

Fairmont Heights, MD Redevelopment Opportunities

Shea Cashen, Marco Fernandez, Lanlan Zhang, Michael Horwitz

Under the supervision of Professor Marcus Ervin
Director, Maria Day-Marshall

RDEV 690- Capstone Project in Real Estate Development
University of Maryland – College Park

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PALS - Partnership for Action Learning in Sustainability
An initiative of the National Center for Smart Growth

Gerrit Knaap, NCSG Executive Director
Uri Avin, PALS Director



Fairmount Heights, MD Redevelopment Opportunities

SITE 1: CAPITAL OVERLOOK



SITE 2: MAIN STREET CENTER



SITE 3: FAIRMOUNT PARK



SITE 4: MARKER EIGHT



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CONTRIBUTORS

STUDENTS

SHEA CASHEN
MARCO FERNANDEZ
LANLAN ZHANG
MICHAEL HORWITZ

DIRECTOR

MARIA DAY-MARSHALL

INSTRUCTOR

MARCUS ERVIN

MENTOR

TANYA BANSAL

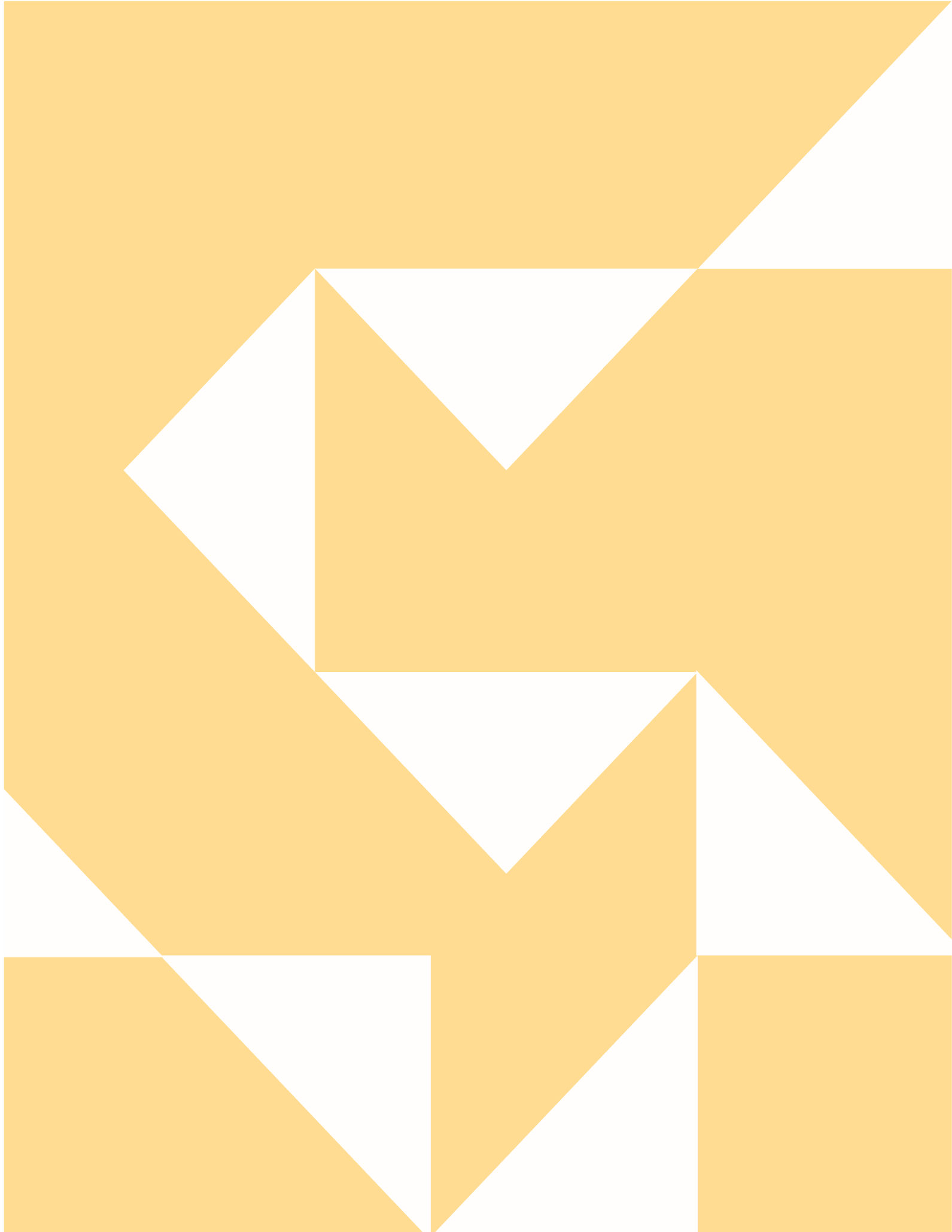
ARCHITECTS

ANTHONY PINS
ROBERT KUENTZEL
MICHAEL FISCHER
NICOLE HINKLE

UNIVERSITY OF MARYLAND



COLVIN INSTITUTE OF
REAL ESTATE DEVELOPMENT





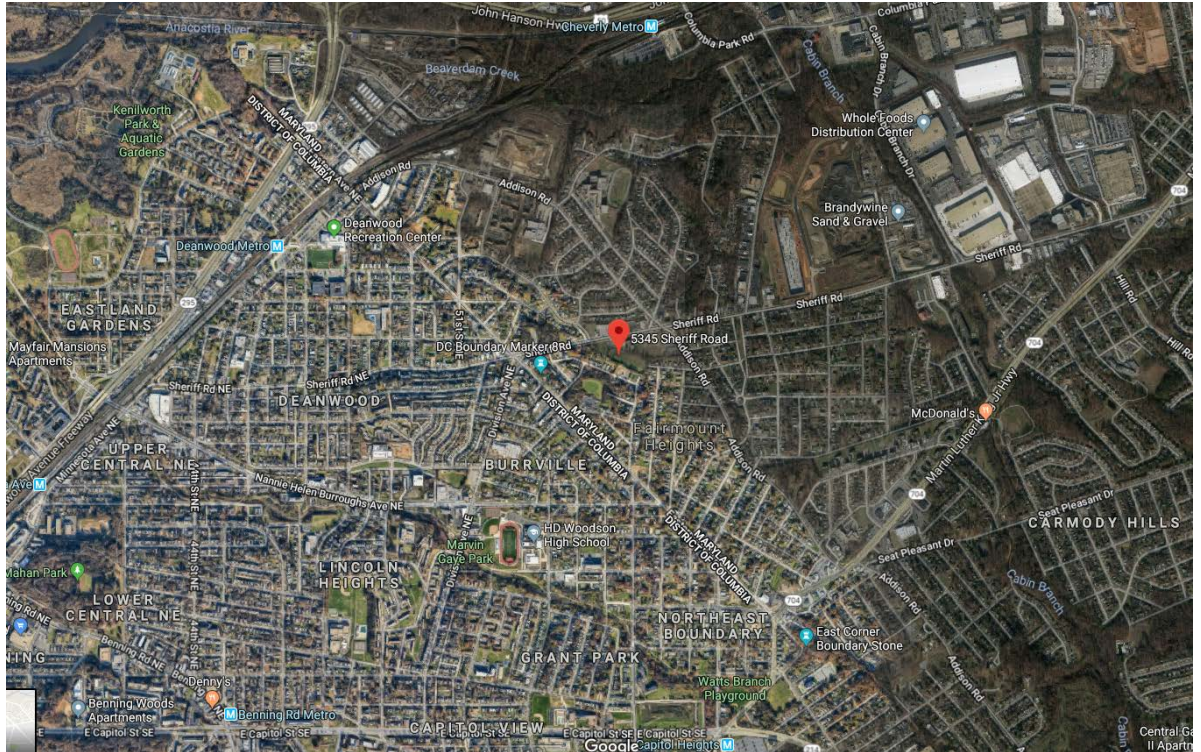
SITE 1: CAPITAL OVERLOOK



EXECUTIVE SUMMARY

I. Introduction

- a. Scope: To provide a mixed-income housing development with a community recreation center to an area of Prince George’s County which has lacked investment and development for some time.
- b. Location: 5345 Sheriff Road, Fairmount Heights, MD



- c. Uses Proposed: 112 Residential units and 10,000 SF Recreation Center

II. Market and Demographic Context

- a. No new multifamily housing developments in Fairmount Heights since 1945.
- b. Vacancy rates less than 5% in comparable properties.
- c. Main employers include warehousing, industrial, office administrative etc. Population of Fairmount Heights is 1,500 residents.
- d. Competition primarily comes from affordable housing developments within DC.
- e. Market rate component might be more challenging to lease due to location & stigma.
- f. Comparable Properties:

<u>Name</u>	<u>Units</u>	<u>Year Built</u>	<u>Average Rent</u>
Eastern Avenue Apartments	88	1945	\$1,206
Parkland Village	159	1948	\$1,207
Lotus Square	173	2006	\$1,394
Central Garden Apartments	94	1965	\$1,158

III. Key Project Opportunities

- a. Financial: Introduce 48 affordable dwelling units and 64 market rate units while achieving 17.79% IRR
- b. Providing sustainable housing by achieving LEED Silver Rating and putting an emphasis on solar energy and responsible runoff management.
- c. Social: Provide state of the art affordable and market rate housing and show reinvestment in a community that has challenges. Provide services in new community center including financial literacy, health, job skills, etc.
- d. Community: Emphasize the communal aspects of the town that the citizens are so proud of. Build a recreational community center which is a safe space for all to exercise, meet, organize meetings, learn, etc. Development of green field space into a part of the community by reconnecting streets and place making.

IV. Key Project Challenges/Risks

- a. 9% tax credit deal are extremely competitive so there is risk of not receiving funding
- b. Town owns parcel and would have to agree to sell to developing entity at last assessed value
- c. Lease up of market rate component is instrumental for meeting return metrics which can be a challenge due to the stigma of affordable housing developments

V. Financial Information

- a. Project Budget Summary:
 - i. Total Development Costs = \$139/SF
 - ii. Total Residential Cost = \$132,639/ Unit
- b. Key Pro Forma Assumptions
 - i. Loan Amortization HUD221(d)4 Loan
 1. DSCR: 1.15
 2. Interest Rate: 4.70%
 3. Term: 40 Years
 - ii. 15 Year Minimum Hold Period
 - iii. NOI Year 1: \$940,933
 - iv. Construction Term: 10 months
 - v. Pre-Development: 8 months

c. Sources and Uses

Sources	Amount	Per Unit
HUD 221(d)(4) Loan	\$14,742,417	\$307,134
Low Income Housing Tax Credits	\$6,947,160	\$144,732
Deferred Developer's Fee	\$0	\$0
Short Term Bonds	\$0	\$0
Seller Note	\$0	\$0
TOTAL	\$21,689,577	\$451,866
Uses	Amount	Per Unit
Construction Costs	\$15,895,449	\$331,155
Fees Related To Construction Costs	\$857,500	\$17,865
Acquisition Costs	\$304,400	\$6,342
Financing Fees and Charges	\$1,504,994	\$31,354
Developer's Fees	\$2,244,720	\$46,765
Syndication Related Costs	\$122,634	\$2,555
Short Term Payoff	\$0	\$0
Guarantees and Reserves	\$759,879	\$15,831
TOTAL	\$21,689,577	\$451,866

d. Financial Returns

- i. 15 Year IRR: 17.79%
- ii. Gross Profit Margin: 6.56%
- iii. Developer Fee: \$2,244,720

e. Sensitivity Analysis

- i. Interest Rate can increase to 6.0% before creating financing gap
- ii. Debt Service Coverage Ratio could be maxed at 1.40 before financing gap
- iii. Tax Credit Pricing can drop to \$0.70 before creating financing gap

Sensitivity Analysis		
All-In Interest Rate	Max Loan Amount	Financing Gap
4.70%	14,742,417	0
5.50%	13,219,750	0
6.00%	12,392,194	(348,836)
DSCR		
1.15	14,742,417	0
1.25	13,563,024	0
1.40	12,109,843	(302,223)
Tax Credit Pricing		
	Max LIHTC	
1.00	902,689	0
0.90	812,420	0
0.80	722,151	0
0.70	631,882	(614,798)

PRESENTATION SLIDES

CAPITAL OVERLOOK APARTMENTS



Shea Cashen

Cashen Development Corporation



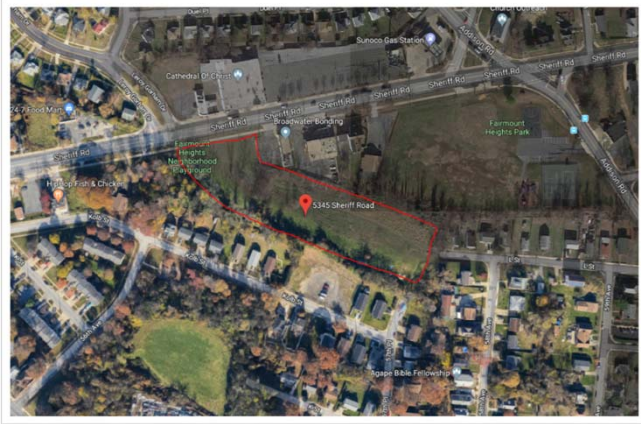
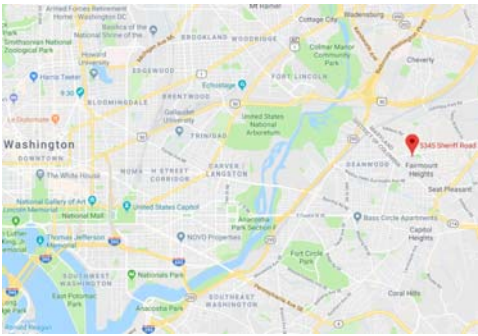
AGENDA

1. Introduction and Site Background
2. Market Analysis
3. Project Vision
4. Social and Public Context
5. Marketing and Management
6. Construction
7. Financial Analysis



INTRODUCTION

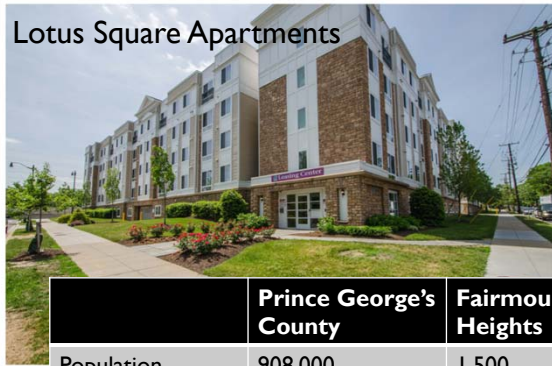
- 5345 Sheriff Road
- Fairmount Heights, MD
- 4.4 acre parcel
- Homes, commercial center, Sheriff Road Park



Capital Overlook Apartments

MARKET ANALYSIS

- 8 comps within 3 mile radius
- Average year built of 1972
- Newest one built in 2006
- Median vacancy rate of 3.7%



	Prince George's County	Fairmount Heights
Population	908,000	1,500
Median Household Income	\$76,741	\$59,342
Poverty Rate	9%	17%

Capital Overlook Apartments

PROJECT VISION

- Mixed-Income Housing Development
- Low Income Housing Tax Credits
- Four story garden-style apartment buildings
- Community Recreation Center
- Materials will include hardy siding and brick or stone



Capital Overlook Apartments

SOCIAL AND PUBLIC BENEFITS

- Walkability
- Community Center
- Reactivation of Sheriff Road Park
- LEED Silver Sustainable Design



Capital Overlook Apartments

SITE PLAN

- Mixed-Use-Infill Zone
 - R-18 for residential
- 112 units – 4 residential buildings
- 152 parking spaces



Capital Overlook Apartments

MARKETING & MANAGEMENT

- Mixed-income development with emphasis on community aspect
- Target broad range of residents
- William Sidney Pittman Community Center
- Tenant Services Plan

Youth Programs

Job Skills

Educational and Financial Literacy

Health and Wellness

Transportation, Safety and Community Building



Capital Overlook Apartments

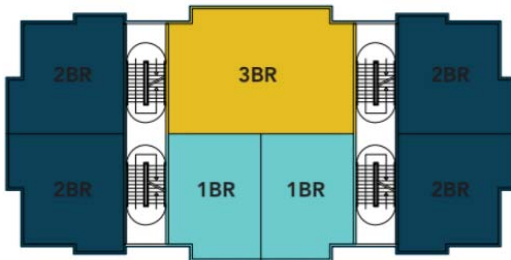
CONSTRUCTION

- DHCD Rental Housing Financing Guide Max for Garden Style: \$125/SF
- Community Center: \$200/SF
- 24 month total project timeline

Net Residential Construction Costs	\$12,880,000
Total Residential Square Feet	103,610
Construction Cost Per Residential SF	\$124.30
Total Construction Cost Per Unit	\$115,000



UNIT MIX



Unit Type	# of units	Average SF	Income Per Unit
Market Rate	64		
1 bedroom	19	805	\$ 1,187
2 bedroom	39	935	\$ 1,473
3 bedroom	6	1,200	\$ 1,758
Affordable	48		
1 bedroom	14	805	\$ 915
2 bedroom	28	935	\$ 1,061
3 bedroom	6	1,200	\$ 1,209
TOTAL	112		



SOURCES & USES

Sources	Amount	Percent
HUD 221(d)(4) Loan	\$14,742,417	68%
Low Income Housing Tax Credits	\$7,067,550	32%
Deferred Developer's Fee	\$0	0%
TOTAL	\$21,809,967	100%

Uses	Amount	Percent
Construction Costs	\$15,895,449	73%
Fees Related To Construction Costs	\$857,500	4%
Acquisition Costs	\$304,400	1%
Financing Fees and Charges	\$1,614,916	7%
Developer's Fees	\$2,255,163	10%
Syndication Related Costs	\$122,661	1%
Guarantees and Reserves	\$759,879	3%
TOTAL	\$21,809,967	100.00%

RETURN METRICS

- Developer's Fee: \$2,255,163 primary method of return
- IRR (15 Year Hold Period) 17.79%
- Exit Strategy: 15 year hold, re-syndicate and perform 4% LIHTC deal

	Year 1	Year 5	Year 10	Year 15
<u>Effective Gross Income</u>	\$ 1,642,487	\$ 1,775,338	\$ 1,956,759	\$ 2,156,892
<u>Total Expenses</u>	\$ 701,554	\$ 781,785	\$ 896,049	\$ 1,028,109
<u>Net Operating Income</u>	\$ 940,933	\$ 993,553	\$ 1,060,710	\$ 1,128,782
<u>Total Debt Service</u>	\$ 833,161	\$ 830,354	\$ 826,104	\$ 820,851
<u>Cash Flow</u>	\$ 107,772	\$ 163,199	\$ 234,606	\$ 307,931

SENSITIVITY ANALYSIS

9% vs. 4% Tax Credits?

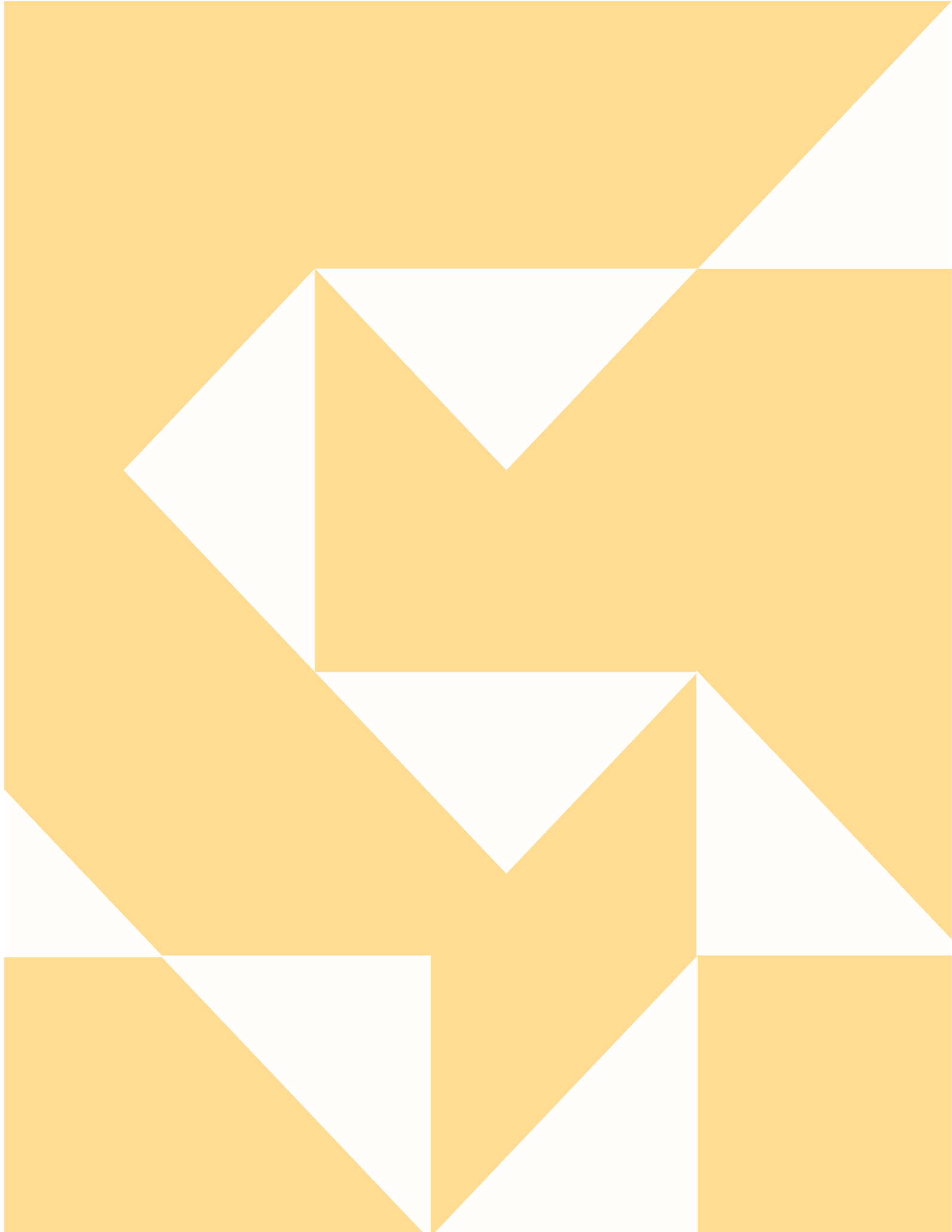
<u>Interest Rate</u>	<u>Max Loan Amount</u>	<u>Financing Gap</u>
4.70%	\$14,742,417	0
6.00%	\$12,392,194	\$(348,836)
<u>DSCR</u>		
1.15	\$14,742,417	0
1.40	\$12,109,843	\$(302,223)
<u>Tax Credit Pricing</u> <u>Max LIHTC</u>		
\$1.00	\$902,689	0
\$0.70	\$631,882	\$(614,798)



CONCLUSION

- Capital Overlook Apartments
 - Financially feasible
 - Sustainably built
 - Community focused
 - Mixed-income housing







SITE 2: MAIN STREET CENTER



EXECUTIVE SUMMARY

I. Introduction

- a. Delivering a market rate multi-use development to a community that has lacked investment over the past decades while increasing the areas walkability and maintaining its historical characteristics.
- b. 5345 Sheriff Road Fairmount Heights MD 20743. Please see page 5 for map
- c. Uses Proposed
 - i. 265 market rate rental unit
 - ii. 25,000 SQFT of retail space

II. Market and Demographics

- a. Zip code of area shows 6% rent increases over last 12 months
 - i. 2% vacancy rate for rental units
- b. Home values have doubled since 2014
- c. Aging population
- d. Proximity to Washington DC and low density is driver
- e. Competition will come from surrounding area that are already getting investments, Capital Heights & Landover ect.
- f. Challenges
 - i. Other developments under construction already or pending approval could impede absorption within 3 mile radius
 - ii. closer proximity to metro stations
 - iii. Unemployment rate of area
- g. Comparables:
 - i. 8100 Gibbs way – Century Summerfield, 8831 Lottsford Rd – Mosaic at Largo Station, 5501 45th Ave – Palette at Arts District, 7730 Harkins Rd – The Remy, 6210 Belcrest Rd – Mosaic at Metro Apartments
 - ii. Averages: Studio \$2.76 and 543 SQFT, 1 Bedroom \$2.11 and 740 SQFT, 2 Bedroom \$1.77 and 1110 SQFT

III. Opportunities

- a. Setting the cap rate for Fairmount Heights
- b. Environmental
 - i. Water management
 - 1. Green rooftop
 - 2. Recycled rock used for water management canal and barrier wall CR6 and RC6

- 3. Electric heat pump HVAC
 - 4. Low flow toilets and showerheads
 - 5. LED lighting standard
 - ii. LEED gold
 - c. Social
 - i. Increasing North and South bound traffic
 - ii. Walkability
 - iii. Public access to green space
 - iv. Connectivity to adjacent park space
 - d. Community
 - i. Entices future development of Fairmount Heights master plans
 - ii. Retail space will provide employment opportunities for local residents
 - iii. Traffic improvement
 - iv. Blighted unused green-fill converted to community needed retail
- IV. Challenges and Risks
- a. Shape of parcel
 - i. Very narrow
 - ii. Makes it difficult to fit parking
 - 1. Parking or NOI
 - b. Meeting the many needs of existing residents.
 - i. Impossible to meet all of the needs in a single development
 - ii. Adding more retail to meet more needs significantly affects the residential portion to reach profitability
 - c. Lack of surrounding development
 - i. Neighbor is a gentleman's Club
 - ii. Most of Fairmount Heights limited retail space is outdated
 - d. Price of land
 - i. If land were to be acquired at market rate, project would be unfeasible
 - ii. Being the first improvement to the area aids in acquiring land at a discount
- V. Budget
- a. Total project dollar per SQFT = \$231.50
 - b. Residential dollar per SQFT = \$229.19
 - c. Commercial dollar per SQFT = \$ 251.33
 - d. Residential dollar per unit = \$185,947.13
- VI. Proforma
- a. Debt ratio = 1.2
 - b. Interest rate = 4.5%
 - c. Term = 40 year
 - d. Exit Term = 10 years
 - e. NOI = \$2,844,419
 - f. Stabilization year
 - g. Construction term = 14 months
 - h. Predevelopment = 6-9 months.

VII. Sources of Capital

- a. HUD 221D4: 84% residential, 79% commercial
- b. Private investor: 7.1% residential, 21.4% commercial
- c. Deferred developer fee residential side

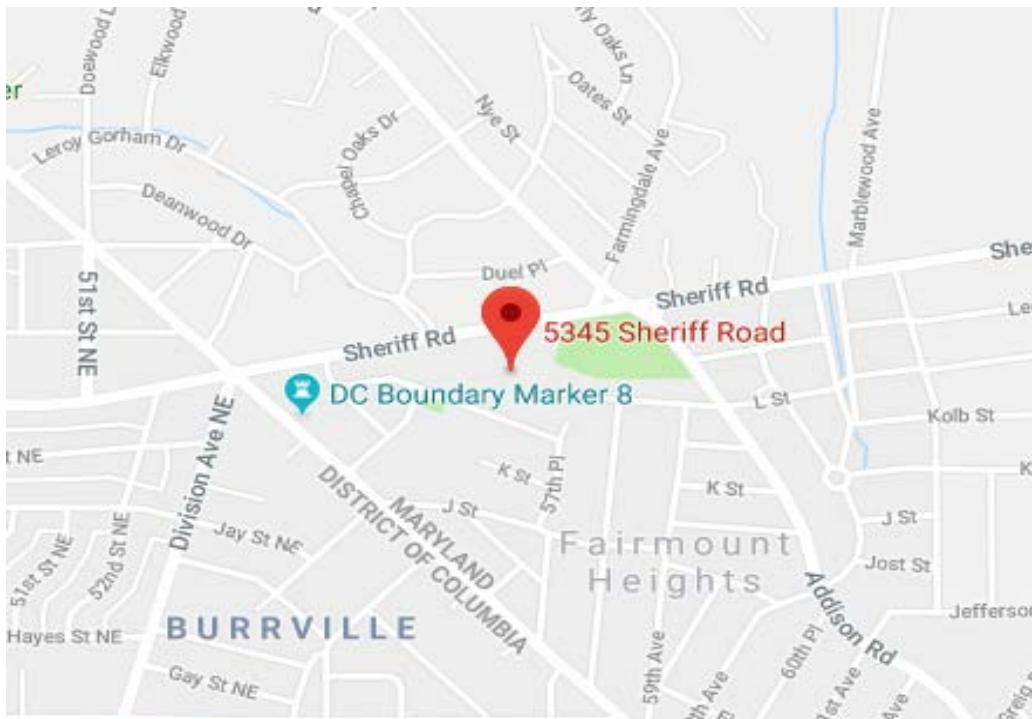
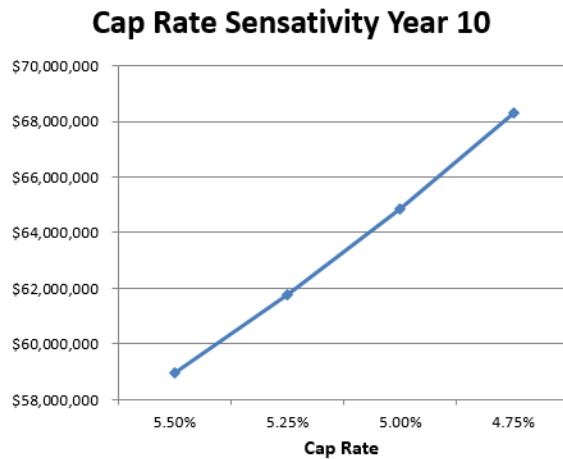
VIII. Returns

- a. Gross profit margin = \$4,409,761
- b. Return on cost = 310%
- c. Cash on Cash = 43%
- d. Developer Fee
 - i. \$4,551,887 deferred residential
 - ii. \$728,823 not deferred commercial

IX. Sensitivity

- a. Rent increase will need to stay above 1.1% so the cash flow can outpace the expenses increase of 3% in a 14 year period

IRR							
	Investor Take of Cash Flow						
	30%	40%	50%	60%	70%	80%	
Interest Rate	4.00%	4.40%	5.80%	7.20%	8.60%	10.00%	11.30%
	4.25%	4.70%	6.20%	7.60%	9.10%	10.50%	11.90%
	4.50%	4.80%	6.30%	7.80%	9.30%	10.70%	12.20%
	4.75%	4.90%	6.50%	8.10%	9.60%	11.20%	12.60%
	5.00%	5.30%	6.90%	8.60%	10.20%	11.80%	13.40%



PRESENTATION SLIDES

Main Street Center



5345 Sheriff Road Fairmount Heights MD

Capstone spring 2018

By Marco Fernandez



Main Street Center Agenda

- Introduction
- Economics
- Project Design
- Market Analysis
- Marketing and Management
- Zoning
- Design and Environmental
- Community and Social Benefits
- Construction Cost and Schedule
- Financials

Introduction

Overview

- Single family neighborhood
- Low employment opportunity
- Older housing stock
- Multifamily almost nonexistent
- Second oldest predominately African American township

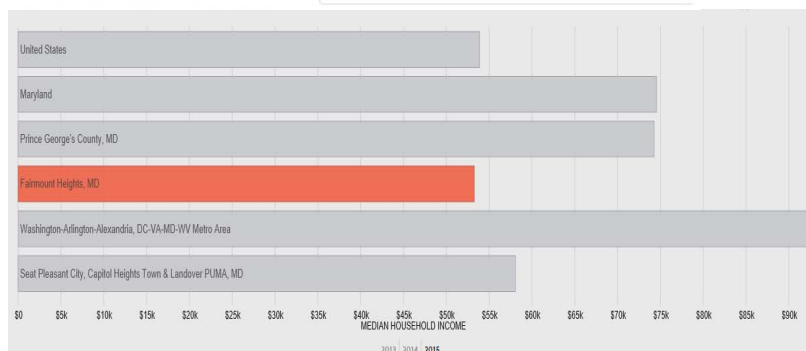


Economics/ Demographics

- Employs 708 persons
- Income is below county and state average at \$56,900
- Secretaries and Miscellaneous managers
- High school = 80.2%
- Bachelors or higher=19.8%



Black alone	87.9%	1,313
Hispanic	8.1%	121
Two or more races	1.8%	27
White alone	1.0%	15
Asian alone	0.8%	12
American Indian alone	0.4%	6



Project Design

- 265 Market rate units
- 25,000 SQFT of retail space
- Queen Anne's revival style



Market Analysis Commercial

- Nothing Class A or B within submarket
- Averaging \$23.29 per SQFT
- No sit down restaurants
- Low population equals low demand



Market Analysis Commercial

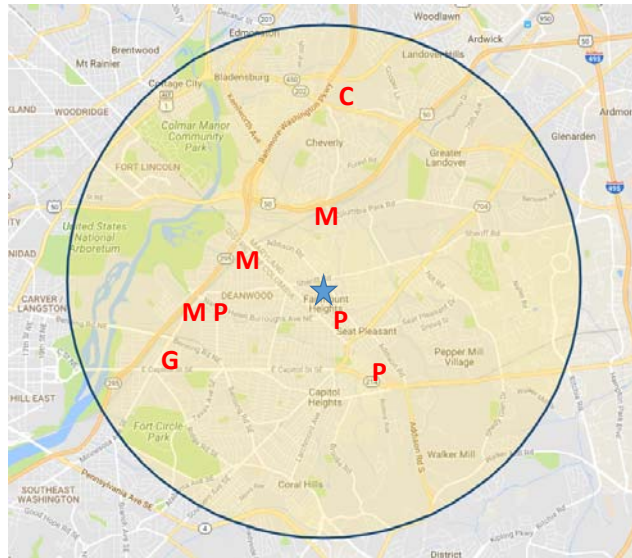
★: Site

M: Metro Station

P: Pharmacy 1.1 miles

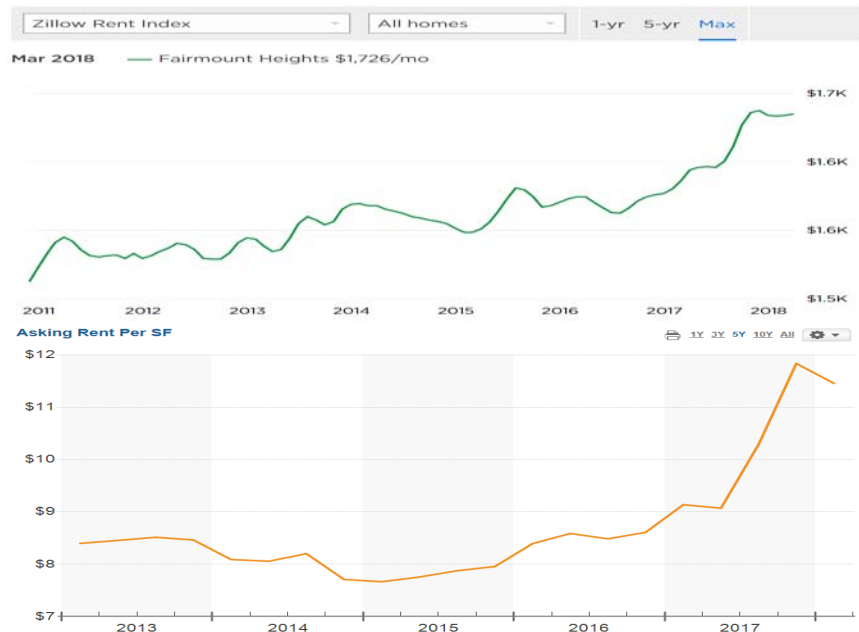
G: Grocery Store 2.5 miles

- Urgent Care 4.7 miles Largo
- Restaurant 4.7 miles Sardis



Market Analysis Residential

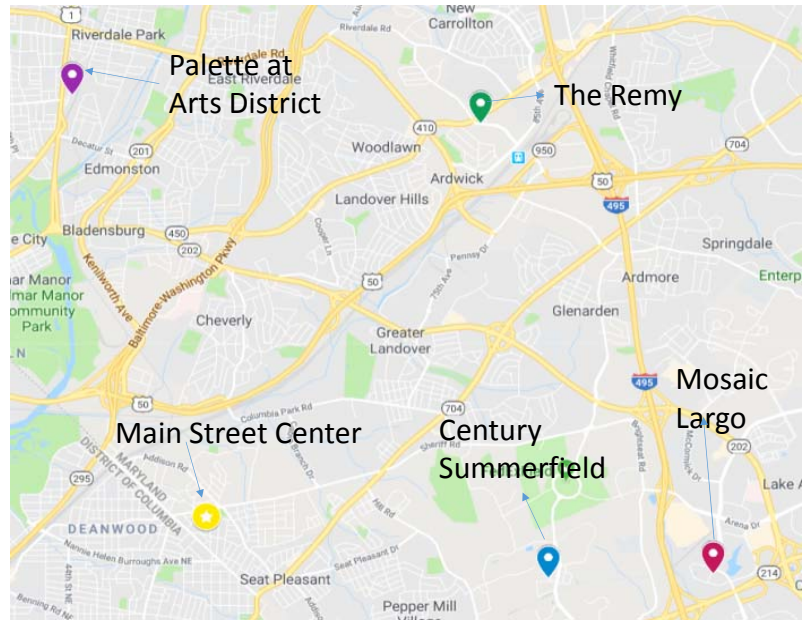
- Rents are rising
- Multi-family almost non-existent
- Mostly Affordable
- Very Old Stock
- 70% homeowners
- Comps = 5.4% Vacancy



Residential

Comps		
Studio	\$2.76	543 sqft
1 bed	\$2.11	740 sqft
2 bed	\$1.77	1110 sqft

Main Street Center		
Studio	\$2.31	550 sqft
1 bed	\$2.00	700 sqft
2 bed	\$1.65	1000 sqft



Marketing & Management

- Gain support from residents
- Makes variance request easier
- Parking reduction
- Encouraging shuttle to metro
- In house management
- Long term investment in community



Zoning and Approval

- MUI
- R18
- Overlay
- Sector 4 Master plan
- County approval
- Variance request to reduce parking



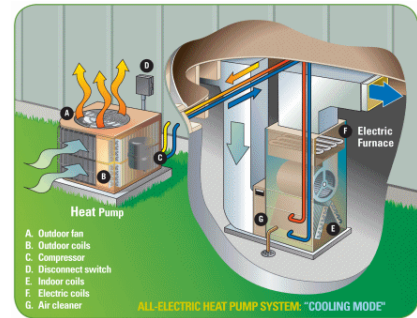
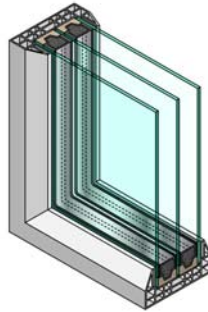
Design and Environmental

- Puddling water
- Retaining wall
- Water diversion canal
- 19,000 SQFT of green space



Design and Environmental

- Electric heat pump HVAC system
- Low flow toilets and showerheads
- LED lighting standard
- Energy efficient windows
- Scores LEED =



Community and social benefits

- Public access to green space
- Elimination of blight
- Reduction in illegal activity
- Walkability
- North and South traffic access



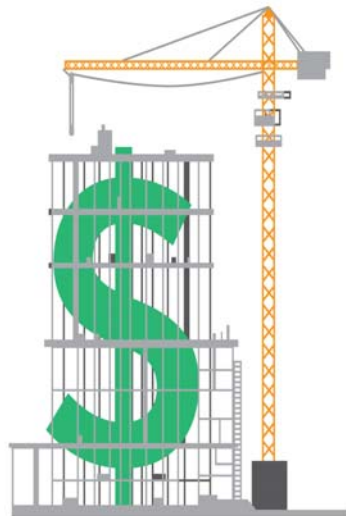
Community and social benefits

- Connectivity to park
- Healthier food options
- Local employment opportunities
- Hardie plank for historical look

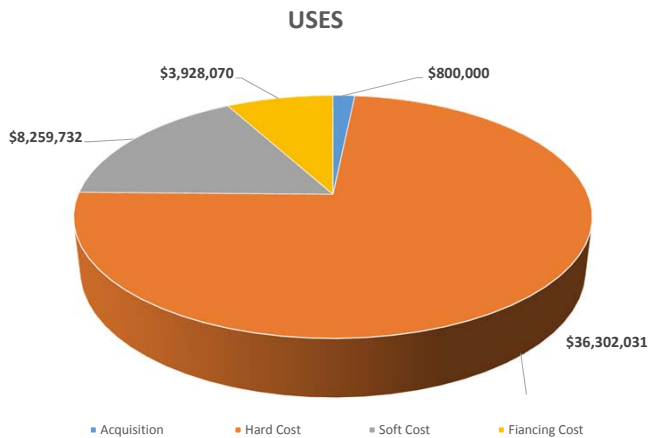


Construction Cost and Schedule

- Residential = \$165 per SQFT. \$49,289,833 total
- Commercial = \$130 per SQFT. \$6,079,275 total
- 6-9 months courting community support
- 14 months schedule
- 17 months max for commercial
- 19 months max for residential



Financials

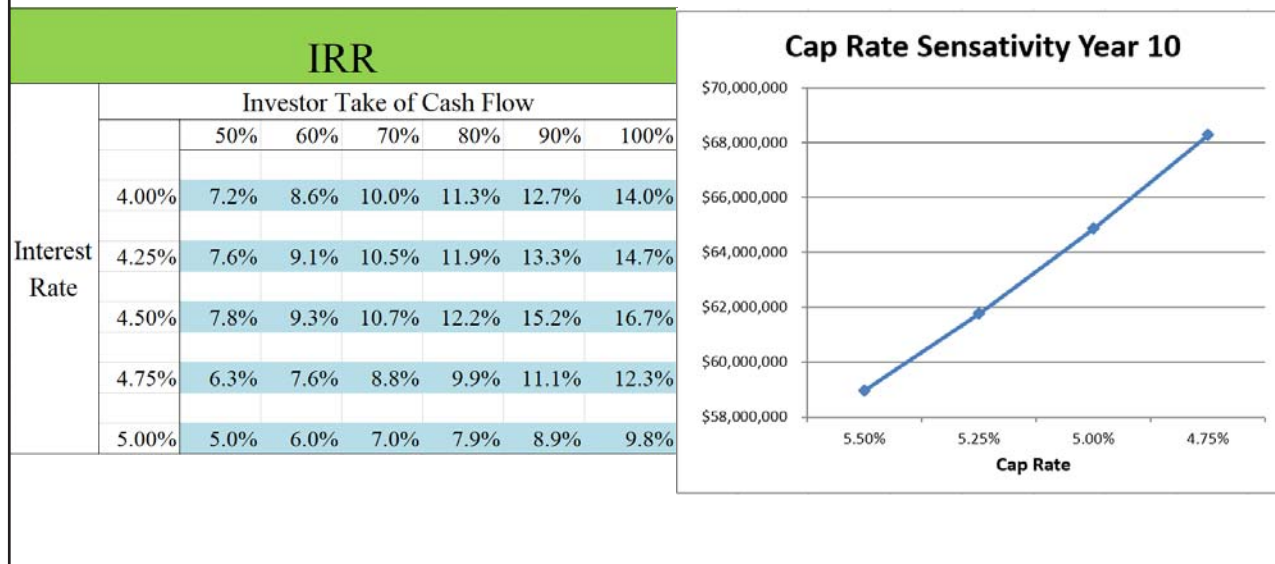


Sources	
HUD 221D4 Residential	\$ 41,247,292
HUD 221D4 Commerical	\$ 4,931,502
Private investor Residnetial	\$ 3,490,654
Private investor Commerical	\$ 1,147,772
Deffer Dev Fee Residential	\$ 4,551,887

Financials

Development Summary			
Address	9435 Sheriff Raod Fairmount Heights MD 20743		
	Residential	Retail	Total
Net Operating Income	\$ 4,409,761	\$ 470,601	\$ 5,016,574
Debt Services	\$ 2,410,032	\$ 368,300	\$ 2,778,332
Cash Flow	\$ 434,387	\$ 102,301	\$ 536,688
Investor IRR	16.7%	11.6%	\$ 536,688

Financials

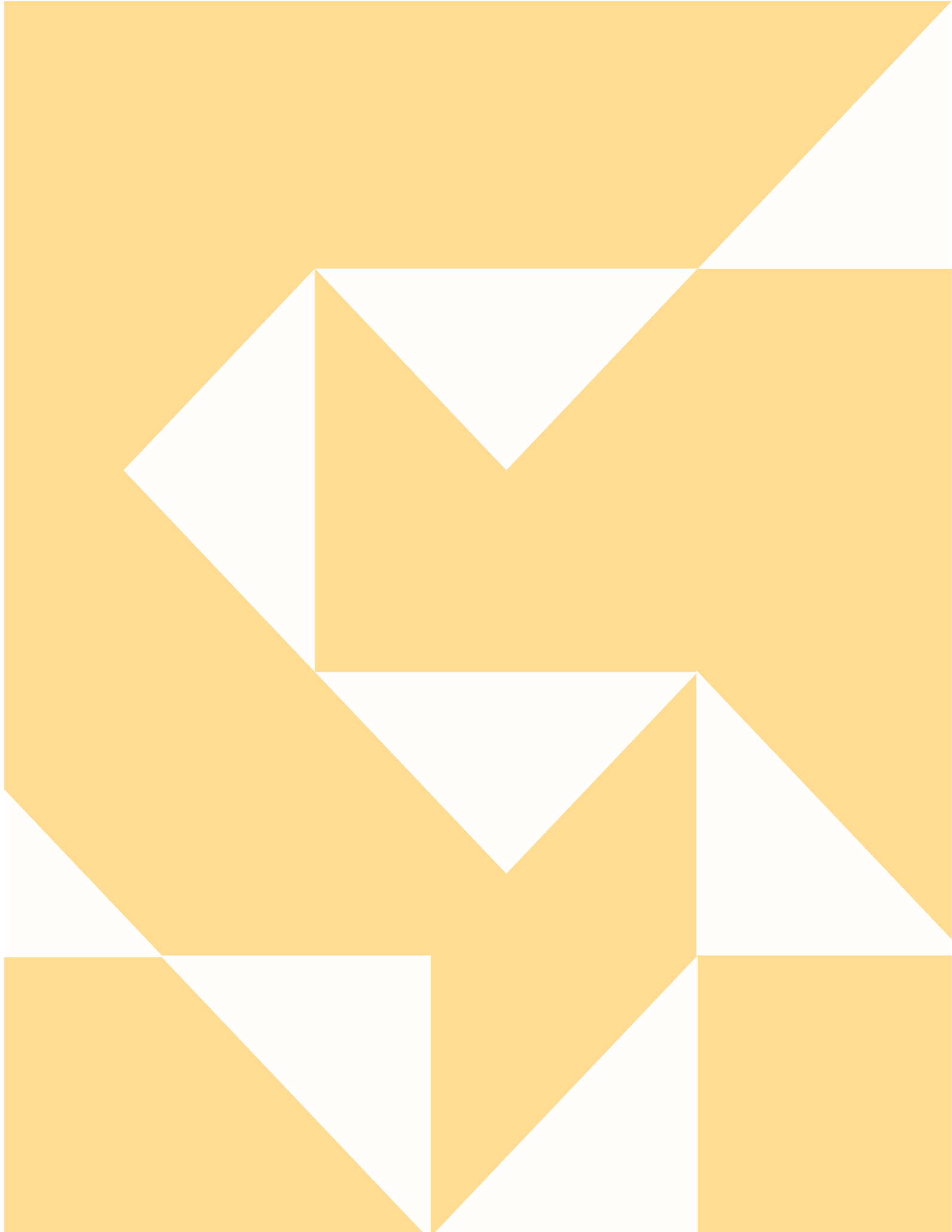


Main Street Center

Thank You

Marcus Ervin
 Tanya Bansal
 Maria Day-Marshall
 Robert Kuentzel

Q & A





SITE 3: FAIRMOUNT PARK



EXECUTIVE SUMMARY

I. Introduction

Fairmount Park Apartment is the first rental apartment in the City of Fairmount Heights, Maryland, where is adjacent to Washington DC. As a sustainable and community-oriented mixed-use development in size of 4.4 acres, it has 171 units, including 69 affordable units aiming at 60% of AMI and 102 marketable units, 7,000 SF ground floor retail and 2,000 SF activity center. Fairmount Park Apartment provides natural open spaces, on-site convenient amenities, activity centers and energy efficient systems for the buildings to make a better place.



II. Market and Demographic Context

- Aged community in average age of 40.4
- There is no key employer in the city, but the location attracts potential renters in DC area.
- Increasing Development Activity: 2206 existing units, 352 under construction units and 1,300 proposed units within two miles radius
- Lack of New Marketable Apartments: no new marketable apartment since year 2000
- Dominated by affordable housing
- Stable vacancy rate in the past 10 years: 5.8% in PG county (7.3% in DC) currently
- Steadily increasing rent since 2008: \$1.54/SF in PG county (\$2.46 in DC) currently
- Affordable rents range from \$1.37/SF to \$2.74/SF in the immediate market
- Marketable rents range from \$1.7/SF to \$2.2/SF in the immediate market

III. Opportunities

- Pioneer rental apartments in the city of Fairmount Heights
- Low Householder Income Tax Credits and new market credits applied
- Mixed-income housing
- Boost the property values in the area and increase tax revenues
- Walkability and accessibility improvement
- Provide the diversity of cultures and multi-generations for the community
- Preserved trees and natural open spaces
- Sustainability

IV. Challenges/Risks

- Low regional reputation and safety concerns
- Competitive projects around the site
- Difficulty in getting returns to work with required percentage of low income housing

V. Financial Information

- Residential marketable rent: \$2.00/SF
- Residential affordable rent: \$1.85/SF
- Retail Rent: \$28.5/SF

- Project Budget Summary:

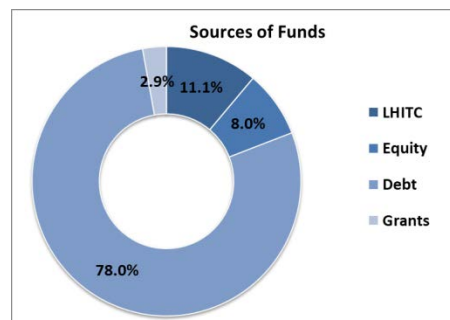
Total development cost	\$38,529,347
Cost per Unit	\$225,318
Cost per SF	\$236

- Key Pro Forma Assumptions

NOI After Reserves	\$1,969,583
Stabilization Year	1/1/2021
Construction Term	16 months
Debt ratios	1.20
Maximum Allowable for Debt Service	\$1,644,534
Term	40
Interest Rate	4.60%
Maximum Loan	\$30,052,890

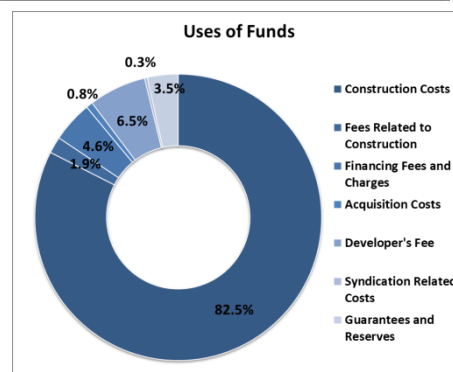
- Sources of Funds

Type of Uses	Amount
LHITCs	\$ 4,293,784
Developer Equity	\$ 3,082,673
Debt	\$ 30,052,890
Grants	\$ 1,100,000
Total	\$ 38,529,347



- Uses of Funds

Type of Uses	Amount
Construction Costs	\$31,785,165
Fees Related to Construction	\$716,000
Financing Fees and Charges	\$1,783,117
Acquisition Costs	\$291,375
Developer's Fee	\$2,500,000
Syndication Related Costs	\$121,469
Guarantees and Reserves	\$1,332,220
Total Uses of Funds	\$38,529,347

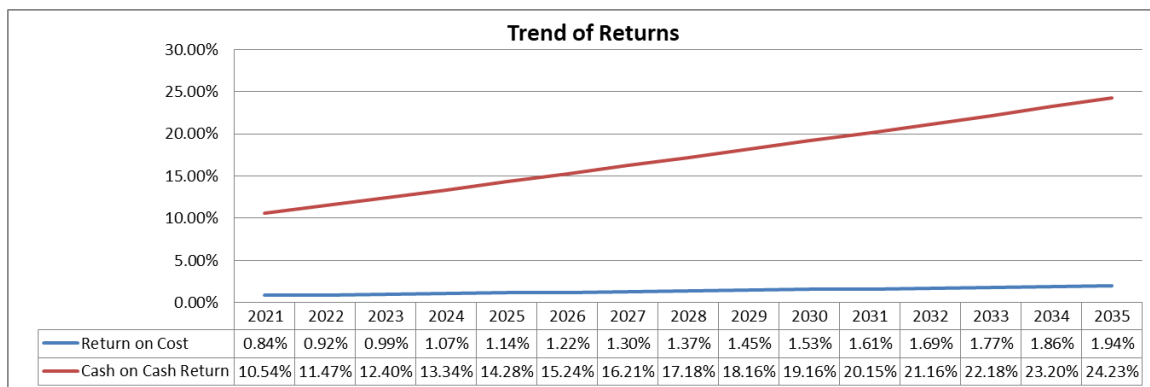


● Financial Returns

1. Leveraged IRR: 17.93% in year 15 (2035) in cap rate of 6%.

Cap Rate	Leveraged IRR	NPV After-Tax
6.00%	17.93%	\$ 4,397,222
6.50%	17.06%	\$ 3,653,461
7.00%	16.21%	\$ 3,015,952

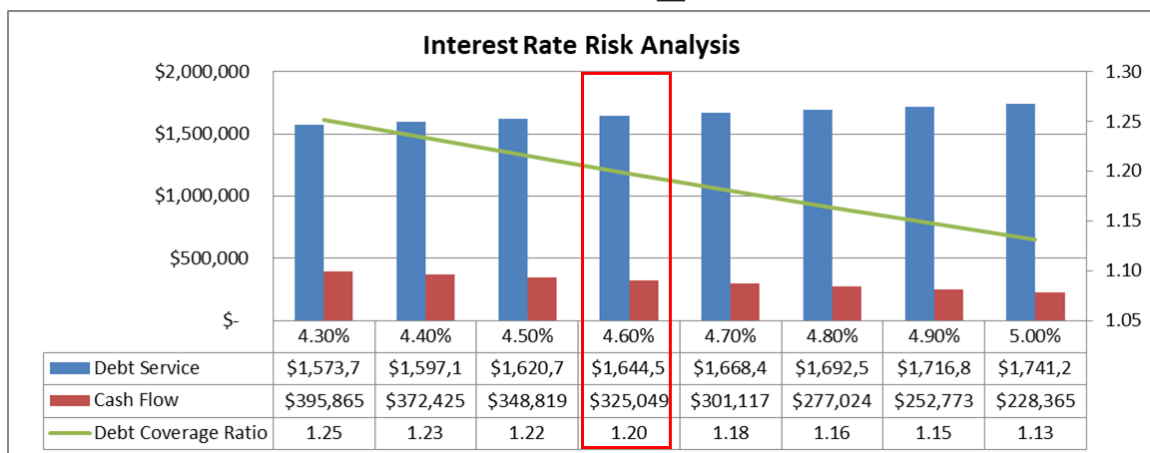
2. Gross Profit Margin: 33.31%
3. Net sale proceeds in year 15: \$12,833,311
4. Average return on cost during the hold period: 1.46%
5. Average cash on cash return during the hold period: 18.26%



6. Equity multiplier: 3.96
7. Developer Fee: 6.5% of TDC; \$2,500,000 with a cap

● Sensitivity Analysis

Interest Rate Risk: still safe in interest rate of 4.9%



● Exit Strategy: 15-year hold period required

1. Sale the property in year 15 with net proceeds of \$12,833,311
2. Re-syndicate the project: renovate the project and apply for new LHITCs

PRESENTATION SLIDES



Fairmount Park Apartments

Presenter: Lanlan Zhang
Mentor: Marcus Ervin
Architect: Mike Fischer
2018.5.12



Content



- 1** PROJECT OVERVIEW
- 2** MARKET ANALYSIS
- 3** DEVELOPMENT PROPOSAL
- 4** ZONING REGULATION
- 5** FINANCIAL ANALYSIS



Street View of Fairmount Park Apartments



1

1 PROJECT OVERVIEW



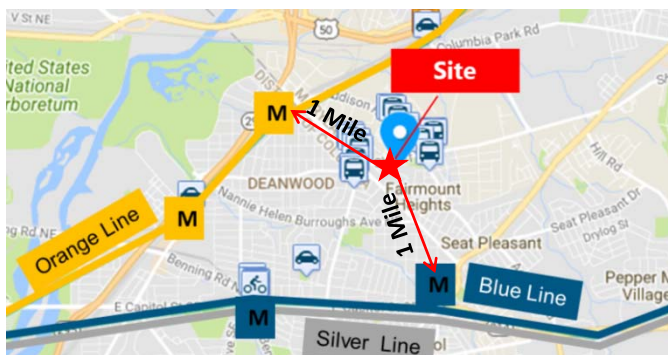
- ❑ 4.4 acres undeveloped land
- ❑ Mixed-Use Infill (MUI) use
- ❑ Dominated by single families and townhouses
- ❑ Strong local and regional connectivity



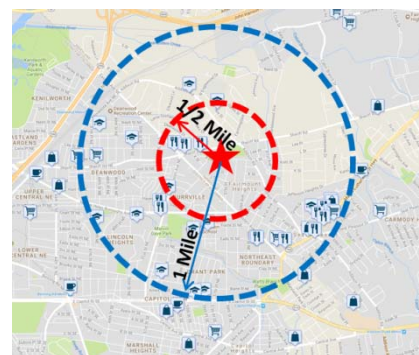
Site Context



■ Lack of Walkability



Nearby Public Transit



Nearby Retail-Convenience & Services

2 Market Analysis



Fairmount
Park Apartments

- Demographic
- Market Condition
- SWOT Analysis
- Pricing and Sizing

Demographic



Fairmount
Park Apartments

Fairmount Heights

1,567
with growth of 4.89%
From 2010-2016



D.C. Metropolitan Area

6,133,552
with growth of **8.23%**
From 2010-2016

Median age: 40.4
aging community



Median age: **36.7**
influx of young people

\$59,342
60% of AMI in DC



\$95,843
Relatively higher income

Local low-income
households

+

Young professionals
in DC

Market Condition



Office

X

Residential

- Past growth: No
- Absorption: 16-25 units
- Vacancy: 5.8% in PG county (7.3% in DC)
- Rent: \$1.3-\$2.0/SF

Retail

- No Supply
- Absorption: 7,000 SF/month
- Vacancy: 4.3%
- Rent: \$28.95/SF

Mixed-Use Residential Development

Market Condition



Increasing Development Activity

2,206

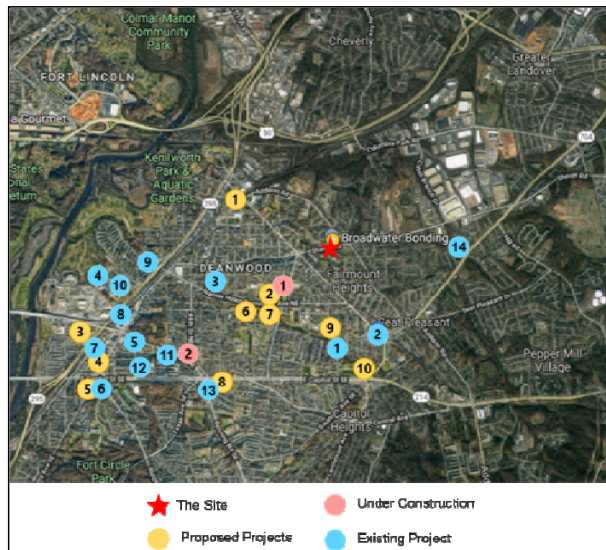
Existing Units

352

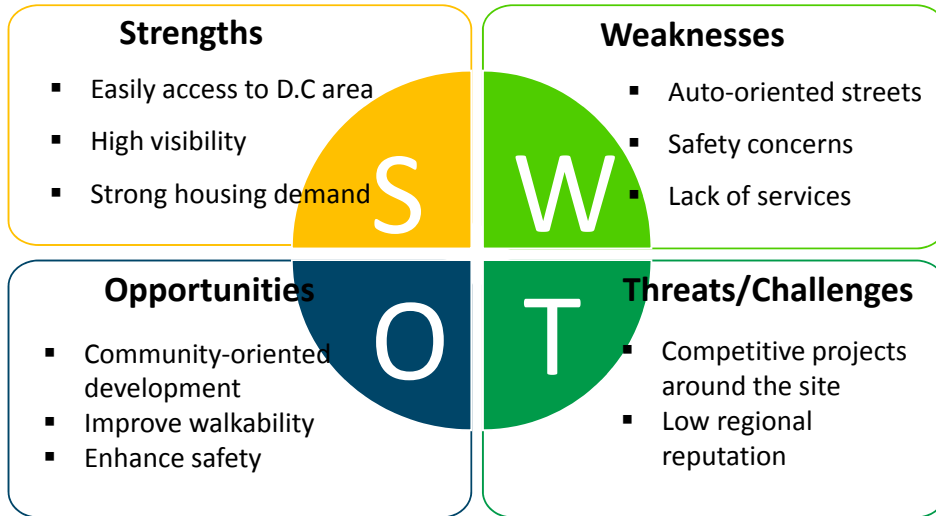
Under Construction Units

1,300

Proposed Units



SWOT Analysis



Market Comparables



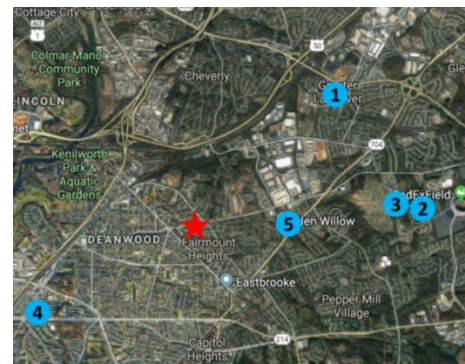
Sizing and Pricing

	Comparables	Fairmount Park
Average unit size	695 SF--850 SF	735 SF
Rent Range	\$1.6--\$1.9/SF	\$1.9/SF (2018) \$2.0/SF (2021)
Vacancy	0.2%-5%	7.2% (assumption)

Unit Mix

Unit Type	Size	Units	%	Rent	Rent/SF
1B/1B	650	47	46%	\$ 1,350	\$ 2.08
2B/1B	780	46	45%	\$ 1,550	\$ 1.99
3B/2B	950	9	9%	\$ 1,650	\$ 1.74
Total	735	102	100%	\$ 1,467	\$ 2.00

Map of Comparable Market



Source: Costar

3 DEVELOPMENT PROPOSAL



Fairmount
Park Apartments

- Proposed Use
- Design
- Retail and Amenities
- Sustainability

Development Proposal



Fairmount
Park Apartments

Mixed-Use Development

- Residential: **171 Units**
Affordable: 40%, 69 units-aiming at 60% of AMI
Marketable: 60%, 102 units
- Retail: **7,000 SF**
- Amenity and Leasing Office: 3,000SF

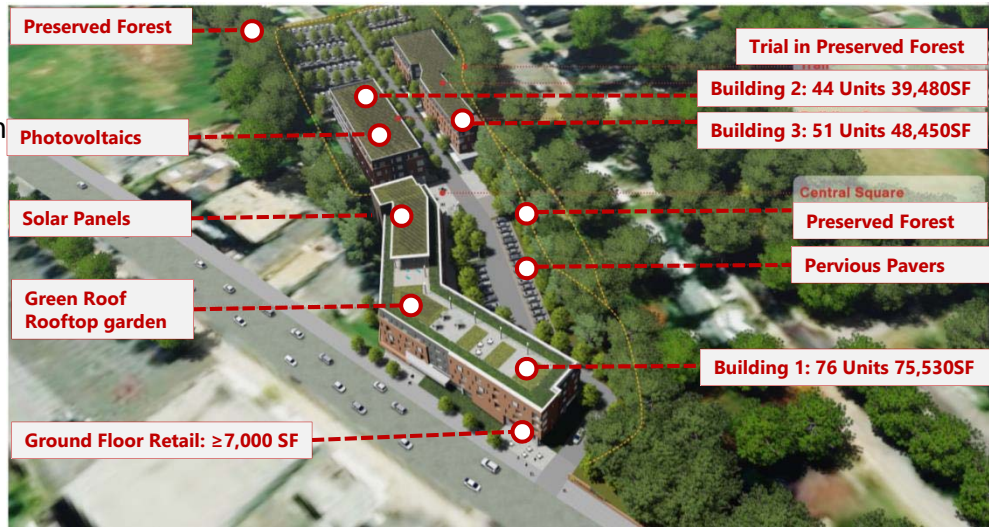


Site Plan

Design



- ❑ 4-Story
- ❑ Concrete podium + wood frame
- ❑ Brick external facade
- ❑ Green roof



Aerial View of Fairmount Park Apartments

Retail and Amenities



Retail Opportunity

- ❑ One anchor grocery store

or

- ❑ Multiple small size stores

- Convenient Store
- Hair Salon
- Dry Cleaner
- Flower Shop
-



or



Flower Store

+



7-11

+



Hair Salon

Retail and Amenities



Fairmount
Park Apartments

Proposed Amenities

- ❑ Rooftop Garden
- ❑ Central Square
- ❑ Residential Lobby
- ❑ Activity Room
- ❑ Fitness Center
- ❑ Yoga Area



Central Square



Rooftop Garden



Fitness Center

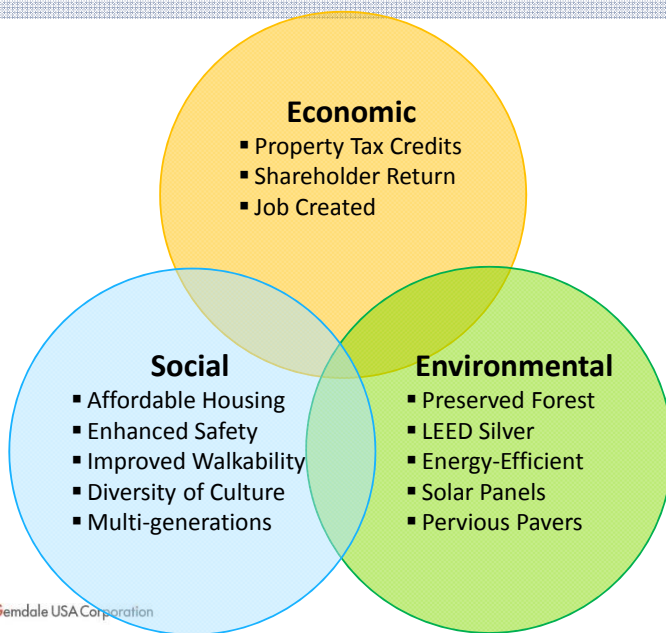


Rooftop Yoga Area

Sustainability



Fairmount
Park Apartments



Solar Panels



Pervious Pavers

4 Zoning Regulation

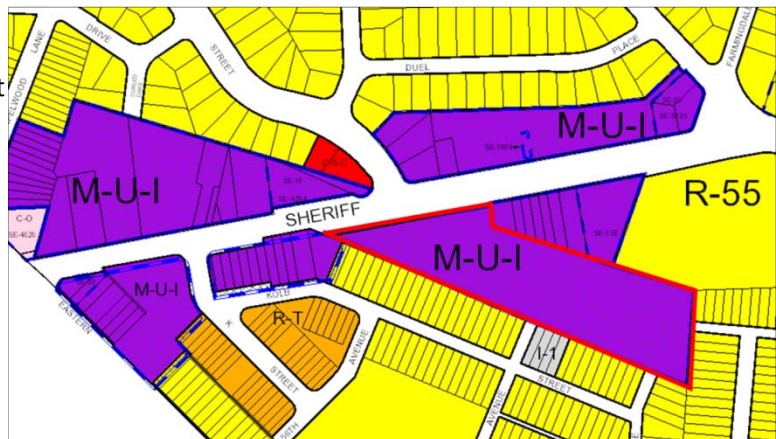


- Zoning Map
- Zoning Compliance
- Development Timeline

Zoning Map



- **MUI zone:**
Encourage higher density and height
- **Reduced Parking :**
30% reduced parking requirement
- **Density: 48 units / Acre**



Source: PGAlta

Zoning Compliance



Fairmount
Park Apartments

Zoning Requirements

- Max Density: 48 Units / Acre
- Max Height: 60 feet/6 Story
- Min Open Space: 30%
- Parking Requirement:

1 Bedroom	*1.15/Unit
2 Bedroom	*1.65/Unit
3 Bedroom	*2/Unit
Retail	4.0/ 1,000 GLA

Development Proposal

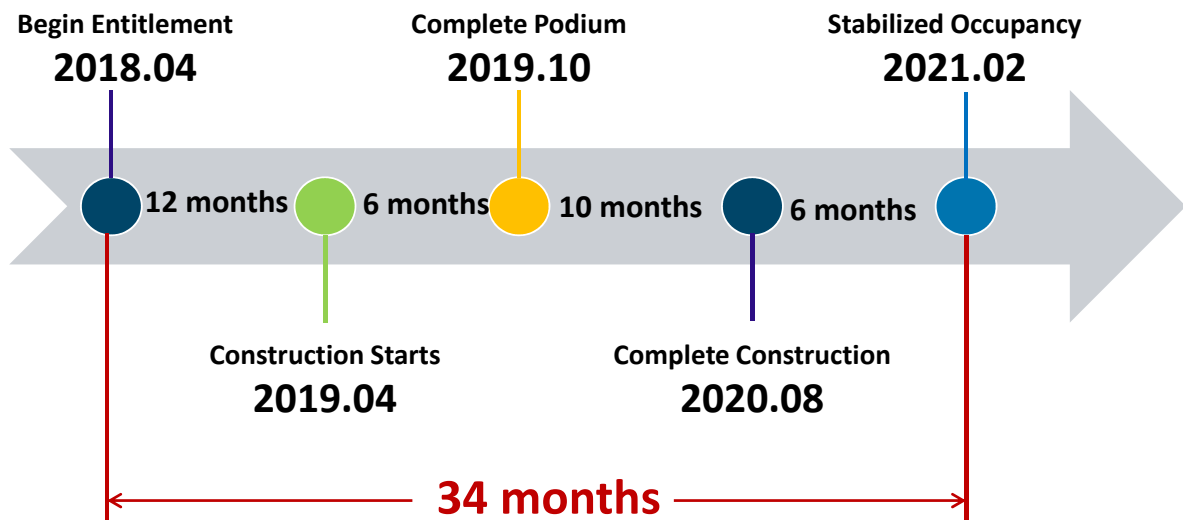
- 39 Units / Acre
- 50 feet/4 Story
- 48%, 91,634 SF
- 30% Deduction

1 Bedroom	75 parking spaces
2 Bedroom	85 parking spaces
3 Bedroom	16 parking spaces
Retail	28 parking spaces

Development Timeline



Fairmount
Park Apartments



5 Financial Analysis

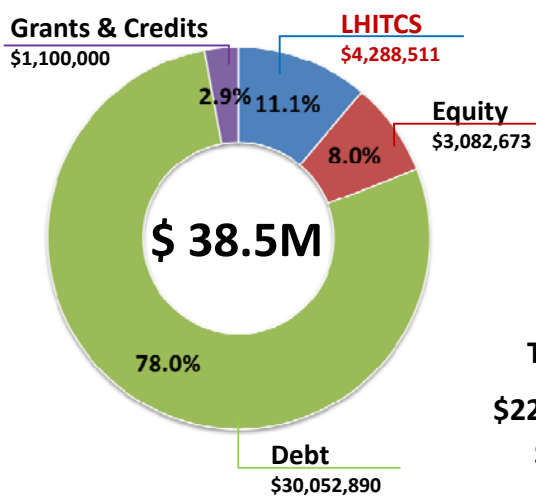


- Sources & Uses
- Low-Income Housing Tax Credits
- Cash Flow Analysis
- Investment Return
- Sensitivity Analysis

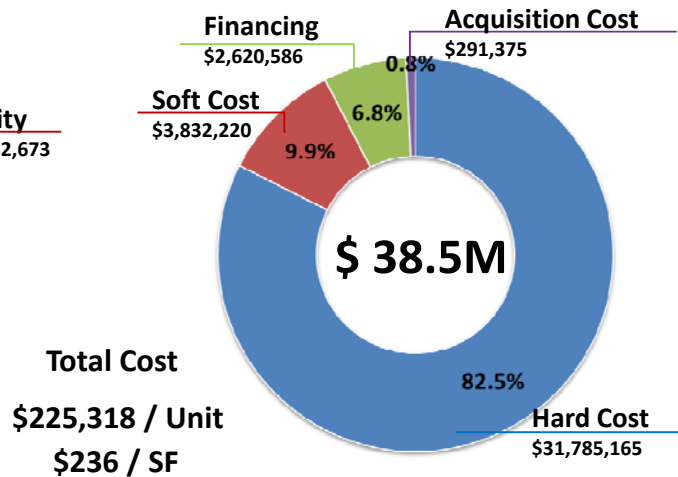
Sources & Uses



Sources of Funds



Uses of Funds



Low Household Income Tax Credits



Fairmount
Park Apartments

Total LHITCs
\$ 4,288,511

Applicable Fraction
40.35%

Applicable Percentage
3.28%

Raise Ratio
1.01



Cash Flow Analysis



Fairmount
Park Apartments

$$\frac{\mathbf{34\%}}{\text{OpEx Ratio}} = \frac{\text{OpEx}}{\text{EGI}} = \frac{\$1.02 \text{ Million}}{\$ 2.99 \text{ Million}}$$

Avg. DSCR	DSCR in Year 1	DSCR in Year 15
<u>1.4</u>	<u>1.2</u>	<u>1.55</u>

Low Operation Risk
Low Financial Risk

Investment Return



Developer Profits

- ❑ Developer Fees: **\$2.5 million**
- ❑ Return on Equity: **18.23% (Avg)**
- ❑ Re-Syndication: **New LIHTCs + Developer Fees**

Sensitivity Analysis



4.9% interest rate



DSCR: 1.15

Interest Rate	4.30%	4.60%	4.90%
Debt Service	\$ 1.57	\$ 1.64	\$ 1.72
Cash Flow	\$ 0.40	\$ 0.33	\$ 0.25
DSCR	1.25	1.20	1.15

0.95 Raise Ratio



Equity: \$ 3.34 millions
Return on equity: 16.9 %

Raise Ratio	0.95	1.01	1.07
LHITCs	\$ 4.03	\$ 4.29	\$ 4.54
Equity	\$ 3.34	\$ 3.09	\$ 2.83
Return	16.9%	18.2%	19.9%

Market Comparables



Comparable Units Sizing and Pricing

No	Apartment	Stars	Units	Avg SF	Vacancy %	Avg Effective/SF	Yr Blt
1	Kent Village	2	812	694	2.00%	\$1.73	1949
2	The Ivy Club	3	283	767	5.00%	\$1.87	1968
3	Cameron Pointe	3	140	851	5.70%	\$1.70	1973
4	Benning Woods	3	107	695	0.20%	\$1.70	1967
5	Glen Willow	3	152	782	2.60%	\$1.70	1965
The Site		4	102	735		\$2.00	2021

Unit Mix

With 3 year escalation

Unit Type	Size	Units	%	Rent	Rent/SF
1B/1B	650	47	46%	\$ 1,350	\$ 2.08
2B/1B	780	46	45%	\$ 1,550	\$ 1.99
3B/2B	950	9	9%	\$ 1,650	\$ 1.74
Total	735	102	100%	\$ 1,467	\$ 2.00

Low-Income Housing Tax Credits



Total LIHTCs
\$ 4,288,511

Applicable Percentage
3.28%

Applicable Fraction
40.35%

Raise Ratio
1.01

Maximum Low-Income Housing Tax Credit Based on Eligible Costs

Description	Acquisition Basis	Construction Basis
Total Uses of Funds	\$ 320,513	\$ 32,082,467
Adjusted Project Costs	\$ 320,513	\$ 32,082,467
Adjustment for Federal QCT / DDA (130% maximum)		100%
Eligible Basis	\$ 320,513	\$ 32,082,467
Applicable Fraction	40.35%	40.35%
Qualified Basis	\$ 0	\$ 12,945,275
Applicable Percentage	3.28%	3.28%
Low Income Housing Tax Credit Eligible	\$ 0	\$ 424,605

Estimated Low-Income Housing Tax Credit Syndication Proceeds

Description	Amount
Combined Low Income Housing Tax Credit Eligible	\$ 424,605
Tax Credit Period (10 years)	x 10
Total Tax Credit Received Over Period	\$ 4,246,050
Raise Ratio from Syndicator's Proposal	1.01
Gross Proceeds from Low Income Housing Tax Credit	\$ 4,288,511
Less: Gross Proceeds from Historic Tax Credit	0
Total Equity from Syndication Proceeds	\$ 4,288,511

Income



Low-Income Units

Median Income	Unit Description		Number of Units	Unit Size		Contract Rent	Rent Limit	Income Per Unit	Monthly Income	Annual Income	
	Bedrooms	Baths		(Net leasable Sq. Ft.)	Tenant Utilities*						
									\$	\$	
60%	1	1	28	600	\$165	\$960	1,242	1,125	31,500	378,000	
60%	2	2	34	750	\$245	\$1,130	1,489	1,375	46,750	561,000	
60%	3	2	7	900	\$320	\$1,320	1,721	1,640	11,480	137,760	
Total			69	48,600					\$ 89,730	\$ 1,076,760	
Vacancy Allowance (Total Annual Income x Vacancy Rate)										4.80%	\$ (51,684)
Effective Gross Income/Low Income Units (Total Annual Income - Vacancy Allowance)											\$ 1,025,076

Cash Flow Analysis



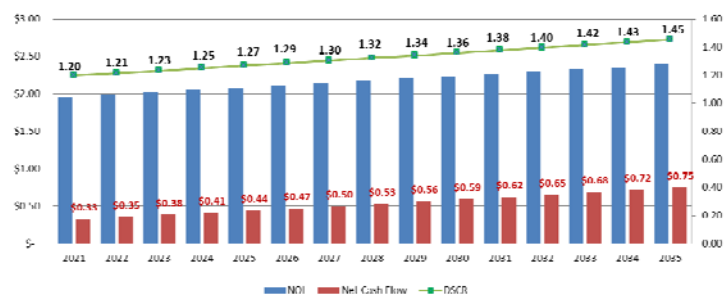
Assumptions: escalation & vacancy

	Low Income Units	Market Rate Units	Nonresidential
Revenue Escalation	2.00%	2.00%	1.00%
Vacancy	4.80%	7.20%	0%
OpEx Escalation	3%	3%	-

Assumptions: OpEx

OpEx	\$/unit/Yr
Real Estate Tax	\$1,505
Insurance	\$304
Utilities	\$656
Administrative Expenses	\$2,550
Repair & Maintenance	\$807
Reserve for Replacement	\$141

15-Year (2021-2035) Trend of Net Cash Flow (\$Million)



Sensitivity Analysis

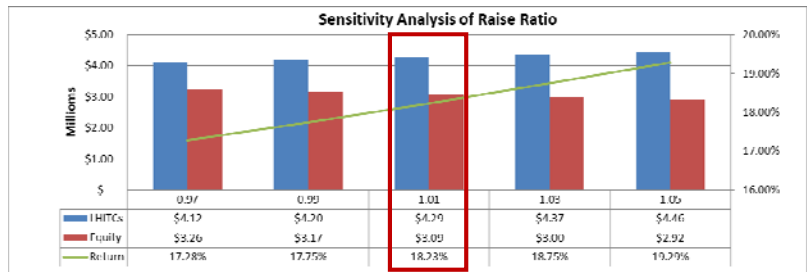
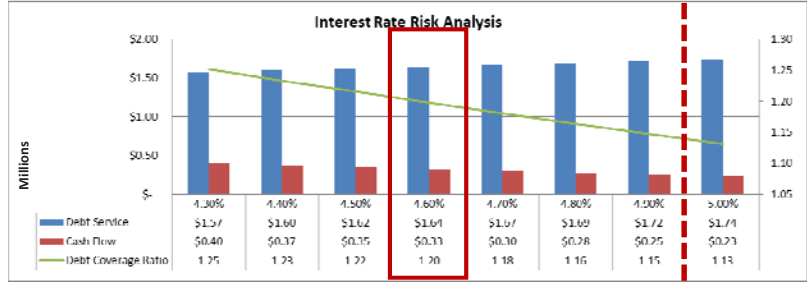


4.9% interest rate

DSCR: 1.15

0.97 Raise Ratio

Equity: \$ 3.26 millions
Return on equity: 17.28%







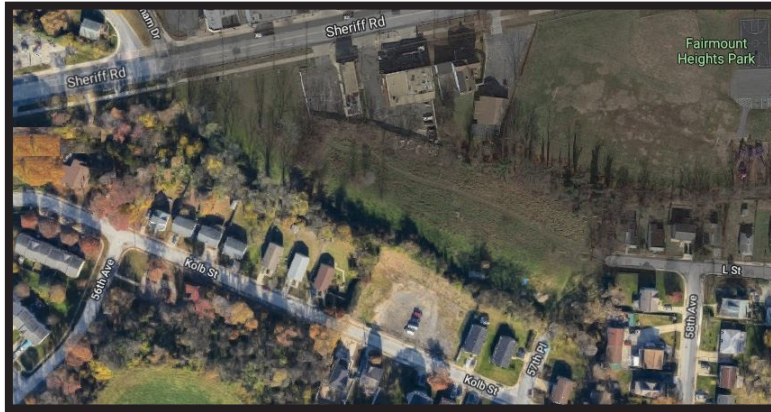
SITE 4: MARKER EIGHT



EXECUTIVE SUMMARY

I. Introduction

- a. Scope: Providing mixed-income housing, alternative education; and healthy eating opportunities to a neighborhood that has lacked critical investment for decades.
- b. Location: 5345 Sheriff Road, Fairmount Heights, Maryland 20743



- c. Proposed Uses: 68 Market Rate apartments; 46 Low Income apartments; 5000 square foot culinary arts school; 2,200 square foot Corner Store

II. Market and Demographic Context

- a. Over 1000 units have been absorbed in the last 3 years by newly delivered communities in the area.
- b. 12.5% population growth for Fairmount Heights since 2010
- c. 6.2% Vacancy Rate among competitive properties
- d. Growing population and major warehouse employers nearby drive economic growth
- e. Competition from nearby Deanwood and Seat Pleasant
- f. New construction of affordable housing communities in Deanwood would delay demand
- g. Comparables: Showing blended rents between Market Rate and Affordable

Property Name/Address	Rating	Yr Built	Property Size		Asking Rent Per Month Per Unit				Rent/SF
			Units	Avg Unit SF	Studio	1 Bed	2 Bed	3 Bed	
1 EastBrooke at Beulah Cro... 323 62nd St NE	★★★★★	2015	39	686	-	\$1,192	\$1,410	\$1,630	\$2.05
2 The Grove at Parkside 600 Kenilworth Ter NE	★★★★★	2016	186	763	\$1,068	\$1,121	\$1,328	\$1,521	\$1.65
3 Park 7 4020 Minnesota Ave NE	★★★★★	2014	377	809	\$930	\$1,158	\$1,388	\$1,625	\$1.56
4 St. Stephens 4000 Benning Rd NE	★★★★★	2017	71	685	-	\$953	\$1,146	-	\$1.45
5 The Nannie Helen at 4800 4800 Nannie Helen Burro...	★★★★★	2013	70	903	-	\$971	\$1,322	\$1,462	\$1.38
6 Victory Square Senior Ap... 600 Barnes St NE	★★★★★	2012	97	768	-	\$830	\$964	-	\$1.15
7 Deanwood Hills 5201 Hayes St NE	★★★★★	2018	150	-	-	-	-	-	-

III. Key Project Opportunities

- a. Would compete well as a 9% LIHTC development or a 4% LIHTC development
- b. The development will engage the community members in healthy living
- c. Plenty of green space, dog park, walking and bike path
- d. Community store, mixed-income living, and patio space will reintroduce the town
- e. A large vacant lot will be filled to redefine a long-forgotten Sheriff Road
- f. The new community will provide jobs, education, and healthy living workshops

IV. Key Project Challenges

- a. Competition nearby will be delivering in the next 18 months
- b. Lack of market rate inventory makes it difficult to predict rents
- c. Lack of experience by development team may hinder 9% LIHTC score
- d. Shape of the sight provides limited possibilities
- e. Challenging commercial landscape along Sheriff road; may upset commercial tenants

V. Financial Information

a. Total Project Budget: \$27,189,884 Per Unit: \$238,508

b. Key Pro Forma Assumptions

- i. Debt Coverage Ratio: 1.15
- ii. Rates
 - 1. Interest Rate- 4.25%
 - 2. MIP- .45%
- iii. Loan Term: 40 Years
- iv. 15 Year Hold
 - 1. Plan to Re-syndicate and extend ownership
- v. NOI: \$1.3 Million
- vi. Stabilization at Month 10
- vii. 15 months of construction
- viii. 12 to 24 months of pre-development work

c. Sources of Capital

- i. HUD 221 (d)(4) Loan- \$18,060,379
- ii. Developer Equity- \$654,348
- iii. 9% Low Income Housing Tax Credits- \$8,475,157

d. Financial Returns

- i. IRR based on developer equity thru 15 years: 28.3%
- ii. Developer Fee- \$2,528,684

e. Sensitivity Analysis

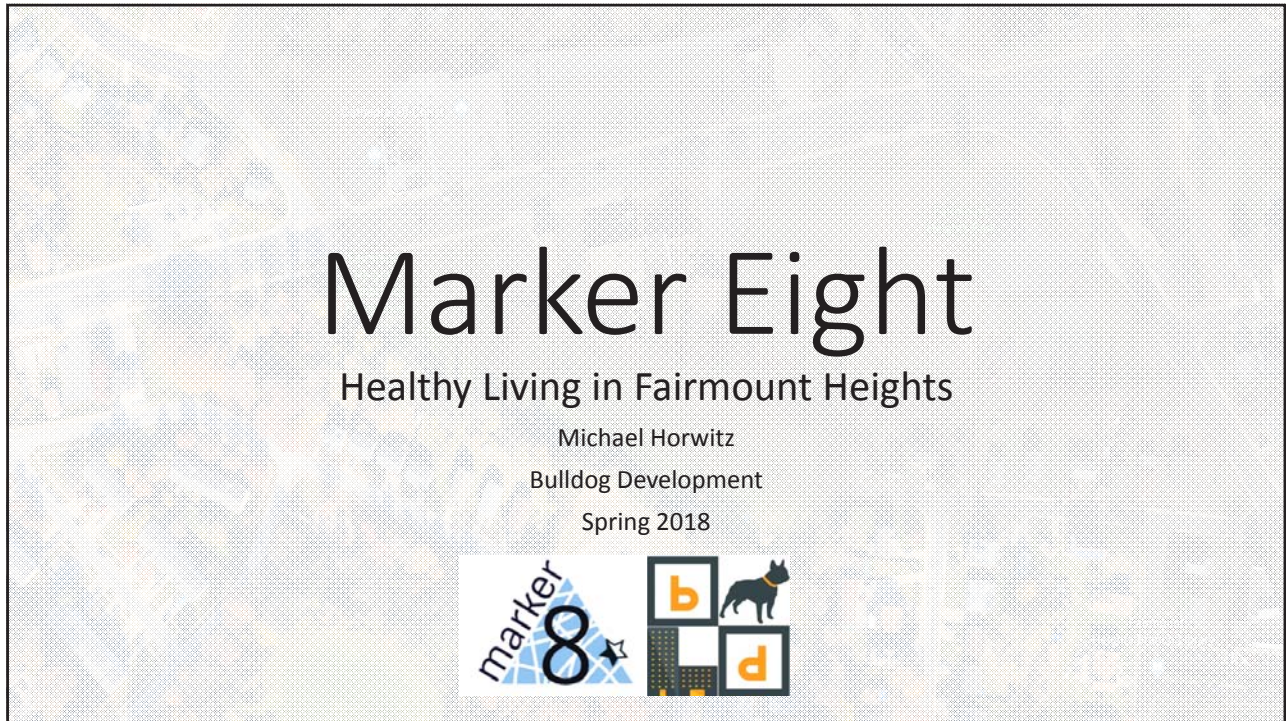
- i. Sensitivity on Tax Credits, Interest Rates, and Construction Costs for market rate units

LIHTC Price	Total Tax Credit	Int. Rate	Loan Amount	\$/sf Construction	Total Const. Cost
\$.90	\$7,627,641	4.25%	\$18,060,379	\$170	\$16,757,557
\$.95	\$8,051,399	4.5%	\$17,442,236	\$180	\$17,227,056
\$1.00	\$8,475,157	4.75%	\$16,856,949	\$190	\$17,696,556
\$1.05	\$8,898,914	5.0%	\$16,302,410	\$200	\$18,116,056

ii. Income and Expense Changes:

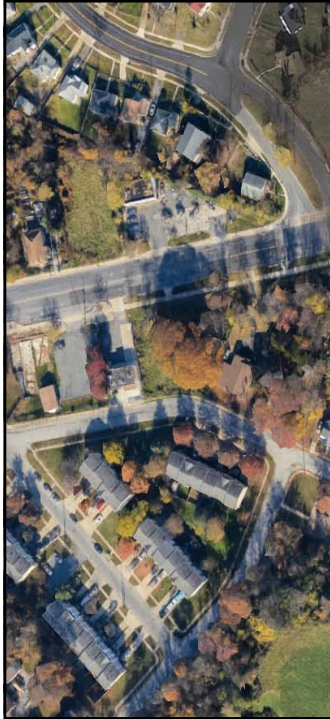
- 1. Residential Income increase- 2%
 - a. Nonresidential income increase- 1%
- 2. Expense increase- 3%

PRESENTATION SLIDES



Agenda

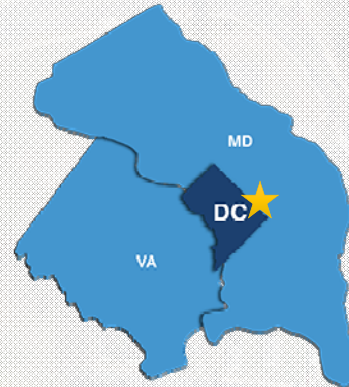
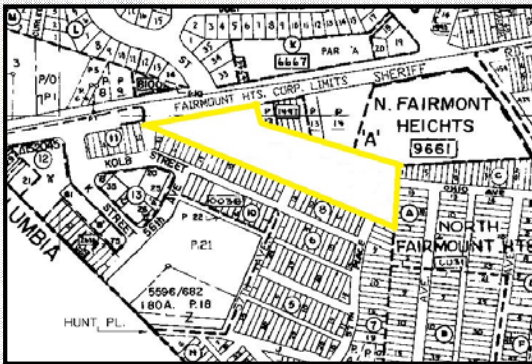
- 1 Background**
Site Details, Economic Drivers, Demographic Analysis
- 2 Project Vision**
Proposed Uses, Market Analysis
- 3 Design and Environmental**
Design Concepts, Environmental Commitment
- 4 Regulatory and Public Approval**
Zoning, Approval Process
- 5 Construction**
Construction Materials, Cost, Schedule
- 6 Marketing and Management**
Community engagement, Community Impact
- 7 Financial Analysis**
Assumptions, Pro Forma, Sensitivity, S&U



BACKGROUND

Site Details, Demographic Analysis, Economic Drivers

Site Details

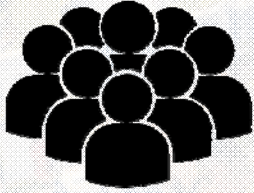


5345 Sheriff Road

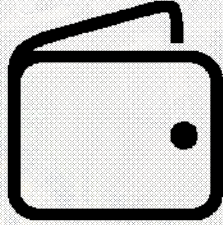
4.4 AC

M-U-1

Demographic Analysis



1,567



\$45,696

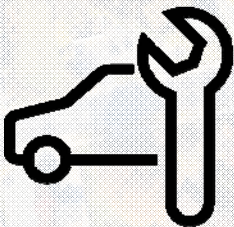


42



17%

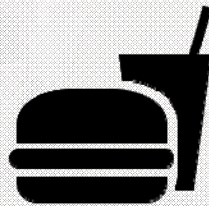
Economic Drivers



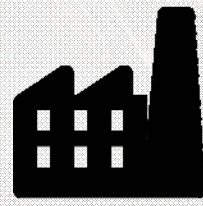
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13



5

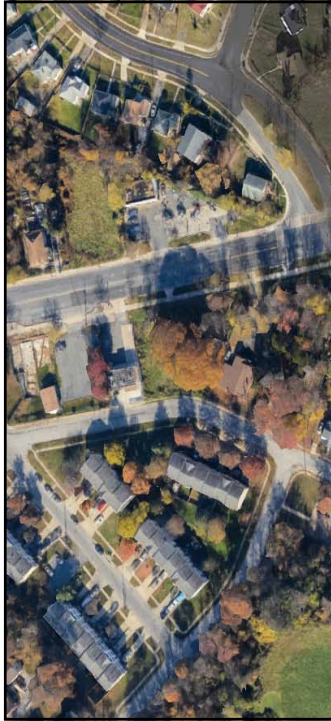


6

keany
PRODUCE & GOURMET



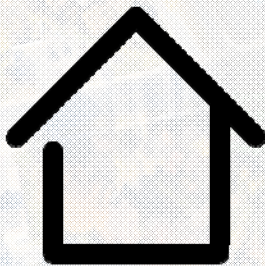
GOLD CRUST
BAKING COMPANY, INC.



PROJECT VISION

Proposed Uses, Market Analysis

Proposed Uses



46 Units at 50% AMI
68 Units at Market Rate
114 Total Units



Small Culinary
Arts School



Local Market
Corner Store

Proposed Uses



80 Mixed-Income Units



34 Mixed-Income Units
 5,000 SF Culinary Arts School
 2,200 SF Corner Store

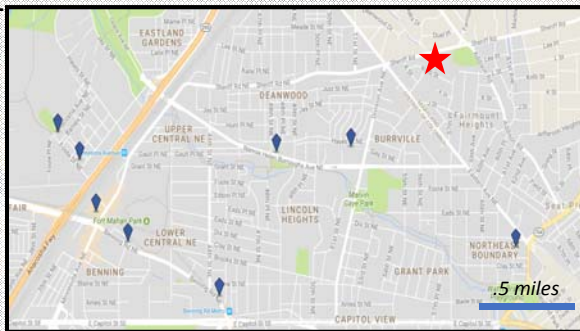
Market Analysis

Market Rate
 Asking Rent \$/SF

\$1.83

Vacancy Rate

6%

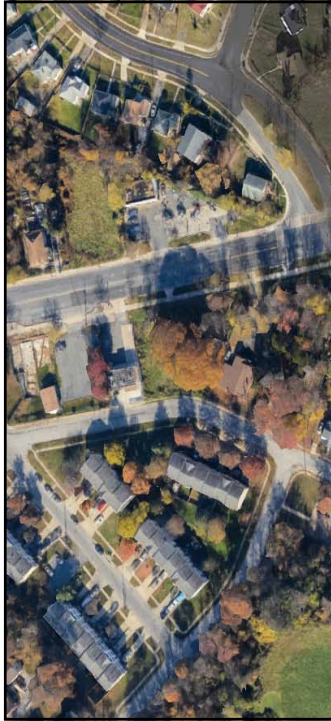


12 Mo. Absorption

146 Units

Retail Rent \$/SF

\$21.45



DESIGN & ENVIRONMENTAL

Concepts, Commitment

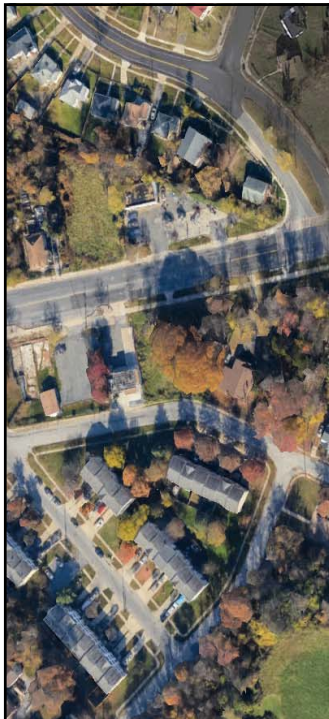
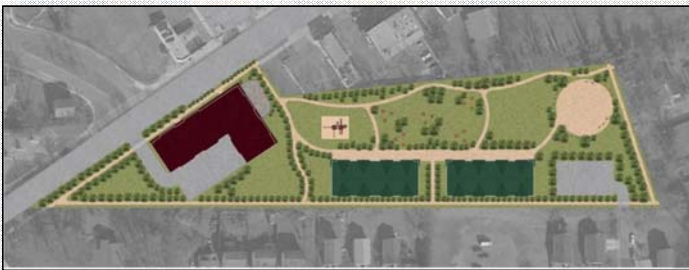
Design Concepts

- Garden Style
- World War II Memorial
- Eyes on the Street
 - Front Porch
 - Large Windows
 - Residences Face All Sides



Environmental Commitment

- Pervious Concrete
- No Current Contamination
- Trees to Manage Stormwater Runoff



PUBLIC APPROVAL

Zoning, Approval Process

Zoning

M-U-I Zoning R-18 Residential Uses

“the uses in the M-U-I Zone are controlled by extraordinarily confusing text provisions. Staff cannot be sure anyone truly understands what uses are permitted in this zone... The M-U-I use table, is literally maintained by a single staff person in the Planning Department.

Development District Overlay Zone Subregion 4 Master Plan

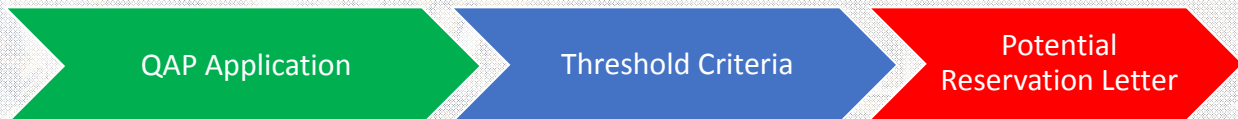
- Anonymous M-NCPPC staff member; 2017

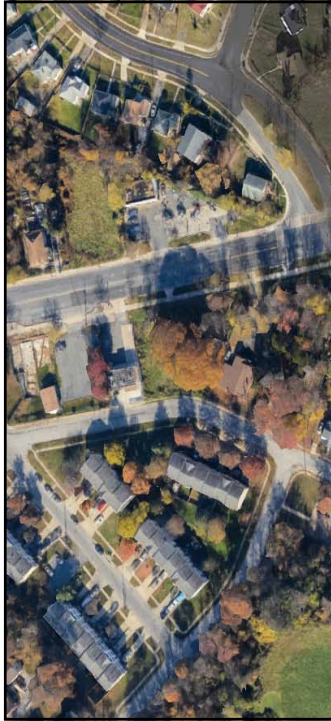
Approval Process

Prince George’s County



Low Income Housing Tax Credit





CONSTRUCTION

Materials, Cost, Schedule

Materials

Pervious Concrete



Eldorado Stone



Choice Cabinet



Nichiha Fiber Cement Siding



CertainTeed Insulation



Cost

Market Rate	Affordable	Parking	Landscaping	Commercial
\$180/sf	\$129/sf	\$18,600/space	park, trails,	\$190/sf
x	x	x	trees,	x
46,950 sf	35,450 sf	126 spaces	maintenance	7,200 sf
\$8,451,000	\$4,573,050	\$2,335,006	\$500,000	\$1,368,000

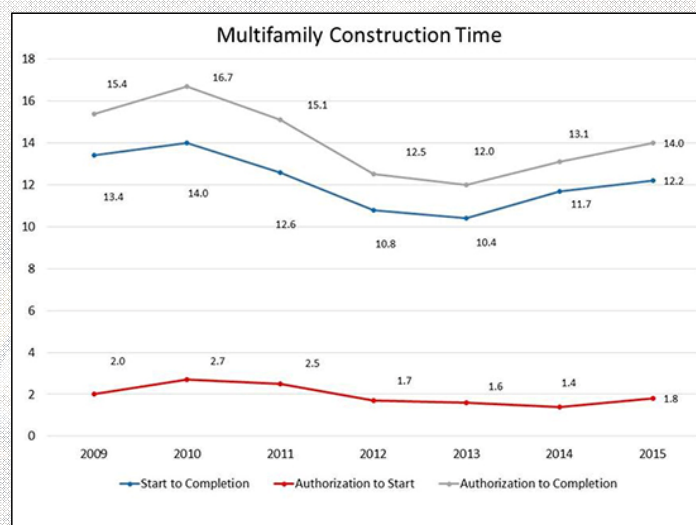
Net Hard Construction

Cost

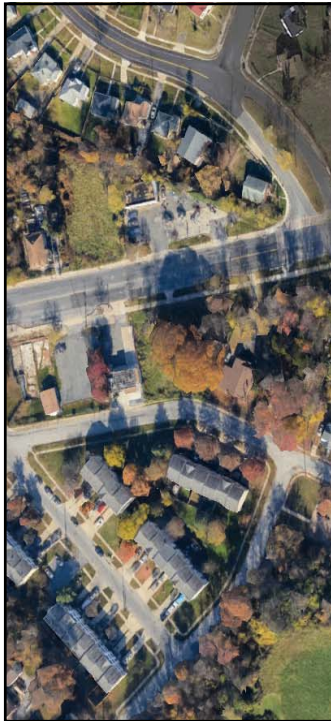
\$17.2 M

Schedule

13 to 15 mo.
Total Construction Time



Source: National Multifamily Housing Council 2016



MARKETING & MANAGEMENT

Community Engagement, Resident Benefits

Community Engagement

Youth Development
Programs



Health and Wellness
Classes



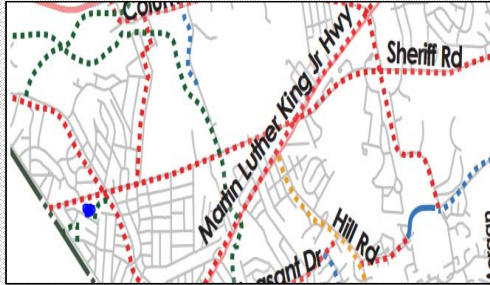
Outdoor Engagement



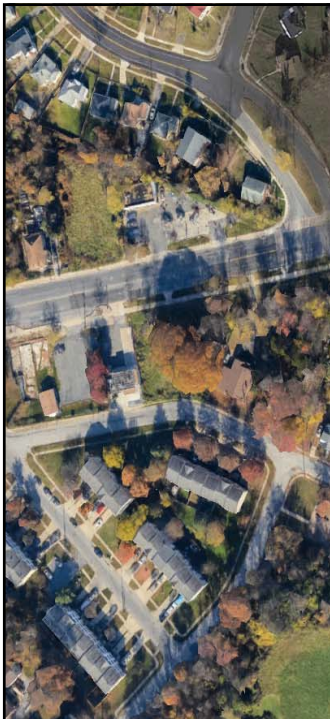
Resident Benefits

Bike Paths Connecting
Neighborhood

Shuttle Service
to Metro Station



Proposed Bike Paths in Prince George's County Source: Prince George's County



FINANCIAL ANALYSIS

Assumptions, Pro Forma, Sensitivity, Sources & Uses



Assumptions

Income

4% (2%)
Vacancy Affordable Units
8% (6%)
Vacancy Market Rate
\$1.90/sf (\$.07)
Market Rate Rents
50% AMI
Affordable Units
\$27.50 (\$6)
Commercial Space Rent

Expenses

\$623/unit
PILOT (4% EGI)
3.5% of EGI
Management Fee
47%
Operating Expense Ratio
545,802
Total Operating Expenses

Misc.

1.15
Debt Service Coverage Ratio
4.7%
All-in Interest Rate
2%/3%
Income/Expense Increase
\$1.00
LIHTC Price

Pro Forma

	Avg. Years 1-5	Avg. Years 6-10	Avg. Years 11-15
Gross Project Income	\$1,888,403	\$2,074,229	\$2,278,849
Vacancy Allowance	(124,398)	(136,639)	(150,118)
Effective Gross Income	1,764,005	1,937,590	2,128,731
Total Expenses	577,312	663,306	762,645
Net Operating Income	1,186,693	1,274,284	1,366,086
Total Debt Service	1,018,991	1,014,200	1,008,277
Remaining Cash Flow	\$167,702	\$260,084	\$357,809
Debt Coverage Ratio	1.16	1.26	1.35

Sensitivity

LIHTC Price	Total Tax Credits	Int. Rate	Loan Amount	\$/SF Construction	Total Cost
\$.90	\$7,627,641	4.25%*	\$18,060,379*	\$170	\$16,757,556
\$.95	\$8,051,399	4.5%	\$17,442,236	\$180*	\$17,227,056*
\$1.00*	\$8,475,157*	4.75%	\$16,856,949	\$190	\$17,696,556
\$1.05	\$8,898,914	5.0%	\$16,302,410	\$200	\$18,116,056

Sources & Uses

9% Competitive

46 Units @ 50% AMI

Sources	Amount
HUD221D-4	66.4%
LIHTC	31.1%
Developer Equity	2.4%
Total	\$ 27.1 M

Uses	Amount
Construction Costs	81.1%
Fees	5.3%
Acquisition	1%
Developer's Fee	9.3%
Syndication Related Costs	0.4%
Reserves	2.7%
Total	\$ 27.1 M

4% Non-Competitive

66 Units @ 50% AMI

Sources	Amount
HUD221D-4	64.8%
Rental Housing Works	9.6%
Partnership Rental Housing	7.7%
LIHTC	12.3%
Developer Equity	5%
Total	\$ 25.9 M

Uses	Amount
Construction Costs	83%
Fees	3%
Acquisition	1%
Developer's Fee	9.6%
Syndication Related Costs	.3%
Reserves	2.7%
Total	\$ 25.9 M

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