

Apex Building Financial Analysis

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Summary

- At 8.0 FAR for DEMO there is a possible value shortfall, estimated not to exceed \$5.0M to \$10.0M
- Apex redevelopment costs include tenant relocation and provision of PL Station related structures
- Possible shortfall offset achieved through coordinated block-wide planning, construction and operations
- MC real estate tax increase and other econ multipliers are likely from accelerated larger new Apex building(s)

Scenarios

KEEP Existing Apex (near-term)

- MTA funds PL related improvements inside current right-of-way tunnel (2016)
- MC pays for new Red Line southern entrance
- possible building redevelopment longer-term

DEMOLITION 2015 / new Apex

- Apex ownership delivers new PL Station structure
- MTA and MC pay for station improvements
- MC pays for replacement CCT

Public Cost Differentials

KEEP Existing Apex Building

- \$80M Red Line connection (MC paid)
- no CCT
- Elm Street partial closure (2+ yrs)

DEMO / New Development

- \$70M Red Line connection (MC paid)
- \$15M / \$30M CCT (MC paid)
- Wisconsin Ave. partial closure (1 yr)

Private Sector Considerations

KEEP Valuation (2013 assessed value \$44M)

- existing 170,000 sf building circa 1992 (1.54 FAR)
- unused buildable area, if available or achievable

DEMO Valuation (land without current building)

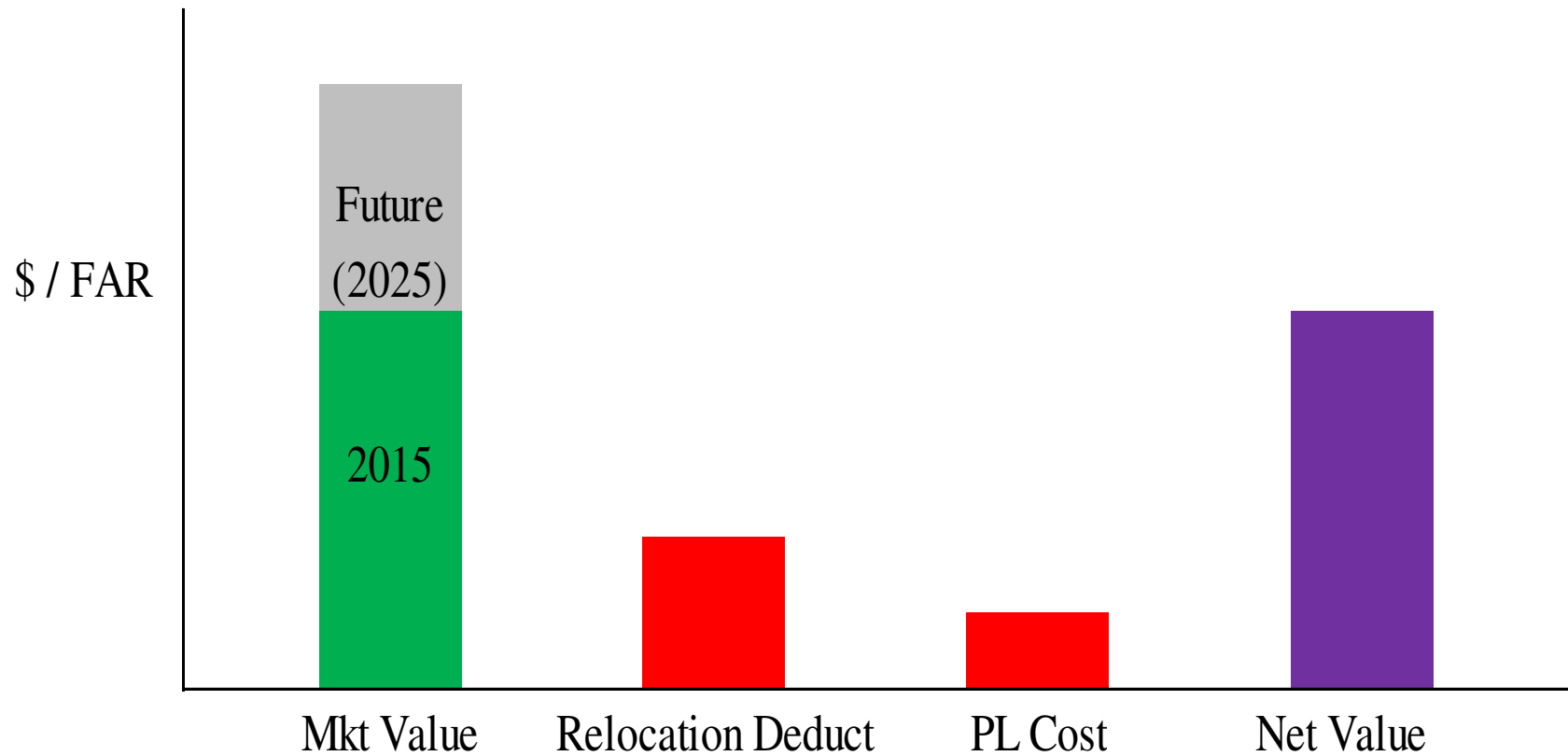
- potential 550,000 sf @ existing 5.0 FAR
- potential 880,000 sf @ illustrative 8.0 FAR

DEMO value minus KEEP value = econ decision

Land Value Variables

1. Buildable square footage permitted
2. Projected timing of market for new construction
3. Price for immediately marketable building area
4. Hold price (disc. value) of future to-be-built FAR
5. Building footprint / massing factors (optimal use)
6. Costs of accommodating the Purple Line
7. Possible value enhancements of a better PL Station

Net Land Value per FAR



Development Phasing Land Values

KEEP FAR Land Valuation (2015)

current built sf value (170,000 sf) \$100 per FAR

value of future unbuilt sf (380,000 sf) \$48 per FAR
(10% annual disc. from 2025)

value of hypothetical unbuilt sf (330,000 sf) \$20 per FAR
(20% annual disc. from 2025)

Development Phasing Land Values

DEMO FAR Land Valuation (2015)

current buildable sf value (550,000 sf) \$105 per FAR

value of future unbuilt sf (330,000 sf) \$50 per FAR
(10% annual disc. from 2025)

value of hypothetical unbuilt sf not applicable

Redevelopment Value Deducts

	<u>KEEP</u>	<u>DEMOLITION</u>
Construction Start / Phasing	2025+	2016+
Foundations	> 35% challenged	new
Parking	< 60% footprint	95% footprint
Existing Users Relocation	not applicable	major expense
Other Apex Ownership Costs	not applicable	not considered
Removal of Existing Building	similar	similar
PL Station Superstructure	existing	needs replacement
PL Emergency Vent Stack	no impact / off-site	to be added inside bldg
Red Line Surface Ventilation	existing	needs replacement
CCT Through Building	not planned/existing walkway	to be added inside bldg
New Bldg Extra Construction Costs	substantial	minor

Redevelopment Value Deducts

KEEP Deducts = \$10.0M+/-

- extra costs in future of redeveloping around station

DEMO Deducts = \$25.0M+/-

- existing users relocation
- owner cost of providing structure for PL station
- other extra construction costs compared to redevelopment without a PL station

Illustrative Net Valuations

KEEP Valuation @ 5.0 FAR

current building value (2014)	\$45M (170,000 sf built)
unused FAR @ 5.0 FAR	\$20M (380,000 FAR in 2025)
PL Station cost deducts	<u>(\$10M)+/-</u>
<i>Total</i>	<i>\$55M +/-</i>

KEEP Valuation @ 8.0 Hypothetical FAR

current building value (2014)	\$45M (170,000 sf built)
unused FAR @ 5.0 FAR	\$20M (380,000 FAR in 2025)
hypothetical additional 3.0 FAR	\$5M (330,000 FAR in 2025)
PL Station cost deducts	<u>(\$10M)+/-</u>
<i>Total</i>	<i>\$60M +/-</i>

Illustrative Net Valuations

DEMO Valuation @ 5.0 FAR

FAR @ 5.0 FAR

\$60M (550,000 FAR 2016+)

PL Station cost deducts

(\$25M)+/-

Total

\$35M +/-

DEMO Valuation @ 8.0 FAR

FAR @ 5.0 FAR

\$60M (550,000 FAR 2016+)

unused FAR @ 3.0 FAR

\$15M (330,000 FAR 2025)

PL Station cost deducts

(\$25M)+/-

Total

\$50M +/-

KEEP vs. DEMO Comparisons

DEMO Valuation @ 8.0 FAR

DEMO @ 8.0 FAR	\$50M+/-
KEEP @ Current Bldg	<u>\$45M+/-</u>
<i>Difference / Gap</i>	<i>\$5M+/-</i>

DEMO @ 8.0 FAR	\$50M+/-
KEEP @ 5.0 FAR	<u>\$55M+/-</u>
<i>Difference / Gap</i>	<i>(\$5M)+/-</i>

DEMO @ 8.0 FAR	\$50M+/-
KEEP @ Hypo 8.0 FAR	<u>\$60M+/-</u>
<i>Difference / Gap</i>	<i>(\$10M)+/-</i>

Economic Gap Considerations

Apex Ownership Benefits From Redevelopment

- possibility of obtaining more FAR / avoiding the future uncertainties
- accelerated future redevelopment value
- avoids living through PL Station construction
- updating of their (ASHP) occupied space

Economic Gap Considerations

Consolidated Block Planning & Development

- design, construction and operational synergies

Other Possible Offsets / Public Benefits

- triple+ current MC taxes from new bldg
- enhanced neighborhood econ activity and property values

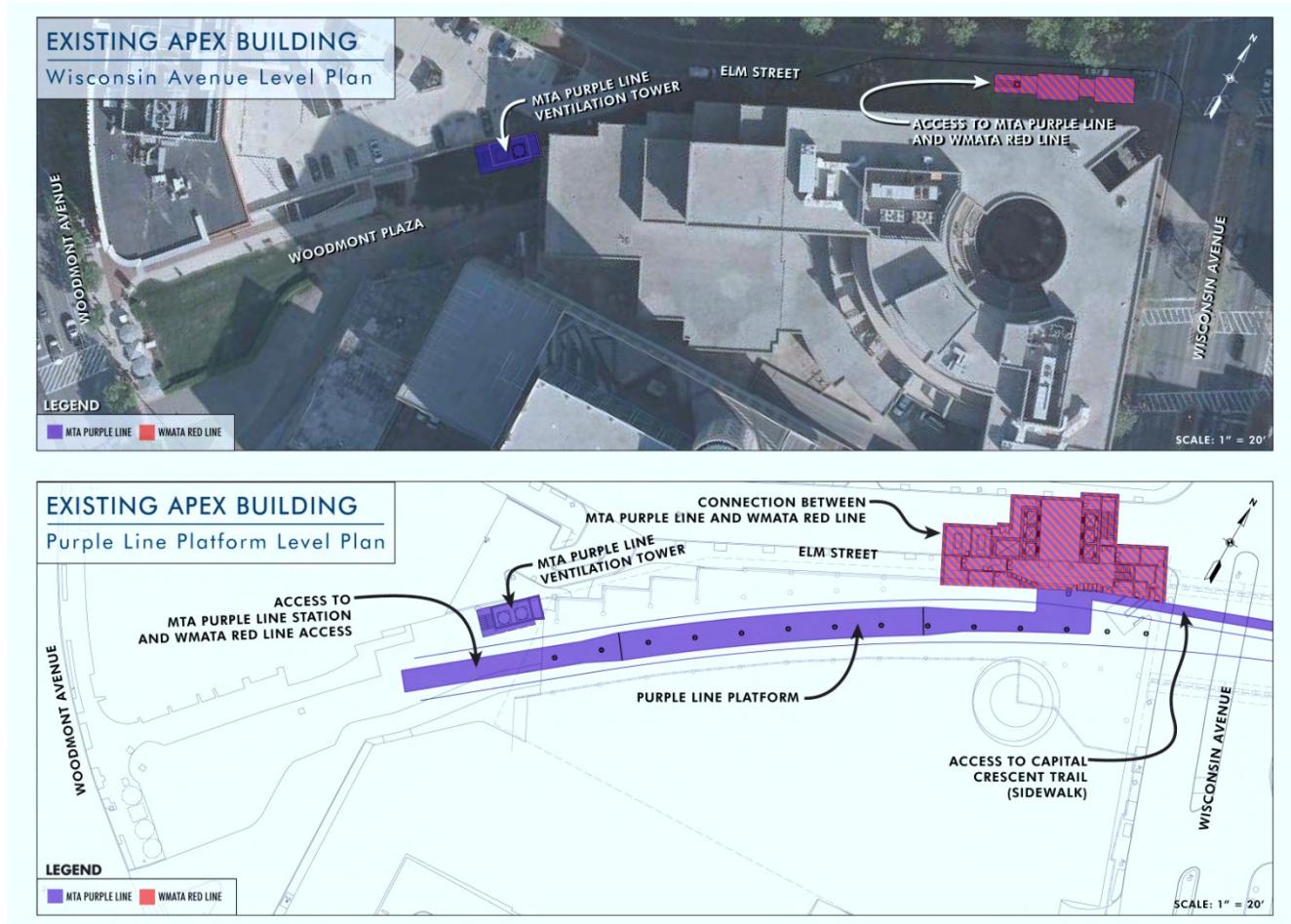
Study Limitations

- No possible cost premiums added for fast tracking DEMO scenario for 2014 / 2015 resolve
- Non-real estate related costs of current Apex ownership not considered
- Process and costs of obtaining needed replacement easements not considered
- All estimates are based on publicly available information and represent a range of possible cost scenarios

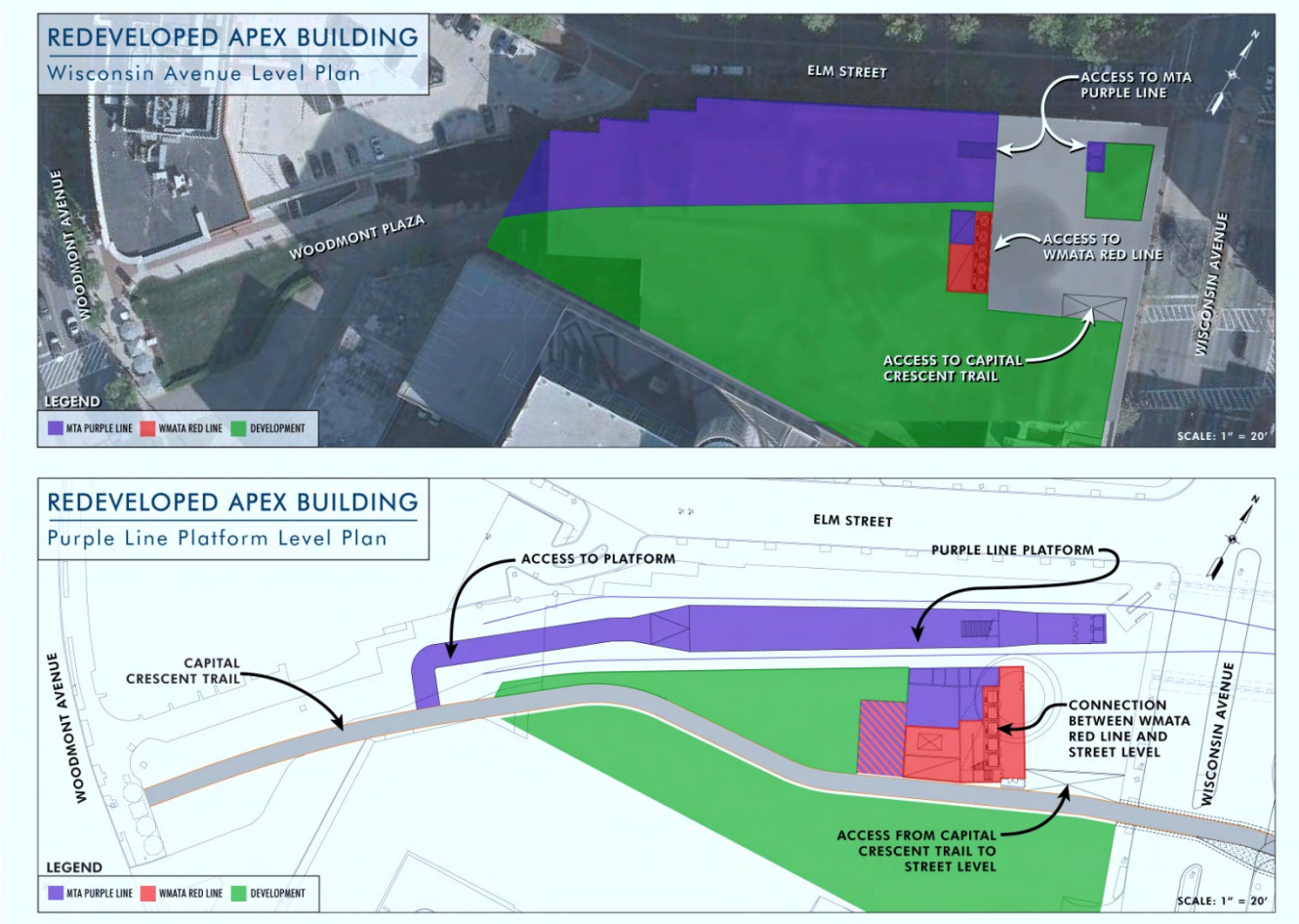
Public Benefits

- See MNCPPC report

KEEP Site Plan



DEMO Site Plan



Stakeholders

- MTA
- MC (Council / MNCCPC / DED / etc.)
- WMATA
- Apex ownership (ASHPharmacists)
- Apex Tenants
- Neighborhood residents, businesses and patrons