

Exhibit Q

Analysis of reuse scenarios by EConsult Solutions

October 28, 2015

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

Re: Financial Hardship Analysis for 1904 Sansom Street, 1906-1916 Sansom Street, and 1918-1920 Sansom Street

Dear Dr. Farnham,

Econsult Solutions, Inc. (ESI) has prepared this letter report summarizing the findings of our analysis as part of a financial hardship application submitted to the Philadelphia Historical Commission (the "Commission"). The application, by Southern Land Company ("Southern"), proposes the demolition of the buildings located at 1904 Sansom Street, 1906-1916 Sansom Street, and 1918-1920 Sansom Street.

The remainder of this letter describes the background for our work, the types of analyses we conducted, and a summary of the findings and conclusions. This letter reflects information available to us at the time of submission. Should additional information come to light, we reserve the right to revise our analysis.

SUMMARY AND CONCLUSIONS

We have investigated several potential reuse scenarios for each building, including residential apartment, residential condominium, commercial, retail / restaurant, and hotel.

All three buildings have been vacant for many years, and all are significantly deteriorated. Their immediate neighborhood has a strong real estate market, yet the extent of the deterioration and the outmoded and inefficient interior configuration of the buildings mean that the analyzed reuse scenarios do not create enough value to justify the development expenditures. Table 1 to Table 3 summarize the financial results of each reuse scenario.¹

Based on our analysis, we conclude that there is no use to which these buildings may be reasonably adapted given the cost of renovations and the revenues that can be expected by those uses.

¹ Numbers in tables may not add precisely due to rounding

Table 1: 1904 Sansom – Summary of Value Created (\$M)

1904 Sansom	1 Retail	2 Restaurant	3 Single-Family	4 Office
Cost	\$4.9	\$4.9	\$4.6	\$4.7
NOI	\$0.1	\$0.1	\$1.3	\$0.0
Value of finished project	\$1.0	\$1.0	\$1.1	\$0.6
Value Created	-\$3.9	-\$3.9	-\$3.5	-\$4.1

Table 2: 1906-1916 Sansom – Summary of Value Created (\$M)

1906-1916 Sansom	1 Apartment	2 Condominium	3 Office	4 Hotel
Cost	\$21.6	\$22.9	\$20.5	\$21.6
NOI	\$0.3	\$6.1	\$0.3	\$0.7
Value of finished project	\$4.1	\$5.1	\$4.0	\$7.3
Value Created	-\$17.5	-\$17.8	-\$16.4	-\$14.3

Table 3: 1918-1920 Sansom – Summary of Value Created (\$M)

1918-1920 Sansom	1 Restaurant / Retail	2 Single-Family	3 Office
Cost	\$4.4	\$4.4	\$4.3
NOI	\$0.1	\$1.8	\$0.1
Value of finished project	\$1.0	\$1.3	\$0.7
Value Created	-\$3.3	-\$3.1	-\$3.6

HARDSHIP REQUIREMENTS

The hardship application must demonstrate that the existing building cannot be renovated or repurposed in a way that is economically viable for this owner or another owner. Further, according to the Historical Commission's guidelines, the financial hardship application for a property must analyze "all purposes for which it is or may be reasonably adapted."² These guidelines mean that the hardship analysis must identify all reasonable reuses of the property, and analyze the economic viability of each reuse scenario. Not all potential reuses are reasonable, due to physical or regulatory constraints.

METHOD

To conduct our assessment, ESI performed the following tasks:

- Reviewed building condition assessment by Keast and Hood (October 12, 2015);
- Reviewed structural reuse evaluations by The Harman Group (October 16, 2015);
- Reviewed existing mechanical systems report by Edwards & Zuck (October 8, 2015);
- Reviewed environmental remediation analysis by Pennoni Associates (October 14,

² Philadelphia Historical Commission's Rules and Regulations, Section 6.3, p. 30



- 2015);
- Review historic rehabilitation analysis by Civic Visions LP (October 9, 2015);
- Reviewed conceptual reuse architectural drawings by SCB Architects (September 21, 2015);
- Reviewed cost estimates prepared by Intech (October 21, 2015);
- Reviewed the land valuation appraisal by Coyle, Lynch and Company (October 28, 2015)
- Reviewed all other documents referenced in this report;
- Conducted research regarding the availability of various subsidy programs applicable to renovating the three buildings;
- Inspected the exterior of the buildings, the properties, and the surrounding area;
- Interviewed real estate brokers and business owners in the neighborhood;
- Developed and analyzed operating and financial information for each alternative for each building;
- Conducted independent research on the revenue potential and the likely cost structure of each reuse scenario for each building; and
- Developed conclusions regarding the financial hardship application and whether the information submitted meets the requirements specified in the Philadelphia Historical Commission's Rules and Regulations.

In all cases, our analysis is conducted to a reasonable degree of professional certainty. We have relied on all the documents specifically cited in the report, but also look to other documents, interviews, and other sources of information.

ANALYSIS

Our analysis presents three major methods of valuing the project – the Net Present Value (NPV), Internal Rate of Return (IRR) and the Value Created. The NPV and IRR are based on multiple years of cash flow, and are standard ways of looking at real estate investments. We have also calculated the Value Created, which compares the cost to develop a project against the completed project value. This latter method is conceptually very simple, and does not depend on how the project is financed. The cost is simply the development cost, less any subsidies, and represents the cost to the owner of the historic building to reuse the building. The completed project value is the operating profit from the project, capitalized into a value at a market-based capitalization rate, discounted to the present. In cases where the reuse is a for-sale project, the completed project value is the sale price less transaction expenses. The Value Created is the completed project value minus the cost.

Our analysis assumes that the owner will borrow 70% of the development cost. The assumption is not realistic, as the owner would be able to borrow 70% of the value of the completed use in the case where the value of the completed use is less than the development cost, as it is in all the scenarios analyzed. This distinction is very important for the IRR and NPV calculations, and is an important way in which this analysis presents a more optimistic view of the potential development than would actually be the case. This assumption is not an important factor for the Value Created calculation.



PUBLIC SUBSIDIES

As part of our financial assessment, ESI considered a number of subsidies, credits, and other incentives that may impact the economic feasibility of reusing each of the buildings. These credits fall into two general categories: By Right Subsidies and Competitive Subsidies.

By Right Subsidies

By Right Subsidies are available to all projects that meet eligibility criteria. Thus, the only test of whether to consider these subsidies is if the proposed reuse of a building meets the criteria.

- 20% Federal Historic Tax Credit – Qualifying projects receive an income tax credit for 20% of the value of qualifying expenditures for the rehabilitation of a certified historic structure. A certified historic structure is a building that is listed individually in the National Register of Historic Places or a building that is located in a registered historic district and certified by the National Park Service as contributing to the historic significance of that district. The three buildings are in the Rittenhouse Historic District of the National Register of Historic Places, and are eligible to apply for the tax credit. However, each building is significantly deteriorated, and the renovations required to each building will disturb the historic fabric of the building to such a great extent that the renovations are not likely to be certified for the tax credit by the National Park Service.³ Therefore the financial analysis assumes that these buildings are not eligible for this subsidy. Note that Appendix 2 to this report analyzes the economic feasibility where federal historic tax credits are included.
- Philadelphia Property Tax Abatement – The Philadelphia property tax abatement is available for any renovation, including the potential reuses for these properties.

Competitive Subsidies

Competitive Subsidies may be available to projects that meet eligibility criteria, but there is no guarantee that the projects will receive subsidies even if they qualify. Because these subsidies cannot be relied upon, they are not appropriate to include in the economic feasibility analysis.

- Pennsylvania Historic Preservation Tax Credit – This program is similar to the Federal tax credit, with similar eligibility requirements, though the per-project amount is capped at either \$500,000 per year or 25% of construction cost, whichever is less. The Commonwealth limits these tax credits to \$3,000,000 per fiscal year, and are "awarded equitably for projects in each region of the commonwealth."⁴ The application process is competitive and last year the average tax credit received for a project was \$200,000. Thirty one applications were submitted and 15 projects from 5 regions were awarded. The State Department of Community and Economic Development has never received an application for a project that did not qualify for the 20% Federal Historic tax credit. The Commonwealth follows the same criteria for eligibility as the National Park Service. Since these buildings are likely not eligible for the Federal 20% Historic Tax Credit, they are not likely to receive a Pennsylvania

³ Letter to Neil Sklaroff from George Thomas of Civic Visions LP, October 9, 2015

⁴ Pennsylvania Department of Community and Economic Development, Historic Preservation Tax Credit – Program Guidelines, November 2014



Historic Preservation Tax Credit. Note that Appendix 2 to this report analyzes the economic feasibility where state historic tax credits are included

- **New Markets Tax Credit (NMTC)** – This program provides Federal income tax relief to project investors for projects located in a distressed or severely distressed census-tract. The mechanics of receiving the money are complex. The effective value of the NMTC can be up to approximately 30% of project costs. Competition for the credits is steep, and is typically oversubscribed. Applications are judged on their community impact, business strategy, capitalization strategy and other factors. The Sansom Street buildings are located in a qualifying census tract (42101000700), so they are technically eligible for the NMTC program. Tract 42101000700 is surrounded by high value tracts. In addition, tract 42101000700 is classified as “distressed,” and not “severely distressed,” which places projects in the tract at a competitive disadvantage to projects in severely distressed tracts. If a project is not in a “severely distressed” tract, it must be in an area where three of the secondary criteria would apply to remain competitive. This tract only meets one of the seven secondary criteria.⁵ Furthermore, not more than 80% of project revenue can come from residential uses, and in order to be competitive not more than 70% of project revenue can come from residential uses. Based on our analysis of industry practices, including consultation with industry experts, these projects are not likely to receive NMTC funding.
- **Redevelopment Assistance Capital Program Grant (RACP)** – This Pennsylvania grant program provides funding for projects that display significant potential for improving economic growth and the creation of jobs. Candidate projects must have an allocation in the state budget to apply, but an allocation does not make it likely that the project will actually receive a RACP grant. To apply, candidates must provide a business plan that addresses a project's estimated regional economic impact and the potential for job creation. The projects may be eligible to apply for a RACP grant. As with the NMTC program, there is steep competition, and there is no assurance the project would get funded.

BACKGROUND

Zoning

All three properties are zoned CMX-4. CMX-4 is the Center City Commercial Mixed-Use District, which is primarily intended to accommodate mixed-use development, including a broad range of non-residential uses. The potential reuses considered in this report are permitted as of right by the CMX-4 zone.

History

1904 Sansom: Rittenhouse Coffee Shop – The Rittenhouse Coffee House is a mid-nineteenth-century residence converted to commercial use in the twentieth century. In 1923, building permits were requested to construct a rear addition, alterations to the vestibule and the front entrance door, installation of plumbing and removal of some partitions. The architect for these alterations was Clarence E. Wunder, who designed the existing façade of the coffee shop.

⁵ Tract 42101000700 meets the secondary criteria “Medically Underserved” according to Policy Map's website.



1906-1916 Sansom: Warwick Apartments – The Warwick Apartments were constructed in 1901 as a modern fireproof apartment house. Sanborn maps show 28 apartments on 7 floors. There was an internal seven-story stair tower and external fire escape. The internal stairs also served as a fire escape, requiring the use of an exterior connection between floors.

1918-1920 Sansom: Garage Building – The Garage Building was constructed in 1910 as a private parking garage. In 1950 the building was renovated for use as an office for Wark and Company. The Greek Revival façade may date from this renovation. New interior partitions were installed, as well as new bathroom plumbing, provisions for a new elevator, new light fixtures and asphalt tile floors. The building was most recently used as a funeral home.

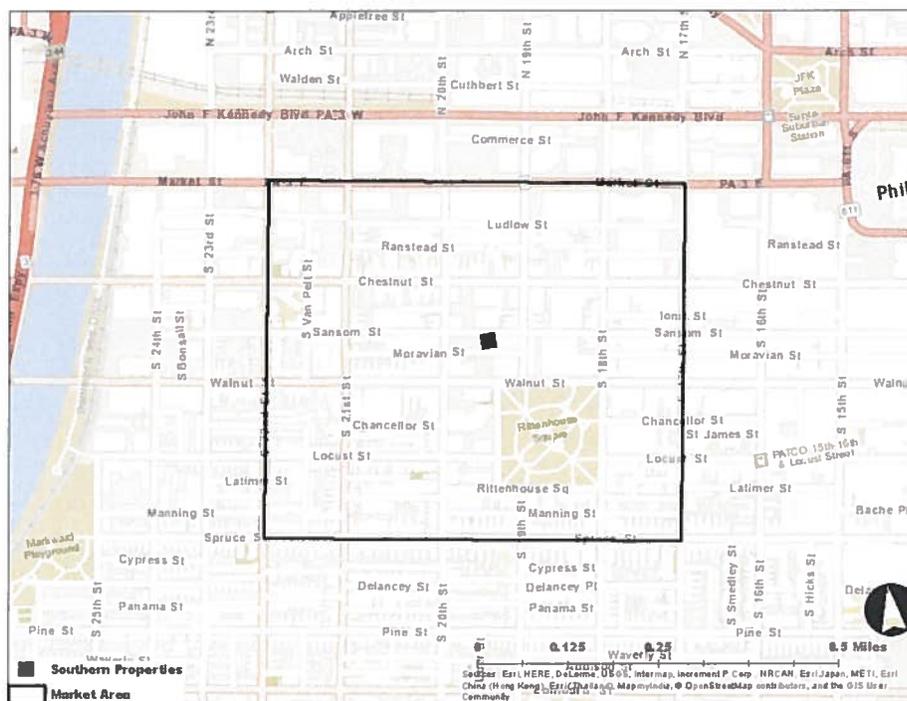
Land Value

The land value (see Table 4) is based on the appraisal from Coyle, Lynch and Company.

Table 4: Appraised Values for Sansom Street Properties

Address	Land Value
1904 Sansom St.	\$365,000
1906-1916 Sansom St.	\$2,100,000
1918-1920 Sansom St.	\$480,000

Figure 1: Location Map



1904 SANSOM STREET

EXISTING CONDITIONS

1904 Sansom is a three-story building with approximately 4,056 gross square feet, or 1,352 square feet per floor. There is a basement, though the ceiling height in the basement is lower than permitted by code, and so cannot be considered habitable space. In addition, 1904 Sansom completely covers its parcel, and the sidewalls are constructed along the property line. As the sidewalls adjoin other parcels, they cannot include windows.

The overall condition of the building is extremely poor. According to an analysis by Keast and Hood, there are numerous problematic conditions with the building, including:

- Although the roofing has been repaired after several years of leaking, water continues to find entry through broken drain pipes and cracks in the masonry. Sections of the 2nd and 3rd floors were buckled due to water exposure. There may be hidden decay along the top of the floor joists.
- What could be seen of the exterior walls through the lightwell windows did not seem to indicate significant erosion or spalling of the bricks, although the mortar joints need 100% repointing.
- The first floor framing was found to be collapsing in the center section due to decay of the wood joists. The basement was extremely humid and large fungal blooms were found on the wood framing supporting the first floor in the front section. Multiple varieties of mold were observed on all surfaces.
- The front façade is brick coated with a single coat of plaster stucco, adorned with polychromatic terra cotta at the roof cornice and second floor frieze, as well as around the first floor doorway and carriage way. Water staining on the upper part of the front wall indicates erosion of the mortar joints above and below the windows. The corner quoins are likely painted plaster over brick. Several relatively wide cracks were noted in the plaster, which are initiating de-bonding from the brick behind it, ascertained by "sounding" the coating. The plaster stucco at the first floor level was damp despite the lack of rain, suggesting that moisture from the basement is rising up through the masonry. It will take significant time and effort to dry the lower masonry and address the mold.

NEEDED PHYSICAL IMPROVEMENTS

The building needs substantial improvements to be placed into service. According to the condition assessment, in order to be returned to a state of good repair:

- All of the first floor framing must be replaced. This work may require temporary bracing of the bearing walls to brace the weakened foundation walls against earth pressure.



- It is estimated that up to 20% of the remaining joists and rafters will be found to be decayed enough to require replacement, along with the associated flooring and subflooring.
- A “hands-on” review of the terra cotta cornice should be performed before the framing work is started, to ensure that loose pieces will not be jarred off the building.
- It should be assumed that all roof sheathing, flashing and drainage should be replaced.
- The basement floor in the front section appeared to be a “mud slab” (thin concrete) that is probably not suitable for reuse and should be replaced.
- The basement floor may need to be lowered to provide proper clearances, which may require underpinning the foundation walls. This should only take place after the first floor framing (or equivalent bracing) is in place.
- All exterior walls should be re-pointed, which will require removal and replacement of the plaster stucco on the front elevation. However, the repointing and plaster work should not take place until after the masonry has been dried out so that moisture is not trapped in the core of the walls. The drying effort may take as much as eight months; a specialty contractor will be needed for this work.
- It is likely that at least 30% of the interior face of the exterior walls will also need re-pointing.
- If the front wall were to be retained and the balance of the structure replaced, the wall would need to be braced with a steel frame inside the building footprint, as there is not sufficient distance in front of the building to brace it without intruding into the street. Sidewalk protection would nonetheless be necessary. The steel frame might consist of two vertical trusses, one each centered on the windows, with walers spanning horizontally to brace from corner to corner at two levels per floor, both inside and outside to clamp the wall.

These repairs do not fully prepare the building for a reuse scenario. Additional investments will be needed. For example, as documented in the existing mechanical conditions report by Edwards & Zuck, new electrical, plumbing, mechanical, life-safety and other systems need to be installed. In addition, the building would need to be built out to the specifications of the chosen reuse, as described in the structural reuse evaluations by The Harman Group.

REUSE SCENARIOS ANALYZED

We analyzed the following uses:

1. Restaurant
2. Retail
3. Single-family residential
4. Office



We considered additional uses, but these uses were not considered to be reasonable.

- Multi-family residential
- Industrial
- Parking
- Hotel

Specifications for each scenario, including gross and net square feet, number of units, and other physical layouts were determined by SCB Architects based on the existing building's height, the layout of the existing interior spaces including floor heights, and the needs of the proposed uses.⁶ Construction would require approximately two years. As detailed in Appendix 1, construction times are based on the estimated time for environmental remediation, building stabilization and drying, and rehabilitation and construction.

Scenario 1 – Restaurant

1904 Sansom was most recently a coffee shop, and it is natural to analyze the reuse of the building as a coffee shop or restaurant. Though the building itself is 4,056 square feet, required elevator and stairs would consume approximately 1,278 square feet, leaving 2,778 square feet available for use, or 926 square feet per floor. Because of the configuration, the most logical restaurant use is a bar or coffee shop with minimal food preparation on the ground floor.

Rental Rates

Depending on the size, configuration, and location of a property, nearby restaurant/retail space can rent for anywhere between \$20 to \$100 per square foot. The highest rents in the area are achieved on Walnut Street, especially at corner locations, and to a lesser extent, along Chestnut Street. Walnut Street west of Broad is the City's premier retail corridor. Spillover from Walnut Street goes to Chestnut Street, and commands lower rents. Retail properties on Sansom are of a different character from Chestnut and Walnut, and are more focused on lower value uses, such as moderately priced bars and restaurants, moderately priced boutiques, and similar stores and restaurants.⁷ Rents for these types of spaces range from \$30 to \$60 per square foot. In addition, a recent study by CBRE indicates that asking rent on Sansom Street west of Broad is approximately \$52 per square foot.⁸ Upper story retail space is less valuable than ground floor retail space because it draws less traffic, requires patrons to change levels, and is typically less visible than ground floor space. Our analysis assumes *achieved* rent of \$52 per square foot for the ground floor, and \$27 per square foot for the upper floors (based, for example, on asking rent for the second floor at 1720 Sansom Street).⁹

⁶ SCB Architects, "Rittenhouse Square: Adaptive Reuse Study."

⁷ This block of Sansom is not currently an inviting streetscape, though recently released plans propose a large scale residential tower directly across the street. Our analysis assumes that the north side of this block of Sansom Street is developed with the proposed building or a similar building.

⁸ CBRE, *Surging Demand for Urban Retail*, September 15, 2015.

⁹ 1720 Sansom is on Sansom Street in a similarly scaled mid-block building with similar traffic to what can be expected on 1900 Sansom after the north side is developed. The other second-story comparable, 125 S. 18th, is a corner building with very large windows and good visibility, on 18th Street, which is the most vibrant north-south block in the Rittenhouse Square neighborhood.



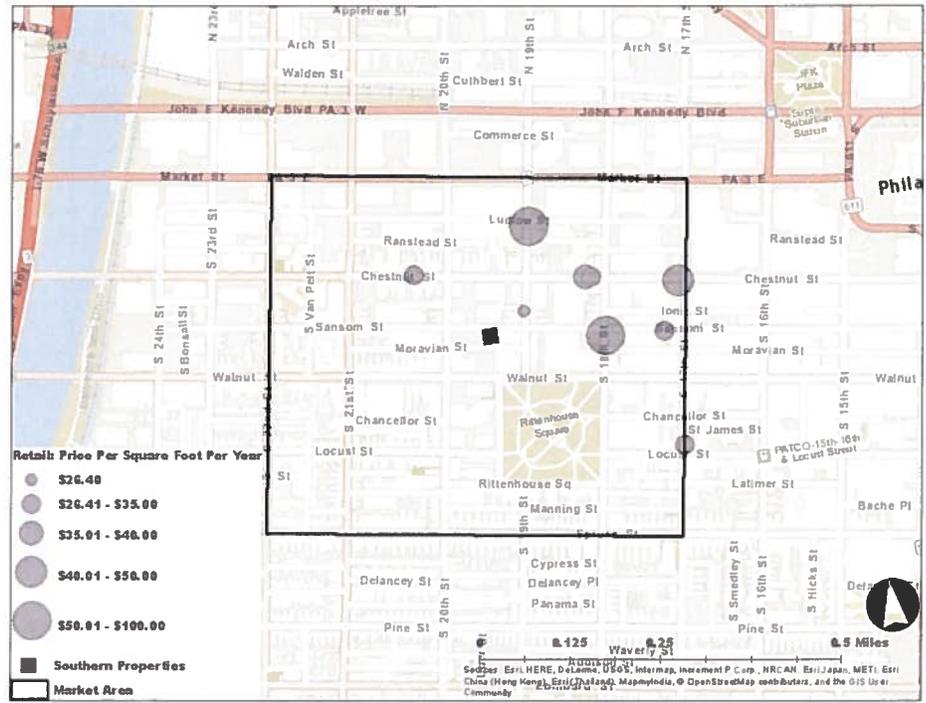
Restaurants require substantial fit-out, and an allowance for fit-out is customarily part of a lease. Fit-out allowance varies based on the identity of the tenant and the reusability of the improvements, and varies from \$50 per square foot for a standard space to \$100 or more for a signature restaurant. We have assumed fit-out allowance of one year's rent, modeled as a cash expenditure from the owner.

Table 5: Asking Rent for Nearby Retail Properties

Address	Asking Rent per Square Foot	Square Feet	Lease Type
114 S. 19 th St.	\$26	2,270	NNN
1811 Chestnut St.	\$27	8,500	unknown
1720 Sansom St., 2nd floor	\$27	1,000	NNN
235 S. 17 th St.	\$30	18,000	NNN
2031 Chestnut St.	\$33	1,100	NNN
1821 Chestnut St.	\$40	3,500	unknown
1700 Chestnut St.	\$50	40,000	NNN
23 S. 19 th St.	\$58	2,000	NNN
125 S. 18 th St. 2nd floor	\$58	817	NNN
1734 Chestnut St.	\$125	1,054	unknown
1736 Chestnut St.	\$135	1,200	unknown

Source: Loopnet

Figure 2: Asking Price for Nearby Retail Properties



Operations

The restaurant would operate on a triple-net lease, so that the only expenses incurred by the owner are administrative expenses and general property maintenance associated with the building.

Development Cost

The construction investment needed to prepare 1904 Sansom as a restaurant is approximately \$3.5 million, based on the cost estimate provided by INTECH. Including tenant fit out costs, land costs, and other development costs brings the total expenditure to \$4.9 million.

Financial Analysis

Our financial analysis, summarized in Table 6, shows that the Net Present Value (at 10%) of this investment is -\$2.6 million. The Internal Rate of Return is not defined. The Value Created is -\$3.9 million. Please see Appendix 3 for the detailed pro forma analysis.

Table 6: Summary of Financial Analysis – Restaurant (\$M)

Sources and Uses	
<i>Uses</i>	
Land Costs	\$0.4
Hard Cost	\$3.5
Soft Costs	\$0.9
Tenant Fit-Out Costs	\$0.1
Total Uses	\$4.9
<i>Sources</i>	
Owner Equity	\$1.5
Loan	\$3.4
Total Sources	\$4.9
Financial Summary	
Net Operating Income (first year)	\$0.1
Operating cash flow (first year)	-\$0.1
Net Present Value (10%)	-\$2.6
Internal Rate of Return	Not Defined
Value Created	-\$3.9

Conclusion

The expense of renovating and adapting 1904 Sansom for use as a restaurant would result in insurmountable financial challenges for the developer. The cost of renovating the building is greater than can be justified by profits made by leasing to a restaurant.



Scenario 2 – Retail

Retail use is very similar to a restaurant use, and the square footage is the same: 2,778 square feet available for use, or 926 square feet per floor. The primary difference between the uses is fit-out costs.

Rental Rates

We have used the same rents for retail space as we used for restaurant space. We have also assumed fit-out allowance of one year's rent, modeled as a cash expenditure from the owner.

Operations

The restaurant would operate on a triple-net lease, so that the only expenses incurred by the owner are administrative expenses and general property maintenance associated with the building.

Development Cost

The construction investment needed to prepare 1904 Sansom as a retail store is approximately \$3.5 million, based on the cost estimate provided by INTECH. Including tenant fit-out costs, land costs, and other development costs brings the total expenditure to \$4.9 million.

Financial Analysis

Our financial analysis, summarized in Table 7, shows that the Net Present Value (at 10%) of this investment is -\$2.6 million. The Internal Rate of Return is not defined. The Value Created is -\$3.9 million. Please see Appendix 3 for the detailed pro forma analysis.

Table 7: Summary of Financial Analysis – Retail (\$M)

Sources and Uses	
<i>Uses</i>	
Land Costs	\$0.4
Hard Cost	\$3.5
Soft Costs	\$0.9
Tenant Fit-Out Costs	\$0.1
Total Uses	\$4.9
<i>Sources</i>	
Owner Equity	\$1.5
Loan	\$3.4
Total Sources	\$4.9
Financial Summary	
Net Operating Income (first year)	\$0.1
Operating cash flow (first year)	-\$0.1
Net Present Value (10%)	-\$2.6
Internal Rate of Return	Not Defined
Value Created	-\$3.9



Conclusion

The expense of renovating and adapting 1904 Sansom for use as a retail establishment would result in insurmountable financial challenges for the developer. The cost of renovating 1904 Sansom is greater than can be justified by profits made by the operation of the store.

Scenario 3 – Single-Family Residential

Scenario 3 depicts adapting 1904 Sansom to a single-family house. A single-family house has fewer life and safety requirements than a publicly accessible building, so the entire 4,056 square feet are available for use as a dwelling. The building walls extend to the lot lines, thus it is not possible to add windows on the sides of the building, limiting windows, and hence potential bedrooms, to the front and back of the house. Further, there would not be the opportunity to include a parking space.

Residential Demand

In general, the neighborhood has many residential properties and residential demand is strong. Most nearby owner-occupied properties are condominiums. There are few single-family residential buildings nearby, and none on the 1900 block of Sansom Street. We have examined residential demand using several methods, including examining the sales of nearby single-family houses, examining listings of houses currently for sale, and conducting a hedonic analysis to predict the price a single-family house could realize at this location. Table 8 shows details and location of each comparable single-family home sale. Recent sales indicate that for houses greater than 1,500 square feet in comparable condition, average sales price is approximately \$416 per square foot. Of these comparables, however, only one sale was also located in a comparable area. That property, 1703 Rittenhouse Square, sold for \$271 per square foot. The other properties were located on more residential streets or in more prestigious areas. As 1904 Sansom is not located on a residential street or in a prestigious area (i.e., not fronting on Rittenhouse Square and not in a historically residential area), it could not command as high a sales price as many of the properties of comparable size and condition. Calculated using the price per square foot of 1703 Rittenhouse Square, a single-family house at 1904 Sansom would sell for approximately \$1.1 million, before closing costs and marketing expenses.

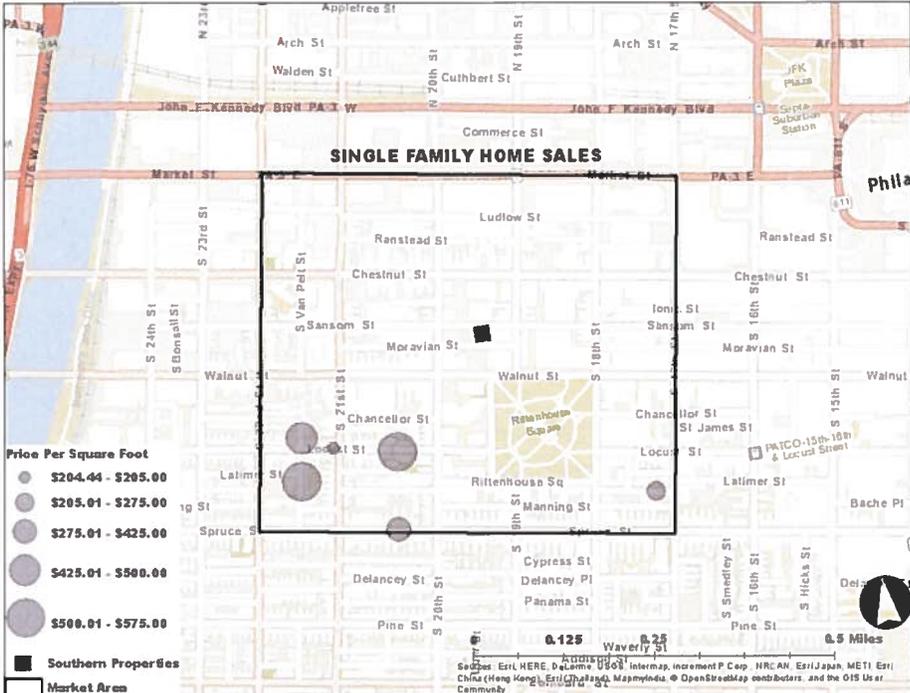
Table 8: Recently Completed Sales of Nearby Single-Family Properties

Address	Year Built	Year of Sale	Square Feet	Sales Price	Price per Square Foot
2101 Locust St.	1905	2014	2,568	\$525,000	\$204
1703 Rittenhouse Sq.	1750	2014	3,324	\$900,000	\$271
2037 Spruce St.	1800	2014	4,648	\$1,679,000	\$361
2022 Locust St.	1800	2013	3,368	\$1,235,000	\$367
2039 Locust St.	1800	2013	3,076	\$1,300,000	\$423
229 S. Van Pelt St.	1960	2014	2,160	\$1,000,000	\$463
255 S. Van Pelt St.	1960	2013	2,160	\$1,087,500	\$503
2030 Locust St.	1800	2014	2,332	\$1,337,000	\$573
1922 Rittenhouse Sq.	1750	2013	1,599	\$925,000	\$578
Average					\$416

Source: Office of Property Assessment, 2015



Figure 3: Nearby Single-Family Home Sales



Current Listings: Table 9 shows nearby single-family houses currently for sale. Properties currently on the market are priced similarly to the completed sales above. A just-renovated 1,900-square-foot house, with deeded parking, is listed for \$799,000 (\$421 per square foot), while fully amenitized, under-construction 3,500- to 5,200-square foot houses are listing for \$440 to \$450 per square foot. These houses are all in superior locations, with superior layouts and amenities. Their list prices indicate that 1904 Sansom would be able to sell for less than \$400 per square foot.

Table 9: Residential Properties Currently for Sale

Location	Year Built	Square Feet	Asking Price	Price per Square Foot
2025 Chancellor St.	1980	1,900	\$799,000	\$421
125 S. Van Pelt St.	2015	5,231	\$2,300,000	\$440
119 S. Van Pelt St.	2015	3,441	\$1,549,000	\$450

Source: Zillow

Based on the above sources of single-family residential pricing, we estimate that a single-family house at 1904 Sansom would sell for approximately \$1.3 to \$1.5 million. We have assumed that the house will sell for \$1.4 million.

Development Cost

The construction investment needed to prepare 1904 Sansom as a single-family house is approximately \$3.4 million, based on the cost estimate provided by INTECH. Including land costs, and other development costs brings the total expenditure to \$4.6 million.

Financial Analysis

The pro-forma analysis of this use is very simple. There is only one revenue number, the sale price, reduced by associated marketing and closing expenses. Our financial analysis, summarized in Table 10, shows that the Net Present Value (at 10%) of this investment is -\$2.7 million. The Internal Rate of Return is not defined. The Value Created is -\$3.5 million. Please see Appendix 3 for the detailed pro forma analysis.

Table 10: Summary of Financial Analysis – Single-Family Residential (\$M)

Sources and Uses	
<i>Uses</i>	
Land Costs	\$0.4
Hard Cost	\$3.4
Soft Costs	\$0.8
Total Uses	\$4.6
 <i>Sources</i>	
Owner Equity	\$1.4
Loan	\$3.2
Total Sources	\$4.6
 Financial Summary	
Sale of Single-Family House	\$1.3
Net Present Value (10%)	-\$2.7
Internal Rate of Return	Not Defined
Value Created	-\$3.5

Conclusion

The expense of renovating and adapting 1904 Sansom as a single-family house would result in insurmountable financial challenges for the developer. The cost of renovating the building is greater than can be justified by profits made by the conversion to single-family use.

Scenario 4 – Office

This scenario analyzes adapting 1904 Sansom as office space. There would be a total of 2,778 square feet of leasable space, which would likely all be used by one tenant.

Rental Rates

Based on the location of the building, the limited amount of natural light, the configuration of the space, and the low ceiling heights, a renovated 1904 Sansom would likely be Class B office space. Current rents for Class B office space in western Center City are approximately

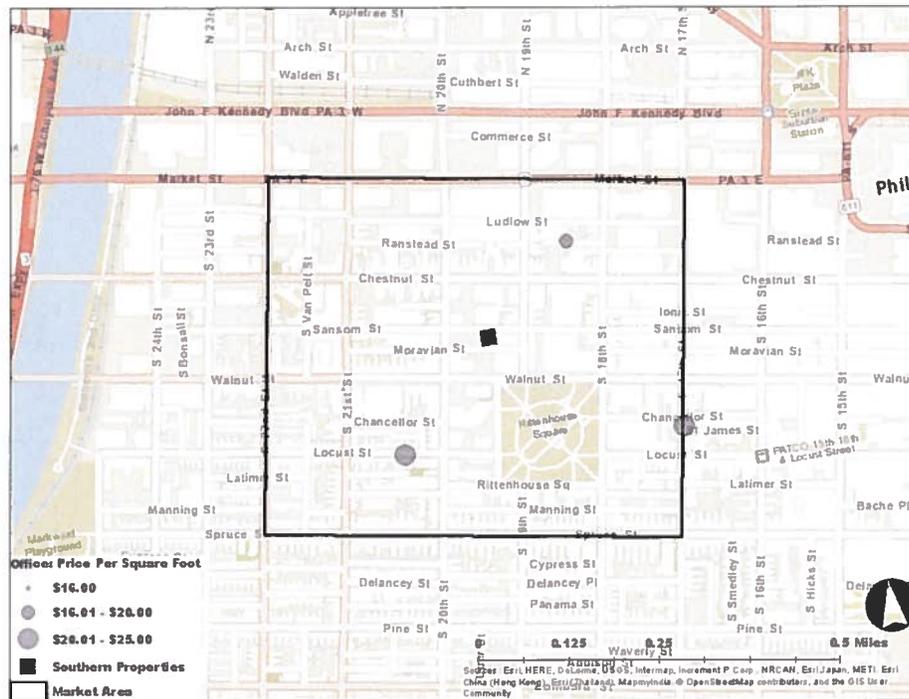


\$20 to \$25 per square foot.¹⁰ This is in line with comparable office space currently for rent in the surrounding area, as shown in Table 11. Accordingly, we have assumed \$23 per square foot in office rent. We have assumed fit-out allowance of one half year's rent, modeled as a cash expenditure from the owner.

Table 11: Commercial Office Properties Currently for Rent

Location	Square Feet	Lease Type	Rent per Square Foot
2020 Locust St.	1,200	NNN	\$22
1821 Ranstead St.	3,300	NNN	\$20
1821 Ranstead St.	3,300	NNN	\$16
225 S. 17th St.	609	Full Service	\$22
225 S. 17th St.	1,667	Modified Gross	\$22
225 S. 17th St.	532	Full Service	\$22

Figure 4: Nearby Office Rental Rates



Development Cost

The construction investment needed to prepare 1904 Sansom as office space is approximately \$3.5 million, based on the cost estimate provided by INTECH. Including tenant

¹⁰ Savills Studley Research, Philadelphia Office Sector Q2 2015

fit-out costs, land costs, and other development costs brings the total expenditure to \$4.7 million.

Financial Analysis

Our financial analysis, summarized in Table 12, shows that the Net Present Value (at 10%) of this investment is -\$2.8 million. The Internal Rate of Return is not defined. The Value Created is -\$4.1 million.

Table 12: Summary of Financial Analysis – Office Space (\$M)

Sources and Uses	
<i>Uses</i>	
Land Costs	\$0.4
Hard Cost	\$3.5
Soft Costs	\$0.9
Tenant Fit-Out Costs	\$0.0
Total Uses	\$4.7
<i>Sources</i>	
Owner Equity	\$1.4
Loan	\$3.3
Total Sources	\$4.7
Financial Summary	
Net Operating Income (first year)	\$0.0
Operating cash flow (first year)	-\$0.1
Net Present Value (10%)	-\$2.8
Internal Rate of Return	Not Defined
Value Created	-\$4.1

Please see Appendix 3 for the detailed pro forma analysis.

Conclusion

The expense of renovating and adapting 1904 Sansom for use as office space would result in insurmountable financial challenges for the developer. The cost of renovating the building is greater than can be justified by profits made by the office space.

CONCLUSION

The financial analyses presented in this section do not show any reasonable use for 1904 Sansom. The costs necessary to rehabilitate the space are significantly greater than the value that the rehabilitated space could generate. Table 13 shows the development cost and the after-improvement value for each of the scenarios explored in this report. The value of the finished project in each scenario falls short of necessary development costs by at least \$3 million dollars.



Table 13: Summary of Financial Hardship (\$M)

	1	2	3	4
	Restaurant	Retail	Single-Family	Office
Land Cost	\$0.4	\$0.4	\$0.4	\$0.4
Construction Cost	\$3.5	\$3.5	\$3.4	\$3.5
Soft Cost	\$0.9	\$0.9	\$0.8	\$0.9
Tenant Fit-Out Cost	\$0.1	\$0.1	\$0.0	\$0.0
Total Cost	\$4.9	\$4.9	\$4.6	\$4.7
Owner Equity	\$1.5	\$1.5	\$1.4	\$1.4
Loan	\$3.4	\$3.4	\$3.2	\$3.3
Total Sources	\$4.9	\$4.9	\$4.6	\$4.7
Total Cost	\$4.9	\$4.9	\$4.6	\$4.7
Less Subsidy	\$0.0	\$0.0	\$0.0	\$0.0
Remaining Cost	\$4.9	\$4.9	\$4.6	\$4.7
NOI	\$0.1	\$0.1	\$1.3	\$0.0
Completed Project Value - 2015	\$1.0	\$1.0	\$1.1	\$0.6
Value Created	-\$3.9	-\$3.9	-\$3.5	-\$4.1

We conclude that there is no use to which 1904 Sansom may be reasonably adapted given the cost of renovations and the revenues that can be expected by those uses.



1906-1916 SANSOM STREET

EXISTING CONDITIONS

1906-16 Sansom Street, more commonly known as the "Warwick," is a vacant, seven-story former apartment building. The building has 23,327 square feet, or approximately 3,300 square feet per floor. The floor to floor height is approximately 14 feet on the ground floor and 10 feet on the upper six floors.

The overall condition of the building is fair to poor. According to an analysis by Keast and Hood, there are numerous problematic conditions with the building, including:

- The building was found to be in fair to poor condition. While it seems the roofing has been repaired, extensive leaks and retained moisture call into question how long it will take to dry out any portion of the structure. There are critical concerns for the extent of damage to the cinder concrete floor slabs as well.
- The concrete was found to have virtually no reinforcement. There is a vertical steel bar every 18" along the length of the floor beams and over these bars are draped 1/8" diameter steel wire approximately 12" on center. This minimal reinforcement means the concrete must arch between the beams in compression and has little ability to be interrupted by openings larger than several inches across.
- There are significant amounts of spalling of the face of the brick. This was caused by the Portland cement mortar that is stronger than the brick, directing thermal expansion forces into the weaker face shell and fracturing it. With the lack of heat for many years, freeze-thaw cycles in the moisture-laden brick are now damaging that material, making large areas candidates for replacement (especially on the projecting bays, which have thinner walls and thus more damage) and creating a long-term maintenance problem. The exterior walls, as well as some of the interior partitions, are brick that is similar to and likely made by the regional Sayre & Fisher Company. This type of brick is no longer manufactured and is difficult to match.
- There are two projecting bays on both the front and rear façades; these are supported by cantilevered framing at the floors. At the bottom of each of these is a large limestone "base" that is hung from the second floor framing. Apparently the original hangers had failed because there are now several large bolts supporting each of the four limestone slabs. One of the four base sections had fractured into five pieces and is very poorly patched.
- The front face of the building has numerous carved limestone trim pieces. On the rear most of those limestone inlays had been removed and replaced with modern (non-matching) bricks. A substantial number of the remaining limestone sections have fractures, likely also caused by the introduction of too-hard mortar and lack of internal heating to drive out moisture.
- The roof structure consists of wood joists and wood board sheathing. Because large areas of the ceiling had fallen on the top floor, Keast and Hood could see that there had been large areas of the roof framing which were replaced. Judging from the



amount of water staining seen on the underside of the sheathing, it is likely a substantial portion of the original framing and sheathing is decaying. Therefore Keast and Hood recommend the entire roof structure be replaced. The parapets should be reconstructed as needed at the same time.

- It appeared the roof had leaked substantially prior to the repairs, causing extensive damage to the ceilings, walls, and the flooring. There were concerns that the floor structure has suffered deterioration of the cinder concrete due to cycles of water saturation (the slag in the cinders expands), and that acids from the cinders are corroding the steel bars and beams within the concrete – corrosion damage is obvious on the seventh floor and to a lesser extent on the sixth floor. Therefore concrete cores were taken from the seventh floor in four locations (report attached). One was sent for petrographic analysis, and the other three tested for density and compressive strength. It was found that the long-term exposure to wetting cycles has indeed compromised the strength of the floor slab, as the range of values was reported to be from 2,640 psi (expected) to only 450 psi (alarmingly low). The lower figures indicate internal micro-fractures due to the slag expansion and freeze-thaw cycles; this may be further proved when the petrography results are received.
- Extensive moisture damage was also observed in the basement. Advanced corrosion was noted at the bottom of the columns where they are embedded in the floor slab – the condition of the hidden portion is likely to be worse.

NEEDED PHYSICAL IMPROVEMENTS

The building needs substantial improvements to be placed into service. According to the condition assessment by Keast and Hood, overall the building is considered to be in fair to poor condition, with a significant investment required that may entail replacement of up to 30% of the floor slabs; beam and column repairs; and exterior masonry work. In order to be returned to a state of good repair:

- The roof structure should be replaced in its entirety, and portions of the parapets rebuilt.
- The limited testing program indicates that the concrete floor slab at the seventh floor has areas that are significantly deteriorated. A more thorough testing program may identify the limits of those areas, but for the moment it is recommended that the entire seventh floor and sixth floor be scheduled for replacement of the concrete; the second floor should be investigated due to water intruding from 1920 Sansom. With careful analysis, it is probable that the beams can remain in place for reuse. The beams will need fire protection, of course, as will the exposed areas supporting the first floor.
- The corroded columns need to be reinforced at the base of each one.
- The corroded bearing plates where the beams pocket into the walls should be replaced.



- The exterior walls have been damaged by the too-hard mortar and should be fully repointed with an appropriate mortar mix. Spalled bricks should be replaced with suitable matched units.
- The moisture content of the masonry should be checked at several locations on each exterior wall and a drying program initiated as needed. There are signs of significant "wash" across the of the Warwick from the adjacent building on the west. The drying process could take as long as eight months.
- Fractured limestone elements should be pinned and the cracks repaired, or the sections replaced.
- There are exterior steel fire balconies on the east and west walls (which are the only access to the upper floors from the fire stairs) that are in poor condition; they should be renovated before the rest of the building is opened to construction crews, even if they are eventually removed.
- The wood flooring will need to be removed and replaced in many places due to warping. It is likely the sleepers can remain and be reused.
- The exterior door on the west side opens onto a collapsed concrete platform over a basement areaway. The platform should be replaced as soon as possible.
- The perimeter foundation walls are a combination of stone and brick. The stone areas need deep pointing, and the brick areas need standard repointing.

These repairs do not fully prepare the building for a reuse scenario. Additional investments will be needed. For example, as documented in the existing mechanical conditions report by Edwards & Zuck, new electrical, plumbing, mechanical, life-safety and other systems need to be installed. In addition, the building would need to be built out to the specifications of the chosen reuse, as described in the structural reuse evaluations by The Harman Group.

REUSE SCENARIOS ANALYZED

We analyzed the following uses:

1. Residential Apartment
2. Residential Condominium
3. Office
4. Hotel

In all scenarios, there is a small retail store on the ground floor.

We considered additional uses, but these uses were not considered to be reasonable.

- Industrial
- Parking



Specifications for each scenario, including gross and net square feet, number of units, and other physical layouts were determined by SCB Architects based on the existing building's height, the layout of the existing interior spaces including floor heights, and the needs of the proposed uses.¹¹ Construction would require approximately two years. As detailed in Appendix 1, construction times are based on the estimated time for environmental remediation, building stabilization and drying, and rehabilitation and construction.

Scenario 1 – Residential: Apartments

The Warwick was built as an apartment building, so it would be appropriate to return it to that use. However, in addition to the physical deterioration discussed in the existing conditions section, the building needs to be brought up to code and adapted to the needs and expectations of contemporary apartment units. Some parameters of the building, such as the floor to floor heights, are not possible to change.

Reconstruction into apartments would yield 18 apartments, of approximately 15,425 leasable square feet in total. The building would not contain significant amenities, nor would it have on-site staff.

Residential Demand

We investigated residential rent by examining asking rents for existing rental units of comparable quality and location. As a residential building, the Warwick would have 18 residential units between 500 square feet and 1,000 square feet. Comparable rental units were selected based on the similarity of the building, individual unit, and surrounding area. Table 14 details these comparables. Based on this analysis, residential rents would be approximately \$2.50 per square foot per month, or \$30 per square foot per year.

Table 14: Residential Properties Currently for Rent

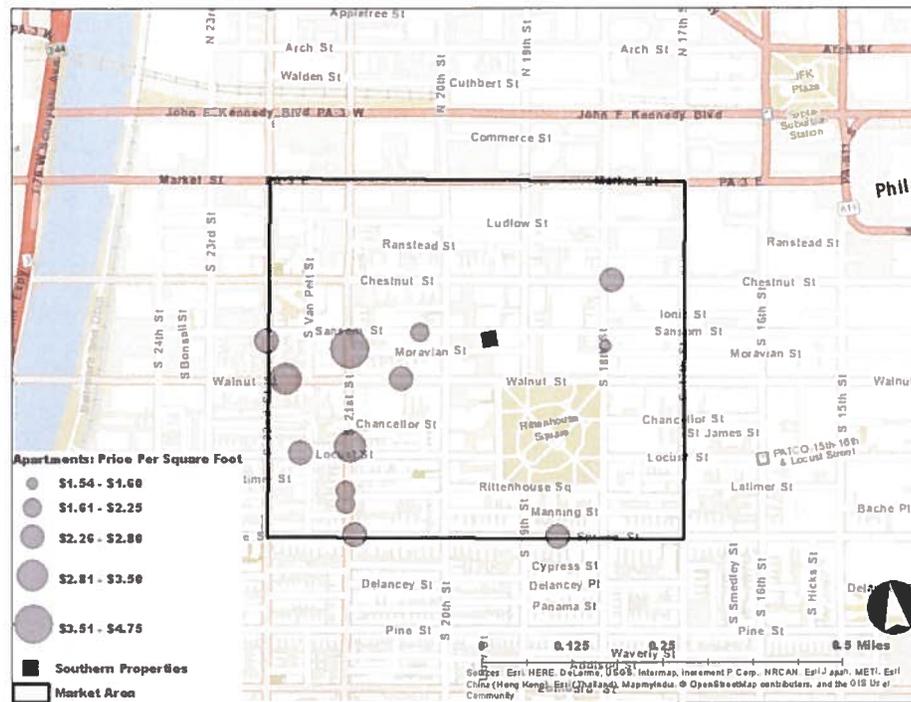
Location	Square Feet	Beds	Baths	Monthly Rent	Rent per Square Foot	Rent per Bedroom
131 S. 18th St., Unit 4F	955	1	1	\$1,475	\$1.54	\$1,475
254 S. 21st St., Unit 1F	1,100	2	1.5	\$1,800	\$1.64	\$900
260 S. 21st St., Unit 1F	450	Studio	1	\$950	\$2.11	\$950
2014 Sansom St.	800	2	1	\$1,800	\$2.25	\$900
1737-39 Chestnut St., Unit 801	1,058	1	1	\$2,500	\$2.36	\$2,500
2025 Walnut St.	675	1	1	\$1,595	\$2.36	\$1,595
126 S. 22nd St., Unit 1F	400	Studio	1	\$950	\$2.38	\$950
2047 Spruce St., Unit 5	1,207	2	2	\$2,900	\$2.40	\$1,450
2131 Locust St., Unit 1W	750	1	1	\$1,900	\$2.53	\$1,900
2131 Walnut St.	1,000	2	2	\$2,550	\$2.55	\$1,275
1825 Spruce St., Unit 3R	500	1	1	\$1,400	\$2.80	\$1,400
241 S. 21st St., Unit 9	250	Studio	1	\$750	\$3.00	\$750
2131 Walnut St.	461	1	1	\$1,600	\$3.47	\$1,600
115 S. 21st St.	400	1	1	\$1,750	\$4.38	\$1,750

Source: Zillow

¹¹ SCB Architects, "Rittenhouse Square: Adaptive Reuse Study." Southern Land Company, September 21, 2015.



Figure 5: Nearby Apartment Listings



Operational Cost

Using prevailing trends in local rental markets, we assume annual operating expenses, including administration, utilities and maintenance, would be 30% of rent revenue. We assume a 5% vacancy rate for the property.¹²

Development Cost

The construction investment needed to prepare the Warwick as a residential apartment space is approximately \$15.6 million, based on the cost estimate provided by INTECH. Including land costs and other development costs brings the total expenditure to \$21.6 million.

Financial Analysis

Our financial analysis shows that the Net Present Value (at 10%) of this investment is -\$11.9 million. The Internal Rate of Return is not defined. The Value Created is -\$17.5 million. Please see Appendix 3 for the detailed pro forma analysis.

¹² 2013 Survey of Operating Income and Expenses in Rental Apartment Communities, National Apartment Association, 2013.

Table 15: Summary of Financial Analysis – Apartments (\$M)

Sources and Uses	
<i>Uses</i>	
Land Costs	\$2.1
Hard Cost	\$15.6
Soft Costs	\$3.9
Tenant Fit-Out Costs	\$0.0
Total Uses	\$21.6
 <i>Sources</i>	
Owner Equity	\$6.5
Loan	\$15.1
Total Sources	\$21.6
 Financial Summary	
Net Operating Income (first year)	\$0.3
Operating cash flow (first year)	-\$0.6
Net Present Value (10%)	-\$11.9
Internal Rate of Return	Not Defined
Value Created	-\$17.5

Conclusion

The expense of renovating and adapting the Warwick for use as a residential rental property would result in insurmountable financial challenges for the developer. The cost of renovating the Warwick is greater than can be justified by profits earned by the apartment use.

Scenario 2 – Residential: Condominiums

Adapting the Warwick into condominiums faces the same difficulties as renovating to apartments. Reconstruction would yield 12 condominiums, of approximately 15,617 sellable square feet in total. The building would not contain significant amenities, nor would it have on-site staff.

Residential Demand

We have examined residential demand using two methods: examining the sales of nearby condominium units, and examining the asking prices of units currently for sale.

Recent Sales: Sale prices vary significantly by building condition, age, and configuration. Recently constructed units in the vicinity, such as 10 Rittenhouse, were built as luxury units with amenities, prestigious addresses, layouts, and finishes appropriate for luxury buildings. The Warwick, because of its location, frontage, layout, and ceiling heights, would not be able to position itself as a luxury building like 10 Rittenhouse.

Table 16 shows details and location of comparable condominium sales. Sales were selected based on the comparability of the individual units, the buildings they are located in, and the location of those properties. Large luxury buildings, such as 10 Rittenhouse, were removed.



The sales range for comparable units is \$310 to \$490 per square foot. Condominiums at the Warwick would likely sell in the middle of this range, between \$350 and \$450 per square foot.

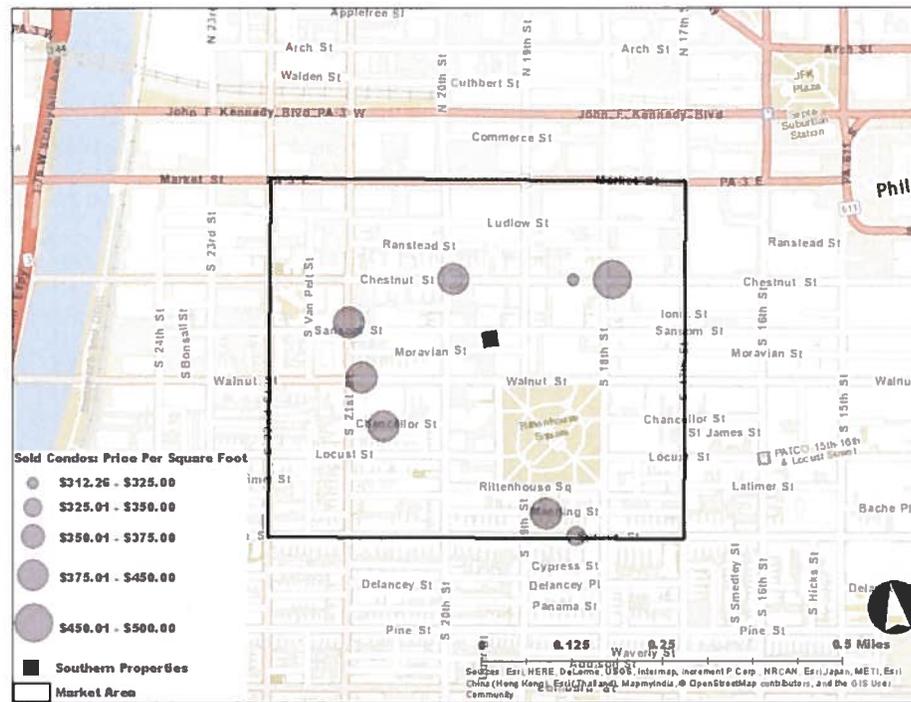
Table 16: Completed Sales of Nearby Condominium Properties

Location	Sale Price	Sale Year	Year Built	Square Feet	Price Per Square Foot
1811-19 Chestnut St., Unit 502	\$415,000	2014	1900	1,329	\$312
1813 Spruce St., Unit 1F	\$375,000	2013	1900	1,151	\$326
1939 Chestnut St., Unit 4D	\$275,000	2014	1900	795	\$346
1939 Chestnut St., Unit 6A	\$251,000	2015	1900	724	\$347
109 S. 21st St., Unit 1	\$176,000	2014	1900	499	\$353
2026-30 Chancellor St., Unit A	\$496,768	2014	1900	1,280	\$388
1939 Chestnut St., Unit 1B	\$214,897	2013	1900	502	\$428
1830-32 Manning St., Unit 2	\$383,000	2013	1850	880	\$435
2047 Walnut St., Unit 1R	\$410,000	2014	1900	919	\$446
1939 Chestnut St., Unit 8B	\$225,000	2013	1900	503	\$447
109 S. 21st St., Unit 5	\$239,000	2014	1900	532	\$449
1737-39 Chestnut St., Unit 1000	\$1,730,000	2013	1900	3,694	\$468
1737-39 Chestnut St., Unit 801	\$515,000	2014	1900	1,058	\$487

Source: Office of Property Assessment, 2015



Figure 6: Completed Sales of Nearby Condominium Properties



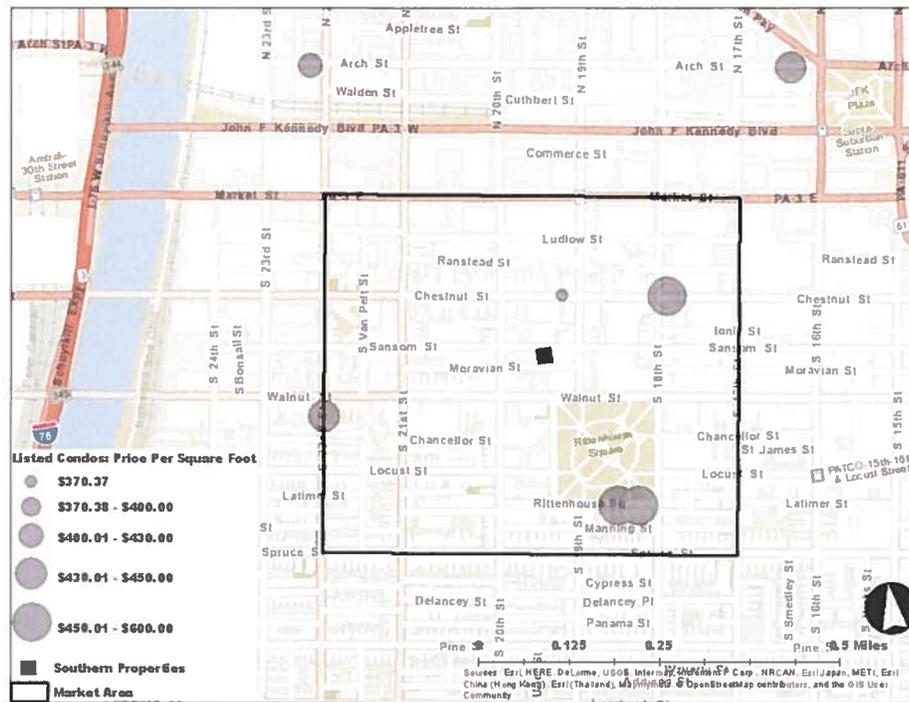
Units currently for sale: Properties currently on the market are priced similarly to the completed sales above. Fully renovated units in a similar vintage building are for sale for approximately \$400 per square foot at 18th and Chestnut Streets, for example. Higher priced units are in superior locations or buildings. Table 17 shows information on nearby comparable residential condominiums currently for sale.

Table 17: Residential Properties Currently for Sale

Location	Asking Price	Square Feet	Bedrooms	Bathrooms	Price per Square Foot
1919 Chestnut St., Unit 1703	\$310,000	837	1	1	\$370
2200 Arch St., Unit 713	\$399,900	986	1	1	\$406
1737 Chestnut St., Unit 500	\$800,000	1,950	2	2	\$410
1600 Arch St., Unit 1410	\$235,000	546	Studio	1	\$430
207 S. 22nd St.	\$2,250,000	5,000	4	5	\$450
1737 Chestnut St., Unit 701	\$795,000	1,744	2	2	\$456
1818 Rittenhouse Sq.	\$769,000	1,331	3	2	\$578
2018-32 Walnut St., Unit 4J	\$425,000	700	1	1	\$607

Source: Zillow

Figure 7: Residential Properties Currently for Sale



Based upon the sales of nearby condominium units and the asking prices of units currently for sale, we estimate a sale price per square foot of \$400 for the Warwick.

Development Cost

The construction investment needed to prepare the Warwick as a condominium building is approximately \$16.6 million, based on the cost estimate provided by INTECH. Including tenant fit-out costs, land costs, and other development costs brings the total expenditure to \$22.9 million.

Financial Analysis

Condominium sales would provide \$3.9 million in revenue in 2017 and \$2.7 million in 2018. Our financial analysis, summarized in Table 18, shows that the Net Present Value (at 10%) of this investment is -\$13.4 million. The Internal Rate of Return is not defined. The Value Created is -\$17.8 million. Please see Appendix 3 for the detailed pro forma analysis.

Table 18: Summary of Financial Analysis – Residential Use (Condos) (\$M)

Sources and Uses	
<i>Uses</i>	
Land Costs	\$2.1
Hard Cost	\$16.6
Soft Costs	\$4.2
Total Uses	\$22.9
 <i>Sources</i>	
Owner Equity	\$6.9
Loan	\$16.0
Total Sources	\$22.9
 Financial Summary	
Condo Sales	\$6.1
Net Present Value (10%)	-\$13.4
Internal Rate of Return	Not Defined
Value Created	-\$17.8

Conclusion

The expense of renovating and adapting the Warwick for use as condominiums would result in insurmountable financial challenges for the developer. The cost of renovating the building is greater than can be justified by profits made by the condominium use.

Scenario 3 – Office

This scenario analyzes adapting the Warwick as office space. The ground floor would serve as the lobby with a retail space, and there would be six floors with 2,790 to 2,821 square feet of rentable space, and 16,895 square feet in total.

Rental Rates

As with 1904 Sansom, we have assumed rental rates of \$23 per square foot, as explained above.

Development Cost

The construction investment needed to prepare the Warwick as office space is approximately \$14.5 million, based on the cost estimate provided by INTECH. Including tenant fit-out costs, land costs, and other development costs brings the total expenditure to \$20.5 million. Please see Appendix 3 for the detailed pro forma analysis.

Financial Analysis

Our financial analysis, summarized in Table 19, shows that the Net Present Value (at 10%) of this investment is -\$10.9 million. The Internal Rate of Return is not defined. The Value Created is -\$16.4 million.



Table 19: Summary of Financial Analysis – Office Space (\$M)

Sources and Uses	
<i>Uses</i>	
Land Costs	\$2.1
Hard Cost	\$14.5
Soft Costs	\$3.6
Tenant Fit-Out Costs	\$0.2
Total Uses	\$20.5
<i>Sources</i>	
Owner Equity	\$6.1
Loan	\$14.3
Total Sources	\$20.5
Financial Summary	
Net Operating Income (first year)	\$0.3
Operating cash flow (first year)	-\$0.5
Net Present Value (10%)	-\$10.9
Internal Rate of Return	Not Defined
Value Created	-\$16.4

Conclusion

The expense of renovating and adapting the Warwick for use as office space would result in insurmountable financial challenges for the developer. The cost of renovating the Warwick as commercial space is greater than can be justified by profits made by the office space.

Scenario 4 – Hotel

The Warwick could be renovated as a 30-room boutique hotel. There would be 13,030 square feet of room space, and a small retail store on the ground floor.

Hotel Rates

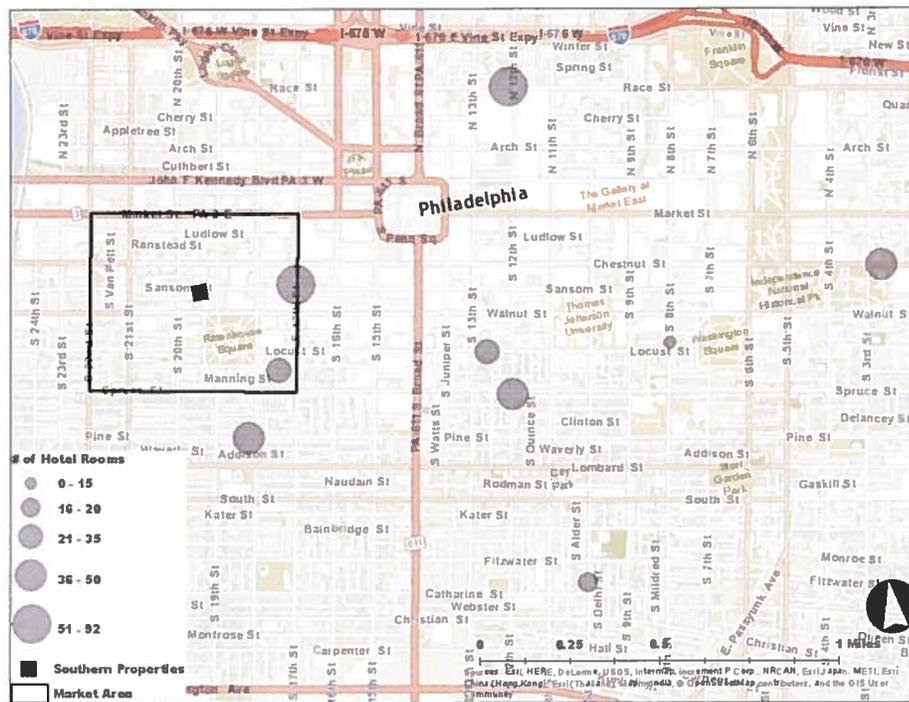
The City has a number of hotels and the study area for hotels was expanded to ensure that the analysis captures the trends in the center city market. The Warwick would be a smaller boutique hotel. The Warwick would not have the quality or appeal that high-end boutique hotels like Rittenhouse 1715 have, nor is the Warwick close to the Convention Center. We have modeled the Warwick with higher average daily room rates than the Philadelphia average. Table 20 shows average room rates for boutique hotels in Philadelphia. Given currently prevailing rates at other boutique hotels across Philadelphia, we estimate an average room rate of \$185 per night.



Table 20: Average Room Rate for Small and Boutique Philadelphia Hotels¹³

Hotel	Location	Rooms	Average Room Rate
Rittenhouse 1715	1715 Rittenhouse Sq.	23	\$298
Morris House Hotel	225 S. 8 th St.	15	\$263
Best Western Plus Independence Park	235 Chestnut St.	36	\$209
Independent Hotel	1234 Locust St.	24	\$191
Philadelphia Bella Vista B&B	752 S. 10 th St.	17	\$148
Alexander Inn	301 S. 12 th St.	48	\$129
La Reserve Bed and Breakfast	1804 Pine St.	48	\$128
Average		32	\$187
Philadelphia Average Daily Rate (2014)¹⁴			\$173

Figure 8: Nearby Hotel Properties



Operations

Using industry data from BizMiner and performance data for local hotels, operation of the Warwick as a hotel was modeled as if the property owner directly operated the hotel. This analysis results in a net operating income of approximately \$711,000 for the first year.¹⁵

¹³ A sample of one-night reservations, for a standard room package, over various months was collected to generate average rates.

¹⁴ Center City District, *State of Center City 2015*.

Table 21: Detailed Operations – Hotel

Total Room Revenue	\$1,564,000
Total Food & Beverage Revenue	\$138,000
Total Other Operated Departments Revenue	\$9,000
Rentals & Other Income	\$9,000
Total Revenues	\$1,719,000
Total Departmental Expenses	\$452,000
Total Departmental Profits	\$1,267,000
Total Undistributed Operating Expenses	\$459,000
Gross Operating Profit	\$808,000
Fixed Charges and Fees	\$144,000
Net Operating Income (No Retail)	\$664,000
Retail Lease	\$47,000
Net Operating Income (With Retail)	\$711,000

Development Cost

The construction investment needed to prepare the Warwick as a hotel is approximately \$15.4 million, based on the cost estimate provided by INTECH. Including land costs and other development costs brings the total expenditure to \$21.6 million.

Financial Analysis

Our financial analysis, summarized in Table 22, shows that the Net Present Value (at 10%) of this investment is -\$8.3 million. The Internal Rate of Return is not defined. The Value Created is -\$14.3 million. Please see Appendix 3 for the detailed pro forma analysis.

¹⁵ We expect that this amount is highly optimistic, as the NOI is significantly greater than the NOI for an apartment building. There are numerous apartment buildings in the city that could be converted to hotel use relatively easily if a hotel were significantly more profitable. Since we do not observe these conversions occurring in the marketplace, we conclude that the profit from a hotel use cannot be significantly greater than profits from apartment use, and hence the hotel profits are likely overestimated.

Table 22: Summary of Financial Analysis – Hotel (\$M)

Sources and Uses	
<i>Uses</i>	
Land Costs	\$2.1
Hard Cost	\$15.4
Soft Costs	\$3.8
Tenant Fit-Out Costs	\$0.3
Total Uses	\$21.6
<i>Sources</i>	
Owner Equity	\$6.5
Loan	\$15.1
Total Sources	\$21.6
Financial Summary	
Net Operating Income (first year)	\$0.7
Operating cash flow (first year)	-\$0.2
Net Present Value (10%)	-\$8.3
Internal Rate of Return	Not Defined
Value Created	-\$14.3

Conclusion

The expense of renovating and adapting the Warwick for use as a hotel would result in insurmountable financial challenges for the developer. The cost of renovating the Warwick is greater than can be justified by profits made by the operation of this use.

CONCLUSION

The financial analyses presented in this report do not show any reasonable use for the Warwick. The costs necessary to rehabilitate the space are significantly greater than the value that the rehabilitated space could generate. Table 23 below shows the development cost and the after-improvement value for each of the scenarios explored in this report. The value of the finished project in each scenario falls short of necessary development costs by at least \$14 million dollars.



Table 23: Summary of Financial Hardship (\$M)

	1	2	3	4
	Apartment	Condominium	Office	Hotel
Land Cost	\$2.1	\$2.1	\$2.1	\$2.1
Construction Cost	\$15.6	\$16.6	\$14.5	\$15.4
Soft Cost	\$3.9	\$4.2	\$3.6	\$3.8
Tenant Fit-Out Cost	\$0.0	\$0.0	\$0.2	\$0.3
Total Cost	\$21.6	\$22.9	\$20.5	\$21.6
Owner Equity	\$6.5	\$6.9	\$6.1	\$6.5
Loan	\$15.1	\$16.0	\$14.3	\$15.1
Total Sources	-\$17.8	\$22.9	\$20.5	\$21.6
Total Cost	\$21.6	\$22.9	\$20.5	\$21.6
Less Subsidy	\$0.0	\$0.0	\$0.0	\$0.0
Remaining Cost	\$21.6	\$22.9	\$20.5	\$21.6
NOI	\$0.3	\$6.1	\$0.3	\$0.7
Completed Project Value - 2015	\$4.1	\$5.1	\$4.0	\$7.3
Value Created	-\$17.5	-\$17.8	-\$16.4	-\$14.3

We conclude that there is no use to which the Warwick may be reasonably adapted given the cost of renovations and the revenues that can be expected by those uses.



1918-1920 SANSOM STREET

EXISTING CONDITIONS

1918-1920 Sansom is a two-story building with approximately 5,284 gross square feet, or 2,642 square feet per floor. 1918-1920 Sansom completely covers its parcel, and the sidewalls are constructed along the property line. As the sidewalls adjoin other parcels, they cannot include windows.

According to an analysis by Keast and Hood, the overall condition of the building is very poor, and there are numerous problematic conditions with the building, including:

- While it seems the roofing was replaced after several years of leaking, there continues to be extensive water infiltration from torn flashing, clogged and broken drain pipes, and cracks in the masonry. Water permeation and the resulting deterioration of the masonry require that most or all of the front wall be reconstructed, as well as portions of the side walls.
- Checked from the interior, the front wall and portions of the side walls were saturated from roof to first floor, with mold growing on all finishes. Two sample bricks were removed from the wall, one from the exterior and the other from the interior face; both were found to be saturated and have completely wetted the sealed bags in which they are stored. Keast and Hood observed advanced deterioration of the bricks and mortar behind the wall finishes, especially above the second floor. The extent of damage will require reconstruction of most of the front wall and portions of the side walls.
- The front spandrel beams for the second floor and roof are partially embedded in the front wall and were found to be suffering corrosion within the concrete encasement. Other beams have less severe corrosion – although the extensive failure of the concrete fireproofing around the beams suggests rust jacking of the steel surface caused by the moisture. Likewise there is significant corrosion where the beams pocket into the walls.
- It was found that the roof drains are clogged, causing failure of the roofing and water migration into the walls. Additionally, the drainage pipes have split, sending water into the building. These two conditions have led to many of the issues described above. The floor and roof slabs are also saturated in the front section of the building. The masonry and concrete are so saturated, it is Keast and Hood's opinion that an active, rigorous drying program would take up to two years to sufficiently remove moisture from the structure to allow the interior to be inhabited, even if the plan was to retain only the front wall. A passive drying system (natural ventilation only) may take much longer.



NEEDED PHYSICAL IMPROVEMENTS

The building needs substantial improvements to be placed into service. According to the condition assessment, in order to be returned to a state of good repair:

- Remove (and eventually replace; see below) the stucco on the outside face of the west wall;
- In some areas of the side and rear walls the inside wythes of brick should be cut out and replaced due to excessive freeze-thaw degradation;
- Multiple passes on the front façade will be necessary to clean the stone and draw out some of the crystalized salt deposits embedded in the brick. However, because most of the back-up (interior) brick has been so weakened by freeze-thaw cycles, it is recommended that the entire front wall be reconstructed;
- After the masonry is sufficiently dried out so as to not trap moisture in the core of the walls, all exterior and interior faces of the masonry would have to be re-pointed; and in the case of the west wall, the application of the stucco would follow if it is needed;
- The concrete encasement removed from the internal steel beams, and the beams reinforced where corrosion is found, cleaned, painted and fire-protected;
- The spandrel beams embedded in the front wall replaced, perhaps the same at the rear (requires shoring the adjacent span of floor / roof slab); and
- If significant openings in the floor and roof slabs are expected, a study should be undertaken to determine the size(s) and spacing of the reinforcing bars so the structural engineer can perform its design work.

These repairs do not fully prepare the building for a reuse scenario. Additional investments will be needed. For example, as documented in the existing conditions report by Edwards & Zuck, new electrical, plumbing, mechanical, life-safety and other systems need to be installed. In addition, the building would need to be built out to the specifications of the chosen reuse, as described in the structural reuse evaluations by The Harman Group.

REUSE SCENARIOS ANALYZED

We analyzed the following uses:

1. Restaurant / retail space
2. Single-family house
3. Office

We considered additional uses, but these uses were not considered to be reasonable.

- Industrial
- Parking
- Hotel
- Residential Apartment



Specifications for each scenario, including gross and net square feet, number of units, and other physical layouts were determined by SCB Architects based on the existing building's height, the layout of the existing interior spaces including floor heights, and the needs of the proposed uses.¹⁶ Construction would require approximately three years. As detailed in Appendix 1, construction times are based on the estimated time for environmental remediation, building stabilization and drying, and rehabilitation and construction.

Scenario 1 – Restaurant/Retail

1918-1920 Sansom is large enough to house a restaurant or medium sized retail store. Though each floor of the building is 2,642 square feet, required stairs and elevator would consume approximately 486 square feet, leaving 2,156 square feet per floor available for use, or 4,312 square feet in total. This building is larger than most restaurants would need.

Rental Rates

Because the building is similar to 1904 Sansom, the rental rates for restaurant/retail use (explained above) are similar as well. We assumed \$52 per square foot for the ground floor, and \$27 for the upper floor.

Operations

The tenant would operate on a triple-net lease, so that the only expenses incurred by the owner are administrative expenses and general property maintenance associated with the building.

Development Cost

The construction investment needed to prepare 1918 -1920 Sansom as a retail/restaurant is approximately \$3.0 million, based on the cost estimate provided by INTECH. Including tenant fit-out costs, land costs, and other development costs brings the total expenditure to \$4.4 million.

Financial Analysis

Our financial analysis, summarized in Table 24, shows that the Net Present Value (at 10%) of this investment is -\$2.0 million. The Internal Rate of Return is not defined. The Value Created is -\$3.3 million. Please see Appendix 3 for the detailed pro forma analysis.

¹⁶ SCB Architects, "Rittenhouse Square: Adaptive Reuse Study." Southern Land Company, September 21, 2015.



Table 24: Summary of Financial Analysis – Restaurant/Retail (\$M)

Sources and Uses	
<i>Uses</i>	
Land Costs	\$0.5
Hard Cost	\$3.0
Soft Costs	\$0.7
Tenant Fit-Out Costs	\$0.2
Total Uses	\$4.4
 <i>Sources</i>	
Owner Equity	\$1.3
Loan	\$3.1
Total Sources	\$4.4
 Financial Summary	
Net Operating Income (first year)	\$0.1
Operating cash flow (first year)	-\$0.1
Net Present Value (10%)	-\$2.0
Internal Rate of Return	Not Defined
Value Created	-\$3.3

Conclusion

The expense of renovating and adapting 1918-1920 Sansom for use as retail/restaurant space would result in insurmountable financial challenges for the developer. The cost of renovating the building is greater than can be justified by profits made by this use.

Scenario 2 – Single-Family Residential

1918-1920 Sansom would be a large (5,284 square foot) single-family house. Because of the inability to install windows on the side of the building, bedrooms could be located only in the front and the back of the building, leading to fewer usable bedrooms than could typically be accommodated in a building of this size.

Residential Demand

We analyzed the likely sale price for this house as we did for 1904 Sansom, as explained above.

Recent Sales: Recent sales indicate a sale price of approximately \$325 per square foot, as indicated in the analysis for 1904 Sansom. At this price, a single-family house at 1918-1920 Sansom would sell for approximately \$1.7 million, before closing costs and marketing expenses.

Current listings indicate that the sale price would be less than \$400 per square foot.



Based on the above sources of single-family residential pricing, we estimate that a single-family house at 1918-1920 Sansom would sell for approximately \$1.7 to \$1.9 million. We have assumed that the house will sell for \$1.8 million.

Development Cost

The construction investment needed to prepare 1918-1920 Sansom as a single-family house is approximately \$3.2 million, based on the cost estimate provided by INTECH. Including land costs and other development costs brings the total expenditure to \$4.4 million.

Financial Analysis

Our financial analysis, summarized in Table 19, shows that the Net Present Value (at 10%) of this investment is -\$2.2 million. The Internal Rate of Return is not defined. The Value Created is -\$3.1 million. Please see Appendix 3 for the detailed pro forma analysis.

Table 25: Summary of Financial Analysis – Single-Family Residential (\$M)

Sources and Uses	
<i>Uses</i>	
Land Costs	\$0.5
Hard Cost	\$3.2
Soft Costs	\$0.8
Total Uses	\$4.4
 <i>Sources</i>	
Owner Equity	\$1.3
Loan	\$3.1
Total Sources	\$4.4
 Financial Summary	
Sale of Single-Family House	\$1.8
Net Present Value (10%)	-\$2.2
Internal Rate of Return	Not Defined
Value Created	-\$3.1

Conclusion

The expense of renovating and adapting 1918-1920 Sansom as a single-family house would result in insurmountable financial challenges for the developer. The cost of renovating the building is greater than can be justified by profits made by the conversion to single-family use.

Scenario 3 – Office

This scenario analyzes adapting 1918-1920 Sansom as office space. There would be a total of 4,104 square feet of leasable space, which would likely all be used by one tenant.



Rental Rates

We assumed \$25 per square foot, which is the same rent assumed for 1904 Sansom and the Warwick, as explained above.

Development Cost

The construction investment needed to prepare 1918-1920 Sansom as office space is approximately \$3.0 million, based on the cost estimate provided by INTECH. Including tenant fit-out costs, land costs, and other development costs brings the total expenditure to \$4.3 million.

Financial Analysis

Our financial analysis, summarized in Table 20, shows that the Net Present Value (at 10%) of this investment is -\$2.3 million. The Internal Rate of Return is not defined. The Value Created is -\$3.6 million. Please see Appendix 3 for the detailed pro forma analysis.

Table 26: Summary of Financial Analysis – Office Space (\$M)

Sources and Uses	
<i>Uses</i>	
Land Costs	\$0.5
Hard Cost	\$3.0
Soft Costs	\$0.8
Tenant Fit-Out Costs	\$0.1
Total Uses	\$4.3
 <i>Sources</i>	
Owner Equity	\$1.3
Loan	\$3.0
Total Sources	\$4.3
 Financial Summary	
Net Operating Income (first year)	\$0.1
Operating cash flow (first year)	-\$0.1
Net Present Value (10%)	-\$2.3
Internal Rate of Return	Not Defined
Value Created	-\$3.6

Conclusion

The expense of renovating and adapting 1918-1920 Sansom for use as office space would result in insurmountable financial challenges for the developer. The cost of renovating the building is greater than can be justified by profits made by the office space.



CONCLUSION

The financial analyses presented in this section do not show any reasonable use for 1918-1920 Sansom. The costs necessary to rehabilitate the space are significantly greater than the value that the rehabilitated space could generate. Table 27 below shows the development cost and the after-improvement value for each of the scenarios explored in this report. The value of the finished project in each scenario falls short of necessary development costs by at least \$3 million dollars.

Table 27: Summary of Financial Hardship (\$M)

	1 Restaurant / Retail	2 Single- Family	3 Office
Land Cost	\$0.5	\$0.5	\$0.5
Construction Cost	\$3.0	\$3.2	\$3.0
Soft Cost	\$0.7	\$0.8	\$0.8
Tenant Fit-Out Cost	\$0.2	\$0.0	\$0.1
Total Cost	\$4.4	\$4.4	\$4.3
Owner Equity	\$1.3	\$1.3	\$1.3
Loan	\$3.1	\$3.1	\$3.0
Total Sources	\$4.4	\$4.4	\$4.3
Total Cost	\$4.4	\$4.4	\$4.3
Less Subsidy	\$0.0	\$0.0	\$0.0
Remaining Cost	\$4.4	\$4.4	\$4.3
NOI	\$0.1	\$1.8	\$0.1
Completed Project Value - 2015	\$1.0	\$1.3	\$0.7
Value Created	-\$3.3	-\$3.1	-\$3.6

We conclude that there is no use to which 1918-1920 Sansom may be reasonably adapted given the cost of renovations and the revenues that can be expected by those uses.



SUMMARY

We have analyzed potential reuse scenarios for all three buildings, and found that all modeled scenarios are not financially feasible. Therefore, we conclude that there is no use to which 1904 Sansom, 1906-1916 Sansom, or 1918-1920 Sansom may be reasonably adapted given the cost of renovations and the revenues that can be expected by those uses.

We have also conducted sensitivity tests on the base assumptions, in which we test assumptions that differ from those we expect to prevail. As documented in Appendix 2, in all the sensitivity tests, the projects are still not financially viable.

Please feel free to contact us with any questions regarding our analysis.

Regards,



Peter Angelides, Ph.D., AICP
October 28, 2015



APPENDIX 1 – DEVELOPMENT TIME

All three buildings require extensive clean up, environmental remediation, rehabilitation, and construction before they are ready for occupancy. These buildings are unusual in the length of time needed for remediation and preparation for construction, in part due to the time required to dry out moist conditions before rehabilitation activities commence. The three main phases of development, once work begins, would be cleanup / environmental remediation, encapsulation and drying, and construction.

- Environmental remediation and stabilization: Each property has its own set of challenges. The coffee shop has fungal blooms in the basement, and the first floor is not structurally sound. The Warwick has asbestos-laden plaster. The garage has extensive water infiltration and likely has a buried fuel tank.
- Drying: All three properties require mechanical drying. The coffee shop and the Warwick require 8 months of drying and the garage, which has extensive areas of fully saturated bricks, requires 24 months of drying.¹⁷
- Construction: Each project requires significant construction time. Though no detailed information on construction time has been developed, we understand that each project would require 6-8 months to complete.

There are likely additional steps required in the development process, and total construction time could be longer than the estimates developed in this hardship analysis. We have assumed in the pro forma that there is no lease-up period (except for the condominium scenario). Therefore, the modeled time reflects the three stages of construction identified here, plus additional steps, unexpected delays, and lease-up / sale time. Table 28 shows the total development time for each property.

Table 28: Development Time (months)

Property	Cleaning / Remediation	Drying	Construction	Total	Modeled Time
1904 Sansom	4	8	8	20	2 years
1906-1916 Sansom	4	8	14	26	2 years
1918-1920 Sansom	4	20	8	32	3 years

Source: INTECH, ESI

¹⁷ Note that the cost estimates for drying assume that all three buildings are dried at the same time, which is the most economical approach. According to Intech, we understand that the cost for an individual building, were drying done on that building alone, is greater than the values in Intech's cost estimates.



APPENDIX 2 – ALTERNATIVE REUSE ASSUMPTIONS

To test the robustness of the financial results presented in this hardship application, we explored a number of alternative financial assumptions. These scenarios provide useful information as to how sensitive the value results are to various assumptions. However, we emphasize that the values in the main body of the report are our estimates of the most appropriate assumptions, and the alternate assumptions reviewed in this Appendix do not, in our professional opinion, reflect a feasible financial analysis of the ability to reuse the properties. We addressed the assumptions most likely to impact the results of the financial analysis. In particular, we addressed:

- If there was no land cost or acquisition cost associated with the three properties;
 - As described in the main body of the report, we estimate that the properties have land costs of \$365,000 for 1904 Sansom, \$2,100,000 for 1906-16 Sansom, and \$480,000 for 1918-1920 Sansom, based upon the appraisal analysis conducted by Coyle, Lynch & Company.
- If the three properties were eligible for Federal and State Historic Tax Credits;
 - As described in the main body of the report, we believe that historic tax credits would not be available for the properties, based on the historic rehabilitation analysis performed by Civic Visions LP.
- If development costs were 20% less than estimated; and
- If rental rates and sales prices were 20% greater than calculated.
 - The final two tests were chosen for sensitivity purposes only.

We also addressed the financial ramifications of all of these alternative assumptions together.

Table 29 shows the value created in each alternative reuse scenario. The first column shows the baseline scenario, and matches the values in the main body of the report. The next four columns show the effect of each individual assumption change, with all other assumptions the same as in the baseline. The final column shows the results when all four assumptions are changed at the same time.

In each case, the value created is negative for all alternatives. In addition, the NPV is negative for all alternatives and the IRR is undefined for all alternatives. Therefore, no reuse scenario is financially feasible under these alternative reuse assumptions.



Table 29: Value Created for Alternative Scenarios (\$M)

	Base Scenario	\$0 Land Cost	Federal and State HTC Eligible	Development Cost at 80%	Rents / Sales at 120%	Cumulative ¹⁸
1904 Sansom						
Restaurant	-\$3.9	-\$3.5	-\$2.8	-\$3.0	-\$3.7	-\$1.5
Retail	-\$3.9	-\$3.5	-\$2.8	-\$3.0	-\$3.7	-\$1.5
Single-Family	-\$3.5	-\$3.1	-\$2.4	-\$2.6	-\$3.2	-\$1.2
Office	-\$4.1	-\$3.8	-\$3.1	-\$3.3	-\$4.0	-\$1.9
1906-1916 Sansom						
Apartment	-\$17.5	-\$15.4	-\$13.4	-\$13.6	-\$16.6	-\$7.3
Condominium	-\$17.8	-\$15.7	-\$13.4	-\$13.6	-\$16.8	-\$7.0
Office	-\$16.4	-\$14.3	-\$12.6	-\$12.8	-\$15.7	-\$6.8
Hotel	-\$14.3	-\$12.2	-\$10.2	-\$10.4	-\$14.2	-\$5.0
1918-1920 Sansom						
Retail	-\$3.3	-\$2.9	-\$2.4	-\$2.6	-\$3.1	-\$1.1
Single-Family	-\$3.1	-\$2.6	-\$2.1	-\$2.3	-\$2.8	-\$0.7
Office	-\$3.6	-\$3.2	-\$2.7	-\$2.9	-\$3.5	-\$1.5

¹⁸ This scenario includes \$0 land cost, assumes federal and state historic tax credits, development cost at 80% of estimated value, and rents / sales at 120% of estimated value.



Appendix 3

1904 Sansom - Restaurant - Revenue and Cost Calculations

Revenue	2015	2016	2017
Square Feet - 1st Floor			926
Rent per Square Foot - 1st Floor			\$54
Square Feet - Other Floors			1,852
Rent per Square Foot - Other Floors			\$28
Rent			\$102,122
Other			\$0
Total Revenue			\$102,122

Operating Expenses

Maintenance	\$10,000	\$10,200	\$10,404
Utilities	\$0	\$0	\$0
Insurance	\$0	\$0	\$0
Administrative and Overhead	\$5,000	\$5,100	\$5,202
Taxes - Use & Occupancy	\$0	\$0	\$0
Taxes - Real Estate	\$0	\$0	\$0
Other	\$0	\$0	\$0
TOTAL			\$15,606
Operating Income			\$86,516

Development Cost (excluding land)	HTC Eligible	Not HTC Eligible	Total
Hard Costs	\$0	\$3,510,710	\$3,510,710
Soft Costs	\$0	\$877,678	\$877,678
Development Cost	\$0	\$4,388,388	\$4,388,388
	0%		

Federal Historic Tax Credit Percentage	20%
Federal Historic Tax Credit	\$0
Multiplier	1.0
Federal Tax Credit Value for Pro Forma	\$0

Pennsylvania Historic Tax Credit	\$0
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Tenant improvements	
Percent of 1st year Rent	100%
Total TI Allowance	\$102,122

Inflation	2%
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Total Construction Cost	\$3,510,710
% HTC Eligible	0%

Acquisition Cost	\$365,000
Soft cost as a percent of development cost (excluding land)	20%
Soft costs eligible for HTC	0%

Appendix 4

1904 Sansom - Retail - Revenue and Cost Calculations

	2015	2016	2017
Revenue			
Square Feet - 1st Floor			926
Rent per Square Foot - 1st Floor			\$54
Square Feet - Other Floors			1,852
Rent per Square Foot - Other Floors			\$28
Rent			\$102,122
Other			\$0
Total Revenue			\$102,122

Operating Expenses			
Maintenance	\$10,000	\$10,200	\$10,404
Utilities	\$0	\$0	\$0
Insurance	\$0	\$0	\$0
Administrative and Overhead	\$5,000	\$5,100	\$5,202
Taxes - Use & Occupancy	\$0	\$0	\$0
Taxes - Real Estate	\$0	\$0	\$0
Other	\$0	\$0	\$0
TOTAL			\$15,606
 Operating Income			 \$86,516

	HTC Eligible	Not HTC Eligible	Total
Development Cost (excluding land)			
Hard Costs	\$0	\$3,510,710	\$3,510,710
Soft Costs	\$0	\$877,678	\$877,678
Development Cost	\$0	\$4,388,388	\$4,388,388
	0%		

Federat Historic Tax Credit Percentage	20%
Federat Historic Tax Credit	\$0
Multiplier	1.0
Federal Tax Credit Value for Pro Forma	\$0

Pennsylvania Historic Tax Credit \$0

Tenant improvements	
Dollar per Square Feet	
Total TI Allowance	\$102,122

Inflation 2%

Total Construction Cost	\$3,510,710
% HTC Eligible	0%

Acquisition Cost \$365,000

Soft cost as a percent of development cost (excluding land)	20%
Soft costs eligible for HTC	0%

Appendix 4

1904 Sansom - Retail - Pro Forma

Year		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
		1	2	3	4	5	6	7	8	9	10
Operating Revenue											
Rent	-	-	-	102,122	104,164	106,247	108,372	110,540	112,750	115,005	117,306
Vacancy	5%	-	-	(5,106)	(5,208)	(5,312)	(5,419)	(5,527)	(5,638)	(5,750)	(5,865)
Other	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUE	-	-	-	97,015	98,956	100,935	102,954	105,013	107,113	109,255	111,440
Operating Expenses											
Maintenance	-	-	-	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951
Utilities	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-
Administrative and Overhead	-	-	-	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975
Taxes - Use & Occupancy	-	-	-	-	-	-	-	-	-	-	-
Taxes - Real Estate	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	-	-	-	15,606	15,918	16,236	16,561	16,892	17,230	17,575	17,926
Net Operating Income				\$81,409	\$83,038	\$84,698	\$86,392	\$88,120	\$89,883	\$91,680	\$93,514
Interest	6%			\$203,931	\$203,931	\$203,931	\$203,931	\$203,931	\$203,931	\$203,931	\$203,931
Operating Cash Flow				-\$122,522	-\$120,894	-\$119,233	-\$117,539	-\$115,811	-\$114,049	-\$112,251	-\$110,418
Owners Equity		-\$728,326	-\$742,893								
Sale of property											\$1,335,912.03
Repayment of loan											-\$3,398,856
Cash Flow		-\$728,326	-\$742,893	-\$122,522	-\$120,894	-\$119,233	-\$117,539	-\$115,811	-\$114,049	-\$112,251	-\$2,173,362
NPV	10%	-\$2,589,247									
IRR		Not Defined									
Year 1 Debt Coverage Ratio				40%							

Sources and Uses

<i>Uses</i>			
Land Costs		\$365,000	\$0.4
Hard Cost		\$3,510,710	\$3.5
Soft Costs		\$877,678	\$0.9
Tenant Fit Out Costs		\$102,122	\$0.1
Total Uses		\$4,855,509	\$4.9
<i>Sources</i>			
Owner Equity	30%	\$1,456,653	\$1.5
Loan	70%	\$3,398,856	\$3.4
Total Sources		\$4,855,509	\$4.9

Financial Summary

Net Operating Income (first year)		\$81,409	\$0.1
Operating cash flow (first year)		-\$122,522	-\$0.1
Net Present Value (10%)		-\$2,589,247	-\$2.6
Internal Rate of Return		Not Defined	Not Defined
Value Created (including fit out)		-\$3,894,359	-\$3.9

Appendix 5

1904 Sansom - Single Family Residential - Revenue and Cost Calculations

All Residential			
Revenue	2015	2016	2017
Square Feet			
Sales Price per Square Foot			
Total Sales			\$1,456,560
Total Revenue			\$1,456,560
Operating Expenses			
Sales Costs	8%		\$116,525
TOTAL			\$116,525
Operating Income			\$1,340,035
Capital Costs	HTC Eligible	Not HTC Eligible	Total
Hard Costs	\$0	\$3,363,011	\$3,363,011
Soft Costs	\$0	\$840,753	\$840,753
Construction Total	\$0	\$4,203,764	\$4,203,764
	0%		
Federal Historic Tax Credit Percentage			20%
Federal Historic Tax Credit			\$0
Multiplier			1.0
Federal Tax Credit Value for Pro Forma			\$0
Pennsylvania Historic Tax Credit			\$0
Inflation			2%
Total Construction Cost			\$3,363,011
Acquisition Cost			\$365,000
Hard Cost HTC Eligible			0%
Soft Cost HTC Eligible			0%

Appendix 5

1904 Sansom - Single Family Residential - Pro Forma

Year		2015	2016	2017
		1	2	3
Operating Revenue				
Condo Sales	-	-	-	1,456,560
Other			-	-
TOTAL REVENUE	-	-	-	1,456,560
Operating Expenses				
Sales Costs	-	-	-	116,525
Taxes - Real Estate	-	-	-	-
Other			-	-
Total Operating Expenses	-	-	-	116,525
Net Operating Income			\$0	\$1,340,035
Interest	6%			\$191,888
Operating Cash Flow				\$1,148,147
Owners Equity		-\$685,315	-\$699,021	
Repayment of loan				-\$3,198,135
Cash Flow		-\$685,315	-\$699,021	-\$2,049,988
NPV	10%	-\$2,740,902		
IRR		Not Defined		
Year 1 Debt Coverage Ratio				698%

Sources and Uses

Uses

Land Costs		\$365,000	\$0.4
Hard Cost		\$3,363,011	\$3.4
Soft Costs		\$840,753	\$0.8
Total Uses		\$4,568,764	\$4.6

Sources

Owner Equity	30%	\$1,370,629	\$1.4
Loan	70%	\$3,198,135	\$3.2
Total Sources		\$4,568,764	\$4.6

Financial Summary

Net Proceeds from Sale		\$1,340,035	\$1.3
Net Present Value (10%)		-\$2,740,902	-\$2.7
Internal Rate of Return		Not Defined	Not Defined
Value Created (including fit out)		-\$3,461,297	-\$3.5

Appendix 6

1904 Sansom - Commercial - Revenue and Cost Calculations

Basement and First Floor - Commercial

Revenue	2015	2016	2017
Square Feet			2,778
Rent per Square Foot			\$24
Rent			\$66,475
Total Revenue			\$66,475

Operating Expenses

Administrative, Maintenance and Other	20%		\$13,295
TOTAL			\$13,295

Operating Income \$53,180

Capital Costs	HTC Eligible	Not HTC Eligible	Total
Hard Costs	\$0	\$3,465,969	\$3,465,969
Soft Costs	\$0	\$866,492	\$866,492
Construction Total	\$0	\$4,332,461	\$4,332,461
	0%		

Federal Historic Tax Credit Percentage		20%
Federal Historic Tax Credit		\$0
Multiplier		1.0
Federal Tax Credit Value for Pro Forma		\$0
 Pennsylvania Historic Tax Credit		 \$0

Tenant improvements		
Dollar per Square Feet		50%
Total TI Allowance		\$33,238

Appendix 6

1904 Sansom - Commercial - Pro Forma

Year		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
		1	2	3	4	5	6	7	8	9	10
Operating Revenue											
Rent	-	-	-	66,475	67,805	69,161	70,544	71,955	73,394	74,862	76,359
Vacancy	5%	-	-	(3,324)	(3,390)	(3,458)	(3,527)	(3,598)	(3,670)	(3,743)	(3,818)
Other	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUE	-	-	-	63,152	64,415	65,703	67,017	68,357	69,724	71,119	72,541
Operating Expenses											
Maintenance	-	-	-	13,295	13,561	13,832	14,109	14,391	14,679	14,972	15,272
Taxes - Real Estate	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	-	-	-	13,295	13,561	13,832	14,109	14,391	14,679	14,972	15,272
Net Operating Income				\$49,856	\$50,854	\$51,871	\$52,908	\$53,966	\$55,046	\$56,147	\$57,269
Interest	6%			\$198,689	\$198,689	\$198,689	\$198,689	\$198,689	\$198,689	\$198,689	\$198,689
Operating Cash Flow				-\$148,833	-\$147,836	-\$146,819	-\$145,781	-\$144,723	-\$143,644	-\$142,543	-\$141,420
Owners Equity		-\$709,605	-\$723,797								
Sale of property											\$818,135
Repayment of loan											-\$3,311,489
Cash Flow		-\$709,605	-\$723,797	-\$148,833	-\$147,836	-\$146,819	-\$145,781	-\$144,723	-\$143,644	-\$142,543	-\$2,634,774
NPV	10%	-\$2,847,070									
IRR		Not Defined									
Year 1 Debt Coverage Ratio				25%							

Sources and Uses

<i>Uses</i>			
Land Costs		\$365,000	\$0.4
Hard Cost		\$3,465,969	\$3.5
Soft Costs		\$866,492	\$0.9
Tenant Fit Out Costs		\$33,238	\$0.0
Total Uses		\$4,730,699	\$4.7
<i>Sources</i>			
Owner Equity	30%	\$1,419,210	\$1.4
Loan	70%	\$3,311,489	\$3.3
Total Sources		\$4,730,699	\$4.7

Financial Summary

Net Operating Income (first year)		\$49,856	\$0.0
Operating cash flow (first year)		-\$148,833	-\$0.1
Net Present Value (10%)		-\$2,847,070	-\$2.8
Internal Rate of Return		Not Defined	Not Defined
Value Created		-\$4,142,074	-\$4.1

Appendix 7

1906-1916 Sansom - Apartments - Revenue and Cost Calculations

All Residential

	2015	2016	2017
Revenue			970
Square Feet - Retail			\$54
Rent per Square Foot - Retail			\$52,478
Rent			\$15,425
Square Feet - Residential			\$31
Rent per Square Foot - Residential			\$481,445
Rent			\$533,923
Total Revenue (excluding vacancy)			\$533,923

Operating Expenses

Administrative, Maintenance and Other	30%		\$160,177
TOTAL			\$160,177

Operating Income \$373,746

Capital Costs	HTC Eligible	Not HTC Eligible	Total
Hard Costs	\$0	\$15,562,460	\$15,562,460
Soft Costs	\$0	\$3,890,615	\$3,890,615
Construction Total	\$0	\$19,453,075	\$19,453,075
	0%		

Federat Historic Tax Credit Percentage		20%
Federat Historic Tax Credit		\$0
Multiplier		1.0
Federal Tax Credit Value for Pro Forma		\$0
Pennsylvania Historic Tax Credit		\$0

Appendix 7

1906-1916 Sansom - Apartments - Pro Forma

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	1	2	3	4	5	6	7	8	9	10
Operating Revenue										
Rent	-	-	481,445	491,074	500,895	510,913	521,132	531,554	542,185	553,029
Vacancy	5%	-	(24,072)	(24,554)	(25,045)	(25,546)	(26,057)	(26,578)	(27,109)	(27,651)
Other	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUE	-	-	457,373	466,520	475,851	485,368	495,075	504,977	515,076	525,378
Operating Expenses										
Maintenance, Administrative, Tax, and Other	-	-	160,177	163,380	166,648	169,981	173,381	176,848	180,385	183,993
Total Operating Expenses	-	-	160,177	163,380	166,648	169,981	173,381	176,848	180,385	183,993
Net Operating Income			\$297,196	\$303,140	\$309,203	\$315,387	\$321,694	\$328,128	\$334,691	\$341,385
Interest	6%		\$905,229	\$905,229	\$905,229	\$905,229	\$905,229	\$905,229	\$905,229	\$905,229
Operating Cash Flow			-\$608,033	-\$602,089	-\$596,026	-\$589,842	-\$583,535	-\$577,101	-\$570,538	-\$563,844
Owners Equity		-\$3,232,961	-\$3,297,620							
Sale of property										\$5,689,746
Repayment of loan										-\$15,087,153
Cash Flow		-\$3,232,961	-\$3,297,620	-\$608,033	-\$602,089	-\$596,026	-\$589,842	-\$583,535	-\$577,101	-\$570,538
NPV	10%	-\$11,886,582								-\$9,961,251
IRR		Not Defined								
Year 1 Debt Coverage Ratio				33%						

Sources and Uses

Uses			
Land Costs		\$2,100,000	\$2.1
Hard Cost		\$15,562,460	\$15.6
Soft Costs		\$3,890,615	\$3.9
Tenant Fit Out Costs		\$0	\$0.0
Total Uses		\$21,553,075	\$21.6
Sources			
Owner Equity	30%	\$6,465,923	\$6.5
Loan	70%	\$15,087,153	\$15.1
Total Sources		\$21,553,075	\$21.6

Financial Summary

Net Operating Income (first year)		\$297,196	\$0.3
Operating cash flow (first year)		-\$608,033	-\$0.6
Net Present Value (10%)		-\$11,886,582	-\$11.9
Internal Rate of Return		Not Defined	Not Defined
Value Created		-\$17,459,466	-\$17.5

Appendix 8

1906-1916 Sansom - Condominiums - Revenue and Cost Calculations

All Residential

Revenue	2015	2016	2017
Square Feet			15,617
Sales Price per Square Foot			\$416
Total Condo Sales			\$6,499,171
Total Condo Revenue			\$6,499,171

Retail

Retail Square Feet			970
Rent per Square Foot			\$54
Total Retail Revenue			\$52,478

Operating Expenses - Residential

Sales Costs	8%		\$519,934
TOTAL			\$519,934

Operating Expenses - Retail

Maintenance	\$3,000	\$3,060	\$3,121
Utilities	\$0	\$0	\$0
Insurance	\$0	\$0	\$0
Administrative and Overhead	\$2,000	\$2,040	\$2,081
Taxes - Use & Occupancy	\$0	\$0	\$0
Taxes - Real Estate	\$0	\$0	\$0
Other	\$0	\$0	\$0
TOTAL			\$5,202

Condo Sales in Year 1	60%
Condo Sales in Year 2	40%
Operating Income	\$5,979,237

Capital Costs	HTC Eligible	Not HTC Eligible	Total
Hard Costs	\$0	\$16,603,274	\$16,603,274
Soft Costs	\$0	\$4,150,819	\$4,150,819
Construction Total	\$0	\$20,754,093	\$20,754,093
	0%		

Federal Historic Tax Credit Percentage	20%
Federal Historic Tax Credit	\$0
Multiplier	1.0
Federal Tax Credit Value for Pro Forma	\$0
Pennsylvania Historic Tax Credit	\$0

Appendix 8

1906-1916 Sansom - Condominiums - Pro Forma

Year	2015	2016	2017	2018
	1	2	3	4
Operating Revenue				
Condo Sales	-	-	3,899,502	2,651,662
Retail Rent	-	-	52,478	53,527
TOTAL REVENUE	-	-	3,951,980	2,705,189
Operating Expenses				
Sales Costs	-	-	311,960	212,133
Taxes - Real Estate	-	-	-	-
Maintenance	-	-	3,121	3,184
Admin/Overhead	-	-	2,081	2,122
Other	-	-	-	-
Total Operating Expenses	-	-	317,162	217,439
Net Operating Income			\$3,634,818	\$2,487,750
Interest	6%		\$959,872	\$959,872
Operating Cash Flow			\$2,674,946	\$1,527,878
Owners Equity		-\$3,428,114	-\$3,496,676	
Sale of Property				\$688,875.59
Repayment of loan				-\$15,997,865
Cash Flow		-\$3,428,114	-\$3,496,676	-\$13,781,111
NPV	10%	-\$13,409,240		
IRR		Not Defined		
Year 1 Debt Coverage Ratio			379%	
Sources and Uses				
<i>Uses</i>				
Land Costs		\$2,100,000	\$2.1	
Hard Cost		\$16,603,274	\$16.6	
Soft Costs		\$4,150,819	\$4.2	
Total Uses		\$22,854,093	\$22.9	
<i>Sources</i>				
Owner Equity	30%	\$6,856,228	\$6.9	
Loan	70%	\$15,997,865	\$16.0	
Total Sources		\$22,854,093	\$22.9	
Financial Summary				
Condo Sales		\$6,122,568	\$6.1	
Net Present Value (10%)		-\$13,409,240	-\$13.4	
Internal Rate of Return		Not Defined	Not Defined	
Value Created (including fit out)		-\$17,794,119	-\$17.8	

Appendix 9

1906-1916 Sansom - Retail and Commercial - Revenue and Cost Calculations

Commercial			
	2015	2016	2017
Revenue			970
Square Feet - Retail			\$54
Rent per Square Foot - Retail			\$52,478
Rent - Retail			16,895
Square Feet - Office			\$24
Rent per Square Foot - Office			\$404,284
Rent - Retail			\$456,762
Total Revenue			

Operating Expenses		
Administrative, Maintenance and Other	20%	\$91,352
TOTAL		\$91,352

Operating Income \$365,409

Capital Costs	HTC Eligible	Not HTC Eligible	Total
Hard Costs	\$0	\$14,530,351	\$14,530,351
Soft Costs	\$0	\$3,632,588	\$3,632,588
Construction Total	\$0	\$18,162,939	\$18,162,939
	0%		

Federal Historic Tax Credit Percentage	20%
Federal Historic Tax Credit	\$0
Multiplier	1.0
Federal Tax Credit Value for Pro Forma	\$0

Pennsylvania Historic Tax Credit \$0

Tenant improvements	
% of 1st year Rent	50%
Total TI Allowance	\$228,381

Appendix 9

1906-1916 Sansom - Retail and Commercial - Pro Forma

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	1	2	3	4	5	6	7	8	9	10
Operating Revenue										
Rent	-	-	456,762	465,897	475,215	484,719	494,413	504,302	514,388	524,676
Vacancy	5%	-	(22,838)	(23,295)	(23,761)	(24,236)	(24,721)	(25,215)	(25,719)	(26,234)
Other	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUE	-	-	433,924	442,602	451,454	460,483	469,693	479,087	488,668	498,442
Operating Expenses										
Maintenance, Administrative, Taxes, and Oth	-	-	91,352	93,179	95,043	96,944	98,883	100,860	102,878	104,935
Total Operating Expenses	-	-	91,352	93,179	95,043	96,944	98,883	100,860	102,878	104,935
Net Operating Income			\$342,571	\$349,423	\$356,411	\$363,539	\$370,810	\$378,226	\$385,791	\$393,507
Interest	6%		\$860,635	\$860,635	\$860,635	\$860,635	\$860,635	\$860,635	\$860,635	\$860,635
Operating Cash Flow			-\$518,064	-\$511,213	-\$504,224	-\$497,096	-\$489,825	-\$482,409	-\$474,845	-\$467,129
Owners Equity		-\$3,073,698	-\$3,135,172							
Sale of property										\$5,621,523
Repayment of loan										-\$14,343,924
Cash Flow		-\$3,073,698	-\$3,135,172	-\$518,064	-\$511,213	-\$504,224	-\$497,096	-\$489,825	-\$482,409	-\$474,845
NPV	10%	-\$10,938,145								-\$9,189,529
IRR		Not Defined								
Year 1 Debt Coverage Ratio				40%						

Sources and Uses

Uses		
Land Costs		\$2,100,000
Hard Cost		\$14,530,351
Soft Costs		\$3,632,588
Tenant Fit Out Costs		\$228,381
Total Uses		\$20,491,320
Sources		
Owner Equity	30%	\$6,147,396
Loan	70%	\$14,343,924
Total Sources		\$20,491,320

Financial Summary

Net Operating Income (first year)	\$342,571	\$0.3
Operating cash flow (first year)	-\$518,064	-\$0.5
Net Present Value (10%)	-\$10,938,145	-\$10.9
Internal Rate of Return	Not Defined	Not Defined
Value Created (including fit out)	-\$16,446,795	-\$16.4

Appendix 10

1906-1916 Sansom - Hotel - Revenue and Cost Calculations

Basement and First Floor - Commercial

Revenue	2015	2016	2017
Number of Hotel Rooms			30
Available Room Nights			10,950
RevPAR			\$150
Revenue (Rooms, F&B, and Other)			\$1,719,353
Square Foot - Retail			970
Rent per Square Foot - Retail			\$54
Rent - Retail			\$52,478
Total Revenue			\$1,771,830

Operating Expenses

Departmental, Undistributed, and Other	61%	\$1,056,240
Retail Maintenance and Other		\$5,202
TOTAL		\$1,061,442

Operating Income \$711,000

Capital Costs	HTC Eligible	Not HTC Eligible	Total
Hard Costs	\$0	\$15,386,657	\$15,386,657
Soft Costs	\$0	\$3,846,664	\$3,846,664
Construction Total	\$0	\$19,233,321	\$19,233,321
	0%		

Federal Historic Tax Credit Percentage	20%
Federal Historic Tax Credit	\$0
Multiplier	1.0
Federal Tax Credit Value for Pro Forma	\$0

Pennsylvania Historic Tax Credit \$0

Tenant improvements	
Dollar per Room	\$10,000
Total TI Allowance	\$300,000

Appendix 10

1906-1916 Sansom - Hotel - Pro Forma

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	1	2	3	4	5	6	7	8	9	10
Operating Revenue										
Hotel Revenue	-	-	1,719,353	1,753,740	1,788,814	1,824,591	1,861,083	1,898,304	1,936,270	1,974,996
Retail	-	-	52,478	53,527	54,598	55,690	56,804	57,940	59,098	60,280
Other	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUE	-	-	1,771,830	1,807,267	1,843,412	1,880,281	1,917,886	1,956,244	1,995,369	2,035,276
Operating Expenses										
Departmental, Undistributed, and Other	-	-	1,056,240	1,077,364	1,098,912	1,120,890	1,143,308	1,166,174	1,189,497	1,213,287
Retail Maintenance and Other	-	-	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975
Total Operating Expenses	-	-	1,061,442	1,082,670	1,104,324	1,126,410	1,148,938	1,171,917	1,195,356	1,219,263
Net Operating Income			\$710,389	\$724,597	\$739,089	\$753,870	\$768,948	\$784,327	\$800,013	\$816,013
Interest	6%		\$908,599	\$908,599	\$908,599	\$908,599	\$908,599	\$908,599	\$908,599	\$908,599
Operating Cash Flow			-\$198,211	-\$184,003	-\$169,511	-\$154,729	-\$139,652	-\$124,273	-\$108,586	-\$92,586
Owners Equity		-\$3,244,998	-\$3,309,898							
Sale of property										\$10,200,168
Repayment of loan										-\$15,143,325
Cash Flow		-\$3,244,998	-\$3,309,898	-\$198,211	-\$184,003	-\$169,511	-\$154,729	-\$139,652	-\$108,586	-\$5,035,743
NPV	10%	-\$8,269,826								
IRR		Not Defined								
Year 1 Debt Coverage Ratio				78%						
				\$663,113						
Sources and Uses										
<i>Uses</i>										
Land Costs		\$2,100,000	\$2.1							
Hard Cost		\$15,386,657	\$15.4							
Soft Costs		\$3,846,664	\$3.8							
Tenant Fit Out Costs		\$300,000	\$0.3							
Total Uses		\$21,633,321	\$21.6							
<i>Sources</i>										
Owner Equity	30%	\$6,489,996	\$6.5							
Loan	70%	\$15,143,325	\$15.1							
Total Sources		\$21,633,321	\$21.6							
Financial Summary										
Net Operating Income (first year)		\$710,389	\$0.7							
Operating cash flow (first year)		-\$198,211	-\$0.2							
Net Present Value (10%)		-\$8,269,826	-\$8.3							
Internal Rate of Return		Not Defined	Not Defined							
Value Created (including fit out)		-\$14,294,594	-\$14.3							

Appendix 11

1918-1920 Sansom - Restaurant/Retail - Revenue and Cost Calculations

Revenue	2015	2016	2017	2018
Square Feet - 1st Floor				2,156
Rent per Square Foot - 1st Floor				\$55
Rent - 1st Floor				\$118,974
Square Feet - 2nd Floor				2,156
Rent per Square Foot - 2nd Floor				\$29
Rent - 2nd Floor				\$61,775
Other				\$0
Total Revenue				\$180,749
Operating Expenses				
Maintenance	\$10,000	\$10,200	\$10,404	\$10,612
Utilities	\$0	\$0	\$0	\$0
Insurance	\$0	\$0	\$0	\$0
Administrative and Overhead	\$5,000	\$5,100	\$5,202	\$5,306
Taxes - Use & Occupancy	\$0	\$0	\$0	\$0
Taxes - Real Estate	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
TOTAL				\$15,918
Operating Income				\$164,831

Development Cost (excluding land)	HTC Eligible	Not HTC Eligible	Total
Hard Costs	\$0	\$2,978,749	\$2,978,749
Soft Costs	\$0	\$744,687	\$744,687
Development Cost	\$0	\$3,723,436	\$3,723,436
	0%		

Federal Historic Tax Credit Percentage	20%
Federal Historic Tax Credit	\$0
Multiplier	1.0
Federal Tax Credit Value for Pro Forma	\$0

Pennsylvania Historic Tax Credit \$0

Tenant improvements	
Percent of 1st year Rent	100%
Total TI Allowance	\$180,749

Appendix 11

1918-1920 Sansom - Restaurant/Retail - Pro Forma

Year		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
		1	2	3	4	5	6	7	8	9	10
Operating Revenue											
Rent	-	-	-	-	118,974	121,354	123,781	126,256	128,781	131,357	133,984
Vacancy	5%	-	-	-	(5,949)	(6,068)	(6,189)	(6,313)	(6,439)	(6,568)	(6,699)
Other	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUE	-	-	-	-	113,025	115,286	117,592	119,944	122,342	124,789	127,285
Operating Expenses											
Maintenance	-	-	-	-	10,612	10,824	11,041	11,262	11,487	11,717	11,951
Utilities	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-
Administrative and Overhead	-	-	-	-	5,306	5,412	5,520	5,631	5,743	5,858	5,975
Taxes - Use & Occupancy	-	-	-	-	-	-	-	-	-	-	-
Taxes - Real Estate	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	-	-	-	-	15,918	16,236	16,561	16,892	17,230	17,575	17,926
Net Operating Income					\$97,107	\$99,049	\$101,030	\$103,051	\$105,112	\$107,214	\$109,359
Interest	6%				\$184,136	\$184,136	\$184,136	\$184,136	\$184,136	\$184,136	\$184,136
Operating Cash Flow					-\$87,028	-\$85,086	-\$83,105	-\$81,085	-\$79,024	-\$76,921	-\$74,777
Owners Equity		-\$438,419	-\$447,187	-\$456,131							
Sale of property											\$1,562,266
Repayment of loan											-\$3,068,930
Cash Flow		-\$438,419	-\$447,187	-\$456,131	-\$87,028	-\$85,086	-\$83,105	-\$81,085	-\$79,024	-\$76,921	-\$1,581,441
NPV	10%	-\$1,990,831									
IRR		Not Defined									
Year 1 Debt Coverage Ratio					53%						

Sources and Uses

<i>Uses</i>			
Land Costs		\$480,000	\$0.5
Hard Cost		\$2,978,749	\$3.0
Soft Costs		\$744,687	\$0.7
Tenant Fit Out Costs		\$180,749	\$0.2
Total Uses		\$4,384,185	\$4.4
<i>Sources</i>			
Owner Equity	30%	\$1,315,256	\$1.3
Loan	70%	\$3,068,930	\$3.1
Total Sources		\$4,384,185	\$4.4

Financial Summary

Net Operating Income (first year)		\$97,107	\$0.1
Operating cash flow (first year)		-\$87,028	-\$0.1
Net Present Value (10%)		-\$1,990,831	-\$2.0
Internal Rate of Return		Not Defined	Not Defined
Value Created		-\$3,341,926	-\$3.3

Appendix 12

1918-1920 Sansom - Single Family Residential - Revenue and Cost Calculations

All Residential

Revenue	2015	2016	2017	2018
Square Feet				5,284
Sales Price per Square Foot				\$361.50
Total Condo Sales				\$1,910,174
Total Revenue				\$1,910,174

Operating Expenses

Sales Costs		8%		\$152,814
TOTAL				\$152,814

Operating Income \$1,757,360

Capital Costs	HTC Eligible	Not HTC Eligible	Total
Hard Costs	\$0	\$3,159,372	\$3,159,372
Soft Costs	\$0	\$789,843	\$789,843
Construction Total	\$0	\$3,949,215	\$3,949,215
	0%		

Federal Historic Tax Credit Percentage		20%
Federal Historic Tax Credit		\$0
Multiplier		1.0
Federal Tax Credit Value for Pro Forma		\$0
Pennsylvania Historic Tax Credit		\$0

Appendix 12

1918-1920 Sansom - Single Family Residential - Pro Forma

Year	2015	2016	2017	2018
	1	2	3	4
Operating Revenue				
Condo Sales	-	-	-	1,910,174
Other	-	-	-	-
TOTAL REVENUE	-	-	-	1,910,174
Operating Expenses				
Sales Costs	-	-	-	152,814
Taxes - Real Estate	-	-	-	-
Other	-	-	-	-
Total Operating Expenses	-	-	-	152,814
Net Operating Income				\$1,757,360
Interest	6%			\$186,027
Operating Cash Flow				\$1,571,333
Owners Equity		-\$442,922	-\$451,780	-\$460,816
Repayment of loan				-\$3,100,451
Cash Flow		-\$442,922	-\$451,780	-\$460,816
NPV	10%	-\$2,166,653		-\$1,529,117
IRR		Not Defined		
Year 1 Debt Coverage Ratio				945%

Sources and Uses

<i>Uses</i>			
Land Costs		\$480,000	\$0.5
Hard Cost		\$3,159,372	\$3.2
Soft Costs		\$789,843	\$0.8
Total Uses		\$4,429,215	\$4.4
<i>Sources</i>			
Owner Equity	30%	\$1,328,765	\$1.3
Loan	70%	\$3,100,451	\$3.1
Total Sources		\$4,429,215	\$4.4

Financial Summary

Condo Sales		\$1,757,360	\$1.8
Net Present Value (10%)		-\$2,166,653	-\$2.2
Internal Rate of Return		Not Defined	Not Defined
Value Created (including fit out)		-\$3,108,884	-\$3.1

Appendix 13

1918-1920 Sansom - Commercial - Revenue and Cost Calculations

Basement and First Floor - Commercial

Revenue	2015	2016	2017	2018
Square Feet				4,104
Rent per Square Foot				\$24
Rent				\$100,170
Total Revenue				\$100,170

Operating Expenses

Administrative, Maintenance and Other		30%		\$30,051
TOTAL				\$30,051

Operating Income \$70,119

Capital Costs		HTC Eligible	Not HTC Eligible	Total
Hard Costs		\$0	\$3,039,391	\$3,039,391
Soft Costs		\$0	\$759,848	\$759,848
Construction Total		\$0	\$3,799,239	\$3,799,239
		0%		

Federal Historic Tax Credit Percentage				20%
Federal Historic Tax Credit				\$0
Multiplier				1.0
Federal Tax Credit Value for Pro Forma				\$0

Pennsylvania Historic Tax Credit \$0

Tenant improvements				
Percent of 1st year Rent				50%
Total TI Allowance				\$50,085

Appendix 13

1918-1920 Sansom - Commercial - Pro Forma

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	1	2	3	4	5	6	7	8	9	10
Operating Revenue										
Rent	-	-	-	100,170	102,173	104,216	106,301	108,427	110,595	112,807
Vacancy	5%	-	-	(5,008)	(5,109)	(5,211)	(5,315)	(5,421)	(5,530)	(5,640)
Other	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUE	-	-	-	95,161	97,064	99,006	100,986	103,005	105,066	107,167
Operating Expenses										
Maintenance, Administrative, Taxes, and Other	-	-	-	30,051	30,652	31,265	31,890	32,528	33,179	33,842
Total Operating Expenses	-	-	-	30,051	30,652	31,265	31,890	32,528	33,179	33,842
Net Operating Income				\$65,110	\$66,412	\$67,741	\$69,095	\$70,477	\$71,887	\$73,325
Interest	6%			\$181,832	\$181,832	\$181,832	\$181,832	\$181,832	\$181,832	\$181,832
Operating Cash Flow				-\$116,721	-\$115,419	-\$114,091	-\$112,736	-\$111,354	-\$109,945	-\$108,507
Owners Equity		-\$432,932	-\$441,591	-\$450,423						
Sale of property										\$1,047,495
Repayment of loan										-\$3,030,526
Cash Flow		-\$432,932	-\$441,591	-\$450,423	-\$116,721	-\$115,419	-\$114,091	-\$112,736	-\$111,354	-\$109,945
NPV	10%	-\$2,275,530								-\$2,091,538
IRR		Not Defined								
Year 1 Debt Coverage Ratio					36%					

Sources and Uses

Uses			
Land Costs		\$480,000	\$0.5
Hard Cost		\$3,039,391	\$3.0
Soft Costs		\$759,848	\$0.8
Tenant Fit Out Costs		\$50,085	\$0.1
Total Uses		\$4,329,324	\$4.3
Sources			
Owner Equity	30%	\$1,298,797	\$1.3
Loan	70%	\$3,030,526	\$3.0
Total Sources		\$4,329,324	\$4.3

Financial Summary

Net Operating Income (first year)		\$65,110	\$0.1
Operating cash flow (first year)		-\$116,721	-\$0.1
Net Present Value (10%)		-\$2,275,530	-\$2.3
Internal Rate of Return		Not Defined	Not Defined
Value Created		-\$3,630,491	-\$3.6