

DTOP Sub Area Plan Steering Committee Meeting

Colt Building Update
September 27, 2005



Today's Goals

- Establish as shared knowledge base
 - Development Concepts
 - Market Strength
 - Investment Economics
 - Incorporate follow-up from last week
- Present Preliminary Scenario Economics
 - Consistent optimistic outlook



Review of Concepts

- Uncertainty causes vacancy
- Operating costs trump development costs
- The market is not a development constraint
- The logical market is an upscale one
- *Development is tenant driven **



*Blue is new information

Investment Economics

- Gross Rent
 - Vintage Stores and Restaurants: \$16 to \$25
 - New Stores and Restaurants: Up to \$43
 - Vintage Office: \$13 to 22
 - New Office: Not likely



Investment Economics

- Commercial Property Taxes
 - Vintage \$4 per SQFT
 - New \$6 per SQFT
- Commercial Expenses
 - 2% Maintenance
 - 4% Management
- Capitalization Rates (Expected Return)
 - 7% on Credit Tenant Leased New Building
 - 8% on solid vintage building
- Residential Condominiums
 - Sizes 700 to 3,000 SQFT plus balconies
 - Current product is selling for an average of \$275 per SQFT



Colt Building

• Current Lease Rate

Floor	SQFT	Gross Rent	Net Rent
Basement	16,221	\$13.00	\$4.00
Lake	5,036	\$25.00	\$16.00
Westgate	13,699	\$22.00	\$13.00
2nd Floor	19,121	\$14.00	\$5.00
Total	54,077		

Assumptions

Expenses	\$5.00
Taxes	\$4.00
Cap Rate	8.0%
Typical Vacancy	5%

• Implied Value

Floor	Fully Leased Net Income	Occupancy	Net Income	Typical Vacancy
Basement	\$64,884	33%	\$21,412	\$61,640
Lake	\$80,576	75%	\$60,432	\$76,547
Westgate	\$178,087	75%	\$133,565	\$169,183
2nd Floor	\$95,605	90%	\$86,045	\$90,825
Total	\$419,152		\$301,453	\$398,194



Value	\$5,239,400	\$3,768,168	\$4,977,430
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Three Scenarios

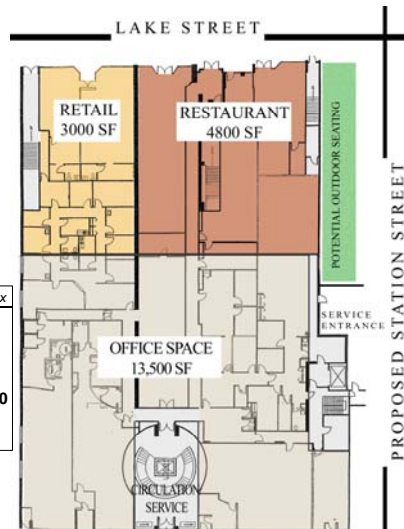
- Facelift
 - Make improvements that address deferred maintenance
 - Make changes that would make the spaces more likely to attract more desirable ground floor tenants
- Historic Rehabilitation
 - Return the building as closely as possible to its original appearance
 - Undertake unnoticeable changes to make space appeal to modern tenants
- Redevelopment
 - Demolish structure and construct modern building



Facelift

- Ground Floor
 - Redesign to allow for two larger spaces
 - Improve Lake Street facade
 - Add windows on Station Street
- Adjusted Value

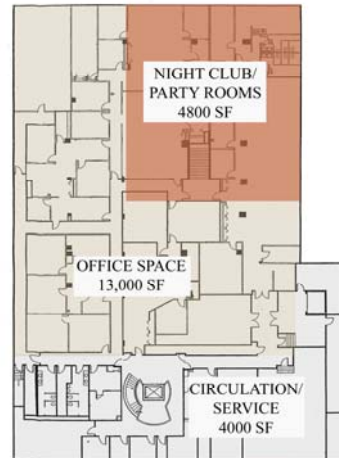
	Space 1	Space 2	Office	Total	Sales Tax
Size	4800	3000	13,500	21300	
Net Rent	\$26.00	\$26.00	\$13.00		
Annual	\$124,800	\$78,000	\$175,500	\$378,300	
Sales/sf	\$412	\$417			
Sales	\$1,979,520	\$1,251,000		\$3,230,520	\$64,610
Gross Value					\$4,728,750
Net Value					\$4,492,313



Facelift

- Basement
 - Use space under the potential restaurant
 - Continue office uses
- Adjusted Value

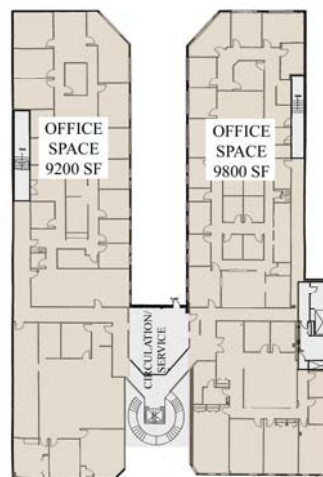
	Space 1	Space 2	Total	Sales Tax
Size	4,800	13,000	17,800	
Net Rent	\$11.00	\$4.00		
Annual	\$52,800	\$52,000	\$104,800	
Sales/sf	\$250			
Sales	\$1,200,000			\$24,000
Gross Value	\$660,000	\$650,000	\$1,310,000	
Net Value			\$1,244,500	



Facelift

- 2nd Floor
 - Remain office
 - Improvements in building systems
 - Perhaps “Class B”
- Adjusted Value

	Total
Size	19000
Rent	\$7.00
Annual	\$133,000
Gross Value	\$1,662,500
Net Value	\$1,579,375



Additional Considerations

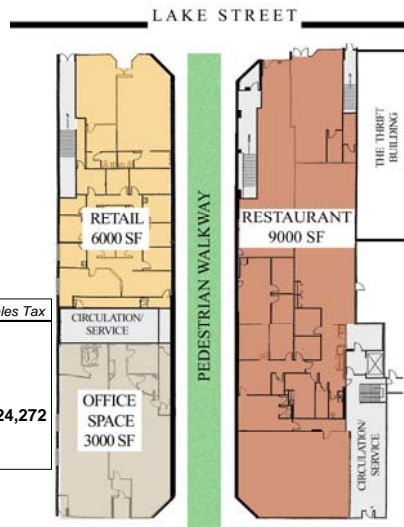
- Tenants not design are the key
- Station Street frontage is not likely to be active unless facing building significantly changes
- Residential
 - generally considered incompatible with evening focused dining/entertainment
 - requires windows or must be huge lofts
 - complicates financing unless rental
- Rough Investment Analysis
 - Costs:
 - \$4.9 Million (Put/Call)
 - \$3.1 million Construction
 - \$?? Soft Costs
 - **\$8 Million+ Total**
 - Rough Value Estimate:
 - \$4.5 Million Ground Floor
 - \$1.2 Million Basement
 - \$1.6 Million 2nd Floor
 - **\$7.3 Million Total**
 - Gap/Return
 - **\$700,000**



Historic Rehabilitation

- Ground Floor
 - Restore Pedestrian Walkway allow outdoor dining
 - Restore limestone facades
 - Make improvements to modernize building systems
- Adjusted Value

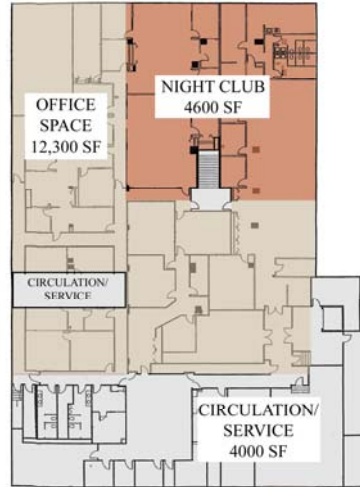
	Space 1	Space 2	Office	Total	Sales Tax
Size	9000	6000	3,000	18000	
Net Rent	\$26.00	\$26.00	\$13.00		
Annual	\$234,000	\$156,000	\$39,000	\$429,000	
Sales/sf	\$412	\$417			
Sales	\$3,711,600	\$2,502,000	\$6,213,600		\$124,272
Gross Value				\$5,362,500	
Net Value				\$5,094,375	



Historic Rehabilitation

- Basement
 - Additional restaurant space
 - Additional circulation for separated building
- Adjusted Value

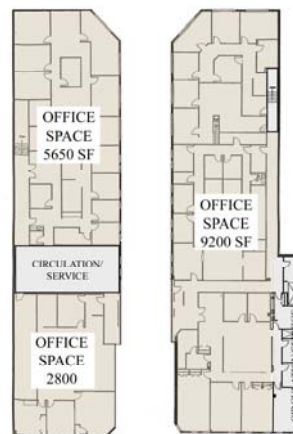
	Space 1	Space 2	Total	Sales Tax
Size	4600	12300	19000	
Rent	\$11.00	\$4.00		
Annual	\$50,600	\$49,200	\$99,800	
Sales/sf	\$250			
Sales	\$1,150,000		\$1,150,000	\$23,000
Gross Value	\$632,500	\$615,000	\$1,247,500	
Net Value			\$1,185,125	



Historic Rehabilitation

- 2nd Floor
 - Continues as office
 - Space lost to add second access due to building separation
- Adjusted Value

	Total
Size	17650
Rent	\$7.00
Annual	\$123,550
Gross Value	\$1,544,375
Net Value	\$1,467,156



Additional Considerations

- Tenants not design are the key
- Station Street would be inappropriate
- Rough Investment Analysis
 - Costs:
 - \$4.9 Million (Put/Call)
 - \$5.3 Construction
 - \$?? Soft Costs
 - **\$10.2+ Million Total**
 - Rough Value Estimate:
 - \$5.1 Million Ground Floor
 - \$1.2 Million Basement
 - \$1.5 Million 2nd Floor
 - **\$7.8 Million Total**
 - Gap/Return
 - **\$2.4 Million**



Redevelopment

- No Station Street, enhanced western entrance
- 5-stories and underground parking for residential
- Significant "terracing"
- Assumptions
 - 30,130 sf of land
 - 29 residential units
 - 2,500 sf average units
 - 2 parking spaces per unit
 - Residential sales price \$280 per sf
 - \$175 per sf residential cost
 - \$145 per sf commercial cost
 - \$25 per sf soft costs
 - \$18,000 per parking space



Redevelopment

Ground Floor

- No restaurant tenants
- Decorative accessories or apparel
- Two Lake retail spaces
- One Westgate office
- Attractive residential lobby
- Enclosed service for all uses

	<i>Unit 1</i>	<i>Unit 2</i>	<i>Office</i>	<i>Other</i>	<i>Total</i>
Size	7,800	7,800	5,000	5,011	25,611
Net Rent	\$29.55	\$29.55	\$11.55		
Annual	\$230,490	\$230,490	\$57,750		\$518,730
Sales/sf	\$500	\$500			
Annual Sales	\$3,900,000	\$3,900,000			\$7,800,000
Annual Sales Tax	\$78,000	\$78,000			\$156,000
Value					\$7,410,429
Less 5% Vacancy					\$7,039,907
Hard Costs					\$2,987,000
Soft Costs					\$515,000
Contribution					\$3,537,907



Redevelopment

Residential

• Residential

- High ceilings
- 2-8 units per floor
- Terrace
 - Possible volume: 120,520
 - 29 units volume: 72,500
 - Step back/terrace: 48,020
- Upscale finishes

• Value

Units	29
Unit Price	\$700,000
Total Value	\$20,300,000
Construction Cost	\$12,687,500
Soft Costs	\$1,812,500
Parking	\$1,044,000
Contribution	\$4,756,000



Additional Considerations

- Tenants not design are the key
- Equity residential brings significant tax implications
- Incorrect to view in isolation from balance of the project
- Rough Investment Analysis
 - Costs:
 - \$4.9 Million (Put/Call)
 - \$500,000 Demolition
 - \$16.6 Million Construction
 - \$2.3 Million Soft Costs
 - \$?? Additional Parking
 - **\$24.3+ Total**
 - Rough Value Estimate:
 - \$7.4 Million Ground Floor
 - \$20.3 Million Residential
 - **\$27.7 Million Total**
 - Gap/Return
 - \$3.4- Million



Investment Analysis Summary

	<i>Cost</i>	<i>Value</i>	<i>Sales Tax</i>	<i>Net</i>
Facelift	\$8 Million	\$7.3 Million	\$88,000	\$700,000
Historic Rehab	\$10.2 Million	\$7.8 Million	\$147,000	\$2.4 Million
Redevelopment	\$24.3 Million	\$27.7 Million	\$156,000	\$3.4 Million

Caution: It is very dangerous to consider only one piece of the super block!



Next Steps

- Determine the three scenarios' impact on overall Downtown Plan
- Make a recommendation on Colt Building
- Consider “dominos”
- Prepare construction mitigation plan

