



Seat Pleasant, MD

Redevelopment Opportunities

Spring 2021



District Line



The Rails



The Plaza at 5922



Pleasant Gates



East King

CVS Site

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CVS Site

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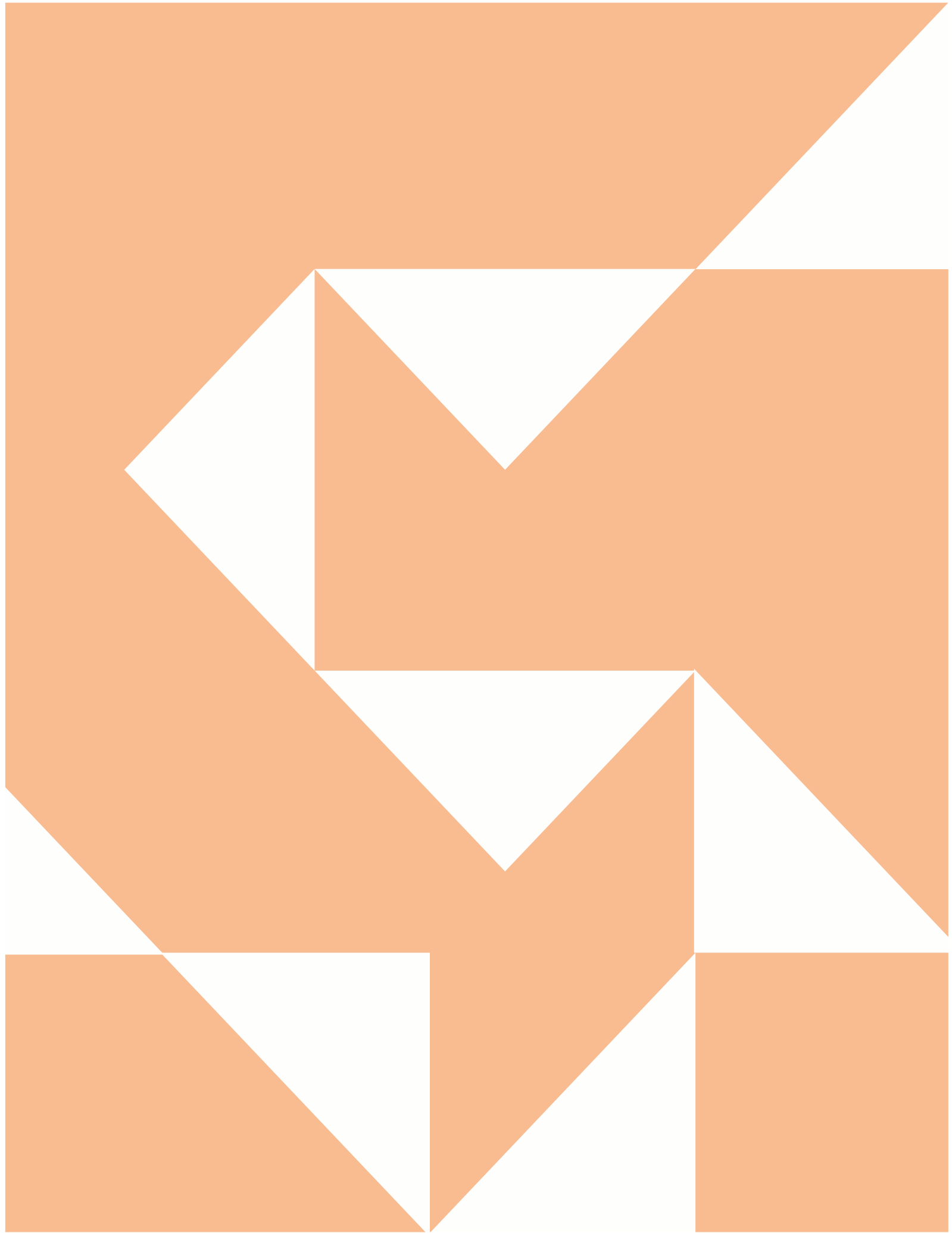
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SCHOOL OF
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COLVIN INSTITUTE OF REAL ESTATE DEVELOPMENT





Proposal 1: **District Line**



Executive Summary

Steven Bernard

Colvin Capstone Competition

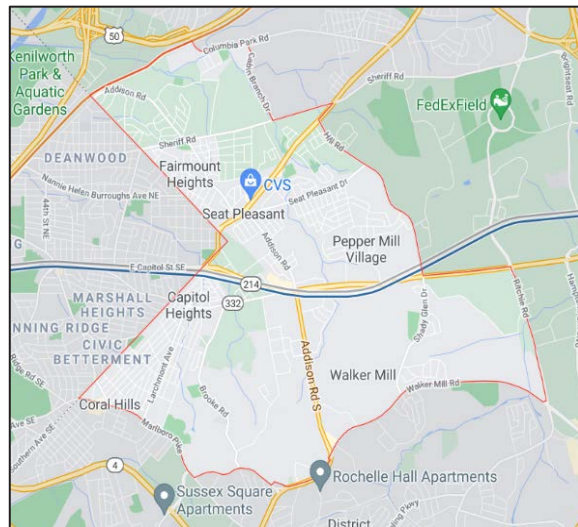
Spring 2021

Judges Summary

Introduction:

Welcome to District Line, an exciting new destination in the making. This multi-family, mixed-use project is being planned for three under utilized parcels in Seat Pleasant, Maryland, just across DC's eastern border.

The site is comprised of the lots from 5922 to 5950 Martin Luther King Jr Highway. Currently the location of a CVS (indicated on the map to the right) and assorted strip retail surrounded by surface parking, we have created plans for higher density apartment homes over more desirable shopping and dining options. The buildings will have discreet off-street parking with landscaped roofs, offering novel outdoor space for the community.



Based on our market research and financial models, we have planned the delivery of District Line in two phases, one for each building; the two separated by a thoughtfully programmed promenade.

Phase 1 will include 140 apartments (25 studio units and 115 1-bedroom units) on a 20-foot tall podium containing 12,500 square feet of retail and 166 parking spots.

Phase 2 will offer 105 apartments (50 1-bedroom and 55 2-bedroom units) on a 20-foot tall podium containing 25,510 square feet of retail space and 148 parking spots.

We are pleased to share with you our vision in greater detail.

Market and Demographic Context:

Market research focused on three categories: (1) People, (2) Housing, and (3) Retail.

(1) People: We looked at data from the Census Bureau to get a snapshot of Seat Pleasant's population. The city itself is home to 4,739 residents, comprised of 1,842 households averaging 2.56 persons in size. Married couples lead 27.2% of these households while 72.2% of households are led by a single adult. The median age is 45 years old – older than the DC Metro median age of 34.2. The median annual

income is \$55,370 – significantly lower than the DC Metro median of \$92,266. We used growth projections in 46 of the Metropolitan Council of Governments' Transportation Analysis Zones (TAZ) to calculate housing demand at +177 units/year within a 2.5- to 3-mile radius of the site.

- (2) Housing: Key factors that we found in our research were that nearly 80% of the homes in Seat Pleasant are single family homes. There are just a few garden style apartment complexes. Upwards of 90% of the existing housing stock is 40+ years old. Additionally, 1-bedroom units make up only 8.10% percent of the supply, with 2-bedrooms being 32.8% and 3 or more bedrooms making up 61.6% of the current supply. Vacancy rates in Seat Pleasant are roughly 4.5% and are 6.6% in the greater Capital Heights/Largo Submarket.

We looked for existing properties that were comparable to District Line in similar communities along DC's border. In a survey of five such properties, we found vacancy rates from 5% to 8% and 1-bedrooms rents from \$2.12 - \$2.57 PSF.

There is one new delivery in the Capital Heights/Largo Submarket that delivered in April 2021. The Everly is 260 units. Average rents for a 1-bedroom are \$2.28 PSF.

- (3) Retail: The existing marketplace in Seat Pleasant is compromised largely of budget-friendly national chains like Dollar Tree, McDonalds, and Planet Fitness. There are also several independent take-out options and an oversupply of gas stations. We found market research indicating substantial spending leakage within a 10-minute drive of our site in several retail categories. Clothing & Accessories (\$89M); Restaurants (\$59M); and Office, Stationery & Gifts (\$15M) are three categories of particular interest that we found had substantial retail potential.

Key Project Opportunities:

District Line will offer attractive returns for investors while being a catalyst for progress toward Seat Pleasant's development goals. This project will be a first step toward a denser, more walkable, healthier, and more sustainable future for the community. District Line will be LEED certified, with a comparably lower parking ratio, a planted roof, and we hope to expand the bikeshare coverage area north to include this segment of Martin Luther King Jr Highway.

The outdoor dining areas, the promenade, and the landscaped roofs of the parking structures will offer public space to gather, socialize, and relax. A new café and restaurant will offer healthier food options and higher quality dining experiences. Wifi covering the public areas will give everyone an opportunity to connect to the world wide web and a blue tooth enabled projection screen on the roof of Phase 1's parking structure will make possible free group exercise classes, community movie nights, or even a language class with a native speaker from across the globe. A café by day would be able to host art shows in the evening and the fifty-foot-wide promenade offers ample space for local craft fairs and farmer's markets. District Line will bring increased connectedness and vitality, kickstarting additional development along the MLK corridor.

Key Project Challenges:

Key challenges include parking, land acquisition, and the community's perception of the project's affordability.

The plans for District Line include the maximum amount of cost-effective discreet off-street parking that could be reasonably provided. This means each phase has a 1:1 parking ratio for residents with 26 and 43 retail spaces for Phase 1 and Phase 2, respectively. While we believe the amount provided is sufficient, it will require a variance approval from Prince George's County and could be unattractive to some prospective tenants.

The site is comprised of three parcels. One is privately owned, with some retail tenants, and the other two are owned by CVS, who is the main tenant there. The process of vacating the current tenants could prove lengthy. Additionally, the plan for Phase 2, where CVS is located, is contingent on our ability to execute with them a sale and lease back agreement. We do believe that we will be able to pitch an attractive deal providing comparable square footage in a newer space with almost 250 new customers at their doorstep.

We understand the importance of affordable housing and expect to hear some concern about a market rate project. District Line is intended to be middle income, market rate housing because we saw the immediate need for diversifying the economic profile of the area and building up a more robust marketplace. The Master Plan and community feedback stresses the importance of attracting more young professionals to the area and we believe our project will do exactly that.

Financial Information:



	Phase 1	Phase 2
Targeted Investor IRR	17.34%	24.06%
Targeted Equity Multiple	1.62	1.82
Targeted Cash-on-Cash	7.38%	8.20%
Targeted Investment Period	4 Years	4 Years

District Line will provide investors with a healthy return in a relatively short timeline. Each phase will require about 9 months of predevelopment work and 14 months of construction, with a projected sale in year 4. Phase 2 is expected to begin in tandem with the stabilization of Phase 1. A general development timeline is provided below.

Development Timeline																
	Year 1				Year 2				Year 3				Year 4			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Phase 1																
Pre-development																
Construction																
Lease Up																
Operating																\$
Phase 2																
Pre-development																
Construction																
Lease Up																
Operating																\$
	Year 1				Year 2				Year 3				Year 4			

Development Budget				
	Phase 1		Phase 2	
\$/GSF	\$	339	\$	331
\$/Unit	\$	298,384	\$	383,918
Total Budget	\$	41,773,764	\$	40,311,365
Loan	\$	31,330,323	\$	30,233,524
Equity	\$	10,443,441	\$	10,077,841

We have assumed a loan with a 75% LTV ratio and 3.5% interest rate. The balance of funds will come from private equity. Please refer to the tables provided with figures for the development budget, sale valuations, and investment results.

Sale Valuations				
Sale in Year 4 - Phase 1		Sale in Year 4 - Phase 2		
NOI	2,486,959	NOI	2,542,039	
Cap Rate	Valuation	Cap Rate	Valuation	
5.20%	47,826,139	5.20%	48,885,359	

Investment Results - Phase 1						
	Net Cash Flow	Equity	Operating Cash	Sale Proceeds	Selling Costs	Loan Balance
Year 1	(10,443,441)	(10,443,441)				
Year 2	-					
Year 3	(168,985)		(168,985)			
Year 4	17,754,076		346,059	47,826,139	(956,523)	(29,461,599)
Total	7,141,651					
IRR	17.34%					

Investment Results - Phase 2						
	Net Cash Flow	Equity	Operating Cash	Sale Proceeds	Selling Costs	Loan Balance
Year 1	(10,077,841)	(10,077,841)				
Year 2	-					
Year 3	(8,949)		(8,949)			
Year 4	19,285,513		430,308	48,885,359	(977,707)	(29,052,447)
Total	9,198,723					
IRR	24.06%					

Sensitivity analyses have been done for key assumptions in our financial models. Here we have provided an example analysis of rent growth and vacancy as well as project cost and exit CAP, for Phase 1.

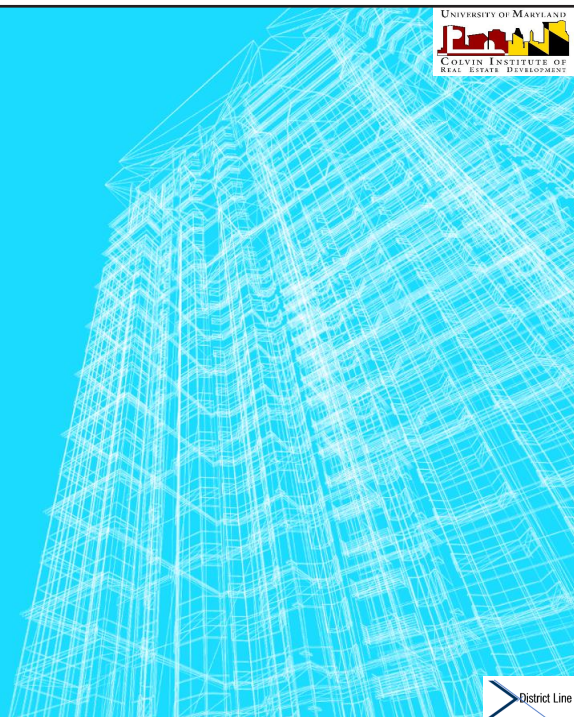
One can see that downward pressure on rent growth or increased vacancy rates have a nominal impact on returns.

Conversely, increased project

costs put a substantial downward pressure on returns. We are confident that the contingencies that are included in the budget are adequate to meet any unexpected expenses or cost overruns. Escalations in the CAP rate also have a significant affect on returns. Considering the short timeline to sale for Phase 1, we don't anticipate material increases to our estimated exit CAP. We will continue to monitor market conditions and update our models for Phase 2 as needed to keep our projections accurate.

Sensitivity Analysis - Phase 1						
IRR						
17.34%	2.00%	2.25%	2.50%	2.75%	3.00%	Rent Growth
4.00%	16.89%	17.44%	17.99%	18.53%	19.07%	
5.00%	15.69%	16.24%	16.80%	17.34%	17.89%	
6.00%	14.46%	15.02%	15.58%	16.13%	16.68%	
7.00%	13.20%	13.77%	14.33%	14.89%	15.45%	
8.00%	11.92%	12.49%	13.06%	13.63%	14.19%	
Vacancy						
IRR						
17.34%	41,000,000	42,000,000	43,000,000	44,000,000	45,000,000	Project Cost
5.00%	23.59%	20.92%	18.25%	15.59%	12.94%	
5.20%	19.48%	16.72%	13.96%	11.20%	8.44%	
5.50%	13.37%	10.46%	7.53%	4.59%	1.62%	
6.00%	3.17%	-0.08%	-3.38%	-6.75%	-10.20%	
Exit CAP						

Presentation Slides



UNIVERSITY OF MARYLAND
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REAL ESTATE DEVELOPMENT

DISTRICT LINE

Don't Miss Your Connection

UMD Capstone Presentation
Spring 2021
By: Steven Bernard

TRACTION LABS

District Line



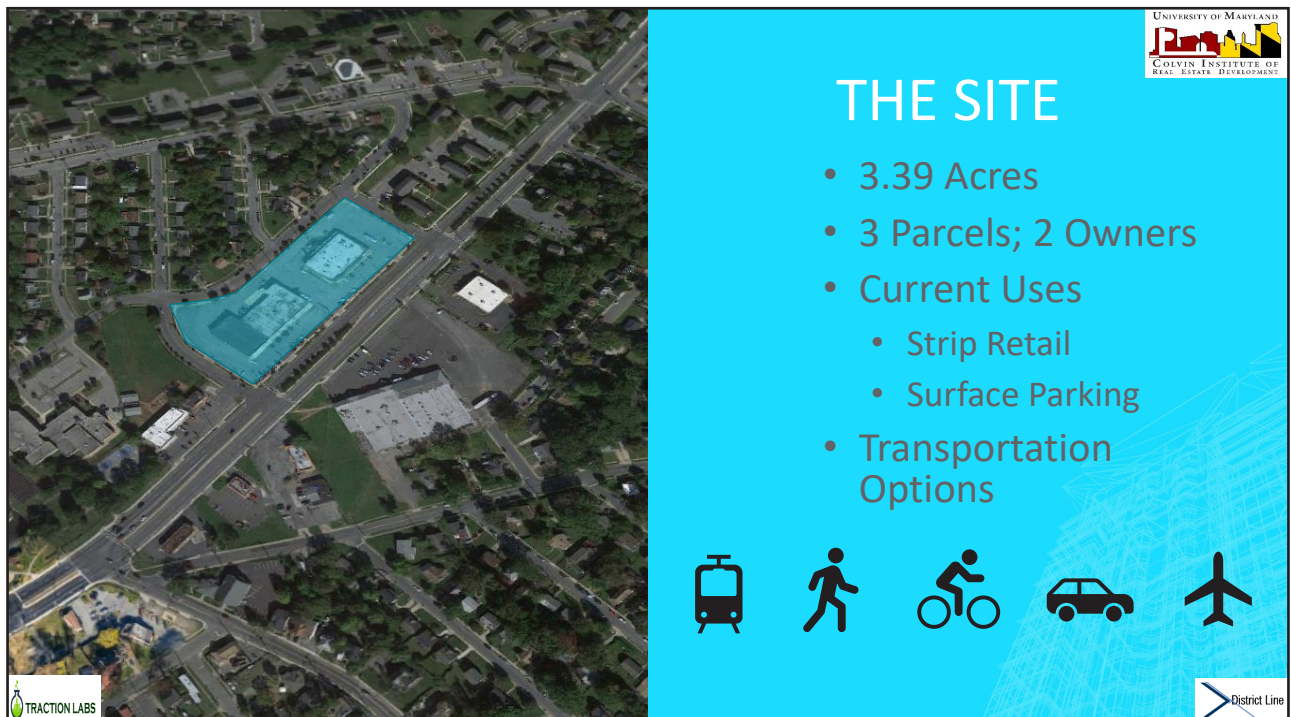
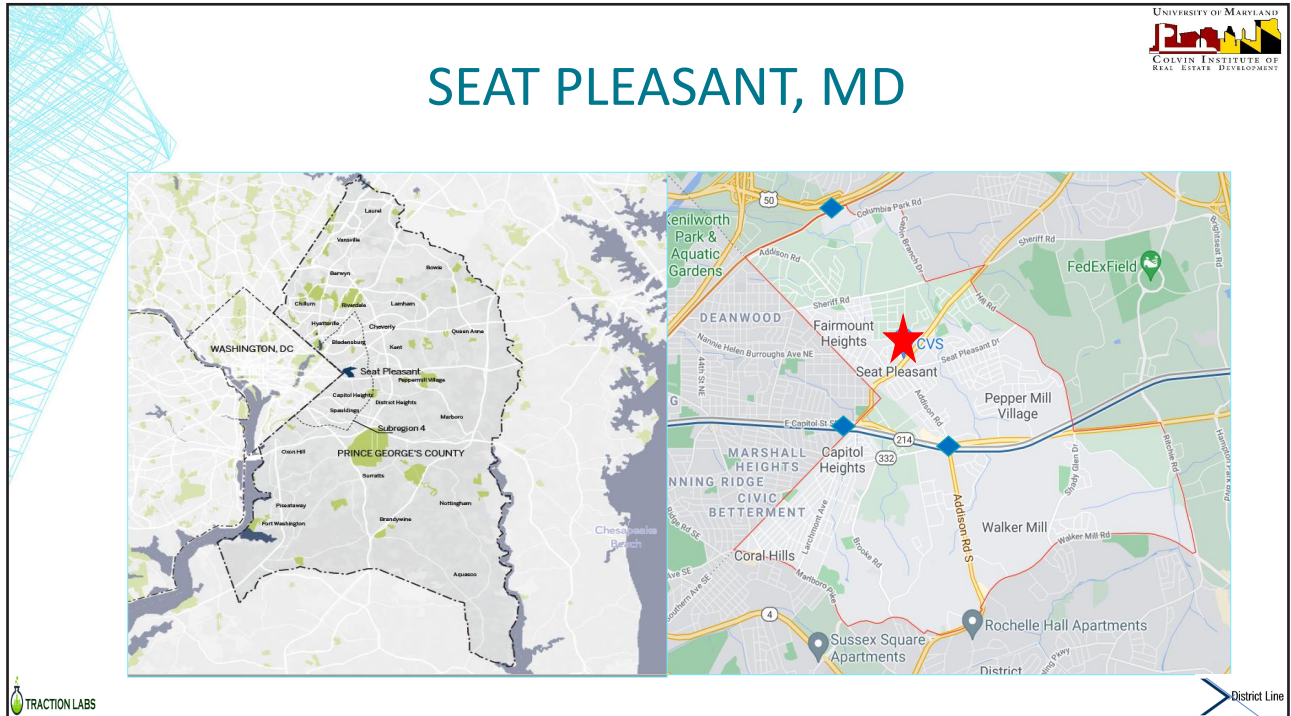
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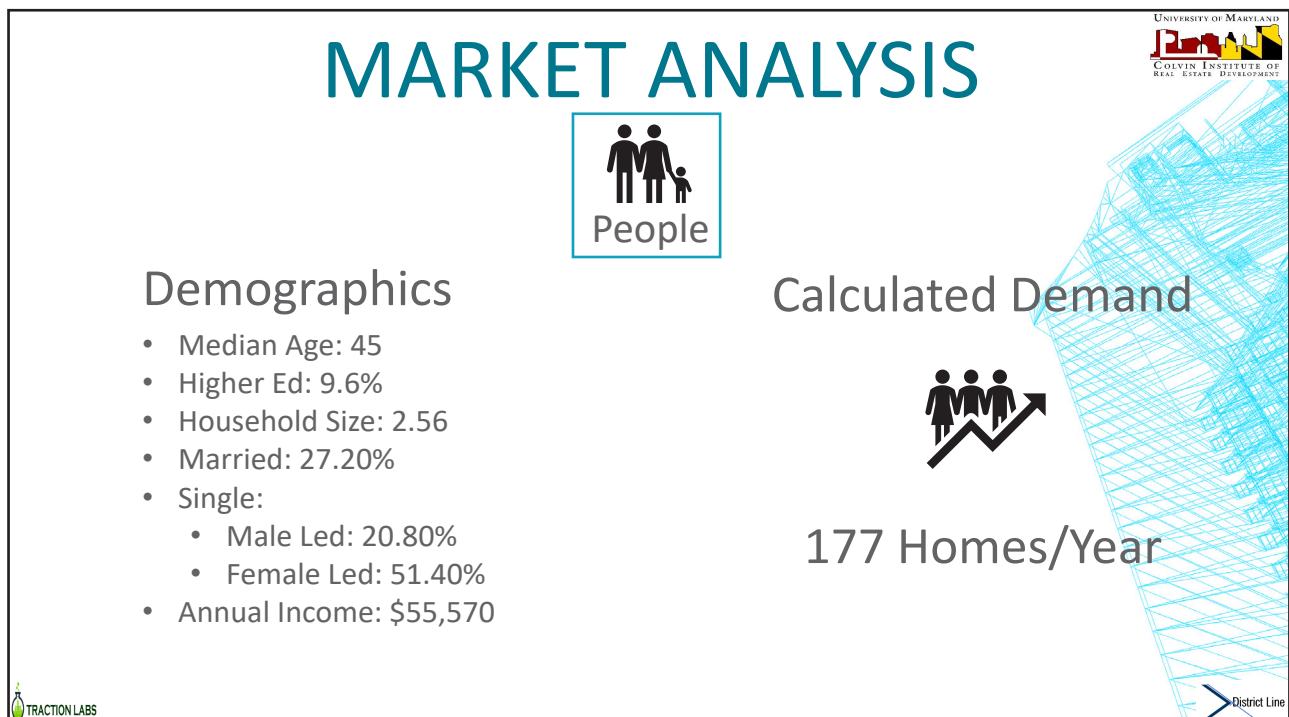
CONNECTION

- Location
- Community
- Technology

TRACTION LABS

District Line





MARKET ANALYSIS



Housing

Existing Stock

- 40+ Years Old
- 80% Single Family Homes
- Garden Style Apartments
- Few Small Units
 - 1 Bedroom: 8.10%
 - 2 Bedrooms: 32.8%
 - 3+ Bedrooms: 61.6%
- Vacancy Rates of 4.6% to 6.6%

Deliveries & Comps



- 260 Units
- 1 Bedroom Rents: 2.28 PSF
- 4-star with amenities
- Delivered in April 2021

MARKET ANALYSIS



Retail

Existing Marketplace



Opportunities

Clothing &
Accessories
\$89,503,004



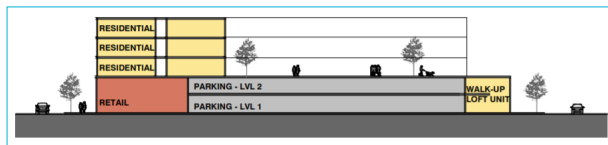
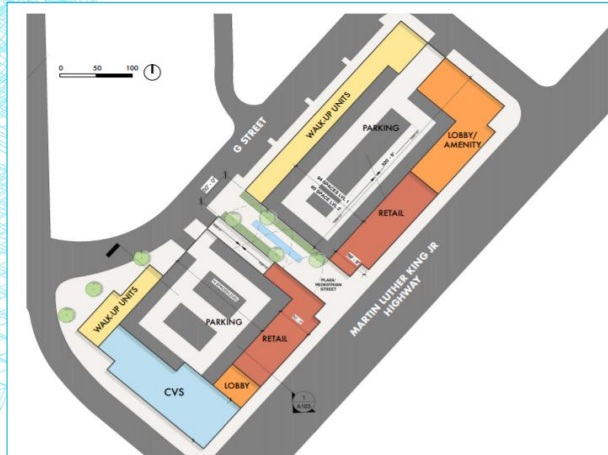
Restaurants
\$53,026,410



Office,
Stationery &
Gifts
\$15,390,756



DISTRICT LINE



Phase 1	
Studio Units	25
1 Bedroom Units	115
Retail Square Footage	12,500
Parking Spaces	166

Phase 2	
1 Bedroom Units	50
2 Bedroom Units	55
Retail Square Footage	22,510
Parking Spaces	148

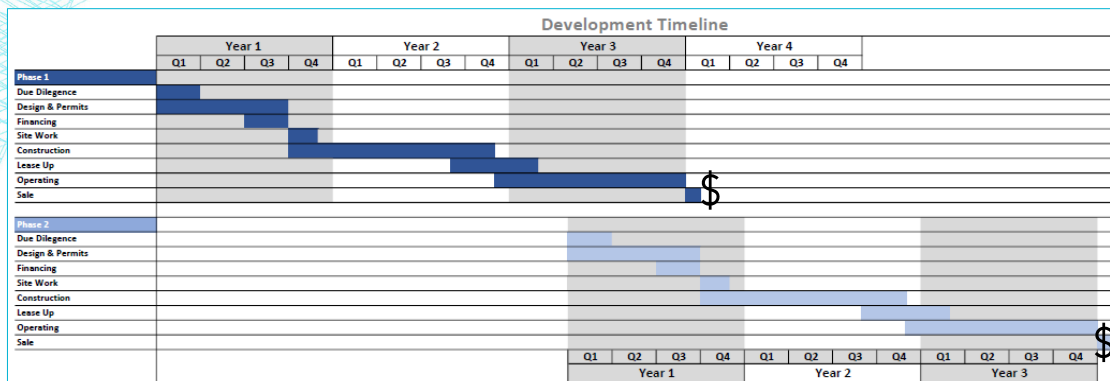
DESIGN & FEATURES



 District Line



District Line



CONSTRUCTION

- GMP
- Shared Savings.

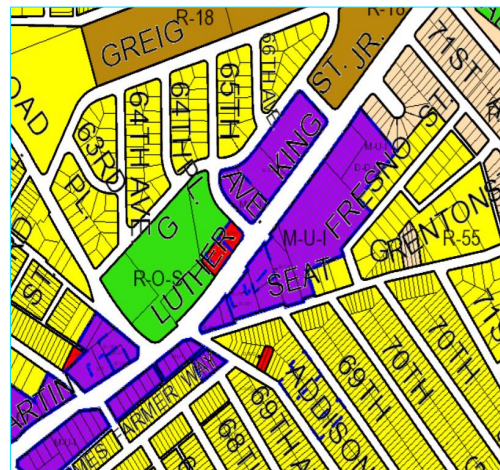


- Straight forward design.
- Cost effective materials



ZONING & ENTITLEMENT

- M-U-I
 - Parking: 1.15 per Unit; 12 per 1,000 SF of Restaurant.
 - Reductions & Variance
- D-D-O
 - Master Plan
 - Commercial Zones
- Enterprise Zone
 - Focus Area
 - Real Estate Tax Reduction



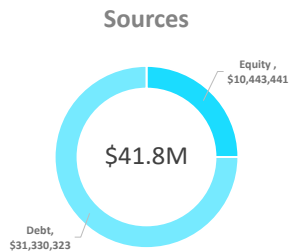
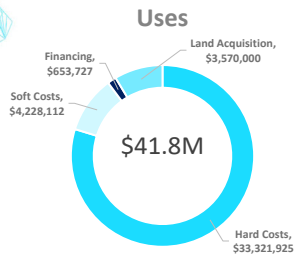
ENVIRONMENTAL CONSIDERATIONS

- LEED Certified
- Permeable Surfaces
 - Green Roof
- Low Flow Fixtures
- Energy Efficiency

IMPACT

- Sense of Place
- Enhanced Networks
- Economic Diversification
- Community Amenities
- Catalyst for Development Goals

DEVELOPMENT BUDGET – PHASE 1



	\$/GSF	\$/Unit
Land		
Land Purchase	3,500,000	
Closing Costs	70,000	2%
Total Land	3,570,000	29 25,500
Due Diligence Studies	145,000	1 1,036
Hard Costs		
Sitework	854,000	8 PSF
Resil/Retail Construction	27,144,118	220 PSF
Parking Construction	3,486,000	60 PSF
Hard Cost Contingency	1,837,807	6.0%
Total Hard Costs	33,321,925	270 238,014
Soft Costs		
Design	1,332,877	4%
Testing/Inspection/Permits/Fees	490,000	
Marketing	110,000	
Legal	185,000	
Taxes & Insurance	370,000	
Overhead & Development Fees	1,438,192.07	4%
Soft Cost Contingency	157,043	4%
Total Soft Costs	4,083,112	33 29,165
Financing		
Construction Loan-Interest	653,727	3.50%
Total Financing	653,727	5 4,669
Total Budget	41,773,764	339 298,384

District Line

TRACTION LABS

PRO FORMA ASSUMPTIONS

- Rental Income
 - Studio- \$2.40 PSF/\$1320 mo.
 - 1 BD- \$2.20 PSF/\$1540 mo.
- Vacancy – 5%
- Operating Expenses
 - 80% Tax Reduction
- Retail Income
 - \$25 PSF Annually NNN
- Debt Service
 - 3.5% Interest for 30 Years

	Year 1	Year 2	Year 3	Year 4	Year 5
Income					
Total Rent Income	0	0	2,521,200	2,530,533	2,661,773
Total Rental Losses	0	0	1756,360	129,527	(193,089)
Net Rental Income	0	0	1,764,840	2,401,006	2,528,684
Total Other Rental Income	0	0	147,000	151,043	155,196
Effective Gross Income	0	0	1,911,840	2,612,049	2,683,880
Expenses					
Total Personnel Expenses	0	0	95,667	97,580	99,531
Total Administrative Expenses	0	0	15,344	16,263	16,589
Total Marketing Expenses	0	0	5,315	5,421	5,530
Total Repair & Maintenance Exper	0	0	21,259	21,684	22,118
Total Cleaning & Decorating	0	0	47,833	48,730	49,766
Total Contract Services	0	0	10,630	10,842	11,053
Total Professional Expenses	0	0	37,204	37,948	38,707
Total Utility Expenses	0	0	201,963	206,002	210,122
Total Taxes & Insurance Expense	0	0	56,000	56,000	56,000
Total Operating Expenses	0	0	(491,814)	(500,530)	(509,421)
Retail Rent Revenue	0	0	312,500	312,500	312,500
Net Operating Income (NOI)	0	0	1,732,526	2,424,018	2,486,959
Replacement Reserves	-	-	(28,000)	(28,000)	(28,000)
Net Cash Flow Before Debt St	0	0	1,704,526	2,396,018	2,458,959
Total Debt Service	-	0	1,688,246	1,688,246	1,688,246
Before Tax Income	0	0	16,280	707,773	770,713
Tax Rate	0%	0%	30%	30%	30%
Taxes	0	0	(185,265)	(399,128)	(424,654)
After Tax Income	0	0	-168,985	308,645	346,059
Assumptions					
Rent Growth	0.00%	0.00%	2.75%	2.75%	2.75%
General Other Income Growth Fact	0.00%	0.00%	2.75%	2.75%	2.75%
General Vacancy	100.00%	100.00%	30.00%	5.00%	5.00%
General Expense Growth Factor	0.00%	0.00%	2.00%	2.00%	2.00%
Replacement Reserve/Unit	-	-	200	200	200

District Line

TRACTION LABS

DISPOSITION & RETURNS

- Valuation
 - 5.20% Cap Rate
- Selling Costs
 - 2% of Sale Price
- Loan Balance

	Phase 1	Phase 2
Targeted Investor IRR	17.34%	24.06%
Targeted Equity Multiple	1.62	1.82
Targeted Cash-on-Cash	7.38%	8.20%
Targeted Investment Period	4 Years	4 Years

Sale Valuations

Sale in Year 4 - Phase 1		Sale in Year 4 - Phase 2	
NOI	2,486,959	NOI	2,542,039
Cap Rate	Valuation	Cap Rate	Valuation
5.20%	47,826,139	5.20%	48,885,359

Investment Results - Phase 1

	Net Cash Flow	Equity	Operating Cash	Sale Proceeds	Selling Costs	Loan Balance
Year 1	(10,443,441)	(10,443,441)				
Year 2	-					
Year 3	(168,985)		(168,985)			
Year 4	17,754,076		346,059	47,826,139	(956,523)	(29,461,599)
Total	7,141,651					
IRR	17.34%					

Investment Results - Phase 2

	Net Cash Flow	Equity	Operating Cash	Sale Proceeds	Selling Costs	Loan Balance
Year 1	(10,077,841)	(10,077,841)				
Year 2	-					
Year 3	(8,949)		(8,949)			
Year 4	19,285,513		430,308	48,885,359	(977,707)	(29,052,447)
Total	9,198,723					
IRR	24.06%					

SENSITIVITY

IRR	2.00%	2.25%	2.50%	2.75%	3.00%	Rent Growth
17.34%						
4.00%	16.89%	17.44%	17.99%	18.53%	19.07%	
5.00%	15.69%	16.24%	16.80%	17.34%	17.89%	
6.00%	14.46%	15.02%	15.58%	16.13%	16.68%	
7.00%	13.20%	13.77%	14.33%	14.89%	15.45%	
8.00%	11.92%	12.49%	13.06%	13.63%	14.19%	
Vacancy						

IRR	41,000,000	42,000,000	43,000,000	44,000,000	45,000,000	Project Cost
17.34%						
5.00%	23.59%	20.92%	18.25%	15.59%	12.94%	
5.20%	19.48%	16.72%	13.96%	11.20%	8.44%	
5.50%	13.37%	10.46%	7.53%	4.59%	1.62%	
6.00%	3.17%	-0.08%	-3.38%	-6.75%	-10.20%	
Exit CAP						

- Rent Growth & Vacancy
- Project Costs & Exit CAP
 - Contingency
 - Short Hold

Proposal 2: **The Rails**



Executive Summary

The Rails

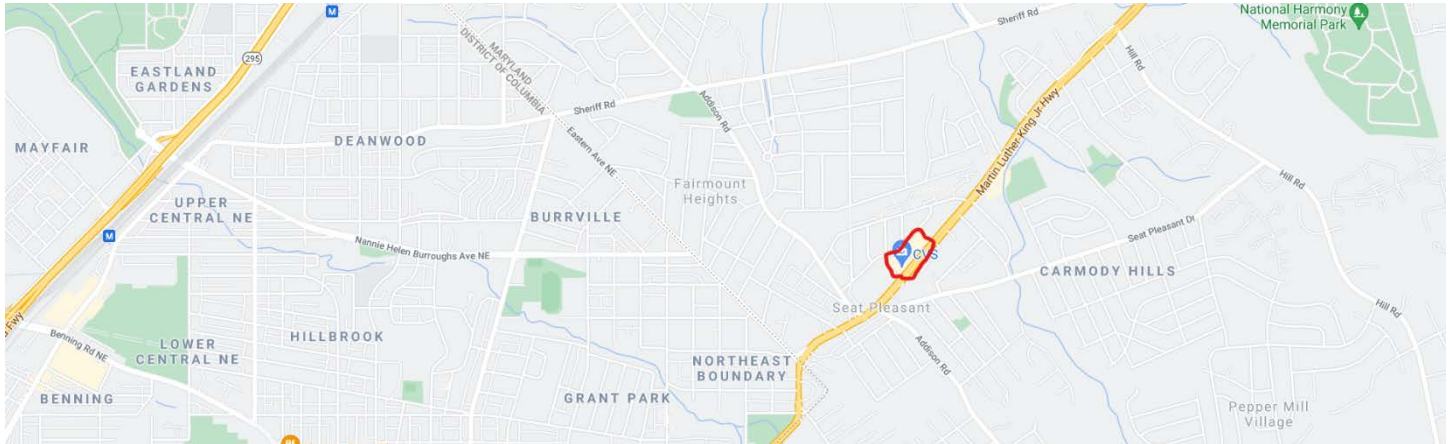


Figure 1: Image taken from Google Maps.

I. Introduction

The Rails is a new aged development in the heart of Seat Pleasant. Once complete, The Rails will sit on 150,544 SF with 130 market-rate units and 22,250 SF of Retail with 2,500 SF dedicated public space and a separate playground. Seat Pleasant is a small city that has potential to grow and develop over the next 5-10 years. This site is an ideal space, primarily because of the location. Seat Pleasant is approximately 9 miles from downtown D.C. and is a great spot for those who work in D.C. but cannot or chose not to pay the high rent prices. KJ Development is proposing 3 tenants for the retail space and having an open market to fill in the last tenant space.

II. Market and Demographic Context

There is a lack of retail within in Seat Pleasant, so we looked 1-5 miles outside of the projected area to get an understanding of the market. Within the submarket of Landover/Capitol Heights/Largo, the vacancy rate is currently at 6% compared to last year when it was only 4.9%. This is partially due to the pandemic. Most undeveloped spaces have stayed on the market for an average of 21.4 months before being occupied. There isn't a high demand for retail, but there is not enough substantial retail to keep residents from traveling outside of the submarket to satisfy their wants and needs.

There is a 33.6% 6-month leasing probability, which to investors may seem a little uncertain and not confident that the retail spaces will get leased in a decent amount of time, but because the community has expressed their need for wanting more substantial retail, the percentage may be higher. Vacancy rates are projected to decrease from 6% to 4% and lower over the next 5 years once businesses can stabilize and recover from the pandemic. The information and technology sector is projected to have steady growth in the District of Columbia as industries accept and advance in technology. This makes DC a center for long-term careers.

The top 10 fastest growing jobs in DC range from attorneys to registered nurses according to local article *ToughNickel*. 50% of the top 10 jobs are offering the newest positions to 2026 in DC and most

jobs only require a bachelor's degree. The increase in jobs will continue to help DC grow and those that have relocate to DC will be looking for a place that is not only affordable but also gives them a decent commute time. Not only are jobs increasing in DC, but the population in Seat Pleasant is projected to grow as well over the next 5 years.

Seat Pleasant has a total population of 4,739 according to the United State Census Bureau. The 5 largest ethnic groups in Seat Pleasant are African Americans at 79%, Hispanics at 6%, Whites at 4.9%, Other at 4% and American Indians at 3.3%. In 2018, the median household income is \$54,821. Seat Pleasant currently has 2.22K people employed in the city which is almost half of the today amount that resident there. The largest industries are retail followed by public administration and educational services. Employment in Seat Pleasant has seen a steady growth since 2017 and is projected to grow by 5% within the next 5 years.

The total number of households in Seat Pleasant is 1,842 according to Point 2 Homes. There is an average household size of 3 people and out of 1.8K households, 1,188 are family households. Lastly, we focused on other driving sources for economic demand. If you break the generational demographics down into 5 sections, you will see that millennials and generation z, make up almost half of the population. Millennials range from age 19 through 34 and generation z age from 18 and under. Over the next 5 years, a portion of the generation z will be moving out of their parent's home and either going to college or wanting to move out and establishment themselves within society.

There has been a market feasibility study completed for Addison Apartments which will be located 6500 Central Ave, Seat Pleasant, MD. The total capital required for this project is \$42,000,000 but there is no further discussion on if this project is moving forward or when it will be started or complete. This potential property will be 10-stories high consisting on 88 apartment units and 28,300 SF of ground floor commercial space. Other potential competition is Hampton Park located in Largo, MD. This development is scheduled to be delivered in Q2 of 2022. It will feature multi-story apartments, retail, offices, hotels and a \$35 million Health and Human Services building. This center is a part of a revitalization of the MD 214/Central Avenue corridor. This new development is approximately 6.5 miles from our site. With this massive development, it could be major competition with the apartment units and 100,00 square feet of retail. We will also be competing with new development in D.C. since it's only 9 miles away. Developers are consistently building and redeveloping new areas in D.C.

III. Key Project Opportunities

The key opportunities that enticed us to want to develop in this site were:

- Financial aspects
- Social aspects
- Community benefits

Financially, "The Rails" was not an expensive project to develop which allowed us to have a high return and to allow our potential sponsors to have a high return as well. We did take a risk with underground parking, but we are hopeful that this high expense will pay off in the end. The financial breakdown will be discussed later in the summary. Socially, we wanted to cater a portion of this development to the Seat Pleasant community. We listened to the wants and needs of the community along with following the Seat Pleasant Master Plan. There is a portion of the development that will be used as a public space which allows community members to rent out that space to hold events. Residents of Seat Pleasant will be able to rent for a discounted price. A portion of these funds will be

put towards a scholarship for community service. High school students looking to go to college can apply for the scholarship if they have completed a certain amount of community service throughout their 4 years of high school.

The Rails will also work to improvement the blight that is currently on the site and in the surrounding area. This site will be improved with increased street furniture and excellent landscaping. We will also be suggesting that the traffic structure be changed to help with the egress of the site. The only option drivers have for exiting the property is making a right-hand turn, going to traffic light, and making a U-turn if they need to go the opposite way. We are suggesting that the median at the intersection of MLK Jr. Highway and 69th Place be opened, and a traffic light be added so drivers do not have to wait for traffic to ease to make their right-hand turn and to help drivers that need to go to left.

IV. Key Project Challenges/Risk

There were several challenges that had to be looked at and worked through for this site. The first was the location. Seat Pleasant is located east of Washington D.C. and located almost in the middle of Prince George's County. Seat Pleasant is a hidden gem; most people do not know about it, but if you live or lived there you cherish the history of the city. With this city not being the most well-known, it could be a challenge trying to attract people to area, especially with the lack of retail and high-quality sense of living. This site also sits directly off a major highway, Martin Luther King Jr. Highway, also known as route 704. With this major highway comes a lot of traffic and congestion and that can turn away potential residents or visiting guest.

We were also concerned with the median income in Seat Pleasant. With the median income at less than \$60,000, it was unsure if the citizens would be able to afford our apartments. To solve that problem, we looked at jobs coming into surrounding area to see if there was an opportunity for us to attractive people outside of city. With the retail, we wanted to attract tenants that support the categories of spending that were high in the city.

V. Financial Information

The Rails consist of 150,544 SF of retail and residential. The apartments will consist of 130 units with average unit size at 1,050 SF. There will be 25 studio, 41 1-bedroom, 37 2-bedroom, and 27 3-bedroom. The studios will be \$2.08 per SF making the monthly rent \$1,250. The 1-bedrooms are \$1.81 per SF making the monthly rent \$1,450. The 2-bedrooms will be \$1.50 per SF, totaling \$1,800 monthly leaving the 3-bedrooms at \$1.36 per SF which totals \$2,175 monthly. Our ground floor will consist of 4 vacant spaces. Our two largest spaces will be 9,000 SF, one space is \$25.00 per SF and the second is \$24.50 per SF. Our smaller spaces will be 2,000 and 2,500 SF. The 2,000 space is \$22.50 per SF and 2,500 space is \$22.85. The public space which is available to rented out by the public will be 2,500 SF and will be \$23.00 SF.

Our debt ratios will be the following for the first 6 years: 1.08, 1.65, 1.68, 1.71, 1.74, 1.77. The first year will have a lower DSCR due to the property still stabilizing. We have allocated an 8% vacancy for the first year which will require our marketing to start strong to have pre-leases. We would ultimately like to be at 50% occupancy by the time the construction is finished. The interest rate

for the construction we have assumed to be 4%. The interest rate for the mezzanine debt we have assumed to be 20%.

With our total cost for the development at \$31,533,783, we will require \$4,610,202 public equity. That will leave two sources of debt; Mezzanine debt at \$6,146,936 and a construction loan that will convert to permanent in the amount \$20,776,645. The construction loan term is 120 months with a balloon payment due at maturity. Our hard cost account for 69% of our uses at \$21,238,034. Our soft cost total \$4,007,926 and \$4,426,820 for land acquisition. We plan on exiting in year 5 at which 45% of the loan will be paid back. The net operating income for 6 years is projected to be the following:

- Year 1 \$3,237,211
- Year 2 \$3,388,381
- Year 3 \$3,449,401
- Year 4 \$3,511,820
- Year 5 \$3,575,671
- Year 6 \$3,640,986

Again, we believe with our aggressive approach to marketing, we can stabilize at the end of year one. We have extremely high expectations for our development and our marketing team. With the net operating income, debt service, and operating expenses, our ending IRR in year 5 will be 53%. Our cash-on-cash return will be 47% in year 5 and our equity multiple will be 3.39X. Lastly, our developer fee percentage is 5%.

Lastly, we will cover the sensitivity analysis. If we were to go with an 8.50% cap rate when exiting at year 5, the value of our property would be \$42,835,133 compared to exiting at 6.50% when our property is valued at \$56,015,173. This is better for our company as sellers. This is also better for our investors because they would get a better return on their investment. If we were selling our property at a shorter period, the value of our property would not be as high, and our investors would not receive a high return. Residential rent increases would obviously increase the revenue, but that could hinder our ability to lease our property.

Thank you for taking the time to read our summary and we hope that you will find interest in The Rails. Please contact us should you have any questions.

Presentation Slides

The Rails

Crossing into a new destination

2021 Capstone Competition

Jerry Dawson, CCIM —Capstone Advisor
Timur Ryspekov — Capstone Advisor
Maria Day-Marshall, J.D. LLM —Director, Real Estate Development Program
Tanya Bansal — Clinical Assistant Professor

Presenter: Kia Smith





1





Agenda

- ☒ Development Summary
- ☐ Site Context
- ☐ Market Analysis
- ☐ Proposed Structure
- ☐ Planning
- ☐ Construction
- ☐ Financial Analysis

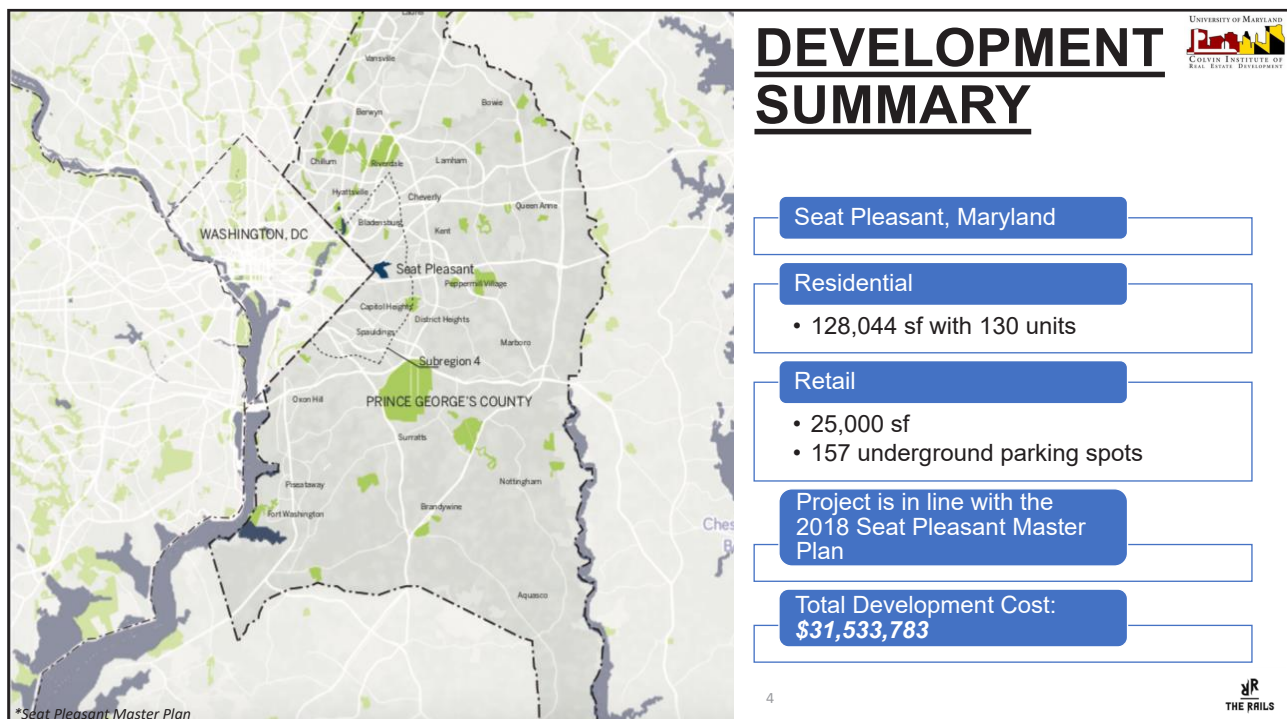


2



TELL US ABOUT YOUR PROJECT

3



What should we know
about the site?

5



*Google Maps

Site Context

UNIVERSITY OF MARYLAND
COLVIN INSTITUTE OF
REAL ESTATE DEVELOPMENT

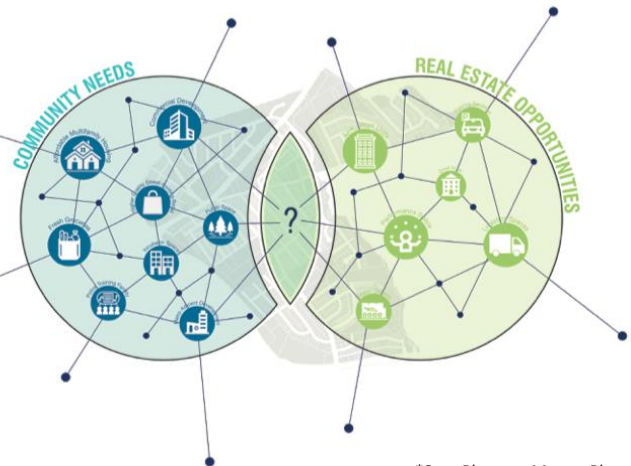
- 3.5 miles from State Highway 295
- 9 miles from downtown D.C.
- Accessible site
 - Addison Road-Seat Pleasant Metro Station
 - Multiple bus routes
 - Traffic count 30,100
- Lot Information
 - 150,544 sf (3.38 acres)
 - Surface parking lot
- Site is currently developed with existing retail tenants
- In need of mixed-use development with increased density and added street edge

6

THE RRILS

Needs Of The Community

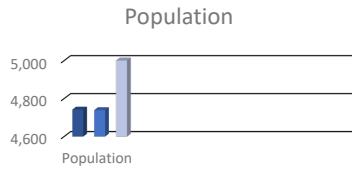
- Commercial Development
- Fresh Groceries
- Higher Quality Street-Fronting Retail
- Public and Performance Space
- Parking Facilities



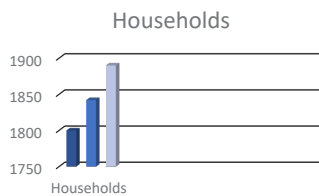
**Seat Pleasant Master Plan*

Demographics

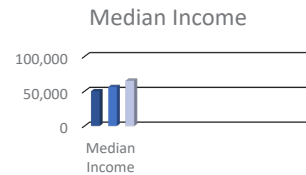
Market Analysis



Population is projected to have a slow but steady growth

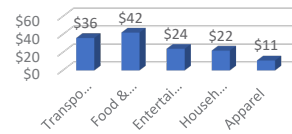


Family Households-1,188
Households w/ Children-564



Below Poverty-793
Above Poverty-3,897

Consumer Spending in the Thousands



Consumer Spending in the Thousands
*Information as of 2020 in the thousands

- Influx of jobs coming into the D.C area
- Median household income of \$86,420



*Information is from Point2homes.com

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Class C Retail Market



*Seat Pleasant Master Plan

Market Vacancy Rate– 3.4%

Market Vacant SF- 128K

Market Cap Rate – 7.5%

Under Construction SF – 70.9K

Average Months to Lease– 11.7

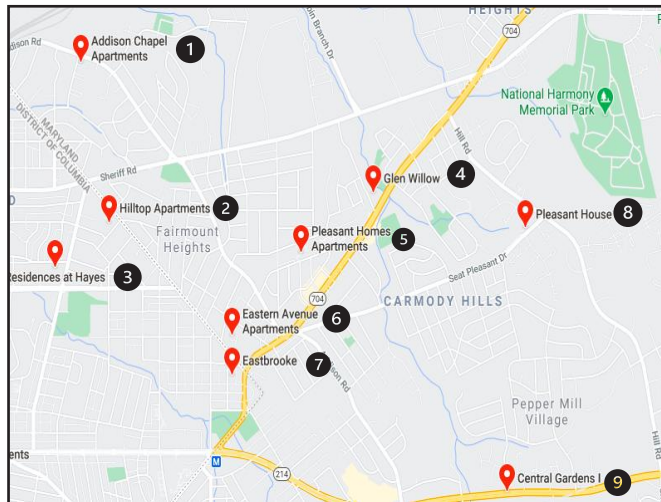
Average Asking Price - \$24.28

Triple Net Lease

- 1. Subject Property
- 2.5925-5909 Martin Luther King Dr
- 3.5910-5920 Martin Luther King Dr
- 4.CVS-Addison Plaza
- 5.6303-6516 Central Ave

9





*Google Maps

Comps

- | | |
|------------------------------|------------------------------|
| 1. Addison Chapel Apartments | 5. Pleasant Homes Apartments |
| 2. Hilltop Apartments | 6. Eastern Avenue Apartments |
| 3. Residences at Hayes | 7. Eastbrooke Apartments |
| 4. Glen Willow | 8. Pleasant House |
| | 9. Central Gardens I |



Market Conditions



- Market Vacancy Rate– **4.0%**
- Market Vacant Units- **328**
- Market Cap Rate – **5.3%**
- Average Units Per Building – **260**
- Inventory Units – **9,888**
- Average Rent Per sf - **\$1.76**

Studio	1 Bedroom	2 Bedroom	3 Bedroom	Average
\$1,057	\$1,412	\$1,728	\$2,060	\$1,564

*Comps don't have that many studios listed



10

What are you
proposing?

12

Proposed Structure

1) Residential

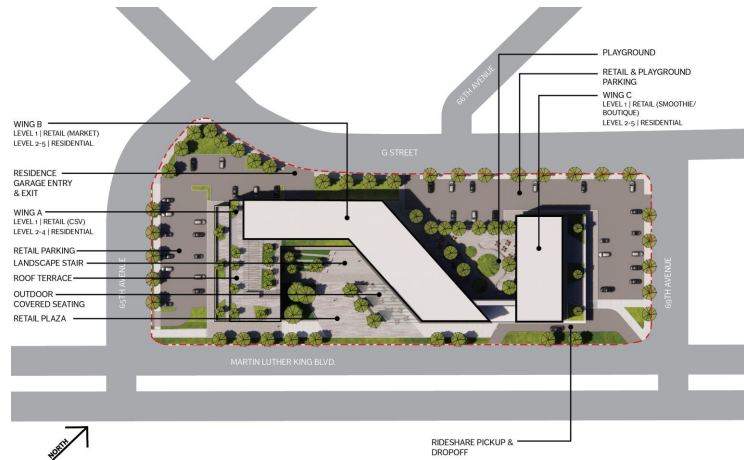
130 market rate units

2) Retail

- 25,000 sf
- CVS, Open Market, Local Boutique, Smoothie Shop
- Public and Performance Space

3) Parking

- 157 underground parking spaces
- 140 surface level (handicap accessible)
- Ride share area
- Bicycle facilities



What impacts will this development have?

Environmental and Social Impacts

LEED Certified-Gold

Green roofs

Sustainability

- Rainwater will be captured and reused
- Walking and biking will be widely encouraged
- Street conditions will be improved
- Buildings will be slanted to capture maximum amount of sunlight

Energy star appliances

Suggesting more streets lights on MLK Jr. Hwy

Job creation

Addresses the need for family interaction

Community service scholarship



ZONING

Zoning and Entitlement



Current Zoning

M-U-I (Mixed-Use Infill)

Develop District Overlay

By-right development

M-U-I also follows C-S-C zoning code

Special Exception in 1955

Proposed Zoning in 2035 MP-CSO (Commercial, General Office)

Parking

349 parking spots required

Zoning code allows for 15% reduction

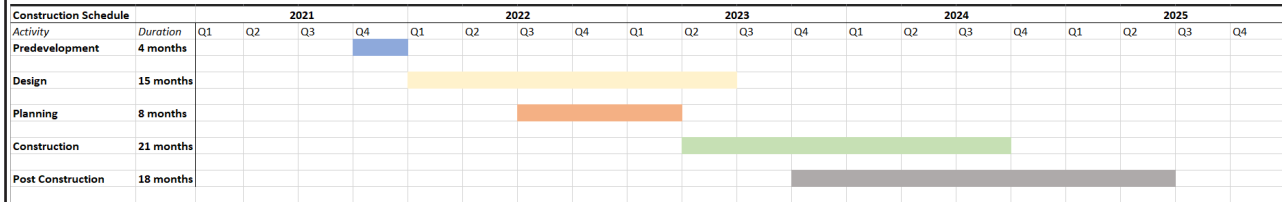
Total number of parking spots is 297

Entitlement Process

- Charrette
- Site Plan Review
- Planning Commission Review
- Transportation guideline checklist
- Final Plat of Subdivision
- Special Exception
- Building Permits

How long will it take to
build this?

CONSTRUCTION PROCESS



Construction Cost

- Soft Cost \$4,007,926
- Hard Cost \$21,238,034
- Total \$25,245,960

Mid-rise Construction

- Concrete foundation
- Storefront Glass
- Brick
- Vinyl siding

Underground Parking

How much will this cost us?

Apartment and Retail Mix

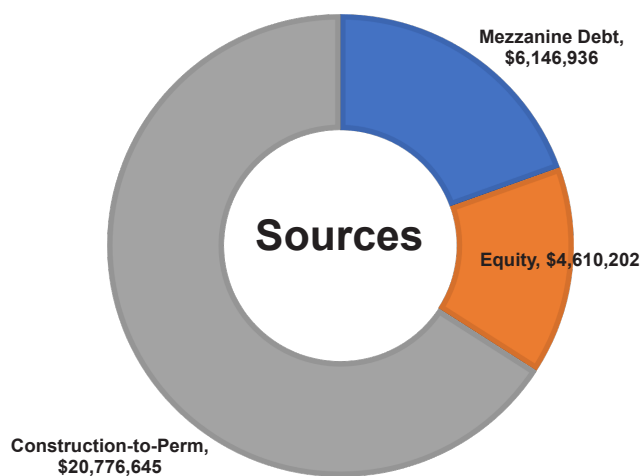
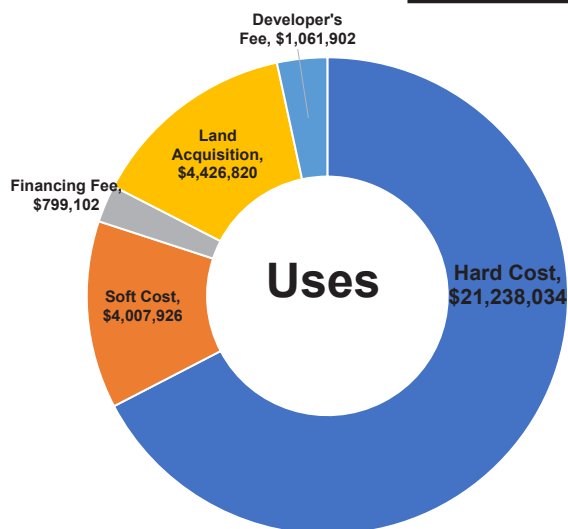
Apartment Unit Mix	# of Units	Rent Per SF	Rent per unit
Studio	25	\$ 2.08	\$ 1,250.00
1 BR	41	\$ 1.81	\$ 1,450.00
2 BR	37	\$ 1.50	\$ 1,800.00
3 BR	27	\$ 1.36	\$ 2,175.00

Retail Unit Mix	Square Feet	Rent Per Sq Ft
Pharmacy	9000	\$ 24.50
Smoothie Shop	2500	\$ 23.00
Local Boutique	2000	\$ 22.50
Market	9000	\$ 25.00
Public Space	2500	\$ 21.50

General Assumptions

- Apartment Rent Increase **2%**
- Vacancy Rate **5%**
- Retail Rent Increase **3%**

Financial Analysis



Financial Analysis



	Year 1	Year 2	Year 3	Year 4	Year 5
Apartment Income	\$2,745,432	\$2,893,685	\$2,951,559	\$3,010,590	\$3,070,802
Retail Income	\$1,411,150	\$1,433,702	\$1,456,931	\$1,480,857	\$1,505,501
Total EGI	\$4,156,582	\$4,327,387	\$4,408,490	\$4,491,447	\$4,576,303
OPEX	(906,500)	(925,610)	(945,147)	(965,121)	(985,543)
NOI	\$3,250,082	\$3,401,778	\$3,463,343	\$3,526,326	\$3,590,760
Debt Service	(2,100,776)	(2,100,776)	(2,100,776)	(2,100,776)	(2,100,776)
DSCR	1.55	1.62	1.65	1.68	1.71
Cash Flow	\$1,149,360	\$1,301,002	\$1,362,567	\$1,425,550	\$1,489,984

General Assumptions

- Opex Increase **2%**
- Construction Loan Interest Rate **4%**

VALUATION AND RETURN

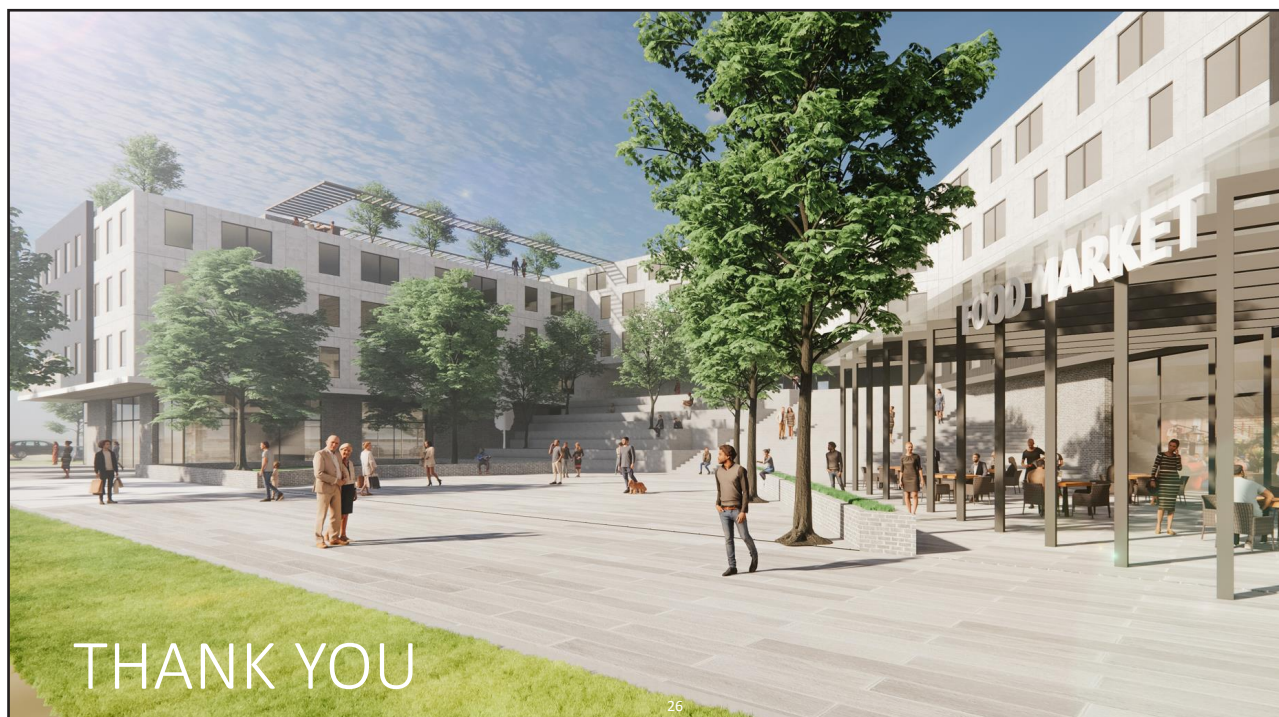


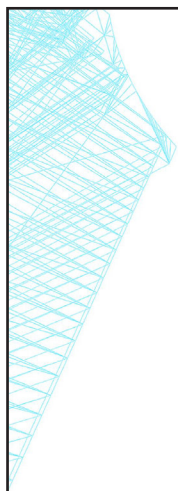
Valuation	
Year 6 NOI	\$3,656,680
Exit Cap Rate	6.50%
Value of Property	\$56,256,619
4% Selling Cost	\$2,250,265
Sale Proceeds	\$54,006,354
Outstanding Mortgage	\$18,045,851
Pre-Tax Profit on Sales	\$35,960,503
Distribution	
Sponsor 1 90%	\$32,364,452
Sponsor 2 10%	\$3,596,050

Return	
Equity Multiple	1.46
IRR	13%
Return on Investment	15%
Cash on Cash	35%

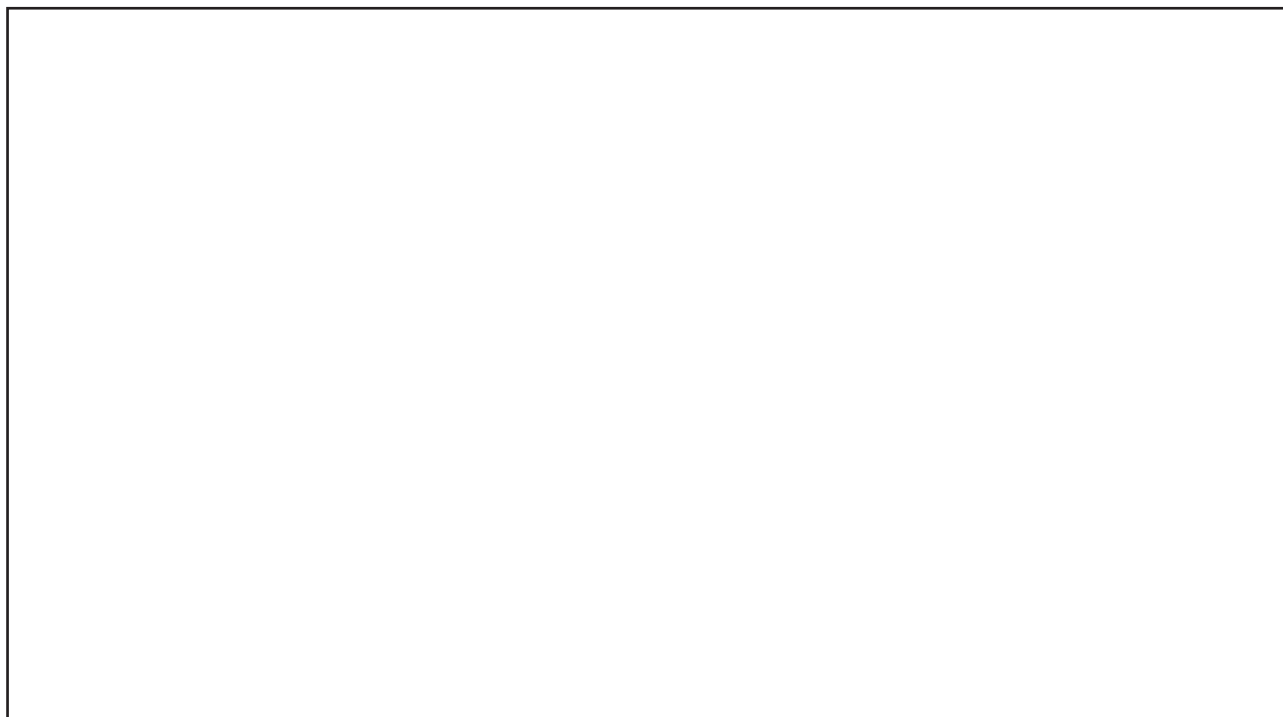
Financial Analysis

Sensitivity Analysis		
Year 6 NOI		\$3,656,680
<u>Cap Rate</u>	<u>Going Out Value</u>	<u>Profit on Sales</u>
6.50%	\$56,256,619	\$35,960,503
7.00%	\$52,238,289	\$32,102,906
8.50%	\$43,019,767	\$23,253,125





QUESTIONS?



Proposal 3: **The Plaza at 5922**



Executive Summary

Colvin Capstone Competition Judges Summary

Siyue Huang

May 1st, 2021

I. Introduction

The project shall be the landmark for the city and provide opportunities to encourage future growth. The project will include both residential and commercial uses. For residential part, the target group will be the working class in DC region and university students. The property provides two types of leasing options, traditional and flexible, to accommodate the flexible working and living style with top class living conditions in the region. For commercial office spaces, the target group will be small company owners, shared meeting room users, and recreation studio renters. The project will also include four restaurant spaces, one grocery store, one fitness center, roof terraces, a plaza and outdoor dining to increase public amenities.

Site Size:	3.39 AC	Current Zone:	M-U-I
Total Building SF:	215,080 SF	Total Rentable SF:	172,064 SF
FAR:	3.39	Building Efficiency Ratio:	80%
Total Stories:	8	Total Parking Spaces:	277

Residential Multi-family Housing

(M-U-I Zone allows 48 dwelling units /acre, max. 162 units for this site)

Total Units:	159 Units	Total Rentable SF:	131,064 SF
Studio Units:	27 Units	552 SF/Unit	\$1,214 - \$1,336
1B Units:	56 Units	720 SF/Unit	\$1,498 - \$1,647
2B Units:	64 Units	960 SF/Unit	\$2,112 - \$2,323
3B Units:	12 Units	1,200 SF/Unit	\$2,520
Gross Rent Potential:	\$3,467,894		

Commercial Office and Retail

Total Rentable SF:	41,000 SF	Common Area:	10,250 SF	
Grocery Store:	20,000 SF	\$15.00 PSF	\$300,000	(Annually)
Fitness Center:	8,000 SF	\$18.00 PSF	\$144,000	(Annually)
Recreation Spaces:	4,000 SF	\$20-22 PSF	\$84,000	(Annually)
Café & Restaurants:	9,000 SF	\$20-21 PSF	\$184,000	(Annually)
Gross Rent Potential:	\$712,000			

Design

The principal design idea is to create exciting moments for people who visit, live and work in the property. The property will be a combination of two high-end industrial style towers and a connecting second-story corridor with industrial style elements, decorated with features to iterate luxury feelings.

* Roof Terrace * The Plaza * Outdoor Dining

Sustainable Design Target: LEED GOLD Certification

II. Market and Demographic Context

The target market is Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area, also known as, Washington DC Metro Area.

Residential Market

Targeting working-class people and university students in Washington DC area.

Population:	6,280,697	Annual Growth Rate:	0.47%
Household No.:	2,251,002	Average HH Members:	2.67
Median HH Income:	\$105,659	Annual Growth Rate:	3.4%
Est. 5yr Mkt. Share:	1%	5yr Demand Population:	1,476
Demand Unit:	553		

Retail Market

- Seat Pleasant has a total of 67 retail properties.
- 2 regular restaurants and 4 fast food restaurants.
- 1 Fitness Center – Planet Fitness (without swimming pool)
- 1 Grocery Store – Save A Lot (residents do not want that)
- 1 Pharmacy – CVS (existing property on this site)
- No entertainment amenity, nor proper gathering space.

Office Market

Targeting small office users, shared meeting room users, recreation studios renters, etc.

Employment (2019):	3,574,751	5yr Annual Growth Rate:	0.62%
Est. SF/Employee:	250 SF	Est. 5yr Office Mkt. Share:	0.05%
Office Demand:	13,852 SF		

SWOT Analysis

Strengths:	<ol style="list-style-type: none">1. No competitors in Seat Pleasant offer the same-class (Class B) property2. High demand for residential multi-family housing and commercial retail3. Mixed-use development which suits the master plan of the city and future development of the region4. Pioneer of redeveloping the area; great location, close to two metro stations and adjacent to Washington DC5. 11% to 42% lower monthly rent compared to the average rent of Class-B properties in the region based on different unit types6. Flexible leasing types to accommodate post-covid living and working style
Weakness:	<ol style="list-style-type: none">1. High risk area compares to Washington DC.2. Hard to get local governmental funds to finance the project3. Multiple lot owners, and lot owners maybe not willing to sell
Opportunities:	<ol style="list-style-type: none">1. Local community and government's will to redevelop the area2. Low rents to attract populations3. Future redevelopments along Martin Luther King Jr. HWY
Threats:	<ol style="list-style-type: none">1. If Washington DC becomes lease attractive to working class people

2. If the community is against the multi-family development.

III. Key Project Opportunities

- Lower rents compare to the same-class (Class B) buildings in Washington DC region
- Both traditional leasing (1 year) and flexible leasing (1-3 months), easy to convert into another leasing type based on market demand
- Gathering spaces, roof terrace restaurant, grocery store, and outdoor dining to accommodate local's need and future need
- Job opportunities and increase tax revenues
- Blight removed, the pioneer to redevelop Seat Pleasant, a diamond in the rough

IV. Key Project Challenges

- Complex land assemblage with multiple owners
- Hard to attract renters due to the current environment in Seat Pleasant
- Potential resistance from local residents
- Critical to lock a deal with a preferred grocer
- Hard to find investors or governmental sources to fund the project due to high risk
- The success of the project depends on future redevelopment around the site

V. Financial Information

Construction Costs

Multifamily Construction Cost:	\$119.90/ SF	Total: \$15,715,010
Commercial Construction Cost:	\$368.93/ SF	Total: \$18,907,833
Surface Parking Cost:	\$1,845/ Space	Total: \$381,846
Underground Parking:	\$23,058/Space	Total: \$1,614,083
Construction Contingency:	5%	Total: \$1,830,939
Construction Loan Finance Cost:	\$1,691,356	
Total Construction Cost:	\$40,141,067	

Acquisition Costs

The site includes 3 lots with 3 different owners.

Total Acquisition Cost: \$8,016,126

Total Going in Value: \$48,157,194

Key Pro Forma Assumptions

Stabilize at Year 5

Stabilized NOI:	\$3,729,217	Stabilized Cash Flow:	\$1,267,786
Loan to Value Ratio:	77%	Permanent Loan Interest:	4.5%
Amortization Period:	30 years	Annual Debt Service:	\$2,260,182
DSCR:	1.65	Debt Yield:	10.03%
Cash-on-Cash:	11.54%	Break Even Ratio:	74.24%

OPEX Ratio:	34.60%	Gross Rent Multiplier:	9.84
Construction Period:	99 weeks	Pre-Development Period:	2 years

Exit Strategy

Exit at End of Year 7

Sales Cap Rate:	6%	Year 8 NOI:	\$4,148,407
Selling Price:	\$69,140,117	Selling Price per GSF:	\$321.46
Selling Expenses:	\$2,765,605	After Tax Equity Reversion:	\$27,934,255
Initial Investment:	\$10,984,524	Total Return on Investment:	\$16,949,731
Ag. Annual Proceeds:	\$2,421,390	Annual Rate of Return:	22.04%

Sources of Capital Stack

Developer Equity	\$2,196,905	5%
Private Investor Equity	\$8,787,619	18%
Bank Permanent Loan	\$37,172,670	77%
Total	\$48,157,194	100%

Financial Returns

IRR After Debt Service	22.07%	IRR After Tax	21.28%
NPV After Debt Service	\$11,238,117	NPV After Tax	\$10,303,632
Developer Fee	3%	\$1,153,491	

Sensitivity Analysis

The project has a 3.25% contingency for increased project cost.

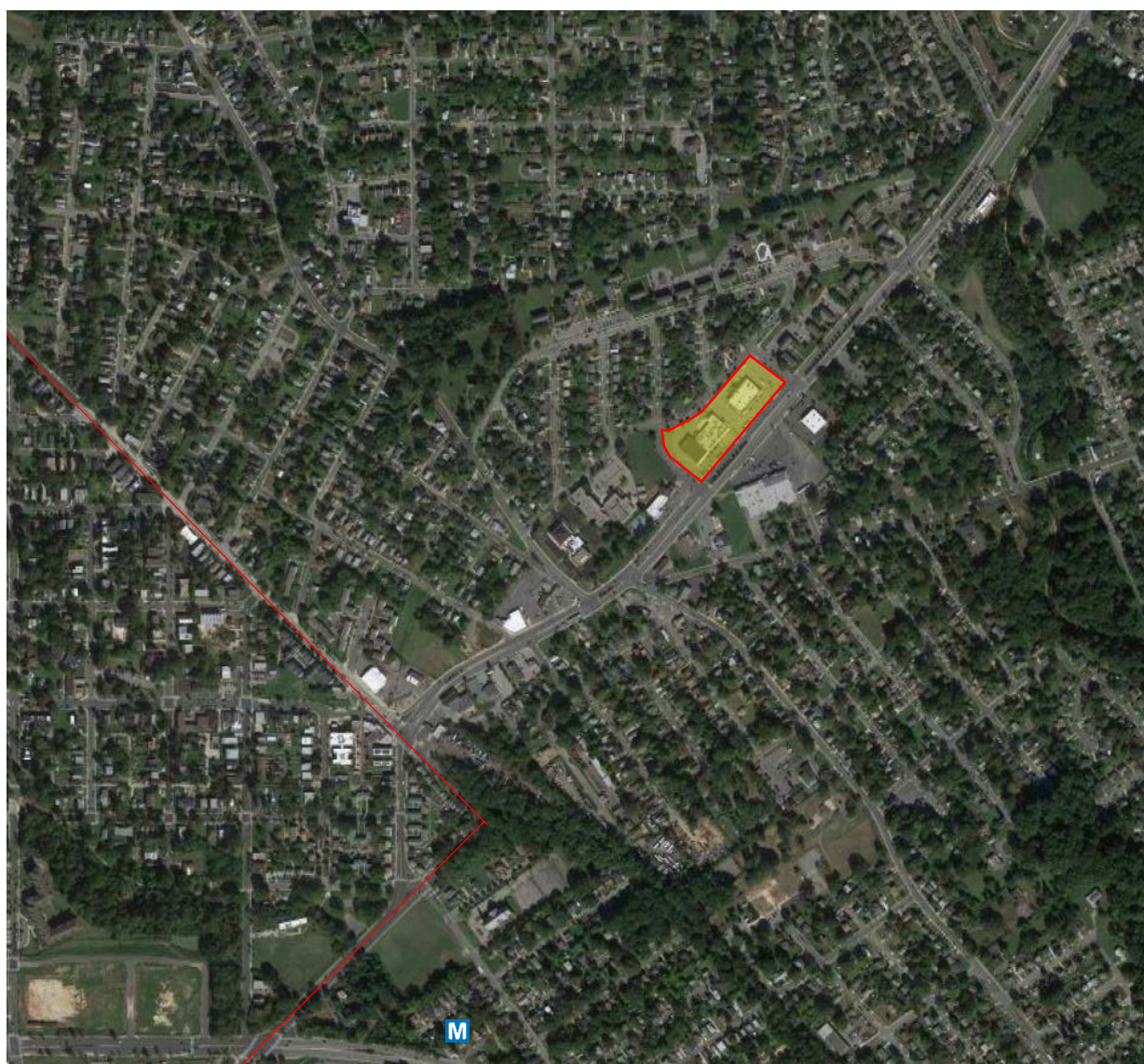
Base Assumptions

Year 5 NOI:	\$3,729,217	Stabilized Yield:	7.74%
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Incremental Increase/Decrease


NOI:	\$100,000	Project Cost:	\$1,000,000
Exit Cap Rate:	6.0%	Spread (Bps):	150
Required Project Yield:	7.5%	Contingency:	3.25%
Required NOI:	\$3,611,790	Maximum Project Cost:	\$49,722,898

Sensitivity Analysis							
Year 5 NOI	Total Project Cost						
7.74%	45,157,194	46,157,194	47,157,194	48,157,194	49,157,194	50,157,194	51,157,194
4,029,217	8.92%	8.73%	8.54%	8.37%	8.20%	8.03%	7.88%
3,929,217	8.70%	8.51%	8.33%	8.16%	7.99%	7.83%	7.68%
3,829,217	8.48%	8.30%	8.12%	7.95%	7.79%	7.63%	7.49%
3,729,217	8.26%	8.08%	7.91%	7.74%	7.59%	7.44%	7.29%
3,629,217	8.04%	7.86%	7.70%	7.54%	7.38%	7.24%	7.09%
3,529,217	7.82%	7.65%	7.48%	7.33%	7.18%	7.04%	6.90%
3,429,217	7.59%	7.43%	7.27%	7.12%	6.98%	6.84%	6.70%






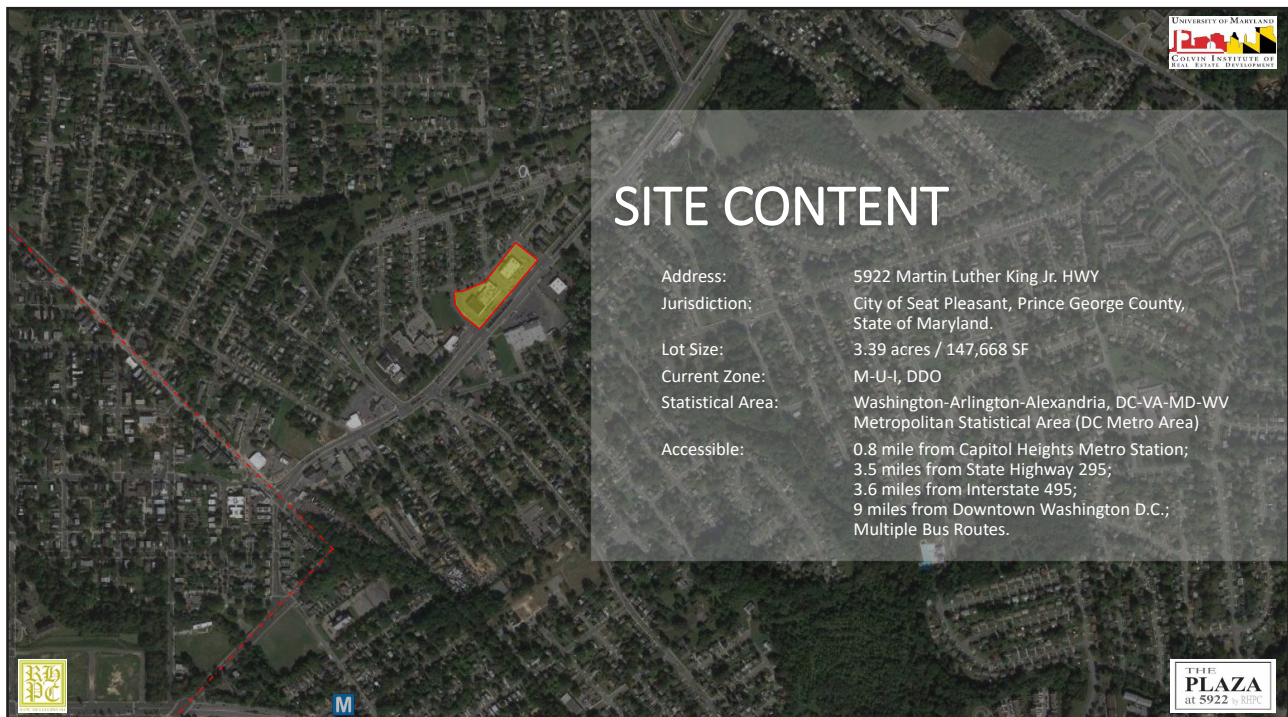
Presentation Slides





PROJECT OVERVIEW

Project Name:	The Plaza at 5922
Project Use:	Mixed-Use, Multi-family Residential and Commercial Retail
Total Building SF:	215,080 SF
Total Rentable SF:	172,064 SF
Total Multi-family Units:	159
Total Retail SF:	41,000 SF
Total Parking Space:	277



SITE CONTENT

Address:	5922 Martin Luther King Jr. HWY
Jurisdiction:	City of Seat Pleasant, Prince George County, State of Maryland.
Lot Size:	3.39 acres / 147,668 SF
Current Zone:	M-U-I, DDO
Statistical Area:	Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area (DC Metro Area)
Accessible:	0.8 mile from Capitol Heights Metro Station; 3.5 miles from State Highway 295; 3.6 miles from Interstate 495; 9 miles from Downtown Washington D.C.; Multiple Bus Routes.

DEMOGRAPHIC ANALYSIS

Seat Pleasant, MD

Population	4,739
Annual Population Growth	0.47%
Household	
Household Number	1,723
Median Household Income	\$55,370
Annual MHI Growth Rate	4.45%
Poverty Rate	17%
Employment	
Employment in 2018	2,222
Employment annual growth	8.06%
**Average commute time	36 mins

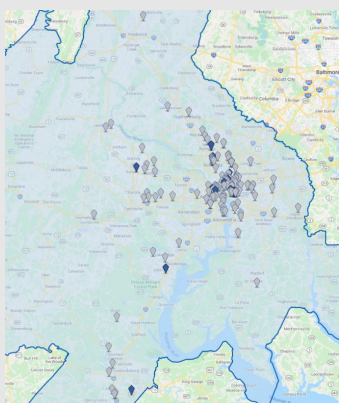
Washington DC Metro Area

Population	6,280,697		
Annual Population Growth	0.47%	**10-year Growth Rate	11.95%
Household			
Household Number	2,251,002	Household with Children Under 18	> 80%
Median Household Income	\$105,659	Average Household Members	2.67
Annual MHI Growth Rate	3.4%		
Poverty Rate	7.41%		
Employment			
Employment in 2019	3,574,751	**Unemployed Rate in June 2020	9.0%
Employment annual growth	0.62%	**Unemployed Rate in December 2020	5.6%

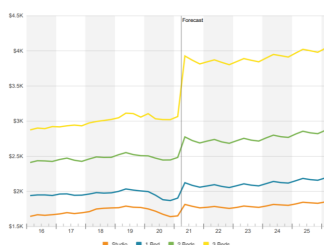


Market Analysis

Residential Market
Class A, CoStar 4&5 Stars

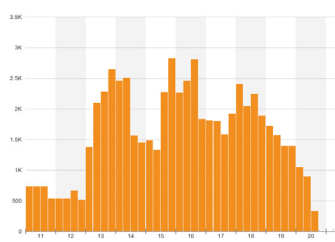


Market Asking Rent Per Unit By Bedroom

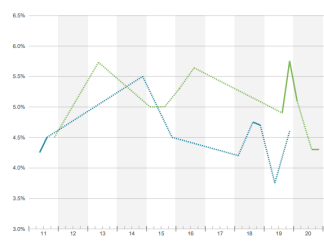


Studio	\$ 1,649
1 bedroom	\$ 1,902
2 bedrooms	\$ 2,481
3 bedrooms	\$ 3,063
Avg. Rent/Unit	\$ 2,364
Avg. Rent/SF	\$ 2.92

Under Construction

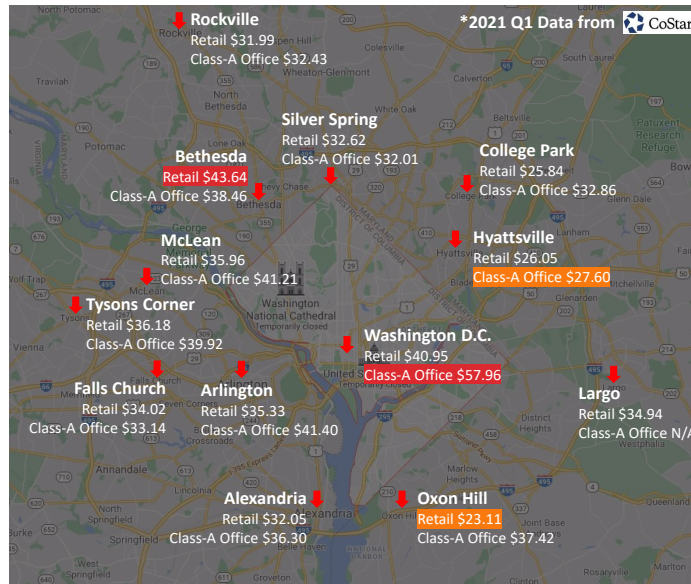


Cap Rate By Location Type

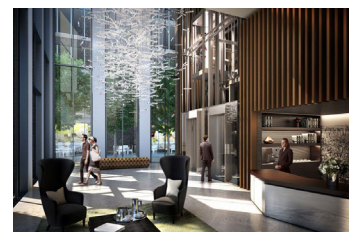
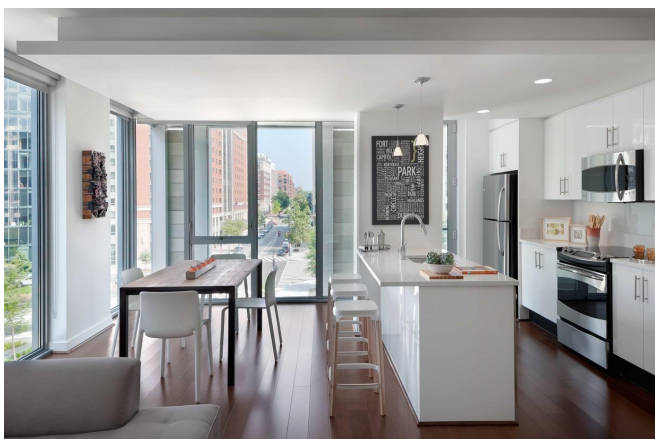


Market Analysis

Commercial Market



VISION Residential



VISION Office Spaces



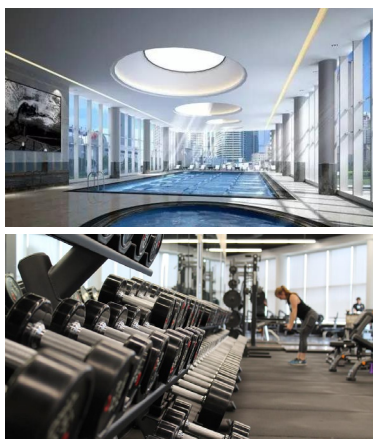
VISION Grocery Store



VISION Restaurants



VISION Fitness Center



DESIGN

THE PRINCIPAL DESIGN IDEA is to create exciting moments for people who visit, live and work in the property.



1. Roof Terrace



2. The Plaza



3. Sidewalk View Outdoor Dining



4. Parking Lot View Outdoor Dining



RENT ROLL

RESIDENTIAL MANAGEMENT

Total Rentable SF: 131,064

Traditional Leasing Units

• Studio	\$1,214	\$174,874
• 1B Unit	\$1,498	\$646,963
• 2B Unit	\$2,112	\$1,368,576
• 3B Unit	\$2,520	\$362,880

Average Rent per Unit: \$1,866

Rent Potential: 74% \$2,553,293

Flexible Leasing Units

• Studio	\$1,336	\$240,451
• 1B Unit	\$1,647	\$395,366
• 2B Unit	\$2,323	\$278,784

Average Rent per Unit: \$1,694

Rent Potential: 26% \$914,602

Total Gross Rent Potential (Annually) \$3,467,894

COMMERCIAL MANAGEMENT

Total Rentable SF: 41,000 SF

Rentable Space

Grocery Store	\$15.00	\$300,000
Fitness Center	\$18.00	\$144,000
Recreation Space 1	\$22.00	\$22,000
Recreation Space 2	\$22.00	\$22,000
Recreation Space 3	\$20.00	\$20,000
Recreation Space 4	\$20.00	\$20,000
Sports Bar	\$20.00	\$50,000
Casual Restaurant 1	\$20.00	\$50,000
Casual Restaurant 2	\$21.00	\$42,000
Café	\$21.00	\$42,000

Total Gross Rent Potential (Annually) \$712,000

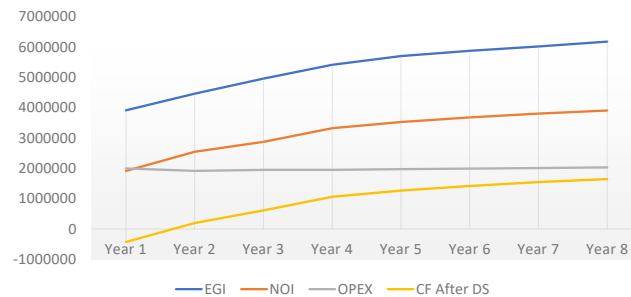
PRO FORMA

Summary Cash Flow

Stabilized Year:	Year 5
Stabilized EGI:	\$5,702,400
Stabilized OPEX:	\$1,973,183
Stabilized NOI:	\$3,729,217
Stabilized Net Cash Flow:	\$1,267,786

THE RESIDENTIAL PART contributes more than 80% of total revenue, therefore the property is considered as a residential property.

THE OPERATING EXPENSE RATIO is 34.6%.



	Year 5	Year 7	Year 8
Income			
Gross Potential Rent	4,740,012	5,007,255	5,142,311
Effective Gross Income	5,702,400	6,018,676	6,178,585
Expenses			
Total Operating Expenses	1,973,183	2,010,955	2,030,178
Net Operating Income	3,729,217	4,007,720	4,148,407
Net Cash Flow Before Debt Service	3,527,967	3,806,470	3,907,407
Cash Flow After Debt Service	1,267,786	1,546,289	1,647,225



ACQUISITION

Estimated Purchase Price



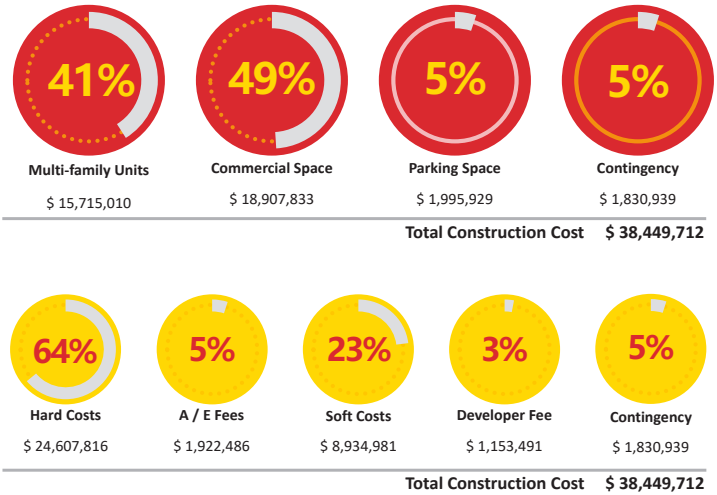
THE SITE includes 3 lots with 3 different owners.

Estimated Lot No. 5922 Acquisition Cost:	\$2,751,645
Estimated Lot No. 5946-5950 Acquisition Cost:	\$3,223,545
Estimated Lot No. 5944 Acquisition Cost:	\$2,040,936
Total Acquisition Cost:	\$8,016,126



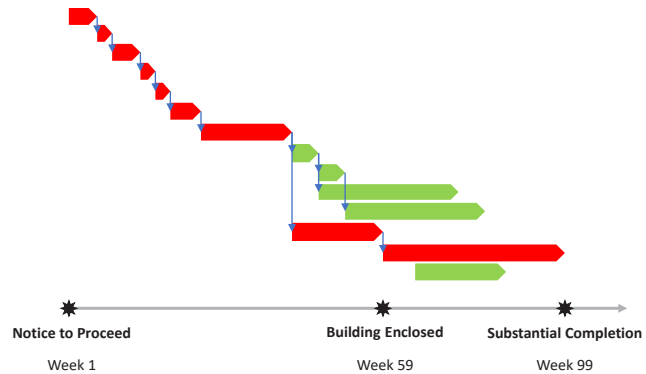
CONSTRUCTION

Costs by Use & Category



CONSTRUCTION Schedule

Activity	Duration (Week)	Critical Path
Demolishing & Cleaning	4	4
Drives Piles	2	6
Building Excavation	5	11
Footings	2	13
Slab on Grade	2	15
Below Grade Supported Slabs	6	21
Building Supported Slabs	18	39
Roof Support Slabs	4	
Roofing	4	
Mechanical and Electrical	30	
Plumbing	30	
Building Skin	20	59
Building Finishes	40	99
Landscape	20	
Substantial Completion		99



PROJECT TIMELINE



Pre-Development

- 18 Months

Construction Phase

- 23 Months

Stabilization

- 5 Years

Exit

- 7 Years Holding Period
- Exit at End of Year 7



FINANCE

Construction Loan

Construction Loan Annual Interest Rate: 5%

Acquisition & Construction Cost: \$46,465,838

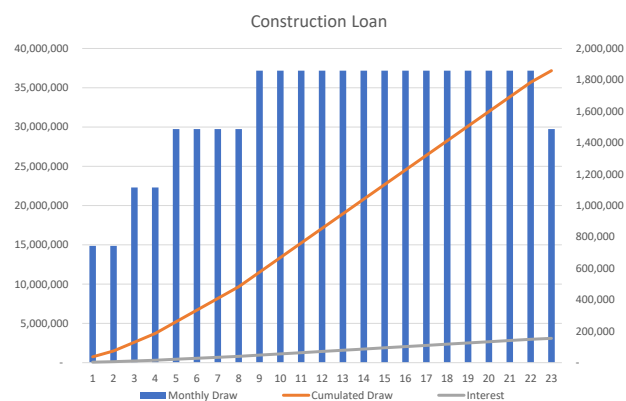
Loan-to-Value Ratio: 0.8

Actual Loan Amount: \$37,172,670

Duration of Construction: 23 Months

Total Construction Loan Interest: \$1,691,356

Total Project Cost: \$48,157,194

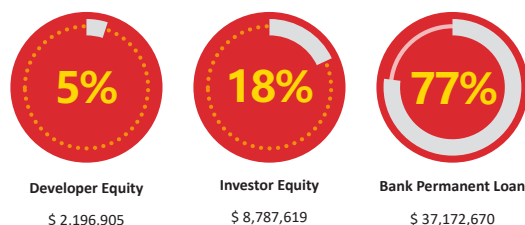


FINANCE

Permanent Loan

Permanent Loan Annual Interest Rate:	4.5%
Total Project Cost:	\$48,157,194
Loan-to-Value Ratio:	0.77
Equity:	\$10,984,524
Actual Loan Amount:	\$37,172,670
Amortization:	30 Years / 360 Months
Payment:	\$2,260,182 Annually
Projected Stabilized NOI:	\$3,729,217
Projected Debt Service Coverage Ratio:	1.65

Sources of Funds



VALUATION

Cap Rate, Value & Ratios

Stabilized at Year 5

Stabilized NOI:	\$3,729,217
Cash-on-Cash:	11.54%
Return on Equity:	11.54%
Loan to Value:	80%
Debt Yield:	10.03%
DSCR:	1.65
Debt Service Ratio:	60.61%
Gross Rent Multiplier:	9.84
Break Even Ratio:	74.24%
Operating Expense Ratio:	34.6%

Sensitivity Analysis

Stabilized Yield (Year 5):	7.74%
Exit Cap Rate:	6%
Spread:	150 Bps
Required Project Yield:	7.5%
Project Cost:	\$48,157,194
Maximum Project Cost:	\$49,722,898
Contingency:	3.25%

Reversion Value

Selling at End of Year 7	
Year 8 NOI	4,148,407
Cap Rate	Valuation
6%	69,140,117
7%	59,262,957
8%	51,855,087



EXIT STRATEGY

Selling at End of Year 7

Selling at End of Year 7		Exit Cap Rate 6%
Selling Price per GSF \$321.46		
Sales Price		69,140,117
Less: Selling Expenses	2,765,605	
Net Sales Price		66,374,512
Less: Adjusted Basis		
Purchase Price	8,016,126	
Improvement Cost	40,141,068	
Less: Accumulated Depreciation	9,787,199	38,369,995
Gain Realized on Sale		28,004,517
Less: Depreciation Recapture	9,787,199	
Gain Recognized on Sale		18,217,318
Tax on Depreciation Recapture	2,446,800	
Tax on Capital Gain Tax Rate	3,643,464	
Taxes Due on Sale		6,090,263
Net Sales Price		66,374,512
Less: Mortgage Outstanding	32,349,994	
Before Tax Equity Reversion		34,024,518
Less: Taxes Due on Sale	6,090,263	
After Tax Equity Reversion		27,934,255



INVESTOR RESULT

IRR, NPV & Return

Selling at End of Year 7 IRR & NPV

Exit Cap Rate 6%		Discount Rate 10%	
Year	Initial Equity Investment	Reversion YR 10	Annual Cash Flow After Debt Service
0	10,984,524		(10,984,524)
1			(428,087)
2			196,550
3			613,714
4			1,063,939
5			1,267,786
6			1,420,365
7		36,790,123	38,336,412
Total	10,984,524	36,790,123	31,486,155
IRR After Debt Service			22.07%
NPV After Debt Service			11,238,117

Calculations for Return on Investment to Total Equity

Total Proceeds to Total Equity	27,934,255
Less: Initial Investment	10,984,524
Total Return on Investment	16,949,731
Average Annual Proceeds	2,421,390
Annual Rate of Return	22.04%





CONCLUSION

A Diamond in the Rough

The Plaza at 5922 is a mixed-use development adjacent to the east corner of Washington, D. C.

The project will provide both traditional leasing and flexible leasing options to accommodate the flexible working and living style with top class living conditions in the region.

The development will bring high-quality amenities and accessible grocer to an undersupplied suburban market.

Overall, the Plaza at 5922 will be the pioneer to redevelop the City of Seat Pleasant – a diamond in the rough.



THANK YOU

Developed by RHPC Development Group, LLC.
Architectural Design by Nicole Hinkle

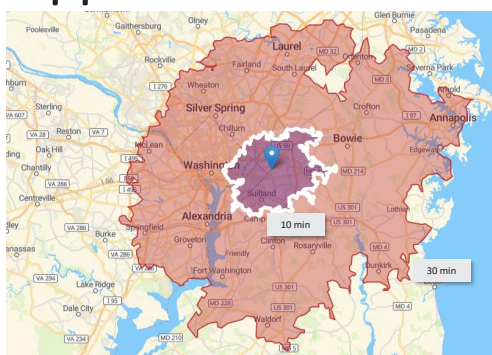
Appendix-Residential Market Analysis

Washington DC Metro Area

Rent/Unit	
Studio	\$ 1,649
1 bedroom	\$ 1,902
2 bedrooms	\$ 2,481
3 bedrooms	\$ 3,063
Avg. Rent/Unit	\$ 2,364
Avg. Rent/SF	\$ 2.92
Vacancy Rate	9.6%
Absorption Rate	
12 Mo Absorption % of Inv	11.1%
3-year-Absorption Avg. % of Inv	10.2%
5-year-Absorption Avg. % of Inv	13.4%
Tenure	
Owner Occupied Rate	63.5%
Renter Occupied Rate	36.5%
Market Demand	
Demand Population	1,476
Demand Units	553



Appendix-Commercial Market Analysis



CoStar Data

Region	Retail	Vacancy Office (Class A)	Vacancy Office (Class B)	Vacancy
Washington DC	40.95	6.30%	14.40%	15.10%
Alexandria	32.05	7.50%	20%	13.30%
Rockville	31.99	5.10%	16.20%	15.50%
Silver Spring	32.62	6.60%	16.30%	13.90%
College Park	25.84	3.10%	0.00%	8.80%
Arlington	35.33	3.50%	23.90%	18.60%
Hyattsville	26.05	6.50%	4.40%	21.10%
Seat Pleasant	23.65	0.00%	N/A	N/A
Largo	34.94	0.00%	N/A	0.00%
Bethesda	43.64	8.30%	19.80%	17.90%
McLean	35.96	1.90%	14%	13.90%
Oxon Hill	23.11	1.70%	20.90%	26.70%
Falls Church	34.02	7.40%	28.90%	11.60%
Tysons Corner	36.18	2.40%	15.90%	18%

SEAT PLEASANT has a total of 67 Retail properties.

- 1 Grocery Store – Save A Lot
- 1 Pharmacy – CVS
- 2 Restaurants
- 4 Fast Food Restaurants
- 1 Fitness Center – Planet Fitness

There is no entertainment amenity, nor proper gathering space.



Appendix-Vision

THE PROJECT shall be a landmark for the city and provide opportunities to encourage future economic growth.

THE PROJECT shall include both residential and commercial uses.

THE TARGET GROUP will be working class in DC region and university students

MULTI-FAMILY APARTMENT (159 Units)

- Studio Unit (27 Units)
- Two-Bedroom Unit (64 Units)
- One-Bedroom Unit (56 Units)
- Three-Bedroom Unit (12 Units)

RECREATION SPACES (4,000 SF)

- Shared Office Spaces
- Shared Meeting Room
- Studio Spaces

GROCERY STORE, RESTAURANTS, & FITNESS CENTER (37,000 SF)

- Grocery Store (20,000 SF)
- Restaurants and Café (9,000 SF)
- Fitness Center with Swimming Pool (8,000 SF)

PARKING (277 Spaces)

- Surface Parking for Commercial (207)
- Underground Parking for Residents (70)



Appendix-Design

DESIGN STYLE

The property will be a combination of two high-end industrial style towers and a connecting second-story corridor with industrial style elements, decorated with features to iterate luxury feelings.

DESIGN ELEMENTS

- The Ground Floor Setback
- The Plaza
- The Roof Terrace

BUILDING ENVELOPE

- Total Building Area: 215,080 SF
- Total Rentable Area: 172,064 SF
- Estimated FAR: 1.46
- Total Stories Above Ground: 8
- Estimated Building Efficiency Ratio: 80%
- Total Parking Space: 277

SUSTAINABLE DESIGN (LEED GOLD Certification)

- Triple Glazed Low-E Coating Windows
- Trombe Wall
- Rainwater Harvesting
- Permeable Pavement
- Green Roof
- Sunlight Shelf
- Evaporative Cooling R/AC
- Cavity Wall with Insulation
- Stack Effect



Appendix-Rent Roll

RESIDENTIAL MANAGEMENT

Total Rentable SF:	131,064		
Traditional Leasing Units			
• Studio	12 Units	552 SF	\$1,214
• 1B Unit	36 Units	720 SF	\$1,498
• 2B Unit	54 Units	960 SF	\$2,112
• 3B Unit	12 Units	1,200 SF	\$2,520
Average Rent per Unit:	\$1,866		
Flexible Leasing Units			
• Studio	15 Units	552 SF	\$1,336
• 1B Unit	20 Units	720 SF	\$1,647
• 2B Unit	10 Units	960 SF	\$2,323
Average Rent per Unit:	\$1,694		
Total Gross Rent Potential (Annually)	\$3,467,894		

COMMERCIAL MANAGEMENT

Total Rentable SF:	41,000 SF		
Rentable Space			
Grocery Store	20,000 SF	\$15.00	\$300,000
Fitness Center	8,000 SF	\$18.00	\$144,000
Recreation Space 1	1,000 SF	\$22.00	\$22,000
Recreation Space 2	1,000 SF	\$22.00	\$22,000
Recreation Space 3	1,000 SF	\$20.00	\$20,000
Recreation Space 4	1,000 SF	\$20.00	\$20,000
Sports Bar	2,500 SF	\$20.00	\$50,000
Casual Restaurant 1	2,500 SF	\$20.00	\$50,000
Casual Restaurant 2	2,000 SF	\$21.00	\$42,000
Café	2,000 SF	\$21.00	\$42,000
Total Gross Rent Potential (Annually)	\$712,000		



Appendix-Pro Forma

Income	Year 5	Year 7	Year 8
Gross Potential Rent	4,769,185	5,038,205	5,174,189
Total Rental Income	4,749,524	5,038,205	5,174,189
Total Rental Losses	278,874	287,847	284,741
Net Rental Income	4,470,650	4,750,358	4,889,448
Total Other Rental Income	1,281,149	1,319,616	1,341,316
Effective Gross Income	5,751,799	6,069,974	6,230,764
Expenses			
Total Personnel Expenses	581,590	617,009	635,519
Total Administrative Expenses	17,555	18,625	19,183
Total Marketing Expenses	56,301	59,231	60,000
Total Repair and Maintenance Expenses	111,547	116,053	118,374
Total Cleaning and Decorating Expenses	29,561	30,755	31,371
Total Contract Services	103,739	109,923	113,651
Total Professional Expenses	888	923	942
Total Utility Expenses	370,812	374,768	377,181
Total Taxes & Insurance Expenses	701,191	683,667	673,956
Total Operating Expenses	1,973,183	2,010,955	2,030,178
Net Operating Income	3,778,616	4,059,019	4,200,586
Replacement Reserves	201,250	201,250	241,000
Net Cash Flow Before Debt Service	3,577,366	3,857,769	3,959,586
Debt Service			
Principle	778,321	841,354	874,760
Interest	1,325,659	1,262,626	1,229,220
Total Debt Service	2,103,980	2,103,980	2,103,980
Cash Flow After Debt Service	1,473,386	1,753,789	1,855,606



Appendix-Construction Loan

Construction Loan Schedule

Interest Rate 5%
Loan Amount 37,172,670

Month	Total Loan	Percentage Completed	Monthly Draw	Cumulated Draw	Loan Balance	Interest
1	37,172,670	2%	743,453	743,453	37,172,670	3,098
2	37,172,670	2%	743,453	1,486,907	37,172,670	6,195
3	37,172,670	3%	1,115,180	2,602,087	37,172,670	10,842
4	37,172,670	3%	1,115,180	3,717,267	37,172,670	15,489
5	37,172,670	4%	1,486,907	5,204,174	37,172,670	21,684
6	37,172,670	4%	1,486,907	6,691,081	37,172,670	27,880
7	37,172,670	4%	1,486,907	8,177,987	37,172,670	34,075
8	37,172,670	4%	1,486,907	9,664,894	37,172,670	40,270
9	37,172,670	5%	1,858,634	11,523,528	37,172,670	48,015
10	37,172,670	5%	1,858,634	13,382,161	37,172,670	55,759
11	37,172,670	5%	1,858,634	15,240,795	37,172,670	63,503
12	37,172,670	5%	1,858,634	17,099,428	37,172,670	71,248
13	37,172,670	5%	1,858,634	18,958,062	37,172,670	78,992
14	37,172,670	5%	1,858,634	20,816,695	37,172,670	86,736
15	37,172,670	5%	1,858,634	22,675,329	37,172,670	94,481
16	37,172,670	5%	1,858,634	24,533,962	37,172,670	102,225
17	37,172,670	5%	1,858,634	26,392,596	37,172,670	109,969
18	37,172,670	5%	1,858,634	28,251,229	37,172,670	117,713
19	37,172,670	5%	1,858,634	30,109,863	37,172,670	125,458
20	37,172,670	5%	1,858,634	31,968,496	37,172,670	133,202
21	37,172,670	5%	1,858,634	33,827,130	37,172,670	140,946
22	37,172,670	5%	1,858,634	35,685,763	37,172,670	148,691
23	37,172,670	4%	1,486,907	37,172,670	0	154,886
Total		100%	37,172,670			
Tot. Payment						38,864,027
Total Construction Loan Interest						1,691,356



Appendix-Acquisition

Estimated Purchase Price (2021)

Address No.	Improvement	Land	Total
5922	\$1,373,520	\$1,378,125	\$2,751,645
5946-5950	\$2,739,915	\$483,630	\$3,223,545
5944	\$1,735,281	\$305,655	\$2,040,936
Total	\$4,113,435	\$2,167,410	\$8,016,126

Existing Property Information

Address No.	Owner	Land SF	SF Occupied
5922	CVS	37,462	9,000
5946-5950	Gurpartap Randhawa	76,666	14,849
5944	Mark S. Goldstein	36,416	14,938



Appendix-Sensitivity Analysis

Sensitivity Analysis

Year 5 NOI	Total Project Cost						
7.74%	\$ 45,157,194	\$ 46,157,194	\$ 47,157,194	\$ 48,157,194	\$ 49,157,194	\$ 50,157,194	\$ 51,157,194
\$ 4,029,217	8.92%	8.73%	8.54%	8.37%	8.20%	8.03%	7.88%
\$ 3,929,217	8.70%	8.51%	8.33%	8.16%	7.99%	7.83%	7.68%
\$ 3,829,217	8.48%	8.30%	8.12%	7.95%	7.79%	7.63%	7.49%
\$ 3,729,217	8.26%	8.08%	7.91%	7.74%	7.59%	7.44%	7.29%
\$ 3,629,217	8.04%	7.86%	7.70%	7.54%	7.38%	7.24%	7.09%
\$ 3,529,217	7.82%	7.65%	7.48%	7.33%	7.18%	7.04%	6.90%
\$ 3,429,217	7.59%	7.43%	7.27%	7.12%	6.98%	6.84%	6.70%

NOI/Cost Sensitivity		Impact on Yield
\$ 1,000,000	Cost Reduction/Increase	0.16%
\$ 100,000	NOI Reduction/Increase	0.21%

Selling Year	6	7	8	9	10	11
IRR After-DS	23.33%	22.07%	21.00%	20.21%	18.23%	18.42%
NPV After-DS	10,565,772	11,238,117	11,681,638	12,156,505	10,166,203	11,724,720
Cash Flow After-DS	\$ 26,809,928	\$ 31,486,155	\$ 36,115,895	\$ 41,212,871	\$ 40,359,810	\$ 48,840,000



Proposal 4: **Pleasant Gates**



Executive Summary



COLVIN CAPSTONE COMPETITION JUDGES SUMMARY Spring 2021



"The Pleasant Gates"

MT Developers

SECTION 1: INTRODUCTION

The Pleasant Gates is a new mix-use Class 3-Premium development project in Seat Pleasant, Maryland. The Project's site is 3.5 acres, 150,798 ft² in size, and locates at 5922-5944 Martin Luther King Jr, Highway, Seat Pleasant, MD. 20743. The current use on the site acquires roughly 36,000 Gross Rentable retail properties including, local restaurants, a series of neighborhood retailers, and a CVS store. The premises were assessed slightly above \$6 Million, which reflects proximately \$40.50 per SF. The Mix-Use Infill (MUI) and Development District Overlay (DDO) Ordinances require publicly approved detailed development plans for entitlement and development permitting.

The subject site locates in less than one mile from WMATA Blue Line Metro's Capitol Height and Addison Rd Stations. Less than 10 Minutes of bus drive via Route A12, or 5 Minutes driving, connects the site to the metro line, and the whole DMV metro network, after that.

The Project is Planned in two phases: Phase 1: Phase one proposes acquiring 75,395 SF of the Pleasant Gate's premises and delivering 166 units of mix-income 4% LIHTC multifamily property in four stories, anchored with a 4,878 SF CVS store on the ground floor. The development plan approval started in January 2021; the closing date is projected on May 30, 2021. A 12-Months consecutive construction begins on June 1, 2021. The Lease stage will start on December 2021 and with the Project's 36 50%AMI eligible affordable units and will end in November 2022, reaching 95% Occupancy of the Stabilization Year of 2022.

The Project offers Class 4 residential steel structure construction and Class 3-premium finishings and HVAC systems in Phase 1. 43 parking lots on level (-1), along with another 43 lots, will serve 166 units multifamily to represent 0.5 parking space per unit ratio. 10 Loading, Carport, and Retail Parking are provided on the surface to help the ground floor CVS store parking requirements.

Phase 2: Phase two proposes acquiring the other 75,395 SF of the Pleasant Gate's premises to deliver a diverse local and regional retail complex.

16,000 SF ALDI & 2,000 SF Adjunct Food Hall will be developed on a one-story retail space. One other retail building will host 11,704 SF, the Chuck Craig's Basketball Academy, on the ground level. On the second level, 5,040 SF offers a regional youth educational and wellness center in the City of Seat Pleasant, MD.

The phase 2 development approval process began in January 2021. The closing date on January 10, 2022. The Construction stage will commence on January 2023. The Lease stage will start on December 2021 and with the Project's 36 units of 50% AMI eligible and will end in November 2022, reaching 95% Occupancy of the Stabilization Year of 2022.

50 Surface lots will serve phase 2 parking requirements to provide a 1.5/1,000sf ratio for this development phase.

SECTION 2: Market and Demographic Context

The primary and secondary rental residential market has been historically a demanding and stable market since 2012. The Covid pandemic impacts have been minor and are estimated to be over by the end of 2022. Vacancy rates have been projected to decline from 5% in 2021 to less than 3% in 2023 and beyond. Rent rates will begin growing by at least 2% from 2023 and beyond.

Multifamily Market: in the 30-Minutes rush-hour drive-time buffer from the site, total absorption of 2,087 units is projected for 2023 (Project's Phase 1 Stabilization Year). 650 residential units will be filling the pipeline until 2023 Q4, and 292 units are projected to remain vacant. 1,145 units gap in the projected inventory. 25% capture rate estimation leaves at least 286 units of the site multifamily potential demand in 2023.

Retail Market: With the same method, the Retail Absorption gap for 2022 to 2023 will stand roughly 85,000 SF. Projecting a 30% capture rate for the Pleasant Gates, the Project will benefit from 25,500 SF Retail demand in the inventory.

Flex: The average historical supply-demand trends since 2011 were surveyed, and Flex use showed a moderate annual 20,000 SF increase in the area's last ten years absorption volume. Following the area flex average 10-years flex supply and demand, roughly 20,000 SF yearly average increase in the flex absorption offers the project site the potential amount of potential flex demand in a built-to-suit scenario.

The Multifamily market vacancy rate stands 5% in 202. However, it is downward to 3.0% by the end of 2023. 3.0% Vacant retail space in 2021 is also estimated to decline and hit the low 2.5% rate by the second quarter of 2022. Flex market experienced annual 3.5% vacancy rates in 2020 and is heading to lower 2.5% by the first quarter of 2024.

Demographic and Major Economic Trends: While the primary market area has historically more significant employment growth rates than the secondary market area, the households and population trends are estimated to remain the same as the secondary area rates. Slightly above a 3.0% growth increase each year, the Project's primary and secondary area population and housing growth are within 2020 to 2025.

COMPS: There is almost no comparable asset newly delivered in the primary market area, yet the majority of similar are developed in the late 50s, and 60s are charged roughly \$1.5 Per SF on average and experience vacancies of lower 2.0%

SECTION 3: The Pleasant Gates Challenges, Opportunities, & Community Impact

I. Key Challenges Towards the Pleasant Gates:

- Lower Median Income, compared to the AMI of the Seat Pleasant, MD.
- Site's Multiple Current Retail Users and Land Assemblage Requirements
- Lack of recent significant developments and old physical built environment
- Site location on the bottom of a Vally-Shape area, benefiting from lower-skyline and potentially more costly property insurance rates.
- Timely and Costly Development Public Approval Process.

II. Key Opportunities Towards the Pleasant Gates:

- Growing demographics and economic trends offer higher real estate demand and allow new real estate capital improvement projects.

- Proximity to WMATA Blue Line Metro encourages sustainable Transit-Oriented Developments on the site.
- Higher Employment rates, compared to its secondary market area, can offer diverse uses on the Project.
- Adopting Smart Growth Principles by the City of Seat Pleasant Management Body is dropping the area's crime to encourage new investors.
- The benefit of the Athletic and Sprotmanship community heritage of the Seat Pleasant City can help the pleasant gates earn a regional brand for the city and its communities.

III. Project's Social and Economic Community Benefits: The Pleasant Gates will;

- Increase the Social and Economic, and Built Environment sustainability of its neighboring area by delivering the area's Master plan goals and objectives through its design, high-quality construction, and affordable and low-risk capital improvement structure.
- Boost the Local and State Revenues Significantly
- Promotes housing affordability by offering 36 affordable units for households with 50% and less Area Median Income.
- Improves public transportation infrastructure while developing three bicycle facilities on the site, in addition to 24/7 CCTV all over the project premises.
- Champion the city of Seat Pleasant's community heritage and public health while providing a long-lasting, sustainable brand of income for the town of seat pleasant, MD, when it delivers The Chuck Craig's Basketball Academy and Wellness Center in 2024.
- Promote the amenities by hosting an ALDI grocery store anchored with a Food Hall space in Phase 2.

SECTION 4: Financial Analysis:

- **Phase 1: "The Pleasant Gates Apartments":** Mix-Income (5%AMI) 4% LIHTC

Phase 1: The Pleasant Gates Apartments	
Project Budget Summary	
Total Development Cost	\$45,431,504
Total Development Cost/Unit	\$273,684
Return on Cost	4.44%
Key ProForma Assumptions	
Debt ratio	0.85 LTV
Interest rate	2.50% Fixed
Term	40 Years (480 Months)
Exit Term	Year 15
NOI	
Market	\$1,602,164
Affordale	\$344,282
Total NOI	\$1,946,446
Construction Term	12 Months
Predevelopment Term	12 Months
Going-in Cap Rate	5.20%
Exit Cap Rate	5.10%

Phase 1: The Pleasant Gates Apartments	
Sources of Capital Stack	
Debt:	
Tax-Exempt Bonds	\$37,660,222
Tax-Exempt Bonds (ST)	\$1,242,140
Construction Bridge Loan	\$2,693,722
Equity:	
LIHTC	\$2,613,321
Deffered Developer Fee	\$1,222,099
Financial Returns	
IRR	9.8%
Gross Profit Margin	84%
Net Profit Margin	12%
Average Cash on Cash return	16.7%
Developer Fee	5.0%

Phase 2: The Pleasant Gates Retail Facility

Phase 2 Benefits from two independent financing scenarios. The primary strategy is conventional fair market lending, retail real estate financing, and Private Debt and Equity Placements

- **Convential Fair Market Lendeing**

Phase 2: The Retail Facility	
Project Budget Summary	
Total Development Cost	\$14,162,827
Total Development Cost/SF	\$244
Return on Cost	5.01%
Key ProForma Assumptions	
Debt ratios	0.65 LTV
Interest rates	4.00% Fixed
Term	40 Years (480 Months)
Exit Term	Year 10
NOI	\$709,905
Construction Term	12 Months
Predevelopment Term	12 Months
Going-in Cap Rate	7.80%
Exit Cap Rate	6.30%
Sources of Capital Stack	
Debt:	
Private Loan	\$9,207,961
Equity:	
LP	\$4,454,865
GP	\$500,000
Total Equity	\$4,954,865
Financial Returns	
IRR	9.4%
Equity Multiple	2.2x
Average Cash-on-Chash	5.7%

Phase 2: Qualified Opportunity Zone Investment Funds Financing: The Scenario, Seeks Qualified Opportunity Zone Investment Funds(QOZIF) investments available in the state of Maryland and Department of Housing and well As Department of Commerce. The rent rats in the OZI scenario are \$30 Full-Service Rents and projects and apply OZ tax benefits from the Project's stabilization year of 2024. Other Assumptions remained the same as the conventional fair market financing model

Phase 2: The Retail Facility-OZ Investment	
Sources of Capital Stack	
Debt:	
Private Loan	\$9,207,961
Qualilified OZ Equity Funds:	
LP	\$4,454,865
GP	\$500,000
Total Equity	\$4,954,865
Financial Returns	
IRR	22.8%
Equity Multiple	4.0x
Average Cash-on-Cash Return	18.4%

SECTION 5: Project Site Map and Conceptual Placemaking



Presentation Slides





The Pleasant Gates
MT DEVELOPERS

Mix-Use/Mix-Income Development at 5922 Martin Luther King Jr Highway, Seat Pleasant MD. 20743

MOHSEN TEIMOURI



1

OVERVIEW



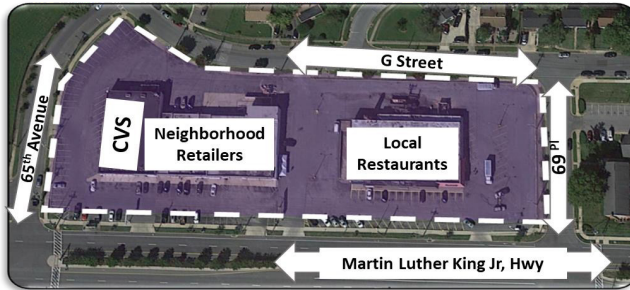
- Section 1: Site Analysis
- Section 2: Zoning & Entitlement
- Section 3: Demographics & Key Economic Trends
- Section 4: Market Analysis
- Section 5: Design Proposal & Project Timeline
- Section 6: Financial Analysis – Phase 1
- Section 7: Financial Analysis – Phase 2



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1. Site Analysis: Overview

Site Map



Source: Google Earth

- Size: 3.4 acres, 150,798 ft²
- Current Uses: CVS, Local Restaurants & Neighborhood Retailers
- Lot-Block Shape of the Site is significant advantage
- Long Frontage on Martin Luther King Jr, Hwy
- Assessed Value: \$6 Million

Area Map



Source: Google Map

- Proximity to WMATA Blue Line Metro
- Direct bus route to Addison Rd Metro Station
- Neighbors with DC Northeastern Boundaries



1. Site Analysis: Context & Fabric



Source: Google Earth

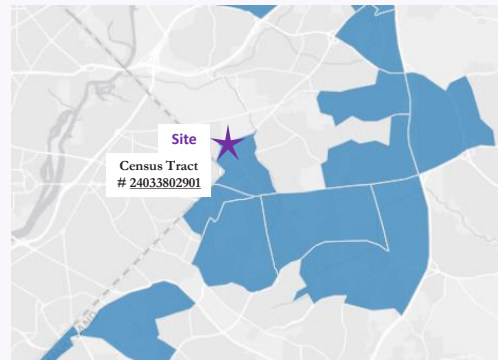
- Single-Family dominant use in the area
- The city elementary school & community Center in the site proximity
- The Activity Center is in walking distance to the site



1. Site Analysis: Opportunity Zone Census Tract

Designated Opportunity Zone Census Tract

- Investing in Opportunity Act, 2017-2018
- 23.9% Federal Capital Gain Tax & OZ Tax Benefits
- 10% Reduction on Capital Gain Tax Basis on Year 5
- 15% Reduction on Year 7
- 100% Reduction on Year 10



1. Site Analysis: City of Seat Pleasant, Maryland

Seat Pleasant Youth in Time!



- Basketball has roots in the community daily life
- Seat Pleasant is home to NBA star Kevin Durant
- Seat Pleasant Community Center is active in Youth Basketball Education

A Smart City of Excellence

- Improving public infrastructure
- Declining crime rates
- Developing city revenues
- Promoting high-tech infrastructure

SMALL SMART BY THE NUMBERS

90	Blighted homes became tax rendering properties	20+	Smart partnerships built
100%	Reduction in commercial robberies	36	Months developing the Seat Pleasant Smart City Program
100K+	Motor travelers through city daily	5G	Deployment for 4,721 residents coming soon

Source: seatpleasantmd.gov



2. Zoning & Entitlement: Ordinances & Master Plan

Zoning Ordinances



- Mix-use Infill (MUI) & Development District Overlay (DDO) Zone
- Requires County Council approval for new developments
- Encourage Developments to follow Mater Plan Goals & Development Standards

Area Master Plan

Map - Donnell Drive Mixed-Use Village Center



- Redeveloping a mixed-use center
- Providing a neighborhood higher-quality commercial hub
- Encouraging Pedestrian Mobility & Public Transportation

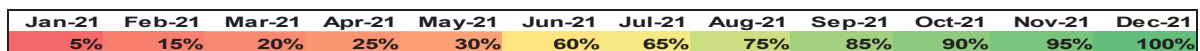
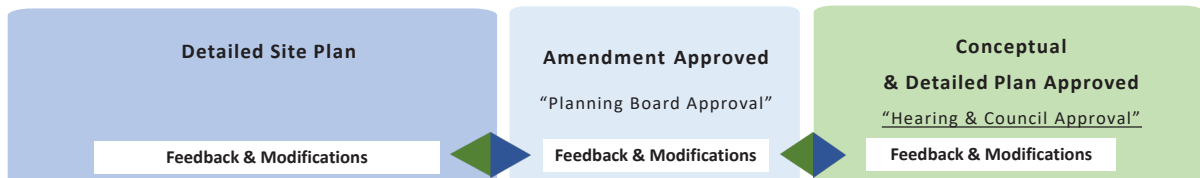


2. Entitlement: Development Standards & Approval Process

- Mix-Use Developments
- Building Height: 4 Stories – (60 ft. Max)
- Max Lot Occupancy: 75%
- Build-to Line: min 18 ft.
- Side Setbacks min/max : 0/10 ft.



Entitlement Process



3. Demographics & Key Economic Trends



Population Growth
2015-2020: 709
2020-2025: 1,127



Households Growth
2015-2020: 497
2020-2025: 727

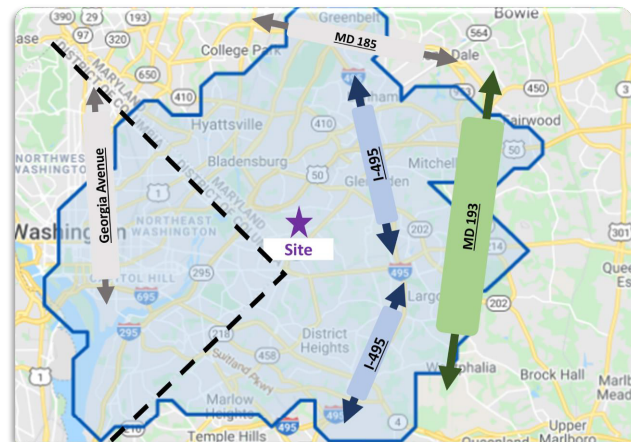


Employment Growth
2015-2020: 140
2020-2025: 318



Seat Pleasant AMI
55,370 USD

30-Min Rush Hour Drivetime



Map Source: Costar

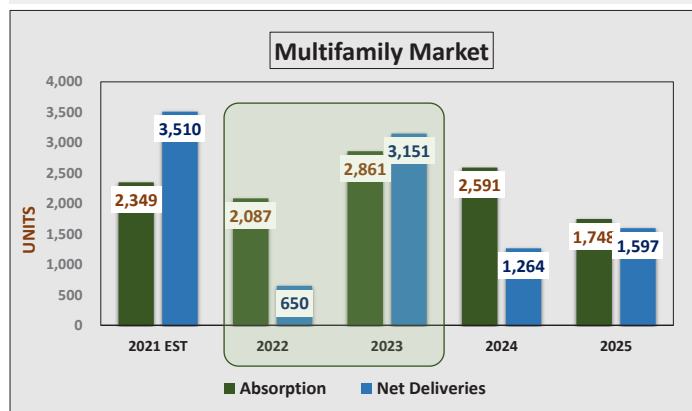


4. Market Analysis: Multifamily Trends

Supply - Demand Summary

- 2022 & 2023 Delivery Gap: 2,066 Units
- Rent Rates: \$2.01 Per SF/Month
- Current Vacancy: 7.0%
- Vacancy Declines after 2023

30-Min Rush Hour Drivetime



Source: Costar



4. Market Analysis: Multifamily Comparable Properties

Inventory Overview

- Shortage in new Deliveries
- Prior to 2010: \$1.50 Per SF/Month
- After 2010: Above \$2.00 Per SF/Month
- High Occupancy Rates & Low Availability
- Growing Newly Proposed Comps



Building Name	Address	Units	Yr Blt/Ren	Rent/SF	Rent/Unit	Occ %	Neighborhood
Pleasant Homes Apartments	6606 Greig St	286	1950/-	\$1.47	\$1,058	100%	Seat Pleasant
Regency Lane	6806-6868 Walker Mill Rd	172	1972/2010	\$1.28	\$1,172	99%	Walker Mill
Woodland Springs	6617 Atwood St	506	1950/-	\$1.43	\$1,171	98%	District Heights
EastBrooke at Beulah Crossing	323 62nd St NE	39	2015/-	\$2.01	\$1,380	100%	Grant Park

Source: Costar



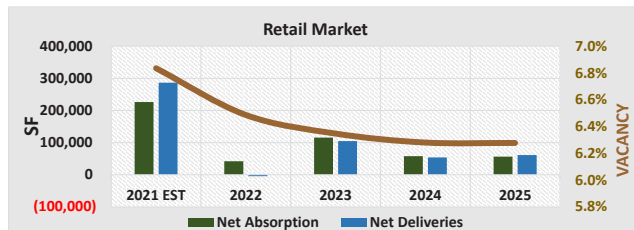
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4. Market Analysis: Retail Trends

Supply - Demand Summary

- Absorption rises when moving closer to the site
- Delivery Shortage in 2022 to 2024
- Decreasing vacancy rates
- Stabilized \$30.00 PSF, after 2022

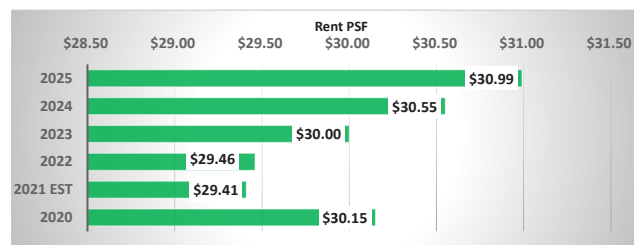
30-Min Rush Hour Drivetime



Source: Costar

2020 Retail Demand Leakage

- Total Retail Trade : **\$1,023,342,344**
- Sporting /Hobby/Musical Stores: **\$75,781,382**
- Restaurants/Other Eating Places: **\$122,547,570**



Source: Costar

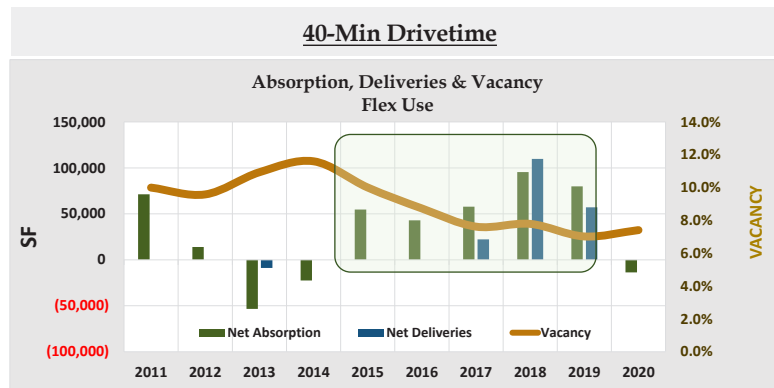


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4. Market Analysis: Flex Trends

Supply - Demand Summary

- Built-To-Suit Asset Type
- Rapidly Expanding Market Since 2016
- Decreasing Vacancy Rates Since 2015
- Stabilized \$25.00 PSF Rent Rates from 2023.
- 37,000 SF Annual Demand 2022-2025 for the Site



Source: Costar



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5. Design Proposal

- 36 Affordable Units @50%AMI
- 130 Fair Market Rate Units
- 50 Below Surface & 40 Surface Residential Parking
- Ground Floor CVS Store
- 40 Surface Parking – Retail Use
- Steel Structure & High-Quality Construction
- Grocery Store at Home's Doorsteps! (ALDI)
- Community Heritage Branding (Basketball Academy)



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5. Project Timeline:



Task	J-22	F-22	M-22	A-22	M-22	J-22	J-22	A-22	S-22	Q-22	N-22	D-22	J-23
Phase 1													
Acquisition Land Assemblage & Entitlement	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Construction	2%	12%	15%	20%	30%	55%	75%	85%	90%	93%	95%	100%	100%
Lease up	0%	0%	0%	0%	0%	0%	0%	0%	0%	5%	15%	20%	25%
Phase 2													
Acquisition Land Assemblage & Entitlement	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Construction	0%	0%	0%	0%	0%	2%	12%	30%	40%	50%	70%	85%	90%
Lease up	0%	0%	0%	0%	0%	0%	0%	0%	30%	30%	30%	70%	70%

F-23	M-23	A-23	M-23	J-23	J-23	A-23	S-23
100%	100%	100%	100%	100%	100%	100%	100%
100%	100%	100%	100%	100%	100%	100%	100%
30%	40%	50%	60%	70%	85%	95%	100%
100%	100%	100%	100%	100%	100%	100%	100%
100%	100%	100%	100%	100%	100%	100%	100%
100%	100%	100%	100%	100%	100%	100%	100%

Phase 1:

Acquisition, Land Assemblage & Entitlement: 12 Months Leading to January 2022

Construction: 12 Months

Leas up: 12 Months

Phase 2:

• **Acquisition, Land Assemblage & Entitlement:** 12 Months Leading to January 2022

• **Construction:** 9 Months

• **Leas up:** 12 Months



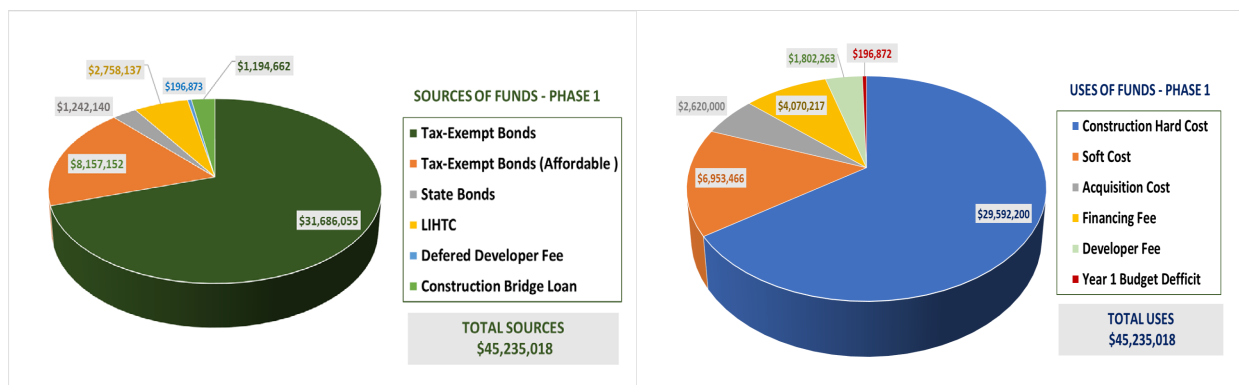
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6. Financial Analysis – Phase 1: Sources & Uses



(Mix-Use/Mix-Income, 4% LIHTC)

- Tax-Exempt Bonds Financing (MD CDA Section 542 (c))
- 4% LIHTC : (30%) Basis Increase (HUD Difficult Development Area)



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6. Financial Analysis – Phase 1: Unit Mix & Revenue

Phase 1 (Multifamily Building)										
Unit Mix	AMI	Unit	Residential	Total	GROSS	Per	Utility	EFF.	Monthly	Annual
	Target	Size	Units	SQFT	RENT	SQFT	Allowances	RENT		
Efficiencies	50%	660	4	2,640	\$1,102	\$1.67	\$0	\$1,102	\$4,408	\$52,896
Efficiencies	MKT	660	6	3,960	\$1,357	\$2.06	\$0	\$1,357	\$8,142	\$97,704
1 BR	50%	858	24	20,592	\$1,181	\$1.38	\$0	\$1,181	\$28,344	\$340,128
1 BR	MKT	858	112	96,096	\$1,565	\$1.82	\$0	\$1,565	\$175,280	\$2,103,360
2 BR	50%	1,198	8	9,584	\$1,417	\$1.18	\$0	\$1,417	\$11,336	\$136,032
2 BR	MKT	1,198	12	14,376	\$1,778	\$1.48	\$0	\$1,778	\$21,336	\$256,032
		887	166	147,248	\$1,499	\$1.69	\$0	\$1,499	\$248,846	\$2,986,152

AFF UNITS Number **36**
MKT UNITS Number **130**

Average Rent -MKT
\$1,575

Average Rent-AFF
\$1,225



6. Financial Analysis – Phase 1: Proforma

RESIDENTIAL (MARKET)	Year 1	Year 2	Year 5	Year 10	Year 15	Year 17	Year 20
RENTAL INCOME							
Rental Income	\$2,169,316	\$2,603,179	\$2,762,514	\$3,050,039	\$3,367,489	\$3,503,536	\$3,717,980
Less: Vacancy Loss/Bad Debt	(\$121,482)	(\$121,482)	(\$121,482)	(\$121,482)	(\$121,482)	(\$121,482)	(\$121,482)
Less: Concessions	(\$8,677)	(\$8,677)	(\$8,677)	(\$8,677)	(\$8,677)	(\$8,677)	(\$8,677)
Nonresidential Income (Retail Component)	\$137,025	\$139,766	\$148,320	\$163,758	\$180,802	\$188,106	\$199,620
NET RENTAL INCOME	\$2,176,182	\$2,612,785	\$2,780,675	\$3,089,637	\$3,418,132	\$3,561,483	\$3,787,441
OPERATING EXPENSES							
TOTAL EXPENSES	\$799,502	\$823,488	\$899,847	\$1,043,169	\$1,209,319	\$1,282,967	\$1,401,932
NET OPERATING INCOME	\$1,376,679	\$1,789,298	\$1,880,828	\$2,046,468	\$2,208,813	\$2,278,516	\$2,385,508
Payments Federal Bonds-Taxable	\$1,332,607	\$1,332,607	\$1,332,607	\$1,332,607	\$1,332,607	\$1,332,607	\$1,332,607
DSCR	1.03	1.34	1.41	1.53	1.66	1.71	1.79
CASH FLOW	\$44,072	\$456,691	\$548,222	\$707,861	\$876,206	\$945,909	\$1,052,902
Debt Service: State Bonds	\$51,744	\$49,156	\$49,156	\$49,156	\$49,156	\$49,156	\$49,156
DSCR	0.99	1.29	1.36	1.48	1.60	1.65	1.73
Service: Construction Bridge Loan	\$45,404	\$43,413	\$43,413	\$43,413	\$43,412.9	\$43,412.9	\$43,412.9
NET CASH FLOW	(\$53,075)	\$364,122	\$455,653	\$615,293	\$827,050	\$896,754	\$1,003,746
DSCR	0.96	1.26	1.32	1.43	1.60	1.65	1.73
Deferred Developer Fee	\$0	\$49,218	\$49,218	\$49,218	\$49,218	\$49,218	\$49,218
NET CASH FLOW	(\$53,075)	\$314,904	\$406,435	\$615,293	\$827,050	\$896,754	\$1,003,746
DSCR	0.96	1.21	1.28	1.43	1.55	1.60	1.67

- Differed Developer Fee Payment:
Year 1-5
- Rent Increase : 2.0%
- Expenses Increase: 3.0%
- Vacancy Rate: 3.0%

RESIDENTIAL (AFFORDABLE)	Year 1	Year 2	Year 5	Year 11	Year 15	Year 17	Year 20
RENTAL INCOME Monthly							
Rental Income	\$44,088	\$529,056	\$539,637	\$572,667	\$644,916	\$767,894	\$847,817
NET RENTAL INCOME	\$42,814	\$513,766	\$524,042	\$556,117	\$626,278	\$745,702	\$823,316
TOTAL OPERATING EXPENSES	\$96,500	\$99,395	\$108,612	\$129,688	\$145,965	\$154,854	\$169,213
NET OPERATING INCOME	\$417,266	\$424,647	\$447,506	\$447,506	\$496,590	\$599,737	\$654,102
Debt Service Payments-Federal Bonds-Tax-exempt	\$425,265	\$425,265	\$425,265	\$425,265	\$425,265	\$425,265	\$425,265
NET CASH FLOW	(\$7,999)	(\$618)	\$22,241	\$71,325	\$174,473	\$195,710	\$228,837
DSCR	0.98	1.00	1.05	1.17	1.41	1.46	1.54



6. Financial Analysis – Phase 1: Equity Waterfall

WATERFALL STRUCTURE

Cash Flow From Operations Split		GP Cash Flow	LP Cash Flow
Up To Preferred Return		5.00%	95.00%
Above Preferred Return		15.00%	85.00%
Sale Proceeds Split		GP Share	LP Share
Cash Flow Split		15.0%	85.0%

LTV	94%
Loan Amount	\$42,734,663
Interest Rate	2.50%
Amortization	480 Months
Monthly Payment	\$140,930
Ending Balance @ Sale	\$31,414,257

Total Project Cost	\$45,462,407
Going-In Cap Rate	5.20%
Annual NOI Growth	0.00%
Sale @ EOY	Year 15
Exit Cap Rate	5.10%

RETURN

GP Equity	5%
LP Equity	95%
Preferred Cash-on-Cash Return	5.0%

Project-Level IRR	9.24%
Project-Level EM	7.87x
Project-Level Avg. C-o-C	16.0%

LP IRR	9.24%
LP EM	7.29x
LP Avg. C-o-C	15.96%

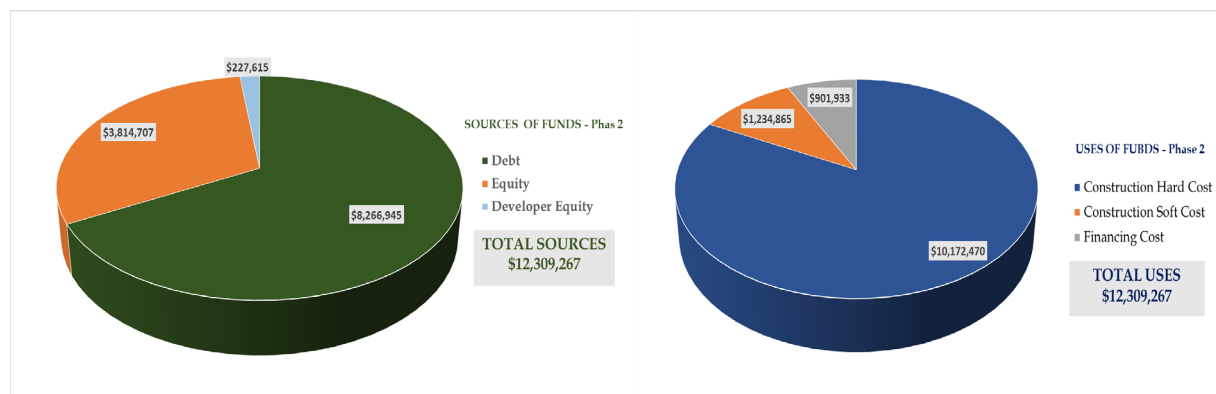
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Days in Year	365	365	366	365	365	365	366	365	365	365	366	365	365	365	366
Preferred Cash-on-Cash Check	0.70%	2.18%	3.40%	4.64%	5.89%	16.12%	17.40%	18.69%	19.99%	21.30%	22.63%	23.97%	25.32%	26.68%	30.53%
Total Project-Level Cash-on-Cash	0.7%	2.2%	3.4%	4.6%	5.9%	16.1%	17.4%	18.7%	20.0%	21.3%	22.6%	24.0%	25.3%	26.7%	30.5%
Total LP Cash-on-Cash	0.7%	2.2%	3.4%	4.6%	5.9%	16.1%	17.4%	18.7%	20.0%	21.3%	22.6%	24.0%	25.3%	26.7%	30.5%
Total GP Cash-on-Cash	0.7%	2.2%	3.4%	4.6%	5.9%	16.1%	17.4%	18.7%	20.0%	21.3%	22.6%	24.0%	25.3%	26.7%	30.5%



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7. Financial Analysis Sources & Uses-Phase 2

Conventional Fair Market Retail Lending



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7. Financial Analysis-Phase 2: Proforma



PHASE 2 PROFORMA	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
WELLNESS CENTER											
Rental Income	\$136,080	\$137,441	\$140,190	\$144,395	\$148,727	\$153,189	\$157,785	\$162,518	\$167,394	\$172,416	\$177,588
Other Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Economic Vacancy Loss	(\$10,206)	(\$8,590)	(\$5,608)	(\$5,054)	(\$5,205)	(\$5,362)	(\$5,522)	(\$5,688)	(\$5,859)	(\$6,035)	(\$6,216)
NET RENTAL INCOME	\$125,874	\$128,851	\$134,582	\$139,341	\$143,522	\$147,827	\$152,262	\$156,830	\$161,535	\$166,381	\$171,372
BASKETBALL ACADEMY & Wellness Center											
Rental Income	\$269,192	\$271,884	\$277,322	\$285,641	\$294,210	\$303,037	\$312,128	\$321,492	\$331,136	\$341,071	\$351,303
Other Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Economic Vacancy Loss	(\$20,189)	(\$16,993)	(\$11,093)	(\$9,997)	(\$10,297)	(\$10,606)	(\$10,924)	(\$11,252)	(\$11,590)	(\$11,937)	(\$12,296)
NET RENTAL INCOME	\$249,003	\$254,891	\$266,229	\$275,644	\$283,913	\$292,431	\$301,203	\$310,240	\$319,547	\$329,133	\$339,007
ALDI & Food Hall											
Rental Income	\$362,193	\$365,815	\$373,131	\$384,325	\$395,855	\$407,730	\$419,962	\$432,561	\$445,538	\$458,904	\$472,671
Other Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Economic Vacancy Loss	(\$27,164)	(\$22,863)	(\$14,925)	(\$13,451)	(\$13,855)	(\$14,271)	(\$14,699)	(\$15,140)	(\$15,594)	(\$16,062)	(\$16,543)
NET RENTAL INCOME	\$335,028	\$342,951	\$358,206	\$370,874	\$382,000	\$393,460	\$405,264	\$417,422	\$429,944	\$442,842	\$456,128
TOTAL NOI	\$709,905	\$726,693	\$759,017	\$785,859	\$809,435	\$833,718	\$858,729	\$884,491	\$911,026	\$938,357	\$966,507
Debt Service	\$617,862	\$617,862	\$617,862	\$617,862	\$617,862	\$617,862	\$617,862	\$617,862	\$617,862	\$617,862	\$617,862
CASH FLOW	\$92,043	\$108,831	\$141,155	\$167,997	\$191,573	\$215,856	\$240,867	\$266,629	\$293,164	\$320,495	\$348,645
DSCR	1.15	1.18	1.23	1.27	1.31	1.35	1.39	1.43	1.47	1.52	1.56

Tenant	Net Rentable SF	Rent PSF (NNN)	Monthly Rent	Annual Rent	Physical Vacancy	1	2	3	4	5	6	7	8	9	10	11
Gym and Wellness Center	5,040	\$27	\$11,340	\$136,080	5.00%	4.50%	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Basketball Academy	11,704	\$23	\$22,433	\$269,192	1.00%	0.75%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
ALDI & Food Hall	16,463	\$22	\$30,183	\$362,193	1.00%	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	33,207	24	63,955	767,465	Operating Costs	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
					Economic Vacancy	7.50%	6.25%	4.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
					Market Rent Growth	1.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
					Other Income Growth	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%



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7. Financial Analysis-Phase 2: Equity Waterfall



WATERFALL STRUCTURE

Cash Flow From Operations Split	GP Cash Flow	LP Cash Flow	Total Project Cost	\$15,406,922	LTV	70%
Up To Preferred Return	0.00%	100.00%	Going-In Cap Rate	7.80%	Loan Amount	\$10,784,845
Above Preferred Return	15.00%	85.00%	Annual NOI Growth	0.00%	Interest Rate	4.00%
Sale Proceeds Split	GP Share	LP Share	Sale @ EOY	Year 10	Amortization	360 Months
Cash Flow Split	15.0%	85.0%	Exit Cap Rate	6.20%	Monthly Payment	\$51,489
					Ending Balance @ Sale	\$8,496,728

RETURN

GP Equity	5%	Project-Level IRR	13.1%	LP IRR	12.8%
LP Equity	95%	Project-Level EM	2.97X	LP EM	2.9x
Preferred Cash-on-Cash Return	7.0%	Project-Level Avg. C-o-C	6.12%	LP Avg. C-o-C	6.44%

Year	1	2	3	4	5	6	7	8	9	10
Days in Year	365	365	366	365	365	365	366	365	365	365
Preferred Cash-on-Cash Check	3.61%	4.00%	4.73%	5.34%	5.88%	6.43%	7.74%	8.35%	8.82%	9.46%
Total Project-Level Cash-on-Cash	3.4%	3.8%	4.5%	5.1%	5.6%	6.1%	7.4%	7.9%	8.4%	9.0%
Total LP Cash-on-Cash	3.6%	4.0%	4.7%	5.3%	5.9%	6.4%	7.7%	8.4%	8.8%	9.5%
Total GP Cash-on-Cash	6.9%	7.6%	9.0%	10.2%	11.2%	12.2%	14.7%	15.9%	16.8%	18.0%



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7. Financial Analysis: Phase 2 Proforma (OZI)



- Average Rent PSF : \$30 PSF
- Lease Type: Full Service
- Other Assumptions: Same as Phase 2 Conventional Model

PHASE 2 PROFORMA - OZI Deal	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
WELLNESS CENTER											
Rental Income	\$268,800	\$271,488	\$276,918	\$285,225	\$293,782	\$302,596	\$311,673	\$321,024	\$330,654	\$340,574	\$350,791
OZI Tax Incentives (Long-Term Investment)	\$51,610	\$52,126	\$53,168	\$54,763	\$56,406	\$58,098	\$59,841	\$61,637	\$63,486	\$65,390	\$67,352
NET RENTAL INCOME	\$206,170	\$210,939	\$219,964	\$228,579	\$237,452	\$246,592	\$256,005	\$265,701	\$275,688	\$285,975	\$296,570
BASKETBALL ACADEMY											
Rental Income	\$252,000	\$254,520	\$259,610	\$267,399	\$275,421	\$283,683	\$292,194	\$300,960	\$309,988	\$319,288	\$328,867
OZI Tax Incentives (Long-Term Investment)	\$46,368	\$46,832	\$47,768	\$49,201	\$50,677	\$52,198	\$53,764	\$55,377	\$57,038	\$58,749	\$60,511
NET RENTAL INCOME	\$189,588	\$194,065	\$202,535	\$210,627	\$218,962	\$227,547	\$236,389	\$245,497	\$254,878	\$264,540	\$274,492
ALDI & FOOD HALL											
Rental Income	\$485,234	\$490,087	\$499,888	\$514,885	\$530,332	\$546,242	\$562,629	\$579,508	\$596,893	\$614,800	\$633,244
OZI Tax Incentives (Long-Term Investment)	\$100,444	\$101,448	\$103,477	\$106,581	\$109,779	\$113,072	\$116,464	\$119,958	\$123,557	\$127,264	\$131,081
NET RENTAL INCOME	\$366,976	\$375,708	\$392,243	\$408,170	\$424,574	\$441,470	\$458,873	\$476,799	\$495,262	\$514,279	\$533,866
NOI/Total Phase 2	\$762,733	\$780,712	\$814,742	\$847,376	\$880,988	\$915,609	\$951,268	\$987,997	\$1,025,828	\$1,064,794	\$1,104,929
Debt Service	\$617,862	\$617,862	\$617,862	\$617,862	\$617,862	\$617,862	\$617,862	\$617,862	\$617,862	\$617,862	\$617,862
DSCR	1.23	1.26	1.32	1.37	1.43	1.48	1.54	1.60	1.66	1.72	1.79
CASH FLOW	\$144,871	\$162,850	\$196,880	\$229,513	\$263,126	\$297,747	\$333,406	\$370,135	\$407,966	\$446,932	\$487,067
Less Tax Payments Time-Value of Cash Payments @2% annual inflation	(\$9,059)	(\$9,056)	(\$8,878)	(\$8,878)	(\$8,878)	(\$8,878)	(\$8,878)	(\$8,878)	(\$8,878)	(\$8,878)	\$0
NET CASH FLOW	\$144,871	\$153,794	\$188,002	\$220,635	\$254,248	\$288,869	\$324,528	\$361,257	\$399,088	\$438,054	\$487,067
DSCR after Time Value Adjustment	1.23	1.25	1.30	1.36	1.41	1.47	1.53	1.58	1.65	1.71	1.79



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7. Financial Analysis: Phase 2/QOZI Equity Waterfall



WATERFALL STRUCTURE

Cash Flow From Operations Split	GP Cash Flow	LP Cash Flow
Up To Preferred Return	0.00%	100.00%
Above Preferred Return	15.00%	85.00%
Sale Proceeds Split	GP Share	LP Share
Cash Flow Split	15.0%	85.0%

Total Project Cost	\$15,406,922
Going-In Cap Rate	7.80%
Annual NOI Growth	0.00%
Sale @ EOY	Year 10
Exit Cap Rate	6.20%

LTV	70%
Loan Amount	\$10,784,845
Interest Rate	4.00%
Amortization	360 Months
Monthly Payment	\$51,489
Ending Balance @ Sale	\$8,496,728

RETURN

GP Equity	5%
LP Equity	95%
Preferred Cash-on-Cash Return	7.0%

Project-Level IRR	23.29%
Project-Level EM	4.15X
Project-Level Avg. C-o-C	18.44%

LP IRR	23.49%
LP EM	4.0x
LP Avg. C-o-C	19.80%

Year	1	2	3	4	5	6	7	8	9	10
Days in Year	365	366	365	365	365	366	365	365	365	366
Preferred Cash-on-Cash Check	16.7%	17.1%	17.9%	18.6%	19.3%	20.1%	20.8%	21.6%	22.5%	23.3%
Total Project-Level Cash-on-Cash	15.9%	16.3%	17.0%	17.7%	18.3%	19.1%	19.8%	20.6%	21.3%	22.1%
Total LP Cash-on-Cash	16.7%	17.1%	17.9%	18.6%	19.3%	20.1%	20.8%	21.6%	22.5%	23.3%
Total GP Cash-on-Cash	202.8%	276.7%	288.6%	300.1%	311.9%	324.1%	336.6%	349.5%	362.8%	376.5%



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7. Financial Analysis: Phase 2 Revision Scenario



- Stabilization Year: 2023
- First Exist Year: 2031 (Year 7)
- Preferred Exit Year: 2033 (Year 10)

REVISION SCENARIO-Phase 2							
Year	NOI	Cap Rate	Sale Estimate	Sale Cost (Less 5%)	Net Revision Value	Depreciation Estimate	Residual Land Value
2025	\$0	6.45%	\$11,266,562	(\$563,328)	\$10,703,234	(\$512,821)	(\$2,741,189)
2027	\$0	6.40%	\$12,647,416	(\$632,371)	\$12,015,045	(\$1,025,641)	(\$1,429,378)
2029	\$0	6.35%	\$13,523,295	(\$676,165)	\$12,847,130	(\$1,538,462)	(\$597,293)
2031	\$0	6.30%	\$14,460,727	(\$723,036)	\$13,737,691	(\$2,051,282)	\$293,268
2034	\$0	6.20%	\$15,588,827	(\$779,441)	\$14,809,386	(\$2,564,103)	\$1,364,963



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Thank you!



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Proposal 5: **East King**



Executive Summary

COLVIN CAPSTONE COMPETITION JUDGES SUMMARY

Spring 2021

Weishi Zhang, **East King**

I. Introduction

- Scope of the Project
 - East King is a mixed-use, mixed-income “triple crown” redevelopment project in the City of Seat Pleasant. The development is more than a place to live, play and stay. It is a place that combines the idea of smart growth with the idea of breathing new life into the City of Seat Pleasant.
- Location (Map attached in the Page 5)
 - In Prince George’s county less than one mile from the eastern boundary of Washington D.C.; and in front on Martin Luther King Jr. highway.
- Uses Proposed:
 - Residential (Consists of Two Parts):
 - 124,900 SF with 163 Units
 - Apartments (4 stories with 139 units); 106 Market rent units and 33 Affordable units
 - Garden Apartments/Walkup Units (2 stories with 24 units)
 - Retail
 - 38,796 SF Ground Level Retail
 - Parking
 - 63,011 SF of surface parking lot (total 210 spaces).
 - Site Improvements
 - 32,528 SF of new public open space

II. Market and Demographic Context

- Market Supply and Demand
 - In the City of Seat Pleasant: Multifamily buildings are old; no class A or B multifamily property; High demand of healthier life choice; gathering place and affordable housing.
 - Target Market area: City of Seat Pleasant; up to 5-mile radius area & Washington DC Metro Area.

- (5-mile radius) 10,640 Class A & Class B multifamily inventory units with 2,335 under construction units, 12-month absorption is 834 units, cap rate at 4.6%.
- (3-mile radius) 917,000 SF inventory (20K~50K SF retail); 0 SF under construction; 12-month net absorption 3,000 SF; cap rate at 6.9%.
- The 2019 median household income of City of Seat Pleasant is \$55,370, lower than 80% of the statewide or the metropolitan area median household income.
- 4,739 population with a low population growth rate.
- Vacancy Rates for Comps (Vacancy rate are all expected to decrease)
 - Affordable Rental Multifamily: 2.3%
 - Market Rental Multifamily: 5.6%
 - Retail Market: 3.5%
- Competition: Competition mainly come from Washington DC properties
- Comparable
 - Affordable Rent Rate: Based on Novogradac Rent & Income Limit Calculator© rent rate requirement for property placed in service after 2021. Studio: \$1,128; 1 BR: \$1,209; 2 BR: \$ 1,451
 - Garden Apartments/Walkup Units Rent Rate: Based on 20743 zip code 2021 Fair Market Rent Requirement for 2BR: \$1,350
 - Multi-family Market rent PSF: Studio: \$3.06; 1 BR: \$2.64; 2BR: \$2.21
 - Retail market rent: \$ 21.43 PSF

III. Key Project Opportunities

- Financial
 - Capture different level income individuals and households in the market area; add value to the retail; benefits from low-income tax credits and tax-exempt bonds.
 - Opportunity Zone: Entitles investors with high, unrealized capital gains to cash in the appreciation of investors' gains & deferring the investors' taxes on the gains
 - Sustainable Community: Could apply National Capital Strategic Economic Development Fund (NED) and Strategic Demolition Funds (SDF)
 - Enterprise Zone (Commerce): Has real estate tax credit for new commercial use construction

- Priority Funding Area (Has priority to get funds over other projects)
- Low-Income Community: Has potential to use New Markets Tax Credit (NMTC)
- Social Environmental
 - Create a safe and walkable place and targets LEED GOLD Certification Sustainable Design.
 - Placemaking -Create green roof terrace, green open space, outdoor dining place.
 - Benefits from future redevelopment in the City of Seat Pleasant.
- Social Impact (redevelopment “triple crown”)
 - Increase site value; Provide a higher-quality built environment and experience; Serve as a social need; Act as an economic driver
- Community Benefits
 - More Tax revenues; Street Improvements that aligns with the new urban design and City’s master plan; Job opportunities
 - A free shuttle bus from the site to the nearby two Metro stations

IV. Key Project Challenges/Risks

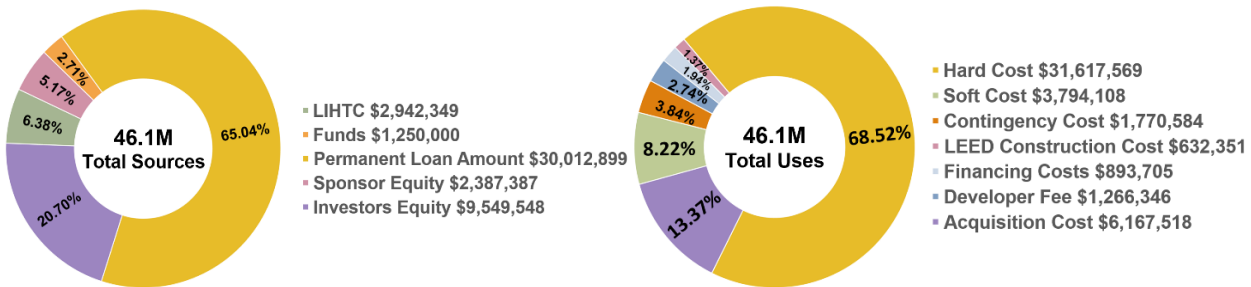
- Complex land acquisition with multiple landowners
- Existing retail tenants
- Less curb cuts from Martin Luther King Jr. highway
- Potential resistance from some local residents

V. Financial Information

- Project Budget Summary
 - Total Development Cost: \$46,142,182
 - \$153.95 Construction Cost Per GSF (Including Surface Parking Lot)
 - \$143,327 Construction Cost Per Residential Unit
- Key Pro Forma Assumptions
 - Debt Coverage Ratio:1.20 (DSCR Year 1: 1.70)
 - Loan Interest Rate:4% for construction part and 3.5% for permanent part Multifamily tax-exempt bond, 221(d)(4), a construction to permanent loan
 - Mortgage Term: 40 years
 - Exit Term: 8 Years
 - NOI:

- Year 1: \$2,375,725
- Year 5: \$3,392,100
- Year 8: \$3,925,486
- Year 10: \$3,932,322
- Stabilization Year: Year 5
- Construction Term: 18 Months
- Predevelopment Months: 22 Months

- Sources of and Uses



- Financial Returns

- Leveraged/Unleveraged IRR: 25.56% & 12.67% (See attached table)
- Before Tax Equity Reversion: \$42,136,161
- Cash on Cash Return 20.7%
- Equity Multiplier: 4.89x
- Developer Fee: 2.74% to total project cost

- Sensitivity Analysis

- Different Cap Rate to Different IRR, NPV, Before Tax Equity Reversion & Equity Multiple

Sell At Year 8			Sell at Year 8		
Cap Rate	Levered IRR	Unlevered IRR	Year 9 NOI	\$ 4,056,400	
Cap Rate	Levered IRR	Unlevered IRR	Cap Rate	Reversion Value	Before Tax Equity Reversion
5.00%	27.37%	13.73%	5.00%	\$ 81,127,997	\$ 51,047,549
5.50%	25.62%	12.68%	5.50%	\$ 73,752,725	\$ 42,264,914
6.50%	22.49%	10.90%	6.50%	\$ 62,406,152	\$ 33,074,577
7.00%	21.07%	10.14%	7.00%	\$ 57,948,569	\$ 28,795,298
8.00%	18.43%	8.81%	8.00%	\$ 50,704,998	\$ 21,841,470
8.50%	17.20%	8.22%	8.50%	\$ 47,722,351	\$ 18,978,129

Sell At Year 8		Sell At Year 8		
Cap Rate	Equity Multiple	Cap Rate	Levered NPV	Unlevered NPV
5.00%	5.48	5.00%	\$ 24,166,934	\$ 15,994,199
5.50%	4.89	5.50%	\$ 20,480,459	\$ 12,307,724
6.50%	3.98	6.50%	\$ 14,808,957	\$ 6,636,222
7.00%	3.62	7.00%	\$ 12,580,867	\$ 4,408,132
8.00%	3.04	8.00%	\$ 8,960,221	\$ 787,486
8.50%	2.80	8.50%	\$ 7,469,367	\$ (703,368)

Base Assumptions

Year 5 NOI:\$3,392,100

Incremental Increase/Decrease

NOI:\$100,000

Exit Cap Rate:5.5%

Required Project Yield:7.0%

Required NOI:\$3,229,953

NOI/Cost Sensitivity, Impact on Yield

\$1,000,000 Cost Reduction/Increase

\$100,000 NOI Reduction/Increase

Stabilized Yield:7.35%

Project Cost: \$1,000,000

Spread (Bps):150

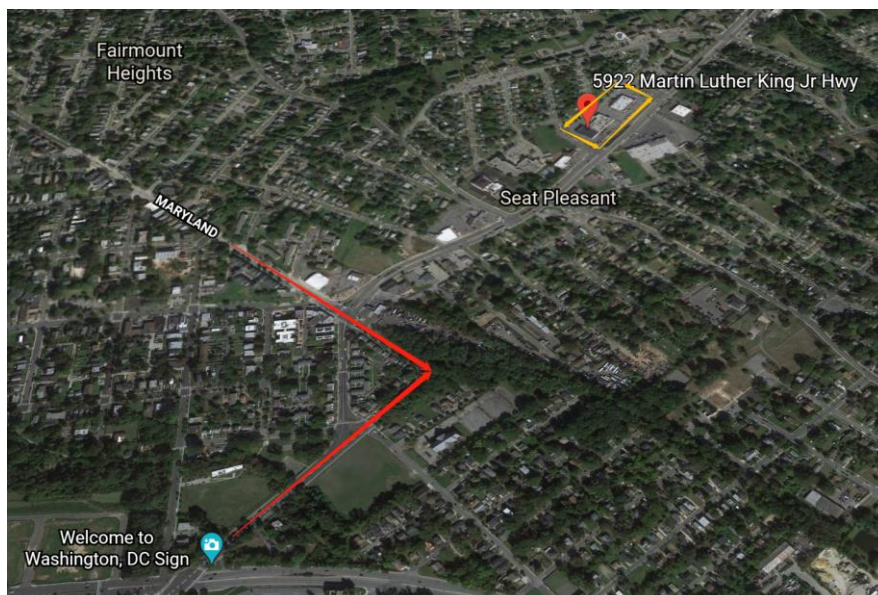
Contingency: 5.02%

Maximum Project Cost: \$48,458,578

0.17%

0.22%

STABILIZED NOI (Year 5)				PROJECT COST			
	43,142,182	44,142,182	45,142,182	46,142,182	47,142,182	48,142,182	49,142,182
3,692,100	8.56%	8.36%	8.18%	8.00%	7.83%	7.67%	7.51%
3,592,100	8.33%	8.14%	7.96%	7.78%	7.62%	7.46%	7.31%
3,492,100	8.09%	7.91%	7.74%	7.57%	7.41%	7.25%	7.11%
3,392,100	7.86%	7.68%	7.51%	7.35%	7.20%	7.05%	6.90%
3,292,100	7.63%	7.46%	7.29%	7.13%	6.98%	6.84%	6.70%
3,192,100	7.40%	7.23%	7.07%	6.92%	6.77%	6.63%	6.50%
3,092,100	7.17%	7.00%	6.85%	6.70%	6.56%	6.42%	6.29%



Presentation Slides



Agenda

- Project Summary
- Site Analysis
- Market Analysis
- Zoning
- Planning & Entitlements
- Key Strategies
- Proposed Development
- Project Timeline & Construction
- Financial Analysis
- Conclusion



Project Summary

- Residential
 - 124,900 SF (Consists of Two Parts)
 - 139 Apartments Units
 - 24 Walkup Units
- Retail
 - 38,796 SF Ground Level Retail
- Parking
 - 63,011 SF of Surface Parking Lot
 - 210 Spaces
- Site Improvements
 - 32,528 SF of New Public Open Space
- First Modern Mix-Use; Mix-Income property
- “Triple crown” Redevelopment Project



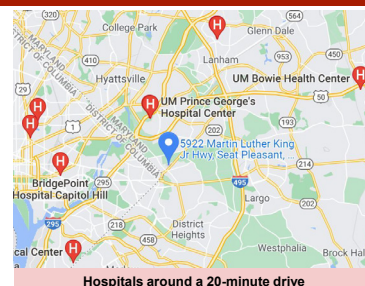
Site Analysis – Site Context

Site Information:

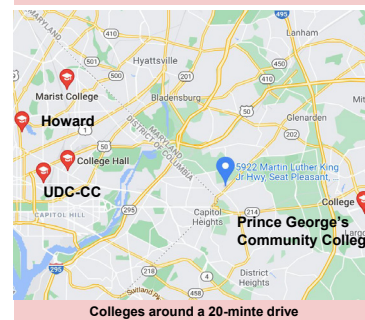
- 147,668.4 SF (3.39 Acres)
- Flat

Economic Driver:

- Health Care & Social Assistance (11%)
- Education (26%)



Hospitals around a 20-minute drive



Colleges around a 20-minute drive

Site Analysis - Accessibility

Relevant Distances:

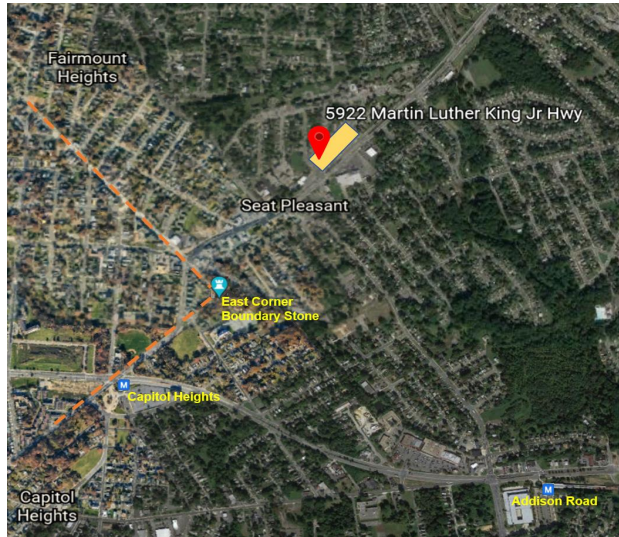
- Two Metro Stations – 1~1.3mile
- Ronald Reagan Airport - 11.5 mile
- On Site Bus Stop - 18 and A12 lines

Score:

- Walk Score - Somewhat Walkable (58)
- Transit Score - Minimal Transit (0)

Traffic Counts:

- 18,419



Site Analysis - Current Conditions (Class C Retail)



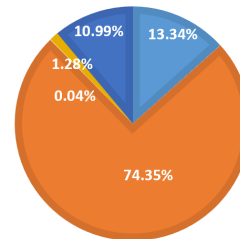
Market Analysis- Demographics

Population:

- City of Seat Pleasant 4,739
- Prince George's County 909,327
- Washington Metropolitan Area 6,196,585
- Market Area (up to 5-mile radius) 464,850

RACES IN WHOLE MARKET AREA, 2020

White (13.34%) Black (74.35%) Native American (0.04%)
Asian/Pacific (1.28%) Hispanic Origin (10.99%)



Demographics				
	Seat Pleasant	3 mile	5 miles	U.S.
2010 - 2020 Population Growth Rate	3.10%	5.23%	6.97%	6.30%
2020 Median Household Income	\$56,887	\$55,005	\$63,437	\$62,990
2010 - 2020 Household Growth Rate	3.50%	7.40%	9.24%	5.70%
2020 Average Household Size	2.56	2.57	2.51	2.53
2020 Average Household Retail Expenditure	\$68,316	\$67,992	\$73,954	\$63,036
2020 Population Under 35 years	53.68%	49.34%	48.70%	46.57%
Median Age	38.7	35.5	35.8	38.1

Source: Marcus & Milchap; U.S. Census Bureau; City-Data; Statistical Atlas

Market Analysis – Demographics (5-Mile Radius)

Median HH Income



\$63,437 | U.S. \$62,990

Per Capita Income



\$34,767 | U.S. \$34,935

HH Retail Expenditure



\$73,954 | U.S. \$63,036

20~34 Years Young People



22.65%

Median Age



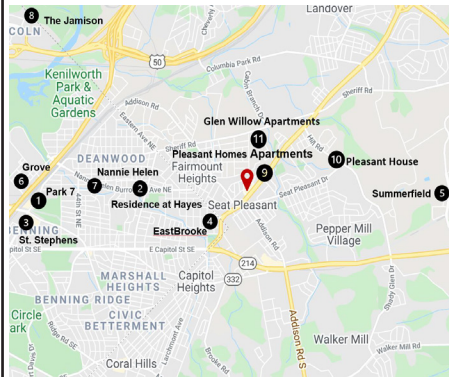
35.83

Bachelors & Graduate

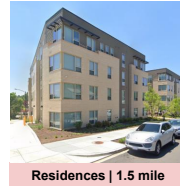


28.60%

Market Analysis – Multifamily (5 miles radius to the site)



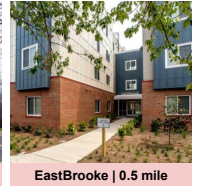
Park 7 | 3 mile



Residences | 1.5 mile



St. Stephens | 2.6 mile



EastBrooke | 0.5 mile



Summerfield | 3.5 mile



The Grove | 3 mile



Nannie Helen at 4800 | 1.7 mile



The Jamison | 4.4 mile

- Comps
 - Vacancy: 5.6% (market rent)
 - 2.3% (affordable rent)
- Cap rate: 4.6%
- Average Rent: \$1,614
- Inventory: 10,640 Units
- Under construction: 2,335 Units
- 12 Mo. Net Absorption: 284 Units

Market Analysis – Multifamily (Seat Pleasant)



Glen Willow Apartments

0.6 mile | 1965



Pleasant Homes Apartments

0.2 mile | 1950

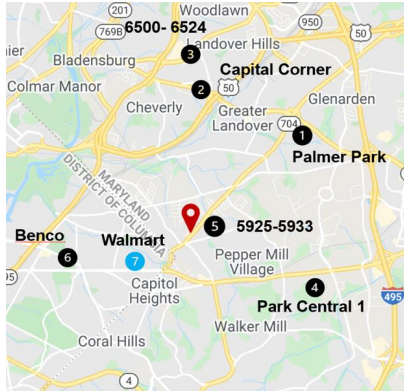


Pleasant House

1.3 mile | 1965

- Market Rent
- Vacancy 0%
- Affordable Rent
- Vacancy 0%
- Market Rent
- Vacancy 3.1%

Market Analysis – Retail (1-3-5-mile radius to the site) 20K-50K



Palmer Park Shopping Center | 2.6 mile



Capital Corner Center | 4.8 mile



6500-6524 Landover Rd | 4.6 mile



5925-5933 MLK | 0.2 mile



Benco Center | 2.2 mile



Park Central 1 | 2.6 mile



Walmart | 1 mile

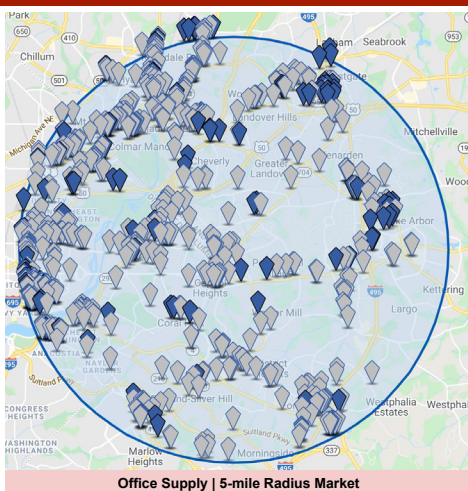
- Vacancy: 3.5%
- Cap rate: 6.9%
- Class C

- Inventory: 917,000 SF
- Under construction: 0 SF
- 12 Mo. Net Absorption SF: 3,000 SF

- Average Rent: \$21.43
- Proposed: \$33
- Assumption: \$22.59



Market Analysis – Office (5-mile)



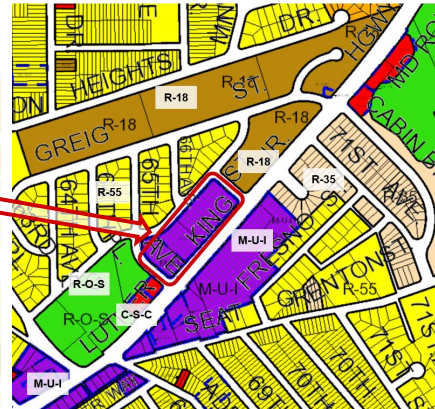
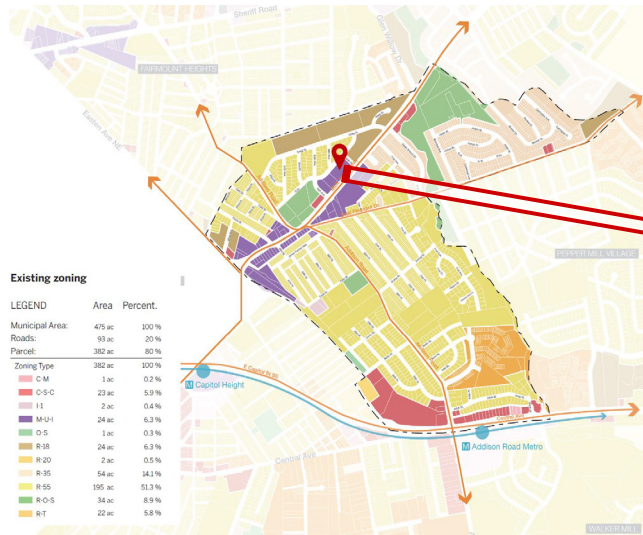
6400 Sheriff Rd | 1.5 mile



8700 Central Ave | 3.6 mile

- Unemployment Rate: 6.21%
- Inventory: 2.7 M SF
- Under construction: 474,000 SF
- Vacancy Rate: 14.2%
- Comps Vacancy Rate: 100% & 10%
- Costar Forecast: Net Absorption < Net Delivers
- Avg Rent: \$16-23 PSF

Zoning (Current & Surrounding Zoning)



Current Zoning
M-U-I: Mixed-Use Infill

Planning & Entitlements (M-U-I Zoning Regulations)

- Zoning Ordinance: Subtitle 27 of the County Code
- By Right- No rezoning needed
- Parking Requirement
 - Residential 1.33 parking per unit
 - Restaurant: for first 3000 sf, 150sf/parking; the rest 200sf/parking
 - Health club: 50sf/person; 4 persons/ parking
 - Other retail sale: 250sf/parking
- Parking Reduction
 - A mix of residential and commercial uses reduce 30%
 - Joint use of parking lot. Maximum reductions 40 spaces
 - Bus Stop on site reduce 5%
- Multifamily Requirement
 - Multifamily residential **densities up to forty-eight (48)** units per acre are permitted.
- Master Plan for The City of Seat Pleasant



- Planning & Entitlement
 - Subdivision Plan Approval
 - Conceptual & Detailed Site Plan Review
 - Permit Review
 - Approval of Request for Water & Sewer Service

Key Strategies – Placemaking



Unique Amenities

- Social Gathering Space
- Outdoor Dining
- Green Rooftop Terrace
- Outdoor Activities



Key Strategies – Convenient Transportation

Unique Amenities

- Free Shuttle Bus to the Metro Stations
- Bike Share Station
- Electric Vehicle Charging Station (Charge Point)
- Electric Scooter Station



Proposed Development –East King (Uses & Program)

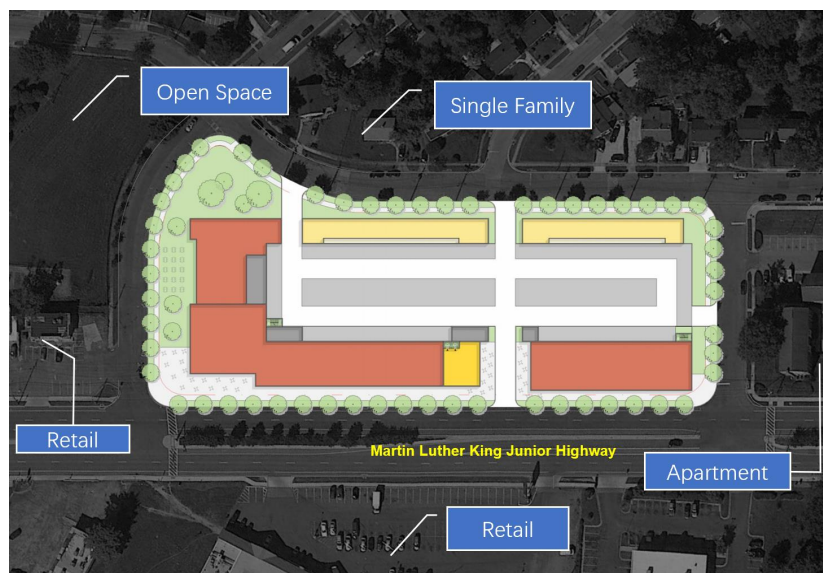
Program Mix:

- **Residential**
 - 143,815 sf with **163 Units**
 - 33 affordable
 - 106 Market-rate
 - 24 walkup unit (*Accept Section 8 Vouchers*)
- **Retail**
 - **38,796 sf**
- **Parking***
 - 63,011 sf with **210 spaces**
 - Convertible to open space
- **Green & Open Space**
 - **32,528 sf**

* Seeing reduction convert to open space or other potential use



Proposed Development (Site Plan-Future/Walkable/Corresponding)



Proposed Development - Environmental Impacts

- **Sustainability Design**

- Use **Native Plants**
- Reduce Impervious Surface Areas.
- Use high **Solar Reflectance Index (SRI)** coating materials
- Shape the hardscape area with trees
- Use **Open Grid Pavements** with at least 50% pervious.
- **Stormwater Management**
- **Permeable Pavement**
- **Rainwater Harvesting System**
- Encourage walking, biking and public transportation

- **LEED Gold Certificate**

- **Easy Access to Green & Open Space**

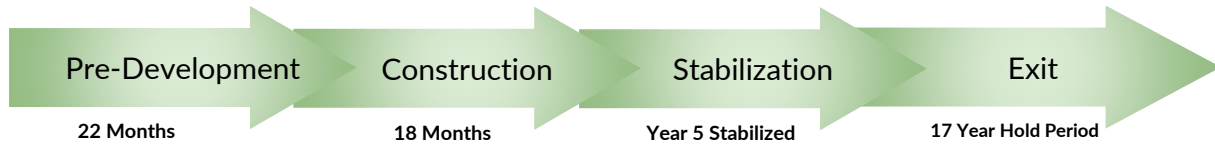


Proposed Development - Social Impacts

- Social & Economic Revitalization
- Drive Surrounding Building Buildouts
- Job Retention and Creation
- Tax Base Expansion
- Economic Benefits of Density and Connectivity
- Increasing Property Values
- Meeting Increasing Demand for Urban Living
- Affordable Housing in High Demand Area
- Better neighborhoods (walkable/infrastructure)



Project Timeline & Construction Cost



Mid-Rise Construction

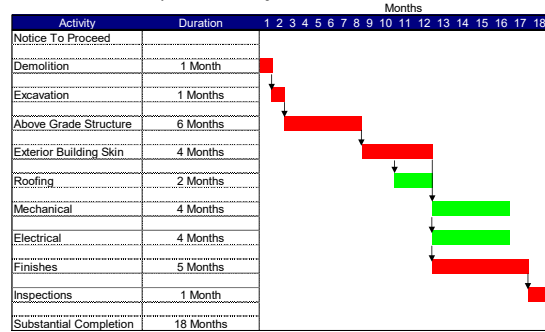
Building Materials: Concrete & Light Wood Frame

Construction Cost

- Demolition Cost: \$242,508
- New construction Cost \$31,374,989
- Total Hard Cost: \$ 31,617,569
- Total Soft Cost: \$3,794,108
- LEED Construction Premium 2%
- Contingency 5%

Total Construction Cost: \$37,814,613
(Total Project Cost \$46,142,182)

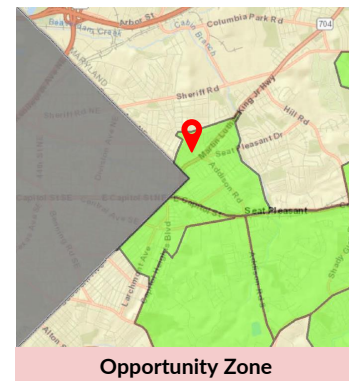
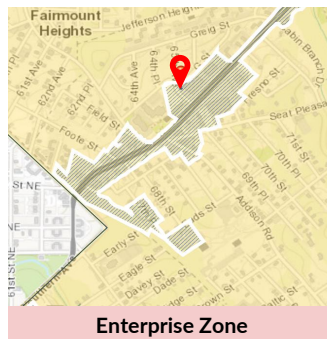
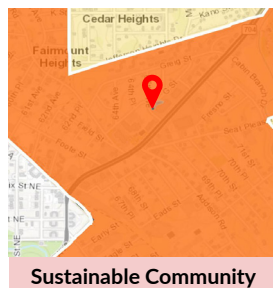
Construction Timeline Project Name: East King



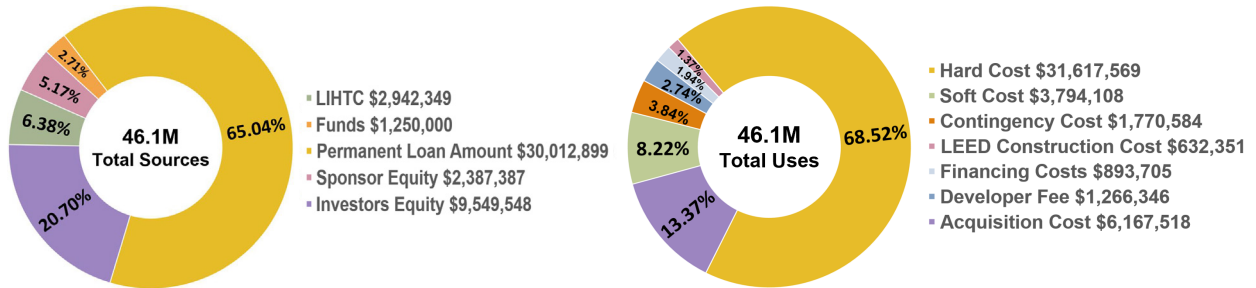
Financial Analysis - Opportunities



- ✓ Low-Income Tax Credits & Tax-Exempt Bonds
- ✓ Opportunity Zone
- ✓ Sustainable Community
- ✓ Enterprise Zone (Commerce)
- ✓ Priority Funding Area
- ✓ Low-Income Community



Financial Analysis - Sources & Uses



Funds

- National Capital Strategic Economic Development Fund (NED)
- Strategic Demolition Funds (SDF)

Loan

- FHA/HUD 221(d)(4)

Financial Analysis - Sustainability

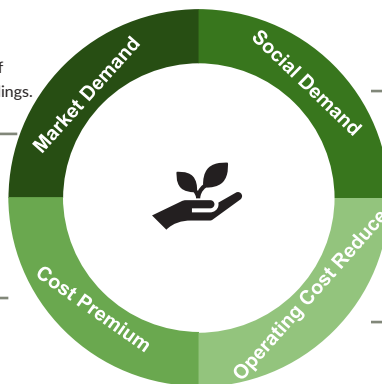


Market Demand

Demand result in a rent premium of 14% over non-LEED designed buildings.

Cost Premium

Sustainable design result in an 2% increase in construction costs.



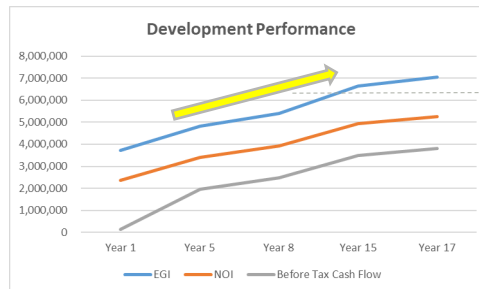
Social Demand

The City has begun exploring LEED guidelines for all new development. Compliance with the Master Plan.

Operating Cost Control

13% lower operating expenses for LEED designed buildings.

Financial Analysis – Pro Forma Summary



Pro Forma Summary					
	Year 1	Year 5	Year 8	Year 15	Year 17
EGI	3,721,574	4,812,121	5,399,765	6,639,471	7,043,209
OpEx	1,565,016	1,644,937	1,774,789	2,091,710	2,179,979
NOI	2,375,725	3,392,100	3,925,486	4,933,855	5,264,921
Debt Service	1,395,207	1,395,207	1,395,207	1,395,207	1,395,207
DSCR	1.70	2.43	2.81	3.54	3.77
Before Tax Cash Flow	143,394	1,948,384	2,481,770	3,490,138	3,821,205
CoC	1.20%	16.32%	20.79%	29.24%	32.01%

Financial Analysis - Returns

Exit At End of Year 17

Investment Performance	
Year 18 NOI	5,438,401
Cap Rate	5.50%
Reversion Value	98,880,011
Sale Cost (4%)	(3,955,200)
Net Sale Price	94,924,811
Mortgage Outstanding	22,019,873
Before Tax Equity Reversion	72,904,938
Equity Multiple	9.60
Cash on Cash	32.01%

IRR & NPV			
Unlevered IRR	11.07%	Levered IRR	19.98%
Unlevered NPV	13,043,170	Levered NPV	25,241,242

Financial Analysis - Sensitivity Analysis (Based on Stabilized Yield)



NOI & Project Cost

- Stabilized Year Sensitivity Analysis
- Stabilized Yield 7.35%/Required Yield 7.00%
- \$100,000 NOI Reduction/Increase
- \$1,000,000 Project Cost Reduction/Increase

	STABILIZED NOI (Year 5)			PROJECT COST			
	43,142,182	44,142,182	45,142,182	46,142,182	47,142,182	48,142,182	49,142,182
3,692,100	8.56%	8.36%	8.18%	8.00%	7.83%	7.67%	7.51%
3,592,100	8.33%	8.14%	7.96%	7.78%	7.62%	7.46%	7.31%
3,492,100	8.09%	7.91%	7.74%	7.57%	7.41%	7.25%	7.11%
3,392,100	7.86%	7.68%	7.51%	7.35%	7.20%	7.05%	6.90%
3,292,100	7.63%	7.46%	7.29%	7.13%	6.98%	6.84%	6.70%
3,192,100	7.40%	7.23%	7.07%	6.92%	6.77%	6.63%	6.50%
3,092,100	7.17%	7.00%	6.85%	6.70%	6.56%	6.42%	6.29%



Financial Analysis - Sensitivity Analysis (Three Variables)



Cap Rates

Sell at Year 17					
Year 18 NOI	\$ 5,438,401				
Cap Rate	Reversion Value	Before Tax Equity Reversion	Unlevered IRR	Levered IRR	Equity Multiple
5.00%	\$108,768,012	\$82,397,419	11.43%	20.41%	10.39
5.50%	\$98,880,011	\$72,904,938	11.07%	19.98%	9.60
6.50%	\$83,667,702	\$58,301,121	10.46%	19.25%	8.37
7.00%	\$77,691,437	\$52,563,907	10.20%	18.94%	7.89
8.00%	\$67,980,008	\$43,240,935	9.75%	18.39%	7.11
8.50%	\$63,981,184	\$39,402,064	9.56%	18.15%	6.79

Interest Rates

Loan Sensitivity Analysis		
Loan Term	Interest Rate	Levered IRR
30 Year	3.50%	19.15%
30 Year	4.50%	18.13%
30 Year	5.00%	17.61%
40 Year	3.50%	19.98%

Funds

Funds Sensitive Analysis	
Without Funds	
Unlevered IRR	10.77%
Levered IRR	19.36%



Retail Tenant Mix (Maintain flexibility)

Retail Leasable Premises		
Tenant	Unit SF	Rent PSF
CVS	7,920	\$20.00
Small Retail Store	1,300	\$24.00
Restaurant		
Full Service	5,000	\$30.00
Take away	2,000	\$25.00
Health Club	3,800	\$28.00
Neighborhood Service	3,000	\$26.00
Anchor Retail Store	15,000	\$19.00
Total/Average	38,020	\$22.59



Financial Analysis – Rent Base (How we set rent base for multifamily)

- Walkup Units – Fair Market Rent
- Affordable Units – LIHTC Rent Limits (placed in service after 2021)
- Market Rent – Based on Market & Comps Average Rent Rate

Zip Code 20743 - Fair Market Rent (2BR) Ave Rent	
2021	\$1,350
2020	\$1,320
2019	\$1,420
2018	\$1,570
2017	\$1,746

LIHTC Rent Limits for 2021 (Based on 2021 MTSP/VLI Income Limits)				
Bedrooms (People)	Charts	50.00%	FMR	
Efficiency (1.0)	⌘	1,128	1,513	
1 Bedroom (1.5)	⌘	1,209	1,548	
2 Bedrooms (3.0)	⌘	1,451	1,765	
3 Bedrooms (4.5)	⌘	1,677	2,263	
4 Bedrooms (6.0)	⌘	1,871	2,742	
5 Bedrooms (7.5)	⌘	2,064		

Residential Unit Mix				
Unit Type	# of units	Unit SF	Monthly Rent	Rent PSF
MARKET				
Studio	43	580	\$1,653	\$2.85
1 BR	45	730	\$1,927	\$2.64
2 BR	20	1,050	\$2,321	\$2.21
AFFORDABLE				
Studio	12	550	\$1,128	\$2.05
1 BR	11	690	\$1,209	\$1.75
2 BR	8	990	\$1,451	\$1.47
Walkup Units				
2 BR	24	1,000	\$1,623	\$1.62
Total/Average	163	766	\$1,728	\$2.08

How Section 8 Determines Voucher Amount



Fair Market Rent
HUD determines this number for over 2,500 areas in the U.S.



Payment Standard
Local PHA modifies the fair market rent number, staying between 90% and 110%



Tenant Portion
Tenant pays a percentage of their income or a minimum set by the PHA



Allowance for Utilities
PHA may issue tenants an allowance for utilities



Thank You!

APPENDIX

Financial Analysis – Reason for only use one loan



Categories: [Commercial Development](#), [FHA Multifamily Loans](#)

Using FHA/HUD 221(d)(4) Loans for Commercial Development

In today's market, many real estate [developers](#) want to mix both residential and commercial development into the same project. For example, a multi-story residential apartment building, which has a ground floor zoned for shops and restaurants. [HUD multifamily construction loans](#) such as the [HUD 221\(d\)\(4\) loans](#) can allow a developer to do this, but only in specific situations.

FHA/HUD 221(D)(4) LOAN COMMERCIAL LIMITS

While commercial space is allowed on projects using [HUD 221\(d\)\(4\) loans](#), it must be limited to a relatively small amount of the property. Specifically, it is limited to 25% of the property's net rentable area or 15% of the the property's underwritten effective gross income (up to 30% of underwritten EGI permitted in urban renewal areas under Section 220). So, for example, if you had a ten story residential building, two stories might be commercial, and the rest residential.

FREDDIE MAC'S SMALL BALANCE LOAN (SBL) PROGRAM ALLOWS FOR HIGHER COMMERCIAL LIMITS

While the [FHA/HUD 221\(d\)\(4\) loan](#) program may not work for [developers](#) who want to rent or lease a large amount of their building out for commercial purposes, another program, the [Freddie Mac Small Balance Loan](#) (SBL) program might. This program allows developers to use 40% of their building, or get 40% of the project's income from commercial uses. While the program's loans are capped at \$5 million, more than 40% of the project can be approved for commercial use with an additional review.



WISH DEVELOPMENT LLC



East King

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1 Bedroom (1.5)	▲	1,209	1,548	
2 Bedrooms (3.0)	▲	1,451	1,765	
3 Bedrooms (4.5)	▲	1,677	2,263	
4 Bedrooms (6.0)	▲	1,871	2,742	
5 Bedrooms (7.5)	▲	2,064		



Market Analysis – Demographics (1-Mile Radius)



Median HH Income



\$55,109 | U.S. \$62,990

Per Capita Income



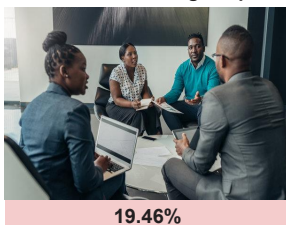
\$26,442 | U.S. \$34,935

HH Retail Expenditure



\$68,316 | U.S. \$63,036

20~34 Years Young People



19.46%

Median Age



38.6

Bachelors & Graduate



16.33%



Financial Analysis – Cap Rate Assumptions Source

WASHINGTON DC CAP RATES BY PROPERTY TYPE, SEGMENT, AND CLASS

NORTH AMERICA CAP RATE SURVEY | SECOND HALF 2019

WASHINGTON, D.C. SNAPSHOT

CBRE

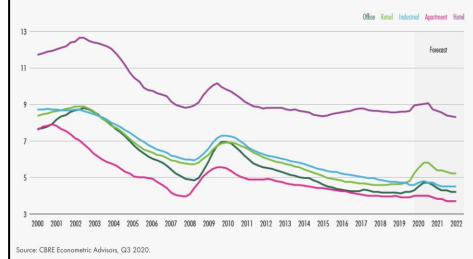
PROPERTY TYPE	SEGMENT	CLASS	STABILIZED PROPERTY ACQUISITIONS					VALUE-ADD PROPERTY ACQUISITIONS				
			CAP RATE		SPREAD OVER 10-YR TREASURY RATE			EXPECTED RETURN ON COST		SPREAD OVER 10-YR TREASURY RATE		
			H2 2019 (%)	H1 2019 (%)	CHANGE	H2 2019 (%) ECP	H1 2019 (%) ECP	H2 2019 (%)	H1 2019 (%)	CHANGE	H2 2019 (%) ECP	H1 2019 (%) ECP
OFFICE	CBD	ALL	5.73	5.50	13	350	330	7.43	7.24	3	500	540
		AA	4.88	4.63	25	294	263	-	-	-	-	-
		A	5.50	5.24	26	338	310	8.88	8.75	13	490	474
		B	5.75	5.58	17	383	338	7.25	7.00	25	533	505
		C	6.75	6.75	0	483	475	8.13	8.13	0	631	613
	SUBURBAN	ALL	7.63	7.63	0	511	503	9.67	9.63	4	775	763
		AA	5.63	5.63	0	371	363	-	-	-	-	-
		A	6.88	6.88	0	476	468	8.50	8.28	13	628	628
		B	8.00	8.00	0	608	600	9.63	9.63	0	771	763
		C	10.00	10.00	0	808	800	10.08	10.08	0	950	908
INDUSTRIAL	ALL	ALL	5.73	5.79	-6	381	379	6.75	6.75	0	483	475
		A	4.58	4.63	-5	264	263	5.50	5.50	0	358	355
		B	5.25	5.38	-13	333	338	6.38	6.38	0	445	438
		C	7.58	7.58	0	454	458	8.58	8.58	0	648	638
		ALL	7.88	7.88	0	556	548	12.00	12.00	0	1008	1000
	NEIGHBORHOOD/COMMUNITY	A	5.73	5.63	10	371	363	-	-	-	-	-
		B	6.00	6.00	0	408	400	10.00	10.00	0	608	600
		C	10.00	10.00	0	808	800	14.00	14.00	0	1208	1200
		ALL	8.17	8.17	0	617	617	13.13	13.13	0	1031	1031
		ALL	8.88	8.88	0	476	488	-	-	-	-	-
RETAIL	POWER	A	8.25	8.25	0	633	625	10.25	10.25	0	833	825
		B	9.25	9.25	0	733	725	-	-	-	-	-
		C	11.00	11.00	0	908	900	14.00	14.00	0	1308	1300
		ALL	9.50	9.50	0	733	725	-	-	-	-	-
		ALL	9.50	9.50	0	733	725	-	-	-	-	-
	HIGH STREET	A	5.00	5.00	0	308	300	-	-	-	-	-
		ALL	5.17	5.38	-21	325	338	6.00	6.29	-29	458	429
		A	4.50	4.50	0	258	250	5.50	5.50	0	358	350
		B	5.00	5.25	-25	308	325	5.50	5.75	-25	358	375
		C	6.50	6.38	12	408	438	7.50	7.43	67	508	543
MULTIFAMILY	SUBURBAN	ALL	5.63	5.71	-8	364	371	6.64	6.63	1	417	425
		A	5.00	5.25	-25	308	325	5.50	5.63	-13	358	363
		B	5.25	5.50	-25	333	350	5.75	6.00	-25	383	400
		C	6.13	6.38	-25	421	438	8.88	7.13	175	496	513
		ALL	5.25	5.25	0	333	325	-	-	-	-	-
	CBD	ALL SERVICE	6.50	6.50	0	458	450	-	-	-	-	-
		SELECT SERVICE	7.50	7.50	0	558	550	-	-	-	-	-
		ECONOMY	7.50	7.50	0	558	550	-	-	-	-	-
		ALL	7.68	7.68	0	576	568	-	-	-	-	-
		LUXURY	8.75	8.75	0	683	675	-	-	-	-	-
HOTELS	SUBURBAN	ALL SERVICE	9.50	9.50	0	958	950	-	-	-	-	-
		SELECT SERVICE	8.25	8.25	0	633	625	-	-	-	-	-
		ECONOMY	8.00	8.00	0	708	700	-	-	-	-	-
		ALL	8.58	8.58	0	733	725	-	-	-	-	-
		ALL	8.58	8.58	0	733	725	-	-	-	-	-
	CBD	ALL SERVICE	9.50	9.50	0	958	950	-	-	-	-	-
		SELECT SERVICE	8.25	8.25	0	633	625	-	-	-	-	-
		ECONOMY	8.00	8.00	0	708	700	-	-	-	-	-
		ALL	8.58	8.58	0	733	725	-	-	-	-	-
		ALL	8.58	8.58	0	733	725	-	-	-	-	-

Source: CBRE Research Q4 2019, U.S. Department of the Treasury, ECP as of period.
Note: H1 Treasury Yield as of December 31, 2019.
Note: Some numbers may not total due to rounding.
Note: Retail Class A, return on cost for value add was not reported due to the limited properties represented by this category.

WISH DEVELOPMENT LLC

CAP RATES FOR MAJOR PROPERTY TYPES IN THE U.S.

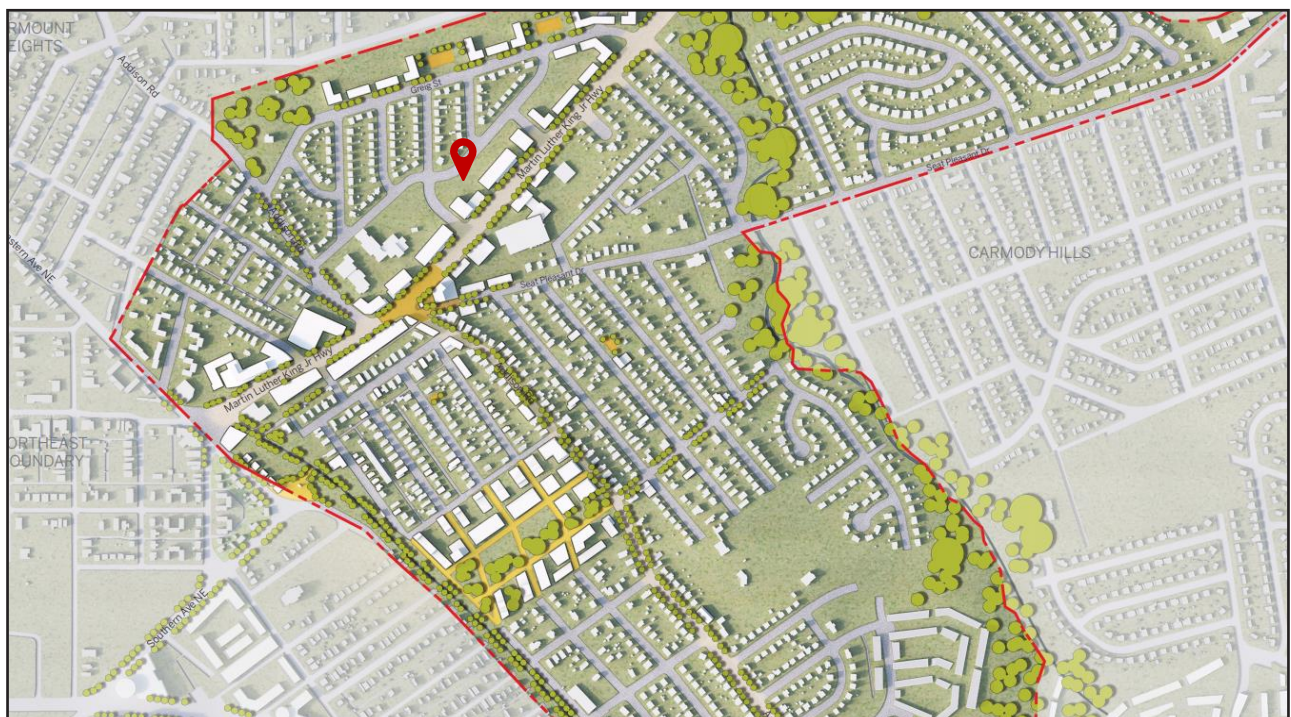
FIGURE 7: CAP RATES FOR MAJOR PROPERTY TYPES IN THE U.S.



Source: CBRE Economic Advisory, Q3 2020.



East King



Thank You!





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