorn, 16<sup>th</sup> & South Street) and this close proximity requirement appears to overshadow land market values at times. The CVS sales are more of an indication of an investment value approach (see the Appendix) to CVS who is very motivated to be on or near arterial corners in proximity to Walgreens. In addition, GP believes the CVS parcel at 70<sup>th</sup> & O Street has approximately 22,000 square feet of excess land east of Lone Star Steakhouse and the sale included the acquisition of the former BP gas station/carwash and the former Neighborhoods Bar which were later demolished.

When you compare the “land square foot” value of the two remaining comparable sales (Vitamin Cottage and Hy-Vee) to the Continuum Proposal, the Continuum Proposal of \$23.55 a square foot is

higher than Vitamin Cottage (\$21.69 a square foot), and is only 56¢ lower than Hy-Vee's land square foot value.

The majority of the Continuum Site involves a grocery store. Therefore, it is noteworthy to compare the Continuum Site to the Hy-Vee grocery sale. Hy-Vee has a higher "buildable square foot" value than Continuum's Proposal (\$99 with TIF vs. \$65 without TIF). The chart above also shows that Hy-Vee site has a much lower "building to land coverage" ratio (24% vs. 36%) and was on the market for sale for a much longer period of time (over 36 months vs. 1 month). Hy-Vee's higher "buildable square foot" value and lower "building to land coverage" ratio could be explained by Hy-Vee requiring a higher parking ratio in its free-standing parking lot versus Continuum's ability to have shared parking in a mixed-use project with LPS.

As we have seen, using "buildable square foot" values are beneficial when comparing sales of similar land uses. When the media only reports "buildable square foot" values and includes sales comparisons that involve (i) different land uses with different parking requirements, or (ii) free standing parking versus a mixed-use project that shares parking, there is potential for confusion. The media should at least be reporting the "land square foot" values when comparing sales of significantly different land uses or when there are sales involving both free-standing parking and mixed-use shared parking. That may explain why GP's appraisal used the "land square foot" values and did not report the "buildable square foot" values. Similarly, this analysis believes that "land square foot" values generate a better "apples to apples" comparison of the seven proposals submitted to LPS, as well as other comparable sales along the O Street corridor that involve materially different land uses and parking peaks and demands.

### Realty Trust Group's Concerns

In an email to LPS officials on January 21, 2012, Michael Marsh, CEO, for Realty Trust Group raised similar concerns that LPS was selling its land for a half of a million to a million dollars too low. These concerns, as well as other issues, were raised in a follow up letter from Robert A. Weigel, President and General Counsel, for Realty Trust Group.

Realty Trust Group is a successful Lincoln and national developer with unique knowledge and experience. The company has developed many sites along the O Street Corridor area. Recently, Realty Trust Company acquired and assembled approximately 10 acres of land on the northeast corner of N. 52<sup>nd</sup> and O Street. In turn, Realty Trust resubdivided its acquisition into four parcels as shown below.

Realty Trust Group -- Villager Properties <sup>1</sup>					
	Cooper Theater	Gateway Manor	Hy-Vee C Store	Vacant	Continuum
Address	5424 O Street	310 N. 52nd St	250 N 52nd St	50th & O Street	59th and O Street
Acres	1.94	2.00	1.26	4.55	2.65
Square Feet	84,359	87,172	55,081	198,280	115,550
Purchase Price	\$595,000	\$871,200	\$898,750	TBD	\$2,721,457
Total Square Foot					
Building Size	7,939	TBD	2,812	TBD	42,000
Land Square Foot Price	\$7.05	\$10.0	\$16.32	TBD	\$23.55
Marketing Period To End				25 months & counting	
Users	30 months	22 months	22 months		1 month
Building to Land Coverage	9%	TBD	5%	TBD	36%
Buildable Square Foot					
Price	\$75	TBD	\$319.61	TBD	\$65

<sup>1</sup> Source: Great Plains Appraisal and County Assessor's Office



It is worth noting that the potential LPS sale to Continuum as shown above would generate a higher “land square foot” value than any of the three Realty Trust parcels with available “land square foot” figures. The Realty Trust comparable parcel size and location, combined with their low “building to land coverage” are distinguishable from the Continuum Tract, and therefore may not be the best comparable to use to determine the “value” of the Continuum Tract.

On January 21, 2012 and February 29, 2012, LPS received two unsolicited offer proposals for approximately three acres of the corner of O Street and Lyncrest Drive from MJM Development & Management, Inc., whose incorporators include Michael Marsh and Kimberly Marsh. The offers outlined a purchase for a grocery-anchored center. The higher offer was for approximately \$22.96 per square foot, which is less than Continuum Partners’ proposal of \$23.55 per square foot.

## 7. Conclusion

Given LPS’s multitude of goals, including minimization of out of pocket rental payments after the insurance proceeds expire, it does not appear LPS “left money on the table” by working under the Request for Proposal framework and selecting the Continuum Proposal. Instead, LPS officials are good stewards of the public property at 59<sup>th</sup> & O Street—and in return, LPS and the community are receiving the benefits of a quality mixed use project.

## Appendix

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### Buyer Motivation: Investment Value Method

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This analysis studied the factors that impacted LPS's motivation as seller to achieve maximum Market Value purchase price. Are there buyer's motivation issues that could cause a developer investor to pay less than other types of buyers?

#### Investment Value Method

As real estate buyers, developers generally value land based upon its Investment Value and not Market Value. Investment Value is often used when an investor is purchasing a specific property with an identified rate of return and other defined investment criteria and risk tolerance. While Market Value takes into account the overall market, Investment Value considers purchasing a specific property with an identified set of criteria—timing, multiple parcels, rate of return, preleasing conditions, cash flow, financing terms, and risk tolerance. Investment Value can equal or be higher or lower than Market Value—the variance depends upon different investors' criteria and the specific property in question.

For example, when a developer is investing in real estate, the developer investor tends to place a higher value on cash flow generated in strong markets with spaces already leased with high credit worthy tenants for long lease terms—minimizing the chances for rental rate drops, vacancy, tenants unable to pay their rent, or having a short term lease and then having to go through the time and expense to re-lease properties.

NAI FMA Realty recently issued its *Lincoln Market Report for the First Half of 2011*. The retail overview states that Lincoln is recovering from the last several years of higher vacancy rates and lower asking rental rates. But the report cautions, "Tenants continue to search for quality space at lower rates and are cautious before entering into long term deals. The deal cycle is still long and challenging."

As a developer investor, Continuum Partners hopes to have the grocery store under lease prior to acquiring the Continuum Tract. However, LPS's accelerated closing timeframe to minimize paying additional temporary rent payments will mean that Continuum Partners will likely not have signed leases for all or some of the three or four rentable units comprising the 12,000 square foot retail building. This timing "risk" generally means that a developer investor often has to pay certain holding costs without receiving off-setting rent income. A developer investor usually pays less for land than a buyer who is acquiring the site as the end consumer who does not have the same risks or holding costs. The developer's holding costs and risk factors generally mean that a developer investor will "discount" the cash flow generated from the property to reflect these risks and holding costs, which in turn, reduces the buying price a developer investor, such as Continuum Partners, is willing to pay.

It is interesting to note that LPS's very compressed marketing period resulted in seven potential buyers (three post-fire responders and four RFP responders). Six of the seven responders appear to be developers and only one was an end user. Again, developer's incentive to rely on the Investment Value method will generally lead to lower land purchase prices than end users. End users are generally ready to build and operate a business on building completion. This accelerated timeframe allows them to often pay the higher Market Value. Stated differently, if LPS could remove its \$100,000 a month rental issue

and take time to market the property for a traditional time period (3-24 months), LPS would have had a higher chance of attracting an end user investor who would likely pay a higher price than a developer investor.

## Royce Enterprises Incorporated—Intent to Purchase

----- Forwarded Message -----

From: Kent Thompson <[ktthompson@thompsonrealtygroup.com](mailto:ktthompson@thompsonrealtygroup.com)>

To:

Sent: Friday, June 3, 2011 11:25 AM

Subject: Offer to purchase D0 - Lyncrest Drive & O Street

Mark,

Attached is a purchase offer from the group you met last fall for the land that the District Office was on. Please note that there is not a financing contingency.

How we arrived at this land price is that the best comparable land price is the site at 52 and O. The cost of 52 & O ground is so high that they are not able to lease to major national tenants.

Please review the attached. They would like to sign a purchase agreement as soon as necessary.

Thank-you,

Kent C. Thompson

President

O: 402.421.7700

D: 402.421.2410

M: 402.310.7700

5617 Thompson Creek Blvd.

Lincoln, NE 68516

**ROYCE ENTERPRISES INCORPORATED****INTENT TO PURCHASE****for****SWC Lyncrest Drive and O Street  
Lincoln, Nebraska  
June 3, 2011**

The following is a Letter of Intent to Purchase proposal from Royce Enterprises Incorporated, or its related party assignee ("Purchaser"), to Lincoln Public Schools ("Owner"). This proposal contains the basic terms and conditions on which Purchaser is interested in purchasing the real property described herein from Owner.

<b>REAL PROPERTY:</b>	Eastmont 2 <sup>nd</sup> Addition, Remaining pt outlot A
<b>LOCATION:</b>	Property ID # 17-28-102-013-000
<b>LOT SIZE:</b>	7.21 acres
<b>PURCHASER:</b>	Royce Enterprises Incorporated, or its related party assignee.
<b>EARNEST DEPOSIT:</b>	Ten Thousand Dollars (\$10,000) refundable during Feasibility Period deposited with Missouri River Title Services, Inc., within five (5) business days of execution of Purchase Agreement. The Earnest Money shall be applied to the Purchase Price at closing, unless the Purchaser terminates the Purchase Agreement during the Feasibility Period. Should the Purchaser terminate the Purchase Agreement during the Feasibility Period, the Earnest Money shall be fully refunded to the Purchaser.
<b>PURCHASE PRICE:</b>	\$4,082,878.80 (\$13.00 psf)
<b>SPECIAL ASSESSMENTS:</b>	Purchaser shall not be obligated to pay any special assessments that may be levied against the Property.



<b>EXTENSIONS:</b>	Purchaser shall have the ability to extend the contract for two (2) periods of sixty (60) days each for an additional deposit of \$10,000 per extension which, in addition to the initial earnest deposit, shall be non-refundable but applicable to the purchase price.
<b>SELLER REPRESENTATIONS:</b>	<p>Owner shall represent and warrant the following in the Purchase Agreement:</p> <ul style="list-style-type: none"><li>a. Owner is the owner of the Property and is duly authorized to sell the Property pursuant to the terms of this Agreement;</li><li>b. Owner has no knowledge of any violations of any law, or defects, which make the Property unusable.</li><li>c. Owner is not aware of any pending or threatened condemnation or similar proceeding affecting all or any part of the property;</li><li>d. The Property is free and clear of all liens, special taxes levied or assessed, and encumbrances, except building and use restrictions, utility easements and covenants now of record.</li></ul>
<b>ASSIGNMENT:</b>	Purchaser retains the right to assign its interest in the purchase to a related entity at any time prior to closing.
<b>SURVEY:</b>	Owner to provide Purchaser, an ALTA survey within thirty (30) days of receipt of title insurance commitment. The cost of the survey shall be split 50/50 between Owner and Purchaser.
<b>STATE DOCUMENTARY TAX:</b>	The State Documentary Tax on the deed shall be paid for by the Owner.
<b>CONVEYANCE OF TITLE:</b>	After the execution of a Purchase Agreement, Owner shall furnish to Purchaser a current title insurance commitment to Purchaser within ten (10) business days. The cost of an Owner's title insurance policy shall be equally divided between Purchaser and Owner.
<b>ENVIRONMENTAL:</b>	Owner shall furnish Purchaser with a copy of Phase I Environmental Site Assessment within ten (10) days of execution of a Purchase Agreement. Purchaser may obtain an additional Phase I Environmental Study within the Feasibility Period, and Purchaser agrees to deliver a copy thereof to Owner. The cost and expense of any additional Phase I Environmental Study shall be paid by Purchaser.
<b>TAXES:</b>	All real estate taxes on the Property shall be prorated as of date of closing. Owner shall pay all special assessments and all personal property taxes.

□

<b>BROKERAGE:</b>	Purchaser is represented by Lockwood Realty, LLC. Principal of Purchaser is a licensed real estate agent in acting in his own interest. Owner is represented by Thompson Realty Group. Seller agrees to pay a commission in the amount of six percent (6%) of the purchase price subject a separate agreement which amount shall be divided between the parties and payable at closing.
<b>PURCHASE AGREEMENT:</b>	Upon acceptance of this Intent to Purchase Proposal, Purchaser and Owner will undertake good faith efforts to negotiate and execute a purchase and sale agreement for the Property within ten (10) days of acceptance of this Letter of Intent and waiver of the Contingency.
<b>INTENT TO PURCHASE PROPOSAL LOCKUP PERIOD:</b>	For a period of no longer than forty- five (45) days following execution of this Intent to Sell Proposal, Owner agrees to hold the Property off the market for the negotiation and execution of a Purchase Agreement.
<b>PROPOSAL EFFECTIVE:</b>	Until 5:00 p.m., central standard time, June 10, 2011, after which time this proposal shall be null and void.

Although this letter is intended to summarize the principal terms and conditions of the proposed transaction and contemplates a later execution of a Purchase Agreement, neither this letter nor any action of the parties to date shall be deemed to indicate a binding agreement between parties. This letter reflects the parties' present intent regarding the terms and conditions of the proposed transaction and shall not be construed to create any legal rights or obligations between the Owner and the Purchaser. It is intended that all such legal rights and obligations will come into existence only when appropriate documentation has been executed.

Cordially,

John Dewhurst  
Vice President  
Lockwood Development

**AGREED AND ACCEPTED this \_\_\_\_ day of June, 2011**  
**Lincoln Public Schools**

By: \_\_\_\_\_  
Mark Sheppard  
Title: \_\_\_\_\_  
Assistant Superintendent of Schools

## Access Commercial, LLC



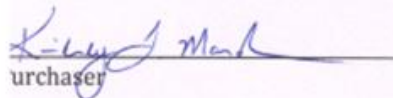
## MJM Development &amp; Management Inc.

**MJM Development & Management Inc.**  
**2300 South 48<sup>th</sup>, Suite 1**  
**Lincoln, Nebraska 68506**  
**402-484-8484**  
**KMARSH@neb.rr.com**

**Offer to Purchase**

We herewith Offer to Purchase the excess ground located at Eastmont 2<sup>nd</sup> Addition remaining pt outlot A, also known as 5901 "O" Street, Lincoln, Nebraska on the following terms:

- 1) Purchaser agrees to purchase excess +3 acres fronting "O" Street at Lyncrest Drive corner subject to acceptable re-zoning and plat layout.
- 2) Purchaser agrees to pay \$2,750,000 with closing to be upon acceptable re-zoning and re-plating.
- 3) Purchaser shall not allow any business selling predominately liquor, adult bookstore/club, used cars, storage units or pipe shop.
- 4) Purchaser shall develop in an attractive first class manner similar to its projects at 50<sup>th</sup>/O (Staples/Aspen Dental) and 54<sup>th</sup>/O (Cheddar's Café restaurant) and 48<sup>th</sup>/Normal (Alpine Village).
- 5) Purchaser shall make every effort to build within 120 days after July 1, 2013 but time shall be extended for permitting and engineering.
- 6) Purchaser shall develop a grocer-anchored center with shops.
- 7) Purchaser and Seller shall have cross over parking over entire site as further defined.
- 8) **Purchaser shall pay for all of the site improvements including paving and utilities/sewer hook ups.**

  
Purchaser

\_\_\_\_\_  
Seller

Date: 2-21-2012

Date: \_\_\_\_\_

**From:** "Kim Marsh" <[kmarsh@neb.rr.com](mailto:kmarsh@neb.rr.com)>  
**To:** "Mark Shepard" <[mshepar@lps.org](mailto:mshepar@lps.org)>  
**Cc:** "Scott Wieskamp" <[swieska@lps.org](mailto:swieska@lps.org)>  
**Sent:** Wednesday, February 29, 2012 1:38:08 PM  
**Subject:** LCS O Street Offer

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We had assumed a response and a possible counter from LCS. We were fully prepared to go up an additional \$250,000 to \$3,000,000. As of noon tomorrow our offer will be withdrawn. Again, we wish we given an opportunity to bid on fair and clear playing level. Thanks, Mike Marsh