

STATEMENT OF INTEREST
FOR
REDEVELOPMENT OF THE BADGEROW BUILDING
AT 622 4TH STREET
SIOUX CITY, IOWA
ADDENDUM # 2

Issued: May 8th, 2020

Issued on Behalf of the City of Sioux City by:

Hunden Strategic Partners, Inc.
213 W Institute Place, Suite 707
Chicago, Illinois 60610
Rob Hunden - Primary Contact
RHunden@hundenpartners.com

ADDENDUM #2 PIECES

Addendum #2 consists of two (2) items:

- Q & A
- Link to virtual tour video of Badgerow Building

QUESTIONS AND ANSWERS

Interested parties have posed questions regarding the SOI and the Project. The questions and answers are provided below.

Q: What is the floor to underside of slab height?

A: Typical floor height is 9' 11", but a few floors vary. The first floor is 15' 2", the second floor is 10' 7", and the twelfth floor is 13' 11".

Q: I noticed there is steam heat in the building, at least on the floor with the radiators. I didn't notice any ducts for HVAC. Did I miss those?

A: We believe the building still has steam heat and are not certain about other HVAC infrastructure. The first two floors are most likely different than the rest due to the prior owner stripping a lot of the HVAC out. We anticipate air conditioning and HVAC is going to have to be a part of the remodeling.

Q: This building had a historic tax credit project done before, right?

A: Yes, and there is an explanation of this in the SOI. A Master Lease was set up to preserve the value of the past historic tax credits and the process the building went through before. The law firm Baird and Holm set up the structure, and the only purpose of it is to preserve those credits. The Master Lease will have little impact on a new development. According to the Iowa SHPO office, the current condition of the property will, in effect, be a new baseline, and future federal and state HTC will be awarded entirely based on new work that is done to improve the property. As long as the redevelopment plans respect the key historic features of the building, everyone wins.

Q: How long is left in the five-year hold period, or is it over but the master lease still needs to persist?

A: When the City purchased the building from the bank in February 2020 it took it subject to a Master Lease, and any new buyer will also be subject to the Master Lease. However, the sole purpose of the Master Lease is to protect the previously awarded HTC, essentially by requiring a new developer to avoid any action that could potentially cause "recapture" of the HTC by the IRS. This essentially means leaving key historic elements in place for five years. The five-year period is what the bank is concerned about. The Master Lease is longer, but when a new developer comes in, they can change the length of that. As part of the City's agreement with the bank, they have agreed with the City to allow this kind of revision.

Q: Are you aware of the amount of environmental testing that has occurred on site?

A: A Phase I environmental study was done by the City as part of our purchase. There was an existing Phase I study already completed, but we had another Phase I study done and it showed no issues and no need for a Phase II study. There is a download link for the Phase I environmental study provided as part of the SOI supporting materials on HSP's website, www.hundenpartners.com/downloads/

Q: When were the historic tax credits claimed?

A: That is unknown to the City at this point. Going forward, for the five-year period, we are just in the first year.

Q: When did the bank take over the process?

A: The prior owner bought the building in May 2007, the bank took over the building in December 2018, and the City bought the building in February 2020.

Q: What is the estimated value of the tax credits that the bank retained?

A: The HTC that were previously awarded were based on the improvements made by the previous owner, Bruce DeBolt. These past HTC's were subsequently acquired by the mortgage holder, the Cedar Rapids Bank & Trust, when they foreclosed on Mr. DeBolt, thereby recovering some funds.

Q: How many residential units are scheduled to come online downtown in the near future?

A: Four projects are currently under construction downtown right now. One project, in what used to be called the Commerce Building, is about 70 units. There are about 30 units going into the former Hatch Furniture building. The Warrior/Davidson project is primarily a hotel, but it will have a couple of floors that are residential.

Q: What is the parking situation?

A: The building takes up the entire property it sits on and does not include parking. Directly across the street, as shown in the video, there is a city-owned parking ramp. It is one of the City's newer ramps, very nice and popular. It is consistently full, but the City has discussed making some accommodations for this project. A block or so to the north, there is an even larger city-owned parking ramp that is also on the skywalk. The parking ramp across the street is roughly 350 spaces and the larger ramp a block away is approximately 750 spaces. There is plenty of parking within a block of the building, and the City can make some accommodation in a development agreement as to what that cost would be.

Q: Will the City lease agree to mass lease parking stalls in nearby parking garages to the developer?

A: The City would consider it, yes, but would need to work out specific terms.

Q: If the City will agree to a mass lease, will it agree to do so at a discounted monthly rate so the developer can net parking income?

A: The City will offer the lowest bulk rate available depending on how many spaces requested, along with other terms. The City is open to negotiation on parking to help make the project a success.

Q: How will TIF be able to be used for this deal?

A: The City will negotiate from the available TIF tools which are provided in the SOI as Exhibit D. The City has utilized TIF funds in creative ways in the past to assist private development such as the Montgomery Ward Building redevelopment, the Warrior/Davidson redevelopment, and the United Center redevelopment. Some of the tools that have been utilized to bring these three projects to fruition are,

- Property tax rebates on residential and commercial property
- Tax abatement on residential property
- Cash advance on future taxes paid
- Assistance with parking facility
- Loan and grant from City's federal funding
- Vacation and sale of alleys necessary for project

Q: Are there additional details you can provide on the fiber network that is available for use for future apartments and offices in the Badgerow?

A: There are multiple large-scale fiber providers within a few blocks of the building.

Q: Can you share the master lease documents?

A: The City desires to make the master lease available and will provide it as soon as possible

Q: Can you share a summary of scope of construction work previously completed along with the list of GC and subcontractors?

A: No. We do not have that information.

Q: Can you share a list of architects and engineers that have worked on the building in the last 20 years?

A: No. We do not have that information.

Q: What is the situation with the generators and related equipment?

A: Regarding the large generators, transformers, switch gear, etc. that were installed on floors 11 and 12 to support data center operations. The City obtained an estimate to remove everything, and as we suspected it is significant. The estimated cost for the electrical and construction work (a crane is required) is \$141,000. The City also obtained a quote by an interested buyer for the generators at \$46,000, resulting in an estimated net cost of \$95,000. The City and Developer will determine mutually how to address the generators as part of the eventual deal negotiation.



BADGEROW BUILDING VIRTUAL TOUR

Please see below for a link to the virtual tour video.

<https://hundenpartners.box.com/s/gatdevilpz1i9dsxyz51p3z5kxf83uzf>