

From: [David Buchheit](#)
To: [Julia Medzegian](#)
Subject: Logan Market Financials
Date: Wednesday, August 21, 2019 10:49:04 AM
Attachments: [image001.png](#)
[Financial Pages from Logan Market Project - RFP-FINAL - reduced size.pdf](#)

Julia,

At Monday's COW meeting the Council asked for the financials provided by the Logan Market.

I have attached them to this email can you distribute these to the Council?

Thank You,

David Buchheit

Downtown Manager

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4.0 BUSINESS TERMS AND DISCUSSION

Per the RFP, the City has requested proposals for leasing the building and operating the Pavilion as a year-round market. We strongly believe that our proposal meets the spirit and intent of the RFP, is in alignment with the Downtown Civic Core Vision and Action Plan, and best represents the interests of community stakeholders. The sizable investment and time to repurpose the building will necessitate an extended period of low lease rates. However, the long-term revenue generated will far outpace the current revenue generated from event sales and serve the greater public. We hope our proposal is selected and that we can enter into good faith negotiation on mutually beneficial lease terms. Basic proposed terms are shown to the right followed by a financial pro forma on the following page.

In addition to the proposed lease terms, we are also open to other means of structuring a business relationship such as a Public-Private-Partnership (PPP) or outright purchase of the property. Each of these approaches has their own pros and cons and can be discussed at a future date.

In addition to the efforts directly related to the Pavilion, we are highly interested in securing first-right-of-refusal for future development of the Transit Street and adjacent gravel lot on South 3rd Street. These development projects would only increase momentum for the new Logan Market and downtown revitalization.

Lastly, a notional schedule is provided with the intent to complete the project along with the redevelopment of the downtown streets, intersections, and addition of the Festival Street. We believe this to be a realistic schedule and one that will maximize the public impact. A ribbon cutting ceremony that could be timed with a large public event such as Renton River Days or the Classic Car Show, would provide maximum visibility and help get the new Logan Market off to a tremendous start.

- 25-year lease with options to renew in 5-year increments
- 5-years of \$1 annual lease terms followed by rate of \$10 per square foot per year
- Master Lease Authority to enter into and negotiate sub-leases
- City's continued maintenance of the exterior (less tenant seating areas) and piazza
- Our commitment to coordinate and host public city sponsored events
- Free event rentals for internal city needs such as seminars or committee meetings and/or community events
- First-right-of-refusal on purchase of the building and/or land including the Transit Street and vacant gravel lot



4.1 FINANCIAL PRO-FORMA: REVENUE

The following models a diverse revenue stream from the three different tenants types discussed herein as well as events, education and grants. The major anchor tenants will be given favorable lease terms for the first two-years to ensure we can successfully attract them and they can sustain operation while the market ramps up in activity. We assume modest event revenue in the first year of operations, similar to the current level of activity. Once the planning and permitting phase is completed and construction begins in year two, all revenue will cease until year three. The next two years of operation will be needed to break-even and get cashflow positive. As major tenant revenue grows, we will switch to a percentage of sales model.

Revenue	Year									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Anchor Tenant A (Annual Lease Rate)	\$0	\$0	\$72,000	\$74,160	\$0	\$0	\$0	\$0	\$0	\$0
Anchor Tenant B (Annual Lease Rate)	\$0	\$0	\$0	\$49,000	\$36,050	\$0	\$0	\$0	\$0	\$0
Anchor Tenant A (% of Food/Alcohol Sales)	\$0	\$0	\$0	\$0	\$114,000	\$124,800	\$136,680	\$149,748	\$164,123	\$179,935
Anchor Tenant B (% of Food/Alcohol Sales)	\$0	\$0	\$0	\$0	\$103,500	\$187,200	\$205,020	\$224,622	\$246,184	\$269,903
Fixed Vendors C-H (Annual Lease Rate)	\$0	\$0	\$8,800	\$17,600	\$35,200	\$52,800	\$52,800	\$52,800	\$52,800	\$52,800
Kiosk Annual Lease 3 Units (Monthly Rate)	\$0	\$0	\$6,750	\$22,500	\$27,000	\$27,000	\$27,000	\$27,000	\$27,000	\$27,000
Kiosk Seasonal Renters 3 Units (3 Month Paid in Full)	\$0	\$0	\$12,000	\$21,000	\$21,000	\$21,000	\$21,000	\$18,000	\$21,000	\$21,000
Kiosk Month-to-Month Renters 3 Units	\$0	\$0	\$17,500	\$42,500	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000
Kiosk Daily Event Rental 3 Units (Daily Rate)	\$0	\$0	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200
Public Events (\$6 Per Attendee)	\$21,600	\$0	\$12,978	\$22,915	\$23,603	\$24,311	\$25,040	\$25,792	\$26,565	\$27,362
Private Events (Event Fees)	\$20,700	\$0	\$21,321	\$32,941	\$45,239	\$46,596	\$47,994	\$49,434	\$50,917	\$52,444
Education (Facility Hourly Rental)	\$0	\$0	\$16,800	\$35,200	\$48,000	\$57,600	\$67,200	\$72,000	\$72,000	\$72,000
Grants (Annual Estimate)	\$0	\$0	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
NNN Invoiced to Tenants	\$0	\$0	\$158,958	\$251,714	\$256,626	\$261,684	\$266,895	\$272,262	\$277,790	\$283,483
Total Revenue	\$42,300	\$0	\$393,307	\$635,731	\$821,417	\$914,192	\$960,829	\$1,002,857	\$1,049,579	\$1,097,128

4.1 FINANCIAL PRO-FORMA: START-UP & FINANCE

The table below captures the major start-up and financing expenses. The loan will also cover the first two years of operating working capital, a third year may be required. The numbers below assume an interest only payment period followed by a 7 year principal and interest conventional loan. The principal loan is assumed for \$1.2M at an interest rate of 6%. Our Team will also explore economic development grants or incentives to lessen this loan and/or augment available funds.

Expenses	Year									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Start-up Expenses:										
Architectural Drawings	\$75,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Legal Fees	\$45,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Permitting	\$60,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Branding and Marketing	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Start-Up Marketing, Events, and Promotion	\$1,500	\$3,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tenant Engagement	\$0	\$18,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Start-up Expenses	\$191,500	\$21,000	\$0							
Financing Expenses										
Interest Only	\$36,000	\$72,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal + Interest Payment	\$0	\$0	\$159,870	\$159,870	\$159,870	\$159,870	\$159,870	\$159,870	\$159,870	\$159,870
Total Financing Expenses	\$36,000	\$72,000	\$159,870							

4.1 FINANCIAL PRO-FORMA: LABOR EXPENSE

Due to the hands-on nature of our operational plan and extensive and ambitious event and education goals, the labor overhead associated with running the new Logan Market will be higher for traditional landlord-tenant properties. We will have full-time cleaning, maintenance and security staff. These labor categories will be loaded into the NNN rate as they will benefit all tenants. In addition to our own staff, our tenants will bring quality full-time jobs to the downtown area in addition to direct, supplier and induced jobs and economic benefit.

Expenses	Year										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Operating Expenses - Staff Subject to NNN											
Security Officer	\$0	\$18,720	\$38,563	\$39,720	\$40,912	\$42,139	\$43,403	\$44,705	\$46,046	\$47,428	
Maintenance Staff	\$0	\$16,932	\$69,761	\$71,853	\$74,009	\$76,229	\$78,516	\$80,872	\$83,298	\$85,797	
Payroll Taxes	\$0	\$3,922	\$11,916	\$12,273	\$12,641	\$13,021	\$13,411	\$13,813	\$14,228	\$14,655	
Benefits (PTO, Health Insurance)	\$0	\$10,696	\$33,472	\$34,476	\$35,511	\$36,576	\$37,673	\$38,803	\$39,967	\$41,166	
Total Admin Subject to NNN	\$0	\$50,270	\$153,711	\$158,323	\$163,073	\$167,965	\$173,004	\$178,194	\$183,540	\$189,046	
Operating Expenses - Administration											
Administrative Assistant	\$0	\$11,350	\$46,762	\$48,165	\$49,610	\$51,098	\$52,631	\$54,210	\$55,836	\$57,511	
Property Manager and Event Director	\$0	\$2,600	\$32,136	\$33,100	\$34,093	\$35,116	\$36,169	\$37,254	\$38,372	\$39,523	
Payroll Taxes	\$0	\$1,535	\$8,679	\$8,939	\$9,207	\$9,484	\$9,768	\$10,061	\$10,363	\$10,674	
Benefits (PTO, Health Insurance)	\$0	\$4,185	\$24,379	\$25,111	\$25,864	\$26,640	\$27,439	\$28,263	\$29,110	\$29,984	
Total Administrative Expenses	\$0	\$19,670	\$111,956	\$115,315	\$118,774	\$122,338	\$126,008	\$129,788	\$133,682	\$137,692	

4.1 FINANCIAL PRO-FORMA: OPERATING EXPENSES

The expenses below are largely based on the actual costs of operating similar sized properties and assumes acceptable lease terms with the City of Renton. We have also assumed that every 5 years we will need to invest in major renovations or new tenant improvements and budget for those large expenditures in order to ensure the property is well maintained and provides a fresh retail experience. Lastly expenses are calculated using a 3% annual escalation of costs to account for inflation.

Expenses	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Operating Expenses - Lease										
Lease Payments to City of Renton	\$1	\$1	\$1	\$88,000	\$88,000	\$88,000	\$88,000	\$88,000	\$88,000	\$88,000
Total Lease Expenses	\$1	\$1	\$1	\$88,000	\$88,000	\$88,000	\$88,000	\$88,000	\$88,000	\$88,000
Operating Expenses - General										
Accounting Services	\$3,000	\$3,090	\$3,183	\$3,278	\$3,377	\$3,478	\$3,582	\$3,690	\$3,800	\$3,914
Advertising and Promotion	\$6,000	\$6,180	\$6,365	\$6,556	\$6,753	\$6,956	\$7,164	\$7,379	\$7,601	\$7,829
Bank Service Charges	\$600	\$618	\$637	\$656	\$675	\$696	\$716	\$738	\$760	\$783
Business Licenses and Permits	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
Cable/TV/Internet Service	\$1,800	\$1,854	\$1,910	\$1,967	\$2,026	\$2,087	\$2,149	\$2,214	\$2,280	\$2,349
Charitable Contributions	\$2,500	\$2,575	\$2,652	\$2,732	\$2,814	\$2,898	\$2,985	\$3,075	\$3,167	\$3,262
Computer and Internet Expenses	\$1,800	\$1,854	\$1,910	\$1,967	\$2,026	\$2,087	\$2,149	\$2,214	\$2,280	\$2,349
Dues and Subscriptions	\$4,788	\$4,932	\$5,080	\$5,232	\$5,389	\$5,551	\$5,717	\$5,889	\$6,065	\$6,247
Payroll Subscription Services	\$600	\$618	\$637	\$656	\$675	\$696	\$716	\$738	\$760	\$783
Equipment Leases (Printer)	\$6,000	\$6,180	\$6,365	\$6,556	\$6,753	\$6,956	\$7,164	\$7,379	\$7,601	\$7,829
Insurance	\$1,080	\$1,112	\$1,146	\$1,180	\$1,216	\$1,252	\$1,290	\$1,328	\$1,368	\$1,409
Legal Fees	\$3,000	\$3,090	\$3,183	\$3,278	\$3,377	\$3,478	\$3,582	\$3,690	\$3,800	\$3,914
Meals and Entertainment	\$2,700	\$2,781	\$2,864	\$2,950	\$3,039	\$3,130	\$3,224	\$3,321	\$3,420	\$3,523
Office Supplies	\$1,500	\$1,545	\$1,591	\$1,639	\$1,688	\$1,739	\$1,791	\$1,845	\$1,900	\$1,957
Postage and Delivery	\$300	\$309	\$318	\$328	\$338	\$348	\$358	\$369	\$380	\$391
Telephone Expense	\$1,800	\$1,854	\$1,910	\$1,967	\$2,026	\$2,087	\$2,149	\$2,214	\$2,280	\$2,349
Travel Expense	\$1,800	\$1,854	\$1,910	\$1,967	\$2,026	\$2,087	\$2,149	\$2,214	\$2,280	\$2,349
Major Renovations (Every 5 Years)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$250,000	\$0	\$0
Total General Expenses	\$40,169	\$41,347	\$42,560	\$43,810	\$45,097	\$46,423	\$47,789	\$299,195	\$50,644	\$52,136

4.1 FINANCIAL PRO-FORMA: EXPENSES SUBJECT TO NNN

The table below summarizes the expenses that will be attributed to operating and maintaining the common areas and mechanical systems. In a traditional ownership model, property taxes would also be included in the NNN charges. We will be transparent with tenants and the City about calculations and allocation of NNN charges to the tenants. It is our goal to ensure the tenants are provided an opportunity to be successful and we will view them as partners in the new Logan Market.

Expenses	Year										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Operating Expenses - Subject to NNN											
Public Internet Expenses	\$4,200	\$4,326	\$4,456	\$4,589	\$4,727	\$4,869	\$5,015	\$5,165	\$5,320	\$5,480	
Common Area Electric	\$9,000	\$9,270	\$9,548	\$9,835	\$10,130	\$10,433	\$10,746	\$11,069	\$11,401	\$11,743	
Public Area Entertainment/Music Service	\$600	\$618	\$637	\$656	\$675	\$696	\$716	\$738	\$760	\$783	
Common Area Liability Insurance	\$3,600	\$3,708	\$3,819	\$3,934	\$4,052	\$4,173	\$4,299	\$4,428	\$4,560	\$4,697	
Signage and Banners, Common Event Promotion	\$12,000	\$12,360	\$12,731	\$13,113	\$13,506	\$13,911	\$14,329	\$14,758	\$15,201	\$15,657	
Building Repairs and Maintenance	\$6,600	\$6,798	\$7,002	\$7,212	\$7,428	\$7,651	\$7,881	\$8,117	\$8,361	\$8,612	
Emergency Phone Telephone Expense	\$5,400	\$5,562	\$5,729	\$5,901	\$6,078	\$6,260	\$6,448	\$6,641	\$6,841	\$7,046	
Staff Uniforms	\$3,000	\$3,090	\$3,183	\$3,278	\$3,377	\$3,478	\$3,582	\$3,690	\$3,800	\$3,914	
Total Expenses Subject to NNN	\$44,400	\$45,732	\$47,104	\$48,517	\$49,973	\$51,472	\$53,016	\$54,606	\$56,245	\$57,932	

4.1 FINANCIAL PRO-FORMA: FINANCIAL SUMMARY, EBITA AND IMPACTS

The following table provides a summary of the profit and loss discussed in the previous tables. As show, the first three years will incur significant losses. The model indicates the potential to break-even in year 4. Given that significant capital investment will be required, but no ownership will be provided, a low cost lease is essential to justify the private investment required. The bottom of the table shows the potential economic impact in terms of job creation using 2019 model published by the Economic Policy Institute.

Expenses	Year									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Profit and Loss Summary										
Total Revenue	\$42,300	\$0	\$393,307	\$635,731	\$821,417	\$914,192	\$960,829	\$1,002,857	\$1,049,579	\$1,097,128
Total Start-up Expense	\$141,500	\$21,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Finance Expense	\$36,000	\$72,000	\$159,870	\$159,870	\$159,870	\$159,870	\$159,870	\$159,870	\$159,870	\$159,870
Total Administrative Expenses	\$0	\$50,270	\$153,711	\$158,323	\$163,073	\$167,965	\$173,004	\$178,194	\$183,540	\$189,046
Total Labor Subject to NNN	\$0	\$19,670	\$111,956	\$115,315	\$118,774	\$122,338	\$126,008	\$129,788	\$133,682	\$137,692
Total Lease Expense	\$12	\$12	\$12	\$88,000	\$88,000	\$88,000	\$88,000	\$88,000	\$88,000	\$88,000
Total Operating Expense	\$40,169	\$41,347	\$42,560	\$43,810	\$45,097	\$46,423	\$47,789	\$299,195	\$50,644	\$52,136
Total Operation Expenses Subject to NNN	\$44,400	\$45,732	\$47,104	\$48,517	\$49,973	\$51,472	\$53,016	\$54,606	\$56,245	\$57,932
Total Expense	\$262,081	\$250,030	\$515,213	\$613,834	\$624,786	\$636,067	\$647,685	\$909,653	\$671,979	\$684,676
EBITA	(\$219,781)	(\$250,030)	(\$121,906)	\$21,896	\$196,631	\$278,125	\$313,144	\$93,204	\$377,599	\$412,452
Economic Impacts										
Total Direct Jobs at Logan Market	2	2	4	4	4	4	4	4	4	4
Total Direct Jobs from Tenants	0	0	64	76	90	96	96	96	96	96
Supplier Jobs (ratio of 0.46 per 100 jobs)	1	1	66	78	92	98	98	98	98	98
Induced Jobs (ratio of 0.75 per 100 jobs)	2	2	51	60	71	75	75	75	75	75
Total New Jobs	4	4	185	218	256	273	273	273	273	273