



Brownsville, TEXAS | Hotel El Jardin | 14 November 2016



1927



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2016

The Town Square Initiative

About TSI

The Town Square Initiative (TSI) is a new approach by the Texas Historical Commission to holistically address the challenge of vacant and underutilized historic properties. The TSI team provides services to spur preservation-based projects so that local, small-scale and high-quality development becomes more achievable in Texas downtowns. TSI's work is guided by a place-driven and market-informed philosophy meaning that we focus on supporting viable redevelopment projects in communities that are strongly motivated by enhancing the quality of place in their downtowns.

TSI operates as an affiliate of the Texas Main Street Program, a preservation-based downtown revitalization effort with a 35-year history of success. An interdisciplinary team with expertise in architecture, planning, and economic development provides specialized project assistance with a focus on:

- Conceptual design and financial feasibility studies for vacant and underutilized historic properties that are place-driven and market-informed.
- Coordinated downtown planning strategies to address development barriers in order to make it easier for local property owners and entrepreneurs to invest in their downtowns.
- Increasing and influencing the market exposure of available properties in downtowns across Texas including attracting investors who value historic architecture and the special qualities of each community.
- Providing information, education, and resources on best practices that have a positive impact on local policy and decision-making.

Intended Use

The feasibility study for the Hotel El Jardin in Brownsville, TX, was prepared by the Texas Historical Commission's Town Square Initiative team at the request of the Brownsville Main Street Program and the property owner, Reyes Ponce. This is a schematic study and is not intended for permitting nor regulatory approvals. It should be used as a suggested direction and superseded by recommendations made by licensed design professionals employed by the owner or potential owners of the subject property. No guarantees are implied as to the existing nor proposed conditions and configurations of the parcel, the economic viability of the suggested course of action and funding possibilities, nor any explicit or implied regulatory approvals.

TSI team members:

Riley Triggs, AIA, Architect

Brian O'Connor, Economic Development Specialist

Emily Koller, AICP, Planner

14 November 2016



14 Nov 2016

Riley Triggs



early 1960s

Overview

The Hotel El Jardin is a unique property with a significant history and important presence in downtown Brownsville. Combined with its size and prime location, a redevelopment project would serve as a catalyst for future revitalization projects in Brownsville’s Main Street District.

Built during the late 1920’s, the Hotel El Jardin was regarded as the social hub of the Brownsville community that catered to notable personalities such as Howard Hughes, Charles Lindbergh and Amelia Earhart. The Hotel El Jardin was in operation until the late 1980’s and has remained vacant since.

Even though it has been vacant so long, the hotel is largely intact, and a preliminary determination has been made that it is eligible for the National Register of Historic Places. Such a designation opens up the possibility of utilizing the federal and state historic tax credit programs as part of the redevelopment process. Major features are still present like windows, tile, mill work and space configuration making this a good candidate for rehabilitation as defined by the Secretary of the Interior Standards. As this project is in a qualifying census tract, New Market Tax Credits should also be explored.

Study Approach and Assumptions

The approach to renovating and reusing the El Jardin should be to find a use that is compatible with what the hotel already is: a larger building with multiple floors of small rooms. This feasibility study considers two possibilities for use that would allow for keeping a large part of the historic features and space configuration intact while minimizing cost and complexity for the project. The two suggested scenarios are: 1) a commercial office with a single tenant such as the University of Texas Rio Grande Valley or perhaps a corporate headquarters for a target industry in South Texas; and 2) a student dormitory.

Brownsville’s *2009 Comprehensive Plan* includes a chapter on downtown revitalization which calls for rehabilitation of the El Jardin as a hotel and conference center, even noting an expansion to the southwest. Further market research is warranted to justify such an entertainment use. The TSI team believes the most likely scenario is an office related use as there is known demand for office space by the university and other professional industries such as aerospace and engineering.¹ The costs are also slightly

¹ Brownsville Economic Development Corporation identifies Space and Aviation as a target industry and credits the industry leader SpaceX for helping cultivate the future aerospace cluster in the

less in that fewer fixtures are necessary as compared to a residential use.

In both scenarios it is assumed that the structural integrity of the building is good, and that the majority of the project’s costs will be in extensive mechanical, electrical and plumbing refitting. Rehabilitation of the historic features is another significant cost, but the hotel’s original design was not overly elaborate, so there is no anticipation of abnormally high renovation costs for an historic property.

Code Considerations

The El Jardin is a concrete frame structure built under very different building code conditions in the 1920s. According to a report of 1 March 2016 by CASA Engineering, the upper frame is generally in good condition, but the concrete columns, beams and slab in the basement are in need of repair.

To bring the building up to current code will require some effort, especially in terms of providing another upper story egress path. Fortunately, the concrete frame and non-load bearing plaster on light weight metal framed walls are a suitable construction type I-A or I-B for both proposed occupancies for allowable height and area. A fire sprinkler system is required. At the time of this report, asbestos remediation has already been completed by the current owner.

Replacing mechanical, electrical and plumbing components to code standards is assumed to be a major cost of the project. Given the age of the building, it is assumed that almost all of the systems will need to be replaced to become code compliant.

Historic Tax Credits

Texas instituted a 25% state tax credit for eligible historic preservation projects at the beginning of 2015 which was designed to be used in combination with the federal historic tax credit of 20%. The state and federal programs are both administered by the Texas Historical Commission in coordination with the Texas Comptroller of Public Accounts and the National Park Service. Since the implementation of the state program, the use of both has exponentially increased across the state, and they are proving to be the most powerful preservation-based economic incentive available.

Participation in the tax credit program requires a three part application process: first the property in question

Brownsville Borderplex. Accessed 11/1/2016 <http://www.bedc.com/space-aviation>.

must be evaluated and determined eligible for listing in the National Register of Historic Places; then the rehabilitation work that is planned must be reviewed and approved by the THC and the NPS; and finally, once the project is complete, the THC and NPS review it to ensure that the work was completed in accordance with the previous approval. **It is important to note that the rehabilitation work must meet the Secretary of the Interior Standards for Rehabilitation in order to receive the available tax incentives.** THC staff are available to advise interested parties on the appropriate treatment of historic materials during the initial stages of project planning.

The qualified rehabilitation expenditures for the programs are wide-reaching: walls, floors, ceilings, windows, doors, HVAC, plumbing, elevators, fire suppression and more all qualify as eligible expenses, as do construction interest, architect and engineering fees and reasonable developer fees. Land and building acquisition costs and personal property, such as furniture and appliances, are the primary categories that do not qualify.

The federal credit is designed for income-producing properties and is applied towards the federal income tax. The nuances of this program make it more difficult for a less experienced owner or developer to use; professional consultants will be necessary in order to successfully complete the project and receive the credits. Building owners who are not able to fully utilize the credits personally or who prefer cash during construction instead of a reduction in taxes, may choose to syndicate or transfer the historic project’s credits to an investor. To do this, the building owner forms a limited partnership (LP) or a limited liability corporation (LLC) with a corporate or individual tax credit investor through which the investor becomes (and must remain) one of the building owners for a 5-year period. The investor is then able to claim the federal tax credits generated by the project to defray federal income tax liability. In return, the corporate investor makes an equity investment in the project. The amount of the tax credit equity investment varies depending on the attractiveness of the transaction. Pricing is usually in the range of \$.85- \$.95 cents. In the absence of a state income tax, the state tax credit is applied against a business’ franchise tax liability. These are desirable in Texas at the current time and easily transferred. These are currently being transferred in Texas for about \$.93 cents on the dollar.

TSI has confirmed with the National Register Program that the El Jardin is eligible for listing on the National Register of Historic Places. A formal determi-

nation of eligibility was made as part of the preparation of this study. The first part of the tax credit application process (Part 1/A), which is an evaluation of significance, will still need to be completed but the project stakeholders can move forward with planning knowing the tax credit programs are a potential source of funds. The building owner and/or developer will need to complete the National Register nomination process simultaneously with the redevelopment. It is recommended the owner/developer hire a historic preservation consultant to assist with completing the tax credit application forms as well as the National Register nomination. This is a qualified expense for the tax credit programs and is well worth the investment. The El Jardin must be officially listed on the National Register before the tax credits can be claimed. The listing process takes about a year.

If the current owner wants to participate in the tax credit programs, they should contact the Texas Historic Preservation Tax Credit program staff as soon as possible to begin discussing both the eligibility status and the planned architectural work.

Complete information along with the application forms and instructions are available on the THC’s website at this address: <http://www.thc.texas.gov/preserve/projects-and-programs/preservation-tax-incentives/texas-historic-preservation-tax-credit>

New Market Tax Credits

New Market Tax credits could provide another potential source of equity. The National Trust Community Investment Corporation runs a program that allocates New Market tax credits to qualified low-income census tracts for projects that provide direct community benefit. This program specifically designates a percentage to Main Street cities. In the past this total has been between four and five million and a similar amount of funds for a new round of applications has been requested in 2017. The NTCIC is actively looking for projects that are in the advanced stages of planning with a developer, have secured private financing and are prepared to leverage the NMTCs with historic or low income housing tax credits. Projects must demonstrate the need for gap financing by addressing that “but for” the NMTC’s availability, the project would be unable to proceed. In order for the El Jardin to utilize the NMTCs, the building’s program would need to include 50% of the leasable space dedicated to the following:

- Small-business incubation
- Fabrication and maker space

Feasibility Analysis: Scenario 1 | Office

- Community serving retail focused on healthy food access
- Educational facilities such as a community or technical college or job training center (expansion of a four year school does not qualify)
- Low-income community services such as health clinics or childcare
- Residential where all residential units are affordable to households earning 80% AMI or less.
- Below market rent office space to attract minority, small, locally owned or start-up businesses

Complete information on the program is available here: <http://nt-cic.webfactional.com/tax-credit-basics/new-markets-tax-credits/>



The TSI team reviewed several different financial scenarios. There are many complex project variables and it is our goal to provide a financial framework that utilizes the historic tax credit programs to assist the property owner and the city in formulating a strategy that would take advantage of these significant incentives. Further analysis is necessary; however, our preliminary study shows that the rehabilitation of the El Jardin would be eligible for approximately \$4.38 million in historic tax credit equity if the owner/developer chose to pursue a for-profit, income-generating use such as an office building and took advantage of both the federal and state programs. Total project costs are estimated around \$12.5 million. These numbers are favorable, but with minimal market research available, the estimated annual gross income could fluctuate significantly, which greatly affects the debt service coverage on such a large project.

A single use office tenant provides several advantages. A commitment to lease the entire building removes the uncertainty around stable revenue streams over time. Guaranteed occupancy would allow the building's owner to offer lower lease rates than what might be necessary for revenue projections that incorporate a 15-25% average vacancy rate. It is entirely possible that floors could be leased out individually, however, the lack of any comparables makes it difficult to predict the market. The option of recruiting a corporate headquarters to Brownsville opens up some interesting possibilities where a corporation may be interested in participating as a capital partner upfront in order to take advantage of the HTCs and then eventually buy out the owner/developer at the time the project is refinanced with a permanent loan.

Office Use Assumptions

- Building square footage: 67,326
- Net rentable square footage: 54,420
- Ground floor includes restaurant, coffee shop, two retail spaces and an additional 2,500 of flex space.
- Each of the 7 upper floors is 6,860 square feet with 14 offices, a conference room, break room, reception area, restrooms and workroom.
- Required parking under existing codes is quite high (291) and this scenario assumes a reduction in off-street spaces via a shared parking agreement.

Development Assumptions

- Construction costs are estimated at \$150/sf.

- Commercial rents are set at \$20/sf annually which is leading the market in Brownsville.
- A 25-year construction loan with a interest rate of 6% can be utilized at between 65 and 75% loan-to-cost (LTC) ratio.
- Refinancing is available in year three and assumes a 30-year loan at 5%.
- The project will utilize the historic tax credit programs and work will be completed according to the Secretary of the Interior Standards for Rehabilitation. A development partner with expertise in the federal historic tax credit program would need to be recruited to join the ownership team.
- In this particular scenario, the project anticipates 100% occupancy because of the single use office tenant.

Analysis

The scale of the rehabilitation is quite large. At \$152/sf for hard costs only, the total project costs are estimated over \$12.5 million. Median price of comparable new construction from RS Means is \$119/sf for the office scenario. Fees are modestly estimated between two and three percent each for engineering and architectural work. Acquisition costs are included in the total project cost at an estimated \$850,000. Totalling all project expenses, the cost per square foot comes out around \$186 for the office scenario.

The \$20/sf lease rate can be adjusted up or down slightly, but there is some evidence of Class A office space being offered between \$20/sf and \$30/sf annually currently in Brownsville, albeit on a much smaller scale. In this scenario, one floor (6860/sf) would be leased for \$11,456. If all seven floors were occupied by a single tenant, the total annual revenue generated would be approximately \$90,000. This level of income allows the project to be appraised for just under \$11 million when refinanced.

The historic tax credit equity is significant. Utilizing a transfer rate of 93 cents for the state credit and 88 cents for the federal credit, total equity is estimated at more than \$4.38 million. The scenario also includes a construction loan financing about 65% of the project costs. The tax credit equity allows the project to pencil out as the final estimated appraised value, which is based on the revenue stream, is millions less than the development cost estimate. While adequate income may be a challenge to secure in the short-term, over the long-term the special character and presence in downtown should allow the El Jardin to be the premier mixed use building.

El Jardin Development Cost Summary Scenario 1 Office Use with Ground Floor Commercial

Project Costs	
Hard/Acquisition	\$10,531,455
Soft Costs	\$671,110
Reserves	\$491,186
Capitalized Interest	\$490,138
Development Fee	<u>\$383,758</u>
Total	\$12,567,647

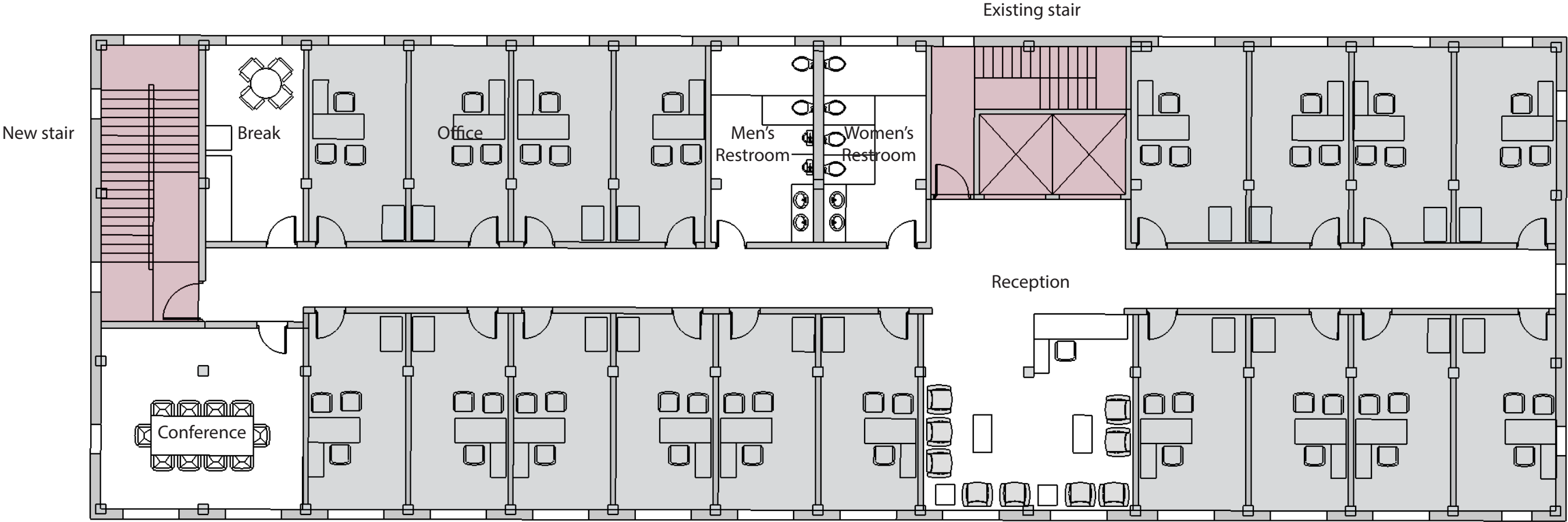
Sources of Funds	
Construction Loan (65% LTC)	\$8,185,168
Federal HP Credit	\$1,888,167
State HP Credit	\$2,494,312
Total	\$12,567,647

Income	
Annual Gross Income	\$1,090,577
Operating Expenses/Reserves	(\$327,173)
Construction Loan Debt Service	<u>(\$634,293)</u>
Cash Flow (years 1-3)	\$129,111

Permanent Loan	
Total Projected Appraised Value	\$10,905,768
Retirement of Original Debt	(\$7,752,312)
Loan Amount (75% LTV)	\$8,784,976
Annual Debt Service (after refinance)	<u>(\$534,146)</u>
Cash Flow Annually (years 4+)	\$283,669+

Debt Service Coverage Ratio	
Typical minimum:	1.25
Construction Financing:	1.21
Permanent Financing:	1.59

Feasibility Analysis: Scenario 1 | Office



 **Typical Upper Floor Plan**
NO SCALE

Scenario 1: Preliminary Code Analysis

Verify with local building official before taking any action

Address: 11th and E. Levee Street
Brownsville, Texas 78520

Date of construction: 1926

Zoning: General Retail (4C), Area District J

Building codes:

- 2012 International Building Code
- 2012 International Mechanical Code
- 2012 International Plumbing Code
- 2012 International Fire Code
- 2011 National Electric Code

Proposed construction: Type I-A, sprinklered

Occupancy: A-2, B, M

Lot Size (approx): 39,204 sf (.9 acres)

Floor area ratio: 1.76

Total square footage: +/-69,000 sf

Parking required: 291

- Office: 240 [1/3 space per 100sf + 56/100 per employee]
- Retail: 12 [3/10 space per 100 sf + 1 per employee]
- Snack/Coffee Bar: 4 [1 per employee]
- Restaurant: 35 [1 space 100 sf]

El Jardin Rehabilitation - Office Use	Units:	130																	
E.11th Street Brownsville, Texas	CURRENT AS OF:	11/14/2016																	
GENERAL INFORMATION								Units	Rate (per BSF)	Monthly Rent	Project Cost Assumptions - Scenario 1 Office								
Fed. LIHTC	NO							Total Land Area (Acres)	0.90										
State LIHTC	NO							Gross Building Sq. Ft.	67,326										
LIHTC Development Type	0.0793							Net Rentable Sq. Ft.	54,420										
NMTC Project	YES							Efficiency	80.83%										
Fed. Historic Credits	YES							Rent/Net Rentable Sq. Ft.		\$1.67									
State Hisotric Credits	YES							Market Rate Rent/Sq.Ft.		\$1.00									
QCT	YES							Restaurant	3,500	1	\$1.67	5,845.00							
Lease Pass Through	NO							Retail	2,500	2	\$1.67	4,175.00							
Acquisition Credit	YES							Coffee Kiosk	400	1	\$1.67	668.00							
9% Rate	7.60%							Office Floor 2	6860	18	\$1.67	11,456.20							
4% Rate	3.45%							Office Floor 3	6860	18	\$1.67	11,456.20							
Federal Historic Rate	20%							Office Floor 4	6860	18	\$1.67	11,456.20							
State Historic Rate	25%	BASIS CALCULATIONS						Office Floor 5	6860	18	\$1.67	11,456.20							
NMTC Rate	39%			NMTC BASIS	\$	12,077,509		Office Floor 6	6860	18	\$1.67	11,456.20							
Developer Return on Acquisition	8%			HISTORIC BASIS		10,728,223		Office Floor 7	6860	18	\$1.67	11,456.20							
Developer Return on Development	12%			LIHTC BASIS		0		Office Floor 8	6860	18	\$1.67	11,456.20							
Contractor General Requirement	8%			LIHTC BASIS (Pass-through)		0		Total	54,420	130	\$1.67	\$90,881.40							
Contractor Over Head	2%			ACQUISITION BASIS		850,000													
Contractor Profit	5%																		
Construction Interest Rate	6.00%	CREDITS																	
Construction Loan Origination Fee	1%			Total State Historic Credits		2,682,056													
Commercial Construction Cost/Sq.Ft.	\$114			Total Fed. Historic Credits		2,145,645													
Residential Construction Cost/Unit				Total Eligible LIHTC Credits		646,000													
Land/Building Acq. Cost/Unit	6,538			Requested LIHTC Credits															
Total Cost / Unit	8,856			New Market Tax Credits		4,710,229													
Total Cost/Unit w/ Const. Contingency	15,395			Actual NMTC Credits															
SOURCE OF FUNDS								MONTHLY INCOME											
Fed. LIHTC Equity	93	cents/\$	99.99%					% Market Rate Units	100.00%	130									
Fed. Hist. Equity	88	cents/\$	99.99%			1,888,167		Monthly Gross: Retail	10,688	12%									
State LIHTC Equity	35	cents/\$	99.99%					Monthly Gross: Office	80,193	88%									
State Hist. Equity	93	cents/\$	99.99%			2,494,312		Total Monthly Gross	90,881	100%									
NMTC Equity	0	cents/\$	99.99%					# of Parking Stalls	0										
Deferred Dev. Fee								Rent per Stall	0										
Construction Loan						8,185,168		Parking Income	0										
Gap/Other Equity								Commerical SFT											
								Commerical Rent/Sq.Ft. NNN											
								Commerical Monthly Income	80,193										
								% Commerical Rent	88.24%										
								TOTAL MONTHLY INCOME	90,881										
USES OF FUNDS		Non-NMTC	Non-HIST	Non-LIHTC	\$ \$ \$			UNDERWRITING											
Property Acquisition Cost	850,000	850,000	850,000	850,000	850,000			Gross Revenue	\$1,090,577										
Land Value					0			Vacancy Rate	0.00%										
New Residential Construction					0			Vacancy	0										
Commercial Construction				7,675,164	7,675,164			Expenses/Unit	2,103										
Const. Orig. Fee					76,752			Ann.Operating Exp. + Res.	327,173										
Construction Interest	490,138	490,138	490,138	490,138	490,138			NOI	763,404										
Contractor General Conditions					614,013			Cap Rate	7.00%										
Contractor Overhead					153,503			Total Appraised Value	10,905,768										
Contractor Profit					383,758			Appraised Value/Unit	83,891										
Contingency					775,016			Perm. Loan Amount	8,784,976										
								Perm. Interest Rate/ Bond Rate	5.00%										
Environmental Report					5,000			Mortgage Insurance Premium Rate	0.00%										
Parking					0			1st Debt Service (Construction)	634,293										
FF&E					75,000			2nd Loan Debt Service	0	0%									
Developer Overhead / Conditions / Fees					383,758			Mortgage Insurance Premium	0										
Engineering					153,503			Total Debt Service	634,293										
Architectural/Historic					230,255			Cash Flow Annually	129,111										
Market Study					10,000			Min. DSCR	1.15										
Appraisal					2,500			Actual DSCR	1.20										
Cost Certification					50,000			15 year Average DSCR	1.34										
Closing Costs					25,000			Permanent LTV	80.55%										
Operating Reserve		384,586	384,586	384,586	384,586			Max. Loan/Bond Amt.	10,304,934										
Replacement Reserve		41,600	41,600	41,600	41,600			Loan / Bond Term	30										
Marketing Reserve		15,000	15,000	15,000	15,000			Construction Loan Amount	8,185,168										
Rent-Up Reserve		50,000	50,000	50,000	50,000			Construction Interest	490,138										
Legal / Master Lease Fees					20,000			Construction Period (months)	18										
Bond Allocation Fee		0	0	0	0			Seasoning Period (months)	18										
Lender, Issuer & Trustee Fees		0	0	0	0														
Bond Counsel & FNMA Fee		0	0	0	0														
Compliance Monitoring Fee		0	0	0	0														
Underwriting / Placement Fee					15,000														
Tax Credit Fees					30,000														
Permanent Financing Fees		0	0	0	0														
Syn.Fees/ Legal Fees/ NMTC Org Fee					20,000														
R.E. Tax During Construction		8,100	8,100	8,100	8,100			Construction Cost/SFT	\$152.22										
R.E. and Construction Legal					30,000														
Total Uses	490,138	1,839,424	9,514,588	12,567,647	12,567,647			Total Cost / SFT	\$186.67										

Feasibility Analysis: Scenario 2 | Student Dormitory

Dormitory Use Assumptions

- Building square footage: 67,326
- Net rentable square footage: 58,112 (common areas for student residential such as hallways and lounges are not included in this number).
- Ground floor includes restaurant/cafeteria, coffee shop, two retail spaces and additional 2,500 of flex space.
- Each of the 7 upper floors is 6,860 square feet with 10 rooms that house two students each. The rooms average 388 square feet.
- Required parking under current code could be provided on-site.

Development Assumptions

- Construction hard costs are estimated around \$145/sf. New construction for student residential is around \$143/sf according to RS means data.
- Commercial rents are set at \$20/sf annually for the ground floor restaurant and retail spaces.
- Residential lease rates are calculated based on comparable room and board rates at UTRGV, minus the board. These are included at \$1.93 sf, this factors in the use of the common spaces. This means each student is paying about \$650/month.
- A 25-year construction loan with a interest rate of 6% can be utilized at about 40% loan-to-cost (LTC) ratio.
- Refinancing is available in year three and assumes a 30-year loan at 5%.
- The project will utilize the historic tax credit programs and work will be completed according to the Secretary of the Interior Standards for Rehabilitation. A development partner with expertise in the federal historic tax credit program would need to be recruited to join the ownership team.
- In this particular scenario, the project anticipates 100% occupancy because of the dormitory use.

Analysis

The TSI team explored a concept of a student dormitory as the rooms are smaller and already configured in a way that would make conversion simpler. The presence of UTRGV and Texas Southmost College indicate a need for options for students and adding their energy to downtown could add a noticeable difference to the streets, shops and restaurants.

A residential use seems to be a logical redevelopment option for an historic hotel, but costs associated with resi-

dential rehabilitation are higher than office. In this analysis, the hard costs are estimated around \$145/sf with total project costs per square foot at \$225. Again, the more limited market potential presents a challenge for long-term revenue that could support the debt. The construction costs are simply too great for any feasible end use that could comfortably cash flow. Student residential plus ground floor commercial suggests gross annual revenue at around \$750,000. After refinancing, it is possible the project could create cash flow of \$200,000+ but additional equity of nearly \$4 million is needed to bridge the gap during construction. It is possible the Low Income Housing Tax Credit program could be layered with the historic preservation tax credits to make this more feasible, but the potential revenue would likely decrease in that scenario. The New Market Tax Credit program may also be an option, but a larger percentage of the building's leasable square footage (50%) would need to be dedicated to meeting their program requirements.

TSI does not believe it is likely that a residential use could be pursued by a private developer at this time. It is possible a public/private partnership could be formed to secure a second form of financing for the additional equity needed during construction. A low or zero interest loan to bridge the \$3 to \$4 million needed could be possible by working with a community development or economic development corporation.

El Jardin Development Cost Summary Scenario 2 Student Dormitory with Ground Floor Commercial

Project Costs	
Hard/Acquisition	\$12,992,884
Soft Costs	\$751,602
Development Fee	\$487,919
Capitalized Interest	\$360,000
Reserves	<u>\$558,257</u>
Total	\$15,150,662

Sources of Funds	
Construction Loan (40% LTC)	\$6,000,000
Federal HP Credit	\$2,336,697
State HP Credit	\$3,086,829
Gap Funds	<u>\$3,239,217</u>
Deferred Developer Fee	<u>\$487,919</u>
Total	\$15,150,662

Income	
Annual Gross Income	\$757,282
Operating Expenses/Reserves	(\$227,184)
Construction Loan Debt Service	<u>(\$463,897)</u>
Cash Flow (years 1-3)	\$66,200+

Permanent Loan	
Total Projected Appraised Value	\$7,752,283
Retirement of Original Debt	(\$5,669,734)
Loan Amount (75% LTV)	\$6,100,167
Annual Debt Service	(\$392,694)
Cash Flow Annually	\$196,976+

Debt Service Coverage Ratio	
Typical minimum:	1.25
Construction Financing:	1.14
Permanent Financing:	1.50

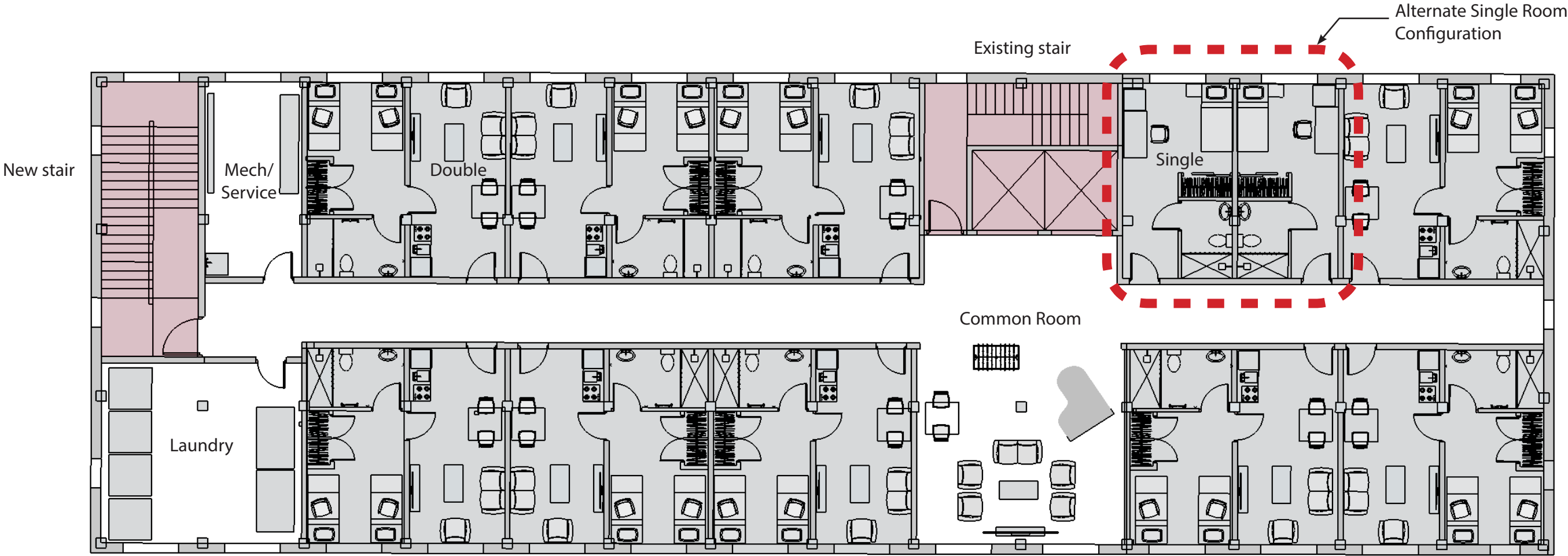
Future View

The redevelopment of the El Jardin is feasible, but it will necessitate collaboration among the city, private owners and a future end user all committed to the betterment of downtown Brownsville. This analysis demonstrates what many involved with this project over the years already know: the redevelopment of this historically significant structure requires a construction cost that will be difficult to offset with adequate income in a softer market. However, the excellent integrity suggests the owners and development team expend the additional effort to explore the major tax credit programs available for historic properties.

There is no doubt about the significance of the hotel and the catalytic impact it could have on downtown Brownsville. With the right team assembled and the opportunity to utilize the major preservation incentives available, the El Jardin could once again be a source of pride for all of Brownsville.



Feasibility Analysis: Scenario 2 | Student Dormitory



Typical Upper Floor Plan
NO SCALE

Scenario 2: Preliminary Code Analysis

Verify with local building official before taking any action

Address: 11th and E. Levee Street
Brownsville, Texas 78520

Date of construction: 1926

Zoning: General Retail (4C), Area District J

Building codes:

- 2012 International Building Code
- 2012 International Mechanical Code
- 2012 International Plumbing Code
- 2012 International Fire Code
- 2011 National Electric Code

Proposed construction: Type I-A, sprinklered

Occupancy: A-2, B, M and R-2

Lot Size (approx): 39,204 sf (.9 acres)

Floor area ratio: 1.76

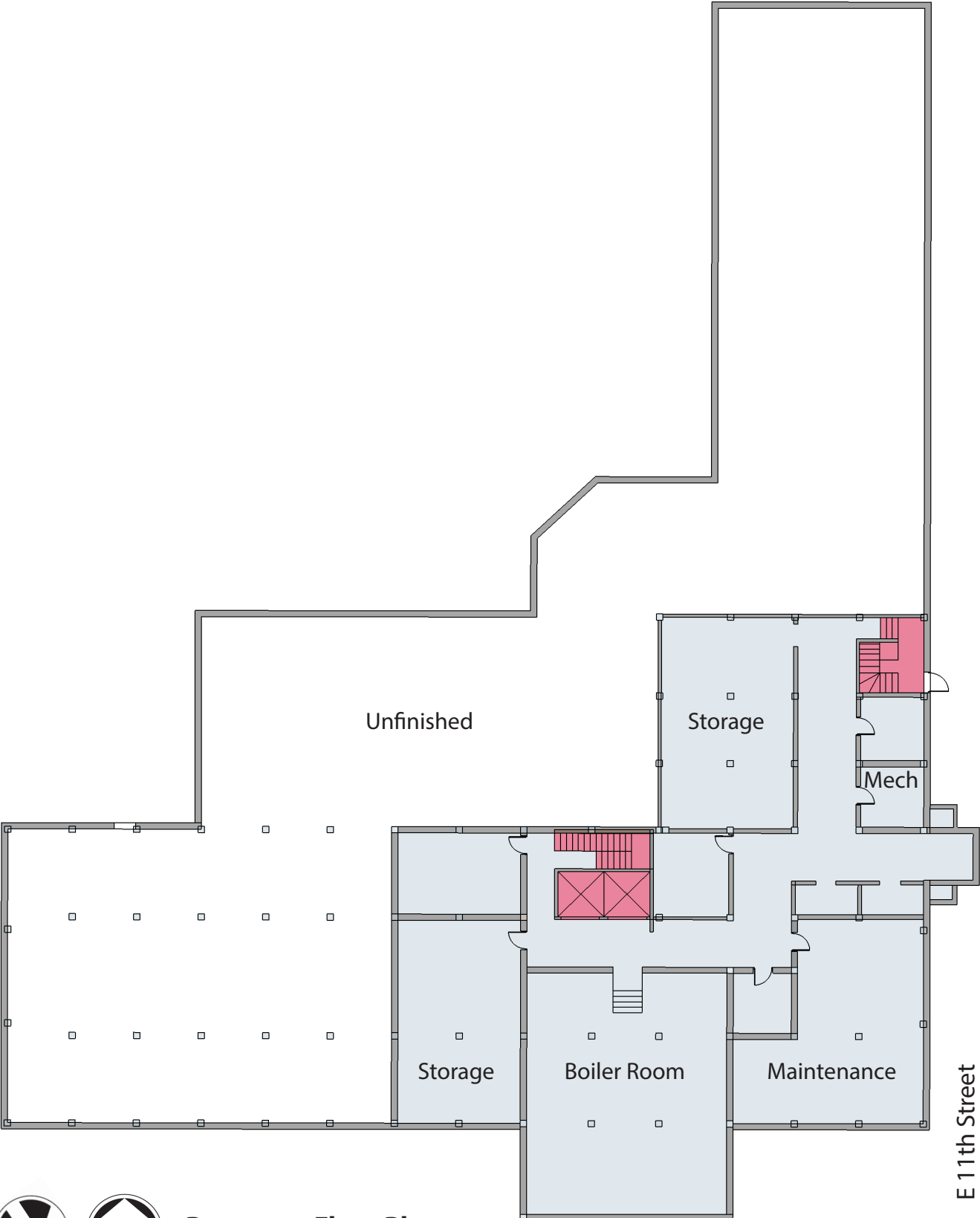
Total square footage: +/-69,000 sf

Parking required: 63

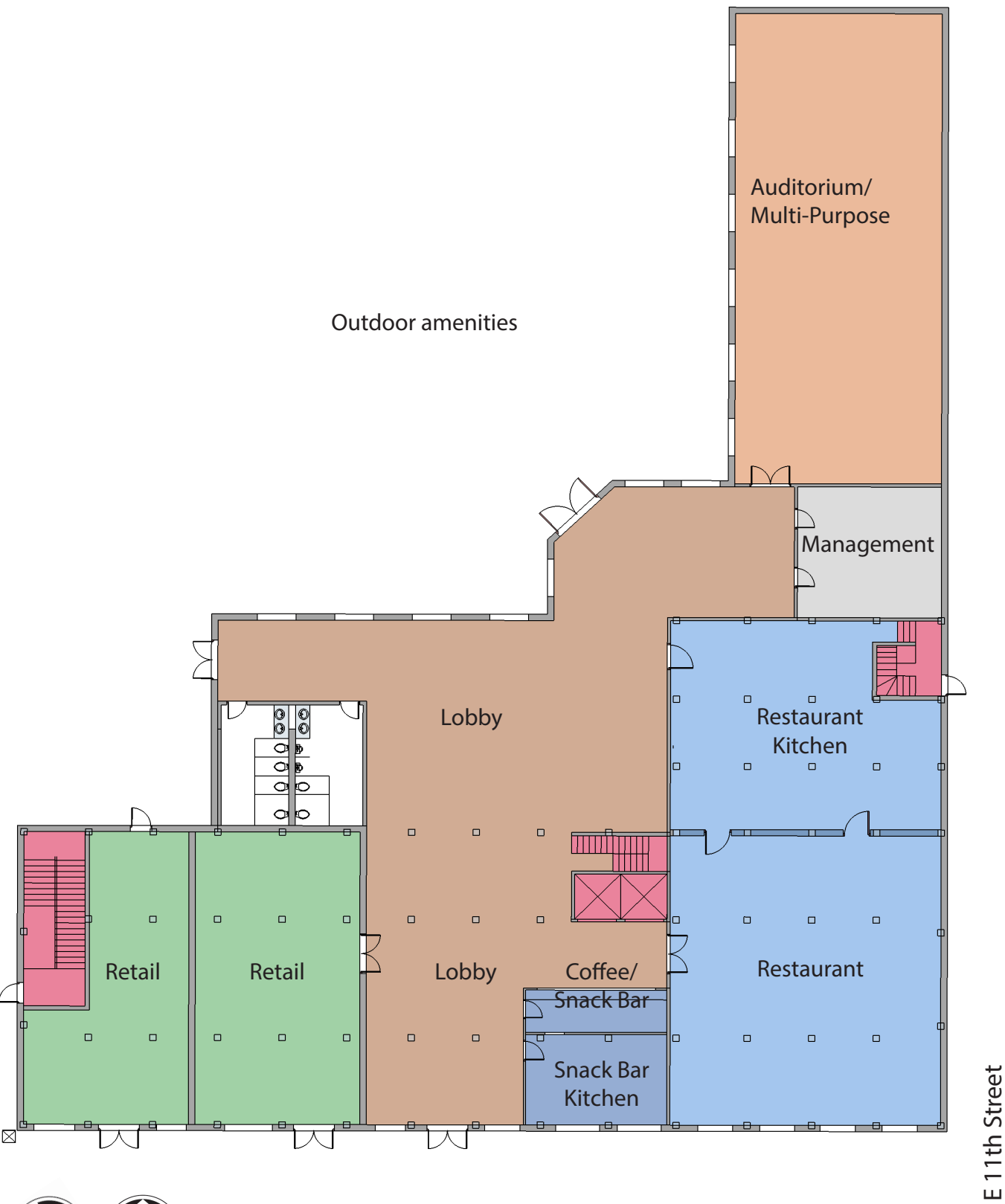
- Student Housing: 39 [1/2 space per room]
- Retail: 12 [3/10 space per 100 sf + 1 per employee]
- Snack/Coffee Bar: 4 [1 per employee]
- Staff: 12

[illegible]

Scenarios 1 and 2 | Ground Floor Plans



Basement Floor Plan
NO SCALE



Ground Floor Plan
NO SCALE



<http://www.thc.texas.gov/town-square-initiative>