



white + burke

REAL ESTATE INVESTMENT ADVISORS

Formerly David G. White & Associates

MEMORANDUM

To: Burlington City Council
From: David G. White
Date: December 10, 2009
Re: Moran – Sources and Uses Budget

Attached is the most up-to-date Sources and Uses budget for the Moran development project. A few background comments may be helpful.

- 1) The Moran “Guide” has a total budget of approximately \$21million. This includes both the Moran real estate development project and the startup and fit-up costs for the tenants. The information I am providing looks only at the real estate development project and does not include any tenant startup or fit-up costs. Those costs are solely the responsibility of the tenants and may vary greatly depending on their independent business decisions. To include them here would only confuse matters. The Moran “Guide” estimated the real estate project to cost \$14,963,521 and the City’s portion of that to be \$7,747,356. That is what the enclosed materials update.
- 2) The enclosed Sources & Uses budget identifies where the City will obtain its share of the required funds except for \$887,158. This is less than 6% of total project costs. There is a list of potential sources to cover these funds. One way or another we are confident of being able to obtain this relatively small amount.
- 3) The construction estimates in this budget for the site and building were prepared by DEW Construction based on schematic designs. Freeman French Freeman recently completed Design Development plans and specifications. These provide much greater detail than the schematic phase plans. DEW Construction is currently working on new construction estimates based on the Design Development plans. The updated estimates may increase or decrease the budget.
- 4) We are currently working with the tenants and Freeman French Freeman to evaluate whether the scope of the project can be reduced to materially lower costs. If this effort is successful, the final costs may be less than the current budget.

I look forward to discussing this in detail at Monday’s City Council work session.

MORAN CENTER - SOURCES & USES**DRAFT**

11/13/2009

USES

Environmental Cleanup		
EPA Environmental Assessment	169,000	
Environmental Remediation	367,765	
	<hr/>	536,765
Site Construction		
General Site Improvements	1,967,544	
Tenant Specific Site Improvements	994,983	
	<hr/>	2,962,527 DEW Construction Estimate 6/10/09
Building Core & Shell		
Demolition & Demo Cleanup	441,042	
Basic Building Core & Shell	6,108,336	
Tenant Specific Core & Shell	671,107	
	<hr/>	7,220,485 DEW Construction Estimate 4/30/09
Project Soft Costs		
Architectural, Engineering & Site Planning	918,758	
Permits	317,320	
Clerk & Administrative Costs	75,000	
Development Services	250,000	
Builder's Risk Insurance	30,000	
Legal (general matters)	25,000	
Preconstruction Construction Manager	50,000	
Capitalized Reserves	50,000	
Early Programming	15,000	
Promotions & Community Relations	15,000	
Audits	10,000	
Technical Studies	27,020	
Grant Reporting	2,000	
	<hr/>	1,785,098
Misc. Pre-Construction Expenses	100,000	
Site Acquisition	375,000	Paid by City to BED in past
Contingency	1,317,031	
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Subtotal	14,296,906	Roughly comparable to budget in Guide at \$14,963,521
New Budget Items		
CEDO Services (Development Fee)	250,000	Optional - if project can afford it
Construction Period Interest (net)	315,437	May not be needed
Additional Capitalized Reserves	700,000	Required for New Market Tax Credits
	<hr/>	1,265,437
TOTAL USES	<hr/> 15,562,343	

MORAN CENTER - SOURCES & USES**DRAFT**

11/13/2009

SOURCES

Notes

Third-Party Governmental Grants & Project Subsidies		
EPA -- Brownfields Sustainability Program	25,000	
EPA -- Environmental Assessment Funds	64,000	
Vermont DEC -- Brownfields Program	95,000	
CCRPC Brownfields Initiative	105,000	
CDBG	3,000	
CDBG-R	25,000	
BED Settlement	100,000	
BEDI Grant	1,040,000	
Subtotal	<u>1,457,000</u>	Grants awarded to date
City of Burlington		
Site Acquisition Funds (sunk costs)	375,000	Paid by City to BED in past
BTV (City) Capital Funds	101,667	City's 1/3rd share of \$305,000 currently in project; 2/3rds to be repaid by tenants
City General Fund	71,952	City's 1/3rd share of \$215,856 currently in project; 2/3rds to be repaid by tenants
Subtotal	<u>548,619</u>	
HUD Section 108 Loan	2,091,000	Approved Loan -- Repayment from TIF District
New Market Tax Credit Equity (net of transaction costs)	3,478,566	Estimate based on bldg development only; does not include tenant fitup and startup costs
New Source(s) - To Be Determined	887,158	See identified potential new sources below
Total City Sources	<u>8,462,343</u>	will vary depending on final tenant negotiations and final costs (compared to Guide at \$7,747,356)
Tenants' Share of Moran Development Costs	7,100,000	Budget amount, pending final development agreements; may be subsidized by added NMTC equity (compared to Guide at \$7,216,165)
TOTAL SOURCES	<u>15,562,343</u>	

Potential New Sources

Leave Tenants' share of City Capital Funds in project	203,333	\$305,000 currently in project; 2/3rds to be repaid by tenants
Leave Tenants' share of City General Funds in project	143,904	\$215,856 currently in project; 2/3rds to be repaid by tenants
Parks Dept pay for skate park	350,000	Fundraising? Capital budget?
FY11 BTV Capital Budget	300,000	
VT DEC Brownfields	100,000	FY10 round. Would fully fund environmental cleanup
Historic Preservation tax credits (Fed & State)	1,350,000	estimate
Downtown District sales tax rebate on construction materials	200,000	estimate
additional Tax Increment Financing	flexible amt	TIF district has debt capacity beyond Section 108 Loan
add Lake Street into NMTC	400,000	
Section 179D Energy tax deduction	unknown	may be usable by FFF