ACORN PARK
FINANCIAL ANALYSIS

BELMONT ZONING BOARD OF APPEALS

December 4, 2006

Michael Jacobs
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41 Coolidge Street
Brookline, MA 02446

December 4, 2006

William Chin, Chair
Belmont Zoning Board of Appeals
Homer Municipal Building
Belmont, MA 02478

Re: 40B Financial Analysis: Acorn Park

Dear Mr. Chin:

As requested by the Board, I have reviewed the financial projections supplied by the applicant. As part of this analysis, I have reviewed proposed hard and soft costs, acquisition costs and developer fees as well as rents and operating expenses. My analysis is based on a comparison with industry standards and/or other comparable jobs I have reviewed as a consultant and former underwriter. In addition, I have used the *Local 40B Review and Decision Guidelines* recently published by the Massachusetts Housing Partnership to further supplement my review. Because of the preliminary nature of 40B architectural and engineering plans and the conceptual nature of many of the estimates, my review is confined to determining whether the numbers fall within acceptable ranges.

The *Stuborn Ltd. Partnership v. Barnstable Board of Appeals* case decided by the Housing Appeals Committee defined the scope of financial reviews as limited and secondary. Specifically, it stated that financial projections, including profit, should be reviewed for accuracy so that a community knew that: (1) the project was financially feasible; and (2) it stayed within the required profit limitations (10% of equity for rental projects). My analysis will thus focus on these two measures.

ANALYSIS

Capital Costs

Acquisition

The pro forma lists an acquisition value of $8,880,000 for the 15.656-acre parcel or $567,000 per acre. Included in the comprehensive permit package are four deeds:

Grantor	Grantee	Price
Acorn Properties II, Inc.	AP Cambridge Partners II, LLC	$ 411,381
Arthur D. Little Real Estate Corp.	AP Cambridge Partners, LLC	$16,859,735
Acorn Properties IV, Inc.	AP Cambridge Partners, LLC	$ 743,443
Acorn Properties III, Inc.	AP Cambridge Partners, LLC	$ 396,822
TOTAL		$18,411,381

It cannot be determined from a review of the deeds what portion of the land constitutes the 40B parcel. Under the acquisition policy detailed in the MHP Guidelines referenced above, the allowable acquisition value is the fair market value of the site based on current zoning (the as-is market value) at the time of submission of the request for a project eligibility letter plus reasonable and verifiable carrying costs from that date forward. The applicant has submitted a limited scope interim update appraisal report as of September 30, 2003.

According to the appraisal, current zoning allows the construction of a 245,000 square foot office building. Utilizing older land transactions, the appraisal concluded that $35.00 per square foot of FAR[1] would be justified resulting in a value of $8,600,000.

This value may be aggressive given the current office market in the Alewife/Fresh Pond area. According to a market survey performed by Cushman & Wakefield, there is a 17.8% vacancy rate and a direct weighted average rental rate of $29.09. Another appraiser might view this as supporting a lower price per square foot of FAR (closer to $30 p.s.f.) rather than that contained in the appraisal. If this lower value were confirmed, the maximum acquisition value would drop to $7,350,000 plus any legitimate carrying costs.

Construction Costs

Overall construction costs are nearly $46.6 million or $146.74 per gross square foot. The residential building cost is projected at $128.56 per square foot. While this cost is higher than most suburban 40B rental projects, it has one main difference that drives up the cost: 250 garage spaces that probably add $15 per square foot as a premium.

There is also $600,000 budgeted for FF&E (furniture, fixtures and equipment). This typically covers the fit-up of the community space and the pool area. There appears to be $50,000 of costs that are double-counted in the estimate.

$2.8 million or $9,398 per unit has been budgeted for site improvements. A detailed breakdown has been supplied that appears reasonable except for one item. Included in the breakdown is a 20% contingency, which appears excessive given that there is an industry standard 5% contingency on top of this that is included in the pro forma.

Landscaping is projected at $170,000 or $569 per unit including a 20% contingency. While this is low for a project of this size, it appears to reflect the limited opportunities available for landscaping improvements. $70,000 of this cost is an allowance for an irrigation system.

[1] Floor Area Ratio

A $200,000 allowance has also been budgeted for traffic mitigation, wetlands work, a walking trail and kiosk.

Soft Costs

Overall soft costs are approximately $9.9 million or $33,111 per unit. In reviewing the individual line items, I found a few several that were conservatively projected and one that was underestimated.

Permits, surveys and I&I mitigation appear to be overestimated by $100,000, an apparent mathematical error. Accounting and cost certification, at $60,000, appears to be three times what is typically budgeted. A construction loan fee of 1.5% is atypical on a Mass-Development deal. There generally is only a permanent loan fee, which is actually understated based on the formula utilized by MassDevelopment.

The construction and permanent loan rates also appear to be high. Variable tax exempt rates are tied to a base interest rate established by a Municipal Swap Index. The actual rate will consist of add-ons of a credit enhancement fee (e.g., a bank letter of credit of 100 basis points or 1%) and a fee to remarket the bonds every seven days (typically 1/8% or 12.5 basis point). With a current index rate of 3.63%, a more realistic rate would be 4.755% rather than 5.35% used in the projection. This will result in approximately $350,000 less construction interest. One other item needs to be mentioned. According to the MHP Guidelines, tasks provided by development consultants that are typically performed by developers should result in a concomitant reduction in the developer fee.

Developer Fee

While the applicant has used a formula allowed by DHCD on projects utilizing Low Income Housing Tax Credits, the 11% fee that has been calculated is significantly above the 8% allowance for fee and overhead recommended in the MHP Guidelines for estimating return levels. This results in an overall reduction in the total development cost of approximately $2.5 million.

<u>Operations</u>

Market Rents

I have reviewed the market rents and compared them to newer mixed-income rental developments in the area. I have focused on Cambridge Park Place, which is ½ mile from the site.

The developer is proposing to rent small 550 square foot studios for $1,292 per month or $2.35 per square foot. At Cambridge Park Place, a 698 square foot studio rents for $1,679 or $2.41 per square foot plus another $110 per month for outdoor parking, bringing the total rent to $1,789 or $2.56 per square foot. The unit includes heat and hot water which Acorn Park does not. Adjusting for this difference, the Cambridge studios would rent for $1,745 or

$2.50 per square foot. Typically, as units shrink in size, the rent per square foot increases. Thus, one would expect the rent per square foot on the Uplands studio to rent for a higher overall rent, probably in the $2.55 per square foot range. This makes even more sense when one looks at the one-bedroom units at the development which are priced at a higher rent per square foot rent than the studio units.

Proposed one-bedroom rents are $1,900 for a 792 square foot unit or $2.40 per square foot. Cambridge Park Place rents a 752 square foot one-bedroom adjusted for utilities and parking for $1,854 per month or $2.47 per square foot. The pricing on these unit types is close to equivalent of the neighboring development if not slightly on the light side.

The average two-bedroom unit at Acorn Park contains 1,125 square feet and has a suggested rent of $2,340 or $2.08 per square foot. The Cambridge development has a group of units that range in size from 1,090 square feet to 1,155 square feet and rent on an adjusted basis from $2,228 to $2,370 or $2.02 to $2.13 per square foot. The two-bedroom units thus appear comparable to one another.

Affordable Rents

Affordable rents are established assuming a household earning no more than 50% of area median income in the Boston area pays no more than 30% of his or her income for rent. If utilities are not included, then a utility allowance developed by either the local housing authority or a regional non-profit must be deducted from the maximum rent.

The proposed one, two and three-bedroom maximum affordable rents are correct, although the studio is $109 below the allowable rent. The utility allowances, however, are significantly below today's numbers because the Belmont Housing Authority appears to be using utility numbers as of July, 2002. When one applies utility allowances published through the Metropolitan Boston Housing Partnership, the result is a $22,000 loss of revenue.

Operating Expenses

The proposed annual operating budget of slightly over $1.75 million translates into a per unit amount of $5,877. While some items appear lower than other projects, such as a 3% management fee or a $284 per unit replacement reserve, other items such as nearly $1,200 per unit in utilities that are mostly being paid by residents appears high. However, the overall per unit budget falls within the range of other large multifamily projects.

Profitability and Program Requirements

There are three standards that are utilized when evaluating profitability. The first is the Chapter 40B and MassHousing limited dividend requirement that restricts profit to 10% of equity. There are two other standards that are recommended by the MHP Guidelines mentioned earlier in the report that are used to determine whether a project is uneconomic: return on total cost (ROTC) and the internal rate of return (IRR).

The ROTC measure compares the net operating income (NOI)[2] in the first year of stabilized occupancy.[3] While it is a simple measure that does not account for project revenues over time or the possibility of additional proceeds being generated from a project sale, it avoids the myriad of future assumptions that must be made to determine the internal rate of return. The benchmark utilized in determining economic feasibility is the return provided by a relatively safe investment (10 year Treasury bills) plus a risk factor above that measure (250 to 350 basis points or 2 ½ to 3 ½ per cent above the current rate).

The IRR is a more sophisticated method of calculation than the return on total cost. It examines a series of cash outflows or inflows over the life of the investment including the permitting period, construction, operations and sale and projects a rate of return that factors all of these measures into the calculation. Like the ROTC measure, the IRR looks at net operating income before debt and utilizes the same benchmark investment measure (10-year Treasury bill). However, because it is taking a longer term perspective (ten versus one year) and includes sales proceeds, it uses a different risk premium to compensate investors for permitting, construction, and longer-term operational risk (650 basis points over the Treasury index).

When one looks at the applicant's projections, the limited dividend is 2.9% in the first year. The return on total cost is 5.98% and the IRR is 7.86%. Based on the current T-bill rate of 4.64%, the ROTC standard would be 7.14% to 8.14% and the IRR benchmark would be 11.14%. The project would thus be considered uneconomic using these standards.

If one makes the adjustments in the capital costs and in the market and affordable rents as discussed earlier in this memorandum, the limited dividend could increase from 2.9% to 8.3%, the ROTC could go from 5.98% to 6.51%, and the IRR would increase from 7.35% to 8.53%. All of these return levels would still be below maximum levels and in the case of the ROTC and IRR methods, are below the 40B economic threshold recommended by the MHP Guidelines. Only if the developer were able to obtain Section 8 certificates for 10% of the affordable units might the project achieve economic feasibility under the ROTC standard utilized in the 40B process. However, there are currently no commitments by the Belmont Housing Authority to reserve any units for certificate holders.

I will be glad to answer any questions from the board, the applicant or the public at the next hearing.

Cordially,

Michael Jacobs

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[2] Income available after operating expenses but prior to payment of any interest or principal

[3] The point at which a development reaches full occupancy less a standard vacancy allowance

BASE PRO FORMA

BELMONT

UNIT DESCRIPTION			UNITS	% OF TOTAL	AVG NSF	TOTAL SF	ANNUAL TOTAL	MONTHLY TOTAL	PER UNIT MONTHLY	RENT PER S.F.
0 BR	BA	Market	17	5.69%	550	9,350	$263,568	$21,964	$1,292	$2.35
1 BR	BA	Market	124	41.47%	792	98,208	$2,827,200	$235,600	$1,900	$2.40
1 BR	BA	Market	0	0.00%	0	0	$0	$0	$0	$0.00
1 BR	BA	Market	0	0.00%	0	0	$0	$0	$0	$0.00
2 BR	BA	Market	85	28.43%	1,125	95,625	$2,386,800	$198,900	$2,340	$2.08
2 BR	BA	Market	0	0.00%	0	0	$0	$0	$0	$0.00
2 BR	BA	Market	0	0.00%	0	0	$0	$0	$0	$0.00
2 BR	BA	Market	0	0.00%	0	0	$0	$0	$0	$0.00
3 BR	BA	Market	13	4.35%	1,450	18,850	$452,400	$37,700	$2,900	$2.00
3 BR	BA	Market	0	0.00%	0	0	$0	$0	$0	$0.00
0 BR	BA	Affordable	3	1.00%	550	1,650	$19,116	$1,593	$627	$1.14
1 BR	BA	Affordable	32	10.70%	792	25,344	$258,048	$21,504	$788	$0.99
1 BR	BA	Affordable	0	0.00%	0	0	$0	$0	$0	$0.00
1 BR	BA	Affordable	0	0.00%	0	0	$0	$0	$0	$0.00
2 BR	BA	Affordable	22	7.36%	1,125	24,750	$208,296	$17,358	$946	$0.84
2 BR	BA	Affordable	0	0.00%	0	0	$0	$0	$0	$0.00
2 BR	BA	Affordable	0	0.00%	0	0	$0	$0	$0	$0.00
2 BR	BA	Affordable	0	0.00%	0	0	$0	$0	$0	$0.00
3 BR	BA	Affordable	3	1.00%	1,450	4,350	$32,256	$2,688	$1,093	$0.75
3 BR	BA	Affordable	0	0.00%	0	0	$0	$0	$0	$0.00
			299		**NSF=**	**278,127**	**$6,447,684**	$537,307	$1,797	$1.93
PCTGE AFFORDABLE		**20.07%**	60	**20.17%**	Clubhouse	0				
OTHER INCOME-Parking (Garages)			$75	240	Efficiency	78.5%	$216,000			
OTHER INCOME-Laundry			$0	0	**GSF=**	**337,884**	$0			
OTHER-INCOME-			$18	240			$51,840			
GROSS POTENTIAL INCOME							**$6,715,524**			
VACANCY										
Market			6.69%				($420,012)			
Affordable			1.93%							
Other Income			5.00%							
EFFECTIVE RENTAL INCOME							**$6,295,512**			

Should be $736

OPERATING EXPENSES		ANNUAL TOTAL	MONTLY TOTAL	PER UNIT ANNUAL	PER GSF ANNUAL
MANAGEMENT FEE	3.00%	$188,865	$15,739	$632	$0.56
ADMINISTRATION		$300,000	$25,000	$1,003	$0.89
MARKETING		$0	$0	$0	$0.00
MAINTENANCE		$225,000	$18,750	$753	$0.67
UTILITIES		$350,000	$29,167	$1,171	$1.04
INSURANCE		$100,000	$8,333	$334	$0.30
REAL ESTATE TAXES		$493,400	$41,117	$1,650	$1.46
MONITORING FEE		$15,000	$1,250	$50	$0.04
REPLACEMENT RESERVE		$85,000	$7,083	$284	$0.25
TOTAL OPERATING EXPENSES		**$1,757,265**	$146,439	$5,877	$5.20
EXPENSES AS A PERCENTAGE OF INCOME		27.91%			
NET OPERATING INCOME		**$4,538,247**			

Old utility allowances

OTHER ASSUMPTIONS				
MARKET RATE INFLATION	3.00%	UTILITY ALLOW.	0 BR	$96.00
AFFORDABLE INFLATION	2.50%		1 BR	$116.00
OPERATING EXPENSE INFLATION	3.00%		2 BR	$157.00
			3 BR	$197.00

BELMONT

DEVELOPMENT BUDGET

USES		TOTAL COST	COST PER UNIT	COST PER G.S.F.
ACQUISITION COSTS		$8,880,000	$29,699	$26.28
CONSTRUCTION COSTS		$49,579,995	$165,819	$146.74
RESIDENTIAL		$43,439,043	$145,281	$128.56
SITE IMPROVEMENTS/LANDSCAPING		$2,980,000	$9,967	$8.82
AMENITIES (FF&E)		$600,000	$2,007	$1.78
OFFSITE		$200,000	$669	$0.59
CONTINGENCY		$2,360,952	$7,896	$6.99
SOFT COSTS		$9,900,046	$33,111	$29.30
PERMITS AND FEES		$1,136,350	$3,801	$3.36
SURVEY/TESTING		$50,000	$167	$0.15
ARCHITECTURE & ENGINEERING		$1,400,000	$4,682	$4.14
LEGAL		$440,000	$1,472	$1.30
TITLE & RECORDING (in Legal)		$0	$0	$0.00
INSURANCE		$155,000	$518	$0.46
PROPERTY TAXES		$280,000	$936	$0.83
ACCOUNTING/COST CERTIFICATION		$60,000	$201	$0.18
MARKETING		$550,000	$1,839	$1.63
FURNITURE, FIXTURES & EQUIPMENT		$0		$0.00
CONSTRUCTION INSP FEE (MHFA)		$0	$0	$0.00
PERMANENT FINANCING FEES		$923,526	$3,089	$2.73
MORTGAGE INSURANCE PREMIUM		$0		$0.00
CONSTRUCTION LOAN FEES		$948,526	$3,172	$2.81
CONSTRUCTION LOAN INTEREST		$3,174,379	$10,617	$9.39
SECURITY		$0		
LEASE-UP DEFICIT		$185,833	$622	$0.55
OTHER-APPRAISAL/MKT STUDY		$25,000	$84	$0.07
OTHER-DEV CONSULTANT		$100,000	$334	$0.30
SOFT COST CONTINGENCY		$471,431	$1,577	$1.40
DEVELOPER FEE	11.0%	$7,525,654	$25,169	$22.27
TOTAL DEVELOPMENT COSTS		$75,885,696	$253,798	$224.59
SOURCES		$75,885,696	$253,798	
MORTGAGE LOAN		$61,568,433	$205,914	
DEVELOPER FEE CONTRIBUTED		$0	$0	
TAX CREDIT EQUITY		$0	$0	
SUBSIDY/SUBORD DEBT		$0	$0	
CASH EQUITY		$14,317,263	$47,884	

Includes 20% contingency

Applicant pro forma adds $100K to the 2 items

$50,000 of double

Typically $20,000

Slightly understated

Conservatively estimated

Should be included in Developer

Limited to 8% for profit calculation

BUDGET DETAIL

Appraisal at $8.6 Mil;

ACQUISITION			$8,880,000
BUILDING COST			$0
LAND COST acres:	15.656	$567,195	$8,880,000
GROUND LEASE			$0
ADDITIONAL MBTA PAYMENT			$0
BROKERAGE COSTS			$0
CONSTRUCTION COSTS		$146.74	$49,579,995
RESIDENTIAL BUILDING	337,884	$128.56	$43,439,043
OTHER	0		$0
COMM SPACE	0		$0
WWTP		$0	$0
SITE IMPROVEMENTS		$9,398	$2,810,000
LANDSCAPING		$569	$170,000
OFF-SITE		$669	$200,000
AMENITIES			$600,000
CONTINGENCY	5.0%		$2,360,952
PERMITS AND FEES			$1,136,350
BUILDING PERMIT	1.4%	$1,200	$675,000
SEWER		$0	$0
WATER			$0
UNKNOWN		$0	$100,000
I&I MITIGATION			$361,350
ARCHITECTURE & ENGINEERING		2.8%	$1,400,000
ARCHITECTURE			$1,200,000
ARCHITECT SUPERVISION			$0
ENGINEERING			$200,000
LANDSCPING			$0
PEER REVIEW CONSULTANTS			$0
OTHER			$0
SURVEY/TESTING			$50,000
ALTA/SURVEY/TOPOGRAPHY			$50,000
WETLANDS			$0
ENF/EIR			$0
TRAFFIC			$0
GEOTECH			$0
MATERIAL TESTING			$0
OTHER			
INSURANCE	0.31%		
TAX RATE	0.01041		
SOFT COST CONTING	5.0%		
0			

Overestimated

LEGAL		$440,000
ORGANIZATIONAL		$0
PERMITTING		$0
FINANCING		$0
OTHER		$440,000
MARKETING		$550,000
STAFFING		$0
COLLATERALS		$0
ADVERTISING		$0
RENT CONCESSIONS		$0
OTHER-		$550,000
FF&E		$0
MODEL UNIT		$0
EQUIPMENT		$0
COMM SPACE		$0
OTHER		$0
CONSTRUCTION LOAN		
LOAN AMT	$61,568,433	
LOAN INTEREST		5.35%
LOAN FEES		1.50%
AVG BALANCE		60.0%
TERM (MOS)		19
OTHER COSTS(Legal, appraisal, inspection)		$25,000
PERMANENT LOAN		
MAX LOAN AMT		$58,092,713
LOAN AMT		$61,568,433
LOAN TO VALUE		90.0%
CAP RATE		7.03%
DEBT SERVICE CVGE		1.10
INTEREST RATE		5.35%
AMORTIZATION		30.00
LOAN CONSTANT		0.067010
OTHER(LEGAL,APRSL)		$0
ADMIN FEE		0.0%
FINANCING FEES		1.50%
CONS INSP FEE		0.0%
MORTG INSUR PREM		0.000%
		$0

Only a permanent loan fee in

Conservative for variable rate financing

Slightly understated

BELMONT

		1	2	3	4	5	6	7	8	9	10	11
AFFORDABLE RENTAL INCOME		$517,716	$530,659	$543,925	$557,524	$571,462	$585,748	$600,392	$615,402	$630,787	$646,556	$662,720
MARKET RENTAL INCOME		$5,929,968	$6,107,867	$6,291,103	$6,479,836	$6,674,231	$6,874,458	$7,080,692	$7,293,113	$7,511,906	$7,737,263	$7,969,381
GROSS POTENTIAL INCOME		$6,447,684	$6,638,526	$6,835,028	$7,037,360	$7,245,693	$7,460,206	$7,681,084	$7,908,514	$8,142,693	$8,383,820	$8,632,101
OTHER INCOME		$267,840	$275,875	$284,151	$292,676	$301,456	$310,500	$319,815	$329,409	$339,292	$349,470	$359,955
LESS VACANCY		($420,012)	($432,563)	($445,488)	($458,801)	($472,511)	($486,631)	($501,174)	($516,151)	($531,576)	($547,463)	($563,824)
EFFECTIVE RENTAL INCOME		$6,295,512	$6,481,839	$6,673,692	$6,871,235	$7,074,638	$7,284,075	$7,499,725	$7,721,773	$7,950,408	$8,185,827	$8,428,231
OPERATING EXPENSES												
MANAGEMENT FEE		$188,865	$259,274	$266,948	$274,849	$282,986	$291,363	$299,989	$308,871	$318,016	$327,433	$337,129
ADMINISTRATION		$300,000	$309,000	$318,270	$327,818	$337,653	$347,782	$358,216	$368,962	$380,031	$391,432	$403,175
MARKETING		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MAINTENANCE		$225,000	$231,750	$238,703	$245,864	$253,239	$260,837	$268,662	$276,722	$285,023	$293,574	$302,381
UTILITIES		$350,000	$360,500	$371,315	$382,454	$393,928	$405,746	$417,918	$430,456	$443,370	$456,671	$470,371
INSURANCE		$100,000	$103,000	$106,090	$109,273	$112,551	$115,927	$119,405	$122,987	$126,677	$130,477	$134,392
REAL ESTATE TAXES		$493,400	$508,202	$523,449	$539,152	$555,327	$571,986	$589,146	$606,820	$625,025	$643,776	$663,089
MONITORING FEE		$15,000	$15,450	$15,914	$16,391	$16,883	$17,389	$17,911	$18,448	$19,002	$19,572	$20,159
REPLACEMENT RESERVE		$85,000	$87,550	$90,177	$92,882	$95,668	$98,538	$101,494	$104,539	$107,675	$110,906	$114,233
TOTAL OPERATING EXPENSES		$1,757,265	$1,874,726	$1,930,864	$1,988,683	$2,048,234	$2,109,569	$2,172,741	$2,237,806	$2,304,819	$2,373,840	$2,444,928
NET OPERATING INCOME		$4,538,247	$4,607,113	$4,742,828	$4,882,552	$5,026,404	$5,174,506	$5,326,984	$5,483,967	$5,645,589	$5,811,987	$5,983,303
DEBT SERVICE		$4,125,679	$4,125,679	$4,125,679	$4,125,679	$4,125,679	$4,125,679	$4,125,679	$4,125,679	$4,125,679	$4,125,679	$4,125,679
CASH FLOW		$412,568	$481,434	$617,149	$756,873	$900,725	$1,048,827	$1,201,305	$1,358,288	$1,519,910	$1,686,308	$1,857,624
DEBT SERVICE COVERAGE		1.10	1.12	1.15	1.18	1.22	1.25	1.29	1.33	1.37	1.41	1.45
EQUITY $14,317,263												
LIMITED DIVIDEND		**2.9%**	3.4%	4.3%	5.3%	6.3%	7.3%	8.4%	9.5%	10.6%	11.8%	13.0%
DIVIDEND SHORTFALL		($1,019,158)	($950,292)	($814,577)	($674,853)	($531,001)	($382,899)	($230,421)	($73,438)	$88,184	$254,582	$425,898
CUMULATIVE DIVIDEND SHORTFALL		($1,019,158)	($1,969,451)	($2,784,028)	($3,458,881)	($3,989,882)	($4,372,780)	($4,603,201)	($4,676,639)	($4,588,455)	($4,333,873)	($3,907,975)
RETURN ON COST		**5.98%**	6.07%	6.25%	6.43%	6.62%	6.82%	7.02%	7.23%	7.44%	7.66%	7.88%
	($75,885,696)	$4,538,247	$4,607,113	$4,742,828	$4,882,552	$5,026,404	$5,174,506	$5,326,984	$5,483,967	$5,645,589	$5,811,987	$5,983,303
IRR **7.86%**	($75,885,696)	$4,538,247	$4,607,113	$4,742,828	$4,882,552	$5,026,404	$5,174,506	$5,326,984	$5,483,967	$5,645,589	$95,101,280	

ROTC STRD	**7.14%**	-	**8.14%**
IRR STRD	**11.14%**		

ADJUSTED PRO FORMA

BELMONT-Adjusted

UNIT DESCRIPTION			UNITS	% OF TOTAL	AVG NSF	TOTAL SF	ANNUAL TOTAL	MONTHLY TOTAL	PER UNIT MONTHLY	RENT PER S.F.
0 BR	BA	Market	17	5.69%	550	9,350	$285,600	$23,800	$1,400	$2.55
1 BR	BA	Market	124	41.47%	792	98,208	$2,827,200	$235,600	$1,900	$2.40
1 BR	BA	Market	0	0.00%	0	0	$0	$0	$0	$0.00
1 BR	BA	Market	0	0.00%	0	0	$0	$0	$0	$0.00
2 BR	BA	Market	85	28.43%	1,125	95,625	$2,386,800	$198,900	$2,340	$2.08
2 BR	BA	Market	0	0.00%	0	0	$0	$0	$0	$0.00
2 BR	BA	Market	0	0.00%	0	0	$0	$0	$0	$0.00
2 BR	BA	Market	0	0.00%	0	0	$0	$0	$0	$0.00
3 BR	BA	Market	13	4.35%	1,450	18,850	$452,400	$37,700	$2,900	$2.00
3 BR	BA	Market	0	0.00%	0	0	$0	$0	$0	$0.00
0 BR	BA	Affordable	3	1.00%	550	1,650	$22,212	$1,851	$736	$1.34
1 BR	BA	Affordable	30	10.03%	792	23,760	$229,320	$19,110	$788	$0.99
1 BR	BA	Affordable-S8	2	0.67%	792	1,584	$24,312	$2,026	$1,164	$1.47
1 BR	BA	Affordable	0	0.00%	0	0	$0	$0	$0	$0.00
2 BR	BA	Affordable	19	6.35%	1,125	21,375	$173,964	$14,497	$946	$0.84
2 BR	BA	Affordable-S8	3	1.00%	1,125	3,375	$42,588	$3,549	$1,366	$1.21
2 BR	BA	Affordable	0	0.00%	0	0	$0	$0	$0	$0.00
2 BR	BA	Affordable	0	0.00%	0	0	$0	$0	$0	$0.00
3 BR	BA	Affordable	2	0.67%	1,450	2,900	$20,952	$1,746	$1,093	$0.75
3 BR	BA	Affordable-S8	1	0.33%	1,450	1,450	$16,968	$1,414	$1,634	$1.13
			299		NSF=	278,127	$6,482,316	$540,193	$1,807	$1.94
PCTGE AFFORDABLE		**20.07%**	60	**20.17%**	Clubhouse	0				
OTHER INCOME-Parking (Garages)			$75	240	Efficiency	78.5%	$216,000			
OTHER INCOME-Laundry			$0	0	**GSF=**	**337,884**	$0			
OTHER-INCOME-			$18	240			$51,840			
GROSS POTENTIAL INCOME							**$6,750,156**			
VACANCY										
Market			6.69%				($421,728)			
Affordable			1.93%							
Other Income			5.00%							
EFFECTIVE RENTAL INCOME							**$6,328,428**			

OPERATING EXPENSES		ANNUAL TOTAL	MONTLY TOTAL	PER UNIT ANNUAL	PER GSF ANNUAL
MANAGEMENT FEE	3.00%	$189,852	$15,821	$635	$0.56
ADMINISTRATION		$300,000	$25,000	$1,003	$0.89
MARKETING		$0	$0	$0	$0.00
MAINTENANCE		$225,000	$18,750	$753	$0.67
UTILITIES		$350,000	$29,167	$1,171	$1.04
INSURANCE		$100,000	$8,333	$334	$0.30
REAL ESTATE TAXES		$496,724	$41,394	$1,661	$1.47
MONITORING FEE		$15,000	$1,250	$50	$0.04
REPLACEMENT RESERVE		$85,000	$7,083	$284	$0.25
TOTAL OPERATING EXPENSES		**$1,761,577**	$146,798	$5,892	$5.21
EXPENSES AS A PERCENTAGE OF INCOME		27.84%			
NET OPERATING INCOME		**$4,566,851**			
OTHER ASSUMPTIONS		UTILITY		0 BR	$119.00
MARKET RATE INFLATION	3.00%	ALLOW.		1 BR	$151.00
AFFORDABLE INFLATION	2.50%			2 BR	$183.00
OPERATING EXPENSE INFLATION	3.00%			3 BR	$220.00

BELMONT-Adjusted

DEVELOPMENT BUDGET

USES		TOTAL COST	COST PER UNIT	COST PER G.S.F.
ACQUISITION COSTS		$7,350,000	$24,582	$21.75
CONSTRUCTION COSTS		**$48,904,195**	**$163,559**	**$144.74**
RESIDENTIAL		$43,439,043	$145,281	$128.56
SITE IMPROVEMENTS/LANDSCAPING		$2,384,000	$7,973	$7.06
AMENITIES (FF&E)		$550,000	$1,839	$1.63
OFFSITE		$200,000	$669	$0.59
CONTINGENCY		$2,331,152	$7,796	$6.90
			$1,044,883	
SOFT COSTS		**$8,399,754**	**$28,093**	**$24.86**
PERMITS AND FEES		$994,883	$3,327	$2.94
SURVEY/TESTING		$50,000	$167	$0.15
ARCHITECTURE & ENGINEERING		$1,400,000	$4,682	$4.14
LEGAL		$440,000	$1,472	$1.30
TITLE & RECORDING (in Legal)		$0	$0	$0.00
INSURANCE		$153,044	$512	$0.45
PROPERTY TAXES		$232,219	$777	$0.69
ACCOUNTING/COST CERTIFICATION		$20,000	$67	$0.06
MARKETING		$550,000	$1,839	$1.63
FURNITURE, FIXTURES & EQUIPMENT		$0	$0	$0.00
CONSTRUCTION INSP FEE (MHFA)		$0	$0	$0.00
PERMANENT FINANCING FEES		$1,002,448	$3,353	$2.97
MORTGAGE INSURANCE PREMIUM		$0	$0	$0.00
CONSTRUCTION LOAN FEES		$25,000	$84	$0.07
CONSTRUCTION LOAN INTEREST		$2,821,341	$9,436	$8.35
SECURITY		$0	$0	$0.00
LEASE-UP DEFICIT		$185,833	$622	$0.55
OTHER-APPRAISAL/MKT STUDY		$25,000	$84	$0.07
OTHER-DEV CONSULTANT		$100,000	$334	$0.30
SOFT COST CONTINGENCY		$399,989	$1,338	$1.18
DEVELOPER FEE	8.0%	**$5,072,316**	**$16,964**	**$15.01**
			8% less $100K	
TOTAL DEVELOPMENT COSTS		**$69,726,265**	**$233,198**	**$206.36**
SOURCES		**$69,726,265**	**$233,198**	
MORTGAGE LOAN		$61,568,433	$205,914	
DEVELOPER FEE CONTRIBUTED		$0	$0	
TAX CREDIT EQUITY		$0	$0	
SUBSIDY/SUBORD DEBT		$0	$0	
CASH EQUITY		**$8,157,832**	$27,284	

BUDGET DETAIL

ACQUISITION				**$7,350,000**
BUILDING COST				$0
LAND COST	FAR:	245,000	$30	$7,350,000
GROUND LEASE				$0
ADDITIONAL MBTA PAYMENT				$0
BROKERAGE COSTS				$0
CONSTRUCTION COSTS			$144.88	**$48,954,195**
RESIDENTIAL BUILDING		337,884	$128.56	$43,439,043
OTHER		0		$0
COMM SPACE		0		$0
WWTP			$0	$0
SITE IMPROVEMENTS			$7,518	$2,248,000
LANDSCAPING			$455	$136,000
OFF-SITE			$669	$200,000
AMENITIES				$600,000
CONTINGENCY		5.0%		$2,331,152
PERMITS AND FEES				**$994,883**
BUILDING PERMIT		1.5%	$1,200	$633,533
SEWER			$0	$0
WATER			$0	$0
UNKNOWN			$0	$0
I&I MITIGATION				$361,350
ARCHITECTURE & ENGINEERING			2.9%	**$1,400,000**
ARCHITECTURE				$1,200,000
ARCHITECT SUPERVISION				$0
ENGINEERING				$200,000
LANDSCPING				$0
PEER REVIEW CONSULTANTS				$0
OTHER				$0
SURVEY/TESTING				**$50,000**
ALTA/SURVEY/TOPOGRAPHY				$50,000
WETLANDS				$0
ENF/EIR				$0
TRAFFIC				$0
GEOTECH				$0
MATERIAL TESTING				$0
OTHER				
INSURANCE		0.31%		
TAX RATE		0.01041		
SOFT COST CONTING		5.0%		
0				

LEGAL	**$440,000**
ORGANIZATIONAL	$0
PERMITTING	$0
FINANCING	$0
OTHER	$440,000
MARKETING	**$550,000**
STAFFING	$0
COLLATERALS	$0
ADVERTISING	$0
RENT CONCESSIONS	$0
OTHER-	$550,000
FF&E	**$0**
MODEL UNIT	
EQUIPMENT	
COMM SPACE	
OTHER	$0
CONSTRUCTION LOAN	
LOAN AMT	$61,568,433
LOAN INTEREST	4.755%
LOAN FEES	0.00%
AVG BALANCE	60.0%
TERM (MOS)	19
OTHER COSTS(Legal, appraisal, inspection)	$25,000
PERMANENT LOAN	
MAX LOAN AMT	$62,753,639
LOAN AMT	$61,568,433
LOAN TO VALUE	90.0%
CAP RATE	6.50%
DEBT SERVICE CVGE	1.10
INTEREST RATE	4.755%
AMORTIZATION	30.00
LOAN CONSTANT	0.062634
OTHER(LEGAL,APRSL)	$0
ADMIN FEE	0.0%
FINANCING FEES	1.63%
CONS INSP FEE	0.0%
MORTG INSUR PREM	0.000%
	$0

3.63% + 1.00% LOC +0.125% remarketing fee=4.755%

BELMONT-Adjusted

YEAR			1	2	3	4	5	6	7	8	9	10	11
AFFORDABLE RENTAL INCOME			$530,316	$543,574	$557,163	$571,092	$585,370	$600,004	$615,004	$630,379	$646,139	$662,292	$678,849
MARKET RENTAL INCOME			$5,952,000	$6,130,560	$6,314,477	$6,503,911	$6,699,028	$6,899,999	$7,106,999	$7,320,209	$7,539,816	$7,766,010	$7,998,990
GROSS POTENTIAL INCOME			$6,482,316	$6,674,134	$6,871,640	$7,075,003	$7,284,398	$7,500,003	$7,722,003	$7,950,588	$8,185,954	$8,428,302	$8,677,840
OTHER INCOME			$267,840	$275,875	$284,151	$292,676	$301,456	$310,500	$319,815	$329,409	$339,292	$349,470	$359,955
LESS VACANCY			($421,728)	($434,329)	($447,307)	($460,672)	($474,437)	($488,614)	($503,215)	($518,252)	($533,739)	($549,689)	($566,116)
EFFECTIVE RENTAL INCOME			$6,328,428	$6,515,680	$6,708,485	$6,907,007	$7,111,417	$7,321,889	$7,538,603	$7,761,746	$7,991,507	$8,228,084	$8,471,679
OPERATING EXPENSES													
MANAGEMENT FEE			$189,852	$260,627	$268,339	$276,280	$284,457	$292,876	$301,544	$310,470	$319,660	$329,123	$338,867
ADMINISTRATION			$300,000	$309,000	$318,270	$327,818	$337,653	$347,782	$358,216	$368,962	$380,031	$391,432	$403,175
MARKETING			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MAINTENANCE			$225,000	$231,750	$238,703	$245,864	$253,239	$260,837	$268,662	$276,722	$285,023	$293,574	$302,381
UTILITIES			$350,000	$360,500	$371,315	$382,454	$393,928	$405,746	$417,918	$430,456	$443,370	$456,671	$470,371
INSURANCE			$100,000	$103,000	$106,090	$109,273	$112,551	$115,927	$119,405	$122,987	$126,677	$130,477	$134,392
REAL ESTATE TAXES			$496,724	$511,626	$526,975	$542,784	$559,067	$575,839	$593,115	$610,908	$629,235	$648,112	$667,556
MONITORING FEE			$15,000	$15,450	$15,914	$16,391	$16,883	$17,389	$17,911	$18,448	$19,002	$19,572	$20,159
REPLACEMENT RESERVE			$85,000	$87,550	$90,177	$92,882	$95,668	$98,538	$101,494	$104,539	$107,675	$110,906	$114,233
TOTAL OPERATING EXPENSES			$1,761,577	$1,879,503	$1,935,782	$1,993,746	$2,053,446	$2,114,935	$2,178,265	$2,243,492	$2,310,673	$2,379,867	$2,451,133
NET OPERATING INCOME			$4,566,851	$4,636,177	$4,772,703	$4,913,261	$5,057,971	$5,206,954	$5,360,338	$5,518,253	$5,680,833	$5,848,217	$6,020,546
DEBT SERVICE			$3,856,268	$3,856,268	$3,856,268	$3,856,268	$3,856,268	$3,856,268	$3,856,268	$3,856,268	$3,856,268	$3,856,268	$3,856,268
CASH FLOW			$710,583	$779,909	$916,435	$1,056,993	$1,201,703	$1,350,686	$1,504,070	$1,661,985	$1,824,565	$1,991,949	$2,164,277
DEBT SERVICE COVERAGE			1.18	1.20	1.24	1.27	1.31	1.35	1.39	1.43	1.47	1.52	1.56
EQUITY	$8,157,832												
LIMITED DIVIDEND			**8.7%**	9.6%	11.2%	13.0%	14.7%	16.6%	18.4%	20.4%	22.4%	24.4%	26.5%
DIVIDEND SHORTFALL			($105,200)	($35,874)	$100,652	$241,210	$385,920	$534,903	$688,287	$846,202	$1,008,782	$1,176,165	$1,348,494
CUMULATIVE DIVIDEND SHORTFALL			($105,200)	($141,075)	($40,423)	$200,787	$586,707	$1,121,610	$1,809,897	$2,656,099	$3,664,882	$4,841,047	$6,189,541
RETURN ON COST			**6.55%**	6.65%	6.84%	7.05%	7.25%	7.47%	7.69%	7.91%	8.15%	8.39%	8.63%
		($69,726,265)	$4,566,851	$4,636,177	$4,772,703	$4,913,261	$5,057,971	$5,206,954	$5,360,338	$5,518,253	$5,680,833	$5,848,217	$6,020,546
IRR	9.13%	($69,726,265)	$4,566,851	$4,636,177	$4,772,703	$4,913,261	$5,057,971	$5,206,954	$5,360,338	$5,518,253	$5,680,833	$95,693,280	

ROTC STRD	7.14%	-	8.14%
IRR STRD	11.14%		