

# MEMORANDUM

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**DATE:** January 24, 2022

**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 2021 UPDATE**

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Greetings all and Happy New Year!

We're pleased to distribute **\$500,000** as a result of Q4 2021 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 today. For those partners who prefer to receive checks, your check is being mailed to you accompanying a hard copy of this correspondence.

Q4 2021 financial results exceeded budget, with approximately \$1,128,000 available to distribute. Because Covid-19 remains a potential shadow on 2022 cash flow, because amortization of our loan begins mid-year, and because we have some leasing to accomplish this year, we're holding back \$628,000 to better even out distributions through the year.

The portfolio is performing well and we're in good financial shape going into 2022.

Below is a brief recap of 2021 essentials.

## **DISTRIBUTIONS**

Partners received total distributions of **\$2,065,000** for 2021, for a 10.07% annualized simple return to the LP investors for the year.

## **COVID-19 IMPACT**

Rent relief and delinquencies in 2021 were reasonable and manageable, relatively speaking. Capital projects experienced some delays due to contractor availability and additional time spent to achieve acceptable value pricing. But all 2021 capital projects are now either completed or in progress.

## LEASING & SALES

Twenty-two new leases were signed for a total of 132,945 square feet. Thirteen leases were renewed for a total of 97,437 square feet. The new leases and renewals accounted for approximately 14% of the space. Overall Portfolio occupancy at year end is 86%.

Of note, Midwest Medical Transport moved into 13,706 sf at 3198 Mercier. New leases totaling 60,690 were signed in the Downtown Underground. Kanbe's Market expanded by 12,384 sf at 3119 Terrace. Level5 Tools moved into 15,000 sf at 3159 Terrace.

Notable move-outs during the year included Belfor vacating 51,853 sf and Shaman Botanicals vacating 14,710 sf in the Downtown Underground. We expected the Belfor move-out because it was a temporary need to house the books from the K-State library while the library was being rebuilt following a fire a couple of years ago. Additionally, PSI moved out of 17,000 sf at 1211 W. Cambridge.

The former Belfor space in the Underground is especially well-positioned to expand Smart Storage. We're in active proposal stages to lease 1211 W. Cambridge to a new tenant for increased rent.

## SMART STORAGE EXPANSION STRATEGY

Since acquisition, one of the primary Portfolio growth strategies is expansion of self-storage in the Downtown Underground. Today, we have 425 storage customers who lease individual storage units or parking stalls. Total revenue from self-storage is approximately \$1,200,000 per year, or approximately \$9.08 gross per square foot annually. If we can double the size of Smart Storage in the Underground over the next 2-3 years, converting what is typically \$4-5/sf space into \$9-10/sf space, it'll have a material positive impact to our NOI and valuation. Since acquisition, we've been taking the following steps to achieve the self-storage expansion strategy:

- identify the most desirable spaces in the Downtown Underground for phased Smart Storage expansion (grid pattern, loading access, etc);
- move Smart Storage customers from term leases to month-to-month agreements;
- create new brand and trademark for Smart Storage;
- install (in 2022) new sign packages inside and outside of the Downtown Underground to promote Smart Storage
- build (in 2022) a street front sales office for Smart Storage integrated with the new 3101 elevator tower at the corner of 31<sup>st</sup> and Mercier
- engage Absolute Storage Management (ASM), a premier third-party self-storage operator, to manage Smart Storage. This will involve new storage software and billing systems; b-to-c website; call center for customer service and sales assistance; marketing; unit mix and market rent analysis; ancillary sales such as locks, insurance, etc. Our start date with ASM is targeted for March 1.
- appoint Keena Masters to manage Smart Storage and the self-storage expansion strategy in the Downtown Underground. Keena is employed by CDBI but will also work hand in glove with ASM.

## **OPERATIONS**

Asset and property management, as well as project accounting and financial operations, performed well throughout the year. Tenant Improvement projects moved ahead, but with some delays.

## **CAPITAL ITEMS**

In 2021, routine capital items included asphalt and concrete repair, additional cameras in the Downtown Underground, exterior building painting at 3100 and 3101 Terrace, and the first of several new exterior building and directional signs. In all, there were 65 capital projects completed in 2021 for a total cost of \$666,583. \$451,578 were charged to tenants in their CAM; \$215,005 were Owner costs.

In 2022, we're budgeting 37 capital projects totaling \$2,477,867. \$433,075 to be charged in CAM; \$2,044,792 are Owner costs, the bulk of which is 3101 elevator tower replacement and Smart Storage sales office, plus the new park signage and exterior building painting at Downtown Business Park.

Notable major capital projects underway and expected to be completed in 2022 include:

- Completion of new branding and signage for park entrances, business centers and wayfinding.
- Exterior building painting at 3119, 3120, 3130, 3150 and 3160 Terrace Street.
- 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. Contract is let and permit in hand. Completion expected by year end.
- Fully correcting the ceiling pan and drainage to prevent water from dripping in on the ingress/egress drive and Liberty Bend in Downtown Underground. Contract is let and permit in hand. Completion of ingress/egress drive expected in Q2. Liberty Bend phase expected to follow if we're pleased with first phase.
- 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.

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.

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

Burns & McDonnell, along with CB, prepared development and marketing plans, and videos for the OZ development sites. The Cambridge Crest and Imperial/Chopp sites are being actively marketed for development or sale. Most of the prospects for Cambridge have expressed interest in mixed or

residential use. We've been exploring detailed cost estimating and plans for industrial flex development on the Imperial/Chopp site.

#### **DOWNTOWN BUSINESS PARK URD**

Since early 2021, we've been working in combination with neighboring property owners to form an Urban Redevelopment District (URD), which will include all of the CBDI parcels owned on both sides of 31<sup>st</sup> Street. The URD application is in progress. When/if we're successful with URD approval, the Downtown Business Park will enjoy broader zoning latitude and tax abatement for redevelopment projects that might occur in the future.

#### **INCOME**

Total Annual Revenue of \$11,393,224 was up \$860,767 (or 8.17%) over the same period last year.

#### **EXPENSES**

Total Expenses of \$5,856,543 was favorable to budget by \$289,886, a 4.7% decrease.

#### **EBITDA**

Earnings Before Interest Taxes Depreciation Amortization of \$5,536,681 was up \$449,277 (or 8.83%) over the same period last year.

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

NOI (Earnings Before Taxes, Interest & Depreciation)	<b><u>\$5,536,681</u></b>
<b>TOTAL CASH IN BANK AT 12/31/2020:</b>	<b>\$3,706,316</b>
<b>Reserves – Restricted Cash</b>	<b>\$1,713,734</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>	
• Insurance Escrow - <b>\$210,000</b>	
• Construction Escrow - <b>\$300,000</b>	
<b>Unrestricted Cash at 12/31/2021:</b>	<b>\$1,992,582</b>

#### **2022 BUDGET**

The 2022 Business Plan and Budget will be accessible on the investor portal next week.

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

**CB Downtown Industrial, LLC Distribution Calculations**

**Tier 1 - Distribution of Operating Proceeds Paid up to 8%**

LP Investment of 95%	Equity Contribution	LP Equity Percentage	4th QTR 2021	1st QTR 2022	2nd QTR 2022	3rd QTR 2022	4th QTR 2022
Dean Realty Co.	15,415,267	79.37%	315,312.00	-	-	-	-
BMPI Downtown Industrial, LLC	2,055,369	10.58%	42,042.00	-	-	-	-
CB Downtown Industrial Investors, LLC	1,952,601	10.05%	39,940.00	-	-	-	-
	<u>19,423,237</u>	<u>100.00%</u>	<u>397,294.00</u>	-	-	-	-
<b>GP Investment of 5%</b>							
Copaken Brooks Realty Capital, LLC	0.00	5.00%	20,910.00	-	-	-	-
			<u>20,910.00</u>	-	-	-	-
<b>Total Distributed Tier 1</b>			<b>418,204.00</b>				

**Tier 2 - Distribution of Operating Proceeds up to 15%**

LP Investment of 85%	Equity Contribution	LP Equity Percentage	4th QTR 2021	1st QTR 2022	2nd QTR 2022	3rd QTR 2022	4th QTR 2022
Dean Realty Co.	15,415,267	79.37%	55,180.00	-	-	-	-
BMPI Downtown Industrial, LLC	2,055,369	10.58%	7,357.00	-	-	-	-
CB Downtown Industrial Investors, LLC	1,952,601	10.05%	6,989.00	-	-	-	-
	<u>19,423,237</u>	<u>100.00%</u>	<u>69,526.00</u>	-	-	-	-
<b>GP Investment of 15%</b>							
Copaken Brooks Realty Capital, LLC			12,270.00	-	-	-	-
			<u>12,270.00</u>	-	-	-	-
<b>Total Distributed Tier 2</b>			<b>81,796.00</b>				

**Total Distributed**

**500,000.00**

**Cumulative Distributions for the Year 2022**

\$ 500,000.00

**Cumulative Distributions Since Inception**

\$ 4,474,547.00

**Recap of Above Distributions by Owners**

Dean Realty Co.	370,492.00
BMPI Downtown Industrial, LLC	49,399.00
CB Downtown Industrial Investors, LLC	46,929.00
Copaken Brooks Realty Capital, LLC	33,180.00
<b>Total Distributed</b>	<u>\$ 500,000.00</u>

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			<u>12,270.00</u>	-	-	-	-
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**Total Distributed**

**500,000.00**

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**Recap of Above Distributions by Owners**

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CB Downtown Industrial Investors, LLC	46,929.00
Copaken Brooks Realty Capital, LLC	33,180.00
<b>Total Distributed</b>	<u>\$ 500,000.00</u>

**CB Downtown Industrial Investors, LLC Distribution Calculations**

Members	Equity Contribution	Equity Percentage	4th QTR 2021	1st QTR 2022	2nd QTR 2022	3rd QTR 2022	4th QTR 2022
CP KC Downtown Industrial, LLC	513,842	26.32%	10,526.31				
Robert A. Brooks, Jr. Trust	364,828	18.68%	7,473.68				
Robert A. Brooks III	323,721	16.58%	6,631.59				
James Copaken Trust	215,814	11.05%	4,421.06				
Jon Copaken Trust	215,814	11.05%	4,421.06				
Keith Copaken Trust	215,814	11.05%	4,421.06				
John Coe Family	51,384	2.63%	1,052.63				
LVE Downtown LLC	51,384	2.63%	1,052.63				
	<u>1,952,601</u>	<u>100.00%</u>	<u>40,000.00</u>				
<b>Total Distributed</b>			<b>40,000.00</b>				

**Cumulative Distributions for the Year 2022**

\$ 40,000.00

**Cumulative Distributions Since Inception**

392,130.18

Deducts:

Howe 2020 tax prep	(1,735.00)
Howe 2021 tax prep	(1,800.00)
Working Capital	(1,952.00)
CB 2022 data proc fee	<u>(1,442.00)</u>

To be Distributed

40,000.00