



ALCOTT DEVELOPMENT GROUP

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EXECUTIVE SUMMARY

Globeville, once the heart of Denver's economic engine, and home to a diverse and prosperous working class, has been neglected for several decades. As the city expanded around it, Globeville lacked the significant public and private investment from which other communities benefited. Today, Globeville is front and center in the path of progress as development moves north from RiNo, and west with the redevelopment of the 250-acre National Western Center (NWC). The focus of the *2017 NAIOP Rocky Mountain Real Estate Challenge* positions this 19.88-acre site as a prime opportunity for a catalytic evolution, transitioning Globeville from a long neglected neighborhood to one primed for success in modern Denver.

Grown from concepts central to the community's history, Roots @ 50th is envisioned as an "agrihood", a mixed-use development centered around the incorporation of a production farm as a community amenity. Roots @ 50th encompasses elements of commerce, (Roots: Work), agriculture (Roots: Grow), and housing (Roots: Live).

Alcott Development Group (ADG) is the ideal developer for Roots @ 50th. Specializing in mixed-use urban development we focus on: people, planet, and profit. We are committed to building communities that address multiple tiers of affordability, health and wellness, and economic opportunity. Creating a vibrant mixed-use development centered around access to healthy food, community gathering space, commerce and housing, Roots @ 50th nurtures the evolving identity of Globeville as a neighborhood that is committed to its roots.

CASE STATEMENT ANALYSIS

The case statement for the 2017 RMREC Challenge set forth the following requirements:

- 1) Assume the land basis is \$35/SF
- 2) Create a mixed-use development that aligns with the Globeville Neighborhood Plan
- 3) Secure institutional equity today for near-term development
- 4) Create a market-driven development that aligns with current market conditions

Roots @ 50th addresses these case statement requirements in the following ways:

1) There was no requirement to contribute the land to a partnership with our institutional equity investor at the original acquisition price. Therefore, in order to meet other case statement requirements, ADG wrote-down the land value to a market-validated price, took a calculated upfront loss, and will recapture the original basis over the course of the development.

2) Located between an industrial park and a residential neighborhood, Roots @ 50th is a transitional development linking these uses via urban agriculture, an integrated flex/light industrial campus, and mixed-income residential. A community plaza serves as a central point for gathering, and also highlights the uniqueness of Roots @ 50th – urban agriculture as a pillar of a sustainable and healthy community. This balance of commerce, industry, and housing aligns with plan's goals of making Globeville a unique, strong, healthy, and connected neighborhood.

3) Utilizing a \$35/SF land basis, ADG would need to develop a maximum density project with over 1,000 residential units that would require >\$200M of institutional equity to justify this basis. Given this is not market feasible, ADG decided to write-down the land value to \$15 PSF and protect our institutional equity partner's return with a market-driven

program. This successfully yields our equity partner a 19.02% deal IRR with a \$35M equity investment.

4) Catering to a growing need, our program meets the robust demand for flex/light industrial space. Slated for Phase II, the delivery of the market rate and affordable residential housing will coincide with the completion of more area amenities and an adjacent employment center.

DEVELOPMENT PROGRAM

Roots: Work

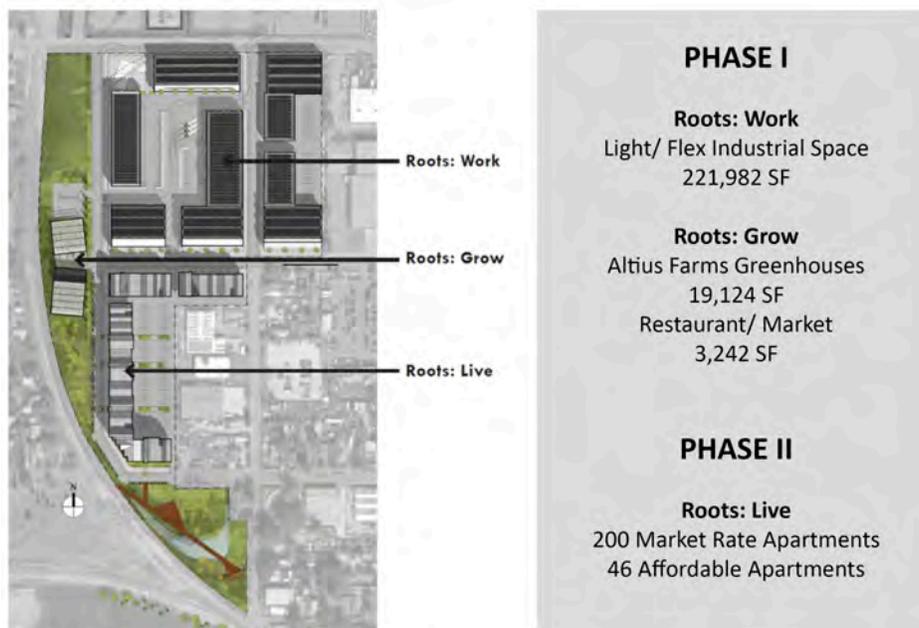
Phase I of Roots @ 50th includes Roots: Work and Roots: Grow. Given the proximity to the future NWC, Roots: Work caters flex/ light industrial spaces to smaller scale agtech, tech-transfer, and food distribution businesses. Flexible design allows customization for a variety of tenants to pair warehouse needs with office, showroom and/or retail space. Shared amenities and open space allow lower overhead costs for emerging companies, and provides a unique opportunity to share resources and spark innovation. This block creates a critical buffer between the larger industrial uses to the north and the residential component to the south.

Roots: Grow

Roots: Grow encompasses a vertical aeroponic farming business, operated by Denver-based Altius Farms, as well as community gardening space that honors the agricultural history of Globeville. Altius Farms will tenant the greenhouses and sell high quality leafy greens to area restaurants (90% of production) and direct to residents through a community CSA program (10% of production). A highly efficient, sustainable, and profitable business, their growing technology will produce 48,000 plants in each of 15 growing cycles annually. Denver Urban Gardens (DUG) a local non-profit, will partner with Alcott Development Group on implementing and managing the community gardens. Additionally, a fast-casual healthy restaurant concept by Biju Thomas (Biju's Little Curry Shop) and a small market space attached to the greenhouse will anchor the community plaza and create a gathering space for residents, employees and the surrounding community.

Roots: Live

Phase II of our development is 200 market rate multifamily units as well as 46 affordable multifamily units that will be developed in partnership with an affordable housing developer. Projected for delivery in 2021, this mixed-income residential community is conveniently accessed from Washington Street with the primary entrance off 50th Ave. The residential buildings are defined by innovative design that incorporates nature, promotes health and wellness, as well as chance interactions among residents. Intermixed with trees, walking paths, and gardens, Roots: Live incorporates open space for community gathering and opportunities for residents to live and work.



FINANCIAL SUMMARY

Alcott Development Group (ADG) is seeking a \$35,124,797 equity investment for the development of Roots @ 50th. ADG purchased the land at a \$35/SF (\$30,307,690) basis and will contribute the land as equity at a discounted value of \$15/SF (\$12,903,167). Given the requirement to immediately put our investment to work, ADG will take an upfront loss of \$20/SF. Upon disposition, ADG will have prioritized the equity investor's return and fully recouped the \$20/SF upfront loss.

The overall Deal IRR is 19.02% with a 2.0x multiple. The overall return on costs of 7.51% provides a sufficient spread (150+ bps) between the projected disposition caps rates for each phase of the project. We are eager to present a unique investment opportunity that provides market-validated returns.

Return Summary			
	Total	Mkt. Rate Apt.	Flex + Green
Total Project Cost	90,148,991	52,751,454	37,397,537
Stabilized NOI	6,768,860	3,960,655	2,808,205
ROC	7.51%	7.51%	7.51%
IRR	19.02%	20.93%	15.40%
Multiple	2.0x	2.3x	1.5x
Disposition Cap Rate		5.50%	6.00%

Total Sources and Uses			
Sources		Uses	
Land Equity	12,903,167	Land	12,903,167
Equity	35,124,797	Hard Costs	62,081,601
Debt	42,121,027	Soft Costs	12,120,951
		Loan Costs	3,043,272
	90,148,991		90,148,991

Market Rate Apartments			
Sources		Uses	
Land Equity	7,073,045	Land	7,073,045
Equity	24,076,202	Hard Costs	39,403,175
Debt	21,602,208	Soft Costs	5,038,237
		Loan Costs	1,236,997
	52,751,454		52,751,454

Flex + Green			
Sources		Uses	
Land Equity	5,830,122	Land	5,830,122
Equity	11,048,595	Hard Costs	22,678,426
Debt	20,518,820	Soft Costs	7,082,714
		Loan Costs	1,806,275
	37,397,537		37,397,537