

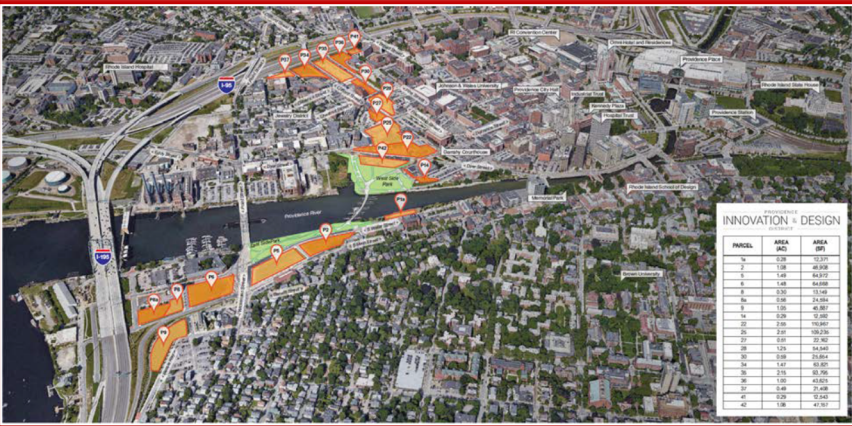
Public Presentation

I-195 Commission

Parcels 8 & 8A

Proposal Comparison

Snapshots



RESGroup
REAL ESTATE SOLUTIONS

7/13/22 v1

Proposal Comparison

	Churchill & Banks	D+P & Truthbox
GBA (SF incl. Parking)	263,840 SF	194,000 SF
Parking Spaces	234 structured ¹	169 structured
Parking Area	91,840 SF	57,000 SF
Office Area	26,400 SF	58,000 SF
Retail Area (SF)	13,900 SF ²	4,000 SF
# Market-Rate Units	52 condo	51 rental
# Workforce Units	0	18 (100-120% AMI)
Total Units	52	69
Construction Start mo.	March 2024	March 2023
Purchase Price	\$3,000,000	\$3,000,000
Subsidy Request	15-year TSA	Workforce Housing Tax Rate plus \$1,350,000 Workforce Housing ARPA
Project Cost Per SF (including parking SF)	\$298	\$254

1. Includes 23 garage spaces to be used for 580 S Water Street.
2. Includes 4,000 SF restaurant on floor 6 of residential (floor 5 of commercial).

Proposal Snapshot – Churchill & Banks



Comments on Market Assumptions

Category	Developer	RESGroup
Monthly Parking Rate for Office/ Retail Spaces	\$350	\$300
Monthly Parking Rate for “extra” spaces ¹	\$700	\$400
# of “extra” spaces	30	26

1. Based on \$350 for daytime plus \$350 overnight.

Project Summary:

Gross Building Area:	263,840 SF
Uses:	52 market-rate condos; 9,900 SF retail, 4,000 SF restaurant, 26,400 SF office, 234 parking spaces (including 23 spaces for adjacent building). This results in at least 26 spaces available outside the project.
Construction start:	March 2024
Purchase price:	\$3,000,000
Subsidy requested:	15-year TSA

- Developer intends to occupy 7,000 SF of commercial space for his own use, reducing need to fill commercial space.

Proposal Snapshot – Churchill & Banks

Strengths	Weaknesses
<p><u>Market Feasibility</u></p> <ul style="list-style-type: none">• Retail rents appear to be conservative (since they should be net or with a common area maintenance charge instead of gross).• Developer committing to 7,000 SF of commercial space reduces need for demand and increases absorption. <p><u>Project Readiness</u></p> <ul style="list-style-type: none">• MOU/Letter of interest provided by investors. <p><u>Financial Feasibility</u></p> <ul style="list-style-type: none">• If developer's and RESGroup's assumptions are achievable, does not require financial subsidy other than TSA because commercial component is supported by high returns from the residential condo. <p><u>Developer Experience</u></p> <ul style="list-style-type: none">• Developer is experienced with residential and commercial uses in Providence or nearby in Rhode Island.	<p><u>Market Feasibility</u></p> <ul style="list-style-type: none">• It is unclear if the high-end, 2-bedroom condominium market is sufficiently deep to absorb all 52 units over a 2-year period.• Parking arrangements including tandem parking are sub-optimal in the market. If valet parking is added, this issue can be mitigated.• Rents for 30 parking spaces not needed in the project appear to be high.• Parking rents for office and retail uses appear above market• Office rents appear to be at the high end of the market. <p><u>Project Readiness</u></p> <ul style="list-style-type: none">• Extended timeline for construction commencement. <p><u>Financial Feasibility</u></p> <p><u>Developer Experience</u></p>

Proposal Snapshot – D+P & Truthbox



Changes to Market Assumptions

- None

Project Summary:

Gross Building Area:	194,000 SF
Uses:	21 market-rate rental apartments; 18 workforce rental apartments; 4,000 SF retail; 58,000 SF office; 169 parking spaces
Construction start:	March 2023
Purchase price:	\$3,000,000
Subsidy requested:	\$1,350,000 Workforce Housing ARPA

- Developer has identified a build-to-suit buyer for the commercial component of the project and will build on a fee basis under a Development Management Agreement with user paying directly for the construction.

Proposal Snapshot – D+P & Truthbox

Strengths	Weaknesses
<p><u>Market Feasibility</u></p> <ul style="list-style-type: none">• Having a build-to-suit office buyer identified substantially reduces market feasibility risk for the commercial component.• Conservative rents for rental apartments.• Workforce housing is a community benefit. <p><u>Project Readiness</u></p> <ul style="list-style-type: none">• The developer’s statement that they have identified a build-to-suit buyer for the office space (who would also acquire the retail space) provides significant assurance that the project will proceed rapidly.• The developer is willing to move forward even if not approved within estimated timeframe for the Workforce Housing Subsidy but may increase Workforce income limits to maintain financial feasibility.• Developer is self-sourcing all equity required. <p><u>Financial Feasibility</u></p> <ul style="list-style-type: none">• Overall low risk project with conservative underwriting. <p><u>Developer Experience</u></p> <ul style="list-style-type: none">• Developer is experienced with residential and retail uses in Providence and elsewhere in Rhode Island.	<p><u>Market Feasibility</u></p> <ul style="list-style-type: none">• Parking arrangements including tandem and triple parking are sub-optimal in the market, which is reflected in the vacancy. If valet parking is added, this issue can be mitigated.• Operating expenses are low on a per SF basis but are reasonable as a percentage of effective gross income. If expenses increase, project returns will be reduced. <p><u>Project Readiness</u></p> <p><u>Financial Feasibility</u></p> <p><u>Developer Experience</u></p> <ul style="list-style-type: none">• Minimal office construction experience at this scale.

Residential Demand in Providence

- RESGroup outreach to residential operators in the market found low vacancy rates and strong rent growth with vacant units being re-leased within 2 weeks.
- New buildings are surpassing demand projections – e.g., Nightingale Apartments opened downtown in 2020 and surpassed absorption estimates reaching full occupancy in 17 months or an average of 8.5 units per month.
- Demographic changes show an increasing population in Providence of 7.2% over 10 years with a slower rate of increase in housing units of 5.2% suggesting that housing supply is not keeping pace with demand, particularly for new product.
- However, vacancy rates identified in individual buildings have increased since our last survey in fall 2021.

Project	Vacancy Rate Fall 2021	Vacancy Rate Summer 2022
Westminster Lofts	1.5%	0.0%
Regency Plaza	0.0%	0.0%
Station Row	1.0%	3.6%
Nightingale Apartments	2.1%	10.5%
Chestnut Commons	0.0%	4.3%

Demographics	2010	2020	Change
Population	178,162	190,934	7.2%
Housing Units	71,530	75,257	5.2%
Occupied Units	62,718	69,597	11.0%
Vacant Units	8,812	5,660	-35.8%

Office Demand in Providence

- CoStar reports that, while average vacancy has remained under 6% for several years, there has been limited new development and (other than the P 8 & 8A project) no large additions to supply are anticipated.
- Inventory has expanded by only 2.5% since 2010.
- Universities and government agencies are among the largest office landlords.

1 st Quarter 2022	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption (SF)	Deliveries (SF)	Under Construction
4&5 Star	7,739,031	7.8%	\$29.97	8.5%	(72,408)	0	0
3 Star	27,421,739	7.8%	\$23.18	9.9%	(106,339)	26,600	32,240
1&2 Star	24,765,460	3.1%	\$19.44	4.4%	(22,793)	0	0
Market	59,926,230	5.8%	\$22.51	7.4%	(201,545)	26,600	32,240