

**PEPPERELL MILL SITE FINANCIAL ANALYSIS**  
**Conservative Scenario**

Town Conditional Purchase of Site - Asking Price	\$2,000,000
Environmental Remediation (paid with grants to town)	500,000
Environmental Remediation (developer contribution)	<u>500,000</u>
Net Sale Price to Town	\$1,000,000
Town Sale of Site to Developer - Sale Price	<b>\$1,000,000</b>

<b>REVENUES</b>	<b>SF</b>	<b>Price/SF</b>	<b>Revenues</b>
Sales of Buildings			
Retail	19,000	\$150	\$2,850,000
Medical Professional / Related			
Medical Offices	6,000	200	1,200,000
Medical Related / Pharmacy	10,000	150	1,500,000
Health Club - Fitness - Center Spa	6,000	200	1,200,000
Gymnastics-Dance Studio-related uses	4,000	150	600,000
Hospitality	11,000	225	2,475,000
Museum	2,500	175	437,500
Residential			
Condos/Apts. (10@800SF;14@1,500SF)	29,000	220	6,380,000
Lofts (8@1,500SF)	12,000	220	2,640,000
4 Affordable Loft Residences (1,500SF)	<u>6,000</u>	133	<u>800,000</u>
<b>TOTAL</b>	<b>105,500</b>		<b>\$20,082,500</b>

<b>DEVELOPMENT / CONSTRUCTION COSTS</b>	<b>SF</b>	<b>Cost/SF</b>	<b>Build Cost</b>
<b>Category</b>			
Retail	19,000	\$64	\$1,216,000
Medical Professional / Related			
Medical Offices	6,000	102	612,000
Medical Related / Pharmacy	10,000	64	640,000
Health Club - Fitness - Center Spa	6,000	102	612,000
Gymnastics - Dance Studio	4,000	64	256,000
Hospitality	11,000	113	1,243,000
Museum	2,500	88	220,000
Residential	<u>47,000</u>	150	<u>7,050,000</u>
<b>TOTAL</b>	<b>105,500</b>		<b>\$11,849,000</b>

<b>Other Costs</b>	<b>as % of Const. Costs</b>	<b>Added Costs</b>
Architectural / Engineering Design	6.5%	
Construction Administration	3.0%	
Permitting	2.0%	
Infrastructure Costs (site work, utilities, demolition)	18.0%	
Legal and Financing Costs	1.5%	
<b>TOTAL OTHER COSTS</b>	31.0%	<u>\$3,673,190</u>

**TOTAL BUILDING AND OTHER COSTS** **\$15,522,190**  
**Net Margin to Developer** **\$3,060,310**

**Operating Costs: Common Area Maintenance** **\$105,500**

(includes annual snow removal, lawn mowing, parking lot maintenance, etc.)

**Real Property Taxes to Town** **\$218,297**

#### **ASSUMPTIONS**

Town identifies a developer who will purchase the site when cleaned up. Town signs a Conditional Purchase & Sale Agreement with the Mill Site Owner allowing the Town to obtain environmental cleanup grants. After cleanup, the Town "flips" the property to the developer (with potentially no Town borrowing required).

#### **REVENUES**

Scenarios for revenues assume all buildings are developed and then sold by developer as business and residential condominiums. Prices reflect both market conditions and the fact that the site is developed as an attractive destination location for both businesses and residents. Sale of buildings (vs. leasing) reflects the leaning of local businesses and residents toward ownership. If the developer were to triple net lease the buildings for a 10% rate of return on their built value it would generate approximately \$2.0 million annually (at full build-out), more than enough to cover a 6% mortgage loan on roughly \$17 million invested in land and buildings with annual interest of roughly \$1.0 million.

#### **DEVELOPMENT / CONSTRUCTION COSTS and NET MARGIN TO DEVELOPER**

Costs below reflect a range of potential costs for each of the different categories of use.

Given the tight economy, the low end of the range was used to reflect the competitiveness with which a developer would approach this project.

In addition to the "hard" construction costs, all the soft costs, as well as site, utility and demolition work are shown as a range of percentages that are applied to the hard costs.

Environmental remediation costs are a best questimate from previous studies and without being able to get inside buildings.

Further environmental studies will be needed before proceeding with remediation.

The low end of the range was used in the analysis since any numbers are only preliminary, educated guesses at this time.

Subtracting construction costs, other costs, developer remediation costs and land costs from revenue totals produces the Net Margin to Developer, as shown in the worksheet above.

Also shown below are cost ranges for the rehabilitation of Buildings 1, 2A and 4.

These costs estimates are very preliminary and have not been integrated into the worksheet analysis, but could result in reduced costs (versus building new) if implemented.

Category	SF	Cost/SF Range		Build Cost Range	
		Low End	High End	Low End	High End
Retail	19,000	\$64	\$84	\$1,216,000	\$1,596,000
Medical Professional / Related					
Medical Offices	6,000	102	133	612,000	798,000
Medical Related / Pharmacy	10,000	64	84	640,000	840,000
Health Club - Fitness - Center Spa	6,000	102	133	612,000	798,000
Gymnastics - Dance Studio	4,000	64	84	256,000	336,000
Hospitality	11,000	113	145	1,243,000	1,595,000
Museum	2,500	88	150	220,000	375,000
Residential	<u>47,000</u>	150	197	<u>7,050,000</u>	<u>9,259,000</u>
<b>TOTAL</b>	105,500			\$11,849,000	\$15,597,000

Other Costs	% of Const. Cost Range		Added Costs	
	Low End	High End	Low End	High End
Architectural / Engineering Design	6.5%	9.0%		
Construction Administration	3.0%	5.0%		
Permitting	2.0%	2.5%		
Infrastructure Costs (site work, utilities, demolition)	18.0%	30.0%		
Legal and Financing Costs	<u>1.5%</u>	<u>3.0%</u>		
<b>TOTAL OTHER COSTS</b>	31.0%	49.5%	<u>\$3,673,190</u>	<u>\$7,720,515</u>

TOTAL BUILDING AND OTHER COSTS	Low End	High End
	\$15,522,190	\$23,317,515

	Low End	High End
Site Remediation Costs	\$1,000,000	\$3,000,000

**Alternative to New Const.-Bldgs. 1, 2A, 4:**

**Rehab Costs excluding interior fit up:**

Rehab Cost - Building 1  
Rehab Cost - Building 2A  
Rehab Cost - Building 4

<b>Cost Range</b>	
<b>Low End</b>	<b>High End</b>
\$250,000	\$300,000
170,000	225,000
425,000	600,000

**PEPPERELL MILL SITE FINANCIAL ANALYSIS**  
**Most Likely Scenario**

Town Conditional Purchase of Site - Asking Price	\$2,000,000
Environmental Remediation (paid with grants to town)	500,000
Environmental Remediation (developer contribution)	<u>500,000</u>
Net Sale Price to Town	\$1,000,000
Town Sale of Site to Developer - Sale Price	<b>\$1,000,000</b>

<b>REVENUES</b>	<b>SF</b>	<b>Price/SF</b>	<b>Revenues</b>
Sales of Buildings			
Retail	19,000	\$150	\$2,850,000
Medical Professional / Related			
Medical Offices	6,000	200	1,200,000
Medical Related / Pharmacy	10,000	150	1,500,000
Health Club - Fitness - Center Spa	6,000	200	1,200,000
Gymnastics-Dance Studio-related uses	4,000	150	600,000
Hospitality	11,000	225	2,475,000
Museum	2,500	175	437,500
Residential			
Condos/Apts. (15@800SF;21@1,500SF)	43,500	220	9,570,000
Lofts (7@1,500SF)	10,500	220	2,310,000
5 Affordable Loft Residences (1,500SF)	<u>7,500</u>	133	<u>1,000,000</u>
<b>TOTAL</b>	<b>120,000</b>		<b>\$23,142,500</b>

<b>DEVELOPMENT / CONSTRUCTION COSTS</b>	<b>SF</b>	<b>Cost/SF</b>	<b>Build Cost</b>
<b>Category</b>			
Retail	19,000	\$64	\$1,216,000
Medical Professional / Related			
Medical Offices	6,000	102	612,000
Medical Related / Pharmacy	10,000	64	640,000
Health Club - Fitness - Center Spa	6,000	102	612,000
Gymnastics - Dance Studio	4,000	64	256,000
Hospitality	11,000	113	1,243,000
Museum	2,500	88	220,000
Residential	<u>61,500</u>	150	<u>9,225,000</u>
<b>TOTAL</b>	<b>120,000</b>		<b>\$14,024,000</b>

<b>Other Costs</b>	<b>as % of Const. Costs</b>	<b>Added Costs</b>
Architectural / Engineering Design	6.5%	
Construction Administration	3.0%	
Permitting	2.0%	
Infrastructure Costs (site work, utilities)	16.0%	
Legal and Financing Costs	1.5%	
<b>TOTAL OTHER COSTS</b>	29.0%	<u>\$4,066,960</u>
<b>TOTAL BUILDING AND OTHER COSTS</b>		<b>\$18,090,960</b>
<b>Net Margin to Developer</b>		<b>\$3,551,540</b>

**Operating Costs: Common Area Maintenance**

(includes annual snow removal, lawn mowing, parking lot maintenance, etc.)

**\$120,000**

**Real Property Taxes to Town (Annual)**

**\$251,559**

**ASSUMPTIONS**

Town identifies a developer who will purchase the site when cleaned up. Town signs a Conditional Purchase & Sale Agreement with the Mill Site Owner allowing the Town to obtain environmental cleanup grants. After cleanup, the Town "flips" the property to the developer (with potentially no Town borrowing required).

**REVENUES**

Scenarios for revenues assume all buildings are developed and then sold by developer as business and residential condominiums. Prices reflect both market conditions and the fact that the site is developed as an attractive destination location for both businesses and residents. Sale of buildings (vs. leasing) reflects the leaning of local businesses and residents toward ownership. If the developer were to triple net lease the buildings for a 10% rate of return on their built value it would generate approximately \$2.3 million annually (at full build-out), more than enough to cover a 6% mortgage loan on roughly \$19.5 million invested in land and buildings with annual interest of roughly \$1.2 million.

**DEVELOPMENT / CONSTRUCTION COSTS and NET MARGIN TO DEVELOPER**

Costs below reflect a range of potential costs for each of the different categories of use.

Given the tight economy, the low end of the range was used to reflect the competitiveness with which a developer would approach this project.

In addition to the "hard" construction costs, all the soft costs, as well as site, utility and demolition work are shown as a range of percentages that are applied to the hard costs.

Environmental remediation costs are a best estimate from previous studies and without being able to get inside buildings.

Further environmental studies will be needed before proceeding with remediation.

The low end of the range was used in the analysis since any numbers are only preliminary, educated guesses at this time.

Subtracting construction costs, other costs, developer remediation costs and land costs from revenue

totals produces the Net Margin to Developer, as shown in the worksheet above.

Also shown below are cost ranges for the rehabilitation of Buildings 1, 2A and 4.

These costs estimates are very preliminary and have not been integrated into the worksheet

analysis, but could result in reduced costs (versus building new) if implemented.

Category	SF	Cost/SF Range		Build Cost Range	
		Low End	High End	Low End	High End
Retail	19,000	\$64	\$84	\$1,216,000	\$1,596,000
Medical Professional / Related					
Medical Offices	6,000	102	133	612,000	798,000
Medical Related / Pharmacy	10,000	64	84	640,000	840,000
Health Club - Fitness - Center Spa	6,000	102	133	612,000	798,000
Gymnastics - Dance Studio	4,000	64	84	256,000	336,000
Hospitality	11,000	113	145	1,243,000	1,595,000
Museum	2,500	88	150	220,000	375,000
Residential	<u>61,500</u>	150	197	<u>9,225,000</u>	<u>12,115,500</u>
<b>TOTAL</b>	120,000			\$14,024,000	\$18,453,500

**Other Costs**

	% of Const. Cost Range		Added Costs	
	Low End	High End	Low End	High End
Architectural / Engineering Design	6.5%	9.0%		
Construction Administration	3.0%	5.0%		
Permitting	2.0%	2.5%		
Infrastructure Costs (site work, utilities, demolition)	18.0%	30.0%		
Legal and Financing Costs	<u>1.5%</u>	<u>3.0%</u>		
<b>TOTAL OTHER COSTS</b>	31.0%	49.5%	<u>\$4,347,440</u>	<u>\$9,134,483</u>

	Low End	High End
<b>TOTAL BUILDING AND OTHER COSTS</b>	\$18,371,440	\$27,587,983

	Low End	High End
Site Remediation Costs	\$1,000,000	\$3,000,000

**Alternative to New Const.-Bldgs. 1, 2A, 4:**

**Rehab Costs excluding interior fit up:**

Rehab Cost - Building 1

Rehab Cost - Building 2A

Rehab Cost - Building 4

**Cost Range**

**Low End**

**High End**

\$250,000      \$300,000

170,000      225,000

425,000      600,000

**PEPPERELL MILL SITE FINANCIAL ANALYSIS**  
**Aggressive Scenario**

Town Conditional Purchase of Site - Asking Price	\$2,000,000
Environmental Remediation (paid with grants to town)	500,000
Environmental Remediation (developer contribution)	<u>500,000</u>
Net Sale Price to Town	\$1,000,000
Town Sale of Site to Developer - Sale Price	<b>\$1,000,000</b>

<b>REVENUES</b>	<b>SF</b>	<b>Price/SF</b>	<b>Revenues</b>
Sales of Buildings			
Retail	19,000	\$150	\$2,850,000
Medical Professional / Related			
Medical Offices	6,000	200	1,200,000
Medical Related / Pharmacy	10,000	150	1,500,000
Health Club - Fitness - Center Spa	6,000	200	1,200,000
Gymnastics-Dance Studio-related uses	4,000	150	600,000
Hospitality	11,000	225	2,475,000
Museum	2,500	175	437,500
Residential			
Condos/Apts. (20@800SF;28@1,500SF)	58,000	220	12,760,000
Lofts (6@1,500SF)	9,000	220	1,980,000
6 Affordable Loft Residences (1,500SF)	<u>9,000</u>	133	<u>1,200,000</u>
<b>TOTAL</b>	<b>134,500</b>		<b>\$26,202,500</b>

<b>DEVELOPMENT / CONSTRUCTION COSTS</b>	<b>SF</b>	<b>Cost/SF</b>	<b>Build Cost</b>
<b>Category</b>			
Retail	19,000	\$64	\$1,216,000
Medical Professional / Related			
Medical Offices	6,000	102	612,000
Medical Related / Pharmacy	10,000	64	640,000
Health Club - Fitness - Center Spa	6,000	102	612,000
Gymnastics - Dance Studio	4,000	64	256,000
Hospitality	11,000	113	1,243,000
Museum	2,500	88	220,000
Residential	<u>76,000</u>	150	<u>11,400,000</u>
<b>TOTAL</b>	<b>134,500</b>		<b>\$16,199,000</b>

<b>Other Costs</b>	<b>as % of Const. Costs</b>	<b>Added Costs</b>
Architectural / Engineering Design	6.5%	
Construction Administration	3.0%	
Permitting	2.0%	
Infrastructure Costs (site work, utilities)	16.0%	
Legal and Financing Costs	1.5%	
<b>TOTAL OTHER COSTS</b>	29.0%	<u>\$4,697,710</u>
<b>TOTAL BUILDING AND OTHER COSTS</b>		<b>\$20,896,710</b>
<b>Net Margin to Developer</b>		<b>\$3,805,790</b>
<b>Operating Costs: Common Area Maintenance</b>		<b>\$134,500</b>
(includes annual snow removal, lawn mowing, parking lot maintenance, etc.)		
<b>Real Property Taxes to Town (Annual)</b>		<b>\$284,821</b>

#### **ASSUMPTIONS**

Town identifies a developer who will purchase the site when cleaned up. Town signs a Conditional Purchase & Sale Agreement with the Mill Site Owner allowing the Town to obtain environmental cleanup grants. After cleanup, the Town "flips" the property to the developer (with potentially no Town borrowing required).

#### **REVENUES**

Scenarios for revenues assume all buildings are developed and then sold by developer as business and residential condominiums. Prices reflect both market conditions and the fact that the site is developed as an attractive destination location for both businesses and residents. Sale of buildings (vs. leasing) reflects the leaning of local businesses and residents toward ownership. If the developer were to triple net lease the buildings for a 10% rate of return on their built value it would generate approximately \$2.6 million annually (at full build-out), more than enough to cover a 6% mortgage loan on roughly \$22.5 million invested in land and buildings with annual interest of roughly \$1.35 million.

#### **DEVELOPMENT / CONSTRUCTION COSTS and NET MARGIN TO DEVELOPER**

Costs below reflect a range of potential costs for each of the different categories of use.

Given the tight economy, the low end of the range was used to reflect the competitiveness with which a developer would approach this project.

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Further environmental studies will be needed before proceeding with remediation.

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Subtracting construction costs, other costs, developer remediation costs and land costs from revenue

totals produces the Net Margin to Developer, as shown in the worksheet above.

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analysis, but could result in reduced costs (versus building new) if implemented.

Category	SF	Cost/SF Range		Build Cost Range	
		Low End	High End	Low End	High End
Retail	19,000	\$64	\$84	\$1,216,000	\$1,596,000
Medical Professional / Related					
Medical Offices	6,000	102	133	612,000	798,000
Medical Related / Pharmacy	10,000	64	84	640,000	840,000
Health Club - Fitness - Center Spa	6,000	102	133	612,000	798,000
Gymnastics - Dance Studio	4,000	64	84	256,000	336,000
Hospitality	11,000	113	145	1,243,000	1,595,000
Museum	2,500	88	150	220,000	375,000
Residential	<u>76,000</u>	150	197	<u>11,400,000</u>	<u>14,972,000</u>
<b>TOTAL</b>	134,500			\$16,199,000	\$21,310,000

#### Other Costs

	% of Const. Cost Range		Added Costs	
	Low End	High End	Low End	High End
Architectural / Engineering Design	6.5%	9.0%		
Construction Administration	3.0%	5.0%		
Permitting	2.0%	2.5%		
Infrastructure Costs (site work, utilities, demolition)	18.0%	30.0%		
Legal and Financing Costs	<u>1.5%</u>	<u>3.0%</u>		
<b>TOTAL OTHER COSTS</b>	31.0%	49.5%	<u>\$5,021,690</u>	<u>\$10,548,450</u>

	Low End	High End
<b>TOTAL BUILDING AND OTHER COSTS</b>	\$21,220,690	\$31,858,450

	Low End	High End
Site Remediation Costs	\$1,000,000	\$3,000,000

**Alternative to New Const.-Bldgs. 1, 2A, 4:**

**Rehab Costs excluding interior fit up:**

	<b>Cost Range</b>	
	<b>Low End</b>	<b>High End</b>
Rehab Cost - Building 1	\$250,000	\$300,000
Rehab Cost - Building 2A	170,000	225,000
Rehab Cost - Building 4	425,000	600,000