

Village Board Presentation

Colt Building Update

October 20, 2005



BDI's Assignment

- Establish a shared knowledge base
 - Development Concepts
 - Market Strength
 - Investment Economics
- Examine Estimated Investment Return
 - Facelift
 - Historic Rehab
 - New Development to zoning density



The Process

- Current Conditions Review
 - Interviews
 - Demographics
 - Competitive Environment
 - Building Returns
- Scenario Development
 - Agreement to Analyze 3 scenarios
 - Data revision based on public feedback
- Deliberations Support
 - Clarification of Committee's consensus
 - Data revision based on public feedback



Today's revisions are in blue.

Development Concepts

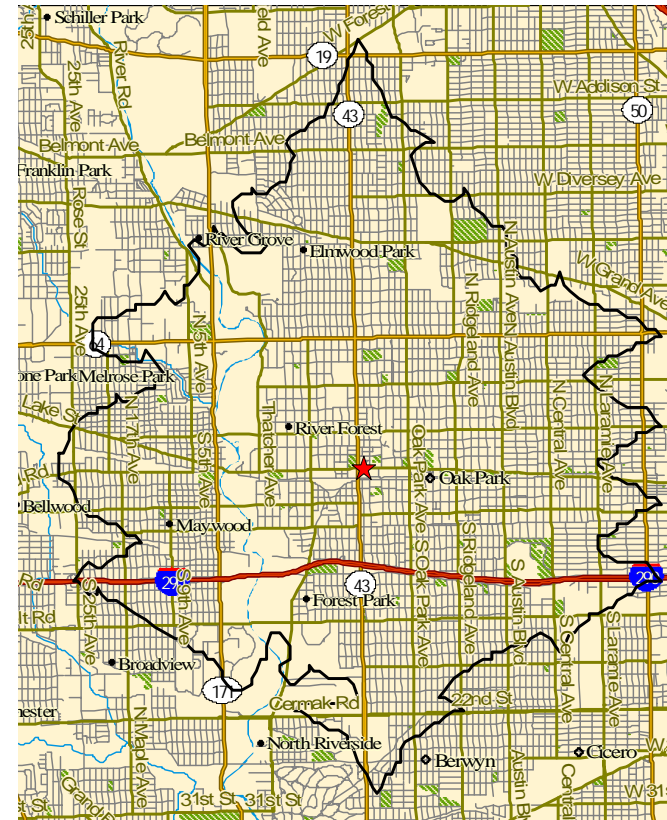
- Uncertainty causes vacancy
- Operating costs trump development costs
- Tenants drive development
- Everyone needs parking

Market Strength

5-Minute Drive Time Market

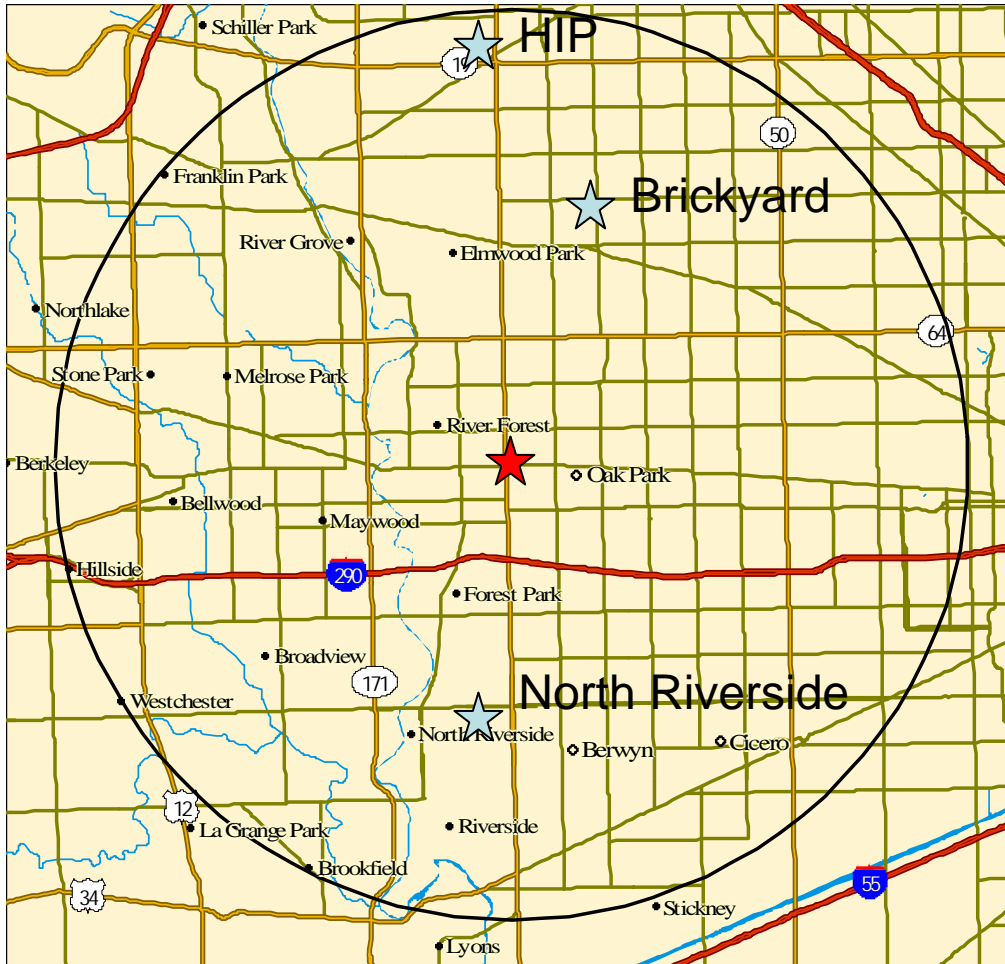
Population	300,790
Household Average Income	\$67,405
Income \$75,000 Plus	29,342
Total Employees	82,656
Total Retail Expenditure	\$2,271,640,067

Demographic data © 2004 by Experian/Applied Geographic Solutions.



The market is not a development constraint.

Market Strength



- Lease Restricted Market
 - 2nd store unlikely to be opened within 5-miles
 - Convenience stores and quick restaurants will open nearer
 - Clusters with tenant conflicts
 - HIP
 - Brickyard
 - North Riverside
 - Points to upscale target

Investment Economics

- **Gross Commercial Rent**
 - Vintage Stores and Restaurants: \$16 to \$25
 - New Stores and Restaurants: Up to \$43
 - Vintage Office: \$13 to 22
 - New Office: Not likely
- **Residential Condominiums:**
 - Opera House: 2-Bedroom, 1,932 sf, \$541,900 base price
 - 1120 Club: 2- Bedroom, 1,795 sf, \$485,900 base price



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

<i>Floor</i>	<i>SQFT</i>	<i>Gross Rent</i>	<i>Net Rent</i>
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

<i>Floor</i>	<i>Fully Leased Net Income</i>	<i>Occupancy</i>	<i>Net Income</i>	<i>Typical Vacancy</i>
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



Oak Park Value

\$5,239,400

\$3,768,168 \$4,977,430

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 Considerations

- Tenants not design are the key
- Off site parking is essential to attract top tenants
- New street would isolate building and is not likely to be active unless facing building significantly changes
- Not likely to have 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**
 - Estimated Loss
 - **\$700,000**



Historic Rehab Considerations

- Tenants not design are the key
- Station Street would be inappropriate
- Westgate will not become retail without new street
- Parking is essential to attract top tenants
- 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**
 - Estimated Loss
 - **\$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
- 39 residential units
- 2,000 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
- \$25,000 per parking space



Redevelopment

Residential

- Residential

- Average Unit Size: 2,000
- 2-8 units per floor
- Terrace
 - 4 floors volume: 120,520
 - 85% usable: 102,442
 - 39 units volume: 78,000
 - Step back/terrace: 24,442
- 2 Parking Spaces per Unit at \$25,000 each

- Value

Units	39
Unit Price	\$550,000
Total Value	\$21,450,000
Construction	\$13,650,000
Soft Costs	\$1,950,000
Parking	\$1,462,500
Contribution	\$4,387,500



Redevelopment Considerations

- Tenants not design are the key
- Off site parking is key to attracting top tenants
- 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
 - \$2.7 Million Soft Costs
 - \$1.5 Residential Parking
 - **\$26 Million Total**
 - Rough Value Estimate:
 - \$7.4 Million Ground Floor
 - \$21.8 Million Residential
 - **\$29.2 Million Total**
 - Return
 - \$3.2 Million

Investment Analysis Summary

	<i>Cost</i>	<i>Value</i>	<i>Net</i>	<i>Estimated Investment Return Gap</i>
Facelift	\$8 Million	\$7.3 Million	-\$700,000	-\$3.9 Million
Historic Rehab	\$10.2 Million	\$7.8 Million	-\$2.4 Million	-\$5.6 Million
Redevelopment	\$26 Million	\$29.2 Million	\$3.2 Million	\$0

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



Additional Considerations

- This analysis examines 3 hypothetical scenarios out of the hundreds of possibilities
- During the Committee's deliberations Taxman Corp. proposed a specific project, however this analysis does not examine that investment.
- Until there is another proposal that presents an option either including the facelift or historic rehab, it is not possible to calculate a real "gap"
- Historic rehabilitation tax credits can only fill the gap for owners that pay Federal Income Tax greater than the value of the credits

