


# MEMORANDUM

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**DATE:** January 19, 2021

**TO:** CB Downtown Industrial, LLC

- Dean Realty Co,
- BMPI Downtown Industrial, LLC
- CB Downtown Industrial Investors, LLC

**FROM:** Bucky Brooks 

**RE:** **CBDI Q4 AND YE 2020 UPDATE**

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Greetings all and Happy New Year!

We're pleased to distribute **\$465,000** as a result of Q4 2020 Operations. Attached is a calculation for your share of the distribution. For those partners set up with wiring instructions, the Q4 distribution will be transferred this week. For those partners who prefer to receive checks, your check is being mailed to you accompanying a hard copy of this correspondence.

Q4 2020 financial results exceeded budget, with approximately \$772,000 available to distribute. That's after retaining almost \$200,000 to cover short-term insurance costs. Additionally, as a precaution, because the Covid-19 crisis remains a potential drag on 2021 cash flow, we're holding back \$307,000. We'll monitor the effects of Covid-19 each quarter and update the partners. We're optimistic that the vaccine will help bring life and business operations back to normal in the coming year.

The portfolio is performing well and we're in good financial shape going into 2021.

Below is a brief recap of 2020 essentials.

## **DISTRIBUTIONS**

Partners received total distributions of **\$1,599,000** for 2020, for an 8.037% annualized simple return to the LP investors for the year.

## **COVID-19 IMPACT**

Rent relief and delinquencies in 2020 were reasonable and manageable, relatively speaking. We'll continue monitoring this very closely and work with our tenants who need some attention during this unusual time.

## LEASING & SALES

Leasing efforts were undeterred by Covid-19 restrictions. Nine new leases were signed for a total of 208,873 square feet. Twenty-two leases were renewed for a total of 244,279 square feet. The new leases and renewals accounted for approximately 28% of the space. Overall Portfolio occupancy remained steady at 87.4%.

Of note, we renewed NS Surgical, a 4,751-square foot medical office tenant at 10 Cambridge, to a 10-year lease that'll commence February 1, 2022. The NS Surgical lease renewal is as-is, without any tenant improvements or refurbishment required by the landlord. The renewal was signed at a starting rental rate increase of 25% and includes 3% annual rental rate increases thereafter.

Superior Moving relocated their headquarters from the Crossroads to 70,000 square feet at 3177 Mercier in June, which filled our largest block of vacant space. Superior signed a 7-year lease and put in \$400,000 worth of their own office and warehouse improvements. Additionally, we leased 43,998 square feet at 3199 Mercier to Mankin Holdings, a stone surface supplier. Mankin signed a 5-year lease at a rental rate approximately 50% greater than we were receiving from Quick Delivery, who moved out of that space in October 2019.

## OPERATIONS

Asset and property management, as well as project accounting and financial operations, performed well throughout the year. Copaken Brooks personnel worked on-site in conformance with Covid-19 restrictions. Building maintenance and security are considered essential and we had them on an adjusted shift rotation. Tenant Improvement projects moved ahead, but with some delays.

## CAPITAL ITEMS

In 2020, routine capital items included asphalt and concrete repair, roadway fan replacement in the Downtown Underground, and cameras/security enhancement at Business Center 4. In all, there were 48 capital projects completed in 2020 for a total cost of \$288,447. \$181,081 were charged to tenants in their CAM; \$107,366 were Owner costs. In addition, the MVP tenant improvements were completed, and the Field Service Group made significant headway correcting the ceiling pan and drainage in the Downtown Underground to prevent water from dripping on the ingress/egress drive and Liberty Bend.

In 2021, we're budgeting 60 routine capital projects totaling \$576,166. \$288,356 charged in CAM; \$287,810 Owner costs. Notable major capital projects underway and expected to be completed in 2021 include:

- New branding and signage for park entrances, business centers and wayfinding. (Q2)
- Replacement of the 3101 elevator tower, which has been closed for repairs. We'll expand the elevator lobby to accommodate a street front leasing/sales office and stock room for Smart Storage visible/accessible from 31<sup>st</sup> Street in the 3101 elevator parking lot.
- Fully correcting the ceiling pan and drainage to prevent water from dripping in on the ingress/egress drive and Liberty Bend in Downtown Underground

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- Tearing out the failed retaining wall and regrading along Mercier Street just south of 31<sup>st</sup> Street (Q2)
- Demolition of Imperial Brewery

All of the above, except for Imperial Brewery demolition, are funded through the line of credit that was established to fund the expenses necessary to stabilize the portfolio, including capital improvements to the parks, tenant improvements and leasing commissions. Thus far, we've been light on needs to borrow funds from the line for budgeted capital needs.

We're prepared to move forward to demolish Imperial Brewery, pending an application for Brownfield Grant funds that might be suitable for this project, as well as the Greystone Mine remediation. The Imperial Brewery demolition will be funded by the land loan for the OZ development land acquisition, if not by Brownfield Grant funds.

In addition, we're rebranding the business parks. In addition to upgrading the parks' images and refining/boosting each park's appeal, we'll be implementing improvements to the park entrances and common areas. New park and wayfinding signage will be installed over the next few months.

#### **OPPORTUNITY ZONE (OZ) DEVELOPMENT LAND ACQUISITION**

Burns & McDonnell, along with CB, is preparing development and marketing plans, and videos for the OZ development sites. Those materials are in the final stages and we'll be fully marketing the properties for development starting next month. We have a proposal out to a development prospect for the Imperial Brewery/Chopp property

#### **INCOME**

Total Annual Revenue of \$10,532,545 was unfavorable to budget by \$26,890. Operating Expense recoveries from tenants exceeded budget and offset much of the total Realized Rent shortfall of \$129,158. Realized Rent shortfall was largely due to the free rent concessions in the new long term leases signed.

#### **EXPENSES**

Total Expenses of \$5,445,151 was favorable to budget by \$141,476, a 2.5% decrease. The decrease was a result of: (i) lower real estate tax increases than budgeted, due to appeals; (ii) lower repairs and maintenance expenses than initially projected; and (iii) lower wages.

#### **EBITDA**

Earnings Before Interest Taxes Depreciation Amortization of \$5,087,404 was favorable to budget by \$114,496, a 2.3% increase.

#### **CASH FLOW FROM OPERATIONS**

NOI (Earnings Before Taxes, Interest & Depreciation) **\$5,087,402**

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<b>TOTAL CASH IN BANK AT 12/31/2020:</b>	<b>\$3,133,366</b>
<b>Reserves – Restricted Cash</b>	<b>\$1,524,528</b>
<u>Reserves have been funded for:</u>	
• Real Estate Taxes - <b>\$455,651</b>	
• Security Deposits - <b>\$503,250</b>	
• Reserves for Replacement - <b>\$265,627</b>	
• Construction Escrow - <b>\$300,000</b>	
<b>Unrestricted Cash at 12/31/2020:</b>	<b>\$1,608,837</b>

### **2021 BUDGET**

The 2021 Business Plan and Budget will be accessible on the investor portal by the end of January.

Please call me with any questions. Thank you for investing with us.