

**Cottage Court - Four Units**  
CNU Lady Developers May 2015



Assumptions:

Construction Loan at 75% LTC

Current Rents at \$1.10 to \$1.35 per SF for existing 1 and 2 BR apartments

Wood Frame TYPE V construction, single story cottages, surface parking.  
Refinance in year 3  
Equity raise is \$140,000.

     = Input

     = calculated result

**Project Costs**

<b>Land Cost</b>	\$75,000	10,000 SF parcel	\$7.50 per parcel SF	13.2% of project costs
Hard Construction Costs - Residential Cond. SF	\$345,600		\$100 per cond. SF	
Hard Construction Costs - Uncond. SF	\$11,520		\$45 per SF	
<b>Hard Cost Subtotal:</b>	\$357,120			62.7% of project costs
Soft Construction Costs	\$137,344		\$37 per building SF	24.1% of project costs
<b>Hard and Soft Costs Subtotal</b>	\$494,464			
<b>Total Project Costs (Land+ Hard Costs+ Soft Costs)</b>	\$569,464			<b>100.0% Project Costs</b>

**Net Operating Income**

	Rate (per BSF)	Cond. SF	Uncond. SF	Monthly Rent	Annual Rent	Bldg. Count	Annual Rent	Cond.	SF	Uncond. SF
<b>Cottages</b>		3,456	256	\$5,650	\$69,600	1	\$69,600	3,456		256
Cottage 1 - 2 Bedrooms 1 bath 768 conditioned SF + 96 Sf porch	\$1.62	864	0	\$1,400	\$16,800					
Cottage 2 - 2 Bedrooms 1 bath 768 conditioned SF + 96 Sf porch	\$1.62	864	0	\$1,400	\$16,800					
Cottage 3 - 2 Bedrooms 1 bath 768 conditioned SF + 96 Sf porch	\$1.62	864	0	\$1,400	\$16,800					
Cottage 4 - 2 Bedrooms 1 bath 768 conditioned SF + 96 Sf porch	\$1.62	864	0	\$1,400	\$16,800					
Storage 1	\$0.78		64	\$50	\$600					
Storage 2	\$0.78		64	\$50	\$600					
Storage 3	\$0.78		64	\$50	\$600					
Storage 4	\$0.78		64	\$50	\$600					

<b>Total</b>					<b>69,600</b>		<b>3,456</b>		<b>256</b>
							Total Building SF		3,712
							Floor Area Ratio (FAR)		0.37

\$69,600	<b>Gross Potential Income (GPI)</b>
(\$3,480)	5% Vacancy Rate
\$66,120	<b>Gross Operating Income (GOI)</b>
(\$19,836)	Operating Expenses (30% of GOI)
\$46,284	<b>Net Operating Income (NOI)</b>
	<i>formula: GOI less Operating Expenses</i>
\$569,464	Project Cost
8.13%	<b>Cash Return on Project Costs, (no leverage)</b>
	<i>formula: NOI divided by the Project Cost</i>

**Cash Flow & Debt Service**

Project Cost: 100%	\$569,464		
Down Payment / Equity: 25%	\$142,366		
Debt: 75%	\$427,098		
Monthly payment P&I	(\$2,497)	25 Years	Loan Term
Annual NOI	\$46,284	5.0%	Interest Rate
Annual Debt Service	(\$29,961)	7.02%	Loan Constant (annual debt service /total debt principal)
<b>Annual Cash Flow above debt service and operating expenses:</b>	\$16,323	1.54	<b>Debt Service Coverage ratio:</b>
Annual depreciation @ 27.5 years	\$15,531	11.47%	<b>Pre-tax Return on Equity</b>
<i>Estimate assumes 75% of project cost = value of improvements to land</i>			

**Multiyear Cash Flow**

- Assumptions
- Developer defers 5% Development Fee as equity plus additional fee deferral from Arch or CM fees.
  - Tier 1 Equity receives 6% IRR as a preferred return and a share of the cash flow after debt service.
  - Refinance at 7% CAP Rate w/ 70% LTV in Year 3.

	Lease Up Year 0	100% Year 1	100% Year 2	Year 3	Year 4	Year 5	Year 6
<b>NOI Escalation</b>							
GOI (3.0% Appreciation)		\$66,120	\$68,104	\$70,147	\$72,251	\$74,419	\$76,651
Op. Exp. (1.5% Annual Increase)		(\$19,836)	(\$20,134)	(\$20,436)	(\$20,742)	(\$21,053)	(\$21,369)
<b>NOI</b>		\$46,284	\$47,970	\$49,711	\$51,509	\$53,365	\$55,282
<b>Cash Flow</b>							
Developer's Equity; Def. Fees	\$40,000						
Tier 1 Equity	\$100,000						
<b>Total Equity</b>	\$140,000						
NOI		\$46,284	\$47,970	\$49,711	\$51,509	\$53,365	\$55,282
Annual Debt Service		(\$29,961)	(\$29,961)	(\$29,961)	(\$32,023)	(\$32,023)	(\$32,023)
New Debt (70% LTV - assumes the value at a 7% CAP)				\$497,112			
Retirement of Orig. Debt (Month 36)				(\$400,134)			
<b>Cash Flow</b>		\$16,323	\$18,009	\$116,728	\$19,486	\$21,342	\$23,259
<i>Developer's Equity at Refinance</i>				\$213,048			

Annual Debt Service After Refinance
30 Years Loan Term
5% Interest Rate
(\$2,669) Monthly
(\$32,023) Annual
1.61 DSCR

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
<b>Phased Distributions</b>							
Annual Operating Cash Flow after Debt Service		\$16,323	\$18,009	\$116,728	\$19,486	\$21,342	\$23,259
Balance from Previous Year		\$4,323	\$4,323	\$2,332	\$4,559	\$5,295	\$26,637
Guarantor Fee		\$0	\$0	\$0	\$0	\$0	\$0
Tier A Equity Pref. Return (6%)		(\$12,000)	(\$20,000)	(\$84,500)	\$0	\$0	\$0
---- Tier 1 IRR Calc		(\$100,000)	\$12,000	\$20,000	\$84,500	\$0	\$0
Operating Partners' Equity -deferred fees Pref. Return (6%)		\$0	\$0	(\$30,000)	(\$18,750)	\$0	\$0
---- Tier 1 IRR Calc		(\$40,000)	\$0	\$0	\$30,000	\$18,750	\$0

	TOTAL	ROE	IRR
Guarantor	\$0	-	-
Tier 1 Equity	\$116,500	138%	6.0%
Operating Partners	\$48,750		6.0%

<b>Cumulative Cash Flow at Year End</b>		\$4,323	\$2,332	\$4,559	\$5,295	\$26,637
Cash Flow Order						
1. Tier 1 Equity (outside cash) with preferred return						
2. Fees deferred by Developer with return						