

Section 8 – Contingencies

The real estate development process is a series of issues and questions on a variety of topics the resolution of which can either make or break a project. These issues include, but are not limited to, site acquisition, market feasibility, financial feasibility, municipal permitting process, financing appropriate to the project, design and construction. At this very early stage of defining our proposal for the County's former library site it is difficult to describe precisely what these contingencies will be. However, there are several that are worth noting:

1. Market feasibility

Our assessment of the market we have identified for this property is partly based on housing market studies that were conducted within the last four years. There have been additions to the apartment market in the years since these studies were conducted and other apartment projects are in the planning stages. The impact of these newer projects will have to be measured relative to number and absorption rate of new apartments in the market segment we have identified in order to fully assess the market feasibility of our proposal.

2. Site acquisition

The former library site is very well located, particularly for the 'senior' segment of the housing market we are targeting. However, the existing structure is a significant liability for any redevelopment of the property. In addition to the known demolition cost, there is the unknown cost of remaining environmental remediation required. This will only be defined by conducting a full Environmental Assessment on the building and site. These additional costs may or may not be large. The total cost of this work will affect the underlying value of the site which may or may not meet the County's expectations.

3. Construction Cost

We have, working in conjunction with a major general contractor very familiar with work in Ithaca, developed an initial cost estimate for our building proposal. At this very early stage of the development process, this is a very preliminary number that provides a benchmark for what it will cost to build the project and allows the preparation of a project proforma that helps determine financial feasibility. As the design of the building progresses new estimates are prepared and the proforma is continually updated. Unfavorable cost projections and an inability to

revise the design because of, for example, restrictions or requirements that may be placed on the project as a result of municipal review may render the project unfeasible. Similarly, volatility in the construction industry itself relative to material prices, the cost of labor and other factors may be equally negative in terms of overall project feasibility.

It is our job as developers to manage these contingencies such that they do not create an unfavorable condition for moving forward. IAD has a long and successful history of doing this. It is our expectation to do the same with this project within the timeframe expected by the County.