

# Committee Presentation

## I-195 Commission

### Parcels 14 & 15

### Proposal Comparison

### Snapshots



**RESGroup**  
REAL ESTATE SOLUTIONS

5/12/2023

# Proposal Comparison

	CV Properties
GBA (SF incl. Parking)	189,300 SF
Parking Spaces	56 below-ground <sup>1</sup>
Parking Area	30,000 SF
Residential Area (Gross SF)	145,000 SF
Retail (Restaurant) Area (SF)	4,500 SF
# Market-Rate Units	134
# Workforce Units	15
Total Units	149
Construction Start mo.	May 2024
Purchase Price	\$600,000
Subsidy Request	20-year TSA
Project Cost Per SF (including parking SF)	\$428 <sup>2</sup>

1. The parking plan is still being finalized; the size and space count is approximate.
2. Project cost does not include acquisition of land owned by Brown U, representing approximately ½ of the building footprint. RESGroup estimates this cost at \$600,000, which would increase the project cost to \$432 per SF of building area. Project costs do not include the cost of 32 parking spaces for use in later phases.

# Proposal Snapshot – CV Properties



## Comments on Market Assumptions

Category	Developer	RESGroup
Rent per SF		
1-BR	\$3.97	\$3.77
2-BR	\$4.01	\$3.81
3-BR	\$3.61	\$3.43
Stabilized Vacancy Rate	3.5%	5.0%
Cost of Brown-owned Land	\$0	\$600,000

## Project Summary:

Gross Building Area:	189,300 SF
Uses:	149 rental of which 15 are workforce; 4,500 SF retail (restaurant), 56 parking spaces.
Construction start:	May 2024
Purchase price:	\$600,000
Subsidy requested:	20-year TSA
Permanent Jobs:	25 (per developer)

- Developer indicates that cost of land owned by Brown U was not included because an agreement has not yet been finalized on the allocation of land costs.
- This represents Phase 1 of a multi-phase project. In a partnership with Brown U, some details of which remain under negotiation, later phases are planned to include a 500,000 SF mix of office, laboratory, and other uses.

# Proposal Snapshot – CV Properties

Strengths	Weaknesses
<p><u>Market Feasibility</u></p> <ul style="list-style-type: none"><li>• Retail and parking rents appear to be conservative.</li><li>• Workforce housing is a community benefit.</li><li>• Strong location for residential use (on riverfront, park frontage, adjacent to economic center).</li></ul> <p><u>Project Readiness</u></p> <ul style="list-style-type: none"><li>• MOU/letters of interest provided by two lenders active in Providence and a financial advisor.</li><li>• MOU from Brown U., who would contribute (at undetermined terms) part of the land for this project as well as later phases and would be integrally involved in the master planning, build-out, and ongoing use of later phases, a 500,000 SF mix of office, laboratory, and other uses.</li></ul> <p><u>Financial Feasibility</u></p> <ul style="list-style-type: none"><li>• If developer’s assumptions are achievable, does not require financial subsidy other than TSA.</li><li>• Significant unallocated space exists in the building plan, which leaves room for the potential to value engineer the project for either more rentable space or a smaller building.</li></ul> <p><u>Developer Experience</u></p> <ul style="list-style-type: none"><li>• Developer has proven experience developing within the I-195 District and with the proposed product type</li></ul>	<p><u>Market Feasibility</u></p> <ul style="list-style-type: none"><li>• Market rents for 1-, 2-, and 3- bedroom units are at (or above) the top end of the existing residential market in Providence, especially when leasing incentives, such as free rent (often in the range of 1 to 2 months for 13 to 14 months of lease term) are factored in. RESGroup adjusted market rents for those unit types downward by 5%, giving credit to the high-quality location of Parcels 14 &amp; 15 on the riverfront.</li><li>• While vacancy is in line with the current market, many units will be coming online in the near future. Therefore, RESGroup has adjusted the vacancy rate to 5%.</li></ul> <p><u>Project Readiness</u></p> <p><u>Financial Feasibility</u></p> <ul style="list-style-type: none"><li>• Developer does not include an acquisition cost for the portion of the site currently owned by Brown U. While an agreement with Brown has been reached, some details are still being finalized, such as the Brown parcel acquisition fee. For underwriting purposes, RESGroup estimated a cost of \$600,000.</li><li>• Year 10 exit cap rate of 4.76% appears low for the market, which we have seen range from 5% to 7% for proposals in the I-195 District. It is also 94 basis points below the refinance cap rate in Year 5.</li><li>• If RESGroup assumptions are correct, may result in a financing gap.</li></ul> <p><u>Developer Experience</u></p>

# Residential Demand in Providence

- RESGroup outreach to residential operators in the market found that vacancy rates generally remain strong.
- Residential absorption has been strong, with two of the more recent projects Providence<sup>1</sup> averaging between 9 and 29 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.
- An April, 2023 report by the Rhode Island Foundation indicates that Rhode Island needs up to 55,000 units (especially smaller units) to match demand from 1- and 2-person households.

Project	Vacancy Rate Fall 2021	Vacancy Rate Fall 2022	Vacancy Rate Spring 2023
I-195 Parcel 6	Not applicable	Not applicable	0%
Westminster Lofts	1.5%	0.0%	2.9a
Regency Plaza	0.0%	0.0%	2.0%
Station Row	1.0%	3.6%	5.3%
Nightingale Apartments	2.1%	10.5%	3.0%
580 S Water	Not avail.	Not avail.	1.4%

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%

1. Emblem 125, Parcel 6, and Nightingale Apartments