

# RHS Feasibility Study Presentation

## July 13, 2022

### AGENDA

1. Introductions
2. Results of Market Research
3. Business Plan
4. Fundraising Success & Need for Environmental Review
5. Next Steps

## 1. INTRODUCTIONS: Purpose of the Feasibility Study

It provides potential funders with a rationale for supporting the project.

It uses best available information to determine if reusing the RHS can be financially feasible

Is it possible?

What would that look like?

What are critical success factors?

The work is based on assumptions that are reasonable.

In any areas of uncertainty, it uses assumptions that make it more difficult to succeed (i.e., a conservative approach).

It is just the starting point. As work on the project goes forward, the expected results will be refined by experience.

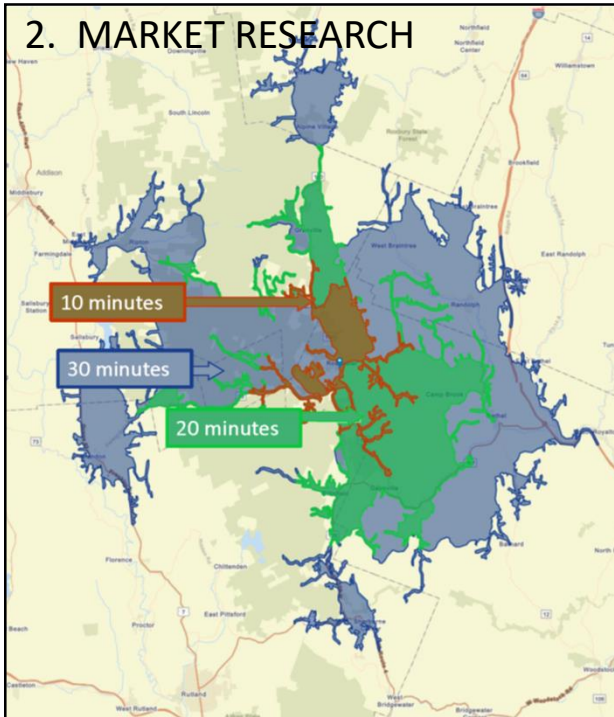
## 2. MARKET RESEARCH

Market research involved data analysis and outreach to stakeholders in Rochester and beyond

### STAKEHOLDER OUTREACH (20 Individuals interviewed)

- Ethan Bowen, Chair Rochester Stockbridge Unified School District
- Sadie Brightman, Director Middlebury Community Music Center
- Robert Gardner, Gardner Films
- Will Gardner, Alma Del Mar Schools
- Sandy Haas, a Vermont lawyer, retired innkeeper, former 8-term Windsor-Rutland Representative, and member of the RHS Repurposing Committee
- Josh Hanford, Commissioner VT Housing and Community Development
- Erika Hoffman Kiess, Exec. Dir. of Green Mountain Economic Development Corp (GMEDC)
- Cynthia Huard, Artistic Director of Rochester Chamber Music Society (RCMS)
- Doon Hinderyckx, Chair Rochester Select Board, owner Green Mountain Bikes
- Jamie Kinnarney, Superintendent of the White River Valley Supervisory Union
- Daniel Lang, Executive Director, Reclaimed Makerspace, Poultney, VT
- Angus McCusker, Executive Director of Ridgeline Outdoor Collective
- Carrie McDonnell, Director of One Planet Afterschool and Summer Camp Programs
- Annie Mackay, owner BigTown Gallery/BigTown Projects
- Pam Reit, Director of Green Mountain Suzuki Institute (GMSI)
- Larry Straus, former Chair Rochester Select Board
- Grace Vinson, Environmental Officer, Agency of Commerce and Community Development
- Dan Voisin, Stone Environmental
- Nancy Wooley, Town of Rochester Resident
- Sarah Wright, Regional Planner, Two Rivers Ottauquechee Regional Commission

## 2. MARKET RESEARCH



Market research looked at

- Population demographics
- Economic conditions
- Consumer spending preferences for retail, cultural activities & recreation
- Health-related demographics and spending

It also included community-based surveys and outreach to the Quintown municipalities

## 2. MARKET RESEARCH: Community-Based Outreach

**50 people participated** in the Community Engagement event that launched the RHS Repurposing project in February 2020.

**36 community members** actively engaged in the planning process for the RHS Repurposing project, working within multiple committees related to each component identified in the re-use proposal

**Makerspace: 48 respondents** with interest in Makerspace membership, with 14 respondents wanting to teach and/or mentor in the Makerspace classes

**Childcare Center: 30 respondents** to the Childcare Center survey stated their need of a Childcare facility.

**Adult Day Center (ADC) and Lifelong Learning Center: 97 respondents**, ages ranging from 35–96 yrs.

20% self-identified as vulnerable adults who stated they would attend ADC on a weekly basis

35% stated they would benefit from an ADC located in Rochester—most indicated 3-5 days/wk. participation

42% stated they would benefit from having a primary care practice located in or near the building

43% state they would benefit from physical therapy in the building

59% state benefit from having a senior meal site in the same building

68% of the respondents state a desire for exercise and movement classes

69% desired arts and crafts workshops

71% indicated want to attend talks on various subjects.

## 2. MARKET RESEARCH: Conclusions

The market analysis identifies several critical success factors for the economic sustainability of the former Rochester High School building. They are:

1. *Arts groups and small not for profit organizations are not, by themselves, the path to sustainability.*
2. *Economic sustainability for RHS requires a diverse tenant base.*
3. *One or two “anchor tenants” are required to achieve sustainability.*
4. Six prospective tenants have been identified.

### 3. BUSINESS PLAN: Operating Costs

A projection of annual costs once the facility has become fully operational.

Staffing: 10 hours per week at \$25 per hour or \$12,000 per year, inflated by 7 percent to \$12,840 per year

Capital Projects: In a conservative approach, ongoing capital improvements to ensure the building remains in top operating condition were assumed to be \$50,000 per year. (It is possible this could be lower, depending upon conditions.)

Estimated Typical Annual Operating Costs, former High School Building		
Item	Initial Estimate	Adjusted for Inflation
Electric	\$ 20,000	\$ 21,400
Propane	23,500	25,145
Janitorial	15,000	16,050
Telephone/Internet	3,500	3,745
Computer	3,500	3,745
Mowing/plowing	8,000	8,560
Trash/recycling	7,500	8,025
Insurance	4,000	4,280
Water/sewer	1,000	1,070
Misc. Maintenance	5,000	5,350
<b>Total:</b>	<b>\$ 91,000</b>	<b>\$ 97,370</b>
<b>Staffing:</b>	<b>\$12,000</b>	<b>\$ 12,840</b>
<b>Total:</b>		<b>\$ 110,210</b>
<b>Capital Projects:</b>		<b>\$ 50,000</b>
<b>Total:</b>		<b>\$ 160,210</b>

Initial estimates compiled by gBA.  
 Inflation adjustment of 7 percent, reflecting annual change in New England Consumer Price Index for year ending April, 2022.  
 Electric & Propane costs derived from Energy Efficiency Investment Report for Rochester, VT, October, 2021, Option 2 and comparable gBA projects.

### 3. BUSINESS PLAN: Revenue Assumptions

- Those **spaces configured for arts- or crafts-related uses are not included in the leasable space** (i.e., the Shop, Art Room, Music Classrooms, Auditorium or Band/Chorus space).
- It is assumed that the building will have an **ongoing vacancy rate of twenty percent**. Thus, of the 11,907 square feet available for long-term rental, only 9,526 feet are occupied at any one time.
- While not programmed for use, **proposals will be considered for activities in the arts- and crafts-related spaces such as maker spaces, etc., if the tenant operating the program is willing to assume monthly rent (e.g., \$2,000/mo.)**.

#### 4 SCENARIOS FOR CALCULATING REVENUES:

*Scenario 1. Break-even:* this analysis calculates the rental rates that are required to cover the operating costs of the building.

*Scenario 2. Not-for-profit:* rent of \$600/month for 1,000 square feet, or \$0.60/square foot per month.

*Scenario 3. Professional office:* \$1.30 per square foot per month or \$1,300 per month for 1,000 square feet. (Best possible case/least likely case)

*Scenario 4. Anchor tenant(s):* This analysis assumes that the high school has 4,291 square feet rented to one or two anchor tenants at a rate of \$1.30/ square foot per month or \$5,578 per month. Note also that the analysis assumes that the space occupied by the anchor tenant(s) is fully occupied, while the remaining space for rent averages a 20 percent vacancy rate.

### 3. BUSINESS PLAN: Break-Even Rental Rates

Note: this table shows the space as currently configured. While the space will be re-configured to meet the needs of tenants, it is expected that the same total number of square feet will be available for rent.

Revenue Estimate, "Break-Even" Scenario				
		Avg. Monthly Rent per Square Foot		
Break-Even Rental Rate/Square Foot/Month		Facility Only	W/ Prop. Mgt.	w/Mgt. & Cap. \$
		\$ 0.85	\$ 0.96	\$ 1.40
Space as Currently Configured:	Sq. Ft.	Revenue Generated		
TOTAL	30,700			
Shop Area	2,618			
Art Room	870			
Music Classroom	1,186			
Auditorium/Stage	8,718			
Band/Chorus Area	1,183			
Main Office Area	1,767	\$ 1,505	\$ 1,704	\$ 2,477
SPED Office Area	730	\$ 622	\$ 704	\$ 1,023
Classrooms				
	1,047	\$ 892	\$ 1,009	\$ 1,467
	826	\$ 704	\$ 796	\$ 1,158
	680	\$ 579	\$ 656	\$ 953
	650	\$ 554	\$ 627	\$ 911
	578	\$ 492	\$ 557	\$ 810
	510	\$ 434	\$ 492	\$ 715
	775	\$ 660	\$ 747	\$ 1,086
	1,170	\$ 997	\$ 1,128	\$ 1,640
	872	\$ 743	\$ 841	\$ 1,222
Central Space	2,302	\$ 1,961	\$ 2,219	\$ 3,226
Total Space	26,482	\$ 10,143	\$ 11,480	\$ 16,689
Leasable Space	11,907			
"Event" space	14,575			
Total Annual Revenue, All Space		\$ 121,713	\$ 137,763	\$ 200,263
Total Annual Revenue, 20% Vacant		\$ 97,370	\$ 110,210	\$ 160,210
Additional Cost for Each Option:		\$ -	\$ 12,840	\$ 50,000
Surplus/Deficit		\$ -	\$ -	\$ -

### 3. BUSINESS PLAN: Other Scenarios

**Scenario 2. Not-for-profit:** rent of \$600/month for 1,000 square feet, or \$0.60/square foot per month.

**Scenario 3. Professional office:** \$1.30 per square foot per month or \$1,300 per month for 1,000 square feet.

**Scenario 4. Anchor tenant(s):** This analysis assumes that the high school has 4,291 square feet rented to one or two anchor tenants at a rate of \$1.30/ square foot per month or \$5,578 per month. The remainder of the space is rented at \$0.60/square foot per month. Note also that the analysis assumes that the space occupied by the anchor tenant(s) is fully occupied, while the remaining space for rent averages a 20 percent vacancy rate.

Revenue Estimate for Scenarios 2, 3 & 4			
	Facility Only	W/ Prop. Mgt.	w/Mgt. & Cap. \$
<b>SCENARIO 2: NOT FOR PROFIT</b>			
Total Annual Revenue, All Space	\$ 85,730	\$ 85,730	\$ 85,730
Total Annual Revenue, 20% Vacant	\$ 68,584	\$ 68,584	\$ 68,584
Additional Cost for Each Option:	\$ -	\$ 12,840	\$ 50,000
Surplus/Deficit	\$ (28,786)	\$ (41,626)	\$ (91,626)
<b>SCENARIO 3: PROFESSIONAL OFFICE</b>			
Total Annual Revenue, All Space	\$ 185,291	\$ 185,291	\$ 185,291
Total Annual Revenue, 20% Vacant	\$ 148,232	\$ 148,232	\$ 148,232
Additional Cost for Each Option:	\$ -	\$ 12,840	\$ 50,000
Surplus/Deficit	\$ 50,862	\$ 38,022	\$ (11,978)
<b>SCENARIO 4: ANCHOR TENANT(S)</b>			
Total Annual Revenue, All Space	\$ 121,610	\$ 121,610	\$ 121,610
Total Annual Revenue, 20% Vacant	\$ 110,642	\$ 110,642	\$ 110,642
Additional Cost for Each Option:	\$ -	\$ 12,840	\$ 50,000
Surplus/Deficit	\$ 13,272	\$ 432	\$ (49,568)

CONCLUSION: Getting to operational financial sustainability is far from a sure thing. But there is a way forward.

### 3. BUSINESS PLAN:

#### Required Capital Improvements

This budget covers Phase 1 of the building upgrade to become occupant ready and includes replacement of the heat and electric systems and upgrading the building envelope for maximum energy efficiency, putting it on a path to net zero. Many items on this list are eligible for targeted funding from multiple sources.

Area of Improvement	Estimated Cost
Accessibility	\$ 80,000
Building Envelope	\$ 778,340
Electrical	\$ 78,000
Fire Code	\$ 166,210
HVAC	\$ 610,000
Plumbing	\$ 17,500
Site Work	\$ 10,000
Asbestos Abatement	\$ 50,000
Basic finishes & partitions	\$ 50,000
<b>Subtotal</b>	<b>\$ 1,840,050</b>
General conditions (5%)	\$ 92,000
Soft costs (20%)	\$ 368,110
<b>Total costs, 2019 Dollars</b>	<b>\$ 2,300,050</b>
Inflation factor (35%)	\$ 805,000
<b>Total</b>	<b>\$ 3,105,000</b>

### 4. FUNDRAISING SUCCESS & THE NEED FOR ENVIRONMENTAL REVIEW

The committee has secured a \$1.5 million commitment (with a required match) from Senator Sanders to support the capital improvements, which is pending final Congressional approval.

In order to be eligible for many sources of government funds, the former RHS site must undergo an environmental review for environmental hazards & a review under the National Environmental Policy Act (NEPA).

On behalf of the Town & School District, and with guidance from TROCR and the VT Dept of Housing and Community Development, the committee is taking the necessary steps to proceed with the full NEPA requirements.

## 5. NEXT STEPS: OVERALL FINDINGS

Completing this project (regardless of its final outcome) will be a lengthy and complex process requiring close cooperation between the Town, School District and the many partners that have already offered assistance.

Arranging financing and overseeing the renovations will be a complex endeavor that will require professional project management.

It will be important to carefully consider the ownership structure for the facility (e.g., municipal ownership versus not-for-profit ownership) in terms of managing liabilities, funding opportunities, etc.

Getting to operational financial sustainability will be a challenge. But there is a way forward.

## 5. NEXT STEPS FOR COMMITTEE:

1. Proceed with project manager search
2. Start Environmental consultant search and related tasks to ensure continued eligibility from federal and state funding sources
3. Proceed with Environmental Assessment process with TRORC Brownfields assessment, and environmental consultant to complete additional Phase 1 requirements of NEPA research