



Investment Proposal for the Bookend Buildings

April 26, 2011

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Presentation Agenda



- **Introduction of the Investment Proposal**
- **Why Invest in the Bookends**
- **Demand for the Redevelopment of the Bookends**
- **Renovation Cost Estimates**
- **Cost Analysis**
- **Financial Incentives**
- **Management Structures**
- **Green Building Techniques**
- **Questions and Answers**

Why Invest in the Bookends?



- Central location
- Architecture
- Sustainability
- Jobs
- Revenue
- Safety
- Downtown as a destination
- Financial incentives

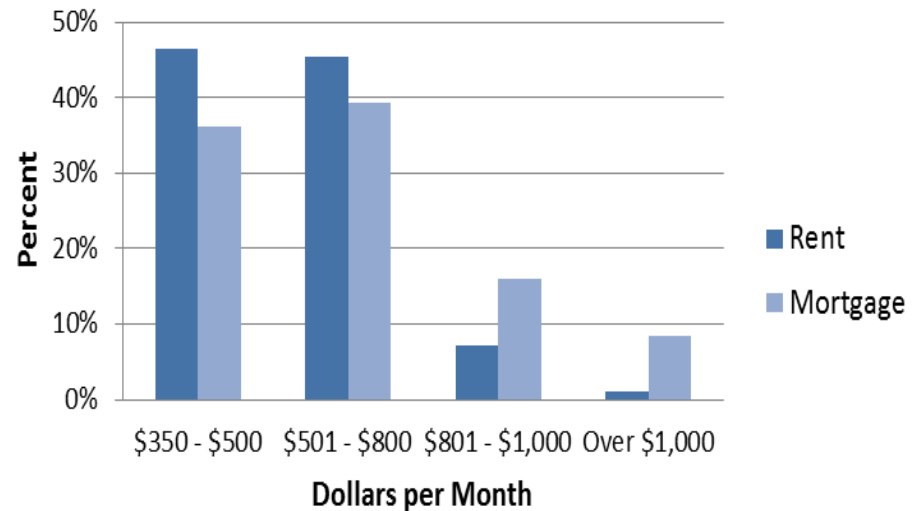


The Demand for the Redevelopment of the Bookends



- Upper-story living
 - 14% likely to live in a downtown apartment within two years
 - 77% prefer a loft in a historic building
 - 57% prefer two bedrooms

Monthly Payment Respondents Would Be Willing to Pay for a Downtown Housing Unit



The Demand for the Redevelopment of the Bookends



- Commercial and retail opportunities
 - 85% said there is too little variety of shopping options
 - Lack of options for a “quick lunch”
 - Need a better mixture of office/retail/dining



Street view of Bookend Buildings

Renovation Cost Estimates



- DPI purchased the buildings for ~\$155,000
- Buildings must be purchased as a set
- RSMeans' 2010 Edition of *Interior Cost Data*
 - 10 Residential units
 - 4 Retail
 - 1 Office
 - 1 Restaurant

Use	Total Square Footage	Cost per Square Foot	Total Renovation Cost Estimate
Residential	13,031 sq ft	\$111.73	\$1,455,954
Retail	6,611 sq ft	\$103.55	\$684,569
Office	1,600 sq ft	\$157.88	\$252,608
Restaurant	1,539 sq ft	\$226.57	\$348,691
TOTAL	22,781 sq ft		\$2,741,822

Layout & Revenue



301		Top FL – 2BR				302	
- 2BR - 1600 sq. ft. - \$9,600		Bookend – 1 or 2BR				- 2BR - 1680 sq. ft. - \$9,563	
2BR – Low Income		Commercial				2BR	
201	202	*Revenue (Annual Estimates)				207	208
- 2BR - 1000 sq. ft. - \$7,150	- 1BR - 600 sq. ft. - \$5,640	203	204	205	206	- 1BR - 680 sq. ft. - \$5,637	- 2BR - 1000 sq. ft. - \$7,150
203		204		205		206	
- 2BR - 1539 sqft - \$5,910		- 2BR - 1539 sqft - \$5,910		- 2BR - 1696 sqft - \$5,902		- 2BR - 1696 sqft - \$5,902	
101		102	103	104	105	106	
- 1600 sq.ft. - \$11,200		- 1539 sqft - \$10,733	- 1539 sqft - - \$10,733	- 1696 sqft - - \$11,872	- 1696 sqft - - \$11,872	- 1600 sq.ft. - \$11,760	

Valuation Summary



- **3.08 % Unleveraged IRR**
- **Property renovations = \$2,741,822**
- **Financed approx. 70/30 - Debt/Equity**
 - **\$822,547 (Equity)**
 - **\$1,919,275 (Debt)**
 - **Financed with a 10-year amortized loan**
 - **Annual interest rate of 6.50%**
- **Not operationally profitable for an intermediate investment horizon**
 - **Lucrative Tax Credits (Federal & State)**
 - **Offset 51 % of Renovation cost**

Available Financial Incentives



redevelop

DOWNTOWN BURLINGTON



*A Guide to Available Financial Incentives
& Tools for Redevelopment*

April 2011

Available Financial Incentives



- **Historic Preservation Incentives**
 - 26% Federal Historic Tax Credit
 - 25% State Historic Tax Credit
 - Historic Resource Development Program
 - Historic Preservation Matching Grant
 - \$50,000
 - Emergency Grant
 - Up to \$15,000

Available Financial Incentives



- **Downtown Incentives**
 - **Main Street Design Assistance**
 - **Façade Improvement Loan Program**
 - \$5000 (no interest)
 - **Main Street Mortgage Loan Program**
 - \$50,000-\$250,000 (low interest)
 - **Upper Story Residential Redevelopment**
 - \$50,000 per dwelling unit (forgivable loan)

Available Financial Incentives



- **City of Burlington Incentives**
 - Business Enterprise Zones
 - Housing Enterprise Zones
 - Tax Increment Financing (TIF)
 - Urban Revitalization Tax Exemption
- **Energy Efficiency Incentives**
 - Alliant Energy Incentives
- **Other Incentives**
 - New Market Tax Credit Program



Structuring and Managing Your Investment



- **Decisions about:**
 1. **Number of shareholders**
 2. **Active vs. passive roles**
 3. **Legal framework**
 4. **Lease agreements vs. residential and business condominiums**

Investment Structures



- Numerous options available in regards to legal framework
 - Limited Liability Company (LLC)
 - Corporation
 - Other Entities
- Recommended: LLC
 - Strong liability protection
 - Tax advantages
 - Flexibility

Business Condominiums



- Increasingly common
- Similar to residential condominiums
- Advantages:
 - Businesses avoid never-ending lease payments and build equity in their investment
 - Property owners receive immediate return to investment and no longer bear the burden of seeking tenants

Green Building Options



- **Promoting sustainable development**
 - Reuse of an existing building
 - Save on future operating cost by implementing green options

- **Offsetting the increased cost caused by green building**
 - Use of energy efficient tax credits
 - Higher demand for energy efficient units

Green Street Criteria



- Provides a detailed green building template
- Mandatory for projects receiving:
 - Iowa Department of Economic Development Housing Fund
 - Community Development Block Grant Program
 - Community Facilities and Services Funds
 - Main Street Iowa Challenge Grants

Green Streets Criteria



- Integrated design
- Location
- Site improvements
- Water conservation
- Energy efficiency
- Materials beneficial to the environment
- Healthy living environment
- Operations and maintenance



Green and Main



- Green Building Series on Sustainable Renovation
 - Six-part workshop series in Des Moines
 - Next workshop is on Friday, May 6th
 - ✦ This workshop will cover:
 - Foundations
 - Framing and roofing
 - Radon, lead and asbestos

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Questions & Answers

BURLINGTON ELECTRICAL SUPPLY CO.