

Public Presentation

I-195 Commission

Parcel 5

Proposal Comparison

Snapshots



12/13/2024

Proposal Comparison¹

	BLUEDOG Capital Partners	Design Center Partners	Transom
GBA (excluding parking)	205,600	267,443	247,220
# Market-Rate Units	16 (condo)	190	220
# Workforce Units / % AMI	None	10 / 80%	None
Short-Term Rental (STR) Hospitality	62,665	Not applicable	Not applicable
Retail / Restaurant Area (Net SF)	9,407	46,375	11,540
Co-working (Net SF)	7,151	Not applicable	Not applicable
Fitness (Net SF)	18,907	Not applicable	Not applicable
Daycare (Net SF)	5,945	Not applicable	Not applicable
Amenity, Balcony, Common Area SF	60,394	31,068	48,665
# Parking spaces	129 ²	72	130
Construction Start	April 2026	January 2026	June 2026
Cert. of Occ. Date	June 2028	June 2027	March 2028
Purchase Price	\$100,000	\$4,011,645	\$2,000,000
Subsidy Request	\$5 mil. + 15-yr TSA	15-yr TSA only	15-yr TSA only
RESGroup Additional Subsidy Likely Required	Yes	Yes	No
Project Cost Per SF	\$614	\$508	\$404
Construction Jobs – Developer/RESGroup	1,000/809	1,000/1,019	733/733
Permanent Jobs – Developer/RESGroup	150/168	133/114	42/61

1. A proposal by EQT Exeter was also reviewed, but the development team has subsequently withdrawn their proposal
2. Includes 9 surface spaces.

Proposal Snapshot – BLUEDOG Capital Partners



Comments on Market Assumptions

Developer intends to compete at the top (or above) current market for condominiums, STR, co-working, restaurant, fitness, and daily/transient parking (see slides on residential demand and STR) as reflected in the revenue assumptions. Based on the challenging mix of uses, aggressive assumptions, and relative risk of condominium and commercial uses, RESGroup estimates the required ROC may be higher than underwriting, which may result in increased required subsidy (or reduction of costs).

Project Summary:

Gross building area:	260,600 plus parking
Uses:	41,131 SF Residential condos (16); 62,665 SF Short-Term Rental; 4,147 SF Retail; 5,260 SF Restaurant; 7,151 SF Co-working; 18,907 SF Fitness; 5,945 SF Daycare; 46,891 SF parking (129 spaces)
Construction start:	April 2026
Purchase price:	\$100,000
Cost per SF:	\$615
Subsidy requested:	\$5 million plus 15-year TSA
RESGroup subsidy:	May require additional subsidy
Construction jobs:	1,000 (developer) 809 (RESGroup)
Permanent jobs:	150 (developer) 168 (RESGroup)

Commercial parking in basement, balance on 2nd floor.

Proposal Snapshot – BLUEDOG Capital Partners

Strengths	Weaknesses
<p><u>Market Feasibility</u></p> <ul style="list-style-type: none">• Strong location for condos, short-term rental (STR), and daycare.• Diverse mix of uses minimizes risk in any one market sector.• Strong demand growth for STR in Downtown Providence. <p><u>Project Readiness</u></p> <ul style="list-style-type: none">• LOI for STR management from Mint House, an experienced STR operator and Little Learners, an experienced daycare facility tenant. <p><u>Financial Feasibility</u></p> <p><u>Developer Experience and Team Composition</u></p> <ul style="list-style-type: none">• Developer has extensive experience investing in hotels, apartments, and self-storage, as well as investment experience with smaller-scope office and retail projects, including renovations; ground up development experience is more limited with two completed apartment projects in Tennessee, and one currently under construction.	<p><u>Market Feasibility</u></p> <ul style="list-style-type: none">• Aggressive income estimates for condos, STR, commercial, and day parking.<ul style="list-style-type: none">○ Condo pricing high given shared amenities and common areas w/ STR.○ Condo demand untested at top of the market.○ ADR and occupancy forecasts slightly aggressive given significant STR supply growth and sluggish corporate travel. <p><u>Project Readiness</u></p> <ul style="list-style-type: none">• Requested \$5 million subsidy.• May be challenging to finance due to lender inexperience with STR and need for commercial preleasing. <p><u>Financial Feasibility</u></p> <ul style="list-style-type: none">• Proposal lacks clarity on operating expense and real estate tax responsibilities, and potential impact on condo pricing.• Mint House termination provisions unknown, limiting conversion potential to apartments if STR fails. <p><u>Developer Experience and Team Composition</u></p> <ul style="list-style-type: none">• No experience as developer with projects of this complexity and mix of uses.• No experience as developer for ground up construction of high-end condos.• No MBE/WBE team members.

Proposal Snapshot – Design Center Partners (Ionic Development and Wade Keating)



Comments on Market Assumptions

Nearly 50,000 SF of uniquely programmed ground floor commercial space is challenging in the current market. Financial model required significant re-work based on RESGroup feedback. Based on the large amount of retail, RESGroup estimates the required ROC may be higher than underwriting, which could require additional subsidy (or reduction of costs).

Project Summary:

Gross building area:	267,443 plus parking
Uses:	190,000 SF residential (190 market-rate; 10 workforce units [80% AMI]); 46,375 SF retail; 31,000 SF parking (72 spaces)
Construction start:	January 2026
Purchase price:	\$4,011,645
Cost per SF:	\$508
Subsidy requested:	15-year TSA only
RESGroup subsidy:	May require additional subsidy
Construction jobs:	1,000 Developer; 1,119 RESGroup
Permanent jobs:	133 Developer; 114 RESGroup

Developer is considering replacing some apartments with condominiums. Also, developer is evaluating above-grade locations for parking component within the project.

Proposal Snapshot – Design Center Partners (Ionic Development and Wade Keating)

Strengths	Weaknesses
<p><u>Market Feasibility</u></p> <ul style="list-style-type: none">• Strong location for apartments and retail.• Apartment and retail rental rates supported by market data.• Strong demand for workforce housing, which comprises 5% of the project at 80% AMI. <p><u>Project Readiness</u></p> <p><u>Financial Feasibility</u></p> <p><u>Developer Experience and Team Composition</u></p> <ul style="list-style-type: none">• Principal completed a complex multi-phased mixed-use project at HYM Investment Group, a previous employer, as well as development experience at other prior firms.• In-house design and construction management streamlines delivery and helps control costs• One of the development partners is a WBE.	<p><u>Market Feasibility</u></p> <ul style="list-style-type: none">• Large commercial component (nearly 50,000 SF) may be challenging to absorb.• Home furnishings, showroom, and gallery/ exhibition space markets are untested in the local area. <p><u>Project Readiness</u></p> <ul style="list-style-type: none">• It may be difficult to secure financing before commercial tenants are secured, given the large amount of commercial space proposed.• Limited experience as independent developer may make it difficult to secure debt and equity funding. <p><u>Financial Feasibility</u></p> <ul style="list-style-type: none">• Construction loan-to-cost slightly above upper range for apartment loans, further complicated by significant commercial component.• DSCR of 1.06 is below the 1.2-1.25 requirement that is prevalent in the market, which may be a challenge in financing the project as currently underwritten.• Project may require subsidy or cost reduction to meet return thresholds. <p><u>Developer Experience and Team Composition</u></p> <ul style="list-style-type: none">• Partners have not yet worked together on a project.• Developer entity was recently founded and has yet to complete projects of similar size and complexity.

Proposal Snapshot – Transom



Comments on Market Assumptions

Assumptions are generally conservative.

Project Summary:

Gross building area:	247,220 SF plus parking
Uses:	187,015 SF Apartments (220 market-rate); 6,550 SF Retail; 4,990 SF Restaurant; 39,500 SF Parking (130 spaces)
Construction start:	June 2026
Purchase price:	\$2,000,000
Cost per SF:	\$404
Subsidy requested:	15-year TSA only
RESGroup subsidy:	Not likely required
Construction jobs:	733 Developer; 733 RESGroup
Permanent jobs:	42 Developer; 61 RESGroup

Retail to include 2,180 SF of dynamic “pop up” space, showcasing emerging brands and innovative products and serving as an incubator for entrepreneurs. Parking on ground level.

Proposal Snapshot – Transom

Strengths	Weaknesses
<p><u>Market Feasibility</u></p> <ul style="list-style-type: none">• Strong location for apartments, restaurants, and retail.• Apartment and retail rental rates are conservative for the market. <p><u>Project Readiness</u></p> <ul style="list-style-type: none">• No additional subsidy required. <p><u>Financial Feasibility</u></p> <ul style="list-style-type: none">• Equity and debt partners expressed respect for the developer and enthusiasm for the project.• Cost estimates are realistic.• Operating expense ratios supported by market. <p><u>Developer Experience and Team Composition</u></p> <ul style="list-style-type: none">• Development experience with projects of this size and complexity.• Two team members are MBE/WBE.• Developer and architect have previously worked together.	<p><u>Market Feasibility</u></p> <ul style="list-style-type: none">• 2,180 SF “pop-up” retail incubator for emerging brands and innovative products for new entrepreneurs can be challenging to keep occupied. <p><u>Project Readiness</u></p> <p><u>Financial Feasibility</u></p> <p><u>Developer Experience and Team Composition</u></p>

Apartment Demand in Providence

- RESGroup outreach to residential operators in the market found low vacancy rates and strong rent growth with vacant units being re-leased within 2 weeks.
- Demographic changes show an increasing population in Providence of 7.2% over 10 years with a slower rate of increase in housing units of 5.2% suggesting that housing supply is not keeping pace with demand, particularly for new product (see table on next slide).
- An April 2023 report by the Rhode Island Foundation indicates that Rhode Island needs up to 55,000 units (especially smaller units) to match demand from 1- and 2-person households.
- The following table summarizes current asking rents and vacancy rates in comparable properties. Parcel 5 has a superior location to all of these properties.

Apartment Asking Rents

	Emblem 125			Providence G			Chestnut Commons			580 South Water		
Type	Avg Unit Size	Avg Rent / mo.	Avg Rent / SF	Avg Unit Size	Avg Rent / mo.	Avg Rent / SF	Avg Unit Size	Avg Rent / mo.	Avg Rent / SF	Avg Unit Size	Avg Rent / mo.	Avg Rent / SF
Studo	528	\$2,567	\$4.86									
1 BR 1 ba	670	\$2,490	\$3.72	460	\$1,973	\$4.29				663	\$2,450	\$3.70
1 BR 1.5 ba	880	\$2,630	\$2.99									
2 BR 1 ba							758	\$2,825	\$3.73	885	\$3,000	\$3.39
2 BR 2 ba				947	\$3,530	\$3.73	825	\$3,133	\$3.80	1,020	\$3,960	\$3.91
3 BR 2 ba				1,075	\$3,100	\$2.88	1,159	\$3,850	\$3.32			
Vacancy Rate	3.6%			5.5%			3.3%			2.9%		

Residential Condominium Demand in Providence

- Few new condominiums have been developed in Providence in recent years. Many market participants believe this results in pent-up demand.

Residential Condominium Asking Prices

Property	Unit size	# Beds/Ba	Price	Price/SF	Parking Spaces/Unit
117 Broadway #1A	775	1/1	\$324,900	\$419	1
117 Broadway # 2A	1,331	2/3	\$499,999	\$375	1
100 Fountain St #2B	1,905	3/2	\$799,000	\$419	2
345 Broadway #1*	1,400	3/2	\$639,000	\$456	2
1 W Exchange St #2704 ^	1,416	2/2	\$1,350,000	\$953	2
1 W Exchange St #2604 ^	1,416	2/2	\$1,150,000	\$812	2

* New construction

^ Balcony (upper floor)

Demographic Data

Data Point	2020	2024	2029F	2020-2029 % Change
Households	69,597	70,961	72,137	3.6%
Housing Units	75,257	76,759	77,735	3.3%
Occupied Units	69,613	70,925	72,138	3.6%
Vacant Units	5,644	5,834	5,597	-0.8%

Source: Esri

Short-Term Rental (“STR”) Market in Providence

- Statewide overnight visitation is at record levels, but business travel, a likely demand source for a lodging facility on Parcel 5, has yet to fully recover to pre-pandemic levels.
- Demand for STRs in Downtown has grown strongly at a compounded annual growth rate (“CAGR”) of 15.1% over the last three years, but the supply of one-bedroom and two-bedroom units in the market has increased at a slightly higher rate.
- As a result, the marketwide STR occupancy Downtown has decreased slightly, and averaged 59% over the last three years (trailing twelve months ending 10/31).
- While the market experienced strong ADR growth between 2022 and 2023, the increase in supply flattened ADR growth during the last 12 months.

Downtown Providence Short Term Rental Market

Data Point	T12 Ending 10/31			CAGR
	2022	2023	2024	
Average Daily Units (supply of 1- and 2-Bed units only)	798	983	1,063	15.4%
STR Room Night Demand (all units)	104,864	119,374	138,984	15.1%
Marketwide Occupancy (all units)	61.1%	56.8%	58.7%	-2.0%
Marketwide ADR (all units)	\$144	\$155	\$155	3.9%
Upscale Tier ADR (all upscale units)	\$162	\$178	\$179	5.2%
Luxury Tier ADR (all luxury units)	\$232	\$287	\$287	11.1%

Source: AirDNA

12/13/2024

Statewide Visitation in Millions

Data Point	2018	2020	2023	CAGR 2018-2023
Total Visitation	25.39	21.6	28.36	2.2%
Business	1.71	.92	1.48	-2.8%
Overnight	7.99	5.98	8.74	1.8%

Source: Visit Rhode Island