5-10-2002

Adaptive Reuse of the Rath Administration Building Waterloo, Iowa

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DOI: https://doi.org/10.17077/b35v-4lgz
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Field Problems in Planning 102:210
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Faculty Advisor: Professor Heather MacDonald
Course Advisor: Professor Kelly Clifton
Rath Administration Building
Waterloo, Iowa
Acknowledgements

We would like to thank everyone who helped us with the research involved with this project. It certainly took a number of people to make it happen. First and foremost, we would like to thank the City of Waterloo for giving us the opportunity to work on the adaptive reuse of the Rath Administration Building. Rudy Jones of the Neighborhood Services Department guided us through the information we needed to obtain from the City and personnel from the Planning Department also provided us with some information along the way.

Our thanks also go out to the entire faculty in the Urban and Regional Planning Program at the University of Iowa, especially our substantive advisor, Professor Heather MacDonald, whose insight and prompt response to our proposal and draft reports were invaluable.

Thanks also to our course advisor, Professor Kelly Clifton, under whose guidance we tailored this project to meet the requirements of the yearlong ‘Field Problems’ course. There are a number of other people who helped us with the research, data collection and interviews. These people are listed below in alphabetical order.

**Carl Adrian**  
Executive Director  
Cedar Valley Economic Development Corporation  
Waterloo, IA

**Adrienne J. Bell**  
Struever Bros. Eccles & Rouse  
Baltimore, MD

**Casey Cook**  
Cook Commercial Evaluation Company  
Iowa City, IA

**Elizabeth Foster**  
State Historical Society of Iowa  
Department of Cultural Affairs  
Des Moines, IA

**David Schoon**  
Planning Department  
Iowa City, IA

**John F. Shaw, AIA**  
Architect  
Iowa City, IA

**Robert Smith**  
Lockard Companies  
Real Estate Developers  
Waterloo, IA

**Mark Winninger**  
Winninger Commercial Realty  
Waterloo, IA
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Executive Summary

The City of Waterloo wants to redevelop abandoned industrial sites on prime land. One of these is the Rath Administration Building. What is the best use for this building and how can the City make it happen?

To answer this question we have outlined the feasibility of adaptive reuse for the Rath Administration Building. We have also outlined the financial requirements necessary to return the building to its former glory. Our focus was limited to the building and its immediate surroundings. Given our timeframe, this ensured timely delivery of our report to the City.

The Rath Administration Building is located in a 350-acres Brownfield redevelopment area (The Rath Neighborhood Area Redevelopment) selected for an Environmental Protection Agency (EPA) Brownfields Assessment Demonstration Pilot Study. Until 1985, the 150,000 square foot building was used as office space for the Rath Meat Packing Company. Since the company closure that year, the building has been sitting empty and has fallen into disrepair. The building is eligible to be registered on the National Historic Register, which could add to its appeal and attract private investment. Its proximity to the waterfront could also provide opportunities as the City redevelops its waterfront.

To determine the best and highest use for the building, we performed a feasibility analysis for:
1) Commercial and Retail reuse
2) Residential reuse
3) Light Industrial reuse
4) Civic reuse
5) “Do Nothing” and
6) Demolition

After completion of the feasibility analysis, which incorporated our findings from demographic data summary, literature review and interviews with people in various fields, to determined that the following four options would be the most feasible:
1) Mixed use as Office & Specialized warehouse space
2) Telemarketing space
3) Human Services Center
4) Industrial Park

The Rath Administration Building has been vacant for almost seventeen years now and this suggests that very distinct changes will have to be made to it in order to make this building attractive for reuse once again. Our research led us to conclude that in order to put this building back in use, the City will have to acquire some monies through grants, tax credits, and investor equity to rehabilitate and renovate the building. Only then could the building attract more interest from potential buyers. As it is, the City would like to sell the building to a company/person who will develop it. However, it seems that the likelihood of this happening in the near future is very slim. There are other less expensive properties available in the Waterloo area which do not need this much renovation and rehabilitation, and that are smaller in size,
providing just enough space for a company. We therefore encourage the City to actively pursue renovating and rehabilitating this building, using funds from various specified sources.
Section 1: Introduction

Background

This report focuses on the feasibility of adaptive reuse for the Rath Administration Building in Waterloo, Iowa. Waterloo is located along the Cedar River in Black Hawk County, in northeastern Iowa. The map below shows the location of the building, along with an outline of the surrounding neighborhood known as the Rath neighborhood.

Map 1: Location of the Rath Administration Building

The Rath Administration Building has been vacant for the past seventeen years. Reuse of the building is of particular interest to the City of Waterloo, especially now that redevelopment efforts are being made in the surrounding neighborhood. The City of Waterloo requested an analysis and evaluation of the property’s potential for redevelopment. The Rath Meat Packing Company played an important role in the neighborhood and the City as a whole. The company’s closure affected the neighboring residential areas where many Rath employees resided.

The Rath Meat Packing Company originally used the now 77-year-old building for offices until the company closed in 1985. Since that time, the building has remained empty and is owned by the City of Waterloo. The other buildings that comprised the meat packing plant have been sold and are currently used by the Crystal Distribution Services, Incorporated. Our purpose here is to identify feasible new uses for the Administration Building and determine whether it could be redeveloped to contribute to

Figure 1: The Rath Administration Building
the health and vitality of the Rath neighborhood and the City of Waterloo as a whole.

The 150,000 square foot brick building is currently zoned as commercial and consists of three levels with poured concrete floors and support columns, plus a basement. The top floor is only about 8 feet, not 15 feet like floors 1 and 2. Aside from broken windows and some roof leakage, the building appears to be in stable condition. A large vacant lot to the north and several dilapidated or abandoned small homes to the west surround the building. The City could acquire surrounding parcels if necessary. A few small businesses to the east of the building could continue to serve the area. The surrounding residential area has experienced decline since the packing plant closed and is located two city blocks away to the west, north and east of this site.

The City of Waterloo is engaged in a strategic redevelopment initiative, the Waterloo 2010 Plan (Millennium Plan), to reenergize its downtown economy and improve the quality of life for those living in its neighborhoods. The plan mainly calls for redevelopment initiatives downtown, the first being a proposed Exposition Center. If Waterloo is to flourish in the 21st century and beyond, the City needs to recruit and retain a high quality workforce, restructure its downtown economy and position itself in the "new-uses" agricultural economy. City officials believe that in order to recruit and maintain workers, quality of life needs to be enhanced in the downtown through the development of housing, entertainment venues, and retail services. To encourage new development downtown, the City will need to create a draw to the area or tourists and residents alike.

However, Waterloo cannot focus solely on redevelopment downtown. Investing in its neighborhoods is essential to create a balanced environment. The Rath neighborhood has been designated as a redevelopment site. Vanderwalle and Associates prepared an extensive study of the area (Rath Area Neighborhood Plan, 2001). That study highlighted the significance of the Rath Administration Building for neighborhood revitalization. This project focuses on reuse options, analyzing them from a legal, locational, financial, and structural standpoint to determine the highest and best use of the building.

Redevelopment could provide employment for neighborhood residents, and return the Rath Administration Building to its former glory. It could help curb sprawl, serving as an infill project in an area with underused property. However, it is unlikely that redevelopment would provide as large a source of employment as the Rath Meat Packing Company did. Nevertheless, the advantages of reusing this property may justify City investment in its rehabilitation, especially if a private sector buyer can be found to redevelop it.

**Purpose and scope of this report**

This report presents a preliminary assessment of several options for the former Rath Administration Building. We explore several options, and determine the most feasible, bearing in mind its location and structural constraints. We aim to provide the Office of Community Development with a roadmap for future redevelopment efforts.

This report analyzes several options to determine how they would affect the Rath neighborhood and City as a whole. We examine the feasibility of commercial/retail, residential,
industrial and civic uses, as well as the “do nothing” option. We identify four feasible mixed-use options and examine these in more detail. The analysis is based on examination of similar adaptive reuse options in other cities and interviews with experts in the field of redevelopment, incorporated with the developer and investor’s perspective. We aim to answer the question: “How can this property best be used?”

The second section of the report describes the Rath Administration Building, the Rath neighborhood and the City of Waterloo. The next portion explains the methods used to conduct the analysis. Section four presents the feasibility analysis of various uses, followed by an examination of specific reuse options. Next, these are compared to the “do nothing” alternative. The report explores several tools the City could use to implement the reuse options. The conclusion presents a roadmap to guide City decisions about the future of the property.
Section 2: Context of City and Rath Neighborhood

The Rath Administration Building

The Rath Administration Building is located in a 350-acre Brownfield redevelopment area (The Rath Neighborhood Area Redevelopment) selected for an EPA Brownfields Assessment Demonstration Pilot study. The designation creates a negative perception of the area even though the Rath building site contains no ground contamination. This perception may deter investors from considering the building. In contrast, Federal funding for Brownfield investigation, cleanup and planning is available and the designation could prove beneficial for redevelopment.

The building is situated in an industrial area adjacent to the Cedar River, approximately one mile from the central business district of Waterloo. Until 1985, the nearly 150,000 square foot Rath Administration Building was used as office space for the Rath Meat Packing Company. Since the company closure that year, the building has been sitting empty and has fallen into disrepair. Once a vital element in a thriving neighborhood, the building is now an eyesore. Its proximity to the waterfront and the 18th Street bridge could offer opportunities as the City redevelops its waterfront area.

A 1986 study undertaken by the State Historical Society found that the building would be eligible for the National Historic Register. However, the building is not listed on the State Register. The building is handsome, with brick fascia that is remarkably well preserved, but it is not architecturally significant.

If the building had been placed on the State or National Historic Register, renovation options would be significantly limited. However, inclusion on the Register would also provide access to grants and various historical rehabilitation programs that could aid in its renovation. Although structural adaptation would be limited, the historical character of the building could add to its appeal and attract private investment.

When the Rath Meat Packing Company operated, this building was an important element to the company and the neighborhood. However, it is important to realize that times have changed. Although the proper reuse of this building could aid in the revitalization of the Rath neighborhood, it is unlikely that the building will play a key role in the community like it once did.
**Strengths**

The history of the Rath Administration Building offers the City of Waterloo a meaningful tie with its past and future. There are several appealing features and positive development around it.

1) Infrastructure improvements such as the sidewalk reconstruction along Sycamore Street have been completed. The 18th Street Bridge is scheduled for reconstruction and realignment in 2002/2003.

2) The Rath Administration Building has held up well since its construction in 1925 and could stay vacant a little while longer until a suitable reuse is identified and funding is available.

3) The building is eligible for the National Historic Register. If the City chooses to pursue its registration, historic tax credits would be available.

4) This project should qualify for a number of financial assistance. A detailed listing of some of these funding sources is listed in Section 6.

5) The Rath Administration Building is situated close to downtown Waterloo and is a very short distance from the proposed Cedar Riverfront development. This new development will add to the vitality of the area.

6) The vacant parcel of land directly to the north of the building was originally used for parking. Although the one-acre plus parcel would not provide sufficient surface parking if the entire building were used for offices, it does provide a large enough space for a mixed-use development. The City also owns other parcels around the Rath Administration Building that could be converted for parking purposes.

**Limitations**

There are some limitations to the Rath Administration Building, regardless of which reuse option is pursued. They include:

1) The Rath Administration Building was built with poured concrete floors and columns. Any attempt to reconfigure these may adversely affect the buildings’ brick shell.

2) The original HVAC system was located in an adjacent building and is no longer available to the building. Any reuse option would require a new HVAC system to be installed in the building. Attempts to retro fit the building for plumbing; heating, ventilation and air conditioning (HVAC) vents and telecommunications may be limited, however, it is possible, as other similar reuse projects have worked through this. There is a 2-foot space between the floors and subceilings to locate piping and duct work.

3) Waterloo has an active Historic Preservation constituency, which could be viewed as both a benefit as well as a hindrance, if no adaptive reuse can be found and removing the building becomes necessary.
The Rath Neighborhood

The Rath neighborhood has experienced considerable decline since the packing plant closed in 1985. Unemployment in the Rath neighborhood is four times higher and average income is slightly less than half of the City of Waterloo. Owner occupied housing in the neighborhood is nearly equal to renter occupied housing, whereas approximately two-thirds of housing in Waterloo is owner occupied. The vacancy rate for housing in the Rath neighborhood is more than twice the level of the City of Waterloo (US Bureau of the Census, 2000).

Summary of Past Investigations

In 2001, the City of Waterloo hired a consulting firm, Vanderwalle and Associates to prepare the Rath Area Neighborhood Plan. One goal was to promote economic development by identifying the highest and best use for redevelopment sites, including identifying a feasible use for the Rath Administration Building. Our report was developed in coordination with the economic redevelopment goals of the plan.

Vanderwalle and Associates recommends that the Rath Administration Building and surrounding area be used as a location for industrial use. The building is located in the “Employment District”, as laid out in the land use plan. It identifies the Rath building as a Historic rehabilitation site. The neighborhood plan also recommends that major industries within the district be engaged to help identify the best use for the property.

In 1986 Midwest Research, a consultant from Des Moines, Iowa, conducted a Survey of Architecture and History of the City of Waterloo. Structures in the Rath neighborhood were identified as qualifying for National Register status, but the Rath Administration building was not among them. Additionally, in spring of 2001, the Rath Area Neighborhood Steering Committee, a group that represents a broad base of neighborhood stakeholders, met and identified the Rath parcels as “high priority for change”.

The City of Waterloo

The population Waterloo increased 3.4% from 1990 to 2000 and is consistent with the population increase for Black Hawk County, Iowa. The City is home to 53.7% (68,747) of the County’s total population of 128,012. The neighboring community of Cedar Falls, realized a population increase of 5.8% from 1990 to 2000, and was similar to Iowa in population change (+5.4%) during the previous decade (U.S. Bureau of the Census, 2000).

The median age in Waterloo rose from 32.94 in 1990 to 34.4 in the year 2000. The racial makeup of Waterloo is nearly 82% white and 14% African American, compared to the Rath neighborhood with 51% white and 37% African American. Waterloo had an unemployment rate of 3.3% in the year 2000, compared to the Iowa unemployment rate of 2.5% and a national level of 4.0% (Bureau of Labor Statistics, 2000).
The average household income in the Rath neighborhood is $17,073, less than half the level of the City of Waterloo with an average household income of $40,145. The service sector is the largest employer in the Waterloo area accounting for 27.5% of employment, followed by manufacturing with 20.2% of the jobs in the area. Other strong sectors include retail trade and government with 19.1% and 17.2% of jobs respectively (Cedar Valley Economic Development Corporation, 2001). Waterloo has rebounded from the economic difficulties of the mid-eighties, and enjoys a healthier economy. Much of this is due to the investment made by its largest private employers, including John Deere and Covenant Medical Center.

Property taxes for industrial and commercial buildings are taxed at 100% of assessed value. The rates payable in fiscal year 2002 are $41.78 per $1000 of assessed value. Residential property is taxed at 54.55% of the assessed value. If the Rath Administration building were adapted for reuse, the county could eventually collect property taxes. One example is if the building were assessed at $3,000,000, the building would produce $125,340 in property tax revenue.

### Strengths

Waterloo and the Rath neighborhood have experienced considerable change during the past two decades. However, the City has rebounded and has much to offer in terms of its location on the Cedar River and its proximity to other economic centers in eastern Iowa. The cost of living comparison for Waterloo is 93.7% of the national average. Specifically, housing rates are 90.7% of the national average, utilities are 84.6% of the national average and the cost of health care is 96.9% of the average Americans pay for services (Cedar Valley Economic Development Corporation, 2001).

### Limitations

The City of Waterloo confronts challenges typical of older industrial cities and has made great strides in combating its negative effects. However, some challenges remain

1) The stigma of the Rath Company closure persists along with the subsequent decline of the nearby neighborhood. This unfavorable perception contributes to the challenge of identifying investors for the building.

2) Waterloo has several branch offices but is home to few corporate headquarters. Although the jobs provided by these companies are beneficial to the community, it does not provide the necessary environment for corporate investment in rehabilitating the Rath Building and establishing strong cultural ties.

3) Area real estate personnel indicated office space in downtown Waterloo appears to more than meet the demand of the market at this time. The most comfortable and luxurious office space with top grade features such as atriums and indirect lighting is classified as Class “A” office space. Class “B” office space, while comfortable, includes suspended ceilings and florescent
lighting. The third classification, Class “C” is usually found in unenvied older buildings, marketed to businesses with no corporate image concerns. There is no office space being built in Waterloo at this time, as the market does not warrant it.

Conclusions

The Rath Administration Building played a significant role in the history of Waterloo, however, after seventeen years, there have been few interested buyers or developers. There is continued interest in the older portions of Waterloo, including the investment in the 18th Street bridge as well as the downtown and riverfront area. One positive feature of the site is the available surrounding contiguous parcels that could support development efforts.

The city has been very willing to sell the building to any interested buyer, however, there are obstacles to overcome in competing in the Waterloo real estate market. The building is currently in disrepair and is obsolete for modern industrial use. Without subsidy assistance, it will cost as much, if not more, to rehabilitate the building as to build new.
Section 3: Methodology

Our methodological approach included an expansive literature review as well as a review of case studies. We reviewed economic development tools, historical reviews and analyzed the demographic data for the Rath neighborhood, as well as the City of Waterloo as a whole. We interviewed representatives from private construction companies, organizations, commercial realtors, developers, as well as City personnel to gather opinions and technical information. The information was then used to carry out a feasibility analysis and develop some possible scenarios. We then weighed the relative strengths and weaknesses of the different reuse options to determine the best and highest reuse option for the building.

Literature, Interview & Data Summary

Our literature review concentrated on exploring the limitations and advantages of reusing the Rath Administration Building in order to determine feasible reuse options. The review also guided us on how to structure a roadmap for the City of Waterloo for future redevelopment efforts. We reviewed extensive literature regarding historical preservation, and in doing so, we came to understand the historic elements of the Rath Meat Packing Company and its role in this neighborhood’s past. This review also aided our understanding of any financial benefits that may result from the preservation efforts. Past planning documents, such as the Rath Area Neighborhood Plan and the Redevelopment and Reuse Report on the Rath Packing Company Facility report of 1989 were also referenced.

We also reviewed case studies of other adaptive reuse projects. Doing so enabled us to gather information about which adaptive reuse options may be viable, what the City could do to make it feasible and the cost of redeveloping such a building. Although none of these case studies were very similar to the Rath Administration Building in terms of size, location and neighborhood aspects, they still provided us with a good sense of what could be done in order to reuse this building. Information regarding Federal and State development policies, various financial incentive tools, as well as a review of Waterloo’s Comprehensive Plan and Zoning Ordinance was also performed.

Interviews were conducted with commercial realtors, an appraiser, economic development personnel as well as City of Waterloo staff (see the Appendix for interview summaries). These interviews gave us information regarding the process of conducting a feasibility analysis, estimates on renovation costs and information pertaining to the commercial real estate market in Waterloo. City personnel were also helpful in providing the City’s land use parcel database.

Demographic and economic data was very useful in understanding the current conditions of the Rath area and the City of Waterloo, including the problems within the Rath area and the limitations to different kinds of reuse. We compared the data from the Rath neighborhood with the City and the County in an effort to uncover underlying problems specific to the Rath area.
Map 2 below illustrates the current land use distribution in the Rath neighborhood. There are 1190 parcels of land, among them, 35 (2.94%) for industrial use, 830 (69.75%) for residential use, 174 (12.69%) for commercial use and 151 (14.62%) are exempt from taxation.

The total value of each parcel (land and building) in the Rath area is illustrated in Map 3 below. As you can see, there are a number of houses valued at under $50,000.
Map 3: Rath Area Parcel Value

Map 4 shows the value per square foot for each parcel. Due to the small parcel sizes, some houses are valued between $5 and $20 per square foot, while most of others are valued between $0 and $5 per square foot.

Map 4: Rath Area Parcel Value Per Square Foot
Feasibility Analysis

One of the interviews was helpful in suggesting how the feasibility analysis might be done. We conducted the feasibility analysis by analyzing each reuse option in terms of its legal, locational, financial, and structural feasibility, in order to determine the highest and best use of the Rath Administration Building and its adjoining land. This was done based on the overall analysis of each reuse option.

Legal feasibility

This entailed analyzing the parcel on which the building is located in accordance to the regulations in the Comprehensive Planning and Zoning Ordinance of Waterloo. We drew conclusions regarding what types of uses would be legally viable.

Location feasibility

This encompasses a description of the physical surroundings of the Rath Administration Building, such as surrounding land uses, transportation, and structures within the neighborhood. We evaluated the positive and negative attributes of these elements as they related to the possible impact of the proposed uses, and then determined which kinds of uses would be suitable.

Financial feasibility

This involves analyzing the development and renovation costs, such as the cost of construction, post-construction, maintenance and financing. We also analyzed how much it might cost to convert the Rath Administration Building to each of the proposed uses. We estimated the market demand and whether it could be profitable. Most of the estimates were obtained from local contractors and commercial real estate personnel.

Structural feasibility

The inner and outer structure of the building was analyzed. The layout, weight-bearing ability, soundproof condition and current mechanical systems were taken into account as we evaluated the renovation efforts that would be needed for each proposed use. While we did not employ a structural engineer, efforts were made to use accurate assumptions.

Following this feasibility analysis, we then analyzed which kinds of proposed uses or combination of uses could optimally utilize the entire building. We were able to make certain assumptions regarding what uses would be more financially feasible. By considering some of the most influential factors, we were able to recommend uses that would come as close as possible to insuring the highest and best use of Rath Administration Building.

Limitations

While our best efforts were employed in the research of this project, there are some limitations to what we were able to gather.

1) We were unable to find a case study that accurately mirrored that of the Rath Administration Building.
2) Time and information constraints limited our ability to conduct a full market analysis of each proposed reuse option, thus a simple cost-benefit analysis was done in order to determine the financial feasibility of each proposed reuse option.

3) While we gathered current information and data, we did not endeavor to analyze future trends, as forecasting trends is often a very subjective and time-consuming process.

4) We were unable to obtain the services of a structural engineer who could help us in detailing the structural analysis of the building. As such, the structural analysis is limited to the visual analysis of the building’s interior and exterior.

5) Another limitation was the lack of access to certain information that would have been relevant to the analyses carried out in this report. We were unable to obtain data on the current value of the building based on a recent appraisal. In addition, we were unable to obtain the amount of money paid in taxes to the city when the building was still in operation.

6) The City lacked information on the actual types of land uses throughout the city, the amount and type of actual vacant land uses, and any clear plans for the redevelopment of the Rath neighborhood.

7) It would have benefited us to have a footprint of the building showing the exact dimensions, which would have been helpful in calculating the exact square footage of various sections of the building.

The literature review led us to conclude that our attempt at finding a reuse that would make the Rath Administration building a source of economic stimulus was beyond the scope and allotted time for this study. However, as we researched the proposed reuse options, we kept in mind the fact that the biggest need for the City and the Rath neighborhood is employment opportunities. The extent to which each of the proposed reuses will help to stimulate the area remains to be seen. At this point, we can only conclude that any reuse option will serve to put this building back in the tax rolls for the city, along with restoring some of its former glory. Due to these limitations, our methodology cannot be viewed as all-inclusive but instead, as a well-developed framework for evaluating possible options.

**Financing Options**

In an effort to empower local officials in their work with public and private stakeholders for any proposed reuse project, additional funding from outside sources will be a necessity. Some amount of creative financing would be key. We have identified some Federal and State resources that would aid in the funding of possible projects. In many redevelopment projects, Federal assistance is necessary in order to subsidize private investment and is often available in substantial amounts. State incentives are also available and could contribute to the success of a project. However, local resources may be limited, due to the current fiscal situation in Iowa.
Section 4: What could this building be used for?

Introduction

In analyzing a possible reuse for this building, one of the things that we had to bear in mind was the question, “what is architecturally /structurally significant about the Rath Administration Building?” This is an important question because a number of the case studies revealed that adaptive rehabilitation usually takes place in an architecturally/structurally significant building or in the midst of a large redevelopment. The answer to this question lies in the fact that the Rath Administration Building is located in an area that still has many aspects of its original characteristics, such as the little diner just east of the building. It is located in the area that is undergoing redevelopment and it is a structure that has meaning to many long-time residents of the area. Thus, it should be rehabilitated.

Feasibility Analysis of Proposed Uses

This section discusses the feasibility of each possible use as defined by this study. The format of the feasibility analysis used has been described in the previous methodology section and will discuss the legal, location, financial, and structural feasibility of each of these uses resulting in recommendations for some feasible uses of the Rath Administration Building.

After many brainstorming sessions, interviews, and case study reviews of similar adaptive reuse projects, our group came up with the following possible uses. These terms will be defined in the analysis of each use:

- Commercial and Retail
- Residential
- Light Industrial use (interpreted as Commercial use in terms of the City’s zoning methods)
- Civic
- Doing Nothing
- Demolition

Some of the interviews that were conducted dealt with trying to obtain information on the best course of action to take in determining how to eliminate reuse options that are not suitable for the building. The others helped us obtain other information that helped us to evaluate which uses should be considered. A summary of these interviews can be found in the appendix.

Commercial and Retail

The City of Waterloo’s Zoning Ordinance defines the terms commercial and retail to include a variety of uses; however, our analysis narrowed the definition to include business and professional office space, resale outlets, various computer facilities, restaurants and cafeterias, and other private business ventures that would not fall under the manufacturing and light industrial use definition.

The current zoning of this property is defined as commercial. The City of Waterloo currently has three categories of commercial zoning defined as C-1, C-2, and C-3, each category
specifying slightly different possible uses. The current class C zoning would make it possible for this property to be used for a multitude of uses and includes some uses that may be classified as light industrial in many cases. Almost any commercial and retail use would be feasible under the current classification.

The Rath Administration Building is located on a large parcel, adjacent to a vacant lot to the north (about 1 acre), also part of the building lot. According to the Black Hawk County Assessors Office web site, there is no available information as to the size, assessed value or taxing information on these two parcels. We know from interview information with the City that the property is owned by the City of Waterloo and is currently defined as tax exempt. The property is served by City streets on all four sides, the frontage street, Sycamore Street, has been recently reconstructed and widened. Along with this upgrade was the addition of a sidewalk that runs the length of the property. The site is served by the City of Waterloo public transportation, with a bus stop located nearby.

While the site appears large enough to handle a good size parking lot, when analyzed for commercial or retail use, it is clear that the site is far too small to accommodate enough ground parking to serve this immense building. The City of Waterloo requires one parking space for every 400 square feet of gross floor area of office space and one parking space for every two employees in a commercial or industrial use. This ratio was used when estimating parking costs in the financial estimates (in the Appendix). John Shaw, a local architect who took a look at the building photographs indicated that 50% of the building could be utilized for office space. If 250 square feet is needed for each parking space and 50% of the building could be utilized as office space, this would translate into 75,000 square feet of office space, requiring approximately 188 parking spaces. This translates into approximately 47,000 square feet (just over 1 acre) of parking space. Parking generation for office use would require more parking spaces. However, options such as a multi-level parking structure could solve this problem, although it would add to the renovation expense. The specific amount depends on the size of the parking structure.

This site would also fail to provide the needed surrounding amenities that would serve to induce retail development. In order to avoid the need for a multi-level parking structure, the site is better suited for commercial uses that would require little parking and tend to lack the necessity of surrounding like-use attractions.

Given the current state of this building, it is assumed that a lot of renovation would be needed in order to accommodate even the least intensive of uses. This renovation is perhaps the biggest financial obstacle in the adaptive reuse of this building. In most cases, the cost of renovation far exceeds the cost of building a new facility. Although the building is located 1 mile from downtown, it is not in a prime location. In addition, the City does not lack available building lots or other available buildings that are in need of far less renovation.

A low-cost estimate for the refurbishing of a building for office use would assume a building in far better shape than that of the current Rath Administration Building. However, even
at the lowest estimated price, the cost of renovation would be substantial. According to David Frampton of Dayt Construction the renovation of the HVAC and plumbing systems would bring a low cost estimate of $50.00 per square foot. Given the 150,000 square feet in this building, this would total a cost of $7.5 million. It is easy to see how this cost would overwhelm even the most eager of developers. While it may be possible to obtain financial assistance from a number of Federal and State agency grants, as well as historical preservation assistance, economically justifying spending this much on renovation might be difficult.

The Rath Administration Building was once a spectacular building, well built and solid. The entire structure is concrete and the brick fascia remains in great shape today. The fact that the building remains in useable condition today is itself a testament to the building’s construction. However, the structure of the building would limit some uses, as it would be difficult to adapt this building for uses that would require amenities such as large loading docks and high ceilings. Although the building has not undergone an in-depth structural inspection, it is safe to assume that the structure would allow for almost any commercial or retail use not requiring adaptation of the main building elements.

Residential Use

Residential use options for the Rath Administration Building could range from apartments and condominium units to assisted living facilities, as well as group homes and humanitarian aid shelters. The adaptation and restoration of this building for residential use would translate into the most intensive of all possible uses in terms of cost and depth of the project. Residential use would require substantially more interior restructuring as each unit would require separate utilities. Each floor would require multiple restroom facilities, as each residential unit would need at least one lavatory. Contrast this to the adequacy of two large restrooms per floor for office needs, and it is easy to see that adapting this building for residential use would require far more renovation that that of other uses.

The use of this building for residential purposes would not be legal at this time. However, the City personnel we worked with on the project have indicated that the City is willing to rezone the property should an intended reuse not conform to current zoning. However, this might create issues with the surrounding uses because an industrial area is a very different atmosphere when compared to a residential neighborhood.

There are some single-family residential structures to the west of this property but they are vacant and most are marked for demolition. The intent of the City is not to reuse these parcels for residential units, but instead, incorporate the land into the predominantly commercial and industrial landscape of the surrounding area. The building is located among a myriad of uses, ranging from
light industrial to restaurants. The residential units are located to the west, north and east of this site.

The most limiting factor to adapting this building for residential use is the predominantly industrial feel of its surroundings. This is accentuated by the immense wall of a former Rath warehouse building, currently occupied by the Crystal Distribution Services Inc., which sits about 100 feet away to the south. This huge wall looms high above the roof of the Administration. With the shadow cast by the warehouse building, one is constantly aware of its presence and it would be hard to escape the view of this wall if the residential unit happened to be on the south side of the building.

Along with the location limitations is the finance required for rehabilitation. According to current rehabilitation costs for residential, an estimate of $75.00 per square foot is reasonable (David Frampton, Dayt Construction). This translates to nearly $7.5 million for the restoration of the first two floors, (100,000 sq. ft) and approximately another $5 million to renovate the basement and top floors that cannot be used as dwelling space under City code but could serve as storage space. This figure could increase greatly if the building required asbestos remediation and removal or lead paint removal. Given the age of the building it can be assumed some asbestos will be found and thus, removal will be necessary.

No official estimates have been collected. The figures above are general estimates used by contractors for appraisal purposes and are often an indication of the cost of the project assuming no problems are encountered. In this case, the project would cost at least $12.5 million. A second formula assumes that the residential use would be in the form of condominiums. Based on a maximum sale price of $85.00 per square foot of finished space (interview sources), calculations show that a difference of more than $6 million would still exist between the rehabilitation and sale price. This formula assumes that 50% of the total square footage (75,000) could be used as saleable residential space. This percentage is a maximum amount as the basement would not be usable for residential units since there are no windows. This space could be used for amenities that would help assure a maximum resale price for the finished units such as storage and work out facilities. While some funding may be gained from tax credits, grants, and other sources, it would be hard to justify such a project. In addition, condominiums are part of the Waterloo 2010 plan for the downtown area.

Since the building currently has an open floor plan, it would be well suited for conversions to residential units. The floors are all solid concrete and will be able to withstand stress during the construction phase. This is well suited for residential use, as they would insure a quiet environment. Electrical wiring, plumbing, and other such needs are in disrepair and replacing them would be required to fit within each specific plan. The addition of climate control systems would be a necessity and would be incredibly expensive to retrofit. While this building could be renovated to full residential use, the current condition and lack of proper systems would be a considerable expense.
Industrial Use

For our purposes, industrial use refers to light industrial use, which would not require a heavy industrial zoning. An example would be light manufacturing. The area surrounding the building is currently viewed as an industrial area. There are no heavy industrial uses adjacent to this building but the presence of semi-trucks, warehouses and light manufacturing facilities give the appearance of an industrial area. A close look at the City of Waterloo’s Zoning Ordinance shows that many typically light industrial uses are permitted within the C1, C2 and C3 zones. This indicates that most light industrial uses that would be feasible in this building would fit within the current land use of the surrounding area.

The location of this building is well suited for many industrial uses. The street network is appropriate for heavier vehicles and could handle the increased traffic with few problems. The site is also situated close to current working rail lines as well as the Cedar River. If the adjacent properties were acquired and direct access to rail line obtained, the said rail lines could be utilized for transport purposes. Added to the suitable transportation elements of this site is the industrial climate of the surrounding land use. The entire area is perceived as an industrial zone and a similar use within this building would fit well.

The industrial use option is perhaps the most financially feasible of all options proposed in this report. The building is well suited for most industrial uses, as it would require minimal renovation in many cases. Many industrial uses are highly specific and a fair amount of remodeling and retrofitting would be necessary. We can therefore dissect the costs involved in the renovation of this building for an industrial use into two parts. The first cost component is that of renovation. The second component is retrofitting the building for a specific industrial use. For the purposes of this analysis, we will look at the first component only. Renovation would include cleaning and upgrading the plumbing. The roof would need to be repaired and the heating and electrical system would need to be retrofitted and upgraded. For many industrial uses, this minimal renovation would suffice. This would be far cheaper than the complete renovation needed for most other uses, resulting in less of an initial investment. Based on our interview sources, estimates range between $40 and $60 per square foot. Using the minimum of $40 per square foot, it would cost at least $6 million for rehabilitation.

The concrete structure of the building is well suited for the industrial use. The many windows will allow for less overhead lighting and the large open spaces will be a positive aspect as well. The major drawbacks of this building for many industrial uses are the current lack of large elevators and the single small loading bay. These aspects would be structurally limiting. However, the elevator issue could be overcome by building new elevators along the outside wall.

<table>
<thead>
<tr>
<th>Capital Costs of Rehabilitation</th>
<th>Commercial Use</th>
<th>Residential Use</th>
<th>Industrial Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost per square foot</td>
<td>$50 - $70 psf</td>
<td>$65 - $85 psf</td>
<td>$40 - $60 psf</td>
</tr>
<tr>
<td>Total cost (midpoint)</td>
<td>$9 million</td>
<td>$11.25 million</td>
<td>$7.5 million</td>
</tr>
</tbody>
</table>

Figure 9: Corroded ceiling tiles

Table 2: Capital Costs of Rehabilitation
Civic Use

‘Civic use’ means different things to many different groups of people. Some examples of the more common public or non-profit funded civic uses are libraries, museums, theaters, art centers, parks and gardens, as well as cultural and historic centers. The use of this building for civic use may or may not be legal at this time. Depending on the specific use, rezoning may be necessary.

The road system and availability of public transportation in this location are well suited for civic uses. However, the location of this building is not well suited for civic uses that would require parking after dark. This is due to the public’s perception of potential danger in an industrial park location with little or no activity after regular working hours. These perceptions may be unfounded, however added security such as parking lot surveillance and proper lighting would go a long way towards reducing these anxieties.

Civic uses tend to drain a City’s budget, as they are not often moneymaking ventures but rather amenities provided for the benefit of the citizens. Civic opportunities enhance the quality of life, which is often seen as a tolerable tradeoff to their cost. However, the City cannot afford to offset the cost of a multitude of civic uses. The lack of high profile companies in the area also limits the number of private or non-profit groups willing to invest in new civic provisions. Waterloo already has many viable and successful libraries, museums, theaters, art centers, parks and gardens, as well as cultural and historic centers and a wide variety of sports venues. A simple Internet search of the Waterloo area and reference to the Waterloo Chamber of Commerce turned up 30 plus civic venues including all of the aforementioned uses.

The lack of ability to restructure the ceiling height would make this building unfeasible for small theaters and limit its use for larger theaters and conference centers. While the immense size of this building makes many uses possible, it also becomes a liability in that few uses would require this amount of space. Thus, the incorporation of many civic uses would be the only logical civic use solution. However, the neighborhood cannot sustain this and the City as a whole does not need any more civic venues at this time.

Do Nothing

One other alternative to be analyzed would be to do nothing with the building for the near future. In this case, the City would continue to maintain the building in its current state in order to insure that no further degradation would occur. The idea here is that the City would let development in the area progress to a point that a renovation project of this size would be feasible. At this point, an additional feasibility study would be undertaken and the City could then decide on what would be the best option for the site.

While no zoning would be necessary, there are some legal issues to be considered. One such issue is liability. As the owner of the building and adjoining land, the City would be liable for maintaining the property in a manner that would insure that it does not become a danger to the public. This would include maintenance of the building and the surrounding land. The City would need to post this property against trespassing and insure that dumping does not occur on or around the property. A second legal consideration is that it is the responsibility of the City to insure the proper use of City funds. To do nothing with the building would both cost the City
money as well as ensure the continued lack of revenue from this property. Currently, the City spends approximately $500 every year on maintenance. Given this responsibility, it is necessary to continue to analyze any and all possibilities that may be proposed for this site.

The current surrounding uses lend themselves to doing nothing with this building and there is little pressure from surrounding landowners to immediately develop this site. It would have little impact on the surrounding uses and structures. The current land uses in the area are largely commercial and industrial and would gain little from development of this site. In fact, increased traffic in this area could be seen as a negative to many of the surrounding landowners. Added to this are the continued efforts on the part of the City to secure ownership of surrounding residential structures and demolition of these structures as funds become available. These efforts could make for a more attractive site for future developers. In fact, much could be done to enhance the suitability of this site for future development if the City were given the time to acquire and redevelop surrounding parcels.

Perhaps a more important issue is the continued lack of property tax revenue that would be inherent in this option. It is assumed that some tax relief would be given to the developer of this site as an incentive. However, the tax relief will end at some point and the City will again benefit from this revenue. Doing nothing with this site would delay the day the City will benefit from tax revenue from this site. The building and surrounding land is currently tax exempt so there is no documented levy rate for the property. We are assuming that the levy rate assigned to the building is the same as that of surrounding properties if it were to be privately developed. This is recorded as 41.78155, meaning that the property owner pays $41.78 per $1,000 of assessed value. A reasonable renovated assessed value is $3 million, given the value will not be equal to the amount spent on renovation. This estimate was obtained from comparison to buildings listed with the Cedar Valley Economic Development Corporation as well as the Crystal Distribution Services buildings.

Given the fact that this building has withstood seventeen years of dormancy to this point, it is clear that if the roof were maintained, the building would incur little degradation. The concrete construction of this building plays a key role in its ability to withstand the years of vacancy. While the secondary structures within the building may suffer, some of these are elements that will likely be removed and replaced upon renovation in any case. However, the interior of the building is not going to repair itself and degradation of the electrical, plumbing and other auxiliary systems would continue.

Demolition

Although there may be opposition to tearing down this building, it must be mentioned as a possible option. Given the high cost of renovating this building and the low probability of finding a private investor, demolition seems even more feasible. If the building were to be torn down, the land could then be reconditioned and sold. This option would be legally feasible, as the building has not been registered on either the National or State Historical Register.

Structurally, the building is solid, yet continued dormancy will only cause further degradation and if renovation cannot begin within the next few years, the costs of renovation will increase, making financing even more expensive.
The cost of tearing down the building and hauling away the debris would not be cheap. However, when compared to the cost of renovation, demolition costs would be minimal. Some of the estimates we have received from local companies as well as firms in other areas of the country range from $2.00 psf to $6.00 psf, depending on what is to be done with the debris as well as whether there are any hazardous materials such as asbestos. These estimates would bring the cost of this option to roughly between $300,000 and $900,000. For less than a million dollars, the City could take down this building, thus leaving the site available for sale as bare ground. The land could be sold as one parcel or subdivided for multiple uses.

**Brief discussion on rejected reuse options**

Based on the feasibility analysis, we have determined that some uses would not be feasible for the Rath Administration Building at this time. The idea of adaptive reuse as a fully residential place was rejected. A recent report by the consulting group Vanderwalle and Associates for the Rath neighborhood notes that there are actually a number vacant and dilapidated housing structures among these, resulting in a vacancy rate of 10.2% for the neighborhood. In light of this information, it will be a good idea to eliminate the residential reuse option from the list of potential reuse options, keeping in mind that the main goal of reusing this building is to stimulate economic development in the neighborhood.

A key factor in the feasibility of adapting the Rath building for civic use is the number of civic venues already available to the citizens of Waterloo. Given the current economic climate in Iowa today it is not likely that the City of Waterloo could fund yet another civic venture.

Another rejected use was that of a retail outlet, which could range from a grocery store to a clothing outlet. These uses were rejected because this is not a high traffic area and none of these types of uses can be self-sustaining without the ability to attract pedestrian traffic or traffic common along thoroughfare roads. In addition, these uses would require support from outside of the neighborhood, which is not likely to happen, because of the location of the building in relation to the common traffic routes.

**Brief discussion on acceptable reuse options**

The question remains of “what is the highest and best use” of this building and its adjoining land. This is a difficult question to answer given the parameters of this feasibility analysis. There are those who would say that any use would be a good use; however, this analysis would suggest that some uses would not only be more financially feasible but would fit better with the surroundings and structure of this building. These uses can be narrowed down to include the following: industrial, commercial, and mixed-use.

The option of industrial use would involve minimal renovation and would fit seamlessly into current land use in the area. It could incorporate many of the location and structural aspects of this building. The use of this building for a light industry would eliminate some of the parking limitations of this site and could go far toward utilizing the vast amount of space within this building.
Section 4: Feasibility Analysis

Reuse of the building for commercial uses that do not require frequent site visits by paying clientele is also considered feasible, such as telemarketing. The surrounding area is not aesthetically pleasing for typical offices because of the industrial businesses around it; thus, it would be an unwelcoming place for businesses with high customer traffic. Offices such as insurance, law firms, and brokerage houses would not find this location impressive for clientele. However, others, such as the telemarketing businesses, would be feasible.

Given the size of this building and the costs involved in the renovation, we believe some mix of uses, such as office/warehouse space would be the most feasible option, as long as the right combinations are identified. A separate feasibility analysis was not conducted however, as the feasibility depends on the type of combined uses. Instead, we will focus on proposing some mixed-uses in Section 5, where the various elements are discussed.

A mix of uses could be utilized in order to overcome some of the structural and location limitations of the building and the site. The mix of uses could include uses that would insure the maximum amount of possible financial aid; however, the need for such use should be present. This option is also well suited for a phased renovation, thus allowing for future financing options. A mixed-use option for this building could go a long way toward incorporating many desired elements, elements that would enhance the area as well as create job opportunities and a neighborhood focus.

Another option that was brought out by this analysis is that of doing nothing. Doing so would avoid financial competition with existing properties and avoid draining subsidies away from other worthwhile uses. It would provide a framework for the immediate future of this building, as it would outline the duties of the City regarding the upkeep and maintenance of both the building and the surrounding land. Given the current economic situation of both the City and the State, perhaps this is the most realistic option. However, if the City were to find a driven and innovative project manager to take responsibility for this site, financing options could be found and multiple options could be further explored. It also enables the City to seek private sector initiatives. However, the property limitations should be kept in mind. Prior to accepting any private sector initiatives, the use should be carefully considered and care should be taken to ensure that it fits positively within the redevelopment efforts being made in the Rath neighborhood area.

The final option that was brought out by this analysis is that of demolition. While this option would not be as inexpensive as simply doing nothing, it would result in a large parcel of bare ground that could be sold for immediate use. If this land were to be sold and developed, it would not need any further subsidies from the City. The newly developed site could begin to generate property taxes almost immediately, thus begin to pay for the cost of the demolition.

Although no historic preservation subsidies could be obtained after demolition, many programs offer subsidies for new construction that create jobs. These subsidies could attract private investment. The cost of the demolition would initially be borne by the City, however, it would free the City from future expenses and future tax revenues would be available to the City.
Conclusions

One of the main issues that has been mentioned in the preceding paragraphs is that the City may very well have to work towards rehabilitating and renovating this space into habitable space and then put it up for lease. Perhaps this will then attract a buyer if it is advertised for such in later years. Although it will require a lot of money to rehabilitate and renovate this building, it is possible for the City to undertake this task.

The option of demolishing the building and selling the land for new development would be both less expensive and would accelerate the generation of taxes. The reuse of this land could do more for the neighborhood than simply renovating the existing building as it could bring in one major user or many smaller users and add to the redevelopment of this area.

There are Federal and State grants that could be sought after, as is currently being done for redevelopment of the Rath neighborhood. In addition, there are various types of tax credits that could be applied for under the Internal Revenue Code provision intended to stimulate private sector rehabilitation and preservation of structures. Owners who qualify are eligible for Federal tax benefits. Tax credits often help to reduce the amount a developer has to invest in a project if the project is found to serve the needs of the area, such as affordable housing projects. The potential amount the project could qualify for depends on the type of reuse, but can significantly lower the equity needed to make the project feasible. It should be reiterated that many of these programs would be available for new construction on this site, thus reinforcing the option of demolition.
Section 5: Discussion of feasible reuse options

Introduction

Based on the feasibility analysis and the known context of the City of Waterloo, our group worked on narrowing down what types of reuse options would best serve the Rath Administration Building. As mentioned earlier, these reuses focus on what can be feasibly carried out and not so much on what will best serve to stimulate economic development in the neighborhood. This is not to say that these proposed reuse options would not perhaps stimulate other development in this neighborhood. However, they should not be seen as the sole answer to stimulating redevelopment of this whole area.

Some of the criteria used to identify reuse options (not in any hierarchy order) are listed below:

1) Need of this reuse option within the City of Waterloo based on interviews conducted with developers in the Waterloo area

2) Desires of City personnel closely related to the project. Since the building is located in an industrial area, the top preference is for it to be reused in an industrial capacity.

3) Meets the requirements of the feasibility analysis.

4) An absorption rate less than 3 years (industry standard). That is, it should not take more than 3 years to have the whole building occupied. This criterion comes into play when there is more than one tenant leasing the building. It is important because the longer it takes to lease up the space, the less likely it becomes to actually find tenants for it. In addition, being able to lease up the space within 3 years gives the first tenants a sign of stability, constant flow of traffic, and removes the feeling of isolation.

5) The cost of rehabilitation and renovation should be related to the value of the building after the work is complete. Even if the funding for this will be from an outside source, it is important for the building to be worth more after it is renovated than what was spent on renovating it.

Below are some of the feasible reuse options. The goal of this section is to provide the City of Waterloo with some of what we believe to be suitable types of development that would fit well as reuse options for the building.

Reuse Option 1: Mixed use as Office & Specialized warehouse space

One option would be to utilize the building as a mixed-use space with office space on the 1st floor and warehouse space on the upper levels. This type of reuse is appropriate for Waterloo because the City is always in search of industries that will help boost its economy (Cedar Valley Economic Development Corporation). Since the economic downtown of Iowa in the late 1980s, the Waterloo area has been struggling to recover and build back its employment and industry base. This industrial mixed-use option would also provide employment opportunities, meeting one of the needs identified for the neighborhood.
The type of mixed-use suggested here is used in a number of other cities and an example of one is located in Iowa City. The Company designs, manufactures and distributes medical products. Some of the business involves the repackaging of medical supplies into smaller units for area distribution. This type of operation requires office and storage space, without the need for a forklift, which requires more space. There would be ample space to unload and reload delivery of supplies. In order to meet parking requirements, the City could utilize the land just west of the building (which it owns) for additional parking space.

We believe that the Rath Administration Building passes all the criteria defined in the feasibility analysis section to reuse the building in this manner. This use would put the building back in operation after so many years, increasing the tax base revenue for the City while also providing some employment opportunity for the City residents. If a mixed-used company such as the one described above were to occupy the building, the jobs provided would be a mix of blue and white-collar jobs, a good mix of the type of employment Waterloo residents’ desire. The environment around the building is right for this type of reuse. There are a few diners right around the building that could serve as ideal lunch locations for the workers. The building is also very close to downtown and the workers could easily access the amenities there during lunch breaks.

One limitation of this reuse option is that Waterloo has had trouble utilizing most of the already available office space. Class B and Class C office space, defined as older spaces, with suspended ceilings and no recent renovations are abundantly available, especially around downtown, within 1 mile of the Rath Administration Building. Unlike a capital City like Des Moines, which attracts company headquarter offices, Waterloo has more branch offices and companies do not usually spend a lot of money on renovating branch office buildings like they would do on a building serving as the headquarter office.

However, this space would offer the warehouse space in conjunction with the office space, which the other available spaces do not. The likelihood of actually using this building for an office/warehouse combination will depend on the City rehabilitating it for ready occupancy for lease or selling. The City has expressed its desire to sell this building to another party that will renovate it for use. However, a company wishing to use this building may want to lease the space initially to see how the market plays out for them in this area. This type of mixed-use by one company would serve very well in this environment. Since the upper floors would be used as warehouse space, there should be enough parking spaces for the staff and the absorption rate would not be a factor here because only one company would be involved.

Another type of specialized warehouse space that we feel would be feasible is that requested by computer server storage and management companies. Such companies require large open spaces to store a number of machines, which are operated by a small group of staff. The traffic going in and out of the building due to this type of business is very minimal. Since the Rath Administrative building is so large, one such company may not be able to utilize all of the space. Some of the space may still have to be used as office space, shared with one or more companies.
**Reuse Option 2: Telemarketing space**

Some of the interviews we conducted were with realtors in the area. In their opinion, some of the most desired types of space were space that could be used for telemarketing calls. The structure of the building would serve very well for this type of reuse. The floors are currently open and it would be very easy to set up cubicles to accommodate call stations. This type of reuse passes all the feasibility tests and it would be relatively easy to find employees to fill positions. According to the data obtained from the Iowa Workforce Development Agency, Waterloo’s strength is in the service sector, much like Cedar Rapids, the difference being that almost one-third of the residents in Waterloo earn below $20,000 as compared to about one-fifth in Cedar Rapids (US Bureau of the Census, 1997). All of the other opportunities such as increased tax revenue that would be gained by the neighborhood and City for using this building in such a manner are parallel with those noted in option 1.

One of the limitations is that most telemarketing businesses seek out low-cost office space in order to cover their expenses, which are very marginal. Some of the realtors mentioned that the space sought by telemarketing companies is space that is available for around $4 per square foot. Another issue would be that telemarketing companies usually seek to lease office space rather than purchasing the space. Our understanding is that the City would rather sell this property. Leasing the space would mean that the City would have to invest in it to make it leasable space, which in its current state it is not. As mentioned earlier, approximately $50 per square foot is estimated as the cost of renovation for this type of use (Frampton, Dayt Construction). If the space were to be leased for $4 per square foot, it is easy to calculate that the income generated from this lease would not be enough to cover the renovation costs for a long time.

The critical question then becomes whether the job creation envisioned in this scenario would be enough to justify spending and losing that much in income, were the building renovated at the cost of $50 per square foot. We believe the answer here to be yes, the job creation would be worth spending that much on renovation.

**Reuse Option 3: Human Services Center**

Another option for reuse of the Rath Administration Building is for it to be used as a human services center. Here, human services refer to such organizations as the Department of Human Services, crisis centers, elder services, learning and family resource centers as well as neighborhood centers.

One benefit of having these types of organizations in one place is that it would make it very convenient for the persons who utilize the services offered by these agencies to gain access to all of them in one central location. Transportation is often a hindrance preventing persons from fully utilizing the benefits offered by human service agencies. This in turn leads to bigger problems that could have been prevented had help been sought earlier. We believe that the City could benefit greatly by actively seeking to relocate human service agencies to a central location such as the Rath Administration Building.

There are some limitations to this idea. One is the challenge of getting human service agencies to relocate to the Rath Administration Building. State employees usually operate
Department of Human Services. Other human service agencies may be non-profit oriented while the City operates some of them. It is safe to assume that all of them have lease agreement that extend into the next several years and cannot be broken. Thus there is the issue of timing; how soon can this realistically happen? On the other hand it is realistic to presume that no matter what the Rath Administration Building is used for, it will take some time for it to be occupied anyway. Thus, this idea should not be dismissed as an unattainable one. To make it happen, the City will need to be very proactive on the matter, setting the stage to make it happen and have it be part of a plan for the City’s future.

One disadvantage of this idea is that it is not typical to locate a human services center in a semi-industrial area. Although not intended, it might give the public the wrong impression that those benefiting from the services are being “kept out of sight” because the area generally has lower traffic movement. In order to eliminate this perception, the idea needs to be sold as a very positive one, highlighting the advantages of locating all the human service agencies in one building. Such advantages include but are not limited to: 1) Reduction in travel for persons needing the services of more than one human service agency; 2) The center would be located within walking distance to the Rath neighborhood, one area in which residents are more likely to seek the services of one of the agencies.

**Reuse Option 4: Industrial Park**

One other option that seems feasible is to lease/sell the entire area surrounding the Rath Administration Building as an Industrial Park, with the building just as one facility. This type of deal would give the buyer other options as to how the building could be utilized because it could be used in conjunction with other buildings in the area. The map below shows the parcels that are suggested for inclusion in this Industrial Park option.

One advantage of doing this is that the burden of finding a reuse option for the building would be shifted from the City to the buyer. In addition, the entire area would be seen as one and rehabilitation and renovation of buildings in the Park would hopefully be spread out among the various structures, to eventually include all the structures in the Park. It is important to note that this type of rehabilitation will take time to see an overall sense of change in the area. Many such redesign and rehabilitation projects follow a master plan that would include plans for all the parcels in the area. Taking this approach will ensure that collective plans are made for the area as a whole.

**Conclusions**

As discussed briefly before, the job creation effects that will be generated for the City of Waterloo through the reuse of the Rath Administration Building can help justify the time and monetary commitment that needs to be made. The creation of these jobs may also give the project access to different economic development subsidies. Depending on the number of jobs created, capital invested, and compliance with funding requirements, the State of Iowa Department of Economic Development has a number of subsidies available for such a project. More about this information is discussed in the following section.
Some of the options proposed here such as the warehouse/office combination will generate a lower number of jobs than the telemarketing option, which will reduce the amount of subsidy received. The option of reuse as a human services center will be more of a shift in job locations; however, the creation of new employment opportunities is also envisioned. All of these proposed reuse options meet the identified need for the neighborhood, much of which can be summed up as job creation and an improved environment.
Section 6: What would it take to implement each of these reuse options?

Introduction

The redevelopment market in Waterloo has not been able to absorb the Rath Administration Building due to the substantial challenges that face an older structure in need of repair and rehabilitation for modern use. A situation like this calls for resources through government intervention such as possible tax credits that may provide a more even playing field to enable the property to compete with commercial and industrial development on the fringe of the Waterloo and Cedar Falls area.

The massive size of the Rath Administration Building and the limited parking area make it unlikely that the building will be occupied for only one use. It is reasonable that a combination of uses could work for the redevelopment of this building. Any reuse option, except for the do nothing option will demand considerable investment in terms of heating and air conditioning, plumbing, roof repair or replacement as well as interior finishes. The various reuse options all have specific needs and varying levels of investment, but any reuse will require significant changes to its current condition.

In order for the City to reach its goal of placing this building in use again, efforts will need to be taken to make the property desirable and competitive in the market. This will require more than just offering the property for little or no cost. The elimination of that expense is not enough incentive, when compared to the current market situation to make this a sufficient enticement.

Financing Tools

Federal Historic Preservation Tax Incentives

Federal Historic Preservation Tax Incentives are administered by the National Park Service on behalf of the Department of the Interior in partnership with the Internal Revenue Service and State Historic Preservation offices. Current tax incentives for preservation, established by the Tax Reform Act of 1986 include a 20% tax credit for the certified rehabilitation of certified historic structures and a 10% tax credit for the rehabilitation of non-historic, non-residential buildings built before 1936. A certified historic structure is a building listed individually in the National Register of Historic Places.

The National Park Service must approve all rehabilitation projects seeking the 20% tax credit. Qualified expenses include expenditures for the structural components of a building, including walls, partitions, floors, ceilings, permanent coverings such as paneling or tiling, windows and doors, central air conditioning or heating systems and plumbing and electrical wiring. In addition, lighting fixtures, elevators, sprinkler systems, fire escapes and other components related to the operation or maintenance of the building are regarded as qualified expenses. Costs associated with construction period interest and taxes, architect and engineer fees, management and developer fees all qualify for the tax credit. Expenses for building or
land, enlargement costs that expand the volume of the building, parking lots, sidewalks and landscaping do not qualify for the tax credit.

Rehabilitation credits are subject to recapture if the building is sold or ceases to be business use property with no recapture required after five years. Due to the restrictions of rehabilitating a National Register building, the 10% tax credit level is recommended. The type of rehabilitation permitted on a non-certified, non-historic building is much more flexible than the more restrictive standards required for certified historic structures. If rehabilitation of the Rath Building is eminent, it is critical that a flexible plan exist that will address any desirable reuse.

Additional information on Federal Historic tax credits is available from the State Historical Society of Iowa in Des Moines. Beth Foster, Manager of the Department of Cultural Affairs can be contacted by e-mail at Beth.Foster@dca.state.ia.us

**Iowa Historic Property Income Tax Credit**

The Iowa Historic Property Income Tax Credit provides an income tax credit of up to 25% of approved qualified rehabilitation costs. The tax credit is granted against the state corporate income tax imposed on the developer. Properties eligible include those listed on the National Register of Historic Places, those determined by the staff of the State Historic Preservation Office to be eligible for listing or a property designated a local landmark by a City or County ordinance. Rehabilitation costs must be equal to or greater than fifty percent of the assessed value of the property, excluding land, before the rehabilitation.

Qualified rehabilitation costs include those used in computing the basis for property tax purposes. Expenses for architectural and engineering services, site survey fees, legal services, insurance premiums, development fees and other construction-related costs also qualify as rehabilitation costs. The total amount of tax credits for a fiscal year is limited to $2.4 million dollars and are issued on a first come first serve basis. One feature of tax credits is they are applied only once during the time of construction and do not carry forward into subsequent years. As with the Federal Historic Preservation Tax Credits, the Office of Cultural Affairs of the State Historical Society of Iowa administers this State program.

**Tax Abatement**

Property tax abatement is available in Waterloo for new construction and property improvements. The project must be industrially related to construction. The abatement covers five years with a declining scale. Year one has 75% abatement, year two has 60%, year 3 has 45% abatement, and year 4 has 30%. Finally, year five has 15% property tax abatement. Assuming the Rath Administration Building has an assessed value of $3 million, the tax abatement would equate to $94,005 in the first year. The abatement would be reduced to $18,801 in the fifth year. One advantage of the tax abatement program is it is administered locally, where the decision to permit the abatement depends on the local decision makers and citizens.

**New Markets Tax Credit**

The Community Renewal Tax Relief Act of 2000 created the New Markets Tax Credit (NMTC). From 2001 to 2007, $15 billion in investment will be available for low and moderate-
income rural and urban communities. The tax credits are designed to encourage private investor and businesses to invest in neglected communities. The goal of the credits is to stimulate business investments and help bring services, retail, jobs and other opportunities to low-income individuals. The tax credits are administered by the Treasury Department, which is responsible for allocating the credits through a Community Development Entity (CDE).

To receive an allocation of tax credits, a CDE must have community development as its primary mission and maintain accountability to residents of low-income communities via representation on any governing board or advisory board. The CDE must also be certified by the Treasury Department. Most likely, the Treasury Department’s Community Development Financial Institutions (CDFI) will distribute the tax credits. Unlike the rehabilitation tax credits, the New Markets Tax Credits is claimed over seven years and are funded through a local CDE. The credit is based on the amount of equity invested in a CDE, not the cost of the project or business to be financed. The CDE is required to use 95% of the NMTC cash to make Qualified Low-Income Community Investments, including capital or equity investments or loans to any Qualified Active Low Income Community Business in a Low-Income Community. A Qualified Low Income Community Business is a corporation where at least 50% of its total gross income is derived from a low-income community. Low income communities in a census tract is defined as having a poverty rate exceeding 20% or a median income below 80% of the statewide or metro area median income.

Any taxable investors, including individuals or companies, that make an equity investment in a qualified CDE are eligible for the tax credit. Potential investors include corporations, banks, insurance companies and investment banks. This program requires the participation of local companies and institutions and would be a strong component of the public-private partnership required to make redevelopment possible.

The NMTC modest subsidy can make a marginally profitable investment attractive, but it will not make an unprofitable investment a good one. The financed activity will require a return of capital to attract investors. Additional information is available on the Treasury Department’s CDFI website at www.treas.gov/cdfi or www.cdfifund.gov/programs/nmtc/index.asp

Community Economic Betterment Account

The Community Economic Betterment Account (CEBA) is an Iowa sponsored program that assists companies creating new employment opportunities and/or retain existing jobs as well as making capital investment in Iowa. Funding is based in part on the number of jobs created/retained and is available in the form of loans and forgivable loans.

Projects eligible for funding include building construction or reconstruction, land and building acquisition, operation and maintenance expenses and site development – including clearance, demolition, building removal in addition to other projects. CEBA investments should not be considered a sole funding source. The program leverages other financial support including bank financing and private investment. Assistance is available up to $1 million. Non-traditional, short-term loans or interim loans greater than $1 million may be available. The funding level for start-up companies varies depending upon wage rates.
This financing tool could be especially constructive if the City decides that demolition of the Rath Building is the best way to make the site and surrounding areas the most useful and beneficial in redeveloping this part of the City. Further information is available at the Iowa Department of Economic Development (IDED), Division of Business Development in Des Moines. The office can be reached at 515.242.4810.
Section 7: Conclusions

Several reuse options for the Rath Administration building were explored in this report resulting in an examination of four appropriate uses for the building, the site and the light industrial land use of surrounding the building. The four uses include: Mixed use as Office and Specialized warehouse space, Telemarketing space, Human Services Center and an Industrial Park. These four uses are different in terms of the employment potential and clientele served. However, the uses are similar in the types of financial incentives available from the state and federal government and compatibility with current uses in the area.

Several measures are recommended to prevent the Rath Administration building remaining dormant for another 17 years. Many of these initiatives can occur concurrently and will depend solely on the City to initiate; others will require the collaboration of leaders and stakeholders in the community to see an adaptive reuse materialize.

If the City decides to do nothing, our recommendations are:

- The Rath Administration building should continue to be secured both inside and out and the lot to the north of the building should be cleaned up and maintained in an effort to present the property in the best light possible. The City estimates they currently spend between $300 and $500 each year on door security and landscaping for the building and surrounding City owned land.

- The Cedar Valley Economic Development Council (www.cvedc.com) maintains a website containing available industrial locations throughout the area. We recommend that the Rath Administration building be included on this accessible vehicle for promoting and marketing the potential of the site and informing those interested in buying or renting industrial sites in the Waterloo and Cedar Falls area.

- The City should continue to acquire available surrounding land. This will increase the total acreage available for future redevelopment efforts and increase reuse options. This is especially useful if option 4 (Industrial Park) is being considered for the future.

If the City decides to pursue a reuse option, our recommendations are:

- Assigning a key “go to” person responsible for answering questions and promoting the assets of the Rath Administration building is recommended as a means of monitoring inquiries and propelling interest in the property. One key duty for this person would be exploring financing tools available for redevelopment of the building. Several sources have been listed in this report along with contact information. This process will likely take considerable time but is an important key in making the adaptive reuse possible.

- The building be listed on the Cedar Valley Economic Development Council website as available space.

- Begin the process of building a public-private partnership to include all stakeholders in the community. Central figures in this collaboration include the historic preservation constituency, area realtors, real estate developers, architects, historians,
community leaders from the Chamber of Commerce and the Cedar Valley Economic Development Corporation and the staff of the Office of Community Development and the Planning department for the City of Waterloo, along with interested Waterloo and Rath area neighborhood residents. This group will be responsible for discussing the best reuse option for the building, which the City may or may not have decided upon. Such a group is important to foster a good relationship between the City and the neighborhood residents, who will be affected by any redevelopment efforts. The New Markets Tax Credit financial tool, described earlier in the report, is illustrative of the importance of connecting local business with the redevelopment efforts of the Rath Building.

Once this consortium of leaders is assembled it is recommended that the services of firms specializing in adaptive reuse projects be contacted. Large cities like Chicago and Minneapolis / St. Paul, deal with these types of projects on a regular basis and have cultivated firms with a high level of expertise in this area of real estate development. Their recommendations can serve as a follow-up to this initial report. A list of some of these firms is provided in the Appendix.

Also explored in this report was the option of demolition of the building. While this option was not explored in-depth in our study, given the high cost of renovation and the unsure prospects of financing, the City would be wise to consider this option. Tearing down the Rath Administration Building would no doubt be controversial and unpopular with many in the community. However, it is clear that the research done thus far would back up this option. We recommend that if the financial commitment for renovation cannot be obtained, the option of demolishing the building and reconditioning the land for sale should be seriously considered.

As requested by the Office of Community Development, an exploration of adaptive reuse options was conducted for the Rath Administration building. If a reuse option is to materialize, the efforts of government and the private sector will need to be joined in a common effort to return the Rath Administration building to a viable and useful part of the Waterloo landscape.
References


The Association of Economic Development and Chamber of Commerce Researchers.


Danter Company, The. 363 East Town Street, Columbus, OH 43215. June 6, 2001. “An IFA-Formatted Apartment Analysis in the City of Fort Madison, Iowa (The Bluffs).” Columbus, OH:


Iowa Workforce Development, January – December 2000 for Black Hawk County


Vanderwall and Associates, Rath Neighborhood Area Redevelopment Plan, 2001


Waterloo, the Factory City of Iowa. 1986. “Survey of Architecture and History.” Iowa City, IA.

Appendix

Demographic Data Summary
Interviews
Other Possible Funding Sources
Financial Analysis Worksheets
Data Summary

<table>
<thead>
<tr>
<th></th>
<th>Waterloo City</th>
<th>Rath Neighborhoods</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Population</td>
<td>68,747</td>
<td>2,514</td>
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<tr>
<td>Male</td>
<td>32,985</td>
<td>1,294</td>
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<tr>
<td>Female</td>
<td>35,762</td>
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<tr>
<td>Asian alone</td>
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<td>0</td>
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<tr>
<td>Some other race alone</td>
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<td>1.44%</td>
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<tr>
<td></td>
<td>1.97%</td>
<td>4.30%</td>
</tr>
</tbody>
</table>

| **Household**             |              |                    |
| Total Households          | 28,169       | 799                |
| Household population      | 67,196       | 2,352              |
| Household size            | 2.39         | 2.94               |
| Average Household Income $ | 40,145¹     | 17,073²            |

| **Family**                |              |                    |
| Total Families            | 17,744       | 535                |
| Family Size               | 2.97         | 3.45               |

| **Employment**            |              |                    |
| Total Labor Force (18-64) | 41,239       | 1,490              |
| Unemployment rate         | 3.30%        | 15%³               |

| **Housing**               |              |                    |
| Total Housing Units       | 29,499       | 890                |
| Occupied                  | 28,169       | 799                |
| Owner occupied            | 18,897       | 393                |
| Renter occupied           | 9,272        | 406                |
| Vacant                    | 1,330        | 91                 |
| Vacancy Status            |              |                    |
| For rent                  | 583          | 30                 |
| For sale only             | 181          | 6                  |
| Rented or sold, not occupied | 126  | 7                 |
| For seasonal, recreational, or occasional use | 55  | 1                 |
| Other vacant              | 385          | 47                 |
| Median Rent               | $500*        |                    |
| Average Price of A House  | $142,000*    | $30,000*           |

Source: US Bureau of the Census [www.factfinder.census.gov]
*Cedar Valley Economic Development Corporation [City of Waterloo webpage - economic development]
² 1999, estimated according to 1999 Per Capita income ($5,800) for Rath Area from EPA Brownfield Group [http://www.epa.gov/brownfields/html-doc/awaterlo.htm]
**Interviews**
Interview with commercial real estate agents in Waterloo area, February 5, 2002. Conducted over the phone by Martin Matsen.

Century 21 Golden Cities Realtors,  
111 Plaza Circle  
Waterloo, IA 50701  
(319) 236-1672  
Spoke with Cliff –

Cortright Realtors  
3806 Pheasant Lane  
Waterloo, IA 50701  
(319) 235-6234  
Spoke with Betty –

First Security GMAC Real Estate  
Waterloo, IA  
(319) 266-3489  
Spoke with Fred –

Summary of questions and collective comments:
IN THESE INTERVIEWS THE FOLLOWING QUESTIONS WERE ASKED –

- Do they have any knowledge of the Rath Administration Building?
- What do they think should be done with the building?
- What do they as realtors see a need for in the Waterloo area?

THE COMMENTS REGARDING THESE QUESTIONS WERE AS FOLLOWS –

- For the most part they knew little about the building and its current status. Although most knew something of its history and that the City currently owns it.
- Few of the realtors had any insight as to what should or could be done with the building and further, what the City should do at this point. However, most felt that the City should undertake the renovation of the building and the build could then be leased or sold as a finished product.
- Most of the realtors responded to question of what is needed in the City by stating that the City needs low end office space, such that it could be used for things such as call centers and the like.
- The comment was made that the City needs space that would lease “in the area of $4.00 / Square Foot.” Although these realtors focus on commercial real estate the resounding feeling was that the City did not need more residential real estate.
Interviews were also conducted with several individuals in the Waterloo and Iowa City areas concerning the redevelopment process through the perspective of industry experts. The interviews were completed between January and April of 2002.

Carl Adrian
President
Cedar Valley Economic Development Corp.
Waterloo, IA

Mr. Adrian, being familiar with the Rath Administration Building indicated the building is too large for most single occupant uses. The building currently experiences a negative perception due to the lack of landscaping and visual appeal from the street. The current configuration of 150,000 square feet on four floors is a constraint for light manufacturing due to the difficulty in moving product and materials between floors.

The Waterloo and Cedar Falls area currently have adequate office space. The most desirable and prestigious office space – ‘Class A’ is meeting the demand of the market. ‘Class B’ and ‘C’, less prestigious, has excess capacity at this time. Mr. Adrian said that the buildings’ features and current market conditions make adaptive reuse difficult if left only to the private sector. Assistance in the form of tax credits will be necessary for any viable project.

Adrienne Bell
Struevere Bros. Eccles & Rouse
Baltimore, MD

Ms. Bell is an urban planner with a real estate developer that focuses on redevelopment projects in historic areas. Her first recommendation concerning the Rath project was to ask an architect for a preliminary assessment of possible uses for the building. She also suggested we investigate what state and federal tax credits may be available, indicating they are often the only way projects such as this can be successful.

Kyran “Casey” Cook, MAI, MA
Cook Appraisal
Iowa City, IA

Mr. Cook advised that we approach the Rath Administration Building site from a feasibility hierarchy. As each use is explored, it is tested against its ability to negotiate legal, physical and financial hurdles. If a possible use can overcome all hurdles – only then is a refined feasibility study conducted. A detailed study includes cost estimates for hearing and air conditioning systems, asbestos abatement and window replacement. With industrial space renting at $4 per square foot, it would not be advisable to spend more than $40 to $60 per square foot to renovate. A property like the Rath Administration Building would probably experience absorption problems ranging from three to fifty years to fully lease. If the building is structurally sound with few environmental problems and a good roof, it could be redeveloped. If these features are
absent, the only course of action may be to tear it down. Mr. Cook concluded that the cooperative political environment in Waterloo is necessary for any reuse option to be realized.

John F. Shaw, AIA
Architect
Iowa City, IA

Mr. Shaw is a practicing architect in Iowa City has extensive experience with historic buildings estimated the costs to reclaim the Rath Administration Building would be equal to a new construction project – approximately $100 plus per square foot. Toxic substances and materials such as asbestos and mold are significant features that need to be addressed early in the development process. The building configuration – vertical compared to horizontal- presents a problem for modern industrial uses. Mr. Shaw’s preliminary assessment from photos indicated that only two of the four floors would be usable, however maintenance of the basement and top floor would still be required.

Robert Smith
Lockard Companies
Real Estate Developers
Waterloo, IA

The City’s interest in redeveloping downtown Waterloo may have some spill over effect for the Rath Administration Building. According to real estate developer, Bob Smith, both the Vision Iowa financing opportunities and the completion of the 18th Street Bridge could help the area considerably. Nearby Cedar Falls will give land away for industrial development along with no charge for water tap in fees or impact fees for roads, making redevelopment of older areas very difficult if left to market forces. Mr. Smith estimated it would cost $1-1.50 per square foot to tear down the building and start over.

Mark Winninger
Winninger Co. Realtors
Waterloo, IA

Mr. Winninger presented the realtors perspective about the redevelopment prospects of the Rath Administration Building. Two elements that detract from the building are the stigma of the Rath legacy due to its closure in 1985 and the resulting neighborhood decline that followed. Tax credits are one way of inducing interest with a serious economic stimulus. Office space in the Waterloo area is rated ‘fair’, with business expansion plans curtailed now and in the near future. The market for industrial space is centered in the South Waterloo Technology Park and two industrial park locations located near the airport. Modern industrial locations require buildings of one level with 24’ sidewalls. Forklifts are used to move materials and the multi-level Rath building does not conform to these modes.
Adaptive Reuse Firms

The following is a list of firms that specialize in the adaptive reuse of old buildings. Some are located here in Iowa while others are located elsewhere around the country but have done work all over the country, including in Iowa.

Brooks Borg and Skiles
317 6th Avenue
Des Moines, IA 50309-4136
Ph: (515) 244-7167
E-mail: bbsae@netins.net
Bill Anderson

Herbert Lewis Kruse Blunck
Fleming Building
218 6th Avenue, Suite 202
Des Moines, IA 50309
Ph: (515) 288-9536
E-mail: arch@hlkb.com
Rod Kruse (rod@hlkb.com)

OPN Architects
201 Third Avenue S.E., Suite 210
Cedar Rapids, IA 52401-1534
Ph: (319) 363-6018
E-mail: opnarchitects@opnarchitects.com
Bradd Brown (bbrown@opnearchitects.com)

Platt Anderson Freeman
46 Waltham Street
Boston, MA 02118-2150
Ph: (617) 451-3600
http://www.pafaa.com/adaptive.html

Thomas Point Associates, Inc.
726 Second Street, Suite 2A,
Annapolis, Maryland 21403
Ph: (410) 267-7220
http://thomaspoint.com/adaptiveservice.htm
tomflynn@thomaspoint.com, rebeccainge@thomaspoint.com

Ambrose Design Group, Inc.
750 Main Street
Hartford, CT 06103
Ph: (860) 727-8031
Allen A. Ambrose, AIA, Principal
Iowa Business Assistance Programs

[Accessed May 11, 2002]

www.iowasmart.com - - 1.800.245.IOWA - - SmartState@ided.state.ia.us

Innovative Business Financial Assistance Programs
Foster Growth and Profitability

The State of Iowa offers a wide array of business financial assistance programs. These programs are designed to foster the growth and profitability of businesses expanding in the state of Iowa and to create quality job opportunities for Iowans. For more information and confidential consultation, on any of the following programs, contact us by E-Mail or call us today at 1.800.245.IOWA.

Community Economic Betterment Account (CEBA):
The CEBA program provides financial assistance to companies that create new employment opportunities and/or retain existing jobs, and make new capital investment in Iowa.

Economic Development Set-Aside Program (EDSA):
The EDSA program provides financial assistance to companies that create new employment opportunities and/or retain existing jobs, and make new capital investment in Iowa.

New Jobs and Income Program (NJIP):
The Iowa New Jobs and Income Program provide a package of tax credits and exemptions to encourage high-quality capital investment and job creation.

Enterprise Zones:
Eligible businesses locating or expanding in an Enterprise Zone area may receive a package of tax credits and exemptions.

Value-Added Agricultural Products and Processes Financial Assistance Program (VAAPFAP):
The Value-Added Agricultural Products and Processes Financial Assistance Program seeks to increase the innovative utilization of Iowa's agricultural commodities.

Entrepreneurial Ventures Assistance (EVA):
The Entrepreneurial Ventures Assistance (EVA) program provides financial and technical assistance to start-up and early-stage companies.

Targeted Small Business Financial Assistance Program (TSBFAP):
This program is designed to assist in the creation and expansion of businesses owned, operated and managed by women, minorities, or persons with a disability.

Self-Employment Loan Program (SELP):
This program is designed to assist in the creation and expansion of businesses owned, operated and managed by women, minorities, or persons with a disability.
Entrepreneurs With Disabilities (EWDI)
The EWDI program helps qualified individuals with disabilities establish, acquire, maintain or expand a small business by providing technical and financial assistance. To be eligible for the program, applicants must be active clients of the Iowa Department of Education Division of Vocational Rehabilitation Services or the Iowa Department for the Blind.

Assistive Device Tax Credit
Iowa small businesses can reduce their taxes by buying or renting products or equipment, or by making physical changes to the workplace to help employees with disabilities get or keep a job. To qualify for the Assistive Device Tax Credit, a business must be located in Iowa and employ 14 or fewer full-time employees or have $3 million dollars or less in gross annual receipts. The credit applies to expenditures made on or after January 1, 2000, and equals one-half of the first $5,000 in qualifying expenses each tax year. Excess credits can be refunded or carried over to the next tax year.

Infrastructure Financial Assistance Programs:
Financial assistance programs are available to finance rail, road and community infrastructure to attract new development or support growth of existing development.

Tax Increment Financing (TIF):
City councils or county boards of supervisors may use the property taxes resulting from the increase in taxable valuation due to construction/reconstruction of new industrial or commercial facilities to provide economic development incentives to a business or industry.

Other Possible Funding Sources

Enterprise Community/Empowerment Zone
Applying an empowerment zone/empowerment community designation will open up other possible funding sources. To do so, the area has to be within census tracts where 20% or more of the population is below poverty level. Census tracts with a population under 2000 and 75% or more of the land zoned for industrial or commercial use and adjacent to one of more census tracts with a poverty rate of 20% or more is also considered.

Predevelopment Assistance
Low interest loans for pre-construction activities, including site assessment, market studies, and traffic studies for projects. Maximum funding: $25,000 requires match. Eligibility: Businesses, municipalities, lenders, non-profits. Preference is given to projects located in ETAs or Federal Empowerment Zones. This program is in conjunction with TIF district designations.
Abandoned building tax deduction
As part of the Economic Development Initiative Program (EDIP), allowance is made for a deduction of 10% of renovation costs. Building must be at least 75% vacant for a minimum of two years.

C&I initiatives
Credits are offsets to tax liabilities in response to a capital investment or job creation activity. Credits are available for investment in certain categories of purchases, such as historic property, manufacturing machinery and equipment, or research and development equipment. Eligibility for the use of tax credits is generally straightforward: Credits are an immediate deduction from a tax liability once the purchase has been made. Incentive programs are much more subjective and may take many different forms. State and local governments use incentive programs to encourage or induce capital investment or job creation activities. Common incentive programs involve abatements of property, income, or sales taxes; convertible loans (forgivable loans); training grants; or sales tax rebates.
Financial Analysis Worksheets
**Feasibility Analysis for Class B Office and Warehouse (Option 1)**

### Land Use:

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<tr>
<th>Lot size (sq. feet)</th>
<th>44940</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lot size (acres)</td>
<td>43,560</td>
</tr>
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### Building Costs:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lot size (sq. feet)</td>
<td>44940</td>
</tr>
<tr>
<td>Lot size (acres)</td>
<td>43,560</td>
</tr>
<tr>
<td>Land price/psf</td>
<td>$0.032</td>
</tr>
<tr>
<td>Building size Gross Leasable Area (GLA)</td>
<td>150,000</td>
</tr>
<tr>
<td>Net Leasable Area - Office (NLA)</td>
<td>33,750</td>
</tr>
<tr>
<td>Net Leasable Area - Warehouse (NLA)</td>
<td>67,500</td>
</tr>
<tr>
<td>Basement (not leasable)</td>
<td>33,750</td>
</tr>
</tbody>
</table>

### Development Cost:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land acquisition</td>
<td>$0.000</td>
</tr>
<tr>
<td>Site preparation (cleanup and access)</td>
<td>$89,880</td>
</tr>
<tr>
<td>Soft costs (% of construction costs)</td>
<td>8%</td>
</tr>
<tr>
<td>Developer's fee</td>
<td>5%</td>
</tr>
<tr>
<td>Depreciation schedule (yrs)</td>
<td>39</td>
</tr>
<tr>
<td>Market rent - Class B Office pf/yr</td>
<td>$8.000</td>
</tr>
<tr>
<td>Market rent - Warehouse pf/yr</td>
<td>$4.000</td>
</tr>
<tr>
<td>Vacancy rate - Office</td>
<td>11%</td>
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<tr>
<td>Vacancy rate - Warehouse</td>
<td>13%</td>
</tr>
<tr>
<td>Operating expenses-Office</td>
<td>50%</td>
</tr>
<tr>
<td>Operating expense-Warehouse</td>
<td>35%</td>
</tr>
<tr>
<td>Capitalization rate</td>
<td>10%</td>
</tr>
<tr>
<td>Permanent loan interest</td>
<td>10%</td>
</tr>
<tr>
<td>Debt service (Office)</td>
<td>(143,582)</td>
</tr>
<tr>
<td>Replacement reserve of rents</td>
<td>6%</td>
</tr>
<tr>
<td>Real estate taxes - Before Tax Cash Flow</td>
<td>34%</td>
</tr>
<tr>
<td>Property tax rate (per $1000 assessed value)</td>
<td>$41.78</td>
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<tr>
<td>Estimated Value</td>
<td>$1,500,000</td>
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### Operating Cash Flow:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent - Office</td>
<td>$270,000</td>
</tr>
<tr>
<td>Rent - Warehouse</td>
<td>$270,000</td>
</tr>
<tr>
<td>Vacancy</td>
<td>$64,800</td>
</tr>
<tr>
<td>Operating expenses-Office</td>
<td>$135,000</td>
</tr>
<tr>
<td>Operating expenses-Warehouse</td>
<td>$89,117</td>
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<tr>
<td>Real estate taxes (value x prop tax rate)</td>
<td>$62,670</td>
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<tr>
<td>Replacement reserve</td>
<td>$32,400</td>
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<tr>
<td>NOI</td>
<td>156,013</td>
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### Financing and Investment:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1,560,133</td>
</tr>
<tr>
<td>LTV</td>
<td>70%</td>
</tr>
<tr>
<td>Loan</td>
<td>1,092,093</td>
</tr>
<tr>
<td>Debt service</td>
<td>143,582</td>
</tr>
<tr>
<td>DCR</td>
<td>1,086,582,787</td>
</tr>
<tr>
<td>Before-tax cash flow</td>
<td>$12,432</td>
</tr>
<tr>
<td>Equity needed</td>
<td>$8,734,592</td>
</tr>
<tr>
<td>Return on equity</td>
<td>0.0014</td>
</tr>
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### After-tax cash flow:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate tax rate</td>
<td>34%</td>
</tr>
<tr>
<td>Tax Credits</td>
<td>0</td>
</tr>
<tr>
<td>Taxes on rents</td>
<td>($4,227)</td>
</tr>
<tr>
<td>Value of deductions (depreciation)</td>
<td>$251,966</td>
</tr>
<tr>
<td>Net after-tax cash</td>
<td>$260,171</td>
</tr>
<tr>
<td>Return on equity yr 1</td>
<td>2.98%</td>
</tr>
</tbody>
</table>

### Tax Issues:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Tax rate</td>
<td>34%</td>
</tr>
<tr>
<td>Deduction period (depreciation-yrs)</td>
<td>39</td>
</tr>
</tbody>
</table>

### Subsidy Calculation:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net after-tax cash</td>
<td>$260,171</td>
</tr>
<tr>
<td>Estimated required return</td>
<td>15%</td>
</tr>
<tr>
<td>Supportable Equity (amount investors will invest)</td>
<td>$1,734,475</td>
</tr>
<tr>
<td>Subsidy needed</td>
<td>$7,000,118</td>
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</tbody>
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Source: BOMA's 2001 Experience Exchange Report; U.S. Office Market Highlights
Building Owners and Managers Association (BOMA)
### Rath Administration Building

#### Feasibility Analysis for Class B Office and Warehouse (Option 1) with Financing Tools

<table>
<thead>
<tr>
<th>Land Use:</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lot size (sq. feet)</td>
<td>44940</td>
</tr>
<tr>
<td>Acres</td>
<td>$1,032</td>
</tr>
<tr>
<td>Building size Gross Leasable Area (GLA)</td>
<td>150000</td>
</tr>
<tr>
<td>Net Leasable Area - Office (NLA)</td>
<td>33750</td>
</tr>
<tr>
<td>Net Leasable Area - Warehouse (NLA)</td>
<td>67500</td>
</tr>
<tr>
<td>Basement (not leasable)</td>
<td>33750</td>
</tr>
<tr>
<td>Parking space cost/sq.ft</td>
<td>$3</td>
</tr>
<tr>
<td>Development Cost: Parking spaces 1/400 sq ft office</td>
<td>98</td>
</tr>
<tr>
<td>Parking spaces -Warehouse -1/2 Space per Employee (50)</td>
<td>25</td>
</tr>
<tr>
<td>Parking space size (sq ft)</td>
<td>200</td>
</tr>
<tr>
<td>Site Preparation</td>
<td>$89,880</td>
</tr>
<tr>
<td>(cleanup and access)</td>
<td>Soft costs (% of construction costs)</td>
</tr>
<tr>
<td>Construction Costs</td>
<td>Developer's fee</td>
</tr>
<tr>
<td>Office</td>
<td>$2,531,250</td>
</tr>
<tr>
<td>Warehouse/Basement/Top Floor</td>
<td>$5,625,000</td>
</tr>
<tr>
<td>Parking lot</td>
<td>$73,800</td>
</tr>
<tr>
<td>Soft costs</td>
<td>$658,404</td>
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<tr>
<td>(Engineering, Architecture, Legal &amp; misc.)</td>
<td>Vacancy rate- Warehouse</td>
</tr>
<tr>
<td>Construction loan</td>
<td>$470,294</td>
</tr>
<tr>
<td>Total Construction Cost</td>
<td>$9,358,748</td>
</tr>
<tr>
<td>Developers fee</td>
<td>$467,937</td>
</tr>
<tr>
<td>Total Development Cost</td>
<td>$9,826,685</td>
</tr>
<tr>
<td>Building cost psf</td>
<td>$65.51</td>
</tr>
</tbody>
</table>

#### Operating Cash Flow

| Rent - Office | $270,000 |
| Rent- Warehouse | $270,000 |
| Vacancy | $64,800 |
| Operating expenses-Office | $135,000 |
| Operating expenses-Warehouse | $89,117 |
| Real estate taxes (value x prop tax rate) | $62,670 |
| Replacement reserve | $32,400 |
| NOI | 156,013 |

#### Financing and Investment

| Value | 1,560,133 |
| LTV | 70% |
| Loan | $4,489,167 |
| Debt service | 2 |
| DCR | 10% |
| Before-tax cash flow | 24 months |
| Equity needed | $8,734,592 |
| Return on equity | 0.0014 |

#### After-tax cash flow

| Corporate tax rate | 34% |
| Historic tax credits (Federal) | $975,289 |
| Tax abatement -year 1 | $47,003 |
| Taxes on rents | $4,227 |
| Net after-tax cash | $1,282,462 |

#### Tax Issues

| Corporate Tax rate | 34% |
| Eligible costs for tax credits | $9,752,885 |
| Deduction period (depreciation-yrs) | 39 |
| Historic Tax Credit- Federal | 10% |
| Property tax abatement - year 1 | 75% |

#### Subsidy Calculation

| Net after-tax cash | $1,282,462 |
| Estimated required return | 15% |
| Supportable Equity (amount investors will invest) | $8,549,748 |
| Subsidy needed | $184,844 |

---

Source: BOMA's 2001 Experience Exchange Report; U.S. Office Market Highlights

Building Owners and Managers Association (BOMA)
## Rath Administration Building

### Feasibility Analysis for Class C - Telemarketing Office (Option 2)

#### Land Use:
- **Lot size (sq. feet)**: 44940
- **Building size Gross Leasable Area (GLA)**: 150000
- **Net Leasable Area - (NLA)**: 67500
- **Basement & top floor (not leasable)**: 75000

#### Development Cost:
- **Land acquisition**
- **Site Preparation**:
  - (cleanup and access)
- **Soft costs**:
  - (Engineering, Architecture, Legal & misc.)
- **Construction loan**
- **Total Construction Cost**
- **Developers fee**
- **Total Development Cost**
- **Building cost psf**

#### Operating Cash Flow
- **Rent - Office**
- **Rent - Warehouse**
- **Vacancy**
- **Operating expenses-Office**
- **Operating expenses-Warehouse**
- **Real estate taxes (value x prop tax rate)**
- **Replacement reserve**
- **NOI**

#### Financing and Investment
- **Value**
- **LTV**
- **Loan**
- **Debt service**
- **DCR**
- **Before-tax cash flow**
- **Equity needed**
- **Return on equity**
- **After-tax cash flow**
- **Corporate tax rate**
- **Tax Credits**
- **Taxes on rents**
- **Value of deductions (depreciation)**
- **Net after-tax cash**
- **Return on equity yr 1**

#### Assumptions
- **Sq feet in an acre**: 43,560
- **Acres**: 1.032
- **Land price psf**: 0
- **Site preparation psf**: 2
- **Building cost- Office psf**: 65
- **Building cost- Warehouse, Basement & Top Floor psf**: 50
- **Parking space cost/sq ft**: 3
- **Parking spaces 1,400 sq ft office**: 169
- **Parking space size (sq ft)**: 200
- **Soft costs (% of construction costs)**: 8%
- **Developer's fee**: 5%
- **Depreciation schedule (yrs)**: 39
- **Market rent -Class C Office psf/yr**: 4
- **Market rent - Warehouse psf/yr**: 4
- **Vacancy rate - Office**: 11%
- **Vacancy rate - Warehouse**: 13%
- **Operating expenses-Office**: 50%
- **Operating expense -Warehouse**: 35%
- **Capitalization rate**: 10%
- **Permanent loan interest**: 10%
- **Debt service**: ($151,328)
- **Replacement reserve of rents**: 6%
- **Real estate taxes- (Before Tax Cash Flow)**: 34%
- **Property tax rate (per $1000 assessed value)**: 41.78
- **Estimated Value**: $1,500,000

#### Construction Loan Calculation
- **Construction cost**: $8,987,892
- **Loan drawn down**: $4,493,946
- **Loan drawn down (years)**: 2
- **Construction interest rate**: 10%
- **Total carrying costs**: ($470,794)
- **Site preparation time**: 24 months

#### Tax Issues
- **Corporate Tax rate**: 34%
- **Deduction period (depreciation-yrs)**: 39

#### Subsidy Calculation
- **Net after-tax cash**: $260,884.66
- **Estimated required return**: 15%
- **Supportable Equity (amount investors will invest)**: $1,739,231
- **Subsidy needed**: $6,947,006

---

*Source: BOMA's 2001 Experience Exchange Report; U.S. Office Market Highlights Building Owners and Managers Association (BOMA)*
### Rath Administration Building

**Feasibility Analysis for Class C - Telemarketing Office (Option 2) with Financing Tools**

#### Assumptions
- **Lot size (sq. feet):** 44,940
- **Buildings size Gros Leasable Area (GLA):** 150,000
- **Net Leasable Area - (NLA):** 67,500
- **Basement & top floor (not leasable):** 75,000

#### Development Cost:
- **Land acquisition:** $0

#### Site Preparation
- **(cleanup and access):** $89,880

#### Construction Costs
- **Office:** Gross Leasable Area (GLA) $4,387,500
- **Warehouses/Basement/Top Floor:** $3,750,000
- **Parking lot:** $101,400
- **Soft costs:** $659,112
- **Construction loan:** $470,794
- **Total Construction Cost:** $9,368,806
- **Developers fee:** $468,440
- **Total Development Cost:** $9,837,247

#### Operating Cash Flow
- **Rent - Office:** $270,000
- **Rent- Warehouse:** $300,000
- **Vacancy:** $68,700
- **Operating expenses-Office:** $135,000
- **Operating expenses-Warehouse:** $105,000
- **Real estate taxes:** $62,670
- **Replacement reserve:** $34,200
- **NOI:** $164,430

#### Financing and Investment
- **Value:** $1,644,300
- **LTV:** 70%
- **Loan:** $1,151,010
- **Debt service:** $151,328
- **Before-tax cash flow:** $13,102
- **Equity needed:** $8,686,237
- **Return on equity:** 0.0015

#### After-tax cash flow
- **Corporate tax rate:** 34%
- **Tax Credits (Federal):** $973,585
- **Tax abatement - year 1:** $47,003
- **Taxes on rents:** $4,455
- **Value of deductions (depreciation):** $352,237
- **Net after-tax cash:** $1,234,469
- **Return on equity yr 1:** 14.21%

#### Tax Issues
- **Corporate Tax rate:** 34%
- **Eligible costs for tax credits:** $9,735,847
- **Deduction period (depreciation-yrs):** 39
- **Historic tax credits - Federal:** 10%
- **Property tax abatement - year 1:** 75%

#### Subsidy Calculation
- **Net after-tax cash:** $1,234,469
- **Estimated required return:** 15%
- **Supportable Equity (amount investors will invest):** $8,229,795
- **Subsidy needed:** $456,441

---

*Source: BOMA's 2001 Experience Exchange Report; U.S. Office Market Highlights Building Owners and Managers Association (BOMA)*
## Rath Administration Building

### Feasibility Analysis for Human Services Center - Class B Office (Option 3)

<table>
<thead>
<tr>
<th>Land Use:</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lot size (sq. feet)</td>
<td>44940</td>
</tr>
<tr>
<td>Building size Gross Leasable Area (GLA)</td>
<td>150000</td>
</tr>
<tr>
<td>Net Leasable Area - Office (NLA)</td>
<td>67500</td>
</tr>
<tr>
<td>Basement and top floor - not leased</td>
<td>75000</td>
</tr>
</tbody>
</table>

### Development Cost:
- Land acquisition: 0
- Parking space size (sq ft): 200
- Construction costs:
  - Office: $5,062,500
  - Basement & Top Floor: $3,750,000
  - Parking lot: $112,200
  - Soft costs: $713,976

### Construction Costs:
- Total Construction Cost: $10,148,267
- Total Development Cost: $10,655,680

### Operating Cash Flow
- Rent - Office: $540,000
- Vacancy: $59,400
- Operating expenses-Office: $270,000
- Real estate taxes (value x prop tax rate): $62,670
- Replacement reserve: $32,400
- NOI: 115,530

### Financing and Investment
- Value: $1,155,300
- LTV: 70%
- Loan: 808,710
- Debt service: 106,324
- DCR: 1.0866
- Before-tax cash flow: $9,206
- Equity needed: $9,846,970
- Return on equity: 0.0009

### After-tax cash flow
- Corporate tax rate: 34%
- Tax Credits: 0
- Taxes on rents: ($3,130)
- Value of deductions (depreciation): $273,223
- Net after-tax cash: $279,298
- Return on equity yr 1: 2.84%

### Tax Issues
- Corporate Tax rate: 34%
- Deduction period (depreciation-yrs): 39

### Subsidy Calculation
- Net after-tax cash: $279,298
- Estimated required return: 15%
- Supportable Equity (amount investors will invest): $1,861,990
- Subsidy needed: $7,904,981

**Source:** BOMA's 2001 Experience Exchange Report; U.S. Office Market Highlights

Building Owners and Managers Association (BOMA)
## Rath Administration Building

**Feasibility Analysis for Human Services Center - Class B Office (Option 3) with Financing Tools**

### Land Use:
- Lot size (sq. feet): 44940
- Gross Leasable Area (GLA): 150000
- Net Leasable Area - Office (NLA): 67500
- Basement and top floor - not leased: 75000

### Assumptions:
- Sq feet in an acre: 43,560
- Acres: $1.032
- Land price/ psf: $0
- Site preparation / psf: $2
- Building cost- Office / psf: $75
- Building cost- Warehouse, Basement & Top Floor/psf: $50
- Parking space cost/sq.ft: $3
- Parking spaces 1/400 sq ft office: 187

### Development Cost:
- Land acquisition: $0
- Parking space size (sq ft): 200
- Site Preparation:
  - (cleanup and access): $89,880
  - Soft costs (% of construction costs): 8%
  - Developer's fee: 5%
  - Depreciation schedule (yrs): 39
- Construction Costs:
  - Office: $5,062,500
  - Basement & Top Floor: $3,750,000
  - Parking lot: $112,200
  - Soft costs: $713,976
  - (Engineering, Architecture, Legal & misc.): $89,880
  - Construction loan: $509,591
- Total Construction Cost: $10,148,267
- Developers fee: $507,413
- Total Development Cost: $10,655,680
- Building cost psf: $71.04

### Operating Cash Flow:
- Rent - Office: $540,000
- Vacancy: $59,400
- Operating expenses-Office: $270,000
- Real estate taxes (value x prop tax rate): $62,670
- Replacement reserve: $32,400
- NOI: 115,530

### Financing and Investment:
- Value: 1,155,300
- LTV: 70%
- Loan: 808,710
- Debt service: 106,324
- DCR: 1.0866
- Before-tax cash flow: $9,206
- Equity needed: $9,846,970
- Return on equity: 0.0009

### After-tax cash flow:
- Corporate tax rate: 34%
- Tax Credits: $1,054,348
- Property tax abatement: $47,003
- Taxes on rents: ($3,130)
- Value of deductions (depreciation): $273,223
- Net after-tax cash: $1,333,646
- Return on equity yr 1: 13.54%

### Tax Issues:
- Corporate Tax rate: 34%
- Eligible costs: $10,543,480
- Deduction period (depreciation-yrs): 39
- Historic tax credits - Federal: 10%
- Property tax abatement - year 1: 75%

### Construction Loan Calculation:
- Construction cost: $9,728,556
- Loan drawn down: $4,864,278
- Periods (years): 2
- Construction interest rate: 10%
- Total carrying costs: ($509,591)
- Site preparation time: 24 months

### Subsidy Calculation:
- Net after-tax cash: $1,333,646
- Estimated required return: 15%
- Supportable Equity (amount investors will invest): $8,890,976
- Subsidy needed: $955,994

---

**Source:** BOMA's 2001 Experience Exchange Report; U.S. Office Market Highlights
Building Owners and Managers Association (BOMA)
Feasibility Analysis for Industrial Park Warehouse (Option 4)

**Land Use:**
- Lot size (sq. feet) 44940
- Building size Gross Leasable Area (GLA) 150000
- Net Leasable Area - Warehouse (NLA) 67500
- Basement and top floor - not leased 75000

**Assumptions:**
- Sq feet in an acre 43,560
- Acres $1.032
- Land price/ psf $0
- Site preparation / psf $2
- Building cost- Warehouse / psf $50
- Building cost- Basement & top floor/psf $50
- Parking space cost/sq.ft $3

**Development Cost:**
- Land acquisition $0
- Parking spaces - Warehouse - 1/2 Space per Employee (50) 25
- Parking space size (sq ft) 200
- Site Preparation (cleanup and access) $89,880
- Soft costs (% of construction costs) 8%
- Developer's fee 5%
- Depreciation schedule (yrs) 39
- Market rent - Warehouse psf/year $4

**Construction Costs:**
- Warehouse $3,375,000
- Basement / top floor $3,750,000
- Parking lot $15,000
- Soft costs $571,200
- Construction loan $408,628
- Total Construction Cost $8,119,828
- Developers fee $405,991
- Total Development Cost $8,525,819
- Building cost psf $56.84

**Operating Cash Flow:**
- Rent - Warehouse $270,000
- Vacancy $35,100
- Operating expenses - Warehouse $94,500
- Real estate taxes (value x prop tax rate) $62,670
- Replacement reserve $16,200
- NOI $61,530

**Financing and Investment:**
- Value $615,300
- LTV 70%
- Loan 430,710
- Debt service $6,627
- DCR 1.086582787
- Before-tax cash flow $4,903
- Equity needed $8,095,109
- Return on equity 0.0006

**After-tax cash flow:**
- Corporate tax rate 34%
- Tax Credits 0
- Taxes on rents ($1,667)
- Value of deductions (depreciation) $218,611
- Net after-tax cash $221,847
- Return on equity yr 1 2.74%

**Tax Issues:**
- Corporate Tax rate 34%
- Deduction period (depreciation-yrs) 39

**Subsidy Calculation:**
- Net after-tax cash $221,846.69
- Estimated required return 15%
- Supportable Equity (amount investors will invest) $1,478,978
- Subsidy needed $6,616,131

**Source:** BOMA's 2001 Experience Exchange Report; U.S. Office Market Highlights
Building Owners and Managers Association (BOMA)
### Financing Worksheets

#### Rath Administration Building
Feasibility Analysis for Industrial Park Warehouse (Option 4) with Financing Tools

#### Land Use:
- Lot size (sq. feet): 44940
- Building size Gross Leasable Area (GLA): 150000
- Net Leasable Area - Warehouse(NLA): 67500
- Basement and top floor - not leased: 75000

#### Assumptions
- Sq feet in an acre: 43,560
- Acres: 1.032
- Land price/ psf: $0
- Site preparation / psf: $2
- Building cost - Warehouse / psf: $50
- Building cost - Basement & top floor/psf: $50
- Parking space cost/sq.ft: $3
- Parking spaces - Warehouse -1/2 Space per Employee: 25
- Parking space size (sq ft): 200

#### Development Cost:
- Land acquisition: $0
- Site Preparation: $89,880
- Building size: Gross Leasable Area (GLA): 150000
- Net Leasable Area - Warehouse(NLA): 67500
- Basement and top floor - not leased: 75000
- Parking lot: $15,000
- Soft costs: $571,200
- Building cost psf: $56.84
- Vacancy rate - Warehouse: 13%
- Operating expense - Warehouse: 35%
- Capitalization rate: 10%
- Permanent loan interest: 10%
- Replacement reserve of rents: 6%
- Real estate taxes- (Before Tax Cash Flow): 10%
- Property tax rate (per $1000 assessed value): $41.78
- Estimated Value: $1,500,000

#### Construction Costs
- Warehouse: $3,375,000
- Basement / top floor: $3,750,000
- Parking lot: $15,000
- Soft costs: $571,200
- Building cost psf: $56.84
- Construction loan: $408,628
- Total Construction Cost: $8,119,828
- Developers fee: $405,991
- Total Development Cost: $8,525,819
- Total Construction Loan: $408,628
- Debt service: ($56,627)
- Before-tax cash flow: $4,903
- NOI: $61,530

#### Operating Cash Flow
- Rent - Warehouse: $270,000
- Vacancy: $35,100
- Operating expenses - Warehouse: $94,500
- Real estate taxes (value x prop tax rate): $62,670
- Replacement reserve: $16,200

#### Construction Loan Calculation
- Construction cost: $7,801,080
- Loan drawn down: $3,900,540
- Construction loan: $408,628
- Construction interest rate: 10%
- Total carrying costs: ($408,628)
- Site preparation time: 24 months

#### Financing and Investment
- Equity needed: $8,095,109
- Estimated Value: $1,500,000
- Before-tax cash flow: $4,903
- NOI: $61,530

#### After-tax cash flow
- Corporate tax rate: 34%
- Tax Credits (Federal): $851,082
- Property tax abatement: $47,003
- Taxes on rents: ($1,667)
- Value of deductions (depreciation): $218,611
- Net after-tax cash: $1,072,929

#### Tax Issues
- Corporate Tax rate: 34%
- Eligible costs: $8,510,819
- Deduction period (depreciation-yrs): 39
- Historic tax credits - Federal: 10%
- Property tax abatement: 75%
- Property tax abatement: 75%

#### Subsidy Calculation
- Net after-tax cash: $1,072,929
- Estimated required return: 15%
- Supportable Equity (amount investors will invest): $7,152,858
- Subsidy needed: $942,252

Source: BOMA's 2001 Experience Exchange Report; U.S. Office Market Highlights
Building Owners and Managers Association (BOMA)