



BLACKBIRD

INVESTMENTS

Dear City Councilors,

On behalf of Jeff Maxwell's development team, I wish to provide additional information in regards to the commercial space contribution to the "gap financing" need presented for the One University Place project.

Information submitted to the National Development Council (herein referred to as "NDC") on May 23rd, 2015 distributed project costs between the residential and commercial portions of the project. This information was used to help explain the relative impact of commercial development on the site, but could not directly answer questions about project financing gap differences between the proposed One University Place with a version of One University Place *without commercial components*.

Using the same information submitted to NDC for cost segregation, we have re-calculated the gap financing need for a project if the commercial-related expenses were not incurred.

Specifically, this analysis relied upon the following:

- Revise south building to eliminate commercial space. Resulting two story building utilizes parking as approved in PUD.
- Site acquisition, paving, grading, utility work, etc. remains the same
- Reduce architectural, engineering, material testing, commissioning, development, brokerage, etc. fees related to the commercial space
- Eliminate commercial rental income and proceeds from commercial condo sales
- Eliminate any commercial tenant contributions towards common area maintenance
- All residential income and residential expenses are unchanged
- Remove the commercial property tax

In total, the total project cost was reduced by approximately \$8,499,092. Bank debt and equity attracted decreased due to the loss of income-generating property (commercial space). The net result is a new "gap financing" need calculated to be \$61,554.

Therefore, the consequence of eliminating the commercial component of OUP and application of conventional building techniques moves the financing gap from \$4,000,000 (in the design reflected in current zoning) to approximately \$61,554.

This analysis captures the economic impact of placing all of the funds required for construction, however it does not address the impact on the residents of the One University Place project. Based on conversations with a market study analyst, residential realtors, and potential buyers of condominium units there is a strong desire for community amenities commonly found in retail developments.

If the commercial space were to be eliminated for the project, we fully anticipate that this will decrease the demand for condominiums. This will increase the period of time that portions of One University Place must operate as rental apartments.

Furthermore, we believe the elimination of commercial amenities at the site will have a negative impact on neighboring land values.



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Regards,

7.14.15

Justin C. Doyle