



LAKE POINT CONDOMINIUMS Project Report August 2008

Prepared by: Steven Loof

Introduction

- On June 27, 2008, the State Court of Wisconsin appointed Michael Polsky receiver for the Lake Point Condominium project in Madison, WI
- The goal of this presentation is for the Receiver to update and inform the Community Development Authority for the City of Madison as to the status of the Lake Point Condominium project
- Receiver's Team for the project
 - Project Manager-Steven P. Looft of SPL Beverly, LLC
 - Anchor Property Management Company
 - First Weber Group's Don Knutson's Team

Agenda



- Project Overview
- Team Structure
- Task Summary
- Outstanding Risks and Issues
- Estimated Budget and Pro Forma
- Review

Project Overview

- The Lake Point Condominium project with 20 of the 50 units sold went into receivership,
- 30 units available for sale in a variety of unfinished conditions,
- A variety of information on the project has been assembled and the evaluation of that information and data continues,
- Market conditions are slow, but appear to be progressing,
- Site conditions and their day to day operations are being professionally managed.

Project Administration



**Receiver
Project Manager**

**Lake
Point**

**Marketing
Sales of Units**

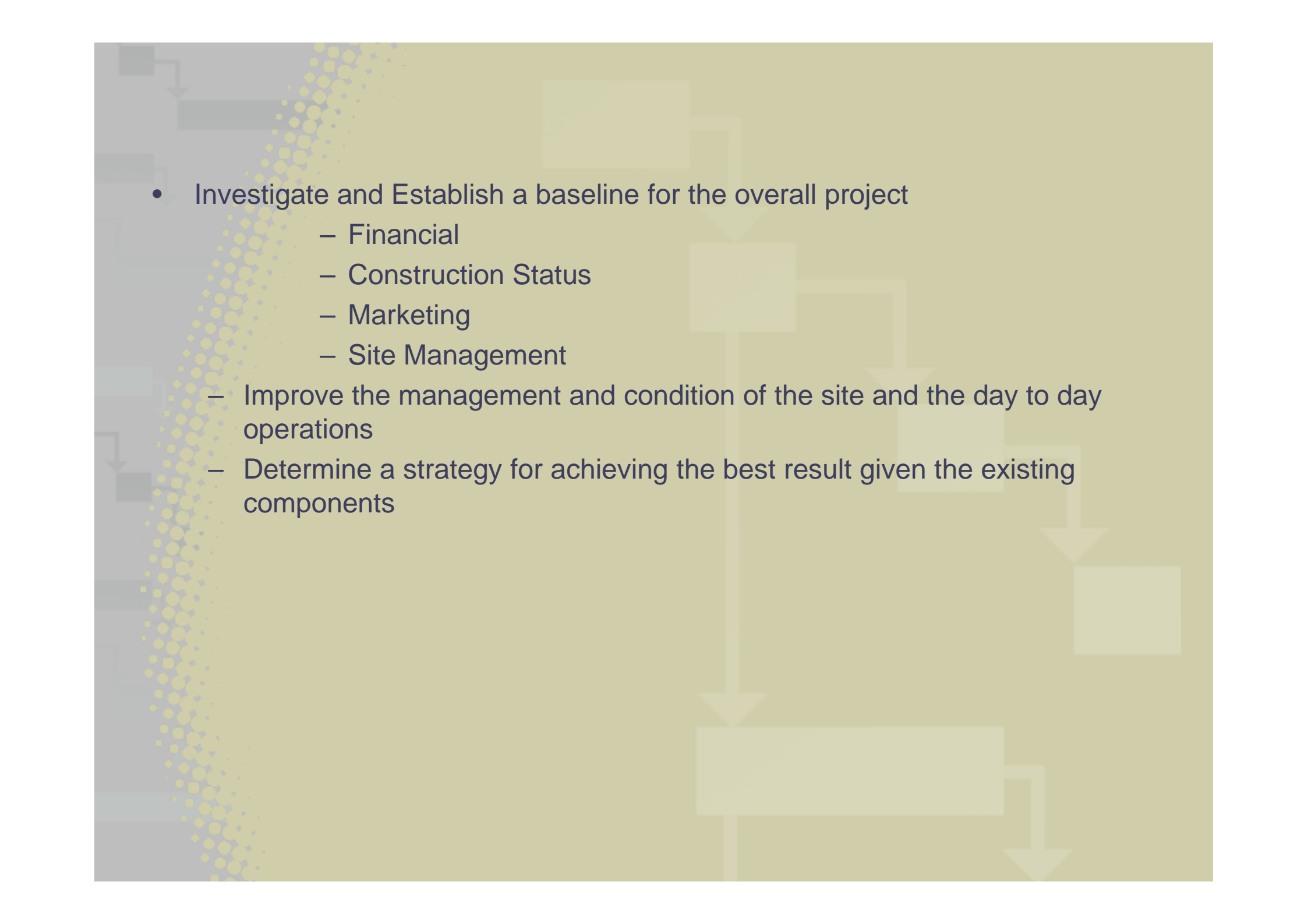
**Property Manger
Day to Day
Operations**



Task Summary

Receiver/Project Manager

- Evaluate Lien Status, manage creditors
- Investigate existing conditions (financial, construction, site)
- Assign marketing and management responsibilities
- Develop a financial plan and pro forma for the completion of the project
- Evaluate construction components and determine resolutions
- Program finishing of the unsold units
- Determine the best possible forward development plan

- 
- Investigate and Establish a baseline for the overall project
 - Financial
 - Construction Status
 - Marketing
 - Site Management
 - Improve the management and condition of the site and the day to day operations
 - Determine a strategy for achieving the best result given the existing components

Property Manager

- Meet Owners
- Provide Operating Budget
- Establish an Owners request system
- Set up Association Dues Accounts
- Assess property and grounds
- Advise project manager of facility concerns and issues

Marketing (Broker)

- Provide a listing contract
- Provide Market and Pricing Data
- List the units on MLS
- Enact Marketing Plan
- Advise project manager on site and market developments
- Develop financing channels for potential Lake Point Buyers



Outstanding Risks and Issues

- **Project Risks**

- Current

- Further Reduction in Market Velocity
- Declining Housing Prices
(Foreclosures increasing)
- Construction issues could result in increased capital for completion
- Credit market conditions

- **Project Issues**

- Location is transitional

- Apartments to the west & north stand in sharp contrast to Lake Point's esthetic
- Limited scope (on the block) appears unfinished

- Parking

- Under capacity for the total bedrooms
- no street parking



Conditions of Interest









Operating Budget and Estimated Pro Forma

Operating Budget

| Account Number | Profit & Loss | Monthly Amount | Annual Amount |
|----------------|---|----------------------|-----------------------|
| | Income | | |
| 3150 | Condo Fees (22 units) (2 x \$900 / 20 x \$1500) | \$ 2,650.00 | \$ 31,800.00 |
| 3245 | Laundry Income | \$ - | \$ - |
| 3155 | Interest Income | \$ - | \$ - |
| | Total Income | \$ 2,650.00 | \$ 31,800.00 |
| | Expenses | | |
| 4000 | Operating | | |
| 4450 | Building Maintenance & Repairs | \$ 375.00 | \$ 4,500.00 |
| 4460 | Administrative Fees (Legal, Accounting) | \$ 41.67 | \$ 500.00 |
| 4470 | Supplies | \$ 48.33 | \$ 580.00 |
| 4550 | Property Management Fee (based on 22 | \$ 363.00 | \$ 4,356.00 |
| 4610 | Lawn Care | \$ 458.33 | \$ 5,500.00 |
| 4630 | Snow Removal | \$ 500.00 | \$ 6,000.00 |
| 4600 | Trash Collection | \$ 200.00 | \$ 2,400.00 |
| 4650 | Postage | \$ 4.75 | \$ 57.00 |
| 4250 | Insurance | \$ 808.92 | \$ 9,707.00 |
| | Taxes | | |
| 4210 | Income Tax Expense | \$ 8.33 | \$ 100.00 |
| 4230 | Tax Preparation Fee | \$ 16.67 | \$ 200.00 |
| | Utilities | | |
| 4320 | Utilities: Gas & Electric | \$ 2,000.00 | \$ 24,000.00 |
| 4340 | Utilities: Water & Sewer | \$ 325.00 | \$ 3,900.00 |
| | Total Expenses | \$ 5,150.00 | \$ 61,800.00 |
| | Net Income | \$ (2,500.00) | \$ (30,000.00) |

LAKE POINT CONDOMINIUM PRO FORMA

| Unit | Price | Qty | Year 1 | Year 2 | Year 3 | Year 4 | | |
|-------------------------------------|--------------|-----|---------------|----------------|----------------|----------------|--------------|------------|
| <i>Absorption Rate July to July</i> | | | <i>25-30%</i> | <i>30%-40%</i> | <i>20%-25%</i> | <i>10%-15%</i> | | |
| Garden View | \$ 59,900 | 18 | \$ 299,500 | \$ 359,400 | \$ 359,400 | \$ 59,900 | \$ 1,078,200 | |
| Townhome | \$ 150,000 | 10 | \$ 450,000 | \$ 600,000 | \$ 300,000 | \$ 150,000 | \$ 1,500,000 | |
| Duplex | \$ 119,900 | 2 | \$ 119,900 | \$ 119,900 | \$ - | | \$ 239,800 | |
| Gross Sales | | | \$ 869,400 | \$ 1,079,300 | \$ 659,400 | \$ 209,900 | \$ 2,818,000 | |
| Commission | 7% | | \$ (60,858) | \$ (75,551) | \$ (46,158) | \$ (14,693) | \$ (197,260) | |
| Sales Revenue | | | \$ 808,542 | \$ 1,003,749 | \$ 613,242 | \$ 195,207 | \$ 2,620,740 | |
| Unit Improvement Costs | | | | | | | | |
| Garden View | | 18 | \$ 48,000 | \$ 72,000 | \$ 72,000 | \$ 24,000 | \$ 216,000 | |
| Townhomes | | 10 | \$ 44,000 | \$ 66,000 | \$ 66,000 | \$ 22,000 | \$ 198,000 | |
| Duplex | | 2 | \$ 44,000 | \$ - | \$ - | | \$ 44,000 | |
| | | | \$ 136,000 | \$ 138,000 | \$ 138,000 | \$ 46,000 | | |
| Net Sales Proceeds | Sub Total | | \$ 672,542 | \$ 865,749 | \$ 475,242 | \$ 149,207 | | |
| Operating Costs | | | | | | | | |
| Property Taxes | | | \$ 41,200 | \$ 35,600 | \$ 23,000 | \$ 11,330 | | |
| Assoc Dues | \$ 1,600 | | \$ 30,000 | \$ 24,000 | \$ 18,500 | \$ 12,000 | \$ 84,500 | |
| Other Capital Costs | | | \$ 25,700 | \$ 16,800 | \$ 4,500 | | | |
| Debt Service** | 4.50% | | \$ 90,000 | \$ 55,000 | \$ 30,121 | \$ 27,040 | \$ 202,161 | |
| Soft Costs | | | \$ 110,000 | \$ 65,000 | \$ 45,000 | \$ 25,000 | \$ 245,000 | |
| | Sub Total | | \$ 296,900 | \$ 196,400 | \$ 121,121 | \$ 75,370 | | |
| Net Cash Flow* | | | \$ 375,642 | \$ 669,349 | \$ 354,121 | \$ 73,837 | | |
| Secured Debt Balance | \$ 2,000,000 | | \$ 1,624,358 | \$ 955,009 | \$ 600,888 | \$ 527,051 | \$ 453,214 | |
| Unsecured Debt Balance | \$ 343,381 | | \$ 351,299 | \$ 351,299 | \$ 351,299 | \$ 351,299 | | |
| Escrowed Proceeds | \$ 321,321 | | | | | | \$ 453,214 | \$ 131,892 |

*net cash flow shall be utilized to pay down existing debt

** estimate of debt service (interest only LIHBOR based)

Estimated Operating Pro Forma

- Market Velocity and Pricing are key
- A Deterioration of Construction Conditions
- Mortgage Lending

REVIEW

