Seat Pleasant, MD

Redevelopment Opportunities

Appendix F-J

Appendix F

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Spring 2019 Capstone – District Line

Final Paper

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1. General Context:

(a.) History:

An exciting development project plans to bring new apartments and retail options to the city of Seat Pleasant, Maryland. Seat Pleasant is a small city just over the eastern border of Washington DC, in Prince George's County. This city began to take shape in the late 1800s, when the first streetcar from Washington DC crossed into Prince George's County. Then around the turn of the century, two major railroad lines also converged in present-day Seat Pleasant's District Line Station. Riders could take the DC streetcar to District Line and connect to trains to Annapolis or Chesapeake Beach, further south. In 1906 this growing junction town formally adopted the name of Seat Pleasant, though the city would not be incorporated until 1931. It was around this same time that the popularity of the automobile began putting railroads out of business. Ultimately, the train to Annapolis ceased its operations and its right of way was paved over for car traffic. That right of way is today's Martin Luther King Jr Highway, and the location of this new development.

The post-war period, from about 1940 to 1970 saw the population of Seat Pleasant go from only 1,500 people to nearly 7,000. The 1980's brought the Addison Road metro station, which further spurred development in the surrounding area. But the population of the city began to decline and today it is just under 5,000 people. The 2018 Master Plan describes Seat Pleasant as a "small, predominately African-American, and multi-generational" community (page 36). Development has stalled but the community is committed to setting ambitious long-range improvement plans. We believe that this new project will be a critical first step in gaining momentum.

(b.) Market Information:

We looked at data from the US Census bureau in order to better understand the demographics of Seat Pleasant. What we found from the 2019 American Community Survey is that Seat Pleasant's population is 4,739 people, comprised of 1,842 households averaging 2.56 persons in size. Married couples lead 27.2% of these households while 72.2% of households are led by a single adult, 51.7% of them being women. It was found that the median age was 45 years old, a decade older than the DC Metro median age of 34.2. The median annual income was $55,370, which is significantly lower than the metro median of $92,266 per year.

The median home value in Seat Pleasant is $200,291 with 43.7% of the homes in the greater census track being valued between $200,000 and $299,000. The most common type of housing are single-family detached homes. There are some garden style apartments but no mid- to high-rise multi-family properties. Much of the existing housing stock is over 50 years old; 58.1% of housing units were built before 1969. Overall, 89.1% of all housing units were built over 20 years ago (prior to 1999). Most of the homes in Seat Pleasant are 3+ bedrooms (61.6%), with some 2-bedroom units (32.8%) and very few 1-bedroom units (8.10%). The data describes a working-class community with modest incomes and an aging housing stock.

We also wanted to understand the existing retail marketplace in the area. In surveying the current market conditions, we found a large proportion of fast-food restaurants, other budget-friendly national chains, and independent take-out restaurants. Data obtained from Esri showed that there are opportunities in many industry sectors, as demonstrated from large sums of leakage from the market area. We looked at 5-, 10-, and 15-minute drive radiuses from the site for specific industry sectors. We believe there are exciting opportunities in clothing and accessories; restaurants; and office, stationery, and gifts.

(c) Community Input:

In addition to reviewing available market data, we wanted to carefully review and listen to the community's input. The 2018 Seat Pleasant master Plan and the feedback we received at a community meeting were valuable resources in understanding what their long-term development goals were. Notable goals that we gleaned from the master plan are to grow and diversify the tax base, to integrate smart city principles into the fabric of the city, and to increase density. Priorities that we heard from attendees of the community meeting, many of which were also included on the master plan, include increased walkability, more healthy food options, affordability, safer streets, better dining, and housing that will attract more young people.

(d.) Existing site:

The site for this new project includes two separate buildings across three parcels from 5922 to 5950 Martin Luther King Jr Highway. All together the site is 3.39 acres. Two of the parcels are owned by the CVS corporation, who is also a major tenant. The other parcel is owned by Hundal and Randhawa Inc and has a strip of retail comprised of a laundromat, a local restaurant, and a liquor store. All three parcels are zoned Mixed Use Infill (M-U-I) which allows for significant programming and density flexibility. The site is 0.8 miles (17-minute walk) to the Capital Heights metro station and 1.1 miles (24-minute walk) to the Addison Road station. Two bus lines stop directly in front of the site. The 18 Route connects Takoma Langley Transit center to the Addison Road metro station and the A12 Route connects Capital Plaza to the Addison Road metro station.

Anticipated challenges include the existing tenants' leases. Even if we are able to acquire the parcels from the owners, some tenants may have a number of years remaining in their contract and may be unwilling to vacate early. In the case of CVS, we hope to negotiate an agreement to purchase their land and lease our new retail space back to them. Also of concern is the provision of adequate off-street parking. The cost of subterranean parking makes in impractical if we want to keep market rate rents within reach of middle-income renters. However, there wouldn't be enough space for surface parking if we build a mixed-use project with adequate returns on the cost of the land. We aim to incorporate discreet structured parking at or just below the minimum requirements and will potentially have to request a zoning variance.

(e) Surrounding Sites**:**

The area around the site is comprised of various uses. The backside of the site, opposite Martin Luther King Jr Highway, meets a residential neighborhood of modest single-family homes. To the West, there is a public school and, to the West, garden style apartments. Across the street, on the other side of Martin Luther King Jr Highway, there is additional strip-style and stand-alone retail with surface parking.

The primary challenge here is making the project harmonious with these surrounding uses. A new building should fit within the context of neighboring homes, making the site along G Street not suited for a mid-rise product. We will also need to be particularly cognizant of increased automobile traffic and retail delivery trucks in the area of the school, especially during the arrival and departure times of students.

(f) Proposed Program:

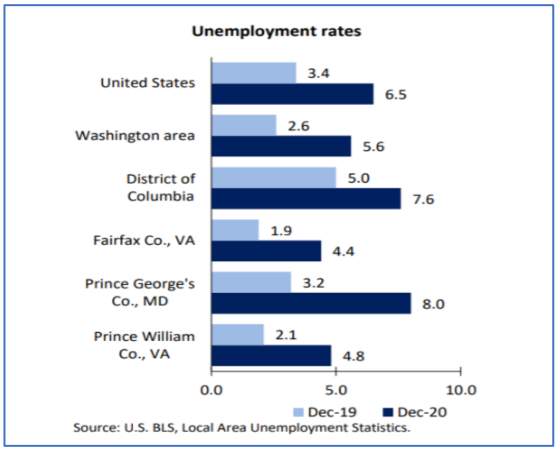
The proposed program that we've come up with is based on where we found the community's development goals to align with our feasibility analyses. Named after that fabled train station, District Line will be a mixed-use project of apartments over retail. The project will be two buildings separated by a public plaza and promenade. Retail spaces along Martin Luther King Jr Highway will be aimed at a family style restaurant, healthy fast casual restaurants, a café, and boutique clothing and accessories retailers. Each building will have hidden parking behind the retail store fronts with landscaped roofs. The three floors of residential units will be along Martin Luther King Jr Highway, with lower profile walk-up units along G Street to compliment the homes on that street.

2. Market Analysis

The subject site is 5922 to 5950 Martin Luther King Jr Highway in Seat Pleasant, Maryland. The site currently has two separate, single-story retail buildings with surrounding surface parking. The city of Seat Pleasant sits just over the eastern border of Washing DC and wishes to transition to a more mixed-income, higher density community. Their goals are documented in the city's 2018 Master Plan and in a community meeting that I attended on February 2nd, 2020.

A market analysis has been conducted to assess where those priorities align with current and projected market conditions.

(a) Macroeconomic Conditions:



Average hourly wages for selected occupations

Occupation	Washington area	United States
All occupations	$34.90	$25.72
Lawyers	86.34	69.86
Economists	64.43	56.07
Political scientists	60.44	57.82
Statisticians	51.05	46.00
Public relations specialists	49.91	33.75
Social science research assistants	30.37	24.68

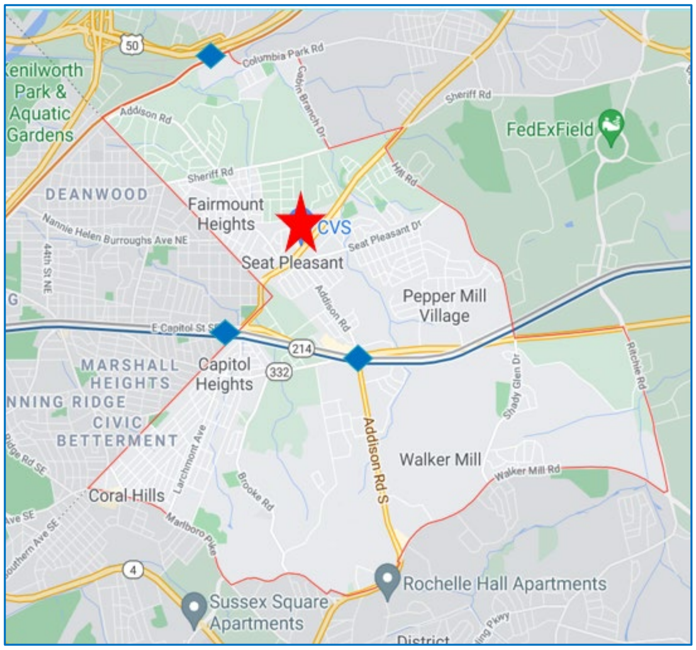
Source: U.S. BLS, Occupational Employment Statistics, May 2019.

Seat Pleasant is locating within Prince George's County, Maryland. Prince George's County is part of the Washington–Arlington–Alexandria, DC–VA–MD–WV metropolitan statistical area which includes the federal district, counties of northern Virginia, nearby counties in Maryland, and Jefferson County, West Virginia. Historically, the DC area has enjoyed low unemployment and high wages, creating one of the nation's healthiest economies. While COVID-19 has had a negative impact on the United States' economy, the DC area has fared relatively well, with wages and unemployment rates remaining better than national numbers (image, Unemployment Rates).

Prince George's County, while having low pre-pandemic unemployment rates, surged from 3.2% in 2019 to 8% by the end of 2020. That shift was substantially more than other counties and may point to a more fragile business and employment market that is highly susceptible to adverse events.

Seat Pleasant itself is a lower-income area of Prince George's county. The city's specific metrics are included in the Demographic Analysis section. Despite these economic challenges, there are advantages and opportunity within reach as the metropolitan area continues to grow and prosper.

(b) <u>Site Location & Access:</u>



The site is along Martin Luther King Jr Highway (Maryland Route 704). This is a major thoroughfare that connects the northern cities of Prince George's County to DC's Eastern Avenue and the Capital Heights metro stations. The site is also a quarter mile from the intersection with Addison Road, an arterial road heading north to south, connecting to the Addison Road metro station, with access to Interstate 495 in about 11 minutes.

The public transit options include the two metro stations mentioned above. The Capital Heights station is 0.8 miles away (a 17-minute walk) the Addison Road Station is 1.1 miles away (a 24-minute walk). Both stations are on the DC metro's blue and silver lines, with direct access to downtown Washington. From the Capital Heights station, it's 32 minutes to downtown's Farragut North station. Two bus lines also stop directly in front of the site. The 18 Route connects Takoma Langley Transit center to the Addison Road metro station and the A12 Route connects Capital Plaza to the Addison Road metro station. The site itself is outside of the Capital Bikeshare service area, with the nearest stations being near the Capital Heights metro station. Overall, the site's location has a walk score of 58, making it "somewhat walkable".

The nearest airports are Ronald Regan (DCA), Dulles (IAD), and BWI Marshall (BWI). DCA is a 20-minute drive or 1 hour on metro. Dulles is a 50-minute drive or 1 hour 40 minutes by metro and bus. BWI is a 35-minute drive or 1 hour 40 minutes by bus and MARC train.

(c) <u>Site Characteristics & Zoning:</u>

The site is just over 3 acres and nearly rectangular in shape, with the length along Martin Luther King Jr Highway. There are smaller public roads on the other three sides of the site. It is currently paved in its entirety with two strip retail buildings positioned set back from the road with surface parking around. There are no mature trees, water features, or notable topographical features. Current uses would not suggest any environmental risks. Site visibility is high due to the traffic on Martin Luther King Jr Highway.

The characteristics of the surrounding community are suburban in nature, with the neighboring uses being single-family housing on G Street, low density garden-style apartments on 69th Place, additional stand-alone retail across the street on Martin Luther King Jr Highway, and an elementary school on the 65th Avenue side.

The site is zoned Mixed-Use-Infill (M-U-I). The Prince George's County planning department does not prescribe many characteristics for this category. It should align with the Master Plan and must be approved by the Planning Commission.

(d) Demographic Data:

Comparative Demographic Profile						
	Seat Pleasant		Prince George's County		Washington DC	
	Total	%	Total	%	Total	%
Population	4,739		909,327		705,749	
Gender						
Male	2,123	44.80%	436,530	48.01%	269,578	38.2%
Female	2,616	55.20%	472,797	51.99%	308,270	43.7%
Race						
Native American	128	2.70%	3,262	0.36%	1,886	0.3%
Asian	9	0.19%	37,198	4.09%	28,722	4.1%
Black	4,031	85.06%	561,709	61.77%	320,704	45.4%
White	138	2.91%	145,611	16.01%	300,058	42.5%
Hispanic /Latino (of any race)	636	13.42%	177,727	19.54%	79,477	11.3%
Median Household Size:	2.56		2.81		2.29	
Median Age:	45.00		37.80		34.30	
Median Income ($):	55,370		86,290		92,266	

Source: US Census Bureau, American Community Survey

Seat Pleasant is home to 1,842 households comprised of 4,739 people. Of those households, 27.2% are married couples and 0.5 % are cohabitating couples. Single male households make up 20.8% of the total and single female households make up 51.4%.

- Of residents that are 25 or older, 12.6% have less than a high school diploma, 38.6% have a high school diploma or equivalent, 34.1% have some college but no degree, 5.4% have an associate degree, 5.6% have a bachelor's degree, and 3.6% have a graduate or professional degree.
- The median household income is $55,370 per year. About 10.6% of households make less than $10,000 a year and 2.6% make over $200,000 a year.

- The table below compares summary demographic information of Seat Pleasant to Prince George's County as well as neighboring Washington DC.

(e) Residential Demand Analysis:

Population and Household Projections (in thousands)						
	2020	2025	2030	2035	2020 - 2035	
					Quantity	% Change
Population:						
Washington DC	729.501	787.116	842.154	893.898	**164.397**	**22.54%**
Prince George's County	923.144	938.023	952.955	967.842	**44.698**	**4.84%**
Market Area	48.632	49.612	50.534	51.752	**3.12**	**6.42%**
Households:						
Washington DC	319.29	341.019	362.524	380.594	**61.304**	**19%**
Prince George's County	334.268	343.865	355.494	363.283	**29.015**	**9%**
Market Area	18.439	18.849	19.286	19.784	**1.345**	**7%**

Source: Metropolitan Washington Council of Government's Cooperative Forecast.

Note: List of TAZ included in Market Area is listed in Appendix.

10-year Demand Calculation					
	10 yr HH Growth	New Growth Vacancy	Current Vacancy	=Total	=Annualized Demand
Market Area	1,902.00	6.60%	131.00	1,770.93	177.09
Ownership (65.5%)	1,245.81	82.22	85.81	1,077.78	107.78
Rental (34.5%)	656.19	43.31	45.20	567.69	56.77

Note: Household growth projections from Table ___. Housing Tenure percentages are from Census Bereau.

The Metropolitan Council of Government's growth projections were used to find the estimated increases in population and households for Washington DC, Prince George's County, and the market area for the next 15 years. The market area and the county are not expected to grow as much as DC, but there are modest gains in the years to come.

Using the the growth data, total household growth for the next ten years has been used to determine anticipated demand. By subtracting project vacancies in new growth and the current vacancies according to the Census Bureau, a total of current ten-year demand has been calculated and annualized. *It is estimated that the market area currently needs 177 additional* *housing units a year to meet demand.* That demand has been allocated according to current housing tenure percentages reported by the Census Bureau.

(f) Residential Supply Analysis:

Anticipated Deliveries in Submarket						
Project Name and Address	Building Size (SF)	No. of Units	Rents/$SF			Delivery
			1 Bd	2Bd	3Bd	
The Everly at Largo Metro 100 Capital Ct	260,000	260	2.28	2.16	2.06	Apr-21

Source: Costar Capital Heights/Largo Submarket data.

- According to Costar, the Capital Heights/Largo Multi-Family Submarket is expected to add 260 units within the next five years and currently has a vacancy rate of 4.8%. It is important to note that upon delivery of the anticipated 260 units in the second quarter of 2021, Costar estimates a vacancy rate of 19.3% for the four- and five-star class properties but only 4% for 3-star properties. This indicates that ongoing demand will be for more affordable housing units.
- According to the Census Bureau's American Community Survey, total vacancy in Seat Pleasant (inclusive of single-family homes) is 6.6%. Nearly 80% of Seat Pleasant's current housing supply is single-family homes.

- The only anticipated delivery in Costar's Capital Height's/Largo Submarket is The Everly. This is a 4-star mid-rise rental property with pool, fitness center, and common community areas. It is located near Largo Town Center. Summary data and photos below. The Everly may satisfy the demand for higher end units for upwards of three years. Seat Pleasant will still have year-over-year growing unit demand and a deficit of multi-family housing, but a new project may not be able to offer competitive rents in the near term.

(g) Comparable Residential Rental Data:

- There is a lack of comparable properties within the submarket. As mentioned above, Seat Pleasant and the greater market area contain mostly single-family housing. The multi-family housing properties that do exist are garden-style in nature and built over forty years ago.
- Comparable properties were pulled from similar communities along the DC-Maryland border but outside the market area.
- These properties are new (2016 or later) and have modest amenities like fitness centers and community rooms but properties with resort amenities (pool or tennis courts) were excluded.

Comparible Properties

Property/Address	No. of Units	Floor Plans	Rent ($)	Square Feet	Rent ($PSF)	Built (Yr)	Vacancy (%)	
Studio 3807	147	Studio	1,595	550	2.90	2018	8.8	
3807 Rhode Island Ave		1 Bedroom	1,785	696	2.57			
		2 Bedroom	2,131	937	2.27			
		3Bedroom	2,350	2350	1.72			
Artisan	84	Studio	1,764	684	2.58	2020	37.2	
4100 Rhode Island Ave		2 Bedroom	2,278	963	2.37			
Metro Village Apartments	150	Studio	1,190	424	2.81	2016	5.9	
7051 Spring Place NW		1 Bedroom	1,651	805	2.12			
		2 Bedroom	1,880	865	2.17			
The Jameson	236	Studio	1,795	564	3.18	2019	7.6	
3750 Jamison St NE		1 Bedroom	2,147	694	3.09			
		2 Bedroom	2,515	1002	2.51			
		3Bedroom	3,145	1209	2.60			

Source: Costar

- The comparable properties are in slightly more developed communities but represent a similar product with similar access to shopping, food, and transportation. The Metro Village, though, is significantly closer to a metro station. An analysis of the market and comparable properties supports asking rents for a new, mid-range apartment product of $2.15-$2.25 for a 1-bedroom unit and $2.10-$2.20 for a 2-bedroom unit.

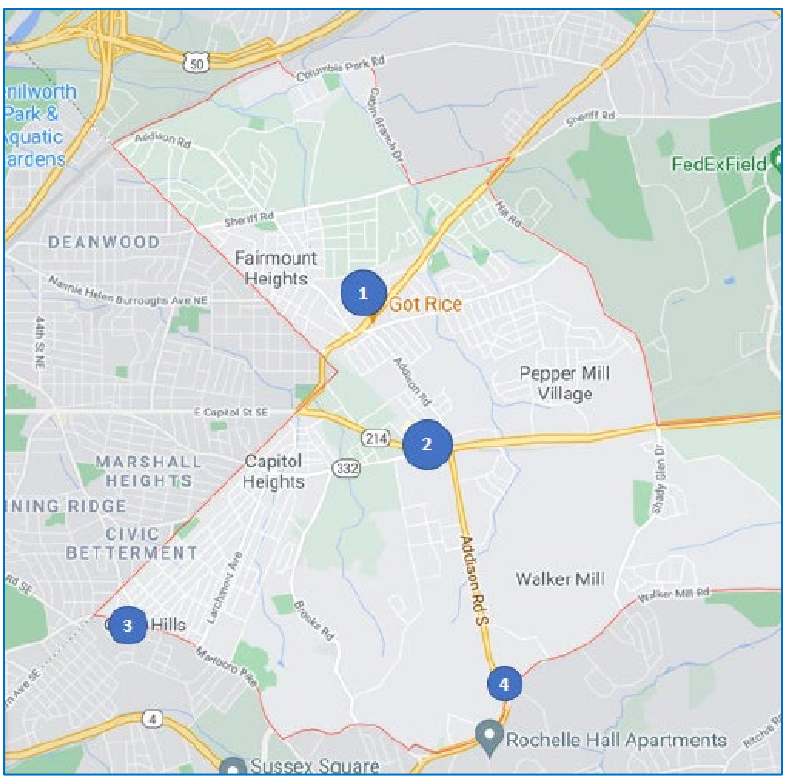
(h) <u>Residential Rental Conclusions:</u>

Current projections show that there will be annual household growth in the market area (+177/year) and that current vacancy rates are low (5%). The market area is nearly 80% single-family and low-density housing built before 1980, leaving a deficit of new and higher density multi-family housing. These indicators bode well for the success of a new, multi-family residential project in the community. A key element (and challenge) to a project's success will be asking rents; the demographic profile of the area and the vacancy rates by property type (4/5-star versus 3-star) demonstrate a clear appetite for more basic housing at lower rents.

(i) <u>Retail Market Survey:</u>

The first step of our retail market analysis was to survey the area and understand the existing marketplace. We identified the main retail centers in Seat Pleasant, shown in the map, below. Here is a list of the main retailers in each of the identifies areas:

- Area 1: CVS, Got Rice (takeout), Best One Food (convenience store), AutoZone, Capital Liquors, Seat Pleasant Wigs, Far East (takeout), China Chef Enterprises (takeout), Save A Lot (grocery), Metro PCS, Billy Nails, and McDonald’s.
- Area 2: Popeyes Louisiana Kitchen, Ocookz (takeout), Dollar Tree, Planet Fitness, Domino’s Pizza, Super Beauty, Only Nails, America’s Best Wings, T-Mobile, Taco Bell, Dunkin’, and Blue Sky Liquors.
- Area 3: Super Liquors, Tasty Carry Out, McDonald’s, Family Dollar, Beauty Palace Beauty Supply, AutoZone, Eddie’s Carryout, Dollar General, and Compare Foods (grocery).
- Area 4: Jerry Leonard’s (takeout), Papa John’s Pizza, Convenience and Tobacco Shop, Pinkera Beauty, Family Dollar, McDonald’s, and New Lucky Star (takeout).



In reviewing this list, we have made the following conclusions. There are mostly budget-friendly national chains, many of which are fast food, and independent takeout places. There is also quite a bit of redundancy in, for example, the “dollar store” format, liquor stores, and beauty supply stores.

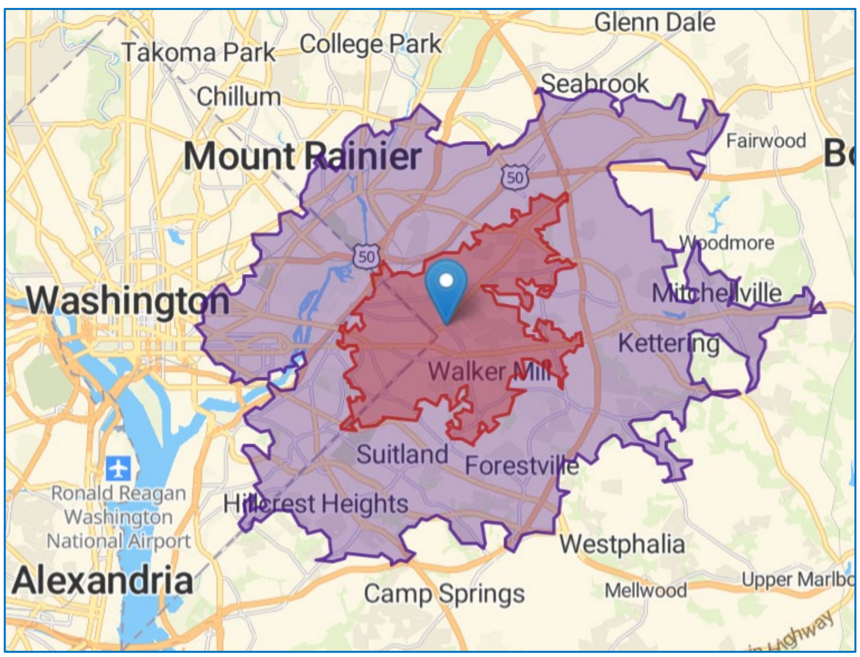
In the food and beverage category, there is a clear deficit of unique or destination family restaurants. Healthier food options are also hard to find. We don't see many shopping opportunities for items aside from beauty supplies, auto parts, and the "dollar store". These findings align with the concerns we found in the master plan and the feedback we heard at the community meeting.

(j) Retail Opportunities:

Retail Market Place Profile - Retail Gap by Drive Time

Industry Sector	Drive Radius: 5 Min.	Drive Radius: 10 Min.
Grocery Stores	$ (16,662,591)	$ (66,002,310)
Specialty Food Stores	$ 212,657	$ (3,164,622)
Clothing Stores	$ 12,991,395	$ 63,037,673
Book, Periodical & Music Stores	$ 1,387,825	$ 3,670,403
Office Supplies, Stationery & Gift Stores	$ 3,347,051	$ 15,390,763
Restaurants/Other Eating Places	$ 13,135,019	$ 53,026,410

*Data from ESRI and Inforgroup. March 2021.



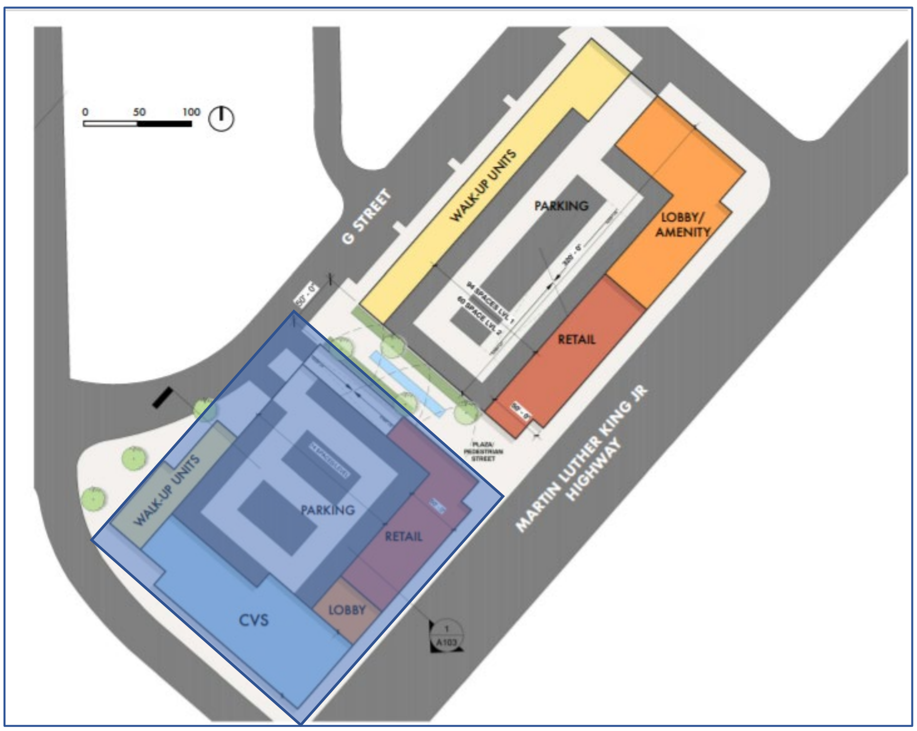
In order to assess viable retail opportunities in the area, we looked at ESRI Retail Profile data for areas that were 5-, 10-, and 15-minute drive radii from the site. The map to the left shows the site with the 5- and 10- minute drive areas in red and purple, respectively.

The table above shows the retail gap figures for both areas in selected industry sectors. The numbers in green represent the difference where supply in the defined area lags demand. This “leakage” can be viewed as the amount of money residents from within the market area are spending outside of the market area and where there are opportunities to capture that spending. The red figures, conversely, are the industry sectors in which the supply is greater than demand within the market area. These surpluses don’t necessarily rule out the feasibility of a business in this sector, but one would need to look more closely at a particular business to understand if and how it would differentiate itself from the abundance of existing competition to be successful.

We focused mostly on those industry sectors in which there was both substantial leakage and an alignment with our placemaking goals. We also included grocery stores because it was clear from the feedback at the public meeting that the community really wants a better grocery store in the area. One can see that there is an ample supply of categorical grocery stores in the 5-mile drive radius of the site. This would the include the Save a Lot and the Compare foods from our retail market survey. There is an even greater over-supply when we look out to the 10-mile drive radius. We believe that retailers like Save A Lot and the Compare Foods aren’t offering the kinds of variety and fresh, perishable food items that many of Seat Pleasant’s residents are looking for. But, unfortunately, because these retailers and others (like the Dollar General, Dollar Tree, and Family Dollar) do sell many of the same non-perishable items as a fuller scale grocery store, they create an unattractive competitive marketplace for those more desirable options. The margins on fresh produce are much smaller than on non-perishable food items and household goods. We don’t see a promising opportunity for a more desirable grocery store until some of these budget options leave the marketplace.

Other industry sectors that do offer opportunities and are also in line with what the community wants are restaurants and clothing stores. We hope to secure a destination family restaurant in Phase 1 (phasing details are provided in the next section). We also believe that a healthy fast casual option – something like a Cava or Roti – would be a great fit in Phase 1. We included the leakage data for books, periodicals, stationery, and gifts because we think there is an opportunity here for a locally owned hybrid café and book or gift shop in Phase 1 or Phase 2. A clothing and accessories boutique would be a great addition to the Phase 2 retail, along with an additional destination restaurant and or brewery taproom.

3. <u>Project Design</u>:



Phase 1 (not shaded):

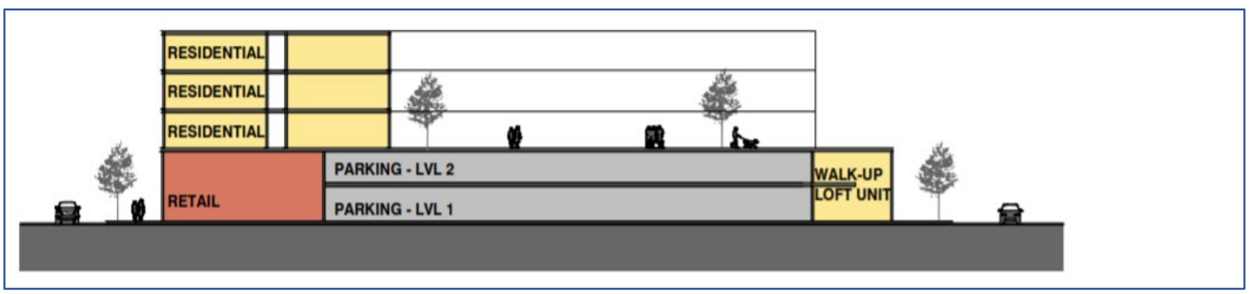
- 140 Units
- 12,500 SF of Retail
- 166 Parking Spots
- Amenity Spaces

Phase 2 (shaded):

- 105 Units
- 22,510 SF of Retail
- 148 Parking Spaces

Due to the calculated demand that was described in Section 2 – 177 units/year – and the anticipated deliveries, we have planned to deliver District Line in two phases as outlined above. Phase 1 will deliver 25 studio units and 115, 1-bedroom units. Considering the communities desire to attract working professionals and the lack of smaller units, we believe this meets an immediate need. Off-street parking would be provided in two levels discreet garage space. We found below grade parking to be cost-prohibitive and there wasn't enough surface space to provide adequate parking. Adding on additional level of parking was the best solution and by landscaping the roof we were also able to provide the community with a great new green space amenity. Please see Phase 1's plan in section, below. Phase 1 also houses the amenity space which will include a fitness center and small meeting space.

Phase 2 will deliver an additional 50, 1-bedroom units and 55, 2-bedroom units. We plan to execute a purchase and lease-back agreement with CVS, providing them with 13,000 square feet of new retail space. There will also be an additional 9,510 square feet of dining and shopping. There will be 148 off-street parking spaces in a 2-level garage with a landscaped roof, similar to Phase 1.



The two phases will be separated by a 50-foot-wide plaza and promenade that will be planted and outfitted with public furniture. This will be completed as part of Phase 1's construction and will tie together both buildings into a one cohesive project. The landscaped roof of Phase 1 will include an internet enabled projection screen that will allow residents and visitors from the community to stream movies and videos for events in that public space. This could take the shape of group exercise classes, neighborhood movie nights, or watching sporting events.

Also note in the Phase 1's section above, that the concentration of residential height was put above the retail podium, along the major thoroughfare, Martin Luther King Junior Highway.

Behind those upper-level apartment homes is the public green space on top of the parking garage, and walk-up townhome-like lofted units line the back of the building, along G Street. These units will blend more nicely with the existing residential neighborhood on that street.

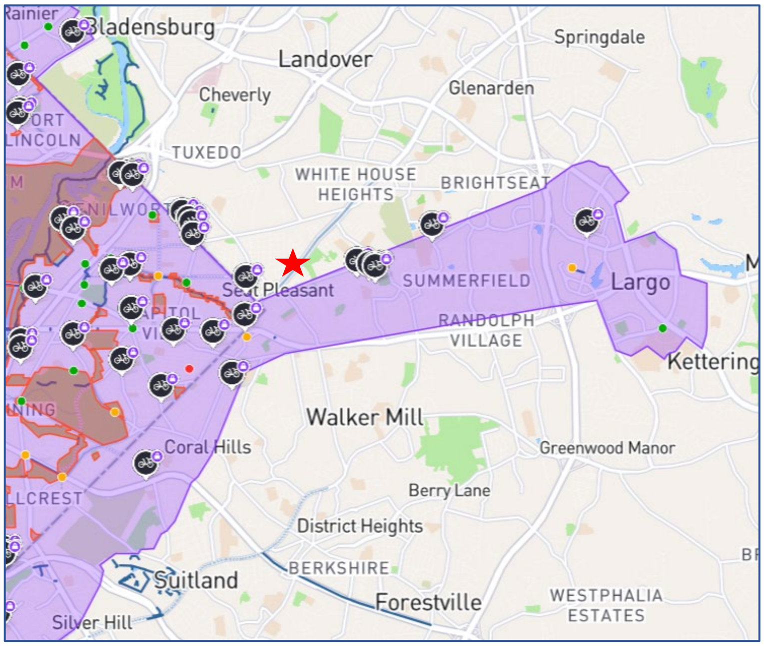
To the left are renderings of District Line. The top picture is an aerial perspective from over G Street looking back onto the planted roofs of the parking garages, connected by a truss bridge. The bottom picture is looking at the front of District Line from across Martin Luther King Junior Highway.

One can see the full vision for District Line of being a destination for the community. A place where someone can meet with friends in the plaza, purchase food and beverages from one of the retailers and take them up to the roof to enjoy. We envision food trucks, craft fairs, and farmers markets along the promenade. The café and boutique could participate in artist events or be used as gallery spaces for evening events as well. The provision of these flexible public spaces will really allow the community to activate the spaces in ways that best suit their own needs and interests while strengthening networks and improving quality of life.

4. Sustainability:

District Line will strive to achieve LEED certification based on the criteria in LEED v4 Residential BD + C Multifamily Homes guidelines. The checklists and precertification worksheet will be used to assess which elements are within reach in order to achieve the highest level of certification possible.

The site is not currently the location of any uses that would create environmental concern. According to Prince George's County's mapping site, PGAtlas.com, the site is not in a floodplain, watershed, or conservation plan area. The site is currently covered in its entirety by impervious surfaces (building rooftops and surface parking), which creates the great opportunity for improvement. Utilizing permeable surfaces for sidewalks, plaza, and promenade is a key focus. This project includes publicly accessible open space over the parking structures as well. This planted rooftop will offer new greenspace for the community and allow for additional storm water management opportunities.



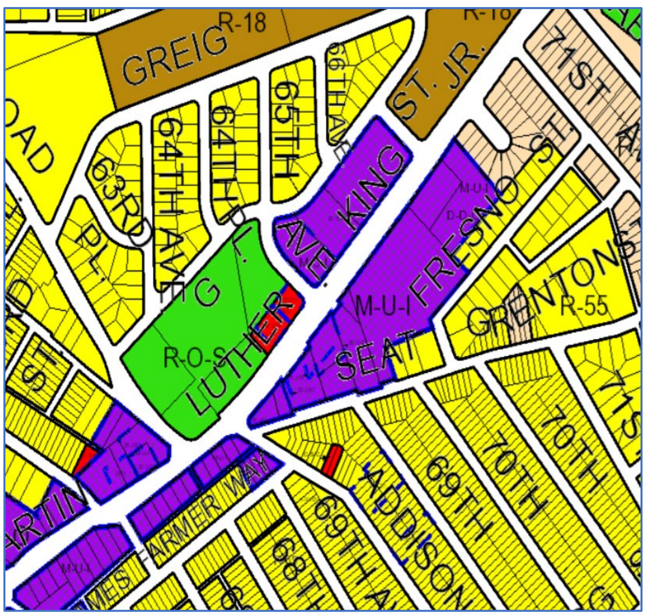
As part of the LEED certification, the Phase 1 building will contain bike storage and two dedicated car share parking spaces. This will offer transportation options to residents of the project and those nearby (for car share) to get around without adding personal automobile traffic. This is key to Seat Pleasant's long-term goal of reduce reliance on automobiles and promoting greater engagement with other means of transportation. Currently, the Capitol Bikeshare coverage area does not include the project site – see map above with the site marked with a red star. Traction Labs plans to work with Prince George's County and Capital Bikeshare to expand the bikeshare area northward to include the site and to add a bikeshare station at or near the project site.

In addition to permeable surfaces and additional green space, the project will use low-flow fixtures on sinks, showers, and toilets. We will also utilize energy efficient indoor electronic equipment and energy star appliances. Outdoor property lighting will be solar powered. The single, double-loaded corridors will have motion-activated lighting so conserve electricity when they are not in use.

Whenever available we will be using recycled and upcycled construction and finishing materials. For example, we have found recycled glass and stone pavers for exterior, water permeable walkways. We are also sourcing concrete that is created using upcycled fly ash from coal powered electrical plants and kitchen counters made from recycled granite. The use of these materials does come with the advantage of LEED points.

As we plan to sell the project shortly after the construction is complete, we have not developed longer-term operational strategies but have focused instead on design and construction methods.

5. <u>Zoning and Planning Documents:</u>



All parcels are already zoned Mixed Use-Infill (M-U-I) with a Development District Overlay (D-D-O). The purpose of the M-U-I zone, according to the Prince George's County code, is to allow for a mix of residential and commercial uses as infill development in areas which are already substantially developed. The development should align with approved Master Plans and Sector Plans. For this site, we have carefully reviewed the *2018 Master Plan for The City of Seat Pleasant* and the *2010 Approved Subregion 4 Master Plan and Sectional Map Amendment.*

Both planning documents outline the prioritization of high-quality, new housing, particularly multi-family. There is a strong desire for a variety of housing types, mixed-use development, and spaces for community gathering. We believe that our project easily aligns with these aspects of the master planning documents. The appendices of the 2010 Approved Subregion 4 Master Plan and Sectional Map Amendment also prescribe, in great detail, the development guidelines in place for the Development District Overlay. While our plans meet many of the design guidelines, they don't meet them all. Defending some of our design choices that deviate from the planning documents will be one of your challenges moving forward.

(a) <u>The Application and Approval Process:</u>

According to Section 27-270 of the county code, the following is the order of approvals when a Detailed Site Plan (DSP) is required, as it is for a mixed-use project in the M-U-I zone:

1. Zoning;
2. Conceptual Site Plan;
3. Preliminary Plat of Subdivision;
4. Detailed Site Plan;
5. Final Plat of Subdivision;
6. Grading, building, use and occupancy permits.

At least thirty (30) days before submitting an application, the applicant must send an informational mailing by first class mail to all adjoining property owners, the Prince George's Chamber of Commerce, the Greater Prince George's Business Roundtable, any municipality within one (1) mile of the site, and to all civic associations registered with the Commission for the area which includes the site. The applicant shall also send a notice of application filing to every person of record in a previous application within the last ten (10) years. All recipients shall be listed on an affidavit of mailing that is submitted with the application. The applicant will also include a Statement of Justification describing the proposed development and explaining why the application is needed.

The application will also require additional information or studies before being accepted. These may include:

- Environmental Assessments;
  - Stormwater Management Plan
  - Natural Resources Inventory
  - Forest Stand Delineation or Exemption
  - Tree Conservation Plan
  - Scoping Agreement for Noise Study
- Transportation Assessment;
  - Scoping Agreement for Transportation Impact Study
  - Updated Traffic Counts
- Archeological Assessment;
- Economic Assessment;

With all applicable materials submitted, staff will notify the applicant that the application is ready to be formally accepted for processing. The applicating will then notify via first class mail all recipients from the affidavit of mailing. The applicant shall pay all fees and posting fees. The application shall be reviewed for any major issues within 15 days and referred to other agencies, as needed, with a 30-day deadline for replies.

Once the application has been reviewed for major issues, the applicant can request to schedule a hearing at least 35 days in advance. Once the Planning Director selects an appropriate date, the applicant is responsible for posting public hearing signs at least 31 days ahead of the hearing.

Once a Conceptual Site Plan is approved, it remains valid indefinitely. An approved Detailed Site Plan remains valid for three (3) years. If either is not approved, the Planning Board will notify the applicant as to why and the applicant will have to remedy the deficiency and submit a subsequent iteration of the application.

Prince George's County Planning Department estimates the approximate process time of the Conceptual and Detailed Site Plans to be 3 to 4 months.

(b) Site-specific Concerns:

The site is currently developed and is almost entirely paved over. This provides an opportunity for enhanced stormwater management, green space, and additional tree cover. According to the county's planning website, PGAtlas.com, the site is not a Brownfield or Superfund Site, is not in a floodplain, and is not under a tree conservation plan. There are no historical sites or features on the parcels.

The main concerns will be developing an approved stormwater management plan, the outcome of a noise study along Martin Luther King Jr Boulevard, and that the planning commission agrees that our site plans align with the planning documents and the M-U-I zone itself is not prescriptive.

(c) Community and Stakeholder Buy-in:

The planning documents and community feedback put a very strong focus on improving the public realm in Seat Pleasant. That includes more high-density, mixed-use, new developments. What we have planned will offer that kind of project along with new green space for community gathering and more desirable retail options.

It is reasonable to anticipate that there will be push back on the perceived lack of affordable housing, how a four (4) story building will harmonize with the single-family and low-density apartments nearby, whether we are seeking the right retail, and if there is enough public space.

We must be able to communicate that we anticipated each of these concerns early and worked through them in the community's best interest. For example:

- Affordable Housing: we believe strongly in there being adequate housing for people at all income levels. What we heard at the community meeting and found in the plans was that there is a desire to attract younger professionals to Seat Pleasant. In our analysis of the current housing stock, we found a pronounced lack of new, smaller units for that demographic. Taking these findings together, we thought it best for this site to build modest, market-rate studio and 1-bedroom apartments to meet those needs.
- The Project's Size: this building will be significantly taller than those around it. We kept the height within the parameters of the planning documents and were thoughtful with its design. The side of the building along G Street, directly across the street from existing

single-family homes, was kept to a two (2) story height, with the highest floors being pushed toward Martin Luther King Jr Boulevard.

- Retail: We understand the many members of the community wanted to see a lot of retail and some people may not think that out project incorporates enough or the right stores. We also understand that not every project can be the solution to every need. For example, we really wanted to bring a mid-sized grocery to the project. After looking at the market conditions and nearby competition, we didn't think that we would be able to attract that tenant to this site in the near term. We know that is a highly desired amenity for the community and we hope that as the retail landscape changes, with District Line leading the way, that a grocery store will be coming soon. What we have planned for are healthier "fast casual" food and beverage and new, destination dining; things that we heard the community asking for that will also integrate nicely with the public space program of the project.
- Public Space: we are very excited for the public green space that we will be offering atop the parking structures at District Line. The Platform, as it will be called, will have a projection screen and strategic seating options. It will offer a place for members of the community to picnic with food from the retail below, participate in group exercise classes on the big screen, or have neighborhood movie nights. We thought this was a great solution to offer public space on a site where we found some signification challenges providing adequate parking. In greening the roof of the parking structures, we are able to transform one of our biggest challenges into an exciting opportunity.

With all of the challenges weighed against the opportunities, we believe that we will be able to get the community buy-in and enthusiasm to push the project forward.

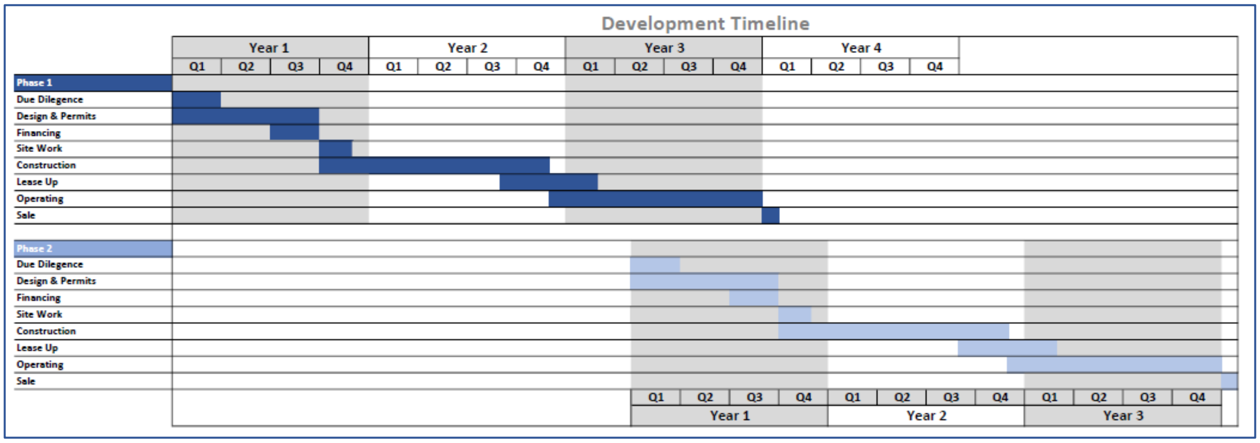
6. Construction:

As we mentioned, District Line will be constructed in two phases. This is due to two major considerations:

- The first is that we don't believe the market would support the delivery of the full project in a single phase in the near term. We believe the market will support the initial 140 units (Phase 1) in the near term, within two to three years. Once delivered, we can continue to monitor market conditions and recalibrate for the delivery of the next 105 units (Phase 2). Currently, we anticipate beginning Phase 2 roughly three years after Phase 1. The timeline is outlined below.
- Secondly, we anticipate a lengthier process to acquire and assemble the two parcels currently owned by CVS that are slated to be the Phase 2 building. We will propose a purchase and lease back deal to CVS and then will apply to have the two parcels configured into one plat. We expect that negotiation to take some time and believe that we will be able to demonstrate more incentive to the seller once Phase 1 is complete and almost fully leased up.

We will next look at the expected development timeline, the budget for each phase, and considerations in hiring the general contractor.

(a) <u>Schedule:</u>



Please find a collapsed snapshot of the expected development timeline above. A more detailed schedule is available in the complete final pro forma package. The time for each activity is:

- Phase 1:
  - Due Diligence = 3 months.
  - Design & Permits = 9 months.
  - Site Work = 2 months.
  - Construction = 14 months.
  - Lease Up = 6 months.
  - Sale = in Year 4

- Phase 2:
  - Due Diligence = 3 months.
  - Design & Permits = 9 months.
  - Site Work = 2 months.

- Construction = 14 months.
- Lease Up = 6 months.
- Sale = in Year 4

The construction of both the Phase 1 and Phase 2 building will be similar. They will each have a twenty (20) foot tall cast-in-place concrete podium of retail, residential office and amenity space, and parking. In Phase 1, this will be comprised of approximately 8,000 rentable square feet of retail and 11,000 square feet of residential office and amenity space along Martin Luther King Jr Highway. In Phase 2, there will be 13,000 square feet of CVS at the corner of Martin Luther King Jr Highway and 65th Avenue. There will also be approximately 9,000 square feet for other retail uses and 1,200 square feet of residential lobby and amenity space. In both buildings, behind the ground floor retail will be two, 10-foot-high levels of structured parking. The roofs of the parking structures will be landscaped and available as a public amenity. Along the back side of the buildings, there will be double-height residential units with exterior access to G street.

Above the retail and parking podiums, there will be three (3) stories of residential apartments. In Phase 1 this will be comprised of 96,000 gross square feet and in Phase 2 it will total 85,200 gross square feet. These will be of wood-frame construction, each level a double-loaded corridor around the front and side edges of the buildings' footprints. This will leave a large open courtyard in the center of each building that opens toward to the rear of the site, toward G Street.

(b) Budget:

Phase 1			
		$/GSF	
Land			
Land Purchase	3,500,000		
Closing Costs	70,000		2%
Total Land	**3,570,000**	**29**	
Due Diligence Studies	**145,000**	**1**	
Hard Costs			
Sitework	854,000		8 PSF
Resi/Retail Construction	27,144,118		220 PSF
Parking Construction	3,486,000		60 PSF
Hard Cost Contingency	1,837,807		6.0%
Total Hard Costs	**33,321,925**	**270**	
Soft Costs			
Design	1,332,877		4%
Testing/Inspection/Permits/Fees	490,000		
Marketing	110,000		
Legal	185,000		
Taxes & Insurance	370,000		
Overhead & Development Fees	1,438,192.07		4%
Soft Cost Contingency	157,043		4%
Total Soft Costs	**4,083,112**	**33**	
Financing			
Construction Loan-Interest	653,727		3.50%
Total Financing	**653,727**	**5**	
Total Budget	**41,773,764**	**339**	

Phase 2			
		$/GSF	
Land			
Land Purchase	3,000,000		
Closing Costs	60,000		2%
Total Land	**3,060,000**	**25**	
Due Diligence Studies	**138,000**	**1**	
Hard Costs			
Sitework	858,080		8 PSF
Resi/Retail Construction	26,771,024		220 PSF
Parking Construction	3,108,000		60 PSF
Hard Cost Contingency	1,792,741		6.0%
Total Hard Costs	**32,529,845**	**267.33**	
Soft Costs			
Design	1,301,194		4%
Testing/Inspection/Permits/Fees	466,389		
Marketing	104,700		
Legal	176,086		
Taxes & Insurance	352,171		
Overhead & Development Fees	1,402,735.38		4%
Soft Cost Contingency	152,131		4%
Total Soft Costs	**3,955,406**	**33**	
Financing			
Construction Loan-Interest	628,114		3.50%
Total Financing	**628,114**	**5**	
Total Budget	**40,311,365**	**331**	

Please find the projected budget assumption and totals for each phase in the tables above. The $220 per GSF of Residential and Retail is based on the latest industry rates that we could find. Further, the amount assumes a $140 per GSF for the retail shell spaces with $80 per GSF being made available for tenant improvements. The Developer Fee of 4% has been agreed upon by Traction Labs. The contingency percentages are to industry standard.

The design will be contemporary industrial with stylistic inspiration from train stations of the past. The ground floor retail and residential office and amenity space will feature large windows and brick veneer facade. A continuous metal clad awning will run the length of each building along Martin Luther King Jr Highway, reminiscent of a train station platform. Between the two buildings, signage and a connecting walkway will use a truss bridge design. The residential floors will have a skin of metal cladding that will alternate from light to dark in order to break up the massing. Residential unit interiors will be sleek but simple. Materials will be quality but budget friendly. These will include laminate wood flooring and the recycled granite countertops. Stainless steel appliances and double-stacked washer and dryer will be in each unit.

(c) Contractor:

As has been described, the design and construction of District Line is standard and common place. There will be no cutting-edge design or building elements that require hard-to-find expertise or experience. We will be able seek competitive bids from a large pool of general contractors that work within Prince George’s County.

Once the detailed drawings have been prepared, we will go out to bid for a Guaranteed Maximum Price contract (GMP). The contract will contain a cost savings split clause that will incentivize the contractor to come in under budget where possible and stay on schedule. While there is currently a spike in some materials costs – like lumber and steel – due to COVID-related logistical issues, many industry experts agree that these should be temporary. Some of these experts point to an opportunity for the Biden administration to eliminate tariff’s and the easing of transportation issues as the economy begins to open more fully.

We will continue to monitor market conditions and material prices and ensure that we mitigate risk by having open conversations with our selected contractor and protecting our interests in the structure of our contract.

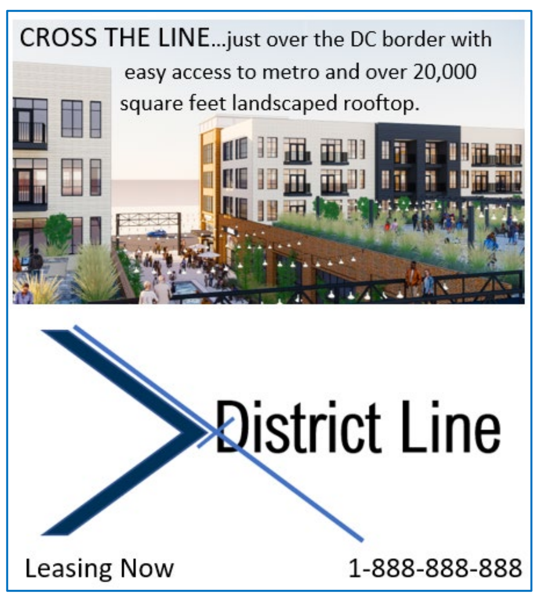
7. **Marketing and Management:**

(a) Marketing Plan:

Based on our market analyses, the goals outlined in *The Master Plan for the City of Seat Pleasant*, and the feedback we heard from the community, our project's target household is a young professional or couple. They may be in their first job out of college or they may be into their mid-career role. They likely make between $65,000 and $80,000 per year. They value the urban experience and all that the city of Washington DC has to offer but are open to living in emerging areas outside the city with adequate access to transportation. This population may also include households that are already living in Prince George's County and want to get closer to DC or to Metro and into a newer building.

We assumed a marketing budget of $110,000 and $104,000 for Phases 1 and 2, respectively (see Section 6(b)). Based on the budget and our target household's profile, we believe the best marketing approach includes:

- Exterior marketing banners on the project during and immediately after construction of each phase.
    - Martin Luther King Junior Highway averages 18,500 vehicle trips per day.
- Advertising posters like the ones to the right on Metrorail and in Metro stations as well as on buses and bus stops in the area.



- A cohesive campaign of slogans using the word “line” to tie the project’s name to its amenities.
- OUTFRONT Media handles all advertising on Metrobuses and Metrorail. They would also be able to offer guidance to fine tune our messaging and the best strategy.

- A digital marketing effort that would create targeted advertisements to users with our household profile that are doing apartment searches online.

(b) Lease-Up:

Representatives of Traction Labs will be working on the lease-up. Lease-up is slated to begin about three months prior to the completion of construction and certificate of occupancy (see Section 6. (a)). At the time lease-up begins, the walk-up units on G Street should be complete, as should model units for the studios and 1-bedroom upper-level apartments. We also hope to have entered into retail agreements that will help market the project to prospective residential Tenants. The full lease-up phase is currently expected to last about six months. One will see in Section 8. (c) that we have assumed a 30% vacancy rate through year three, stabilizing at a 5% rate in year four.

(c) Operations:

Traction Labs will continue to operate the property after lease-up, through the date of sale. We have centralized, in-house property management professionals, a legal team, and project accountants. Cleaning, maintenance, and engineering will be contracted from vendors with whom we already have working relationships. Those relationships and the resulting contracts of scale mean that we get very competitive rates.

Being the initial managers, the Traction Labs team will be able to initiate green practices, kick start programming of the roof and plaza, and complete initial administrative work for the Enterprise Zone real property tax credits.

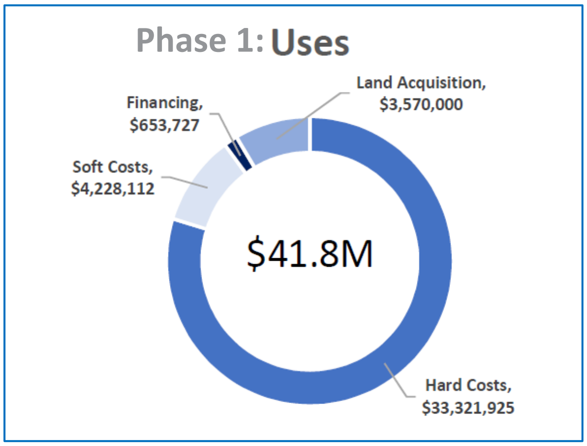
Once a development phase is marketed for sale, a potential buyer will have the option to:

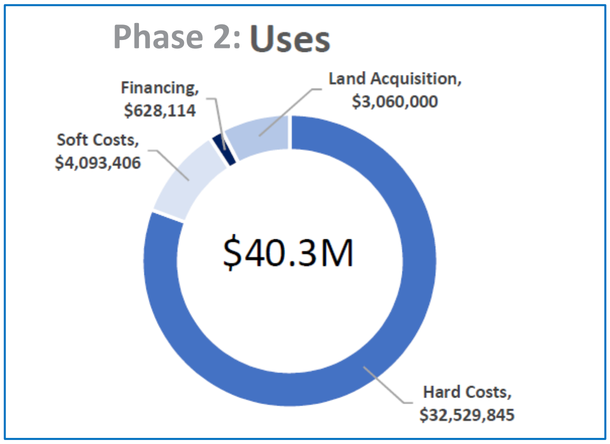
- Purchase the property and retain the management services of Traction Labs, for a fee.
- Purchase the property and retain the service contracts but manage the property themselves.
- Purchase the property and take over full management and operations of the property, free and clear of any obligation to the contractors hired by Traction Labs.

8. Financing:

(a) Development Budget Recap:

For ease of reference, please find below graphs of the budget information presented in Section 6. (b).

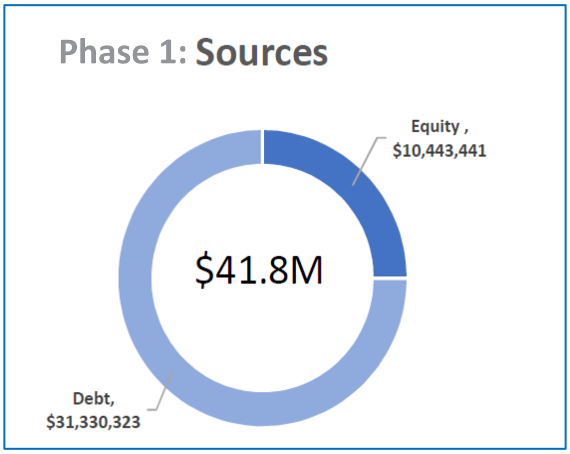


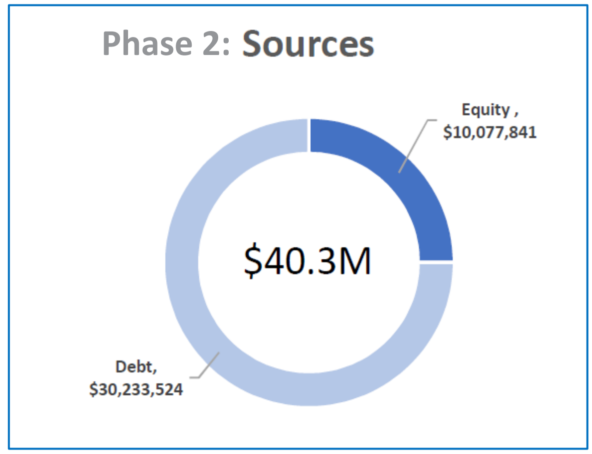


(b) Sources:

Each phase of development will be funded by a construction loan. The loan will provide debt financing for 75% of the budgeted costs at 3.5% interest. Those interest expenses, again, are seen as Financing Costs in the development budget above. The remaining 25% of the costs will be from private equity. Please see the chart of Sources, below. The equity investors are private institutions that are focused on supporting workforce housing, or “the missing middle”. These are renters who make too much to qualify for government subsidy programs but who are frequently priced out of higher-end new developments. Recall that District Line is delivering middle-income market rate housing, providing these institutional investors with a great opportunity to fulfill their housing advocacy goals while getting a healthy return. Similar investments have been made by Chase Bank for housing along the Purple Line and by Amazon near its new HQ2 in Arlington.

Note that the equity amounts shown below will be factored into the Investment Returns in Section 8. (e).





(c) <u>Pro Forma Assumptions:</u>

Please find below tables for both the Phase 1 and Phase 2 operating pro formas. Note that there are no income or operating expenses during Year 1 and Year 2, during construction in either phase. Starting in Year 3 we see rental income and operating expenses. We have assumed a 30% vacancy for this year and a stabilized vacancy rate of 5% beginning in Year 4.

Phase 1 – Pro Forma

	Year 1	Year 2	Year 3	Year 4	Year 5
Income					
Total Rent Income	0	0	2,521,200	2,590,533	2,661,773
Total Rental Losses	0	0	(756,360)	(129,527)	(133,089)
Net Rental Income	**0**	**0**	**1,764,840**	**2,461,006**	**2,528,684**
Total Other Rental Income	0	0	147,000	151,043	155,196
Effective Gross Income	**0**	**0**	**1,911,840**	**2,612,049**	**2,683,880**
Expenses					
Total Personel Expenses	0	0	95,667	97,580	99,531
Total Administrative Expenses	0	0	15,944	16,263	16,589
Total Marketing Expenses	0	0	5,315	5,421	5,530
Total Repair & Maintenance Exper	0	0	21,259	21,684	22,118
Total Cleaning & Decorating	0	0	47,833	48,790	49,766
Total Contract Services	0	0	10,630	10,842	11,059
Total Professional Expenses	0	0	37,204	37,948	38,707
Total Utility Expenses	0	0	201,963	206,002	210,122
Total Taxes & Insurance Expense	0	0	56,000	56,000	56,000
Total Operating Expenses	**0**	**0**	**(491,814)**	**(500,530)**	**(509,421)**
Retail Rent Revenue	0	0	312,500	312,500	312,500
Net Operating Income (NOI)	**0**	**0**	**1,732,526**	**2,424,018**	**2,486,959**
Replacement Reserves	-	-	(28,000)	(28,000)	(28,000)
Net Cash Flow Before Debt Se	**0**	**0**	**1,704,526**	**2,396,018**	**2,458,959**
Total Debt Service	-	0	1,688,246	1,688,246	1,688,246
Before Tax Income	**0**	**0**	**16,280**	**707,773**	**770,713**
Tax Rate	0%	0%	30%	30%	30%
Taxes	0	0	(185,265)	(399,128)	(424,654)
After Tax Income	**0**	**0**	**-168,985**	**308,645**	**346,059**
Assumptions	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Rent Growth	0.00%	0.00%	2.75%	2.75%	2.75%
General Other Income Growth Fact	0.00%	0.00%	2.75%	2.75%	2.75%
General Vacancy	100.00%	100.00%	30.00%	5.00%	5.00%
General Expense Growth Factor	0.00%	0.00%	2.00%	2.00%	2.00%
Replacement Reserve/Unit	-	-	200	200	200

Phase 2 – Pro Forma

	Year 1	Year 2	Year 3	Year 4	Year 5
Income					
Total Rent Income	0	0	2,151,180	2,210,337	2,271,122
Total Rental Losses	0	0	(645,354)	(110,517)	(113,556)
Net Rental Income	**0**	**0**	**1,505,826**	**2,099,821**	**2,157,566**
Total Other Rental Income	0	0	110,250	113,282	116,397
Effective Gross Income	**0**	**0**	**1,616,076**	**2,213,102**	**2,273,963**
Expenses					
Total Personel Expenses	0	0	60,651	61,864	63,102
Total Administrative Expenses	0	0	10,109	10,311	10,517
Total Marketing Expenses	0	0	3,370	3,437	3,506
Total Repair & Maintenance Exper	0	0	13,478	13,748	14,023
Total Cleaning & Decorating	0	0	30,326	30,932	31,551
Total Contract Services	0	0	6,739	6,874	7,011
Total Professional Expenses	0	0	53,586	54,658	55,751
Total Utility Expenses	0	0	128,042	130,602	133,214
Total Taxes & Insurance Expense	0	0	51,000	51,000	51,000
Total Operating Expenses	**0**	**0**	**(357,300)**	**(363,426)**	**(369,674)**
Retail Rent Revenue	0	0	637,750	637,750	637,750
Net Operating Income (NOI)	**0**	**0**	**1,896,526**	**2,487,427**	**2,542,039**
Replacement Reserves	-	-	(31,500)	(31,500)	(31,500)
Net Cash Flow Before Debt Se	**0**	**0**	**1,865,026**	**2,455,927**	**2,510,539**
Total Debt Service	-	0	1,629,144	1,629,144	1,629,144
Before Tax Income	**0**	**0**	**235,882**	**826,782**	**881,394**
Tax Rate	0%	0%	30%	30%	30%
Taxes	0	0	(244,831)	(428,292)	(451,086)
After Tax Income	**0**	**0**	**-8,949**	**398,491**	**430,308**

Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5
Rent Growth	0.00%	0.00%	2.75%	2.75%	2.75%
General Other Income Growth Facto	0.00%	0.00%	2.75%	2.75%	2.75%
General Vacancy	100.00%	100.00%	30.00%	5.00%	5.00%
General Expense Growth Factor	0.00%	0.00%	2.00%	2.00%	2.00%
Replacement Reserve/Unit	-	-	225	225	225

All assumptions are based on comparable projects and other market research, relevant industry data, and or in consult with other industry professionals.

Key assumptions for Phase 1 are:

- Residential Rental Income
  - Studios: $2.40 PSF / $1,320 per month.
  - 1 Bedroom: $2.20 PSF / $1,540 per month.
- Other Income: $1,050 per Unit/per Year
- Operating Expenses: 80% reduction in Property Taxes for 10 years (Enterprise Zone)
- Retail Rental Income: $25.00 PSF Annually NNN
- Debt Service: Permanent Loan at 75% LTV, 3.5% interest, amortized over 30 years.

The Assumptions for Phase 2 are the same, with the exception of the residential rental rates. For Phase 2:

- Residential Rental Income:
  - 1 Bedroom: $2.21 PSF / $1,547 per month.
  - 2 Bedroom: $2.18 PSF / $1,853 per month.

Please note that the NOI and After-Tax Income figures will be pulled through into the calculation in subsequent sections.

(d) Valuation and Disposition:

Traction Labs anticipates selling each phase of District Line shortly after stabilization; estimated to be in Year 4 for each phase. In order to establish a projected sale value, we will divide the purchaser's projected NOI in their first year (this is our NOI for Year 5, the year after we sell) by an appropriate cap rate. The cap rate that we are using is from CoStar for the Capital Heights/Largo Submarket in 2025. They are projecting cap rates between 5.00% and 5.14%, making our calculation a bit more conservative. Please find both phase's valuations based on those figures in the tables below:

Sale Valuations

Sale in Year 4 - Phase 1	
NOI	**2,486,959**
Cap Rate	Valuation
5.20%	47,826,139

Sale in Year 4 - Phase 2	
NOI	**2,542,039**
Cap Rate	Valuation
5.20%	48,885,359

(e) Investment Results:

The investment results are driven by figures pulled from the sections above. The Equity from Section 8(b), Operating Cash from Section 8(c), and Sale Proceeds (the Valuation) from Section (d). We estimated the Selling Costs at 2% of the sale price and pulled in the loan balance at the

Investment Results - Phase 1

	Net Cash Flow	Equity	Operating Cash	Sale Proceeds	Selling Costs	Loan Balance
Year 1	(10,443,441)	(10,443,441)				
Year 2	-					
Year 3	(168,985)		(168,985)			
Year 4	17,754,076		346,059	47,826,139	(956,523)	(29,461,599)
Total	7,141,651					
IRR	17.34%					

Investment Results - Phase 2

	Net Cash Flow	Equity	Operating Cash	Sale Proceeds	Selling Costs	Loan Balance
Year 1	(10,077,841)	(10,077,841)				
Year 2	-					
Year 3	(8,949)		(8,949)			
Year 4	19,285,513		430,308	48,885,359	(977,707)	(29,052,447)
Total	9,198,723					
IRR	24.06%					

end of Year 4. The Internal Rate of Return (IRR) for each phase is calculated in the table above. One can see that this is a very attractive investment for our partners. Additional investment metrics for both phases can be seen in the table to the right.

	Phase 1	Phase 2
Targeted Investor IRR	17.34%	24.06%
Targeted Equity Multiple	1.62	1.82
Tartgeted Cash-on-Cash	7.38%	8.20%
Targeted Investment Period	4 Years	4 Years

(f) Sensitivity Analysis:

In order to assess the risk associated with fluctuations to some of our key assumptions, we ran sensitivity analyses on two combination of four variables in Phase 1. The first demonstrates the impact on returns if the rent escalation rate and vacancy rate differ from expectations. The second shows what happens to the IRR if the project's development costs change or the cap rate changes.

One can see that downward pressure on rent growth or increased vacancy rates have a nominal impact on returns. Conversely, increased project costs put a substantial downward pressure on returns. We are confident that the GMP contract and contingencies for changes in scope sufficiently mitigate this risk. While escalations in the CAP rate also have a significant effect on returns, we wouldn't expect material increases to our estimated cap rate over such a short hold period.

Sensitivity Analysis - Phase 1

IRR 17.34%	2.00%	2.25%	2.50%	2.75%	3.00%	Rent Growth
4.00%	16.89%	17.44%	17.99%	18.53%	19.07%	
5.00%	15.69%	16.24%	16.80%	17.34%	17.89%	
6.00%	14.46%	15.02%	15.58%	16.13%	16.68%	
7.00%	13.20%	13.77%	14.33%	14.89%	15.45%	
8.00%	11.92%	12.49%	13.06%	13.63%	14.19%	
Vacancy						

IRR 17.34%	41,000,000	42,000,000	43,000,000	44,000,000	45,000,000	Project Cost
5.00%	23.59%	20.92%	18.25%	15.59%	12.94%	
5.20%	19.48%	16.72%	13.96%	11.20%	8.44%	
5.50%	13.37%	10.46%	7.53%	4.59%	1.62%	
6.00%	3.17%	-0.08%	-3.38%	-6.75%	-10.20%	
Exit CAP						

9. Conclusion:

District Line is an exciting new mixed-use development, bringing much-needed new apartments, more attractive retail, additional green space, and flexible community amenities. This project relied on the community's goals and feedback as well as thorough market research and analyses in its design and programming. The result will create a new sense of place on an under-utilized site in the heart of the city. Networks will be created and strengthened within new public spaces and at events that highlight shared interests. The first new development in decades will attract young professionals to Seat Pleasant, adding density and diversifying their tax base while also acting as a catalyst for continued development toward the city's long-term goals.

Traction Labs is inspired by the potential of District Line and of Seat Pleasant. We look forward to working together on this exciting new project.

Appendix G

Final Report

Kia Smith
5-17-2021

Table of Contents

1. List of Challenges, Strengthens, Opportunities and Threats
2. General Context-Section 1
3. Project Vision-Section 2
4. Design/Environment-Section 3
5. Regulatory/Zoning-Section 4
6. Construction/Schedule-Section 5
7. Marketing/Management-Section 6
8. Financial Analysis-Section 7

Strengths:

- Site can be easily redeveloped.
- Ample amount of space for parking spots.
- Layout of the area is already designed for a mixed-use townhome/retail.
- Site can be easily seen and can attracted attention from drivers and pedestrians.
- Large communities of residential homes behind and across the street which can promote spending.
- Site is easily accessible by multiple ways of transportation (car, foot, and bus).
- Proximity to BWI, Dulles and Regan Airport.
- Borders the Maryland and D.C. line.
- Can use tax incentives to entice investors.
- Site is in an opportunity zone.

Weaknesses:

- Sits directly off a major highway (Martin Luther King Jr. Hwy).
- Very little streetscape.
- Lacks diversity within the retail market.
- Cars do not stop for pedestrian walkway.
- Area is not very lit at night.
- Adjacent to another shopping center.

Opportunities:

- Develop the site catering to the people of the town with affordable prices.
- Cater to the mass population which is kids and children 18 years and younger.

- Develop the site to help the kids 18 years and youngers have somewhere to live and shop within the next 10-15 years.
- There are no entitlements for the site which makes it easier to develop.
- Location is decent with Seat Pleasant sitting right off 295 and easy access to 95 and 495.
- Can build a small playground for elementary school students.
- Healthy food options for students after school and workers when they get off work.
- Site can be used to develop a high-quality shopping which current does not exist in the area.
- Create job opportunities for those in high school to have a place to work after school or during the summer.

Threats:

- The density might restrict how high the building can be.
- Median income in the city could prevent certain businesses from having a shop in the area.

Challenge

One immediate challenge I can foresee is the economics and finding the right stores to fit into the area that are of substances but are not too expense for the median income for the area. I find this being a challenge because as a developer, I want to bring in a new type of retail to the area. Currently, there is a liquor store, CVS, nail salon, hair salon, advanced auto parts, laundry mat and fast-food restaurant. The current stores serve the community but there is so much more that can be developed.

The economy may be a challenge for me particularly because the median income in the area is around $56,000. This is a high poverty area, but I do not believe high poverty means that quality stores can't exist. The difficulty might come in when trying to persuade investor that there would be a return for the retail that is built when the studies are showing that the average person in Seat Pleasant cannot afford, for example, to spend $100 every Saturday when they go out to the store. However, building something that the community can enjoy without having to spend money is an advantage, such as a playground or open spacious area.

I could bring a chain store coffee store like Starbucks or a popular smoothie brand like Tropical Smoothie, but will there be enough consumers to keep these stores in business? This is the challenge I believe I am facing right now with my development. You want to attract the type of energy and presence that you want in the area. You also don't want to insult the local citizens because not everyone is living in poverty and barely making enough to survive. You also must be realistic because investors want to know reassured that they will get a return on their investment.

Section 1

The City of Seat Pleasant is in a prime location in the heart of Prince George's County, Maryland. Sitting just east of the Washington, D.C. boundary line, it occupies approximately 0.73 square miles. Seat Pleasant has been a growing as a city by evolving and creating a legacy for itself for over 170 years. Under the leadership of Mayor Eugene W. Grant, Seat Pleasant is pioneering a future in high quality living and being a leader for black entrepreneurship. Seat Pleasant also prides itself on being the first city in Maryland that is a Smart City. Seat Pleasant has always been a trailblazing city, making history and creating a standard for other cities in Maryland to follow after.

The city of Seat Pleasant was first inhabited around 1850. The emergence of this community is owed to the Chesapeake Beach Railway which was home to Maryland's first railway station. The city quickly evolved thereafter, developing around the railway line from a single property to a subdivision of small farms, to then a suburban community. This community became the terminal of the Columbia Railway line that served northeast Washington. Seat Pleasant received its name in the early 1900s and became an incorporated town in 1931.

Seat Pleasant grew as an African American suburb in the mid-20th century. It was focused around two state highways, those being Route 704 (Martin Luther King Jr. Highway) and Route 214 (Central Avenue). In a matter of 30 years, the city grew from just 1,500 residents in 1940 to over 7,000 in 1970. During this period, majority of the homes that are standing today, were built. In the 80's and 90's, there was an abundance of new development and investments that started to build the city up, but due to the lack of vision for the city, the perception declined, and population began to decrease. During this time, the Addison Plaza Shopping Center and the Addison Road and Capitol Heights Metro stations were built.

Demographics Analysis

Year	Population	Growth	Annual Growth Rate
2021	4,730	-4	-0.08%
2020	4,734	-4	-0.08%
2019	4,738	-4	-0.08%
2018	4,742	-2	-0.04%
2017	4,744	2	0.04%
2016	4,742	12	0.25%
2015	4,730	31	0.66%
2014	4,699	48	1.03%
2013	4,651	37	0.80%
2012	4,614	42	0.92%
2011	4,572	38	0.84%
2010	4,534	-351	-0.74%
2000	4,885	-474	-0.92%
1990	5,359	142	0.27%
1980	5,217	-2,000	-3.19%
1970	7,217	1,852	3.01%
1960	5,365		0.00%

Figure 1:World Population Review

Seat Pleasant is less than 1.00 square miles. In 2020, there were 4,734 people living there with the median household income being $55,370 which leaves Seat Pleasant with a 17.0% poverty rate. The population has decreased by almost half since

1970 when there were 7,000 people in Seat Pleasant. This is due to the lack of workforce located within the city and the lack of development to grow and expand the city. When we break down age and race, you'll find that majority, 75%, of Seat Pleasant residence are 18 years and older. This leaves the median age in Seat Pleasant to be 45.0 years old. The next largest age group is 65 and older at 16.3% and under 5 years of age at 10.0%. Our target market for this project would be the 18 and over age group.

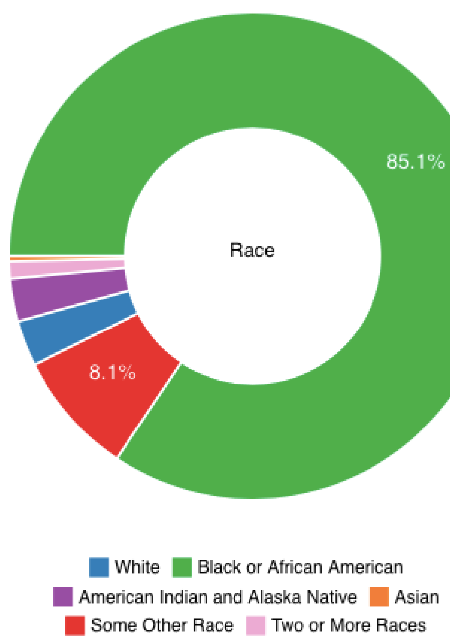


Figure 2: Race chart

The African American community makes up most of the residence in Seat Pleasant. In 2020, African Americans accounted for 85.1% of the population while Caucasians were 2.9% and American Indian were at 2.7%. The 8.1% of some other race considers the Hispanic and Latin community as well. Seat Pleasant has been predominately black since its existence, so this data does not come as a shock.

We can compare our information from within the boundary of Seat Pleasant and expand it to 1 mile, 5 miles and 10 miles which can be seen in the chart below.

	1 mile	5 mile	10 mile
2010 Population	18,926	430,599	1,420,838
2020 Population	20,157	473,129	1,601,723
2025 Population Projection	20,477	484,607	1,654,289
Annual Growth 2010-2020	0.7%	1.0%	1.3%
Annual Growth 2020-2025	0.3%	0.5%	0.7%
Median Age	36.5	35.7	35.2
Bachelor's Degree or Higher	14%	24%	42%

Figure 3: CoStar Demographic

There is a small project growth by 2025 of 320 people within a 1-mile radius. This number indicates that as of right now, there will be a very small percentage, maybe less than 5%, of an increase within the city of Seat Pleasant. There are a total of 134 businesses within Seat Pleasant and 1,909 of the population are employed and over the age of 16. The lack of job opportunity within the city is forcing those that live within the city limits to travel elsewhere to work. The chart below was pulled from *OnTheMap* and shows how many residents are employed in Seat Pleasant and live

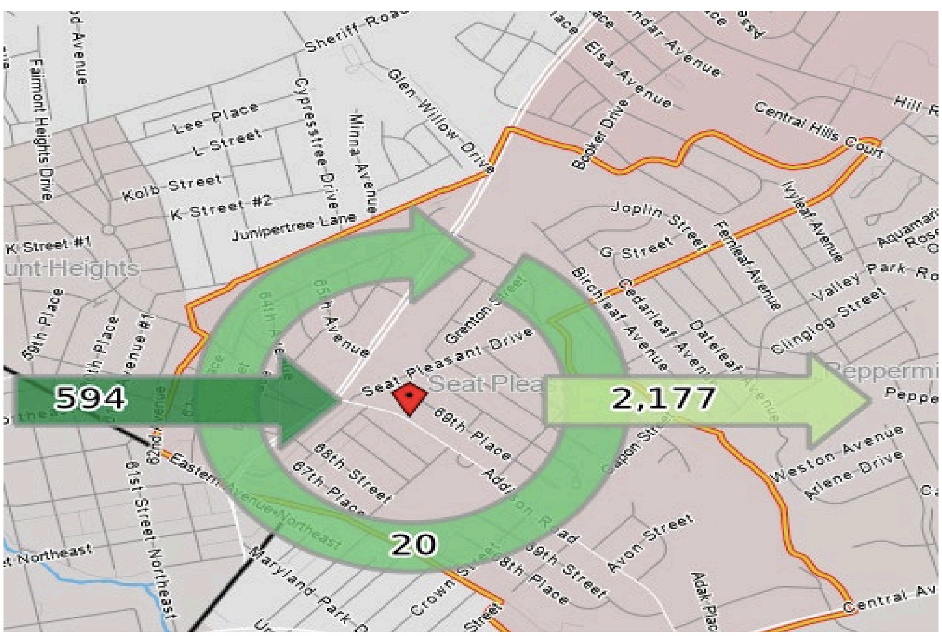


Figure 4: OnTheMap Census

elsewhere (dark green), how many live in Seat Pleasant and are employed elsewhere (light green) and how many live and work in Seat Pleasant (green). This map also supports the fact that there is a lack of job opportunity in the city. This forces residents to drive to Bowie, Washington D.C. and elsewhere to work.

¾ of the population in Seat Pleasant are homeowners with the median income value at $200,291. Most of these homes were built between 1940 and 1970, around the same time where we saw an influx of people in the area. This influx was due to job opportunities at the time and the amount of new development. People started to slowly move away from Seat Pleasant because the job opportunities weren't there, and it lacked continued new development. The average amount spent on mortgage and basics is $7,452 and the median contract rent is $954. According to Tapestry, out of the 1,829 housing units, only 617 are occupied. This tells us that there are more units available than there are renters. This could partially be because a large quantity of residents owns their homes. On average there are 3 people per households and the average household income in $69,840. Out of the total number of households, 1,188 are family households and 564 have children. There has been a decline in the number of homes built each year since 1960.

Housing in Seat Pleasant

Housing Units	1,973
Median Year Built	1962
Built in 1939 or Earlier	289
Built between 1940 and 1949	251
Built between 1950 and 1959	341
Built between 1960 and 1969	686
Built between 1970 and 1979	169
Built between 1980 and 1989	174
Built between 1990 and 1999	56
Built between 2000 and 2009	7
Built in 2010 or Later	0

Figure 5: Point 2 Point

Market Conditions

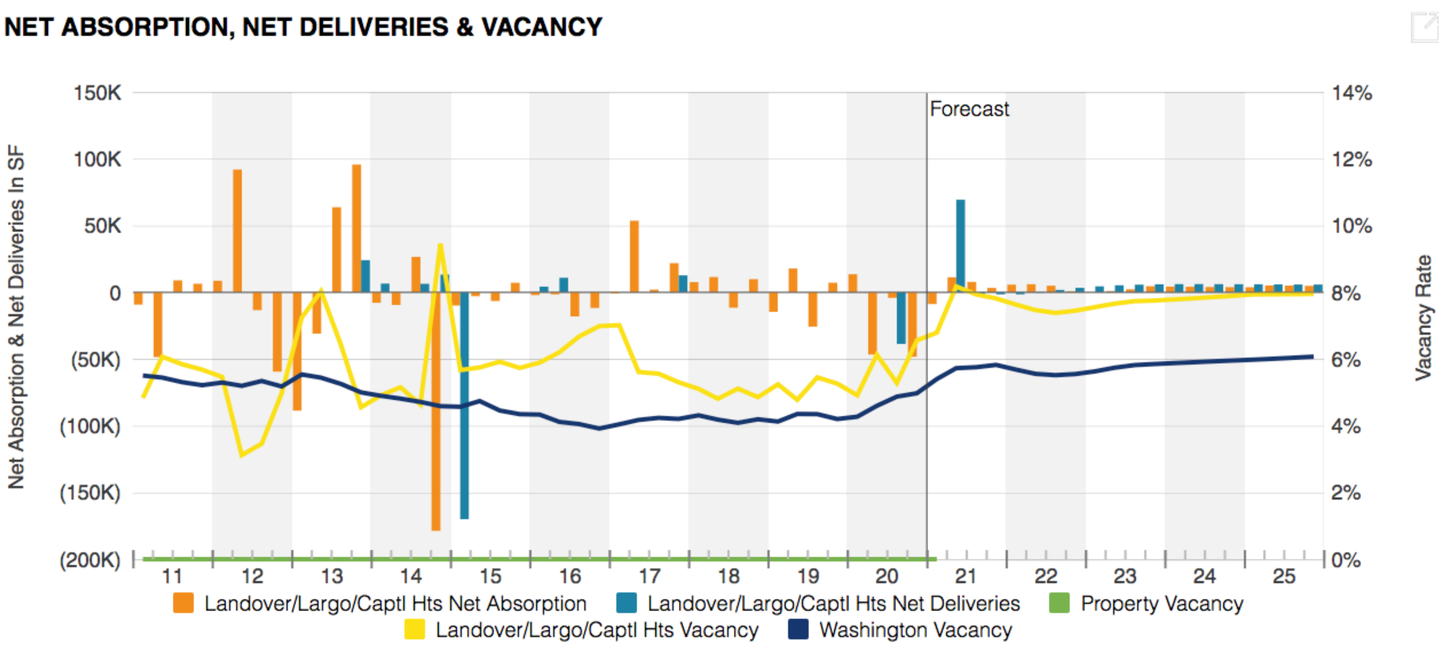


Figure 6: CoStar Net Absorption, Deliveries and Vacancy

The retail vacancies trended upwards this past year in the submarket of Landover/Largo/Capitol Heights. The vacancy rate is currently at 6.24% which is a little on the higher side compared to last year when the vacancy was only 4.91%. The typical range is normally between 4.57% and 6.75%. This high vacancy rate could be due to Covid-19 and businesses having to shut-down for an extended period. With the new vaccines out and states starting to lift some of their restrictions, I would like to think that businesses would begin to see their traffic increasing and revenues increasing. It is projected that Landover/Largo/Capitol Heights will have an increase in net deliveries of around 60,000SF in Q2 of this year, while the net absorptions will only be around 15,000SF.

Deliveries and absorptions for the submarket are projected to stay stagnant for the next 4 years while the vacancy will plateau and stay below 0. The rent per sf has remained around the average price of $22.52 per SF and the market sale price has reached above the average price at $214 per SF. The chart below shows vacancy rates

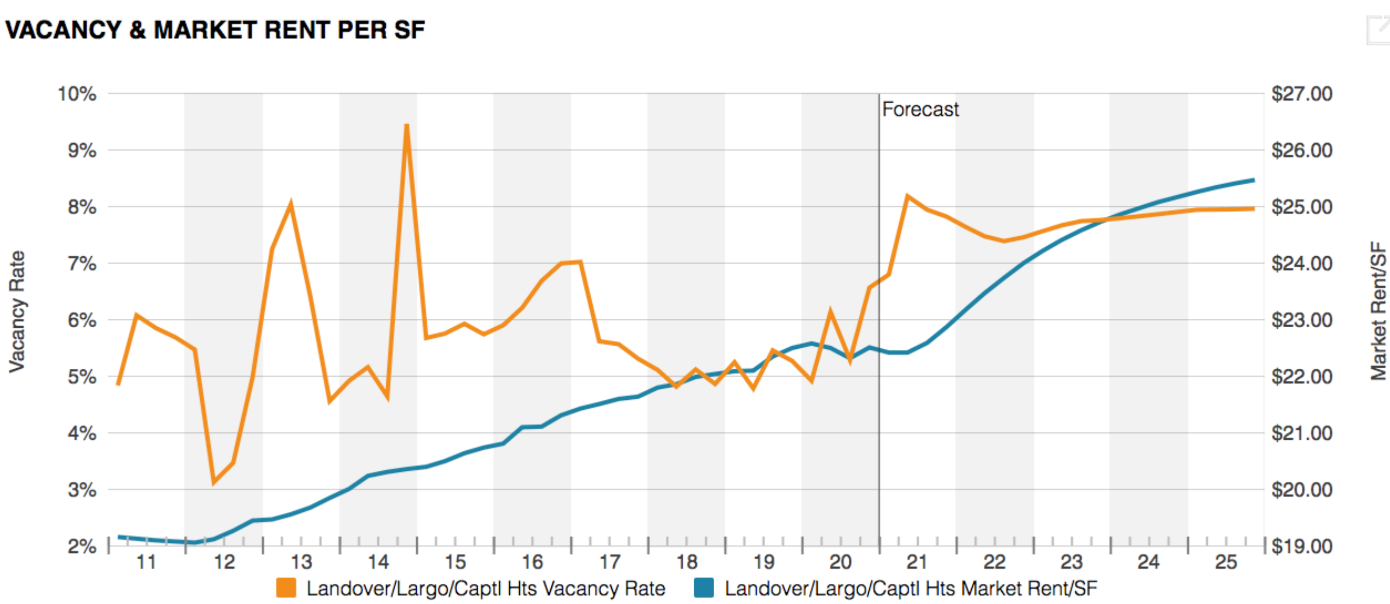


Figure 7: CoStar Vacancy & Market Rent Per SF

slightly decreasing in Q3 of 2022 and then increasing by 2% from 2023-2025. Market rents are also projected to increase in much respect to the vacancy.

In 2017, the submarket experienced a median of 110 months to lease a retail building. Number dropped towards the end of 2017 but began to increase in Q2 in 2018 and have been fluctuating since. This fact is a little concerning only because the longer it takes me lease out my property, the longer it takes for me to start generating revenue. There is current 55,863SF under construction in Q1 of 2021 within the submarket.

Section 2

The proposed use for my site is a four-story apartment building with retail on the ground level. The apartment complex will consist of 120 units with roughly 35 studio, 45 1-bedroom, 25 2-bedroom and 15 3-bedroom. The studio apartments will average 425SF-475SF, 1-bedroom will be 800SF-950SF, 2-bedroom will be 1,200SF-1,500SF and the 3-bedroom will be 1,600SF-1,800SF. With the minimum amount of square footage assigned to the unit, I will be left with 184,338SF for amenities and ground retail. The amenities will consist of a rooftop lounge, a gym on the 1st level, a laundry room and computer area which will also house the mailboxes. Based on my comparable in the surrounding area, I came up with the below approximate asking prices per unit:

Asking Price Per Unit

Studio - $1,250

1 Bedroom - $1,450

2 Bedroom - $1,800

3 Bedroom - $2,175

Minimum Amount of Square Feet per unit

Studio – 600SF x 25 = 15,000

1 bedroom – 800SF x 41 = 32,800

2 bedroom – 1,200SF x 37 = 44,400

3 bedroom – 1600SF x 27 = 43,200

Total SF Amount = 135,400

The comparable apartments in the surrounding area, let me know that I am on target with the pricing, but I am allowing more square footage for each unit than other apartments. All units will be market rate due to the increased amount of affordable housing within a 10-mile radius. With us targeting the incoming D.C. residents and those in Seat Pleasant, my apartment will be able to get leased quickly.

The ground retail will consist of the CVS that is already there, a small clothing store, a smoothie shop or juicing store and restaurant. The clothing shop could be a local shop, this way people from the community can apply for a small business loan and open a clothing store. I would prefer the smoothie shop to be a chain store, either a smoothie king or tropical smoothie café. If a juicing store is more sought after, this would be another great opportunity to have someone that is local open a store. This would support the community's need for healthier options while also supporting and encouraging the community to run their own businesses. Lastly, I would have a market in building 2. This market would be a space for vendors that have food establishments to rent out a booth and sell their food. Local produce could also be sold in the this market.

Address	NNN Rent Per SF	Building Size SF	Property Type	Parking Spaces	Parking Ratio	Available SF	Direct Vacant Space SF	Vacancy Rate	Min Available Space SF	Max Contiguous SF
Martin Luther King Jr Hwy	$18.03 - 22.03 (Est.)	14,849	Retail	-	-	-	-	0.0%	-	-
063 Minnesota Ave NE	$29.81 - 36.43 (Est.)	12,500	Retail	35	2.80	-	-	0.0%	-	-
-7041 Annapolis Rd	$35.00	12,843	Retail	55	4.28	1,595	1,595	12.4%	720	875
rtin Luther King Jr. Hwy	$30.00	14,938	Retail	-	-	6,869	6,869	46.0%	1,472	6,869
4531 Kenilworth Ave	$22.39 - 27.37 (Est.)	21,250	Retail	95	4.47	-	-	0.0%	-	-
5367 Sheriff Rd	$20.56 - 25.13 (Est.)	9,644	Retail	10	1.04	-	-	0.0%	-	-
-5254 Marlboro Pike	$20.19 - 24.67 (Est.)	9,027	Retail	60	6.65	-	-	0.0%	-	-
-5406 Marlboro Pike	$19.95 - 24.39 (Est.)	7,700	Retail	-	-	-	-	0.0%	-	-
-6019 Marlboro Pike	$24.00	16,515	Retail	60	3.63	8,848	8,848	53.6%	2,848	6,000
9101 Alaking Ct	$19.09 - 23.33 (Est.)	8,597	Retail	50	5.82	-	-	0.0%	-	-
1-7539 Landover Rd	$18.89 - 23.09 (Est.)	27,211	Retail	110	4.04	2,000	2,000	7.3%	800	1,200
0-2000 County Rd	$23.08	9,815	Retail	64	6.52	1,300	1,300	13.2%	1,300	1,300
rtin Luther King Jr Hwy	$23.00	11,560	Retail	-	-	1,800	1,800	15.6%	1,800	1,800
9100 Alaking Ct	$16.66 - 20.36 (Est.)	12,642	Retail	-	-	1,347	-	0.0%	1,347	1,347
-5325 E Capitol St SE	$16.25 - 19.86 (Est.)	15,608	Retail	40	2.56	-	-	0.0%	-	-
0-7830 Central Ave	$18.00	20,465	Retail	-	-	-	-	0.0%	-	-
6-4616 Suitland Rd	$14.04 - 17.16 (Est.)	15,680	Retail	-	-	-	-	0.0%	-	-
-5405 Annapolis Rd	$10.95 - 13.38 (Est.)	19,200	Retail	53	2.76	-	-	0.0%	-	-

Even though it is expensive, there will have to be some underground parking for the residents and for shoppers, if there is not enough above-ground parking. I am estimating 135 parking spaces for above-ground parking for the retail alone. The current CVS is a little less than 9,000SF so I would keep it at the same amount. The coffee shop would be approximately 2,000SF. The smoothie or juicing shopping would be around 2,500SF. Lastly, the market would be 9,000SF. My project will incorporate a community space for citizens to come and hold farmer's markets and other local events. My comparable neighborhood centers in the surrounding area have the area rent at $22.86/SF. There's a total of 297 parking spaces required for the retail parking.

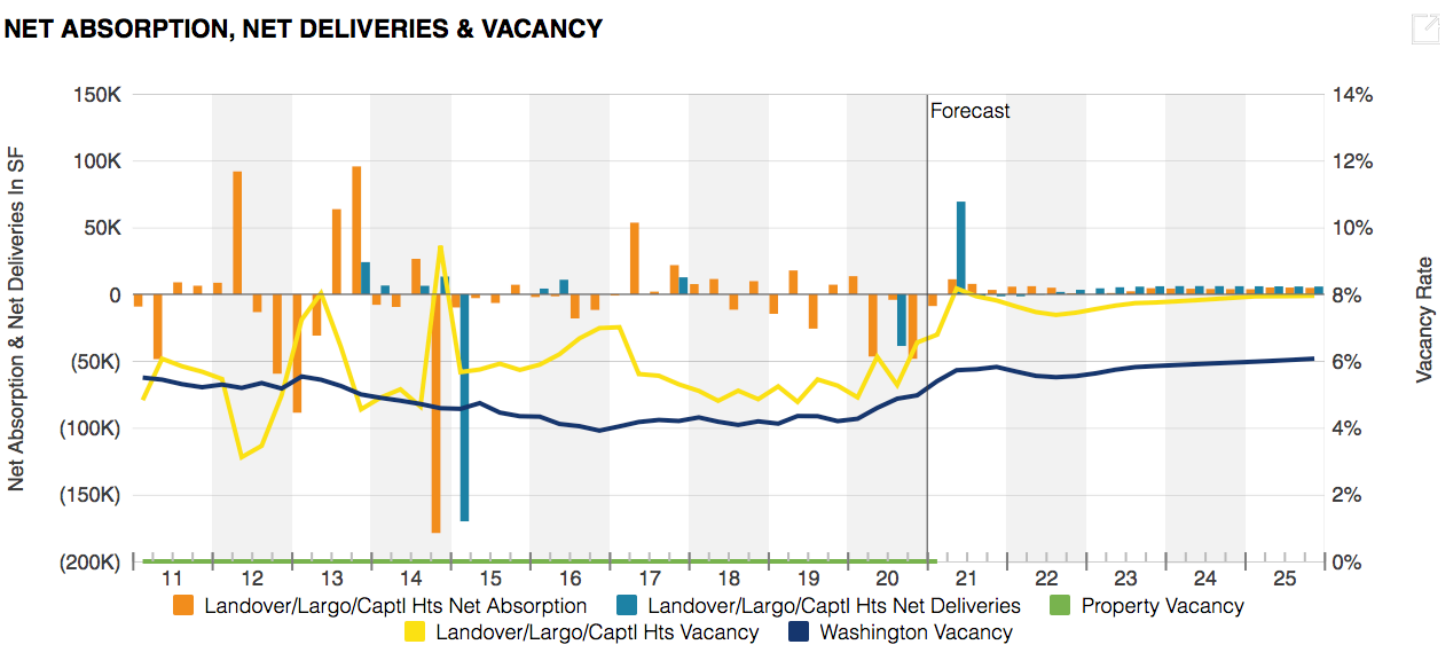
My project is compatible with the Master Plan in the following ways:

- Encouraging black owned businesses to open up shops.
- A city that includes space for regionally focused youth camps, job fairs, activities, and college fairs.
- Walkable, transit-oriented place that is attractive.
- Ingress and egress from the shopping center.
- LEED certified building.
- Seat Pleasant remaining affordable.
- City is attracting new anchor retail tenants.

- Blocks are growing denser with infill on vacant lots in high-quality spaces with strong street frontages.
- Growing a commercial development pipeline.
- City is home to grocery store, restaurant, clothing store.
- Preferred future land uses according to the master plan which is mixed-use.
- Envisioned typical heigh building of 3-5 stories.

Market Analysis

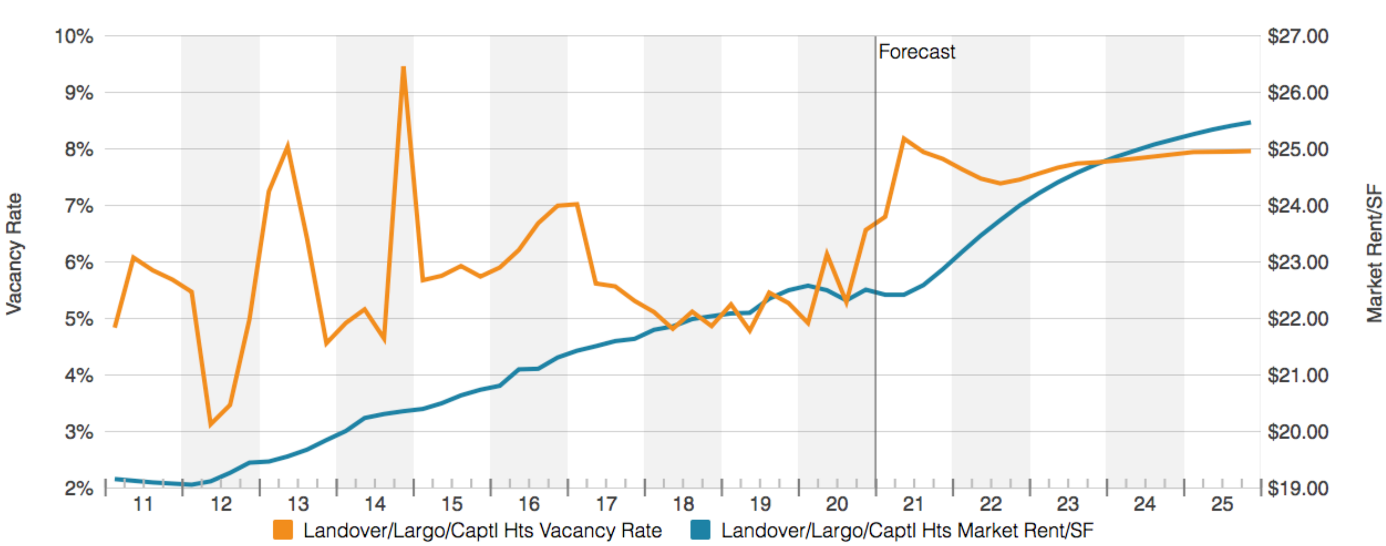
I concluded my proposed use by conducting a market analysis and analyzing the information. CoStar is projecting that within a 1-mile radius, the annual growth will only increase by a few hundred people. This is less than a 5% increase within the city of Seat Pleasant. There is not a driving demand for more housing, but some say if you build it, they will come.



The retail vacancies trended upwards this past year in the submarket of Landover/Largo/Capitol Heights. The vacancy rate is currently at 6.24% which is a little on the higher side compared to last year when the vacancy was only 4.91%. The typical range is normally between 4.57% and 6.75%. This high vacancy rate could be due to Covid-19 and businesses having to shut-down for an extended period of time. With the new vaccines out and states starting to lift some of their restrictions, I'd like to think that businesses would begin to see their traffic increasing and revenues increasing. It's projected that Landover/Largo/Capitol Heights will have an increase in net deliveries of around 60,000SF in Q2 of this year, while the net absorptions will only be around 15,000SF.

Deliveries and absorptions for the submarket are projected to stay stagnant for the next 4 years while the vacancy will plateau and stay below 0. The rent per sf has remained around the average price of $22.52 per SF and the market sale price has reached above the average price at $214 per SF. The chart below shows vacancy rates slightly decreasing in Q3 of 2022 and then increasing by 2% from 2023-2025. Market

VACANCY & MARKET RENT PER SF



rents are also projected to increase in much respect to the vacancy. I’m confident in the fact that vacancy rates will decrease as states begin to open back up. There has also been very little delivery within the past 2-3 years and there isn’t much projected growth within the next 3 years which means there is opportunity to develop a project and have it quickly absorbed. With the increase in absorption, the number of businesses will increase along with job opportunities. Currently, there are only 20 people that are employed and live in Seat Pleasant. 2,177 people live in Seat Pleasant and work else.

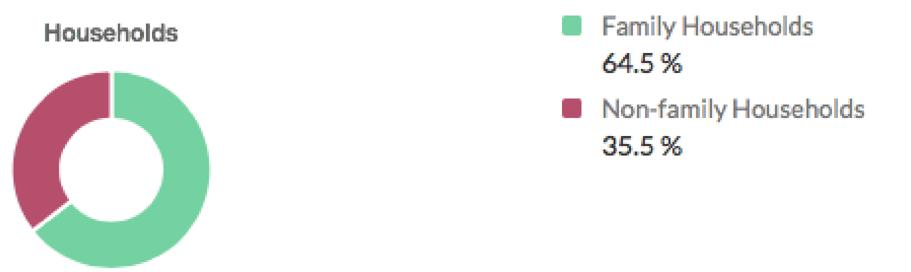
According to Costar, within a 1-mile radius 907 employees work in the education and health services industry followed by 578 employees in the trade transportation and utilities industry. Seeing as though there is only one elementary school, one high school and one urgent care within the city, I can see why majority of citizens that live in Seat Pleasant work elsewhere because the workforce isn’t available.

In a 5-mile radius, over $1B was spent on food & alcohol followed by $950M on transportation & maintenance and $600M on entertainment, hobbies & pets. Part of the reason for me wanting to bring a boutique and restaurant is to support the consumer spending and increase profit margins in other areas like apparel where it is currently lacking. With food and alcohol being the number one section in consumer spending, I think it’s a good idea to bring in a restaurant that isn’t overly price, but a place where diners can sit in, eat a meal, and leave without having to spend too much.

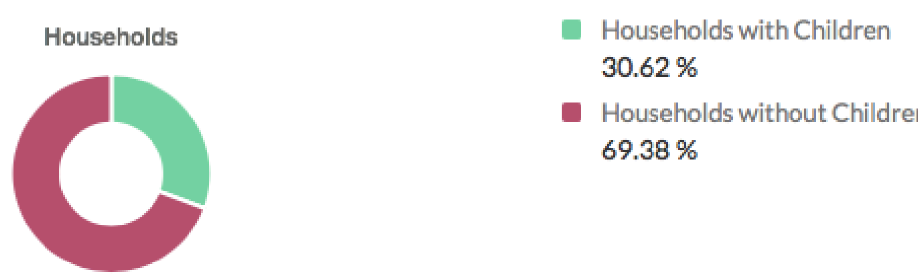
The second driver for my reasoning to do a mixed-use instead of just a shopping center is the generational demographics. Millennials account for almost 30% of the population in Seat Pleasant with baby boomers and generation z closely behind. The Generation Z will soon be moving out of their parent's home, if they haven't already, and will need somewhere affordable to live. Generation Z is still living in their parent's home as well because they are 18 and under. Having a green friendly, playground or somewhere for kids to run around and have fun is important for the success of Seat Pleasant.

Number of Households in Seat Pleasant

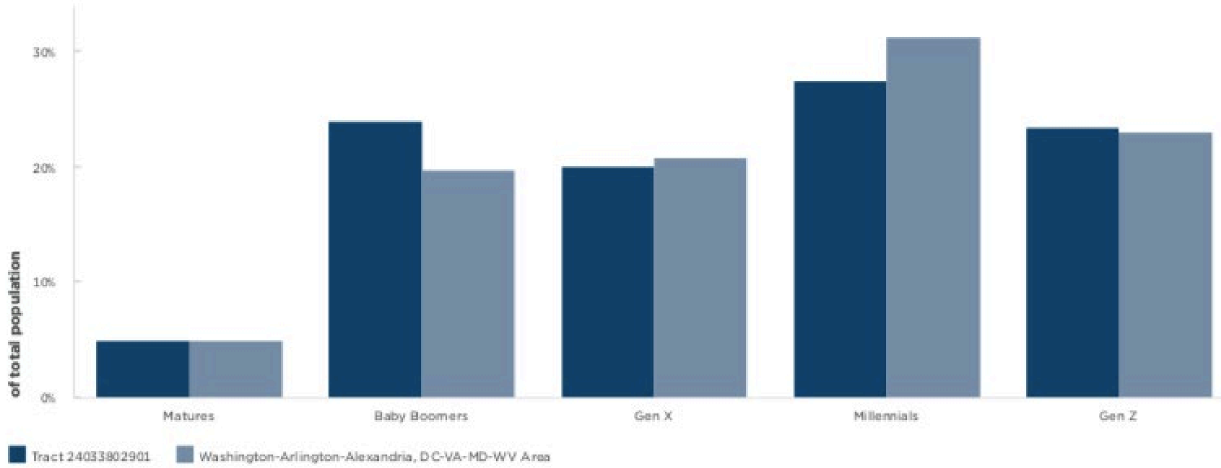
Total Households	1,842
Average People Per Household	3
Family Households	1,188
Non-family Households	654



Households with Children	564
Households without Children	1,278



Generational Demographics



Sources: US Census ACS 2015-2019 5-year Estimates; Table: B01001. The five generations are defined as matures (age 70 and over), baby boomers (age 50 through 69), generation X (age 35 through 49), millennials (age 19 through 34), and generation z (age 18 and under).

The last driving force for my uses is the make-up of the households in Seat Pleasant. According to Point 2 homes, the total number of households in Seat Pleasant is 1,842 with the average household size being 3 people and total number of family households at 1,188. Out of the family households, 564 households have children. With the unit counts, I’m targeting the Generation Z where some will be graduating from high school and possibly wanting to leave home within the next 5-10 year. I am also targeting the single individual that may work in D.C. but does not want to pay the price to live in D.C. These driving forces led me to the mixed-use apartment building with retail.

Section 3

The purpose of this analysis is to identify the potential influence of aspects of the general and operating environments on business operations. The market faces new challenges every day, especially with the coronavirus and how it affected the real estate market. The PES analysis (political, economic, and social factor) is used to evaluate these changes to help businesses be able to adapt.

Political Factors

Eugene W. Grant is the current and longest serving mayor in Seat Pleasant. The most recent election was held in September of 2020 and the new fiscal budget is currently being worked on. This recent election could possibly hinder future developments because new laws and regulations could be enacted which could work against what the developer wants. The 2020 city elections could also make an impact on future developments once new laws are put into place. The city is currently in the process of changing the zoning code so this could impact developers and their projects. The current zoning of my site is M-U-I (mixed-use infill). This zoning code is scheduled to be deleted within the next two years. CGO (Commercial, General and Office) will replace the current zoning code for this site.

According to Prince George's County council, this new zoning will provide for a "broad and diverse range of retail, business, civic, and mixed-use development at major intersections and other highly visible and accessible location." The minimum lot size will be 7,500 SF and no requirement for other uses. Maximum multifamily and other dwellings units will be capped at 48. Depending on the other complexities of the zoning code, "The Rails" may not be by-way of rights. This could my construction to start later than planned which will result in more expenses.

This information is important to my project because if new zoning were passed before the permits were issued. This could potentially cause my project to be at a standstill until I could get variances and special exceptions approved. I think it’s important have this as a last case scenario and plan for it with my sensitivity analysis.

Economic Factors

The current interest rates are averaging from 2.9% to 18% depending on the credit and the type of loan. Opportunity 360 helps to improve people’s lives by offering them a 360-degree view of a neighborhood while drawing data and statistical information to help decision-makers in a community make and create a better environment. According to the Opportunity 360 Unemployment report, the city of Seat Pleasant has an unemployment rate of 14.2% as of December 2020.

This is compared to Washington, D.C. with an unemployment rate at 4.7% as of December 2020 cited by Opportunity 360. The unemployment rate is projected to decline starting in 2022 which is positive because more people will be going back to work once the vaccines are disbursed and the economy starts to open back up. The coronavirus has affected the real estate world because many, if not all, stores were forced to close for months due to the spread. This began to affect many developments that were currently being built and future developments to come. Retail spaces began to close permanently, and owners were forced to either sell or find a new use for their space.

It is important as a developer to plan for a global pandemic in the future by making sure your space can be reused if it needed to close due to force majeure. It is also important to understand how cash flow can be interrupted if this were to happen again. Owners should be concerned about reduced operating income and how tenants could possibly struggle to make their lease payments. Concessions and abatements are factors that draw potential clients and residence in, but now the question is how much and for whom they apply to.

Social Factors

As previously stated in the market analysis, millennials, generation z and baby boomers make up about 65% of the demographics in Seat Pleasant. African Americans account for 85% of the race in Seat Pleasant. Opportunity 360 Educational report shows that 84.2% of the Seat Pleasant citizens have a high school diploma or higher and 45.9% have some college degree or higher.

These numbers tell us that Seat Pleasant is thriving well with education because education and health care are the 2nd and 3rd most popular employment types in Seat Pleasant. Both occupations require more than a high school diploma to be certified in that profession. Although the educational profession and health care workers don’t have the highest paid salary, they are stable jobs which means income is constantly coming in, bills are getting paid, and money is being spent. With Seat Pleasant thriving in education, this could draw parents into this city because parents want their children in good educational systems.

Our in developing “The Rails” is to target the millennials, generation z and baby boomers. Generation Z will be moving out of the parents’ home within the next 5-10 years. This is the reason for developing a large quantity of 1-bedroom units and studios. 2-bedroom units are catered to the baby boomers and millennials. Millennials are looking to have children and get married within the next 5-10 years. Baby boomers may still have a younger child who may be looking to move out when they turn 18. The retail also provides employment opportunities for the millennials and generation z.

Sustainability

There are different strategies that are used for commercial buildings that range from energy-saving to environmental issues such as water use and selecting the right materials. For the retail, I plan on starting with appliances, lighting, and equipment that will help me save energy. I will use energy-saving lightbulbs like CLF and LED. These options will increase my materials, but in the end, they will save monthly expenses. A 60W traditional incandescent lightbulb has an annual energy cost of $4.80 and a bulb life of 1000 hours. A 12W LED lightbulb has an annual cost of $1.00 with a bulb life of 25,000 hour.

Comparisons between Traditional Incandescents, Halogen Incandescents, CFLs, and LEDs						
	60W Traditional Incandescent	43W Energy-Saving Incandescent	15W CFL		12W LED	
			60W Traditional	43W Halogen	60W Traditional	43W Halogen
Energy $ Saved (%)	–	~25%	~75%	~65%	~75%-80%	~72%
Annual Energy Cost*	$4.80	$3.50	$1.20		$1.00	
Bulb Life	1000 hours	1000 to 3000 hours	10,000 hours		25,000 hours	

Figure 8: Source Vend HQ Blog

Each building will have building-level energy metering. The second and third building will be situated in such a way that they will work with the sun and not against it.

This makes a great impact because with the building working with the sun, this helps by increasing heat gain in the colder months and lessen it in the warmer months. In turn all other sustainability features will work more efficiently, which will reduce the buildings carbon footprint and result in lower energy bills.

Window technology has improved over the past years. High-performance vinyl windows are available at reasonable cost and are extremely energy efficient. These windows give off the appearance of high-end but are constructed from standard residential windows that offer mandated level of performance. Insultation also plays a big role with the windows. Insultation is important because it stops the movement of air and helps to keep interior temperatures at desired levels. A high-level infiltrated system is crucial now due to covid and making sure clean air is being circulated.

There are other smaller changes I can make such as using less paper for receipts and having the option of paperless receipts. Making sure waste is properly disposed by having recycle bins in each retailer and reusing items that can be used or donated elsewhere. There will also be pockets of small green spaces throughout the development and a green roof on apartment. Roof-top planting lowers greenhouse gas emissions by absorbing carbon dioxide and help stormwater run-off.

To help with rainwater collection, I will plant several trees around the property to collect the rain which will help reduce flood risk. Water-saver toilets will also help with reducing the amount of water used when flushing. Insulted materials such as fiberglass will help with keeping the cold air out and the heat in. Making sure as much natural sunlight as possible enters through the windows and warms up the building on cold days is important for reducing the amount of heat pumped out during the winter. With ventilation being a factor now with covid, it is important to have a proper filtration system in the air ducts to ensure healthy and clean air is being circulated.

The ground will be permeable pavers to allow water to infiltrate the pavement and drain into the ground. Permeable pavers are a little more expensive than regular pavers, but they don’t demand a separate drainage system. Water descalers will be used to reduce the effects of hard water. This is fairly new technology that is aimed to replace salt-based water softeners to eliminate the problem of hard water in residential and commercial buildings. These descalers are eco-friendly and affordable.

The material used for foundation of the site will be concrete because concrete is sustainable building material that provides energy efficiency, long-life cycle, lower life cycle and resilience. It is well protected from fire and other natural man-made disasters that could occur. The ground floor will consist of glass materials for buildings 1 and 3, while floors 2-4 will be built with brick. Brick is beautiful to look at, has excellent sustainability, and the price is affordable. There have been talks about a new type of brick called “smart brick.” Smart brick is said to be energy-generating, turning ordinary buildings into efficient, living machines. Smart brick is designed to self-adapt to changing environmental conditions.

These bricks monitor and modify air in buildings and recognize occupants. The brick is being developed by teams in the West of England. These bricks are still in the design phase but could pan out to be resourceful and useful in the coming years if they have been tested by the time materials are ordered. Building 2 will have glass on the ground floor with brick and vinyl siding on floors 2-4. Vinyl siding has a significant lower impact on global warming than most other exterior products. Vinyl siding can be recycled because it is made from PVC (polyvinyl chloride). It can be easily re-melted and formed into new products. Vinyl siding can last between 20-40 years. With all of our sustainable materials and ideas, we are aiming for Gold Level LEED Certification.

Design, Social and Public Use

The design of my project will have the 4 retail buildings spaced out to provide green space in between each building with the apartment stacked on top and underground parking. Digging into the ground is costly, but those funds can be made back by charging for parking and have reserved parking spots and freeing up parking spaces provides more land to build on so I can maximize as much square footage as possible. After consulting with the architect, there can be a total of 120 surface level parking spaces with 120 underground parking spaces. An estimation of the parking will cost around $690,000. This site will consist of 3, 40 ft. tall buildings with ground floor retail. The total square footage at 350,843 due to the FAR of 2.45.

The sidewalks will 10 ft. wide, walkable all the way around, with a bridge that will hide the entrance to the underground parking and bridge the gap from the residential homes and the new development. The public will be able to enjoy and benefit from the open green spaces which will not only house a playground for apartment residence, but the public will be able to utilize it as well. There will a place for parents to sit and drink their smoothies will their kids play. Instead of a chain store restaurant, that space will be used to create a mini “Union Market” and allow vendors to have a spot they can rent on a monthly basis to sell their food. This market will also be open to those who have grown their own produce and want to sell it.

With all the open space for public use, the community will be able to enjoy it and start to experience their city the way they want. The site can be entered on 65th Street and will be exited on 69th Place. We are suggesting that a traffic light be added at MLK Jr. Highway and 69th Place to alleviate any backup and congestion from guest or residence exiting the development. The entrance to the onsite parking will be off of 65th Street to keep drivers from having to crossover and make left hand turns.

“The Rails” is intended to be a walkable site so guest will have to park and walk to their stores. Residence living in the apartments will park in the underground reserved parking spots and enter their building through a separate elevator that has access to the apartments only. The development sits at a great location, right off MLK Jr. Hwy. It is accessible as far as transportation is concerned. There is a bus route located directly in front of the site and we plan on having a ride share area located next to 69th Place.

“The Rails” is an ideal site because residents can live, eat, and play without having to get into their car and drive. Residents can enjoy their homes and get the experience of living in downtown D.C. without having to pay the price and being bothered by the noise. Guest and visitors can also have an enjoyable experience with the walkable site. The surrounding community also can enjoy the amenities of “The Rails” by simply walking across the bonding bridge that joins the single-family home community and “The Rails” development.

Building two and three (closest to 69th Place) will be built at an angle to provide maximum sunlight and to reduce the amount of energy used throughout the day. Building two and three also have a bridge on each floor which will conjoin both buildings together and will be made of glass to look aesthetically pleasing to those looking from the outside. The retail will be made of all glass as well with buildings 1 and 3 built with brick and the middle building using brick and side paneling.

Section 4

This section will cover the regulatory, zoning, and public approval process. The current zoning for this site is M-U-I which is mixed use infill. With this current zoning and the use proposed for my site, I have a by-right development. Special permits, variances and zoning amendments are not required. The zoning code refers to mixed-use infill under the C-S-C zoning code as well. Under this code, a CVS, market space and food establishments are allowed. There was a special exception in 1955 for permission to have a 50-ft high sign tower over the building. This special exception was granted and would have to applied for again to have the sign tower for the new development. However, the drive-thru for CVS may be a concern as there was not a drive-thru there before.

The entitlement process would be as follows:

- Application form
- Preliminary Plan
- Site Plan Review
- Planning Commission Review
- Transportation guidelines pre-submittal checklist
- Final Plat of Subdivision application
- Process for Ownership Lots
- Bicycle Pedestrian Impact Statements
- Special Exception

The public approval process began with the charrette that was held at the beginning of semester with the citizens of Seat Pleasant and public officials. During the charrette, the citizens had to opportunity to voice what they currently like about Seat Pleasant, what they would change, and what they would like to see in the future. The next set for the public approval would be to hold a town meeting with our proposal and site plan and get feedback. This is helpful because the development would not come as a surprise and if something that is proposed was completely rejected by the community, KJ Development could potentially go back and make some edits as long as it didn't affect the overall cost and add extra time.

We would also have to get the mailing address of the community and send out notices of the development for those that could not or didn't attend the town meeting. We would especially have to reach out to the community of the single-family homes to make them aware of the construction and noise that would be occurring soon. We would ensure them that construction would only happen during normal business hours and that we would not want to disturb them in any way. Proper construction fences and signs would have to be posted around the construction site as a safety precaution.

It is also important that the Maryland Department of Transportation State Highway Administration (MDOT SHA) is contacted regarding the speed limit on the MLK Jr. Hwy (MD 704) to have the speed limit reduced. MD 704 is currently a part of the future corridors under construction. MDOT SHA is planning to install continental crosswalks and speed limit reductions from 40 to 30 mph. We are planning for our sites to be walkable as well as pedestrian and biker friendly so it is of the most importance to have the speed limit reduced to ensure the safety of our guest who will be visiting the site. We will also be suggested that a traffic light be added at 69^{th} place and MD 704 to elevate the traffic and congestion from the leaving the development. Right hand turns on red will be an option, but because the traffic counts on MD 704 are in the 18,000's, we wouldn't want to have our guest waiting 5-10 minutes to exit off 69^{th} place.

We would also suggest have the median on MD 704 opened to allow guest to make a left turn onto MD 704 instead of having to go to the next traffic light and making a U-Turn on the narrow road. This new traffic pattern would also help for our ride share area on the site where the bus or cars can pull over to the side instead of stopping directly in the lane and holding up traffic. Lastly, bicycle lanes should be added to make way for the bicyclist because our development will house a bicycle storage.

Section 5

This section will cover the construction materials and cost, parking, and schedule for the proposed development, “The Rails.” The total cost calculated for this project is estimated to cost $31,533,783.

Construction Cost

Material	SF	Price	Total
Foundation/Framing	150544	$ 6	$ 903,264
Brick	150544	$ 7,000.00	$ 1,053,808
Vinyl Siding	150544	$ 4	$ 526,904
Building Excavation	0	$ 4,000.00	$ 4,000.00
Roofing	150544	$ 6,000.00	$ 531,332
Mechanical and Electrical			
Underground Parking (parking spaces)	197	34,000.00	$ 6,698,000
Light Fixture (per fixture)	500	$ 370.00	$ 185,000
AC Installations	150544	$ 4,000.00	$ 402,176
Surface Level Parking	100	$ 5,000.00	$ 500,000
Tiles	100544	$ 11	$ 1,686,093
Carpet	150544	$ 5	$ 752,70
Painting	150544	$ 1	$ 142,671
Fixtures/Appliances	150544	$ 12	$ 2,501,075
Landscaping/Design	1	$ 4,000	$ 4,000

Plumbing	150544	$	5	$	1,080,845
Glass	150544	$	6	$	903,264
Elevators	8	$	40,000	$	320,000
Total				$	21,028,034

Prices are subject to change, but this is an early estimate. The goal with choosing our construction materials was to remain cost effective while also being sustainable. Concrete will be used as the foundation because it is sustainable and cost effective. Vinyl siding with brick are the materials of chose for the exterior of the buildings for floor 2-4. After further research, we found that both materials are affordable and sustainable, especially the brick lasting for 40+ years. Glass will be used on the ground floor and on the connecting bridges on each residential floor. While with the architecture, he was able to incorporate 140 surface level parking spots for residences and guest for the retail which will reduce the amount of underground parking spaces needed to meet the parking requirements of 297 parking spots. Asphalt will be used for the surface level parking. Permeable pavers will be the material used as the ground tiles to help with water movement throughout the site.

The decision to incorporate underground parking was due to wanting to increase the amount of space used for retail and residential. To ensure there is enough parking for the residences, we wanted to keep the required parking at 297 spots. Underground parking is becoming an ideal way for cities to make a better use of public real estate. When you remove surfacing parking, it creates a better experience for pedestrians.

Eliminating majority above ground parking, creates more space for commercial purposes which in turn generates more jobs, retail activity and annual tax revenue.

Sheeting may be required to hold the soil back during the excavation process. Soldier beams and lagging will be placed around the site once the construction is done for the underground parking. Most work done underground will be dug close to the street line. This could lead to the street eventually collapsing. To prevent that, tiebacks can be used to support the wall by applying pressure the opposite way. The metro doesn't run below out site so tiebacks will not be an issue.

The paint used for the interior building will be eco-friendly paint from BioShield. BioShield paint is solvent-free, created from natural and easily renewable resources. The carpets will be environmentally friendly, while also being durable. Organic carpet is ideal and costly, but it will be durable overtime. We originally wanted to build the project as a single phase in order to get a discount on material by buying in bulk, but we have been leaning more toward two phases. Building in two separate phases will give the property time to stabilize and generate income to help pay off some of the construction cost.

We would complete this project in 1 phase. Not only will the retail be able to stabilize, but the public spaces will also be ready and available to the public to help generate extra income. Delaying the apartments will also delay the income from the residents that will pay for parking. We can recoup some of that loss by opening the parking up for long term use. “The Rails” is approximately 5 minutes from the Addison/Seat Pleasant metro station. Guest can park their car, use our ride share pickup and drop off spot to catch an uber to the metro and go to their destination. Site furnishes will be added towards the end of construction which includes paints, trees, benches, and the playground. If any soil needs to be removed from the site, we will reuse it to plant the trees and plants.

We have projected the total time for delivery of the site to be 21 months. The planning and entitlement stage will begin in August of 2021 and last for 1 year ending in August of 2022. Construction will begin in September of 2022 and be finished around September-October of 2024. We will be hiring a General Contractor starting with the bidding process around December 2021. Pre-construction will begin once the General Contractor is hired. It will be up to the General Contractor to hire sub-contractors and figure out their payment method. Below is a schedule indicating the approximate number of days each activity will take.

Activity	Duration (Days)
Planning	15
Demolition	20
Excavation	10

Underground Parking	20
Foundation/Framing	40
Surface Level Parking	10
Roofing	45
Plumbing	30
Windows	25
HVAC	30
Mechanical and Electrical	25
Insulation	20
Drywall	25
Flooring	60
Landscaping/Design	20

Fixtures/Appliances	65
Glass	35
Final Inspection	3
Cleaning	30
Final Completion	30
Total Number of Days	**558**

It would be ideal to have all utilities underground to help add to the overall appearance of the development, but we are already investing over $2 million on the parking. Adding utilities underground will require us to have to excavate more than we would have to for the parking. We understand that underground parking is expensive and is putting a huge dent in our construction cost, but we strongly believe that in time this will pay off.

Section 6

This section will cover our marketing plan along with our proposal for management. Referring to the market analysis, we are targeting a wide range of ages with a different mixed income. Not only are we hoping to attract those that already live in Seat Pleasant, but more importantly, those that work in D.C. and commute from a farther distance because they do not or cannot afford to live and pay D.C. prices. Our goal for “The Rails” is to give an experience that you are living in a city with the high-end apartment finishes, but with prices that are affordable. Our site is less than 2 miles from the nearest metro station, Addison/Seat Pleasant Metro, and with the ride share drop-off/pick-up area, we can give our residents the ability to catch an uber directly from their home and catch the metro to go to work.

We also decided to include ground floor retail because there is a lack of retail in Seat Pleasant. Most people have to travel outside of Seat Pleasant to D.C. or Bowie in order to go shopping or even to get groceries. We have budgeted to hire a marketing team to take care of all advertising and our marketing campaign. While we plan on hiring a team, we have a few ideas that we would like to give our team on how we’d like to see our property advertised.

1. **Social Media**

   Social Media is the easiest and sometimes the cheapest route to free advertising. Instagram and Facebook accounts are created daily to advertise new projects and businesses. Due to current covid restrictions, we can make videos of our different apartment units, showing them to our viewers, which eliminates traffic in and out of the show rooms and avoid contactless ways to show an apartment.

We can also advertise any concessions that we have running for that month. Twitter can be used to create catchy hashtags such as #crossingattherails or #therails and have people mention our name. Prizes can be given away for potential residents that sign a lease with us. Our postings will be listed on apartments.com but to spice that up, trendy and catchy videos can be made with the property management team as a clever way to attract tenants.

Creating a website showcasing the retail and apartments would be beneficial as well. Our marketing team could monitor the site to see how much traffic we get. Information on the both the retail and apartments would be accessible as soon as you click the hyperlink. A professional real estate photographer would be hired to take pictures of the site, surrounding area and inside each unit. People depend on pictures when looking for apartments and even retail to see how the inside of building looks. Making sure that our name pops up when searched on Google is important as well. Claiming a Google local listing will ensure that our name generates when searched.

2. Offline Marketing Ideas

Social distanced local events can be held to promote “The Rails.” Once the retail is established, we can use that to push reasons why our apartments should be chosen over others. Besides concessions, we can start a tenant referral program. I’ve seen this work firsthand, and it incentives tenants to refer their friends and families. A marketing campaign can be created around “The Rails” and our company logo.

Our catch phrase is “The Rails, crossing into a new destination.” Seat Pleasant use to be home to 2 railroads back when it was first incorporated. We want to pay homage to the history of the city, so we decided to name our project “The Rails” and incorporate a railroad theme throughout the site, especially in the apartments. Our marketing team can take this idea and create merchandise that we can give away to residents when they first move in. This merchandise can also be given out at any events we host or participate in.

Lastly, we will geotargeting marketing which is a type of advertising that uses location data to reach different consumers with messaging that coincides with their locality and behavior. This will help us reach an enormous audience just by users having a cell phone. According to *Ground Truth,* 81% of people in the U.S. on a smartphone and out of that, 94% are made up of millennials who spend more time using that device than they do watching tv. Research from MarTech Series revealed that 83% of marketers found that their campaigns were more successful when they used location data.

Management

In our budget, we also allocated money to hire a property management team to take over the leasing process. During the pre-leasing phase, we will have both the marketing team and property management company working on advertising the property to ensure we can get fully leased within a year. The pre-leasing phase will start a year before construction is set to be complete. We will rely solely on the property management company to take over advertising at that point.

Hiring this management company will allow us to focus on things and not just trying to get full leased. We also are not experienced in managing properties so it would be beneficial to pay a staff. There are several other reasons why hiring a management company is beneficial:

1. They can help with filling vacancies.
2. Watching the market and setting the right rental rates.
3. Managing relationships with vendors.

We will go through a rigorous vetting process, asking different companies a variety of questions to ensure they can manage the property.

Lastly, we will hire a commercial rea estate broker to help with leasing the retail. We have an idea of what tenants we would like to attract and advertise our spot to but having a broker will make this process a little bit smoother. A broker will be able to negotiate on our behalf and make best deal. They will represent our best interest while maintaining a level of professionalism and making sure they meet their goal. They will draft the Letter of Intent and Request for Proposals. Hopefully, we'll have multiple businesses wanting to rent out our space and be able to competitively bid to get the best deal.

Section 7

The final section of this report will focus on the financial analysis and project financial. The total cost of this development will total $31,533,783. The cost of the project per SF is $204.44 The uses for this project are:

- Hard Cost $21,238,034
- Soft Cost $4,007,926
- Developers Fee $1,061,902
- Interest $799,102
- Land Acquisition $4,426,820

The list of sources is allocated to the following:

- Construction Loan $20,776,645
- Mezzanine Debt $6,146,936
- Equity $4,610,202

Our revenue will be generated from our 3 different sectors: retail, residential and open public space. The unit mix will consist of 25 studio, 41 1-bedroom, 37 2-bedroom, 27 3-bedroom. The average rents are $1.61, and the rents are listed below:

	# of Units	% of Units	Average NRSF	Rent Per SF	Rent per unit
Studio	25	19%	600	$ 2.08	$ 1,250.00
1 BR	41	32%	800	$ 1.81	$ 1,450.00
2 BR	37	28%	1200	$ 1.50	$ 1,800.00
3 BR	27	21%	1600	$ 1.36	$ 2,175.00
Total	130	100%	1050		
Building Average				$ 1.60	

The first-year apartment rental income will total **$3,050,480** in year one and max out at **$3,301,937** in year 5 when we plan to sell. Rents will have an annual increase of 3% each year. The retail and public space rents average $22.31 and have a potential rental income of **$601,750** in year and **$677,274** in year 5. The rent will also have a 3% increase each year. The rental income from the retail is contingent upon the tenant and the lease agreement that is negotiated upon. The net operating income in year 1 is calculated to be **$3,250,082** The complete chart can be seen below.

	Year 0 (Initial Equity Investment)	Year 1 (January 1 2025)	Year 2 (January 1 2026)	Year 3 (January 1 2027)	Year 4 (January 1 2028)	Year 5 (January 1 2029)
Equity Invested	$ (768,367.03)	$ (768,367.03)	$ (768,367.03)	$ (768,367.03)	$ (768,367.03)	$ (768,367.03)
Total EGI		$ 4,156,582	$ 4,327,388	$ 4,408,491	$ 4,491,448	$ 4,576,303
OpEx		$ 906,500	$ 925,610	$ 945,147	$ 965,121	$ 985,543
Net Operating Income		**$ 3,250,082**	**$ 3,401,778**	**$ 3,463,343**	**$ 3,526,326**	**$ 3,590,760**
Debt Service	$ (799,101.72)	$ (2,100,776.07)	$ (2,100,776.07)	$ (2,100,776.07)	$ (2,100,776.07)	$ (2,100,776.07)

With our debt service calculated at 1.55 in year 1, we can afford to pay a monthly mortgage of $2,100,776. After making our monthly payment, we will have a net cash flow of $1,149,306 for year 1 and $1,489,984 year 5. We have a yield of 4% in year 1. Our yield lets us know, that our investors can expect to recover higher amounts of cashflows in their investment as a higher value is often an indicator of lower risk.

We will be taking out a construction loan through a local bank for financing. With a LTC value of %65, we will take out a loan for $20,776,644. With a 4% interest rate for construction loans and loan term for 10 years, we will have interest calculated to be $799,101 which will be paid prior to the construction loan moving to permanent. The monthly payments have been calculated to $2,100,776 giving us a DSCR of 1.55 in year 1 and 1.71 in year 5. The remaining principal balance in year 5 will be $,14,825,191. If we decided to hold the property in year 10, we would have one balloon payment of $8,972,929. With our mezzanine debt, our monthly payment would be $75,873.

The internal rate of return is projected to be at 13%, giving us an indicator that our property will generate positive returns throughout the 5 years that we are holding the property. The return on investment is projected to be 15%, also indicating that the return on our investment is high compared to the initial cost the investors would contribute. The success of project is contributed to the fact that we will be advertising all units at market rate. There was a moment when we wanted to incorporate affordable housing, but there is an abundance of affordable housing at it just would not be feasible for our project, in my opinion.

Exit Strategy

Sale of Property	$ 56,256,619		
Sales Cost	4.00%		
Total:	**$ 2,250,265**		
Sale Proceeds	$ 54,006,354		
Outstanding Mortgage	$ 21,368,892		
Pre-Tax Profit on Sales	**$ 32,637,462**		
Sponsor 1	**$ 29,373,716**	**90%**	
Sponsor 2	**$ 3,263,746**	**10%**	

We decided to sell the property in year 5 because we want to free up some of our money to invest in other projects. With this being our first mixed-use development in our portfolio, we wanted to hold it long enough so the project could generate revenue but not too long that we would have to start paying for capital expenditures. The NOI in year 6 is projected to be $3,656,680. With a going out cap rate at 6.50%, the value of our property would be $56,256,619. With our sales cost of 4% our sale proceeds would total $54,006,354. We could pay off the remaining loan balance of $21,368,892, leaving us with $32,637,462 to be divided amongst our two sponsors with either a 90/10 split or 80/20 split. The margin equity multiple will be at 1.46% at year 5, so our investors can expect a positive cash return from investing in “The Rails.” Our cash on cash is projected to be 25%.

Sensitivity Analysis		
Year 6 NOI		$3,656,680
Cap Rate	*Going Out Value*	*Profit on Sales*
6.50%	$56,256,619	$32,637,462
7.00%	$52,238,289	$28,779,865
8.50%	$43,019,767	$19,930,085

Potential Retail Tenants

There are currently 4 retail spaces that we will be looking to fill. We have dedicated the two largest spaces to a pharmacy and marketplace. Our goal is to have CVS stay since they have been there the longest and because it would be cheaper to not have to pay them to buy their land, but we open to any pharmacy that would like to lease the space. The marketplace is a venue for 4-5 small local restaurants to setup a temporary shop and sell their food. Each vendor would pay to rent their space and pay for operating expenses. By having this market option, we are giving the community a variety of different food experiences rather than just having one restaurant that may or may not cater to different tastebuds.

We would like to see the last two spots filled with either a Smoothie King, Tropical Smoothie Café, Juicing shop and a local boutique owner looking to receive funding from the city and/or state and sell their clothing items. The Smoothie/Juice shop will cater to those who are seeking healthier eating options and those who may be jogging or walking home and want to stop after dinner to get a quick dessert. The last space for rent is a public space. The purpose of this space is for the community to rent it out to host events, fairs, etc. We are not expecting for this space to generate rent all 12 months each year, so we have projected 6 months out of 12 that this space will be rented.

To close, Seat Pleasant is a city with great potential. Our proposed site complements the 2018 Master Plan and touches on the wants and needs of the community. We are confident that we can attract those coming into the DC area for jobs while also serving the immediate community. Furthermore, our project shows a promising return for any investor.

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Appendix H

THE PLAZA AT 5922

CAPSTONE PROJECT REPORT

UNIVERSITY OF MARYLAND

COLVIN INSTITUTE OF REAL ESTATE DEVELOPMENT

RDEV 690 CAPSTONE PROJECT: REAL PROPERTY FEASIBILITY STUDY

SIYUE HUANG

MAY 18th, 2021

The Plaza at 5922

Introduction

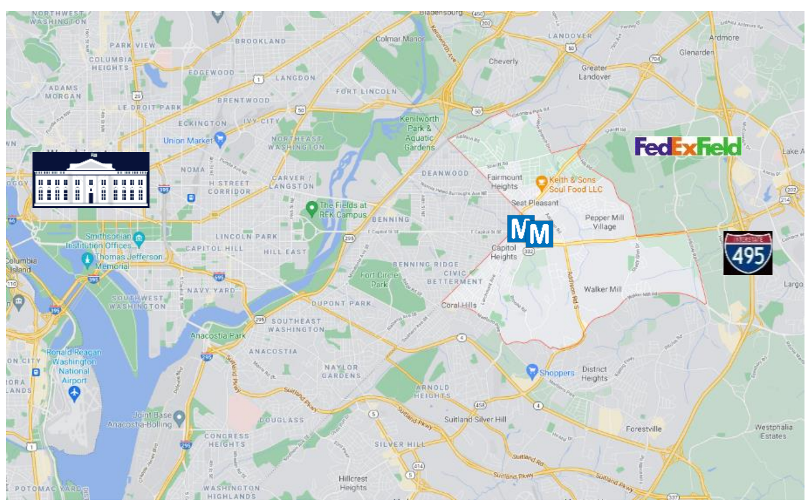
The Plaza at 5922 is a grocery anchored mixed-use development which includes 159 residential units, 41,000 square feet of commercial office and retail, and 277 total parking spaces, adjacent to the east corner of Washington, D.C. The project will provide both traditional long-term leasing and flexible short-term leasing options to accommodate the flexible working and living style with top class living conditions in the region. The development will bring the high-quality living and accessible grocer to an undersupplied suburban market.

Overlooking the Plaza at 5922, this development will be the pioneer to redevelop the City of Seat Pleasant, a diamond in the rough.

General Context

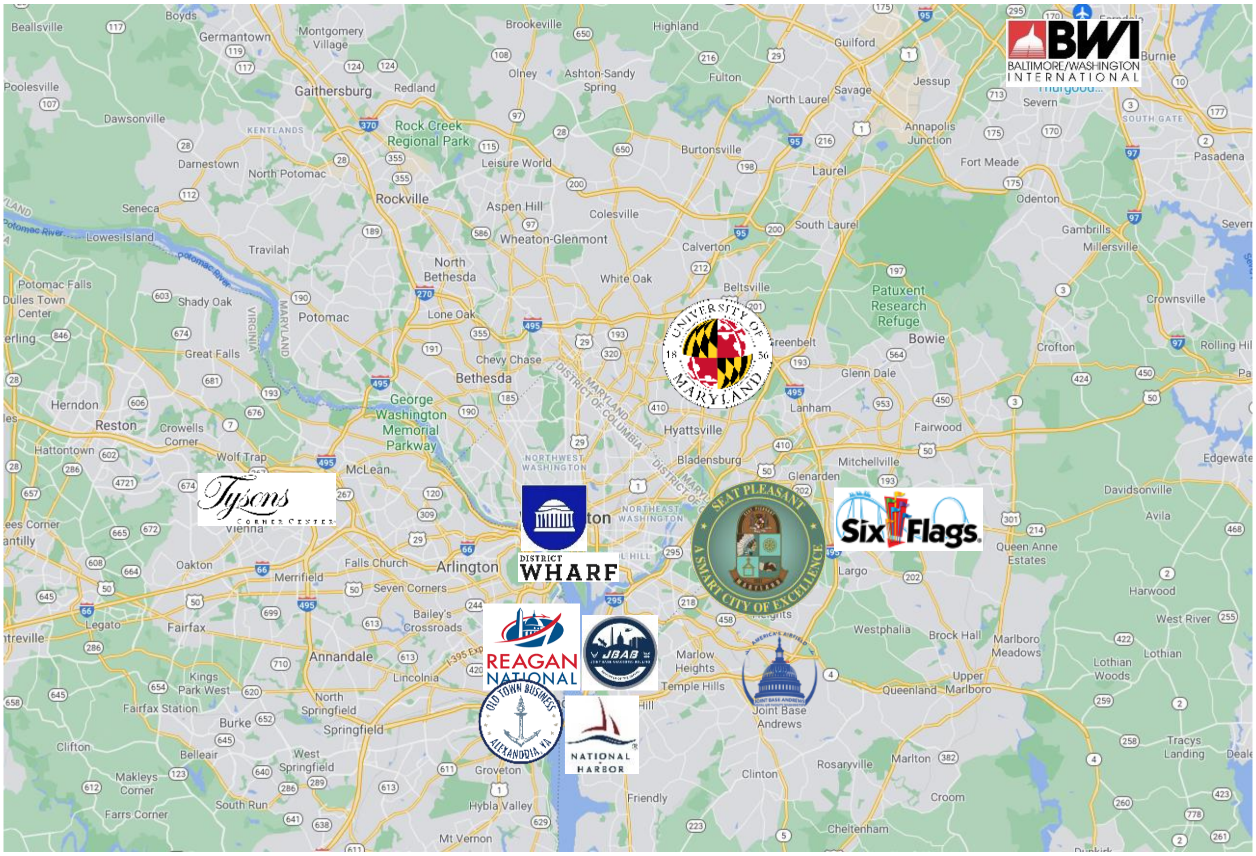
Picture 1: Site Map

The site for the project is located on 5922 Martin Luther King Jr. HWY, Seat Pleasant, MD. The site occupies the entire block with an approximately 3.39 acres. The City of Seat Pleasant is an incorporated city in Prince George's County, Maryland. In 2018, the city has a population of 4,739. The city located immediately east of Washington, D.C. It is included in the Washington-Arlington-Alexandria, DC-VA-MD-WV metropolitan statistical area.



Picture 2: Seat Pleasant, Accessibility

Two state highways pass through the community, one is the Martin Luther King Jr. HWY and the other is the Central Avenue. The Washington Metro's Blue and Silver Lines cross the city. The site is very accessible. There are two metro stations, Capitol Heights Metro Station and Addison Road Metro Station, within 1-mile from the site. It is 3.6 miles from Interstate 495 and 9 miles from Downtown Washington D.C.



Picture 3: Surrounding Destinations

The site is accessible to multiple destinations. It takes 10 mins to the FedEx Field; 17 mins to the Six Flags America or the National Mall; 20 mins to National Harbor or Joint Base Anacostia-Bolling; 22 mins to the Wharf or Regional Reagan Airport; 24 mins to the University of Maryland or Joint Base Andrews; 26 mins to the Old Town Alexandria; 32 mins to Baltimore International Airport.

The site is surrounded by low-density single-family houses. There is no major retails, dine-in restaurants, entertainment amenities, nor proper public or private gathering spaces. There is no industrial properties within the boundary of the city. However, there is a major industrial center with approximately 500 acres of land at the Northeast side of the city.

Economic Development

The City of Seat Pleasant has addressed a lot of opportunities and benefits to attract investment. For example, the City of Seat Pleasant was marked as an Opportunity Zone by the United States Treasury Department and the Governor of Maryland in June 2018.

The Opportunity Zone entitles investors with high, unrealized capital gains to cash in the appreciation of their gains while deferring the taxes on the gains if they redirect these gains into properties located in areas approved as Opportunity Zones. An $100,000 investment of the proceeds from a realized capital gain from the sale of stock or any other qualified financial asset into a Qualified Opportunity Fund to purchase or renovated Opportunity Zones Property located in the City of Seat Pleasant for 10 years with a 15% annual rate of return, will generate $189,228 more cash than paying the capital gain tax and investing the remainder at 15% into a traditional investment.

Picture 4: Opportunity Zone

On the local level, there are Business personal property tax credit, if any new or existing business investing in new plants and equipment in the city may claim the tax credit over a 10-year period to an 80% reduction in their taxes on these investment; real estate tax credit for new construction; general income tax credit for hiring new employees; the economic development revolving loan fund, known as ED-RLF, to assist with business financial needs that will create and retain employment opportunities in the city.

Demographic Analysis

Seat Pleasant, MD	
Population	**4,739**
Annual Population Growth	0.47%
Household	
Household Number	1,723
Median Household Income	$55,370
Annual MHI Growth Rate	4.45%
Poverty Rate	17%
Employment	
Employment in 2018	2,222
Employment annual growth	8.06%
**Average commute time	36 mins

Table 1: Seat Pleasant Demographic

The total population in the City of Seat Pleasant is about 4,739. The annual population growth rate is at 0.47%. The majority of the population are Black or African American with 85% of the entire population. The median age is at 39.1. The median household income is $55,370 with a poverty rate at 17%. The number of employees is 2,222, with an 8.08% annual growth rate. The homeownership rate in the city is 65%. Most people in Seat Pleasant commute by drove alone with average commute time of 36 minutes.

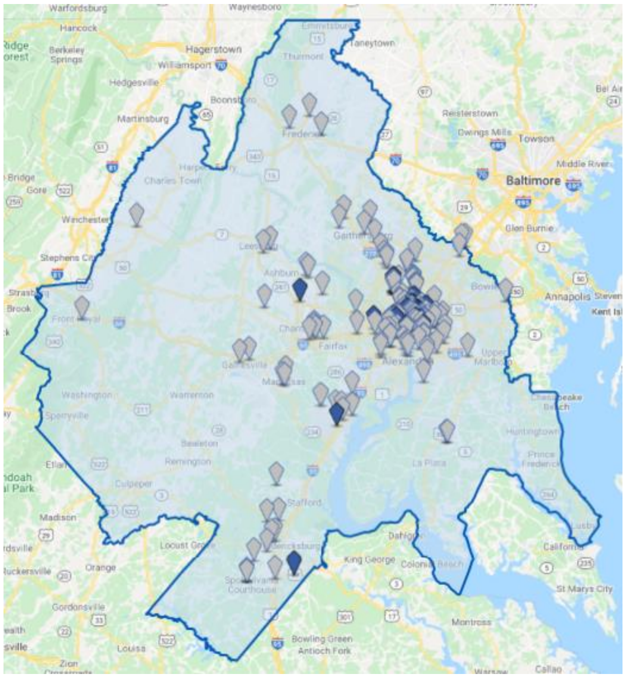
Seat Pleasant is a relatively small city. The project should include Washington DC Metro Area as its market. The population for Washington D.C. in 2019 is 6,280,697 with an annual population growth rate of 0.47%. There are 2,251,002 households, with a median household income of $105,659. The average number of household members is 2.67. The number of employees in 2019 is 3,574,751 with an annual growth rate of 0.62%.

Washington DC Metro Area		
Population	**6,280,697**	**10-year Growth Rate
Annual Population Growth	0.47%	
Household		Household with Children Under 18
Household Number	2,251,002	Average Household Members
Median Household Income	$105,659	
Annual MHI Growth Rate	3.4%	
Poverty Rate	7.41%	
Employment		**Unemployed Rate in June 2020
Employment in 2019	3,574,751	**Unemployed Rate in December 2020
Employment annual growth	0.62%	

Table 2: DC Metro Area Demographic

Market Analysis

Residential Multi-family Market Potential



Picture 5: Residential Market Area

The targeting market for the residential part of the project is High-end Class-A properties for working-class people and university students not only inside the City of Seat Pleasant but also potential renters in the Washington DC metropolitan area.

Based on the demographic analysis, if the project's 5-year market share is 1%, the demand population will be 1,476 or 553 units.

The current market vacancy rate for Class-A properties is at 9.6%, which has a lot to do with Covid-19 Pandemic. However, the market has an excellent absorption rate for Class-A properties. The average 5-year absorption rate is at 13.4%. Currently, there is no Class-A residential constructions in the pipeline.

Rent/Unit	**Washington DC Metro Area**
Studio	$ 1,649
1 bedroom	$ 1,902
2 bedrooms	$ 2,481
3 bedrooms	$ 3,063
Avg. Rent/Unit	$ 2,364
Avg. Rent/SF	$ 2.92
Vacancy Rate	9.6%
Absorption Rate	
12 Mo Absorption % of Inv	11.1%
3-year-Absorption Avg. % of Inv	10.2%
5-year-Absorption Avg. % of Inv	13.4%
Tenure	
Owner Occupied Rate	63.5%
Renter Occupied Rate	36.5%
Market Demand	
Demand Population	1,476
Demand Units	553

Table 3: DC Metro Area Residential Mkt.

The average monthly rent per unit is $2,364. The average rent per square foot is $2.92. Based on different unit types, the average rent for studio unit is $1,649; the average rent for one-bedroom unit is $1,902; the average rent for two-bedroom unit is $2,481; and the average rent for three-bedroom unit is $3,063. Based on the number of demand units and the average rent price, the market will be able to support an annual gross rent of $15,687,504.

Based on the location type, the current cap rate for Class-A multi-family residential properties located in urban area is 4.6%, and the cap rate for Class-A multi-family residential properties located in suburban area is 4.3%.

Residential For-Sale Market Potential

The five-year household net growth in the Washington D.C. Metro Area is approximately 96,855. With the assumption of 0.5% market share rate, the demand for new for-sale units over the 5-year period is approximately 308.

According to Redfin, the median sales price for single family houses in Seat Pleasant is $264,000. There is no other types of housing for-sale data available in Seat Pleasant. Although based on the demand, it shall support a market over $81,312,000, the site can only hold 22 single-family houses. Consider different types of units, the estimated total sale price for 22 single-family houses in Seat Pleasant is between $5,808,000 and $8,800,000.

However, based on the zoning requirement and the comprehensive plan of the city, the site is not committed to single-family housing developments nor for-sale housing developments.

Office Market Potential

Picture 6: Retail and Office Market

According to CoStar, the Washington D.C. Metro Area needs no more Class-B, or Class-C office buildings, especially after the Covid-19 Pandemic. The vacancy rates in the market are higher than the rates acceptable in a healthy market. The 3-year and 5-year average net absorptions for Class-B and Class-C office buildings are negative.

There are still demands for Class-A office. Although the overall vacancy rate for Class-A office is 15.7%, the 3-year average net absorption is 1,053,092 square feet, and the 5-year average net absorption is 2,529,776 square feet. The average rent price for Class-A office in the market is between $27.60 per square foot and $57.96 per square foot.

For Class-A office market, if the estimated 5-year market share is 0.05% and the average square foot per employee is 200 square foot, the estimated 5-year office demand is about 14,000 square feet. The market will be able to support an annual gross rent between $386,400 and $811,440.

Although there can be demands for Class-A office, once the pandemic is over. There are still questions about the future of offices. People have been working from home for almost a year. The future offices might not contend large square footages. Therefore, the share-workspaces for business meetings, working remotely, studios can be the answer to the problem. There will be a market potential for small recreational spaces and co-working spaces instead of traditional offices for corporations.

Region	Retail	Vacancy	Office (Class A)	Vacancy	Office (Class B)	Vacancy
Washington DC	40.95	6.30%	57.96	14.40%	47.72	15.10%
Alexandria	32.05	7.50%	36.30	20%	28.72	13.30%
Rockville	31.99	5.10%	32.43	16.20%	27.38	15.50%
Silver Spring	32.62	6.60%	32.01	16.30%	26.58	13.90%
College Park	25.84	3.10%	32.86	0.00%	23.94	8.80%
Arlington	35.33	3.50%	41.40	23.90%	37.49	18.60%
Hyattsville	26.05	6.50%	27.60	4.40%	23.97	21.10%
Seat Pleasant	**23.65**	**0.00%**	**N/A**	**N/A**	**N/A**	**N/A**
Largo	34.94	0.00%	N/A	N/A	21.36	0.00%
Bethesda	43.64	8.30%	38.46	19.80%	34.18	17.90%
McLean	35.96	1.90%	41.21	14%	30.44	13.90%
Oxon Hill	23.11	1.70%	37.42	20.90%	27.55	26.70%
Falls Church	34.02	7.40%	33.14	28.90%	28.90	11.60%
Tysons Corner	36.18	2.40%	39.92	15.90%	28.55	18%

Table 4: Retail and Office Mkt.

Retail Market Potential

Seat Pleasant has a total of 67 retail properties. Most of the properties are Class-C properties and only 13.4% are Class-B properties. There is no Class-A retail property. The vacancy rate for retail properties in Seat Pleasant is 0% as of Quarter One 2021. There is room for retail development.

There are six restaurants including four fast-food restaurants. There is one grocery store – Save A Lot, which is not very appreciated by local residents; one pharmacy store – CVS, which is located on the site. There is no entertainment amenity, nor proper place for people to gather, nor sit-down restaurant, nor brand grocery store that provides high quality goods.

However, the current population of the City of Seat Pleasant can be a problem to support a good-size grocery store. It might be able to support a compacted grocery store with 20,000 square feet, such as Harris Teeter, Trader Joe's, and Wegmans.

Regulatory and Zoning

The site is in the City of Seat Pleasant, MD. It is under the jurisdiction of City of Seat Pleasant, Prince George County and State of Maryland. The following documents are related regulatory documents:

1. Master Plan for The City of Seat Pleasant: A Smart City of Excellence 2018
2. Plan 2035 Prince George's Approved General Plan
3. The County Code – Prince George's County, Maryland, Subtitle 27.- Zoning
4. Prince George's County, Maryland – Code of Ordinances, Subtitle 4.- Building
5. Prince George's County, Maryland – Code of Ordinances, Subtitle 11.- Fire Safety
6. Prince George's County, Maryland – Code of Ordinances, Subtitle 13.- Housing and Property Standards
7. Maryland Stormwater Design Manual

Master Plan for the City of Seat Pleasant: A Smart City of Excellence 2018

On September 10, 2018, the City Council has adopted the official Master Plan for the City of Seat Pleasant. As a blueprint for the future, this plan identifies economic, land use, and infrastructure development and redevelopment. The City of Seat Pleasant strategic plan priorities are increase economic development; create a Smart City; develop a stronger financial portfolio; improve neighborhood infrastructure; decrease all categories of crime; provide workforce opportunities; and expand health awareness and cultural and leisure opportunities.

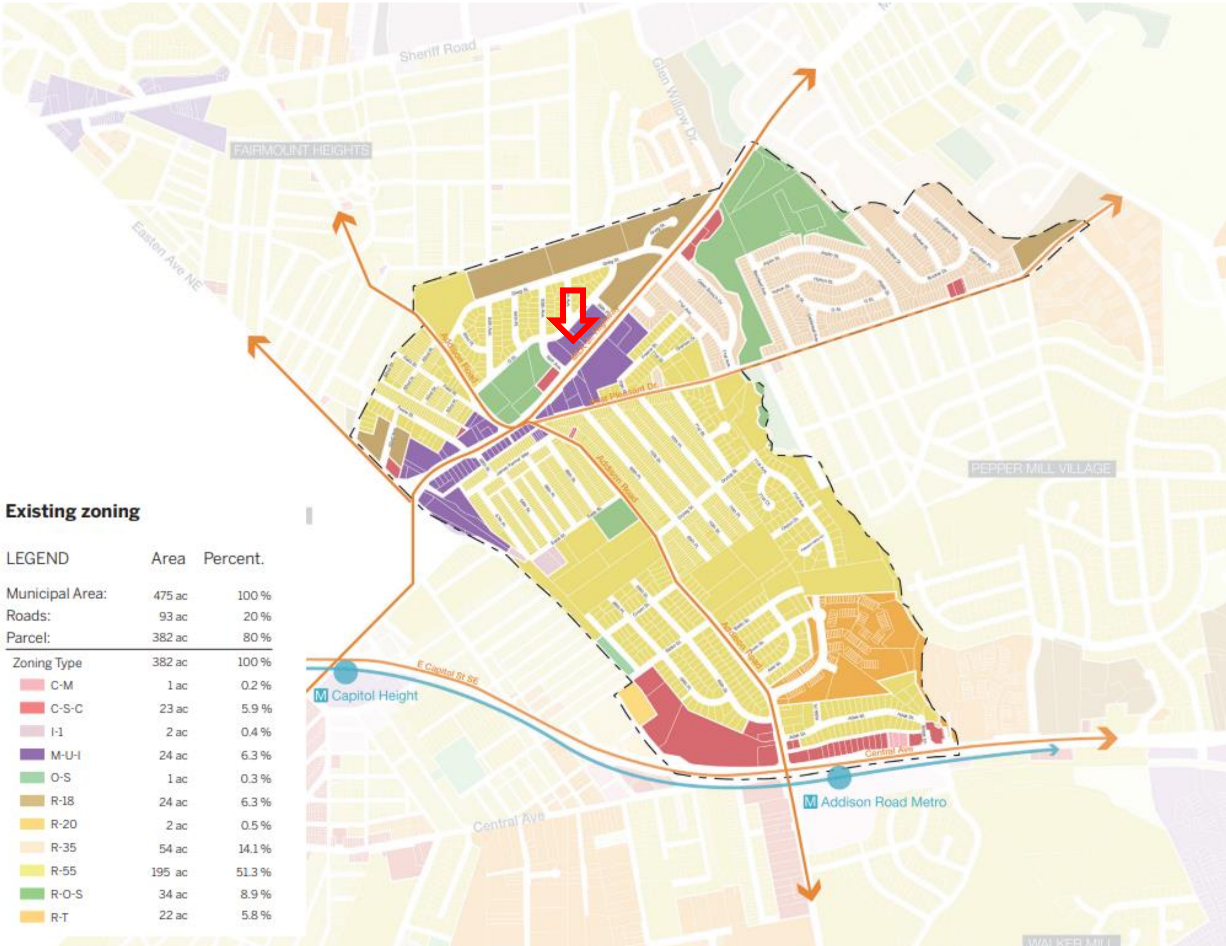
To help the City of Seat Pleasant grow, the Master Plan identified several key points. The City of Seat Pleasant has a good mix of single-family homes affordable to moderate-income owners, but prices are rising. Not a lot of inventory is on the market, and few other types of housing are available. Greater housing density, including the provisioning of other types of housing, could improve the City of Seat Pleasant's demographic diversity and help it to become a smarter live-work-play community. Attracting strong anchor institutions can support growth. The city needs to develop the attractors to lure credit-worthy tenants.

The vision of the Market Plan sets several targets for the upcoming years. The first one is a 75% increase in city population. A larger population will support more frequent transit service, reduce per capita infrastructure costs, and support greater walkability. The second goal is to build diverse new housing options. The city will accommodate over 1,000 new housing units, primarily modern, amenity-rich multifamily housing units to attract millennials, senior citizens, and empty-nesters. The third goal is to attract more amenities for live-work-thrive walkable living. The city will grow more conducive to the needs of young people, the elderly, and families by attracting more retail and amenities that are common in other neighborhoods within walking or biking distance of Metro, such as well-stocked grocery stores, sit-down restaurants, and other crucial neighborhood-serving retail. The fourth goal is to create a more networked, beautiful, and sustainable public realm.

After all, the Master Plan proposed a future smart city with smart urban centers. The City of Seat Pleasant is waiting for a change.

Picture 7: Master Plan – New Downtown Crossroads

Zoning Regulations



Picture 8: Current Zoning Map

The site is currently in the M-U-I Zone. The general purpose of the M-U-I Zone is to permit, where recommended in applicable plans or requested by a municipality or the Prince George's County Redevelopment Authority, a mix of residential and commercial uses as infill development in areas which are already substantially developed. The M-U-I Zone may be approved on properties which adjoin developed properties or otherwise meet plan recommendations, and which have overlay zone regulations requiring site plan review, or on property owned by a municipality or the Prince George's County Redevelopment Authority, which requests the zone. The following list includes applicable regulations under THE COUNTY CODE – PRINCE GEORGE'S COUNTY, MARYLAND, SUBTITLE 27. ZONING: PART 10. Mixed Use Zones and PART 11. Off-street Parking and Loading.

Since the project is located in a M-U-I Zone, PART 10. Mixed Use Zones is applicable to the project. In Section 27-546.17, residential and commercial uses may be placed with a horizontal or vertical mix on property in the M-U-I Zone, subject to approval of a detailed site plan. Section 27-546.18 states that the regulations governing location, setbacks, size, height, lot size, density, and other dimensional requirements in the M-U-I Zone are as follows: R-18 Zone regulations apply to all uses in Section 27-441(b)(6), Residential/Lodging, except hotels and motels; C-S-C Zone regulations apply to all other uses. Multifamily residential densities up to forty-eight units per acre are permitted. It also states that where an owner proposes a mix of residential and commercia uses on a single lot or parcel in the M-U-I Zone, the site plan as approved shall set out the regulations to be followed. The approved regulations may reduce parking requirements by thirty percent, where evidence shows that proposed parking will be adequate, notwithstanding provisions in PART 11.

The project is also labeled as D-D-O Zone, Development District Overlay Zone. The purposes for D-D-O Zone is to promote an appropriate mix of land uses; encourage compact development; encourage pedestrian activity; and promote economic vitality and investment.

PART 11.- Off-street Parking and Loading governs parking space sizes and numbers. In Section 27-558, parking spaces sizes for standard car spaces, compact car spaces, and handicapped parking spaces are determined. Section 27-566 determines the required parking facilities for the physically handicapped. If the total required parking spaces in lot is 201 to 300, the required minimum number for handicapped parking space is 7.

Section 27.568 is the most important sections in PART 11. It is a general schedule of parking spaces required for different types of uses. All zones, except the M-X-T Zone, shall follow the schedule to determine the minimum number of required off-street parking spaces for each type of use. In the schedule, residential multifamily dwelling within a one-mile radius of a metro station, for each dwelling unit bedroom in excess of one per unit requires 1.33+0.33 spaces.

TYPE OF USE	NUMBER OF SPACES	UNIT OF MEASUREMENT
Multifamily dwelling:		
(A) Housing for the elderly or physically handicapped	0.66	Dwelling unit
(B) If wholly within a one mile radius of a metro station	1.33 +0.33	Dwelling unit Bedroom in excess of one per unit

Picture 9: Section 27.568 Parking for Multifamily

For commercial trade services, generally retail, with a square footage between 25,000 square feet and 400,000 square feet of gross leasable area shall provide 1 parking space per 250 square feet of gross leasable area.

(C) Shopping Centers (such as integrated shopping centers, malls, and plazas):		
(i) 25,000 to under 400,000 sq. ft. of GLA:		
(aa) All uses, except as provided below	1.0	250 sq. ft. of GLA (excluding theaters)
(bb) Office, Medical Practitioner's (medical clinic):		
(I) If in excess of 20% of GLA or 50,000 sq. ft. of GLA, whichever is smaller	1.0	200 sq. ft. of GLA
(II) If not in excess	1.0	250 sq. ft. GLA

Picture 10: Section 27.568 Parking for Retail

For eating or drinking establishment, not including drive through service, the required parking space is 1 space per 3 seats.

TYPE OF USE	NUMBER OF SPACES	UNIT OF MEASUREMENT
Eating or drinking establishment (not including drive through service) (CB-89-1993; CB-19-2010)	1.0	3 seats

Picture 11: Section 27.568 Parking for Restaurant

For office building or office building complex, 1 parking space is required per 250 square foot of the first 2,000 square feet of gross area and 1 parking space per 400 square foot above the first 2,000 square feet of gross area.

TYPE OF USE	NUMBER OF SPACES	UNIT OF MEASUREMENT
Office building or office building complex (except medical practitioners' offices) (CB-38-1988)	1.0	250 sq. ft. of the first 2,000 sq. ft. of GFA
	+1.0	400 sq. ft. above the first 2,000 sq. ft. of GFA

Picture 12: Section 27.568 Parking for Office Space

Section 27-570 governs the multiple uses properties. Except in the M-X-T Zone, where two or more uses are located in the same building or on the same lot, the total number of spaces required by each use shall be provided. Section 27-575 also governs the multiple uses properties. The off-street parking requirements for two or more uses may be satisfied by providing a joint parking lot. The normal parking space requirement for each use participating in a joint lot may be reduced by up to twenty percent. However, the total reductions cannot exceed forty spaces.

Prince George's County, Maryland – Code of Ordinances

Prince George's County, Maryland – Code of Ordinances include 33 Subtitles. Although most of the subtitles do not have direct relationships with the development project, some of the chapters such as, Subtitle 4 Building, Subtitle 11 Fire Safety, and Subtitle 13 Housing and Property Standards are closely related to the project.

Subtitle 4.- Building is intended to provide requirement essential for the structural, fire or sanitary safety of a proposed or existing building or structure, or essential for the health and safety of the occupants. This subtitle will govern the design, construction, alteration, repairment, removal, demolition, use, location, occupancy, and maintenance of all buildings and structures and building service equipment in the project.

Subtitle 11.- Fire Safety prescribes minimum requirements and controls to safeguard life, property, public welfare, and the welfare of emergency responders from the hazards of fire and explosion. The subtitle adopts the standards of the National Fire Protection Association, International Code Council, and other nationally recognized safety standards. This subtitle will not only affect the design outcome of the buildings, but also the construction process of the project.

Subtitle 13.- Housing and Property Standards adopts the International Property Maintenance Code, published by the International Code Council, Inc. The subtitle regulates property standard and maintenance requirements, landlord and tenant regulations, housing authority, rental housing, group residential facilities, and environmental crimes.

Maryland Stormwater Design Manual

The Environment Article, Title 4, Subtitle 2 requires the Maryland Department of the Environment to implement a statewide stormwater management program to control new development runoff. The Design Manual is the official guide for stormwater management principles, methods, and practices in State of Maryland. The Design Manual includes 5 chapter.

Entitlement Process

As previously discussed, all land in Prince George's County is zoned, and the type and density of potential development is regulated by the terms of the zoning categories. Before a developer can begin construction on the property, the developer must obtain approval of a plan of subdivision, and record plats in compliance with Subtitle 24 of the County Code. The Planning Board has full and final responsibility for administration of the Subdivision Regulations. In some zones, when required by conditions of zoning approval, Conceptual and Detailed Site Plans must be approved. That means, a developer will need the permits approved by the authority before doing anything to the site.

For those zones or conditional zoning actions such as, reductions of parking spaces, which require Conceptual and Detailed Site Plans are approved by the Planning Board. All construction and landscaping must meet the terms of the approved site plan.

Building, use and occupancy, and sign permits are issued by the Department of Environmental Resources. Applications for permits are also governed by other local agencies including the Department of Public Works and Transportation, Washington Suburban Sanitary Commission, the Health Department, and the M-NCPPC for review and recommendations.

To have site plans, project plans and other permits approved, there are three stages in the process: application, plan review, and approval or withdrawal. During the first stage, pre-application staff meeting, transportation review, pre-application area meeting, and historic review are required. In the second stage, the Planning Board will give their reviews and decide to approve the plans or not. In stage three, if the plans are not approved, the applicant must submit revised plans or respond to any comments. If the applicant does not respond, the application is deemed withdrawn.

For water and sewer service, the Washington Suburban Sanitary Commission determines what sewer line extension may be necessary to service a particular development approved by the County Sewerage Plan.

Project Vision

The site is located at the major highway across the City of Seat Pleasant. It is an important piece of development aligned with the Master Plan of the city to build a gateway in the Washington Metro Area with an identification of the city. The project shall be a landmark for the city and provide job opportunities and encourage future economic growth. The project shall include both residential and commercial uses. It will not only support a high-quality lifestyle for future residents but also provide the necessary amenities they deserved to the community.

Program Uses

The residential part of the project includes 27 studio units, 56 one-bedroom units, 64 two-bedroom units, and 12 three-bedroom units. The target group is working-class renters and university students in the Washington D.C. area. Compared to ordinary multi-family apartments, the project shall include both traditional and flexible leasing options. Since Covid-19 Pandemic, working-from-home has become a big movement and will last after the pandemic. Especially for the urban area, people have moved away from the urban area to avoid high living cost. Although many have moved away from the urban area, it is reasonable to assume for the demand of flexible leasing for work or other reasons. More flexible leasing options are in demand in the near future. The flexible leasing offers 1 to 3 months renewal to accommodate the flexible working and living style.

Total Rentable SF of Apt. and Com.	172,064
Total Gross Rent Potential	$4,179,894
Estimated Rentable SF %	80%
Estimated Total Building SF	215,080
Estimated FAR	1.46

Table 5: Project Overview

Summary of the Residential Use					
Property Name	The Plaza at 5922				
Address	5922 Martin Luther King Jr. HWY				
	Seat Pleasant		Maryland		
Zone	M-U-I		Mixed-Use-Infill		
Total Units		159	**Reserved Parking (Garage)**	70	
Total Rentable SF		131,064	**Monthly Parking Fee (Garg/Surf)**	100	
Total Gross Rent Potential	$	3,467,894	**Commercial Parking (Surface)**	207	
Common Area SF		32,766			

Table 6: Summary of the Residential Use

For the commercial part, there will be 4 recreational office spaces targeting small office users, shared meeting room users, and recreational studio users. The spaces are designed physically and virtually for shared spaces and office services for entrepreneurs and companies. The space provides flexible shared workspaces for work-from-home individuals, free-lance artists, self-employed individuals, and small companies. The recreational spaces shall be included in the project for both long-term and short-term leasing options. The spaces is meant to host meetings, architectural studios, shared office use, and reserved office use.

Commercial Unit	Unit Size
Grocery Store	20,000
Fitness Center with 25m*14m Swimming Pool	8,000
Recreation Space 1	1,000
Recreation Space 2	1,000
Recreation Space 3	1,000
Recreation Space 4	1,000
Sports Bar	2,500
Casual Restaurant 1	2,500
Casual Restaurant 2	2,000
Café	2,000
Total Rentable SF	**41,000**

Table 7: Summary of the Commercial Use

The demands for healthy living style and social gathering are requested by the local citizens. A healthy grocery provider is one of the answers to the request. The potential grocery tenant is Harris Teeter, Trader Joe's, Kroger, Giant, and Wegmans. Especially Harris Teeter and Trader Joe's. Harris Teeter and Trader Joe's are the first pick for the site, since they provide good quality healthy goods with more affordable prices. Wegmans is the second choice, since Wegmans provide unique categories of food that can attract shoppers to the site. Although many goods in Wegmans are not considered as affordable to the locals. Kroger is the third choice, since Kroger does not have stores in Maryland, this can be a good chance for Kroger to enter the Maryland market. Giant is the last pick amount all since there are quite few other grocery stores like Giant in the neighboring cities or townships.

The ideal mix of the types of the restaurants for the project will be a combination of one sports bar, one café, one causal restaurant, and one restaurant that occupies part of the roof terrace. All of them will provide sit-down dining. Some of them will provide out-door dining along the sidewalk and the surface parking lot. One of the restaurants will occupy part of the roof terrace. The potential companies are Buffalo Wild Wings, Peter Chang, Zento Japanese Restaurant, Texas de Brazil, Fogo de Chao Brazilian Steakhouse, Hen Quarter, Hot N Juicy Crawfish, Kong Fu Tea, Gong Cha, Blackwall Hitch, Japanese Hibachi, Qdoba, Five Guys, Great Khan's Mongolian Grill, and so on.

There will be one fitness center with a swimming pool which will be open to both the residents of the property and the public. For the fitness center, the potential companies are VIDA Fitness, Planet Fitness, LA Fitness, Orangetheory Fitness, and regional or local fitness brands. It is important to make a deal with the fitness center operator to allow residents of the building to use the fitness center facilities. It is equally important to make sure the fitness center operator understand how to manage a swimming pool.

The on-site parking shall include both underground parking and surface parking spaces. The underground parking garage is reserved for residents and office users of the project. The surface parking shall be meanly for the customers of the commercial retails and visitors of the property.

Project Design

Picture 13: Project Site Plan

For decades, the City of Seat Pleasant is known for poverty, underdeveloped, and blighted. This project is meant to be the postcard of the City of Seat Pleasant. It will re-establish a new identity for the city and bring this area back on the map. The project shall be a landmark for not only the city but also the Eastern Washington, D.C. region.

The project is a mixed-use property including both residential and commercial uses. Therefore, it will contend characteristics and elements from both uses. The principal design idea is to create exciting moments for people who visit, live, and work on the property.

The project will be a combination of two high-end industrial style towers and a connecting second-story corridor with industrial style elements, decorated with features to iterate luxury feelings. Please note, it does not have to be expensive to create a luxury feeling.

The ground floor will have setbacks alone the Martin Luther King Jr. HWY to reduce direct sunlight from the south and provide front door spaces for ground floor restaurants and café for business activity in the future.

Picture 14: The Intention towards the Plaza

A plaza will be placed at the south corner of the site, where commercial entrance will be located at. The plaza will reform the intersection of Martin Luther King Jr. HWY and 65th Avenue and provide a great public gathering space for people of Seat Pleasant. There will be variations of the topography to create exciting moments and allow creative uses of the space.

Picture 15: The Intention towards the Roof Terrace

The roof terrace will be high-end modern style design. There will be several accesses to the roof terrace. One will be connected to a second-floor restaurant, one will be connected to a lobby from the commercial part of the property, and another will be connected to the elevator lobby of the apartment tower. Based on the design and circulation, there may be two roof terraces accessible for the public and the residents. The roof terraces will be paved with wood-texture acrylic outdoor flooring, pre-casted concrete panels, white and light-grey gravel, and planting pots and strips.

The site is about 3.39 acres, which is approximately 147,668 square feet. The project estimated FAR is 1.46. The project will have approximately 215,080 square feet total building area with 172,064 square feet total rentable area. There will be 8 total stories above the ground and 1 underground parking level. The underground parking garage will contain 70 parking spaces, and the surface parking lot will contain 207 parking spaces. The total parking spaces of the project are 277.

Sustainable Design

Prince George's County encourages developers to follow green buildings practices. It is important for the project to contend certain level of sustainable design strategy, such as stack effect, Trombe wall, permeable pavement, evaporative colling R/AC, triple glazed Low-E coating windows, rainwater harvesting system, green roof, cavity wall with insulation, and sunlight shelf. The project will aim for LEED GOLD Certification.

Chemical Hazard

There is a commercial laundromat occupies a part of the site. Typically, a commercial laundromat uses all kinds of chemicals. According to the Environmental Protection Agency, certain detergents, colorant agents, and fabric softeners can pose significant environmental hazards. The U.S. Department of Energy reports that United States laundromats discharge enough wastewater to file 1,460 New Orleans Superdomes per day. The hazardous chemicals are released through all that wastewater, they can break down ecosystems and even cause cancer if ingested. It is important to determine if there is any chemical leakage on the site due to the existing laundromat.

Social and Public Benefits

The development of the project provide gathering places with activities and restaurants for the public and the residents of Seat Pleasant. A proper grocery store will not only satisfy daily grocery needs for the community, but also provide job opportunities to the local citizens.

The project will improve the reputation of the City of Seat Pleasant. The city will now be known as a place for opportunities instead of poverty.

The project will attract population not only to live here but also to work here.

The development of the project will improve the surrounding environment and infrastructure. The commercial activities happened in the project will bring in not only visitors but also capitals. The land value and property value will rise after the completion of the development. In another word, the project will bring wealth to the neighborhood.

Project Rent Roll

The property provides two types of leasing, traditional and flexible. The flexible leasing offers 1 to 3 months renewal, but the rent is 10% higher than the traditional leasing. The traditional leasing units rent potential is about 2.5 million, which is 74% of the total rent potential of the residential part of the project. Also, based on the market demand, the units can be transferred into either traditional or flexible leasing type. To attract renters, the rent is 11% to 42% lower than the average rent of Class-A properties in the Washington, D.C. Metro Area based on different unit types.

Traditional Leasing Units (6 Floors)					
	No. of Units	Unit Size	Rentable SF	Rent PSF	Monthly Rent
Studio	12	552	6,624	$ 2.20	$ 1,214
One Bedroom	36	720	25,920	$ 2.08	$ 1,498
Two Bedrooms	54	960	51,840	$ 2.20	$ 2,112
Three Bedrooms	12	1,200	14,400	$ 2.10	$ 2,520
Total Units	114				
Total Rentable SF	**98,784**				
Average Rent PSF (Monthly)	**$2.15**	**Avg. Rent per Unit**	**$ 1,866.44**		
Gross Rent Potential	**$2,553,293**				
Flexible Leasing Units (5 Floors)					
	No. of Units	Unit Size	Rentable SF	Rent PSF	Monthly Rent
Studio	15	552	8,280	$ 2.42	$ 1,336
One Bedroom	20	720	14,400	$ 2.29	$ 1,647
Two Bedrooms	10	960	9,600	$ 2.42	$ 2,323
Total Units	45				
Total Rentable SF	**32,280**				
Average Rent PSF (Monthly)	**$2.36**	**Avg. Rent per Unit**	**$ 1,693.71**		
Gross Rent Potential	**$914,602**				

Table 8: Summary of the Residential Rent Roll

For traditional leasing units, the monthly rent for studio units is $1,214; $1,498 for one-bedroom units; $2,112 for two-bedroom units; and $2,520 for three-bedroom units. For flexible leasing units, the monthly rent for studio units is $1,336; $1,647 for one-bedroom units; and $2,323 for two-bedroom units.

Commercial Unit	**Rent PSF (Annually)**	**Rent (Annually)**
Grocery Store (Kroger)	$ 15.00	$ 300,000
Fitness Center with 25m*14m Swimming Pool	$ 18.00	$ 144,000
Recreation Space 1	$ 22.00	$ 22,000
Recreation Space 2	$ 22.00	$ 22,000
Recreation Space 3	$ 20.00	$ 20,000
Recreation Space 4	$ 20.00	$ 20,000
Sports Bar	$ 20.00	$ 50,000
Casual Restaurant 1	$ 20.00	$ 50,000
Casual Restaurant 2	$ 21.00	$ 42,000
Café	$ 21.00	$ 42,000
Total Gross Rent Potential (Annually)		**$ 712,000**

Table 9: Summary of the Commercial Rent Roll

The total annual gross rent potential for the residential part of the project is $3,467,894.

The rent for commercial part is between $15.00 and $22.00 per square foot, which is much lower than the market, to attract commerce. The total gross rent potential for the commercial part is $712,000.

That makes the overall gross rent potential of the project at $3,467,894.

Pro Forma

Residential Management

		Year 1		Year 2		Year 3		Year 4		Year 5
Income										
Gross Potential Rent	**$**	**3,467,894**	**$**	**3,571,931**	**$**	**3,679,089**	**$**	**3,789,462**	**$**	**3,903,146**
Total Rental Income	$	3,467,894	$	3,518,352	$	3,642,298	$	3,761,041	$	3,883,630
Total Rental Losses	$	830,998	$	633,188	$	465,182	$	334,166	$	249,871
Net Rental Income	$	2,636,896	$	2,885,164	$	3,177,116	$	3,426,875	$	3,633,759
Total Other Rental Income	$	440,571	$	478,748	$	518,776	$	548,700	$	588,344
Effective Gross Income	**$**	**3,077,467**	**$**	**3,363,912**	**$**	**3,695,892**	**$**	**3,975,575**	**$**	**4,222,103**
Expenses										
Total Personnel Expenses	$	371,654	$	382,804	$	394,288	$	406,117	$	418,300
Total Administrative Expenses	$	10,222	$	10,529	$	10,844	$	11,170	$	11,505
Total Marketing Expenses	$	63,915	$	53,991	$	47,894	$	31,554	$	28,726
Total Repair and Maintenance Expenses	$	45,652	$	46,565	$	47,496	$	48,446	$	49,415
Total Cleaning and Decorating Expenses	$	16,810	$	17,146	$	17,489	$	17,839	$	18,196
Total Contract Services	$	70,590	$	79,509	$	86,752	$	93,236	$	98,543
Total Professional Expenses	$	820	$	836	$	853	$	870	$	888
Total Utility Expenses	$	234,795	$	255,765	$	269,498	$	278,664	$	284,138
Total Taxes & Insurance Expenses	$	423,127	$	421,528	$	419,697	$	417,623	$	415,299
Total Operating Expenses	**$**	**1,237,585**	**$**	**1,268,674**	**$**	**1,294,811**	**$**	**1,305,518**	**$**	**1,325,009**
Net Operating Income	**$**	**1,839,882**	**$**	**2,095,239**	**$**	**2,401,081**	**$**	**2,670,057**	**$**	**2,897,094**
Replacement Reserves	$	39,750	$	39,750	$	79,500	$	79,500	$	119,250
Net Cash Flow Before Debt Service	**$**	**1,800,132**	**$**	**2,055,489**	**$**	**2,321,581**	**$**	**2,590,557**	**$**	**2,777,844**

Table 10: Summary Cash Flow for the Residential Part (Year 1 to Year 5)

The residential part of the project will include two types of leasing units: traditional leasing units and flexible leasing units. Although the flexible leasing units monthly rent is 10% more than the traditional leasing units monthly rent, the rent prices are still more affordable than the rent prices in Washington, D.C. The rent prices have been discussed in Rent Roll section.

The residential part of the project includes four types of rental units, studio, one-bedroom unit, two-bedroom unit, and three-bedroom unit. The unit size for a studio is 552 square feet, 720 square feet for a one-bedroom unit, 960 square feet for a two-bedroom unit, and 1,200 square feet for a three-bedroom unit. The project divides the units into two leasing types. There are 114 traditional leasing units and 45 flexible leasing units. The gross rent potential for traditional leasing units are $2,553,293, and $914,602 for flexible leasing units.

The projected stabilized year is Year 5. In Year 5, the project shall achieve its target vacancy rate at 5% for traditional leasing units, and 7% for flexible leasing units. Applying the annual rent growth rate at 3%, the total gross rent potential for residential part of the project in year 5 is $3,903,146.

Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5
Rent Growth	0	3%	3%	3%	3%
Loss to Lease	2%	1.50%	1%	0.75%	0.50%
Other Income Annual Increase	0	3%	3%	3%	3%
General Traditional Units Vacancy (%GPR)	20%	15%	10%	7%	5%
General Flexible Units Vacancy (%GPR)	30%	20%	15%	10%	7%
Bad Debt	2.50%	2.50%	2%	1.50%	1%
Bad Debt Recovery	1.25%	1.25%	1%	0.75%	0.50%
Rent Concessions	1%	1%	1%	0.75%	0.75%
General Expense Increase	0%	2%	2%	2%	2%
Marketing and Administration Increase	0%	3%	3%	3%	3%
Management Fee	0%	0%	0%	0%	0%
Replacement Reserve (per Unit)	250	250	500	500	750
Parking Income Increase (Compare to Year1)	0%	0%	0%	0%	10%
Property Tax Rate, Maryland	0.00%	0.00%	0.00%	0.00%	0.00%
Property Tax Rate, Prince George's County, MD	0.88%	0.88%	0.88%	0.88%	0.88%
Property Tax Rate, Seat Pleasant, MD	0.58%	0.58%	0.58%	0.58%	0.58%
Property Tax Annual Increase	2%	2%	2%	2%	2%
Dry Clean Laundry	150	150	150	150	150
Admin Fee	50	50	50	50	50
Annual Late Fee	1,000	1,000	1,000	1,000	1,000
Utility Fee	168	168	168	168	168
Pet Fee	200	200	200	200	200
Pet Owner Rate	10%	10%	10%	10%	10%
Lease Cancellation	10%	10%	10%	10%	10%
Application Fee	100	100	100	100	100
Service Fee (Traditional)	50	50	50	50	50
Service Fee (Flexible)	100	100	100	100	100
Payroll Tax Rate	7.75%	7.75%	7.75%	7.75%	7.75%
Workers Compensation Insurance (Annual)	240	240	240	240	240
Health Insurance/Other Benefits per Employee	1,294	1,294	1,294	1,294	1,294
Hazard Insurance (Annual)	804	804	804	804	804

Table 11: Assumptions for the Residential Part (Year 1 to Year 5)

In addition to the rent, the project includes other rental income such as, projected $150 annual dry clean laundry service income per unit; one-time administration fees of $50 per application, potential annual late charges of $1,000; $168 per unit flat-rate monthly utility fees including internet service, electricity, water and sewer service, trash removal service, and gas heating; NSF charges of $1 per unit per month; estimated cleaning fees of $50 per unit at move-out; $100 monthly parking fees per space for reserved parking in the underground parking structure; $60 monthly parking fees per vehicle for overnight parking permit in the surface parking lot; interest income from replacement reserve with a 3% interest rate; $200 annual pet fees per pet; a projected $17,022 annual lease cancellation charge; one-time application fees of $100 per application for background checks; $50 built-in monthly service fee for residents to use the fitness center facilities. With a 3% general annual increase, the total other rental income in Year 5 is projected to be $588,344. The Effective Gross Income in Year 5 is $4,222,103.

The operating expense for the residential part of the project includes 9 categories: personnel cost, administrative expenses, marketing expenses, repairs and maintenance expenses, cleaning and decorating, contract services, professional fees, utility expense, and tax and insurance.

There will be an in-house management team. The salaries and benefits of the staffs will be covered by the owner. Therefore, there will be no management fee payable to a third-party management company. The total personnel cost, including salaries, commission and bonuses, payroll taxes, workers compensation insurance, employee health insurance, and other benefits, for the staffs, including an administrative staff / front-desk host, one manager, two maintenance workers, six shifts of security guards, and one housekeeper, is $371,654.

The total administrative expense, including office supplies, courier service, administration-forms, uniforms, dues and subscriptions, telephone and answering service, computer maintenance and supplies, business licenses and permits, and payroll processing fees, is $10,222.

The total marketing budget is $63,915. It includes $11,400 for periodical promotion, $11,400 for traditional leasing promotion, $22,865 for flexible leasing promotion, $2,500 residents' relations, $15,000 advertising cost, and $750 referral bonus. However, as the project achieves its targeted vacancy rate, the promotions will be reduced.

The repairs and maintenance expense includes electrical supplies, plumbing supplies, glass and mirrors replacement, other maintenance materials, landscaping supplies, HVAC parts and supplies, boiler parts and supplies, equipment and vehicle expense, snow removal, locks and keys, miscellaneous maintenance, sewer repairs, and interior door expense. The total repairs and maintenance expense is $45,652.

The annual budget for contract cleaning is $14,310. The annual budget for decorating supplies for holidays and celebrations is $2,500. The total cleaning and decorating cost is $16,810.

There are two contract services. The first one is the contract exterminating service, which is estimated for $1,200 per year. The second contract is a fitness center contract. For the fitness center to provide services to the residents, 50% of the service fee will be payable to the fitness center. The total contract services cost is $70,590. Although, as the vacancy rate becomes lower, the fitness center will receive larger payments.

The tax service cost is approximately $820 per year. Since the management team is an in-house management team. There will be no additional management fees. The total professional fee is $820.

The utility expense includes electric expense, water and sewer expense, gas expense, trash removal, and internet service. The total annual utility expense is $234,795.

The annual real estate taxes is $295,291. The annual hazard insurance for the property costs $127,836. The total taxes and insurance expense is $423,127.

With a 3% general annual increase, the total operating expense in Year 5 is $1,325,009. The Year 5 net operating income is $2,897,094. The operating expense ratio for the residential part of the project in Year 5 is 31.38%.

For the first two years, the annual replacement reserve per unit is $250. Starting at Year 3, the annual replacement reserve per unit shall be increased to $500. The total replacement reserve in Year 5 is $119,250.

The net cash flow before debt service for the residential part of the project in Year 5 is $2,777,844.

Commercial Management

	Year 1	Year 2	Year 3	Year 4	Year 5
Income					
Gross Potential Rent	**$ 712,000**	**$ 747,600**	**$ 781,242**	**$ 812,492**	**$ 836,866**
Total Rental Income	$ 587,400	$ 728,910	$ 765,617	$ 804,367	$ 836,866
Total Rental Losses	$ 234,782	$ 173,443	$ 104,491	$ 28,437	$ 27,198
Net Rental Income	$ 352,618	$ 555,467	$ 661,126	$ 775,930	$ 809,668
Total Other Rental Income	$ 482,499	$ 541,314	$ 602,249	$ 663,861	$ 670,630
Effective Gross Income	**$ 835,117**	**$ 1,096,781**	**$ 1,263,375**	**$ 1,439,790**	**$ 1,480,298**
Expenses					
Total Personnel Expenses	$ 145,081	$ 149,434	$ 153,917	$ 158,534	$ 163,290
Total Administrative Expenses	$ 5,376	$ 5,537	$ 5,703	$ 5,874	$ 6,051
Total Marketing Expenses	$ 168,000	$ 45,735	$ 46,492	$ 26,772	$ 27,575
Total Repair and Maintenance Expenses	$ 40,180	$ 46,838	$ 53,747	$ 60,913	$ 62,132
Total Cleaning and Decorating Expenses	$ 10,500	$ 10,710	$ 10,924	$ 11,143	$ 11,366
Total Contract Services	$ 4,800	$ 4,896	$ 4,994	$ 5,094	$ 5,196
Total Professional Expenses	$ -	$ -	$ -	$ -	$ -
Total Utility Expenses	$ 80,073	$ 81,674	$ 83,308	$ 84,974	$ 86,674
Total Taxes & Insurance Expenses	$ 306,095	$ 301,513	$ 296,626	$ 291,422	$ 285,892
Total Operating Expenses	**$ 760,105**	**$ 646,338**	**$ 655,711**	**$ 644,726**	**$ 648,174**
Net Operating Income	**$ 75,013**	**$ 450,443**	**$ 607,664**	**$ 795,064**	**$ 832,124**
Replacement Reserves	$ 43,050	$ 49,200	$ 55,350	$ 61,500	$ 82,000
Net Cash Flow Before Debt Service	**$ 31,963**	**$ 401,243**	**$ 552,314**	**$ 733,564**	**$ 750,124**

Table 12: Summary Cash Flow for the Commercial Part (Year 1 to Year 5)

The commercial part of the project includes a grocery store with 20,000 square feet, a 8,000 square feet fitness center with swimming pool, four recreational office spaces with 1,000 square feet each, a sports bar with 2,000 square feet, a café with 2,000 square feet, a restaurant with 2,500 square feet, and a restaurant with 2,500 square feet with access to the second story roof terrace. It is critical to lock deals with the grocery store tenant, the fitness center tenant, and at least one restaurant tenant before the beginning of operation in Year 1.

Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5
Rent Growth	0%	5%	4.5%	4%	3%
Loss to Lease (Free Rent)	25%	25%	20%	10%	0%
Other Income Annual Increase	0%	3%	3%	3%	3%
General Vacancy (%GPR)	30%	20%	10%	0%	0%
Bad Debt	2.50%	2%	1.50%	1%	0.50%
Bad Debt Recovery	1.25%	1%	0.75%	0.50%	0.25%
Rent Concessions	3%	3%	3%	3%	3%
General Expense Increase	0%	2%	2%	2%	2%
Marketing and Administration Increase	0%	3%	3%	3%	3%
Management Fee (In House)	0%	0%	0%	0%	0%
Replacement Reserve (per SF)	1.50	1.50	1.50	1.50	2.00
Tenant Improvement (per SF)	5	5	5	0	0
Parking Income Increase (Compare to Year1)	0%	0%	0%	0%	10%
% of Revenue (Grocery Store)	10%	10%	10%	10%	10%
Property Tax Rate, Maryland	0.00%	0.00%	0.00%	0.00%	0.00%
Property Tax Rate, Prince George's County, MD	0.88%	0.88%	0.88%	0.88%	0.88%
Property Tax Rate, Seat Pleasant, MD	0.58%	0.58%	0.58%	0.58%	0.58%
Property Tax Annual Increase	2%	2%	2%	2%	2%

Table 13: Assumptions for the Commercial Part (Year 1 to Year 5)

The tenants will be issued tenant improvement allowance of $5.00 per square foot. Each new tenant will be granted a six-month free rent. Ideally, the lease term for tenants shall be ten years. Although, these terms are negotiable.

There will be an in-house management team. The salaries and benefits of the staffs will be covered by the owner. Therefore, there will be no management fee payable to a third-party management company. However, 3% rent concession will be paid to agents within the first five years after the tenants sign the lease contracts.

The operating expense are made by 8 categories. Some of them are reimbursable, others, such as personnel expenses, administrative expenses, and marketing expenses, are not reimbursable.

The total personnel cost for the commercial part of the project includes salaries, payroll taxes, workers compensation insurance, and health insurance, for the staffs, including one maintenance worker, three shifts of security guards, one housekeeper, and one front-desk host, is $145,081.

The marketing expenses includes $2,000 periodical promotions, $10,000 special promotions, $145,000 tenant improvement allowance, $2,500 customer relationship budget, and $10,000 advertising budget. Although the tenant improvement allowance will be reduced to zero after fully leased. The total marketing expense for the commercial part of the project is $168,000.

The administrative expenses includes $1,200 courier service, $400 administration-forms, $276 telephone and answering service, and $3,500 computer maintenance and supplies. The total administrative expense for the commercial part of the project is $5,376.

Year 5 will be the stabilized year. The commercial spaces shall be fully occupied by Year 5. The leases shall include the NNN terms. The utility expense, real estate tax, and real estate insurance are reimbursed by tenants. Besides the basic rental income, there are other rental incomes including parking income, common area maintenance, administration fees, and percentage of revenue for the grocery store tenant. An average grocery store has an annual sales value of $18.63 million. The average profit rate for a grocery store is 2.2%. 10% of the profit will be payable to the landlord, which is about $40,986 annually.

Based on the stepped rent growth plan, the total gross rent potential for commercial part of the project in Year 5 is $836,866, while the total operating expense for Year 5 is $648,174.

Considering the tenant reimbursements, the Year 5 net operating income for the commercia part is $832,124. The replacement reserve is $1.50 per square foot of occupied spaces for the first 4 years of the operation. The replacement reserve shall be increased to $2.00 per square foot of occupied spaces since Year 5. Deducting the $82,000 replacement reserves, the Year 5 net cash flow before debt service is $750,124.

Parking Income

Although the parking income is included in the residential part of the project, it is worth to be mentioned under its own category. The underground parking spaces are charged at $100 per month per space. There are 70 underground parking spaces in total. The surface parking are designed for commercial uses. Although those parking spaces are free for the business hours, the vehicles without purchased parking sticks are subject for towing after business hours. The parking sticks are sold at $60 per month.

Parking prices are projected to follow a stepped increase model. The original price will be maintained from Year 1 to Year 4. The price will be increased by 10% in Year 5 and will be kept at the same rate until the end of Year 9. Starting at Year 10, the price will be increased by another 10% of the original parking rate until Year 15.

The projected parking income in Year 5 is $154,744.

Overall Pro Forma

	Year 1	Year 2	Year 3	Year 4	Year 5
Income					
Gross Potential Rent	**$ 4,179,894**	**$ 4,319,531**	**$ 4,460,331**	**$ 4,601,954**	**$ 4,740,012**
Total Rental Income	$ 4,055,294	$ 4,247,262	$ 4,407,915	$ 4,565,408	$ 4,720,496
Total Rental Losses	$ 1,065,780	$ 806,632	$ 569,673	$ 362,603	$ 277,069
Net Rental Income	$ 2,989,514	$ 3,440,631	$ 3,838,242	$ 4,202,805	$ 4,443,427
Total Other Rental Income	$ 923,070	$ 1,020,062	$ 1,121,025	$ 1,212,560	$ 1,258,973
Effective Gross Income	**$ 3,912,584**	**$ 4,460,693**	**$ 4,959,267**	**$ 5,415,365**	**$ 5,702,400**
Expenses					
Total Personnel Expenses	$ 516,735	$ 532,237	$ 548,204	$ 564,651	$ 581,590
Total Administrative Expenses	$ 15,598	$ 16,066	$ 16,548	$ 17,044	$ 17,555

	Year 1	Year 2	Year 3	Year 4	Year 5
Total Marketing Expenses	$ 231,915	$ 99,726	$ 94,386	$ 58,326	$ 56,301
Total Repair and Maintenance Expenses	$ 85,832	$ 93,403	$ 101,243	$ 109,360	$ 111,547
Total Cleaning and Decorating Expenses	$ 27,310	$ 27,856	$ 28,413	$ 28,982	$ 29,561
Total Contract Services	$ 75,390	$ 84,405	$ 91,746	$ 98,330	$ 103,739
Total Professional Expenses	$ 820	$ 836	$ 853	$ 870	$ 888
Total Utility Expenses	$ 314,868	$ 337,440	$ 352,806	$ 363,638	$ 370,812
Total Taxes & Insurance Expenses	$ 729,221	$ 723,041	$ 716,322	$ 709,045	$ 701,191
Total Operating Expenses	**$ 1,997,690**	**$ 1,915,011**	**$ 1,950,522**	**$ 1,950,245**	**$ 1,973,183**
Net Operating Income	**$ 1,914,895**	**$ 2,545,682**	**$ 3,008,745**	**$ 3,465,120**	**$ 3,729,217**
Replacement Reserves	$ 82,800	$ 88,950	$ 134,850	$ 141,000	$ 201,250
Net Cash Flow Before Debt Service	**$ 1,832,095**	**$ 2,456,732**	**$ 2,873,895**	**$ 3,324,120**	**$ 3,527,967**
Debt Service					
Principle	$ 599,679	$ 627,229	$ 656,043	$ 686,182	$ 717,705
Interest	$ 1,660,502	$ 1,632,953	$ 1,604,138	$ 1,574,000	$ 1,542,477
Total Debt Service	**$ 2,260,182**	**$ 2,260,182**	**$ 2,260,182**	**$ 2,260,182**	**$ 2,260,182**
Cash Flow After Debt Service	**$ (428,087)**	**$ 196,550**	**$ 613,714**	**$ 1,063,939**	**$ 1,267,786**

Table 14: Overall Summary Cash Flow (Year 1 to Year 5)

The overall cash flow for the project has significant increases from Year 1 to the stabilized year, Year 5. Due to the vacancy rate of 20% for the traditional units, 30% for the flexible units, and 30% to the commercial part of the project, the net rental income for Year 1 is $2,989,514, even though the gross potential rent for Year 1 is $4,179,894. The Year 1 effective gross income is $3,912,584. Year 1 has a much higher operating expense due to the vacancy rate of the commercial part of the project, marketing expenses, tenant improvement allowance, leasing commission, and free rents. The Year 1 operating expenses is $1,997,690. The net operating income in Year 1 is $1,914,895, which is less than the annual debt service, $2,260,182. That makes the net cash flow after debt service at negative $428,087. A bridge loan or investor equity will be needed to cover the difference.

However, starting from Year 2, the net cash flow before debt service will be able to cover the annual debt service. For comparison, the Year 5 stabilized net cash flow after debt service is $1,267,786. Since the vacancy rate for the traditional units, flexible units, and the commercial spaces will be significantly lower than the rate in Year 1, the Year 5 net rental income is projected at $4,443,427. The Year 5 effective gross income is projected at $5,702,400. Year 5 has a much lower operating expense even with a 2% general inflation. Due to the reductions on marketing expenses, tenant improvement allowance, and free rents, the Year 5 total operating expense is $1,973,183. The net operating income in Year 5 is $3,729,217, which can support a debt service coverage ratio of 1.65. Deducting the $201,250 replacement reserves and the $2,260,182 annual debt service, the Year 5 cash flow after debt service is $1,267,786.

Acquisition

Existing Property Information						
Address No.	**Owner**			**Sold Price**		**Year Sold**
5922	CVS		$	435,000		2003
5946-5950	Gurpartap Randhawa		$	2,950,000		2018
5944	Mark S. Goldsteln		$	90,600		2004
2020 Assessment (by CoStar)						
		Improvement		**Land**		**Total**
5922	$	1,359,000	$	1,312,500	$	2,671,500
5946-5950	$	1,580,900	$	460,600	$	2,041,500
5944	$	943,700	$	291,100	$	1,234,800
Total	**$**	**3,883,600**	**$**	**2,064,200**	**$**	**5,947,800**
Estimated Acquisition Cost (2021)						
		Improvement		**Land**		**Total**
5922	$	1,373,520	$	1,378,125	$	2,751,645
5946-5950	$	2,739,915	$	483,630	$	3,223,545
5944	$	1,735,281	$	305,655	$	2,040,936
Total	$	4,113,435	$	2,167,410	**$**	**8,016,126**

Table 15: Existing Property Info. & Acquisition Cost

The site includes 3 lots with 3 different owners. The first lot is 5922, owned by CVS. The estimated purchase price for land is $1,378,125 and $1,373,520 for improvement. The total acquisition cost for lot 5922 is approximately $2,751,645. The second lot is 5946-5950, owned by Gurpartap Randhawa. The estimated purchase price for land is $483,630 and $2,739,915. The total acquisition cost for lot 5946-5950 is approximately $3,223,545. The third lot is 5944, owned by Mark S. Goldsteln. The estimated purchase price for land is $305,655 and $1,735,281 for improvement. The total acquisition cost for lot 5944 is approximately $2,040,936.

The overall estimated acquisition cost for the site is $8,016,126.

Construction

Construction costs and scheduling is a big part toward the success of the project. The project is located in Seat Pleasant, which has an estimated construction index of 92.2. In comparison, according to MASTERFORMAT City Cost Indexes Year 2017 Base, the construction index for Silver Spring is 91.4, Alexandria is 93.3, and College Park is 92.0. The project will be done in one phase. The estimated construction phase including demolishing and site cleaning will be 99 weeks or 23 months.

Construction Costs

Multifamily Construction Cost					
	Silver Spring	Alexandria	College Park	National Avg	**Seat Pleasant (Est)**
Cost Index	91.4	93.3	92.0	100	**92.2**
Cost per SF	$ 118.82	$ 121.29	$ 119.60	$ 130.00	**$ 119.90**
Cost per Unit					
Studio	$ 65,589	$ 66,952	$ 66,019	$ 71,760	**$ 66,187**
1 Bedroom	$ 85,550	$ 87,329	$ 86,112	$ 93,600	**$ 86,330**
2 Bedrooms	$ 114,067	$ 116,438	$ 114,816	$ 124,800	**$ 115,107**
3 Bedrooms	$ 142,584	$ 145,548	$ 143,520	$ 156,000	**$ 143,884**
Cost by Unit Type					
Studio	$ 1,770,893	$ 1,807,706	$ 1,782,518	$ 1,937,520	**$ 1,787,039**
1 Bedroom	$ 4,790,822	$ 4,890,413	$ 4,822,272	$ 5,241,600	**$ 4,834,502**
2 Bedrooms	$ 7,300,301	$ 7,452,058	$ 7,348,224	$ 7,987,200	**$ 7,366,861**
3 Bedrooms	$ 1,711,008	$ 1,746,576	$ 1,722,240	$ 1,872,000	**$ 1,726,608**
Total Cost	$ 15,573,024	$ 15,896,753	$ 15,675,254	$ 17,038,320	**$ 15,715,010**
Commercial Construction Cost (Mid-rise)					
	Silver Spring	Alexandria	College Park	National Avg	**Seat Pleasant (Est)**
Cost Index	91.4	93.3	92.0	100.0	**92.2**
Cost per SF	$ 365.60	$ 373.20	$ 368.00	$ 400.00	**$ 368.93**
Total Cost	$ 18,737,000	$ 19,126,500	$ 18,860,000	$ 20,500,000	**$ 18,907,833**
Parking					
	Silver Spring	Alexandria	College Park	National Avg	**Seat Pleasant (Est)**
Underground Parking per Space	$ 22,850	$ 23,325	$ 23,000	$ 25,000	**$ 23,058**
Surface Parking per Space	$ 1,828	$ 1,866	$ 1,840	$ 2,000	**$ 1,845**
Underground Parking	$ 1,599,500	$ 1,632,750	$ 1,610,000	$ 1,750,000	**$ 1,614,083**
Surface Parking	$ 378,396	$ 386,262	$ 380,880	$ 414,000	**$ 381,846**
Total Cost	$ 1,977,896	$ 2,019,012	$ 1,990,880	$ 2,164,000	**$ 1,995,929**
Estimated Construction Contingency at		**5.00%**			**$ 1,830,939**
Total Construction Cost for The Plaza at 5922					**$ 38,449,711.80**

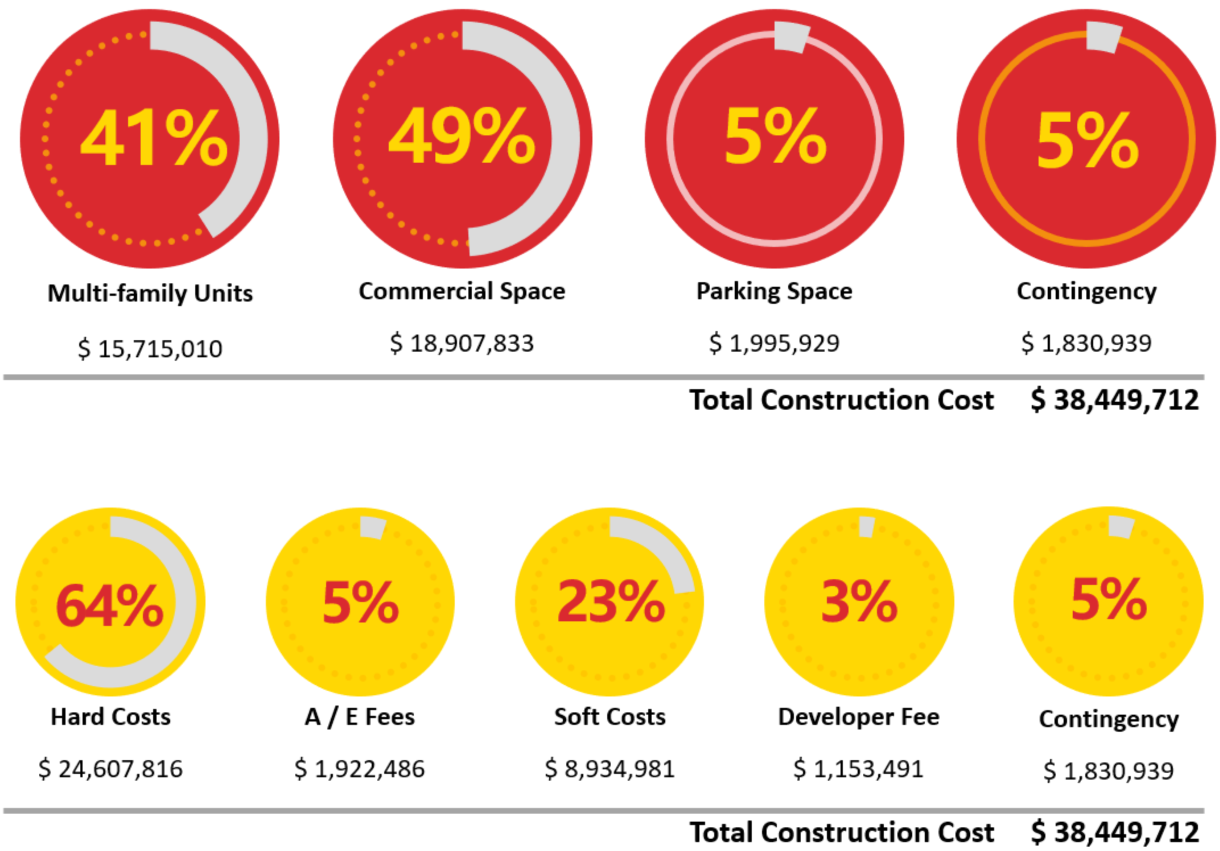
Table 16: Construction Cost

The National average construction cost for mid-rise multifamily properties is $130 per square foot. Converting this number into Seat Pleasant's cost by the construction index will be $119.86 per square foot. The total square feet for the multifamily part of the project is 131,084 square feet. The total construction cost for the multifamily part will be $15,715,010.

The National average construction cost for mid-rise commercial properties is $400 per square foot. Converting this number into Seat Pleasant's cost by the construction index will be $368.93 per square foot. The total square feet for the commercial part of the project is 51,250 SF. The total construction cost for the commercial part will be $18,907,833.

The total required parking spaces for the project are 277. There are 70 underground parking spaces and 207 surface parking spaces in the project. The National average underground parking costs $25,000 per space. Converting this number into Seat Pleasant's cost by the construction index will be $23,058 per space. The National average surface parking costs per space is $2,000. Converting this number into Seat Pleasant's cost by the construction index will be $1,845 per space. The total cost for the parking space will be $1,995,929.

Applying a 5% construction contingency to the construction costs, the overall construction cost for the Plaza at 5922 is $38,449,712.



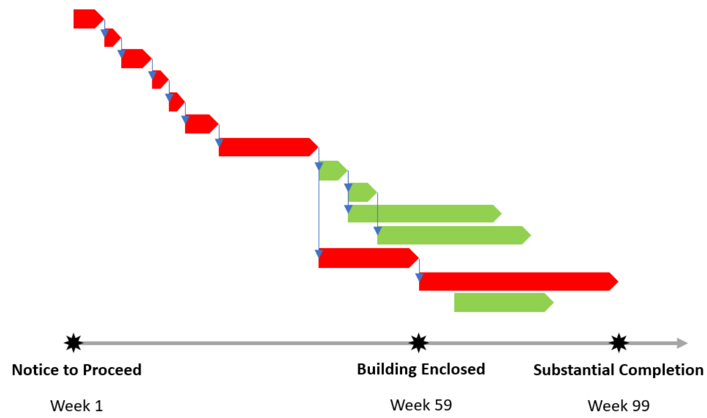
Picture 16: Construction Cost by Uses

In terms of construction costs by use, the total hard cost is $24,607,816, which is 64% of the total construction cost. The total soft cost is $8,934,981, which is 23% of the total construction cost. The architecture and engineering fee is $1,922,486, which is 5% of the total construction cost. There are a 3% developer fee, which is $1,153,491, and a 5% contingency, which is $1,830,939.

The construction cost per gross square foot is $178.77, and the construction cost per total rentable square foot is $223.46.

Construction Schedule

Activity	Duration (Week)	Critical Path
Demolishing & Cleaning	4	4
Drives Piles	2	6
Building Excavation	5	11
Footings	2	13
Slab on Grade	2	15
Below Grade Supported Slabs	6	21
Building Supported Slabs	18	39
Roof Support Slabs	4	
Roofing	4	
Mechanical and Electrical	30	
Plumbing	30	
Building Skin	20	59
Building Finishes	40	99
Landscape	20	
Substantial Completion		**99**



Picture 17: Construction Schedule

The construction of this project includes four phases, demolishing, building envelop, MEP and landscape, and building finishes.

The first phase will be demolishing existing buildings and cleaning up. This process will take 4 weeks.

The second phase will be constructing the building envelop and enclose the building. This phase includes drives piles, building excavation, footings, slab on grade, below grade supported slabs, building support slabs, roof support slabs, roofing, and building skin. Although roof support slabs and roofing are not on the critical path, they should be finished before the completion of building skin. The entire part takes 55 weeks.

The third phase will be mechanical, electrical, plumbing, and landscape. The construction of mechanical, electrical, and plumbing will be started after the completion of roofing. The construction of landscape will be stated after the completion of building skin. Since some part of this phase will be overlapped with the second phase, none of the part is not on the critical path. This part will start in Week 44 and finished in Week 87.

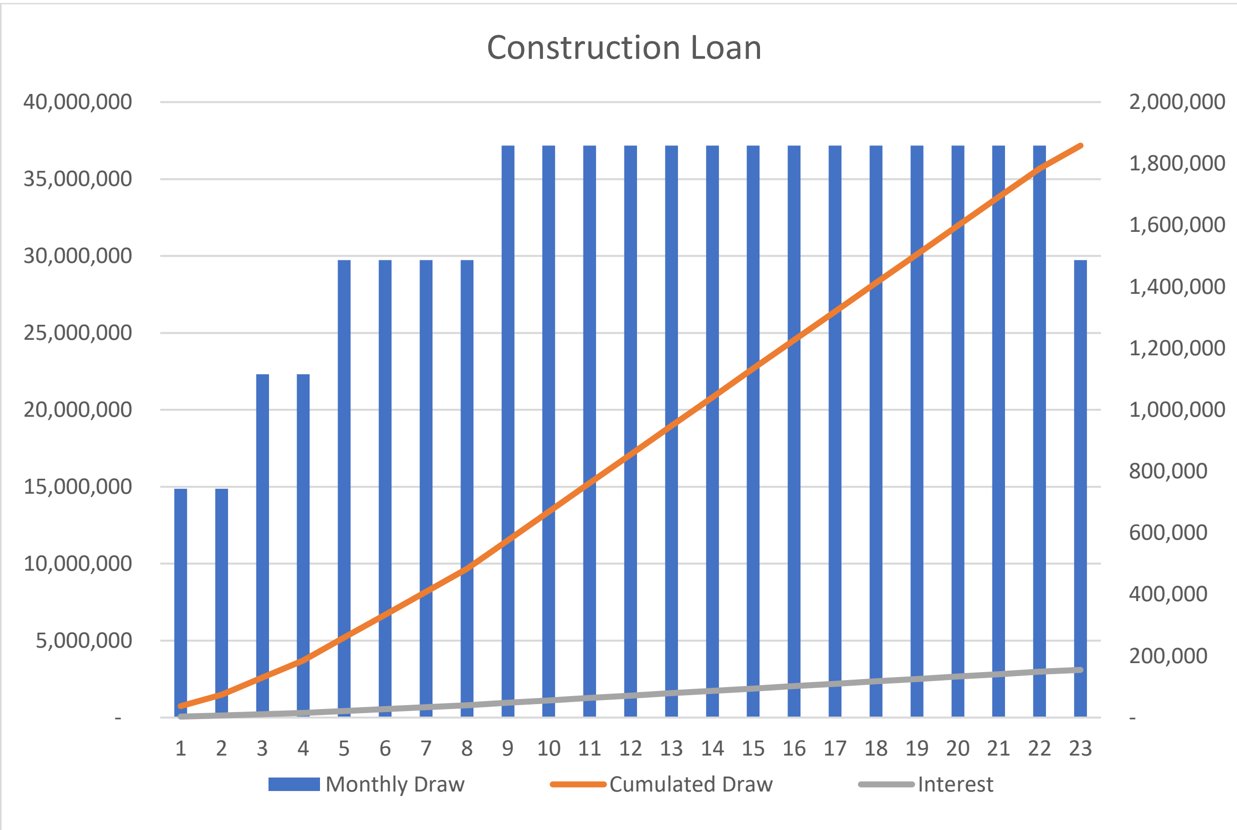
The final phase of the construction is the building finishes. It will include the exterior detail finishes, interior construction, and interior final finishes. The construction will start in Week 60, after the completion of the building skin. The entire part will be completed in 40 weeks, which is Week 99.

The total duration for construction is 99 weeks or 23 months.

Project Timeline

The pre-development phase for the project is 18 months. The construction phase will take 23 months. The project will be stabilized in Year 5, and the holding period is 7 years. The total duration for the project is about 10 and a half years.

Finance – Construction Loan



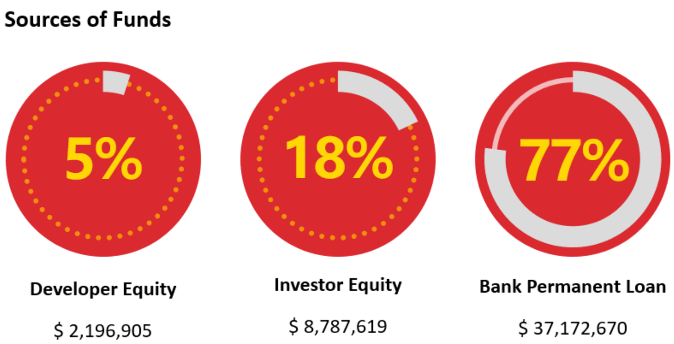
Picture 18: Construction Loan Schedule

The total construction and land acquisition cost is $46,465,838. The construction loan to value ratio is 80%. The actual loan amount is $37,172,670. The estimated annual interest rate is 5%. According to the construction schedule, the duration of the loan will be 23 months. Since the construction loan is an interest-only loan, the monthly payments only includes the monthly interest of the cumulated draw. The estimated total construction loan interest for the project is $1,691,356.

The construction loan interest will be covered by investor equity. That makes the total going in value at $48,157,194.

Finance – Permanent Loan

Permanent Loan Annual Interest Rate:	4.5%
Total Project Cost:	$48,157,194
Loan-to-Value Ratio:	0.77
Equity:	$10,984,524
Actual Loan Amount:	$37,172,670
Amortization:	30 Years / 360 Months
Payment:	$2,260,182 Annually
Projected Stabilized NOI:	$3,729,217
Projected Debt Service Coverage Ratio:	1.65



Picture 19: Permanent Phase Finance

The permanent loan annual interest rate is 4.5%, slightly lower than the construction loan. The actual loan amount will be $37,172,670 with a 30-year amortization period. The monthly payment for the permanent loan is $188,348, which makes the annual debt service at $2,260,182. The stabilized NOI in Year 5 is $3,729,217, which makes the debt service coverage ratio at 1.65.

The permanent phase finance will be made by 5% developer equity of $2,196,905; 18% investor equity of $8,787,619; and 77% bank loan of $37,172,670. The total initial equity is $10,984,524. The total permanent phase finance is $48,157,194.

Source of Funding

The financial sources for the pre-development phase will be funded by the developer and investor equity. Part of the land acquisition cost will be funded by the bank loan.

The financial sources for the construction phase will be funded by the developer equity, investor equity, bank construction loan, and other private funds.

The financial sources for the permanent loan will be funded by the developer, investor equity, bank mortgage loan, and other private investors.

A tax incremental financing from the city will be preferred. However, without government financial aids, based on the project pro forma, the project will still be financially feasible.

Financial Ratios

The stabilized year for the project is at Year 5. Therefore, the Year 5 Operating Expenses, which is $1,973,183; Annual Debt Service, which is $2,260,182; the total rental income, which is $4,720,496; the Net Operating Income, which is $3,729,217; the total project cost, which is

$48,157,194; and the Effective Gross Income, which is $5,702,400, shall be used for calculating varies of ratios.

Since the total investor equity is $10,984,524, the Cash-on-cash ratio or the return on equity ratio for the project is 11.54%. The loan to value ratio is at 77%. Since the total loan amount for the permanent loan is $37,172,670, the Debt Yield is at 10.03%. The debt service coverage ratio is 1.65, while the debt service ratio is at 60.61%. The gross rent multiplier is at 9.84. The break-even ratio is 74.24%, which is lower than 85%, required by most investors. The operating expense ratio is 34.6%.

The ratios above show that the project is very financially feasible and sustainable. Overall, the project is in a good condition.

Sensitivity Analysis

Although the current market cap rate is less than 5%, to be more conservative, the estimated exit cap rate will be 6%. With a spread of 150 base points, to have an exit cap rate of 6%, the required project yield is 7.5%.

With stabilized NOI of $3,729,217, the maximum project cost can go as high as $49,722,898, which is $1,565,704 more than the total project cost. That gives a contingency of 3.25% for the project cost.

The stabilized yield on Year 5 is 7.74%. Based on the sensitivity analysis, NOI reduction or increase of $100,000 has a 0.16% impact on the project yield, while cost reduction or increase of $1,000,000 has a 0.21% impact on the project yield. Under the assumption, the NOI can be as low as $3,611,790 to achieve the required project yield without changing the total project cost.

Overall, based on the sensitivity analysis, the project is financially feasible.

Sensitivity Analysis							
Year 5 NOI	**Total Project Cost**						
7.74%	$45,157,194	$46,157,194	$47,157,194	**$48,157,194**	$49,157,194	$50,157,194	$51,157,194
$ 4,029,217	8.92%	8.73%	8.54%	8.37%	8.20%	8.03%	7.88%
$ 3,929,217	8.70%	8.51%	8.33%	8.16%	7.99%	7.83%	7.68%
$ 3,829,217	8.48%	8.30%	8.12%	7.95%	7.79%	7.63%	7.49%
$ 3,729,217	8.26%	8.08%	7.91%	**7.74%**	7.59%	7.44%	7.29%
$ 3,629,217	8.04%	7.86%	7.70%	7.54%	7.38%	7.24%	7.09%
$ 3,529,217	7.82%	7.65%	7.48%	7.33%	7.18%	7.04%	6.90%
$ 3,429,217	7.59%	7.43%	7.27%	7.12%	6.98%	6.84%	6.70%

Table 17: Sensitivity Analysis

Exit Strategy

The project is a long-term project. The stabilized year for the project is at Year 5. Therefore, it is not reasonable to sell the project before or at Year 5. It is recommended to sell at end of Year 7 and 8 with an exit cap rate of 6% or lower. Although Year 9 seems to be a good year to sell, some commercial leases are close to the end of their leasing-terms. The projected Year 10 NOI cannot generate a good property value for selling.

Selling at End of Year 7

With a discount rate at 10%, the IRR and NPV for selling at end of Year 7 is 22.07% and $11,238,117. With the exit cap rate at 6%, the sales price for the project is $69,140,117, which is $321.46 per gross square foot. After deducting the 4% selling expense, capital gain tax, depreciation recapture tax, and outstanding mortgage, the final reversion is $27,934,255. Less the initial investment of $10,984,524, the total return on investment is $16,949,731. The average annual proceed is $2,421,390, and the annual rate of return is 22.04%.

Sales at End of Year 7		**Sales Cap Rate**		**6%**
Selling Price per GSF	***321.46***			
Sales Price			69,140,117	
Less: Selling Expenses		2,765,605		
Net Sales Price			66,374,512	
Less: Adjusted Basis				
Purchase Price		8,016,126		
Improvement Cost		40,141,068		
Less: Accumulated Depreciation		9,787,199	38,369,995	
Gain Realized on Sale			28,004,517	
Less: Depreciation Recapture		9,787,199		
Gain Recognized on Sale			18,217,318	
Tax on Depreciation Recapture		2,446,800		
Tax on Capital Gain Tax Rate		3,643,464		
Taxes Due on Sale			6,090,263	
Net Sales Price			66,374,512	
Less: Mortgage Outstanding		32,349,994		
Before Tax Equity Reversion			**34,024,518**	
Less: Taxes Due on Sale		6,090,263		
After Tax Equity Reversion			**27,934,255**	

Calculations for Return on Investment to Total Equity	
Total Proceeds to Total Equity	27,934,255
Less: Initial Investment	10,984,524
Total Return on Investment	**16,949,731**
Average Annual Proceeds	**2,421,390**
Annual Rate of Return	**22.04%**

Table 18: Exit at End of Year 7

Selling at End of Year 8

With a discount rate at 10%, the IRR and NPV for selling at end of Year 8 is 21% and $11,681,638. With the exit cap rate at 6%, the sales price for the project is $71,301,399, which is $331.51 per gross square foot. After deducting the 4% selling expense, capital gain tax, depreciation recapture tax, and outstanding mortgage, the final reversion is $30,065,809. Less the initial investment of $10,984,524, the total return on investment is $19,081,285. The average annual proceed is $2,385,161, and the annual rate of return is 21.71%.

Sales at End of Year 8	**Sales Cap Rate**		**6%**
Selling Price per GSF ***331.51***			
Sales Price		71,301,399	
Less: Selling Expenses	2,852,056		
Net Sales Price		68,449,343	
Less: Adjusted Basis			
Purchase Price	8,016,126		
Improvement Cost	40,141,068		
Less: Accumulated Depreciation	11,185,371	36,971,823	
Gain Realized on Sale		31,477,519	
Less: Depreciation Recapture	11,185,371		
Gain Recognized on Sale		20,292,149	
Tax on Depreciation Recapture	2,796,343		
Tax on Capital Gain Tax Rate	4,058,430		
Taxes Due on Sale		6,854,772	
Net Sales Price		68,449,343	
Less: Mortgage Outstanding	31,528,761		
Before Tax Equity Reversion		**36,920,582**	
Less: Taxes Due on Sale	6,854,772		
After Tax Equity Reversion		**30,065,809**	

Calculations for Return on Investment to Total Equity	
Total Proceeds to Total Equity	30,065,809
Less: Initial Investment	10,984,524
Total Return on Investment	**19,081,285**
Average Annual Proceeds	**2,385,161**
Annual Rate of Return	**21.71%**

Table 19: Exit at End of Year 8

Conclusion

The Plaza at 5922 is a mixed-use development adjacent to the east corner of Washington, D.C. The project provides flexible leasing options to accommodate the flexible working and living style with top-class living conditions in the region. The development brings high-quality amenities, an accessible grocer, and public spaces for gathering and activities to an undersupplied suburban market. The project will attract the population not only to live here but also to work here.

The development of the project will improve the surrounding environment and infrastructure. The commercial activities that may happen in the project will bring in not only visitors but also capitals. The land value and property value will rise after the completion of the development and bring wealth to the neighborhood.

Overall, the Plaza at 5922 is in line with the Master Plan of Seat Pleasant to create a future smart city with smart urban centers. The Plaza at 5922 will be the pioneer to bring City of Seat Pleasant, a diamond in the rough, on the track to a bright future.

Picture 20: Building Rendering, Axon

Sources

General Context

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Map of Property Group MUI-7-16 by The Maryland-National Capital Park and Planning Commission

Special thanks to Nicole Hinkle for her great architectural design and rendering.

Appendix I

COLVIN INSTITUTE OF REAL ESTATE DEVELOPMENT

The Pleasant Gates

MT DEVELOPERS

CAPSTONE PROJECTSPRING 2021

Developed by Mohsen Teimouri

Mentors:

Timur Ryspekov & Jerry Dawson

May 2021

The Pleasant Gates

MT DEVELOPERS

SECTION 1: SITE ANALYSIS

SECTION 2: ZONING & ENTITLEMENT

SECTION 3: : KEY DEMOGRAPHICS & ECONOMIC TRENDS

SECTION 4: MARKET ANALYSIS

SECTION 5: DESIGN PROPOSAL & PROJECT TIMELINE

SECTION 6: CONSTRUCTION

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SECTION 8: FINANCIAL FEASIBILITY – PHASE 1

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The Pleasant Gates

MT DEVELOPERS

SECTION 1: SITE ANALYSIS

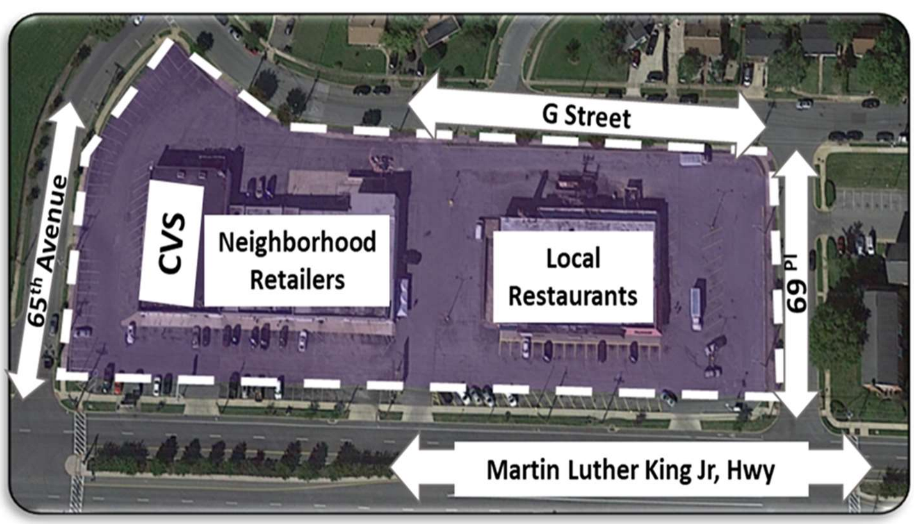
INTRODUCTION

This section will discuss the subject site and its surrounding fabric. It will first introduce the site and its local and regional components. Later, it reviews the area master plan and describes the site's local and regional characteristics, the site Area Master Plan, and overviews the city of Seat Pleasant, Maryland, Social, cultural, and economic characteristics. Lastly, this section Opportunity Zone Investment Tax Benefits and the site's locating in one of Maryland's Designated Opportunity Zone Census Tracts.

SITE INTRODUCTION

The site is 3.5 acres, 150,798 ft² in size, and it covers three different parcels. It sits on 5922 to 5944 Martin Luther King Jr Highway, Seat Pleasant, MD. 20743.

The property is, in fact, a lot-block piece of land, including Property Tax IDs 2073732, 2076339, 2075539, and restricted to Martin Luther King Jr, Highway Seat Pleasant, MD on South, the 65th Avenue, G Street, and 65Pl, Seat Pleasant, MD on East, North, and the west frontages accordingly. The site's current uses are local restaurants, neighborhood retailers, and a CVS Store. The property's premises were assessed slightly above $6 Million by Prince George's County in December 2019. It replicates proximately $40.50 Per SF.



LOCAL & REGIONAL CHARACTERISTICS

Seat Pleasant MD is a historically industrial dominant jurisdiction. The regional Laurel's FedEx Sports Stadium and Facilities locates in less than ten minutes drive from the site. In a primary site area, detached single-family and townhomes are the growth in the area fabric. The other uses are typically suburban retail. Auto Services, such as Auto Part and Shell Gas Station, are located across the Martin Luther King Jr Hwy and in front of the site. The site is an adjunct to the Seat Pleasant Elementary School and Seat Pleasant Community Center on the west. On the southwest of the site, the city's high school locates. While the master plan requires Martin Luther King Jr to be redeveloped to a slower-traffic Blvd, the current highway lacks amenities such as public transportation facilities or pedestrian-friendly speed and traffic design.

WMATA operates the Blue Line metro approximately one mile from the site. Addison Rd and Capitol Heights Stations serve the community via A12 bus route access to the metro stations.

AREA FABRIC & CONTEXT

In a closer look at the site proximity, a single-family residential fabric noticed. Although the Pleasant Homes Apartments, with 280 units developed in the late 1950s, are located next to the site, the area is empty from multifamily and condominium buildings.

The city elementary school & community center is located within walking distance of the site. In addition, financial institutions such as Bank branches and ATM facilities have recently moved into the site proximity area.

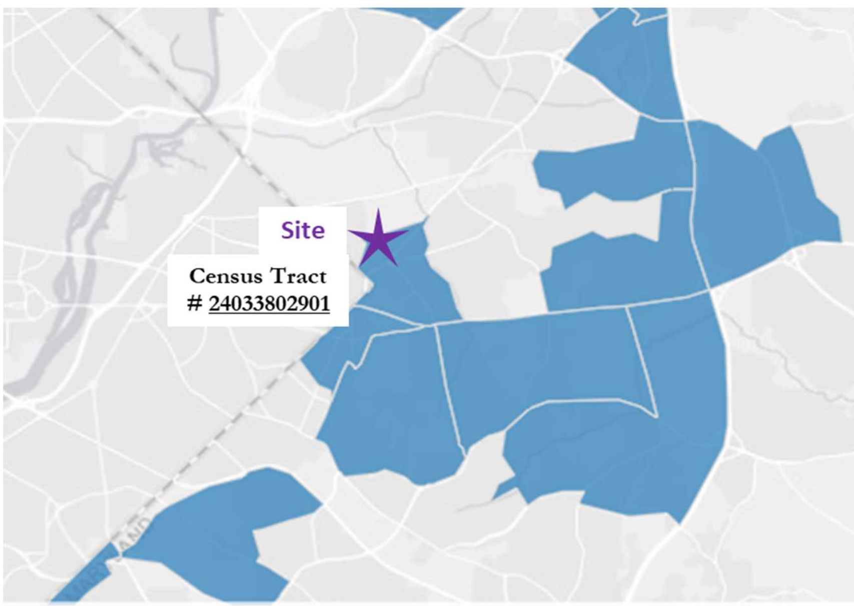
Image 3: AREA FABRIC & CONTEXT MAP

DESIGNATED OPPORTUNITY ZONE CENSUS TRACTS

Investing in Opportunity Act, 2017-2018 by Congress requires all fifty state governments to designated 25% of their Low-Income Communities census tracts as the Designated Opportunity Zone Census Tracts.

The properties, investments, and businesses located in OZ census tracts are eligible for IRS federal capital gain tax reduction if the investments are registered with IRS as a Qualified Opportunity Zone Investment Fund.

The Pleasant Gates site is located in Opportunity Zone Census Tracts 24033802901.



Map Source: Maryland Opportunity Zone Resources

OPPORTUNITY ZONE TAX BENEFITS

According to "Investing in Opportunity Act, 2017-2018" by Congress, low-income communities located throughout the fifty States' Designated Opportunity Zone Census Tracts are eligible for federal tax benefits for the investment capital gains, which reinvest in a designated census tract, all over the country, the services in practice can be collected by registering the investments in a "Qualified Opportunity Zone Investment Funds" (QOZIF).

QUALIFIED OPPORTUNITY ZONE INVESTMENT FUND (QOZIF)

Investors prior federal capital gain tax amount due can be registered as the IRS's qualified opportunity zone investment funds and become eligible for the Real Estate Capital Improvements projects of a designated OZ census tracts properties. The Investor can collect the collection by the length of OZ investment periods. In a ladder reduction on the initial OZ invested capital gain tax basis, the OZ program will benefit the project's tax reductions by 10% if the investment remains in the OZ census tracts for five years. 15% Reduction if it remains invested for seven years, and eventually, 100% reduction on the initial capital gain tax basis for the OZ investments lasts for ten years and longer.

PROFESSIONAL BASKETBALL EDUCATION IN SEAT PLEASANT COMMUNITY

Professional basketball career and basketball education have roots in the Seat Pleasant community.

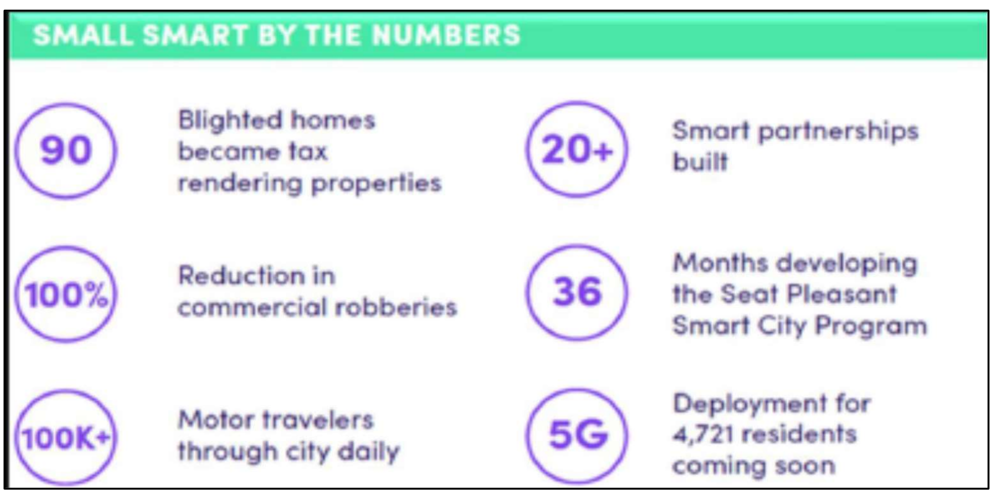
The city is home to NBA superstar Kevin Durant.

The city activity center has ongoing youth basketball education activities within the site's walking distance.

Source: CBS DC

SEAT PLEASANT MARYLAND; A SMART CITY OF EXCELLENCE

Seat Pleasant, Maryland is the world's first authentic small urban ecosystem using technology to improve community efficiency, increase government transparency, save time, strengthen trust in publicly funded systems, and equip America's small cities for the future. Since 2018, the town has significantly succeeded in s community social, economic, and high-tech infrastructure developments.



Source: seatpleasantmd.gov

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MT DEVELOPERS

SECTION 2: ZONING & ENTITLEMENT

INTRODUCTION

In this section, the zoning ordinances will be analyzed first. Approved Area Master Plan community development goals, policies, and development standards will be reviewed after. This section briefly discusses the entitlement process at the end.

ZONING

The existing zoning ordinances are Prince George's County Mix-use Infill (MUI), overlayed with Development District Zone ordinances. Such overlay requires potential development entitlement and building permitting to obtain Prince George's County Council approval of the development plan. The site zoning overlay aims to ensure that land development meets the district's goals in a Master Plan, Master Plan Amendment, or Sector Plan and takes advantage of unique opportunities and the development standards presented by thejurisdiction.

APPROVED AREA MASTER PLAN

Prince George's County Subregion 4 Master Plan, approved in 2011, provides future Seat Pleasant,MD, with the **"Opportunity 7"** community development plan. In this plan, the development of mid-rise residential dominant mix-use assets has been strongly suggested. The project encourages the city, the Blue Line metro incentives, and county financial support to attain the plan goals.

The conceptual site plan illustrates a cohesive design approach that improves the image of the area. It encourages placing buildings closer to the street, proposing the adaptive reuse redevelopment of the Martin Luther King Jr. Hwy to a lower speed limits boulevard, and supporting community development financing.

Finally, the plan emphasizes the city's history and community roots strengths for expanding the institutional and educational real estate assets.

The image below illustrates the conceptual area development map. The map shows a mix-use corridor on Martin Luther King Jr Highway while encouraging residential developments on the surrounding sites.

Image 4: Village Center Conceptual Map – The Master Plan Goal

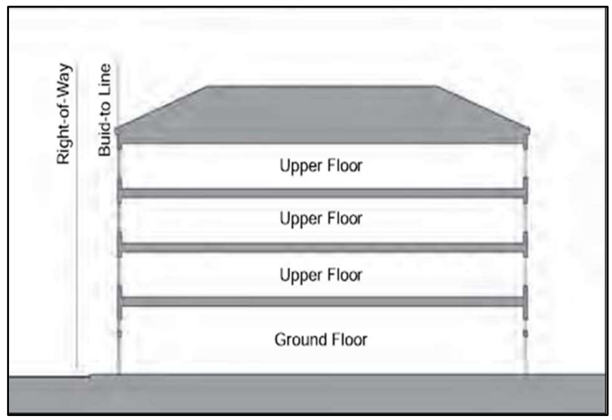
Source: Approved Subregion 4 Master Plan and Sectional Map Amendment

DEVELOPMENT ENTITLEMENT

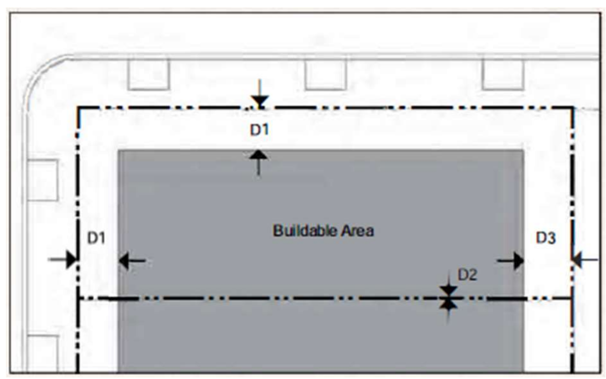
As noted in the zoning analysis section, DDO zone ordinances require the development entitlements to observe the following development standards in Mix-Use development projects.

In developing mix-use residential uses with retail use on the ground floor, the area master plan's design guidelines suggest 4 Stories or (50 ft. Max) building heights. Lot occupancy shall not pass 75% of the area of the entire premises. On the other hand, in placemaking guides, it requires observing Build-to Line (D2) of a minimum of 18 ft. in addition, side setbacks (D1) requirements are varied from minimum zero to 10 ft.

A. Building Heights	
Principal Building*	4 stories max. (60 ft.)
Accessory Building (if applicable)	2 stories max. (25 ft.)
Ground Floor (One-story Commercial Building)	14 ft. min. (floor to ceiling)
Ground Floor (Multistory Building)	12 ft. min. (floor to ceiling)
Upper Floors	8 ft. min.



D. Build-To Line And Setbacks	
D1. Build-to Line	18 ft. from the back of curb
D2. Side Setback min./max.	0 ft./10 ft.
D3. Rear Setback min./max	0 ft./10 ft.
Frontage Occupancy**	80 percent min.

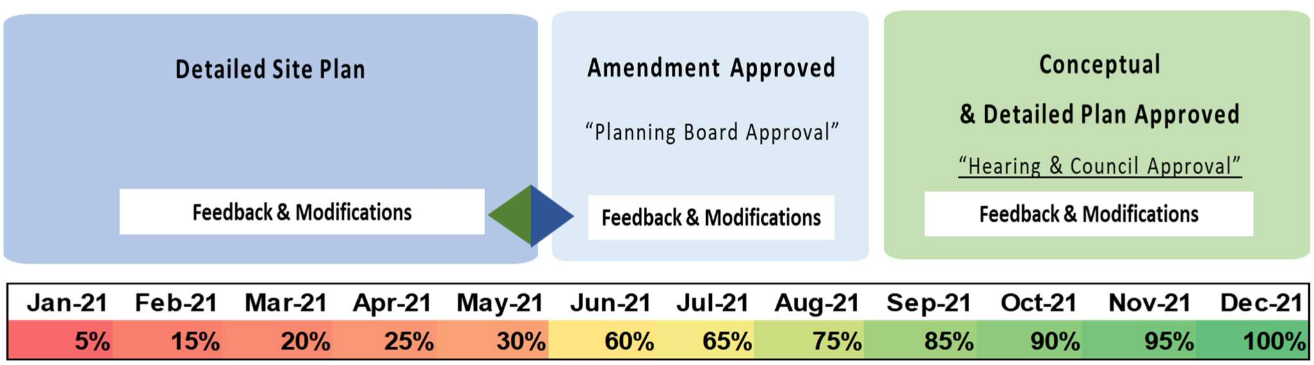


Source: Approved Subregion 4 Master Plan and Sectional Map Amendment

ENTITLEMENT PROCESS

The development Entitlement Process for the site can be an arduous task to succeed for developers. As reviewed earlier, it is closely tight to the area master plan's development standards. The detailed site plan, such as The Pleasant Gates development proposal, shall first be prepared by the developers or property owners. Prince George's County Planning board shall approve the detailed site plans in the first stage. The modified and approved site plan will then be sent to the county council for the council hearing session and county council approval of the project.

The process will lead to the property entitlement. The Pleasant Gates will consider 12 consecutive months for the entitlement process, beginning January 10, 2022.



The Pleasant Gates

MT DEVELOPERS

SECTION 3: KEY DEMOGRAPHICS & ECONOMIC TRENDS

INTRODUCTION

15-and 30-minutes' drive time in rush hour buffered from the research area boundaries. Using the Washington Metropolitan Council of Governance (MWCOG) Traffic Zone Analysis (TAZ) data published in December 2020, the critical factors of population, households, and employment growth were surveyed and analyzed. The primary and the secondary market area demographic trends were projected for people, households, employment growth counts, and rates. The Area Median Income and the unemployment rates are discussed later in this chapter to compare the primary and secondary market areas' economic trends.

DEMOGRAPHICS & ECONOMIC TRENDS

- **Primary Research Area**

The Primary market area maintains its historical industrial and employment hub for at least until 2025. Residential-related trends such as household number growth and total population show moresignificant numbers in 2020-2025 than its prior five-year period. 2015-2020 trends are adjusted with the research area's past events. The noticeable drop in directions for 2020 to 2025 projections sounds too conservative in this regard. The predictions, however, still resonate with growing demand in both employment and residential audiences of the local market.

The tables below illustrate and compare population, employment, and household growth trends in the primary and the secondary market area. The average annual numbers are later extracted for each category, accordingly. Roughly **141** additional households and 225 new jobs will be created in the primary market area in a conservative estimate based on the Washington Metropolitan Council of Government (WMCOG) Traffic Area Zone (TAZ) Cooperative Data Analysis report, published in December 2020.

- **Secondary Market Area**

On the other hand, the secondary market area reflects a dominant residential area with DC metropolitan area. Demographic trends show significant growth rates in population and employment growth, while households' numbers are expected to grow by 7.1% from 2020 to 2025.

Although MWCOG projections sound underestimated compared to the same trends in the priorfive years, it still projects an average of 100 households and 142 new employments for the research area. Roughly 141 additional households and 225 new jobs will be created in the primary market area. A conservative estimate based on the Washington Metropolitan Council of Government (WMCOG) Traffic Area Zone (TAZ) Cooperative Data Analysis report, published in December 2020.

Table 1

Key Eeconomic Trends (2015-2020) / Primary Market Area			
Category (Updated Survey)	Total Number	Annual Number	Average Rate (%)
Population Growth	3,628	726	6.6%
Employment Growth	2,039	408	10.4%
Households Growth	2,541	508	12.3%

Table 2

Key Economic Trends (2015-2020) / Secondary Market Area			
Category (Updated Survey)	Total Number	Annual Number	Average Rate (%)
Population Growth	709	142	3.9%
Employment Growth	140	28	1.6%
Households Growth	497	99	7.1%

Source: Metropolitan Washington Council of Governments TAZ Cooperative Reports

Table

Key Economic Trends (2020-2025) / Primary Market Area			
Category (Projection)	Total Number	Annual Number	Average Rate (%)
Population Growth	1,091	218	1.9%
Employment Growth	1,125	225	5.2%
Households Growth	705	141	3.0%

Table 4

Key Economic Trends (2020-2025) / Secondary Market Area			
Category (Updated Survey)	Total Number	Annual Number	Average Rate (%)
Population Growth	1,127	225	5.9%
Employment Growth	318	64	3.6%
Households Growth	727	145	9.7%

Source: Metropolitan Washington Council of Governments TAZ Cooperative Reports

AREA MEDIAN INCOME & UNEMPLOYMENT RATE

Seat Pleasant AMI was $55,370 for the year 2020. However, close to the nationwide $68,703 AMI in 2020, the area median income is noticeably lower than Maryland's $95,572 in 2019. Seat Pleasant AMI on the other hand, has shown growing numbers since 2015, as well.

The Pleasant Gates

MT DEVELOPERS

SECTION 4: MARKET ANALYSIS

INTRODUCTION

This chapter investigates major real estate market trends within the site's primary and broader area of service. Initially, a summary of nationwide expert reviews on the covid pandemic is presented.

The Logic behind the analysis will be discussed, and eventually, multifamily, retail, industrial, and office Inventory of the area were analyzed. Finally, the potential demand for the site is presented in detail.

COVID PANDEMIC IMPACT ON REAL ESTATE MARKET

In the last quarter of 2020, Moody's Analytics published its Covid-19 and CRE Transaction Markets Report. The pandemic's impact on CRE asset values was projected in the report, comparing the crisis with the last Great Recession similar Commercial Property Price Index (CPPI) recorded in the Great Recession affecting the commercial real estate market nationwide. Moody's suggest significantly lower negative impacts will occur during the Covid-19 pandemic. In their conservative estimation, Multifamily and Industrial assets will sustain stability more than Retail and Hotel. The report also states that Multifamily and Industrial assets are expected to experience the lowest vacancy rates and the smallest increase in cap rates.

Lastly, this report and the database used in this market research assume that the pandemic restrictions will be lifted by January 2022. In this regard, deliveries in 2022 and later should experience lower vacancy rates, comparing to 2021.

RESEARCH METHOD

This report uses online private data sources, such as costar and redfin, and public data sources like Washington Metropolitan Area Council of Governments to analyze and project potential demand for the site. In this regard, a primary and secondary market area was defined using the Costar drivetime buffer tool. An analysis of the historical and projection of fundamental supply and demand trends was conducted for each asset type.

Finally, highly demanding uses were identified, and the potential area demand for the property was calculated. The demand projections are extrapolated from the recognized and calculated gaps in each asset's inventory within reasonable drive time to the subject site.

MULTIFAMILY MARKET

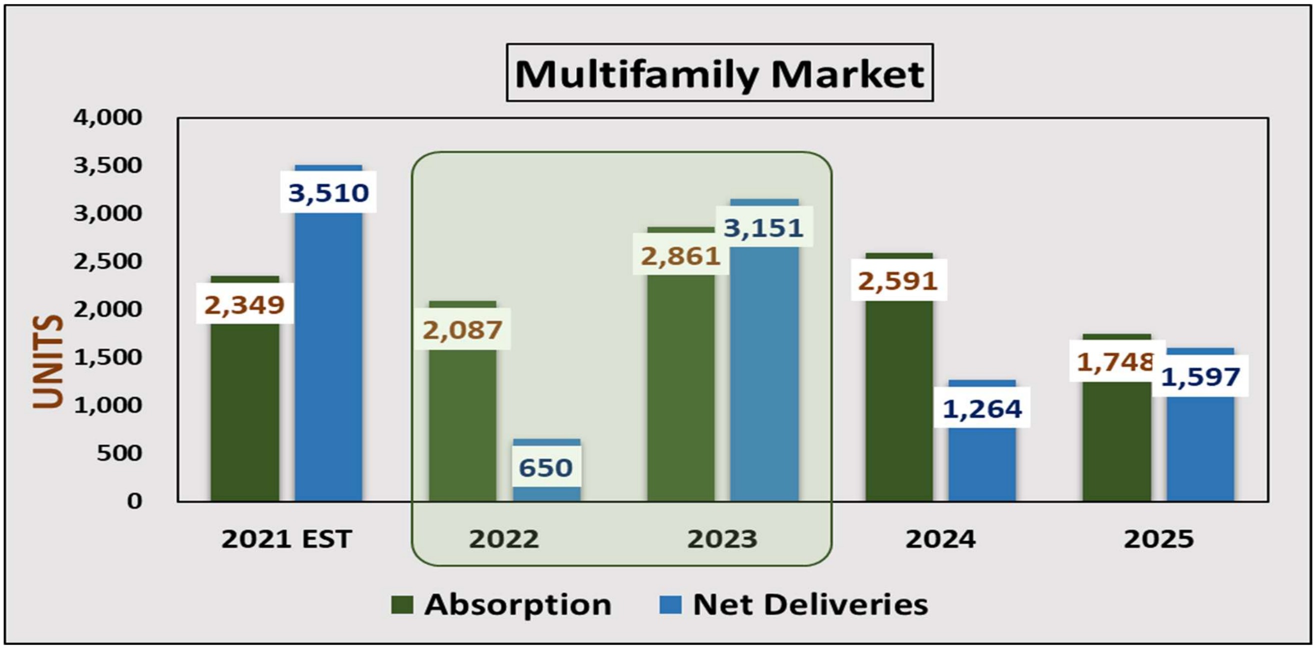
In a 30-minutes rush hour drivetime buffer, the market continues to expand, despite the pandemic impacts. Although the expansion will be lower in the pace and volume, from **2022 to 20225**, the primary market area will demand roughly 1,000 rental units in addition to the currently scheduled deliveries.

The multifamily market in 30-minuets drivetime from the site recorded rapid expansion since 2016.

Since 2020, a minor decline in absorption is noticed. By 2023, the market will add on its multifamily absorption.

The graph illustrates multifamily net absorption and net deliveries projection until Q4 2025. A significant gap in deliveries is observed for the years 2022 to mid-2024.

30-Min Drivetime
– Rush Hour



Data Source: Costar

COMPARABLE PROPERTIES

Pleasant Homes Apartments — Regency Lane — Woodland Springs — Eastbrook at Beulah Crossing

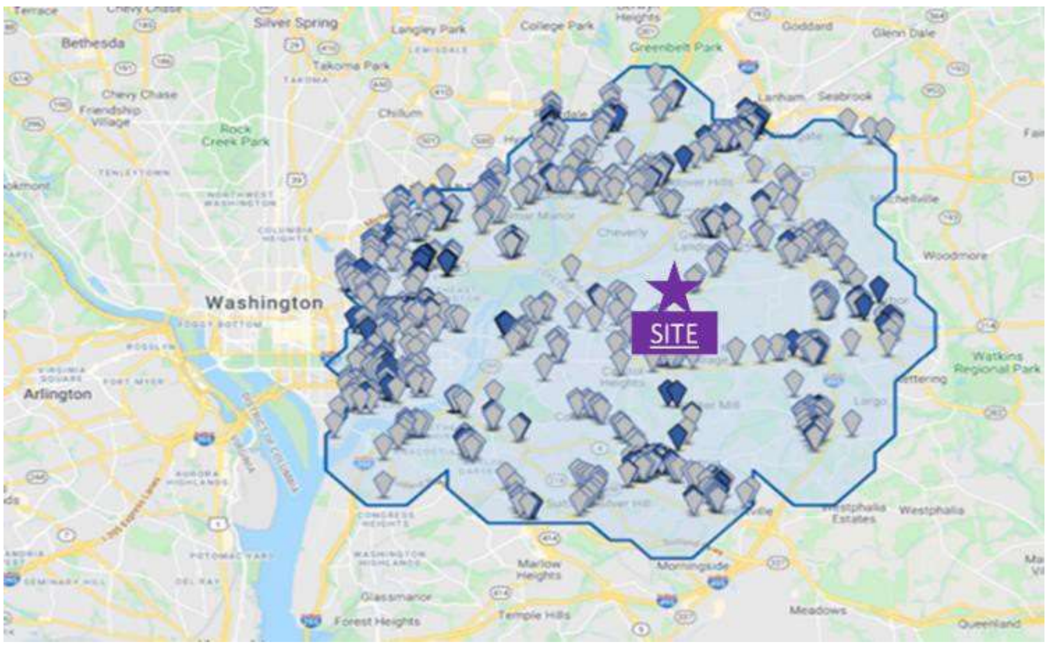
Building Name	Address	Units	Yr Blt/Ren	Rent/SF	Rent/Unit	Occ %	Neighborhood
Pleasant Homes Apartments	6606 Greig St	286	1950/-	$1.47	$1,058	100%	Seat Pleasant
Regency Lane	6806-6868 Walker Mill Rd	172	1972/2010	$1.28	$1,172	99%	Walker Mill
Woodland Springs	6617 Atwood St	506	1950/-	$1.43	$1,171	98%	District Heights
EastBrooke at Beulah Crossing	323 62nd St NE	39	2015/-	$2.01	$1,380	100%	Grant Park

Source: Costar

RETAIL MARKET

40-minutes' drive time in a rush-hour defines the area's 3 & 4 Star rated retail inventory. The absorption of retail space increases, moving closer to the site. The market inventory shows a lack of significant retail space deliveries since 2016 While delivering almost 300,000 Square ft in 2021 and proposing roughly 200,000 Square ft from 2022 to 2025, the market will absorb more than the deliveries projected for the years leading to 2025. At least 72,000 SF gaps will remain in deliveries, considering the vacant spaces each year from 2022 to 2025. Lastly, the vacancy rates have slightly increased since 2018 yet are healthy rates of less than 6.5%.

Retail Market Inventory Map (40-Minutes Drivetime, Rush Hour)



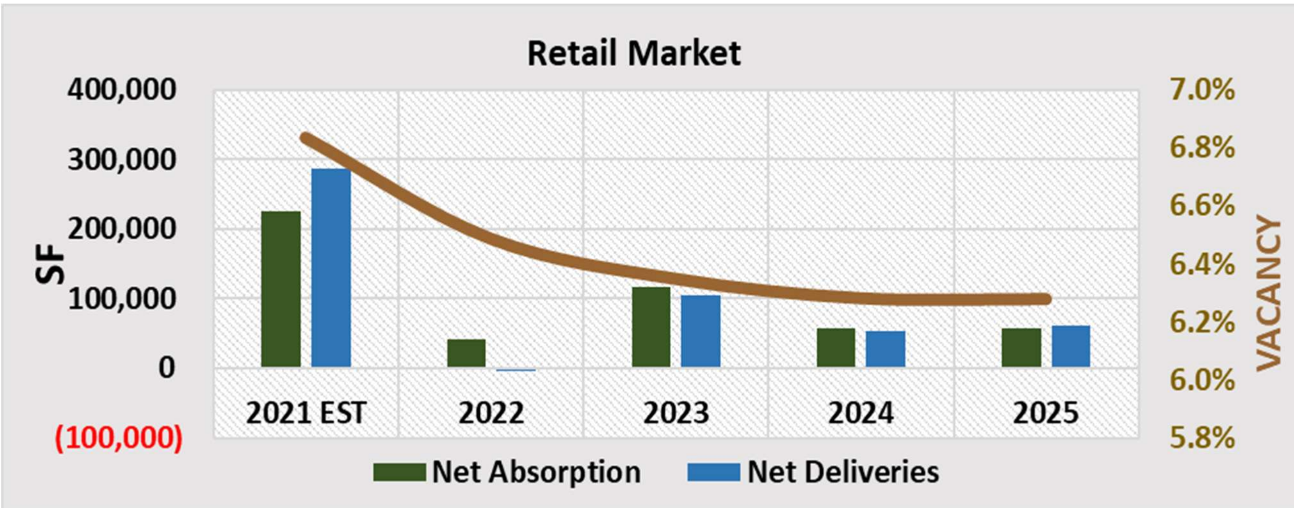
Source: Costar

SUPPLY & DEMAND TRENDS

Delivery Shortage: 2022 to 2024

Decreasing Vacancy Rates: to under 6.2% from 2022

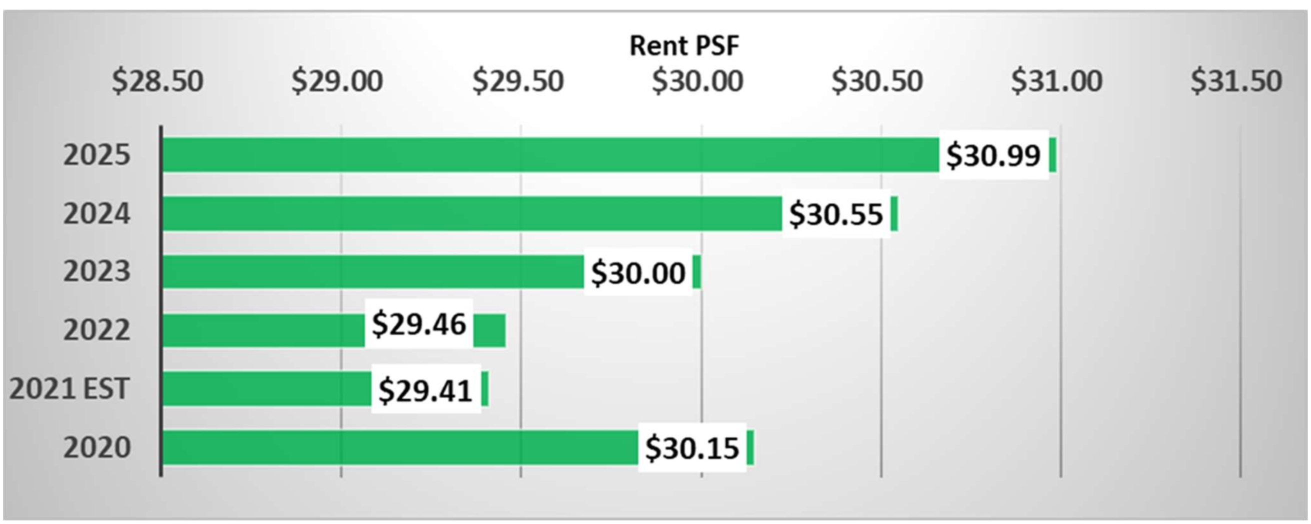
Stabilized S30.00 PSF Per Year: 2022, and after.



Source: Costar

FUTURE RENT RATES

Stable Rent Rates of $30.00 and above are expected for the years 2023 and after.

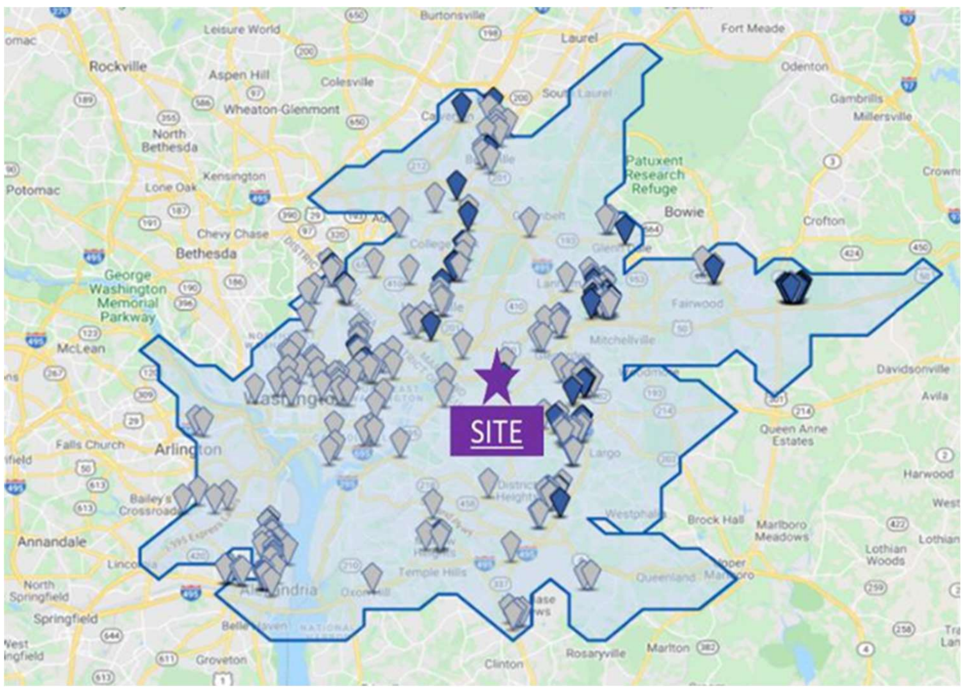


Source: Costar

FLEX MARKET

In the 40- minutes no-traffic drivetime buffer, the flex current, and proposed inventory were identified. The Buffered area overlaps State route MD 201 on the west, MD 208 on the North, Interstate I-495 on the south and center, and Georgia Avenue, DC on the east.

Flex Market Inventory Map (40-Minutes Drivetime-No Traffic)



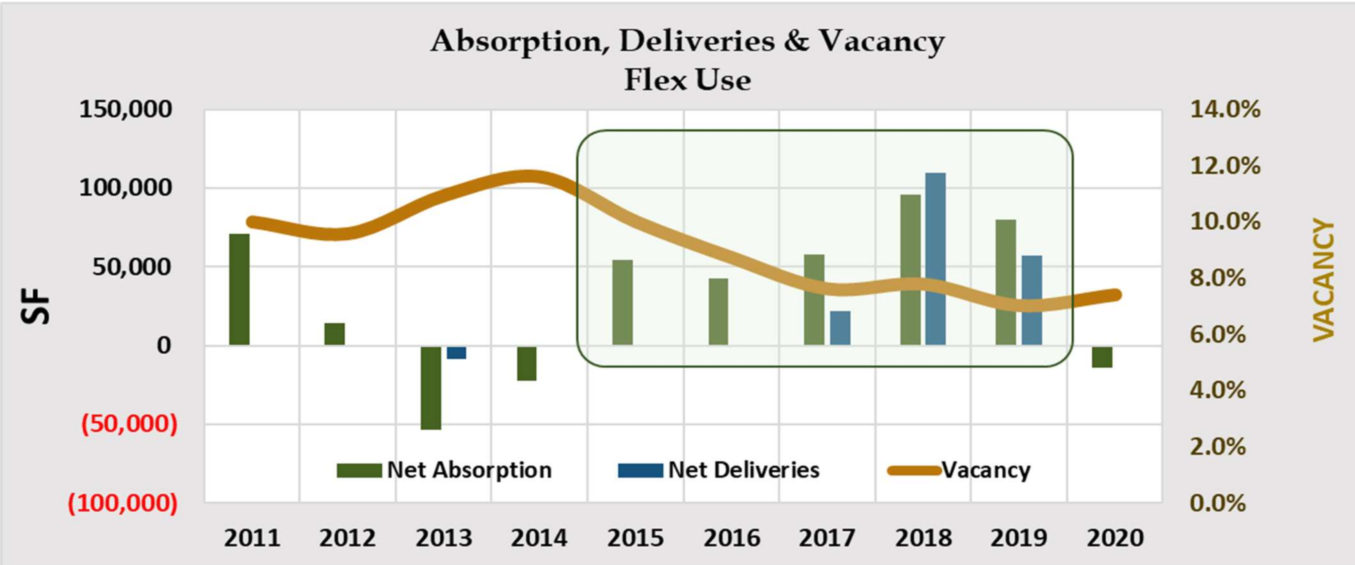
Source: Costar

SUPPLY & DEMAND TRENDS

Flex market is inherently a built-to-suit type of real estate asset. While the deliveries happen mostlywhen the leaser or buyer is on board, the historical absorption and delivery trends can clarify the potential demand each year. While the minor slowdown happens up to 2022, the market will continue to deliver and absorb a healthy vacancy rate of below 9% within the next four years.

Decreasing Vacancy Rates

Stabilized S25.00 PSF Rent Rates from



Date Source: Costar

DEMAND CALCULATION

Multifamily & Retail

The delivery gaps were identified in the inventory, beginning from 2021 to 2025 Q4. The capture rate for the property is derived from subtracting the area vacancy and pipeline. Property capture rates were estimated based on the number of units under construction in the area. The tables below illustrate the outcomes.

Demand Calcualtion-Historically Estimated	
Total 2022 Absorption	2,087
Total 2022 Deliveries	650
Total Vacant in 2022	292
Absorption Gap	1,145
Property Capture Rate	25%
Property Demand Capture	**286**

Date Source: Costar

Retail Space Demand Calcualtion	
Total Absorption	1,681,940
Total Deliveries	1,866,139
Average Vacancy	5.9%
2022 Absorption	44,672
2022 Deliveries	(4,389)
2023 Absoprtion	57,556
2023 Deliveries	35,005
Average Historical Absorption (Annual)	112,129
Average Historical Deliveries (Annual)	124,409
2022 Gap	49,061
2023 Gap	22,551
Property Capture Rate (50% Rated)	35,806

Date Source: Costar

FLEX

Flex use is inherently a built-to-suit type of asset. To draw a better picture of Flex use in the local market area, the average historical SF which the region has absorbed since 2011 was surveyed. Roughly 20,000 SF of annual absorption, therefore, can be estimated until 2025. The potential demand in this way requires further sensitivity analysis. However, pre-marketing of a flex space up to 20,000 SF sounds like a reasonable development and marketing strategy for the subject site.

FLEX DEMAND

Period	Net Absorption	Net Deliveries	Vacancy
2011-2016	64,067	(8,800)	10.4%
2016-2020	262,441	189,100	7.7%
2020-2025	(15,933)	25,472	8.0%
Total 15 Years	310,575	205,772	8.0%
Average Annual	20,705	13,718	8.7%

Date Source: Costar

The Pleasant Gates

MT DEVELOPERS

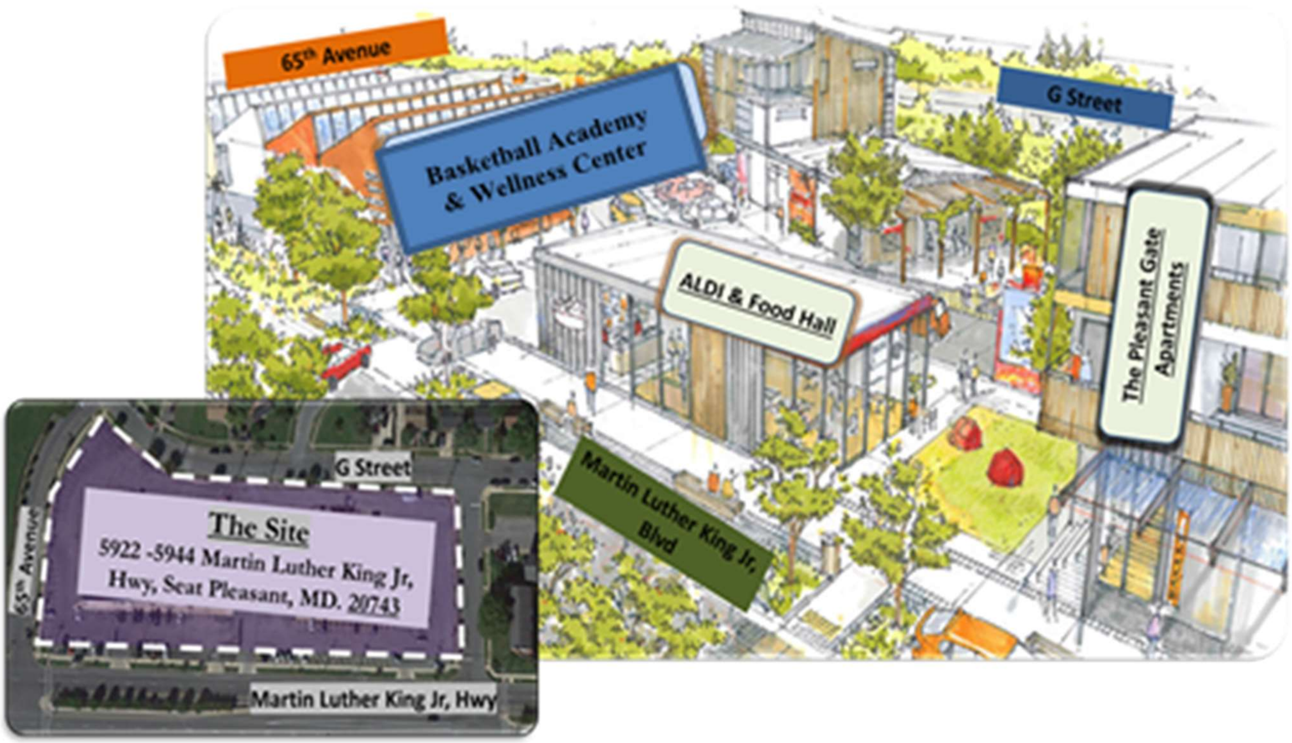
SECTION 5: DESIGN PROPOSAL & PROJECT TIMELINE

INTRODUCTION

In this section, the project's design vision will be presented first. The Design Proposal in detail, as well as the Project Timeline, will be discussed subsequently.

THE PLEASANT GATES ENVISIONED

In alignment with the area master plan, goals, policies, and development standards, The Pleasant Gates envisioned delivering a mix-use, mix-income property, which is financially feasible and a precedent component of the area development and transition the Master Plan desired in the community master plan.



PROJECT DESIGN & DEVELOPMENT PLAN

Proposing a Mix-Use, Mix-Income Multifamily, facing Martin Luther King Jr, Highway, and 65Pl, Seat Pleasant Maryland, will promote the community's housing affordability, diversity, and local revenue enhancements. In addition, the project offers high-quality and highly sustainable construction, using steel structure on the concrete podium for the whole project buildings.

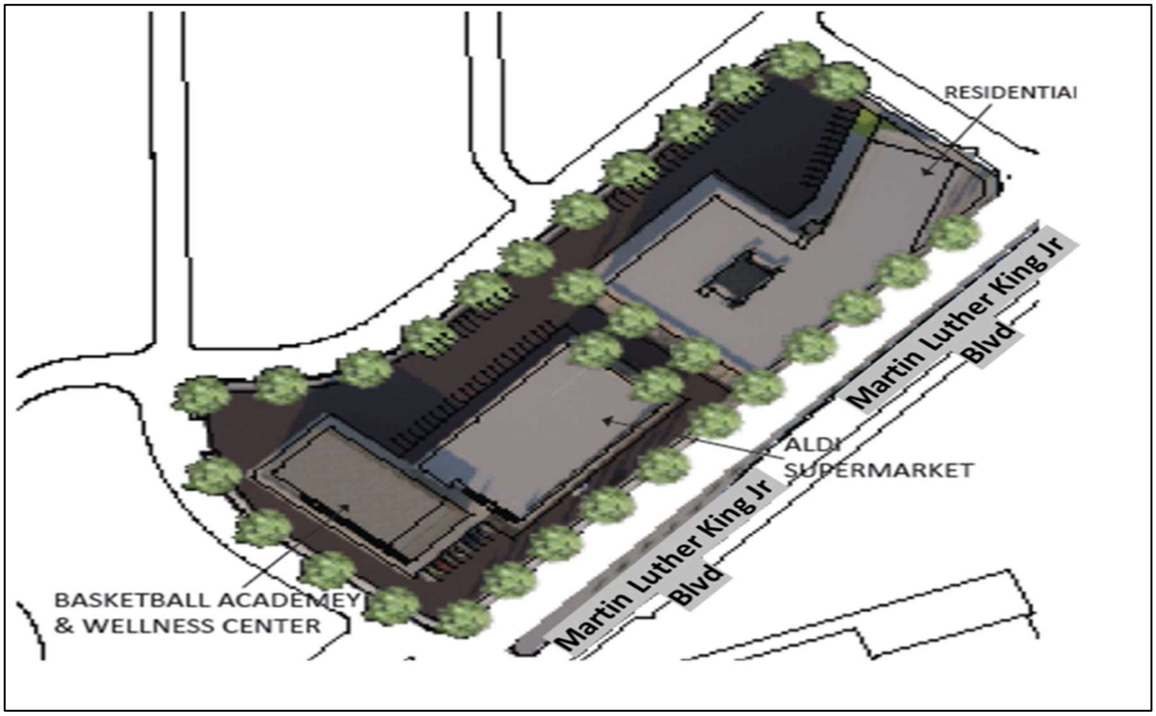
The Pleasant Gates Develops 166-Units Mix-Income, with 32,816 Net Rental SF affordable apartments designed in 36 units at 50% Area Median Income Rent rates, promoting the project and the community's housing affordability. Phase 1, a Mix-Use, Mix-Income development, including 36 affordable units, eligible for households having 50% or less than Area Median Income (AMI) and 130 Fair Market Rate Units. The units are a mixture of efficiencies, one-bedroom and two-bedroom apartments, and an average 887 Square ft net rentable area. Fifty garage parking lots & 40 surface parking lots provide a 0.6 per unit parking ratio for the multifamily units. The ground floor hosts 8,000 CVS stores with 1.6 parking per 1,000 SF rentable area, parking ratio, and urgent pharmacy care to support the property and the community residents.

The idea of "Grocery Store at Your Doorsteps" founded ALDI and Food Hall building on Phase 2. It consists of 16,000 SF of ALDI Grocery Store and 2,000 SF adjunct Food Hall. Affordable Grocery stores and restaurants realize the community's high-quality and affordable neighborhood retail amenities envisioned in the area master plan.

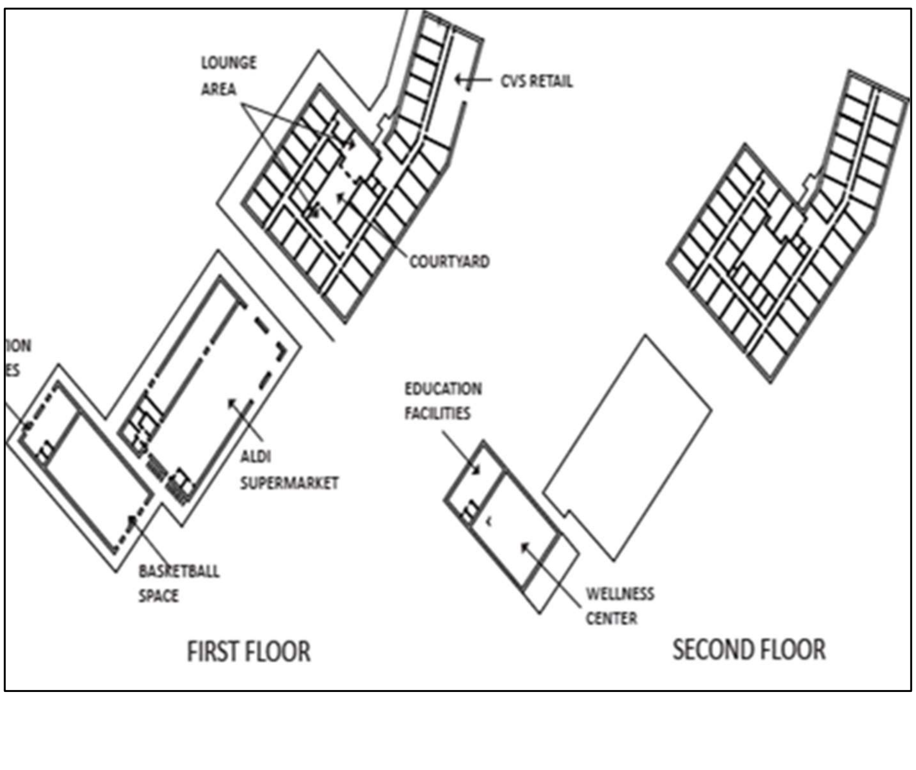
Community Heritage Branding in The Pleasant Gates is realized by delivering Chuck Craig's Basketball Academy and Wellness Center on the east side of the project site.

The project seeks to promote biking facilities for the residents by exclusively delivering bicycle facilities on each building site.

Conceptual Map – The Pleasant Gates Built Environment



The Pleasant Gates Floor Plan



PROJECT TIMELINE:

Scheduling the Acquisition, Land Assemblage, and Entitlement of the project in 12 months, The Pleasant Gates will is set for acquisition closing on January 10, 2022. The project is scheduled to begin constructing phase 1 in January 2022 and continue for 12 consecutive months to January 2023. The Leasing stage is planned for 12 months, starting in October 2022, by officially accepting applications for 36 affordable rate multifamily units and will end with a 95% occupancy rate in September 2023.

Phase 1 timeline strategy seeks to take the most advantage of the site' Lot-Block accessibility advantages to propose a timely aggressive construction phase.

In phase 2, The Pleasant Gates will start the construction phase, six months after the acquisition and entitlement stage. Beginning in Jun 2022 with overall 2% construction activity, it will set four months aside to deliver each of the three retail buildings. The Lease up of the phase will take place four October 2022 with the opening of ALDI and Food Hall building, coinciding with the Phase 1 lease upending. With delivering the Basketball Academy and Wellness Center in February 2023, nine months of construction and Lease upstage in phase 2 complete.

Task	J-22	F-22	M-22	A-22	M-22	J-22	J-22	A-22	S-22	O-22	N-22	D-22	J-23
Phase 1													
Acquistion Land Assemblage & Entitlment	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Construction	2%	12%	15%	20%	30%	55%	75%	85%	90%	93%	95%	100%	100%
Lease up	0%	0%	0%	0%	0%	0%	0%	0%	0%	5%	15%	20%	25%
Phase 2													
Acquistion Land Assemblage & Entitlment	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Construction	0%	0%	0%	0%	0%	2%	12%	30%	40%	50%	70%	85%	90%
Lease up	0%	0%	0%	0%	0%	0%	0%	0%	30%	30%	30%	70%	70%

Task	F-23	M-23	A-23	M-23	J-23	J-23	A-23	S-23
Phase 1								
Acquistion Land Assemblage & Entitlment	100%	100%	100%	100%	100%	100%	100%	100%
Construction	100%	100%	100%	100%	100%	100%	100%	100%
Lease up	30%	40%	50%	60%	70%	85%	95%	100%
Phase 2								
Acquistion Land Assemblage & Entitlment	100%	100%	100%	100%	100%	100%	100%	100%
Construction	100%	100%	100%	100%	100%	100%	100%	100%
Lease up	100%	100%	100%	100%	100%	100%	100%	100%

The Pleasant Gates

MT DEVELOPERS

SECTION 6: CONSTRUCTION

INTRODUCTION:

This section will present the construction budget estimates in the beginning. To shed more light on the project construction schedule, components, total, and per square foot cost analysis for the seat pleasant phase 1.

CONSTRUCTION BUDGET ESTIMATES

The construction costs are one of the most critical components of a development project's financial feasibility. The Pleasant Gates in phase 1 uses the regional market class 3-premium in finishing and HVAC system, as well as high-quality steel structure, on a concrete podium. The construction cost of Phase 1 is higher, as the project is four-story multifamily with 166 units and significant core and common area developments.

The development will try to follow cost practical construction to increase the project's financial viability. The construction cost of the Mix-Use residential building stands around $181 PSF. The average unit size is 887 SF which resembles a $160,547 construction cost per unit. These costs consist of high-end materials, a concrete foundation with a 5,440 SF basement, and all appliances. It excludes below surface parking space, elevator, and roofing costs.

The project uses $80 PSF for costs related to skin activities and set aside $2,9500,000 roofing costs. Including the building's 5,440 SF roof terrace.

Total garage parking cost is estimated at $1,205,000 to deliver 40 below-grade parking lots on $150 PSF parking construction cost.

Total Siteworks cost projects $2,215,000 in construction costs, translating to almost $15 PSF, including the Bicycle facilities. The table below presents the construction budget summary of the project in the type of budget uses.

CONSTRUCTION BUDGET SUMMARY - PHASE 1			
USE	TOTAL	AFF-UNITS	MKT SPACE
Total Construction Hard Cost	$29,592,200	$6,421,507	$23,170,693
Structure	$2,883,250	$625,665	$2,257,585
Skin	$265,000	$57,505	$207,495
Roofing	$2,953,000	$640,801	$2,312,199
General Finishes	*$2,911,710*	*$631,841*	*$2,279,869*
Doors, Frames, Hardware	*$3,910,250*	*$848,524*	*$3,061,726*
Finishes Subtotal	$6,821,960	$1,480,365	$5,341,595
Elevators Subtotal	$650,000	$141,050	$508,950
HVAC Subtotal	$12,598,990	$2,733,981	$9,865,009
Parking	$1,205,000	$261,485	$943,515
Site Works	$2,215,000	$480,655	$1,734,345

CONSTRUCTION PRECEDENTS

An inquiry on the construction contractor's precedent constructions was obtained to examine the project's budgeting reasonability. The project seeks to decrease the costs of the precedent's projects in Montgomery County, Maryland, and deliver a competing asset inside Maryland Prince George's County

Project Use / type Location Bid Date	Project A Mix-Use Montgomery County, MD 2019	Project B Mix-Use Montgomery County, MD 2019	Project C Mix-Use Montgomery County, MD 2020	The Pleasant Gates Mix-Use Prince George's County, MD Scheduled 2023
Residential sf	118,400 sf	194,200 sf	212,900 sf	155,248 sf
Project gsf	167,200 sf	315,000 sf	302,500 sf	231,945 sf
Schedule	21 mos.	24 mos.	26 mos.	18 mos.
Number of units	112 units	191 units	221 units	166
Net area per unit	907 sf/unit	907 sf/unit	770 sf/unit	877 sf/unit
Bldg. area per unit	1,057 gsf/unit	1,017 gsf/unit	963 gsf/unit	1,008 gsf/unit
Residential levels	7 levels	7 levels	11 levels	4 levels
Parking levels	2 levels	2 levels	2 levels	1 levels
Parking location	below grade	below grade	below grade	below grade
Parking spaces	121 space	267 space	138 space	40 space
Parking efficiency	403 sf/space	452 sf/space	520 sf/space	385 sf/space
Foundation type	Spread Footings	Auger Cast Piles	Mat Foundation	Mat Foundation
Structure type	Concrete	Concrete	Concrete	Concrete
Mechanical system	Split Systems	VRF	Split Systems	Split Systems
Exterior Skin Ratio	46%	59%	44%	40%
Common & core area ratio	14%	19%	15%	17%
Cost per SF of Skin	$91.18	$110.00	$81.25	$80.00
Project $/gsf	$205.87	$254.61	$218.18	$180.80
Residential Building $/sf				
Total	$219.76	$265.89	$198.39	$178.00
Parking Garage $/sf				
Total	$128.98	$200.37	$175.81	$150.00
Total Parking $/space	$52,020 /space	$90,655 /space	$91,473 /space	$57,750 /space

The Pleasant Gates

MT DEVELOPERS

SECTION 7: MARKETING & MANAGEMENT PROPOSAL

INTRODUCTION:

This section will discuss the marketing plan emphasizing the development team's vision and strategies. The strategies mainly originate from the market analysis, the highly competitive regional market on the one hand, and the site and the community strengths and opportunities ahead. The Pleasant Gates marketing and third-party management contracts will be briefly described eventually.

MARKETING PLAN

Conducting the due diligence on market analysis and area demographics and economic trends, lack of rental multifamily inventory units noticed. Efficiencies, One-Bedroom, and Two-Bedroom apartments were mixed in 6%, 82%, and 12% of units mixture in phase 1 to respond to rapidly changing demographics to the dominant millennial area. On the other hand, the development sought to sustain high-occupancy projections by setting 22% of the units at a 50% AMI rate.

While Seat Pleasant, Maryland does not have any comparable projects proposed, in less than one mile from the site, above 1,000 units have been offered for 2022 to 2024. To compete with the pipeline, The Pleasant Gates sought to deliver regional retail space in phase 2 to form a complementary mix of uses in each step and secure higher occupancy rates, consequently.

Being located in a designated opportunity zone census tract, the project can offer an additional financing scenario in phase 2. The second scenario will use the opportunity zone investment funds to provide compatible retail lease agreements compared to comparable inventory and pipeline.

REACHING THE TARGET AUDIENCE

Reaching out to the target audience and advertisements will be conducted by a third-party marketing contractor. The whole marketing will take place for 12 months and will cost $22,531. The marketing contractor will be required to provide marketing advertisements online, phone, mail, and local marketing networking activities.

Utilizing online advertisements, such as Zillow, Redfin, Apartments.com, Rent.com, and Costar will be strongly emphasized upon the marketing contract.

MANAGEMENT PROPOSAL

Phase 1 will propose a management agreement with an experienced mix-use/mix-income third-party management company, preferably active in the local market.

The property management fee is set at $72,000 for the stabilization year, and it is projected to grow 3.0% annually. The management fee does exclude property administration fees.

In Phase 2, the development team at this stage conditions contracting a regional retail property third-party management team solely to offer full-service lease type as a plan B. Therefore, the group aims to deliver the total rentable retail area management to the tenants as a NNN lease agreement type.

The Pleasant Gates

MT DEVELOPERS

SECTION 8: FINANCIAL ANALYSIS – PHASE 1

INTRODUCTION

This section will first review the project's financial feasibility challenges with developing residential space in Washington metropolitan low-income communities.

CHALLENGES RELATED TO THE PLEASANT GATES FINANCIAL FEASIBILITY

High construction costs, residential unaffordability, and high-cost and high-risk conventional capital market funds overwhelm multifamily revenue streams, asking unaffordable high rate of returns on debt and equity financing. As reviewed in the market analysis historical research, the evidence supports our proposal argument, showing that almost no rental residential developments have been proposed for the past two decades. In the meantime, our previous observations on DC northeastern boundaries development activities revealed an ongoing transition in community development activities since 2008.

The current multifamily inventory filled with the 1950s and 1960s fully occupied comparable. Seat Pleasant's community public interest will require local and state housing agencies to participate in a highly leveraged, low and fixed interest rates tax-exempt bond financing through Maryland Housing Financing Agency Risk-Sharing: Section 524(c) and commercial mortgage-backed securities capital market.

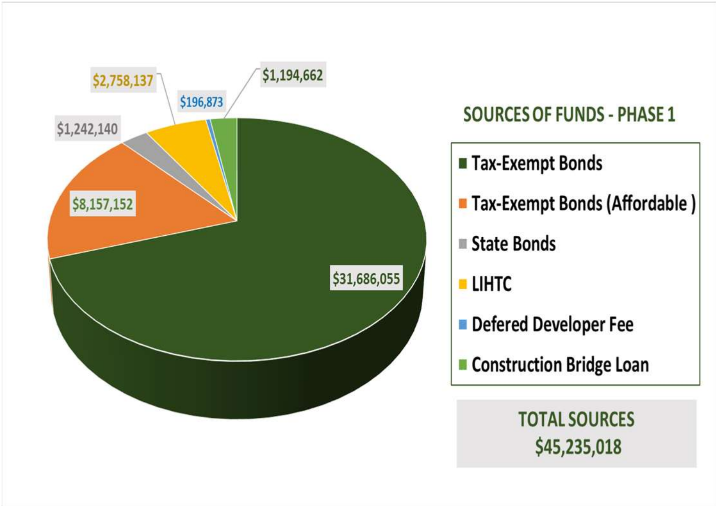
In such cirucmtsances, the equity required (LIHTC and others) to contribute to the capital stack will shrink in size and abate the project's high equity investment return burden, at least for its first fourteen years of LIHTC affordability compliance years.

The Pleasant Gates in phase one will seek to fund the project through Maryland Housing Financing Agency Risk-Sharing: Section 524(c) program and will seek to tap into the CMBS capital markets.

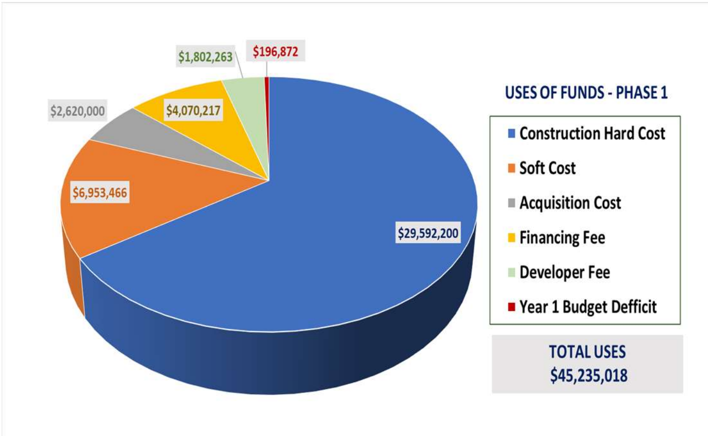
The Pleasant Gates phase one will pursue contact, present, and modify its financial feasibility modeling to a state chose Trustee and follow the financing structure in a collaborative environment with the Trustee and other public and private institutions, agencies.

SOURCES & USES OF FUNDS

Source - Phase 1	
Tax-Exempt Bonds	$31,686,055
Tax-Exempt Bonds (Affordable)	$8,157,152
State Bonds	$1,242,140
LIHTC	$2,758,137
Defered Developer Fee	$196,873
Construction Bridge Loan	$1,194,662
Total Sources	$45,235,018



Use - Phase 1	
Construction Hard Cost	$29,592,200
Soft Cost	$6,953,466
Acquisition Cost	$2,620,000
Financing Fee	$4,070,217
Developer Fee	$1,802,263
Year 1 Budget Defficit	$196,872
Total Uses	$45,235,018



REVENUE & PROFORMA

Phase 1 proforma is presented in the image below. Annual NOI Operating expenses and the project's net cash flow amount is shown on the respected lines. The project in this phase will stabilize on year 2, leaving $196,782 in year one operating budget deficit. The deficit is due to the multifamily asset gradual lease-up and the project's inherent high debt leverage in the beginning years of the operations. Year one operating deficit has been funded through the project's phase one sources of funds and has been underwriting under the project's uses of funds.

The differed developer dee payments are scheduled through Year 1 to year 5.

Phase 1 (Multifamily Building)										
Unit Mix	AMI Target	Unit Size	Residential Units	Total SQFT	GROSS RENT	Per SQFT	Utility Allowances	EFF. RENT	Monthly	Annual
Efficiencies	50%	660	4	2,640	$1,102	$1.67	$0	$1,102	$4,408	$52,896
Efficiencies	MKT	660	6	3,960	$1,357	$2.06	$0	$1,357	$8,142	$97,704
1 BR	50%	858	24	20,592	$1,181	$1.38	$0	$1,181	$28,344	$340,128
1 BR	MKT	858	112	96,096	$1,565	$1.82	$0	$1,565	$175,280	$2,103,360
2 BR	50%	1,198	8	9,584	$1,417	$1.18	$0	$1,417	$11,336	$136,032
2 BR	MKT	1,198	12	14,376	$1,778	$1.48	$0	$1,778	$21,336	$256,032
		887	166	147,248	$1,499	$1.69	$0	$1,499	$248,846	$2,986,152

AFF UNITS Number	36
MKT UNITS Number	130

Average Rent -MKT
$1,575

Average Rent-AFF
$1,225

RESIDENTIAL (MARKET)	Year 1	Year 2	Year 5	Year 10	Year 15	Year 17	Year 20
RENTAL INCOME							
Rental Income	$2,169,316	$2,603,179	$2,762,514	$3,050,039	$3,367,489	$3,503,536	$3,717,980
Less: Vacancy Loss/Bad Debt	($121,482)	($121,482)	($121,482)	($121,482)	($121,482)	($121,482)	($121,482)
Less: Concessions	($8,677)	($8,677)	($8,677)	($8,677)	($8,677)	($8,677)	($8,677)
Nonresidential Income (Retail Component)	$137,025	$139,766	$148,320	$163,758	$180,802	$188,106	$199,620
NET RENTAL INCOME	$2,176,182	$2,612,785	$2,780,675	$3,083,637	$3,418,132	$3,561,483	$3,787,441
OPERATING EXPENSES							
TOTAL EXPENSES	$799,502	$823,488	$899,847	$1,043,169	$1,209,319	$1,282,967	$1,401,932
NET OPERATING INCOME	$1,376,679	$1,789,298	$1,880,828	$2,040,468	$2,208,813	$2,278,516	$2,385,508
ayments Federal Bonds-Taxable	$1,332,607	$1,332,607	$1,332,607	$1,332,607	$1,332,607	$1,332,607	$1,332,607
DSCR	1.03	1.34	1.41	1.53	1.66	1.71	1.79
CASH FLOW	$44,072	$456,691	$548,222	$707,861	$876,206	$945,909	$1,052,902
Debt Service: State Bonds	$51,744	$49,156	$49,156	$49,156	$49,156	$49,156	$49,156
DSCR	0.99	1.29	1.36	1.48	1.60	1.65	1.73
ervice: Construction Bridge Loan	$45,404	$43,413	$43,413	$43,413	43,412.9	43,412.9	43,412.9
NET CASH FELOW	($53,075)	$364,122	$455,653	$615,293	$827,050	$896,754	$1,003,746
DSCR	0.96	1.26	1.32	1.43	1.60	1.65	1.73
Deffered Developer Fee	$0	$49,218	$49,218				
NET CASH FELOW	($53,075)	$314,904	$406,435	$615,293	$827,050	$896,754	$1,003,746
DSCR	0.96	1.21	1.28	1.43	1.55	1.60	1.67

RESIDENTIAL (AFFORDABLE)		Year 1	Year 2	Year 5	Year 11	Year 15	Year 17	Year 20
RENTAL INCOME	Monthly							
Rental Income	$44,088	$529,056	$539,637	$572,667	$644,916	$767,894	$798,917	$847,817
NET RENTAL INCOME	$42,814	$513,766	$524,042	$556,117	$626,278	$745,702	$775,829	$823,316
TOTAL OPERATING EXPENSES		$96,500	$99,395	$108,612	$129,688	$145,965	$154,854	$169,213
NET OPERATING INCOME		$417,266	$424,647	$447,506	$496,590	$599,737	$620,974	$654,102
Debt Service Payments-Federal Bonds-Tax-exempt		$425,265	$425,265	$425,265	$425,265	$425,265	$425,265	$425,265
NET CASH FLOW		($7,999)	($618)	$22,241	$71,325	$174,473	$195,710	$228,837
DSCR		0.98	1.00	1.05	1.17	1.41	1.46	1.54

PROFORMA ASSUMPTIONS

Trends - Rental Project (Market)	
Revenue Growth Rate - Market	2.00%
Operating Expenses (Annual Increase)	3.00%
Non-residential (Public Use Spaces)	2.00%
Vacancy Rate	5.00%
Concession (Market)	0.40%
Bad Debt	0.60%
Other Income (Annual Increase)	2.00%

Trends - Rental Project (Affordable)	
Revenue Growth Rate - Market	2.00%
Revenue Growth Rate - Affordable	2.00%
Vacancy Rate	3.50%
Concession (Aff)	0.51%
Bad Debt	0.49%
Other Income (Annual Increase)	2.00%
Operating Expenses (Annual Increase)	3.00%

INVESTMENT RETURNS

An equity waterfall model under 95% to 5% limited partner to general partner equity partnership was developed. The model assumes a preferred average cash-on-cash return rate of <u>5%</u> for the phase one limited partner return threshold.

The project cash fellow generates a <u>9.24%</u> project-level internal rate of return (IRR), <u>7.87x</u> equity multiplying capability, and the project-level average cash-on-cash return of <u>16.00%</u> to hit a reasonable to the initial LP preferred 5.0% average cash-on-cash return rate. As shown in the image, the limited partner's return metrics project the rates reasonably close to the project-level comparable rates.

WATERFALL STRUCTURE

Cash Flow From Operations Split	GP Cash Flow	LP Cash Flow
Up To Preferred Return	5.00%	95.00%
Above Preferred Return	15.00%	85.00%
Sale Proceeds Split	**GP Share**	**LP Share**
Cash Flow Split	15.0%	85.0%

LTV	94%
Loan Amount	$42,734,663
Interest Rate	2.50%
Amortization	480 Months
Monthly Payment	$140,930
Ending Balance @ Sale	$31,414,257

Total Project Cost	$45,462,407
Going-In Cap Rate	5.20%
Annual NOI Growth	0.00%
Sale @ EOY	Year 15
Exit Cap Rate	5.10%

RETURN

GP Equity	5%
LP Equity	95%
Preferred Cash-on-Cash Return	5.0%

Project-Level IRR	9.24%
Project-Level EM	7.87x
Project-Level Avg. C-o-C	16.0%

LP IRR	9.24%
LP EM	7.29x
LP Avg. C-o-C	15.96%

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Days in Year	365	365	366	365	365	365	366	365	365	365	366	365	365	365	366
Preferred Cash-on-Cash Check	0.70%	2.18%	3.40%	4.64%	5.89%	16.12%	17.40%	18.69%	19.99%	21.30%	22.63%	23.97%	25.32%	26.68%	30.53%
Total Project-Level Cash-on-Cash	0.7%	2.2%	3.4%	4.6%	5.9%	16.1%	17.4%	18.7%	20.0%	21.3%	22.6%	24.0%	25.3%	26.7%	30.5%
Total LP Cash-on-Cash	0.7%	2.2%	3.4%	4.6%	5.9%	16.1%	17.4%	18.7%	20.0%	21.3%	22.6%	24.0%	25.3%	26.7%	30.5%
Total GP Cash-on-Cash	0.7%	2.2%	3.4%	4.6%	5.9%	16.1%	17.4%	18.7%	20.0%	21.3%	22.6%	24.0%	25.3%	26.7%	30.5%

The Pleasant Gates

MT DEVELOPERS

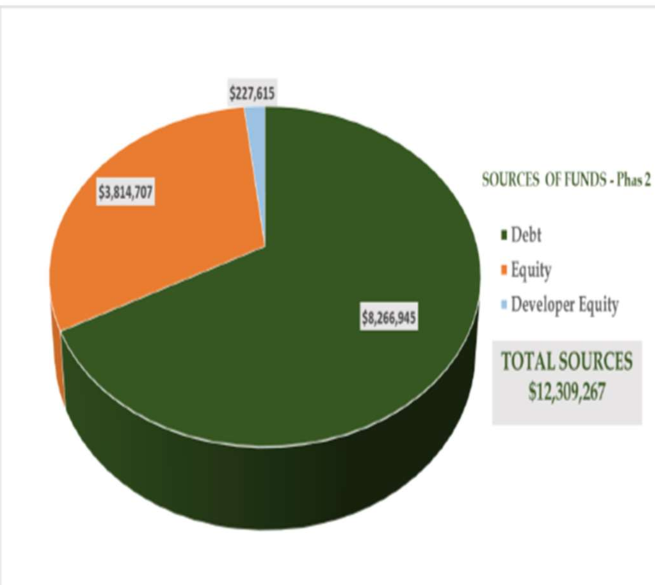
SECTION 9: FINANCIAL ANALYSIS – PHASE 2

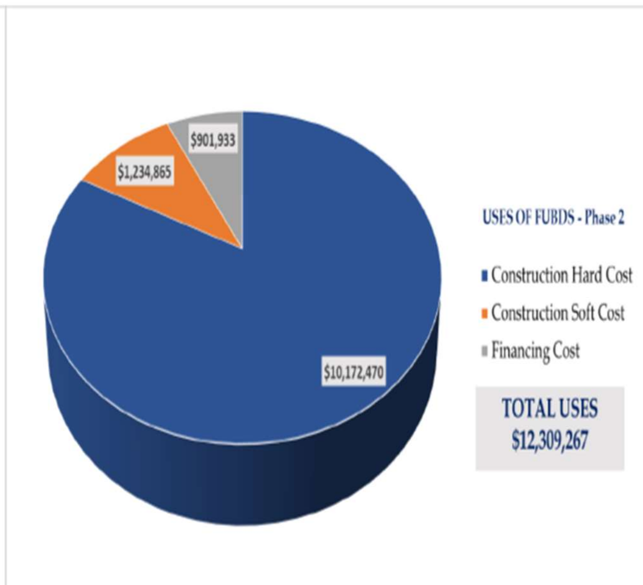
INTRODUCTION:

Phase 2 Benefits from two independent financing scenarios. The primary strategy is conventional fair market lending, retail real estate financing, and Private Debt and Equity Placements. Scenario 2 seeks to fund the project equity through nationwide registered Qualified Opportunity Zone Investment Funds. The other assumptions on the revenue, expenses, source, and uses of funds size will remain the same.

SOURCES & USES OF FUNDS: Conventional Fair Market Lending

The complete project source required is $12,309,267. The capital stack in this scenario will include 0.7 Loan to Value debt in the amount of $8,266,945. Limited Partner's equity in the amount of $3,814,707 in addition to $227,615, developer's equity will fill the rest of the stack. The debt interest is set 4.0% fixed in 360 months amortization schedule, and a balloon payment occurrence is foreseen on year 17.





REVENUE & PROFORMA - Fair Market Lending Model

The image below presents a brief and sensitive look into the project's revenue sources and proforma modeling, along with revenue and expenses rates assumptions. The project will satisfy 1.15 DSCR on year one and will gradually raise the rate to 1.52 on the exit year 10Year on Year vacancy analysis presents each year's vacancy rates.

PHASE 2 PROFORMA	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
WELLNESS CENTER											
Rental Income	$136,080	$137,441	$140,190	$144,395	$148,727	$153,189	$157,785	$162,518	$167,394	$172,416	$177,588
Other Income	$0										
Less: Economic Vacancy Loss	($10,206)	($8,590)	($5,608)	($5,054)	($5,205)	($5,362)	($5,522)	($5,688)	($5,859)	($6,035)	($6,216)
NET RENTAL INCOME	$125,874	$128,851	$134,582	$139,341	$143,522	$147,827	$152,262	$156,830	$161,535	$166,381	$171,372
BASKETBALL ACADMEY & Wellness Center											
Rental Income	$269,192	$271,884	$277,322	$285,641	$294,210	$303,037	$312,128	$321,492	$331,136	$341,071	$351,303
Other Income	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Less: Economic Vacancy Loss	($20,189)	($16,993)	($11,093)	($9,997)	($10,297)	($10,606)	($10,924)	($11,252)	($11,590)	($11,937)	($12,296)
NET RENTAL INCOME	$249,003	$254,891	$266,229	$275,644	$283,913	$292,431	$301,203	$310,240	$319,547	$329,133	$339,007
ALDI & Food Hall											
Rental Income	$362,193	$365,815	$373,131	$384,325	$395,855	$407,730	$419,962	$432,561	$445,538	$458,904	$472,671
Other Income	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Less: Economic Vacancy Loss	($27,164)	($22,863)	($14,925)	($13,451)	($13,855)	($14,271)	($14,699)	($15,140)	($15,594)	($16,062)	($16,543)
NET RENTAL INCOME	$335,028	$342,951	$358,206	$370,874	$382,000	$393,460	$405,264	$417,422	$429,944	$442,842	$456,128
TOTAL NOI	$709,905	$726,693	$759,017	$785,859	$809,435	$833,718	$858,729	$884,491	$911,026	$938,357	$966,507
Debt Service	$617,862	$617,862	$617,862	$617,862	$617,862	$617,862	$617,862	$617,862	$617,862	$617,862	$617,862
CASH FELOW	$92,043	$108,831	$141,155	$167,997	$191,573	$215,856	$240,867	$266,629	$293,164	$320,495	$348,645
DSCR	1.15	1.18	1.23	1.27	1.31	1.35	1.39	1.43	1.47	1.52	1.56

	1	2	3	4	5	6	7	8	9	10	11
Physical Vacancy	5.00%	4.50%	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Bad Debt	1.00%	0.75%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Concessions	1.00%	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Loss	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Costs	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Economic Vacancy	7.50%	6.25%	4.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%

Tenant	Net Rentable SF	Rent PSF (NNN)	Monthly Rent	Annual Rent
Gym and Wellness Center	5,040	$27	$11,340	$136,080
Basketball Academy	11,704	$23	$22,433	$269,192
ALDI & Food Hall	16,463	$22	$30,183	$362,193
Total	33,207	24	63,955	767,465

	1	2	3	4	5	6	7	8	9	10	11
Market Rent Growth	1.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other Income Growth	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

INVESTMENT RETURNS – Fair Market Lending Model

In a 95% to 5% limited partner to general partner equity partnership with preferred average cash-on-cash return rate, the project cash fellow generates 13.1% project-level internal rate of return (IRR), 2.79x equity multiplying capability, as well as project-level average cash-on-cash return of 6.12% to hit a reasonable rate to the initial LP preferred 7.0% average cash-on-cash.

As shown in the image, the limited partner's return metrics project the rates reasonably close to the project-level comparable rates.

WATERFALL STRUCTURE

Cash Flow From Operations Split	GP Cash Flow	LP Cash Flow
Up To Preferred Return	0.00%	100.00%
Above Preferred Return	15.00%	85.00%
Sale Proceeds Split	**GP Share**	**LP Share**
Cash Flow Split	15.0%	85.0%

Total Project Cost	$15,406,922
Going-In Cap Rate	7.80%
Annual NOI Growth	0.00%
Sale @ EOY	Year 10
Exit Cap Rate	6.20%

LTV	70%
Loan Amount	$10,784,845
Interest Rate	4.00%
Amortization	360 Months
Monthly Payment	$51,489
Ending Balance @ Sale	$8,496,728

RETURN

GP Equity	5%
LP Equity	95%
Preferred Cash-on-Cash Return	7.0%

Project-Level IRR	13.1%
Project-Level EM	2.97X
Project-Level Avg. C-o-C	6.12%

LP IRR	12.8%
LP EM	2.9x
LP Avg. C-o-C	6.44%

Year	1	2	3	4	5	6	7	8	9	10
Days in Year	365	365	366	365	365	365	366	365	365	365
Preferred Cash-on-Cash Check	3.61%	4.00%	4.73%	5.34%	5.88%	6.43%	7.74%	8.35%	8.82%	9.46%
Total Project-Level Cash-on-Cash	3.4%	3.8%	4.5%	5.1%	5.6%	6.1%	7.4%	7.9%	8.4%	9.0%
Total LP Cash-on-Cash	3.6%	4.0%	4.7%	5.3%	5.9%	6.4%	7.7%	8.4%	8.8%	9.5%
Total GP Cash-on-Cash	6.9%	7.6%	9.0%	10.2%	11.2%	12.2%	14.7%	15.9%	16.8%	18.0%

REVENUE & PROFORMA- Long-Term QOZIF Model

The Pleasant Gates QOZIF model in phase 2 aims to take the most advantage of the OZ equity investment tax benefits to provide a low-risk and less costly source of equity investment.

The leasing type in this model will be "full-service" and at a $30.00 PSF per year rate. The other proforma revenue and expenses increase will remain the same as the phase 2 conventional fair market lending model.

The project declines the Investor's value of the money, related to later on year ten collectible OZ tax benefits, considering a stable 2.0% annual inflation rates occurring on OZ's tax benefits audited at the end of each fiscal year of the project operating period.

Positive impacts of the modeled benefit distribution promote the project's year one DSCR from 1.15 in conventional lending to 1.23 in the QOZIF financing structure.

PHASE 2 PROFORMA -OZI Deal	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
WELLNESS CENTER											
Rental Income	$268,800	$271,488	$276,918	$285,225	$293,782	$302,596	$311,673	$321,024	$330,654	$340,574	$350,791
OZI Tax Inecntives (Long-Term Investment)	$51,610	$52,126	$53,168	$54,763	$56,406	$58,098	$59,841	$61,637	$63,486	$65,390	$67,352
NET RENTAL INCOME	**$206,170**	**$210,939**	**$219,964**	**$228,579**	**$237,452**	**$246,592**	**$256,005**	**$265,701**	**$275,688**	**$285,975**	**$296,570**
BASKETBALL ACADMEY											
Rental Income	$252,000	$254,520	$259,610	$267,399	$275,421	$283,683	$292,194	$300,960	$309,988	$319,288	$328,867
OZI Tax Inecntives (Long-Term Investment)	$46,368	$46,832	$47,768	$49,201	$50,677	$52,198	$53,764	$55,377	$57,038	$58,749	$60,511
NET RENTAL INCOME	**$189,588**	**$194,065**	**$202,535**	**$210,627**	**$218,962**	**$227,547**	**$236,389**	**$245,497**	**$254,878**	**$264,540**	**$274,492**
ALDI & FOOD HALL											
Rental Income	$485,234	$490,087	$499,888	$514,885	$530,332	$546,242	$562,629	$579,508	$596,893	$614,800	$633,244
OZI Tax Incentives (Long-Term Investment)	$100,444	$101,448	$103,477	$106,581	$109,779	$113,072	$116,464	$119,958	$123,557	$127,264	$131,081
NET RENTAL INCOME	**$366,976**	**$375,708**	**$392,243**	**$408,170**	**$424,574**	**$441,470**	**$458,873**	**$476,799**	**$495,262**	**$514,279**	**$533,866**
NOI/Total Phase 2	**$762,733**	**$780,712**	**$814,742**	**$847,376**	**$880,988**	**$915,609**	**$951,268**	**$987,997**	**$1,025,828**	**$1,064,794**	**$1,104,929**
Debt Service	$617,862	$617,862	$617,862	$617,862	$617,862	$617,862	$617,862	$617,862	$617,862	$617,862	$617,862
DSCR	1.23	1.26	1.32	1.37	1.43	1.48	1.54	1.60	1.66	1.72	1.79
CASH FELOW	**$144,871**	**$162,850**	**$196,880**	**$229,513**	**$263,126**	**$297,747**	**$333,406**	**$370,135**	**$407,966**	**$446,932**	**$487,067**
Less Tax Payments Time-Value of Cash Payments @2% annual inflation	($9,059)	($9,056)	($8,878)	($8,878)	($8,878)	($8,878)	($8,878)	($8,878)	($8,878)	($8,878)	$0
NET CASH FELOW	**$144,871**	**$153,794**	**$188,002**	**$220,635**	**$254,248**	**$288,869**	**$324,528**	**$361,257**	**$399,088**	**$438,054**	**$487,067**
DSCR after Time Value Adjustment	1.23	1.25	1.30	1.36	1.41	1.47	1.53	1.58	1.65	1.71	1.79

INVESTMENT RETURNS – Long-Term QOZIF Model

In a 95% to 5% limited partner to general partner equity partnership with preferred average cash-on-cash return rate, the project cash fellow generates 23.29% project-level internal rate of return (IRR), 4.15x equity multiplying capability, as well as project-level average cash-on-cash return of 18.44% to score at least two times more than the limited partners preferred average cash-on-cash return rate of 7.0%.

As shown in the image, the equity waterfall model projects the limited partner's returns reasonably close to the project-level comparable rates.

WATERFALL STRUCTURE

Cash Flow From Operations Split	GP Cash Flow	LP Cash Flow
Up To Preferred Return	0.00%	100.00%
Above Preferred Return	15.00%	85.00%
Sale Proceeds Split	**GP Share**	**LP Share**
Cash Flow Split	15.0%	85.0%

Total Project Cost	$15,406,922
Going-In Cap Rate	7.80%
Annual NOI Growth	0.00%
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Exit Cap Rate	6.20%

LTV	70%
Loan Amount	$10,784,845
Interest Rate	4.00%
Amortization	360 Months
Monthly Payment	$51,489
Ending Balance @ Sale	$8,496,728

RETURN

GP Equity	5%
LP Equity	95%
Preferred Cash-on-Cash Return	7.0%

Project-Level IRR	23.29%
Project-Level EM	4.15X
Project-Level Avg. C-o-C	18.44%

LP IRR	23.49%
LP EM	4.0x
LP Avg. C-o-C	19.80%

Year	1	2	3	4	5	6	7	8	9	10
Days in Year	365	366	365	365	365	366	365	365	365	366
Preferred Cash-on-Cash Check	16.7%	17.1%	17.9%	18.6%	19.3%	20.1%	20.8%	21.6%	22.5%	23.3%
Total Project-Level Cash-on-Cash	15.9%	16.3%	17.0%	17.7%	18.3%	19.1%	19.8%	20.6%	21.3%	22.1%
Total LP Cash-on-Cash	16.7%	17.1%	17.9%	18.6%	19.3%	20.1%	20.8%	21.6%	22.5%	23.3%
Total GP Cash-on-Cash	202.8%	276.7%	288.6%	300.1%	311.9%	324.1%	336.6%	349.5%	362.8%	376.5%

Appendix J

EAST KING

Capstone Feasibility Report

ABSTRACT

A Mixed-Use, Mixed-Income "Triple Crown" Redevelopment

Weishi Zhang

University of Maryland
Colvin Institute of Real Estate Development
Spring 2021
Metor:
Jerry Dawson
Timur Ryspekov
Tanya Bansal

Section 1：Site Evaluation

1. Site Position

Subject site located at 5922 Martin Luther King Junior Highway in the City of Seat Pleasant, belongs to Prince George's County in Maryland State and the zip code is 20743. (Big region location map as shown in the end of this section.)

The site consists of three parcels 5922, 5944 and 5946-5950 owned by three true landowners and the total site size is 3.39-acre,147,668.4 square feet.

The site is less than one mile from the eastern boundary of Washington, D.C. The main market for the subject site is the City of Seat Pleasant; border market is Prince George’s County and Washington DC Metro Area; and Wish Development selected up to a 5-mile radius area as the trade area.

2. On Ground View

On Ground View Source: Author’s Site Visit

As shown in the above picture, the site currently occupied by class C neighborhood retail center, with many vacancy spaces and no green open space for public to hang out.

The site has more than one landlord, which adds to the complexity of the land collection. Therefore, to achieve the project, Wish Development LLC, as the sponsor of the project, should maintain a good relationship with these landowners and actively communicate with all landowners.

The true owner of 5922 is CVS Pharmacy; the true owner of 5944 is Mark S. Goldstein, and the true owner of 5946-5950 is Gurpartap Randhawa.

The recorded owner of 5922 and 5944 is Fifty-Nine 22-MLK, LLC, and the recorded owner of 5946-5950 is Hundal & Randhawa Inc.

Currently, there are two parts of retail space here:

Part one retail store is CVS/Pharmacy, Billy Nails, Barbershop, and Family Medical. There is one vacant retail space between CVS and Billy Nails. One vacant retail space next to Family Medical.

The second part retails are M L King Cleaner (Dry cleaner/Tailoring & Alterations); Metro Coin Laundry (Laundromat); Keith & Sons Soul Food LLC (restaurant); 2000 Mart (Liquors). There is one vacant retail space in between the restaurant and the Liquors.

The current high vacancy rate of retail space has the potential to help Wish Development LLC would negotiate the right price with existing landowners to purchase the land.

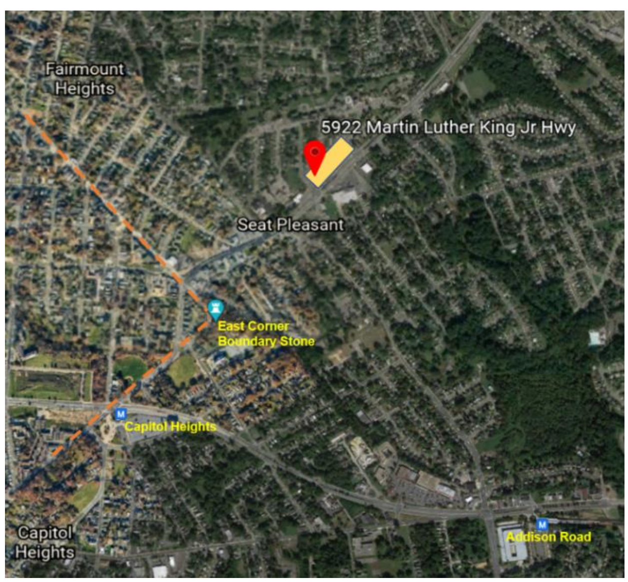
3. Accessibility

The site fronts on Martin Luther King Jr. highway, a major street in the District of Columbia traversing through both the Southwest and Southeast quadrants.

The site can easy access from 65th Ave, 66th Ave, G St, 69th Pl and Martin Luther King Jr Highway. (As shown in the below picture.)

Site Map Source: Author & Google Map

There are two Metro Station around one mile to the subject site, Capitol Heights Metro Station and Addison Road Metro Station. (As shown in the below picture.)



Site Location Map Source: Author & Google Map

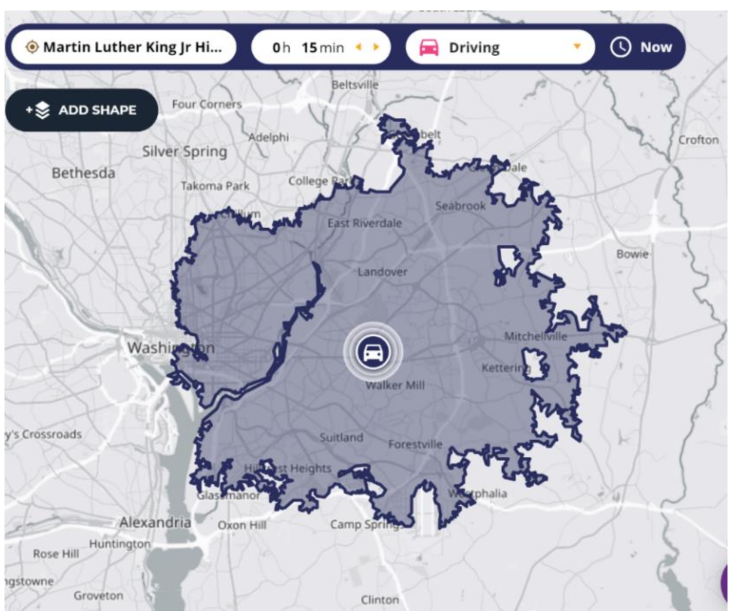
The transportation system around the site is well serviced. Except for Martin Luther K Jr. highway (704), within five minutes' drive distance the site could be accessed from E Capitol St SE (214), Addison Rd S (458), and Landover Rd (202).

The subject site is 10.9 miles from the Ronald Reagan Washington National Airport and there is a bus station on the subject site with 18 and A12 lines.

Although the site seems very accessible, but the transit score is very low because the site is car dependent and except the bus station there are no other public transportations available on site. The metro is also not in a close walking distance.

On Costar, the site has a walk score of 58 being somewhat walkable, and a minimal transit score of 0. The low score indicates the site needs to improve on the walking environment and connection to transits.

As shown in the below travel time map, at 9:30 a.m. on Wednesday morning, drivers can reach about as far as six and a half to seven miles within 15 minutes driving distance.



Travel Time Map Source: TravelTime.com

All in all, the site is adjacent to an important highway and is not far from the airport, and the convenience of the site will attract more people to the site if various modes of transportation are properly utilized.

4. Visibility

The visibility of the subject site is its advantage. The site is flat and can be viewed from the Martin Luther King Jr Highway, a major thoroughfare carrying commuters into the District. The site also has good exposure to 65th Ave, 66th Ave, G St, and 69th PI. The advantage of visibility will expand the site influence area if development could bring more unique designs into the site.

5. Neighboring Uses

The site is adjacent to residential, commercial, and open Spaces. Cross the 65^{th} Ave, there is a large open space and some Class C retail stores, including takeout restaurant and a wig shop. Cross the Martin Luther King Jr highway, there is a large commercial area with some Class C retail stores and some vacant store. There is a Save A lot, and some take out restaurants. Near the subject site there is a Seat Pleasant Elementary school and within 10 mins driving distance there are many daycares and three libraries.

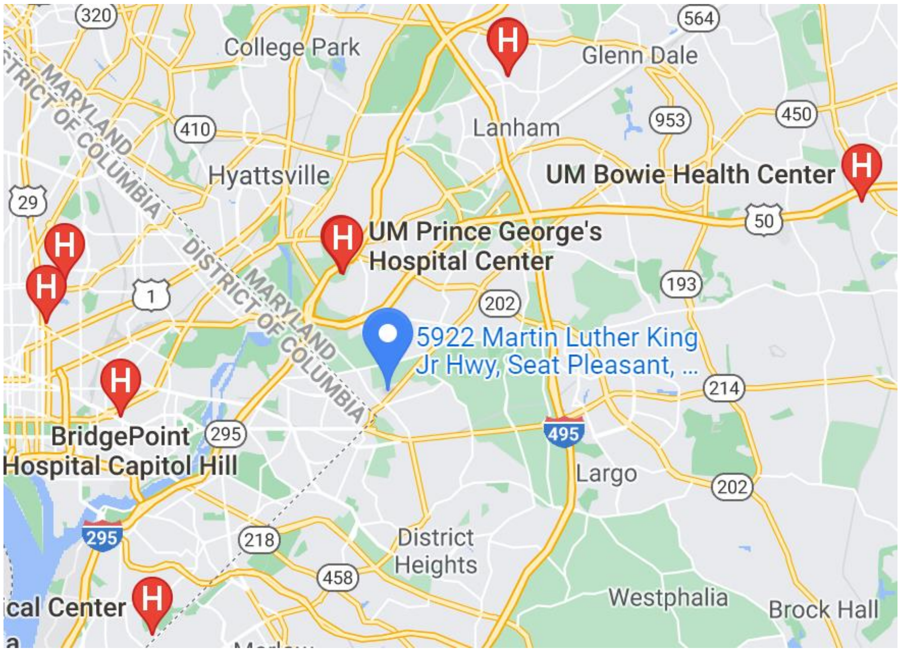
6. Other Inputs

Niche Grade Source: Author & Niche

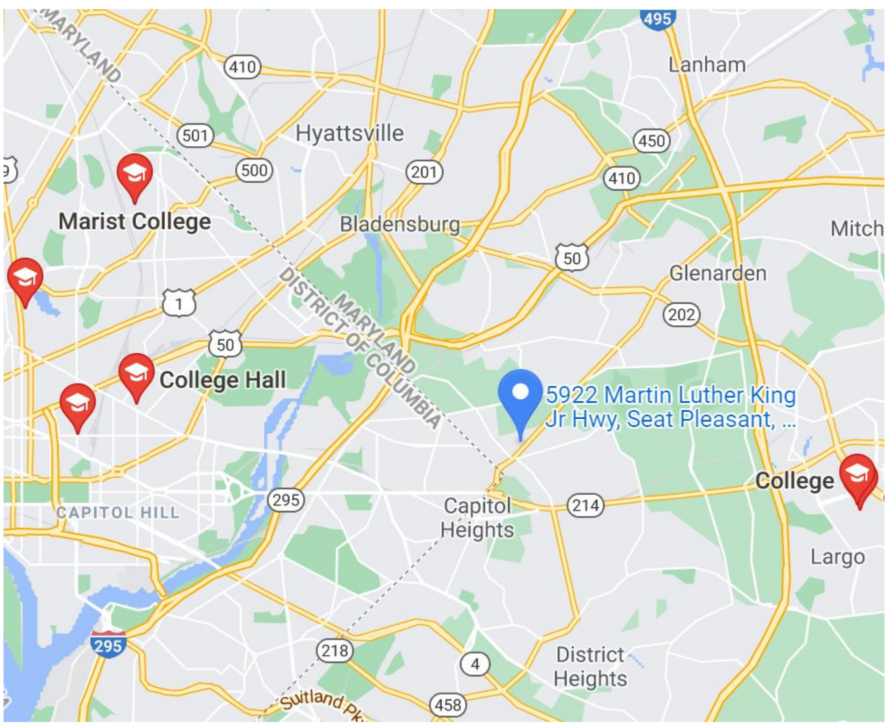
The overall crime rate of the City of Seat Pleasant is 118.38% higher than the national average and the overall score is C- level. Seat Pleasant only has one elementary school and there is no high school.

Compared with the whole city, the site location has a better overall score at C level. The low overall store indicates the site and the city need decrease all categories of crime, improve school quality, increase health and fitness, and improve housing quality and quantity.

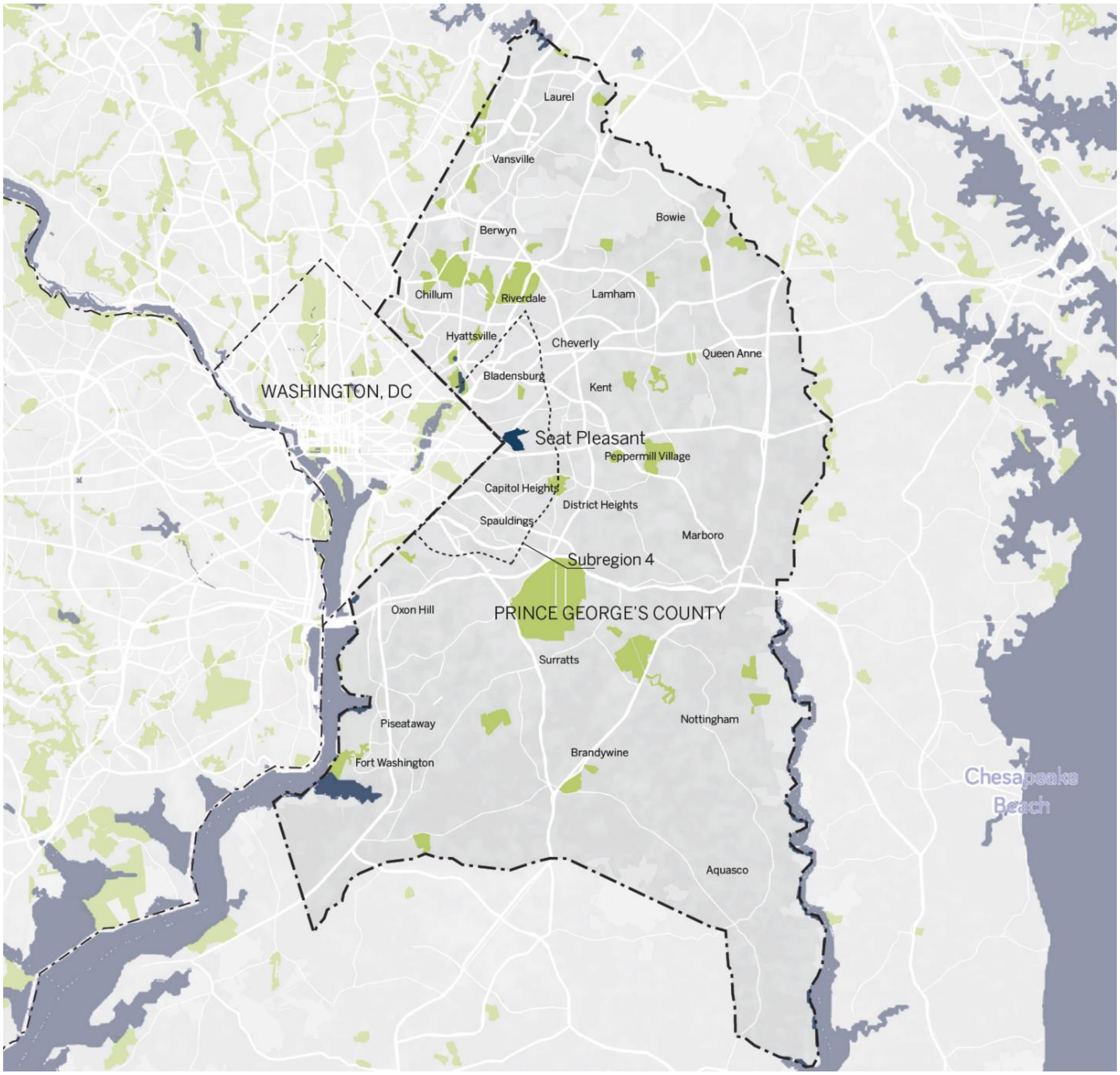
The economic driver in a larger sector is health care and education. As below picture shows, there are several colleges and hospitals around 20-mins driving distance to the subject site. Our target tenant could come from college students and senior people.



Hospitals around a 20-minute drive; Source: Google



Hospitals around a 20-minute drive; Source: Google



Big Region Location Map Source: Author & Niche

Section 2: Market Analysis

Introduction

Wish Development LLC undertook an extensive market analysis to determine the best and highest uses for the subject site. The data in this report were collected at the macroeconomic and community levels to determine the current market conditions and forecast future market trends.

The aim is to identify the highest and best uses that will complement Seat Pleasant's current development and align with the master plan's vision of the city's future development.

Demographic Analysis

Wish Development LLC assesses the demographics and economics of subject site within a 1-3-5-mile radius. The analysis combines the analysis of the site's main market, City of Seat Pleasant, with the analysis of the broader market, Washington, D.C.; conduct a comprehensive market analysis.

Demographics				
	Seat Pleasant	3 mile	5 miles	U.S.
2010 - 2020 Population Growth Rate	3.10%	5.23%	6.97%	6.30%
2020 Median Household Income	$56,887	$55,005	$63,437	$62,990
2010 - 2020 Household Growth Rate	3.50%	7.40%	9.24%	5.70%
2020 Average Household Size	2.56	2.57	2.51	2.53
2020 Average Household Retail Expenditure	$68,316	$67,992	$73,954	$63,036
2020 Population Under 35 years	53.68%	49.34%	48.70%	46.57%
Median Age	38.7	35.5	35.8	38.1

Demographics Analysis Source: Marcus & Millichap; U.S. Census Bureau; City-Data; Statistical Atlas

In 2020, the population of 5 mile to the site is 464,850. The population has changed by 6.97% since 2010. The population increase speed is (+0.67%) higher than the U.S. population growth rate. It is estimated that the population of the five miles market area will be 471,938 in 2025, which represents a change of 1.52% from the current year.

The current population is 46.86% male and 53.14% female. The median age of the population in the five-mile market area is 35.83, which is younger compared to the U.S. average 38.21. Although the median age in Seat Pleasant is a little bit (+0.7) higher than the U.S. average. There are overall half (53.68%) of the population under 35 years in the City of Seat Pleasant, which indicates there is a high proportion of young people.

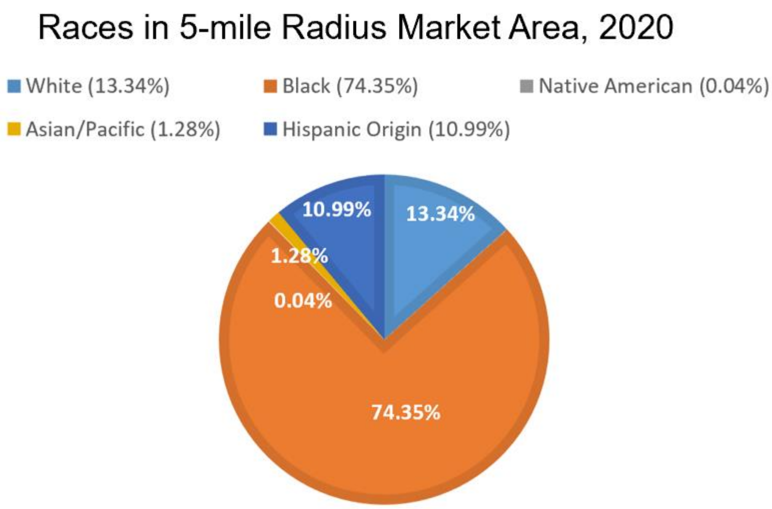
The average household retail expenditure is not only higher than the median household income but also higher than the U.S. average household retail expenditure. This proves that there is strong demand and high consumption power in the market location.

As shown in the above table, within 5-mile radius, the median household income and household Retail expenditure are higher compared to the U.S.

The population of young people is at 23% and the median age is also younger than U.S level. Thus, the subject site will have a chance capturing young customs. Also, there are around 31% of population over 50 years, thus, the subject site has chance capturing empty nest.

Race and Ethnicity

Currently, the racial makeup of the five miles market area is as follows: 13.34% White, 74.35% Black, 0.04% Native American, 1.28% Asian/Pacific Islander and 13.65% Hispanic Origin. Compare these to US averages which are: 69.84% White, 12.88% Black, 0.20% Native American, 5.75% Asian/Pacific Islander and 18.38% Hispanic Origin. Compared to the racial distribution in the City of Seat Pleasant mentioned above, the ratio of racial diversity has changed, with more (+12.34%) white and more (+1.22%) Asian/Pacific. In sum, this market is a black dominated market.



5-Mile Race Chart: City-Data; Statistical Atlas, Master Plan

<u>Employment</u>

In 2020, there are 178,133 employees in the five miles market area, this is also known as the daytime population. In 2020, unemployment in this area is 6.21%, which is (-0.09%) lower than Maryland's 2020 December unemployment rate (6.3%). In addition, the unemployment rate (-0.49%) is lower than the 6.7% U.S. 2020 December unemployment rate. The low unemployment rate is evidence that the market area's economy is doing well compared with the national average and the Maryland average.

<u>Income</u>

In 2020, the median household income for the five miles market area is $63,437, a little bit higher (+$447) compared to the U.S. average which is currently $62,990. The median household income for the five miles market has increased 55.53% since 2000. It is estimated that the median household income in the five miles market area will be $70,062 in 2025, which represents a change of 10.44% from the current year. This continued growth is evidence of the economic health of the selected market area.

<u>Household</u>

There are currently 181,144 households in the five-mile market area with owner occupied 48% and renter occupied 52% housing units. The number of households has changed by 9.24% since 2010. It is estimated that the number of households in this market will be 185,943 in 2025, which represents a change of 2.65% from the current year. The average household size in your area is 2.51 persons.

Households earning less than 35, 000 make up the highest share of all household incomes. This indicates that there are many low-income families in the vicinity of the project site, suggesting that there is a potential need for affordable housing.

Household Income Characteristics		
	Seat Pleasant	**5 miles**
	Percent	
Under $35,000	26.60%	28.20%
$35,000 to $49,999	14.60%	11.70%
$50,000 to $74,999	23.90%	17.80%
$75,000 to $99,999	14.60%	13.20%
$100,000 to $149,999	11.10%	15.70%
$150,000 or more	9.20%	13.50%
Total	100.00%	100.00%

Household Income Characteristics Source: Marcus & Millichap; U.S. Census Bureau

Occupancy Characteristics, 2019						
2019 Data	**Seat Pleasant**		**Prince George's County**		**Washington DC**	
Household Size	Number	Percent	Number	Percent	Number	Percent
1-Person Household	637	34.60%	90,428	29.00%	125,389	44.10%
2-Person Household	587	31.90%	88,782	28.50%	88,324	31.10%
3-Person Household	233	12.60%	53,047	17.00%	33,407	11.70%
4-or more Person Household	385	20.90%	79,086	25.40%	37,266	13.10%
Total Occupied housing Units	1,842	100.00%	311,343	100.00%	284,386	100.00%
Average Household Size of owner-occupied unit	2.61		2.91		2.45	
Average Household Size of renter-occupied unit	2.48		2.77		2.19	
Total Average Household Size	2.55		2.84		2.32	
Housing Tenure						
Owner-occupied	1,207	66%	193,263	62%	118,367	42%
Renter-occupied	635	34%	118,080	38%	166,019	58%
Age of the Householder						
Householder 15 to 34 years	296	16%	50,262	16%	83,304	29%
Householder 35 to 64 years	1,045	57%	191,787	62%	144,858	51%
Householder 65 years and over	501	27%	69,294	22%	56,224	20%

Occupancy Characteristics Source: U.S. Census Bureau ACS 5-Year Estimates Data Profiles 2019

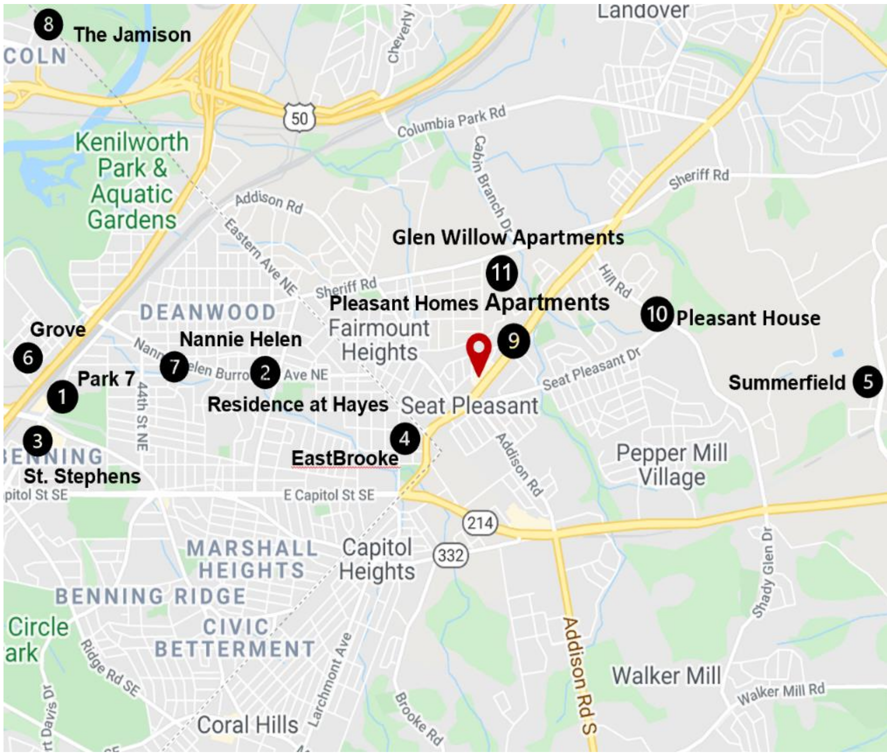
Residential Market

Housing Market:

In Seat Pleasant, 91% of households are black and 38% of households have children under 18. 54% of residents are millennials or younger, and 36% are under age 25. 35% of households are led by single women. 70 percent of homes were built between 1930 and 1960, and 69% of homes cost less than $200,000, although current market trends are higher. 17% of properties are vacant.

In 2019, the estimated median house or condo value in the City of Seat Pleasant is $230,342 (it was $103,200 in 2000), which is lower compared with Maryland's 2019 median price of $332,500. 70 percent of homes were built between 1930 and 1960.

Multi-Family Rental Market



Occupancy Characteristics Source: U.S. Census Bureau ACS 5-Year Estimates Data Profiles 2019

Within a 5-mile radius to the site, vacancy rates of multifamily comparisons are very low. For market rent units, the average vacancy rate is 5.6%, for affordable housing, the average vacancy rate is 2.3%. There are 10,640 inventory units in the market and there are 2,335 units under construction. Over the past twelve months, the absorption rate was high,284 units, which indicates the market area demands apartments, and according to Costar, there is a decline trend of the vacancy rate in future and the cap rate is 4.6%.

Wish Development selected eleven comparison apartments, three of them are in the City of Seat Pleasant. These three apartments providing 630 units. Two of them provide 344 market rent units and one of them provides 286 affordable rent units. These three properties were built in the 1960s and are all Class C apartments. The affordable units and one of the market rent units are fully occupied and another market rent units' vacancy rate is also very low only has 3.4% vacant. The low vacancy rate indicates the rental market is very well in the city seat pleasant. According to the Master plan the City has a strong demand for all kinds of houses especially affordable housing.

Competitive Multi-Family Rental Properties, Seat Pleasant, 2021										
Project/Address	No. of Units	Floor Plans	Units	Rental Rates	Square Feet	Rent per Sq. Ft	Built Year	Vacancy Rate	Transit	Other Info
Glen Willow Apartment 903 Glen Willow Dr 3 Star Garden Apartments	152	Studio 1 2 3	1 12 125 14	$1,072 $1,113 $1,315 $1,516	430 687 774 997	$2.49 $1.62 $1.70 $1.52	1965	1.30%	Car-Dependent (33) Minimal Transit (0)	Market rent Parking:1.12/unit 3 stories class C
Pleasant Homes Apartments 6606 Greig St 2 Star Garden Apartments	286	1 2	143 143	$692 $1,155	608 827	$1.58 $1.40	1960	0.00%	Car-Dependent (47) Minimal Transit (0)	Affordable (Rent subsidized) 0.63/units 3 stories class C
Pleasant House 6904 Seat Pleasant Dr 2 Star Mid-Rise Apartments	192	1 2	82 110	$1,350 $1,488	766 873	$1.76 $1.70	1965	8.30%	Car-Dependent (22) Minimal Transit (0)	Market rent 0.73/units 4 Stories class C

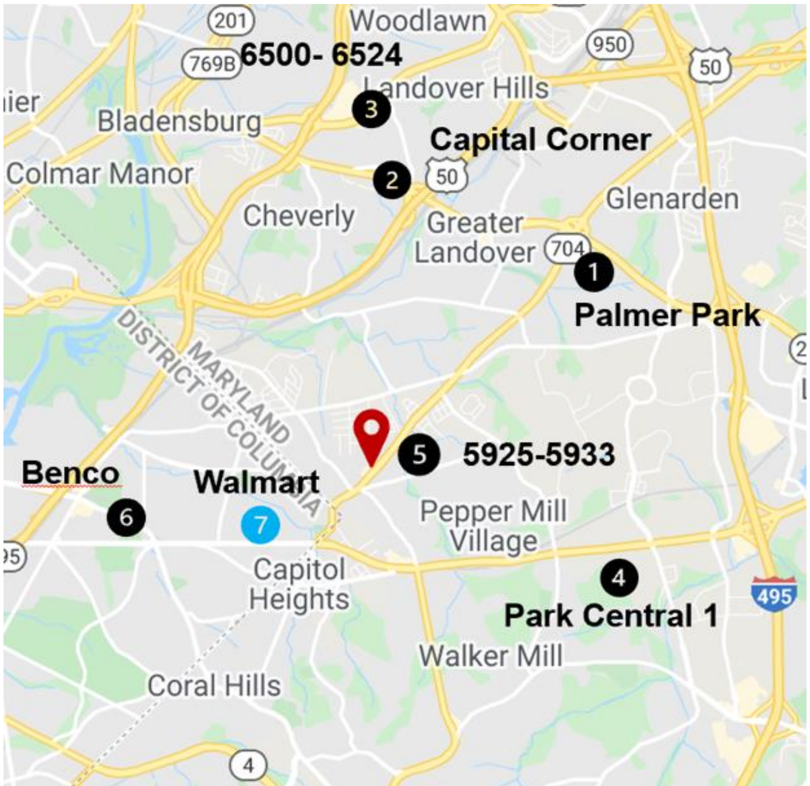
Source: Costar

Retail Market Analysis

Competitive Retail Comparable					
Type	Project Name	GLA (SF)	Year	Occupancy Rate	Average Rent/SF
Retail/Office	Palmer Park Shopping Center	25,595	1958	88.30%	$20
Neighborhood Center	6500-6524 Landover Rd	44,810	1966	100%	$22
Neighborhood Center	Capital Corner Shopping Center	41,874	1987	100%	$23
Neighborhood Center	Park Central 1	47,640	1990	100%	$19
Neighborhood Center	5925-5933 Martin Luther King Jr Hwy	38,572	1960	100%	$22
Strip Center	Benco Shopping Center	19,767	1958	100%	$39
Storefront Retail	Capitol Gateway Marketplace Wal-Mart	135,000	2023	Walmart	$33

Retail Comps Source: Costar

As For the retail market analysis, Wish Development LLC selected seven nearby comparisons. All the comparisons have high occupancy rate. The twelve-month net absorption is high. There is no retail under construction, but there is a Walmart proposed to be development within 1 mile to the subject site.



Retail Comps Source: Costar

Subject site has high visibility from Martin Luther King Jr. Highway. In the trade area, currently, the daytime population is 178,133 people with a high average retail expenditure.

According to the charrette we attended and per the Master Plan, the local community has a strong demand of healthier retail choice and gathering places.

According to Seat Pleasant's compressive plan, most of the retails are set back from the street, surrounded by parking. As a result, while many of the City of Seat Pleasant's residential areas are aesthetically appealing, most of its commercial corridors are not.

Although, Seat Pleasant has excellent Metro and roadway connectivity to Washington, its lack of jobs, retail and restaurant amenities in the immediate area. Few residents actually use the nearby transit, and most own their own cars.

When polled, residents overwhelmingly communicated that they generally do not work or shop in the City of Seat Pleasant. City of Seat Pleasant's retail base is not adequate for meeting the community's shopping or employment needs. Today the largest businesses include only a small handful of retail chains: CVS, AutoZone, T-Mobile, McDonald's, Cricket Wireless, and Popeyes, among others.

Submarket Supply Analysis

The site will compete in the Landover/Largo/Captl Hts Submarket and Washington, DC Market. Neighborhood center and strip center and outlet center vacancy in this submarket is 4.3%, compared to the 10.23% vacancy rate in Q1 2017 has dropped a lot. There are no class A or class B retail centers in this submarket.

Compared to Prince George's County has a 5.5% vacancy rate and Washington DC has a 6.0% vacancy rate, submarket's vacancy is lowest.

The neighborhood center in this submarke all includes a fast food restaurant such as Popeyes, McDonald's, Chick Fil A, Pizzahut, or some takeout restaurants or confectionery store.

There are five similar strip centers or outlet centers in this sumarket. The retail composition of these malls is very similar to the subject site. For example, within 15 minutes drive distance (6.1 miles), the Landover Hills Shopping Center consists of a dry cleaner, a restaurant, a liquor, a barber, and a Sleepy's(it is a retail mattress chain). 87.6% if this center's retail space is occupied with the triple net leasing and the average asking rent is $35/SF. The occupancy rate and rent rate are all higher then subject site. However, compared with subject site,there are no geographical advantages of the Landover Hills Shopping Center. The reason 7023 Annapolis Rd has a higher asking rent and higher occupancy rate because it close to a Giant Food, only 0.8 miles. Thus, this indicates opening an anchor grocery store is good for the site rent increase.

Grocery Story Supply & Demand

Within the Seat Pleasant, there are four small, low quality and not chain Grocery stories, such as K & Y Grocery, T-A Best One Food Mart, Sugar Shack, and Naija pot foods & convenience. Save A Lot is the only chain Grocery store here. There are no well-known. grocery stores that offer a wide range choice of organic and healthy foods in Seat Pleasant.

Nearby grocery stories

Within 15 mins driving distance, there are two Costco Wholesale stores, Harries Teeter, Union Market, Giant, ALDI, Lidl. Within 20 mins driving distance, can access to Trade Joe's. Although within a short driving distance, seat pleasant residents can access to these grocery stores, there are no good grocery stores for them within seat pleasant. This will force the local population to go out and spend money. Harries Teeter is a good choice for local because compared to other nearby grocery stores, nearest Harries Teeter is located in Washington DC capital Hill. There might be a traffic jam to go there.

Retail Demand

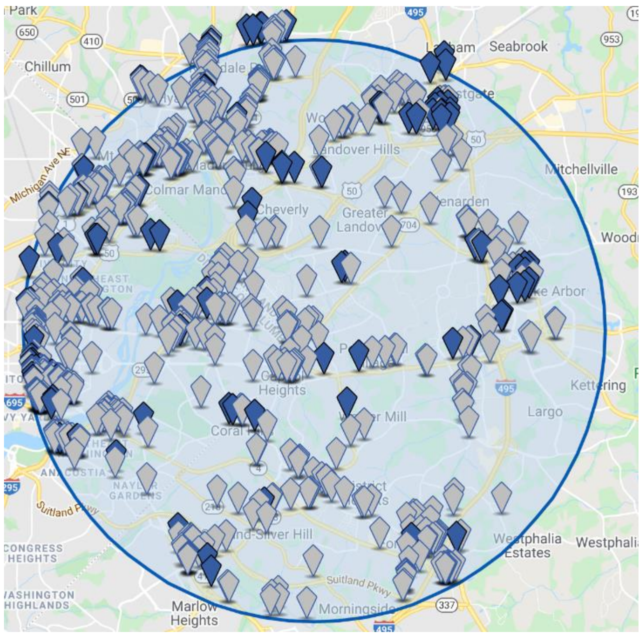
According to Seat Pleasant Comprehensive Plan, only 22 percent said they do most of their shopping locally. A greater density of commercial establishments is needed to tap into the $1.8 billion of annual incomes within the 20743-zip code as a source of retail-related revenues and jobs. Demand does exist, and the City of Seat

Pleasant has capacity, a major incentive for new development. Local residents have a demand for higher quality and healthier grocery stories.

According to JCDAWSON Global Solutions' Retail Market Place Profile, there are retail Gaps between total retail trade and food & beverage within subject retail trade area.

Besides, the subject is next to the Martin Luther King Jr. Highway, there are lots of cars passing by every day. A good commercial center can not only serve residents but also attract passing vehicles.

Office Market



5-mile office supply map Source: Costar

As shown in the above picture, there are many office buildings within 5-mile radius. 6400 Sheriff Rd is the closet class office building. Mike Isen is responsible for the lease of 6400 Sheriff office building. Through interviewing with Mike Isen, the Senior Vice President of NAI The Michael Companies, Inc, he indicated there is a low demand for office use in this market. Based on the Costar analysis data, the office absorption is lower than deliver amount in the future years. With a 14.2% high vacancy rate, and a lower absorption rate in the future; Wish Development LLC would have determined that office is not the highest and best use for this site.

Based on the market analysis, the highest and best uses for the subject site are retail and rental multifamily.

Section 3: Proposed Project

The vision for the East King project is to regenerate the existing Class C Strip Shopping Center, add new uses, add public space, create new sidewalks, and provide more pedestrian connections throughout the community.

Located off the road near Martin Luther King Jr., East King will provide mixed-use buildings, including retail on the ground floor and residential apartment units above. Walkup Apartment is available on the side near G St. Surface parking lot will be located between the mixed-use building and walkup units. Cars can access to the parking lot from Martin Luther King Highway or from the G St or 69th St.

East King will provide a 139 mix-income apartment with 33 affordable Units at 20% of the overall unit count at 50% Area Median Income.

East King will also provide 24 walkup units as a project base section 8 program to accept section 8 vouchers

There will be 38,796 sf retail space to satisfy the market requirement and 210 parking spaces.

The overall design of the East King project complies with the requirements of the master plan and aims to lead the City of Seat Pleasant to a more intelligent, modern, aesthetically appealing place.

Site Plan Map Source: Author & Architect David Ensor

The proposed site plan is in relation to surrounding areas' development. The open space is face to the cross street open space zone. The walkup units will face to the single family and the retail will face to the Martin Luther king Jr highway.East King will create a walkable community.

Section 4: Design/Environment analysis

Design Plan

The overall design intention of East King is to reshape the image of the community and change the phenomenon that the existing residential areas are too spread out. East King will increase the connections between communities by providing pedestrian friendly entrance.

Sustainability

City of Seat Pleasant's average monthly electricity bills are higher than the national average. The City of Seat Pleasant encourages sustainable strategies for managing waste, water, and energy. East King aims to be an energy efficient construction. To achieve this goal, East King will use sustainable design, and environment-friendly materials.

Strategies:

1. Providing a green roof and using native plants in the Green Roof.
2. Reducing impervious surfaces area.
3. Using high Solar Reflectance Index (SRI) coating materials in impervious surfaces.
4. Shaping the hardscape area with trees.
5. Using open grid pavement with at least 50% pervious.
6. Encourage walking, biking and public transportation using.

(provide a shuttle service) (bike share) (charge points)

Stormwater Management

Reduce impervious areas and increase infiltration through using pervious paving materials. Controlling the quantity and quality of the stormwater by controlling the velocity and volume of run-off from the subject site and controlling the pollutants and contaminants from the run-off. East King will mimic natural hydrologic patterns and minimize the development's environmental impact.

Strategies:

1. Collect and reuse rainwater.

2. Use low impact development (LID) to mimic natural processes to protect water quality.
3. Reduce runoff volume.

Environmental analysis

A. (Leadership in Environmental and Energy Design) LEED Platinum Certification

In order to achieve the goal of achieving attributes consistent with LEED Platinum for Neighborhood Development and comply with the City of Seat Pleasant's master plan. East King aims to get LEED Platinum Certification. According to the U.S. Green Building Council LEED cost estimate, the total cost for this project to get LEED Platinum Certification is $19,983.

LEED-certified buildings have higher rental rates and lower vacancy rates than comparable conventionally built buildings. Green buildings generate 3.5 percent higher occupancy rates, 3 percent higher rental rates and have a 6.6 percent improved return on investment. Additionally, green buildings see an average increase of 7.5 percent in building values compared to conventionally constructed buildings, according to a study by McGraw-Hill Construction.

B. Dry cleaner & Laundromat Environment Impact

Currently there are M L King Cleaner (Dry cleaner/Tailoring & Alterations) and Metro Coin Laundry (Laundromat)on the subject site. In general, dry cleaners and laundromats cause environmental pollution to the air and soil and water layers because of the chemicals released during dry cleaning operations. The impact on water and the environment of dry cleaners and laundromats can last for years. Cleaning up dry-cleaning solvents that have contaminated groundwater aquifers can be costly. Cleanup costs should be covered by insurance or assets of the dry cleaner operator or former owner. Therefore, environmental impact assessment should be done before land purchase and made it clear that the cost of cleanup will not be paid by us.

Environmental and social impacts

East King provides many social and public benefits for suburban development and residents. First of all, from the perspective of urban development, East Corder conforms to the model of Smart Growth. At present, the development of the City of Seat Pleasant is scattered and sprawling. Populations are sprawling in low density development projects. Sprawl could cause low efficiency in urban services and increase the frequency of using private cars. The increasing use of private cars will not only cause traffic jams, but also give rise to environmental problems, such as air pollution. East King's mixed-use design is in line with Smart Growth's philosophy and it is the opposite of Sprawl. Through providing retail and neighborhood service near residential, incorporating open space and providing quality housing for all income level residents, East King has become a symbol of smart growth development.

The subject site is almost located in the center of the City of Seat Pleasant and it is next to the Martin Luther King Highway. Thus, the subject site belongs to the gateway area of the city and the design here will affect people's image of the whole city. East King's design will enhance people's goodwill towards the City of Seat Pleasant.

For residents, there are two private community centers providing an outdoor swimming pool and a courtyard. There also has a public open space for the neighborhood on the subject site. Residents will get spaces for hang out.

These open spaces not only provide recreational opportunities for residents, but also improves social interaction. Residents could get together, have more interactions with the environment and have a place to do physical activities. The community or health club can hold some fitness activities in that public area, such as outdoor yoga.

The public open space is next to the 65th Ave. On the other side of 65th Ave, there already is an open space behind the Seat Pleasant Elementary School. Therefore, placing Open Space in this location can create a public area environment that encourages more socialization among the surrounding residents.

East King will offer a free shuttle to the Metro Station. The purpose of this is not only to increase the frequency of residents' use of the subway, but also to attract more customers to East King shopping.

East King will also encourage residents to use the Metro and car parks by providing charging units in the parking lot.

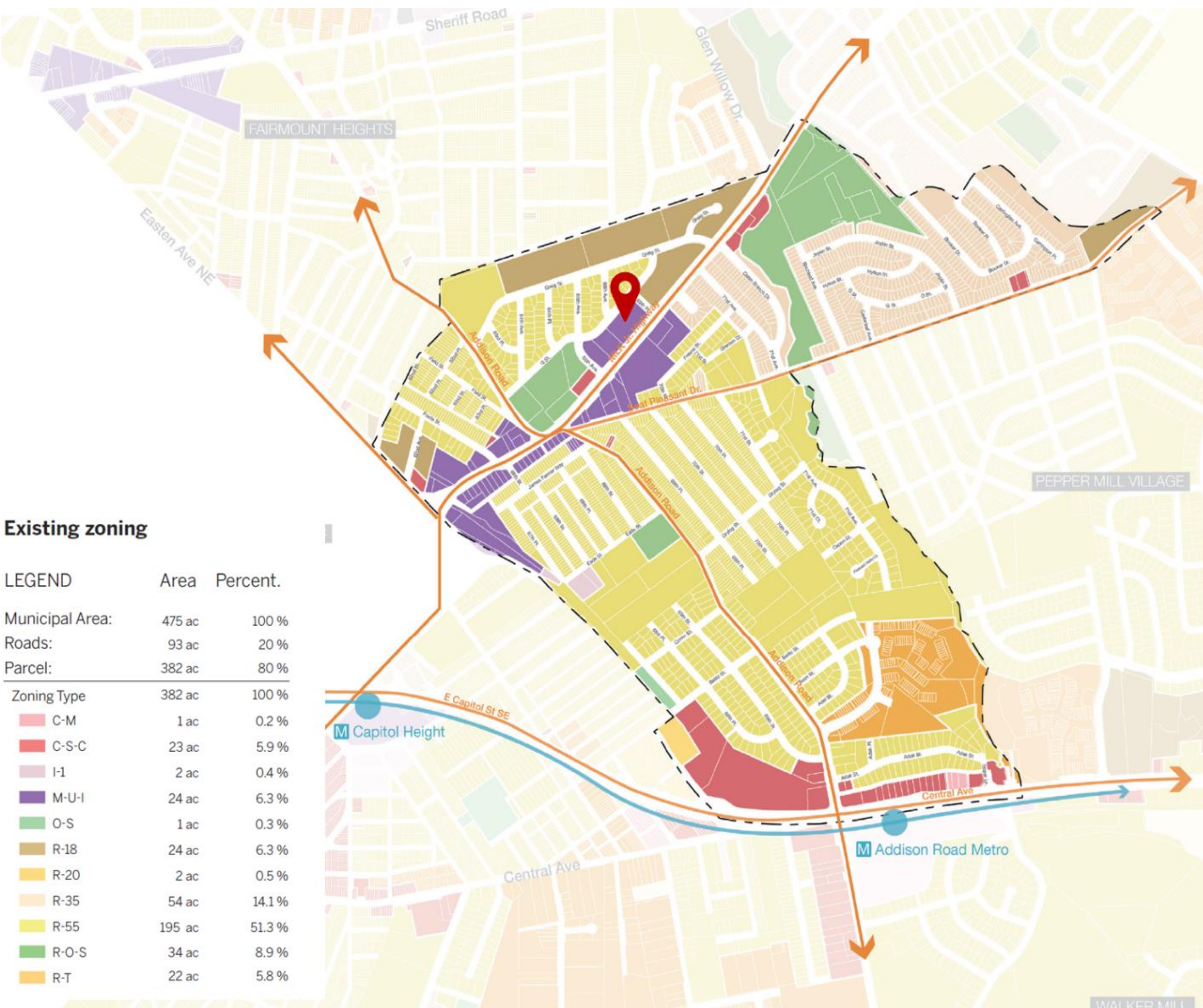
East King also strengthened the connection between the site and the surrounding neighborhood by providing retail shopping. The retail portion provides more shopping options for the local community and also increases employment opportunities.

For the residential section, though providing green open space and sustainable design, East King not only encourages interaction between residents and the environment but also improves social interaction, creating a place for passive recreation and physical activities.

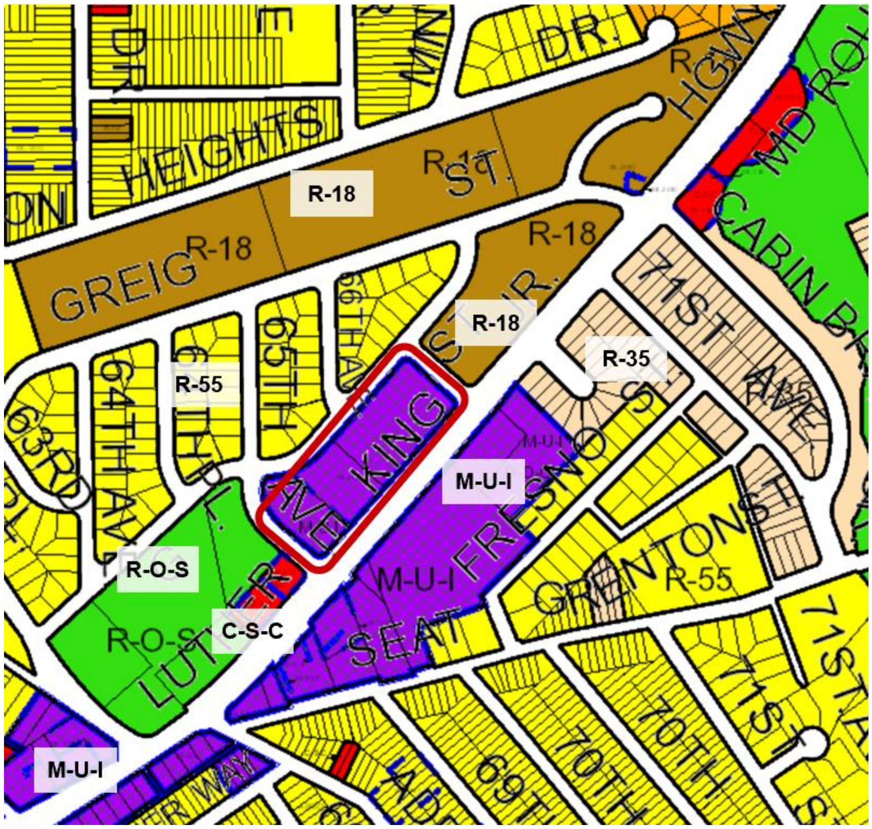
East King improves the walkability of the subject site by providing pedestrian friendly sidewalks. East King also strengthened the connection between the site and the surrounding neighborhood by providing retail shopping and public areas. East King’s redevelopment project will increase the value of the land by providing housing, green space and commercial use.

Section 5: Regulatory/zoning public approval process or other unique challenges

The subject site is currently zoned M-U-I (Mixed Use - Infill). The purpose of the M-U-I zone is to allow and encourage mixed residential and commercial infill development in areas that are already mainly developed. The M-U-I zone will simplify review procedures for mixed use residential and commercial development in established communities, encourage smart growth and encourage creating community environments by mixed-use redevelopment, particularly in areas requiring revitalization. The zoning in project site is aiming to increase the flexibility of Martin Luther King avenue region, residential and commercial activities.



City of Seat Pleasant Zoning Map Source: Master Plan



Sounding Zoning Map Source: PG Atlas

Except more M-U-I zone, surrounding Zonings include:

R-18: Multifamily Medium Density Residential;

R-O-S: Reserved Open Space;

R-55: 1 Family Detached Residential;

R-35: 1 Family Semidetached & 2 Family Detached, Residential;

C-S-C: Commercial Shopping Center - Retail and service commercial activities generally located within shopping center facilities; size will vary according to trade area.

The project is a by right development, there are no rezoning needed in East King project. The development needs to follow the subtitle 27 zoning ordinance. Below are the parking requirements and there are three reductions could be used in East King.

The parking requirement:

- Residential 1.33 parking per unit

- Restaurant: for first 3000 sf, 150sf/parking; the rest 200sf/ parking
- Health club: 50sf/person; 4 persons/ parking
- Other retail sale: 250sf/parking

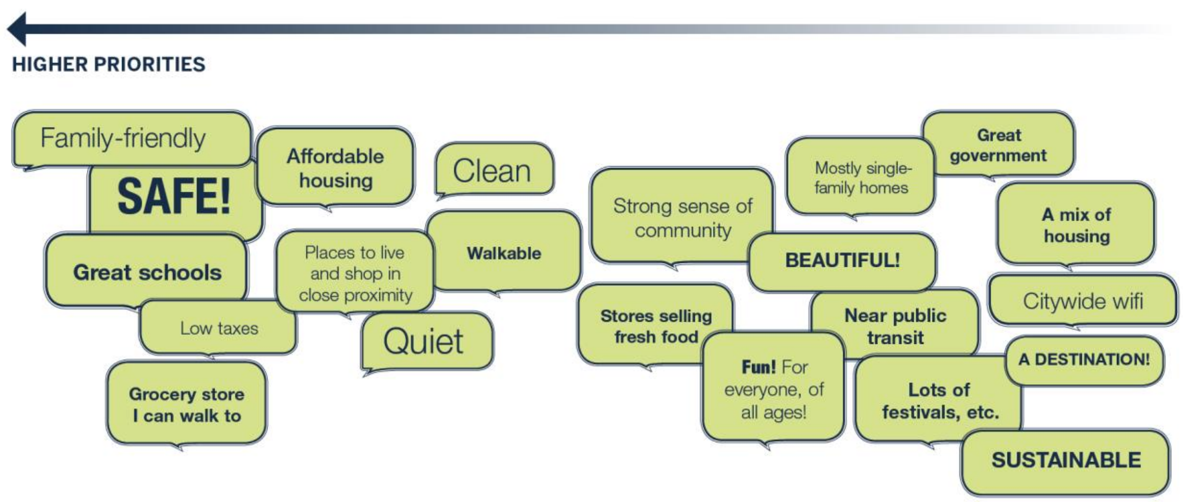
Parking Reduction

- A mix of residential and commercial uses reduce 30%
- Joint use of parking lot. Maximum reductions 40 spaces
- Bus Stop on site reduce 5%

Multifamily Requirement

- Multifamily residential **densities up to forty-eight (48)** units per acre are permitted.

Master Plan for The City of Seat Pleasant



Development Higher Priorities Source: Master Plan

The above picture shows the high proprieties per master plan which Wish Development plans to achieve in our project.

Subdivision Process

Conceptual & Detailed Site Plan Review

For those zones or conditional zoning actions which require conceptual and/or detailed site plan review and approval, building permits cannot be issued until such plans are approved by the Planning Board. All construction and landscaping must meet the terms of the approved site plan.

Permit Review

Building, Use and Occupancy, and Sign permits are issued by the Department of Environmental Resources. Applications for permits are also referred to other local agencies including the Department of Public Works and Transportation, Washington Suburban Sanitary Commission, and the Health Department and the M-NCPPC for review and recommendations as to zoning requirements. Any permit issued without such review and recommendation is invalid.

Approval of Request for Water & Sewer Service

The Washington Suburban Sanitary Commission determines what sewer line extensions may be necessary to service a particular development approved by the County Sewerage Plan. The WSSC also determines the conditions under which any needed extensions will be built, or sewer connections, or hook-ups authorized.

Section 6 Construction cost and schedule

The East King project will be the catalyst for the development of the City of Seat Pleasant to a more modern and beautiful city. In order to build this project, Wish Development LLC will demolish the existing 40,340 SF Class C retail building.
The proposed project will include 163 residential units, 38,796 SF retail, and 210 parking space.

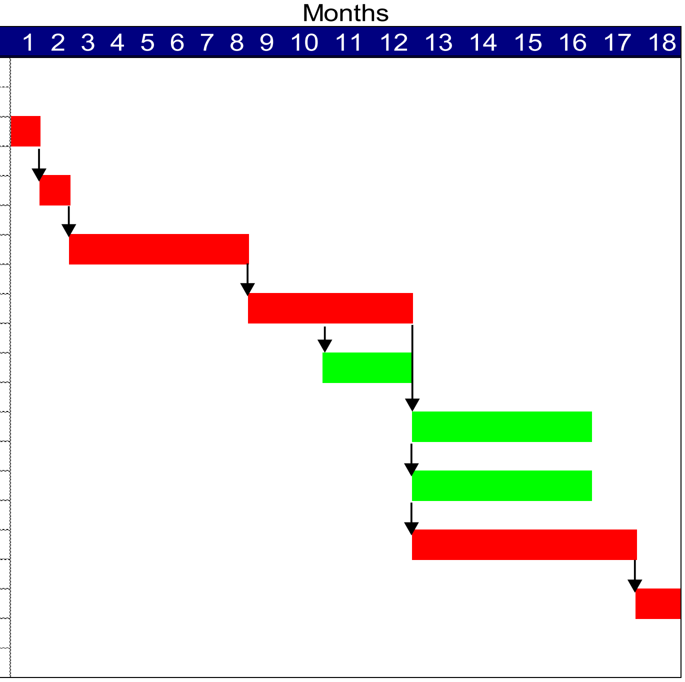
Project Timeline

The pre-development is forecasted to take 22 months which includes using three months for making marking analysis and decision making and five months for land acquisition and title survey. After the land acquisition, the Design Team in Wish Development LLC could conduct an initial design of the project which will take two months. Then Wish Development will use the initial design to apply for building approval. Wish Development is estimated to get approval and building permits will take one year. During the last two months to get all the permits, the design team could begin to work to get a more detailed design for the East King project. After getting the construction permit and notice to proceed, the construction will begin. The construction team will work closely and together with the Design team.

The project construction will take 18 months. Construction will begin with the demolishing of the existing class c retail building. After two months of demolishing, the construction team will begin to do the building excavation. For the above-grade structure, the construction team will begin to build the parking structure and then build the walkup units and ground-level retail at the same time. After the ground-level retail is built, construction will begin to build the above retail residential portion.

Construction Timeline Project Name: East King

Activity	Duration
Notice To Proceed	
Demolition	1 Month
Excavation	1 Months
Above Grade Structure	6 Months
Exterior Building Skin	4 Months
Roofing	2 Months
Mechanical	4 Months
Electrical	4 Months
Finishes	5 Months
Inspections	1 Month
Substantial Completion	18 Months



Construction logistics

Martin Luther King Highway will be the main access to the construction site because the subject site is next to it and other streets around the site are next to the residential areas. In order not to affect the surrounding residents, Martin Luther King Highway is the best and easiest entrance.

The subject site is 3.39 acres which will provide sufficient space for construction equipment. Across the street, there are some vacancies lands behind the gas station. If additional spaces are needed during construction, Wish Development LLC will lease that space.

Construction Cost

East King consists of two stories of walkup units and four stories of wood construction apartments over a concrete podium ground-level retail. In between the walkup units and the mixed-use building are two stories of the above-ground parking structure. Except for the cost for demolition and new development, 5% of the contingency cost are included to cover any unexpected cost during the construction period. The total construction cost for the East King will be $46.1 million. Following are the detailed cost assumptions.

Section 7 Marketing and Management Proposal

Marketing Proposal

The concept of East King is to make the City of Seat Pleasant's Yesterday's Dream, Today Come True.

The highlight of the East King project is to provide multi-functional residential buildings, which change the living situation of residents who must drive to go shopping. The East King project also made the City of Pleasant realize the first step of smart growth.

East King, as the gateway to the City of Seat Pleasant, has an excellent location and is close to Washington D.C. In addition, with onsite bus stops, bike share stations, free shuttle buses, residents and customers can rely on public transportation.

Large areas of public space also create a healthy living and leisure environment for people. Therefore, green health and convenience will be the main themes of East King.

In the image promotion of the project, Wish Development will cooperate with professional advertising companies to determine the property characteristics of the real estate, highlight the advantages of the real estate, establish a good brand image, and conduct intensive publicity before the opening.

Propaganda Method

1. The promotion plan for the project will start three months before construction is completed. In crowded areas, give out small gifts with advertisements, such as notebooks, charging cords, hand sanitizer, etc. Selected metro stations, nearby universities, and nearby offices to distribute small advertising gifts.

2. Organize activities to attract people, such as hold lottery activities, set up parent-child activities, host outdoor yoga activities, outdoor reading, and other warm-up activities on weekends.

3. Use social media to publicize the project, such as Facebook, Instagram. Use “My Seat Pleasant App” and create a website for East King to enhance project awareness. At the same time, advertising leaflets and discount card coupons of shops were printed and mailed to surrounding residents and schools for publicity.

There are lots of colleges and universities in the surrounding area. University of Maryland Global Campus (11 mins); Prince George's Community College - Main Campus (11 mins); Nexford University (19 mins); University of the District of Columbia Community College (UDC-CC) (20 mins); Strayer University (20 mins); Marist College (21mins); College Hall (21 mins); University of the Potomac (21 mins); The Catholic University of America (23 mins); Howard University College of Arts and Sciences (25 mins); University of Maryland (25 mins).

There are several hospitals and medical centers that can be reached within 22 minutes. UM Prince George's Hospital Center can be reached within 12 minutes. Bowie Medical Center (4 mins); BridgePoint Hospital Capitol Hill (17 mins); UM Bowie Health (20 mins); United Medical Center (22 mins).

In general, because the project can provide convenient public transportation, there are some colleges, universities, and hospitals nearby, and the project is close to Washington D.C., the target residents of the apartment are young people, students, office workers and 50 to 65 plus empty nesters. The commercial part of the target tenants is also focused on the concept of health, green, and in line with local culture.

The retail development and the design of the building will strive in line with the local culture. For example, the project is in a black community, so restaurants favored by black people will be the main target tenants.

Murals will be painted on the walls of the parking lot, to add charm and interest to the building.

The management fee for the residential part is estimated as three percent of the total effective gross income and is expected to increase two percent annually. The management fee for the retail part is estimated as one percent of the total effective gross income.

Management Proposal

Wish Development has some management companies in long-term cooperation. After the East King project is developed, Wish Development will hand over the project to the most suitable management company for management.

An onsite management team will serve East King. The main responsibility of the management team is to be responsible for the East King’s day-to-day operation, reporting, and managing to ensure the East King is well maintained.

This management team will provide on-site management services to the entire project's residents and tenants. The management team is designed to ensure the residents' and tenants' safety, resolve maintenance issues more quickly, regularly connect with the tenants and residents and build a close personal relationship with the tenants and residents.

The management team will handle the requests for repairs and resolve complaints from tenants and residents.

The management team will be responsible for all leases in East King. The management team will meet with the existing tenants to deal with the current leases and renew the leases with those who want to stay.

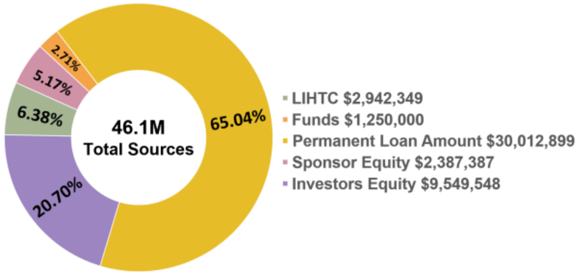
The management team also meets with potential tenants, shows vacant apartments or retail space to potential customers. The management team is responsible for signing new leases to keep the project profitable and up and running.

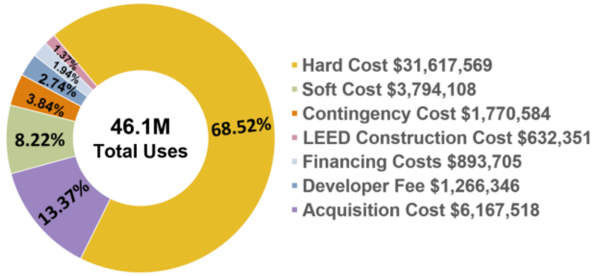
A conservative estimate lease-up is expected to last in 24 months for the whole project.

The management fee for the residential part is estimated as three percent of the total effective gross income and is expected to increase two percent annually. The management fee for the retail part is estimated as 2.5 percent of the total effective gross income.

Section 8: Financial Analysis

Project Financing





Summary of total Sources and Uses for the development Source: Author

As the sources and uses chart shown, Wish Development plans to use NED and SDF these two funds and HUD 221(d)(4) as our loan. East King is qualified to use the HUD 221(d)(4) loan for the whole project because the commercial space is limited to 23% of the project's net leasable area.

Financial Opportunities

The subject site is located in Maryland Opportunity Zone; Sustainable Community; Enterprise Zone (Commerce); Priority Funding Area and Low-Income Community. Thus, there are big financial opportunities for this project.

First through provide affordable house, the project is qualified to apply Low income housing tax credits and could benefit from tax-exempt bonds program.

Second the project is located in Maryland opportunities zones entitles investors with high, unrealized capital gains with deferring the investor's taxes on gains.

The site is in Sustainable Community, and I interviewed with Olivia Ceccarelli who works in DHCD, this project qualified to apply two funds.

The project is also located in Priority Funding Area, which means our project Has priority to get funds over other projects in the state.

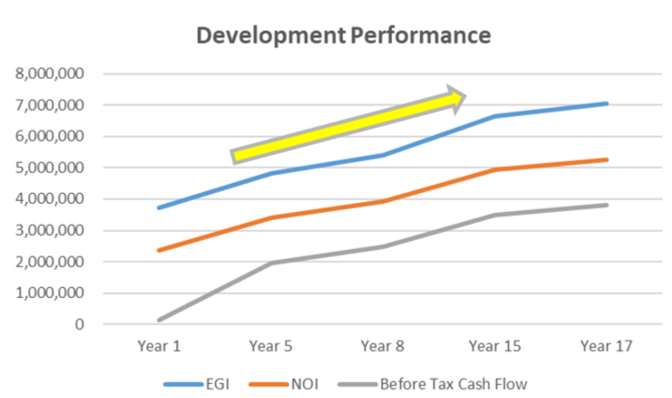
The project is also located in Low-Income Community which means the project has potential to use New Markets Tax Credit (NMTC)

Sustainable Cost:

East King project compliance with the master plan's requirement for sustainable construction by targets LEED gold certificated deign and ENERGY STAR's Residential New Construction program.

Implementing the two complimentary design philosophies will achieve a decrease in operating costs of approximately 13%. The demand for these types of buildings result in a rent premium of 14% over non-LEED designed buildings while the implementation of these design principles result in a 2% increase in construction costs.

Pro Forma Summary					
	Year 1	**Year 5**	**Year 8**	**Year 15**	**Year 17**
EGI	3,721,574	4,812,121	5,399,765	6,639,471	7,043,209
OpEx	1,565,016	1,644,937	1,774,789	2,091,710	2,179,979
NOI	2,375,725	3,392,100	3,925,486	4,933,855	5,264,921
Debt Service	1,395,207	1,395,207	1,395,207	1,395,207	1,395,207
DSCR	1.70	2.43	2.81	3.54	3.77
Before Tax Cash Flow	143,394	1,948,384	2,481,770	3,490,138	3,821,205
CoC	1.20%	16.32%	20.79%	29.24%	32.01%



As shown in this pro forma summary chart, the EGI, NOI and before tax cash flow all has a positive increase trends in the future 17 years holding period and the cash on cash return is also increased from 1.20% to year 17's 32.01%.

Exit Strategy

Investment Performance	
Year 18 NOI	5,438,401
Cap Rate	5.50%
Reversion Value	98,880,011
Sale Cost (4%)	(3,955,200)
Net Sale Price	94,924,811
Mortagage Outstanding	22,019,873
Before Tax Equity Reversion	72,904,938
Equity Multiple	9.60
Cash on Cash	32.01%

IRR & NPV			
Unlevered IRR	11.07%	Levered IRR	19.98%
Unlevered NPV	13,043,170	Levered NPV	25,241,242

Since this project is use the low-income housing tax credit, there has a 15 year compliant period requirement. In addition, some retail tenant may need resign lease in year 15. Thus, Wish Development plans to exit at end of year 17. As shown in the chart the equity multiple is 9.6 and levered IRR is 19.98%.

Sensitivity Analysis:

Wish Development ran sensitivities on several risk factors to the project. The four risk factors that deserve the most attention is shown below.

First, Wish Development did a sensitivity analysis based on the stabilized year yield.

With the NOI and project increase or decrease this project still could work.

Assumptions for sensitivities one:

- Stabilized Year Sensitivity Analysis
- Stabilized Yield 7.35%/Required Yield 7.00%
- $100,000 NOI Reduction/Increase
- $1,000,000 Project Cost Reduction/Increase

Wish Development ran sensitivities on several risk factors to the project. The four risk factors that deserve the most attention is shown below.

First, Wish Development did a sensitivity analysis based on the stabilized year yield.

With the NOI and project increase or decrease this project still could work.

STABILIZED NOI (Year 5)				PROJECT COST			
	43,142,182	44,142,182	45,142,182	**46,142,182**	47,142,182	48,142,182	49,142,182
3,692,100	8.56%	8.36%	8.18%	8.00%	7.83%	7.67%	7.51%
3,592,100	8.33%	8.14%	7.96%	7.78%	7.62%	7.46%	7.31%
3,492,100	8.09%	7.91%	7.74%	7.57%	7.41%	7.25%	7.11%
3,392,100	7.86%	7.68%	7.51%	**7.35%**	7.20%	7.05%	6.90%
3,292,100	7.63%	7.46%	7.29%	7.13%	6.98%	6.84%	6.70%
3,192,100	7.40%	7.23%	7.07%	6.92%	6.77%	6.63%	6.50%
3,092,100	7.17%	7.00%	6.85%	6.70%	6.56%	6.42%	6.29%

17 year is a very long year, although through interview with a property seller near the subject site, Wish Development anticipates the cap rate will be 5.5%, but Wish Development decide use different cap rate to see the IRR and equity multiple changes.

Although Wish Development are pretty confident to get the funds but we also run sensitivity about what the IRR will be if we could not get the funds.

Sell at Year 17					
Year 18 NOI	$ 5,438,401				
Cap Rate	Reversion Value	Before Tax Equity Reversion	Unlevered IRR	Levered IRR	Equity Multiple
5.00%	$108,768,012	$82,397,419	11.43%	20.41%	10.39
5.50%	$98,880,011	$72,904,938	11.07%	19.98%	9.60
6.50%	$83,667,702	$58,301,121	10.46%	19.25%	8.37
7.00%	$77,691,437	$52,563,907	10.20%	18.94%	7.89
8.00%	$67,980,008	$43,240,935	9.75%	18.39%	7.11
8.50%	$63,981,184	$39,402,064	9.56%	18.15%	6.79

Loan Sensitivity Analysis		
Loan Term	Interest Rate	Levered IRR
30 Year	3.50%	19.15%
30 Year	4.50%	18.13%
30 Year	5.00%	17.61%
40 Year	3.50%	19.98%

Funds Sensitive Analysis	
Without Funds	
Unlevered IRR	10.77%
Levered IRR	19.36%

Some key assumptions:

Retail Leasable Premises		
Tenant	Unit SF	Rent PSF
CVS	7,920	$20.00
Small Retail Store	1,300	$24.00
Restaurant		
Full Service	5,000	$30.00
Take away	2,000	$25.00
Health Club	3,800	$28.00
Neighborhood Service	3,000	$26.00
Anchor Retail Store	15,000	$19.00
Total/Average	38,020	$22.59

Residential Unit Mix				
Unit Type				
MARKET	# of units	Unit SF	Monthly Rent	Rent PSF
Studio	43	580	$1,653	$2.85
1 BR	45	730	$1,927	$2.64
2 BR	20	1,050	$2,321	$2.21
AFFORDABLE				
Studio	12	550	$1,128	$2.05
1 BR	11	690	$1,209	$1.75
2 BR	8	990	$1,451	$1.47
Walkup Units				
2 BR	24	1,000	$1,623	$1.62
Total/Average	163	766	$1,728	$2.08

Only Hard Cost for Construction Cost

- Apartment Hard cost: $143/sf
- Walk up units: $120 sf
- Retail $300/sf
- Parking: $5.5/sf
- Demolishing: $6/sf

Income

- Parking Income: $5 for retail after 2 hours (Free Parking for first two hours) Reduction 80%; Vacancy rate: 50%
- Apartment: $100/month; Reduction: 0%; Vacancy Rate: 30%

Equity distribution: [Return From Sale: $46,378,577-Investor (17.6% IRR); $26,526,360-Sponsor]

- 8% preferred return
- 40%-60% cash flow split

Leasing:

- 4. 10, 15-year leases
- NNN lease structure
- Free rent for first three months
- Tenant Improvement Allowance $10/sf
- 3% Leasing commission

Conclusion:

In sum, East King is a redevelopment project that (a) increase the site's value while providing a higher-quality built environment; (b) address a social need for more affordable housing and accept section 8 vouchers, and (c) act as an economic driver providing healthier and more diverse retail options for the City of Seat Pleasant, East King will be the first mixed-use, mixed-income "triple crown" redevelopment project in Seat Pleasant, Maryland.

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