



# *Boulder Creek Civic-Scape*

RE-IMAGINING THE BOULDER CIVIC CENTER





# ROCKY MOUNTAIN REAL ESTATE CHALLENGE

THE UNIVERSITY OF DENVER

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Looking East towards Boulder Creek

## EXECUTIVE SUMMARY

The City of Boulder has issued a Request for Proposal (RFP) for the redevelopment of a 3.2 acre parcel of land located in downtown Boulder. The City currently owns the site and has issued a set of seven guiding principles which must be incorporated into the development proposal.

### GUIDING PRINCIPLES

1. The Civic Heart of Boulder
2. Life and Property Safety
3. Outdoor Culture and Nature
4. Celebration of History and Existing Assets
5. Enhanced Access and Connections
6. A Place for New Community Activity and Arts
7. A Viable and Sustainable Future

The parcel is defined by Boulder's Central Park and is located just south of downtown Boulder between Canyon Boulevard and Arapahoe Avenue. The development site is on the eastern edge of the park between 13th Street and 14th Street. The site is in a very attractive location, but also has a challenging set of constraints that must be addressed.

#### *Site Opportunities*

Central location  
Limited competition  
High rental rates  
Low vacancy

#### *Site Constraints*

55 foot height limitation  
30-year ground lease limitation  
City will not sell any land  
Existing historical landmark buildings  
Located within 100-year flood zone  
Affordable housing requirement  
High water table and creek which bisects the site  
City of Boulder office space requirement

The Boulder market is attractive for real estate development as shown by the thirty-plus projects that are currently either under construction or proposed within the area. Development in Boulder is supported by the addition of 2,900 jobs added in 2012 and a low unemployment rate of 5.5%, which is outperforming both metropolitan Denver and the national average. The City of Boulder carefully monitors growth, which leads to limited competition, high rents, and low vacancies. Limited current and future competition is an important driver of this project.

Flatirons Development's proposal addresses all of Boulder's stated civic goals, is market driven, and provides a financially sustainable return for private investors. In order to create an economically viable project our development team is proposing a public-private joint venture (JV) with the City of Boulder.

## OUR VISION

The **Boulder Creek Civic-Scape** is an innovative and creative project in the heart of downtown Boulder. The mixed-use development features a newly constructed city office, an apartment complex, and an indoor artisan market. This project will invigorate the civic area by creating an integrated civic center and green space for the citizens of Boulder while highlighting the existing Dushanbe Teahouse and Boulder Museum of Contemporary Art (BMOCA).

The development of the Boulder Creek Civic-Scape is comprised of two major components: a civic component and a public-private joint venture component. Together the reprogrammed space will create a central identity for this under utilized area.

The City's new office facility will be called the **Boulder City Center** and will include two new civic plazas and redeveloped landscape. The plazas will create space for an expanded Farmers' Market, movie screenings, and public art. This aspect of our design meets the required principles of sustainability, public art, outdoor culture, and creates the civic heart of Boulder.

In addition to the new City Center, the public-private portion of the development will provide apartment residences that cater to individuals who seek an urban lifestyle within downtown Boulder. The 69-unit **Civic Square Apartments**, will have a variety of studio, 1-bedroom, and 2-bedroom apartments with premium finishes. Residents will benefit from the prime location and enjoy amenities such as an outdoor terrace and BBQ area, in-building fitness studio, and the adjacent artisan market for high-end food and beverage items. The multi-family component will bring value to the site and allow the civic area to remain active throughout the entire day.

Flatirons Development plans to reuse the existing City office facility known as the Atrium building. Reusing this facility is consistent with the City's desire to celebrate history and utilize existing assets. The Atrium building will be renovated and re-purposed as a locally sourced artisan market named the **Boulder Marketplace**. This space is inspired by the community's passion for the biweekly Farmers' Market that currently takes place on 13th street. The marketplace will serve as a central, year-round venue where vendors can distribute locally sourced, high quality products. The marketplace will also serve as an attractive amenity for the proposed apartment complex and the entire community.

## FINANCIAL OVERVIEW

The City of Boulder currently owns the entire subject site with the exception of a few privately held parcels along Arapahoe Boulevard. The City is limited to a 30-year ground lease by law and will not sell any land. A standard development cannot obtain financing with these constraints so a unique financial structure is required to create a successful project.

The public portion of the project (95,000 sq. ft. City Center) will be financed using a Certificate of Participation (COP). A COP functions in a way very similar to a standard mortgage. The City agrees to pay the certificate holders a fixed payment over a 20 year term, and at the end of the term the City retains full ownership of the site and improvements.

## Financial Highlights

### Joint Venture Highlights

Developer Initial Equity	\$ 2,579,299
Joint Venture Construction Costs	\$ 21,422,979
Year 1 Equity IRR (2017)	31%
Effective Disposition Cap Rate	5.7%
Developer JV Net Sales Proceeds (2017)	\$ 5,228,848
Debt Coverage Ratio (2017)	1.51
Loan To Cost Ratio	70%
Perm Loan Interest Rate	4.5%
City Office Development Fee	\$ 541,833
Mortgage Constant	0.067

### Public Finance Highlights

Boulder Land Value	\$ 4,411,800
City of Boulder JV Return (2017)	9.3%
Boulder City Center Effective Cost (PSF)	\$ 7.16
Certificate of Participation Payment	\$ 1,631,519
New Annual Revenue (2016)	\$ 263,416
Total One Time Revenues	\$ 3,631,327

### Rental Rate and Growth Highlights

Multi-Family 2013 Base NNN Rent	\$ 27
Lease Up Period	12 months
Artisan Market 2013 Base NNN Rent	\$ 20
Other Retail Base NNN Rent	\$ 25
Inflation Expectation	2.4%



The main advantage of a COP is that it provides long-term financing but is not technically considered debt. Because the City is not incurring debt, a ballot initiative is not required. This allows the project to move forward two years earlier compared to a standard bond issue.

The private portion of the development (Civic Square Apartments and Boulder Marketplace) will be financed through a JV with the City of Boulder. The City will be an equity partner and will contribute the multi-family land and existing Atrium building to the JV. The land will be owned on a fee simple basis by the JV entity. In return, the City will receive a 25% share of the net operating income (NOI).

## PHASING

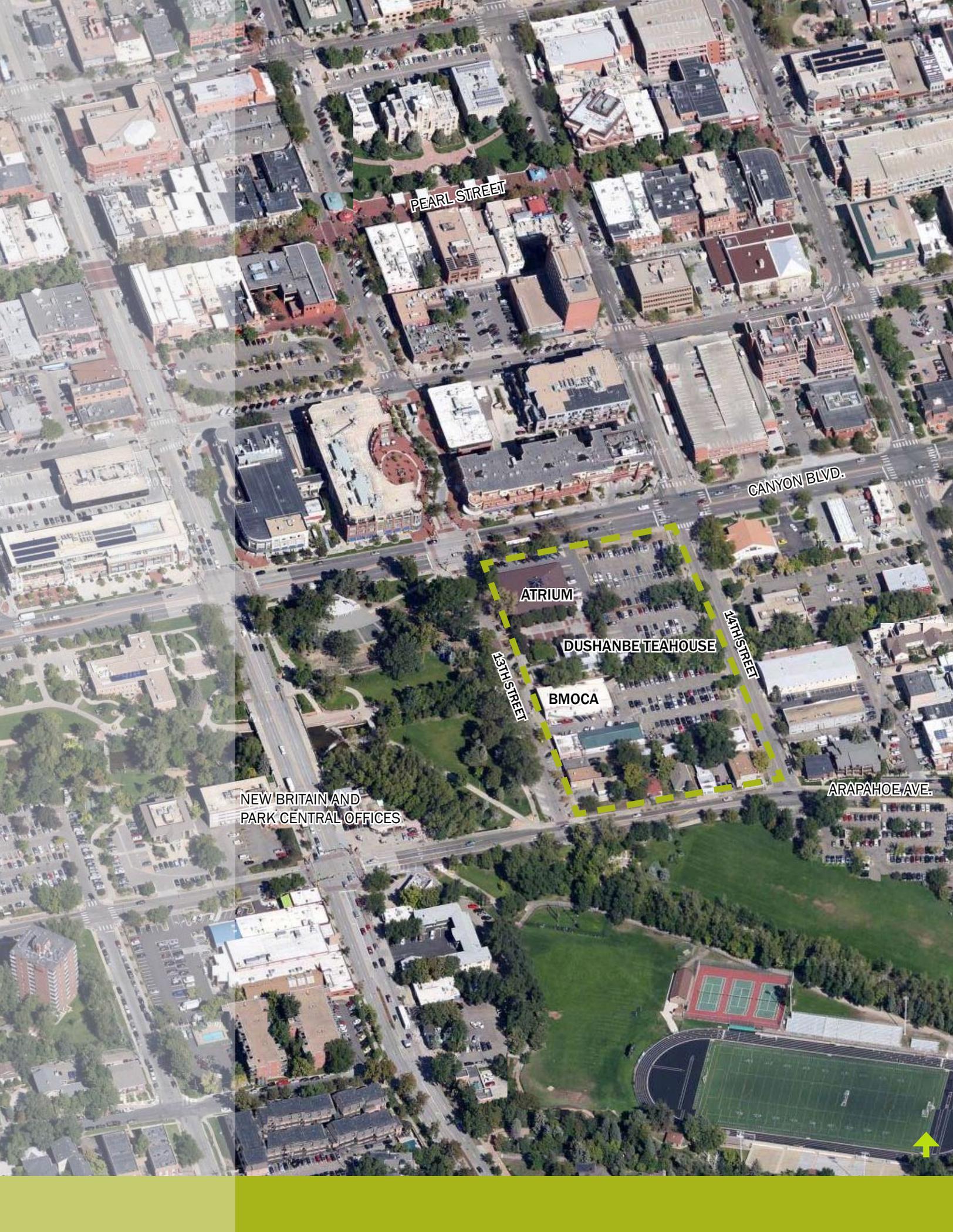
Construction of the development will consist of two phases over 32 months beginning with the initial ground breaking of the northeastern corner of the site in May of 2014 and ending in November

of 2016 with the completion of the Atrium renovation. The phasing strategy seeks to minimize disturbance to the city office employees and the Farmers' Market, and focuses on creating value for the immediate site and entire downtown community.

## CONCLUSION

After conducting extensive market analysis and consulting with industry experts and the City of Boulder, Flatirons Development has created a development plan that is market driven and financially feasible. Our plan addresses the unique constraints set forth by Boulder and creates a vision that is both economically viable and responsive to the citizen's goals for the site.

The *Boulder Creek Civic-Scape will create a sense of place for community to enjoy and will be an active area that has a clear identity and purpose.* The project will create value in a key area of the city that has long been disconnected from the central core.



PEARL STREET

CANYON BLVD.

ATRIUM

DUSHANBE TEAHOUSE

13TH STREET

14TH STREET

BMOCA

ARAPAHOE AVE.

NEW BRITAIN AND  
PARK CENTRAL OFFICES



## SITE ANALYSIS

Boulder offers all the advantages of a small town lifestyle, but with the convenience and amenities of a larger city. Boulder is home to the University of Colorado as well as major government research facilities and local entrepreneurs. The community has a strong appreciation for education, research, entrepreneurship, and is widely recognized as a center of innovation. Its location near the base of the Rocky Mountains has made Boulder a center for outdoor activities such as hiking, biking, kayaking and mountain climbing. Boulder is a community that focuses on sustainable, community based living in every regard, which can be seen through their variety of local art, cultural, dining, and shopping.

The subject property is located in the heart of downtown Boulder just two blocks south of the Pearl Street Mall, the pedestrian and commercial center of the City (see Figure 2.1). Numerous local storefronts and restaurants frame Pearl Street and create a pedestrian atmosphere.

The subject area currently houses local community events, such as the Boulder County Farmers' Market (see Figure 2.2), the BolderBoulder, the Homestead Festival, and the Boulder Creek Festival. Currently, this area is a collection of disconnected civic institutions that lack a central identity. This portion of Boulder and several blocks to the east is known as the South of Downtown Area (SODA). SODA is a portion of downtown Boulder that often goes unnoticed, although it offers unique shopping, design galleries, and creative workspace.

The subject site is located in the Boulder Civic Area, just west of SODA's 15th Street, allowing the subject the opportunity to fill a void in the urban fabric. The 3.2 acre subject site is bordered by Canyon Boulevard to the north and Arapahoe Avenue to the south, two main roadways that bring residents and visitors alike in from the eastern side of the city. The remaining boundaries of the property are formed by 14th Street to the east and 13th Street to the west. 13th Street is a one-way street, running north towards Pearl Street, that experiences minimal

Figure 2.1: Pearl Street Mall



Figure 2.2: Boulder County Farmer's Market



Figure 2.3: Dushanbe Teahouse



traffic. Throughout the summer, 13th Street is home to the Boulder County Farmers' Market discussed above. The site also houses an outdoor cinema throughout the summer months that offers public film showings held within the site's parking lot.

Currently, the subject site's permanent structures include five city-owned buildings including approximately 18,100 square feet of city office space and two historical landmark buildings, the Dushanbe Teahouse (see Figure 2.3) and the Boulder Museum of Contemporary Art (BMOCA). The Dushanbe Teahouse has significant cultural importance as it was built by over 40 artisans from Boulder's sister city of Dushanbe, Tajikistan. A third building, the Atrium, is potentially eligible to be landmarked and currently serves as city office space. These three buildings will remain on site and become an integral part of our team's development plan.

Finally, an extension of Boulder Creek, known as the Farmers Ditch, bisects the site and is a key natural feature within the immediate context. This branch of the creek borders the southern side of the Dushanbe Teahouse and connects the subject property to Central Park's open space and bike trails.

Six privately owned parcels are adjacent to the city owned lots on the south side. The existing buildings are small residential and commercial lots. In order to create the City office and public plazas, these private parcels must be purchased individually. When these parcels are added to the subject site a complete block is available for development.

The unique location of the site offers both opportunities and constraints to the development process. The location provides a unique opportunity for a new civic development within downtown Boulder. A detailed description of the subject's strengths and weaknesses is profiled in the following paragraphs.

## OPPORTUNITIES

The greatest strength of the subject site is its central location in downtown Boulder. Boulder's

policies to limit growth result in a lack of competition in the subject area. The high barrier to entry and high demand provide consistently high rents and low vacancies across virtually all product types. The site offers access to pedestrian walkways and public transit, easily connecting the users to the variety of stores, restaurants, and outdoor activities throughout the central core of Boulder. The site is also easily accessible from the University of Colorado, allowing the subject site to attract and cater to a variety of users. The proposed design accentuates connections with the surrounding area by improving walkways and creating a central plaza. This meets Boulder's requirement to enhance connections with the surrounding areas.

The subject property not only has a prominent location in Boulder, but also displays several distinct features within its own boundaries. The two landmarked buildings present the opportunity to

merge historical Boulder with an newly, integrated civic development that will define Boulder's future.

The Farmers Ditch offers an opportunity to celebrate nature within the urban context, and establish a cross connection through the entire civic area. Community traditions, such as the Farmers' Market and Outdoor Cinema, present the opportunity to further engage the community into the programming and development of the site, creating a space that the citizens of Boulder can enjoy throughout the year. 13th Street experiences low traffic and can be closed with minimal disturbance. This allows for the possibility of a permanent pedestrian plaza that can house the Farmers' Market. Additionally, the scale of the site offers the opportunity to consolidate the city offices as well as create new civic and private spaces. The combination of various uses will ultimately create an area that is active throughout the entire day.

### **STRENGTHS - OPPORTUNITIES:**

- \_ Centrally located in downtown Boulder, adjacent to Boulder's Central Park
- \_ Lack of competition and strong demand for residential within the downtown area
- \_ Located near public transit and pedestrian/ bicycle paths
- \_ Existing local uses, such as the Boulder County Farmers Market found on site
- \_ Distinct landmarked buildings, such as the Dushanbe Teahouse and BMOCA found on site
- \_ Located adjacent to the Farmers' Ditch and other natural elements
- \_ Possible site for the consolidated city offices and other civic uses
- \_ Lack of new apartment inventory within the downtown Boulder submarket (vacancy 1.9%)

### **WEAKNESSES - CONSTRAINTS:**

- \_ Located adjacent to the high hazard flood zone, and within the 100 year flood zone
- \_ A maximum of a 30-year ground lease by law
- \_ Boulder will not sell any portion of the parcel
- \_ Distinct landmarked buildings, such as the Dushanbe Teahouse and BMOCA found on site
- \_ Located adjacent to the Farmer's Ditch and other natural elements
- \_ Canyon Boulevard creates a boundary between the site and downtown Boulder
- \_ Privately owned parcels on the south side of the site may be difficult to assemble
- \_ 55' building height restriction
- \_ High groundwater table increases underground parking expenses
- \_ Tight site conditions which will constrict construction staging

## CONSTRAINTS

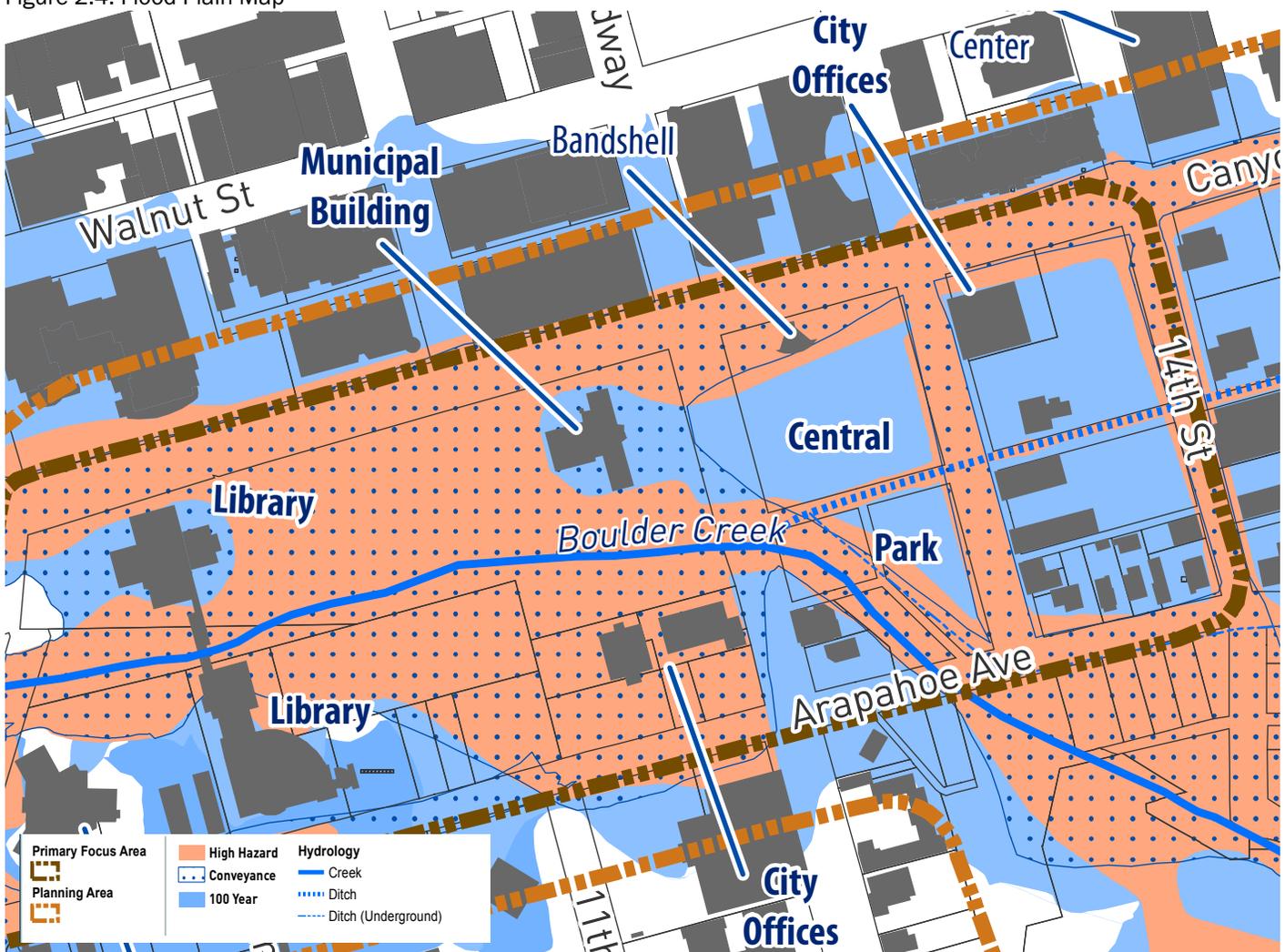
Although the site has many positive opportunities, there are also significant challenges which limit the available uses and complicate the development process. This site is challenging as public, private, and community issues must all be addressed. A successful plan must provide low to no cost City office facilities, compelling civic benefits, and be financially viable.

In addition to multiple competing stakeholders, the site has significant physical and regulatory limitations. The site is located within the 100-year floodplain and is bordered by the high hazard flood zone (see Figure 2.4). No permanent structures may be constructed within the high hazard zone. As demonstrated by the map below, the majority of the overall civic area west of the site is in the high hazard flood zone. Because of this, the subject site

offers the greatest opportunity for density within the overall planning zone. However, several peripheral portions of the subject site fall within the high hazard zone. The Farmers Ditch imposes a major constraint as it effectively divides the site into two separate parcels. The flood zone is not only an issue for life and property safety, but is a major cost consideration as well. Due to proximity to the creek and location within the flood zone, the water table on the site is only six to eight feet deep. As a result, the underground parking will need to be de-watered and flood proofed at significant extra cost.

Other site constraints are the regulatory, zoning, and ownership limitations imposed by the City of Boulder. The City controls the site ownership and approval process. As nothing can be done without the City's full support, the proposed solution must

Figure 2.4: Flood Plain Map



align with the City’s vision and goals for the site. As discussed, Boulder will not sell any piece of the land. In addition, Boulder is limited to a maximum of a 30-year ground lease by law. When paired together, these two constraints severely limit what uses can be placed on the site and how the development is financed. Regulatory constraints include 65 foot setbacks from the center of Canyon Boulevard, affordable housing requirements, height limitations, open space requirements, and minimum parking ratios.

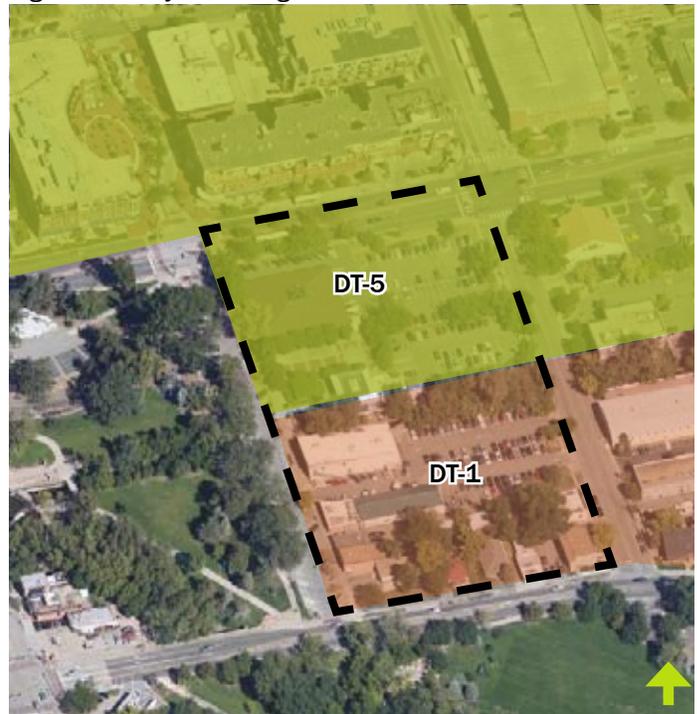
## ZONING ANALYSIS

As shown, the subject site is located in the downtown district. The north side of the site is zoned DT-5 and the south side of the site is zoned DT-1 (see Figure 2.5). The low zoning on the southern side severely limits the density that can be built, and also creates a sense of discontinuity between the two halves. However, the City of Boulder has instructed us to consider both sides of the site DT-5. Allowable uses within DT-5 include: office, retail, residential, and public uses. It is important to note that DT-5 zoning restricts building heights to 55 feet, which comfortably allows for a four story building. A five story building could theoretically be built, but it requires a more expensive construction type, lower ceilings, and stringent parking requirements. In addition, five stories would require additional site review. Because of these issues, the project design calls for a maximum of four stories.

## PARKING

The parking requirements for the site are determined by Boulder’s Zoning Code. In the downtown zoning district there are no parking requirements for nonresidential units. Residential buildings are required to provide one parking spot for each attached dwelling unit. This equates to 69 underground parking spots for the northern portion of the site. FEMA regulations dictate that underground parking structures are not allowed for solely residential buildings, however the mixed used program of our development allows us to utilize an underground parking structure. In addition to the underground portion, several surface spots are available for the retail portion for the project.

Figure 2.5 Project Zoning Conditions



Street parking and garage parking is also available in the surrounding area. The subject also falls within the Central Area General Improvement District (CAGID), which is an improvement district responsible for parking in the downtown area. CAGID Parking spots can be rented for \$275 per quarter. In order to provide additional parking for the retail component, 10 CAGID parking spots will be rented within three blocks of the site. These spots have been budgeted as a rental concession.

In addition to vehicular parking, the zoning code requires that properties in the downtown district provide adequate bicycle parking. Bicycle parking must equal 10% of the required off-street parking spaces. After the first 50 spaces are provided, the required number of additional bicycle parking spaces is 5% of the required off street parking. For the proposed development, approximately 25 bicycle spaces are required between the two garages.

## OPEN SPACE

Boulder calculates open space requirements relative to the building mass, and sets strict limits to the amount of density that can be developed on a site. Per code, buildings over 45 feet but less than 55 feet in height must provide at least 20% of the total land area as usable open space.



View Looking West from the Site

## MARKET ANALYSIS

Boulder is consistently a stable market due to limited land and a restrictive entitlement process. In addition, the area is home to a diverse employment base and an educated workforce. This section summarizes the population, employment, income, and demographic trends within the area.

### POPULATION

As of January 2013, the Denver MSA's population is approximately 2.9 million. Boulder County accounted for 10.9% of the MSA total with a population of 314,478. The City of Boulder has an estimated population of 100,307, or approximately 30% of the county total. Boulder County has grown at an average of 1.5% annually in the past twenty years, while the City's population has grown at a rate of 0.8%. Slow growth is intentional and does not reflect a lack of demand within the submarket. Figure 3.3 summarizes the population and household growth from 1980 to 2013 in Boulder County, the City of Boulder, and the Downtown submarket.

### EMPLOYMENT

Boulder's employment growth and unemployment figures continue to outperform the state and national levels (see Figure 3.1 and 3.2). According to Newmark Knight Franks' quarterly market report, Boulder's unemployment rate is currently 5.5%. This is considerably lower than the statewide average of 7.6% and the national average of 7.8%. The Boulder employment market has proven to have exceptional durability even during severe economic downturns. The strength of Boulder's job market is due to its diverse economy and highly educated workforce. Seven of the ten non-farm employment sectors showed job growth over the past year. Key employers include federally funded research laboratories, high-tech companies, and the University of Colorado.

According to the Bureau of Labor Statistics, Boulder County gained approximately 2,900 jobs in 2012, with total employment equaling approximately 169,429. Boulder is projected to continue to experience stable employment growth in the near to medium term.

Figure 3.1: Unemployment Rate Comparison, 2010-2012

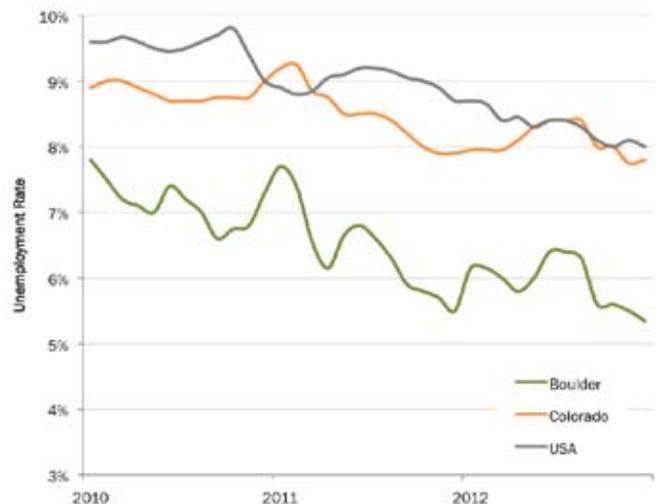
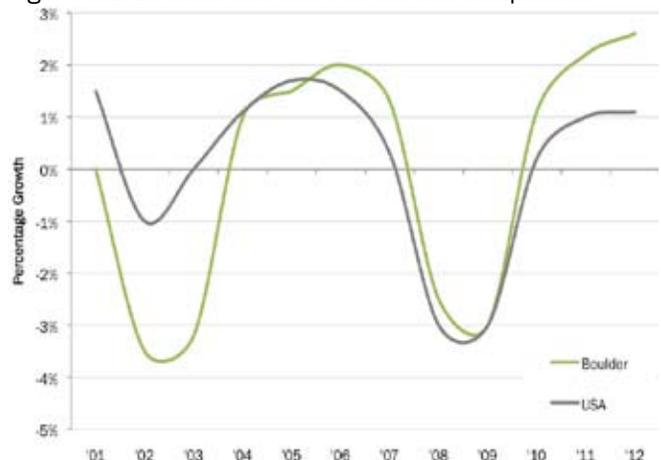


Figure 3.2: Boulder and U.S. Job Growth Comparison



## INCOME

The median household income in Boulder County is \$68,637 which is considerably higher than the state average of \$55,387. This can be contributed to Boulder’s highly educated workforce. However, the median household income of the downtown/central submarket is slightly lower at \$53,968. The difference is due primarily to the student population in the area which tends to have additional disposable income above what the statistics indicate.

## DEMOGRAPHICS

The immediate site area, as defined by the downtown and central submarket, has an estimated population of 16,646. Other key characteristics of the local area demographics are summarized in the table to the right. The target market has a high level of disposable income and is willing to pay extra for high quality, local, and sustainable products. Traffic for the subject site will be drawn from the entire Boulder submarket as the development will provide a unique space and venues for events designed to draw in the entire community.

### Downtown/Central Submarket Demographics:

**\_ POPULATION: 16,979**

**\_ HOUSEHOLDS: 8,819**

**\_ AVG. HOUSEHOLD SIZE: 1.86**

**\_ MEDIAN AGE: 34**

**\_ MEDIAN H.H. INCOME \$53,968**

**\_ RENTER OCCUPIED: 63.34%**

Figure 3.3: Population and Household Trends Boulder County, the City of Boulder, and the Downtown Submarket

					1980-2013		Annual Average 1990-2013		2000-2013	
	1980	1990	2000	2013	Num.	Per.	Num.	Per.	Num.	Per.
<b>BOULDER COUNTY</b>										
Population	189,625	225,339	291,288	314,478	3,783	1.5%	3,876	1.5%	1,784	0.6%
Households	68,964	88,402	114,680	127,489	1,773	1.9%	1,699	1.6%	985	0.8%
<b>CITY OF BOULDER</b>										
Population	76,685	83,312	94,673	100,307	716	0.8%	739	0.8%	433	0.4%
Households	25,703	34,681	39,596	43,479	539	1.6%	383	1.0%	299	0.7%
<b>SUBMARKET</b>										
Population	10,177	15,117	16,922	16,979	206	1.6%	81	0.5%	4	0.0%
Households	5,944	8,020	8,772	8,819	87	1.2%	35	0.4%	4	0.0%
<b>Submarket as a percent of Boulder County</b>										
Population	5.4%	6.7%	5.8%	5.4%	5.4%		2.1%		0.2%	
Households	8.6%	9.1%	7.6%	6.9%	4.9%		2.0%		0.4%	
<b>Submarket as a percent of the City of Boulder</b>										
Population	13.3%	18.1%	17.9%	16.9%	5.4%		2.0%		0.2%	
Households	23.1%	23.1%	22.2%	20.3%	5.0%		2.1%		0.4%	

## CIVIC USES

The City envisions the site as the “Civic Heart of Boulder.” To achieve this vision, a wide range of civic uses for the site were evaluated. The following paragraphs outline several potential civic uses that have been suggested by the local community.

### CITY OFFICE

Currently, the City of Boulder has approximately 81,000 sq. ft. of municipal office space and a total of 330 employees. The current municipal buildings are functionally obsolete, energy inefficient, and do not embody the City’s core values. Two buildings, New Britain and Park Central, are located in the high hazard flood zone and cannot be replaced or flood proofed in their current location. The RFP requires that a solution for the City’s office space requirements be addressed. Boulder’s office needs could be met on the subject site or elsewhere within the community. According to the Boulder facilities manager, Boulder requires 360 sq. ft. per employee which equates to roughly 119,000 sq. ft of total space.

Within the downtown submarket, there is approximately 1,585,996 sq. ft. of total office space at vacancy rate of 5.90% (Newmark Knight Frank Q4 Market Report). There is no existing facility large enough to accommodate the City’s demand in a central location. If city offices are to remain within the city center, a new facility needs to be built on-site. There are potential options for a new facility located on the outskirts of Boulder which could potentially accommodate the City’s demand, however, this solution is inconsistent with the city’s goals for the site or vision.

### ARTISAN MARKET

The Boulder Farmers’ Market has been an integral part of the community for over 25 years. During this time, the market has outgrown its current space on 13th Street and needs additional surface area to expand. Many citizens have also expressed a desire for an indoor facility that would allow for a market to operate during the winter months. The Boulder Farmers’ Market takes places two days a week from April to November. Over 130 vendors already participate in the market, but there is high demand for additional vendor space and parking for the biweekly event.



## OUTDOOR CINEMA

The Boulder Outdoor Cinema has been located on the site since 1995, showcasing weekly films throughout the summer and is encouraged to remain in the civic area.

## MULTI-FAMILY

Dividend Capital Research's Cycle Forecast from the 4th quarter of 2012 indicates that eleven metropolitan markets are in the growth cycle for apartments. Currently, Denver MSA has one of the top performing apartment markets in the nation. However, the Denver market has yet to reach the over supply stage where new construction is no longer feasible (see Figure 3.4).

## SUPPLY

In 2012 multi-family building permits in the Denver MSA totaled 3,240 in comparison to 2,824 in 2011. Approximately 16.7% or 542 of the metropolitan permits were generated by Boulder/Broomfield counties, up from 114 in 2011. The Boulder market has had very few new apartment units delivered over the past few years due to a lack of financing, available land, and entitlement constraints. Extremely low vacancy in the market combined with a lack of new construction present excellent opportunities for multi-family development. Additionally, Figure 3.5 shows that the demand in the Boulder apartment

market exceeds supply, presenting opportunities for new multi-family projects. The chart demonstrates that over the last three and a half years, Boulder's multi-family absorption has outpaced the new supply of units coming onto the market.

The subject site is located in a desirable location in downtown Boulder where there is little to no available land for development. Lack of competition and strong demand for this product type will cause this project to be successful. In the metro area, a total of 329 new apartment units were added in the 4th quarter of 2012 with 146 of those in Boulder/Broomfield Counties. However, the majority of these units are located in Broomfield and are not comparable to the subject site.

Currently there is one project, 1707 Walnut Street (20 units), under construction within the downtown area. This project is expected to come on line early in 2014, two years prior to our proposed project.

## VACANCY

Multi-family vacancy rates within Metro Denver reached a high of 8.1% in 2009 and have steadily decreased since then. Current vacancy in metro Denver is near historic lows, averaging 4.9% in the

Figure 3.4 : Apartment Market Cycle Analysis - 4th Quarter 2012

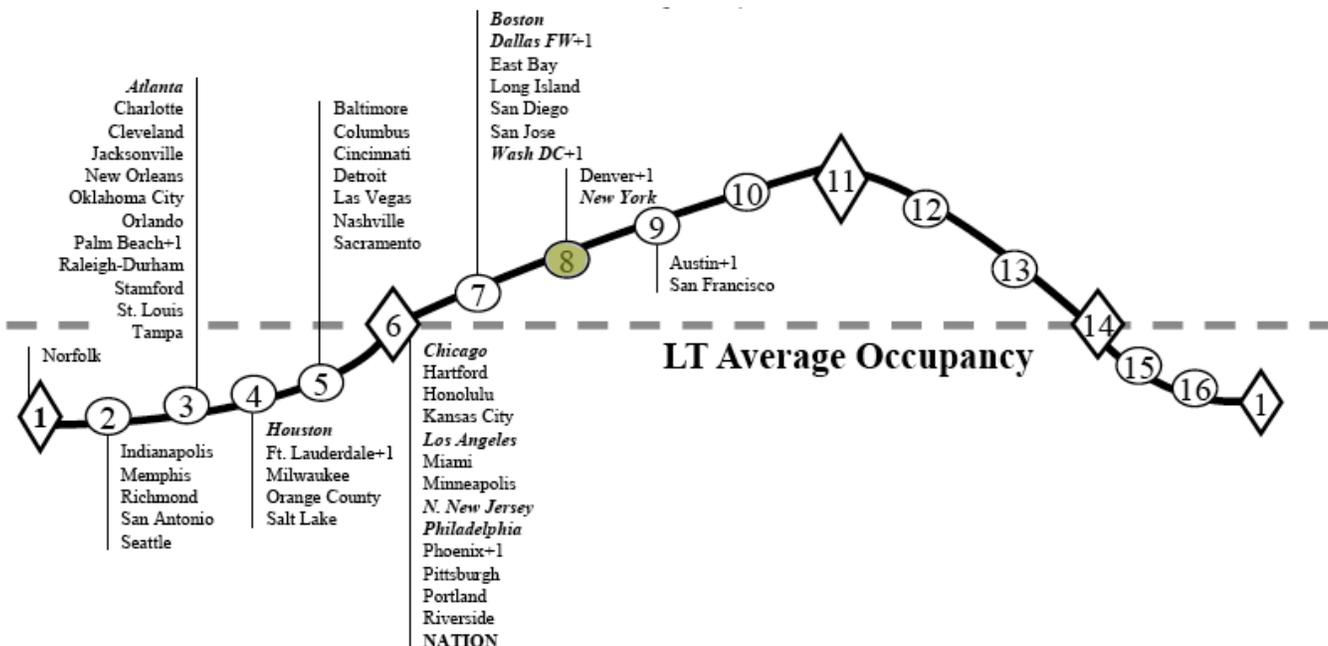
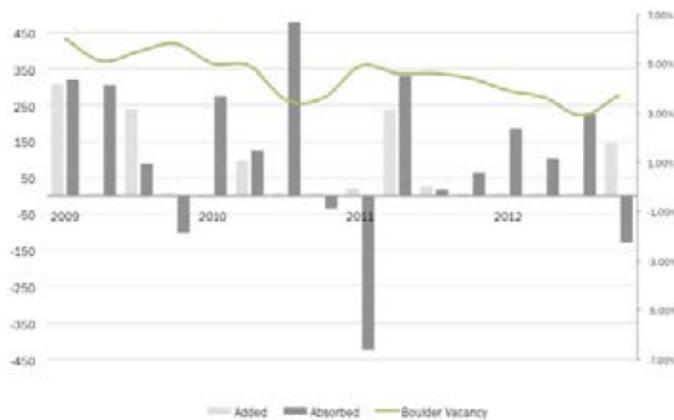


Figure 3.5 : Supply and Demand in the Boulder County



4th quarter of 2012. The Boulder submarket has virtually no excess supply and a vacancy rate of only 1.9%. Boulder has consistently lower vacancy rates than the metropolitan area since the 1st quarter of 2010. The extremely low vacancy rate supports new multi-family development.

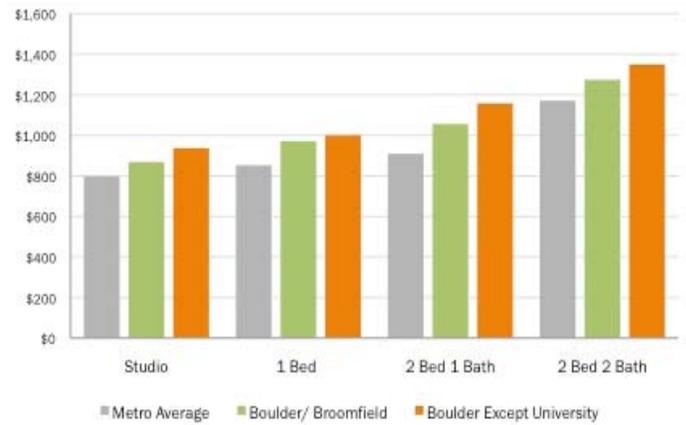
**RENTS**

The average multi-family unit in Boulder County rents for \$1,104 or \$1.26 per square foot. A comparison of average rental rates by unit type is found in Figure 3.6, which shows the Boulder submarket performs well above the Denver metro averages. Apartments within the submarket constructed since 2005 and later average \$1,222. A peer group of comparable multi-family product was selected for analysis. The newest apartment projects are Two Nine North and the Lofts at Peloton. A summary of these two primary comparable properties is found in Figure 5.4 (see Section 5, Page 34) and suggests that the Civic Square Apartments rent will be between \$2.00 and \$2.50 per sq. ft. per month.

**CAPITAL MARKETS**

The capital markets currently provide a wide range of financing options. HUD 221(d)(4) loans are available with low rates, 40 year amortizations, and are non-recourse. A drawback to the 221(d)(4) program is long processing times ranging from 12 -

Figure 3.6: Average Rents Metro Denver vs. Boulder



24 months. Conventional financing is also available from traditional banks, life insurance companies, and the CMBS market. Conventional loans typically have 25 to 30 year amortizations, slightly higher interest rates, and carry a personal guarantee.

**RETAIL**

The retail market in Boulder has improved each year since 2009. The 10 year average retail absorption in the Boulder submarket is approximately 52,000 sq. ft. In 2012, retail absorption was 69,323 sq. ft. indicating a strong retail market. There is no new retail construction in the Boulder submarket. These conditions have led to increasing rents and declining vacancies. However, average retail rents in Boulder are still over \$5 per sq. ft. below their 2003 peak. Based on these figures, the retail market is strong and rents are likely to increase due to a lack of available space.



The **Boulder Creek Civic-Scape** is an integrated civic center and green space for the residents and visitors of Boulder. It is a modern and sustainable city center, where the newly designed physical space will align with Boulder's core values - ultimately, creating a civic area that will be able to evolve and adapt within Boulder's diverse community.

## VISION AND MASTER PLAN

Boulder's community is characterized by a strong sense of civic pride and responsibility. The City's goals for the civic center redevelopment are represented by the guiding principles listed below.

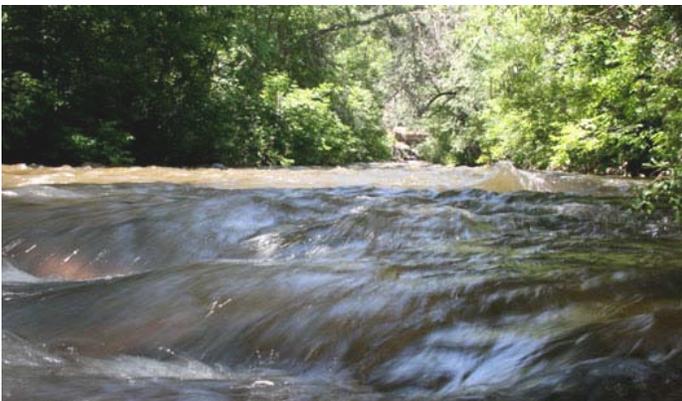
### BOULDER'S GUIDING PRINCIPLES

1. The civic heart of Boulder
2. Life and property safety
3. Outdoor culture and nature
4. Celebration of history and existing assets
5. Enhances access and connections
6. A place for new community activity and arts
7. A sustainable future

The proposed plan (see Figure 4.1) merges Boulder's core values with urban planning principles and economic feasibility. Upon completion, the site will create a unique sense of place that is distinct to downtown Boulder, and can be utilized by citizens and visitors of all ages.

The site design emphasizes direct connections to downtown Boulder and the University of Colorado, and allows for cross connection through the civic park. By linking key components of the urban fabric, the proposed ***Boulder Creek Civic-Scape*** will create a new synergy within downtown Boulder and support the existing business area.

The proposed plan is split into two components. A publicly financed office building and civic plaza that focuses on direct public benefits and a public-private partnership that seeks to compliment the purely public functions by adding private amenities, residential, and retail space along the northern edge of the planning area. The two components compliment each other together to create a cohesive site plan that responds to Boulder's goals, yet is also financially viable.



## 1 - CIVIC PROGRAMMING

The publicly funded portion of the plan benefits the general public by adding much needed recreational and cultural space. Most importantly, the plan will expand the presence of the Boulder County Farmers' Market and will revitalize the outdated city offices. The key components of the publicly funded development include:

- A. Boulder City Center (95,000 sq. ft. - LEED Gold)
- B. Removal of New Britain and Park Central Offices - replaced with park land expansion
- C. Farmers' Market Hardscape Expansion
- D. New Bike and Pedestrian Paths
- E. Public Art Gardens and Civic Plaza
- F. Celebration of the Dushanbe Teahouse and the Boulder Museum of Contemporary Art (BMOCA)

By incorporating these civic uses, the citizens of Boulder will have a central space to enjoy culture, art, and the natural environment. The new public amenities will become a distinct destination and will represent the City's vision for a sustainable future. Specifically, the new

**A BOULDER CITY CENTER** provides the city with office space that closely aligns with the community's value of sustainability. The new office will be complimented by two historic buildings, the Dushanbe Teahouse and BMOCA, both of which are a central feature to the plaza.

## 2 - PUBLIC/PRIVATE PROGRAMMING

The public-private portion of the development will partially offset the cost of the public development and provide urban amenities that compliment and support the civic green space. The private programming will be a bookend to the urban park and will create an active civic area for the local community. The private development will allow the site to be active throughout the entire day and draw additional users to the site in the evening. The programming of this portion includes:

- A. Civic Square Apartments (69 units, 5,300 sq. ft. retail)
- B. Boulder Marketplace (12,300 sq. ft.)

Together, these spaces add variety to the civic area and create a neighborhood where citizens can live, work, and enjoy all that Boulder has to offer.

Figure 4.1: Boulder Creek Civic-Scape Master Plan





The **B CIVIC SQUARE APARTMENTS**, located on the northeastern corner of the site, will draw in young professionals who wish to live near their place of work and will add much needed residential rental space to the downtown Boulder submarket.



Finally, the uniquely programmed **C BOULDER MARKETPLACE** will find its home in the former Atrium building, showing a respect for the site's history and existing assets while still evolving to meet future demand. The use for this space was drawn from Boulder's love for the existing Farmers' Market and quality food-centric culture. Vendors providing specialty meats, cheeses, beer, wine, and other quality, locally sourced products will be found within the newly renovated space. Also, a rotational farmer's stand will allow seasonal vendors to sign up for space on a weekly or monthly basis. The renovated Atrium will be a permanent presence of the biweekly Farmers' Market, a lunchtime escape for a fresh meal, and a supplier of unique, specialized food products.



The **Boulder Creek Civic-Scape** will merge public and private uses, creating a space that will be mutually beneficial to all citizens of Boulder. This simple plan enhances the civic space, and works within the constraints set by Boulder's planning department to create a newly defined space that defines Boulder living. The newly created civic area blurs the boundary between public and private interests, while respecting the context of the site.



The project design seeks to create multiple pedestrian connections to downtown Boulder, the University of Colorado, and a cross connection with the rest of Boulder's central park to create one cohesive space. This will be achieved by closing 13th Street to vehicular traffic and creating a new civic plaza that will frame the western edge of the site. This new hardscape will allow for a pedestrian connection from the site into downtown as well as a location for the expansion of the Boulder County Farmer's Market. The current cross connection through the civic park will be enhanced by the closing of 13th Street and the expansion of the civic-plaza. This design creates new spaces while also celebrating and improving existing assets such as BMOCA and Dushanbe Teahouse.

Figure 4.2: Creekside Apartments - Looking West on 14th Street



Development is focused on the eastern edge of the site, creating a bookend to the larger civic-park and which highlights the open space to the west. The Dushanbe Teahouse and the BMOCA will remain in their present locations and become integrated within the context of the new development. The development process will take place in two phases described in the following section.

## CIVIC SQUARE APARTMENTS

The first phase of development will be the construction of an apartment complex on the northeast corner of the subject site (see Figure 4.2). This phase of the development will be marketed toward professionals who will be living and working in the downtown area. Demand for these units will primarily come from young professionals, single adults, and empty-nesters who desire a low maintenance urban lifestyle.

The Civic Square Apartments will be an example of sustainable living in the heart of Boulder and will feature solar panels, energy efficient appliances, and recycled materials. With few competitors in the downtown submarket, the 69-unit apartment complex will be one of the few properties to offer walkable access to Central Park

as well as the amenities and restaurants of Pearl Street. The complex is also accessible via public transit and bicycle paths. The unit mix will cater toward urban living offering a variety of studio (16%), 1-bedroom (68%), and 2-bedroom (16%) units averaging 852 sq. ft. All apartments will include upgraded finishes such as granite counters, high-end appliances, and recessed lighting. Many units will feature a private terrace, and all residents will have access to a community square with outdoor seating and facilities for entertaining.

## RETAIL

The apartment building will include 5,300 sq. ft. of traditional retail located on the ground floor of the Civic Square Apartments. The retail component is only modest part of the Boulder Creek Civic-Scape project. Flatirons Development will seek tenants that will complement the other elements of the project and that would be welcomed by the surrounding community. Potential tenants include a convenience-based gym, full service salon suites, or art gallery. We have discussed the project with specific tenants in these categories, and the project has been well-received and identified as one that these potential tenants would have an interest in pursuing if constructed.

Figure 4.3: Boulder City Center - Birds Eye View Looking East



## BOULDER CITY CENTER

The development proposal includes a 95,000 sq. ft. LEED Gold office building located on the southeastern corner of the site. The Boulder City Center will provide a solution to Boulder's current and future office needs. The modern, LEED Gold office facility will represent the sustainable identity of Boulder's new civic-scape and embodies the goals of the community (see Figure 4.3).

The new office complex will consolidate all former city office space other than the existing municipal building located at 1777 Broadway. The new facility will provide space for approximately 260 employees and includes an underground parking structure with 102 spots, which exceeds the zoning requirements. As they are currently, city employees will be encouraged to utilize the many public transportation options in the area. The Park Central and New Britain offices will be demolished and replaced with green space, increasing the overall open space within the downtown area.

## CIVIC PLAZA

A large civic plaza will frame the western edge of the site and will create a much needed hardscape for the expansion of the Boulder County Farmers' Market. This element of the design will expand into the current boundary of Central Park, merging the subject site with the larger green space.

A smaller, secondary plaza, surrounded by open green space will be found in front of the main entrance to the new City Center. This space will be utilized for the Farmers' Market and will be the new and improved home for the Outdoor Cinema. A large movie screen will be hung on the southern side of BMOCA allowing for direct viewing from the new secondary plaza. The green space surrounding the movie plaza will become a sculpture garden that will house rotating, outdoor art exhibits for the public's enjoyment. The smaller plaza is intended to compliment both the new City Center and BMOCA by extending the civic benefits to the exterior portion of the site.

## BOULDER MARKETPLACE

The second phase of the development is the renovation of the Atrium building into a specialty, artisan market (see Figure 4.4 and 4.5). The construction of the Boulder Marketplace will begin once the City Center is completed and all employees have transitioned from the Atrium building into the new facility.

This is the most captivating phase of the project and ties the entire development together as a whole. The new Boulder Marketplace will allow for the atmosphere of the Farmers' Market to be enjoyed year-round on a smaller more intimate scale. It will also serve as a centerpiece to the Farmers' Market by creating a place where customers can sit, eat, and enjoy their purchases.

The new marketplace will be home to a variety of specialized, local vendors who will provide specialty meats, cheeses, beer, wine, prepared foods and other quality, locally sourced products. Possible tenants for this space include current vendors of the Farmers' Market who wish to have a more permanent presence in Boulder. Such vendors may include:

*Boxcar Coffee Roasters, Adaba Foods, Augustina's Winery, Backyard Bees, Avery Brewing, Banomanom, BookCliff Vineyards, Colorado Best Beef, Conscious Coffees, Happy Body Bakery, Haystack Mountain Goat Dairy, Homemade European Foods, Horsetooth Hot Sauce, Indian Ridge Bakery, JJ's Sweets, La Cruz Speciality Foods, Lillabee Baking, Medoiva Honey Wine, Mouco Cheese, Olomomo Nut Company...*

The Boulder Marketplace will draw on the strong desires of the local community to have a more permanent presence of the biweekly Farmers' Market. At the same time, this space will energize the development and give employees and residents of the area an option to purchase local, specialized products or to grab a quick meal throughout their busy day.

Figure 4.4: Boulder Marketplace



Figure 4.5: Boulder Marketplace Floorplan



## OWNERSHIP STRATEGY

The development's ownership strategy is summarized in Figure 4.6 and 4.7. The new Boulder City Center, BMOCA, and Dushanbe Teahouse will be owned entirely by the City of Boulder. The Civic Square Apartments and Boulder Marketplace will be owned on a fee simple basis by a public-private joint venture between the City of Boulder and Flatirons Development. The joint venture will be incorporated as an LLC with Flatirons Development as the managing member.

It is proposed that Boulder will contribute the required land for the multi-family component and existing Atrium building to the joint venture. In return, the City will receive 25% of the net operating income (NOI) of the multi-family and retail components. Boulder's equity share is 63%, but a 25% of NOI share is fair because the developer is contributing sweat equity, and extensive non-financial benefits. The before tax cash partnership distributions in 2016 are 66% to Boulder and 34% to the developer because Boulder's share is calculated based on NOI instead of before tax cash flow. This structure allows the City to participate in the success of the project and monetize its current assets while retaining an ownership stake in the land. Under this structure, the City will be an equity partner along with Flatirons Development. As an equity partner, Boulder is exposed to some risk as all equity is secondary to the construction loan. However, given the strong market fundamentals, low interest rate environment, and exceptional project location, a loan default is very unlikely. In addition, the City does have sufficient funds to cure the construction loan and protect its land interest in a worst case scenario situation. Flatirons Development is willing to float a construction bond to guarantee that the construction will be completed if required by Boulder.

Each joint venture partner has the ability to sell or transfer their interest in the JV at any time. However, Boulder is unlikely to sell their interest. This structure allows for private development and financing, while also providing the city with a new and growing income stream. The City will retain the first right to purchase the developer's joint venture

Figure 4.6 Ownership Summary Diagram

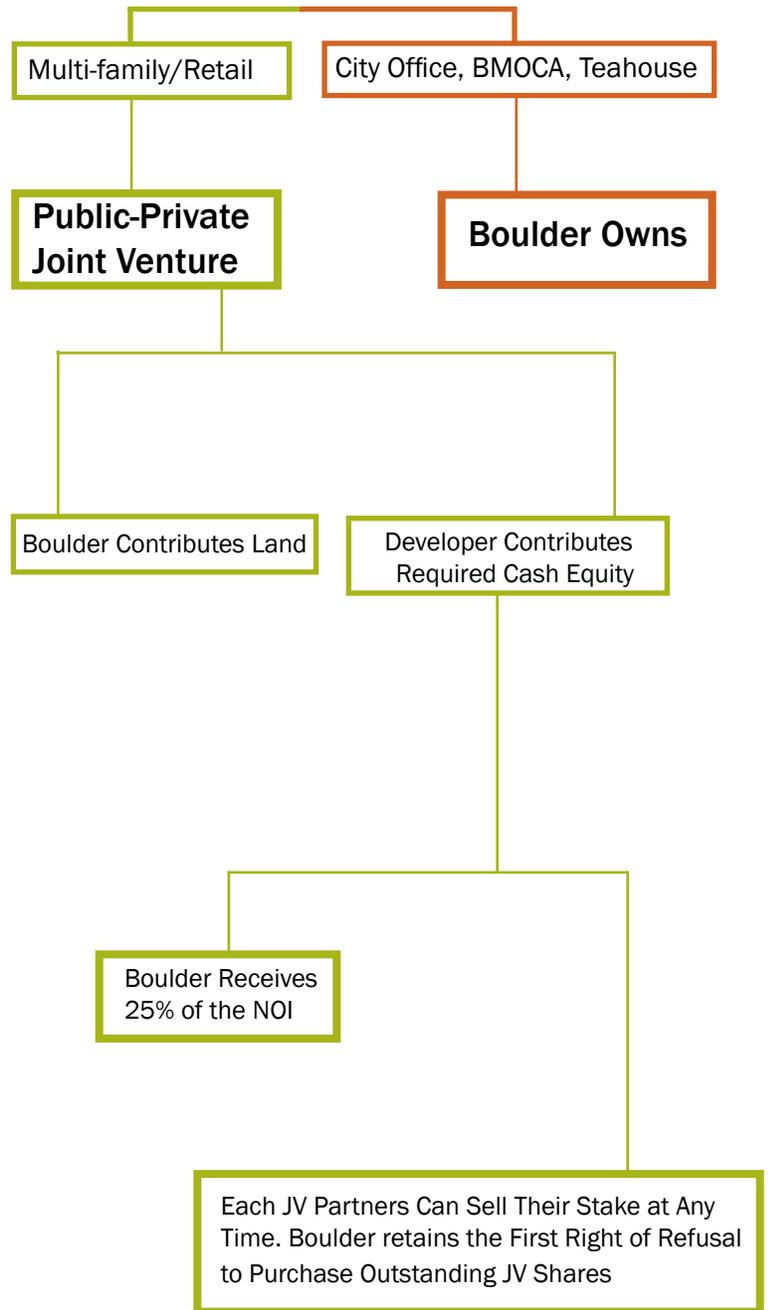
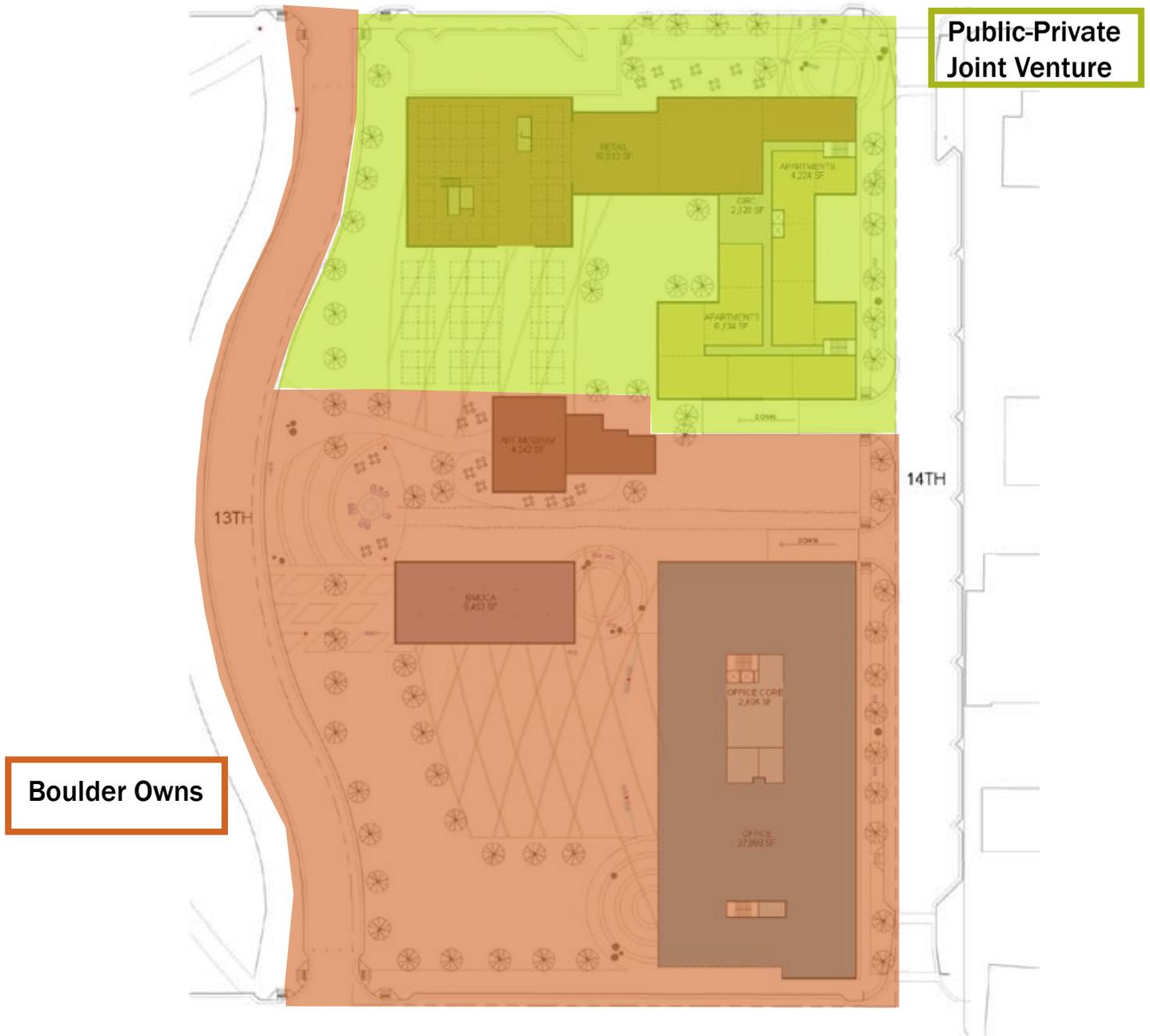


Figure 4.7 Ownership Summary - Map



share at a price equal to or greater than a signed contract. Boulder will also have the right to approve transfer of membership interests. If the City elects not to exercise its first right of refusal, they will continue to be paid by the subsequent owner according to the terms of the joint venture agreement. In addition, the retail and multi-family portions of the site will be subdivided to allow for separate sales. This structure was designed to allow for maximum flexibility for both the private and public partners.

Overall, this combination of ownership respects Boulder's interest in the site, yet promotes the highest and best use of the site. Given the 30 year land lease limitation and Boulder's self imposed restriction on land sales, the joint venture solution is the only way for the City to achieve all of its goals for the site. The joint venture retail, multi-family and retail components, complement the public space and are designed to attract users to the newly created civic space and foster community interaction.



View Looking West towards Atrium Building

## LAND BASIS VALUATION

The Boulder County Assessor values the entire 3.2 acre parcel of land at approximately \$16,546,900, or \$116 per sq. ft. based on the actual value of the land. As the City desires to retain ownership of the land, the following valuations were not used for sale purposes. However, the underlying land values were used to determine the City's contribution to the JV described in detail in the subsequent pages.

### CIVIC SQUARE APARTMENTS

The value of the multi-family land is based primarily on the number of units which can be built on the site. In order to determine the fair value of this parcel, we spoke with several brokers and analyzed comparable projects within the local area. The closest comparable, 1710 29th Street, sold for \$41,000 per apartment unit. Given that this location is slightly inferior to the subject site, a land value of \$45,000 per door is appropriate.

The multi-family site consists of approximately 1 acre on the northeastern corner of the site. The site is zoned DT-5 and allows for a maximum height of 55 feet above grade. After adjusting for setbacks and open space requirements, code allows for construction of a maximum of 69 units with an average unit size of approximately 850 sq. ft. At \$45,000 per unit, the value of the multi-family site is \$3,100,000.

### BOULDER MARKETPLACE

The existing Atrium building is assessed at over \$4,000,000. The assessed value is too high for the current use and density. Therefore, our valuation is based on the land value for a one-story building on the existing footprint. The City has indicated that it believes a fair value for the land is \$60 per sq. ft. The Atrium sits on a half acre parcel which leads to a valuation of approximately \$1,300,000.

### OTHER PARCELS

As stated in the property analysis, six privately owned parcels border the southern edge of Arapahoe Avenue. These parcels total .66 acres and have a combined assessed value of \$3,141,500. A 20% premium was added to assessed actual value for these properties to arrive at a total value of \$3,779,800 (\$131 sq. ft.). The City of Boulder will acquire these parcels.

## FINANCIAL MECHANISMS

The Boulder Creek Civic-Scape is a unique project that requires a combination of public and private financing mechanisms. In order to create a financially sustainable project, we are proposing a public private joint venture with the City of Boulder. The public private partnership will consist of a joint venture agreement between the city and developer that will allow both the city and private sectors to achieve their goals. In addition to the JV, the City of Boulder's office space will be funded through a Certificate of Participation that will allow the city to finance the building without incurring any new debt.

### BOULDER CITY CENTER

A Certificate of Participation (COP) will be used to finance the Boulder City Center. Under the terms of the COP, the Boulder Municipal Property Authority (BMPA) will agree to appropriate \$1,631,519 to fund lease payments which will be passed through a trustee to the holders of the COP. The BMPA can be funded by any of the city's other funds including the general fund. In 2011, the unassigned general fund balance was \$56,125,739, so this figure is very achievable. The COP lease payments will be offset through the joint venture profits, new property tax, sales tax, and development fees generated through the private development. After accounting for new revenue, Boulder will only need to fund approximately \$700,000 per year in 2016. This number will decrease as income and tax revenue rises. (See Figure 5.3 for a detailed analysis)

A COP carries a higher interest rate than a General Obligation bond, but with today's low interest rate environment the difference is minor. The COP will carry an interest rate of 4% and a 20 year term.

At the end of the building lease term, the City will retain full ownership of the land and structure. The primary advantage of a COP over a traditional bond structure is that it does not require a public vote as it is not considered debt. A COP is not considered debt due to a required non-appropriation clause which would allow Boulder to terminate the lease at any time. The earliest Boulder could vote on issuing a GO bond to fund civic improvements is 2015 which is a

significant advantage of the COP structure.

### JOINT VENTURE MIXED-USE

The joint structure provides Flatirons Development with additional leverage in order to provide for market feasible returns. To construct the multi-family complex, Flatirons Development needs an initial equity contribution of \$2,579,298. The City's land contribution is valued at \$4,411,800 for a total equity cost of \$6,991,099. Construction interest totals \$1,224,028 for a total equity cost of about \$8,200,000. Flatirons Development will receive a fee of 3% of hard costs to construct the Boulder City Center. This fee totals \$540,000 and will be put towards the developer's equity interest. The additional 70% of the project cost will be debt financed using a conventional loan. The City has non-financial goals for the site, and as a result, is willing to accept a lower return than a standard equity partner in order to achieve all of the required principles guiding the site design. In return for the land contribution, the City will receive a joint venture share equal to 25% of the net operating income (NOI).

The retail and multi-family site improvements will be funded through developer equity and a conventional construction and permanent loan. The likely sources of funding for the loan are life insurance companies, large banks, or the CMBS market. The underwritten terms for the construction loan are 70% loan to cost and an interest rate of 4.72%. (1 year LIBOR plus 400 basis points). A permanent take out loan using the same loan ratio to a 4.5% interest rate will be secured upon project completion.

Flatirons Development initially considered a HUD 221(d)(4) loan but found that this is impossible for the site due to conflicting federal regulations. In order to obtain federal flood insurance and have underground parking, FEMA regulations require that the building must be at least 20% non-residential. The site is subject to this regulation as it is in the 100 year flood zone. In order to obtain a 221(d)(4) loan, the project can be a maximum of 10% commercial. As these requirements conflict, a 221(d)(4) cannot be obtained.



## CASH FLOW ANALYSIS

Based on market rents and comparable operating expenses, the JV buildings (Civic Square Apartments and Boulder Marketplace) will generate an NOI of \$1,642,063 in 2017 after the initial lease-up period. Figure 5.2 shows a discounted Cash Flow Analysis and Figure 5.1 shows the major project pro-forma assumptions.

The City's 25% share of NOI equates to a return of 9.72% in 2017. Flatirons Development will receive the balance of funds after payment of debt service. Due to low multi-family cap rates and high rents, the project will be worth significantly more than the cost to construct. The developers share of the entire NOI in 2017 is \$1,260,643. Using a weighted average cap rate for the retail and multi-family components, the developer's JV share will be worth \$22,116,067 in 2017. After paying the loan balance and costs of sale, the developer will net approximately \$5,200,000 on an investment of \$2,500,000. This is a gross profit of approximately \$2,600,000 and a Net Present Value of \$630,000 using a 20% discount rate. Given the complexity and scale of this project, this level of return is required to incentivize private development. See Figure 5.2 for a detailed cash flow analysis.

Because of the City's contribution, Flatirons Development's return on equity is magnified. The City also benefits from this arrangement as it receives a stable and growing return in addition to the civic benefits. More importantly, this arrangement is the only feasible way to finance the considerable site improvements which are needed for Boulder to achieve its long term vision for the site.

## CAP RATE ANALYSIS

If this project were complete today, the Civic Square Apartments would sell based on a cap rate of approximately 4.5%. This cap rate is significantly below the long term average for multi-family and is a function of extremely low interest rates fueled by loose monetary policy, low supply, and lack of alternative income producing investments. The Federal Reserve has pledged to keep interest rates low until at least mid-2015.

The Civic Square Apartments are scheduled to be completed in January 2016 and to be fully leased by the end of 2016. At the earliest, Flatiron Development can sell their JV share in mid 2017. By this time, it is likely that the Federal Reserve will have raised interest rates and cap rates will follow as the cost of financing increases. If interest rates begin to rise, cap rates are likely to follow as investors' cost of capital increases. Because of this, a pro-forma disposition cap rate for the multi-family component of 5.5% was used. A disposition cap rate of 7% was used for the retail component. Average retail cap rates in the downtown submarket are currently slightly less than 6.5%. A 7% cap rate was selected to reflect the increased credit risk of the small local tenants that the Boulder Marketplace will target. Under this scenario, the IRR on equity is 26.55% three years after stabilization (2019). The IRR would be approximately 21% in 2025.

### Sensitivity Analysis

#### Anticipated Conditions

	<u>Rents</u>	<u>Cap Rates</u>
Multi-Family	\$ 27	5.5%
Other Retail	\$ 25	7.0%
Boulder Marketplace	\$ 20	7.0%
<b>2023 IRRe</b>		<b>22.20%</b>

#### Worst Conditions

Multi-Family	\$ 24	7.0%
Other Retail	\$ 20	8.25%
Boulder Marketplace	\$ 15	8.25%
<b>2023 IRRe</b>		<b>3.29%</b>

#### Best Conditions

Multi-Family	\$ 30	4.5%
Other Retail	\$ 32	6.0%
Boulder Marketplace	\$ 25	6.0%
<b>2023 IRRe</b>		<b>32.93%</b>

Figure 5.2: Discounted Cash Flow

Public Private Joint Venture Development Cash Flow Analysis

	Totals	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Costs</b>															
Developer Cash Equity	\$ (2,579,299)		\$ (2,579,299)												
City of Boulder Equity Contribution	\$ (4,411,800)	\$ (4,411,800)													
Construction Interest Expense	\$ (1,224,028)		\$ (47,233)	\$ (413,777)	\$ (763,018)										
Development Fee (City Office)	\$ 541,833		\$ 270,916	\$ 270,916											
<b>Overall Equity Expense</b>	<b>\$ (7,673,294)</b>	<b>\$ (4,411,800)</b>	<b>\$ (2,355,615)</b>	<b>\$ (142,861)</b>	<b>\$ (763,018)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>				
<b>Civic Square Apartments</b>															
Potential Rental Income	\$ 21,169,479				\$ 1,704,500	\$ 1,745,408	\$ 1,787,298	\$ 1,830,193	\$ 1,874,118	\$ 1,919,096	\$ 1,965,155	\$ 2,012,318	\$ 2,060,614	\$ 2,110,069	\$ 2,160,710
Parking Income	\$ 842,429				\$ 67,830	\$ 69,458	\$ 71,125	\$ 72,832	\$ 74,580	\$ 76,370	\$ 78,202	\$ 80,079	\$ 82,001	\$ 83,969	\$ 85,984
Less Vacancy and Credit Loss	\$ (1,100,595)				\$ (88,616)	\$ (90,743)	\$ (92,921)	\$ (95,151)	\$ (97,435)	\$ (99,773)	\$ (102,168)	\$ (104,620)	\$ (107,131)	\$ (109,702)	\$ (112,335)
<b>Effective Gross Income</b>	<b>\$ 20,911,313</b>				<b>\$ 1,683,713</b>	<b>\$ 1,724,122</b>	<b>\$ 1,765,501</b>	<b>\$ 1,807,873</b>	<b>\$ 1,851,262</b>	<b>\$ 1,895,693</b>	<b>\$ 1,941,189</b>	<b>\$ 1,987,778</b>	<b>\$ 2,035,484</b>	<b>\$ 2,084,336</b>	<b>\$ 2,134,360</b>
Less Operating Expenses	\$ (4,826,418)				\$ (388,608)	\$ (397,935)	\$ (407,485)	\$ (417,265)	\$ (427,279)	\$ (437,534)	\$ (448,035)	\$ (458,787)	\$ (469,798)	\$ (481,073)	\$ (492,619)
<b>Net Operating Income</b>	<b>\$ 16,084,895</b>				<b>\$ 1,295,105</b>	<b>\$ 1,326,188</b>	<b>\$ 1,358,016</b>	<b>\$ 1,390,609</b>	<b>\$ 1,423,983</b>	<b>\$ 1,458,159</b>	<b>\$ 1,493,155</b>	<b>\$ 1,528,990</b>	<b>\$ 1,565,686</b>	<b>\$ 1,603,263</b>	<b>\$ 1,641,741</b>
Developer Share NOI (75%)					\$ 971,329	\$ 994,641	\$ 1,018,512	\$ 1,042,956	\$ 1,067,987	\$ 1,093,619	\$ 1,119,866	\$ 1,146,743	\$ 1,174,265	\$ 1,202,447	\$ 1,231,306
<b>Ground Floor Retail</b>															
Potential Rental Income	\$ 1,606,976				\$ 144,096	\$ 147,554	\$ 151,096	\$ 154,722	\$ 158,435	\$ 162,238	\$ 166,132	\$ 170,119	\$ 174,202	\$ 178,382	\$ 182,664
Vacancy and Credit Loss	\$ (121,176)				\$ (48,032)	\$ (7,378)	\$ (7,555)	\$ (7,736)	\$ (7,922)	\$ (8,112)	\$ (8,307)	\$ (8,506)	\$ (8,710)	\$ (8,919)	\$ (9,133)
Parking Concessions	\$ (110,000)				\$ (11,000)	\$ (11,000)	\$ (11,000)	\$ (11,000)	\$ (11,000)	\$ (11,000)	\$ (11,000)	\$ (11,000)	\$ (11,000)	\$ (11,000)	\$ (11,000)
<b>Effective Gross Income</b>	<b>\$ 1,375,800</b>				<b>\$ 85,064</b>	<b>\$ 129,177</b>	<b>\$ 132,541</b>	<b>\$ 135,986</b>	<b>\$ 139,514</b>	<b>\$ 143,126</b>	<b>\$ 146,825</b>	<b>\$ 150,613</b>	<b>\$ 154,491</b>	<b>\$ 158,463</b>	<b>\$ 162,530</b>
Operating Expenses	\$ (429,356)				\$ (38,500)	\$ (39,424)	\$ (40,370)	\$ (41,339)	\$ (42,331)	\$ (43,347)	\$ (44,387)	\$ (45,453)	\$ (46,544)	\$ (47,661)	\$ (48,805)
CAM Reimbursements	\$ 355,458				\$ 26,283	\$ 36,575	\$ 36,575	\$ 36,575	\$ 36,575	\$ 36,575	\$ 36,575	\$ 36,575	\$ 36,575	\$ 36,575	\$ 36,575
<b>Net Operating Income</b>	<b>\$ 1,301,901</b>				<b>\$ 72,847</b>	<b>\$ 126,328</b>	<b>\$ 128,746</b>	<b>\$ 131,222</b>	<b>\$ 133,757</b>	<b>\$ 136,354</b>	<b>\$ 139,012</b>	<b>\$ 141,735</b>	<b>\$ 144,523</b>	<b>\$ 147,378</b>	<b>\$ 150,301</b>
Less TI Costs	\$ (53,680)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (53,680)	\$ -
Less Leasing Costs	\$ (96,306)				\$ (96,306)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Operating Cash Flow</b>	<b>\$ 1,151,915</b>				<b>\$ (23,459)</b>	<b>\$ 126,328</b>	<b>\$ 128,746</b>	<b>\$ 131,222</b>	<b>\$ 133,757</b>	<b>\$ 136,354</b>	<b>\$ 139,012</b>	<b>\$ 141,735</b>	<b>\$ 144,523</b>	<b>\$ 93,698</b>	<b>\$ 150,301</b>
Developer Share NOI (75%)					\$ 54,635	\$ 94,746	\$ 96,559	\$ 98,416	\$ 100,318	\$ 102,265	\$ 104,259	\$ 106,301	\$ 108,392	\$ 110,533	\$ 112,726
<b>Civic Square Mixed Use Sale Value</b>															
Developer JV Share Gross Sales Price						\$ 19,897,823	\$ 20,368,794	\$ 20,851,069	\$ 21,344,918	\$ 21,850,620	\$ 22,368,458	\$ 22,898,725	\$ 23,441,718	\$ 23,997,743	\$ 24,567,710
Less Costs of Sale						\$ (596,935)	\$ (611,064)	\$ (625,532)	\$ (640,348)	\$ (655,519)	\$ (671,054)	\$ (686,962)	\$ (703,252)	\$ (719,932)	\$ (737,252)
Less Loan Balance						\$ (16,223,737)	\$ (15,858,282)	\$ (15,476,039)	\$ (15,076,235)	\$ (14,658,064)	\$ (14,220,683)	\$ (13,763,209)	\$ (13,284,718)	\$ (12,784,245)	\$ (12,252,000)
<b>Developer's Net Sales Proceeds</b>						<b>\$ 3,077,152</b>	<b>\$ 3,899,448</b>	<b>\$ 4,749,498</b>	<b>\$ 5,628,336</b>	<b>\$ 6,537,037</b>	<b>\$ 7,476,721</b>	<b>\$ 8,448,555</b>	<b>\$ 9,453,749</b>	<b>\$ 10,493,565</b>	<b>\$ 11,567,460</b>
Effective Disposition cap rate						5.47%									
<b>Boulder Marketplace</b>															
Potential Gross Income	\$ 2,671,081				\$ 215,067	\$ 220,229	\$ 225,514	\$ 230,926	\$ 236,469	\$ 242,144	\$ 247,955	\$ 253,906	\$ 260,000	\$ 266,240	\$ 272,630
Vacancy and Credit Loss	\$ (302,023)				\$ (179,223)	\$ (11,011)	\$ (11,276)	\$ (11,546)	\$ (11,823)	\$ (12,107)	\$ (12,398)	\$ (12,695)	\$ (13,000)	\$ (13,312)	\$ (13,631)
<b>Effective Gross Income</b>	<b>\$ 2,369,058</b>				<b>\$ 35,845</b>	<b>\$ 209,217</b>	<b>\$ 214,238</b>	<b>\$ 219,380</b>	<b>\$ 224,645</b>	<b>\$ 230,037</b>	<b>\$ 235,558</b>	<b>\$ 241,211</b>	<b>\$ 247,000</b>	<b>\$ 252,928</b>	<b>\$ 258,998</b>
Operating Expenses	\$ (906,658)				\$ (29,210)	\$ (78,680)	\$ (80,568)	\$ (82,502)	\$ (84,482)	\$ (86,510)	\$ (88,586)	\$ (90,712)	\$ (92,889)	\$ (95,118)	\$ (97,401)
CAM Reimbursements	\$ 662,954				\$ 4,868	\$ 59,010	\$ 60,426	\$ 61,876	\$ 63,362	\$ 64,882	\$ 66,439	\$ 68,034	\$ 69,667	\$ 71,339	\$ 73,051
<b>Boulder Marketplace Net Operating Income</b>	<b>\$ 2,125,354</b>				<b>\$ 11,503</b>	<b>\$ 189,547</b>	<b>\$ 194,096</b>	<b>\$ 198,755</b>	<b>\$ 203,525</b>	<b>\$ 208,409</b>	<b>\$ 213,411</b>	<b>\$ 218,533</b>	<b>\$ 223,778</b>	<b>\$ 229,149</b>	<b>\$ 234,648</b>
Developer Share NOI (75%)	\$ 1,699,708				\$ 8,627	\$ 151,638	\$ 155,277	\$ 159,004	\$ 162,820	\$ 166,728	\$ 170,729	\$ 174,826	\$ 179,022	\$ 183,319	\$ 187,718
Developer JV Share Gross Sales Price						\$ 2,218,244	\$ 2,271,482	\$ 2,325,998	\$ 2,381,821	\$ 2,438,985	\$ 2,497,521	\$ 2,557,461	\$ 2,618,840	\$ 2,681,693	\$ 2,746,020
Less Costs of Sale						\$ (66,547)	\$ (68,144)	\$ (69,780)	\$ (71,455)	\$ (73,170)	\$ (74,926)	\$ (76,724)	\$ (78,565)	\$ (80,451)	\$ (82,382)
<b>Developer Net Sales Proceeds</b>						<b>\$ 2,151,697</b>	<b>\$ 2,203,338</b>	<b>\$ 2,256,218</b>	<b>\$ 2,310,367</b>	<b>\$ 2,365,816</b>	<b>\$ 2,422,595</b>	<b>\$ 2,480,738</b>	<b>\$ 2,540,275</b>	<b>\$ 2,601,242</b>	<b>\$ 2,662,638</b>
<b>Overall</b>															
<b>Total Equity Expense</b>	<b>\$ (7,673,294)</b>	<b>\$ (4,411,800)</b>	<b>\$ (2,355,615)</b>	<b>\$ (142,861)</b>	<b>\$ (763,018)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>				
<b>Total Net Operating Income</b>	<b>\$ 17,635,761</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,379,455</b>	<b>\$ 1,642,063</b>	<b>\$ 1,680,858</b>	<b>\$ 1,720,585</b>	<b>\$ 1,761,265</b>	<b>\$ 1,802,922</b>	<b>\$ 1,845,578</b>	<b>\$ 1,889,258</b>	<b>\$ 1,933,987</b>	<b>\$ 1,979,789</b>	<b>\$ 2,026,640</b>
Less Total Leasing Costs	\$ (96,306)				\$ (96,306)										
Less Total Tenant Improvements	\$ (53,680)				\$ -									\$ (53,680)	
<b>Net Operating Cash Flows</b>	<b>\$ 9,812,481</b>	<b>\$ (4,411,800)</b>	<b>\$ (2,355,615)</b>	<b>\$ (142,861)</b>	<b>\$ 520,131</b>	<b>\$ 1,642,063</b>	<b>\$ 1,680,858</b>	<b>\$ 1,720,585</b>	<b>\$ 1,761,265</b>	<b>\$ 1,802,922</b>	<b>\$ 1,845,578</b>	<b>\$ 1,889,258</b>	<b>\$ 1,933,987</b>	<b>\$ 1,979,789</b>	<b>\$ 2,026,640</b>
Less Permanent Debt Service	\$ (9,792,417)				\$ -	\$ (1,088,046)	\$ (1,088,046)	\$ (1,088,046)	\$ (1,088,046)	\$ (1,088,046)	\$ (1,088,046)	\$ (1,088,046)	\$ (1,088,046)	\$ (1,088,046)	\$ (1,088,046)
<b>Before Tax Cash Flow</b>	<b>\$ 20,064</b>	<b>\$ (4,411,800)</b>	<b>\$ (2,355,615)</b>	<b>\$ (142,861)</b>	<b>\$ 520,131</b>	<b>\$ 554,016</b>	<b>\$ 592,812</b>	<b>\$ 632,539</b>	<b>\$ 673,219</b>	<b>\$ 714,876</b>	<b>\$ 757,532</b>	<b>\$ 801,212</b>	<b>\$ 845,941</b>	<b>\$ 891,648</b>	<b>\$ 938,592</b>
<b>Partnership Distributions</b>															
Developer					\$ 175,267	\$ 143,501	\$ 172,597	\$ 202,393	\$ 232,903	\$ 264,145	\$ 296,137	\$ 328,897	\$ 362,444	\$ 343,115	\$ 343,115
City of Boulder (25% of NOI)					\$ 344,864	\$ 410,516	\$ 420,215	\$ 430,146	\$ 440,316	\$ 450,731	\$ 461,395	\$ 472,315	\$ 483,497	\$ 494,947	\$ 506,666
Developer JV Share Gross Sales Proceeds						\$ 22,116,067	\$ 22,640,276	\$ 23,177,067	\$ 23,726,740	\$ 24,289,605	\$ 24,865,979	\$ 25,456,186	\$ 26,060,558	\$ 26,679,435	\$ 27,312,435
Less Total Costs of Sale						\$ (663,482)	\$ (679,208)	\$ (695,312)	\$ (711,802)	\$ (728,688)	\$ (745,979)	\$ (763,686)	\$ (781,817)	\$ (800,383)	\$ (819,252)
Less Loan Balances						\$ (16,223,737)	\$ (15,858,282)	\$ (15,476,039)	\$ (15,076,235)	\$ (14,658,064)	\$ (14,220,683)	\$ (13,763,209)	\$ (13,284,718)	\$ (12,784,245)	\$ (12,252,000)
<b>Total Net Sales Proceeds</b>						<b>\$ 5,228,848</b>	<b>\$ 6,102,786</b>	<b>\$ 7,005,716</b>	<b>\$ 7,938,703</b>	<b>\$ 8,902,853</b>	<b>\$ 9,899,317</b>	<b>\$ 10,929,292</b>	<b>\$ 11,994,024</b>	<b>\$ 13,098,807</b>	<b>\$ 14,242,188</b>
Effective Disposition Cap Rate						5.70%									
<b>Net Development Cash Flows</b>	<b>\$ (4,411,800)</b>	<b>\$ (2,355,615)</b>	<b>\$ (142,861)</b>	<b>\$ 520,131</b>	<b>\$ 5,782,865</b>	<b>\$ 6,695,598</b>	<b>\$ 7,638,255</b>	<b>\$ 8,611,922</b>	<b>\$ 9,617,728</b>	<b>\$ 10,656,849</b>	<b>\$ 11,730,504</b>	<b>\$ 12,839,964</b>	<b>\$ 13,932,869</b>	<b>\$ 15,061,611</b>	<b>\$ 16,234,866</b>
<b>Sensitivity Matrix</b>															
IRRe (Developer only)						31.49%	28.62%	26.55%	24.95%	23.67%	22.61%	22.20%	21.41%	21.08%	20.82%
NPVe @ 20% Discount Rate						\$ 628,693	\$ 629,001	\$ 590,428	\$ 523,668	\$ 440,156	\$ 345,679	\$ 321,691	\$ 218,853	\$ 176,890	\$ 146,890
Boulder Equity Return				7.82%	9.30%	9.52%	9.75%	9.98%	10.22%	10.46%	10.71%	10.96%	11.22%	11.48%	11.74%
Debt Coverage Ratio					1.51	1.54	1.58	1.62	1.66	1.70	1.74	1.78	1.82	1.86	1.90
<b>Free Cash Flow Distribution Percentage</b>															
Boulder % Distribution				66%	74%	71%	68%	65%	63%	61%	59%	57%	55%	53%	51%
Developer % Distribution				34%	26%	29%	32%	35%	37%	39%	41%	43%	45%	47%	49%



## COST ANALYSIS

A detailed cost estimate of the Boulder Creek Civic-Scape development is shown in Figure 5.3. As shown, the total cost to construct the Boulder City Center will be approximately \$26,216,214 or \$277 per square foot of building. This amount includes the construction of the civic plaza for the Farmers' Market as well as the smaller secondary plaza south of BMOCA. The construction system used in the Boulder City Center will be steel frame with concrete-poured steel decked flooring.

Figure 5.3 also shows the cost to develop the 69-unit mixed use Civic Square Apartments and Boulder Marketplace. The mixed-use building will cost approximately \$18,750,000 to construct without land (\$240 per sq ft.).

The Atrium renovation will be considerably lower at \$146 per square foot including all development fees and tenant improvements.



## FEES & AFFORDABLE HOUSING COSTS

Over \$3.2 million in development fees must be paid to the city of Boulder which accounts for 17% of the project cost. Boulder's affordable housing code states that 20% of the units must be affordable. Developers of multi-family projects can elect to provide on-site affordable housing or make a cash payment in lieu. Flatirons Development has elected to make a cash in lieu payment as providing 20% affordable units at maximum rental rates would decrease NOI by approximately \$98,000 per year. At a cap rate of 5.5%, this reduction costs nearly \$1.8 million in gross sales proceeds. The cash payment is equal to \$109 per sq ft. x 20%. The Civic Square Apartments cash in lieu payment equates to \$1,555,474 which is the single largest fee paid to Boulder. Boulder city planners had no objection to not providing on site affordable housing.

The apartment complex will be wood construction and the sub grade parking will be cast-in-place concrete. Cost estimates were obtained from Pinkard Construction, Deneuve, and Peak Professional Contractors and the pro-forma cost inputs are based on the high range of the estimates.



Figure 5.3:Boulder Civic-Scope Cost Analysis

Overall Cost Analysis

CITY OFFICE CONSTRUCTION COSTS

Total Square Feet 94,662  
 Hardscape 65,962  
 Softscape 38,639

MULTIFAMILY CONSTRUCTION COSTS

Total Square Feet 76,652  
 Total Units 69  
 Hardscape 4,397  
 Softscape 7,728

ARTISAN MARKET RENOVATION COSTS

Total Square Feet 12,362  
 Hardscape 17,590  
 Softscape 5,152

TOTAL

Total Square Feet 183,676  
 Hardscape 87,949  
 Softscape 51,518

PRECONSTRUCTION COSTS	Total \$	Cost PSF	% of Total
Feasibility Study	\$ -	\$ -	0.0%
Architecture/Engineering	\$ 1,264,276	\$ 13.36	4.8%
Building Permit Fee	\$ 61,914	\$ 0.65	0.2%
Plan Check Fee	\$ 40,244	\$ 0.43	0.2%
Electrical Permit Fee	\$ 5,557	\$ 0.06	0.0%
Plumbing Permit Fee	\$ 1,990	\$ 0.02	0.0%
Historic Demolition Fee	\$ -	\$ -	0.0%
Grading Permit/Review Fees	\$ 1,335	\$ 0.01	0.0%
Elevator Permit Fee	\$ 435	\$ 0.00	0.0%
Development Excise Tax	\$ 234,762	\$ 2.48	0.9%
Capital Facility Impact Fee	\$ 88,036	\$ 0.93	0.3%
Flood Plain Permit Fee	\$ 8,000	\$ 0.08	0.0%
Right-of-Way Permit Fee	\$ 4,615	\$ 0.05	0.0%
Water Meter Installation Fee	\$ 2,417	\$ 0.03	0.0%
Water/Wastewater Tap Fees	\$ 6,996	\$ 0.07	0.0%
Water PIF Payment	\$ 352,522	\$ 3.72	1.3%
Wastewater PIF Payment	\$ 47,312	\$ 0.50	0.2%
Stormwater Flood PIF Payment	\$ 65,302	\$ 0.69	0.2%
Land Use Review Fees	\$ 10,495	\$ 0.11	0.0%
Development Review Fees	\$ 5,776	\$ 0.06	0.0%
City Use Tax	\$ 615,883	\$ 6.51	2.3%
County Use Tax	\$ 14,449	\$ 0.15	0.1%
Sales Tax 8.21% on Use Tax	\$ 52,129	\$ 0.68	0.2%
Cash in Lieu Payment	\$ -	\$ -	0.0%
Developer Fees	\$ 541,833	\$ 5.72	2.1%
Developer Contingencies 5%	\$ 903,055	\$ 9.54	3.4%
<b>TOTAL</b>	<b>\$ 4,329,333</b>	<b>\$ 45.73</b>	<b>16.5%</b>

Total \$	Cost PSF	% of Total
\$ 10,000	\$ 0.13	0.0%
\$ 842,699	\$ 10.99	3.9%
\$ 44,888	\$ 0.59	0.2%
\$ 29,177	\$ 0.38	0.1%
\$ 4,495	\$ 0.06	0.0%
\$ 2,360	\$ 0.03	0.0%
\$ -	\$ -	0.0%
\$ 1,176	\$ 0.02	0.0%
\$ 435	\$ 0.01	0.0%
\$ 221,658	\$ 2.89	1.0%
\$ 213,555	\$ 2.79	1.0%
\$ 8,000	\$ 0.10	0.0%
\$ 5,548	\$ 0.07	0.0%
\$ 4,238	\$ 0.06	0.0%
\$ 48,272	\$ 0.63	0.2%
\$ 440,492	\$ 5.75	2.1%
\$ 169,602	\$ 2.21	0.8%
\$ 43,560	\$ 0.57	0.2%
\$ 5,248	\$ 0.07	0.0%
\$ 4,725	\$ 0.06	0.0%
\$ 410,515	\$ 5.36	1.9%
\$ 9,631	\$ 0.13	0.0%
\$ 34,949	\$ 0.46	0.2%
\$ 1,555,474	\$ 20.29	7.3%
\$ -	\$ -	0.0%
\$ 601,928	\$ 7.85	2.8%
\$ 4,712,624	\$ 61.48	22.0%

Total \$	Cost PSF	% of Total
\$ 5,000	\$ 0.40	0.2%
\$ 86,759	\$ 7.02	2.8%
\$ 8,121	\$ 0.66	0.3%
\$ 5,278	\$ 0.43	0.2%
\$ 702	\$ 0.06	0.0%
\$ 995	\$ 0.08	0.0%
\$ 1,555	\$ 0.13	0.0%
\$ 452	\$ 0.04	0.0%
\$ -	\$ -	0.0%
\$ 30,658	\$ 2.48	1.0%
\$ 12,238	\$ 0.99	0.4%
\$ 4,000	\$ 0.32	0.1%
\$ 1,923	\$ 0.16	0.1%
\$ 562	\$ 0.05	0.0%
\$ 3,498	\$ 0.28	0.1%
\$ 155,540	\$ 12.58	5.0%
\$ 47,312	\$ 3.83	1.5%
\$ 43,560	\$ 3.52	1.4%
\$ 5,248	\$ 0.42	0.2%
\$ 4,725	\$ 0.38	0.2%
\$ 42,264	\$ 3.42	1.4%
\$ 992	\$ 0.08	0.0%
\$ 3,709	\$ 0.05	0.0%
\$ -	\$ -	0.0%
\$ -	\$ -	0.0%
\$ 61,971	\$ 5.01	2.0%
\$ 527,061	\$ 42.64	16.9%

Total Private \$	% of Total
\$ 15,000	0.1%
\$ 929,458	3.8%
\$ 53,008	0.2%
\$ 34,455	0.1%
\$ 5,196	0.0%
\$ 3,355	0.0%
\$ 1,555	0.0%
\$ 1,628	0.0%
\$ 435	0.0%
\$ 252,316	1.0%
\$ 225,793	0.9%
\$ 12,000	0.0%
\$ 7,471	0.0%
\$ 4,800	0.0%
\$ 51,770	0.2%
\$ 596,032	2.4%
\$ 216,914	0.9%
\$ 87,120	0.4%
\$ 10,495	0.0%
\$ 9,450	0.0%
\$ 452,779	1.8%
\$ 10,622	0.0%
\$ 38,659	0.2%
\$ 1,555,474	6.3%
\$ -	0.0%
\$ 663,899	2.7%
\$ 5,239,685	21.4%

<b>Land</b>	\$ 3,779,800	\$ 39.93	14.4%
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\$ 3,105,000	\$ 40.51	14.5%
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\$ 1,306,800	\$ 105.71	41.9%
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\$ 4,411,800	18.0%
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CONSTRUCTION LOAN COSTS

Appraisal Fee	\$ 5,000	0.05	0.0%
Loan Application Fee	\$ -	-	0.0%
Origination Fee	\$ -	-	0.0%
Legal Fees	\$ 40,000	0.42	0.2%
Title Insurance	\$ -	-	0.0%
Inspection Fees	\$ 940	0.01	0.0%
Construction Loan Interest	\$ -	-	0.0%
RE Taxes	\$ -	-	0.0%
<b>TOTAL</b>	<b>\$ 45,940</b>	<b>0.49</b>	<b>0.2%</b>

\$ 7,000	0.09	0.0%
\$ 15,000	0.20	0.1%
\$ 163,126	2.13	0.8%
\$ 45,000	0.59	0.2%
\$ 47,000	0.61	0.2%
\$ 940	0.01	0.0%
\$ 1,224,028	15.97	5.7%
\$ 49,778	0.65	0.2%
\$ 1,551,872	20.25	7.2%

\$ 2,000	0.16	0.1%
\$ 5,000	0.40	0.2%
\$ -	-	0.0%
\$ 15,000	1.21	0.5%
\$ 3,525	0.29	0.1%
\$ 940	0.08	0.0%
\$ -	-	0.0%
\$ 20,180	1.63	0.6%
\$ 46,645.40	3.77	1.5%

\$ 9,000	0.0%
\$ 20,000	0.1%
\$ 163,126	0.7%
\$ 60,000	0.2%
\$ 50,525	0.2%
\$ 1,880	0.0%
\$ 1,224,028	5.0%
\$ 69,958	0.3%
\$ 1,598,517	6.5%

HARD COSTS

Demolition	\$ 179,068	\$ 1.89	0.7%
Subterranean Parking	\$ 2,346,000	\$ 24.78	8.9%
Surface Parking	\$ 20,000	\$ 0.21	0.1%
Base Construction	\$ 11,359,440	\$ 120.00	43.3%
Tenant Improvements/ FF&E	\$ 3,786,480	\$ 40.00	14.4%
Hardscape	\$ 263,847	\$ 2.79	1.0%
Landscaping	\$ 106,256	\$ 1.12	0.4%
<b>TOTAL</b>	<b>\$ 18,061,091</b>	<b>\$ 190.80</b>	<b>68.9%</b>

\$ -	\$ -	0.0%
\$ 1,725,000	\$ 22.50	8.1%
\$ -	\$ -	0.0%
\$ 8,431,720	\$ 110.00	39.4%
\$ 1,838,598	\$ 23.99	8.6%
\$ 21,987	\$ 0.29	0.1%
\$ 21,251	\$ 0.28	0.1%
\$ 12,038,557	\$ 157.05	56.2%

\$ 24,724	\$ 2.00	0.8%
\$ -	\$ -	0.0%
\$ 26,000	\$ 2.10	0.8%
\$ 741,720	\$ 60.00	23.8%
\$ 370,860	\$ 30.00	11.9%
\$ 87,949	\$ 7.11	2.8%
\$ 14,167	\$ 1.15	0.5%
\$ 1,239,420	\$ 100.26	39.7%

\$ 24,724	0.1%
\$ 1,725,000	7.0%
\$ 26,000	0.1%
\$ 9,173,440	37.4%
\$ 2,209,458	9.0%
\$ 109,936	0.4%
\$ 35,419	0.1%
\$ 13,277,977	54.1%

<b>COMPLETE TOTAL COST</b>	\$ 26,216,164	\$ 276.94	100.0%
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\$ 21,408,052	\$ 279.29	100.0%
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\$ 3,119,927	\$ 252.38	100.0%
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\$ 24,527,979	100.0%
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Figure 5.4 Comparable Apartment Rents

Name/Location	# Units	Year Built	Beds	Monthly Rent	Square Feet	Price Per S.F.
				Low - High	Low - High	Low - High
<b>PRIMARY COMPARABLES</b>						
<b>The Lofts at Peloton</b> 3601 Arapahoe Avenue	195	2008	1-bed	\$1,893 - \$2,465	760 - 1,220	\$2.02 - \$2.49
			2-bed	\$2,723 - \$2,850	1,186 - 1,700	\$1.68 - \$2.30
			3-bed	- - -	1,715 - 1,715	- - -
<b>Two Nine North</b> <b>2071 30th Street</b>	238	2011	1-bed	\$1,900 - \$2,375	792 - 1,079	\$2.20 - \$2.40
			2-bed	\$2,400 - \$2,900	1,131 - 1,286	\$2.12 - \$2.26
<b>UNIT MIX</b>						
Civic Square Apartments	69	2015	studio (17)	\$1,238 - \$1,625	550 - 650	\$2.25 - \$2.50
			1-bed (37)	\$1,980 - \$2,288	900 - 915	\$2.20 - \$2.50
			2-bed (15)	\$2,000 - \$2,261	930 - 983	\$2.15 - \$2.30

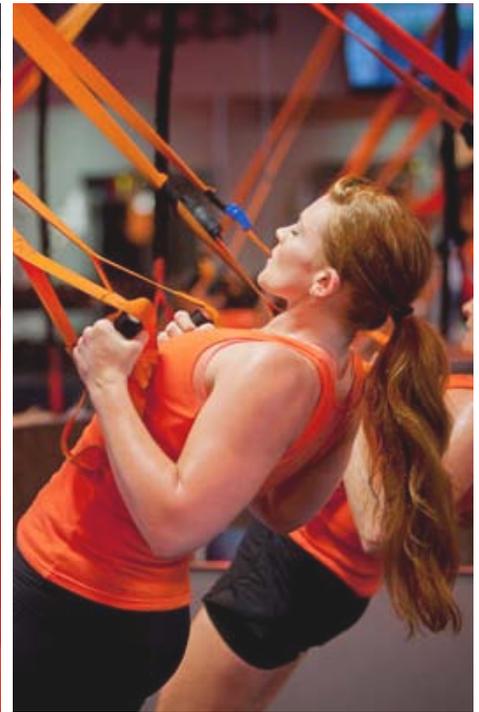
## FORECASTED RENTS

### APARTMENTS

The Boulder apartment market is currently incredibly strong, with properties demanding an average rental rate of \$1.48 per square foot within the submarket. High quality properties such as The Lofts at Peloton and Two Nine North (see Figure 5.4) have rates well over \$2.00 per square foot. These two properties are newly constructed with similar finishes and are the most relevant comparable properties. However, both properties are situated on the outskirts of downtown, with locations that are inferior to the proposed Civic Square Apartments.

Based on our discussions with local experts, we forecast average rents of \$2.25 per sq. ft. per month. Figure 5.4 compares our development to its primary competition. These rents are justified and conservative given the apartment’s superior location and minimal competition within the immediate downtown area. Several sources stated that rents of \$2.50 per ft. are achievable, but we have based our analysis on a more conservative figure. The project will generate other income by renting 69 parking spaces for \$80 per month. The unique style and convenient location, paired with low vacancy rates will drive the rental rates within the apartment development.





## **BOULDER MARKETPLACE**

The Boulder Marketplace will be non-traditional retail space designated to highlight Boulder’s food centric culture and provide wide array of high quality food, beverage, and restaurant concepts.

The Flatirons Development team researched similar projects throughout the country in order to determine rental rates and keys to success. Similar projects include The Oxbow Public Market in Napa, the Ferry Building in San Francisco, the Milwaukee Public Market, and The Source in Denver. Zeppelin Development’s project, The Source, is 100% pre-leased with NNN lease rates ranging from \$17-\$24 per sq. ft. Tenants will also pay \$5-\$7 per sq. ft. for CAM expenses. We anticipate that tenants will range in size from 400 to 1,000 sq. ft. Small spaces provide an opportunity for smaller companies to gain access to the Boulder market without the expense of standalone retail space.

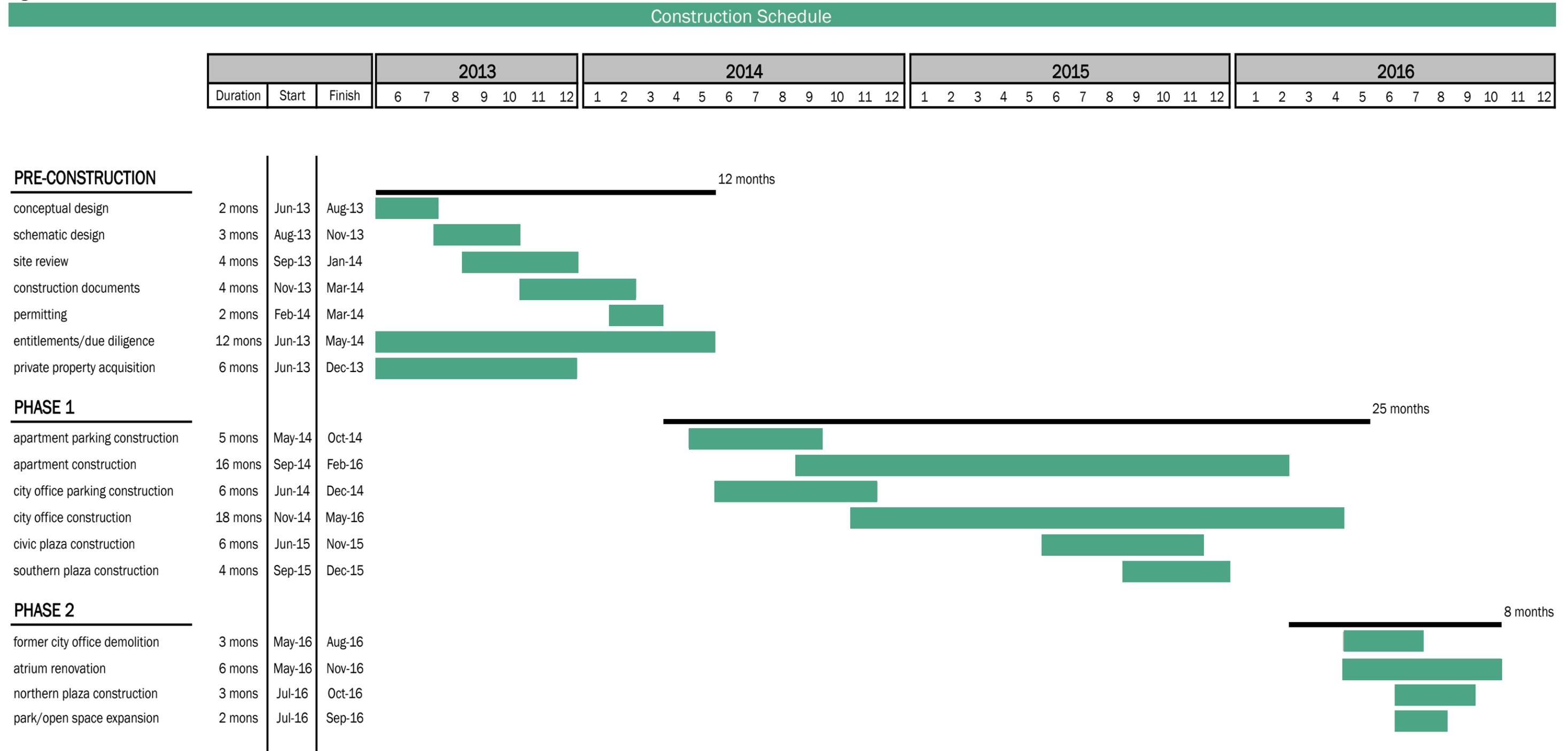
The Source is located in the up and coming neighborhood of RiNo, which traditionally has much lower rents than downtown Boulder. At a minimum, the subject property will be able to achieve rents equal to or greater than the Source.

Therefore, we project an average rental rate of \$20 NNN. This is considerably lower than market rate retail space found on Pearl Street - which can be as much as \$42 per square foot as seen at 1110 Pearl Street. The Boulder Marketplace will provide space to local businesses at a reasonable cost. This provides significant community benefits that satisfy the guiding principles of the project. The community benefits of the market are among the reasons why the City will accept financial returns below that of a standard equity partner.

## **FITNESS CENTER AND OTHER RETAIL**

In addition to the Boulder Marketplace, a portion of the ground level retail will be leased to a gym. We have spoken with Orangetheory Fitness, and they have shown interest in renting approximately 3,000 square feet of space. Orangetheory Fitness requires that their gross rent be \$100,000 a year or less. Our pro-forma rents are based on this requirement. In addition, a parking concession worth over \$11,000 per year will be provided. This provides for 10 CAGID parking spots to be reserved at a rate of \$275 per quarter. The additional 2,300 sq. ft. can be rented to wide range of tenants such as a salon, bank, restaurant, or art gallery.

Figure 6.1 Construction Schedule





View Looking East along the Farmers Ditch

## PHASING STRATEGY

The development of the Boulder Creek Civic-Scape will take place in two phases over three years, resulting in a unique and energized development that will redefine the image of downtown Boulder. The phasing of the development is designed to minimize disturbance to the City employees and the Farmers' Market, which will be relocated during the summers of 2014 and 2015. The development will consist of the following phases:

### PRECONSTRUCTION - Planning Entitlements

#### PHASE 1 - Civic Square Apartments Boulder City Center and Plaza

#### PHASE 2 - Boulder Marketplace and Plaza New Britain/Park Central Demo Park/Open Space Construction

The first phase of development is projected to begin in April of 2014. We anticipate a relatively quick entitlement process of 12 months because of the City's involvement and community desire to move forward with this project. The first phase will consist of the mixed-use Civic Square Apartments and Boulder City Center. Simultaneous construction of the two new major buildings will minimize the impact on the local community by decreasing the downtime of the site and provide additional staging areas to reduce construction cost.

The Atrium (Boulder Market Place) building redevelopment will be the second phase of the project. The market must be constructed only when the Boulder City Center is complete, so that the City does not have a shortage of space. During the renovation period, the New Britain and Park Central offices located west of the subject will be demolished and replaced with increased green space. The Farmers' Market will be relocated to 15th Street or an alternative suitable location.



## PROJECT TIMELINE

A summary of the project timeline is found in Figure 6.1. As shown, the project is projected to take slightly over three years from start to finish and will reach completion in the Fall of 2016.

The development of Phase 1 will take approximately 25 months. The planning, design, entitlement, and permitting phase should last approximately 12 months. Construction of both the Civic Square Apartments and the Boulder City Center as well as two sub grade parking structures is expected to take an additional 20 to 24 months from the ground breaking to final completion. The entitlement process can begin immediately and Phase 1 construction can start as early as April 2014 and phase 1 will open in early 2016.



Phase 2 will begin construction in February of 2016 and last a maximum of eight months from start to finish. This phase includes the renovation of the Atrium building into the Boulder Marketplace, which will take six months to remodel opening in October of 2016. Hardscape and landscape development is also included in Phase 2 and will take three to four months to complete.





## ECONOMIC BENEFITS

The Boulder Creek Civic-Scape project will enliven the center of Boulder's community and serve as focal point the entire civic area. The project is consistent with the City's goals and has a positive fiscal impact on the Boulder community by supporting local businesses and increasing tax revenue.

The social benefits include:

- \_ **Enhance Boulder's Civic Area Appearance**
- \_ **Re-establish a Local Community Feel**
- \_ **Create a Pedestrian Lifestyle and Reduce Vehicle Use**
- \_ **Create Unique Civic, Retail, and Cultural Opportunities for the Surrounding Community**

In addition to the social impacts of the project, there are specific economic benefits that will be generated for the community at large. These benefits include job creation, added property tax value, and increased sales tax dollars to the City.

## JOB CREATION

Shown in Figure 7.1, an average of 126 construction jobs will be created per year throughout the 2.5 year build out period. This calculation assumes that approximately 1.33 construction workers are needed for every apartment unit built in a year, and 1 construction worker for every 980 sq. ft. of commercial space built in a year. The total projected annual income to the employees is \$3,584,457 which will further support the local economy.

When construction is complete, the apartment complex, traditional retail, and marketplace will employ 51 people. It is projected that the annual income earned by the new full time employees will total approximately \$1,446,300 (Income assumptions are based on the average per capita personal income in the downtown area).

Figure 7.1 Projected Employment

PERMANENT JOBS	
	Employees
Retail/Commercial	45
Residential Property Management/Maintenance	6
<b>Total Permanent Jobs:</b>	<b>51</b>
<b>Projected Permanent Jobs Annual Income:</b>	<b>\$1,446,300</b>

TEMPORARY JOBS	
Unit Type	Ave. Annual Employees Per Year
Multi-Family	46
Commercial	16
City Office	64
<b>Total Construction Jobs Annually:</b>	<b>126</b>
Projected Construction Jobs Annual Income:	\$3,584,457.30
Projected Construction Time Period (Years)	2.5
<b>Total Projected Construction Income over Life of Project:</b>	<b>\$8,961,143</b>



## ADDED PROPERTY TAX VALUE

A summary of the recurring annual revenues to the City of Boulder is summarized in Figure 7.2. Total annual property tax from the multi-family/commercial portion of the development will be \$266,964. The City's share of this revenue will be \$34,000 per year. When the property tax lost from the demolition of the existing six parcels is deducted from the new construction total, the property tax net benefit from the development will be \$210,284.

Additionally, one-time revenues to the City such as permit fees, building fees, inspections, etc. equate to approximately \$3,631,327 which will be paid to the City prior to and during construction.

A portion of these one-time revenues can be directly reinvested into the public development of the civic area. The development fees can fund improvements such as the civic-plaza, open space construction, and public art gardens. A similar system was used in the development of Boulder Junction, where certain fees such as the use tax, excise tax, and the capital impact fees were placed into a separate account and later allocated for specific public improvements within the larger development.

## EXPECTED TAX DOLLARS

The city of Boulder will net a total of \$251,213 in annual property and retail tax revenue as a result of the civic area development.

Approximately 15,383 net sq. ft. of retail space will be found within the Boulder Creek Civic-Scape development. We project retail sales to average \$350 per square foot for a total \$5,383,994 in on-site retail revenue per year. The City's sales tax rate is 3.41%, which will generate approximately \$183,594 of on-site retail sales tax annually. In addition, a one-time sales tax of 8.21% sales tax on the city use tax of \$542,779, will bring Boulder \$37,173.

The 110 residents will also provide prolonged economic benefits for the City. The median household income within the downtown/central submarket is \$53,968 and it is estimated that each household spends 44% of their total income on retail expenditures per year for a total of \$1,638,468 in annual retailing spending from the subject households. Of this total, 60% will be spent within the City of Boulder which equates to \$983,081 annually.

Figure 7.2 Summary of Annually Recurring and One-Time Revenues to the City of Boulder

**RECURRING ANNUAL REVENUES**

	Units/ Sq. Ft.	Community Population	Ave. Unit Price	Market Value	Assessed Value	Annual Recurring Property Tax
<b>Annual Property Taxes</b>						
Multi-Family	69	110	\$285,000	\$19,665,000	\$1,565,334	\$146,842.42
Commercial Space	17,662			\$4,415,500	\$1,280,495	\$120,122
<b>New Construction Total</b>						\$266,964
<b>Existing Property Taxes - Property Tax Lost</b>						
Residential	7,339					\$40,647.75
Commercial	3,364					\$16,032.55
<b>Existing Property Total</b>						\$56,680
<b>Total</b>				<b>\$24,080,500</b>	<b>\$2,845,829</b>	<b>\$210,284</b>

**RETAIL SALES ON SITE**

15,383	Net Retail Square Footage
\$350	On-Site Retail Average Sales Per Square Foot
\$5,383,994	On-Site Annual Retail Expenditures
3.41%	City of Boulder Sales Tax Rate
\$183,594	Annual On-Site Retail Sales Tax Revenues to the City of Boulder from Subject Development

**COMMUNITY RETAIL EXPEDITURES FROM CIVIC-SCAPE RESIDENTS**

\$53,968	Median Household Income
\$23,746	Household Retail Expenditures
\$1,638,468	Annual Retail Expenditures from Subject Development Households
\$983,081	Annual Retail Expenditures from Subject Development Households in the City (Off Site)
3.41%	City of Boulder Sales Tax Rate
\$33,523	Annually Recurring Sales Tax Revenues to the City of Boulder from Subject Development (Off Site)
\$183,594	Annually Recurring On Site Retail Sales Tax Revenues to the City of Boulder from Subject Development
\$34,096	Annually Recurring Property Tax Revenues to the City of Boulder from Subject Development
<b>\$251,213</b>	<b>Annual Recurring Tax Revenues</b>

**ONE TIME REVENUES TO BOULDER**

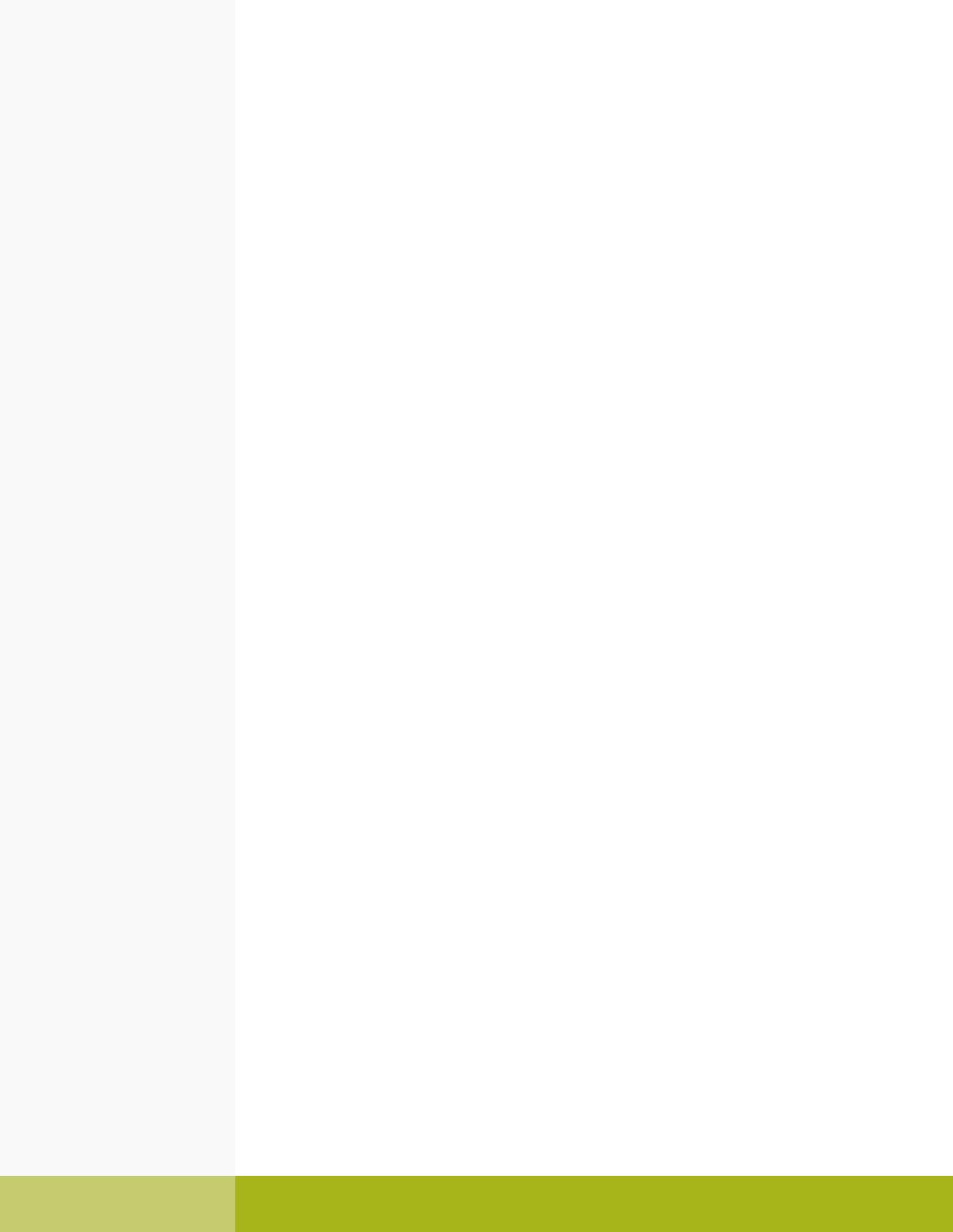
\$53,008	Building Permit Fee
\$34,455	Plan Check Fee
\$5,196	Electrical Permit Fee
\$3,355	Plumbing Permit Fee
\$1,555	Historic Demolition Fee
\$1,628	Grading Permit/Review Fees
\$435	Elevator Permit Fee
\$252,316	Development Excise Tax
\$225,793	Capital Facility Impact Fee
\$12,000	Flood Plain Permit Fee
\$7,471	Right-of-Way Permit Fee
\$4,800	Water Meter Installation Fee
\$51,770	Water/Wastewater Tap Fees
\$596,032	Water PIF Payment
\$216,914	Wastewater PIF Payment
\$87,120	Stormwater Flood PIF Payment
\$10,495	Land Use Review Fees
\$9,450	Development Review Fees
\$452,779	City Use Tax
\$10,622	County Use Tax
\$38,659	Sales Tax 8.21% on Use Tax
\$1,555,474	Cash in Lieu Payment
<b>\$3,631,327</b>	<b>Total One-Time Revenues</b>



## CONCLUSION

The *Boulder Creek Civic-Scape* provides an innovative solution that balances public, private, and community interests and is financially feasible. The project design highlights Boulder's guiding principles of sustainability and integrates nature with the built environment to create a memorable centerpiece for the Boulder community. The Flatirons Development design balances civic uses with private development at a scale that is appropriate for the site. Most importantly, the site will become the *Civic Heart of Boulder* by creating a sustainable City Center, the innovative Boulder Marketplace, and Civic Square Apartments, while promoting public art and expanding the presence of the Farmers' Market and Outdoor Cinema.





## OUR TEAM WOULD LIKE TO RECOGNIZE THE FOLLOWING OUTSIDE SOURCES:

### **OZ Architecture**

*Kelly Davis, Rick Peterson, Jen Radicella*

### **Aardex Corporation**

*Chris Ernst, Ashley Lemon*

### **ARA**

*Chris Cowan*

### **Amerisphere**

*Brian Harris*

### **Coburn Development**

*John Koval*

### **Deneuve Construction**

*David Garabel*

### **HHF**

*Kristian Lichtenfels*

### **Oxbow Public Market**

*Bart Rhoades*

### **Peak Professional Contractors**

*Pat O'Conner*

### **Pinkard Construction**

*Mark Bokhoven*

### **The Pauls Corporation**

*Brian Pauls, Chris Manley, Mike Serra, Andrew Sturno, Adam Hudson*

### **THK Associates**

*Dan Conway, Peter Elzi, Eric Johnson, Jon Suddarth*

### **Stifel Nicholas**

*David Bell, Leanne Toler*

### **Western Skies**

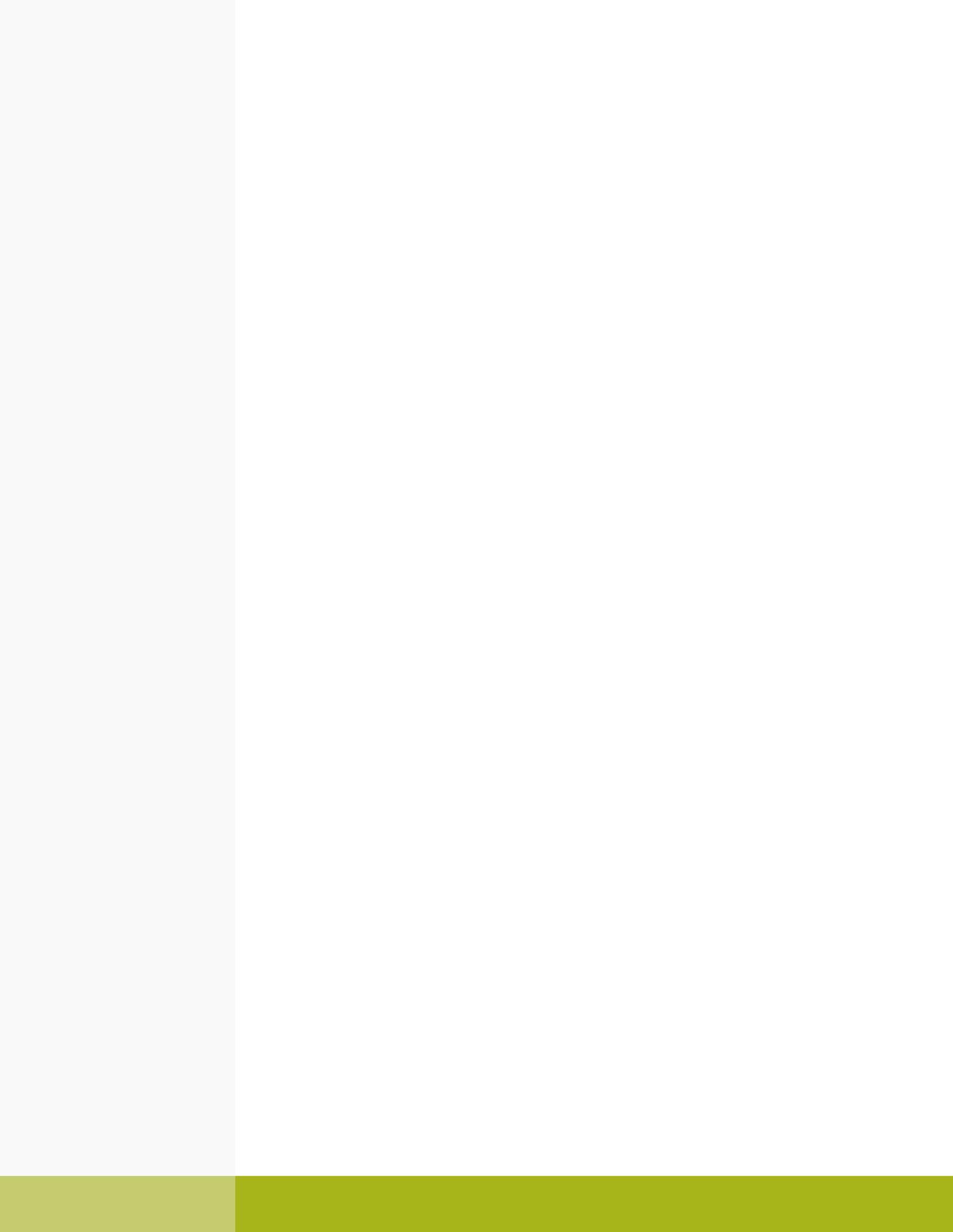
*Brian Thorsen*

### **Wright Kingdom Real Estate**

*Eric Rutherford*

### **Zeppelin Development**

*Chris Woldum*



**CODY BERGAN,**

Cody Bergan is originally from Denver and received his Bachelor of Science Business Administration in Finance from the University of Denver in 2010. Cody is an avid skier and outdoorsman. He currently works as a real estate analyst. Cody will graduate from the University of Denver with a Masters of Real Estate and Construction Management in June of 2013. He hopes to find a fulfilling career in real estate investment and development.

**JONATHAN DEVLIN,**

Jonathan Devlin, a born and raised Floridian, attended Florida State University and was awarded a Bachelor of Real Estate in 2009. Following graduation, Jon relocated to Colorado where he worked in resort management in Summit County. His decision to pursue a graduate degree at Denver University was to ensure he would be a competitive and well versed candidate in a tough and dynamic market. During his graduate program he has been working as a property manager and acquisition analyst for a growing real estate holdings company. His current primary focus is finding a position with a development company who is seeking a highly motivated individual to add to their team.

**DANIEL RODRIGUEZ,**

Daniel is the Director of Leasing at Madsen Real Estate Group, a boutique firm specializing in landlord representation of class A retail assets throughout southern Colorado. He is a Certified Commercial Investment Member (CCIM) designee, and active member of the International Council of Shopping Centers and the Urban Land Institute. Daniel holds a Bachelor's Degree in marketing and business management from Brigham Young University. He will complete a Master's Degree in Real Estate Development and Construction Management from the Daniels School of Business at the University of Denver in June 2013.

**TYE SEAGREN,**

Tye Seagren, a Pennsylvania native, is a 2011 graduate of Penn State University with a Bachelor of Architecture (BARCH). While at Penn State, Tye participated in the 2009 Solar Decathlon and was an active member of the American Institute of Architecture Students (AIAS). Tye graduated with academic distinction and received an honorable mention for her architectural thesis project. Following graduation Tye moved to Denver, where she is currently working as a real estate analyst. Tye is pursuing a Masters of Real Estate and Construction Management and will graduate this coming June. She is looking to pursue a career in real estate development.

**ERIC THORSEN,**

Eric Thorsen is from Denver and graduated from the University of Colorado in 2010 with a B.S. in Business Administration with an emphasis in Finance and Real Estate. Eric is currently working as a distressed property acquisitions intern focusing on both commercial and residential real estate. Eric is pursuing a Masters of Real Estate and Construction Management from the University of Denver and will graduate in June of 2013. Eric is seeking a career in the real estate development and investment industry.