

May 9, 2016

Ms. Karen Olson  
Deputy Director  
Port and Marine Services  
201 William Street  
Key West, FL 33040

**RE: 907 Caroline Street Feasibility Analysis**

Dear Karen,

In accordance with your request, Bender & Associates Architects, and Niles, Kight & Company has completed an analysis of the property at 907 Caroline Street. The purpose of this analysis is to determine the highest and best use for the property and evaluate the property for potential redevelopment. Alternates evaluated include rehabilitation or demolition and reconstruction.

**Methodology:**

We field measured and evaluated the existing structure for historic significance and performed a conditions assessment. The structure is not listed as a contributing resource, but its age does qualify it as historic. The building has been severely altered. A photograph taken in the late 1950's or early 1960's shows the building as a one story stucco over masonry vernacular building with a flat roof and jalousie windows. Solid double doors faced Elizabeth Street. Its use at that time was an auto body shop.



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*Florida License AAC002022*  
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Alterations occurred over the ensuing years which altered its historic characteristics, most notably by altering fenestration. An arbor and porch for outdoor display was added on the west side. Doors were added and windows enlarged. Jalousie windows were replaced with fixed glass display windows, and additions were placed on the rear, north façade.





The rear additions are wood frame and are not compatible architecturally with the original building. If a renovation rehabilitation approach were taken, the additions would need to be removed. If there is a need for this space, then a more appropriate addition should be constructed.

The structure is in fair condition with substantial spalling concrete.

#### **Alternatives Include The Following:**

##### **Rehabilitation:**

Given the condition of the existing building and its small size after removal of additions, the rehabilitation approach was deemed to be not feasible. While the building is historic, it is not a contributing resource. Any new use for the building would require extensive alterations, including expansion of its footprint. Flood proofing of the structure is not feasible, and therefore, this option was abandoned.

##### **One story commercial only:**

This option reconstructs a one story stucco over masonry building that is flood proofed. The footprint covers the same area as the existing building with its additions. The uses include the City shop on the north side and two commercial spaces of 954 square feet each facing Caroline Street. This option approximates the current configuration as to uses.

##### **Two story, commercial first floor with residential on the second floor:**

This option uses the same first floor plan as the one story option but adds four one bedroom, one bath apartments on the second floor for work force housing.

##### **Financial Data:**

Three pro formas were completed to determine financial feasibility: the one story only, and two options for the two story with apartments were run for comparison purposes. The residential rents matched those used by Manny Castillo in his workforce housing pro forma for Peary Court. That rent showed a substantial cash flow in excess of the commercial only option. Therefore, a third assumption was run that dropped the residential rents from \$1,500/month to \$1,300 per month.

In all cases, there is a substantial cash flow. The pro forma for each follows:

**BENDER & ASSOCIATES ARCHITECTS, P.A.**

**Forecast – 907 Caroline Street Project  
For the City of Key West  
April 20, 2016**



**NILES, KIGHT &  
COMPANY, PLLC**  
CPAS & FINANCIAL ADVISORS

**BENDER & ASSOCIATES ARCHITECTS, P.A.**

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## **ACCOUNTANTS' ASSEMBLY REPORT**

**To Mr. Bert Bender  
Bender & Associates Architects, P.A.  
Key West, Florida**

We have assembled, from information provided by Bender & Associates Architects, P.A. and the City of Key West, the accompanying forecasted 15 year pro-formas for the development and rental operation of 907 Caroline Street Project by the City of Key West. We have not compiled or examined the financial forecasts and express no assurance of any kind on them. Further, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. In accordance with the terms of our engagement, this report and the accompanying forecasts are restricted to internal use and may not be shown to any third party for any purpose.

Niles, Kight & Company, PLLC  
Certified Public Accountants

April 20, 2016

### **Assumption 1 – Commercial Only**

This assumption contemplates a one story commercial building with 2 commercial units of 964 square feet each, and a unit for the City of Key West maintenance department of 980 square feet. The assumed construction cost for this option is \$1,107,435 and will be financed at 4% interest for 30 years. Since this will be new construction, there should not be any repairs and maintenance expense for several years in excess of the amounts covered by the CAM charges.

### **Assumption 2 – Commercial & Residential with \$1,500 per month rent**

In addition to the commercial units in assumption 1, this assumption contemplates a second story with 4 residential units of 600 square feet each with a monthly rental rate of \$1,500 per unit. The assumed construction cost for this option is \$2,192,390 and will be financed at 4% interest for 30 years. Since this will be new construction, there should not be any repairs and maintenance expense for several years in excess of the amounts covered by the CAM charges.

### **Assumption 3 – Commercial & Residential with \$1,300 per month rent**

In addition to the commercial units in assumption 1, this assumption contemplates a second story with 4 residential units of 600 square feet each with a monthly rental rate of \$1,300 per unit. The assumed construction cost for this option is \$2,192,390 and will be financed at 4% interest for 30 years. Since this will be new construction, there should not be any repairs and maintenance expense for several years in excess of the amounts covered by the CAM charges.

City of Key West  
 Development Project - 907 Caroline Street - One Story Commercial  
 Assumption 1

**Assumptions:**

1 - Annual Rental Increase	2.0%
2 - Vacancy	0.0%
3 - Annual Expense Increase	5.0%

Construction Cost and Loan Amount	\$	1,107,435
Monthly Principal & Interest		\$5,287
Interest Rate	4.0%	
Term	30 years	

**Rental & Other Income:**

	# Units	Sq Ft	Annual Rent Rate	Annual Rent	CAM Rate	Annual CAM	Total Income
Commercial Units	2	964	\$ 35	\$ 67,480	4.07	\$ 7,847	\$ 75,327
City Maintenance Shop	1	980	\$ 35	\$ 34,300	4.07	\$ 3,989	\$ 38,289
Apartments	0	0	\$ -	\$ -		\$ -	\$ -
<b>Total Rental Income</b>				\$ 101,780		\$ 11,836	\$ 113,616
Other Income							\$ -
<b>Total Income</b>							\$ 113,616

**Expenses:**

Property Management (\$4.07 per sq ft)							\$ 11,836
Repairs & Maintenance							
Replacement Reserve							
<b>Total Expenses</b>							11,836
<b>Net Operating Income</b>							\$ 101,780
Annual Debt Service							\$ 63,444
<b>Net Income (Deficit)</b>							\$ 38,336

**Construction Costs:**

One story Building - 2,924 sq ft				\$ 953,640
A/E Fees	8.5%			81,060
Soils Report				10,000
Reimbursables				10,000
<b>Sub-Total</b>				1,054,700
Contingency	5.0%			52,735
<b>Total Construction Cost</b>				\$ 1,107,435



City of Key West  
 Development Project - 907 Caroline Street - One Story Commercial  
 Assumption 1

**15 Year Pro-Forma**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Gross Rental Income	\$ 113,616	\$ 115,888	\$ 118,206	\$ 120,570	\$ 122,981	\$ 125,441	\$ 127,950	\$ 130,509	\$ 133,119	\$ 135,781	\$ 138,497	\$ 141,267	\$ 144,092	\$ 146,974	\$ 149,913
Operating Expenses	11,836	12,428	13,049	13,701	14,386	15,105	15,860	16,653	17,486	18,360	19,278	20,242	21,254	22,317	23,433
Net Operating Income	101,780	103,460	105,157	106,869	108,595	110,336	112,090	113,856	115,633	117,421	119,219	121,025	122,838	124,657	126,480
Debt Service	63,444	63,444	63,444	63,444	63,444	63,444	63,444	63,444	63,444	63,444	63,444	63,444	63,444	63,444	63,444
Net Income (Deficit)	38,336	40,016	41,713	43,425	45,151	46,892	48,646	50,412	52,189	53,977	55,775	57,581	59,394	61,213	63,036
Cumulative Net Income		78,352	120,065	163,490	208,641	255,533	304,179	354,591	406,780	460,757	516,532	574,113	633,507	694,720	757,756

City of Key West

Development Project - 907 Caroline Street - Commercial & Residential - \$1,500 per month

Assumption 2

**Assumptions:**

1 - Annual Rental Increase	2.0%
2 - Vacancy	0.0%
3 - Annual Expense Increase	5.0%

Construction Cost and Loan Amount	\$	2,192,390
Monthly Principal & Interest		\$10,467
Interest Rate	4.0%	
Term	30 years	

**Rental & Other Income:**

	# Units	Sq Ft	Annual Rent Rate	Annual Rent	CAM Rate	Annual CAM	Total Income
Commercial Units	2	964	\$ 35	\$ 67,480	4.07	\$ 7,847	\$ 75,327
City Maintenance Shop	1	980	\$ 35	\$ 34,300	4.07	\$ 3,989	\$ 38,289
Apartments	4	600	\$ 18,000	\$ 72,000		\$ -	\$ 72,000
<b>Total Rental Income</b>				\$ 173,780		\$ 11,836	\$ 185,616
Other Income							\$ -
<b>Total Income</b>							\$ 185,616

**Expenses:**

Property Management (\$4.07 X 5,308 sq ft)							\$ 21,604
Repairs & Maintenance							
Replacement Reserve							
<b>Total Expenses</b>							21,604
<b>Net Operating Income</b>							\$ 164,012
Annual Debt Service							\$ 125,604
<b>Net Income (Deficit)</b>							\$ 38,408

**Construction Costs:**

Two Story Building - 5,308 sq ft						\$ 1,932,700
A/E Fees	7.0%					135,290
Soils Report						10,000
Reimbursables						10,000
Sub-Total						2,087,990
Contingency	5.0%					104,400
<b>Total Construction Cost</b>						\$ 2,192,390

City of Key West  
 Development Project - 907 Caroline Street - Commercial & Residential - \$1,500 per month  
 Assumption 2

**15 Year Pro-Forma**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Gross Rental Income	\$ 185,616	\$ 189,328	\$ 193,115	\$ 196,977	\$ 200,917	\$ 204,935	\$ 209,034	\$ 213,215	\$ 217,479	\$ 221,829	\$ 226,266	\$ 230,791	\$ 235,407	\$ 240,115	\$ 244,917
Operating Expenses	21,604	22,684	23,818	25,009	26,259	27,572	28,951	30,399	31,919	33,515	35,191	36,951	38,799	40,739	42,776
Net Operating Income	164,012	166,644	169,297	171,968	174,658	177,363	180,083	182,816	185,560	188,314	191,075	193,840	196,608	199,376	202,141
Debt Service	125,604	125,604	125,604	125,604	125,604	125,604	125,604	125,604	125,604	125,604	125,604	125,604	125,604	125,604	125,604
Net Income (Deficit)	38,408	41,040	43,693	46,364	49,054	51,759	54,479	57,212	59,956	62,710	65,471	68,236	71,004	73,772	76,537
Cumulative Net Income		79,448	123,141	169,505	218,559	270,318	324,797	382,009	441,965	504,675	570,146	638,382	709,386	783,158	859,695

City of Key West

Development Project - 907 Caroline Street - Commercial & Residential - \$1,300 per month

Assumption 3

**Assumptions:**

1 - Annual Rental Increase	2.0%
2 - Vacancy	0.0%
3 - Annual Expense Increase	5.0%

Construction Cost and Loan Amount	\$	2,192,390
Monthly Principal & Interest		\$10,467
Interest Rate	4.0%	
Term	30 years	

**Rental & Other Income:**

	# Units	Sq Ft	Annual Rent Rate	Annual Rent	CAM Rate	Annual CAM	Total Income
Commercial Units	2	964	\$ 35	\$ 67,480	4.07	\$ 7,847	\$ 75,327
City Maintenance Shop	1	980	\$ 35	\$ 34,300	4.07	\$ 3,989	\$ 38,289
Apartments	4	600	\$ 15,600	\$ 62,400		\$ -	\$ 62,400
<b>Total Rental Income</b>				\$ 164,180		\$ 11,836	\$ 176,016
Other Income							\$ -
<b>Total Income</b>							\$ 176,016

**Expenses:**

Property Management (\$4.07 X 5,308 sq ft)							\$ 21,604
Repairs & Maintenance							
Replacement Reserve							
<b>Total Expenses</b>							21,604
<b>Net Operating Income</b>							\$ 154,412
Annual Debt Service							\$ 125,604
<b>Net Income (Deficit)</b>							\$ 28,808

**Construction Costs:**

Two Story Building - 5,308 sq ft				\$ 1,932,700
A/E Fees	7.0%			135,290
Soils Report				10,000
Reimbursables				10,000
Sub-Total				2,087,990
Contingency	5.0%			104,400
<b>Total Construction Cost</b>				\$ 2,192,390

City of Key West  
 Development Project - 907 Caroline Street - Commercial & Residential - \$1,300 per month  
 Assumption 3

**15 Year Pro-Forma**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Gross Rental Income	\$ 176,016	\$ 179,536	\$ 183,127	\$ 186,790	\$ 190,526	\$ 194,337	\$ 198,224	\$ 202,188	\$ 206,232	\$ 210,357	\$ 214,564	\$ 218,855	\$ 223,232	\$ 227,697	\$ 232,251
Operating Expenses	21,604	22,684	23,818	25,009	26,259	27,572	28,951	30,399	31,919	33,515	35,191	36,951	38,799	40,739	42,776
Net Operating Income	154,412	156,852	159,309	161,781	164,267	166,765	169,273	171,789	174,313	176,842	179,373	181,904	184,433	186,958	189,475
Debt Service	125,604	125,604	125,604	125,604	125,604	125,604	125,604	125,604	125,604	125,604	125,604	125,604	125,604	125,604	125,604
Net Income (Deficit)	28,808	31,248	33,705	36,177	38,663	41,161	43,669	46,185	48,709	51,238	53,769	56,300	58,829	61,354	63,871
Cumulative Net Income		60,056	93,761	129,938	168,601	209,762	253,431	299,616	348,325	399,563	453,332	509,632	568,461	629,815	693,686

**Recommendations:**

The existing building renovation option has been determined to be not feasible, and demolition is recommended.

There is a critical need for workforce and low income affordable housing. This location is ideal because it allows convenient access to employment, services, and recreation; without the need for a car. All of the required services and employment opportunities are within walking distance. Additionally, the housing options provide a greater positive cash flow.

We recommend proceeding with the two story residential over commercial option. Design documents for both one story and two story options are attached.

Please call if you have any questions or require additional information.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Bert L. Bender', with a long horizontal flourish extending to the right.

Bert L. Bender, Architect,

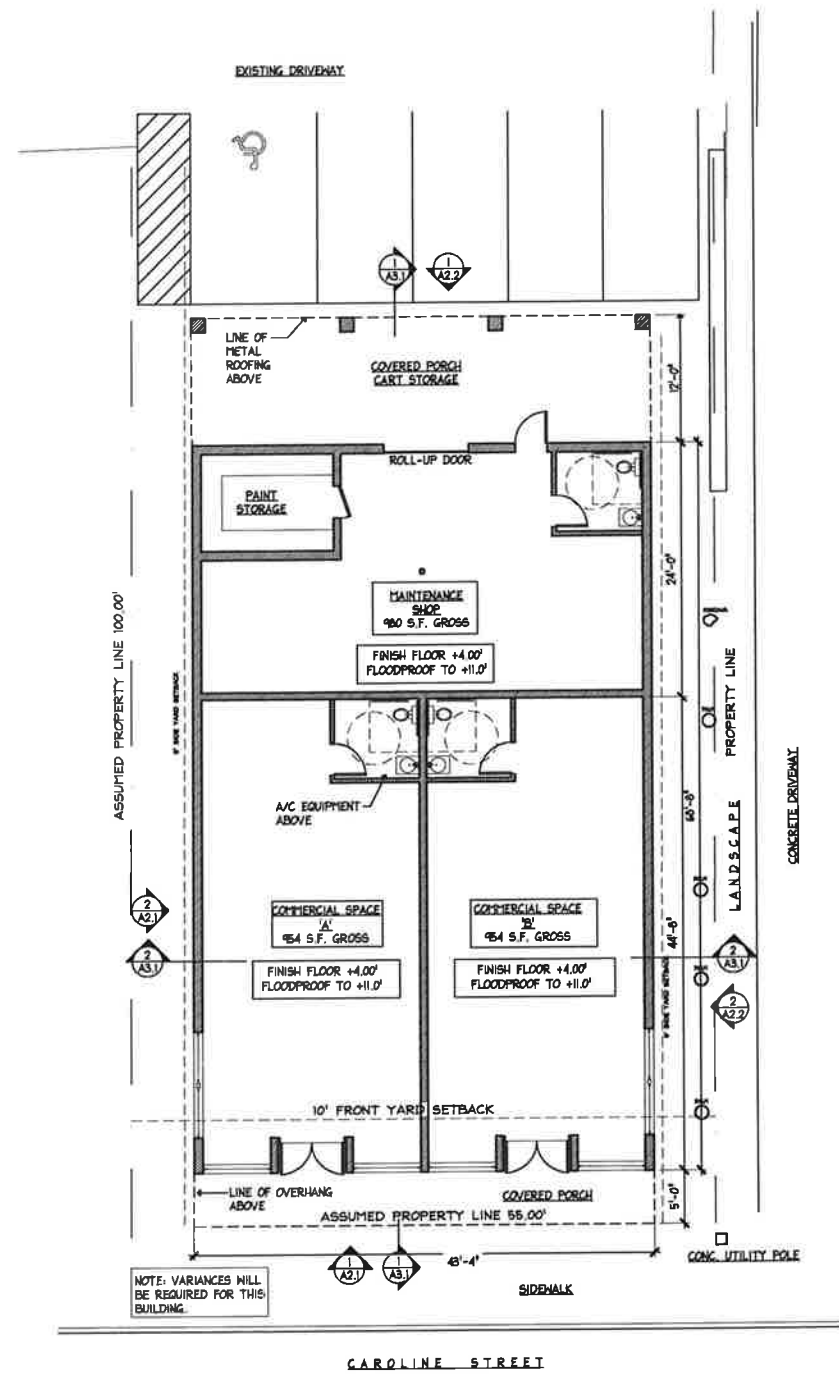
BLB/ddk

cc: Doug Bradshaw

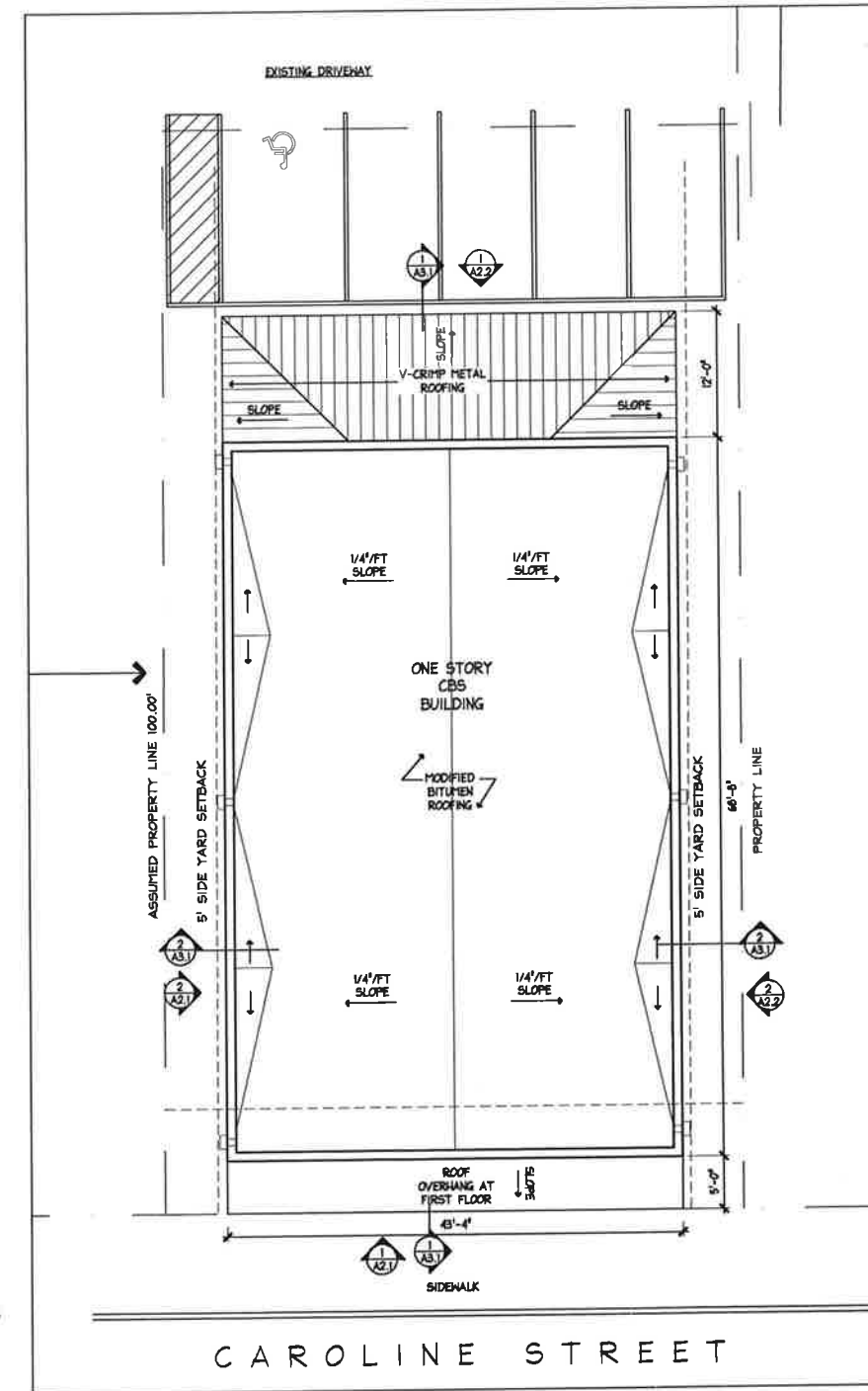
Attachment: Drawings

**BUILDING COST ESTIMATE:**

DEMOLITION OF EXISTING BUILDING / SITEWORK:		\$ 60,000
CONDITIONED SPACE (SHELL ONLY):	\$240/S.F. X 2976 SQUARE FEET =	\$714,240
COVERED PORCH:	\$200/S.F. X 737 SQUARE FEET =	\$147,400
FLOOD PANELS:	\$8000 PER OPENING X 4 OPENINGS =	\$ 32,000
<b>TOTAL ESTIMATED COST:</b>		<b>\$953,640</b>



**2** FIRST FLOOR PLAN - ONE STORY BUILDING  
SCALE: 1/8"=1'-0"



**1** SITE PLAN - ONE STORY BUILDING  
SCALE: 1"=20'-0"

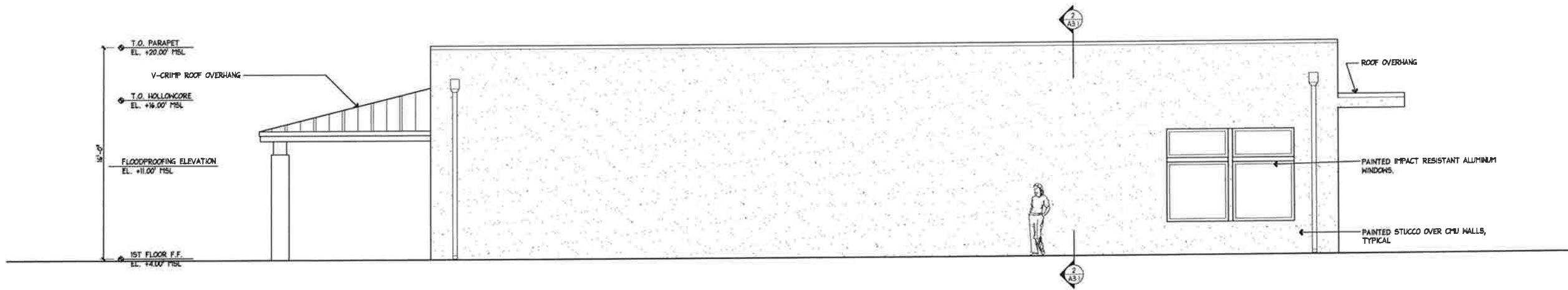
907 CAROLINE STREET  
KEY WEST FLORIDA 33040  
CITY OF KEY WEST

410 Angela Street  
Key West, Florida 33040  
Telephone (305) 298-1347  
Facsimile (305) 298-2727  
Florida License AAC092022

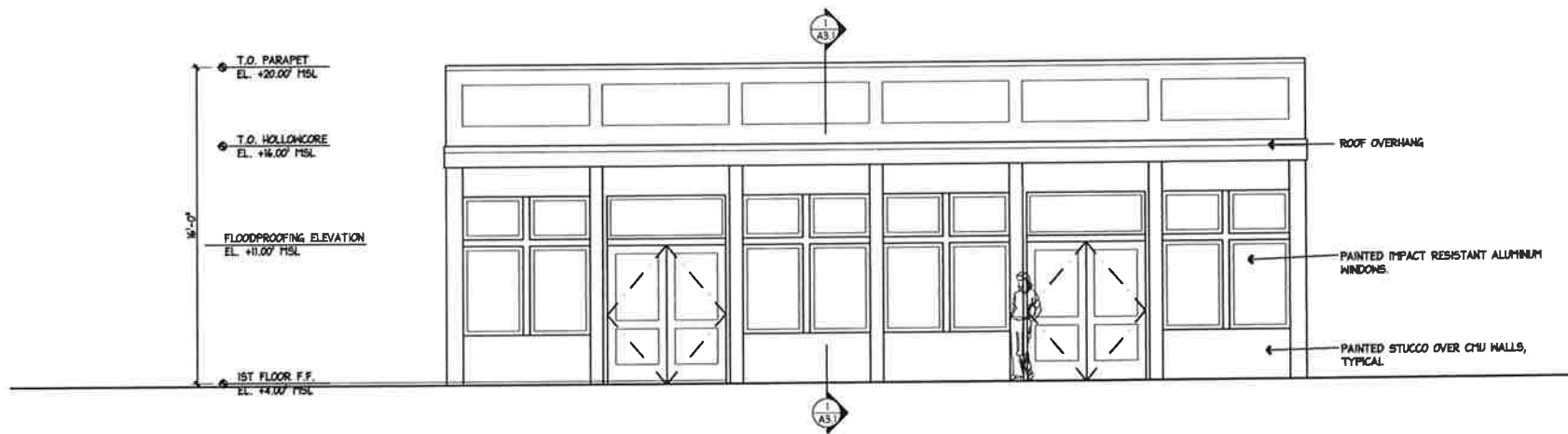
Bender & Associates  
ARCHITECTS  
P.A.

Project No. 1013  
FLOOR PLANS  
Date: 1/11/16

**A1.1**  
ONE STORY  
1 OF



2 WEST EXTERIOR ELEVATION  
 A2 SCALE: 1/4"=1'-0"



1 SOUTH EXTERIOR ELEVATION (CAROLINE STREET)  
 A2 SCALE: 1/4"=1'-0"

907 CAROLINE STREET  
 KEY WEST FLORIDA 33040  
 CITY OF KEY WEST

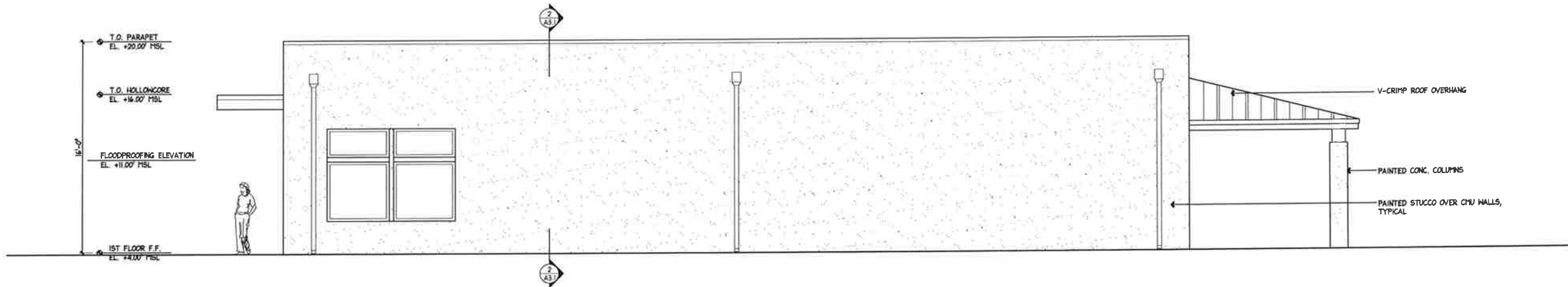
410 Angela Street  
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 Facsimile (305) 296-2727  
 Florida License AAC002022

Bender & Associates  
 ARCHITECTS  
 p.a.

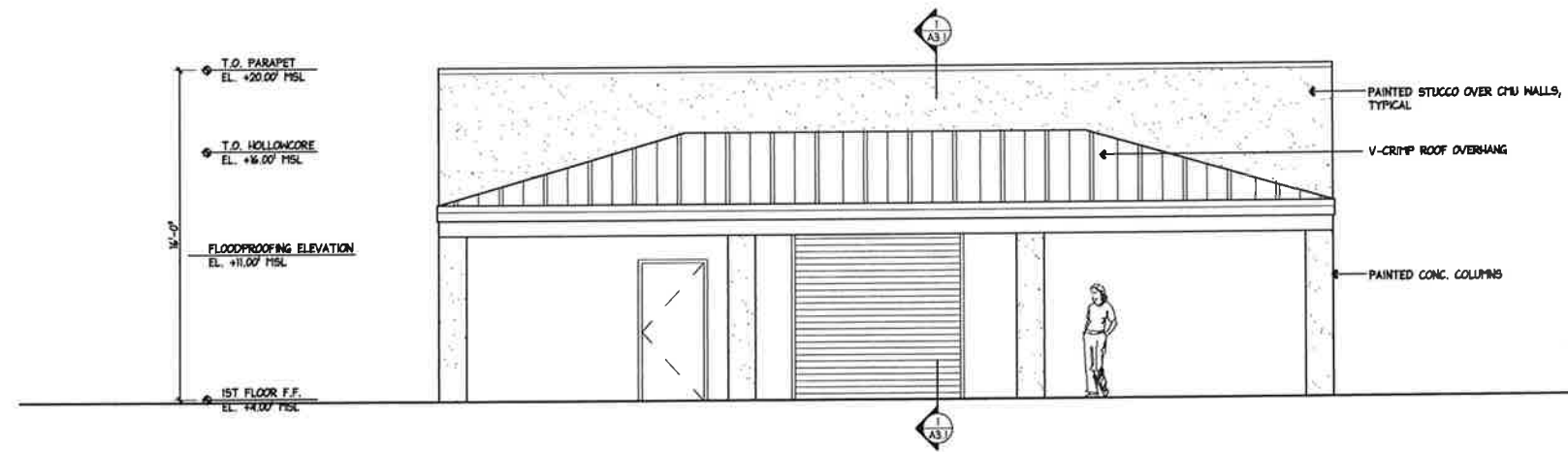
Project No: 10B  
 EXTERIOR ELEVATIONS  
 Date: 1/11/16

A2.1  
 ONE STORY  
 2 OF





2 EAST EXTERIOR ELEVATION  
 A2.2 SCALE: 1/4"=1'-0"



1 NORTH EXTERIOR ELEVATION (REAR OF BUILDING)  
 A2.2 SCALE: 1/4"=1'-0"

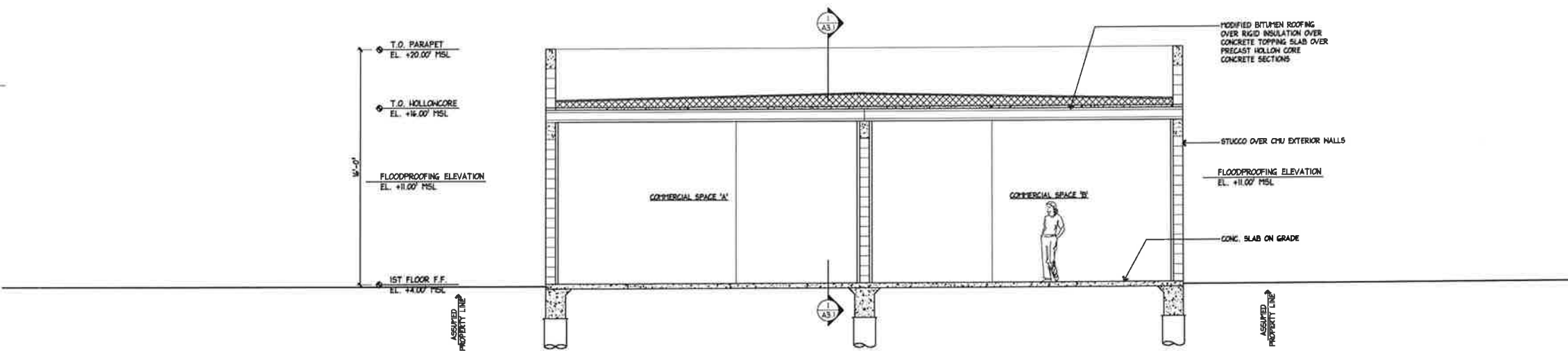
907 CAROLINE STREET  
 KEY WEST FLORIDA 33040  
 CITY OF KEY WEST

410 Angela Street  
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 Facsimile (305) 696-2727  
 Florida License AAC002022

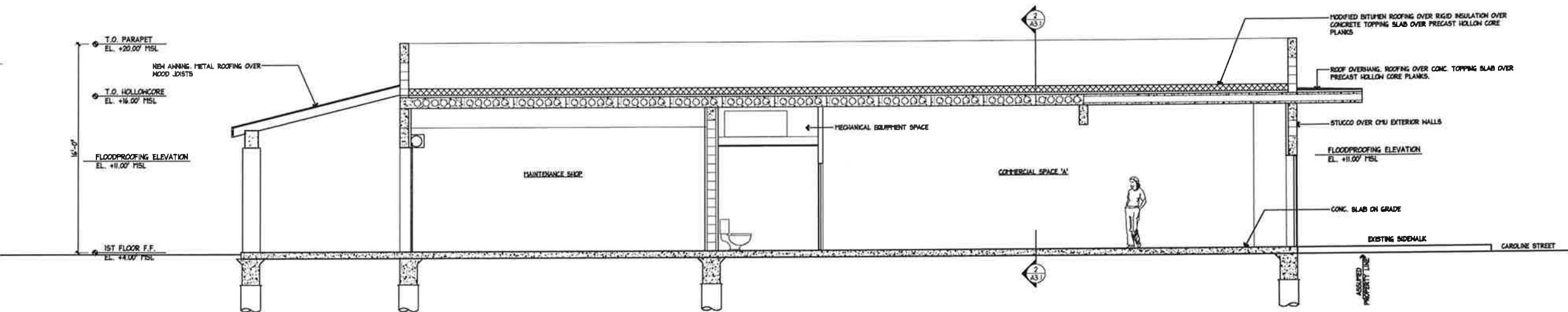
Bender & Associates  
 ARCHITECTS p.a.

Project No. 10B  
 EXTERIOR ELEVATIONS  
 Date: 1/11/16

A2.2  
 ONE STORY  
 3 OF



2 BUILDING LONGITUDINAL SECTION LOOKING NORTH  
 A3 SCALE: 1/4"=1'-0"



1 BUILDING LONGITUDINAL SECTION LOOKING EAST  
 A3 SCALE: 1/4"=1'-0"

907 CAROLINE STREET  
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 CITY OF KEY WEST

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 Facsimile (305) 296-9237  
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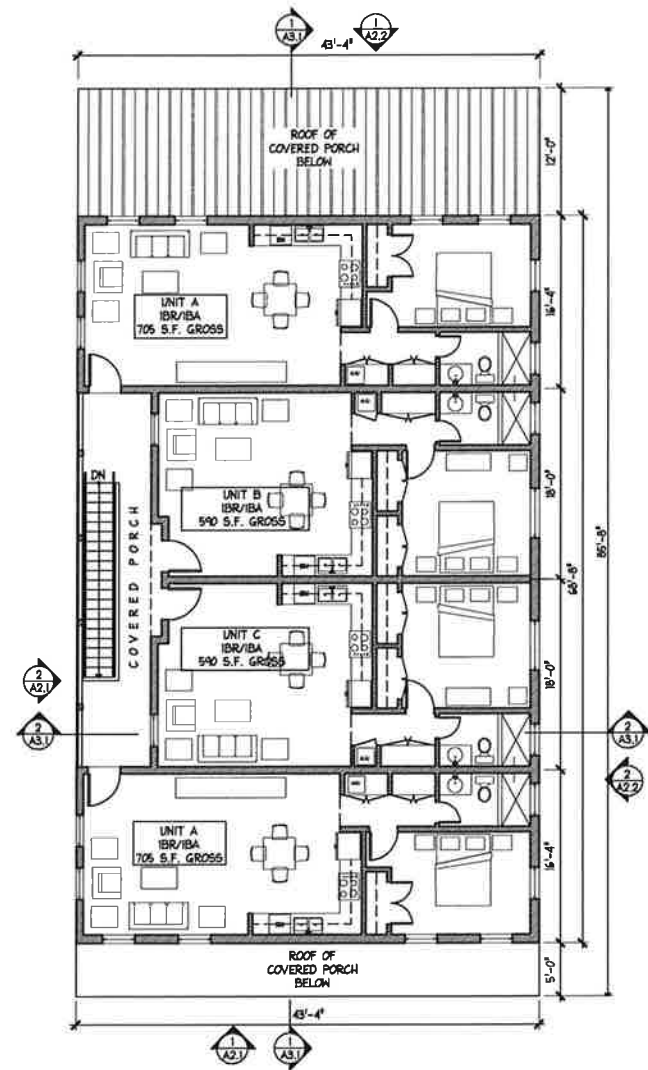
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 ARCHITECTS  
 P.A.

Project No: 105  
 BUILDING SECTIONS  
 Date: 1/1/16

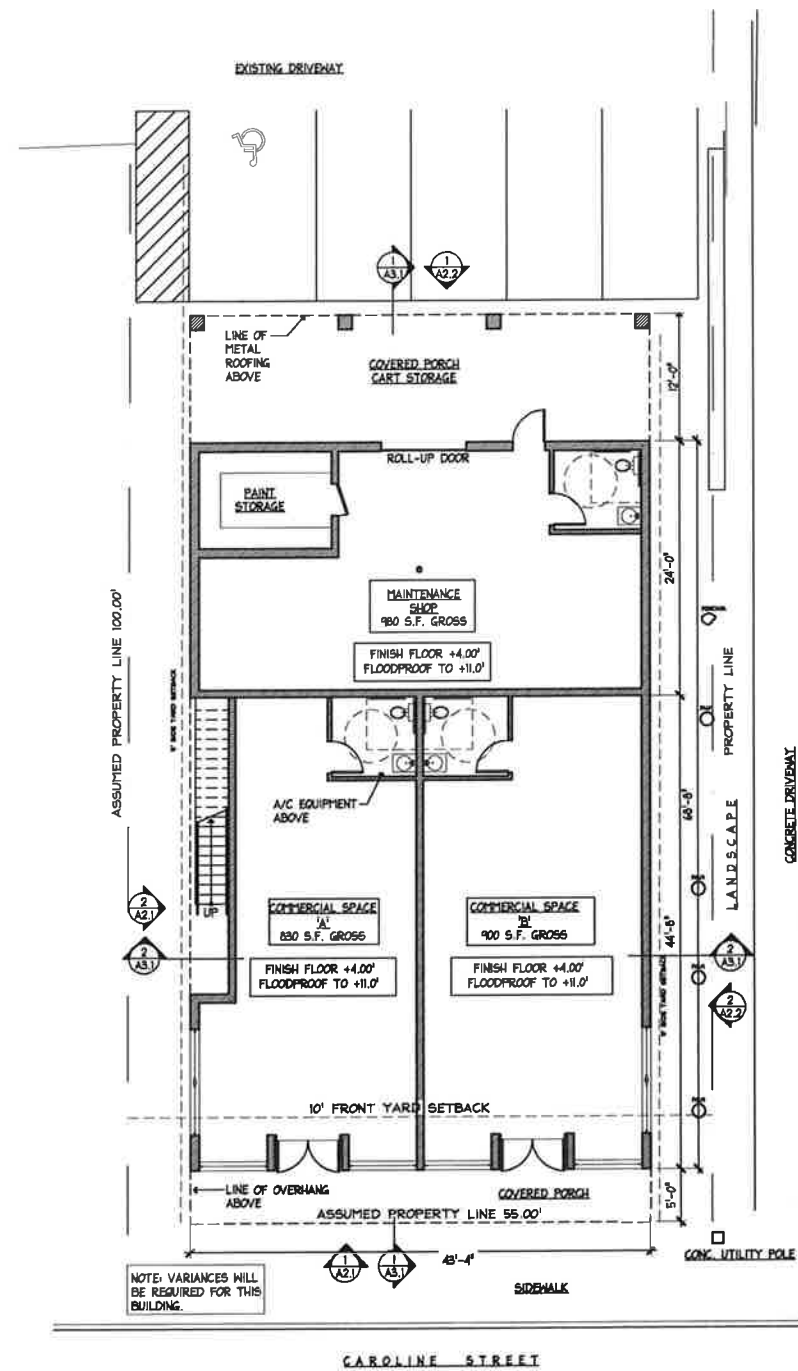
A3.1  
 ONE STORY  
 4 OF

**BUILDING COST ESTIMATE:**

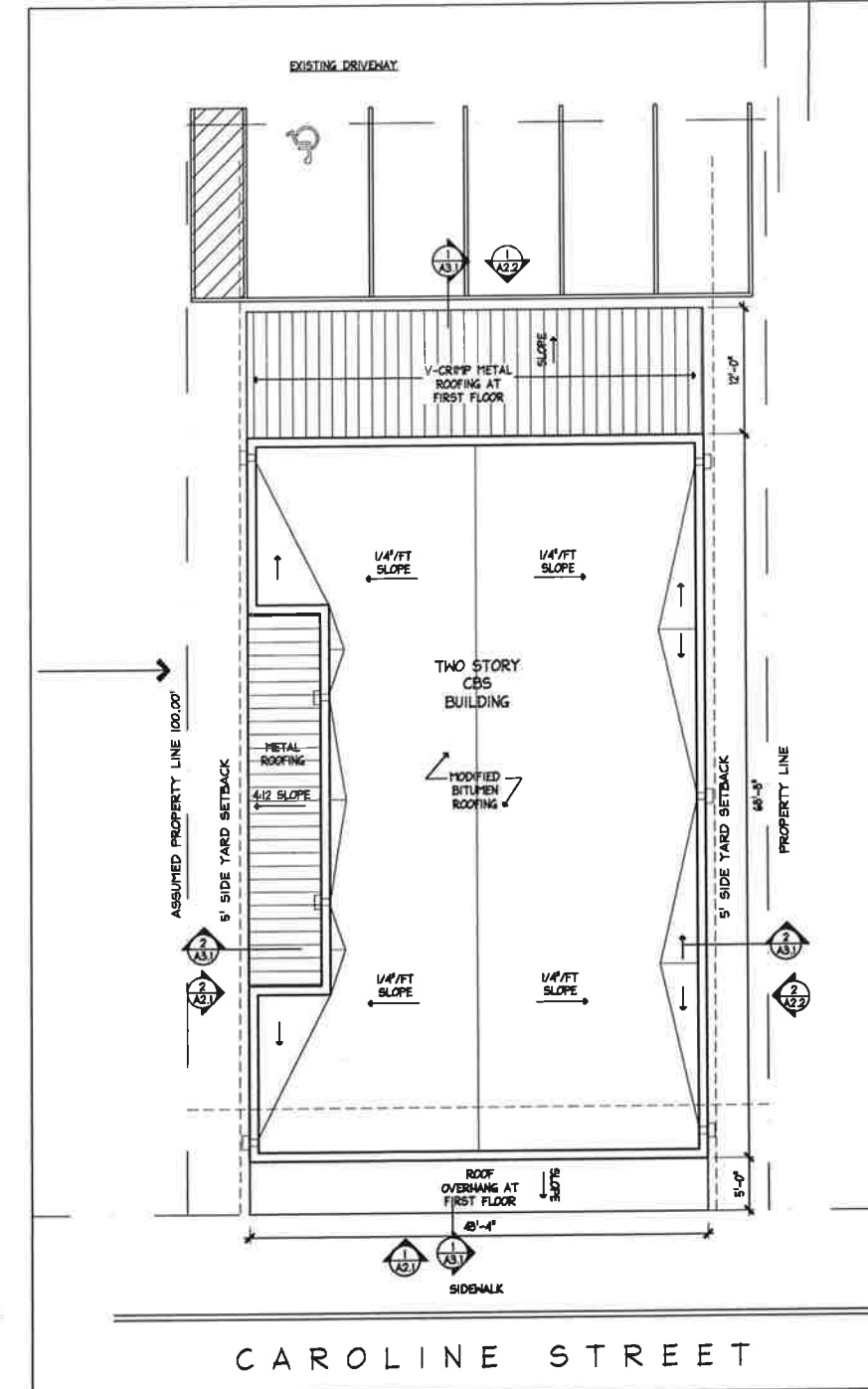
DEMOLITION OF EXISTING BUILDING AND SITE PREPARATION		\$ 60,000
FIRST FLOOR (SHELL ONLY)	\$240/S.F. X 2875 SQUARE FEET =	\$690,000
SECOND FLOOR (FINISHED APARTMENTS)	\$350/S.F. X 2730 SQUARE FEET =	\$955,500
COVERED PORCH:	\$200/S.F. X 976 SQUARE FEET =	\$195,200
FLOOD PANELS:	\$8000 PER OPENING X 4 OPENINGS =	\$ 32,000
<b>TOTAL ESTIMATED COST:</b>		<b>\$1,932,700</b>



3 SECOND FLOOR PLAN - 4 IBR/IBA RESIDENTIAL UNITS  
SCALE: 1/8"=1'-0"



2 FIRST FLOOR PLAN - 2 COMMERCIAL UNITS  
SCALE: 1/8"=1'-0"



1 SITE PLAN  
SCALE: 1"=20'-0"

907 CAROLINE STREET  
KEY WEST FLORIDA 33040  
CITY OF KEY WEST

410 Angela Street  
Key West, Florida 33040  
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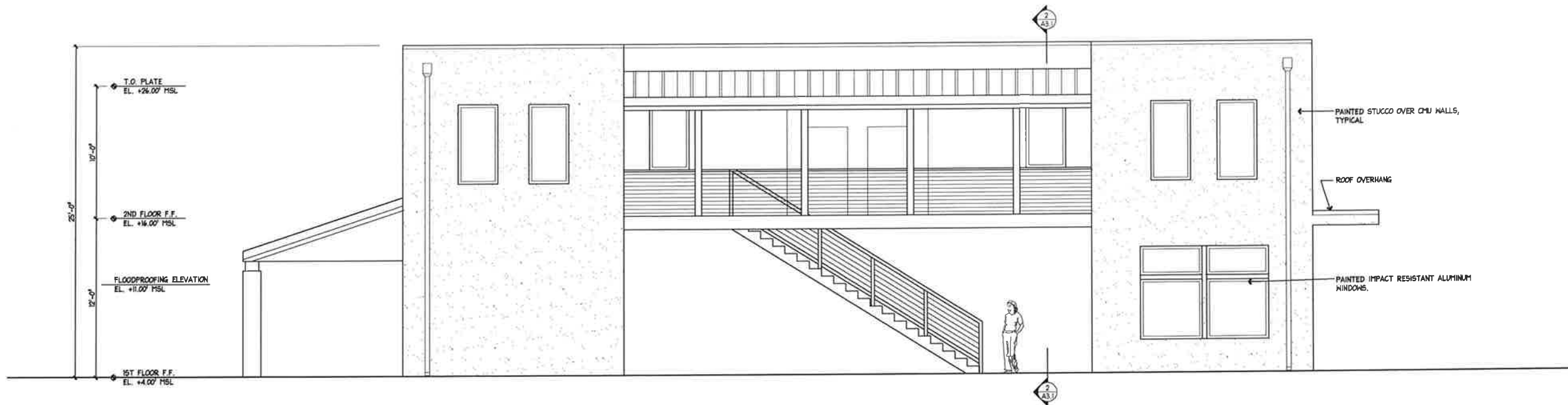
Bender & Associates  
ARCHITECTS  
p.c.

Project No. 105

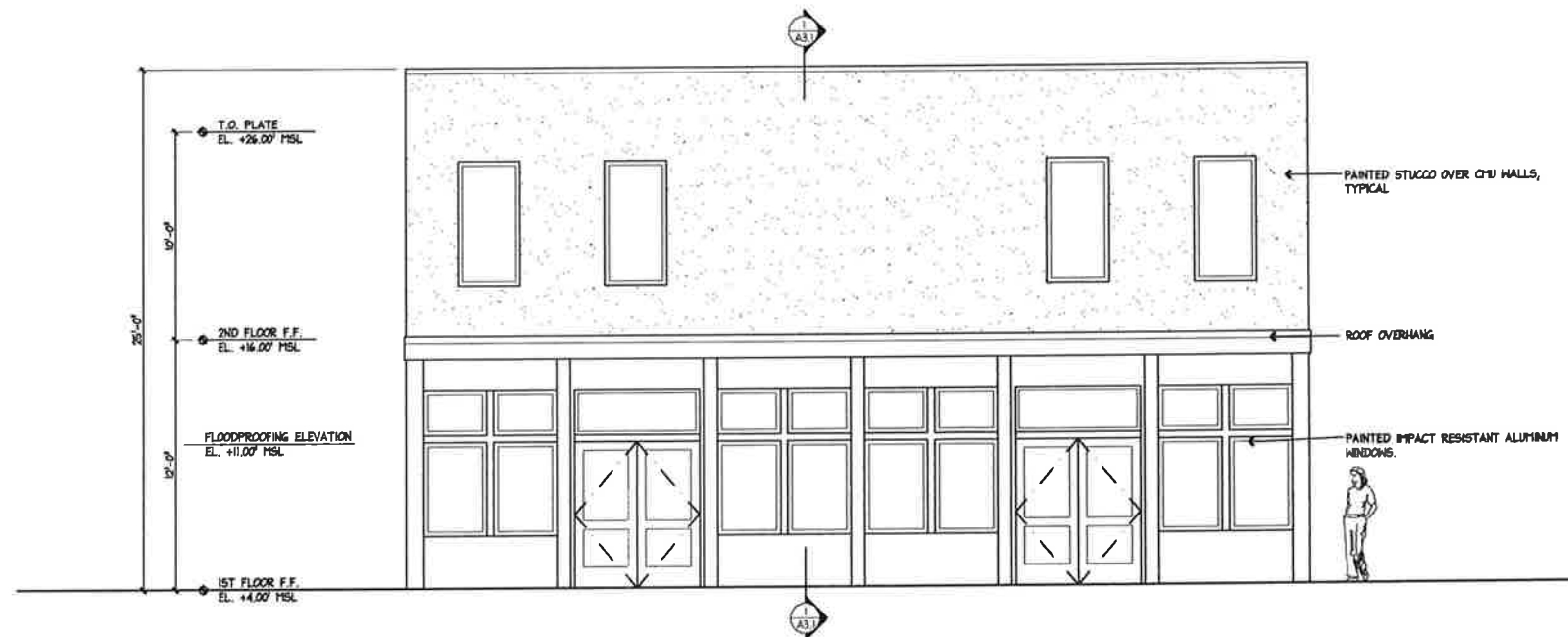
FLOOR PLANS

Date: 1/11/16

**A1.1**  
TWO STORIES  
1 OF



2 WEST EXTERIOR ELEVATION  
SCALE: 1/4"=1'-0"



1 SOUTH EXTERIOR ELEVATION (CAROLINE STREET)  
SCALE: 1/4"=1'-0"

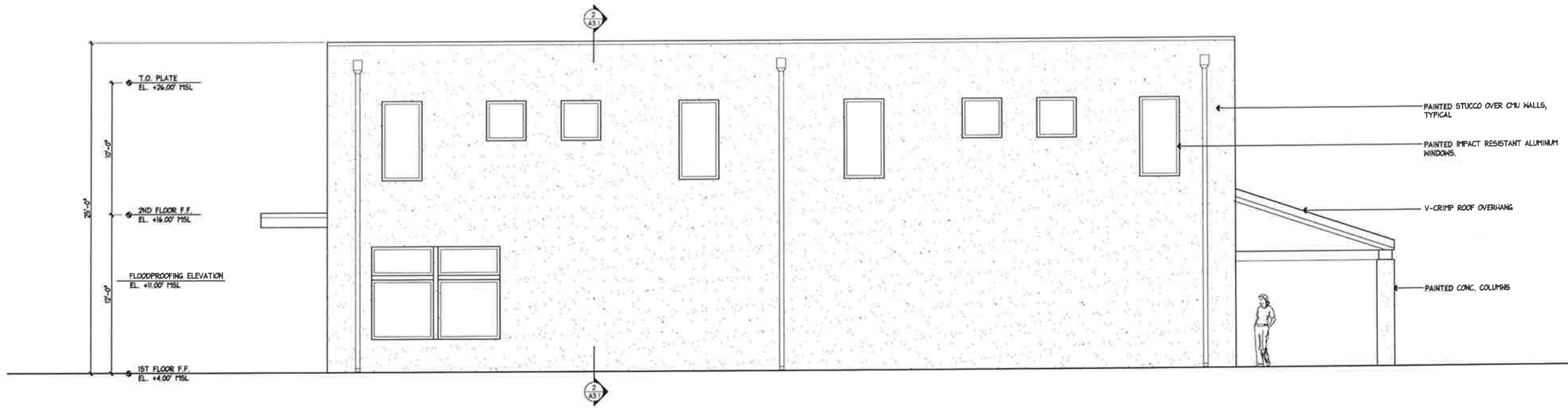
907 CAROLINE STREET  
KEY WEST FLORIDA 33040  
CITY OF KEY WEST

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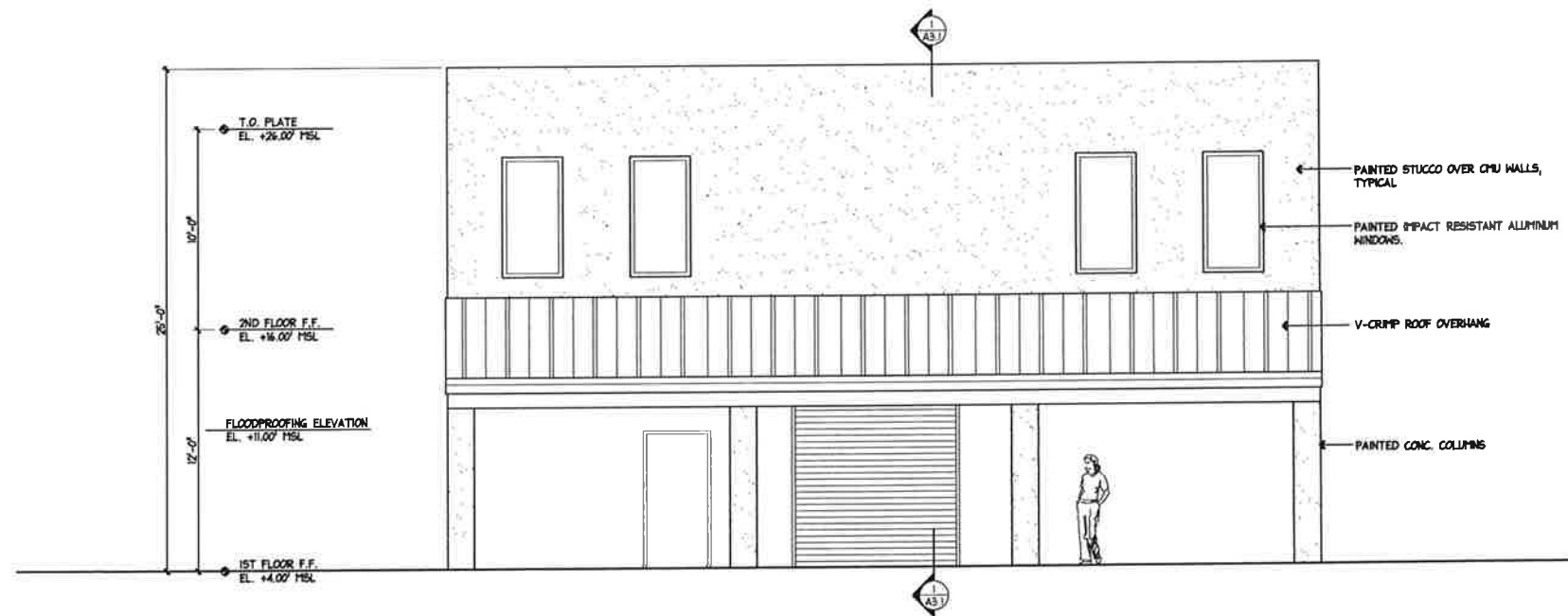
Bender & Associates  
ARCHITECTS  
p.c.

Project No: 103  
EXTERIOR ELEVATIONS  
Date: 1/11/16

A2.1  
TWO STORIES  
2 OF



2 EAST EXTERIOR ELEVATION  
 A2.2 SCALE: 1/4"=1'-0"



1 NORTH EXTERIOR ELEVATION (REAR OF BUILDING)  
 A2.2 SCALE: 1/4"=1'-0"

907 CAROLINE STREET  
 KEY WEST FLORIDA 33040  
 CITY OF KEY WEST

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 Florida License AIC0002022

Bender & Associates  
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 p.c.

Project No: 108  
 EXTERIOR ELEVATIONS  
 Date: 1/1/16

A2.2  
 TWO STORIES  
 3 OF

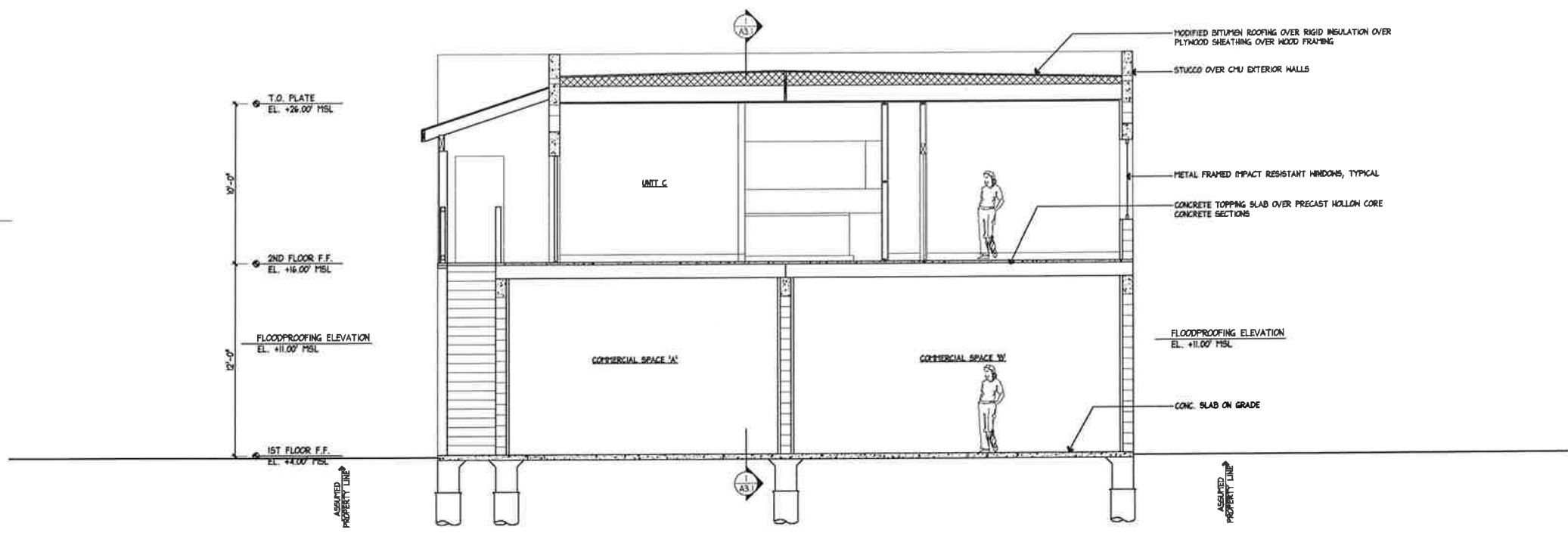
907 CAROLINE STREET  
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 CITY OF KEY WEST

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 Florida License ALC002022

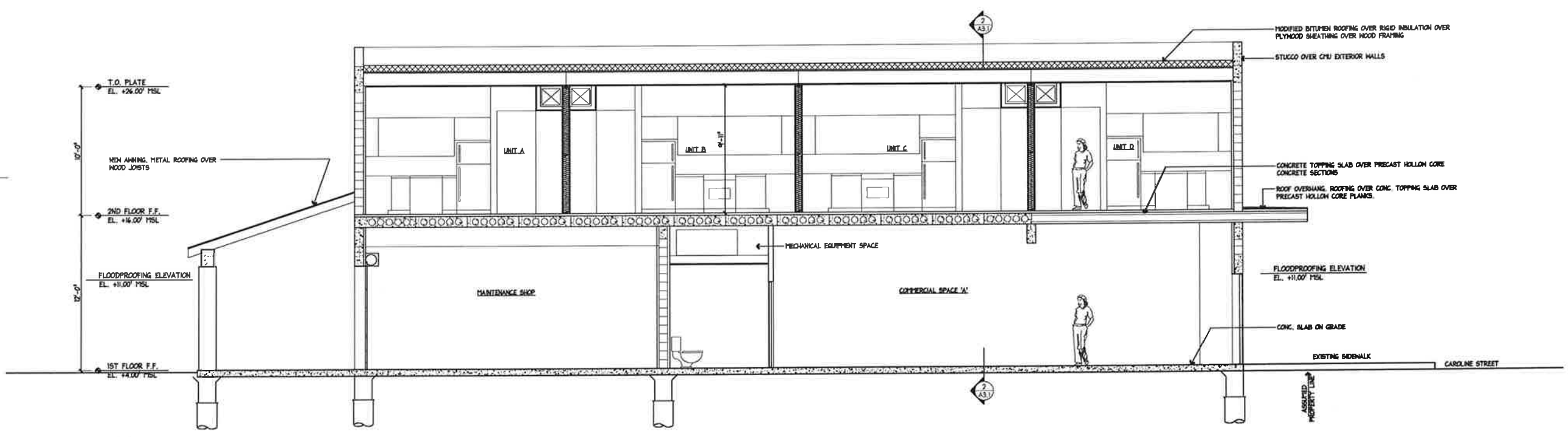
Bender & Associates  
 ARCHITECTS  
 p.c.

Project No: 108  
 BUILDING SECTIONS  
 Date: 1/11/16

**A3.1**  
 TWO STORIES  
 4 OF



2 BUILDING LONGITUDINAL SECTION LOOKING NORTH  
 A3 SCALE: 1/4"=1'-0"



1 BUILDING LONGITUDINAL SECTION LOOKING EAST  
 A3 SCALE: 1/4"=1'-0"