IPS REAL ESTATE STRATEGY

BROAD RIPPLE HIGH SCHOOL

Joe Gramelspacher, Special Projects Director

March 26, 2018
1. IPS real estate strategy
2. current legal framework
3. site & building characteristics
4. activities & timeline
Since 2015, IPS has pursued an aggressive strategy to right-size the district’s real estate portfolio.

- **12 properties** have been sold, resulting in one-time revenue of over $20 million
- IPS has **vacated over 1,000,000 square feet** of operational space
- Property sales have **reduced IPS’ deferred maintenance backlog by $81 million (-20%)** and **reduced annual expenses by >$1 million**

Former properties projected to add over $400 million to tax rolls.

- A significant portion of that added value will be captured by TIFs and may not bolster IPS revenue, but it is good for the City of Indianapolis

Real Estate strategy has funded increased teacher compensation.

- All sale proceeds have been reinvested in the district’s general fund
real estate strategy

1. data-driven decision making
2. transparency
3. reliance on subject-matter experts
   (community members & professional services firms)
4. community perspectives
5. consistency
   (utilize proven IPS process for real estate disposition)
6. value maximization
   (highest price is not always best use)
how does IPS approach large, complex properties?

- Community wishes
- Market possibilities
how does IPS approach large, complex properties?

- Community wishes
- Market possibilities
- Legally permissible options
“if a school building that was previously used for classroom instruction is closed, unused, or unoccupied...the school corporation that owns the school building shall lease...to [a] charter school for one dollar ($1) per year for as long as the charter school uses the school building for classroom instruction or for a term at the charter school's discretion, or sell the school building to the charter school for one dollar ($1)”
“If a school building is sold to a charter school under this subsection and...the charter school subsequently sells...the school building to a third party, the charter school...must transfer an amount equal to the gain in the property minus the adjusted basis (including costs of improvements to the school building) to the school corporation that initially sold the vacant school building to the charter school.”
“During the term of a lease under subsection (h), the charter school is responsible for the direct expenses related to the school building leased, including utilities, insurance, maintenance, repairs, and remodeling. The school corporation is responsible for any debt incurred for or liens that attached to the school building before the charter school leased the school building.”
**Broad Ripple High School**

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year Built</strong></td>
<td>1923</td>
</tr>
<tr>
<td><strong>Site Size</strong></td>
<td>16.27 acres</td>
</tr>
<tr>
<td><strong>Zoning</strong></td>
<td>SU-2 (School)</td>
</tr>
<tr>
<td><strong>TIF Status</strong></td>
<td>None</td>
</tr>
<tr>
<td><strong>Square Footage</strong></td>
<td>375,000</td>
</tr>
<tr>
<td><strong>Student Capacity</strong></td>
<td>2,800</td>
</tr>
<tr>
<td><strong># of Classrooms</strong></td>
<td>96</td>
</tr>
<tr>
<td><strong># of Parking Spaces</strong></td>
<td>184</td>
</tr>
<tr>
<td><strong>Renovations and Additions</strong></td>
<td>8</td>
</tr>
<tr>
<td><strong>Annual Operating Cost</strong></td>
<td>$730,000 (utilities + custodial)</td>
</tr>
<tr>
<td><strong>Deferred Maintenance</strong></td>
<td>$15,529,351</td>
</tr>
<tr>
<td><strong>Outstanding Debt</strong></td>
<td>$23,193,541</td>
</tr>
<tr>
<td><strong>Debt Maturity Date</strong></td>
<td>2028</td>
</tr>
<tr>
<td><strong>Ownership</strong></td>
<td>IPS Multi-School Building Corporation</td>
</tr>
</tbody>
</table>
Gather community perspectives

Assess a broad range of markets (educational, residential, mixed-use, not-for-profit, commercial)

Understand & address debt financing challenges

Create and implement a suitable legal framework
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<td>Activity</td>
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<td>Mar</td>
<td>Apr</td>
<td>May</td>
<td>Jun</td>
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<tr>
<td>Market Analysis</td>
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<tr>
<td>Request for Lease Proposals</td>
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<tr>
<td>Community Perspectives</td>
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<tr>
<td>Legislative Advocacy</td>
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<tr>
<td>Request for Information</td>
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<tr>
<td>Bid Sale Process</td>
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<tr>
<td>Complete Board Action</td>
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<tr>
<td>Utilize Facility</td>
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</tbody>
</table>

*this timeline is for planning purposes. It is not a guarantee of any legislative outcome or Board action.

Complete market analysis & gather community perspectives

Obtain legislative change to permit action on community informed IPS disposition plan
Former Broad Ripple HS Market Feasibility
Indianapolis Public Schools
COMMUNITY MEETING | MARCH 26, 2019
Real estate & economic development advisors

Our mission is to guide and enable our clients to create high-quality places through the practice of real estate economics, development finance & urban planning

Vision | Economics | Strategy | Finance | Implementation
The purpose of the study was to identify the market-feasible mix of uses and strategy for redeveloping the site. Analysis steps to uncover the potential include:

- Assessment of site attributes
- Data-driven assessment of both the supply and demand sides
- Market interviews
- Solicit community feedback

While the study scope does not include analysis of public or institutional uses, redevelopment on the site may include an educational use.
00 OVERVIEW – THE SITE
A 16-acre redevelopment site in the Broad Ripple neighborhood

375,000-square-foot (SF) building

BRHS TIMELINE

1923  BRHS became a part of the Indianapolis Public Schools
1976  The Center for Performing Arts was created
1995  Peak enrollment of approximately 2,500 students
2018  BRHS closed with less than 500 students
2019  Site considered for redevelopment

Image Source: Google Earth, SB Friedman
New Red Line BRT will greatly enhance Broad Ripple’s regional connectivity to employers and cultural institutions in the region.

**00 OVERVIEW – NEIGHBORHOOD CONTEXT**

- Neighborhood characteristics
  - Designated Cultural District
  - Six miles from downtown
  - College Avenue - a major north-south arterial located four blocks west
  - The Red Line

Source: SB Friedman
00 OVERVIEW – KEY EXISTING COMMERCIAL CENTERS

Broad Ripple Avenue and Keystone are major existing retail corridors.
Broad Ripple is known for open space amenities including the Monon Trail and White River.

Key Existing Open Space Amenities:

- Broad Ripple Park
- White River
- Broad Ripple Avenue
- Keystone Avenue
- Broad Ripple High School
- College Avenue
- Kessler Boulevard
- 52nd Street

Source: Indianapolis Open Data, SB Friedman
Image Source: CoStar
While challenges exist the site is an attractive real estate redevelopment opportunity

### Site opportunities
- New construction activity in Broad Ripple
- Limited sites of a similar scale
- Frontage along White River
- The Red Line BRT
- Frontage on Broad Ripple Avenue

### Site challenges
- Superblock layout
- Large building footprint
- Phasing led to multiple buildings where floor levels do not align
- Existing residential adjacencies require thoughtful redevelopment to minimize land use conflicts
01 DEMOGRAPHICS
COUNTY POPULATION PROJECTIONS
NEIGHBORHOOD PROFILE
Marion County is projected to see an increase in 21,000 adults; Empty Nesters the fastest growing cohort

- The largest cohort within the adult population in Marion County is Young Adults
- Working Adults and Seniors are the two fastest growing age categories
- The largest age group, Young Adults, is anticipated to see a slight decline in population over the next five years

Source: Stats Indiana
BROAD RIPPLE NEIGHBORHOOD PROFILE

A relatively affluent, urban, vibrant, neighborhood on the northside of the City

<table>
<thead>
<tr>
<th>0-2</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7-9</th>
<th>9-15</th>
<th>15-27</th>
<th>&gt; 27</th>
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</tbody>
</table>

Source: City of Indianapolis, SB Friedman

5,148 People

$66,000 Median Income

2,629 Households

55% Owner occupied units

7,000 Jobs

Source: ESRI, SB Friedman
No new condo/townhomes have been built since the Great Recession in Broad Ripple but trends of existing product are getting stronger.

### RESIDENTIAL – CONDO & TOWNHOME MARKET

HISTORIC PRICE PER SF AND MARKET TIME

<table>
<thead>
<tr>
<th>Year</th>
<th>SALES PRICE PER SF</th>
<th>DAYS ON THE MARKET</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$50</td>
<td>0</td>
</tr>
<tr>
<td>2010</td>
<td>$70</td>
<td>20</td>
</tr>
<tr>
<td>2011</td>
<td>$90</td>
<td>40</td>
</tr>
<tr>
<td>2012</td>
<td>$110</td>
<td>60</td>
</tr>
<tr>
<td>2013</td>
<td>$130</td>
<td>80</td>
</tr>
<tr>
<td>2014</td>
<td>$150</td>
<td>100</td>
</tr>
<tr>
<td>2015</td>
<td>$170</td>
<td>120</td>
</tr>
<tr>
<td>2016</td>
<td>$190</td>
<td>140</td>
</tr>
<tr>
<td>2017</td>
<td>$210</td>
<td>160</td>
</tr>
<tr>
<td>2018</td>
<td>$230</td>
<td>180</td>
</tr>
</tbody>
</table>

- **Monon Row**
  - $202 / SF
  - $280,000 per unit
  - 8 units sold
  - Average days on market - 22

- **The Reserve at Broad Ripple**
  - $161 / SF
  - $221,000 per unit
  - 18 units sold
  - Average days on market - 19

- **College Court**
  - $199 / SF
  - $139,000 per unit
  - 9 units sold
  - Average days on market - 6

Source: Tucker Realtors, SB Friedman

SB Friedman Development Advisors
02 RESIDENTIAL – REGIONAL COMPETITIVE RENTAL MARKETS

Broad Ripple is one of the only neighborhoods outside of downtown to attract significant new rental apartment development.

Rental Housing Delivered Since 2010

<table>
<thead>
<tr>
<th>Clusters</th>
<th>New Units</th>
<th>Avg. Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOWNTOWN</td>
<td>3,500</td>
<td>$1.80</td>
</tr>
<tr>
<td>KEYSTONE CROSSING</td>
<td>700</td>
<td>$1.60</td>
</tr>
<tr>
<td>MASS AVE</td>
<td>515</td>
<td>$1.65</td>
</tr>
<tr>
<td>BROAD RIPPLE</td>
<td>370</td>
<td>$1.55</td>
</tr>
<tr>
<td>FOUNTAIN SQUARE</td>
<td>320</td>
<td>$1.70</td>
</tr>
</tbody>
</table>

Broad Ripple captured approximately 5-7% of the active residential apartment market.
02 RESIDENTIAL – NEW BROAD RIPPLE APARTMENTS

Four rental housing projects, a combined 370 units, delivered in Broad Ripple since 2010

Source: CoStar, Interviews, SB Friedman

Recent Deliveries

- **Park 66 Flats – 105 Units**
  - 108 units
  - $1.60/SF
  - Project in lease-up

- **River House Broad Ripple – 86 Units**
  - 86 units
  - Asking rents $2.15/SF
  - Project in lease-up

- **The Coil – 151 Units**
  - 151 units
  - Ground floor retail
  - $1.67/SF
  - 8% vacancy

- **The Win – 24 Units**
  - 24 units, originally intended to be townhomes
  - $1.39/SF
  - 8% vacancy

Source: CoStar, Interviews, SB Friedman
Homeownership rates have declined since the Great Recession but are likely to stabilize or increase in the future.
Migration and housing preference census data are used to generate the annual number of movers to new construction.

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Rent</th>
<th>Own</th>
<th>Move Annually</th>
<th>CHOOSE NEW CONSTRUCTION</th>
<th>BROAD RIPPLE CAPTURE</th>
<th>DEMAND THROUGH 2025 (x7)</th>
<th>LESS PIPELINE UNITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>45%</td>
<td>175,000</td>
<td>213,000</td>
<td>47,000</td>
<td>1,500</td>
<td>110</td>
<td>770</td>
<td>570</td>
</tr>
<tr>
<td>27%</td>
<td>47,000</td>
<td>14,000</td>
<td>950</td>
<td>40</td>
<td>40</td>
<td>280</td>
<td>80</td>
</tr>
<tr>
<td>3%</td>
<td>1,500</td>
<td>950</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>280</td>
<td>80</td>
</tr>
<tr>
<td>6-7%</td>
<td>110</td>
<td>280</td>
<td>40</td>
<td>280</td>
<td>280</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>BROAD RIPPLE CAPTURE</td>
<td>280</td>
<td>280</td>
<td>280</td>
<td>280</td>
<td>280</td>
<td>280</td>
<td>280</td>
</tr>
</tbody>
</table>

388,000 HOUSEHOLDS IN MARION COUNTY

27% MOVE ANNUALLY
3% CHOOSE NEW CONSTRUCTION
6-7% BROAD RIPPLE CAPTURE
DEMAND THROUGH 2025 (x7)
LESS PIPELINE UNITS

Move annually:
- 27% (47,000)
- 6-7% (110)
- 3% (1,500)

Own:
- 55% (213,000)
- 7% (950)
- 3-4% (40)
- LESS PIPELINE UNITS (280)

280,000 households in Marion County
3% choose new construction
7% choose new construction
6% move annually
3-4% BROAD RIPPLE CAPTURE
DEMAND THROUGH 2025 (x7)
LESS PIPELINE UNITS
There is significant demand for rental units, condos, townhomes and detached product on the site.

<table>
<thead>
<tr>
<th>450 - 570 units</th>
<th>35-70 units</th>
<th>175-210 units</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RENTAL APARTMENTS</strong></td>
<td><strong>CONDOMINIUMS</strong></td>
<td><strong>TOWNHOMES/DETACHED</strong></td>
</tr>
<tr>
<td>Phase I/Immediate</td>
<td>Future Phases</td>
<td>Phase I/Future Phases</td>
</tr>
<tr>
<td>$1.75 - $2.00 / SF</td>
<td>$225 - $250 / SF</td>
<td>$170 - $200 / SF</td>
</tr>
<tr>
<td>580-780</td>
<td>20-35</td>
<td>175-210</td>
</tr>
<tr>
<td>1 : 1 unit</td>
<td>1 : 1 unit</td>
<td>1 : 1 bedroom</td>
</tr>
</tbody>
</table>

Phasing:
Achievable Rents/Prices:
Supportable Units:
Parking Ratio:

Source: SB Friedman
03 Office

- Regional Office Supply
- Broad Ripple Office Supply
- Office Employer Location Preferences
- Employment Projections
- Office Demand Projections
03 OFFICE – REGIONAL CLASS A OFFICE

Class A office product is predominately located downtown and in north suburban submarkets along I-465

Class A Product

<table>
<thead>
<tr>
<th>SQUARE FEET</th>
<th>VACANCY*</th>
<th>CLUSTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.1 M</td>
<td>9%</td>
<td>DOWNTOWN</td>
</tr>
<tr>
<td>3.6 M</td>
<td>17%</td>
<td>KEYSTONE CROSSING</td>
</tr>
<tr>
<td>3.2 M</td>
<td>12%</td>
<td>MERIDIAN CORRIDOR</td>
</tr>
<tr>
<td>2.1 M</td>
<td>9%</td>
<td>CARMEL</td>
</tr>
</tbody>
</table>

Other Neighborhoods: 85 buildings, 8,585,247 SF

*This data includes owner-occupied buildings

Source: CoStar, SB Friedman
New product in delivery in Broad Ripple has typically been owner-occupied and under 10,000 SF.

**Recent Office Deliveries**
- **Monon Pointe**
  - Mixed-use project
  - Single tenant office
  - 5,000 SF office
  - Constructed 2014

- **BrainTwins Building**
  - Professional office building
  - Single tenant office
  - 5,000 SF
  - Constructed 2012

- **The Reliant**
  - Professional office building
  - 6,000 SF
  - Constructed 2016

**Proposed Office Products**
- **G-Bloc**
  - Mixed-use project
  - 8,000 SF office

Sources: CoStar, SB Friedman
The IPS Broad Ripple site amenities align with employer preferences.
03 OFFICE – REGIONAL OFFICE EMPLOYMENT

Approximately 26,000 jobs in key office sectors are projected to be added to the Indianapolis region by 2025

PROJECTED INDIANAPOLIS METRO AREA JOB GROWTH BY OFFICE SECTOR: 2019-2025

<table>
<thead>
<tr>
<th>Sector</th>
<th>Jobs 2016</th>
<th>Increase</th>
<th>Jobs 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative</td>
<td>55,375</td>
<td>1,760</td>
<td>57,135</td>
</tr>
<tr>
<td>Education</td>
<td>23,031</td>
<td>830</td>
<td>23,861</td>
</tr>
<tr>
<td>Healthcare</td>
<td>58,454</td>
<td>1,134</td>
<td>69,588</td>
</tr>
<tr>
<td>Management</td>
<td>14,969</td>
<td>627</td>
<td>15,606</td>
</tr>
<tr>
<td>Professional</td>
<td>63,758</td>
<td>7,511</td>
<td>71,269</td>
</tr>
<tr>
<td>Finance, Investment, Real Estate</td>
<td>66,231</td>
<td>2,200</td>
<td>68,431</td>
</tr>
<tr>
<td>Information</td>
<td>16,791</td>
<td>569</td>
<td>17,359</td>
</tr>
</tbody>
</table>

TOTAL CHANGE: 26,000

Administrative Jobs: 55,375 jobs in 2016, an increase of 1,760 jobs by 2025
Source: US Census Bureau, BLS, SB Friedman
SB Friedman Development Advisors
SB Friedman projects demand for approximately 100,000 SF of office

- **Indianapolis Metro Area office demand**
  - Projected 26,000 employee increase
  - Demand for 6.6 M SF

- **Broad Ripple office demand**
  - According to conversations with brokers on the tenant and developer sides, Broad Ripple could reasonably pre-lease 35,000-45,000 SF of office
  - Preleasing would support demand for a building 2x times the prelease SF or 70,000-90,000 SF of office
  - Reflects a market capture of 1.0-1.5% of the regional growth
  - Target sectors include technology, creative, medical, finance and real estate

### Indianapolis Metropolitan Area

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<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Employee Increase</strong></td>
<td>26,000</td>
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<tr>
<td><strong>SF Increase</strong></td>
<td>6.6 M</td>
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</table>

### Broad Ripple

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<tr>
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</thead>
<tbody>
<tr>
<td><strong>SF Broad Ripple Pre-Lease Demand</strong></td>
<td>40,000</td>
</tr>
<tr>
<td><strong>50% Pre-Lease Requirement</strong></td>
<td>80,000</td>
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<tr>
<td><strong>SF Total Demand</strong></td>
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</table>

### Local Capture

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<tr>
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<tbody>
<tr>
<td><strong>Capture of Regional Demand</strong></td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: United States Census Bureau, IDWD, BLS, CoStar, SB Friedman
04 Retail

KEY INDICATORS OF RETAIL DEMAND
NEIGHBORHOOD MEDIAN INCOME
EXISTING BROAD RIPPLE RETAIL CLUSTERS
NEW BROAD RIPPLE CONSTRUCTION
GAPS PRESENT IN THE MARKET
RETAIL DEMAND PROJECTIONS
There are four factors we evaluated as indicators of retail demand:

1. Neighborhood Median Income
2. Strong Existing Cluster Performance
3. New Construction and Lease-Up
4. Gaps Present in the Market
Drive time is frequently used by retailers to measure market strength prior to entering new markets.

**04 RETAIL – NEIGHBORHOOD MEDIAN INCOME**

Median household (HH) income is the highest closest to Broad Ripple, decreasing as drive time increases.

<table>
<thead>
<tr>
<th>Drive Time</th>
<th>Population</th>
<th>Median HH Income</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 MIN</td>
<td>15,163</td>
<td>$72,887</td>
<td>8,851</td>
</tr>
<tr>
<td>10 MIN</td>
<td>91,218</td>
<td>$60,618</td>
<td>50,564</td>
</tr>
<tr>
<td>15 MIN</td>
<td>280,346</td>
<td>$51,030</td>
<td>180,926</td>
</tr>
</tbody>
</table>

Source: ESRI, SB Friedman

SB Friedman Development Advisors
04 RETAIL – STRONG EXISTING CLUSTER PERFORMANCE

Broad Ripple is the most centrally located of the retail clusters, the only major cluster without a highway adjacency.

**RETAIL IN COMPETITIVE MARKETS**

<table>
<thead>
<tr>
<th>SF</th>
<th>SALES</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.4 M</td>
<td>$682 M</td>
</tr>
<tr>
<td>1.7 M</td>
<td>$1.4 B</td>
</tr>
<tr>
<td>1.5 M</td>
<td>$219 M</td>
</tr>
<tr>
<td>1.0 M</td>
<td>$153 M</td>
</tr>
<tr>
<td>0.7 M</td>
<td>$165 M</td>
</tr>
</tbody>
</table>

DOWNTOWN  KEYSTONE CROSSING  CARMEL  BROAD RIPPLE  FOUNTAIN SQUARE

LARGEST → SMALLEST

Source: CoStar, ESRI, SB Friedman
New retail construction has concentrated around Broad Ripple Village and successfully leased up
04 RETAIL – GAPS PRESENT IN THE MARKET

Broad Ripple retail draws from beyond the neighborhood boundary

- Broad Ripple has a high ratio of businesses to residents within a five-minute drive time for all of the major existing business categories.
- Anecdotally, key informants stated restaurant demand is driven by nearby students and young professionals.
- Brokers suggested demand for restaurants and entertainment uses would be the most attractive from a leasing perspective.

Source: ESRI, Interviews, SB Friedman

SB Friedman Development Advisors
SB Friedman projects demand for 20,000-30,000 SF of retail on the site

- According to retail brokers and local developers, the site would be well suited for additional retail along Broad Ripple Avenue.
- The frontage could provide space for approximately 20,000-30,000 SF of ground floor retail.
- Based on strength of demand indicators, leakage reports and a presence/absence analysis, the 20,000-30,000 SF could be a variety of potential typologies including:
  - Fine Dining (such as a steak house)
  - Fast Casual Restaurant
  - Specialty Food Store
  - Personal Services
- Retail on the IPS site would continue existing connectivity of the Village on Broad Ripple Avenue.

Source: Google Earth, SB Friedman
05 CONCLUSIONS
## 05 CONCLUSIONS – PROGRAM PROJECTION

SB Friedman projects the seven-year demand in Broad Ripple will exceed site capacity.

Overall, the site is a highly attractive opportunity in the market for multiple land uses. The final development program will be dependent upon developer specialties, site design considerations, community aspirations and the preleasing opportunities available during pre-development.

<table>
<thead>
<tr>
<th>Land Use</th>
<th>Potential</th>
<th>Pre-lease Requirement</th>
<th>Key Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>Medium</td>
<td>40-50%</td>
<td>Increase in daytime population</td>
</tr>
<tr>
<td>Retail</td>
<td>High</td>
<td>40-50%</td>
<td>Continued corridor growth along Broad Ripple Avenue</td>
</tr>
<tr>
<td>Multi-family</td>
<td>High</td>
<td>NA</td>
<td>Increase in evening population</td>
</tr>
<tr>
<td>Rental</td>
<td>Medium</td>
<td>50%</td>
<td>Increase in affordable for-sale alternative to townhomes</td>
</tr>
<tr>
<td>Condominiums</td>
<td>Medium</td>
<td>NA</td>
<td>Allows for contiguity with existing land uses adjacent to the south end of the site</td>
</tr>
<tr>
<td>Townhomes/DET</td>
<td>High</td>
<td>As-built</td>
<td></td>
</tr>
</tbody>
</table>

### Summary

- **Office**: 80,000 SF
- **Retail**: 30,000 SF
- **Multi-family Rental**: 450-570 units
- **Condominiums**: 35-70 units
- **Townhomes/DET**: 175-210 units