Financial Assessment Narrative Based on Conditions Assessment 400 Pine and 30/32-Howard

Based on the numbers produced by GVV Architects to renovate the existing structures to accommodate habitability for studio and office space we have found that the numbers make this cost prohibitive.

"R-Warehouse and Vaults"

Based on \$179/sf to renovate the "R-Warehouse" and \$168/sf to renovate "The Storage Vaults" the total cost of renovating these two structures to accommodate studio and office space would be \$1,660,100.

Market rent for these spaces is approximately \$15/sf+ utilities.

There would be approximately 7.600/sf of rentable floor space following renovations. At \$15/sf base rent this equates to \$114,000 gross rental income. Assuming the building is taxed at \$1.6 Million the property tax would be approximately \$44,000. Net operating income (NOI), including just the taxes, no maintenance, management fee, repairs, and common utilities would be \$70,000. This gives us a capitalization rate of 4.2% well below the acceptable 7.5% capitalization rate. When repairs, maintenance, utilities, insurance etc are added to the operations expenses the capitalization rate would likely dip to below 3%.

To calculate the value of this building based off the acceptable 7.5% capitalization rate we divide the NOI by 7.5%. This gives us a ball park market value of \$933,333, **a net loss of \$726,767**. Again, this is a conservative figure as it is based off of an NOI that only takes into account taxes and no other operational expenses.

30 and 32 Howard St. Duplex

Based on \$135/sf to renovate the duplex the total cost of renovating would be \$238,680. Added to the assessed value of \$199,000 this totals \$437,680.

Market rent in Burlington is approximately \$800 per month per bedroom.

Gross annual rental income for this property at market rate rents would be \$38,400. Less the expenses currently with this property and assuming the new property tax amount the NOI would be \$20,343. Again, this gives us a capitalization rate of 4.6%, well below the acceptable 7.5%.

Based on the NOI and using 7.5% capitalization rate, the value of the building is \$271,240 **a net loss of \$166,440.**

The bottom line is for the renovations of these crumbling buildings outlined in the conditions assessment we would have to realize rents that are well above market rate. These numbers also do not reflect the debt service that will be associated with these renovations. Further, the feasibility of even completing the work outlined in the conditions assessment is slim at best. The buildings could easily fail catastrophically during the renovations due to the lack structural integrity.

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