

Former Cyrano's Playhouse: An Investment Opportunity

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Engage Plan Implement  AGNEW
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Agenda

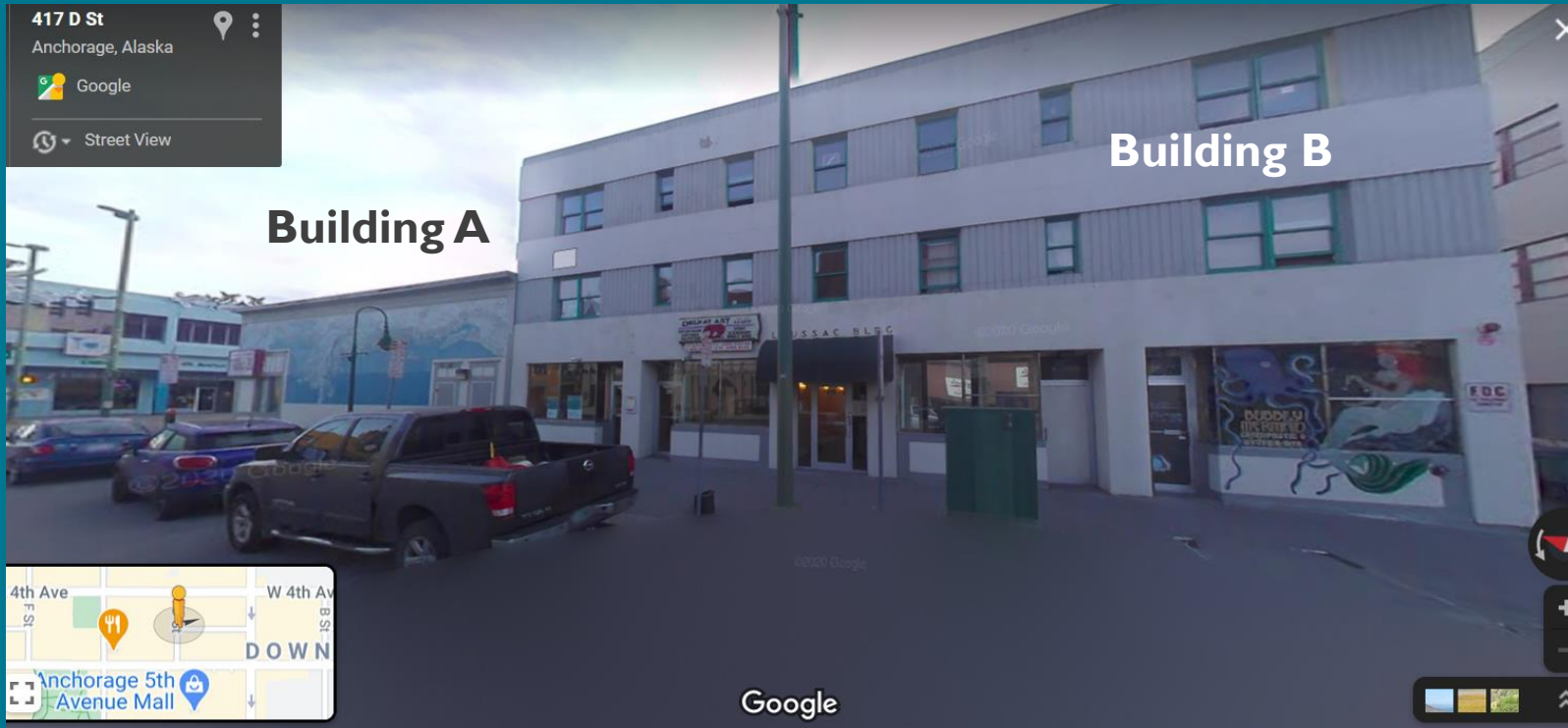
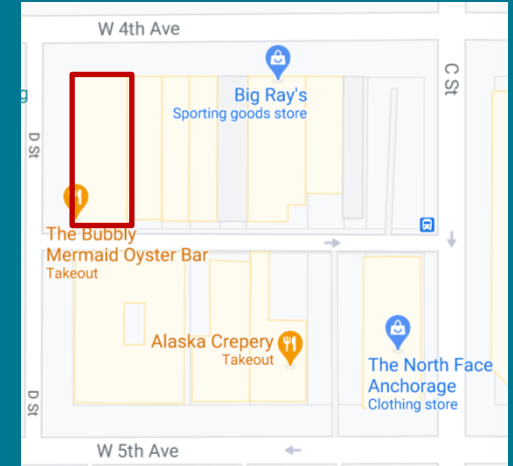
1. Site Overview
2. Building Conditions Analysis
3. Pro Forma
4. Development Opportunity



Photo credit:ADN, June 14, 2017 article

Former Playhouse in Downtown Anchorage

Building	Use	Sqft
A	Former playhouse	5,173 sqft
B	Commercial & apartments	9,128 sqft; 12 units
Total		15,000 sqft



Summary of Building Conditions Analysis

Life Safety

- Generally conforms to code
- Fire sprinkler and alarm coverage at commercial suites
- Conforming fire separations
- Some egress routes require ADA improvements.
- Ground floor change of use could trigger fire protection retrofit

Structural

- 1960's Building
- Building A – major structural upgrade (steel frame) in early 90's
- Building B – Concrete exterior wood framed interiors and floors

Building is what it is. No good options for additions or additional levels without significant work or razing and starting over.

Current Cyrano's Playhouse is an assembly use which is more restrictive than retail or restaurant use. Moving to less restrictive use doesn't necessarily trigger major fire protection upgrades

Summary of Building Conditions Analysis

Mechanical/Plumbing

- Building A – Packaged roof top unit
- Building B – Boiler replacement
- 6” water service adequate for any use and fire sprinkler requirements
- installing sewer service liner to extend life
- Replace cast iron basement drains


Electrical

- Service adequate for existing uses
- All units individually metered
- Service upgrade required for new major loads (AC, commercial kitchen) \$50k
- Many life safety and deferred maintenance items need to be addressed to reduce fire risk

Environmental – Major renovation in 80’s removed materials with asbestos and lead. Minor asbestos fireproofing found at building B ground floor beams

Pro Forma: Costs

20% less than listing price



Item	Cost
Land Acquisition and 8 Month Carry	\$1,033,333
Hard Costs	
Overall project (sewer, electrical, roofing)	\$55,000
Building A renovations	\$445,000
Building B renovations	<u>\$475,000</u>
Hard Costs Subtotal	\$960,000
Soft Costs & 5% Contingency	\$260,000
Total Project Costs	~\$2,250,000

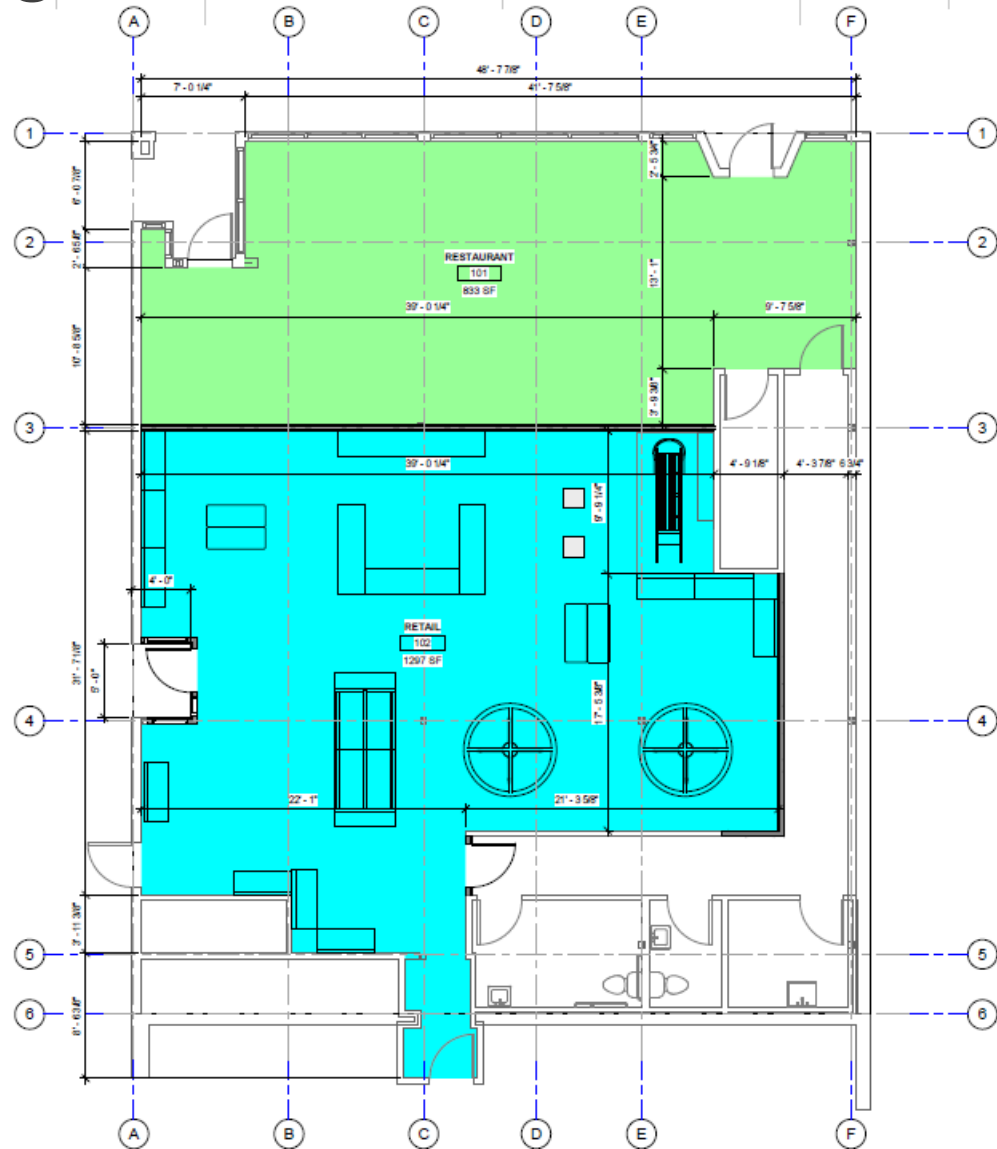
Renovation and Upgrades

Building A

Vanilla Shell for retail, restaurant or office tenant

- Carpet and paint
- Lighting
- Restrooms
- Base HVAC and Electrical
- \$25/SF tenant improvement allowance

Storefront and window replacement



Renovation and Upgrades

Building B

Heating Plant Replacement

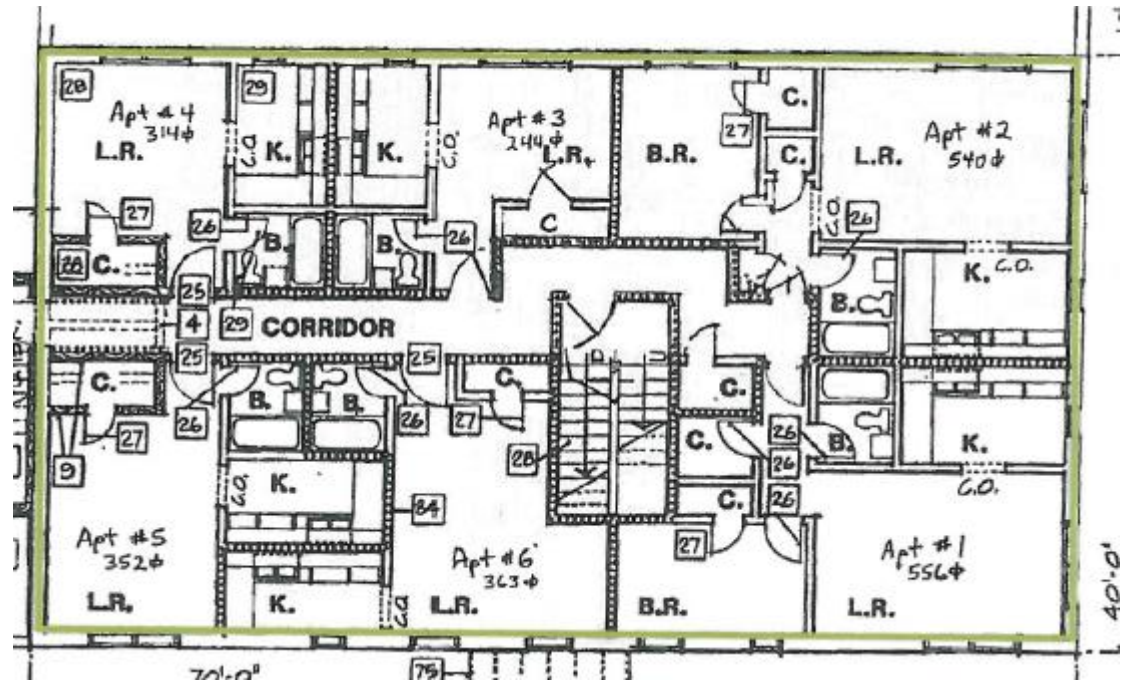
Deferred Maintenance

- Electrical, roof, weatherization

Vanilla Shell Improvements at vacant retail suite

Apartment upgrades:

- Common area finishes
- T-stat and heating control energy efficiency upgrade
- Fire protection upgrades (alarm and sprinkler)
- \$20K per apartment for upgrades (carpet and paint, bath and kitchenette fixtures and casework)



Pro Forma: Net Operating Income

Pro Forma NOI at Stabilization			
		Factor	Annual Revenue/Cost
Income			
Gross Potential Income			\$335,922
Less: Vacancy	10.00%		(\$33,592)
Adjusted Gross Income (aka Effective Gross)			\$302,330
Operating Expenses			
Property Management	8.00%	of Adjusted Gross Income	(\$24,186)
Controllable Costs (salaries, maintenance, repairs, marketing)	5.00%	of Adjusted Gross Income	(\$15,116)
Insurance	\$400	per unit	(\$7,200)
Miscellaneous	2.50%	of Gross Potential Income	(\$7,558)
Gas		annual	(\$12,000)
Electric		annual	(\$13,000)
AWWU		annual	(\$6,000)
Trash		annual	(\$3,000)
Real Estate Taxes		annual	(\$20,000)
Total Expenses			(\$108,061)
Operating Expense Ratio	35.74%		
Net Operating Income			\$194,269

Commercial Rents:
 \$1.00/sqft/mth basement
 \$2.00/sqft/mth ground floor

Apartment Rents:
 \$732 to \$1,132 per mth
 for 250 to 566 sqft



Discounted Cash Flow

Year	1	2	3	4						
Initial Project Cost										
Debt		(1,942,687)								
Equity		(384,020)								
Total Initial Project Cost		(2,326,707)								
Income										
Gross Potential Income			335,922	342,640	349,493					
Less: Vacancy	10.0%		(33,592)	(34,264)	(34,949)					
Adjusted Gross Income			302,330	308,376	314,544					
Operating Expenses										
Property Management			(24,186)	(24,791)	(25,411)	(26,048)	(26,697)	(27,365)	(28,049)	(28,750)
Controllable Costs (salaries, maintenance, repairs, marketing)			(15,116)	(15,494)	(15,882)	(16,279)	(16,686)	(17,103)	(17,530)	(17,969)
Insurance			(7,200)	(7,380)	(7,565)	(7,754)	(7,947)	(8,146)	(8,350)	(8,559)
Miscellaneous			(7,558)	(7,747)	(7,941)	(8,139)	(8,343)	(8,551)	(8,765)	(8,984)
Gas			(12,000)	(12,300)	(12,608)	(12,923)	(13,246)	(13,577)	(13,916)	(14,264)
Electric			(13,000)	(13,325)	(13,658)	(14,000)	(14,350)	(14,708)	(15,076)	(15,453)
AWWU			(6,000)	(6,150)	(6,304)	(6,461)	(6,623)	(6,788)	(6,958)	(7,132)
Trash			(3,000)	(3,075)	(3,152)	(3,231)	(3,311)	(3,394)	(3,479)	(3,566)
Real Estate Taxes			(20,000)	(20,500)	(21,013)	(21,538)	(22,076)	(22,628)	(23,194)	(23,774)
Total Expenses			(\$108,061)	(\$110,763)	(\$113,532)	(\$116,370)	(\$119,279)	(\$122,261)	(\$125,318)	(\$128,451)
Net Operating Income			194,269	197,614	201,012	204,465	207,972	211,535	215,155	218,831
Debt Service			(132,364)	(132,364)	(132,364)	(132,364)	(132,364)	(132,364)	(132,364)	(132,364)
Net Income after Debt Service			61,904	65,249	68,648	72,100	75,608	79,171	82,790	86,467
accumulated net income			61,904	127,154	195,802	267,902	343,510	422,681	505,471	591,938
			16.1%	33.1%	51.0%	69.8%	89.5%	110.1%	131.6%	154.1%
Disposition										
Cap Rate	8.0%									
Sale Price										2,782,070
Less Cost of Sale	5.0%									(139,103)
Gross Sale Proceeds										2,642,966
Repay Mortgage										(1,646,396)
Net Sale Proceeds										996,570
Annual Cash Flows before Debt			(2,326,707)	61,904	65,249	68,648	72,100	75,608	79,171	82,790
Project IRR	9.9%									
Cash Flows After Debt			(384,020)	61,904	65,249	68,648	72,100	75,608	79,171	82,790
Equity IRR	24.7%									

Return Rates
 Positive Cash Flow
 Project IRR 10%
 Equity IRR 24%
 Cash on cash: 16% in first year

Equity IRR increases to 34% & annual cash on cash to 22% if bridge/mezz financing available

Community Development Opportunity

Market Strengths



Key corner of downtown



Mixed use project with occupied housing



Reuse of older historical property



Decent returns & known building conditions data

Market Challenges



Developer interest



Mixed use financing challenges



Market uncertainty post COVID

What's Next?

Who is excited for this redevelopment opportunity?

- Building conditions analysis available for those interested
- Pro forma available for those interested
- Property is for sale

