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March 10, 2016

Jonathan E. Farnham, Ph.D.
Executive Director
Philadelphia Historical Commission
Room 576, City Hall
Philadelphia, PA 19107

Dear Dr. Farnham:

In accordance with our discussions, International Consultants, Inc. (ICI), the subcontractor to Real Estate Strategies, Inc. (RES) responsible for providing specialized cost estimating expertise, has reviewed the cost-related documentation presented in the Financial Hardship Application (the Application) of 1911 Walnut Street, LLC (Southern Land Company). Included is the information in Exhibit N of the Application, *Construction cost estimates for reuse scenarios by INTECH Contractors and Construction Managers* (Intech). While the Application initially encompassed three properties, 1904 Sansom Street, 1906-1916 Sansom Street, and 1918-1920 Sansom Street, the property at 1904 Sansom Street has been withdrawn formally. Therefore, the review of cost estimates and related documentation by ICI has encompassed two properties, 1906-1916 Sansom Street (the "Warwick") and 1918-1920 (the "Garage" or "Funeral Home", both prior uses of the structure).

The review and evaluation by ICI has included the following procedures:

- A walk through of the buildings on January 15, 2016 with representatives of Southern Land Company, Ballard Spahr LLP, Keast & Hood Structural Engineers, the Historical Commission, and RES.
- Initial preparation by ICI of cost estimates for review and discussion.
- A meeting at the Historical Commission on February 12, 2016, at which there was initial discussion with representatives of Southern Land Company and the Company's consultants that included discussion about the cost estimates in the Application and some initial comments by ICI.
- A follow-up meeting on February 16, 2016 to review cost estimates. The meeting was attended by ICI and representatives of Intech, Keast & Hood, Ballard Spahr LLP, and Southern Land Company and included a detailed review and discussion of the cost estimates prepared

by Intech and comments and cost estimates developed by ICI. The parties identified points of agreement related to specific costs and areas where there continue to be disagreements about specific line item costs.

The following table provides summary information for the various reuse scenarios presented in the Application for each of the buildings. Included is the original estimate in the Application by Intech, the revised Intech estimate based on comments and discussion at the meeting, and ICI's estimates of additional savings.

The Warwick - 1906-16 Sansom Street	Intech Totals - Application	2/16/16 - Adjusted Intech Totals	ICI Estimated Total	Difference, Adjusted Intech/ICI
Reuse Scenarios:				
1) Apartments, 18 Units	**$ 15,562,460**	***$ 14,234,594***	**$ 12,902,110**	$ 1,332,484
2) Condominiums -12 Units	**$ 16,603,274**	***$ 15,683,517***	**$ 14,257,283**	$ 1,426,234
3) Offices (Core & Shell)	**$ 14,530,351**	***$ 14,017,642***	**$ 12,761,958**	$ 1,255,684
4) Hotel, 30 Rooms	**$ 15,386,657**	***$ 14,594,308***	**$ 13,305,324**	$ 1,288,984

The Garage - 1918-1920 Sansom Street	Intech Totals - Application	2/16/16 - Adjusted Intech Totals	ICI Estimated Total	Difference, Adjusted Intech/ICI
Reuse Scenarios				
1) Restaurant/Retail (Core & Shell)	**$ 2,978,749**	**$ 3,078,959**	**$ 2,749,523**	**$ 329,436**
2) Residential, Single Family	**$ 3,159,372**	**$ 3,004,701**	**$ 2,726,637**	**$ 278,064**
3) Offices (Core & Shell)	**$ 3,039,391**	**$ 3,139,603**	**$ 2,853,439**	**$ 286,164**

The detailed ICI cost estimates that are the basis for the ICI estimated totals in the above table are included as an attachment to this letter. Please note that comments in red in the attachment are by Intech, as provided by ICI after the meeting.

If there are any questions or comments, please call me at 610.240.0820.

Very truly yours,

Margaret B. Sowell, CRE
President

Attachment: ICI Cost Estimates

REAL ESTATE STRATEGIES, INC.
1191 WALNUT STREET, LLC,
FINANCIAL HARDSHIP APPLICATION REVIEW, 1906 - 1916 & 1918-1920 SANSOM STREET
PHILADELPHIA, PENNSYLVANIA
CONSTRUCTION COST REVIEW

ICI #:	215151
Prep:	mcf
Date:	2/2/2016
Revised:	3/10/2016

Comments

Overall General Comments, Observations, Assumptions

ICI met with representatives of Intech, Keast & Hood, Ballard Spahr and Southern Land on 2/16/2016 to discuss and review comments by ICI and make the appropriate revisions to this document. Revisions are all noted in red.

1 ICI walked through the Buildings on January 15, 2016 with representatives of Southern Land Company, Keast & Hood Co., Philadelphia Historical
2 ICI has reviewed the Hardship Application documents received December 14, 2015, including the Construction Cost Estimates prepared by Intech.
3 The purpose of this review is to determine whether the scope and costs included in the Construction Cost Estimates prepared by Intech are reasonable for the described scope and Consultants Reports, Drawings included in the Application.
4 Although the Application included 1904 Sansom Street, and we did walk through that building, ICI has not reviewed or addressed that building as we were informed it has been removed from the Application.
5 ICI used the Building Survey, Exhibit B, to determine the square footage of each building. Based on that document, the following areas were determined:
6 **Building 1906 - 1916 Sansom Street** (Seven floors with full basement)
Typical Plan Area per Survey 3,214 sf per floor x 7 floors occupied = **22,498 Gross SF** *Typically used in Intech estimate: 27,347 SF (3,418 sf/floor)*
Include Basement (Add 3,214 sf) = **25,712 Gross SF**
2/16/16 - Intech based their areas on the Architectural Documents and not the Survey drawing, plus Intech included a new rooftop mechanical room, approximately 700 sf.
2/16/16 - Intech included basement area as finished space for amenities and other uses.
7 **Building 1918 - 1920 Sansom Street** (Two floors with partial basement)
Typical Plan Area per Survey 2,772 sf per floor x 2 floors occupied = **5,544 Gross SF** *Typically used in Intech estimate: 5,904 SF*
Narratives mention a small partial basement in the rear the building
2/16/2016 - Intech based their areas on the Architectural Documents and not the Survey drawing, plus Intech included a new rooftop mechanical room with approximately 600 - 700 sf.
8 A code review for the appropriate codes to apply to these uses and their requirements should be completed as that may affect the scope and cost of work..

1906 - 1916 Sansom Street
General Comments and General Estimates

1 Most of the comments listed apply to all of the proposed use scenarios. If relevant, ICI has noted comments that are specific to one or more scenarios.
2 The Intech estimates consistently use the full building gross sf for most costs. While this is fine for general building items, some items such as finishes, mechanical and electrical cost should not be budgeted at full cost for a limited use basement area.
2/16/16 - Intech assumed basement to be finished amenity space.

	Intech Totals - Application	*2/16/16 - Adjusted Intech Totals*	ICI Estimated Totals
3 The scenarios proposed for this building include the following:			
1) Apartments, 18 Units	$ 15,562,460	*$ 14,234,594*	$ 12,902,110
2) Condominiums -12 Units	$ 16,603,274	*$ 15,683,517*	$ 14,257,283
Finish Levels, Materials, Equipment generally have higher unit prices than Apartments			
3) Offices (Core & Shell)	$ 14,530,351	*$ 14,017,642*	$ 12,761,958
Complete floor structure replacement included, vs. 30% typical in other scenarios.			
4) Hotel, 30 Rooms	$ 15,386,657	*$ 14,594,308*	$ 13,305,324
Finish levels, materials, equipment generally have higher unit prices than Condominiums			

General Estimate Comments

4 The contractor mark ups used by Intech for staffing, reimbursables, permits, fees, pre-construction, contingency, insurance and bonding, etc. all appear reasonable but conservative. In a competitive bidding situation they could be reduced around 5%.
2/16/16 - Intech states that due to complexity, these costs may not be reduced. ICI disagrees. $ (103,090)
2/16/16 - Intech noted no Design Contingencies are included in their estimate; only a Construction Contingency (5%)

5	Hazardous Material Abatement - Cost for Mold/Bird Guano ($4.39/sf) appears high.		
6	Lead Paint Removal ($3.29/sf) seems high, especially since the building will be gutted and little interior finishes or trim remain that would require abatement.		
7	Floor Material Removal is budgeted at 10/sf vs. $4/sf in 1918-20. 2/16/16 - Intech stated multiple floor layers are included in unit costs, which I have confirmed in reviewing report.		
8	Roof Membrane Removal is included, although it has been replaced with modern membrane. - 2/16/16 - IT states existing roof is below new membrane and requires abatement		
9	Cost is included for a City Inspector @ $129,000. ICI is not sure if this is a construction cost that should be included in the estimate. 2/16/16 - ICI confirmed prior to 2/16/16 meeting that the city does require the owner to pay for this independent monitoring		
10	There is an adjustment to the estimate per a quote which adds $250,000 additional to the total, which seem excessive as the scope is the same and the unit prices budgeted in the estimate seem reasonable. 2/16/16 - Intech stated that the above details and estimates for abatement were provided by Pennoni and are consistent with prior experience, so I don't feel the need to adjust these cost based on a bid without any substantiating details. I withdraw my comments on the unit prices above	$	(250,000)
11	Temporary Stabilization at $60,000 per floor for exterior walls seems high. Note lists 5 ton/floor, which @ $7,000 would be $35,000/floor 2/16/16 - Intech stated their cost was based on $12,000/ton for this work. ICI's opinion is that the $7,000/ton used in other areas would be adequate.	$	(100,000)
12	Masonry - 50% exterior brick replacement included in addition to rebuilding. K&H Report calls for 50% on front & rear elevations, but 10% on sides, so this could be reduced. 2/16/16 - Intech adjusted their quantity to reflect the structural report.		
13	Masonry Drying ($1,347,000) seems excessive. Most of the cost is attributed to fuel ($764,000) and stand by labor ($359,000). 2/16/16 - There was a lengthy discussion on the means and methods, time required and procedure for this work, but no clear consensus on what the final scope should be. ICI feels there is an excessive allowance for this work, and that could be reduced by 1/2 by using alternate fuel sources, such as use of fans or permanent building systems and a more thorough investigation and probing to determine the best solution to drying the areas required. Intech adjusted pricing to $1,421,265 due to elimination of 1904 which included shared costs.	$	(710,633)
14	Masonry walls are included for stairs and elevators, These could be gypsum board at a lesser costs. 2/16/16 - Intech stated the architect thought the walls would be used as structural components. It is possible they could be gypsum board.		
15	Steel Framing - There is $420,000 included for Stair & Elevator Openings/Framing which seems very high. 2/16/16 - Intech stated the estimate is based on the Structural report and their experience. ICI's concern is with the floor replacement, stabilization and new openings the total structural intervention seems to be excessive and there may be overlap between components and systems that, when looked at for the whole building as one element, could provide significant reductions. ICI recommends reducing this line item by 20%.	$	(84,000)
16	Carpentry - Unit price for Shelves & Rods is $60/lf - $150/lf in the different scenarios. This cost should be closer to $30/lf in all scenarios. 2/16/16 - Intech stated the cost is for 2 paint grade shelves @ $30/lf each, which would not be unreasonable. Higher quality stain grade is used in other options. ICI questions whether the closet shelves would really need to be higher grade in other scenarios		
17	Fire Proofing - included in all scenarios at the same cost even though the office scenario is 100% new steel floor structure. Seems high in all other scenarios. 2/16/16 - Intech and K&H state they need to fireproof the entire structure in all schemes due to the bottom flange of the floor beams being exposed.		
18	Membrane roof and protection Board appear high @ $14/sf. 2/16/16 - Intech stated costs are consistent with other projects. ICI still feels this is high, should be around $12/sf	$	(7,962)
19	Interior Tile/Stone - Counter quantities for vanities and kitchen appear very high. Based on 2'-6" wide cabinets, the estimate includes more than 6 lf per vanity (30 ea in cabinets) and 30 lf of kitchen counter, which seem excessive for the size of the units. 2/16/16 - Intech has adjusted some quantities, and stated the vanities are unchanged based on 2' wide x 8 LF each and kitchens are 3' wide x 15 lf each. ICI questions if 8 lf of vanity is excessive given size of apartments and condos. Suggest 5 lf per bathroom.	$	(17,100)
20	Window Treatments - $250/window appears high. Higher unit costs used in condo and hotel. 2/16/16 - Intech stated costs for mini-blinds are consistent with other projects. ICI thinks $175 each would be more appropriate.	$	(16,200)
21	Vanities and kitchen cabinets appear high. There is a lump sum for kitchen of $7,500/unit which seems very high based on the size of the units. Vanities at $1,500 each seems very high. Counters are included elsewhere. 2/16/16 - Intech states costs are consistent with other projects. ICI feels vanities should be adjusted to the 5lf/unit mentioned in #16 above, or $950 ea vs $1,500 ea. Kitchen cabinet unit price of $500/lf, without counters seem high for apartments, Suggest $400/lf	$	(43,500)
22	Mechanical/Electrical - As mentioned above, Plumbing, HVAC and Electrical Sf costs are based on square footages that include the basement. The basement should be budgeted at a significantly lower costs. 2/16/16 - As noted above, IT states the basement is finished amenity space.		
23	HVAC cost at $59/sf seems excessively high and should be in the $35 - $40/sf cost for the occupied areas. 2/16/16 - Intec has reviewed the HVAC cost and revised the unit cost to $29/sf for Apartments, $40 for Condos, $46 for Offices and $42 for Hotel. ICI generally agrees with these, but feels offices may still be a little high.		
	Subtotal Recommended Typical Adjustments *(Items 19, 20 & 21 do not apply to all scenarios)*	**$**	**(1,332,484)**

Scenario Variances

24 As noted above, the finish levels in the Condominium and Hotel scanarios are higher than for Apartments, with the condominiums including wood floors in lieu of carpet, higher unit costs for doors, counters, plumbing fixtures, bathroom accessories are included in both.

25 Condominium - Interior Stone & Tile - Quantities for Counters are the same as Apartments, even though there are 12 condo units vs 18 apartments.
2/16/16 - Intech adjusted quantity of kitchen counters to 12 at 20' x 3'. Vanity is similar to above, but may make sense in a larger unit size.

26 Condominium vanities and kitchen cabinets are double the unit price for Apartments.
2/16/16 - Intech states costs are consistent with other projects. ICI questions qualitative price increase of two times vanity price and two and two third times kitchen price (which was already high). Recommend 75% Increase in both — $ (93,750)

27 The Office scenario is generally priced as core and shell with unfinished office areas, but ceilings are included for the entire area.
2/16/16 - Intech states the Core and shell listed in the estimate may have been inaccurate, as it is really a warm white shell, which would be much closer to a finished space.

28 Toilet partitions are included in the Office scenario, but bathrooms seem to be single fixture rooms, so partitions would not be required.
2/16/16 - Intech states they have assumed two toilets or urinal per room, and two rooms per floor, thereby the need for toilet partitions. ICI feels that that these could be single fixture rooms, but further code review would be required. No adjustment made

29 Plumbing in the Office scenario is carried as a similar unit price to apartments, but should be less due to the office use and significantly fewer fixtures.
2/16/16 - Intech has reviewed and reduced the plumbing cost in the Office scenario.

30 Office HVAC is high @ $46/sf. This should be significantly less.
2/16/16 - See comments above in item 23.

31 Hotel floor finishes for bathrooms appear to be missing.
2/16/16 - Intech has adjusted and added floor finishes in bathrooms.

Subtotal Recommended Adjustments - Condos **$ (93,750)**

1918 - 1920 Sansom Street

General Comments

1 Most of the comments listed apply to all the proposed use scenarios. ICI has noted those which are specific to a scenario.

2 The Intech estimate consistently uses the full building gross sf for most costs. While this is fine for general building items, some items such as finishes, mechanical and electrical costs should not be budgeted at full cost for a limited use basement area.

	Intech Totals-Application	*2/16/16 - Adjusted Intech Totals*	ICI Recommended Adjustment
3 The Scenarios proposed for this building include the following:			
1) Restaurant/Retail (Core & Shell)		*$ 3,078,959*	$ 2,749,523
2) Residential, Single Family	$ 3,159,372	*$ 3,004,701*	$ 2,726,637
3) Offices (Core & Shell)	$ 3,039,391	*$ 3,139,603*	$ 2,853,439

General Estimate Comments

4 The contractor mark ups used By Intech for staffing, reimbursables, Permits, Fees, Pre-Construction, Contingency, Insurance and Bonding, etc. all appear reasonable, but conservative and in a competitive bidding situation could be reduced around 5%. — $ (22,283)
2/16/16 - Intech states that due to complexity, these costs may not be reduced. ICI disagrees.

Trade Costs Comments *(costs generally rounded to nearest $1,000)*

5 Demolition - Cost to gut interior is budgeted at $5/sf, where $4/sf was used in 1906-16, which has many more interior walls, etc. to be removed than this building, which is mostly large open areas.
2/16/16 - Intech states the unit cost is higher due to reduced size of the building and more masonry walls to be removed.

6 Hazardous Material Abatement - Cost for Mold/Bird Guano ($13.50/sf) and Lead Paint Removal ($5/sf) seem very high. ICI would expect these costs to be less. — $ (38,254)
2/16/16 - Intech states these costs are consistent with other projects, but mold, bird guano removal unit cost is three times higher than for the 1906 Building. ICI recommend one and one-half times higher.

7 Floor Material Removal is budgeted at $4/sf vs. $10/sf in 1906-16. See comments in item 7 for 1906-16 above.

8 Cost is included for a City Inspector @ $31,000. ICI is not sure if this is a construction cost that should be included in the estimate.
2/16/16 - ICI confirmed prior to 2/16/16 meeting that the City does require the owner to pay for this independent monitoring

Trade Costs Comments (costs generally rounded to nearest $1,000) - Continued

9	There is an Adjustment to the Estimate per a quote, which reduces the estimate $46,000. 2/16/16 - Intech stated that the above details and estimates for abatement were provided by Pennoni and are consistent with prior experience. ICI does not see a need to adjust the cost based on a bid without any substantiating details. Add back credit.	$	46,000
10	Masonry - Rebuilding brick has a higher unit cost than in 1906-16 ($75-$80 vs. $65). 2/16/16 - Intech states that the unit cost reflects a full depth repair vs 1906, which is generally a veneer replacement.		
11	Masonry Drying ($323,000) seems excessive. Most of the cost is attributed to fuel ($191,000) and standby laborers ($105,000).	$	(221,806)
12	Masonry walls are included for stairs and elevators. These could be gypsum board at a lesser cost. 2/16/16 - Intech stated the architect thought the walls would be used as structural components. It is possible they could be gypsum board.		
13	Steel Framing - There is $42,000 included for Stair & Elevator Openings/Framing, which seems high. 2/16/16 - Intech stated it is based on the Structural report and their experience. ICI's concern is new openings disregard existing openings which could provide significant reductions. ICI recommends reducing this line item by 20%	$	(8,400)
14	There are 4 flights of stairs included in the Retail Scenario for a two-story building. This should be half. The Residential Scenario includes 34 risers, which would be about 1-1/2 flights. 2/16/16 - Intech sates that due to the floor height, they calculated 34 riser per stair, and included two from 1st to 2nd, and one to roof. ICI questions need for stairs to roof; ladder could be adequate - reduce $15,000.	$	(15,000)
15	Membrane Roof & Protection Board appear high @ $14/sf. 2/16/16 - Intech states costs are consistent with other projects. ICI still feels this is high and should be around $12/sf	$	(4,312)
16	Entry Portal budget incudes $50,000 plus $17,000 in Masonry Repair, which seem excessive. The existing could be repaired and reused. It probably isn't Historical per reports. 2/16/16 - Intech sates cost assumes a complete replacement. ICI would recommend repair of existing for a reduced (-30%) cost. Further investigation of condition and historic significance is required.	$	(22,110)
17	Mechanical/Electrical - As mentioned above, Plumbing, HVAC and Electrical Sf costs are based on square footages that include the basement. The basement should be budgeted at a significantly lower costs. 2/16/16 - Intech states they did not included a basement., but did include a rooftop equipment room.		
18	HVAC cost at $54/sf seem excessively high and should be in the $30 - 35 range for core & shell 2/16/16 - Intech states the unit price reflects providing full HVAC for a restaurant use in lieu of the core and shell for a standard retail use. ICI's recommends the price for warm white shell for greater flexibility. Recommend reduce to $46/sf	$	(43,272)
19	Dumpster cost seems high in relation to 1906-16. This building included 26, while 1906-16 included 39, although this building is only 20% of the area of 1906-16. 2/16/16 - Intech has adjusted this line item up in 1906 due to an error, and the relative costs seem more appropriate.		
	Subtotal Recommended Typical Adjustments *(Items 14 & 18 do not apply to all scenarios)*	**$**	**(329,436)**

Scenarios Variances

20	Residential - Shelves & Rods for $60/lf at $150/lf seems very high. 2/16/16 - Intech states this includes three closets@$20/lf each. Quantity is reduced, but unit price was increased to $150/lf. ICI questions quality price increase for closet shelves. Recommend $60/lf	$	(5,400)
21	Includes 3 utility room doors in a residence. 2/26/16 - Intech reduced to 2 utility doors. ICI questions need for utility door in residence use. Use standard interior doors	$	(1,500)
22	Includes Loading Dock Door in a residence. 2/16/16 - Intech states this would be a garage door for indoor parking.		
23	Gypsum Board Ceiling is budgeted at $10/sf vs. $8/sf in all other areas. 2/16/16 - Intech states this allows for more soffits/bulkheads than in other building. Still may be high but no adjustment recommended.		
24	Bathroom Accessories include 8 sets. 2/16/16 - Intech adjusted to 6 sets for 6 bathrooms		
25	Kitchen cabinets include 12 @ $15,000 2/16/16 - IT adjusted to 1 Kitchen @ $25,000		
26	Vanities include 30 @ $2,500. 2/16/16 - Intech adjusted to 6 @ $3,500.		
27	Plumbing @ $19/sf seems high for Residence scenario. 2/16/16 - Intech states cost is consistent with other projects. ICI - with number of assumed bathrooms, may be reasonable		

Scenario Variances 1918 - 1920 Sansom Street (continued)

28 HVAC @ $32/sf seems reasonable

29 Office - Generally priced as core & shell with unfinished office areas, but ceilings are included for the entire area.
2/16/16 - Intech states the core and shell listed in estimate may have been inaccurate, as it is really a warm white shell which would be much closer to a finished space.

30 Incudes painting, which should be a fit out cost.
2/16/16 - See Item 29.

31 HVAC @ $46/sf seems excessive for core & shell.
2/16/16 - See Item 29.

32 Electric is budgeted @ $20/sf, $18 in Retail scenario. These should bethe same.
2/16/16 - See Item 29.

Subtotal Recommended Adjustments - Residence	**$**	**(6,900)**