

Karen Harkness
Director of Community and Economic Development
100 N. Appleton St.
Appleton, Wisconsin 54911

RE: Foremost Farms site

Dear Karen,

We would like to take this opportunity to thank you and the entire Appleton redevelopment team for assisting us with the Foremost Farms project over the past 3 years. It has been a pleasure working with you and your staff to try and get this project to become a reality. We have all worked diligently toward a common goal and the collaborative efforts of all involved should be commended.

With that said, we have unfortunately found ourselves at a point where we are unable to continue investing time and resources into this project. After many varied attempts of trying to re-design and value engineer this project, we simply keep coming back to the same fundamental problems with the site, construction costs, and Appleton rental market in general. Here is a recap of our findings and conclusions:

- 1.) Market Rental Rates too low: not enough market precedence to justify the cost of nicer product.
- 2.) Lower Density: The lower density requirements for the development have had a greater impact on per unit costs than initially anticipated. A combination of land and site improvement costs exceeded our initial per-unit estimates by nearly \$5,000 per unit.
- 3.) Row house/Townhouse building format: The smaller townhouse/row house building format that resonated with the neighborhood also came at a premium cost.
- 4.) Developer Funded TIF – although the TIF allocation for this project was helpful, the fact that the developer front ends this cash added another layer of challenge to the debt financing structure.
- 5.) Limitation on amount of resources offered: the large gap between lower rent rates in the Appleton market and producing a premier product is simply too large to bridge with investor equity and conventional financing methods.

We regret that it has taken this long to arrive at this conclusion, however, we wanted to make sure every option was thoroughly considered and exhausted before making this pivotal decision.

In closing, we want to thank all the members of RDA, Common Council, Community and Economic Development, and the Mayor for all their support and guidance through this process. We wish you all the best with the future development of this beautiful waterfront property.

Kindest Regards,

A handwritten signature in black ink, appearing to read 'Kelly Denk', written in a cursive style.

Kelly Denk
Principal