

St. Francis/Rhodes Property Conceptual Reuse Report

Albany, Oregon

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LIMITATIONS AND USE

Statement of Limitations

Information used to develop the assessments and conclusions contained in this report has been provided by the Owner and gathered through visual inspection of the project site and building. On-site inspections were limited to features that are readily visible, accessible and discernible to the assessor's eye. No materials testing or probing was done. Conclusions were drawn only from obtainable data, and sometimes required assumptions. These assumptions may not be verifiable without additional expense or destruction of materials. This report is unable to address all possible deficiencies, and some areas noted may require additional investigation and more detailed analysis to fully understand the scope of rehabilitation required.

This report is based upon on-site conditions observed and accessible at the time of inspection only. Inspection of hidden or inaccessible areas is not included as part of the assessment, unless specifically noted. This report does not imply any warranty of the site or improvements.

Use of Report

This report has been prepared for the sole use of the party or parties listed as members of the project team for this report. Use by any other party or parties constitutes use without permission, and the authors of this report assume no responsibility for any work generated in this manner.

1. EXECUTIVE SUMMARY



The St. Francis Hotel (left) and the E.H. Rhodes Block (right).

OVERVIEW

This study is the result of a collaboration between the Venerable Group, Inc. and Carleton Hart Architecture to study potential new uses and recommend the next steps for the St. Francis/Rhodes Block Complex in Albany's downtown historic district. Work began with a site visit in April 2013 and concluded with the completion of this report in June 2013.

As the title suggests, the property in question is comprised of two buildings: the E.H. Rhodes Block constructed in 1907 and the St. Francis Hotel constructed in 1912. We concur that these buildings constitute a critical property in Albany's efforts to revitalize its unique and appealing downtown, while strengthening its commercial historic district. The building height, prominent corner location, and position at the midway point of the critical historic stretch of 1st Avenue give it tremendous potential as a catalyst for downtown development.

REPORT FINDINGS

At the outset of this study, we understood there was a high desire for a hospitality use—something which is lacking downtown and could potentially boost the retail economy. We began with a broader survey of potential uses, but concluded that the most viable uses include commercial suites on the ground floors, with hotel and/or market-rate housing on the upper floors.

We found the building to be in fair-to-good condition for its age. As one would expect, its mechanical, electrical, and plumbing systems are out of date and require replacement. Structural upgrades are recommended based on the building's unreinforced masonry construction. Water infiltration issues must also be addressed. Additionally, any work on the building must be sensitive to the building's historic character-defining features.

Rough-order-of-magnitude construction pricing was provided by Greenberry Construction based on conceptual drawings and an outline scope of work. The budget came in just under \$7M, which is approximately \$200/sf. We believe there may be cost-saving opportunities as the program and design are refined.

Development pro formas were generated based on this construction budget. Given current market conditions, they indicate that this project is financially challenged by the high cost of rehabilitation compared to its potential to generate income. This results in a significant funding gap that must be filled. In the absence of improved conditions in the Albany real estate market and/or the ability to achieve significant cost savings in the construction budget, a high level of subsidy and creative funding sources will be required to achieve a project that is financially viable.

We find the economic predicament facing the St. Francis/Rhodes Complex is the case for many critical historic properties across the state, especially those in our Main Street communities. However, we have confidence that through a concerted effort, this property can be successfully revitalized. To do so will require a creative financing strategy, strong local support, and political will.

2. PROJECT DESCRIPTION & CONSIDERATIONS

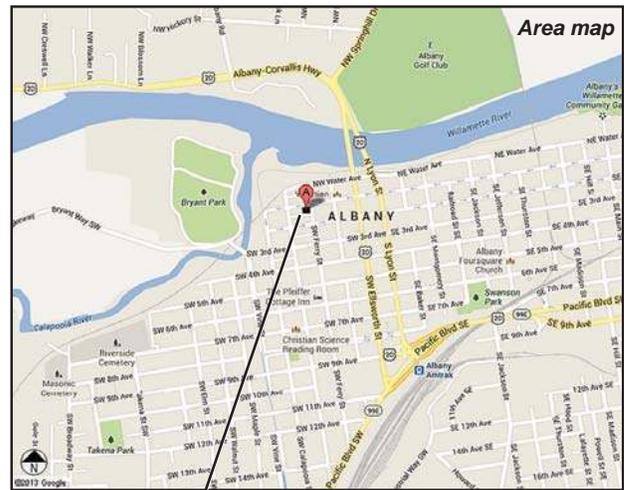
PROJECT DESCRIPTION

The St. Francis/Rhodes Complex is comprised of two important historic buildings located in the heart of downtown Albany. It contains the tallest historic building in the district, and its corner location amongst neighboring restored properties makes this a pivotal site in the continuing success of Albany downtown revitalization efforts. The opportunity presented by the restoration and reuse of the St. Francis/Rhodes property cannot be understated, and would have a transformative effect on Albany's urban development.

Interest in redeveloping the Complex goes back to 1986 when the City of Albany first commissioned a development feasibility study. Since that time, the property has remained underutilized with only the ground floor occupied by the current property owner's printing business. Redevelopment discussions continued through the 1990s and, in 2011, Innovative Housing, Inc. submitted a proposal to turn the building into a mixed-use workforce housing project with four ground-floor retail spaces and 47 apartments. The use of low-income housing tax credits made this a financially feasible project for the developer, but the City's urban renewal board preferred a use more in keeping with the vision of downtown Albany as vibrant retail and cultural district.

Aerial of the project site and environs, with the National Register Historic Downtown Commercial District outlined in red.

In 2012, the St. Francis Hotel was listed as one of Oregon's Most Endangered Places by the Historic Preservation League of Oregon, making available grant funds to study the property for viable uses and set a course toward redevelopment. With many recent downtown renovation successes and a growing interest on the part of the property owners to sell the building and relocate their business, the timing is right to provide a revitalization plan for the St. Francis/Rhodes property.





Aerial image of property site, looking south.

Venerable and Carleton Hart Architecture (CHA) were commissioned to prepare this short, grant-funded study that would fulfill the following:

- Coalesce key due diligence information about the property in one document including descriptions of regulatory issues, site issues, existing building conditions, and areas of historic sensitivity
- Provide recommended reuse concepts with conceptual plans, scope of work, rough-order-of-magnitude hard and soft costs, and potential funding sources
- Prepare next steps and recommendations to chart a path to future development

It is important to note that this report is not intended to be a comprehensive feasibility study or full conceptual reuse plan. The report presents an overview of key information and preliminary financial assessment that can serve as a jumping off point for a potential buyer or other stakeholder party to initiate a more thorough feasibility study at a future date. Important feasibility scope that was not within the purview of this study includes environmental assessment, full conditions assessment including a structural analysis, preliminary meetings with planners and building code officials, detailed contractor pricing, a market study, and so forth.

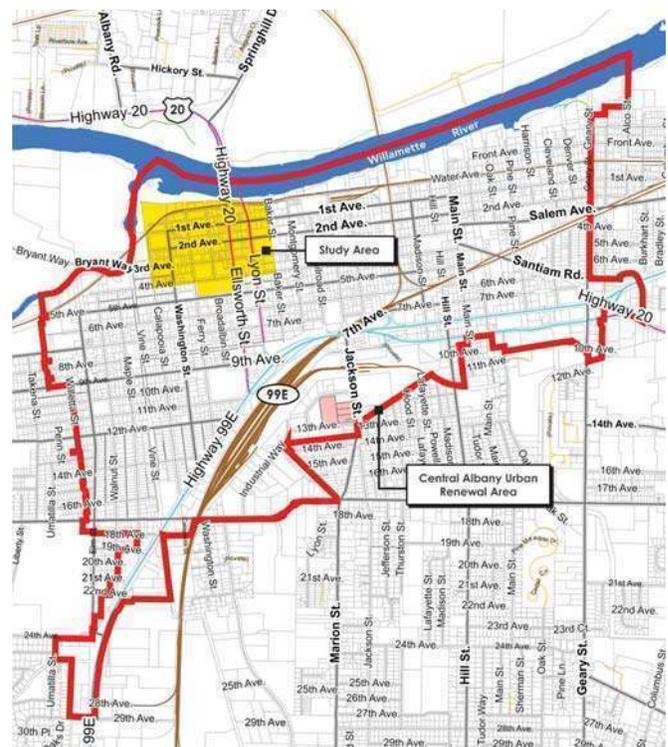
This project kicked off with an extensive building walkthrough on April 26, 2013. Participants included Jessica Engeman (Venerable), Paul Falsetto (CHA), Scott Thorne (owner), Marc Manley (local developer), Rich Catlin (Reece & Associates), Cody Timmins (Greenberry Construction), and Bill Ryals (architect for IHI's concept).

In addition to those listed above, we met with or had correspondence with Oscar Hult (ADA), Kate Porsche (City of Albany), Greg Goracke (Greenberry Construction), Anne Catlin (City of Albany), Julie Garver (IHI), and Brian Faherty (Commodore Hotel developer).

HISTORIC CONSIDERATIONS

Rehabilitation of the St. Francis/Rhodes Complex will be subject to one or more design review processes. Exterior alteration must be reviewed by Albany's Landmarks Advisory Commission. This review does not include any interior elements. The application fee to commence this process is currently \$39. If the new owner/developer pursues the federal Historic Tax Credit or Special Assessment programs, the project will be subject to review of alterations to both the exterior and interior.

A number of building components have been identified that are character-defining to the properties and will be of interest to historic design review bodies. These are described in greater detail in Section 4 – *Preservation Treatment*, with recommended treatment strategies that were vetted with SHPO at a conceptual level during the preparation of this study.

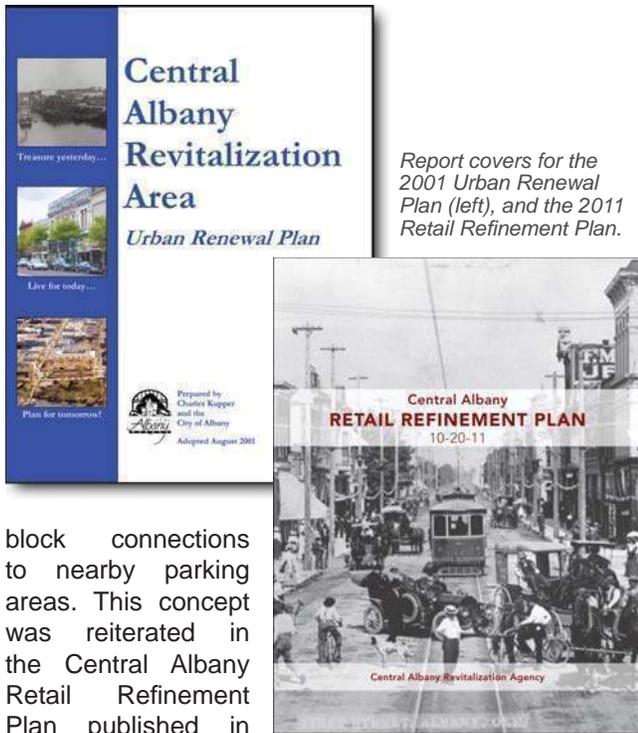


Central Albany Urban Renewal Area.

URBAN DESIGN AND REGULATION

Urban Revitalization

The St. Francis/Rhodes Complex is located within the Central Albany Renewal Area. An urban renewal plan developed by the Central Albany Revitalization Agency (CARA) in 2001 calls for a new urban piazza at 1st Avenue and Ferry Street, directly across from the Complex. This was termed the "Heart of Albany," and was anticipated to become a key downtown open space with mid-



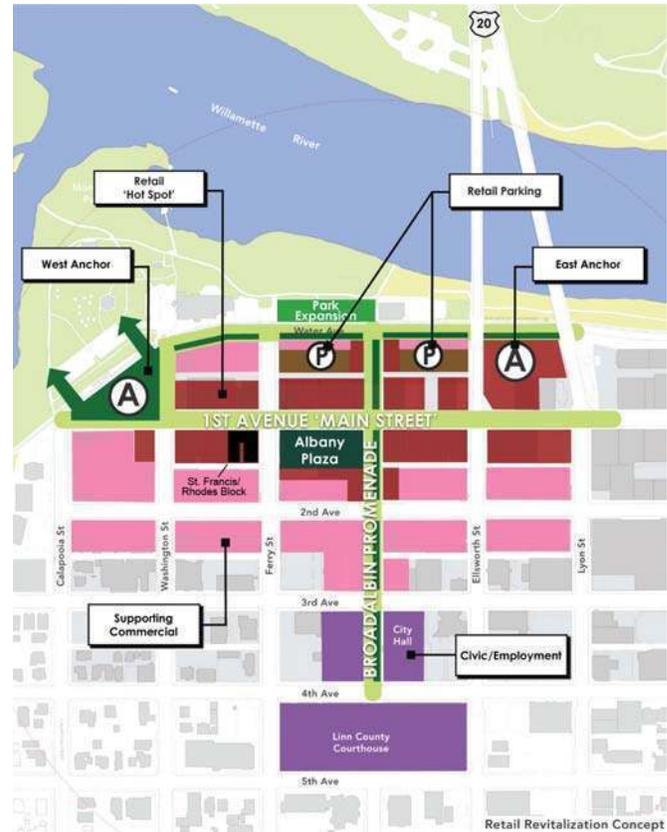
Report covers for the 2001 Urban Renewal Plan (left), and the 2011 Retail Refinement Plan.

block connections to nearby parking areas. This concept was reiterated in the Central Albany Retail Refinement Plan published in 2011, which renamed it the Albany Plaza and describes it as the heart of the retail “hot spot” that supports day and evening activities. The realization of this Plaza would have a very positive effect on all uses located within a redeveloped St. Francis/ Rhodes project.

Land Use and Zoning

The St. Francis/Rhodes Complex is located within the Historic Downtown District (HD zone), which is identified as a mixed use zone designated for a variety of uses with emphasis on food service, entertainment, and specialty retail. Second-floor residential use is encouraged with the goal of providing a more constant vibrancy to the district, along with a solid customer base. The Complex is located within the Downtown Parking Assessment District and is not required to provide off-street parking. More specific information on the zoning and land use allowances can be found in the Albany Development Code: (<http://www.cityofalbany.net/departments/community-development/development-code>).

The HD zone is so named because it encompasses the Downtown Commercial Historic District, which was listed in the National Register of Historic Places in 1982 (NRIS# 82001509). The District has a high level of historic integrity, with 79 of the 97 properties ranked as “Historic Contributing.” Both of the buildings that comprise the St. Francis/Rhodes Complex are designated individually with the status of “Historic Contributing,” allowing them to be eligible for historic preservation tax incentives.



Retail Revitalization Concept from the 2011 Retail Refinement Plan, showing the proposed Albany Plaza.

Building Code

The upper floors of the two buildings within the Complex have not been formally occupied for years. To regain official approval of use, it is expected that the City of Albany’s Building Division would require upgrades to the fire and life safety systems, as well as improvements to the accessibility accommodations.

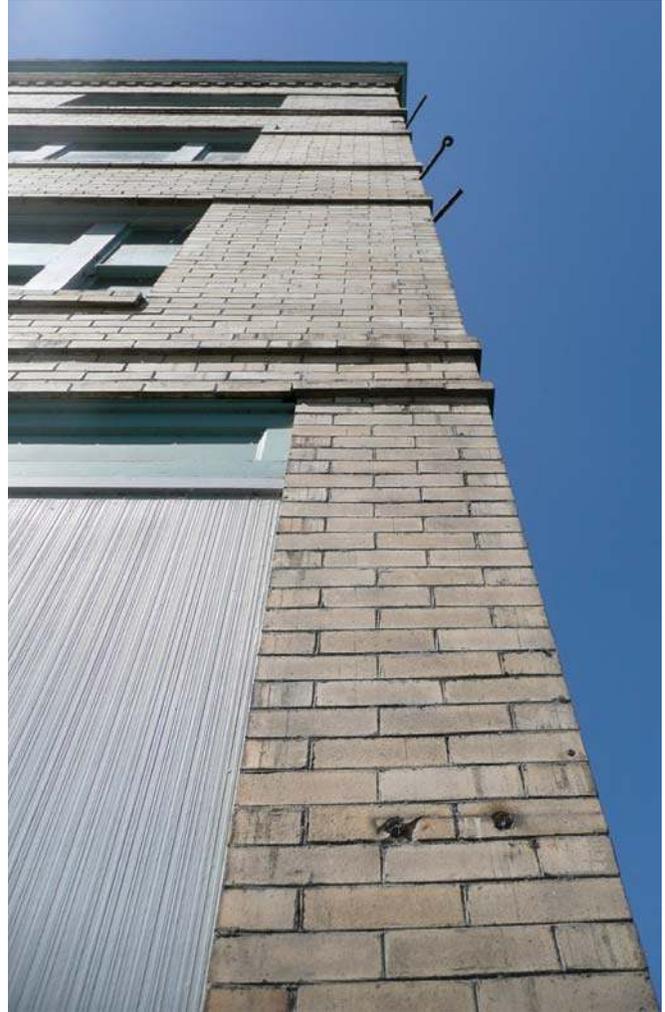
The creation of two compliant methods of egress (stairs) will be required from the upper floors, and spaced the required distance apart from each other. Providing a comprehensive fire suppression system will provide a high level of protection for the property and its occupants, and allow a reduction in certain code requirements. Fire rated separations will be required between the various occupancy use categories, which are anticipated to be business (B) or restaurant (A-2) uses on the ground floor, and hotel (R-1) and/or apartments (R-2) uses on the upper floors.

To achieve compliance with code accessibility requirements, an elevator to the upper floors must be provided. Areas that the elevator does not reach are to be designated as redundant spaces, with no special uses that are not replicated elsewhere in the complex. Handrails and operation hardware also must comply. A certain number of residential units are to be designed as ADA units, with the remaining to be adaptable to ADA

standards.

It appears that both buildings are of unreinforced masonry construction, which is particularly vulnerable to damage in a seismic event. If the buildings are reused in a manner equivalent to its original designed use (commercial on first floor, residences above), then it should not trigger a full seismic upgrade. The Building Code Official will confirm this understanding and will enforce the caveat that the restored building is to be no more hazardous than the existing building. With any renovation project, there is always the opportunity to provide structural strengthening and these opportunities are discussed further in the description of proposed renovation work in Section 4 – *Buildings Systems*.

It should to be mentioned that the existing basement floor-to-ceiling height might be considered too low to allow general use. This issue could possibly be appealed, or if an appeal is unsuccessful, the floor might have to be lowered to conform with height requirements.



The buff brick used at the street-facing elevations of the St. Francis Hotel (right), and the alley elevations of the St. Francis (with white paint) and the Rhodes Block.

3. PROPERTY DESCRIPTION



OVERVIEW

The St. Francis/Rhodes Complex is comprised of two separate buildings that are connected through a limited number of openings. The oldest building is the E.H. Rhodes Block, built in 1907 and standing two stories tall. The newer building is the St. Francis Hotel, commissioned by William Rhodes, designed by noted Albany architect Charles Burggraf, and completed in 1912. This building stands four prominent stories tall. Each individual building will be described separately in the sections following, though in program and conceptual design they will be treated as a single complex.

GENERAL SITE AND CONTEXT

The St. Francis Complex is located on the southwest corner of 1st Avenue West and SW Ferry Street, on a parcel that is 1/6th of an Albany block. An asphalt-paved alley bounds the southern edge of the site. Historic properties of similar vintage surround the Complex, though the St. Francis Hotel stands out as the tallest of the adjacent properties with its prominent corner location.

On-street parallel parking is available on all streets surrounding the Complex. Across Ferry Street is a parking lot for Wells Fargo Bank, with mature deciduous trees located where the property abuts the sidewalk.



The St. Francis Hotel (marked with arrow) as viewed from the north, with its notable height as compared to the surrounding historic buildings.

DESCRIPTION OF BUILDINGS

E.H. RHODES BLOCK

General Information

Address:	410 1st Avenue West
Date of Construction:	1907
Style:	Commercial (National Register Nom.)
Size:	Basement unexcavated
	1st Floor 5,024 gsf
	Mezzanine 2,400 nsf (approx)
	2nd Floor 4,289 gsf

Description

The E.H. Rhodes Block is a two story brick structure located mid-block, fronting 1st Avenue. The brick walls are configured in a common bond pattern with a header course every seventh coursing, suggesting a structural system of unreinforced masonry. The brick has been painted a beige color at its north elevation. A series of projecting brick courses constitutes a simplified frieze, at the center of which is a plaque displaying the name of the building and its date of construction. The alley façade is comprised of unpainted red brick.

The first story is tall enough to accommodate a mezzanine within, and at the exterior is terminated with a belt course. The storefront has been extensively altered with wood paneling covering the upper portion and a newer window and door system below. The door locations appear to be original, providing entrance into two commercial bays. The east door has a wider and deeper alcove than the west door.

There are six wood windows at second floor in a one-over-one configuration with brick sills. Metal lintels support the window head and are covered by a simple flat header.

The building's roof is low-sloped and drains to the southwest corner. A membrane covers the roof, which is fairly new and in good condition. The low height of the parapet wall suggests an attic space above the second floor. There is a west light well that is currently enclosed, an east light court located immediately adjacent to the St. Francis Hotel, and various other skylights. Ribbed metal panels clad the walls of the light court.

The interior contains areas of pressed tin ceiling on the ground floor, lath and plaster walls and ceilings on the second floor (in very poor condition), stained and varnished wood trim, and wood floors.



Main elevation of the Rhodes Block, facing 1st Avenue.



Interior of the first floor commercial space.



Tin ceiling, as viewed from mezzanine.



1980 image from the National Register Nomination, when the Rhodes Block contained a bicycle shop.



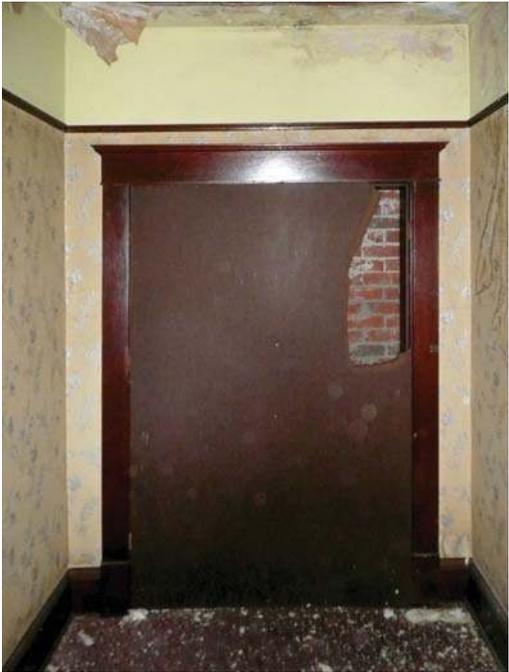
Alley elevation.



Second floor room facing 1st Avenue.



Rhodes Block roof.



Example of hallway finishes, and a former opening.



Light court roof and sheet metal wall cladding.

ST. FRANCIS HOTEL

General Information

Address: 406 1st Avenue West
Date of Construction: 1912
Style: Commercial (National Register Nom.)
Size:

Basement	4,600 gsf
1st Floor	5,250 gsf
2nd Floor	5,250 gsf
3rd Floor	5,250 gsf
4th Floor	5,250 gsf

Description

The St. Francis Hotel is a four-story brick structure located at the corner of 1st Avenue West and SW Ferry Street. The buff-colored brick at the street elevations is configured in a common bond pattern, with the upper floors showing interspersed bricks placed in a header orientation. This is likely a brick veneer attached by metal connectors to the structural brick wall behind. Brick string courses define the top and bottom of upper story windows. A course of dentils with rows of corbelled brick embellish the frieze, which is capped with a sheet metal cornice. The cornice appears to have been added, as none is evident in a 1918 photograph.

The alley façade is of painted brick with a header course provided at every seventh course, indicative of a structural system of unreinforced masonry. The west wall facing the Rhodes Block is brick with a parge coating.

The storefront has been extensively altered and infilled with wood panels. This alteration contrasts with a 1918 image showing a heavily glazed storefront system with a large entry for the commercial space on 1st Avenue.

The Ferry Street elevation has a metal canopy suspended with chains attached to the brick wall. This is the location of the original hotel entry, but no such canopy was present in the 1918 image. An original fire escape is still extant at the south end of the east elevation.

Windows are wood, one-over-one, with three windows per opening in a Chicago School configuration, comprised of a large center window flanked by narrow ones.

The building's roof is low-sloped and drains to the southwest corner. A roofing membrane that is fairly new and in good condition covers the roof and extends up the inner face of the parapet wall.

The first floor interior retains its original tile floor at the hotel lobby and its tin ceiling above. Wood floors are found elsewhere. Cast iron columns continue to support wood beams along the building's storefront perimeter.

The upper floors contain lath and plaster walls and ceilings, stained and varnished wood trim, and wood floors. Corridor wood doors are 3-panel doors with glazed transoms above.



Main elevations of the St. Francis Hotel.



Alley elevation.



Detailed view of a Chicago style window.



The St. Francis, circa 1918, showing the original storefront configuration.



A hotel room showing typical finishes.



A typical hallway.



The main stairway.



View of hotel lobby, c. 1915, showing original storefront, tin ceilings, tile floor, and wood wainscot.



The area of the former hotel lobby, in its current condition.

HAZARDOUS MATERIALS

No information was provided regarding the presence of hazardous materials, but it is safe to assume that lead paint and asbestos-containing materials are present. Surfaces painted before the late 1970s will likely contain lead and would include the paint on the tin ceiling panels. Sheet or composite tile flooring could contain asbestos in either their base materials or in the mastic used for installation. Hazardous materials associated with the basement boiler and the print shop may also be present. It is strongly recommended that a full investigation of hazardous materials be conducted before any renovation process commences.

4. PROGRAM, RENOVATION PLAN & COST ESTIMATE

OVERVIEW

Many uses were considered at the outset of this study. Ultimately, housing and hospitality combined with ground-floor retail/commercial were considered the most viable of uses based on Albany's stated goals for downtown. These uses also tend to work most directly with each building's original configuration of spaces. However, it is worth briefly discussing the other uses contemplated and the reasons why they were not pursued.

USES REVIEWED BUT NOT PURSUED

Commercial Office, Medical Office Building, and Higher Education

The St. Francis/Rhodes floor plate would work well for small offices. As discussed later in Section 4 – *Preservation Treatment*, the double-loaded corridor would need to be retained if preservation incentives such as historic tax credits are to be utilized. This would make it challenging to re-purpose the building for larger office users desiring an open plan.

Commercial office is also likely the least expensive new use in terms of construction costs; however, current vacancy rates in downtown Albany indicate that the market is not strong for this use type. Furthermore, bank financing will be difficult to procure in the current market without substantial preleasing—a challenging feat when the product is small office.

Parking is an important consideration; however, of all the use types, small office may have the lowest demand for guaranteed parking. Building users are likely to be satisfied parking in a nearby surface lot and clients can use on-street parking.

While we understand the Samaritan Albany General Hospital is in need of space, medical office building was ruled out for further study at this time because:

- 1) the lack of ADA-accessible adjacent parking;
- 2) the demands for re-programming the building for efficient medical use will likely result in a significant loss of interior historic character thereby precluding the use of historic incentives; and
- 3) the demands of a medical office building in terms of upgrades and modernization would likely result in construction costs significantly higher than other use types.

Further discussion related to parking needs from the hospital and possible parking solutions from the City could resolve Issue #1. Issues #2 and #3 could be resolved based on a better understanding of required work scope, construction costs, and income potential.

Higher education was also not pursued in this study for



Properties in the Historic District along 1st Avenue.

many of the same reasons as the medical office building, especially the impact of the re-programming on the building interior. That said, if a local college or a private institution had an interest in a downtown satellite campus, this use would bring significant numbers of people to downtown. Nearby parking would be essential; however, adjacency would not likely not be required.

Lastly, we felt that all three of these commercial uses were not as well aligned with Albany's goals for creating a downtown retail/cultural district as hospitality and housing. Given the potential challenges associated with small office, medical office building, and higher education use, we moved on to explore other compatible uses.

Condominiums

Owner-occupied housing would certainly enhance the downtown Albany's economy, bringing higher-income residents who would patronize local restaurants and shops. There are many aspects of the St. Francis/Rhodes Complex that lend itself to condo use: the excellent natural light; views from the fourth floor; and the one-of-a-kind historic character of the interior. However, there are also some significant barriers to condo use. Parking is one of the biggest, as condo owners typically expect adjacent, secured parking that is directly accessible to the building. Additionally, the second floor poses limitations for condo use with its many spaces that only have lightwell-facing windows. It is possible this could be overcome by including a different use—such as hospitality or office—on the second floor.

Additionally, not only is the condo market still in a slump with financing being difficult, if not impossible, to procure, but the condo market in downtown Albany is largely untested. Back-of-the-napkin calculations suggest that condo development costs would necessitate listing prices far outside what is currently supportable in the market. Condos would also preclude the use of the federal historic tax credit—another factor that further decreases

financial feasibility. That said, there have been many instances in Venerable’s experience where no market existed for a one-of-a-kind product until we created that product. Nonetheless, condos do not appear to be feasible at this time.

Workforce Housing

As a part of this study we reviewed the concept and budget prepared by Innovative Housing, Inc. in 2011. Programmatically, the reuse concept works well with the building and would ensure the eligibility for historic preservation incentives. We understand the reasons why CARA did not approve this project. However, the addition of low-income housing tax credits fills a significant financing gap (\$6.8M) that, at this time, cannot be made up for with the higher income generated in other reuse schemes.

Parking at the Rhodes Block

We were asked to look at the feasibility of providing some adjacent parking on the ground floor of the Rhodes Block, accessed from the alley. This strategy presents many challenges.

First, columns that are needed to carry the structural load of the floor above will create parking inefficiencies and allow for a handful of parking stalls. To increase efficiency and the number of stalls, expensive structural measures will be required to reduce the number of columns.

The financial feasibility of providing parking in the building is further confounded by the fact that one is giving up leasable square footage and future revenue in order to obtain parking stalls that will generate little income.

As discussed in the next section, we believe there are uses for this property that do not require adjacent, secured parking. The high cost to build this parking in the Rhodes Block along with the loss of rental income does not make interior parking a viable strategy for the property.

PROPOSED USES

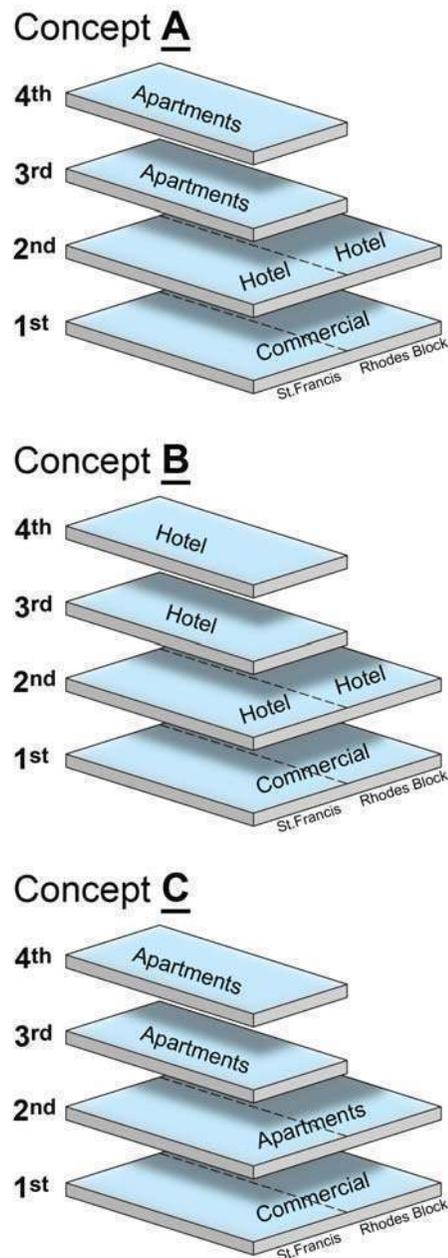
Mixed-Use Hospitality and/or Market-Rate Housing

A hospitality use is highly desired for downtown Albany as a means of enhancing the retail and restaurant economy, as well as other tourist attractions. Albany currently has no downtown hotel and no boutique/historic hotels elsewhere in the town, as many of the historic hotel buildings have been demolished. Surprisingly there is only one historic bed-and-breakfast in this town that boasts three historic districts. It is four blocks from the St. Francis/Rhodes Complex and has only two rooms. The nearby town of Corvallis also has no historic/boutique hotels and only has three historic bed-and-breakfasts. Although the scope of this report did not include a market

study to determine hotel demand in Albany, as an initial observation, Albany seems under-served by the type of hotel accommodations that appeal to tourists interested in heritage and cultural offerings.

Hotel use is ideally suited to the St.Francis/Rhodes Complex due to the double-loaded corridor layout. Although some reconfiguration and the addition of private baths will be required, the existing layout can be substantially reused. This allows for the maximum retention of historic fabric, thereby maximizing eligibility for historic incentives and minimizing demo and reconfiguration costs.

A single baseline concept with floor plans (Concept A) was prepared for this study, with two additional concepts (B & C) that can be extrapolated from the Concept A plans.





Separate pro formas are presented for each concept and described in Section 5. Existing and proposed floor plans are provided at the end of this section.

Concept A contains ground-floor retail, 20 hotel rooms, and 14 market-rate one-bedroom apartments. **Concept B** assumes ground-floor retail and 40 hotel rooms. **Concept C** assumes ground-floor retail and 29 apartments.

Consistent across all concepts are four or five commercial retail spaces on the ground floor:

- Commercial Suite A is 1,486 sf and accessed from Ferry Street. This suite would also have direct access to the alley for deliveries and garbage removal.
- Commercial Suite B is 2,234 sf and could be demised into two smaller spaces—one with an entry on Ferry and one with entry on First Avenue. These suites will be highly desirable at this prominent corner with substantial natural light with beneficial solar orientation afforded by the new storefront glazing.
- Commercial Suite C is 2,025 sf plus a 614 sf mezzanine and is entered from First Avenue. With its 18-foot ceilings, original wood floors, and decorative tin ceiling, this space is ideally suited as a restaurant. The conceptual design includes adding skylights at the lightwell roof, bringing natural light to the center of the building. This suite would have direct access to the alley for delivery and garbage removal.
- Commercial Suite D is 2,375 sf plus a 681 sf mezzanine. This suite would also have direct access to the alley for delivery and garbage disposal.

While Commercial Suites C and D are perhaps larger than the ideal retail floor plate for downtown Albany's current market, the mid-block location of the Rhodes building does not lend itself to further ground-floor demising.

While further market study should be sought to draw firm conclusions, our study of this building leads us to support hotel or hotel/housing mixed use. However, it is important to keep in mind that many hoteliers who operate brand boutique hotels require at least 70-80 rooms and therefore the Complex may not be appealing to developers representing that particular market. Furthermore, it is unclear based on the limited scope of this study whether there would be sufficient demand in Albany for the maximum 40 rooms that the building could offer, though we understand that events in Corvallis often result in overflow to Albany hotels. On the one hand, a 20-room hotel with ground-floor retail and two floors of housing provides a diversified income stream and may be the less risky venture. However, if there is sufficient demand, increasing the number of hotel rooms would result in more of a landmark facility with improved economies of scale and the potential to generate more revenue than market-rate housing.

In Concept A, the hotel and apartment uses would share a common lobby entered off of Ferry Street. The lobby is modest in size to maximize leasable sf on the ground floor. Security between floors would be controlled by key cards and elevator passcodes. Check-in could occur at the ground-floor lobby or on the second floor. The room sizes are generous and many rooms are suites. In many instances, this is dictated by the fenestration and the need to have a window in each hotel room.

In Concept A, we were not envisioning the 20-room hotel as a high-amenity facility. We have taken a conservative approach and made programmatic decisions that would be in keeping with hotel operations based on the goal of keep overhead low. One solution is an on-site manager who would assist guests with check-in/check-out, supervise housekeeping, and also respond to apartment tenant issues. For a full-scale hotel such as that shown in Concept B, operations would be traditional with a higher level of service and amenities. There would also potentially be more opportunities to carve space out of the commercial suites for banquet and meeting rooms.



Restored and ornamented hallway within McMenamin's Hotel Oregon.

FOCUS: SMALL TOWN HISTORIC HOTELS IN OREGON

McMenamin's Hotel Oregon, McMinnville

42 European-style rooms; some with private baths

\$60 - \$145/night

This recently-renovated hotel is located in McMinnville's historic downtown. Wine country tourism is a significant draw. The hotel features a restaurant, cellar bar, and rooftop bar. There is no parking associated with the hotel; however, there is a free parking garage two blocks away.



Old St. Francis School, Bend

19 rooms with private baths + four cottages

\$125 - \$185

This 1936 Catholic schoolhouse is located in downtown Bend. Renovated in 2004, it is now a destination hotel complete with classrooms that have become lodging rooms, a pub, brewery and bakery, a movie theater, private meeting and event space and a soaking pool. The hotel has a dedicated parking lot.



Elliot Hotel, Astoria

32 rooms and suites

\$119 - \$219/night

This historic hotel was renovated in the early 2000's and transformed into a high-end boutique hotel. Amenities include a wine bar, conference room, and rooftop terrace. Street parking only, or free surface lot around the corner.



Working Girls Hotel, Pendleton

5 rooms with private baths

\$75 - \$95/night

This hotel is a 1890s bordello in downtown Pendleton, restored in 1991. Rooms feature hardwood floors, 18-foot ceilings, exposed brick walls, air conditioning, and large bathrooms. No dedicated off-street parking.



Commodore Hotel, Astoria

20 rooms (8 with private baths; 8 facing lightwell)

\$79 - \$159/night

This historic hotel was built in the 1920s and rehabbed in 2009. It is a "designer" hotel with amenities and a hip aesthetic similar to the Ace Hotel in Portland. Some rooms are extremely small. On-street parking only; no hotel lot.



Geiser Grand Hotel, Baker City

30 rooms with private baths

\$79 - \$249/night

This National Register building was restored in 1993. The four-star hotel features a high-end restaurant and multiple meeting and banquet rooms. Free off-street parking is located across the street.

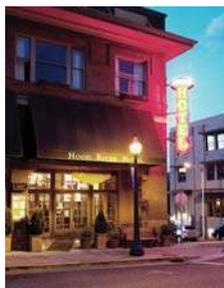


Hood River Hotel, Hood River

41 rooms and suites

\$99 - \$234/night

Located in downtown Hood River, this National Register-listed building was rehabilitated in 1988. Rooms have private baths and air conditioning. The hotel has facilities for meetings, banquets, and weddings. There is a fitness/spa facility and a rooftop garden. Parking is on-street. Hotel provides overnight parking passes for \$5.



Union Hotel, Union

15 rooms with private baths

\$65 - \$119/night

This hotel has its own parking lot.





The amount of glass storefront (and lack of walls) at the first floor constitute a structurally weak “soft story”.

However, it must be kept in mind that downtown Albany already has several well-appointed meeting rooms in other buildings and consideration should therefore be given as to whether such rooms are actually warranted in this hotel.

As part of this study we looked at historic downtown hotels across a range of smaller towns in Oregon. Of those surveyed, all had less than 50 rooms. It is important to keep in mind that many of these towns, including Astoria, Bend, Hood River, and McMinnville, have broad tourist appeal, drawing visitors interested in wine tasting, heritage, museums and other cultural activities, outdoor recreation, and magnificent natural settings. While we believe Albany’s revitalizing downtown, the proposed new Historic Carousel and Museum, and the River Rhythms Summer Concert series position this town to become a more of a tourist draw, it remains uncertain whether it could consistently attract enough visitors to support a 40-room downtown hotel at this time. However, the lack of historic/boutique accommodations in Corvallis further bodes well for a historic hotel in Albany to capture heritage-minded tourists who come to Corvallis for Oregon State University events and football games.

Related to the parking situation, the lack of adjacent parking controlled by the building ownership may become a greater problem at the higher room counts. That said, most of the other small-town hotels surveyed do not provide parking. They tout ample street parking and free or inexpensive nearby lots. We believe a 40-room hotel in downtown Albany should have a dedicated hotel loading zone and some master-leased surface parking lot spaces, which we have accounted for in the pro formas. The planned parking garages in Central Albany Retail Refinement Plan are also just two blocks away and may be convenient enough for tenant use.

BUILDING SYSTEMS

The St. Francis/Rhodes Complex has been largely vacant for many decades and its building systems are in need of intensive upgrade work to conform to current codes

and make ready for reuse. It is anticipated that entire mechanical, electrical, and plumbing systems will need to be removed and fully replaced. The new electrical system is to be 3-phase to allow for elevator operation. A new five-stop elevator is to be retrofitted in the existing elevator shaft.

A mechanical system will need to be devised that allows for separate controls for each commercial suite. Residential rooms on the upper floors are to be provided with cooling. The entire complex will be fully sprinkled.

The existing stair is to be removed and replaced with one that complies to egress codes. A second stair would need to be constructed at the south of the complex, providing a second point of egress from the upper floors.

Complete new roofs are to be provided at both buildings with new plywood underlayment.

Select structural upgrades are proposed in this study, even if not required by code. These upgrades help protect the lives of the occupants and the significant investment being made in the building. A new steel moment frame is projected for the first floor storefront areas of both buildings, extending down to new footings and up to the underside of the second floor. This provides reinforcement to the more open areas of the first floor that currently constitutes a “soft story.” Shotcrete is to be applied to select first floor masonry walls, providing additional shear capacity. Upper floors with their diagonal board sheathing constitute a structural diaphragm and are to be connected at their perimeter to the exterior walls. At the roof level of both buildings, a plywood diaphragm with a structural nailing pattern is to be installed. The parapet walls of the St. Francis Hotel are to be braced back to structure.

While we recommend voluntary seismic upgrade measures, this is one area to explore when considering how to shave costs from the construction budget.

PRESERVATION TREATMENT

New Storefronts

Historic photo documentation of the building’s original exterior appearance exists and therefore should be the basis for any new storefront design. The bulkhead, mullions, and muntins should replicate the originals as close as possible in profile, dimensions, and material



The original blade sign for the St. Francis Hotel.

(painted wood). The concept plans included in this study show a second entry on the Ferry Street elevation. While not original, we believe this is an approvable modification and provides a welcomed connection to this key pedestrian thoroughfare.

Exterior Brick Maintenance

The brickwork for both structures will need to be cleaned and repointed. Areas where paint has been applied are to be tested for ease of removal. If it is determined that removal will damage the weather face of the brick, the paint is to remain. No sealers are to be applied to exposed brick without consent from the historic review agencies. All extraneous hardware and connectors are to be removed and any damaged brick replaced with in-kind masonry units.

Windows

The majority of the windows on the north and east elevations are in good condition for their age and most remain in their unpainted condition on the interior. These windows should be refurbished back to good working order. Replacement would be a historically incompatible strategy and will not be approved by the various historic review bodies. Original windows on the south and west elevations are in poor condition. Replacement is recommended with a historically compatible aluminum-clad wood window.

Blade Sign

Restoration of the blade sign would not be required as a part of historic design review, but is highly recommended towards enhancing the historic branding and landmark quality of this important corner building in Albany's downtown. The sign is currently stored at the light court and will need to be refurbished and reattached with structurally-engineered connections.

Interior Plan

The interior plan of a historic building can be a significant



Tin ceiling in the original lobby of the St. Francis Hotel.



Stair from first floor lobby to the second floor.

character-defining feature. Hotels in particular are a building type where the double-loaded corridor layout is essential to its historic significance. SHPO/NPS review will require that the corridors on floors 2-4 be retained. The historic appearance of the corridors will need to be preserved, including unpainted doors and trim, transoms, picture rail moldings, and baseboards. Historic hotel rooms may be joined to create larger spaces. The ground-floor space provides greater flexibility and could be demised into multiple commercial spaces. It would be beneficial to preserve a sense of continuity of the original large hotel lobby with glazing, even if separation walls between uses are required.

Tile Floor

Efforts must be made to retain the historic tile floor along the north side of the building's ground floor in the historic lobby area. Areas of cracked or missing tile should be replaced with like-kind material or an epoxy filler.

Tin Ceiling

The pressed tin ceiling on the ground floor of both buildings is an important character-defining feature. Efforts should be made to conceal new utilities above the tin ceiling. This likely necessitates careful removal of the ceiling, dipping the tin panels to strip them of lead paint, and reinstalling them potentially to the underside of new ceiling framing that provides an interstitial space for the routing of utilities.

Staircase

Removal of historic/original staircases are often restricted in historic design review projects. The stair in this building has many challenges associated with it from a code perspective, in particular, the low ceiling height. Additionally, the stair is architecturally unassuming and historic photos indicate it was not a focal point of the lobby, as the elevator was considered the main system of transport between floors. All of these factors combined make for favorable conditions to propose a new stair that meets code and is historically sensitive. Reuse of historic fabric would be desirable, including newel posts and handrails. Further discussions with SHPO on this issue would be required as designs are refined.

Plaster Walls and Wood Trim

The walls throughout the two building are lath and plaster with condition ranging from good to very poor. It can be safely assumed that they are covered in lead-based paint. While wholesale removal of historic plaster walls is not typically recommended, there are reasons why this strategy may be necessary on this project. First and foremost is the fact that hospitality and housing uses necessitate the installation of acoustic insulation within all walls. Removing the lath and plaster is required to achieve these optimal insulation levels. Second, rewiring and replumbing activities necessitate the opening of large percentages of the walls. This will be much more efficient with all lath and plaster removed. Lastly, removal of the plaster is the most cost-effective lead abatement strategy. All historic trim would have to be carefully removed, its location noted, and ultimately reinstalled. SHPO's primary concern is altering the relationship between the wall and the trim when the lath and plaster is removed and gypsum board is installed directly to the wood studs. This can be addressed through the use of metal studs that will insure that the new sheathing is installed in the same plane as the plaster.

CONCEPTUAL COST ESTIMATE

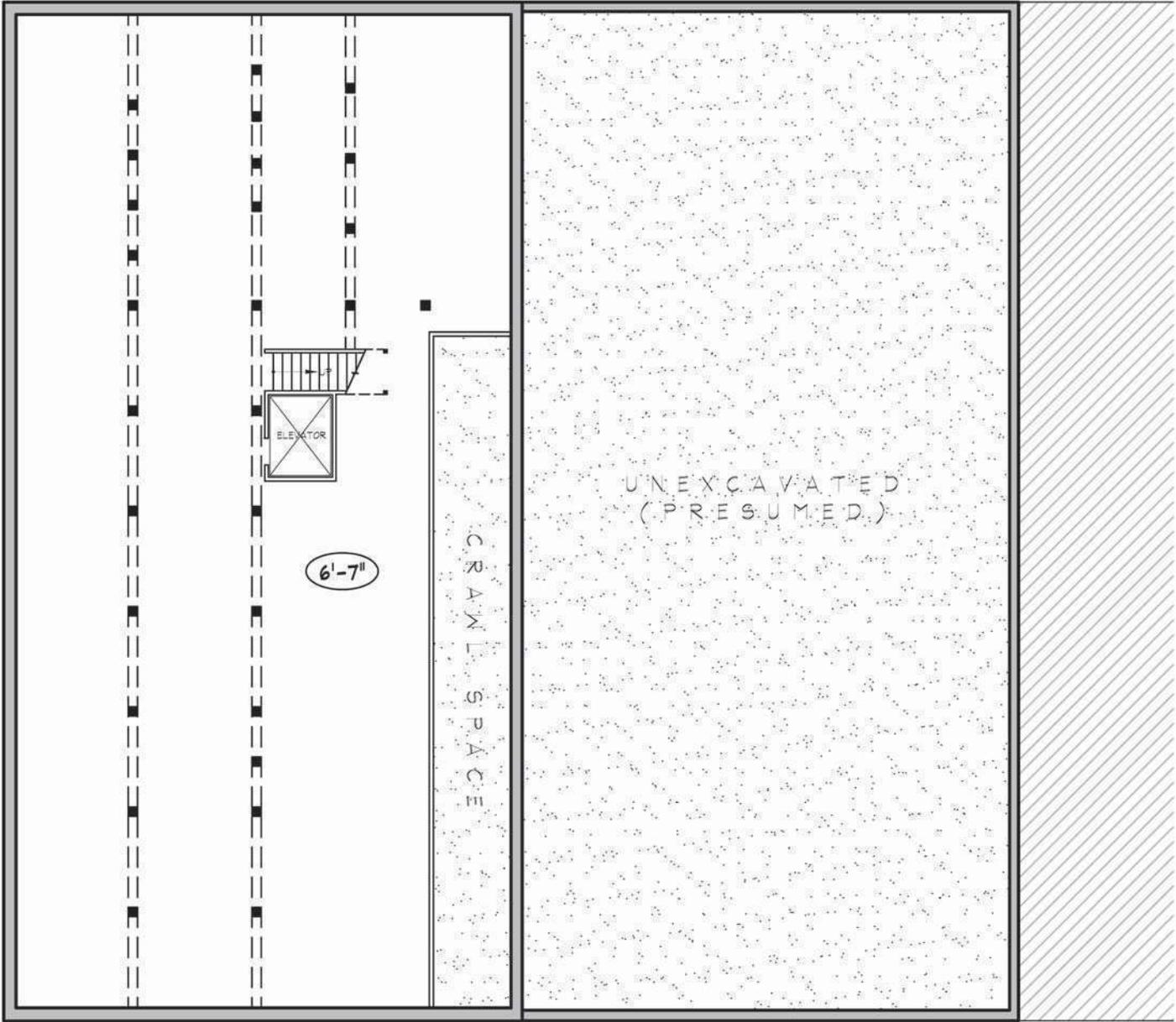
The plans and scope of work for the St. Francis/Rhodes rehabilitation were provided to Greenberry Construction for conceptual pricing as a part of this study. They priced Concept A, which includes both hotel and housing. Their project budget is included in Appendix A of this report.

Total costs for the project were estimated at \$6,980,971, equating to just over \$200 per square foot. The estimate is very similar to the one IHI procured from Walsh Construction in 2011. Major drivers of cost include the new mechanical, plumbing, and electrical upgrades; structural upgrades; and interior finishes.

At this early conceptual level of analysis we believe it is important to not focus too specifically on one number. It may be more appropriate to consider a range of

EXISTING AND PROPOSED FLOOR PLANS

On the following pages are the existing floor plans, with the proposed floor plan layout for Concept A immediately opposite. Please note that floor 3 in the St. Francis is assumed to be similar to floor 4.



6'-7"

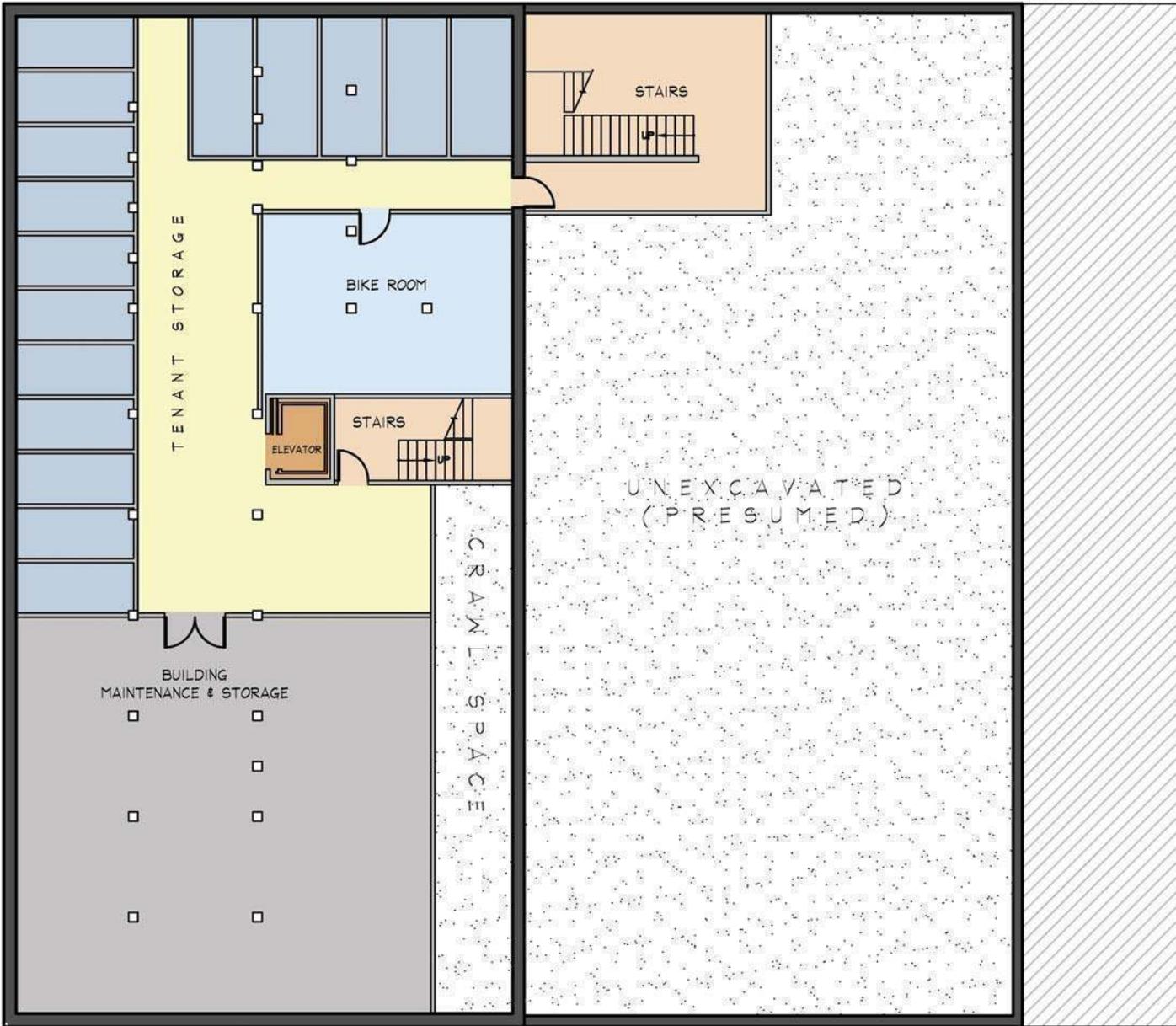
CRAWLSPACE

UNEXCAVATED
(PRESUMED)

BASEMENT FLOOR PLAN - EXISTING

Scale: 1/16" = 1'-0"

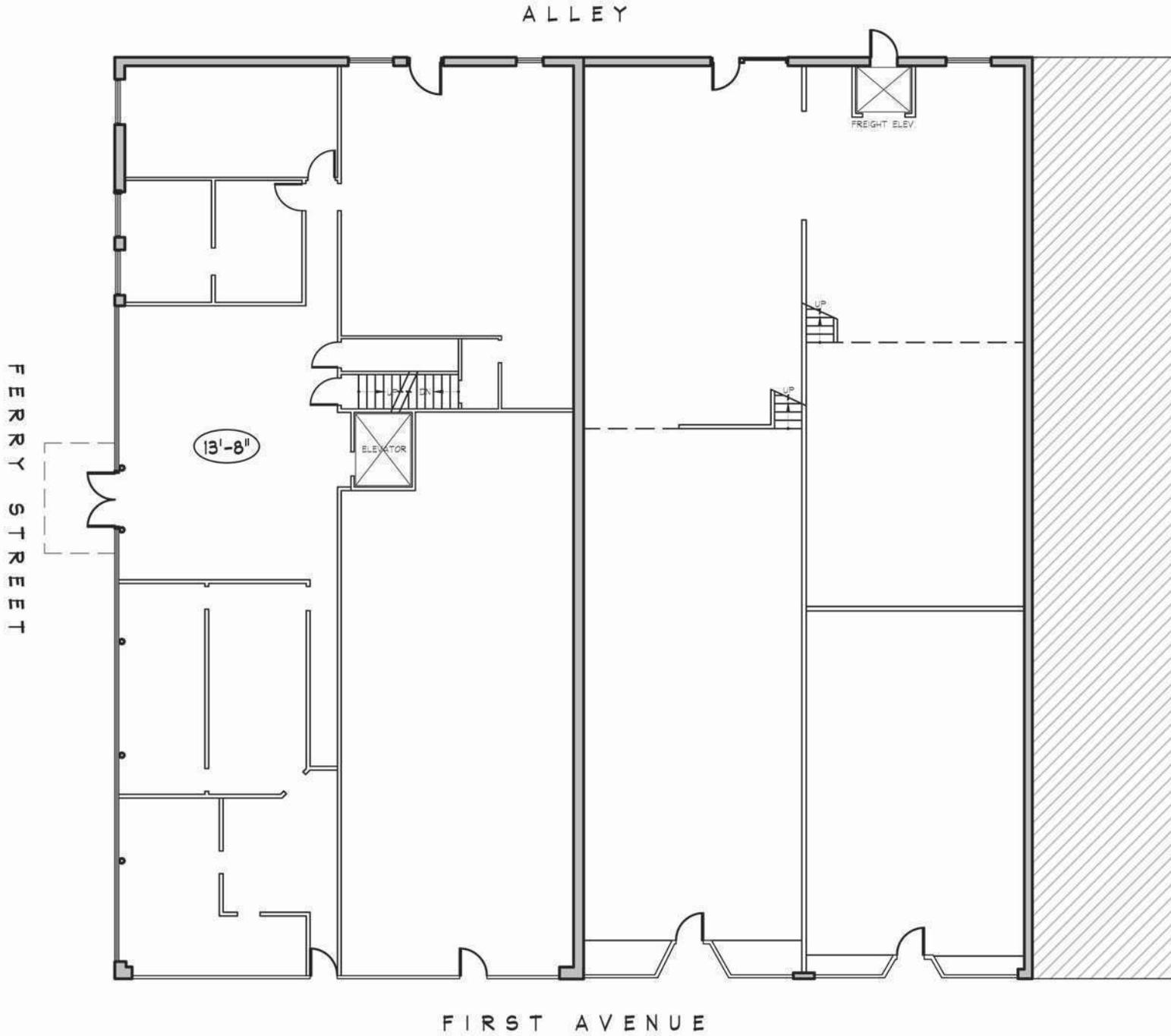




BASEMENT FLOOR PLAN - PROPOSED

Scale: 1/16" = 1'-0"

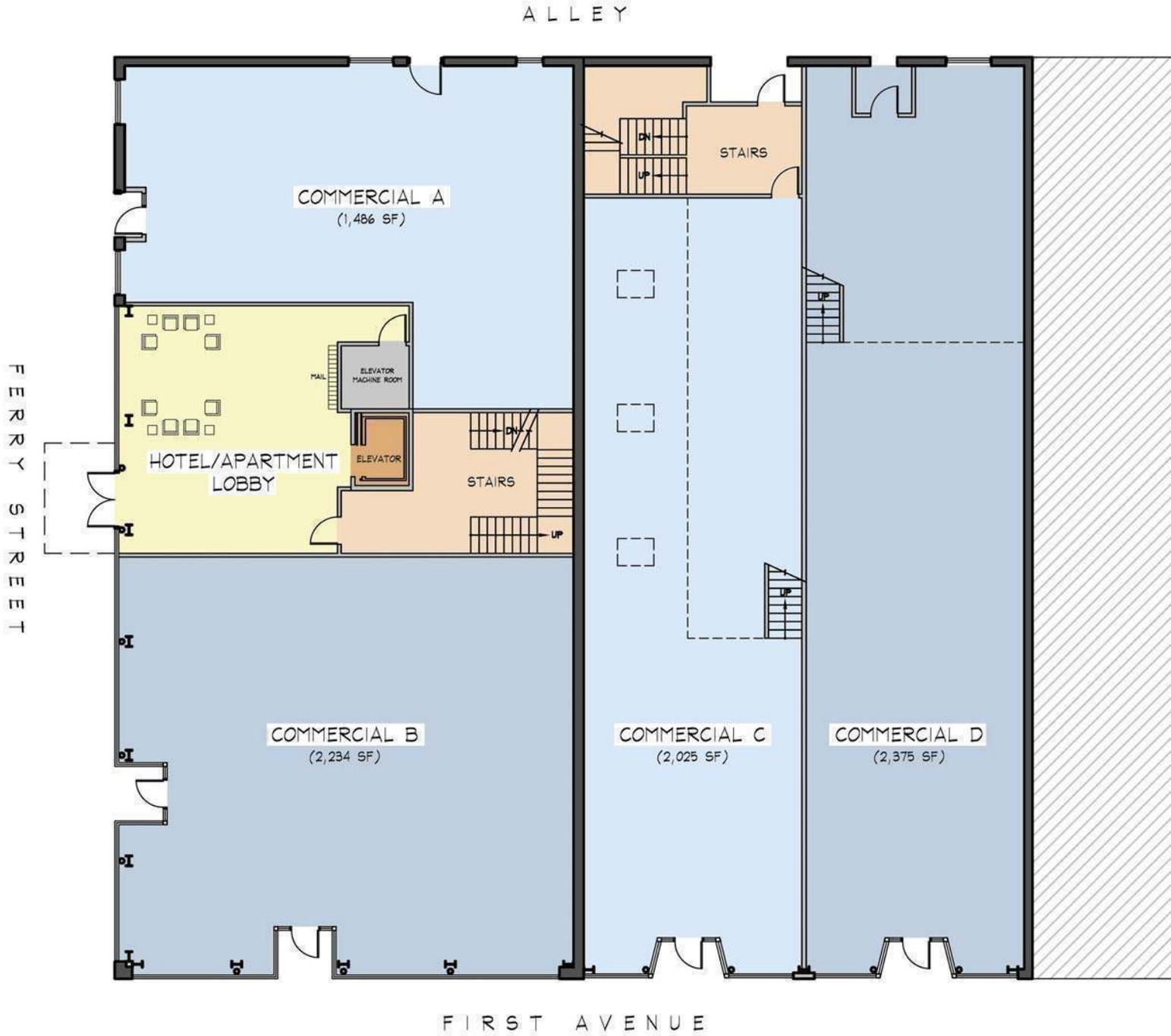




FIRST FLOOR PLAN - EXISTING

Scale: 1/16" = 1'-0"

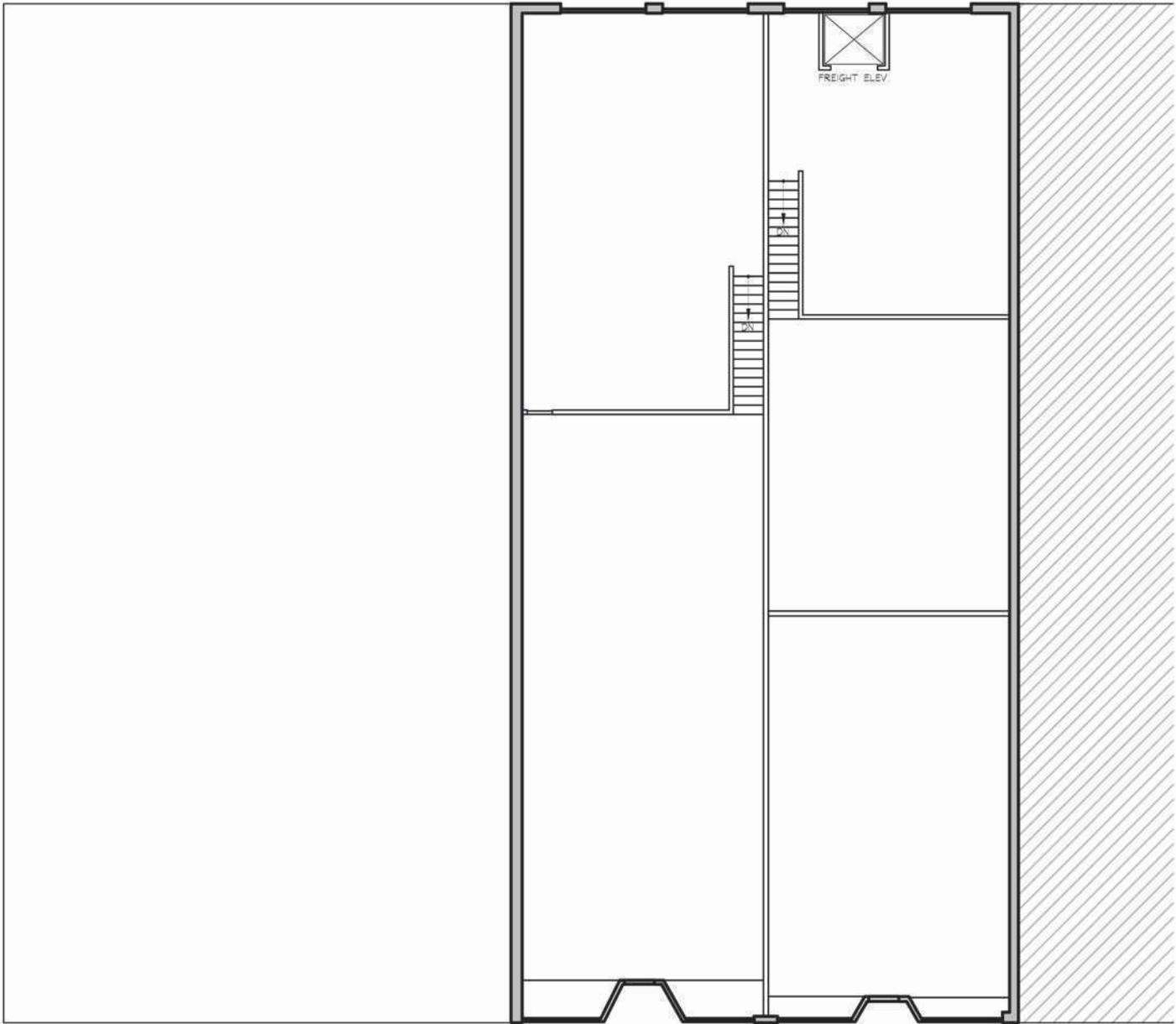




FIRST FLOOR PLAN - PROPOSED

Scale: 1/16" = 1'-0"

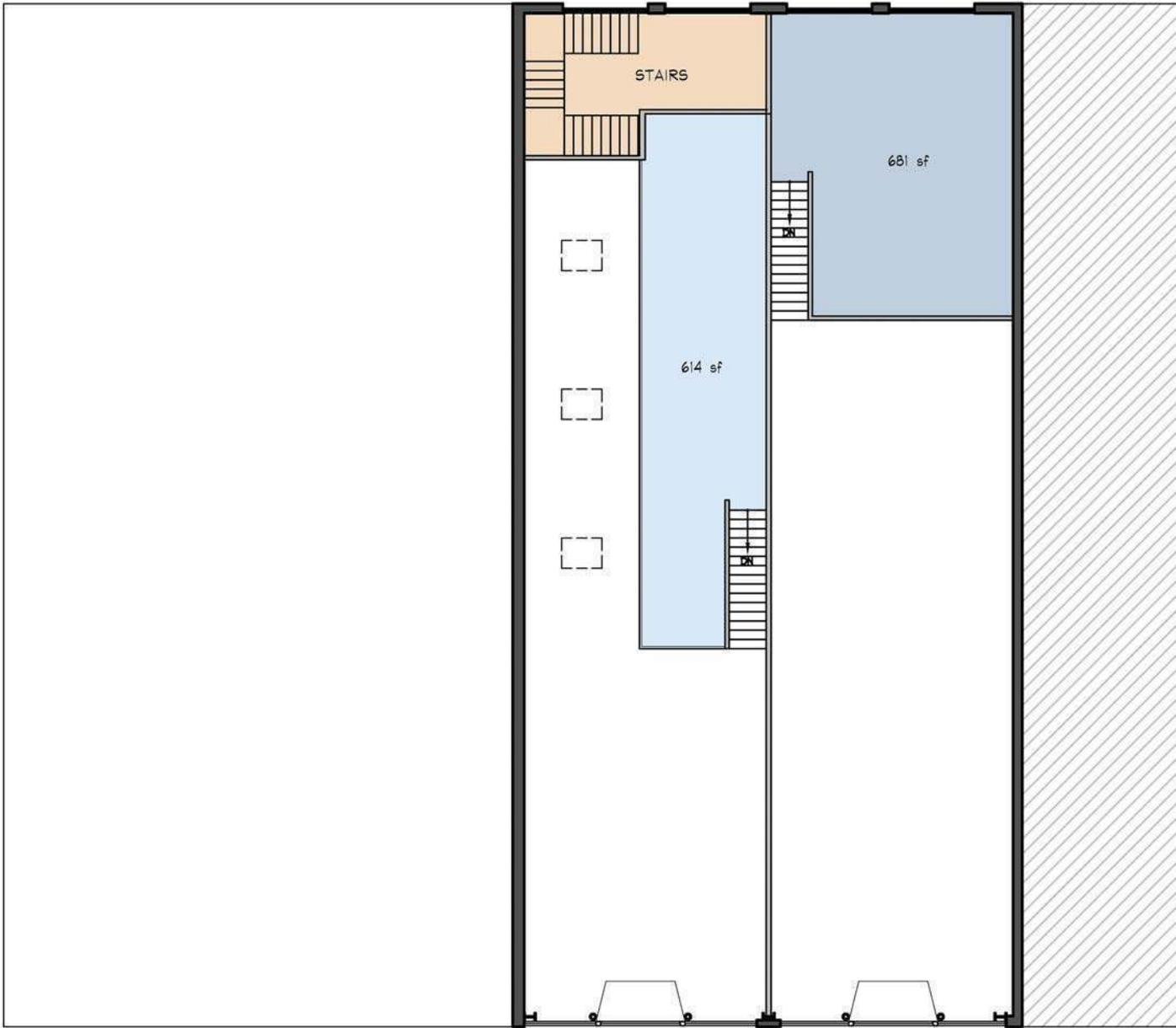




MEZZANINE FLOOR PLAN - EXISTING

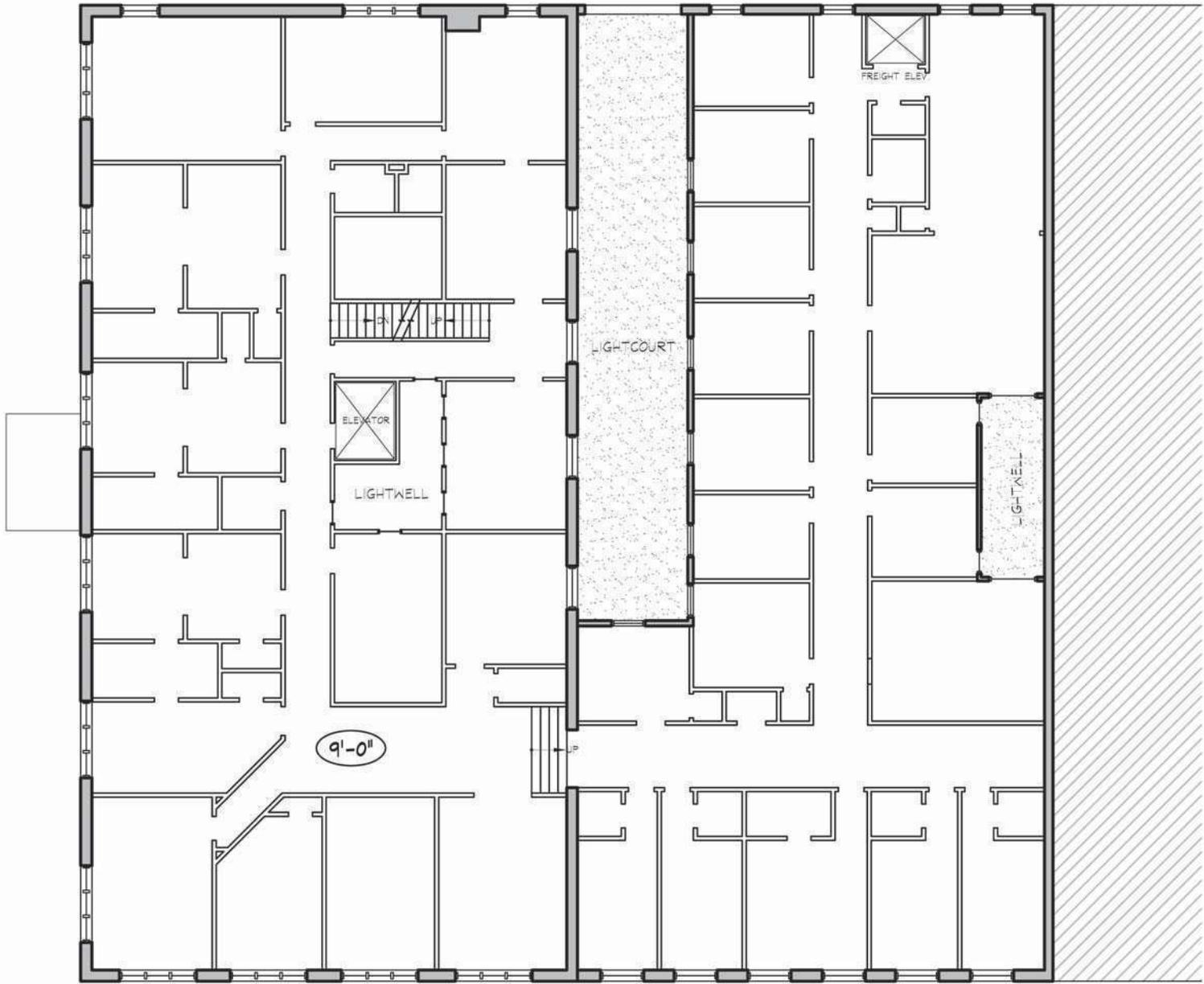
Scale: 1/16" = 1'-0"





MEZZANINE FLOOR PLAN - PROPOSED
Scale: 1/16" = 1'-0"





SECOND FLOOR PLAN - EXISTING

Scale: 1/16" = 1'-0"

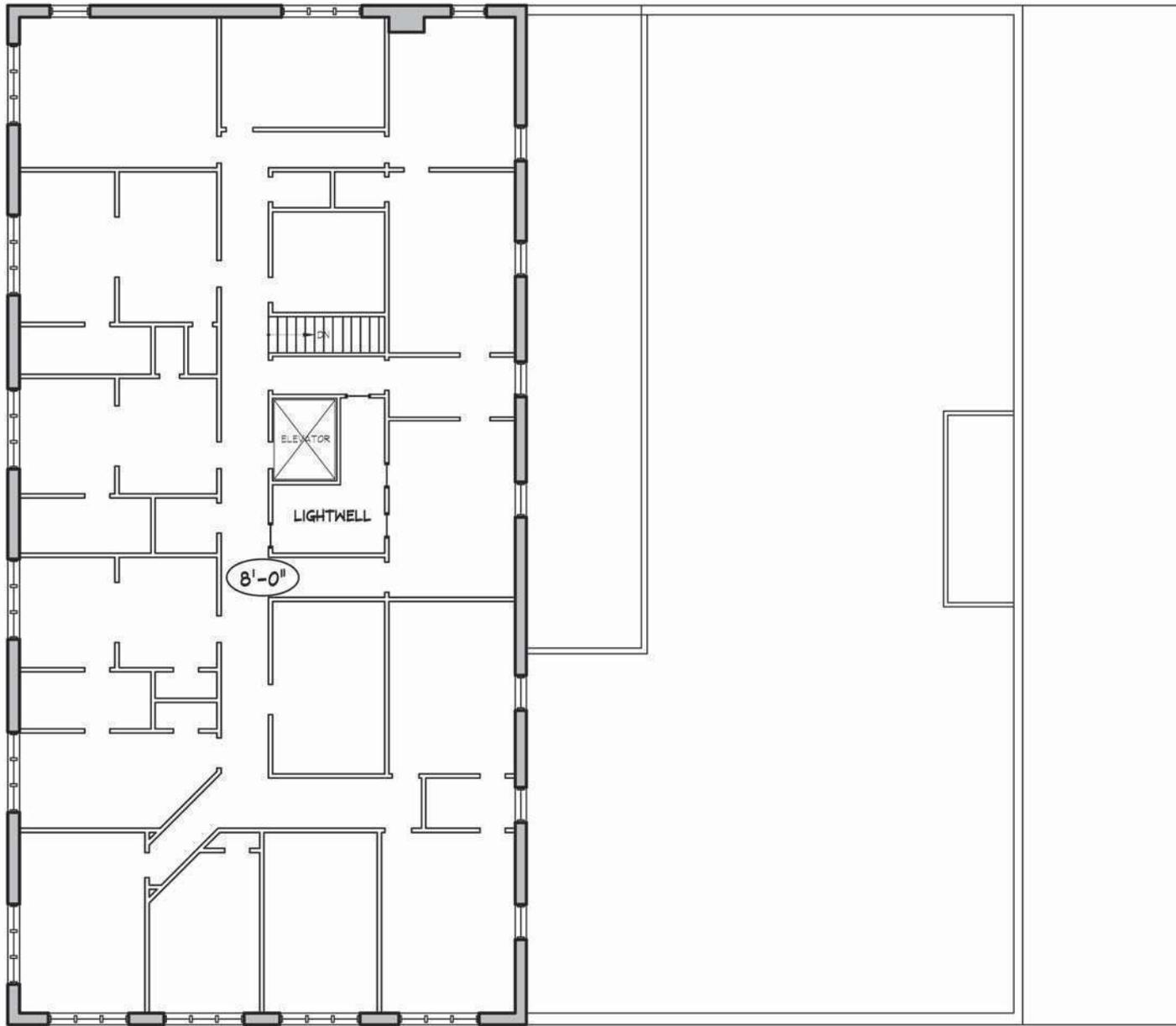




SECOND FLOOR PLAN - PROPOSED

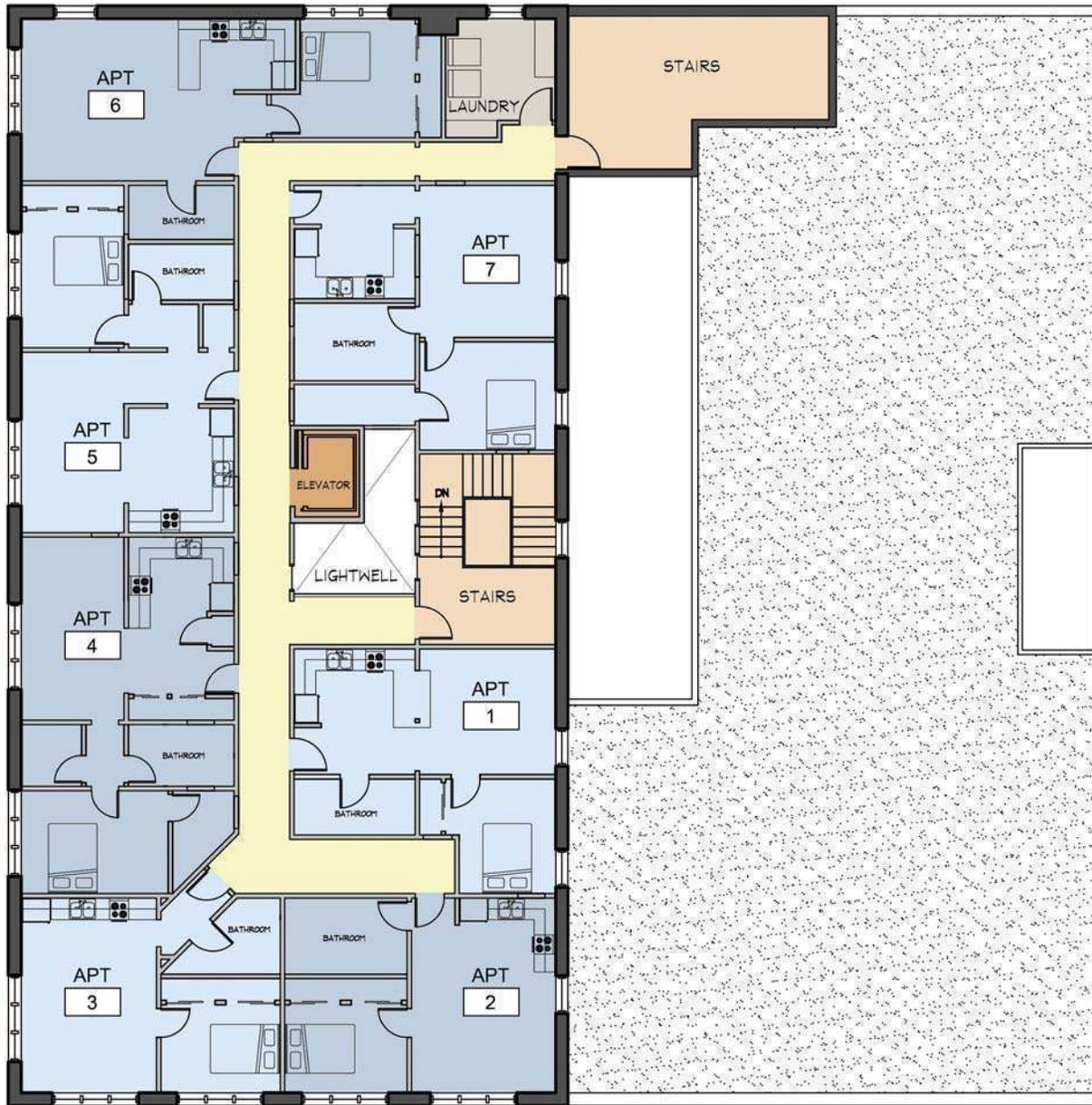
Scale: 1/16" = 1'-0"





FOURTH FLOOR PLAN - EXISTING
 Scale: 1/16" = 1'-0" (THIRD FLOOR SIMILAR)





FOURTH FLOOR PLAN - PROPOSED

Scale: 1/16" = 1'-0"

(THIRD FLOOR SIMILAR)



5. PRO FORMA & FUNDING SOURCES

PRO FORMA OVERVIEW

Like the architectural plans and construction budget included in this report, the pro formas in this section are also conceptual in nature. It is very important to understand that they are only meant to provide a flavor for the financial feasibility of mixed-use hotel and housing. The concept pro forma also helps us understand where the financial challenges lie so we can begin to address them.

All three pro formas reflect shell-and-core construction costs around \$200/sf, with additional dollars budgeted for contingency, environmental abatement, FF&E, and tenant improvement allowances for the commercial suites. Pro formas for Concepts B & C were extrapolated from the Greenberry budget. Soft costs are about 28% of hard costs, which is typical. The full pro formas have been included in Appendix B of this report.

Acquisition of the property was reflected at \$500,000 in the pro forma. This is far lower than the \$860,000 reflected in Innovative Housing's 2011 pro forma, which we found to be financially unsupportable in our analysis. As a reference point, the real market value on the tax rolls is currently \$402,570. However, please note that we are not appraisers and are not attempting to value the property. We are merely indicating that the required level of improvements and future revenue stream do not seem to support a sales price of \$860,000.

The sources for the project include a construction loan, bridge loan of historic tax credit equity, and financial assistance from CARA.

Our assumed lease rates for both retail and housing are on the aggressive end of the spectrum for Albany's current market based on comps we obtained. We believe a rehabilitated St.Francis/Rhodes Complex will be able to command top dollar, both because of the quality and character of the space, as well as the built-in retail customer base afforded by the hospitality and/or housing uses.

One of the biggest overall challenges in the pro forma is the fact that the income potential for the completed project results in a valuation far below the necessary costs to rehabilitate these dilapidated buildings. This results in the project only being able to support a very modest amount of conventional debt and thereby necessitating creative funding sources to fill the gap. With all other pro forma variables the same (i.e. development costs, income, and expenses), the project will likely require about \$6M in subsidy (HTCs, NMTCs, CARA, etc.) to generate a return that makes this project financially feasible for a developer. Of course, there are other ways to improve pro forma outcomes other than with subsidy including construction cost reduction through "value engineering" or scope reduction.

St. Francis Redevelopment Financial Summary - Concept A	
Commercial/Retail - Hotel - Market-Rate Housing	
PROJECT VALUE	
Estimated Appraised Value at Completion	\$ 5,478,075
DEVELOPMENT COSTS	
Acquisition	500,000
Hard Costs	8,026,268
Soft Costs	1,889,811
Financing Costs	463,391
Total Development Costs	\$ 10,879,470
DEVELOPMENT SOURCES	
Construction Loan	3,560,749
CARA Subsidy	800,000
Historic Tax Credit Equity Bridge Loan	1,978,546
New Markets Tax Credit Equity	1,000,000
Developer Equity	33% 3,540,175
Total Development Sources	\$ 10,879,470
INCOME - FIRST YEAR STABILIZED	
Effective Gross Income	658,453
Operating Expenses	(220,207)
Net Operating Income	438,246
Debt Service	(278,344)
Net Income	159,902
Cash-on-Cash Return	4.90%

Another important caveat to consider is that testing true financial feasibility of hotel requires deep knowledge of hotel operations, which would be reflected in a detailed, multi-year cash flow pro forma. This was beyond the scope of this study. Typically a hotel consultant would be employed to provide this analysis. The pro formas provided here make educated assumptions based on Venerable's past experience working with hoteliers on potential development projects. The profit/loss statement is a snapshot, conceptually showing the hotel's economic performance after one year of operations.

While none of the pro formas depict an attractive redevelopment opportunity based on the inputs available as part of this study, this should not cause one to lose hope. It is merely an indication that more work needs to be done. There have been many historic properties that Venerable has been involved with that required extensive investigation, analysis, and creative problem-solving before a financially-viable solution was achieved.

CREATIVE FUNDING SOURCES & INCENTIVES

There are several creative funding sources that should be considered for the St. Francis/Rhodes Complex, which are outlined below.

Historic Tax Credits (HTCs)

The federal HTC program provides a 20% tax credit on the substantial rehabilitation of income-producing historic buildings. The tax credit requires design review of exterior and interior alterations by the State Historic Preservation Office and the National Park Service. The design review process is intended to ensure that alterations to the historic building do not negatively affect its historic character-defining features. The application review takes 60-90 days and requires architectural plans, photographs, and a written document that describes the scope of work. Projects costing more than \$3.85M will incur an application fee of \$6,500.

HTCs can be claimed by the property owner the year in which the project is completed and placed in service. Credits can be carried back one year and forward 20 years. Certain tax restrictions (such as alternative minimum tax and passive activity rules) may apply. There is a five-year tax credit recapture period during which the ownership of the property cannot change without resulting repayment of the credits.

Larger projects with at least \$3M in eligible costs often choose to partner with a bank equity investor who provides equity in exchange for the credits. Market conditions since the economic downturn have resulted in equity pay-in terms that are very conservative and typically a bridge loan is required in order to use the equity as a source for construction. Most investors require significant pre-leasing for commercial/retail spaces and market studies demonstrating sufficient demand for uses such as hotel and housing. Investors also typically require personal guarantees for repayment of credits should a recapture event be triggered.

At the writing of this report, many investors are choosing to forgo new investments in historic rehab projects due to a recent court case in New Jersey. This case determined that the equity investor partnership in a particular historic rehab project was not legitimate and that the investor was not eligible to use the credits. Most investors are awaiting guidance from the IRS prior to making further investments. The IRS is due to publish a blueprint for successful HTC deal structuring in September 2013, though their report had not been released at the time this feasibility study was finalized. The preservation community remains optimistic that a satisfactory solution will be reached, thereby restoring investor interest in HTC projects. The pro formas with this report reflect this optimism with their inclusion of the HTCs.

More information on program requirements for Historic Tax Credits can be found at: <http://www.nps.gov/tps/tax-incentives.htm>

New Markets Tax Credits (NMTC)

Like the Low-Income Housing Tax Credits, the NMTC is a federal tax credit designed to encourage investment in low-income communities. It is a competitive credit where Community Development Entities apply for credit allocations each year. While the St. Francis/Rhodes property is located in a qualified low-income census tract, the project may face several hurdles in achieving eligibility for NMTCs. First, projects with a housing component must receive more than 20% of their gross income from commercial uses. (Note: "hotel" is considered a commercial use). This is not an issue with any of the three pro formas submitted with this study; however, providers of NMTC require that a portion (typically 50 percent to 60 percent) of the residential units offer below-market rent. Second, projects are often required to demonstrate a direct benefit to the low-income community. Therefore, NMTC investors are particularly interested in projects providing higher-wage jobs and/or needed services such as a grocery store, clinic, daycare center, or other community-focused use.

The benefit of NMTC to real estate development projects comes in the form of tax credit equity or an interest rate buy-down on construction/perm financing. It is estimated that, if eligible, Concepts A & B could generate an additional \$1M or more in NMTC equity (net of transaction costs and fees). We understand that Kate Porsche has received some preliminary interest in NMTC-funding for a hotel in the St. Francis Complex and, therefore, this funding source has been included in the pro formas.

More information on program requirements for New Markets Tax Credits can be found at: http://cdfifund.gov/what_we_do/programs_id.asp?programID=5



Low-Income Housing Tax Credits (LIHTC)

As demonstrated in IHI's 2011 proposal, these tax credits are a substantial financing source for income-restricted housing projects. They require a development team highly experienced in LIHTC development projects. Additionally, there is a high level of competition and often a long lead-time for application approval.

Oregon's Special Assessment of Historic Property Program

This is a property tax incentive provided through the State, whereby a historic property's assessed value is reduced and frozen for 10 years. By applying prior to the commencement of a significant capital investment, the benefit is maximized by locking in the property's pre-rehabilitation value. After the ten-year period, the property is reassessed. There is a modest application fee equal to 1/10 of 1% of the assessed value. A SHPO-approved preservation plan is required and 10% of the real market value of the property must be invested within the first five years.

More information on program requirements for the Special Assessment program can be found at: http://www.oregon.gov/OPRD/HCD/SHPO/Pages/tax_assessment.aspx

CARA Assistance

CARA has expressed an interest in providing financial support of a use--such as hotel--that they believe will be catalytic for downtown. The pro forma reflect a low-interest loan of \$800,000 from CARA. This is a placeholder. Actual terms were not discussed and approved by CARA as part of this study.

NEXT STEPS

We believe there are some clear next steps in order to enact a redevelopment concept similar to what is presented in this report:

- Consider the potential value of a fullfledged hotel feasibility study that could build upon the work Venerable and Carleton Hart have done here. This would bring a hotel development consultant to the table who would make recommendations as to room layout, operations, and provide multi-year financial projections. Coupled with this could be a hotel market study that would analyze unmet demand in the Albany/Corvallis market. While we believe a market study could enhance developer/investor confidence in the building, we also caution against using limited public/grant dollars to produce multiple additional studies. We have seen many difficult-to-develop historic properties get bogged down with "analysis paralysis." Funds may be better spent providing a qualified and seriously interested developer with assistance in their own feasibility analysis.
- Solidify CARA's level offinancial commitment to this

property as a critical piece in Albany's revitalization efforts. Consider purchasing the property outright or negotiating an option to purchase that would be assignable to a future developer. Developers will be looking for certainty that the property can be acquired before beginning their investment in deeply analyzing the property. Control of the property is also essential to move forward with a Request for Proposals (RFP), if desired.

- Develop a parking strategy for this property that can be shared with potential developers. Identify available lots where spaces can be master leased. This is especially critical for housing and a larger-scale hotel.
- Reach out to Community Development Entities with allocations of New Markets Tax Credits to determine the type of project that would attract investor interest and the amount and type of financial benefit.
- Reach out to commercial real estate professionals who may be aware of potential retail anchor tenants for the property. These leads should be shared with any interested developer.
- Develop a Request for Proposals to solicit developer proposals for the property's rehabilitation and reuse. Depending on City staff availability and past experience with RFPs, it should be evaluated whether a consultant would add value to the process. Designate a city facilitator or point person and consider hosting a roundtable to gain feedback on a draft RFP from key individuals involved in real estate development. Getting the final RFP into the hands of desirable respondents will be particularly critical, as will thorough evaluation of all proposals submitted. Once a successful candidate is identified, negotiate a Memorandum of Understanding or other acceptable form of agreement to commence the project.

APPENDIX

A — DIRECT CONSTRUCTION COST ESTIMATE

- Greenberry Construction



CONCEPTUAL ESTIMATE SUMMARY

Project:	St. Francis Hotel	Estimate No.:	1.0
Owner:	Venerable Properties	Date:	14-Jun-13
Location:	Albany, OR	Estimator:	Goracke
Architect:	N/A	GSF:	34,500

Division	Description	Cost/GSF	Cost
Division 1	General Requirements	\$ 3.95	\$ 136,350
Division 2	Sitework	\$ 8.22	\$ 283,500
Division 3	Concrete	\$ 0.42	\$ 14,500
Division 4	Masonry	\$ 2.04	\$ 70,500
Division 5	Metals	\$ 25.51	\$ 880,000
Division 6	Wood & Plastics	\$ 13.96	\$ 481,500
Division 7	Thermal & Moisture Protection	\$ 2.46	\$ 85,000
Division 8	Doors & Windows	\$ 6.92	\$ 238,600
Division 9	Finishes	\$ 25.10	\$ 866,070
Division 10	Specialties	\$ 1.16	\$ 40,100
Division 11	Equipment	\$ -	\$ -
Division 12	Furnishings	\$ 0.39	\$ 13,500
Division 13	Special Construction	\$ -	\$ -
Division 14	Conveying Systems	\$ 5.07	\$ 175,000
Division 21-23	Mechanical	\$ 45.00	\$ 1,552,500
Division 26	Electrical	\$ 22.17	\$ 765,000
	General Conditions	\$ 12.99	\$ 448,170
	Subtotal	\$ 175.37	\$ 6,050,290
	Estimating contingency	\$ 14.49	\$ 500,000
	Insurance 1.50%	\$ 2.85	\$ 98,254
	Overhead & Profit	\$ 9.64	\$ 332,427
	Design Fees By Owner	\$ -	\$ -
	Special Inspections By Owner	\$ -	\$ -
	Total	\$ 202.35	\$ 6,980,971

Clarifications

1. Estimate based upon concept drawings dated 5/23/13 and preliminary project description

Owner Costs (Excluded from Estimate)

1. Design Fees
2. Permit Fees
3. Special Inspections
4. Abatement



Project:	St. Francis Hotel	Estimate No.:	1.0
Owner:	Venerable Properties	Date:	14-Jun-2013
Location:	Albany, OR	Estimator:	Goracke
Architect:	Carleton Hart Architecture		

Description	Quantity	Unit Price	Price	Comments
DIVISION 1 - GENERAL REQUIREMENTS				
Detail Summary	1	allow	\$136,350.00	\$136,350
Subtotal				\$136,350
DIVISION 2 - SITEWORK				
Building Interior Demo	34,500	sf	\$8.00	\$276,000
Landscape allowance	1	allow	\$7,500.00	\$7,500
Subtotal				\$283,500
DIVISION 3 - CONCRETE				
Floor patching, etc. - 1st Floor	7,500	sf	\$1.00	\$7,500
Seismic Foundations for Moment				
Concrete Misc.	1	ls	\$7,000.00	\$7,000
Subtotal				\$14,500
DIVISION 4 - MASONRY				
Tuckpointing - South only	3,000	sf	\$12.50	\$37,500
Clean & Seal	30,000	sf	\$1.10	\$33,000
Subtotal				\$70,500
DIVISION 5 - METALS				
Structural Moment Frames	30,000	sf	\$25.00	\$750,000
Parapet Bracing	1	allow	\$15,000.00	\$15,000
South Stair	4	flights	\$10,000.00	\$40,000
Miscellaneous metals	1	allow	\$25,000.00	\$25,000
Shaft construction	1	allow	\$50,000.00	\$50,000
Subtotal				\$880,000
DIVISION 6 - WOOD & PLASTICS				
Plywood underlayment	30,000	sf	\$2.50	\$75,000
Floor Diaphragm	1	allow	\$50,000.00	\$50,000
Finish Carpentry - Lobby	1	allow	\$200,000.00	\$200,000
Refurbish Interior Stairs	1	allow	\$75,000.00	\$75,000
Cabinetry - Apartments	14	ea	\$2,250.00	\$31,500
Cabinetry - Hotel bathrooms	20	ea	\$2,500.00	\$50,000
Subtotal				\$481,500
DIVISION 7 - THERMAL & MOISTURE PROTECTION				
Built up roof	7,500	sf	\$10.00	\$75,000
Roof @ Lightwell	1	allow	\$10,000.00	\$10,000
Insulation	30,000	sf		\$0
Subtotal				\$85,000
DIVISION 8 - DOORS & WINDOWS				
Refurbish wood windows - N & E	36	ea	\$500.00	\$18,000
New windows - S & W	1	allow	\$65,100.00	\$65,100
Skylights	4	ea	\$7,500.00	\$30,000
Storefront	1,250	sf	\$24.00	\$30,000
Exterior Doors	5	ea	\$1,500.00	\$7,500
Interior Doors - 2nd floor	24	ea	\$1,100.00	\$26,400
Interior Doors - 3rd & 4th floor	56	ea	\$1,100.00	\$61,600
				\$0
				\$0
Subtotal				\$238,600



Project:	St. Francis Hotel	Estimate No.:	1.0
Owner:	Venerable Properties	Date:	14-Jun-2013
Location:	Albany, OR	Estimator:	Goracke
Architect:	Carleton Hart Architecture		

Description	Quantity	Unit Price	Price	Comments
DIVISION 9 - FINISHES				
Refinish Wood Floors	30,000	sf	\$7.50	\$225,000
Repair lobby tile floor	1	allow	\$20,000.00	\$20,000
Hotel room finishes	6,600	sf	\$30.00	\$198,000
Apartment finishes	7,362	sf	\$25.00	\$184,050
Common area finishes	1	allow	\$50,000.00	\$50,000
Mezzanie finishes	1,295	sf	\$20.00	\$25,900
First floor build out	8,156	sf	\$20.00	\$163,120
Subtotal				\$866,070
DIVISION 10 - SPECIALTIES				
Signage	1	allow	\$20,000.00	\$20,000
Bath Accessories - Apartments	14	ea	\$400.00	\$5,600
Bath Accessories - Hotel rooms	20	ea	\$600.00	\$12,000
Fire Extinguishers	1	allow	\$2,500.00	\$2,500
Subtotal				\$40,100
DIVISION 11 - EQUIPMENT				
Hotel Kitchen Equipment by Owner				\$0
Subtotal				\$0
DIVISION 12 - FURNISHINGS				
Furnishings by owner				
Mailboxes - Apartments	1	allow	\$7,500.00	\$7,500
Window Treatments - Hotel	20	rooms	\$300.00	\$6,000
Subtotal				\$13,500
DIVISION 13 - SPECIAL CONSTRUCTION				
Subtotal				\$0
DIVISION 14 - CONVEYING SYSTEMS				
Five stop elevator with card reader	1	allow	\$150,000.00	\$150,000
Elevator Pent House	1	allow	\$25,000.00	\$25,000
Subtotal				\$175,000
DIVISION 21, 22, 23 - MECHANICAL				
Fire Protection	34,500	sf	\$3.50	\$120,750
Plumbing	34,500	sf	\$17.50	\$603,750
HVAC	34,500	sf	\$24.00	\$828,000
Subtotal				\$1,552,500
DIVISION 26 - ELECTRICAL				
Electrical	34,500	sf	\$20.00	\$690,000
Backup Power Generator	1	allow	\$75,000.00	\$75,000
Subtotal				\$765,000

APPENDIX

B — PRO FORMAS

- Concept A
- Concept B
- Concept C

St. Francis Building, Albany
Concept A
Retail - Hotel - Market-Rate One-Bedroom Apartments
 PRO FORMA
 June 21, 2013

DEVELOPMENT COSTS

Acquisition				\$	500,000
Hard Costs					
Shell/Core Construction	34,500	\$ 202.35	6,980,971		
Contingency	10%		698,097		
Environmental Abatement			75,000		
Appliances/FFE			109,800		
Tenant Improvements - Ground Floor	8,120	\$ 20.00	<u>162,400</u>		
					8,026,268
Soft Costs					
Appraisal			6,500		
Architecture/Engineering					
Architecture	7%	561,839			
Reimbursables			6,500		
Printing			<u>5,000</u>		
			573,339		
Building Permit			65,000		
Environmental Consultant			10,000		
Insurance			25,000		
Historical Consultant			15,000		
Lease Commissions			47,079		
Legal (General)	8%		16,652		
Legal/Acct for HTC			80,000		
Market Study			7,500		
NPS Fees			6,500		
Project Management	7.50%		601,970		
Property Taxes			25,000		
Special Assessment Fee			500		
Survey			7,500		
Structural Testing and Special Inspections			25,000		
Systems Development Charges			72,280		
Title/Recording/Escrow			20,000		
Utilities			20,000		
Operating Expenses During Lease-Up		12 months	175,000		
Soft Cost Contingency	5%		<u>89,991</u>		
					1,889,811
Financing					
Loan Fee - Construction/Perm		1.00%	35,607		
Bridge Loan Fee		1.00%	19,785		
Bank Fees - Closing and Draw Inspections			15,000		
Primary Loan - Interest - Construction ¹	6 months	4.75%	50,741		
Primary Loan - Interest - Carry	12 months	4.75%	169,136		
CARA Loan - Interest - Construction			waived		
CARA Loan - Interest - Carry			waived		
Bridge Loan - Interest - Construction	9 months	5.00%	74,195		
Bridge Loan - Interest - Carry	12 months	5.00%	98,927		
					<u>463,391</u>
Total Development Costs					10,879,470
Appraised Value of Property		8.00%	cap rate		5,478,075
Debt					
Construction Loan			3,560,749		
Historic Tax Credit Equity Bridge Loan	10,104,725	\$ 0.98	65%	1,978,546	
NMTC Equity (net of fees)				1,000,000	
CARA Loan				<u>800,000</u>	
					<u>7,339,295</u>
Net Equity					3,540,175
¹ Drawn Factor Applied			60%		
² Permanent Loan Proceeds			273,904		

PROFIT/LOSS STATEMENT - YEAR ONE STABILIZED

Commercial NNN Income - Ground Floor					
	SF	Annual \$/SF	Annual Rent		
Commercial A	1,486	13.00	19,318		
Commercial B	2,234	14.00	31,276		
Commercial C	2,025	14.00	28,350		
Commercial C Mezzanine	614	7.00	4,298		
Commercial D	2,375	12.50	29,688		
Commercial D Mezzanine	681	7.00	<u>4,767</u>		
				117,697	
Vacancy/Collection Loss	12%		<u>(14,124)</u>		
Hotel - Floor 2	No. of Rooms	Average Daily Rate	Occupancy Rate		
	20	103.00	60%	451,140	
Apartments - Floors 3 and 4	No. of 1-bed Apts	Average Monthly Rental Rate	Vacancy Rate		
	14	650.00	5%	<u>103,740</u>	
Effective Gross Income					658,453
Operating Expenses					
Hotel operating expenses				(175,000)	
Housing Expenses				(31,122)	
Leased Parking				(7,500)	
Replacement Reserve		1%		<u>(6,585)</u>	
				<u>(220,207)</u>	
Net Operating Income					438,246
Debt Service					
Permanent Loan - 4.25% + .50% cushion; 25/10 amortization	3,834,653	DSCR	1.67	(262,344)	
		LTV	70%		
CARA Loan - 2% interest only; 10-year balloon	800,000			<u>(16,000)</u>	
				<u>(278,344)</u>	
Net Income					159,902
Ratio of Net Income to Net Equity²	3,266,271				4.90%

St. Francis Building, Albany
Concept B
Commercial/Retail - Boutique Hotel
PRO FORMA
June 21, 2013

DEVELOPMENT COSTS

Acquisition				\$	500,000
Hard Costs					
Shell/Core	34,500	\$	202.35		6,980,971
Contingency	12%				837,717
Environmental Abatement					75,000
Appliances/FFE					170,000
Tenant Improvements - Ground Floor	8,120	\$	25.00		<u>203,000</u>
					8,266,688
Soft Costs					
Appraisal					6,500
Architecture/Engineering					
Architecture	7%		578,668		
Reimbursables			6,500		
Printing			<u>5,000</u>		
					590,168
Building Permit					65,000
Environmental Consultant					10,000
Insurance					25,000
Historical Consultant					15,000
Lease Commissions	8%				47,079
Legal (General)					16,652
Legal/Act for HTC					80,000
Market Study					7,500
NPS Fees					6,500
Project Management	7.50%				620,002
Property Taxes					25,000
Special Assessment Fee					500
Survey					7,500
Structural Testing and Special Inspections					25,000
Systems Development Charges					72,280
Title/Recording/Escrow					20,000
Utilities					20,000
Operating Expenses During Lease-Up			12 months		175,000
Soft Cost Contingency	5%				<u>91,734</u>
					1,926,415
Financing					
Loan Fee - Construction/Perm			1.00%		32,647
Bridge Loan Fee			1.00%		20,203
Bank Fees - Closing and Draw Inspections					15,000
Primary Loan - Interest - Construction ¹	6 months		4.75%		46,522
Primary Loan - Interest - Carry	12 months		4.75%		155,074
CARA Loan - Interest - Construction					waived
CARA Loan - Interest - Carry					waived
Bridge Loan - Interest - Construction	9 months		5.00%		75,760
Bridge Loan - Interest - Carry	12 months		5.00%		101,014
					<u>446,220</u>
Total Development Costs					11,139,323
Appraised Value of Property			8.00%	cap rate	5,022,650
Debt					
Construction Loan					3,264,723
Historic Tax Credit Equity Bridge Loan	10,317,833	\$	0.98	65%	2,020,273
NMTC Equity (net of fees)					1,000,000
CARA Loan					<u>800,000</u>
					7,084,996
Net Equity					4,054,327
¹ Drawn Factor Applied				60%	
² Permanent Loan Proceeds				251,132	

PROFIT/LOSS STATEMENT - YEAR ONE STABILIZED

Commercial NNN Income - Ground Floor	SF	Annual \$/SF	Annual Rent	
Commercial A	1,486	13.00	19,318	
Commercial B	2,234	14.00	31,276	
Commercial C	2,025	14.00	28,350	
Commercial C Mezzanine	614	7.00	4,298	
Commercial D	2,375	12.50	29,688	
Commercial D Mezzanine	681	7.00	<u>4,767</u>	117,697
Vacancy/Collection Loss	12%		<u>(14,124)</u>	
Hotel - Floors 2-4	No. of Rooms	Average Daily Rate	Occupancy Rate	
	40	103.00	60%	902,280
Effective Gross Income				1,005,853
Operating Expenses				
Hotel operating expenses				(586,482)
Leased Parking				(7,500)
Replacement Reserve		1%		<u>(10,059)</u>
				<u>(604,041)</u>
Net Operating Income				401,812
Debt Service				
Permanent Loan - 4.25% + .50% cushion; 25/10 amortization	3,515,855	DSCR	1.67	(240,534)
		LTV	70%	
CARA Loan - 2% interest only; 10-year balloon	800,000			<u>(16,000)</u>
				<u>(256,534)</u>
Net Income				145,278
Ratio of Net Income to Net Equity²	3,803,195			3.82%

St. Francis Building, Albany
Concept C
Commercial/Retail - Market-Rate Apartments
PRO FORMA
June 21, 2013

DEVELOPMENT COSTS

Acquisition				\$	500,000
Hard Costs					
Shell/Core Construction	34,500	\$	202.35		6,980,971
Contingency			10%		698,097
Environmental Abatement					75,000
Appliances/FFE					47,800
Tenant Improvements - Ground Floor	8,120	\$	20.00		<u>162,400</u>
					7,964,268
Soft Costs					
Appraisal					6,500
Architecture/Engineering					
Architecture	7%		557,499		
Reimbursables			6,500		
Printing			<u>5,000</u>		
					568,999
Building Permit					65,000
Environmental Consultant					10,000
Insurance					25,000
Historical Consultant					15,000
Lease Commissions	8%				47,079
Legal (General)					16,652
Legal/Act for HTC					80,000
Market Study					7,500
NPS Fees					6,500
Project Management	7.50%				597,320
Property Taxes					25,000
Special Assessment Fee					500
Survey					7,500
Structural Testing and Special Inspections					25,000
Systems Development Charges					72,280
Title/Recording/Escrow					20,000
Utilities					20,000
Operating Expenses During Lease-Up			12 months		175,000
Soft Cost Contingency	5%				<u>89,542</u>
					1,880,372
Financing					
Loan Fee - Construction/Perm			1.00%		19,752
Bridge Loan Fee			1.00%		19,706
Bank Fees - Closing and Draw Inspections					15,000
Primary Loan - Interest - Construction ¹	6 months		4.75%		28,147
Primary Loan - Interest - Carry	12 months		4.75%		93,824
CARA Loan - Interest - Construction					waived
CARA Loan - Interest - Carry					waived
Bridge Loan - Interest - Construction	9 months		5.00%		73,899
Bridge Loan - Interest - Carry	12 months		5.00%		98,532
					<u>348,860</u>
Total Development Costs					10,693,500
Appraised Value of Property			8.00%	cap rate	3,038,825
Debt					
Construction Loan					1,975,236
Historic Tax Credit Equity Bridge Loan	10,064,389	\$	0.98	20%	1,970,648
					1,000,000
CARA Loan					<u>800,000</u>
					5,745,884
Net Equity					4,947,616

¹ Drawn Factor Applied 60%
² Permanent Loan Proceeds 151,942

PROFIT/LOSS STATEMENT - YEAR ONE STABILIZED

Commercial NNN Income - Ground Floor	SF	Annual \$/SF	Annual Rent	
Commercial A	1,486	13.00	19,318	
Commercial B	2,234	14.00	31,276	
Commercial C	2,025	14.00	28,350	
Commercial C Mezzanine	614	7.00	4,298	
Commercial D	2,375	12.50	29,688	
Commercial D Mezzanine	681	7.00	<u>4,767</u>	
				117,697
Vacancy/Collection Loss	12%		<u>(14,124)</u>	
Apartments - Floors 2-4	No. of Apts	Average Monthly Rental Rate	Vacancy Rate	
1 Bedroom	23	650.00	5%	170,430
Studio	6	450.00	5%	<u>30,780</u>
Effective Gross Income				304,783
Operating Expenses				
Housing Expenses		30%	(51,129)	
Leased Parking			(7,500)	
Replacement Reserve		1%	<u>(3,048)</u>	
				<u>(61,677)</u>
Net Operating Income				243,106
Debt Service				
Permanent Loan - 4.25% + .50% cushion; 25/10 amortization	2,127,178	DSCR	1.67	(145,529)
		LTV	70%	
CARA Loan - 2% interest only; 10-year balloon	800,000			<u>(16,000)</u>
				<u>(161,529)</u>
Net Income				81,577
Ratio of Net Income to Net Equity²	4,795,674			1.70%

