

Appendix 3. Catalyst Concept – Infill Redevelopment

Boutique Hotel

Development Program.

90 rooms; 40,500 square feet total building area; four-stories; ground floor restaurant; 90 surface parking spaces; 1.5 acre site.



Hospital Site: Boutique Hotel

- Private sector perspective (developer)
- How much value can be accommodated on site?
\$12.0 million
- What will it cost?
- Does it generate a reasonable return?
- If not, what is the “gap”, i.e., costs exceed value?
- What mechanisms are available to “fill the gap”?

| Development Program | | | Assumption Factors | |
|--|--------------|---------------------|--------------------|----------------------------|
| | Units/Spaces | Square Feet | | |
| Retail/Restaurant | | 4,500 | | |
| Employment | | 0 | | |
| Residential (Rental) | 0 | 0 | 800 | SF/Unit |
| Residential (For-Sale) | 0 | 0 | 1,800 | SF/Unit |
| Hotel | 90 | 36,000 | 400 | SF/Unit |
| Gross Floor Area | | 40,500 | | |
| Project Land Area | | 64,000 | 1.5 | Acres |
| Floor Area Ratio | | 63% | | |
| Surface Parking | 90 | 28,800 | 320 | SF/Space |
| Structured Parking | 0 | 0 | 320 | SF/Space |
| Estimated Project Value (Stabilized Yr) | | | | |
| Total Retail/Restaurant Rentable SF | | 4,500 | 100% | Bldg. Efficiency Ratio |
| Rent/SF* | | \$15.00 | | |
| Total Employment Rentable SF | | 0 | 95% | Bldg. Efficiency Ratio |
| Rent/SF* | | \$15.00 | | |
| Total Residential Rentable SF | | 0 | 90% | Bldg. Efficiency Ratio |
| Rent/SF | | \$15.00 | \$1.25 | Monthly Rent/SF |
| Total Parking Spaces (Structured) | | 0 | | |
| Rent/Space | | \$0 | \$0 | Monthly Rent/Space |
| Gross Income | | \$67,500 | | |
| Occupancy | | 100% | | |
| Effective Gross Income | | \$67,500 | | |
| Operating Costs | | \$4,500 | \$1.00 | \$/SF (Wtd. Avg. All Uses) |
| Net Operating Income | | \$63,000 | | |
| Capitalization Rate | | 8.5% | | |
| Project Value -- Retail/Employment/Rental Hsg | | \$741,176 | | |
| Total Hotel Rooms | | 90 | | |
| Average Daily Rate (ADR) | | \$120 | | |
| Gross Income | | \$3,942,000 | | |
| Occupancy Rate | | 70% | | |
| Effective Gross Income | | \$2,759,400 | | |
| Operating Expenses | | \$1,800,000 | \$20,000 | \$/Room |
| Net Operating Income (NOI) | | \$959,400 | | |
| Capitalization Rate | | 8.5% | | |
| Project Value -- Hotel | | \$11,287,059 | | |
| Total Project Value | | | | \$12,028,235 |
| * Rents based on triple net lease. | | | | |

Boutique Hotel

- Private sector perspective (developer)
- How much value can be accommodated on site?
\$12.0 million
- What will it cost? **\$12.4 million**
- Does it generate a reasonable return? **10%**
- If not, what is the “gap”, i.e., costs exceed value? **\$400k**
- What mechanisms are available to “fill the gap”?
Property Tax TIF

| Development Cost Estimate | | |
|---|---------------------|----------------------------------|
| Property Purchase (Acquisition/Demolition) | \$1,408,002 | \$22.00 \$/SF Land |
| On-Site Improvements (Surface Parking) | \$225,000 | \$2,500 \$/Space |
| On-Site Improvements (Structured Parking) | \$0 | \$15,000 \$/Space |
| Site Development/Infrastructure | \$320,000 | \$5.00 \$/SF |
| Building Construction (Hard Costs) | \$7,695,000 | \$190 \$/SF (Wtd. Avg. All Uses) |
| Construction Contingency | \$412,000 | 5% % of Construction Costs |
| Soft Costs (% of Hard Costs) | \$1,236,000 | 15% % of Hard Costs |
| Developer Profit | \$1,129,600 | 10% % of Total Costs |
| Total Project Cost | \$12,425,603 | \$306.81 \$/SF |
| Development Economic Summary | | |
| Total Project Value | \$12,028,235 | |
| Total Project Cost | \$12,425,603 | |
| Project Margin/"Gap" | (\$397,368) | |
| % Project Margin/"Gap" | -3% | |
| Potential Contributions to "Gap": | | |
| Land Acquisition/Writedown | \$0 | 0% of Land Cost |
| Site Improvements Contribution | \$0 | 0% of Total Site Costs |
| Supportable Property Tax TIF (10 years) | \$700,000 | 0.015280 Total Property Tax Rate |
| Sales Tax Sharing | \$0 | 0% % of Local Sales Tax |
| Development Fee Waivers | \$0 | |
| Federal/State/Local Grants | \$0 | |
| Streamlined Development Approval Process | \$0 | |
| Tax Credit Equity (LIHTC, Historic, New Market) | \$0 | |
| Total Contributions to "Gap" | \$700,000 | |

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| Potential Contributions to "Gap": | | |
| Land Acquisition/Writedown | \$0 | 0% of Land Cost |
| Site Improvements Contribution | \$0 | 0% of Total Site Costs |
| Supportable Property Tax TIF (5 Years) | \$600,000 | 0.015280 Total Property Tax Rate |
| Sales Tax Sharing | \$0 | 0% % of Local Sales Tax |
| Development Fee Waivers | \$0 | |
| Federal/State/Local Grants | \$0 | |
| Streamlined Development Approval Process | \$0 | |
| Tax Credit Equity (LIHTC, Historic, New Market) | \$0 | |
| Total Contributions to "Gap" | \$600,000 | |