Memorandum

To: Michael Ciriello, Director Planning and Development

From: Todd J. Poole, 4ward Planning Inc.

Date: July 5, 2018

Re: Thompsonville TOD Financial Feasibility and Residual Land Value Analysis

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Financial Analysis Findings

In general, while modeled townhouse development demonstrates relatively strong profitability and a positive residual land value (in several cases, well in excess of the underlying appraised property value), the modeled mixed-use multifamily development projects demonstrate relatively low financial returns and negative residual land values – that is, the mixed-use projects are unable to satisfy the benchmark return rates sought, such that a developer would not be willing to provide value for acquiring property. The chief reason for the mixed-use multifamily developments falling short of achieving reasonable financial return rates is due to the relatively low rent and lease rates that are market supportable for apartments and retail properties in the local area. The following tables (showing development program, project costs and return rates illustrate these findings).

Further, it is likely that before private investment is committed to the mixed-use development portions of the project, public subsidy (in the form of grants and/or soft-term loans) and tax incentives (five- to 25-year tax abatements or tax increment financing (TIF)) would be required as a means of improving the financial returns over those identified in this analysis.

Background

4ward Planning earlier completed a market analysis focused on the Thompsonville neighborhood, within Enfield, in support of evaluating transit-oriented development (TOD) opportunities, in anticipation of Springfield to New Haven high speed commuter rail service. As part of its charge, 4ward Planning was also tasked with performing an in-depth financial feasibility analysis associated with a number of hypothetical mixed- and single-use redevelopment scenarios, deemed supportable via the market analysis.

The principal objectives for performing financial feasibility analyses are **(a)** to determine the minimum development density (e.g., units of housing and commercial square footage) and land-use mix (e.g., residential, retail and/or office) which could be financially viable – permitting a sufficient market rate of return given the associated risk for undertaking a development project – and **(b)** to identify the prospective residual land values (per acre of potential acquisition values) for each redevelopment scenario, based on land-use mix and a risk appropriate developer return rate.

Methodology

4ward Planning relied upon its earlier identified market supportable land uses – residential, retail and office – for purposes of financially modeling a build-out. Conventional and locally germane metrics were assumed for development and construction costs (4ward Planning's real estate related interview findings were particularly instructive for developing locally relevant construction metrics, in addition to referencing RS Means construction cost metrics for the local area).

Construction related costs, also known as hard costs, are generally associated with materials, labor and major equipment costs necessary for the construction of physical building space. Construction related costs, conventionally, represent approximately 70 percent of the total project cost (e.g, existing conditions, site work, equipment rental, general contractor overhead and profit, labor and building materials costs). Accordingly, 4ward Planning's financial modeling assumes a construction cost ratio representing approximately 70 percent of total project costs.

Development related costs, also known as soft costs, cover a myriad of non-construction related costs necessary for the realization of constructing the building (e.g., architectural and engineering design costs; soil and geotechnical studies; attorney and other professional fees; building permit fees; carry costs related to property taxes through building occupancy; construction loan interest; insurances, marketing and lease-up expenses, etc.). Development or soft costs, generally, represent approximately 30 percent of hard costs and are so modeled in this analysis.

The financial analysis performed (e.g., development and operating pro forma for each scenario examined) were performed on a leveraged basis – that is, each development scenario was modeled with the assumption that the total project cost for each prospective redevelopment scenario would have a 65 percent permanent debt component, which is a fairly standard debt ratio for mixed-use residential development, regionally and nationally. Further, and at this stage of the analysis, no public subsidies or tax incentives were incorporated (it is assumed that if a financial gap is identified, public subsidies and/or tax incentives would be necessary to close the gap).

Market area financial benchmarks such as return on equity (ROE or cash-on-cash rate of return) and the internal rate of return (IRR) were incorporated into the operating pro forma to allow analysis of financial viability. For purposes of this analysis, 4ward Planning assumed minimum threshold return rates for ROE (an average annual of 15-percent) and the IRR (10-percent), for purposes of deriving a residual land value. Returns below these threshold rates were considered too low to permit a developer to also pay for the acquisition of the project site (and, thus, a financial gap would exist).

4ward Planning also made an assumption that each commercial property project (whether mixed-use or single-use) would be sold in year 15, which is a reasonable hold period for projects of this size analyzed. Further, and based on the project having permanent loan, we assumed a balloon payment in year 15 – that is, we assumed a term loan of 15 years, and an amortization period of 20 years.

A residual land value analysis (e.g., what is the underlying parcel worth to a prospective developer of the site) is based on identifying total hard and soft costs associated with completing the real estate project (whether residential, commercial, or a mix), inclusive of a risk appropriate profit (if the project is to be sold immediately after construction, as is the case for a tract housing development, or

townhouses and condominiums) or return on equity (ROE) and internal rate of return (IRR) (if the project is to be held and operated for some period of time, as in the case of mixed-use residential development). Generally, a profit and overhead of 10 percent of the sales price is a benchmark for projects which are to be immediately sold (as in the case of single-family homes or condominiums); ROE benchmark of 15 percent and an IRR of 10 percent are the general benchmarks for projects which are to be held and managed, with the percentage increasing on smaller scale projects and decreasing on larger scale projects.

Arriving at Residual Land Value

For Sale Projects: Residual land value is determined by subtracting a developer's preferred profit from the prospective gross sales revenue; then, all development and construction costs, and associated sales fee expenses are subtracted from the balance. The remaining value (if any) represents the residual a developer would have to offer for the acquisition of a subject development parcel.

So, for example, the gross value for a townhouse project would be based on the aggregate sales for all townhouse units sold (e.g., 100 townhouse units sold at an average price of $200,000 = $20 million). The developer's profit (8-percent of the sales value) would be subtracted from the gross sales value. Next, the estimated project construction and development costs, sales commissions and closing costs, and estimated construction contingencies from the remaining balance. What remaining balance exists, if any, represents the residual land value – that value the prospective developer would be willing to pay for the acquisition of the property. Depending on the economics of the project (e.g., costs of construction and market supportable price points), the residual may be near zero or even negative (meaning, the developer would not be in a position to offer any value for the acquisition of the property, if the project where to be built).

Leased Property (Investment Property): Residual land value is determined after development and operating pro forma have been created, incorporating all estimated variable costs (e.g., hard and soft costs, but not land acquisition), operating expenses (utilities, insurance, maintenance, management, debt service and taxes) and revenue (effective rent, tenant contributions, parking fees, storage and laundry revenues, etc.).   The particular hold period (that is, the number of years the investor will operate the project before selling it), as well as the capitalization rate (Cap Rate) and outstanding permanent loan, will determine the ROE and IRR metrics achieved. Investment hold periods (for those investors who have an exit strategy in mind) range from ten to 20 years, with a 15 year hold period being common.

Once the investment hold period is identified, the ROE and IRR can be derived utilizing the above mentioned factors. If the ROE and IRR metrics are above the benchmark values, that is, above the target return rates the investor desires, a monetary value exists to put towards the acquisition of property. This value can only be determined by varying the amount of acquisition cost within the pro forma until one or both of the return metrics is lowered to the benchmark threshold (that is, if the land acquisition cost value increases to the point that one or both of the return metrics hits its minimum threshold benchmark, that is the maximum value an investor will be willing to pay for the acquisition of the parcel).

Further, it should be recognized that each prospective development entity will have their own tolerance for risk, have alternative investment choices and have access to different capital cost structures. Consequently, their required financial return metrics – whether ROE or IRR – will differ and, as a result, the acquisition value they are willing to pay may be more than or less than what the property owner expects to receive.

Finally, the modeled scenarios are based on current and likely market conditions, which are subject to change according to macro level events and, therefore, the reader is advised to utilize these findings with great care.

Build-Out Scenarios Modeled and Key Assumptions

4ward Planning developed an Excel based financial model which allowed for creation of development and operating pro forma **associated with six development project scenarios**, and their associated development iterations.

A summary of the six development scenarios is identified below:

Development Program	Site 1A	Site 1B	Site 1C
Site Area S.F.	136,778	35,284	29,621
Acres	3.14	0.81	0.68
Total Dwelling Units	150	14	13
Single-Family	0	0	0
Multi-family Condos	0	0	0
Town Houses	0	14	13
Multi-Family Rental	150	0	0
Dwelling Units/Acre	48	17	19
Retail S.F. (GBA):	26,000	0	0
Office S.F. (GBA):	0	0	0
Multi-family on-site Parking (per Unit)	1.50	0.00	0.00
Retail on-site parking (per 1,000 s.f.)	4.00	0.00	0.00
Office on-site parking (per 1,000 s.f.)	0.00	0.00	0.00
Total Non-Residential Gross S.F.	26,000	0	0
Total Residential Gross S.F.	150,000	25,200	23,200
Structured & Surface Parking S.F.	108,570	0	0
Total S.F.	284,570	25,200	23,200
Floor Area Ratio (FAR):	2.1	0.7	0.8

Development Program	Site 2A	Site 2B	Site 2C
Site Area S.F.	103,237	30,056	6,098
Acres	2.37	0.69	0.14
Total Dwelling Units	91	10	4
Single-Family	0	0	0
Multi-family Condos	0	0	0
Town Houses	16	0	0
Multi-Family Rental	75	10	4
Dwelling Units/Acre	38	14	29
Retail S.F. (GBA):	13,000	5,000	2,300
Office S.F. (GBA):	0	0	0
Multi-family on-site Parking (per Unit)	1.50	1.50	1.50
Retail on-site parking (per 1,000 s.f.)	4.00	4.00	4.00
Office on-site parking (per 1,000 s.f.)	0.00	0.00	0.00
Total Non-Residential Gross S.F.	13,000	5,000	2,300
Total Residential Gross S.F.	103,374	10,000	2,295
Structured & Surface Parking S.F.	54,285	11,550	5,016
Total S.F.	170,659	26,550	9,611
Floor Area Ratio (FAR):	1.7	0.9	1.6

Much detail was built into both the development and operating pro forma, including estimated annual inflation rates, estimated construction development costs, lease/rent rates per square foot, vacancy rates, operating expenses per square foot, debt service expenses (see development and operating assumptions at the end of the financial analysis section write-up for each development scenario).

The pro forma variables having most influence on the prospective financial return rates (e.g., cash-on-cash and internal rate of return) are as follows:

- Residential and commercial construction costs per square foot
- Market residential rental rates and for-sale residential prices
- Retail lease rates
- Residential and commercial space density
- Surface parking costs
- Annual operating expenses
- Estimated debt service costs

We were also careful to input variables which are considered market supportable, based on interviews with area real estate professionals and a review of publicly available real estate data (via Zillow, Trulia, Rent.com and Apartments.com). So, for example, the average per square foot

residential rental rate used ranged from a low of $1.45 to a high of $2.00, based on a review of current market renal rates for upscale apartment units near to shopping and/or transit amenities. The estimated per square foot total development cost used for the residential units ranged from a low of $181 per square foot for a mid-rise multi-family rental/condominium units four- to seven-stories over a podium) to $188 per foot of a low-rise multi-family housing units (two- to three-stories over a podium), which is inclusive of all hard and soft costs, and includes higher-end finishes and fixtures (these figures were validated by architects and developers consulted, RS Means online construction data (a well-known and trusted source of commercial development costs, as well as based on 4ward Planning's professional experience)).

We utilized a $119 per square foot figure for retail development and construction, as this is a relatively proven number in the region. Annual retail rents, per square foot ranged from a triple-net $16.00 to $18.00 (estimated operating costs are $4.80 to $5.40 per square foot, of which 95 percent are covered by tenant contributions). This projected retail rent is reflective of current top end retail rents for in-line stores in the area, based on research using the on-line commercial real estate data service LoopNet.com

While adjustments to any of the above variables had a noticeable impact on return rates within the cash-flow model, it should be understood that all of these variables, with little exception, are subject to market forces and, therefore, cannot be arbitrarily adjusted for purposes of achieving a desired financial result.

What follows are the various tables illustrating the build-out programs, associated project costs and financial returns for the mixed-use development.

Development Program	Site 1A	Site 1B	Site 1C
Site Area S.F.	136,778	35,284	29,621
Acres	3.14	0.81	0.68
Total Dwelling Units	150	14	13
Single-Family	0	0	0
Multi-family Condos	0	0	0
Town Houses	0	14	13
Multi-Family Rental	150	0	0
Dwelling Units/Acre	48	17	19
Retail S.F. (GBA):	26,000	0	0
Office S.F. (GBA):	0	0	0
Multi-family on-site Parking (per Unit)	1.50	0.00	0.00
Retail on-site parking (per 1,000 s.f.)	4.00	0.00	0.00
Office on-site parking (per 1,000 s.f.)	0.00	0.00	0.00
Total Non-Residential Gross S.F.	26,000	0	0
Total Residential Gross S.F.	150,000	25,200	23,200
Structured & Surface Parking S.F.	108,570	0	0
Total S.F.	284,570	25,200	23,200
Floor Area Ratio (FAR):	2.1	0.7	0.8

Project Costs

	Site 1A	Site 1B	Site 1C
Hard Costs	$24,220,000	$2,772,000	$2,552,000
Soft Costs	$6,055,000	$970,200	$893,200
Construction Interest	$1,283,380	$0	$0
Parking: Surface & Structured	$1,809,500	$0	$0
Contingency (10% of Hard Costs)	$2,422,000	$277,200	$255,200
Sales and Closing Costs	$0	$40,194	$37,004
Sales and Lease Commissions	$0	$140,679	$129,514
Developer Fee (Rental Property)	$1,211,000	$0	$0
Land Acquisition	**$0**	**$0**	**$0**
Pct. of Project Cost	**0.0%**	**0.0%**	**0.0%**
Avg. Annual 15-Year Return on Equity	**11.34%**	**0.00%**	**0.00%**
15-Year Internal Rate of Return	**2.84%**	**0.00%**	**0.00%**
Total Development Costs	**$37,000,880**	**$4,200,273**	**$3,866,918**

	Dwelling Units	Average SF/Unit	GBA [1]	GLA [2]	Year Three Rent/SF [3]	Year Three GRI [4]	Year Three Occupancy Factor [5]	Year Three ERI [5]	Cap Rate [7]	Year Three NOI [8]	Year Three Cap Value [9]	Average Sales Price/SF	Average Unit Price	Total Sales Value
Site 1A														
Single-Family	0	NA	0	NA	NA	NA	NA	NA	NA	NA	NA	$0	$0	$0
Condos	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	$0	$0	$0
Town Houses	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	$0	$0	$0
Multi-Family Rental	150	880	150,000	132,000	$21.54	$2,842,789	95%	$2,700,650	6.0%	$1,614,472	$26,907,865	NA	NA	NA
Retail S.F.	0	0	26,000	23,400	$16.65	$506,708	95%	$487,232	8.0%	$357,390	$4,467,374	NA	NA	NA
Office S.F.	0	0	0	0	$0.00	$0	95%	$0	8.5%	$0	$0	NA	NA	NA
Site 1B														
Single-Family	0	NA	0	NA	NA	NA	NA	NA	NA	NA	NA	$0	$0	$0
Condos	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	$0	$0	$0
Town Houses	14	1,800	25,200	NA	NA	NA	NA	NA	NA	NA	NA	$214	$384,532	$5,383,453
Multi-Family Rental	0	0	0	0	$0.00	$0	95%	$0	6.0%	$0	$0	NA	NA	NA
Retail S.F.	0	0	0	0	$0.00	$0	95%	$0	8.0%	$0	$0	NA	NA	NA
Office S.F.	0	0	0	0	$0.00	$0	95%	$0	8.5%	$0	$0	NA	NA	NA
Site 1C														
Single-Family	0	NA	0	NA	NA	NA	NA	NA	NA	NA	NA	$0	$0	$0
Condos	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	$0	$0	$0
Town Houses	13	1,785	23,200	NA	NA	NA	NA	NA	NA	NA	NA	$214	$381,237	$4,956,086
Multi-Family Rental	0	0	0	0	$0.00	$0	95%	$0	6.0%	$0	$0	NA	NA	NA
Retail S.F.	0	0	0	0	$0.00	$0	95%	$0	8.0%	$0	$0	NA	NA	NA
Office S.F.	0	0	0	0	$0.00	$0	95%	$0	8.5%	$0	$0	NA	NA	NA

Assumptions & Definitions

[1] Gross building area (GBA) represents the total building square footage constructed.

[2] Gross Leasable Area (GLA) represents the rentable area of the building (e.g., gross building areas less common space).

[3] 4ward Planning assumed year three would be the stabilized year for a rental project (that point where the occupancy has reached its stable threshold).

[4] Gross Rental Income (GRI) represents the total annual revenue potentially received if there were no vacancies or credit losses associated with the project.

[5] Occupancy factor reflects the market average occupancy rate for a given rental project type (e.g., multi-family rental, retail, office, etc.).

[6] Effective Rental Income (ERI) takes vacancy and credit loss factors into consideration.

[7] Capitalization rate (Cap Rate) represents a market return rate for a given rental property and is used by investors for determing a property's market value when net operating income is known.

[8] Net operating income (NOI) represents the difference between a properties EPR and operating expenses (e.g., utilities, maintenance and repairs, taxes and insurance).

[9] The year three cap value reflects the estimated value of the rental project in year three (the stabilized year), by dividing the properties derived NOI by the market cap rate for that particular land use.

Site 1A	Variables	Build Year 1	Build Year 2	Year 1	Year 2	Year 3	Year 4	Year 5
Assumptions - Retail	**Variables**							
Gross Rental Revenue				$374,400	$381,888	$389,526	$397,316	$405,263
Net Rental Revenue (after vacancy & credit loss)				$262,080	$362,794	$370,049	$377,450	$384,999
Tenant Contributions (Pct. of OpEx)	95%			$82,992	$114,885	$117,182	$119,526	$121,916
Annual Parking Revenue	$0			$0	$0	$0	$0	$0
Total Net Revenue				$345,072	$477,678	$487,232	$496,976	$506,916
Inflation Factor/Escalation	2.00%		0.00	1.00	1.02	1.04	1.06	1.08
Gross Building Area Developed	26,000			26,000	26,000	26,000	26,000	26,000
Gross Leaseable Area	23,400		0	23,400	23,400	23,400	23,400	23,400
Vacancy Factor (Stabilized)	5.00%		0	22,230	22,230	22,230	22,230	22,230
Parking Spaces per 1,000 S.F.	4	104		104	104	104	104	104
Annual Rent/s.f. (NNN)	$16.00			$16.00	$16.32	$16.65	$16.98	$17.32
Building OpEx/S.F.	$4.80			$124,800	$127,296	$129,842	$132,439	$135,088
Annual Parking OpEx	$0			$0	$0	$0	$0	$0
Total OpEx				$124,800	$127,296	$129,842	$132,439	$135,088
Net Operating Income				$220,272	$350,382	$357,390	$364,538	$371,828
Assumptions - Rental Units (flats)				**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Gross Rental Revenue				$2,732,400	$2,787,048	$2,842,789	$2,899,645	$2,957,638
Net Rentl Revenue (after vacancy & credit loss)				$1,912,680	$2,647,696	$2,700,650	$2,754,663	$2,809,756
Annual Parking Revenue	$0			$0	$0	$0	$0	$0
Total Net Revenue				$1,912,680	$2,647,696	$2,700,650	$2,754,663	$2,809,756
Inflation Factor/Escalation	2.00%			1.00	1.02	1.04	1.06	1.08
Units	150		0	150	150	150	150	150
Average Unit Size (Gross s.f.)	1,000		880	880	880	880	880	880
Parking Spaces per Unit	1.5	225		225	225	225	225	225
Vacancy Factor (Stabilized)	5.00%		0	143	143	143	143	143
Average Annual Rent/s.f.	$20.70		$0.00	$20.70	$21.11	$21.54	$21.97	$22.41
Building OpEx/S.F.	$6.21		$0.00	$931,500	$950,130	$969,133	$988,515	$1,008,286
Annual Parking OpEx	$500			$112,500	$114,750	$117,045	$119,386	$121,774
Total OpEx				$1,044,000	$1,064,880	$1,086,178	$1,107,901	$1,130,059
Net Operating Income (NOI)				$868,680	$1,582,816	$1,614,472	$1,646,761	$1,679,697
Assumptions - Office Space				**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Gross Rental Revenue				$0	$0	$0	$0	$0
Net Rental Revenue (after vacancy & credit loss)				$0	$0	$0	$0	$0
Tenant Contributions (Pct. of OpEx)	95%		$0.00	$0	$0	$0	$0	$0
Annual Parking Revenue	$0			$0	$0	$0	$0	$0
Total Net Revenue				$0	$0	$0	$0	$0
Inflation Factor	2.00%		0.00	1.00	1.02	1.04	1.06	1.08
Square Footage (GBA)	0		0	0	0	0	0	0
Gross Leaseable Area	0		0	0	0	0	0	0
Parking Spaces per 1,000 S.F.	0	0		0	0	0	0	0
Vacancy Factor (Stablized)	0.00%		0	0	0	0	0	0
Annual Rent/s.f. (NNN)	$0.00		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Building OpEx/S.F.	$0.00		$0.00	$0	$0	$0	$0	$0
Annual Parking OpEx	$0			$0	$0	$0	$0	$0
Total OpEx				$0	$0	$0	$0	$0
Net Operating Income (NOI)				$0	$0	$0	$0	$0
Net Operating Income								
Leasing Revenues		$0	$0	$2,951,460	$3,010,489	$3,070,699	$3,132,113	$3,194,755
Total Net Operating Income		*$0*	*$0*	*$1,088,952*	*$1,933,198*	*$1,971,862*	*$2,011,299*	*$2,051,525*
Debt Service (Construction and Permanent Financing)		($630,880)	($652,500)	($2,002,536)	($2,002,536)	($2,002,536)	($2,002,536)	($2,002,536)
DCR				0.54	0.97	0.98	1.00	1.02
Annual Cash Flow (before income taxes)		($630,880)	($652,500)	($913,584)	($69,339)	($30,675)	$8,763	$48,989
Cash-on-Cash Rate of Return		-56.56%	-55.00%	0.00%	-0.62%	-0.28%	0.08%	0.44%

Site 1B: For Sale Housing Units		Build Year 1	Build Year 2	Build Year 3
Total Units	14	14	0	0
2BR Units	*7*	*7*	*0*	*0*
2BR S.F.	*1,600*	*11,200*	*0*	*0*
3BR Units	*7*	*7*	*0*	*0*
3BR S.F.	*2,000*	*14,000*	*0*	*0*
Weighted Average S.F.	1,800	25,200	0	0
Hard Costs/S.F. (Related Labor and Materials)	$110	$2,772,000	$0	$0
Soft Costs/S.F. (35 Pct. of Hard Costs)	$39	$970,200	$0	$0
Total Hard & Soft Cost	$3,742,200	$3,742,200	$0	$0
Average Hard and Soft Cost/S.F.		$149	$0	$0
Average Hard and Soft Cost/Unit		$267,300	$0	$0
Surface Parking Costs per Unit (2 spaces)		$0	$0	$0
Contingency (@ 10%)	10.0%	$19,800	$0	$0
Average Total Development Cost (TDC) per Unit		$287,100	$0	$0
Average Selling & Closing Cost per Unit (at 1% of TDC)	1.0%	$2,871	$0	$0
Average Sales Commission/Unit (at 3.5% of TDC)	3.5%	$10,049	$0	$0
Developer Overhead & Profit per Unit (at 12% of TDC)	12.0%	$34,452	$0	$0
Weighted Average Unit Sale Price (Mkt & Affordable)	$384,532	$384,642	$0	$0
Weighted Average Sales Price per S.F. (Mkt & Affordable)	$214			
2BR Unit Sales Price (Market)	$353,083			
2BR Sales Price per S.F.	$221			
3BR Unit Sales Price (Market)	$441,353			
3BR Sales Price per S.F.	$221			

Site 1C: For Sale Housing Units		Build Year 1	Build Year 2	Build Year 3
Total Units	13	13	0	0
2BR Units	*7*	*7*	*0*	*0*
2BR S.F.	*1,600*	*11,200*	*0*	*0*
3BR Units	*6*	*6*	*0*	*0*
3BR S.F.	*2,000*	*12,000*	*0*	*0*
Weighted Average S.F.	1,785	23,200	0	0
Hard Costs/S.F. (Related Labor and Materials)	$110	$2,552,000	$0	$0
Soft Costs/S.F. (35 Pct. of Hard Costs)	$39	$893,200	$0	$0
Total Hard & Soft Cost	$3,445,200	$3,445,200	$0	$0
Average Hard and Soft Cost/S.F.		$149	$0	$0
Average Hard and Soft Cost/Unit		$265,015	$0	$0
Surface Parking Costs per Unit (2 spaces)		$0	$0	$0
Contingency (@ 10%)	10.0%	$19,631	$0	$0
Average Total Development Cost (TDC) per Unit		$284,646	$0	$0
Average Selling & Closing Cost per Unit (at 1% of TDC)	1.0%	$2,846	$0	$0
Average Sales Commission/Unit (at 5% of TDC)	3.5%	$9,963	$0	$0
Developer Overhead & Profit per Unit (at 12% of TDC)	12.0%	$34,158	$0	$0
Weighted Average Unit Sale Price (Mkt & Affordable)	$381,237	$381,355	$0	$0
Weighted Average Sales Price per S.F. (Mkt & Affordable)	$214			
2BR Unit Sales Price (Market)	$353,083			
2BR Sales Price per S.F.	$221			
3BR Unit Sales Price (Market)	$441,353			
3BR Sales Price per S.F.	$221			

Development Program	Site 2A	Site 2B	Site 2C
Site Area S.F.	103,237	30,056	6,098
Acres	2.37	0.69	0.14
Total Dwelling Units	91	10	4
Single-Family	0	0	0
Multi-family Condos	0	0	0
Town Houses	16	0	0
Multi-Family Rental	75	10	4
Dwelling Units/Acre	38	14	29
Retail S.F. (GBA):	13,000	5,000	2,300
Office S.F. (GBA):	0	0	0
Multi-family on-site Parking (per Unit)	1.50	1.50	1.50
Retail on-site parking (per 1,000 s.f.)	4.00	4.00	4.00
Office on-site parking (per 1,000 s.f.)	0.00	0.00	0.00
Total Non-Residential Gross S.F.	13,000	5,000	2,300
Total Residential Gross S.F.	103,374	10,000	2,295
Structured & Surface Parking S.F.	54,285	11,550	5,016
Total S.F.	170,659	26,550	9,611
Floor Area Ratio (FAR):	1.7	0.9	1.6

Project Costs

	Site 2A	Site 2B	Site 2C
Hard Costs	$15,648,210	$1,975,000	$562,818
Soft Costs	$4,272,053	$493,750	$140,705
Construction Interest	$638,601	$106,450	$31,485
Parking: Surface & Structured	$904,750	$192,500	$83,600
Contingency (10% of Hard Costs)	$1,564,821	$197,500	$56,282
Sales and Closing Costs	$52,200	$0	$0
Sales and Lease Commissions	$182,700	$0	$0
Developer Fee (Rental Property)	$602,411	$98,750	$28,141
Land Acquisition	**$0**	**$0**	**$0**
Pct. of Project Cost	**0.0%**	**0.0%**	**0.0%**
Avg. Annual 15-Year Return on Equity	**11.40%**	**14.26%**	**20.10%**
15-Year Internal Rate of Return	**2.89%**	**4.60%**	**7.53%**
Total Development Costs	$23,865,745	$3,063,950	$903,030

	Dwelling Units	Average SF/Unit	GBA [1]	GLA [2]	Year Three Rent/SF [3]	Year Three GRI [4]	Year Three Occupancy Factor [5]	Year Three ERI [5]	Cap Rate [7]	Year Three NOI [8]	Year Three Cap Value [9]	Average Sales Price/SF	Average Unit Price	Total Sales Value
Site 2A														
Single-Family	0	NA	0	NA	NA	NA	NA	NA	NA	NA	NA	$0	$0	$0
Condos	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	$0	$0	$0
Town Houses	16	1,800	28,800	NA	NA	NA	NA	NA	NA	NA	NA	$243	$436,984	$6,991,747
Multi-Family Rental	75	875	74,574	65,625	$21.58	$1,416,323	95%	$1,345,506	6.0%	$804,147	$13,402,445	NA	NA	NA
Retail S.F.	0	0	13,000	11,700	$16.65	$253,354	95%	$243,616	8.0%	$178,695	$2,233,687	NA	NA	NA
Office S.F.	0	0	0	0	$0.00	$0	95%	$0	8.5%	$0	$0	NA	NA	NA
Site 2B														
Single-Family	0	NA	0	NA	NA	NA	NA	NA	NA	NA	NA	$0	$0	$0
Condos	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	$0	$0	$0
Town Houses	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	$0	$0	$0
Multi-Family Rental	10	880	10,000	8,800	$22.16	$195,013	95%	$185,262	6.0%	$110,977	$1,849,623	NA	NA	NA
Retail S.F.	0	0	5,000	4,500	$18.21	$106,579	95%	$102,483	8.0%	$64,768	$809,602	NA	NA	NA
Office S.F.	0	0	0	0	$0.00	$0	95%	$0	8.5%	$0	$0	NA	NA	NA
Site 2C														
Single-Family	0	NA	0	NA	NA	NA	NA	NA	NA	NA	NA	$0	$0	$0
Condos	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	$0	$0	$0
Town Houses	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	$0	$0	$0
Multi-Family Rental	4	505	2,295	2,020	$25.59	$51,700	95%	$49,115	6.0%	$28,369	$472,809	NA	NA	NA
Retail S.F.	0	0	2,300	2,070	$18.73	$50,427	95%	$48,489	8.0%	$30,781	$384,767	NA	NA	NA
Office S.F.	0	0	0	0	$0.00	$0	95%	$0	8.5%	$0	$0	NA	NA	NA

Assumptions & Definitions

[1] Gross building area (GBA) represents the total building square footage constructed.

[2] Gross Leasable Area (GLA) represents the rentable area of the building (e.g., gross building areas less common space).

[3] 4ward Planning assumed year three would be the stabilized year for a rental project (that point where the occupancy has reached its stable threshold).

[4] Gross Rental Income (GRI) represents the total annual revenue potentially received if there were no vacancies or credit losses associated with the project.

[5] Occupancy factor reflects the market aveage occupancy rate for a given rental project type (e.g., multi-family rental, retail, office, etc.).

[6] Effective Rental Income (ERI) takes vacancy and credit loss factors into consideration.

[7] Capitalization rate (Cap Rate) represents a market return rate for a given rental property and is used by investors for determing a property's market value when net operating income is known.

[8] Net operating income (NOI) represents the difference between a properties EPR and operating expenses (e.g., utilities, maintenance and repairs, taxes and insurance).

[9] The year three cap value reflects the estimated value of the rental project in year three (the stabilized year), by dividing the properties derived NOI by the market cap rate for that particular land use.

Site 2A		Build Year 1	Build Year 2	Year 1	Year 2	Year 3	Year 4	Year 5
Assumptions - Retail	**Variables**							
Gross Rental Revenue				$187,200	$190,944	$194,763	$198,658	$202,631
Net Rental Revenue (after vacancy & credit loss)				$131,040	$181,397	$185,025	$188,725	$192,500
Tenant Contributions (Pct. of OpEx)	95%			$41,496	$57,442	$58,591	$59,763	$60,958
Annual Parking Revenue	$0			$0	$0	$0	$0	$0
Total Net Revenue				$172,536	$238,839	$243,616	$248,488	$253,458
Inflation Factor/Escalation	2.00%		0.00	1.00	1.02	1.04	1.06	1.08
Gross Building Area Developed	13,000			13,000	13,000	13,000	13,000	13,000
Gross Leaseable Area	11,700		0	11,700	11,700	11,700	11,700	11,700
Vacancy Factor (Stabilized)	5.00%		0	11,115	11,115	11,115	11,115	11,115
Parking Spaces per 1,000 S.F.	4	52		52	52	52	52	52
Annual Rent/s.f. (NNN)	$16.00			$16.00	$16.32	$16.65	$16.98	$17.32
Building OpEx/S.F.	$4.80			$62,400	$63,648	$64,921	$66,219	$67,544
Annual Parking OpEx	$0			$0	$0	$0	$0	$0
Total OpEx				$62,400	$63,648	$64,921	$66,219	$67,544
Net Operating Income				$110,136	$175,191	$178,695	$182,269	$185,914
Assumptions - Rental Units (flats)				**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Gross Rental Revenue				$1,361,325	$1,388,552	$1,416,323	$1,444,649	$1,473,542
Net Rentl Revenue (after vacancy & credit loss)				$952,928	$1,319,124	$1,345,506	$1,372,417	$1,399,865
Annual Parking Revenue	$0			$0	$0	$0	$0	$0
Total Net Revenue				$952,928	$1,319,124	$1,345,506	$1,372,417	$1,399,865
Inflation Factor/Escalation	2.00%			1.00	1.02	1.04	1.06	1.08
Units	75		0	75	75	75	75	75
Average Unit Size (Gross s.f.)	994		875	875	875	875	875	875
Parking Spaces per Unit	1.5	113		113	113	113	113	113
Vacancy Factor (Stabilized)	5.00%		0	71	71	71	71	71
Average Annual Rent/s.f.	$20.74		$0.00	$20.74	$21.16	$21.58	$22.01	$22.45
Building OpEx/S.F.	$6.22		$0.00	$464,088	$473,370	$482,837	$492,494	$502,344
Annual Parking OpEx	$500			$56,250	$57,375	$58,523	$59,693	$60,887
Total OpEx				$520,338	$530,745	$541,360	$552,187	$563,231
Net Operating Income (NOI)				$432,589	$788,379	$804,147	$820,230	$836,634
Assumptions - Office Space				**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Gross Rental Revenue				$0	$0	$0	$0	$0
Net Rental Revenue (after vacancy & credit loss)				$0	$0	$0	$0	$0
Tenant Contributions (Pct. of OpEx)	95%		$0.00	$0	$0	$0	$0	$0
Annual Parking Revenue	$0			$0	$0	$0	$0	$0
Total Net Revenue				$0	$0	$0	$0	$0
Inflation Factor	2.00%		0.00	1.00	1.02	1.04	1.06	1.08
Square Footage (GBA)	0		0	0	0	0	0	0
Gross Leaseable Area	0		0	0	0	0	0	0
Parking Spaces per 1,000 S.F.	0	0		0	0	0	0	0
Vacancy Factor (Stablized)	0.00%		0	0	0	0	0	0
Annual Rent/s.f. (NNN)	$0.00		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Building OpEx/S.F.	$0.00		$0.00	$0	$0	$0	$0	$0
Annual Parking OpEx	$0			$0	$0	$0	$0	$0
Total OpEx				$0	$0	$0	$0	$0
Net Operating Income (NOI)				$0	$0	$0	$0	$0
Net Operating Income								
Leasing Revenues		$0	$0	$1,471,099	$1,500,521	$1,530,531	$1,561,142	$1,592,365
Total Net Operating Income		*$0*	*$0*	*$542,725*	*$963,570*	*$982,842*	*$1,002,498*	*$1,022,548*
Debt Service (Construction and Permanent Financing)		($314,204)	($324,396)	($996,419)	($996,419)	($996,419)	($996,419)	($996,419)
DCR				0.54	0.97	0.99	1.01	1.03
Annual Cash Flow (before income taxes)		($314,204)	($324,396)	($453,694)	($32,849)	($13,578)	$6,079	$26,129
Cash-on-Cash Rate of Return		-56.61%	-54.96%	0.00%	-0.59%	-0.25%	0.11%	0.47%

Site 2B	Variables	Build Year 1	Build Year 2	Year 1	Year 2	Year 3	Year 4	Year 5
Assumptions - Retail	**Variables**							
Gross Rental Revenue				$78,750	$80,325	$81,932	$83,570	$85,242
Net Rental Revenue (after vacancy & credit loss)				$55,125	$76,309	$77,835	$79,392	$80,979
Tenant Contributions (Pct. of OpEx)	95%			$17,456	$24,164	$24,648	$25,141	$25,643
Annual Parking Revenue	$0			$0	$0	$0	$0	$0
Total Net Revenue				$72,581	$100,473	$102,483	$104,532	$106,623
Inflation Factor/Escalation	2.00%		0.00	1.00	1.02	1.04	1.06	1.08
Gross Building Area Developed	5,000			5,000	5,000	5,000	5,000	5,000
Gross Leaseable Area	4,500		0	4,500	4,500	4,500	4,500	4,500
Vacancy Factor (Stabilized)	5.00%		0	4,275	4,275	4,275	4,275	4,275
Parking Spaces per 1,000 S.F.	4.0	20		20	20	20	20	20
Annual Rent/s.f. (NNN)	$17.50			$17.50	$17.85	$18.21	$18.57	$18.94
Building OpEx/S.F.	$5.25			$26,250	$26,775	$27,311	$27,857	$28,414
Annual Parking OpEx	$500			$10,000	$10,200	$10,404	$10,612	$10,824
Total OpEx				$36,250	$36,975	$37,715	$38,469	$39,238
Net Operating Income				$36,331	$63,498	$64,768	$66,064	$67,385
Assumptions - Rental Units (flats)				**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Gross Rental Revenue				$187,440	$191,189	$195,013	$198,913	$202,891
Net Rentl Revenue (after vacancy & credit loss)				$131,208	$181,629	$185,262	$188,967	$192,747
Annual Parking Revenue	$0			$0	$0	$0	$0	$0
Total Net Revenue				$131,208	$181,629	$185,262	$188,967	$192,747
Inflation Factor/Escalation	2.00%			1.00	1.02	1.04	1.06	1.08
Units	10		0	10	10	10	10	10
Average Unit Size (Gross s.f.)	1,000		880	880	880	880	880	880
Parking Spaces per Unit	1.5	15		15	15	15	15	15
Vacancy Factor (Stabilized)	5.00%		0	10	10	10	10	10
Average Annual Rent/s.f.	$21.30		$0.00	$21.30	$21.73	$22.16	$22.60	$23.06
Building OpEx/S.F.	$6.39		$0.00	$63,900	$65,178	$66,482	$67,811	$69,167
Annual Parking OpEx	$500			$7,500	$7,650	$7,803	$7,959	$8,118
Total OpEx				$71,400	$72,828	$74,285	$75,770	$77,286
Net Operating Income (NOI)				$59,808	$108,801	$110,977	$113,197	$115,461
Assumptions - Office Space				**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Gross Rental Revenue				$0	$0	$0	$0	$0
Net Rental Revenue (after vacancy & credit loss)				$0	$0	$0	$0	$0
Tenant Contributions (Pct. of OpEx)	95%		$0.00	$0	$0	$0	$0	$0
Annual Parking Revenue	$0			$0	$0	$0	$0	$0
Total Net Revenue				$0	$0	$0	$0	$0
Inflation Factor	2.00%		0.00	1.00	1.02	1.04	1.06	1.08
Square Footage (GBA)	0		0	0	0	0	0	0
Gross Leaseable Area	0		0	0	0	0	0	0
Parking Spaces per 1,000 S.F.	0	0		0	0	0	0	0
Vacancy Factor (Stablized)	7.50%		0	0	0	0	0	0
Annual Rent/s.f. (NNN)	$0.00		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Building OpEx/S.F.	$0.00		$0.00	$0	$0	$0	$0	$0
Annual Parking OpEx	$500			$0	$0	$0	$0	$0
Total OpEx				$0	$0	$0	$0	$0
Net Operating Income (NOI)				$0	$0	$0	$0	$0
Net Operating Income								
Leasing Revenues		$0	$0	$252,881	$257,938	$263,097	$268,359	$273,726
Total Net Operating Income		*$0*	*$0*	*$96,139*	*$172,300*	*$175,746*	*$179,260*	*$182,846*
Debt Service (Construction and Permanent Financing)		($61,450)	($45,000)	($165,825)	($165,825)	($165,825)	($165,825)	($165,825)
DCR				0.58	1.04	1.06	1.08	1.10
Annual Cash Flow (before income taxes)		($61,450)	($45,000)	($69,686)	$6,475	$9,921	$13,435	$17,021
Cash-on-Cash Rate of Return		-65.28%	-46.30%	0.00%	0.70%	1.08%	1.46%	1.85%

Site 2C	Variables	Build Year 1	Build Year 2	Year 1	Year 2	Year 3	Year 4	Year 5
Assumptions - Retail	**Variables**							
Gross Rental Revenue				$37,260	$38,005	$38,765	$39,541	$40,331
Net Rental Revenue (after vacancy & credit loss)				$26,082	$36,105	$36,827	$37,564	$38,315
Tenant Contributions (Pct. of OpEx)	95%			$8,259	$11,433	$11,662	$11,895	$12,133
Annual Parking Revenue	$0			$0	$0	$0	$0	$0
Total Net Revenue				$34,341	$47,538	$48,489	$49,459	$50,448
Inflation Factor/Escalation	2.00%		0.00	1.00	1.02	1.04	1.06	1.08
Gross Building Area Developed	2,300			2,300	2,300	2,300	2,300	2,300
Gross Leaseable Area	2,070		0	2,070	2,070	2,070	2,070	2,070
Vacancy Factor (Stabilized)	5.00%		0	1,967	1,967	1,967	1,967	1,967
Parking Spaces per 1,000 S.F.	4	9		9	9	9	9	9
Annual Rent/s.f. (NNN)	$18.00			$18.00	$18.36	$18.73	$19.10	$19.48
Building OpEx/S.F.	$5.40			$12,420	$12,668	$12,922	$13,180	$13,444
Annual Parking OpEx	$500			$4,600	$4,692	$4,786	$4,882	$4,979
Total OpEx				$17,020	$17,360	$17,708	$18,062	$18,423
Net Operating Income				$17,321	$30,178	$30,781	$31,397	$32,025
Assumptions - Rental Units (flats)				Year 1	Year 2	Year 3	Year 4	Year 5
Gross Rental Revenue				$49,692	$50,686	$51,700	$52,734	$53,788
Net Rentl Revenue (after vacancy & credit loss)				$34,784	$48,152	$49,115	$50,097	$51,099
Annual Parking Revenue	$0			$0	$0	$0	$0	$0
Total Net Revenue				$34,784	$48,152	$49,115	$50,097	$51,099
Inflation Factor/Escalation	2.00%			1.00	1.02	1.04	1.06	1.08
Units	4		0	4	4	4	4	4
Average Unit Size (Gross s.f.)	574		505	505	505	505	505	505
Parking Spaces per Unit	1.5	6		6	6	6	6	6
Vacancy Factor (Stabilized)	5.00%		0	4	4	4	4	4
Average Annual Rent/s.f.	$24.60		$0.00	$24.60	$25.09	$25.59	$26.11	$26.63
Building OpEx/S.F.	$7.38		$0.00	$16,940	$17,279	$17,625	$17,977	$18,337
Annual Parking OpEx	$500			$3,000	$3,060	$3,121	$3,184	$3,247
Total OpEx				$19,940	$20,339	$20,746	$21,161	$21,584
Net Operating Income (NOI)				$14,844	$27,812	$28,369	$28,936	$29,515
Assumptions - Office Space				Year 1	Year 2	Year 3	Year 4	Year 5
Gross Rental Revenue				$0	$0	$0	$0	$0
Net Rental Revenue (after vacancy & credit loss)				$0	$0	$0	$0	$0
Tenant Contributions (Pct. of OpEx)	95%		$0.00	$0	$0	$0	$0	$0
Annual Parking Revenue	$0			$0	$0	$0	$0	$0
Total Net Revenue				$0	$0	$0	$0	$0
Inflation Factor	2.00%		0.00	1.00	1.02	1.04	1.06	1.08
Square Footage (GBA)	0		0	0	0	0	0	0
Gross Leaseable Area	0		0	0	0	0	0	0
Parking Spaces per 1,000 S.F.	0	0		0	0	0	0	0
Vacancy Factor (Stablized)	7.50%		0	0	0	0	0	0
Annual Rent/s.f. (NNN)	$0.00		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Building OpEx/S.F.	$0.00		$0.00	$0	$0	$0	$0	$0
Annual Parking OpEx	$500			$0	$0	$0	$0	$0
Total OpEx				$0	$0	$0	$0	$0
Net Operating Income (NOI)				$0	$0	$0	$0	$0
Net Operating Income								
Leasing Revenues		$0	$0	$82,604	$84,256	$85,942	$87,660	$89,414
Total Net Operating Income		*$0*	*$0*	*$32,165*	*$57,990*	*$59,150*	*$60,333*	*$61,540*
Debt Service (Construction and Permanent Financing)		($21,155)	($10,330)	($48,873)	($48,873)	($48,873)	($48,873)	($48,873)
DCR				0.66	1.19	1.21	1.23	1.26
Annual Cash Flow (before income taxes)		($21,155)	($10,330)	($16,708)	$9,117	$10,277	$11,460	$12,666
Cash-on-Cash Rate of Return		-74.95%	-36.67%	0.00%	3.37%	3.79%	4.23%	4.68%

Site 2A: For Sale Housing Units		Build Year 1	Build Year 2	Build Year 3
Total Units	16	16	0	0
2BR Units	*8*	*8*	*0*	*0*
2BR S.F.	*1,600*	*12,800*	*0*	*0*
3BR Units	*8*	*8*	*0*	*0*
3BR S.F.	*2,000*	*16,000*	*0*	*0*
Weighted Average S.F.	1,800	28,800	0	0
Hard Costs/S.F. (Related Labor and Materials)	$125	$3,600,000	$0	$0
Soft Costs/S.F. (35 Pct. of Hard Costs)	$44	$1,260,000	$0	$0
Total Hard & Soft Cost	$4,860,000	$4,860,000	$0	$0
Average Hard and Soft Cost/S.F.		$169	$0	$0
Average Hard and Soft Cost/Unit		$303,750	$0	$0
Surface Parking Costs per Unit (2 spaces)		$0	$0	$0
Contingency (@ 10%)	10.0%	$22,500	$0	$0
Average Total Development Cost (TDC) per Unit		$326,250	$0	$0
Average Selling & Closing Cost per Unit (at 1% of TDC)	1.0%	$3,263	$0	$0
Average Sales Commission/Unit (at 3.5% of TDC)	3.5%	$11,419	$0	$0
Developer Overhead & Profit per Unit (at 12% of TDC)	12.0%	$39,150	$0	$0
Weighted Average Unit Sale Price (Mkt & Affordable)	$436,984	$437,093	$0	$0
Weighted Average Sales Price per S.F. (Mkt & Affordable)	$243			
2BR Unit Sales Price (Market)	$339,082			
2BR Sales Price per S.F.	$212			
3BR Unit Sales Price (Market)	$418,228			
3BR Sales Price per S.F.	$209			