Fairmont Heights, MD Redevelopment Opportunities

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

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

Spring 2018

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

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SITE 2: MAIN STREET CENTER
SITE 3: FAIRMOUNT PARK
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CONTRIBUTORS

STUDENTS
SHEA CASHEN
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DIRECTOR
MARIA DAY-MARSHALL

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ARCHITECTS
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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:

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

<table>
<thead>
<tr>
<th>Sources</th>
<th>Amount</th>
<th>Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUD 221(d)(4) Loan</td>
<td>$14,742,417</td>
<td>$307,134</td>
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<tr>
<td>Low Income Housing Tax Credits</td>
<td>$6,947,160</td>
<td>$144,732</td>
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<td>Deferred Developer's Fee</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Short Term Bonds</td>
<td>$0</td>
<td>$0</td>
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<td>Seller Note</td>
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<td>$0</td>
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<td><strong>TOTAL</strong></td>
<td><strong>$21,689,577</strong></td>
<td><strong>$451,866</strong></td>
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<table>
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<tr>
<th>Uses</th>
<th>Amount</th>
<th>Per Unit</th>
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<tbody>
<tr>
<td>Construction Costs</td>
<td>$15,895,449</td>
<td>$331,155</td>
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<tr>
<td>Fees Related To Construction Costs</td>
<td>$857,500</td>
<td>$17,865</td>
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<td>Acquisition Costs</td>
<td>$304,400</td>
<td>$6,342</td>
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<tr>
<td>Financing Fees and Charges</td>
<td>$1,504,994</td>
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<td>Developer's Fees</td>
<td>$2,244,720</td>
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<td>Syndication Related Costs</td>
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<td>Guarantees and Reserves</td>
<td>$759,879</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$21,689,577</strong></td>
<td><strong>$451,866</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Sensitivity Analysis</th>
<th>All-In Interest Rate</th>
<th>Max Loan Amount</th>
<th>Financing Gap</th>
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<td>4.70%</td>
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<td></td>
<td>5.50%</td>
<td>13,219,750</td>
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<tr>
<td></td>
<td>6.00%</td>
<td>12,392,194</td>
<td>(348,836)</td>
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<td>DSCR</td>
<td>1.15</td>
<td>14,742,417</td>
<td>0</td>
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<tr>
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<td>1.25</td>
<td>13,563,024</td>
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<td>1.40</td>
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<td>(302,223)</td>
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<td>Tax Credit Pricing</td>
<td>Max LIHTC</td>
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<td></td>
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<td></td>
<td>1.00</td>
<td>902,689</td>
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<tr>
<td></td>
<td>0.70</td>
<td>631,882</td>
<td>(614,798)</td>
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</tbody>
</table>
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

MARKET ANALYSIS

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

<table>
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<th></th>
<th>Prince George's County</th>
<th>Fairmount Heights</th>
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<tr>
<td>Population</td>
<td>908,000</td>
<td>1,500</td>
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<tr>
<td>Median Household Income</td>
<td>$76,741</td>
<td>$59,342</td>
</tr>
<tr>
<td>Poverty Rate</td>
<td>9%</td>
<td>17%</td>
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Von Eastern Apartments

Lotus Square 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

SOCIAL AND PUBLIC BENEFITS

• Walkability
• Community Center
• Reactivation of Sheriff Road Park
• LEED Silver Sustainable Design
SITE PLAN

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

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
Education and Financial Literacy  Health and Wellness
Transportation, Safety and Community Building

Marketing
CONSTRUCTION

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

<table>
<thead>
<tr>
<th>Net Residential Construction Costs</th>
<th>$12,880,000</th>
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<tbody>
<tr>
<td>Total Residential Square Feet</td>
<td>103,610</td>
</tr>
<tr>
<td>Construction Cost Per Residential SF</td>
<td>$124.30</td>
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<tr>
<td>Total Construction Cost Per Unit</td>
<td>$115,000</td>
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</table>

Entitlements | 6 months | Construction | 12 months | Lease Up | 6 months | Stabilization

UNIT MIX

<table>
<thead>
<tr>
<th>Unit Type</th>
<th># of units</th>
<th>Average SF</th>
<th>Income Per Unit</th>
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<td>64</td>
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<td>1 bedroom</td>
<td>19</td>
<td>805</td>
<td>$1,187</td>
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<tr>
<td>2 bedroom</td>
<td>39</td>
<td>935</td>
<td>$1,473</td>
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<tr>
<td>3 bedroom</td>
<td>6</td>
<td>1,200</td>
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<tr>
<td>Affordable</td>
<td>48</td>
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<tr>
<td>1 bedroom</td>
<td>14</td>
<td>805</td>
<td>$915</td>
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<tr>
<td>2 bedroom</td>
<td>28</td>
<td>935</td>
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<tr>
<td>3 bedroom</td>
<td>6</td>
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<td>TOTAL</td>
<td>112</td>
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### SOURCES & USES

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<th>Amount</th>
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<td>HUD 221(d)(4) Loan</td>
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<td><strong>$21,809,967</strong></td>
<td><strong>100%</strong></td>
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<td>Construction Costs</td>
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<td>73%</td>
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<td>Fees Related To Construction Costs</td>
<td>$857,500</td>
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<td>$1,614,916</td>
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<td>$2,255,163</td>
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<td>$122,661</td>
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<td>Guarantees and Reserves</td>
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<td>3%</td>
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<td><strong>TOTAL</strong></td>
<td><strong>$21,809,967</strong></td>
<td><strong>100.00%</strong></td>
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### 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

<table>
<thead>
<tr>
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<th>Year 1</th>
<th>Year 5</th>
<th>Year 10</th>
<th>Year 15</th>
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<td>Effective Gross Income</td>
<td>$1,642,487</td>
<td>$1,775,338</td>
<td>$1,956,759</td>
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<td>Total Expenses</td>
<td>$701,554</td>
<td>$781,785</td>
<td>$896,049</td>
<td>$1,028,109</td>
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<td>Net Operating Income</td>
<td>$940,933</td>
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<td>$1,128,782</td>
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<td>Total Debt Service</td>
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<td>$830,354</td>
<td>$826,104</td>
<td>$820,851</td>
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<td>Cash Flow</td>
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<td>$163,199</td>
<td>$234,606</td>
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## SENSITIVITY ANALYSIS

### 9% vs. 4% Tax Credits?

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<th>Financing Gap</th>
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<td>$1.00</td>
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<td>0</td>
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<tr>
<td>$0.70</td>
<td>$631,882</td>
<td>$(-614,798)</td>
</tr>
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## 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

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.
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

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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
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%
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

![Pie chart showing financial breakdown]

### Sources

<table>
<thead>
<tr>
<th>Type</th>
<th>Amount</th>
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<tbody>
<tr>
<td>HUD 221D4 Residential</td>
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<tr>
<td>HUD 221D4 Commercial</td>
<td>$4,931,502</td>
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<td>Private investor Commercial</td>
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<td>Defer Dev Fee Residential</td>
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**Development Summary**

<table>
<thead>
<tr>
<th>Address</th>
<th>9435 Sheriff Road Fairmount Heights MD 20743</th>
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<tbody>
<tr>
<td><strong>Residential</strong></td>
<td><strong>Retail</strong></td>
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<tr>
<td>Net Operating Income</td>
<td>$4,409,761</td>
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<td>Debt Services</td>
<td>$2,410,032</td>
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<td>Cash Flow</td>
<td>$434,387</td>
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<td>Investor IRR</td>
<td>16.7%</td>
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## Financials

### IRR

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>50%</th>
<th>60%</th>
<th>70%</th>
<th>80%</th>
<th>90%</th>
<th>100%</th>
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<tbody>
<tr>
<td>4.00%</td>
<td>7.2%</td>
<td>8.6%</td>
<td>10.0%</td>
<td>11.3%</td>
<td>12.7%</td>
<td>14.0%</td>
</tr>
<tr>
<td>4.25%</td>
<td>7.6%</td>
<td>9.1%</td>
<td>10.5%</td>
<td>11.9%</td>
<td>13.3%</td>
<td>14.7%</td>
</tr>
<tr>
<td>4.50%</td>
<td>7.8%</td>
<td>9.3%</td>
<td>10.7%</td>
<td>12.2%</td>
<td>15.2%</td>
<td>16.7%</td>
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<tr>
<td>4.75%</td>
<td>6.3%</td>
<td>7.6%</td>
<td>8.8%</td>
<td>9.9%</td>
<td>11.1%</td>
<td>12.3%</td>
</tr>
<tr>
<td>5.00%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>7.9%</td>
<td>8.9%</td>
<td>9.8%</td>
</tr>
</tbody>
</table>

### Cap Rate Sensitivity Year 10

![Graph showing cap rate sensitivity](image)

## 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

<table>
<thead>
<tr>
<th>Type of Uses</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>LHITCs</td>
<td>$4,293,784</td>
</tr>
<tr>
<td>Developer Equity</td>
<td>$3,082,673</td>
</tr>
<tr>
<td>Debt</td>
<td>$30,052,890</td>
</tr>
<tr>
<td>Grants</td>
<td>$1,100,000</td>
</tr>
<tr>
<td>Total</td>
<td>$38,529,347</td>
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</table>

- Uses of Funds

<table>
<thead>
<tr>
<th>Type of Uses</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Costs</td>
<td>$31,785,165</td>
</tr>
<tr>
<td>Fees Related to Construction</td>
<td>$716,000</td>
</tr>
<tr>
<td>Financing Fees and Charges</td>
<td>$1,783,117</td>
</tr>
<tr>
<td>Acquisition Costs</td>
<td>$291,375</td>
</tr>
<tr>
<td>Developer's Fee</td>
<td>$2,500,000</td>
</tr>
<tr>
<td>Syndication Related Costs</td>
<td>$121,469</td>
</tr>
<tr>
<td>Guarantees and Reserves</td>
<td>$1,332,220</td>
</tr>
<tr>
<td>Total Uses of Funds</td>
<td>$38,529,347</td>
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</tbody>
</table>
• Financial Returns

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

<table>
<thead>
<tr>
<th>Cap Rate</th>
<th>Leveraged IRR</th>
<th>NPV After-Tax</th>
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<tbody>
<tr>
<td>6.00%</td>
<td>17.93%</td>
<td>$4,397,222</td>
</tr>
<tr>
<td>6.50%</td>
<td>17.06%</td>
<td>$3,653,461</td>
</tr>
<tr>
<td>7.00%</td>
<td>16.21%</td>
<td>$3,015,952</td>
</tr>
</tbody>
</table>

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%

• 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
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 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

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

Demographic

<table>
<thead>
<tr>
<th>Fairmount Heights</th>
<th>D.C. Metropolitan Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,567</td>
<td>6,133,552</td>
</tr>
<tr>
<td>with growth of 4.89%</td>
<td>with growth of 8.23%</td>
</tr>
<tr>
<td>From 2010-2016</td>
<td>From 2010-2016</td>
</tr>
</tbody>
</table>

- 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

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

Source: Costar

41
SWOT Analysis

Strengths
- Easily access to D.C area
- High visibility
- Strong housing demand

Weaknesses
- Auto-oriented streets
- Safety concerns
- Lack of services

Opportunities
- Community-oriented development
- Improve walkability
- Enhance safety

Threats/Challenges
- Competitive projects around the site
- Low regional reputation

Market Comparables

Sizing and Pricing

<table>
<thead>
<tr>
<th></th>
<th>Comparables</th>
<th>Fairmount Park</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average unit size</td>
<td>695 SF–850 SF</td>
<td>735 SF</td>
</tr>
<tr>
<td>Rent Range</td>
<td>$1.6–$1.9/SF</td>
<td><strong>$2.0/SF (2021)</strong></td>
</tr>
<tr>
<td>Vacancy</td>
<td>0.2%–5%</td>
<td>7.2% (assumption)</td>
</tr>
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</table>

Unit Mix

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Size</th>
<th>Units</th>
<th>%</th>
<th>Rent</th>
<th>Rent/SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1B/1B</td>
<td>650</td>
<td>47</td>
<td>46%</td>
<td>$1,350</td>
<td>$2.08</td>
</tr>
<tr>
<td>2B/1B</td>
<td>780</td>
<td>46</td>
<td>45%</td>
<td>$1,550</td>
<td>$1.99</td>
</tr>
<tr>
<td>3B/2B</td>
<td>950</td>
<td>9</td>
<td>9%</td>
<td>$1,650</td>
<td>$1.74</td>
</tr>
<tr>
<td>Total</td>
<td>735</td>
<td>102</td>
<td>100%</td>
<td>$1,467</td>
<td>$2.00</td>
</tr>
</tbody>
</table>

Map of Comparable Market

Source: Costar
Development Proposal

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
  .........

Flower Store
CVS
7-11
Hair Salon
Retail and Amenities

Proposed Amenities

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

Sustainability

- Economic
  - Property Tax Credits
  - Shareholder Return
  - Job Created

- Social
  - Affordable Housing
  - Enhanced Safety
  - Improved Walkability
  - Diversity of Culture
  - Multi-generations

- Environmental
  - Preserved Forest
  - LEED Silver
  - Energy-Efficient
  - 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**

**Zoning Requirements**
- Max Density: 48 Units / Acre
- Max Height: 60 feet/6 Story
- Min Open Space: 30%
- Parking Requirement:
  - 1Bedroom: *1.15/Unit
  - 2Bedroom: *1.65/Unit
  - 3Bedroom: *2/Unit
  - Retail: 4.0/ 1,000 GLA

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

<table>
<thead>
<tr>
<th>Parking Requirement</th>
<th>1Bedroom</th>
<th>2Bedroom</th>
<th>3Bedroom</th>
<th>Retail</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>75 parking spaces</td>
<td>85 parking spaces</td>
<td>16 parking spaces</td>
<td>28 parking spaces</td>
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<table>
<thead>
<tr>
<th>GLA</th>
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<tbody>
<tr>
<td>34 months</td>
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</table>

**Development Timeline**

- Begin Entitlement: 2018.04
- Complete Podium: 2019.10
- Stabilized Occupancy: 2021.02
- Construction Starts: 2019.04
- Complete Construction: 2020.08
- Timeline: 12 months + 6 months + 10 months + 6 months = 34 months
Financial Analysis

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

Sources & Uses

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants &amp; Credits</td>
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<tr>
<td>LHITCS</td>
<td>$4,288,511</td>
</tr>
<tr>
<td>Equity</td>
<td>$3,082,673</td>
</tr>
<tr>
<td>Total</td>
<td>$38.5M</td>
</tr>
<tr>
<td>Debt</td>
<td>$30,052,890</td>
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<table>
<thead>
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<td>Total Cost</td>
<td>$38.5M</td>
</tr>
<tr>
<td>Soft Cost</td>
<td>$3,832,220</td>
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<tr>
<td>Acquisition Cost</td>
<td>$291,375</td>
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<tr>
<td>Hard Cost</td>
<td>$31,785,165</td>
</tr>
<tr>
<td>Total</td>
<td>$225,318 / Unit</td>
</tr>
<tr>
<td></td>
<td>$236 / SF</td>
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</table>
Low Household Income Tax Credits

<table>
<thead>
<tr>
<th>Total LHITCs</th>
<th>Applicable Fraction</th>
</tr>
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<tbody>
<tr>
<td>$4,288,511</td>
<td>40.35%</td>
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<table>
<thead>
<tr>
<th>Applicable Percentage</th>
<th>Raise Ratio</th>
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<tbody>
<tr>
<td>3.28%</td>
<td>1.01</td>
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</table>

Cash Flow Analysis

34% \(\frac{\text{OpEx Ratio}}{\text{EGI}}\) = \$1.02 Million

\$2.99 Million

Low Operation Risk
Low Financial Risk

<table>
<thead>
<tr>
<th>Avg. DSCR</th>
<th>DSCR in Year 1</th>
<th>DSCR in Year 15</th>
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<tbody>
<tr>
<td>1.4</td>
<td>1.2</td>
<td>1.55</td>
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</table>
### 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**

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>4.30%</th>
<th>4.60%</th>
<th>4.90%</th>
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<tbody>
<tr>
<td>Debt Service</td>
<td>$1.57</td>
<td>$1.64</td>
<td>$1.72</td>
</tr>
<tr>
<td>Cash Flow</td>
<td>$0.40</td>
<td>$0.33</td>
<td>$0.25</td>
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<tr>
<td>DSCR</td>
<td>1.25</td>
<td>1.20</td>
<td>1.15</td>
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</table>

**DSCR: 1.15**

**0.95 Raise Ratio**

<table>
<thead>
<tr>
<th>Raise Ratio</th>
<th>0.95</th>
<th>1.01</th>
<th>1.07</th>
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<tbody>
<tr>
<td>LHITCs</td>
<td>$4.03</td>
<td>$4.29</td>
<td>$4.54</td>
</tr>
<tr>
<td>Equity</td>
<td>$3.34</td>
<td>$3.09</td>
<td>$2.83</td>
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<tr>
<td>Return</td>
<td>16.9%</td>
<td>18.2%</td>
<td>19.9%</td>
</tr>
</tbody>
</table>

**Equity:** $3.34 millions  
**Return on equity:** 16.9%
Market Comparables

Comparable Units Sizing and Pricing

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

Unit Mix

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Size</th>
<th>Units</th>
<th>%</th>
<th>Rent</th>
<th>Rent/SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1B/1B</td>
<td>650</td>
<td>47</td>
<td>46%</td>
<td>$ 1,350</td>
<td>$ 2.08</td>
</tr>
<tr>
<td>2B/1B</td>
<td>780</td>
<td>46</td>
<td>45%</td>
<td>$ 1,550</td>
<td>$ 1.99</td>
</tr>
<tr>
<td>3B/2B</td>
<td>950</td>
<td>9</td>
<td>9%</td>
<td>$ 1,650</td>
<td>$ 1.74</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>735</strong></td>
<td><strong>102</strong></td>
<td><strong>100%</strong></td>
<td><strong>$ 1,467</strong></td>
<td><strong>$ 2.00</strong></td>
</tr>
</tbody>
</table>

Low-Income Housing Tax Credits

<table>
<thead>
<tr>
<th>Description</th>
<th>Acquisition Basis</th>
<th>Construction Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Uses of Funds</td>
<td>$ 320,513</td>
<td>$ 32,082,467</td>
</tr>
<tr>
<td>Adjusted Project Costs</td>
<td>$ 320,513</td>
<td>$ 32,082,467</td>
</tr>
<tr>
<td>Adjustment for Federal QCT / DDA (130% maximum)</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Eligible Basis</td>
<td>$ 320,513</td>
<td>$ 32,082,467</td>
</tr>
<tr>
<td>Applicable Fraction</td>
<td>40.35%</td>
<td>40.35%</td>
</tr>
<tr>
<td>Qualified Basis</td>
<td>$ 0</td>
<td>$ 12,945,275</td>
</tr>
<tr>
<td>Applicable Percentage</td>
<td>3.28%</td>
<td>3.28%</td>
</tr>
</tbody>
</table>

Low Income Housing Tax Credit Eligible $ 0 $ 424,605

Estimated Low-Income Housing Tax Credit Syndication Proceeds

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined Low Income Housing Tax Credit Eligible</td>
<td>$ 424,605</td>
</tr>
<tr>
<td>Tax Credit Period (10 years)</td>
<td>x 10</td>
</tr>
<tr>
<td>Total Tax Credit Received Over Period</td>
<td>$ 4,246,050</td>
</tr>
<tr>
<td>Raise Ratio from Syndicator's Proposal</td>
<td>1.01</td>
</tr>
<tr>
<td>Gross Proceeds from Low Income Housing Tax Credit</td>
<td>$ 4,288,511</td>
</tr>
<tr>
<td>Less: Gross Proceeds from Historic Tax Credit</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Equity from Syndication Proceeds</strong></td>
<td>$ 4,288,511</td>
</tr>
</tbody>
</table>
### Income

#### Low-Income Units

<table>
<thead>
<tr>
<th>Median income</th>
<th>Unit Description</th>
<th>Number of Units</th>
<th>Unit Size (Net leasable Sq. Ft.)</th>
<th>Tenant Utilities*</th>
<th>Contract Rent</th>
<th>Rent Limit</th>
<th>Income PerUnit</th>
<th>Monthly income</th>
<th>Annual Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>60% 1</td>
<td></td>
<td>28</td>
<td>600</td>
<td>$165</td>
<td>$960</td>
<td>1,242</td>
<td>1,125</td>
<td>31,500</td>
<td>378,000</td>
</tr>
<tr>
<td>60% 2</td>
<td></td>
<td>34</td>
<td>750</td>
<td>$245</td>
<td>$1,130</td>
<td>1,489</td>
<td>1,375</td>
<td>46,750</td>
<td>561,000</td>
</tr>
<tr>
<td>60% 3</td>
<td></td>
<td>7</td>
<td>900</td>
<td>$320</td>
<td>$1,320</td>
<td>1,721</td>
<td>1,640</td>
<td>11,480</td>
<td>137,760</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>69</td>
<td>48,600</td>
<td></td>
<td></td>
<td>89,730</td>
<td>1,076,760</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Vacancy Allowance (Total Annual Income x Vacancy Rate) 4.80% *

\[81,684\]

*Effective Gross Income/Low Income Units (Total Annual Income - Vacancy Allowance) 1,025,076*

---

### Cash Flow Analysis

**Assumptions: escalation & vacancy**

<table>
<thead>
<tr>
<th>Low Income Units</th>
<th>Market Rate Units</th>
<th>Nonresidential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Escalation</td>
<td>2.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Vacancy</td>
<td>4.80%</td>
<td>7.20%</td>
</tr>
<tr>
<td>OpEx Escalation</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>

**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%

Interest Rate Risk Analysis

<table>
<thead>
<tr>
<th>Rate (%)</th>
<th>Equity (Millions)</th>
<th>DSCR</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.90</td>
<td>4.90</td>
<td>1.25</td>
</tr>
<tr>
<td>5.90</td>
<td>5.90</td>
<td>1.25</td>
</tr>
<tr>
<td>6.90</td>
<td>6.90</td>
<td>1.25</td>
</tr>
<tr>
<td>7.90</td>
<td>7.90</td>
<td>1.25</td>
</tr>
</tbody>
</table>

Sensitivity Analysis of Raise Ratio

<table>
<thead>
<tr>
<th>Raise Ratio</th>
<th>Equity (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.00</td>
<td>2.00</td>
</tr>
<tr>
<td>2.50</td>
<td>2.50</td>
</tr>
<tr>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>3.50</td>
<td>3.50</td>
</tr>
</tbody>
</table>

- Interest rate: 4.9%
- DSCR: 1.15
- Raise Ratio: 0.97
- 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

<table>
<thead>
<tr>
<th>Property Name/Address</th>
<th>Rating</th>
<th>Yr Built</th>
<th>Units</th>
<th>Avg Unit SF</th>
<th>Studio</th>
<th>1 Bed</th>
<th>2 Bed</th>
<th>3 Bed</th>
<th>Rent/SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastbrooke at Beulah Cro...</td>
<td></td>
<td>2015</td>
<td>39</td>
<td>688</td>
<td></td>
<td>$1,152</td>
<td>$1,410</td>
<td>$1,630</td>
<td>$2.05</td>
</tr>
<tr>
<td>The Grove at Parkside</td>
<td></td>
<td>2010</td>
<td>166</td>
<td>703</td>
<td>$1,068</td>
<td>$1,121</td>
<td>$1,328</td>
<td>$1,521</td>
<td>$1.65</td>
</tr>
<tr>
<td>Park 7</td>
<td></td>
<td>2014</td>
<td>377</td>
<td>809</td>
<td>$930</td>
<td>$1,156</td>
<td>$1,386</td>
<td>$1,625</td>
<td>$1.56</td>
</tr>
<tr>
<td>St. Stephens</td>
<td></td>
<td>2017</td>
<td>71</td>
<td>685</td>
<td></td>
<td>$953</td>
<td>$1,146</td>
<td>-</td>
<td>$1.45</td>
</tr>
<tr>
<td>The Nannie Helen at 4800</td>
<td></td>
<td>2013</td>
<td>70</td>
<td>903</td>
<td></td>
<td>$971</td>
<td>$1,322</td>
<td>$1,482</td>
<td>$1.38</td>
</tr>
<tr>
<td>Victoria Square Senior Apts...</td>
<td></td>
<td>2012</td>
<td>97</td>
<td>768</td>
<td></td>
<td>$836</td>
<td>$964</td>
<td>-</td>
<td>$1.15</td>
</tr>
<tr>
<td>Deanwood Hills</td>
<td></td>
<td>2019</td>
<td>150</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
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

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

   ii. Income and Expense Changes:
      1. Residential Income increase- 2%
         a. Nonresidential income increase- 1%
      2. Expense increase- 3%
Marker Eight
Healthy Living in Fairmount Heights
Michael Horwitz
Bulldog Development
Spring 2018

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-I
Demographic Analysis

- Population: 1,567
- Income: $45,696
- Average Age: 42
- Unemployment Rate: 17%

Economic Drivers

- Industry 1: 3
- Industry 2: 13
- Industry 3: 5
- Industry 4: 6
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

Development District
Overlay Zone
Subregion 4 Master Plan

“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.

- Anonymous M-NCPPC staff member, 2017

Approval Process

Prince George’s County

Subdivision assessment  Preliminary plats  Site Plan Review  Conceptual Site Plan  Detailed Site Plan  Permit Review  Landscape Preservation

Low Income Housing Tax Credit

QAP Application  Threshold Criteria  Potential Reservation Letter
CONSTRUCTION
Materials, Cost, Schedule

Materials

- Pervious Concrete
- Nichiha Fiber Cement Siding
- Eldorado Stone
- Choice Cabinet
- CertainTeed Insulation
## Cost

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

### Net Hard Construction Cost

**$17.2 M**

## Schedule

**13 to 15 mo.**

**Total Construction Time**

![Multifamily Construction Time Chart]

Source: National Multifamily Housing Council 2018

68
Community Engagement

Youth Development Programs

Health and Wellness Classes

Outdoor Engagement
Resident Benefits

Bike Paths Connecting Neighborhood

Shuttle Service to Metro Station
Assumptions

<table>
<thead>
<tr>
<th>Income</th>
<th>Expenses</th>
<th>Misc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>4% (2%)</td>
<td>1.15 Debt Service Coverage Ratio</td>
<td>1.15 Debt Service Coverage Ratio</td>
</tr>
<tr>
<td>Vacancy Affordable Units</td>
<td>PILOT (4% EGI)</td>
<td></td>
</tr>
<tr>
<td>8% (6%)</td>
<td>3.5% of EGI</td>
<td>4.7% All-in Interest Rate</td>
</tr>
<tr>
<td>Vacancy Market Rate</td>
<td>Management Fee</td>
<td>2%/3% Income/Expense Increase</td>
</tr>
<tr>
<td>$1.90/sf ($0.07)</td>
<td>47% Operating Expense Ratio</td>
<td>$1.00 LIHTC Price</td>
</tr>
<tr>
<td>Market Rate Rents</td>
<td>$545,802 Total Operating Expenses</td>
<td></td>
</tr>
<tr>
<td>50% AMI</td>
<td>$27.50 ($6) Commercial Space Rent</td>
<td></td>
</tr>
<tr>
<td>Affordable Units</td>
<td>$623/unit</td>
<td></td>
</tr>
<tr>
<td>$27.50 ($6) Commercial Space Rent</td>
<td>$623/unit</td>
<td></td>
</tr>
</tbody>
</table>

Pro Forma

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

<table>
<thead>
<tr>
<th>LIHTC Price</th>
<th>Total Tax Credits</th>
<th>Int. Rate</th>
<th>Loan Amount</th>
<th>$/SF Construction</th>
<th>Total Cost</th>
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<td>5.0%</td>
<td>$16,302,410</td>
<td>$200</td>
<td>$18,116,056</td>
</tr>
</tbody>
</table>

### Sources & Uses

**9% Competitive**

<table>
<thead>
<tr>
<th>Sources</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUD221D-4</td>
<td>66.4%</td>
</tr>
<tr>
<td>LIHTC</td>
<td>31.1%</td>
</tr>
<tr>
<td>Developer Equity</td>
<td>2.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 27.1 M</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Costs</td>
<td>81.1%</td>
</tr>
<tr>
<td>Fees</td>
<td>5.3%</td>
</tr>
<tr>
<td>Acquisition</td>
<td>1%</td>
</tr>
<tr>
<td>Developer’s Fee</td>
<td>9.3%</td>
</tr>
<tr>
<td>Syndication Related Costs</td>
<td>0.4%</td>
</tr>
<tr>
<td>Reserves</td>
<td>2.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 27.1 M</strong></td>
</tr>
</tbody>
</table>

**4% Non-Competitive**

<table>
<thead>
<tr>
<th>Sources</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUD221D-4</td>
<td>64.8%</td>
</tr>
<tr>
<td>Rental Housing Works</td>
<td>9.6%</td>
</tr>
<tr>
<td>Partnership Rental Housing</td>
<td>7.7%</td>
</tr>
<tr>
<td>LIHTC</td>
<td>12.3%</td>
</tr>
<tr>
<td>Developer Equity</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 25.9 M</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Costs</td>
<td>83%</td>
</tr>
<tr>
<td>Fees</td>
<td>3%</td>
</tr>
<tr>
<td>Acquisition</td>
<td>1%</td>
</tr>
<tr>
<td>Developer’s Fee</td>
<td>9.6%</td>
</tr>
<tr>
<td>Syndication Related Costs</td>
<td>.3%</td>
</tr>
<tr>
<td>Reserves</td>
<td>2.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 25.9 M</strong></td>
</tr>
</tbody>
</table>