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**PRELIMINARY REVENUE
PROJECTIONS FOR
SELECTED COMPONENTS**

**INTERNATIONAL CULTURAL
AND TRADE CENTER**

WASHINGTON, D.C.

Prepared For

**INTERNATIONAL CULTURAL AND
TRADE CENTER COMMISSION**

June 25, 1990

Prepared By

GA/PARTNERS

a unit of the
ARTHUR ANDERSEN & CO.
Real Estate Services Group

Washington, D.C.

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OVERVIEW
REVENUE PROJECTIONS
INTERNATIONAL CULTURAL AND TRADE CENTER

OVERVIEW
REVENUE PROJECTIONS
INTERNATIONAL CULTURAL AND TRADE CENTER

This report outlines the underlying assumptions and resulting net revenues for selected operating components of the International Culture and Trade Center. As currently planned, ICTC will comprise nine operating units which have been divided into real estate and non-real estate related operations.

GA/Partners projected net revenues for the office and retail space and parking operations. In addition, revenues for the reception/club, and conference center operations have been estimated based on comparable projects. These areas are highlighted below. Projections for other operating units -- the museum, IMAX theater, performing arts center and the trade information center -- will be provided by other specialists commissioned by ICTC.

Operating Units
International Cultural and Trade Center

Real Estate Related

Office Space
Retail Space
Parking Operations

Non-Real Estate Related

Reception/Club
Conference/Training Center
Exhibit Space
Visual Arts
Performing Arts Center
Trade Information Center

Revenue projections are stated on a net basis, after estimated operating expenses have been deducted. Possibilities for additional capital or operating funds through grants and sponsorships, government funding or proceeds from endowments will be examined by ICTC in the period ahead. Also, possible proceeds from admissions charges for museum exhibits are to be explored.

The ICTC development program and resultant real estate related net revenues are presented on the following pages.

DEVELOPMENT PROGRAM

INTERNATIONAL CULTURAL AND TRADE CENTER

Component Area -----	Occupiable Area (Sq. Ft.) -----
ICTC	
A. Exhibit	75,136

1. World Link	10,421
2. Sensorium (NOSF)	0
3. Trade Exhibit Space	35,910
4. Museum	28,805
B. Visual Arts	16,359
----- (Seats)	
1. I-MAX 585	16,359
2. Film 2/ 0	--
C. Retail	166,701

1. Merchandising 3/	58,466
2. Walk around the World	48,235
3. Food Service	60,000
a. Quick Cuisin 21,922	--
b. Restaurants 38,078	--
c. Food Carts (In Quick Cuisine)	--
4. Support (NOSF)	--
D. Performing Arts Ctr	86,000
----- (seats)	
1. Theatre 1 1,700	69,000
2. Theatre 2 600	17,000
3. Theatre 3	--
4. Experimental 4/ 0	--
5. Support (NOSF)	--
E. Office Space	120,900

1. Foreign Countries	60,900
2. US States/Cities	60,000
F. Reception/Club	25,482

1. Reception	10,310
2. Club & Restaurant	15,172
ICTC OCCUPIABLE SPACE	490,578

G. FOB related ICTC Space	98,475

1. ICTC administrative	15,000
2. Expansion/office	10,000
3. Conf/Train/Educ.	44,840
4. Trade Info Center	28,635
TOTAL OCCUPIABLE ICTC SPACE	589,053

ICTC NET REVENUES

 REAL ESTATE RELATED COMPONENTS

 (000's)

	1995 -----	2000 -----	2005 -----
Office Space	\$2,962	\$7,271	\$9,280
Retail Space			

Merchandising	\$1,338	\$4,496	\$6,765
Food Service	\$1,334	\$4,815	\$7,651
Parking Operations	\$3,757 -----	\$4,795 -----	\$6,120 -----
TOTAL	\$9,391	\$21,377	\$29,816

 Source: GA/Partners, June 1990.

OPERATING ASSUMPTIONS
INTERNATIONAL CULTURAL AND TRADE CENTER

**OPERATING ASSUMPTIONS
INTERNATIONAL CULTURAL AND TRADE CENTER**

ASSUMPTIONS COMMON TO ALL COMPONENTS

- Revenue projections are based on illustrative market rates.
- Revenues and expenses are expressed in current 1990 dollars and projections are escalated at inflation.
- All rents are expressed in occupiable square feet (OSF) as per GSA standards.
- All occupiable component areas will be allocated a pro rata share of building operating expenses estimated at \$6.75 per OSF, excluding taxes which are normally in the range of \$5.00 to \$6.00 per square foot. Base operating expenses include utilities, insurance and common area maintenance.
- Component operating expenses will vary depending upon function. For example, operating expenses for the trade exhibit area will include additional costs for daily maintenance of the exhibits.

OPERATING ASSUMPTIONS (cont'd)
REAL ESTATE RELATED COMPONENTS

OFFICE SPACE

- Full service contract rents for new, high profile space range from \$35.00 to \$48.00 per square foot on a full service basis. Some recent leases include:

<u>Tenant</u>	<u>Full Service Lease Rate/SF</u>	<u>Location</u>
Davis, Polk, Wardell	\$47.32	Franklin Square
Finnegan, Henderson	\$45.55	Franklin Square
IBM	\$43.00	One Franklin Sq.
Whitehurst & Taylor	\$40.00	Market Square
Spriggs, Bide	\$37.32	1350 Eye Street
Fullbright & Jaworski	\$36.00	Market Square
Edison Electric	\$36.00	Market Square

Note: Although many of these leases are triple net leases, they have been expressed on a full service basis for comparative purposes.

- In the current market, concessions typically amount to a discount of 10 percent to 20 percent of the contract rent.
- For purposes of this analysis, ICTC contract office rent is estimated at \$43.00 per OSF full service, at the upper end of the range for office space in the East End and along Pennsylvania Avenue. No consideration has been given to layout, configuration and efficiency.

RETAIL SPACE

Merchandising

- Fully net lease rates for retail tenants in other downtown locations typically range from \$18.00 to \$30.00 per square foot. Examples of leases include:

<u>Tenant</u>	<u>Triple Net Lease Rate/SF</u>	<u>Location</u>
Pirjo Jaffe (1,166 sf)	\$18.00	Metropolitan Square
Showcase (1,100 sf)	\$20.00	Post Office Pavilion
Celebrations (931 sf)	\$24.99	The Shops
10 Toes (558 sf)	\$25.00	Metropolitan Square
Have a Heart (783 sf)	\$30.00	Post Office Pavilion

- The net rent for an average size (1,000 square foot) ICTC retail tenant is estimated at \$21.45 per square foot. As currently planned, the configuration and layout of the space limits merchandising potential. Also, ICTC will be heavily visited by tourists and therefore it is not expected to attract high end retailers generating large sales volumes and premium rental rates.
- Retail operating expenses are estimated at \$8.00 per square foot and include an additional allowance above office area operating costs, for common area maintenance.

FOOD SERVICE

Food Court

- Lease rates for food court tenants typically range from \$40.00 to \$60.00 per square foot. Actual leases include:

<u>Tenant</u>	<u>Net Lease Rate/SF</u>	<u>Location</u>
Gelato Classico	\$43.00	Metropolitan Square
Wingmasters	\$52.50	Post Office Pavilion
Catskills Deli	\$60.00	Post Office Pavilion

- Rent, net of expenses, for the food court area is projected at \$58.00 per square foot. ICTC food court space should be able to achieve relatively high rental rates since it is expected to benefit from a strong lunchtime crowd composed of a large base of area employees as well as heavy tourist traffic.
- Operating expenses are estimated at \$13.70 which represents a blended rate of common area expenses and tenant area expenses. The difference between the building expenses and the food court expenses result from higher utility and common area maintenance charges.

Restaurants

- Rental rates, net of expenses, for restaurant space in comparable locations range from \$20.00 to \$23.00 per square foot. Actual leases include:

<u>Tenant</u>	<u>Net Lease Rate/SF</u>	<u>Location</u>
Quigley's Saloon	\$20.75	International Square
Charley's Crab	\$20.00	Connecticut Connection
Fitch, Fox & Brown	\$20.00	Post Office Pavilion
American Cafe	\$22.50	The Shops

- Net rent for the restaurant space is estimated at approximately \$25.00 per square foot. The projected rent represents a premium for the white table cloth restaurant space which should benefit from area employment and tourism as well.
- Operating expenses are estimated at \$12.00 per square foot.

PARKING

- The assumptions for the parking operations are based upon information obtained from similar operations including the Union Station parking garage.
- ICTC will be allotted 720 spaces during the weekdays and will have access to the 2,230 spaces at night and on the weekends.
- The parking rates are projected to be \$125 per month; \$3.50 per hour during the day, and; \$5.00 per visit at night.
- The spaces are expected to be fully occupied during the day and the hourly spaces will turn over twice. At night, and on the weekend, the garage is expected to be 50 percent occupied and will turn over twice.
- Expenses for the parking operations are estimated at 20 percent of revenues.

OPERATING ASSUMPTIONS (cont'd)
NON-REAL ESTATE RELATED COMPONENTS

CLUB/RECEPTION

-- The assumptions associated with the club facility are based upon information provided by: the International Club in Washington, D.C., the Pilmsoll Club in New Orleans, and Club Corporation of America.

-- Revenue projections are based on the following assumptions:

Total stabilized membership:	1,100 members
Initiation fees:	\$1,500
Monthly dues:	\$100

CONFERENCE CENTER

-- Rents and expenses are based on information provided by selected conference centers in similar business locations. Conference space is assumed divided into two primary users: government and non-government. The projected rental rate of \$130 per square foot represents a blended rate for government and non-government of \$78 and \$156, respectively.

Revenues have not been estimated for the following components:

Exhibit Space

Visual Arts

Performing Arts

Trade Information Center

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REVENUE PROJECTIONS

NET REVENUE PROJECTIONS 1/

ICTC/FOB BUILDING

(In thousands of Current Dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Total
A. Exhibit														
World Link	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Sensorium	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Trade Exhibit Space	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Museum	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Subtotal	...	...	...	...	...	...	...	...	...	...	...	...	...	...
B. Visual Arts														
I-MAX	...	...	...	...	...	...	...	...	...	...	...	...	...	...
C. Retail														
Merchandising	733	1,547	1,886	2,066	2,258	2,464	2,683	2,916	3,163	3,427	3,707	4,005	4,323	35,177
Walk around the World	605	1,276	1,556	1,705	1,863	2,033	2,213	2,405	2,610	2,827	3,058	3,304	3,566	29,021
Food Service	1,334	2,824	3,509	3,916	4,349	4,815	5,311	5,841	6,405	7,008	7,651	8,336	9,068	70,368
a. Quick Cuisine	831	1,624	1,993	2,214	2,451	2,704	2,974	3,263	3,570	3,897	4,246	4,619	5,016	39,403
b. Restaurants	503	1,200	1,516	1,701	1,899	2,111	2,337	2,578	2,836	3,111	3,404	3,718	4,052	30,965
Subtotal	2,672	5,647	6,951	7,686	8,470	9,311	10,207	11,162	12,179	13,262	14,416	15,646	16,957	134,566
D. Performing Arts Ctr	...	...	...	...	...	...	...	...	...	...	...	...	...	...
E. Office Space	2,774	5,002	5,801	6,091	6,396	6,715	7,051	7,404	7,774	8,163	8,571	8,999	9,449	90,190
F. Reception/Club	1,727	1,833	1,344	1,411	1,481	1,555	1,633	1,715	1,800	1,890	1,985	2,084	2,188	22,647
G. FOB related ICTC Space														
ICTC Administrative	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Expansion/office	188	486	480	504	529	555	583	612	643	675	709	744	782	7,491
Conf/Train/Educ.	1,571	2,149	2,256	2,369	2,488	2,612	2,743	2,880	3,024	3,175	3,334	3,500	3,675	35,776
Trade Info Center	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Subtotal	1,760	2,635	2,736	2,873	3,017	3,167	3,326	3,492	3,667	3,850	4,043	4,245	4,457	43,267
H. Parking	3,757	3,945	4,142	4,349	4,567	4,795	5,035	5,287	5,551	5,828	6,120	6,426	6,747	66,549
TOTAL NET REVENUES	12,690	19,062	20,974	22,411	23,930	25,544	27,252	29,059	30,971	32,993	35,134	37,400	39,799	357,219
Cumulative Revenues	12,690	31,752	52,725	75,136	99,066	124,610	151,863	180,921	211,892	244,885	280,020	317,420	357,219	
Real Estate Revenues	9,391	15,080	17,374	18,631	19,961	21,377	22,877	24,465	26,146	27,928	29,816	31,816	33,935	298,796
Non Real Estate Revenues	3,299	3,981	3,600	3,780	3,969	4,167	4,376	4,594	4,824	5,065	5,319	5,585	5,864	58,423

1/ Income less cost of operations before staffing expenses, lease payment and sponsorships.

Source: GA/Partners.

OPERATING ASSUMPTIONS - DETAIL

OPERATING ASSUMPTIONS

ICTC/FOB Building

COMPONENT =====	1990 -----	1995 -----	SOURCE =====
A. Retail -----			
Merchandising -----			
Area	58,466	58,466	PCF & Partners;
Breakpoint	6.00%	6.00%	GA/Partners assumption.
Gross Rent	\$31.00	\$39.56	GA/Partners assumption.
Vacancy Factor	5.00%	5.00%	GA/Partners assumption. Represents stabilized rate.
Effective Revenue	\$29.45	\$37.59	GA/Partners;
Expenses/SF	\$8.00	\$10.21	GA/Partners assumption.
Net Revenues	\$21.45	\$27.38	
Occupancy: Year 1 - 40%; Year 2 - 75%; Year 3 - 95%.			
Walk Around the World -----			
Area	48,235	48,235	PCF & Partners;
Breakpoint	6.00%	6.00%	GA/Partners assumption.
Gross Rent	\$31.00	\$39.56	GA/Partners assumption.
Vacancy Factor	5.00%	5.00%	GA/Partners assumption. Represents stabilized rate.
Effective Revenue	\$29.45	\$37.59	GA/Partners;
Expenses/SF	\$8.00	\$10.21	GA/Partners assumption.
Net Revenues	\$21.45	\$27.38	

OPERATING ASSUMPTIONS

ICTC/FOB Building

COMPONENT =====	1990 -----	1995 -----	SOURCE =====
Food Court -----			
Area	21,922	21,922	PCF & Partners;
Breakpoint	8.00%	8.00%	GA/Partners assumption.
Rent	\$75.51	\$96.37	GA/Partners assumption based on a breakpoint of 8 percent of sales.
Vacancy Factor	5.00%	5.00%	GA/Partners assumption. Represents stabilized rate.
Effective Revenue	\$71.74	\$91.55	GA/Partners;
Expenses/SF	\$13.70	\$17.49	GA/Partners assumption. Represents a blended rate of open area space (\$25/SF) and Tenant space (\$8/SF)
Net Revenues	\$58.04	\$74.07	
Restaurant -----			
Area	38,078	38,078	PCF & Partners;
Breakpoint	8.00%	8.00%	GA/Partners assumption.
Rent	\$38.86	\$49.60	GA/Partners assumption based on a breakpoint of 8 percent of sales.
Vacancy Factor	5.00%	5.00%	GA/Partners assumption; Represents stabilized rate.
Effective Revenue	\$36.92	\$47.12	GA/Partners;
Expenses/SF	\$12.00	\$15.32	GA/Partners assumption;
Net Revenues	\$24.92	\$31.81	
Kiosks -----			
Area	N/A	N/A	Included in Food Court.
Breakpoint	8.00%	8.00%	GA/Partners assumption.
Expenses/SF	\$25.00	\$31.91	GA/Partners assumption.
B. Office Space -----			
Area	120,900	120,900	PCF & Partners;
Revenues/SF	\$43.00	\$54.88	GA/Partners assumption;
Vacancy Factor	5.00%	5.00%	GA/Partners assumption; at stabilization
Effective Revenues	\$40.85	\$52.14	GA/Partners;
Expenses/SF	\$6.75	\$8.61	GA/Partners assumption;
Net Revenues	\$34.10	\$43.52	

OPERATING ASSUMPTIONS

ICTC/FOB Building

COMPONENT	1990	1995	SOURCE
=====	-----	-----	=====
C. Club/Reception			

Area	25,482	25,482	PCF & Partners;
Total Membership	1,100	1,100	GA/Partners assumption; based on International Club, DC; 11/16/88.
Monthly Dues	\$100.00	\$127.63	GA/Partners assumption; based on International Club, DC; 11/16/88.
Initiation Fees	\$1,500	\$1,900	GA/Partners assumption; based on International Club, DC; 11/16/88.
Food & Beverage Revenue/SF	\$100.00	\$127.63	GA/Partners assumption; based on Pilmsoll Club, New Orleans; 11/16/88; based on Club Corp of Am.
Expenses/SF	\$51.00	\$65.09	GA/Partners Assumption.
Vacancy Factor	15.00%	15.00%	GA/Partners assumption; at stabilization.
Base Management Fee	\$120,000	\$153,154	Club Corp. of America; 12/2/88.
Mgmt Fee % of Members Fees	10.00%	10.00%	Club Corp. of America; 12/2/88.
Mgmt Fee % of F&B Revenues	25.00%	25.00%	Club Corp. of America; 12/2/88.
Turnover			
Revenues/SF			
D. FOB Related ICTC Space			

Expansion/Office	10,000	10,000	PCF & Partners;
Revenues/SF	\$43.00	\$54.88	GA/Partners assumption;
Vacancy Factor	5.00%	5.00%	GA/Partners assumption; at stabilization
Effective Revenues	\$40.85	\$52.14	GA/Partners;
Expenses/SF	\$6.75	\$8.61	GA/Partners assumption;
Net Revenues	\$34.10	\$43.52	
Conf/Training/Educ	44,840	44,840	PCF & Partners;
Revenues/SF	\$130.00	\$165.92	GA/Partners assumption; represents a blended rate for government and non-government rates of \$78 and \$156 respective
Vacancy Factor	30.00%	30.00%	GA/Partners assumption;
Effective Revenues	\$91.00	\$116.14	GA/Partners;
Expenses/SF	\$48.00	\$61.26	GA/Partners assumption; based on operating data at selected conference center, 11/3/88.
Net Revenues	\$43.00	\$54.88	

OPERATING ASSUMPTIONS

ICTC/FOB Building

COMPONENT =====	1990 -----	1995 -----	SOURCE =====
Parking -----			
Total Spaces	2,320		PCF & Partners;
ICTC	720		ICTC, 3/23/90.
GSA	1,600		ICTC, 3/23/90.
Spaces			
Day	720		ICTC;
Night	1300		ICTC; Assumes 50% occupancy of 2,320.
Occupancy			
Day	1		GA/Partners.
Night	0.5		GA/Partners. These spaces turnover over two times during the night resulting in 100% occupancy.
% Monthly	0.65		GA/Partners. Based on information obtained from Union Station parking garage.
% Daily	0.35		GA/Partners. Based on information obtained from Union Station parking garage.
Rates -			
Monthly	\$125.00	\$159.54	GA/Partners.
Night \$/visit	\$5.00	\$6.38	ICTC, 3/23/90.
Day \$/hr	\$3.50	\$4.47	GA/Partners.
Turnover/ Space/Day	2		GA/Partners.
Turnover/ Space/Night	2		GA/Partners.
Days/Year	365		GA/Partners.
Nights/Year	260		GA/Partners.
Length of Stay			
- Day (hrs)	2		GA/Partners.
- Night (Flat rate)	1		
Expenses			
% of Revenues	20.00%		GA/Partners.

OUTLINE
ICTC FEASIBILITY ANALYSIS

ICTC FEASIBILITY ANALYSIS

Component	YEAR 1	YEAR 3	YEAR 5	YEAR 10
-----	-----	-----	-----	-----
REAL ESTATE RELATED				

Office				

Revenues				
Operating Expenses				
	-----	-----	-----	-----
Net Revenues				
Lease Payment				
	=====	=====	=====	=====
Net Income (Loss)				
Retail				

Merchandising				

Revenues				
Operating Expenses				
	-----	-----	-----	-----
Net Revenues				
Lease Payment				
	=====	=====	=====	=====
Net Income (Loss)				
Food Court				

Revenues				
Operating Expenses				
	-----	-----	-----	-----
Net Revenues				
Lease Payment				
	=====	=====	=====	=====
Net Income (Loss)				
Restaurant Space				

Revenues				
Operating Expenses				
	-----	-----	-----	-----
Net Revenues				
Lease Payment				
	=====	=====	=====	=====
Net Income (Loss)				
ICTC Parking Operations				

Revenues				
Operating Expenses				
	-----	-----	-----	-----
Net Revenues				
Lease Payment				
	=====	=====	=====	=====
Net Income (Loss)				
SUBTOTAL - REAL ESTATE RELATED				

Revenues				
Operating Expenses				
	-----	-----	-----	-----
Net Revenues				
Lease Payment				
	=====	=====	=====	=====
Net Income (Loss)				

ICTC FEASIBILITY ANALYSIS

Component	YEAR 1	YEAR 3	YEAR 5	YEAR 10
-----	-----	-----	-----	-----
NON REAL ESTATE RELATED				

Exhibit Space				

World Link				

Revenues - Operations				
Operating Expenses				
	-----	-----	-----	-----
Net Revenues				
Lease Payment				
	=====	=====	=====	=====
Net Income (Loss)				
Trade Exhibit				

Revenues - Operations				
Operating Expenses				
	-----	-----	-----	-----
Net Revenues				
Lease Payment				
	=====	=====	=====	=====
Net Income (Loss)				
Museum				

Revenues - Operations				
Operating Expenses				
	-----	-----	-----	-----
Net Revenues				
Lease Payment				
	=====	=====	=====	=====
Net Income (Loss)				
Visual Arts				

I-MAX				

Revenues - Operations				
Operating Expenses				
	-----	-----	-----	-----
Net Revenues				
Lease Payment				
	=====	=====	=====	=====
Net Income (Loss)				
Performing Arts Center				

Revenues - Operations				
Operating Expenses				
	-----	-----	-----	-----
Net Revenues				
Lease Payment				
	=====	=====	=====	=====
Net Income (Loss)				
Reception/Club				

Revenues - Operations				
Operating Expenses				
	-----	-----	-----	-----
Net Revenues				
Lease Payment				
	=====	=====	=====	=====
Net Income (Loss)				

ICTC FEASIBILITY ANALYSIS

Component	YEAR 1	YEAR 3	YEAR 5	YEAR 10
Conf/Train/Educ				
Revenues - Operations				
Operating Expenses				
Net Revenues				
Lease Payment				
Net Income (Loss)				
Trade Information Center				
Revenues - Operations				
Operating Expenses				
Net Revenues				
Lease Payment				
Net Income (Loss)				
SUBTOTAL - NON REAL ESTATE RELATED				
Revenues				
Operating Expenses				
Net Revenues				
Lease Payment				
Net Income (Loss)				

ICTC FEASIBILITY ANALYSIS

Component	YEAR 1	YEAR 3	YEAR 5	YEAR 10
TOTAL ALL COMPONENTS				
Revenues				
Operating Expenses				
Net Revenues				
Lease Payment				
Net Income (Loss)				
Other Sources of Income				
Grants				
Sponsorships				
Endowment				
Government Appropriation				
Additional Business Income				
Subtotal				
Other Expenses				
Cost of ICTC Admin Space				
Staffing Expenses				
Subtotal				
NET CASH FLOW - ALL OPERATIONS	\$ _____	_____	_____	_____

**PRELIMINARY
LEASE PAYMENT ANALYSIS**

**INTERNATIONAL CULTURAL
AND TRADE CENTER**

WASHINGTON, D.C.

Prepared For

**INTERNATIONAL CULTURAL AND
TRADE CENTER COMMISSION**

June 18, 1990

Prepared By

GA/PARTNERS

**a unit of the
ARTHUR ANDERSEN & CO.
Real Estate Services Group**

Washington, D.C.

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OVERVIEW
ICTC LEASE PAYMENT ANALYSIS

OVERVIEW

ICTC LEASE PAYMENT ANALYSIS

This report presents the ICTC lease payment based upon ICTC's pro rata share of the total project costs. The analysis is divided into the following four sections:

Section I - Program Guidelines

Section I outlines the development program by component area for the ICTC portion of the ICTC/FOB project.

Section II - Project Costs

Section II determines the total project cost (including financing) and calculates the base building costs for the ICTC/FOB project.

The ICTC/FOB project is predicated on funding through the Federal Financing Bank. Financing costs are computed based on an interest rate of 8.54%, the 30-year Treasury Bond rate as of June 4, 1990 plus a 12 basis point spread. Construction financing is added to the construction budget of \$738 million to determine the total project cost.

Construction costs are divided between the "base building" and non-base building items. The base building is defined as the building structure before the interior space is built out to tenant specifications. To determine the base building construction cost, non-base building items are segregated and deducted from the project budget. The non-base building items include:

- Fit-out and parking costs;
- Non-ICTC/FOB related costs; and
- Non-ICTC related costs.

Fit-out and parking costs are fully attributable to the ICTC/FOB Project. Fit-out costs include finishing allowances, furnishings and equipment, and other special tech equipment. Parking costs are directly related to construction of the 2,300 space on-site parking garage.

Non-ICTC/FOB related costs include costs for off-site parking facilities, the tunnel connection and the Ariel Rios Facade. These costs have been budgeted for, but are not allocable to the ICTC/FOB project.

Non-ICTC related costs include items which may be attributed to the project as a whole but should not be allocated to the ICTC portion. These items are either in the Federal Office Building area or were not specifically requested by the ICTC commission. ICTC should not bear these costs. An example is the \$15 million budgeted for the limestone exterior walls.

The total financing costs are allocated on a pro rata basis to base building construction, fit-out construction, parking and non-ICTC related costs. Financing costs related to base building construction are added to the base building construction costs to determine an total base building cost.

Section III - Development Program and Costs

This section delineates the project components by occupiable area and allocates the costs per component area. The resultant areas and costs per area are used to determine the lease payment for each ICTC operating component.

Section IV - Calculation of ICTC Lease Payment

The General Service Administration will lease the entire ICTC/FOB Building and then sublease space to ICTC and other federal agencies. The total annual GSA lease payment will amortize the costs of the project over 30 years.

The ICTC share of the total lease payment is equivalent to its pro rata share of the total project costs.

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PROGRAM GUIDELINES

PROGRAM GUIDELINES ICTC/FOB BUILDING

Development Costs

The base pre-financing construction cost has been established at \$738 million. Construction interest is estimated at 8.54 percent (30 year Treasury rate as of June 4, 1990, plus a 12 basis point spread.)

Component Areas

Trade Exhibit Space

The trade exhibit space, for cultural displays and international commerce, will be approximately 35,000 square feet.

Museum

The 30,000 square foot museum space is divided into two areas: fixed exhibit space and rotating exhibit space.

The fixed space will occupy roughly 15,000 square feet and is planned to change every five years. The rotating exhibit space of (15,000 sf) will consist of two to three shows at a time and will change on a regular basis.

IMAX

The IMAX theater will contain 585 seats.

Retail

The revised merchandising area following ICTC's staff review of an earlier program contains 105,000 square feet. The complementary food service area is 60,000 square feet.

Performing Arts

The Performing Arts Center will contain a 1,700 seat auditorium and a 600 seat theater. An additional 9,000 square feet of space is planned for an experimental theater. However, this space will be used as exhibit space until sufficient demand is generated for additional theater space.

Parking

The ICTC/FOB parking garage will contain a total of 2,320 parking spaces. ICTC will be allotted 720 spaces during the weekdays and will have access to the 2,320 spaces at night and on the weekends.

REVISED PROJECT COST
ICTC/FOB BUILDING

REVISED PROJECT COST

 ICTC/FOB BUILDING

 (Current Dollars)

Category -----	Cost -----	Comments -----
Original Building Design	\$738,297,843	ICTC, 3/16/90.
Construction Financing	\$159,452,876	Based on a 8.54% interest rate.
Total Project Cost	\$897,750,719	Adjusted All-in-Cost

 Note: Costs include escalations to 1994.
 Source: PCF; Mariani & Associates; GA/Partners.

CALCULATION OF BASE BUILDING COST

PER O.S.F

ICTC/FOB BUILDING

(Current Dollars)

	Cost	Notes
1 TOTAL BUILDING COST BEFORE FINANCING	\$738,297,843	ICTC, 3/16/90.
2 Less		
3 Direct Fit-out/Parking Costs		
4 ICTC Fitout	\$66,981,755	Mariani & Associates.
5 FOB Fitout	\$82,000,000	Mariani & Associates.
6 Parking @ \$63.37/SF	\$38,909,180	Delta Partnership, 4/17/90.
7 Subtotal	\$187,890,935	Lines 4 through 7
8 Fixed Items Budget - Non ICTC/FOB Related 1/		
9 Off-site Parking	\$20,000,000	ICTC;
10 Tunnel Connection	\$1,276,400	Perini;
11 Ariel Rios Facade	\$2,136,000	Perini;
12 Non ICTC related Items (see following page)	\$48,298,000	
13 Subtotal	\$71,710,400	Lines 9 through 12.
14 TOTAL NOT INCLUDED IN BASE BUILDING ITEMS	\$259,601,335	Line 7 plus line 13.
15 ADJUSTED BASE BUILDING COST BEFORE FINANCING	\$478,696,508	Line 1 minus line 14.
16 ESTIMATED FINANCING COST		
17 Base Building	\$103,325,464	
18 Fit-out	\$32,209,481	
19 Parking	\$8,451,002	
20 Indirect Costs (Off-site Parking, Tunnel Ariel Rios Facade)	\$15,466,929	
21 BASE BUILDING COST PLUS FINANCING FOR CONSTRUCTION AND FIT-OUT	\$614,231,453	Line 15 plus lines 17 and 18. (Excludes parking and indirect items.)
22 Occupiable Square Feet	Area	%
23 ICTC Components	490,578	26.92%
24 FOB Related ICTC Space	98,475	5.40%
25 FOB Space	1,233,459	67.68%
26 Other Occupiable Areas	0	0.00%
27 TOTAL OCCUPIABLE SQUARE FEET	1,822,512	100.00%
28 BASE COST PER OCCUPIABLE SF w/ FINANCING	\$337.02	Line 21 divided by line 27. (Excludes parking)

1/ Factored out of base building costs per ICTC guidelines.
Source: PCF; Mariani & Associates; GA/Partners.

NON ICTC RELATED FIXED ITEMS

ICTC/FOB BUILDING

AS OF June 6, 1990

ITEM -----	COST -----
Ariel Rios Facade	\$ 2,136,000
14th Street Tunnel Connection	1,276,400
Off-site Parking	20,000,000
Subtotal	\$ 23,412,400
GFRC Panels Cost over Plaster	1,615,000
Precast Concrete Coffers over Plaster	1,034,000
Limestone Exterior Walls over Precast Concrete	15,000,000
Limestone Carved Panels	868,000
Allowance for Decorative Work	1,500,000
Bridge Railings/Bronze Work	410,000
Cabinet Work Allowance	1,000,000
Plaza Waterproof	158,000
Service Tunnels	460,000
Roofing Tiles in lieu of Membrane Roofing	440,000
Colored Roof Pavers	1,394,000
Allowance for 9-foot Door and Frames	5,000,000
Stone Flooring at Public Toilets in lieu of Ceramic	1,568,000
Vinyl Wall Covering in lieu of Paint at FOB Offices	3,385,000
Access Flooring and Grounding at FOB	9,000,000
Windows -- Use Standard Type Punched Windows	466,000
13th Street Hardscape	5,000,000
Subtotal	\$ 48,298,000
Total Non ICTC/FOB Related Items	\$ 71,710,400

Source: The Delta Partnership; GA/Partners, June 6, 1990.

DEVELOPMENT PROGRAM AND COSTS
ICTC/FOB BUILDING

DEVELOPMENT COSTS

ICTC/FOB Building

(Current Dollars)

Build Out Allowances 1/

Component Area	Occupiable Area (Sq. Ft.)	Base Cost Per OSF	Finishing Fit Out	Furnishings & Equipment	Special Tech Equipment	Total Cost	Total Cost Per OSF
ICTC							
A. Exhibit	75,136	\$337	\$12,060,060	\$500,000	\$9,800,000	\$47,682,744	\$635
1. World Link	10,421	337	2,700,000	500,000	6,800,000	13,512,134	1,297
2. Sensorium (NOSF)	0	--	--	--	--	0	--
3. Trade Exhibit Space	35,910	337	4,860,060	--	1,500,000	18,462,615	514
4. Museum	28,805	337	4,500,000	--	1,500,000	15,707,995	545
B. Visual Arts	16,359	337	1,307,000	400,000	1,300,000	8,520,386	521
1. I-MAX (Seats) 585	16,359	337	1,307,000	400,000	1,300,000	8,520,386	521
2. Film 2/ 0	--	--	--	--	--	--	--
C. Retail	166,701		11,419,695	1,500,000	--	69,102,039	415
1. Merchandising 3/	58,466	337	3,569,695	--	--	23,274,177	398
2. Walk around the World	48,235	337	2,550,000	--	--	18,806,384	390
3. Food Service	60,000	337	5,300,000	1,200,000	--	26,721,478	445
a. Quick Cuisin 21,922	--	--	1,816,000	300,000	--	2,116,000	--
b. Restaurants 38,078	--	--	3,319,000	500,000	--	3,819,000	--
c. Food Carts (In Quick Cuisine)	--	--	165,000	400,000	--	565,000	--
4. Support (NOSF)	--	--	--	300,000	--	300,000	--
D. Performing Arts Ctr	86,000	337	9,895,000	2,650,000	5,450,000	46,979,119	546
1. Theatre 1 (seats) 1,700	69,000	337	8,100,000	2,000,000	4,200,000	37,554,700	544
2. Theatre 2 600	17,000	337	1,795,000	500,000	1,250,000	9,274,419	546
3. Theatre 3	--	--	--	--	--	--	--
4. Experimental 4/ 0	--	--	--	--	--	--	0
5. Support (NOSF)	--	--	--	150,000	--	150,000	--
E. Office Space	120,900	337	5,500,000	--	--	46,246,279	383
1. Foreign Countries	60,900	--	--	--	--	--	--
2. US States/Cities	60,000	--	--	--	--	--	--
F. Reception/Club	25,482	337	4,400,000	800,000	--	13,788,062	541
1. Reception	10,310	337	--	--	--	--	--
2. Club & Restaurant	15,172	337	--	--	--	--	--
ICTC OCCUPIABLE SPACE	490,578	337	44,581,755	5,850,000	16,550,000	232,318,629	474
G. FOB related ICTC Space	98,475	337	6,284,000	2,870,000	1,000,000	43,342,502	440
1. ICTC administrative	15,000	337	--	400,000	--	5,455,370	364
2. Expansion/office	10,000	337	--	270,000	--	3,640,246	364
3. Conf/Train/Educ.	44,840	337	3,800,000	1,000,000	600,000	20,512,185	457
4. Trade Info Center	28,635	337	2,484,000	1,200,000	400,000	13,734,701	480
TOTAL OCCUPIABLE ICTC SPACE	589,053	337	50,865,755	8,720,000	17,550,000	275,661,131	468

DEVELOPMENT COSTS

ICTC/FOB Building

(Current Dollars)

Build Out Allowances 1/

Component Area	Occupiable Area (Sq. Ft.)	Base Cost Per OSF	Finishing Fit Out	Furnishings & Equipment	Special Tech Equipment	Total Cost	Total Cost Per OSF
FOB							
A. Woodrow Wilson Center	67,445	\$337				\$22,730,627	\$337
B. Offices for Federal Agencies	1,133,544	337				382,032,260	337
C. Physical Fitness Center	19,670	337				6,629,275	337
D. Child Care Center	12,800	337				4,313,915	337
Sub Total - FOB 5/	1,233,459	337	71,846,000			487,552,077	395
TOTAL - SPACE (ICTC + FOB)	1,822,512	337	122,711,755	8,720,000	17,550,000	763,213,208	419
OTHER AREAS - Non-Occupiable							
A. Parking	614,000	77	...	...	...	47,360,182	77
C. Mechanical	121,637	--	...	...	...	0	0
D. Other Building Support	212,941	--	...	...	...	0	0
E. Glazed Enclosed Space	10,000	--	...	...	...	0	0
F. Exterior Wall Thickness	177,109	--	...	...	...	0	0
G. Performing Arts Support	45,000	--	...	...	...	0	0
TOTAL - NON-OCCUPIABLE SPACE	1,180,687		0	0	0	47,360,182	
TOTAL AREA	3,003,199		122,711,755	8,720,000	17,550,000	\$810,573,390	\$270
plus NON ICTC/FOB COSTS (includes Ariel Rio facade; off-site parking; tunnel) 6/						\$38,879,329	
plus NON ICTC RELATED COSTS						\$48,298,000	
TOTAL PROJECT COST						\$897,750,719	

1/ Source: Mariani & Associates.

2/ The 4,971 square feet previously dedicated to the film center were transferred to merchandise space and allotted the appropriate fit out allowance.

3/ Includes Service Retail. Fit out costs are based on fit-out costs for ICTC retail space.

4/ The 9,000 square feet previously dedicated to the experimental theater has been assigned to the trade exhibit space and has been given a fit-out allowance.

5/ Fit out cost of \$71,846,000 is included in the \$487,552,077 figure.

6/ Includes construction and financing costs for off-site parking, tunnel and facade.

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ICTC LEASE PAYMENT

CONSTRUCTION DRAW SCHEDULE 1/

 AND LEASE PAYMENT CALCULATION

 ICTC/FOB BUILDING

	----- Year -----							
	1	2	3	4	5	6	7	TOTAL
	-----	-----	-----	-----	-----	-----	-----	-----
Begin Balance	0	16,527,048	84,920,897	211,423,108	399,666,775	649,461,103	865,462,500	
Loan Draw	15,850,243	64,239,416	114,366,516	163,218,695	206,831,098	153,963,190	19,829,268	738,298,426
Accrued Interest 2/	676,805	4,154,433	12,135,695	25,024,972	42,963,230	62,038,206	12,459,535	159,452,876
Ending Balance	16,527,048	84,920,897	211,423,108	399,666,775	649,461,103	865,462,500	897,751,302	897,751,302

Original Building Design	\$738,297,843
Construction Financing	\$159,452,876
TOTAL PROJECT COST	----- \$897,750,719

30 Yr Treasury Rate	8.42%
Required Spread 1/	0.12%
Annual Interest Rate (Fixed)	8.54%
Amortization Period (years)	30
Annual Loan Constant	9.26%
Total Annual Lease Payment	\$83,140,705

 1/ As supplied by Kidder Peabody

2/ Assumes no arbitrage.

Source: Kidder Peabody; GA/Partners, June 1990.

CALCULATION OF ICTC LEASE PAYMENT

ICTC/FOB BUILDING

PAYMENT BASED ON COSTS

Notes

1	Total Costs for ICTC Occupiable Area	\$275,661,131	
2	Total Project Cost	897,750,719	
3	ICTC Pro Rata Share	30.71%	Line 1 divided by line 2.
4	Total ICTC/FOB Lease Payment	\$83,140,705	
5	ICTC Lease Payment	\$25,528,981	Line 3 multiplied by Line 4.
6	Lease Payment/OSF	\$43.34	Line 5 divided by 598,013 square feet.

Source: GA/Partners.

LEASE PAYMENTS BASED ON TOTAL COSTS

Component Area	Area (Sq. Ft.)	% Of Costs	Lease Payment Before Sponsorship	Sponsorship	Net Lease Payment
ICTC					
A. Exhibit	75,136	17.30%	\$4,415,899	\$0	\$4,415,899
1. World Link	10,421	4.90%	\$1,251,359		
2. Sensorium (NOSF) 13,690	0	0.00%	\$0		
3. Trade Exhibit Space	35,910	6.70%	\$1,709,823		
4. Museum	28,805	5.70%	\$1,454,718	\$0	\$1,454,718
B. Visual Arts	16,359	3.09%	\$789,073		
1. I-MAX	16,359	3.09%	\$789,073		
2. Film	--	0.00%	\$0		
C. Retail	166,701	25.07%	\$6,399,541		
1. Merchandising	58,466	8.48%	\$2,165,166		
2. Walk around the World	48,235	6.85%	\$1,749,698		
3. Food Service	60,000	9.73%	\$2,484,676		
Quick Cuisine	21,922	--	--		
Restaurants	38,078	--	--		
Food Carts (In Quick Cuisine)	--	--	--		
4. Support (NOSF)	--	--	--		
D. Performing Arts Center	86,000	17.04%	\$4,350,737	\$0	\$4,350,737
1. Theatre 1	(Seats) 1,700	69,000	13.67%	\$3,489,087	\$0
2. Theatre 2	600	17,000	3.38%	\$861,650	\$0
3. Theatre 3	--	--	--	--	\$0
4. Experimental	0	--	0.00%	\$0	\$0
5. Support (NOSF)	--	--	--	--	--
E. Office Space	120,900	16.78%	\$4,282,868		
1. Foreign Countries	60,900				
2. US States/Cities	60,000				
3. Support (NOSF)	--				
F. Reception/Club	25,482	5.00%	\$1,276,913		
1. Reception	10,310				
2. Club & Restaurant	15,172				
3. Support (NOSF)	--				
ICTC SPACE	490,578	84.28%	21,515,031	0	21,515,031
G. FOB related ICTC Space	98,475	15.72%	\$4,013,950		4,013,950
1. ICTC administrative	15,000	1.98%	\$505,222		
2. Expansion/office	10,000	1.32%	\$337,123		
3. Conf/Train/Educ.	44,840	7.44%	\$1,899,634		
4. Trade Info Center	28,635	4.98%	\$1,271,971		
5. Support (NOSF)	--				
TOTAL ICTC SPACE	589,053	100.00%	\$25,528,981		25,528,981
H. Parking			\$1,361,181		1,361,181
TOTAL ICTC SPACE PLUS PARKING			\$26,890,162		\$26,890,162

Source: GA/Partners.



Deputy Administrator
General Services Administration

July 13, 1990

Andy -

Enclosed are more complete and easier to read analyses of ICTC's proposed operations and the cost to convert the current building plan to office space.

Please replace the summaries Dick gave you with these.

Thanks -
Deborah Thorne

GSA

ANALYSIS OF ZHA, INC. STUDY

"ASSESSMENT OF THE ICTC COMMISSION'S PROPOSED OPERATIONS, 1997"

July 13, 1990

SCOPE OF STUDY

- o GSA retained ZHA, Inc. as a consultant to review ICTC report dated June 25, 1990, entitled "Preliminary Revenue Projections for Selected Components;" ICTC staff report, "ICTC Self-Sufficiency--The Third Operational Year"
- o Consultant was asked to evaluate and reach conclusions on the likelihood of the ICTC achieving its estimated levels of operating income in 1997
- o GSA preliminarily estimates that ICTC will realize \$32,338,000 in revenues and expenses of \$56 million in the third operating year of the ICTC
- o Attached are:
 1. Summary of study
 2. Summary of selected revenue sources, and comparison of ICTC, ZHA, and GSA estimates
 3. GSA analysis of ICTC income sources
 4. GSA analysis of ICTC cost projections

SUMMARY OF STUDY

I. ASSUMPTIONS

- o all income estimated for 1997, the third year of ICTC operations
- o ZHA did not discuss assumptions with ICTC Commission, and therefore did not address non business activity sources of revenues estimated by ICTC: Friends Organization, Corporate Advisory Group, ICTC Endowment, and Appropriations
- o ZHA did discuss real estate estimates with ICTC consultants, GA/Partners

II. HIGHLIGHTS OF SELECTED REVENUE STREAMS

- o Office Space -- \$5.58 million
 - ICTC gross rental rate estimates slightly lower than ours
 - ZHA agrees with operating expenses at \$6.75/sf
 - ICTC vacancy rate at 5% is lower than ours at 7%
 - Bottom line is lower by 4% -- ICTC estimates at \$5.8 million
- o Retail -- \$7.98 million
 - Rent rates calculated on different basis; ICTC had lower gross rates, but had higher participation revenue
 - ICTC estimates based on greater square footage
 - Using our rates, ZHA estimate higher than ICTC estimate of \$6.9 million
- o Parking -- \$0
 - ICTC estimate is \$4.142, achievable
 - ZHA calculates operating expenses at 25%, ICTC calculates at 20%
 - ZHA calculates revenue at \$3.6 million
 - GSA plans to assume all parking costs and revenues

- o Club/Reception - \$1.182 million
 - Fees (\$1500/entry, \$100/month) are too high
 - Operating expenses are too low (50-60% vs. 80%)
 - Club is oversized; could be 12-16,000 sf
 - Fees are so high that government employees are excluded
 - ICTC estimate of \$1.344 is too high
- o Conference/Training - \$2.537
 - Revenue is high, achievable only if operating expenses are covered by ICTC overhead costs of \$9 million
 - Need kitchen and active food preparation to achieve rate
 - Competition with local hotels
 - This area is presently joint use space; since ICTC plans to charge for it, it must go into the statutory limitation of 500,000 occupiable square feet
- o Trade Information Center (One Stop) -- \$1 million
 - Competition with Department of Commerce
 - Market niche available for import information
 - Heavy up front capital investment
 - ICTC estimate of \$2 million too high
 - the Trade Information Center was considered to be GSA space. If ICTC is to have major presence, the activity must fit within ICTC's occupiable square foot limitation
- o IMAX -- \$1 million
 - ICTC estimate of \$2 million optimistic, based on Baltimore and Langley at Air and Space.
 - Limited films for audience turnover and heavy investment in production
- o Exhibition Admission - 0

- ICTC estimate of \$10 million, based on 2 million visitors at \$5/head
- Competing exhibits in area are free
- No demand for pay exhibits
- Could get special exhibits, but need long range bookings
- o Business Services - 0
 - ICTC estimate of \$1.250 is unrealistic
 - highly competitive type services
- o Catalogue Sales -- \$1.25 million
 - Solid commercially profitable activity
 - Heavy up front capital investment
 - ICTC estimate of \$2.5 million perhaps achievable after 5 - 7 years of operation
- o Publications - \$1.0 million
 - ICTC estimate of \$1.0 million achievable if aggressive
 - Solid commercially profitable activity long term
 - Heavy up front investment
- o Electronic Media Links - \$2 million
 - Concurs with ICTC estimate
 - Solid commercially profitable activity
 - Heavy upfront capital investment
 - Technology changes significant
- o Galas/Special Events - \$500,000
 - ICTC estimate of \$2.5 unrealistic
 - Duplication from other income streams
 - Needs large food preparation area, due to intense competition from hotels

GSA

SUMMARY OF SELECTED REVENUE SOURCES
COMPARISON OF ESTIMATES

1997
(\$000's)

	ICTC Commission Estimates	ZHA Estimates	GSA Estimate
1. Office Space	\$ 5,801	\$ 5,584	5,584
2. Retail	6,951	7,985	7,985
3. Parking	4,142	3,632	0
4. Club/Reception	1,344	1,182	1,182
5. Conference & Training	<u>2,256</u>	<u>2,537</u>	<u>2,537</u>
Subtotal	\$20,494	\$20,920	\$17,288
6. Trade Information Center	\$ 2,000	\$ 1,000	1,000
7. IMAX	2,000	1,000	1,000
8. Admissions	10,000	0	0
9. Business Services	1,250	0	0
10. Catalogue Sales From Retail	2,500	1,250	1,250
11. ICTC Publications	1,000	1,000	1,000
12. Friends Organization	2,000	NA	2,000 ^{1/}
13. Electronic Media Links	2,000	2,000	2,000
14. Corporate Advisory Groups	4,500	NA	4,500 ^{1/}
15. ICTC Endowment	800	NA	800 ^{1/}
16. Galas/Special Events	2,500	500	500
17. Appropriations	<u>1,000</u>	<u>NA</u>	<u>1,000^{1/}</u>
Subtotal	\$31,550	\$6,750	\$15,050
Total	\$52,044	\$27,670	\$32,338

^{1/} Assume these activities can be achieved at the full levels estimated by the ICTC (\$8.3 million)

**GSA ANALYSIS OF
ICTC INCOME SOURCE
SUMMARY**

	<u>ICTC</u>	<u>GSA</u>
I. Reasonable Ventures/Reasonable Data	\$20,494,000	\$17,288,000
1. Office		
2. Retail		
3. Parking		
4. Club		
5. Conference/Training		
Difference due to elimination of Parking As revenue to ICTC (\$3.632 mil)		
II. Reasonable Ventures/Soft Data	\$12,000,000	\$ 6,750,000
6. TIC		
7. IMAX		
10. Catalogue		
11. Publications		
15. Electronic		
16. Galas		
Difference - \$5.25 mil Net		
III. Speculative Ventures/Soft Data	\$ 8,300,000	\$ 8,300,000
12. Friends		
14. Corp. Advisory		
15. Endowment		
17. Appropriation		
IV. No Confidence		
8. Admissions	\$10,000,000	0
9. Business Services	1,250,000	0
Total	\$52,044,000	\$32,338,000
Sensitivity - Assume all differences in II were resolved in ICTC favor		
Total		5,250,000 \$37,588,000

**GSA ANALYSIS
OF
ICTC COST PROJECTIONS**

	<u>ICTC</u>	<u>GSA</u>	<u>DIFFERENCES</u>
1. Amortize Construction	\$26.5 mil	\$28.0 mil	\$ +1.5 mil
2. Operations	2.2		
IMAX	16,359		
Exhibit	75,136		
PAC	93,705 ^{1/}		
	185,233 ^{1/}	3.8	+1.6
3. Rehabilitation Fund	1.0	2.5	+1.5
4. Other Costs			
Non-occupiable exp. ^{3/}	0	1.4	+1.4
Other FOB ^{4/} space & parking	0	1.8	+1.8
Subtotal of Rent & Expenses to GSA	<u>29.7</u>	<u>37.5^{2/}</u>	<u>+7.8</u>
5. ICTC Overhead	9.0	9.0	0
6. Exhibition Production	7.0	7.0	0
7. Perf. Arts Deficit	<u>2.5</u>	<u>2.5</u>	<u>0</u>
Subtotal Expenses	<u>18.5</u>	<u>18.5</u>	<u>0</u>
Total Costs	48.2	56.0	+7.8
Income Projections	52.03	32.3 to 37.6	
Projected Shortfall	+3.83	-18.4 to 23.7	

- ^{1/} Based on \$13.40/SF x 1.1 x 1.40 for extra cleaning.
^{2/} Note that this does not reflect total rent since income projection for office space is given in net.
^{3/} Reflects expenses for non-occupiable space (94,250 SF)
^{4/} Includes joint use space contribution and 15 parking spaces.

COMPARISON OF CONVERSION ANALYSES 1/

I. PLAN

CONVERT FROM

TO

	<u>GSA</u>		<u>ICTC</u>
	w/o 1700 PAC	w/ 1700 PAC	
(a) Office	Office	Office	Office
(b) Retail			
Merchandising	35,000sf	35,000sf	47,000sf
Food	30,000sf	30,000sf	30,000sf
(c) Exhibit (Existing)	office	office	office
Exhibit (Converted, add)	office	office	office
(d) IMAX (Existing & Add Floors)	office	office	office
(e) Club			
Reception	office	office	reception
Dining	exec.dining	exec. dining	office
(f) Theatre			
Small (600 Seat)	auditorium	auditorium	office
Large (1700 Seat)	Mothball	office	auditorium

1/ ZHA Consultants prepared a study entitled, "International Cultural Trade Center Contingency Plan and Implications," dated July 6, 1990. In the study, ZHA evaluated the conversion on two assumptions in the alternative: (1) the 1700 seat Performing Arts Theatre would be retained, but simply "mothballed" until demand was sufficient to revive it; and (2) the 1700 seat theatre would be converted into office space. By letter dated June 22, 1990, the International Trade and Cultural Center Commission submitted its analysis of the conversion, which was dated June 21, 1990. This chart compares the two analyses.

II. TOTAL SPACE DEVELOPED

GROSS SQUARE FEET	803,500	939,500	776,500 (est)
OCCUPIABLE SQUARE FEET (1.20)	660,000	768,800	647,000

III. COSTS

1990 DOLLARS	\$51.8 M	\$72.3 M	\$28.5 - 37.7 M
AT TIME OF CONSTRUCTION	\$79.3 M (YR 2000)	\$104.2 M (YR 2000)	\$53.8 - 71.2 M (YR 2003)

IV. BREAKEVEN POINT

NEW DEBT ONLY	2001	2001	-----
INCLUDING OLD DEBT (\$28M)	2010	2009	-----

ICTC
ESTIMATE FOR ADDITIONAL OFFICE
SPACE ALTERNATIVE

PURPOSE: Establish the approximate differences in construction costs for the Federal Triangle Project if all of the ICTC spaces were converted to office space early in the design phase of the project.

METHODOLOGY: The estimated square footage of the ICTC from the June 15, 1990, Scope 3 documents is 590,000 OSF. Some 130,000 OSF of this area is already office space leaving a balance of 460,000 OSF for potential conversion. The existing fit-out cost for all ICTC space is \$62.0 million. To fit-out this area as office space would require approximately 30\$/OSF or \$13.8 million (460,000x30). This results in a direct cost savings of \$48.2 million (62.0-13.8). There are additional direct cost savings resulting from changes in finishes outside of the fit-out allowance however, they can not be more precisely identified unless the alternative design as office space is developed. A reasonable approximation of these costs would be in the order of \$2.0 million. This results in a total direct cost savings of \$50.2 million or say \$50.0 million.

Given the nature of the change and timing, e.g. commitments to subcontractors and consultants have been signed, we could not expect a significant reduction in soft costs. The Developer and Construction Manager would not agree to a reduction in fee simply because we changed to office space. While the AE may have a savings in design costs it would be offset by termination of consultants and redrawing existing documents.

There would however, be a savings in debt service in direct proportion to the reduction in project cost. This would amount to \$5.4 million annually (79.7/738.3x50).

SUMMARY: The savings resulting from converting 590,000 occupiable square feet of the ICTC to office space is conservatively estimated at \$50 million with a companion reduction in the annual debt service of \$5.4 million. This reduces the total project cost from \$738.3 million to \$688.3 million and the annual debt service from \$79.7 million to \$74.3 million.

The potential exists for the development of approximately 200,000 additional square feet of space within the structure by filling in the void areas of theaters, installing mezzanines, etc. However, the present design is built out to the legislative limit

of 3.1 million gross square feet and the National Capital Planning Commission limit of 1.885 million SF above grade. Also, an introduction of additional office workers to the area may require reassessment of the Environmental Impact Studies and adjustment of transportation facility plans.

Assuming these matters could be favorably resolved early in the design process, the cost for adding this space would be approximately \$21 million. This would reduce the savings in construction cost from \$50 million to \$29 million and the savings in debt service from \$5.4 million to \$3.1 million.

Mariotti
7/3/90

UNITED STATES
INTERNATIONAL CULTURAL AND TRADE CENTER
COMMISSION

June 25, 1990



COMMISSIONERS

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Harry McPherson, *Vice Chairman*

Donald A. Brown
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Abe Pollin
Judah C. Sommer

Secretary of State
Secretary of Commerce
Secretary of Agriculture
United States Trade Representative
Administrator of General Services
Director of the United States
Information Agency
Chairman of the Pennsylvania Avenue
Development Corporation
Mayor of the District of Columbia
Chairman of the National Endowment
for the Arts

President
Kenneth R. Sparks

The Honorable Richard Austin
Administrator
General Services Administration
18th & F Streets, N.W. -- Room 6137
Washington, D.C. 20405

Dear Dick:

Enclosed please find as promised the GA Partners analysis of real estate related income which the ICTC Commission can expect, and a staff analysis of other income targets that in combination would make the ICTC self-sufficient.

As we had discussed with you and your staff, GA Partners' analysis of real estate related income covers office space, retail space and parking. Because of the special expertise they have, GA also felt comfortable doing projections for reception/club and conference/training center elements. Strictly speaking, these revenues are not real estate related, but we welcome GA's expertise in these areas and present their findings for you. In all cases, rental income and related expenses are presented as net revenues prior to the amortization payment. Building operating expenses for those units are included and have been deducted from revenues.

For purposes of the self-sufficiency memorandum, we have simply plugged in the GA Partners net revenue projections for the elements they examined. For the Performing Arts Center, we are using the net revenue estimates provided earlier by Theater Project's consultants. For the IMAX Theater estimate, we are using materials prepared by IMAX as part of on-going negotiations with the company.

Other income estimates, as you will see, are target figures across a broad array of business opportunities ranging from visitor charges and other user fees, through various sales and promotion activities, to more traditional fund-raising techniques.

Mr. Richard Austin
June 25, 1990
Page Two

The reasonableness of these net income targets, other techniques for achieving self-sufficiency, and suggested program modifications and refinements will be ascertained through the RFP which is presently on the street, and a final business options paper should be available by Labor Day.

We would be happy to discuss this with you at any time. We want you to know that we fully understand that the original legislation requires ICTC to be self-sufficient within three years of operation. Of course, circumstances have changed greatly since the legislation passed. The differential between cost and market, of which ICTC was to be the beneficiary, will not be there in the early years. Self-sufficiency will have to be achieved largely through user-fees, business operations and fund-raising. Whether this is the best public policy for an enterprise charged by Congress with fulfilling several foreign policy objectives, including educating the American people concerning our Nation's need to trade and the relationship between trading success and greater awareness of other peoples' cultures, remains to be seen.

Nevertheless, we are committed to making this program self-sufficient and, unless Congress advises us to do otherwise, we will make program, building design, or operational adjustments as necessary to achieve that result.

Best wishes.

Sincerely,



Kenneth R. Sparks

Andy Card

Proposed Discussion Outline
July 11, 1990

- I. Purpose of Visit/GSA's Role in Project
- II. History of ICTC and building project
[Address key political players - i.e., Percy, Moynihan, Meese, etc.]
- III. Size and Scope of Project
 - A. Overall
 - B. ICTC
 - C. FOB
- IV. Issues
 - A. Lawsuit and GAO Audit
 - B. Occupiable Square Feet
 - C. Rent
 - 1. Subsidy by Federal Buildings Fund?
 - 2. Cost to Convert
- V. Summary

ICTC Cash Flow Projections (Millions)

	<u>ICTC</u>	(A) <u>GSA</u>	(B)
<u>Estimated Annual Expenses</u>			
1. Construction amortization	\$ 26.5	\$ 28.0	\$ 28.0
2. Operations	2.2	3.8	3.8
3. Rehabilitation Fund	1.0	7.7	2.5
3a. Non-occupiable Expense	0	1.4	1.4
3b. Other FOB Space/Parking	0	1.8	1.8
	<u>29.7</u>	<u>42.7</u>	<u>37.5</u>
4. ICTC Overhead	9.0	9.0	9.0
5. Exhibition Production	7.0	7.0	7.0
6. Performing Arts Deficit	2.5	2.5	2.5
	<u>18.5</u>	<u>18.5</u>	<u>18.5</u>
	<u>\$ 48.2</u>	<u>\$ 61.2</u>	<u>\$ 56.0</u>
	=====	=====	=====

<u>Estimated Income Projections</u>	<u>\$ 52.03</u>	<u>\$ 32.3 to \$ 37.6</u>
	=====	=====



EXHIBIT IV-1

SUMMARY OF SELECTED REVENUE SOURCES
COMPARISON OF ESTIMATES

1997

(\$000's)

		ICTC Commission Estimates	Selected Items		GSA ESTIMATE
			ICTC Estimates	ZHA Estimates	
I	1 Office Space	\$ 5,801	\$ 5,801	\$ 5,584	✓
	2 Retail	6,951	6,951	7,985	✓
	3 Parking	4,142	4,142	3,632	0
	4 Club/Reception ^{\$1500/yr}	1,344	1,344	1,182	✓
	5 Conference & Training ^{potential (currently joint use)}	2,256	2,256	2,537	✓
	Subtotal	\$20,494	\$20,494	\$20,920	17,288
	(One-Stop Center)				
II	6 Trade Information Center	\$ 2,000	\$ 2,000	\$ 1,000	✓
II	7 IMAX	2,000	2,000	1,000	✓
IV	8 Admissions ^{\$5/head}	10,000	10,000	0	✓
	9 Business Services	1,250	1,250	0	✓
II	10 Catalogue Sales from Retail	2,500	2,500	1,250	✓
II	11 ICTC Publications	1,000	1,000	1,000	✓
III	12 Friends Organization	2,000	N/A	N/A	2,000 l.
II	13 Electronic Media Links	2,000	2,000	2,000	✓
III	14 Corporate Advisory Groups	4,500	N/A	N/A	4,500 l.
III	15 ICTC Endowment	800	N/A	N/A	800 l.
II	16 Galas/Special Events	2,500	2,500	500	✓
III	17 Appropriations	1,000	N/A	N/A	1,000 l.
	Subtotal	\$31,550	\$23,250	\$ 6,750	15,050
	Total	\$52,044	\$43,744	\$27,670	32,338
				< 7	

Source: The ICTC Commission, GA\Partners and ZHA, Inc. ⁴ 24 million

1. ASSUME THESE ACTIVITIES CAN BE ACHIEVED AT THE FULL LEVELS ESTIMATED BY THE ICTC (8.3mil)

Comparison of Conversion Analysis

	<u>GSA</u>	<u>ICTC</u>
I. Plan		
Convert From To -->	w/o Aud. (1700)	w/Aud. (1700)

a) Office	Office	X X
b) Retail		
Merchandising	35 ksf	X 47 ksf
Food	30 ksf	X X
c) Exhibit Existing	Office	X X
d) I May Theatre & Addl. Floors	Office	X X
e) Club		
Reception	Office	X Keep as is
Club	Exec. Din.	X Office
f) Theatre		
Small (600 seat)	Auditorium	X Office
Large (1700 seat)	Mothball	Office Auditorium
II. Total Space Developed GSA	803,500 GSF	939.5 KSF 776.5 KSF
Estimated Occupiable (1.20) OSF	660.0 KSF	768.8 647,000
III. Costs		
In 1990 \$	\$51.8 mil	\$ 72.3 mil \$28.5 to
At Time of Construction	\$79.3 mil	\$104.2 mil 37.7 mil
	(2000)	(2000) \$53.8 to
		71.2 mil
		(2003)
IV. Breakeven Point		
New Debt Only	2001 (1yr)	2001 (1yr) --
Including Old Debt of \$28 mil	2010 (10yr)	2009 (9yrs) --

ICTC
ESTIMATE FOR ADDITIONAL OFFICE
SPACE ALTERNATIVE

PURPOSE: Establish the approximate differences in construction costs for the Federal Triangle Project if all of the ICTC spaces were converted to office space early in the design phase of the project.

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Given the nature of the change and timing, e.g. commitments to subcontractors and consultants have been signed, we could not expect a significant reduction in soft costs. The Developer and Construction Manager would not agree to a reduction in fee simply because we changed to office space. While the AE may have a savings in design costs it would be offset by termination of consultants and redrawing existing documents.

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The potential exists for the development of approximately 200,000 additional square feet of space within the structure by filling in the void areas of theaters, installing mezzanines, etc. However, the present design is built out to the legislative limit

of 3.1 million gross square feet and the National Capital Planning Commission limit of 1.885 million SF above grade. Also, an introduction of additional office workers to the area may require reassessment of the Environmental Impact Studies and adjustment of transportation facility plans.

Assuming these matters could be favorably resolved early in the design process, the cost for adding this space would be approximately \$21 million. This would reduce the savings in construction cost from \$50 million to \$29 million and the savings in debt service from \$5.4 million to \$3.1 million.

Mariotti
7/3/90

UNITED STATES
INTERNATIONAL CULTURAL AND TRADE CENTER
COMMISSION



COMMISSIONERS

June 22, 1990

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Abe Pollin
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Secretary of State
Secretary of Commerce
Secretary of Agriculture
United States Trade Representative
Administrator of General Services
Director of the United States
Information Agency
Chairman of the Pennsylvania Avenue
Development Corporation
Mayor of the District of Columbia
Chairman of the National Endowment
for the Arts

President
Kenneth R. Sparks

The Honorable Richard Austin
Administrator
General Services Administration
18th & F Streets, N.W.
Room 6137
Washington, D. C. 20405

Dear Dick:

I want to thank you and your staff, particularly Bob MacKichan, for taking the initiative to develop a common Administration position on our legislation and for working on the remaining issues on the master lease.

With this letter I would like to do two things: (1) lay out, at Bob's suggestion, the approach we are taking to project feasibility; and (2) provide you with our analysis of the costs and benefits related to converting the ICTC space to office use.

I. Feasibility

We are approximately two years into what will be a seven year process to put the ICTC program into operation. During this period of time, there are several stages of development:

1. Concept Stage - April to August 1988
During this period, the Commission was formed and the initial concepts to implement the legislation were put together. Initial concepts were reflected in the development plan that went to Congress.
2. RFP Preparation - September 1988 to January 1989
During this five-month period, the Commission continued to formulate concepts for the Center, developed initial program ideas, and related those programs to space requirements. The Commission worked intensively during this period, meeting every Monday night for approximately three months in order to meet PADC's deadlines.

3. Program and Space Studies - January to June 1989
While the various competitors were preparing their submissions in response to the RFP, the Commission continued to study its program and space needs. In addition, the Commission retained Peat Marwick to conduct initial studies of manpower and organizational requirements and GA Partners to develop project costs and revenue projections. Based on the information available at that time, it appeared that the project would be self sufficient by the third year of operation, which is the statutory requirement.
4. Review of RFP Submissions - July to November 1989
The principal task during this period was to evaluate the six proposals submitted to PADC. Also, the Commission contracted for two theater studies and for the initial work on a trade information center.
5. Meshing the ICTC Program with the Design Produced by the Delta Partnership - December 1989 to March 1990
During this period, we explored with the Delta team how our program needs could best be accommodated in the context of the winning design. Revised program requirements that were produced and recommended by various task forces set up by the Commission were tested and the first estimates of design-specific construction costs became available.
6. Self Sufficiency Studies - April to September 1990
GA/Partners presently is producing information on project costs attributable to ICTC and it also is doing a rent analysis. Specifically, GA Partners is projecting the rental income that the ICTC can expect to receive from the office and retail space and from parking. In addition, they are projecting income from non-real estate related activity centers such as the conference/training center, and the reception center/club. GA also is preparing a format for studying feasibility.

Peat Marwick has been updating its study of organizational and staffing requirements based on the current program. In addition, GSA recently agreed to fund a study that should provide us with an evaluation of the various business strategies that we have developed for achieving self sufficiency. These strategies include admission fees and other user charges, joint venture business arrangements, other business opportunities, and fundraising. This study should get underway in July and be completed by Labor Day.

7. Business Plan Development - September 1990 to August 1992
During this two year period, detailed business plans for each of the Commission's many undertakings will be prepared, market tested, and evaluated. Changes and refinements to the existing program, as well as the addition of new programs and services, can be expected as a result of these studies. We hope that during this two year period we can actually begin to operate a few of the services out of temporary facilities both to test their viability and to begin to promote the Center prior to its opening. In this connection, we are thinking in particular of opening the Trade Information Center, the conference center, and beginning programs in the performing arts.
8. Implementation - September 1992 through August 1995
This three year period will see the actual implementation of the various programs and enterprises described earlier. Staffing up will be required during the first half of 1995 to prepare for a September opening. Product preparation, marketing, and leasing of the various facilities will take place.
9. Operations - September 1995
We will begin to move into the facility and operate the Center at this time. We anticipate a soft opening, which will be followed several months later by a gala opening event or series of events once initial operational problems have been worked out.

I think it is important that everyone understand that we have a systematic and orderly process for developing our programs, for ascertaining the likelihood of their success, and for making such modifications as may be required. I want to assure you that the Commission is operating on the premise that we will be self sufficient. We believe that it will be possible to be self sufficient despite the fact that the building costs have risen dramatically from PADC's general construction estimates to the specifics of the Delta design. We believe this for the following reasons:

- The program we have adopted has been recommended to us by extremely knowledgeable people who have been serving on our task forces and advisory groups.
- We believe that our program can be developed in the context of the Pei design in such a manner as to provide flexibility for program changes and refinements, should they prove necessary.
- As soon as we have sufficient resources, each and every programmatic idea will be subjected to the most rigorous evaluation by the appropriate experts and by the Commission's Advisory Council, which will be chaired by

William Butcher, Chairman of Chase Manhattan Bank. The Advisory Council also will include other well know business figures, such as Robert Galvin, Chairman of Motorola Corporation. In addition, at Congressman Petri's suggestion, Senator Percy has asked both Walter Wriston and William Simon to review the program and both have agreed to do so.

- The Commission is determined to make whatever adjustments are necessary to ensure the project's feasibility.
- Although initially the Center's rental rates will be towards the high end of the market, they will become progressively cheaper over the 30- year term of the lease. In the early years, lease costs account for approximately two thirds of total costs and they are a difficult cost item to absorb. As time goes by, however, and as the programs are more fully developed, lease costs will play an ever decreasing role in the Center's programming decisions.
- And, finally, wherever practical we intend to contract for the provision for services within the Center with private sector operators who understand the program, have extensive experience in their field of specialization, and who want to invest and share the business risks with us.

II. Cost of Conversion to Office

Attached, for your consideration, is an analysis that has been done for us of the cost of converting a substantial portion of the ICTC space to office use. This analysis assumes that one theater, roughly half of the retail space, and the reception facility are retained because they are essential components of the complex. As you can see, either using the high or low cost assumption, the Center would benefit financially if more office space were available to it. We believe that this analysis should provide both the Commission and GSA with a degree of comfort -- that is, if in spite of our best efforts, the exhibit area, the retail facilities, and the other visitor services do not pan out, we still have a very viable alternative in terms of our ability to provide additional office space that can easily be marketed.

Obviously, these numbers differ greatly from the numbers you have been given internally and we would be prepared to have our consultants meet with your people at your convenience to compare assumptions and methodology.

I hope this has been helpful. Please call if you have any questions.

Sincerely,



Kenneth R. Sparks

ICTC SELF-SUFFICIENCY The Third Operative Year

The following is a conceptual plan that lays out a program (demonstrates one way) with which ICTC can become self-sufficient within 2 years of opening. The list of potential income sources is not all inclusive and there may be other revenue identified once we have finished our business plan. The real estate value of the property is based on the GA Partners analysis. The other business income is based on our own review of other businesses and similar operations. Each of these business assumptions needs to be tested further once we have developed a business plan.

I. List of Potential Revenue

1. Office Space -- \$5.8 Million

GA partners estimates office rents in 1997 at \$5.8 million in net revenue. Income may be higher if we add value such as fully serviced suites.

2. Retail -- \$6.95 Million

GA Partners has reviewed the current state of retail in the area and suggests a conservative range of rental rates for ICTC retail. GA estimates income of \$6.95 million. The revenue may be greater if we can create a unique and highly desirable retail environment. This analysis does not include any income from overages that businesses will pay to the ICTC.

3. Parking -- \$4.14 Million

GA Partners estimates parking revenues at \$4.14 million annually.

4. Club/Reception -- \$1.34 Million

GA Partners, working with Club Corporation of America, has estimated net revenues for the Club/Reception at \$1.34 million.

5. Conference & Training Center -- \$2.25 Million

GA Partners has looked at the comparables for this activity and anticipates net revenues of \$2.25 million for 1997.

6. Trade Information Center -- \$2 Million

The Trade Information Center will operate as a business and will generate income from user fees for access to multiple sources of trade information. We will also structure business joint ventures, trade conferences, and provide services to businesses as they request. It is very difficult to judge the income from this source until a full business plan is developed, but we believe that \$2 million would be a defensible target at this time. NYNEX is looking at the business potential of this function.

7. IMAX -- \$2 Million

We have had discussions with IMAX and others for a large screen format theater and IMAX has produced a plan that would provide ICTC with revenue of \$2 million under a joint venture opportunity. We will explore other options to see if profits can be maximized while meeting our mission.

8. Admissions -- \$10 Million

We have estimated 6 to 8 million yearly visitors to exhibitions. Our goal in this area is to capture a quarter or a third of the visitors. We have assumed that 2 million visitors would pay a ticket price of \$5.00 to our exhibits in 1997 for a target of \$10 million.

9. Business Services -- \$1.25 Million

ICTC will provide an array of business services to the users of the facility and the US business community. We will have translation/interpretation, teleconferencing, stenography, message services, general office support available and other business facilities. We will have a travel agency along with a coordinated visa processing operation. For the purposes of this projection, we include income of \$1.25 million.

10. Catalog Sales from Retail -- \$2.5 Million

A significant source of revenue for museums is catalog sales. ICTC, with its major international retail, will have a substantial opportunity in this area. It does take some time to fully develop the potential of catalog sales so we conservatively anticipate \$2.5 million for 1997, but the potential for future years is dramatic.

11. ICTC Publications -- \$1 Million

ICTC will have a vital message to send to individuals, governmental organizations, nonprofits and international corporations. We will create a magazine that helps promote ICTC's mission. Advertising will cover the costs of publication and we have conservatively identified \$1 million a year as ICTC's potential income.

12. Friends Organization -- \$2 Million

ICTC is a national organization with international ties. It is safe to assume that a National Friends Organization can be established with 100,000 participants with net revenue of \$20 per person and an annual net revenue of \$2 million.

13. Electronic Media Links -- \$2 Million

We have been exploring "pay per view" or cable television links with many of the ICTC program elements, including the Performing Arts Center and the exhibition spaces. We have estimated that given a minimal viewing audience, we can generate revenue of \$2 million.

14. Corporate Advisory Group -- \$4.5 Million

ICTC is creating a Corporate Advisory Board that would consist of approximately 20 major US corporations. Each of those would be asked to raise \$250,000 annually in the early years to promote our mission. Net revenues from this group would be \$4.5 million.

15. ICTC Endowment -- \$0.8 Million

There are numerous opportunities to create an endowment for ICTC. The Corporate Advisory Board will have an endowment committee to solicit American support. Where it is consistent with our mission, we will accept gifts from foreign governments and businesses. We can name portions of ICTC after significant patrons, and we plan to accept individual donations. If we assume a \$20 million endowment by 1997 at an interest rate of 8%, and 50% of that income is available, we will have \$0.8 million for our program, which will increase as the endowment builds.

16. Galas/Special Events -- \$2.5 Million

The ICTC will host or house a number of galas, special events, promotions, premiers and special functions. Some of these events will be rentals and others will be produced by the Center. We estimate income from these sources in the area of \$2.5 million.

17. Appropriations -- \$1 Million

We will receive \$1 million annually in appropriations to cover the costs of the Presidential Commission.

The total revenues under this scenario is \$52.03 Million.

II. **Cost Projections**

1.	Cost to amortize construction	\$26.5 Million
2.	Operations*	2.2 Million
3.	Rehabilitation Fund	1.0 Million
4.	ICTC Overhead	9.0 Million
5.	Exhibition Production	7.0 Million
6.	Performing Arts Deficit	<u>2.5 Million</u>
	TOTAL	\$48.2 Million

- * The operating costs include \$12 per OSF based upon the exhibit, IMAX and Performing Arts Center. The income projected in the other program elements are net revenues and have already deducted the operating costs.

UNITED STATES INTERNATIONAL
CULTURAL AND TRADE CENTER COMMISSION

Retrofit Costs Study
6/21/90

UNITED STATES INTERNATIONAL
CULTURAL AND TRADE CENTER COMMISSION

Retrofit Costs Study

6/21/90

This study was initiated to determine the cost of retrofitting most USICTC areas to newly created GSA office space. Under USICTC directions, we assumed the following area tabulation as a base for the retrofitted areas. We worked under a set of parameters per USICTC as follows:

- The Exhibit area is assumed to allow office mezzanines throughout the semi-permanent and the museum areas.
- The Visual Arts (I-MAX and lobby) is to be converted to office space.
- The Retail is to have 50% of its area converted to office, but keep a certain amount of shops as well as food service facility in the project, in this case the Food Court and the food facility in the pavilion.
- The Large Theater is to remain and serve as Auditorium or Hall for the GSA complex.
- The Small Theater is to be converted to office space.
- The existing office space remains as is.
- Of the 25,000osf of the Club/Reception suite, the 10,000osf Reception area is to remain, the 15,000osf Club area is to be converted into office space.

All these assumptions are the latest USICTC information.

Furthermore the following assumptions were made:

- The yearly escalation rate was assumed @ 5% per year through the year 2003.
- The demolition and construction costs were assumed as noted in the calculation sheets (low range and high range).
- The initial building cost was assumed at 1990 \$ 400/sf (equivalent to 2003 \$ 754/sf following the same 5% per year escalation rate as assumed above).

1. AREA TABULATION

Elements	6/21/90	GSA retrofit
A. Exhibit	70,000osf	office:128,600osf
1. World Link	5,700osf	-
2. Semi-permanent	32,150osf	office: 64,300osf
3. Museum	32,150osf	office: 64,300osf
B. Visual Arts	19,000osf	office: 86,000osf
1. I-MAX	16,000osf	office: 80,000osf
2. Exhibit/Lobby	3,000osf	office: 6,000osf
C. Retail	155,000osf	office: 77,308osf retail: 77,692osf
1. Merchandizing	47,165osf	merch.: 47,165osf
2. Shop around the World	62,601osf	office: 62,601osf
3. Food	45,234osf	office: 14,707osf food: 30,527osf
Restaurants	28,707osf	office: 14,707osf food: 14,000osf
Quick Cuisine	16,527osf	food: 16,527osf
D. Performing Arts Center	93,000osf	office: 40,000osf hall: 75,000osf
1. Theater one	1,702seats	1702seats
2. Theater two	600seats	office
E. Office Space	138,000osf	office:138,000osf
F. Reception/Club	25,000osf	recept.:10,000osf office: 15,000osf
Total	500,000osf	647,000osf
Total retrofitted areas		office:346,308osf
Other existing areas		office:138,000osf
	subtotal	office:484,308osf
		food: 30,527osf
		merch.: 47,165osf
		hall: 75,000osf
		recept.:10,000osf
GRAND TOTAL:		647,000osf
(Gain in area:		147,000osf)

2.1 COST CALCULATION / Low range

A. Demolition work

Elements	Retrofit	Cost/sf	Cost
A. Exhibit			
Semi-permanent	32,150osf	\$10/sf	\$ 321,500
Museum	32,150osf	\$10/sf	\$ 321,500
B. Visual Arts			
I-MAX	16,000osf	\$20/sf	\$ 320,000
Exhibit/Lobby	3,000osf	\$10/sf	\$ 30,000
C. Retail			
Office	77,308osf	\$10/sf	\$ 773,080
D. Performing Arts Center			
Theater two (600seats)	27,000 sf	\$20/sf	\$ 540,000
F. Club	15,000osf	\$10/sf	\$ 150,000
Sub total 1			\$ 2,456,080

B. Retrofit on same level

Elements	Retrofit	Cost/sf	Cost
A. Exhibit			
Semi-permanent	32,150osf	\$50/sf	\$ 1,607,500
Museum	32,150osf	\$50/sf	\$ 1,607,500
B. Visual Arts			
I-MAX	16,000osf	\$50/sf	\$ 800,000
Exhibit/Lobby	3,000osf	\$50/sf	\$ 150,000
C. Retail			
Office	77,308osf	\$50/sf	\$ 3,865,400
D. Performing Arts Center			
Theater two (600seats)	9,000 sf	\$50/sf	\$ 450,000
F. Club	15,000osf	\$50/sf	\$ 750,000
Sub total 2			\$ 9,230,400

C. Retrofit on mezzanines

Elements	Retrofit	Cost/sf	Cost
A. Exhibit			
Semi-permanent	32,150osf	\$75/sf	\$ 2,411,250
Museum	32,150osf	\$75/sf	\$ 2,411,250
B. Visual Arts			
Exhibit/Lobby	3,000osf	\$75/sf	\$ 225,000
Sub total 3			\$ 5,047,500

D. Retrofit on multilevel structures

Elements	Retrofit	Cost/sf	Cost
B. Visual Arts			
I-MAX	64,000osf	\$85/sf	\$ 5,440,000
(4 levels @ 16,000osf ea.)			
D. Performing Arts Center			
Theater two	31,000 sf	\$85/sf	\$ 2,635,000
(4 levels @ 9,000osf ea. and 1 level @ 4,000osf)			
Sub total 4			\$ 7,690,000

E. Total hard cost of retrofit (1990 \$)

Elements	Retrofit	Cost
A. Exhibit		
Semi-permanent Museum	64,300osf of office	\$ 4,340,250
	64,300osf of office	\$ 4,340,250
B. Visual Arts		
I-MAX	80,000osf of office	\$ 6,560,000
Exhibit/Lobby	6,000osf of office	\$ 405,000
C. Retail		
Merch. and Food	77,308osf of office	\$ 4,638,480
D. Performing Arts Center		
Theater two (600seats)	40,000 sf of office	\$ 3,625,000
F. Club	15,000osf of office	\$ 900,000
TOTAL	331,908osf	\$24,808,980

F. Total cost (Low range)

Hard cost of retrofit	\$24,808,980
A/E - CM fees and other soft costs (15%)	\$ 3,721,347
Total	\$28,530,327
Escalation to year 2003 @ 5% per year	\$53,798,187
cost per sf (346,308osf of retrofitted area)	\$ 155.35/sf

2.2 COST CALCULATION / High range

A. Demolition work

Elements	Retrofit	Cost/sf	Cost
A. Exhibit			
Semi-permanent	32,150osf	\$15/sf	\$ 482,250
Museum	32,150osf	\$15/sf	\$ 482,250
B. Visual Arts			
I-MAX	16,000osf	\$30/sf	\$ 480,000
Exhibit/Lobby	3,000osf	\$15/sf	\$ 45,000
C. Retail			
Office	77,308osf	\$15/sf	\$ 1,159,620
D. Performing Arts Center			
Theater two (600seats)	27,000 sf	\$30/sf	\$ 810,000
F. Club	15,000osf	\$15/sf	\$ 225,000
Sub total 1			\$ 3,684,120

B. Retrofit on same level

Elements	Retrofit	Cost/sf	Cost
A. Exhibit			
Semi-permanent	32,150osf	\$65/sf	\$ 2,089,750
Museum	32,150osf	\$65/sf	\$ 2,089,750
B. Visual Arts			
I-MAX	16,000osf	\$65/sf	\$ 1,040,000
Exhibit/Lobby	3,000osf	\$65/sf	\$ 195,000
C. Retail			
Office	77,308osf	\$65/sf	\$ 5,025,020
D. Performing Arts Center			
Theater two (600seats)	9,000 sf	\$65/sf	\$ 585,000
F. Club	15,000osf	\$65/sf	\$ 975,000
Sub total 2			\$11,999,520

C. Retrofit on mezzanines

Elements	Retrofit	Cost/sf	Cost
A. Exhibit			
Semi-permanent	32,150osf	\$100/sf	\$ 3,215,000
Museum	32,150osf	\$100/sf	\$ 3,215,000
B. Visual Arts			
Exhibit/Lobby	3,000osf	\$100/sf	\$ 300,000
Sub total 3			\$ 6,730,000

D. Retrofit on multilevel structures

Elements	Retrofit	Cost/sf	Cost
B. Visual Arts			
I-MAX	64,000osf	\$110/sf	\$ 7,040,000
(4 levels @ 16,000osf ea.)			
D. Performing Arts Center			
Theater two	31,000 sf	\$110/sf	\$ 3,410,000
(4 levels @ 9,000osf ea. and 1 level @ 4,000osf)			
Sub total 4			\$10,450,000

E. Total hard cost of retrofit (1990 \$)

Elements	Retrofit	Cost
A. Exhibit		
Semi-permanent	64,300osf of office	\$ 5,787,000
Museum	64,300osf of office	\$ 5,787,000
B. Visual Arts		
I-MAX	80,000osf of office	\$ 8,560,000
Exhibit/Lobby	6,000osf of office	\$ 540,000
C. Retail		
Merch. and Food	77,308osf of office	\$ 6,184,640
D. Performing Arts Center		
Theater two (600seats)	40,000 sf of office	\$ 4,805,000
F. Club	15,000osf of office	\$ 1,200,000
TOTAL	331,908osf	\$32,803,640

F. Total cost (High range)

Hard cost of retrofit	\$32,803,640
A/E - CM fees and other soft costs (15%)	\$ 4,920,546
Total	\$37,724,186
Escalation to year 2003 @ 5% per year	\$71,134,579
cost per sf (346,308osf of retrofitted area)	\$ 205.41/sf

3. ANALYSIS OF COST

A. Existing area

Area to be retrofitted	193,608osf
Initial cost of area to be retrofitted	\$ 400.00/sf
Total initial cost	\$ 77,443,200

B. Retrofitted area

Newly created retrofitted area	346,308osf
cost of area	low range \$ 155.35/sf
	high range \$ 205.41/sf
Total new cost	Low range \$ 53,798,187
	High range \$ 71,134,579

C. Aggregated cost

Total cost for the new space (including the initial space)	
	Low range \$131,241,987
	High range \$148,577,779
Total cost per osf (346,308osf)	
	Low range \$ 379.00/sf
	High range \$ 429.00/sf

These cost are all lower than the 1990 \$ 400/sf, the cost of the project as foreseen today.