57 Creekside: A Luxury Apartment and Retail Community

KMK Development

This document summarizes a potential commercial real estate investment in the City of Frederick. it includes an in-depth market study, planning and policy evaluation, design review, construction schedule and planning, financial evaluation, and a marketing plan.

RDEV688I, Selected Topics in Real Estate Development

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EXECUTIVE SUMMARY

INTRODUCTION

KMK Development is currently soliciting an investment opportunity that can generate returns of up to 19% on equity. The project entails a mixed-use real estate development for residential rental units and ground floor retail located in Frederick, Maryland. To accomplish this project KMK Development has established a relationship with The City of Frederick to expedite acquisition and to fulfill the project's development potential. The project's expected stabilization is projected for Fall 2017 if KMK can develop investor interest by the close of 2014.

PROJECT SUMMARY

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KMK development was first introduced to this project when they discovered that the City released a request for proposal (RFP) for a 0.39-acre site in 2009. The attempt to develop the land failed and the City remains with a vacant site today. KMK development decided to reevaluate the RFP and assess the City's economic goals to determine the best possible use for the site. KMK came to the conclusion that the 0.39-acre site was not sufficient to propose development. The best option would be to acquire surrounding lots to maximize the development and expose the project to its full potential. To accomplish the project's acquisition goals, KMK came to an agreement with the City of Frederick. If necessary, the agreement would allow the City to assist with acquisition using eminent domain if KMK fails to finalize agreements with all existing land owners.

The site sits at the northwest corner of the East All Saints Street and South Carroll Street intersection. The site's north end abuts Carroll Creek Park, a recently completed brick promenade. Carroll Creek Park is fantastic amenity that has reinvigorated downtown Frederick, spawning private investment and increasing the City's economic vitality.

Existing Conditions and Constraints

The project as newly proposed would include nine individual lots totaling 1.74 acres. In addition, the proposed site includes seven existing structures, six of which are contributing structures to the City's downtown historic district. The site is zoned DB (Downtown Commercial/Residential), which is intended to encourage development of the City's downtown commercial area. The site also falls within the

Carroll Creek Park Overlay, which increases design regulations and restrictions to protect the integrity and image along the park.

KMK consultants considered these regulations and determined that the project would be allowed to develop the proposed site with a maximum density of 130 units. Due to the site's complexity and inclusion of historic structures, the development could only yield 122 units and 35,000 retail square feet. Another consideration is the amount of parking that can be accommodated on the site. Fortunately, DB zoning allows for a 50% reduction in parking based on the site's location and its proximity to public parking garages and transportation.

Market Analysis

The project's residential and retail mix will be the first of its kind in Frederick and there were concerns that the market would accept a project offering luxury residential rental units and urban retail. To better understand the market, KMK researched market comps in the luxury, upper-tier niche and discovered empirical data that proved demand in the market area. The market comps were developed using REIS software and reliable Internet sources while empirical data gathered from Census and US Labor statistics.

The market comps include six different garden-style apartment communities just outside the City of Frederick. These communities average a 2.5% vacancy rate in 1,200 units, indicating demand. In terms of empirical data of 9,054 households, the proposed project's market affordability ranges from household incomes of $50K to $150K. Those within that range can afford rents of $1,200 a month, and are currently renting come to a sum to of 7,324 units. This leaves approximately 1,800 to 2,000 families or individuals that are in search of housing and yields demand in the market.

Design

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The proposal's design includes new construction and historic renovation to develop a dynamic site that benefits the growth of Frederick's downtown. The new construction will be a five-story building 84,648 residential square feet and a portion of the ground floor retail (16,380 square feet). The retained historic buildings will be renovated and add to retail ground floor square footage, as well as create unique entryways to the residential mid-rise building. To support on-site parking and meet the zoning

requirement, a three-story parking garage will sit between existing historic structures and the residential building. The parking garage will have a green roof.

The project's 122 residential units will be a 1-2-2 mix of efficiency studios, one-bedroom apartments, and two-bedroom apartments. The average size for each unit will be 800 square feet for a total 97,000 square feet of net rental space. The ground floor retail mix will initially fit out for six different lease locations that amount to 35,000 square feet of net rental space. The leases will be for one mid-sized 12,500-square foot anchor and five non-anchor tenants ranging from 3,200 to 5,000 square feet.

Construction

The estimated construction costs range due to the type of work. To start, construction of the concrete ground floor podium of the new building is estimated at $85/sf, totaling **$1.4M**. The residential stick built construction above the podium is estimated at $125/sf, totaling **$11.3M**. The historic residential rehab comes at a premium, a contingency that must be considered during construction, for an estimate of $133/sf, totaling of **$1.8M**. The historic retail is estimated at $85/sf, totaling **$1.8M**. The parking garage's 125 spaces are estimated at $16,500 per space, approximately $55/sf, totaling **$2.7M**. Finally, the garage's green roof is estimated at $68/sf totaling **$340K**. The total hard costs for the project come to **$20.5M**.

Financial Analysis

This is a long-term project, so KMK has made a conservative financial evaluation. KMK's agreement with the City has relieved some risks during the acquisition process, which was one of the largest unknowns. The evaluations for the income estimates were determined by market data that KMK feels is highly reliable. The average income for the residential portion of the project is about $1.78/sf for a total potential income of **$2.1M**. The project's retail portion is estimated at $30.12/sf for an annual income of **$1.1M**. Expenses for the residential units average about $5,127 per unit annually. Expenses for the retail portion will be triple net (NNN) so all expenses will be passed through to the tenant. Once the project is stabilized (open and operating at 100% rental), we expect a net operating income of **$2.1M** by the close of year one.

The project begins with the acquisition costs estimated to be **$6.8M**, based on recent lot sale values or state tax value. The total hard costs for construction are estimated for a sum of **$20.5M**. The additional

soft costs are estimated to be **$2.2M**. The developer fee is 7% of the project costs, a sum of **$1.8M**. The project's financing sources come from investor/sponsor equity, historic tax credits, land equity from the City-owned lot, a municipal loan, and debt from an insurance loan. Total development costs for the project come to **$32,672,094**. (For assumptions and more detail on project sources, see figure 17.)

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MARKET STUDY

Subject Overview

This report is for the proposed development of a mixed-use urban infill of 122 market rate apartments and 35,000 square feet of retail. The proposed residential structure will be five stories with a maximum height of 60 feet and will include over 125 parking spaces on its lower floors.

Purpose

The market study evaluates the project's feasibility by evaluating the market area's economic vitality, demographic characteristics, surrounding competition, demand, and affordability.

Client

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The report will be submitted to the developer in a context that he can use to sell third party investors or debt lenders.

Report Limitations

The conclusions are inherently subjective and should not be relied upon as a determinative predictor of results that will actually occur in the marketplace. There can be no assurance that the estimates made or assumptions used in preparing this report will in fact be realized, or that other methods or assumptions might not be appropriate. This report's conclusions are as of the date of this report, and an analysis conducted as of another date may generate different conclusions. The actual results will depend on a variety of factors, including the performance of management, the impact of changes in general and local economic conditions, and the absence of material changes in the regulatory or competitive environment.

SITE AND NEIGHBORHOOD ANALYSIS

Site Location

The site is a vacant lot along Carroll Creek Park in The City of Frederick, between Market Street and South Carroll Street with East All Saints Street running along the site's south edge. It is a part of the central business district and is zoned DB for Downtown Business. The site's development potential is strong as the downtown area is a lively and is an attraction for all forms of real estate uses. The Historic District offers a unique niche for the retail industry with an assortment of boutique shops, retail stores and restaurants.

Existing Uses

The site is currently vacant, used for public storage and parking during City events that are regularly held along Carroll Creek Park path and amphitheater. Most of the site is grassy with a stone access path at site's south end facing East All Saints Street.

Size, Shape and Topography

The site area is approximately 1.7 acres (75,000 square feet) and will be a consolidated lot of eight other lots, seven of which include historic structures. The site is perched on the hillside of Carroll Creek Park and looks directly on to the brick amphitheater to the north. In general, the site is flat with little to no slope.

Site Location: Frederick, Maryland

Surrounding Land Uses

45 South Carroll Street from South Carroll Street 	**59 South Carroll Street from the intersection of East All Saints Street and South Carroll Street**
47 East All Saints Street from East All Saints Street 	**41 East All Saints Street from East All Saints Street**
City property with 45 East All Saints St in the background facing South 	**Rear of 47 East All Saints Street facing Southeast on the corner of the City property**

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View from the North end of the City property looking East towards the rear of adjacent properties that face South Carroll Street	View from Carroll Creek Park facing South towards the rear of the City property with the building 45 East All Saints Street in the background.

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Neighborhood Analysis

General Description

The site is located near the east entrance of Carroll Creek Park, in an area where several new structures have been built in the past decade. On the site's east side is a five-story condominium building with street access units along East All Saints Street. Currently, condos for sale in this building range from $180K to $290K. To the site's southeast and diagonally across from 59 South Carroll Street is Frederick County's Social Services Building, which is a Maryland state government facility regulated by the Maryland Department of Human Resources. This Social Services office building appears to have been constructed in the past 10 to 15 years and has a brick façade with stone features above dark tinted windows. Directly South of 59 South Carroll is a midsized brick building designated as a contributing structure in the historic district used as office space. Further east is a recently constructed public parking garage serving the downtown area's retail and office space. Next to the parking garage and facing Carroll Creek Park is The Delaplaine Visual Arts Education Center, an artist group in the community since 1986. The Art Center provides classes, summer camps and rental space that benefit the arts community. The Center is a three-story brick building designated as a contributing historic structure.

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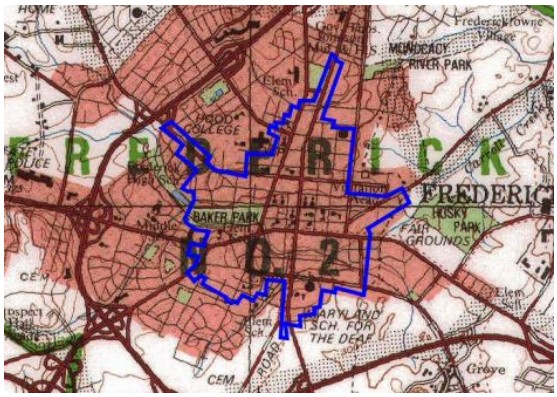
Frederick Town Historic District

The site is in the City's Frederick Town Historic District and several of the structures planned for acquisition are designated as contributing structures to the historic district. A majority of City's historic structures are well maintained or have been recently restored to provide new uses in the evolving

downtown area. Along Market Street and East Patrick Street are an assortment of shops, stores, restaurants and other services that make the downtown historic district attractive and lively.

The Frederick Town Historic District is significant for its role as the seat of Frederick County and as a regional market and industrial center in Maryland's Piedmont area from the 18th century to the mid-20th century. Represented by a wealth of commercial, residential, public and civic, and religious architecture in varied styles and forms, the district is also architecturally significant. It includes important examples of most of the major architectural styles that characterize the mid-Atlantic region—Federal and Greek Revival, through Italianate, Romanesque and Queen Anne, to the Colonial and Spanish Revivals of the first half of the 20th century. During the Civil War, both Union and Confederate armies passed through the City on their way to Antietam in 1862; and parts of the Union army went north through here on the way to Gettysburg in 1863. Confederate General Jubal Early extorted a $200,000 ransom from the City before fighting near the Monocacy River just south. Large numbers of wounded soldiers were brought to the City following the nearby battles. (Resource: Maryland National Historic Trust)



Carroll Creek Park

The Carroll Creek Park is a City-built amenity in the downtown business district. The site sits directly south of the park, perched on a hill approximately 12 to 15 feet above the pedestrian pathway that meanders through the downtown. The site, in relation to the park, can offer excellent marketing for tenants and all types of uses, as it has proven to be a success with existing businesses.

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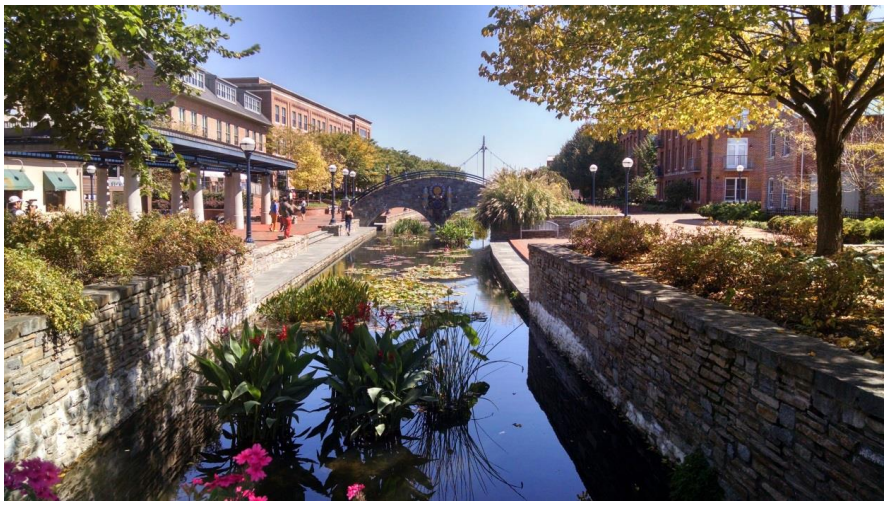
The park was an addition to a flood control initiative started in the early 1990s. The City and State invested over $60M in a flood control project to remove most of the downtown district from the FEMA floodplain. The park actually sits atop four large stormwater culverts that direct water underground and away from the downtown area. The park itself had a price tag of $30M and was worth the City's investment, generating well over $150M in private investment along the park's edge. Several office spaces, stores and restaurants face the park, contributing to an active downtown.

The park's success is a result of a quality design and construction. The brick work throughout the pedestrian promenade is impressive, along with the lush landscaping. Other amenities and features that make the park unique and dynamic include the stone arched bridges, trellis, benches and amphitheater. Directly to the site's north, the brick amphitheater holds concerts every Thursday evening during the warmer months of the year.



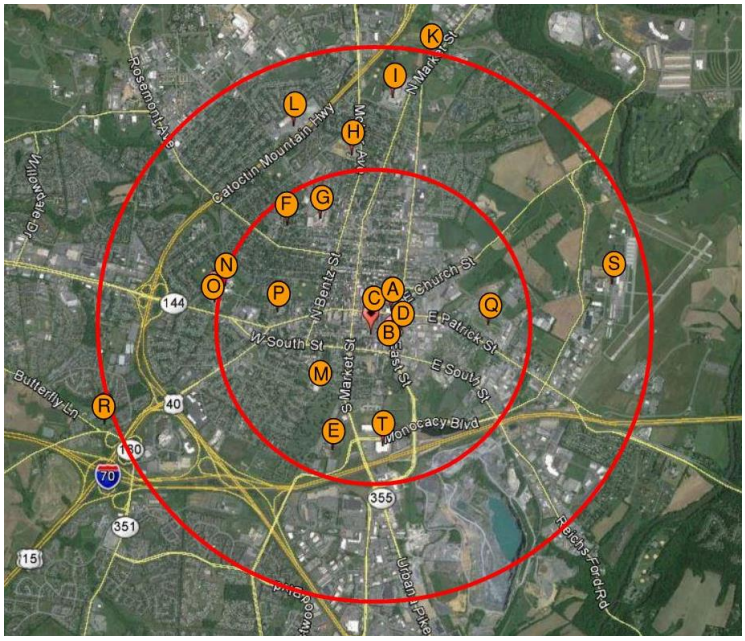
Site Visibility and Accessibility

The subject site is located at the intersection of East All Saints Street and South Carroll Street. South Carroll Street is a primary downtown road that runs parallel to Market Street. Approximately 750 feet to the east is the City of Frederick Transit Center, which offers a MARC train station, Greyhound station and local bus services. In addition, a local bus stop on the subject site at the corner of South Carroll Street.

Furthermore, the site will be highly visibility to workers and visitors who park in the adjacent public parking garage, including tourists and locals who visit Carroll Creek Park and shop in the historic downtown.

Residential Support Network

Residents and businesses need a support network of private business and public services that are credible and reliable in dealing with an upper-tier clientele. Higher rents will need the support network of businesses, schools and hospitals expected by an affluent group of users.



Map	Surrounding Amenities	Type	Address	Dist.
A	US Post Office	Office	201 E Patrick St	.27 mi.
B	City of Frederick Visitor Center	Public Building	151 S East St	1,052 ft.
C	C. Burr Artz Public Library	Public	110 E Patrick St	399 ft.
D	Frederick Travel Center	Transportation		962 ft.
E	Harry Grove Stadium (Frederick Keys)	Entertainment	21 Stadium Dr	.85 mi.
F	Hood College	Private College	401 Rosemont Ave	1.21 mi.

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G	Frederick Memorial Hospital	Hospital	400 W 7th St	1.02 mi.
H	North Frederick Elementary	Public School	1010 Fairview Ave	1.43 mi.
I	Governor Thomas Johnson High School	Public School	1501 N Market St	1.68 mi.
K	Governor Thomas Johnson Middle School	Public School	1799 Schifferstadt Blvd	1.95 mi.
L	Giant Eagle	Grocery	1275 W Patrick St	1.61 mi.
M	Lincoln Elementary School	Public School	200 Madison St	.55 mi.
N	Frederick High School	Public School	650 Carroll Pkwy	1.14 mi.
O	West Frederick Middle School	Public School	515 W Patrick St	1.14 mi.
P	Parkway Elementary School	Public School	300 Carroll Pkwy	.78 mi.
Q	Frederick Fairgrounds	Amenity	797 E Patrick St	.85 mi.
R	Prospect Hall High School	Private School	3989 Beckeystown Pike	2.05 mi.
S	Frederick Airport	Airport	310 Aviation Way	2.17 mi.
T	Costco	Grocery Bulk Goods	10 Monocacy Blvd	.96 mi.

Source: Google Maps

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Essential Services

Health Care: The closest general hospital is Frederick Memorial Hospital, 1.02 miles from the site. The hospital has an emergency support room with 308 hospital beds. Its outpatient survey has a satisfaction rate of 68% of those who would return for services, which matches the national average and exceeds the State average by 4%. (Source: US News & Health)

Education: The Frederick County Public School (FCPS) system ranks among the best in the nation as well as in the State. FCPS has academic programs that range from pre-kindergarten to the 12th grade with a total of 66 schools, allowing for a full range of educational needs. Furthermore, FCPS Advanced Placement (AP) results continue to surpass State and global measures of mean scores and percentages of students with scores of three or better on a five-point scale.

In the City of Frederick there are 17 schools approximately three miles or less from the subject site. Most of these schools rank moderately well amongst all the schools in the County. They also provide special assistance programs and advanced placement for those students that need of these educational services.

Commercial Goods and Services

Convenience Goods: The term “convenience goods” refers to inexpensive, nondurable items that households purchase on a frequent basis and for which they generally do not comparison shop. Examples of convenience goods include groceries, fast food, health and beauty aids, household cleaning products, newspapers, and gasoline.

The nearest shopping opportunities are less than two blocks away from the site, well within walking distance. Market Street and Patrick Street offer an array of shops and services to the urban shopper. For other needs shoppers can travel to Giant Eagle, the closest grocery, only 1.6 miles from the site.

Shoppers Goods: The term “shoppers goods” refers to large ticket merchandise that households purchase on an infrequent basis and for which they usually comparison shop. The category is sometimes called “comparison goods.” Examples include apparel and accessories, furniture and home furnishings?.

The “Golden Mile,” is the City’s retail concentration of retailers and big box stores, such as Home Depot and Wal-Mart. In addition, Market Square, which recently opened 2.25 miles north of the site, contains Wegmans and several other commercial retail entities.

ECONOMIC CONTEXT

This section focuses on economic trends and conditions in the submarket of Frederick County and City of Frederick where the site is located.

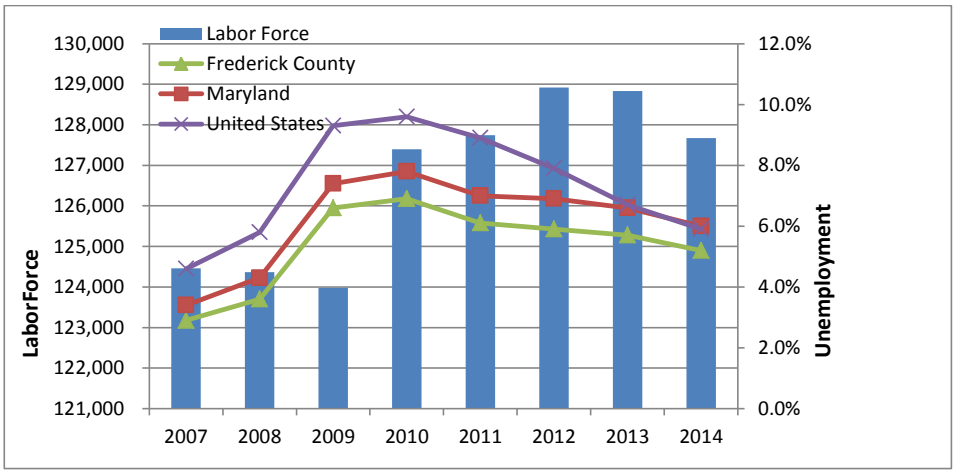
Trends in Frederick County have shown unemployment below the State and National averages over the past seven years. The County may show some similarities in trends, but the overall rates have remained consistently lower. The City’s unemployment rate is relatively higher than the County’s at 6.3% with a population of approximately 2,846 people without jobs who are considered a part of the labor force. That being said, the City limits are relatively small and that these numbers are offset by the majority of commuters who work outside of the City of Frederick limits.

1 Submarket Unemployment Trends

Annual Unnemployment Rate Not Seasonally Adjusted									
Frederick Co. Annual Unnemployment		2007	2008	2009	2010	2011	2012	2013	2014
Labor Force		124,459	124,365	123,976	127,393	127,744	128,923	128,836	127,676
Employment		120,902	119,830	112,750	118,602	119,923	121,301	121,494	121,080
Unemployment		3,557.0	4,535.0	8,226.0	8,791.0	7,821.0	7,622.0	7,342.0	6,596.0
	Unemployment Rates								
	Frederick County	2.9%	3.6%	6.6%	6.9%	6.1%	5.9%	5.7%	5.2%
	Maryland	3.4%	4.3%	7.4%	7.8%	7.0%	6.9%	6.6%	6.0%
	United States	4.6%	5.8%	9.3%	9.6%	8.9%	7.9%	6.7%	5.9%

Figure 2 below provides context to the unemployment rate in comparison to the labor force. It shows the cause of unemployment rates dropping partially due to the reduction in the total labor force in Frederick County. The comparison is similar with the US market and labor force numbers.

2 Submarket Unemployment Trends in Relation to Labor Force



The market area labor force population amounts to 25,689 people and the majority earn an income high enough to afford mid- to high-level rents. The largest percentage of households tops out at 21.4% or 5,491 households making between $50k to $75k. In relation to the 35% that a US household spends on housing the majority of these households can afford mid- to high-level rents.

3 Average Household Income

	Maryland		Frederick city, Maryland	
	Estimate	Percent	Estimate	Percent
Total households	2,138,806	2,138,806	25,689	25,689
Less than $10,000	109,214	5.10%	1,180	4.60%
$10,000 to $14,999	70,865	3.30%	946	3.70%
$15,000 to $24,999	146,336	6.80%	1,554	6.00%
$25,000 to $34,999	158,597	7.40%	2,180	8.50%
$35,000 to $49,999	237,798	11.10%	3,444	13.40%
$50,000 to $74,999	374,085	17.50%	5,491	21.40%
$75,000 to $99,999	292,053	13.70%	3,269	12.70%
$100,000 to $149,999	387,696	18.10%	4,856	18.90%
$150,000 to $199,999	183,781	8.60%	1,782	6.90%
$200,000 or more	178,381	8.30%	987	3.80%
Median household income (dollars)	72,999	(X)	65,328	(X)
Mean household income (dollars)	94,941	(X)	79,837	(X)

Most of the market area's family households, 23.8% (3,695 families), have incomes ranging from $100k to $150k. The median range of family income is 58% (9,024 families) with incomes ranging from $35k to $150k. More than half the families in the market area can afford to rent at the market area's mid- to high-levels.

4 Market Area Family Income

	Maryland		Frederick City, Maryland	
	Estimate	Percent	Estimate	Percent
Families	1,432,382	1,432,382	15,549	15,549
Less than $10,000	43,466	3.0%	491	3.2%
$10,000 to $14,999	26,377	1.8%	368	2.4%
$15,000 to $24,999	67,797	4.7%	709	4.6%
$25,000 to $34,999	85,639	6.0%	1,012	6.5%
$35,000 to $49,999	138,737	9.7%	1,808	11.6%
$50,000 to $74,999	238,481	16.6%	3,109	20.0%
$75,000 to $99,999	209,246	14.6%	2,220	14.3%
$100,000 to $149,999	306,156	21.4%	3,695	23.8%
$150,000 to $199,999	157,161	11.0%	1,313	8.4%
$200,000 or more	159,322	11.1%	824	5.30%
Median family income (dollars)	$ 88,092	(X)	$ 77,529	(X)
Mean family income (dollars)	$ 110,686	(X)	$ 91,572	(X)
Per capita income (dollars)	$ 36,056	(X)	$ 32,200	(X)
Nonfamily households	706,424	706,424	10,140	10,140
Median nonfamily income	$ 45,126	(X)	$ 46,148	(X)
Mean nonfamily income	$ 58,875	(X)	$ 57,165	(X)
Median earnings for workers	$ 39,955	(X)	$ 38,211	(X)
Median earnings for male full-	$ 58,746	(X)	$ 55,109	(X)
Median earnings for female full-	$ 48,739	(X)	$ 44,727	(X)

City of Frederick Employers

The City of Frederick and the market area has a large spectrum of employers, but is heavily weighted toward military employment due to its close relation to Fort Detrick, which is inside the City limits. Fort Detrick is a military installation established in 1931 and served as the U.S. biological weapon program from 1943 to 1969. Since that program's discontinuation, Fort Detrick has been the site of several biological defense programs. Today, the 1,200-acre campus supports a multi-governmental community that conducts biomedical research, medical material management, global medical communications, and the study of plant pathogens.

Fort Detrick's services and research has generated private sector growth that helps support the effort of the federal government programs. Several research facilities and bio parks have been recently developed in the Frederick area to grow private employers. The Riverside Research Park and Frederick's National Cancer Institute (a quasi-governmental entity that focuses on private contracts) are examples of the growth in the private development realm.

City of Frederick's major employers have grown over the past five years with Fort Detrick leading with over 11,000 employees. Municipal and local government employers make up a comparable market to federal employment, if the Frederick County Public School system is included.

The market does face some risk with Fort Detrick being the area's largest employer. If the base were to shutdown it would be catastrophic to the local economy. This risk will be taken into consideration, but won't be considered into the overall market evaluation. Fort Detrick has a long-standing and has a strong focus on active defense concerns in the military, which reduces its chance of closing.

5 City of Frederick Employers

Business	Industry	# of Employees	Percentage
Fort Detrick Campus	Military	11,000	36.6%
Frederick County Public Schools	Public Education	5,700	19.0%
Fredrerick Memorial HealthCare	Health Care	2,696	9.0%
Frederick County Government	County Government	2,072	6.9%
Wells Fargo Home Mortgage	Mortgage Loan Services	1,881	6.3%
Frederick Community Collegw	Two-Year College	939	3.1%
State Farm Insurance Corporation	Insurance	839	2.8%
City of Frederick Government	Municipal Government	831	2.8%
United Health Care	Health Insurance	635	2.1%
YMCA of Frederick County	Non-Profit	442	1.5%
Wegman's	Retail Supermarket	430	1.4%
Hood College	Four-year College	419	1.4%
Stulz Air Technolgy Systems	Manufacturer	375	1.2%
Home Depot	Retail Stores	330	1.1%
Homewood Retirement Center	Retirement Community	300	1.0%
Maryland School of the Deaf	Education Spcialties	266	0.9%
PNC Bank	Banking	260	0.9%
Fountain Rock Management Services	Restaurant Management	250	0.8%
MedImmune	Biotech Manufacturing	246	0.8%
Morgan Keller	General Contractors	158	0.5%

DEMOGRAPHICS AND HOUSEHOLD ANALYSIS

Age Demographic Comparison

Mid- to high-level apartments are most often rented by the 25-34 age group, typically younger working professionals, recently graduated from college or employed for three to five-years looking for places to live. In addition, the volatility of the employment sector has left some young working professionals concerned with making long-term investments in homeownership. This has affected the housing market, but boosted the multifamily development over the past five years.

The market area has a large population of younger working professionals in the 25-34 age group—11,265 people, approximately 17.3% of the population. They are the largest age group in the market. In addition, the area's median age is 34, three years younger than the State's median age of 37.

6 Submarket to Market Comparison by Age

	Maryland		Frederick County		Frederick City, Maryland	
Total Poulation by Age	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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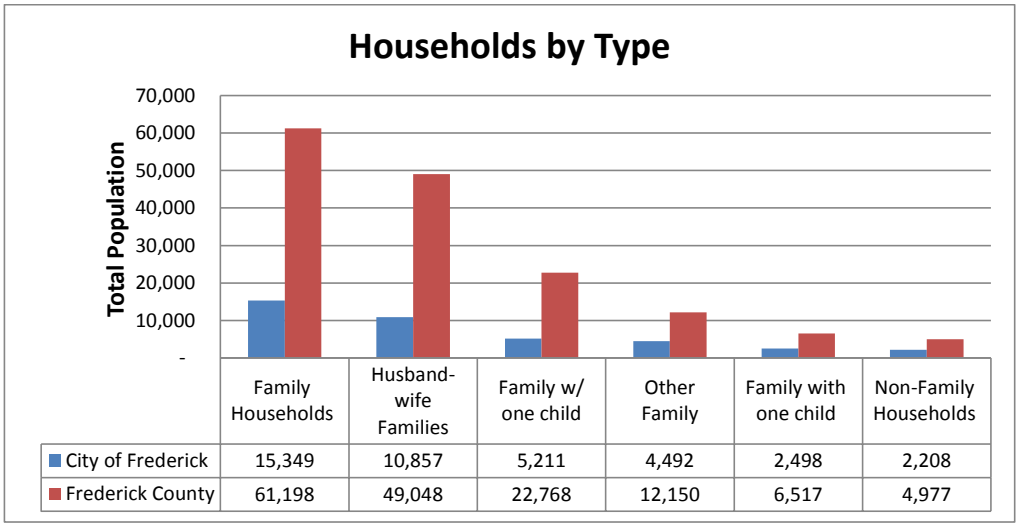
Household Dynamics

The market area has a young population compared to the submarket and this age difference creates particular household dynamics. Evaluating these dynamics helps to understand the market area and the demand for typical living situations. Families that include two adults are usually looking for smaller, one-bedroom units or two-bedroom units depending on living costs and affordability. In addition, families with children may be considering two- or possibly three-bedroom units, depending on the number of children they have.

The City of Frederick market area has a total of 15,349 resident Family Households. Approximately two-thirds of these households consist of a husband and wife, which is relatively lower than the submarket area of Frederick. The reason for this difference may be due a larger population of single parents, which could prove a larger demand of one-bedroom apartments. Furthermore, the market area is comparable to the submarket in regard to families with one child. The reason for this comparability may be from the concentration of schools within the City of Frederick appealing to families interested in staying within walking distance to public schools.

7 Household Comparison by Type



	Family Households	Husband-wife Families	Family w/ one child	Other Family	Family with one child	Non-Family Households
City of Frederick	15,349	10,857	5,211	4,492	2,498	2,208
Frederick County	61,198	49,048	22,768	12,150	6,517	4,977

Apartment Analysis

Existing Rental Housing Stock Characteristics

The site's market area consists of 60 rental communities that amount to approximately 5,000 units. Most of the units are garden-style apartment buildings and are generally located outside city limits. The total amount of class A properties is limited, with 1,200 total units in the market area. Most of the class A units have been constructed within the past decade to meet the market demand generated by the area's research and technology employers.

The submarket area in Frederick County has an older multifamily housing stock. The mean date of construction is 1987, which is over 25 years in age when the majority of the submarket's multifamily

housing stock came onto the market. The garden-style apartments in the upper-tier level have been constructed in the past decade and draw the highest rents in the area. These newly constructed apartments offer 21st century amenities that attract their client mix. These amenities will be closely evaluated and surveyed to best determine how to follow through with design and layout considerations in the proposed project.

One element of market area data presents a concern. The sub-area's number of planned or under construction units is over 1,000. This is a slight risk to consider when determining housing type and units that will be supplied to the market Up-to-date market data should be maintained, to be well aware of market demand before the project moves past the planning stage. Figure 8 below lists four projects in the market area that are currently under construction.

8 Multifamily Construction in the Market Area

	Completed			Under Construction			Planned/Proposed			
Submarket	**Apartment**	**Condo**	**Other**	**Apartment**	**Condo**	**Other**	**Apartment**	**Condo**	**Other**	**Grand Total**
Rockville	988	-	-	2,950	284	40	4,214	-	239	8,715
NE Montgomery	-	-	-	-	-	36	-	-	-	36
Gaithersburg	525	-	92	304	-	104	3,086	-	-	4,111
Bethesda/Chevy Chase	200	-	-	1,211	88	243	5,448	176	238	7,604
Kensinton Wheaton	985	-	121	-	-	-	1,905	-	101	3,112
Laurel	433	-	-	256	-	80	1,158	-	274	2,201
Collede Park Greenbelt	256	-	-	-	-	283	537	-	984	2,060
Hyattsville	213	-	-	283	-	183	2,193	-	120	2,992
Forest Heights	-	-	-	262	-	-	-	-	133	395
District Heights	-	-	-	-	-	-	120	541	82	743
Landover	-	-	-	-	106	-	1,781	-	181	2,068
Silver Spring	1,246	-	87	310	-	-	2,540	-	288	4,471
Frederick County	204	70	115	376	170	137	796	355	1,134	3,357
Non-Submarketed Areas	286	78	-	-	50	1,293	3,590	1,583	2,083	8,963
Total	5,336	148	415	5,952	698	2,399	27,368	2,655	5,857	**50,828**

Frederick County New Construction Listings

ID or #	Property Name	Address	Total Size (units)	Competitive Size (Units)	No. Bldgs.	Floors	Groundbreak	Completion	Status
2	Urban Green	Urbana Pike @ Fingerboard RD Frederick, MD 21701	352	353	10				Planned
3	Jefferson Place Apartments	6117 Jefferson Pike@ Catoctin Mountain HWY Frederick, MD 21703	230	230					Planned
4	Nicodemus Apartments	7926 Gas House Pike Frederick, MD 21701	122	122					Proposed
5	Prospect Hall Apartments	889 Butterfly Lane Jefferson Pike Frederick, MD 21703	376	376			Aug-13	May-15	Under Construction

APARTMENT COMPARABLES

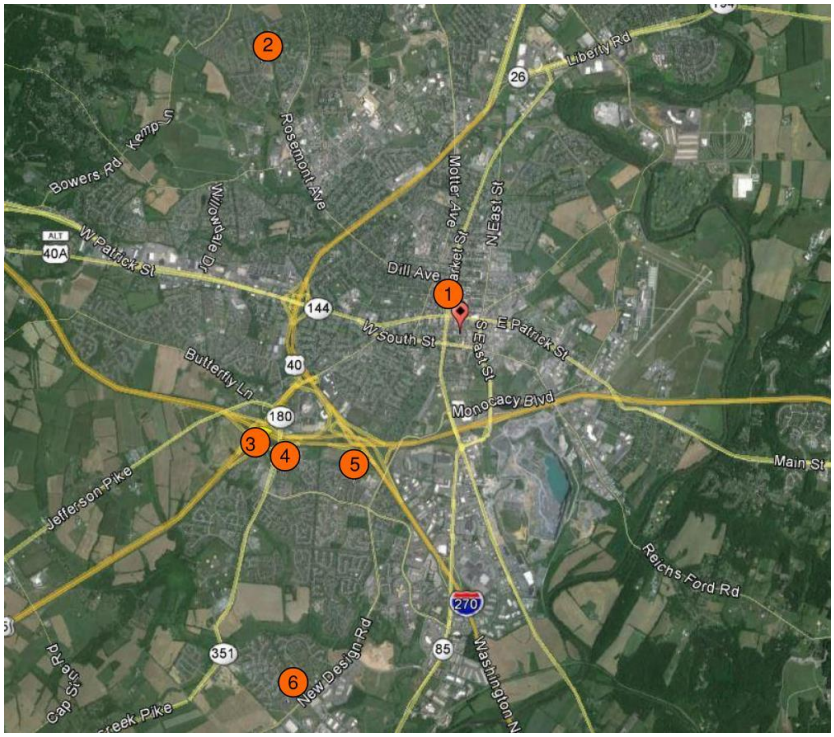
The project's market area has no true market comparable since the downtown mostly comprises condos that were introduced to the market in 2006, around the same time that Carroll Creek Park finished its first stage of construction. The best way to evaluate market value for the project is to study the surrounding apartment communities that demand the highest rents for the area. It might also be beneficial to examine any rent comparables for the condos adjacent to subject site, as well as what these communities offer residents, and use those features to shape the project.

The map and table in Figure 9 shows the location of six market comparables used to identify market rents for the project. Mountain Glen Apartments (#1) is a 46-unit low income housing apartment, but it is the closest apartment community to the project site. It is not considered for rent competition. Three of the comparable properties are in near each another, probably partially due to that area's access to interstate, grocery and education amenities. These three properties are in high demand and have consistently low vacancy rates. The other two apartment communities (#5 and #6) are farther away from downtown Frederick, but still have access to outside commercial amenities.

The market rents average $1.48 per square foot, a figure that is a good baseline for determining the proposed project's rent structure, even though it could likely generate higher rents based on location and access to amenities. This will be verified against average rents for adjacent condos in the site area.

Onsite amenities should also be taken into account when determining rents. Due to the site's size, the project will not be able to match amenities such as swimming pools and sundecks, so replacement amenities should be considered when finalizing the design.

9 Upper Tier Apartment Comparables



Map ID/Community	Map ID#	Community Data Type	Total Units	One Bedroom Units Units	Effective Rents	SF	Rent/SF	Two Bedroom Units Units	Effective Rents	SF	Rent/SF	Three Bedroom Units Units	Effective Rents	SF	Rent/SF
Monocacy Trading Post															
Upper Tier Communities															
Mountain Glen Apartments	1	Garden	273	30	$ 1,193.00	938	1.27	138	$ 1,331.00	1,256	1.06	105	1641	1510	1.09
The Park at Walnut Ridge	2	Garden	204	85	$ 1,252.00	731	$ 1.71	104	$ 1,470.00	1,180	$ 1.25	15	$ 1,633.00	1,298	$ 1.26
Camden Clearbrook	3	Garden	297	129	$ 1,202.00	840	$ 1.43	142	$ 1,385.00	1,157	$ 1.20	26	$ 2,011.00	1,429	$ 1.41
Apartments at Wellington Trace	4	Garden	240	24	$ 1,370.00	822	$ 1.67	180	$ 1,390.00	1,240	$ 1.12	36	$ 1,670.00	1,390	$ 1.20
The Reserve at Ballenger	5	Garden	204	36	$ 1,090.00	748	$ 1.46	129	$ 1,340.00	975	$ 1.37	39	$ 1,528.00	1,150	$ 1.33
Francis Scott Key	6	Renovation	46	16	$ 1,158.00	700	$ 1.36	25	$ 1,415.00	1,023	$ 1.38	5	$ 1,544.00	1,155	$ 1.34
Sub Total /Average			1264	**320**	$ 1,210.83	796.5	$ 1.48	**718**	$ 1,388.50	1138.5	$ 1.23	**226**	$ 1,671.17	1322	$ 1.27
				25.3%				56.8%				17.9%			

10 Apartment Comparables

Community	Year built/ rehab	Address	City	Total Unit	Vacancy Rate
Mountain Glen Apartments	1995	5708 Trailview Court	Frederick	273	1.8%
The Park at Walnut Ridge	2013	2001 Wood Hollow Plane	Frederick	204	3.9%
Camden Clearbrook	2006	6450 Mercantile Dr.	Frederick	297	4.4%
Apartments at Wellington Trace	2002/ 2011	4901 Meridian Way	Frederick	240	2.5%
The Reserve at Ballenger	2000/ 2010	607 Windview Way	Frederick	204	2.0%
Francis Scott Key	2002	31 W. Patrick St	Frederick	46	0.0%
Sub Total /Average				1264	**2.43%**

Camden Clearbrook Apartments

Address: 6450 Mercantile Drive, Frederick, MD 21703

Description: The Camden apartments are considered upscale apartment for the area and provide close to 300 units. The units are stacked within 15 garden-style apartment buildings along Mercantile Drive, which runs parallel to Maryland Route 350/15. Mercantile Drive is not considered a through street and is only accessible to the community residents from MD351.

Unit Mix:

Camden @ Clearbrook																	
One Bedroom						Two Bedroom						Three Bedroom					
units	Effective Rent	SF	Rent/SF		% of Units	units	Effective Rent	SF	Rent/SF		% of Units	units	Effective Rent	SF	Rent/SF		% of Units
129	$ 1,202	840	$	1.43	43.4%	142	$ 1,385	1,157	$	1.20	47.8%	26	$ 2,011	1,429	$	1.41	8.8%

Amenities: The complex amenities include a several features that draw a client base and maintain stability. The following amenities are offered at Camden:

- Valet waste front door trash service
- 24-hour fitness center with free weights and cardio
- Resident clubhouse with kitchen and Wifi
- Executive Business Center
- Landscaped and well maintained grounds
- Resort-style swimming pool
- Recycling program
- Car care center
- Resident social site
- Package receiving
- 24-hour emergency maintenance
- Online rent payment
- BBQ grilling stations

The Park at Walnut Ridge

Address: 2001 Wood Hallow Place, Frederick, MD 21702

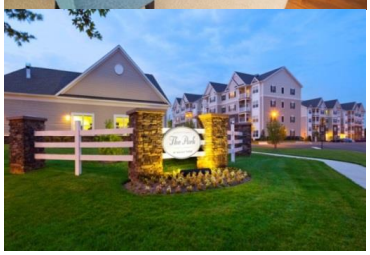
Description: The Park at Walnut Ridge apartments are located north of the subject site along Tuscanney Drive. The apartments are near the Walnut Ridge shopping center and a City of Frederick public park. The apartment community was built in 2013 and added upscale multifamily housing to the market area. The complex includes 204 units in seven four-story apartment structures. The structures are stick-built with an exterior skin of vinyl siding, under a pitched roof. The grounds are well maintained with adequate landscaping. As an additional feature, some buildings have elevators.

Unit Mix:

The Park @ Walnut Ridge														
One Bedroom					Two Bedroom					Three Bedroom				
units	Effective Rent	SF	Rent/SF	% of Units	units	Effective Rent	SF	Rent/SF	% of Units	units	Effective Rent	SF	Rent/SF	% of Units
85	$ 1,252	731	$ 1.71	41.7%	104	$ 1,470	1,180	$ 1.25	51.0%	15	$ 1,633	1,298	$ 1.26	7.4%

Amenities: The complex amenities include a several features that draw client base and maintain stability. The following amenities are offered at Walnut Ridge:

- Clubhouse and Cyber Café
- Health and Fitness Center
- Resort-style swimming pool and sundeck
- Controlled access buildings
- Dog park
- Playground
- Online rent payment
- Community social events
- Access to linear greenway park



Reserve at Ballenger Creek

Address: 607 Windview Way, Frederick, MD 21703

Description: The Reserve at Ballenger Creek is located south of the interstate exchange US 70 and MD State Route 340/15 and is along Ballenger Creek Pike (Route 351). It is also near Camden Clearbrook Apartments. The complex was built in 2000 and remodeled in 2010 to maintain a competitive market position. The site comprises eight garden-style apartment buildings that include 204 units. The buildings are three-stories tall and are stick built construction with a vinyl siding. The surrounding grounds are well maintained with mature landscaping.

Unit Mix:

The Reserve at Ballenger														
One Bedroom					Two Bedroom					Three Bedroom				
units	Effective Rent	SF	Rent/SF	% of Units	units	Effective Rent	SF	Rent/SF	% of Units	units	Effective Rent	SF	Rent/SF	% of Units
36	$ 1,090	748	1,46	17.6%	129	$ 1,340	975	$ 1.37	63.2%	39	$ 1,528	1,150	$ 1.33	19.1%

Amenities: The complex amenities include several features that draw client base and maintain stability. The following amenities are offered at The Reserve at Ballenger Creek:

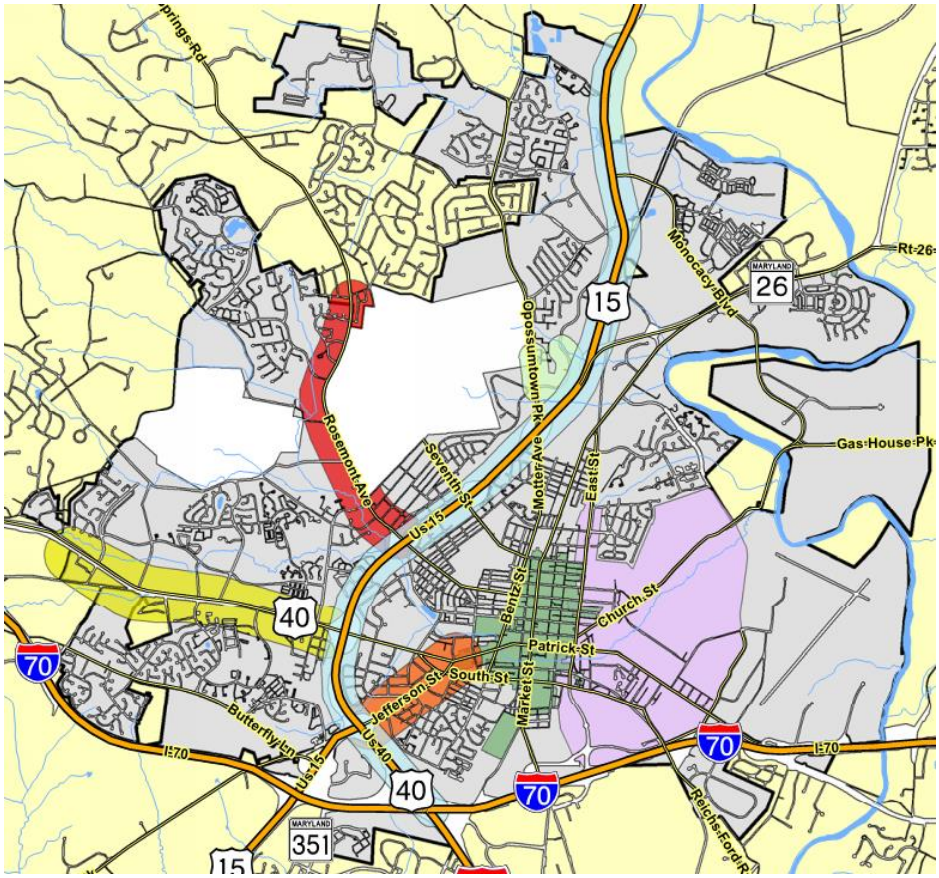
- Tennis Courts
- BBQ area
- Landscaped courtyard
- Clubhouse
- Dog park
- Swimming pool and sundeck
- 24-Hour emergency maintenance
- Business center
- Playground
- Car care center
- Walking distance to grocery amenities

RETAIL MARKET

The retail market for the city of Frederick ranges from the central business district (CBD) to the outskirts of the City's jurisdiction. The CBD is roughly located within the City's Frederick Town Historic District, which draws the majority of visitors and tourists that make a unique retail niche. Businesses on the city's outskirts serve residents interested in shopping for household needs.

The map below breaks the City's planning areas into seven different sections—locations where the majority of retail stores and other commercial structures are located. The yellow area along Route 40 is considered the "Golden Mile" and is one of the City's major retail areas and contains a mix of businesses that are primarily large-format national and regional chains, such as Home Depot, Boscov's, Bon-Ton, Carraba's, Toys-R-Us, and Outback Steakhouse. Local businesses are also represented, such as Under the Sun (a specialty bike/ski shop), Rick's Pet Supply, Wolf Furniture, and Kehne's Carpet One Floor and Home. Specialty ethnic shops have also increased in this corridor in response to the growing diversity of neighborhoods surrounding Route 40. Discount stores have recently occupied space in the Fredericktowne Mall, one of two malls in the Frederick Planning Region; other stores along Route 40 are located in stand-alone properties or older strip-shopping centers. Major redevelopment is planned for the Fredericktowne Mall, with a double-loaded, outdoor retail "street" proposed as part of a mixed-use office, retail and residential project.

The Northern End retail node highlighted in red, is focused around the intersection of Route 26 and Monocacy Boulevard. Like Route 40, it includes national and regional chain retailers such as Wal-Mart, Giant Foods, Starbucks, Five Guys, Mamma Lucia, and Panera Bread. These retailers are joined by local retail and service businesses in The Shops at Monocacy, a recently constructed strip-style retail center. The mix of goods and services at this retail node is primarily neighborhood-serving convenience retail.


Springs Rd
Rosemont Ave
Seventh St
Us 15
Opossumtown Pk
Motter Ave
East St
Monocacy Blvd
Rt 26
MARYLAND
26
15
Gas House Pk
Benz St
Church St
Patrick St
Jefferson St
South St
Market St
Butterfly Ln
I-70
Us 40
40
70
351
Reichs Ford R

REGULATORY CONTEXT AND PUBLIC APPROVALS

The 0.39-acre site in the City's RFP is too small to consider for development. Acquiring adjacent lots will allow us the City and developer to maximize a project's economic development potential through dynamic use and creative design that will be integrated with Carroll Creek Park as well with the character of the surrounding downtown. The proposed development process outlined below will be lengthy and require several negotiations with the City and community stakeholders, but will be well worth the private and public time invested.

DISCUSSION WITH THE CITY (14-30 days)

This complicated development will first need to address any and all concerns with the City of Frederick to gain its support and backing. The site is located in one of the downtown's most dynamic locations and a project should take into account surrounding uses and visibility to the Carroll Creek Promenade. Several meetings with the City of Frederick and including Planning Commission members and the City of Frederick Historic Preservation Commission will be an opportunity to confirm with regulatory authority that our conceptual development proposal is acceptable. After preliminary approval from the regulatory authority, the project can move to acquisition.

These preliminary meetings should include discussion of the general layout of the development and the proposed uses. A major concern is the historic structures surrounding the site and proposed for acquisition. Maximizing the development footprint to cover acquisition and construction costs may require the partial demolition of several of the historic structures. Initial meetings with the Historic Commission will open negotiations. The development team will include a third party historic preservation consultant who can identify both the City's and the development team's goals to shape the best solutions.

ACQUISITION PROCESS (9-18 months)

Once the development team has built a working relationship with the city's regulatory members, acquisition can move forward. Most of the surrounding structures appear to be in fair condition and two of the lots appear to be inactive or vacant. In general, the corner block area along East All Saints Street and South Carroll Street appears to be a "dead" block. The office space along East All Saints Street seems to be the most actively used structure of all the surrounding uses. The development team anticipates acquiring these lots for recent sale values or other equitable value.

The acquisition time line will depend on the land owners' responses, but is estimated at between 9 to 18 months, depending on the City's cooperation and support in expediting negotiations.

COMMUNITY ASSOCIATIONS AND STAKEHOLDERS

Support from the residential and business communities will be an important threshold once acquisition is complete. The best way to tackle community concerns will be to initially schedule meeting with community association board members and stakeholders. During this initial meeting we plan to discuss the proposed project, detailing the uses to be added to the downtown. In addition, City council members will be asked to assist as a third party mediators to mitigate those that oppose development, the "not in my backyard" (NIMBY) activists.

Along with gaining support from surrounding business and community association members, the broader community will be invited to participate in a design charrette to encourage community participation and generate interest and support for the project. Community survey data will inform the charrette and assist in determining retail tenants that will meet community needs.

ZONING VARIANCE

The site plan and design process should be coordinated with the Community Association and Stakeholder discussions. Concerns to be addressed include structural and architectural design, parking and mixed-use requirements, as outlined in the design and application process that is described in the City's Land Management Code.

The site is located in the DB zoning district (Downtown Commercial/Residential), as defined:
"This district is intended to encourage the development of the Center City's commercial areas. It allows most office and retail activities as well as high density residential uses. To encourage the implementation of this objective, certain parking requirements are relaxed for development or redevelopment in this district." (Source: City of Frederick Land Management Code: Article 4; Section 401)

This definition indicates that the City is implementing sustainability standards and has a general understanding that existing requirements may be too stringent. Concerns regarding parking should be relieved as project design evolves.

CARROLL CREEK OVERLAY

The site faces additional standards from the Carroll Creek Overlay (CCO) zone, defined by proximity to Carroll Creek Park. These standards are intended to control development to ensure that private investment in the CCO zone meets design standards outlined in the "Carroll Creek Park Design Development Standards." The development team recognizes the importance of these requirements both to meeting the City's investment and community development goals, and for the success and the completion of the project.

Concerns regarding the CCO standards include the height requirements and how stringent they are for penthouse structures, as well as building massing requirements, the maximum length of a contiguous structure, and parking structure requirements. The CCO standards require that parking structures adhere to a height limit, that they do not face Carroll Creek Park, and if facing a public right-of-way they must treat the façade to match the character of surrounding structures.

These are not minor architectural requirements, but are issues that will be faced early in the design process. Given the site's size and relation to surrounding buildings, it may be hard to meet some of these standards, but negotiations will create a feasible design that will be developed through time and discussion.

FREDERICK TOWN HISTORIC DISTRICT

The Frederick Town Historic District Design Guidelines (FTHDDG) is probably the most stringent set of requirements. The site has seven buildings, six of which are designated contributing historic structures. These buildings range in character and size, but to have an economically feasible development, several will have to be removed or altered. Some of these buildings will be demolished almost completely with the facades remaining and others will just have a single wall removed. These renovations will have to be considered in the goals of the guidelines and in discussion with the Historic Commission.

Particular concerns include what can be removed. About contributing structures, Chapter 11, Section I of the FTHDDG states:

"2. If the resource is contributing (but not of unusual importance), demolition will not be approved if one of the following pertains:

A. The integrity of the streetscape will be compromised; or

B. The integrity of any surrounding historic properties will be compromised; or

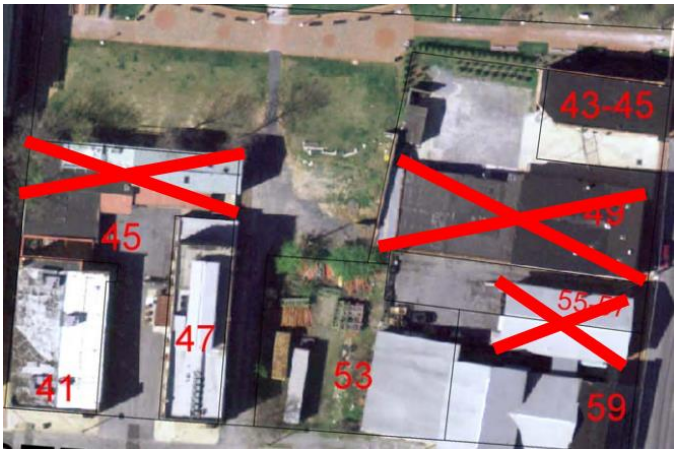
C. The resource being considered is a part or feature of a building, site, structure or object and its demolition will so alter the overall building, site, structure or object such that the building, site, structure or object will no longer be contributing."

After reviewing this section of the guidelines we feel that no other section supersedes the language stated above. However it can be argued that the structures planned for demolition hold historic interest only along the streetscape, so retaining and restoring the buildings' façades meets the City's and the project's goals.

HISTORIC REVIEW AND APPROVAL PROCESS (30-60 days)

The review and approval process for Historic District Overlay (HDO) and the Carroll Creek Park Overlay (CCO) will be administered by the Historic Preservation Commission (HPC). The process begins with an application to determine if the Commission has jurisdiction over the site. Once the application has been filed, the HPC will review the application to determine if the project adheres to the requirements described in the historic district design guidelines. The Commission has 45 days to review the application; if a decision has not been made in that time period the application will be deemed approved unless a 45-day extension has been agreed upon.

The Commission will also review demolition proposals, which may occur in a multi-hearing process. Due to the project's complexity this demolition review will likely be lengthy since several buildings are expected to be modified. The first hearings will allow the HPC to determine if the structure is "noncontributing" or "contributing." An argument can be made that the structures to be demolished do not contribute to the public streetscape or any active use to the community. If the structure is determined to be contributing the Commission will hold a subsequent hearing and vote to determine if it will be demolished.



Once the demolition has been approved, the site plan approval process begins, in which the HPC will be one of many regulating agencies reviewing plans. The HPC's review process is in two phases–Level I and Level II. In Level I, the HPC evaluates location, footprint, massing, height, setbacks, scale, façade, roof forms, materials and plot plan. If the project meets the guidelines, through right or variance, the plans move to Level II review. The criteria for Level II are texture, openings, lighting, landscaping, site plan, final articulation, detailed façade and elevation and fenestration. If the Level II criteria are met the HPC will issue a Certificate of Approval.

SITE PLAN REVIEW PROCESS (6-9 months)

The site plan and review process will begin about the same time historic demolition permits are granted. This process will be lengthy as it requires the participation of the majority of municipal regulatory divisions reviewing the project to determine whether it adheres to guidelines and standards described in the Land Management Code.

HISTORIC TAX CREDITS (3-6 months)

The project will use Historic Tax Credits administered by the National Park Service (NPS) and issued by the U.S. Department of the Interior, for building construction and renovation that follows historic guidelines. The tax credits will apply to the renovation of four of the site's existing contributing structures. Since these buildings are considered contributing historic structures within a historic district they are eligible to receive a 20% federal tax credit, calculated based on the total qualified renovation costs as defined in the Internal Revenue Code.

The federal tax credits are a two-phase application process. The first application is a general review of the project and plans for individual structures. The second application is a more detailed process that includes picture submissions and plans of existing conditions and proposed changes. The second submission may require a meeting with the NPS review board.

The State of Maryland also offers historic tax credits that can be applied to Maryland income taxes. These tax credits amount to 20% with an additional 5% for projects that provide sustainable LEED silver standards or better. Applying for both State and federal credits doubles the opportunity to receive additional equity.

DESIGN AND ENVIRONMENTAL REGULATIONS

57 Creekside will offer luxury living along with retail and dining on the ground floor. The project entails a combination of new construction and historic rehabilitation to help maintain historic character and add synergy to the downtown. This project will be the first of its kind to be integrated into The City of Frederick since most of the City's existing housing stock is single-family homes or condos. The addition of retail and restaurant space will supplement the growth and demand that has been seen in the downtown over the past 10 years.

NEW CONSTRUCTION

57 Creekside's new five-story mid-rise building will house luxury rental apartments along with a retail component on the ground floor podium facing Carroll Creek Park. The 128 residential units will comprise approximately 99,000 square feet of rental space. The units average 770 square feet, but will range in size and character. The market supply currently shows a lack of one-bedroom apartments and smaller units for the individual renter. 57 Creekside will focus on this demand and offer smaller units as well as two-bedroom apartments for an appropriate unit mix. The ground floor will offer dynamic retail space that will interconnect with several of the existing historic structures. The key focus of the retail space will be the frontage along Carroll Creek Park with a revised Park entrance from South Carroll Street as well as from a proposed breezeway that will go underneath the building.

The proposed five-story building allows the development to be sized appropriately, meeting the project's financial needs as well creating a unique structure for the downtown. Moving forward, the development team will work with the community on the building's design to meet everyone's goals. Incorporating the new structure with the several historical structures will be a challenge. To mitigate some of these challenges we will look to hire professionals with extensive experience with integrating new structures into historic renovation.

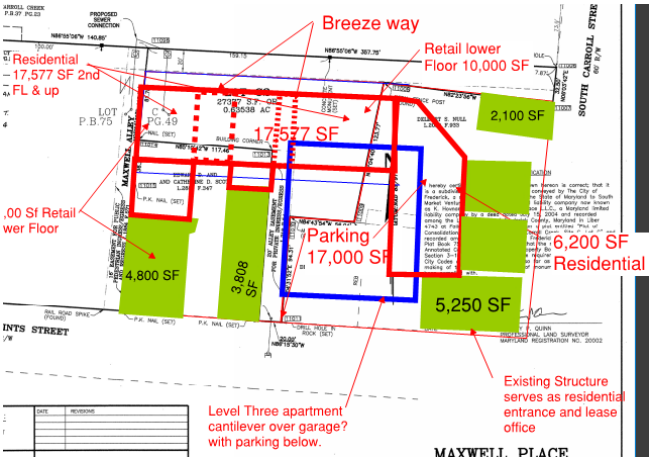
MID-RISE DESIGN

The new mid-rise must maximize its development footprint within the site's confined space. The historic structures surrounding the site make it difficult to figure out the building's footprint, but a 122,500 square foot structure is possible. Building placement was determined by the value of the views along Carroll Creek Park; a majority of renters will appreciate the views along the Park. Park frontage also is a benefit for the proposed retail.

The structure will span 240 feet of the site's 280 feet of frontage, and will have a width of 65 feet. The problem we faced from there was to figure out how to add more space, so we decided that we would make the structure "L" south approximately 150 feet behind the historic properties that face South Carroll Street until it meets 59 South Carroll Street. The lower podium floor of the new structure will interconnect with several of the existing historic structures allowing for an interesting dynamic of space.

The sketch below illustrates the proposal. The box outlined in red is the floor plate of the new building; existing structures are highlighted in green and the parking structure is the blue rectangle. The new structure's

chamfered corner at the northeast edge creates a point of pedestrian egress in and out of the Park and creates a unique appeal for the space as well as the units in the building.



Furthermore, the introduction of 122 apartment units and 35,000 square feet of retail space requires new parking. The zoning requirements offer several reductions, but the project is still required to provide 125 spaces. This requirement can be accommodated in a parking structure, but determining the structure's location is a challenge. Placing the new parking in the middle of the new building affects the light and air quality of the rental units. Instead, 130 feet of length between the east wall of 47 East All Saints Street and the rear west wall of 59 South Carroll Street can accommodate a double loaded parking structure that would be almost 120 feet wide by 140 feet long. A structure this size would allow for approximately 50 spaces on every floor.

There is also a design problem in integrating the parking with the proposed mixed-use building. Connecting the mid-rise building with the parking garage was a unique concept and difficult make functional. It requires dealing with the garage's orientation to the residential units as well as to the historic structures. In the chosen design, the garage abuts the new building, with a single stack of residential units wrapping the garage on the floors that they were in conflict. This was the case for levels one through three in the new building, which reduced the amount of rental space by 15,000 square feet. This resolution maxes out the unit density of 130 units required by zoning. In addition, we mitigate concerns for a variance that would be required to pass 12 additional units and 4,500 square feet of retail.

An important design feature in the new building is the breezeway that will extend between the two historic structures 41 South All Saints Street and 47 East All Saints Street. It will add continuity between the site and Carroll Creek Park, creating a unique dynamic for the retail and providing additional egress into the Park. The breezeway also provides the retail space underneath it with supplemental window space into their storefronts, allowing for premium rents to cover the loss of rental income.

HISTORIC STRUCTURES

The site's inclusion of six historic structures is unique to the development and will create a sense place that adds to the historical character of Frederick's downtown. The streetscape along South Carroll Street and East All Saints Street was imperative to our design, as we felt that there was value in maintaining these buildings. By repurposing the buildings as retail storefronts we connect with Carroll Creek Park, Patrick Street and Market

Street mentality that is apparent in the neighborhood today. The majority of the buildings, about 17,000 square feet will be dedicated to retail and restaurant space with the remaining space, 12,500 square feet incorporated into the residential building.

DESIGN OF HISTORIC BUILDINGS

Five of the six historic buildings will tie into the new mid-rise structure, allowing utilities and waste to be focused at the rear, where the retail space backs onto the garage's ground floor. Unfortunately, we are unable to retain the entirety of every structure and have the space to function properly, but the facades will remain intact with the finished product. Based on their size, location on the site and architectural aesthetic, the key historic buildings are 59 South Carroll Street, 41 East All Saints Street and 47 East All Saints Street.

The courtyard between 41 and 47 All Saints Street will create public access to the Park.

59 South Carroll Street's stone façade will be the front entrance of the project's residential portion and lead to the leasing office and building amenities such as common areas and gym space. It will also connect to the parking structure and the new building.

41 East All Saints Street's brick facade and large, street-facing windows are ideal for a restaurant space. Renovation will include restoring the windows and the mural that on the side of the building. The courtyard

between 41 and 47 All Saints Street will be partially dedicated to outdoor seating with ambient lighting. The structure's rear wall will be removed to connect with the new structure to either extend the restaurant space or create more retail.

The proposed building design and project streetscape will maintain the Integrity of the historic landscape.

47 East All Saints Street has a unique brick finish with an existing entrance that makes for a good retail location. The building's ground floor will be dedicated to retail while the second and third floors will provide rental units overlooking the courtyard. The rear of this building (the north wall) will be removed to connect with the new structure.

The other existing buildings that face South Carroll Street will be retail spaces. The rear of these structures will be removed to connect with the ground floor of the new structure. The location of the new structure and the amount of demolition makes these renovation costs ineligible for historic tax credits.

The promenade along the project's north edge abuts Carroll Creek Park and will be activated by retail and its connection with the Park.

LEED AND BUILDING SUSTAINABILITY

The overwhelming demand for and marketability of LEED buildings has placed a premium on sustainable living standards in the Maryland market. These standards are supported by the City of Frederick and by the community as sustainability and environmental awareness continue to be integrated in the way we live. To meet the City and the market demand, the project will introduce a LEED Gold structure to downtown Frederick.

The new building will offer all forms of sustainability technology that are relevant to the market today in addition to a green roof that will serve as an amenity space. To achieve LEED Gold standards, the building will include floor-to-ceiling windows allowing natural light to penetrate the living space of most the units. The project will also include high efficiency fixtures that reduce potable water demands. These fixtures will be in all of the living units and will be required in tenant improvements for retail fit-out space. In addition, to improve the energy performance, the building will be fitted with luminaires that have a long average life span and that emit low heat. Common areas will have occupancy sensor lighting, so energy won't be consumed when these areas aren't occupied. The project will also include an impermeable white roof membrane to help reduce heat island effects.

The showcase LEED item for the project is the 9,000 square foot green roof above the parking garage. It will provide amenity space for tenants as well create an attractive view for units facing the space. A green roof will improve stormwater management by reducing the site's impervious footprint. It will also help store water and reduce runoff that is a concern in most urban locations. As amenity space, the green roof will include pergolas, stone pathways and lighting. It will be comparable to the images below from a residential apartment complex recently completed in Phoenix, Arizona. This space will provide a private open area for tenants and an amenity that can help market the project.

Stormwater Practices

The City of Frederick requires that renovated sites mitigate 50% of the impervious area being added to the site. These standards adhere to Best Management Practices described in the City's stormwater design manual. The project's high level of impervious area will need to be serviced by an underground cistern to manage stormwater before it leaves the site.

CONSTRUCTION ANALYSIS

SURVEY

The first phase of construction will begin with the final survey computation after acquisition is complete. During this process a third party survey crew will be hired to survey the site in its entirety to derive information for the engineering consultant such as property boundaries, existing contours, location of existing utilities, location of existing structures, and locations of proposed utilities and proposed structures.

Upon approval of the building permit and other permits in support, the survey crew will begin the construction stakeout for the contractor to assist with defining the stages of construction. The survey crew will be assisting the construction team through all phases of construction.

GRADING

After the surveyor has completed his stakeout, the contractor will be introduced to the project. Their main responsibility is to complete all site-related construction to prepare for the vertical construction. This work may include rough grading, to smooth the site remediate it of materials that will obstruct the new foundation. During this phase, they will also draw utilities from the right-of-way and have them capped until the project is prepared to fit-out these utilities per design.

DEMOLITION

Demolition of the existing historic structures will begin simultaneously with site grading to allow the grading contractor to assist with removing materials off site. The demolition will be overseen by the historic preservation consultant who completed the historic tax credit applications to confirm that the contractor is following the approved plans and specification requirements. Upon completion of demolition the contactor will be required to seal any exposed building interior to protect it from weather.

NEW CONSTRUCTION

Upon the completion of demolition and grading, and receiving the necessary sign-off approvals from the municipal inspector, the project can begin construction. The first phase of construction will begin with the foundation for the new five-story structure. This concrete foundation will take several days to cure until testing can occur. If the concrete foundation meets the required specifications, the contractor will be allowed to move forward with constructing the ground floor podium.

The ground floor podium will be a concrete structure with a four-hour fire rating to protect the residential floors above. The podium will be constructed as a cold dark shell until leases have been acquired for retail tenant fit-out. The only portions of the ground floor that will be fitted-out are at the residential entrance and egress. All utilities will have been stubbed in the concrete foundation pour and are ready for use once the building receives an occupancy permit. This portion of the project is approximately 16,380 gross square feet at rate of $85.00/sf for a total cost of $1,392,000.

At the same time the building foundation is being constructed the contractor will begin pouring the concrete foundation for the three-story garage. The subsequent levels will be poured after completion of the foundation and coordinated with podium construction. The foundation for this structure is approximately 12,250 square feet with an estimated cost of $55.00/sf for a total cost of $2,083,777.

The stick built construction above the concrete podium and the third level of the garage will begin once all concrete levels have been poured and completed. The stick built construction will wrap around parts of the second and third levels of the parking garage, which will require intensive coordination between the architect and the contractor. This portion of the project has the highest level of concern for the development team, but a knowledgeable contractor will have no problem completing the design. The stick built construction for the project's residential portion will be 90,720 gross square feet at a rate of $125.00/sf per for a total cost of $11,340,000.

The fit-out of these residential structures will include the full set of appliances including washer, dryer, refrigerator, garbage disposal, dishwasher and oven for a cost of $2,400/unit, totaling approximately $300,000. These appliances will not be installed until the construction portion is near completion to mitigate any damage.

The historic renovation of the six contributing historic structures will begin once the podium of the new structure has been completed. Again, the development team must stress the importance of this phase of construction since existing structures are connecting with the new building. This means that the A&E's initial elevations will be estimates, and on-site measurements will be required during construction. Since most of these structures are being planned for retail use, utilities will be determined at tenant fit-out, relieving the contractor from utility coordination and other issues that would arise if it were warm dark shell fit-out. This residential portion of the project is 13,421 gross square feet at a rate of $133.25/sf and 21,208 gross square feet for the retail portion at rate of $84.00/sf for a total cost of $3,578,370.

The surrounding site layout will be completed once the project is near 90% completion. This will include pavers tied into the existing Carroll Creek Park, vegetation and landscaping, park benches and utility stubs for exterior lighting and water features.

FINANCIAL ANALYSIS

57 Creekside is an attractive long-term investment for the patient investment group looking for a generous return. The complicated inner workings of 57 Creekside include an extensive acquisition process, a unique form of construction, the inclusion of historic tax credits, and the potential for municipal assistance. The expected annual Cash on Cash returns for this project will be 8% in year 2 and throughout the length of the 7-year hold period. The sale is expected to occur in year 10 (2026) with an estimated exit cap rate of 18.15% based on a sale price of approximately $33.6M, which would reflect a 18.5% IRR for the investment.

ACQUISITION COSTS

The investment process will start by acquiring the surrounding lots with investor equity up to a sum of $7.2M or an estimated acreage value of $4.4M. Throughout this process the possibility of push-back from existing landowners could delay acquisition as well as increase the estimated investor equity sum to over $7.2M. In this case, the bottom line would be affected, with a level of risk that makes the project infeasible for investors.

To limit this risk, the working relationship with the City of Frederick can help address a shortfall through the City's assistance with acquisition in the form of bonds or a municipal loan. The estimated potential for these loans is based on a 20% premium on the land price, which gives a value of $9.2M, a shortfall of $1.5M. The full project details should not be released until acquisition is complete to prevent hearsay that would place the acquisition at a further risk.

Several factors help determine the estimated value of acquisition including evaluating recent sales in the market and a brief engineering computation to estimate the costs of structures and improvements. Figures 11 and 12 show the associated properties and their values documented through the Maryland Department of Assessments & Taxations Real Property website. Figure 11 documents land values for the individual properties planned for acquisition. This information includes lot square footage, leading to an approximate the estimated land value for the site at $21.20/sf. Figure 12 shows building acquisition estimates and provides an understanding of the site improvements on the individual lots. The lump sale value of these lots comes to a $6.5M or an average value of $122.82/sf. But the data is incomplete; three lots have no associated value or recent sale value to incorporate into the lump sum estimate. Previous due diligence shows that lots 59 and 53 South Carroll Street were recently destroyed by fire. Given their state of disrepair, it is safe to assume that their acquisition cost can be based on the associated land price.

11 Land Acquisition

Land Acquisition			
Adjacent Lots			
Land	**Sq.Ft.**	**Value**	**Cost Sq. Ft.**
43 South Carroll Street	12,186	$ 248,700	$ 20.41
49S South Carrol Street	4,497	$ 146,100	$ 32.49
55 Carroll Street	6,600	$ 181,700	$ 27.53
41 E. All Saints Street	4,389	$ 144,600	$ 32.95
45 E. All Saints Street	9,656	$ 218,300	$ 22.61
59 S Carroll Street	6,993	$ 186,400	$ 26.66
53 S Carroll Street	10,580	$ 232,760	$ 22.00
47 E All Saints Street	3,808	$ 134,600	$ 35.35
Total:	58,709	$ 1,244,460	$ 21.20

12 Building Acquisition

Building Acquisition						
Building	**Ground Fl SF**	**Floors**	**Total SF**	**Value**	**Recent Sale Value**	**Cost / SQ. Ft**
43 South Carroll Stre	3120	2	6,240	$ 168,700	$ 1,000,000	**$ 160.26**
49S South Carrol Stre	3,479	2	6,958	$ 148,100	$ 1,000,000	$ 21.28
55 Carroll Street	4,760	2	9,520	$ 167,700	0	$ 17.62
41 E. All Saints Stree	4,389	2	8,778	$ 811,800	$ 1,425,000	$ 92.48
45 E. All Saints Stree	2,100	2	4,200	$ 362,900	$ 950,000	$ 86.40
59 S Carroll Street	5,805	1	5,805	$ -	0	$ -
53 S Carroll Street	0	0	-	$ -	0	$ -
47 E All Saints Street	3,808	3	11,424	$ 1,112,200	$ 2,125,000	$ 97.36
Total:	24,341		52,925	$ 2,771,400	$ 6,500,000	$ 52.36
					Sale Cost	$ 122.82

CONSTRUCTION COSTS

The project will include new construction and historic renovation for a total hard cost of **$19,027,247**.

New construction will include a concrete podium ground floor supporting four stories of stick built construction, which will house most of the project's residential units and a portion of the retail along the ground floor. The ground floor retail will be built as a cold dark shell with an estimated construction cost of $85.00/sf. The residential portion will be stick built construction with a brick façade, with an estimated cost of $125.00/sf. The parking structure to accommodate the site's retail and residential uses has an estimated cost of $55.00/sf

($16,500 per space). Finally, the garage's green roof is estimated as $68.00/sf. The costs are summarized in Figure 13.

13 New Construction Cost Estimates

New Construction	Cost per SF	Total SF	Total Cost
Residential	$ 125.00	90,720	$ 11,340,000
Non-Residential (Cold Dark Shell)	$ 85.00	16,380	$ 1,392,300
Parking Structure	$ 55.00	37,887	$ 2,083,777
Green Roof	$ 68.00	5,000	$ 340,000
		Total	**$ 15,156,077**

The project's historic portion includes the renovating all the acquired structures and their refitting as residential and retail space connected to the new mid-rise building. The costs of these renovations will vary from building to building since they all are in different conditions. For example, 59 South Carroll Street was recently burned leaving nothing but the walls to salvage while 47 East All Saints Street was renovated for commercial office space in the past 10 years. About half of the buildings planned for restoration have recently been renovated, limiting the construction costs for these structures. Accordingly, the construction costs for this portion of the project have been discounted by 15%, leaving an average residential renovation cost at $133.65/sf and retail renovations costs at $84.15/sf. The total construction cost for the project's rehab portion came to $3,578,370 (summarized in Figure 14).

14 Rehabilitation Cost Estimates

Rehab Construction	Cost per SF	Total SF	Total Cost
Residential	$ 133.65	13,421	$ 1,793,717
Non-Residential	$ 84.15	21,208	$ 1,784,653
		Total	**$ 3,578,370**

RESIDENTIAL INCOME

The project's residential portion accounts for 66% of the annual income, making it the most valuable use. Rental income is estimated at $1.78/sf for the proposed unit mix, based on an assessment of existing market stock and their rents to determine a rent value for this unique urban product. Most of the market's upper tier rents average $1.40/sf (REIS) but new projects, such as the Haven Apartments at Market Square (one mile north of

the site) are renting at $1.66 to $1.70/sf, justifying a rent at this project of $1.78/sf. In addition, the project's unique character and its proximity to downtown amenities allow a 15% premium over the current market.

The unit mix includes smaller sized units to make up for the lack of market supply. The market analysis showed most of the existing housing stock was weighted toward large two-bedroom apartments with the occasional three-bedroom unit. Including smaller units helps the bottom line and increases the project's average square foot value by generating higher rents per square foot.

15 Estimated Residential Income

RENTS:				Total	Total Rent	Total Rent	Monthly	Yearly
Size & Style	**Units**	**Sq. ft.**	**Rental**	**Sq. Ft.**	**Monthly**	**Yearly**	Rent/SF	Rent/SF
1 Studio/ 1 Bath	11	550	$1,100	6,050	$ 12,100	$ 145,200	$ 2.00	$ 24.00
1 Studio/ 1 Bath	11	600	$1,150	6,600	$ 12,650	$ 151,800	$ 1.92	$ 23.00
1 Studio/ 1 Bath Deluxe	12	675	$1,225	8,100	$ 14,700	$ 176,400	$ 1.81	$ 21.78
1 Bedroom / 1 Bath	14	675	$1,300	9,450	$ 18,200	$ 218,400	$ 1.93	$ 23.11
1 Bedroom/ 1 Bath	15	725	$1,350	10,875	$ 20,250	$ 243,000	$ 1.86	$ 22.34
1 Bedroom / 1.5 Bath / Deluxe	15	800	$1,400	12,000	$ 21,000	$ 252,000	$ 1.75	$ 21.00
2 Bedroom Den / 1.5 Bath	14	950	$1,650	13,300	$ 23,100	$ 277,200	$ 1.74	$ 20.84
2 Bedroom Den / 1.5 Bath	15	1,000	$1,700	15,000	$ 25,500	$ 306,000	$ 1.70	$ 20.40
2 Bedroom Den / 2 Bath , Deluxe	15	1,075	$1,750	16,125	$ 26,250	$ 315,000	$ 1.63	$ 19.53
Total Residential Income:	**122**			**97,500**	**$ 173,750**	**$ 2,085,000**	$ 1.78	$ 21.38
	Avg/unit Sq. Ft.			**799**	**$ 1,424**	**$ 17,090**		

COMMERCIAL INCOME

The project's retail portion contributes 33% of the annual income during stabilization.

The unique design of the project's ground floor has the potential to attract several retailers and restaurants. As stated earlier, the project is located adjacent to a public parking facility and a major transportation hub making access easier for shoppers and potential visitors. The project can also support mid-sized retailers such as a CVS or Walgreens, which on average require a base floor area of 12,900 square feet. A retailer of this caliber will be likely to draw smaller retailers such as a Starbucks, or mom and pop boutique shops requiring smaller spaces of less than 2,500 square feet. Flying Dog Brewers has expressed interest in the potential 5,000 square foot restaurant and bar space to be located in the existing building at 41 East All Saints Street.

The market study indicated that rents as high as $32.00/sf are possible for some of the non-anchor tenants and about $21.00/sf for anchor tenants. Walgreens or CVS would be a mid-size anchor with a rent of $23.00/sf, and

any other smaller non-anchors could be rented at $34.00/sf. This average would generate an annual rental income of **$978,368**.

TAX CREDITS

Using historic tax credit provides additional project equity to assist with shortfalls. The available federal and State tax credits can double the potential equity upon syndication. Once the tax credits are allocated, investors are tied to the project for a minimum of 10 years to prevent tax recapture. It will be imperative for the property management team to maintain the project in the form approved for tax credits or investors could face recapture.

To calculate the potential for tax credits the buildings to be renovated were closely evaluated to confirm that they meet National Park Service requirements. Buildings proposed for demolition or that are expected to lose more than 75% of the existing exterior structure do not contribute to the final qualified basis. The structures that do contribute to tax credits achieve the equity summarized in Figure 16.

16 Federal and State Tax Credit Values

Federal Tax Credit				
Qualified Basis			$	4,470,633
Tax Credit %		20.00%		
Tax Credit Availible			$	894,127
Value/$	$	0.92		
Total Equity Payment			$	822,597

State Tax Credit				
Qualified Basis			$	4,470,633
Tax Credit %		20.00%		
Tax Credit Availible			$	894,127
Value/$	$	0.68		
Total Payment			$	608,006

SOURCES AND USES

The project's uses have been allocated to separate the costs of new construction and historic renovation to help quantify the qualified basis for historic tax credits. For ease of legibility, these costs have been simplified to show a lump sum scenario in Figure 17.

Permanent debt financing will come from a 25-year amortizing loan with a competitive interest rate of 4.5%. A 70% loan to value is a reasonable distribution for the residential market, which composes 66% of the loan.

17 Sources and Uses

Sources & Uses		
Uses		
Acquisition	$	7,118,878
Construction		
Residential	$	13,133,717
Non-residential	$	3,176,953
Parking	$	2,376,577
Contingency	$	1,765,962
Total:	$	20,453,208
Soft Costs	$	2,241,557
Permanent Financing	$	180,955
Reserves	$	101,523
Developer Fees	$	1,807,948
Total Development Costs	$	33,116,695
Sources		
Equity		
Investor	$	5,457,148
Sponsor /Developer	$	590,000
Tax Credits	$	1,787,860
Land Equity	$	600,000
Debt		
1st Mortgage	$	23,181,686
Other		
City Loan	$	1,500,000
Total Sources	$	33,116,695

INVESTOR RETURNS

For this risk and reward scenario, investor equity will drive the project to earn generous returns. Preferred returns of **8%** are expected over the ten-year hold period leaving a sponsor payout toward the later years of the hold. The investors' and the sponsors' initial outlay comes to **$5,457,148.** That sum plus cash from the sale in year 7 ($33,609,840) minus the remaining loan sum ($19,051,701) gives an internal rate of return of **18.15%.** To follow, the investor and sponsor breakdown comes to a 90/10 spit with a sponsor promote that is 11.1% in the second tranche and 33% in the third tranche. Figure 18 shows further assumptions and a summary.

18 Investor Returns: Assumptions and Summary

Base Assumptions

Initial Equity Outlay	
Investor	$ 5,457,148
Developer	$ 590,000
Total	$ 6,047,148
Price per Square foot	$ 47.37
Terminal Cap Rate	**7.00%**
Cost of Sale	3.00%
LTV	70.00%
Hold Period (years)	7
Square Feet	127,656
IRR	**18.15%**
Investor Prefferred Return	**8.0%**
Investor Return	**18.10%**
Devloper/Sponsor Return	**18.59%**

Summary Of New Market Leverage

Years Interest Only	0
Years Amortizing	10
Loan Amount	$ 23,181,686
Loan -to-Value	70.00%
Interest Rate	4.50%
Loan Constant	6.67%
Amortizing Period	25
Term	84
Balance at Maturity	$(19,051,701)
Loan Costs	3.00%

APPENDIX

Figure 1	Cash Flow
Figure 2	Terminal Value
Figure 3	Sensitivity Analysis
Figure 4	Detailed Expenses
Figure 5	Rent Roll

Figure 1 Cash Flow

INCOME		Partial Yr.	1st. Full Yr.				
Period Beginning Date		**Year**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Period Ending Date		**Sep-2017**	**Mar-2018**	**Mar-2019**	**Mar-2020**	**Mar-2021**	**Mar-2022**
INCOME - Residential		**Mar-2018**	**Mar-2019**	**Mar-2020**	**Mar-2021**	**Mar-2022**	**Mar-2023**
Potential Rental Income	**5%**	$ 1,390,000	$ 2,085,000	$ 2,147,550	$ 2,211,977	$ 2,278,336	$ 2,346,68
Vacancy & Credit Loss	**5.25%**	$ 72,975	$ 109,463	$ 112,746	$ 116,129	$ 119,613	$ 123,20
EFFECTIVE RENTAL INCOME		$ 1,462,975	**$ 1,975,538**	**$ 2,034,804**	**$ 2,095,848**	**$ 2,158,723**	**$ 2,223,48**
Other Income		$ 8,333	$ 12,500	$ 12,875	$ 13,261	$ 13,659	$ 14,06
OPERATING INCOME - Residential		$ 1,471,308	**$ 1,988,038**	**$ 2,047,679**	**$ 2,109,109**	**$ 2,172,382**	**$ 2,237,55**
INCOME - Non-Residential							
Potential Rental Income		$ 711,571	$ 1,067,357	$ 1,067,357	$ 1,067,357	$ 1,120,725	$ 1,120,72
Vacancy & Credit Loss	**5.00%**	$ 35,579	$ 53,368	$ 53,368	$ 53,368	$ 56,036	$ 56,03
EFFECTIVE RENTAL INCOME		$ 675,993	**$ 1,013,989**	**$ 1,013,989**	**$ 1,013,989**	**$ 1,064,688**	**$ 1,064,68**
Other Income			$ -	$ -	$ -	$ -	$ -
Reimbursable Expenses (T & I)			$ -	$ -	$ -	$ -	$ -
OPERATING INCOME Non-Residential		$ 675,993	**$ 1,013,989**	**$ 1,013,989**	**$ 1,013,989**	**$ 1,064,688**	**$ 1,064,68**
GROSS OPERATING INCOME		$ 2,147,301	**$ 3,002,026**	**$ 3,061,668**	**$ 3,123,098**	**$ 3,237,071**	**$ 3,302,24**
EXPENSE							
OPERATING EXPENSES -Residential		$ 208,484	$ 625,451	$ 645,778	$ 666,766	$ 688,436	$ 710,81
EXPENSE - Non-Residential							
Retail		$ 104,905	$ 314,714	$ 324,943	$ 335,503	$ 346,407	$ 357,66
OPERATING EXPENSES - Non-Residential		$ 104,905	**$ 314,714**	**$ 324,943**	**$ 335,503**	**$ 346,407**	**$ 357,66**
TOAL OPERATING EXPENSES		**$ 313,388**	**$ 940,165**	**$ 970,721**	**$ 1,002,269**	**$ 1,034,843**	**$ 1,068,47**
NET OPERATING INCOME (NOI)		$ 1,833,913	**$ 2,061,861**	**$ 2,090,947**	**$ 2,120,829**	**$ 2,202,228**	**$ 2,233,76**
Less: Debt Service		$1,546,216	$1,546,216	$1,546,216	$1,546,216	$1,546,216	$1,546,21
DSC		*1.19*	*1.33*	*1.35*	*1.37*	*1.42*	*1.4*
Cash Flow From Operations		$ 287,696	$ 515,645	$ 544,731	$ 574,613	$ 656,012	$ 687,55
Total Cash Flow		**$ 287,696**	**$ 515,645**	**$ 544,731**	**$ 574,613**	**$ 656,012**	**$ 687,55**
Cumulative CF		$ 287,696	$ 803,341	$ 1,348,072	$ 1,922,685	$ 2,578,697	$ 3,266,24
COC Return		5.3%	9.4%	10.0%	10.5%	12.0%	12.6

Figure 2 Terminal Value

Calculation of Terminal Value								
Year	Partial	1	2	3	4	5	6	7
NOI	$ 1,833,913	$ 2,061,861	$ 2,090,947	$ 2,120,829	$ 2,202,228	$ 2,233,767	$ 2,266,168	$ 2,352,689
Terminal Cap Rate	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Gross Sale Proceeds	$ 26,198,750	$ 29,455,159	$29,870,669	$30,297,554	$31,460,397	$31,910,955	$ 32,373,829	$ 33,609,840
Less Capital Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Sale Proceeds	$ 26,198,750	$ 29,455,159	$29,870,669	$30,297,554	$31,460,397	$31,910,955	$ 32,373,829	$ 33,609,840
Less Cost of Sale	$785,963	$883,655	$896,120	$908,927	$943,812	$957,329	$971,215	$1,008,295
Net Sale Proceeds	$ 25,412,788	$ 28,571,504	$28,974,549	$29,388,628	$30,516,585	$30,953,626	$ 31,402,614	$ 32,601,545
PPSF	$ 199	$ 224	$ 227	$ 230	$ 239	$ 242	$ 246	$ 255
NPV of the Reversion Value	$ 18,205,813	$ 20,468,728	$20,757,472	$21,054,119	$21,862,191	$22,175,289	$ 22,496,946	$ 23,355,864

Figure 3 Sensitivity Analysis

	2 Year Ending Mar-2020	3 Year Ending Mar-2021	4 Year Ending Mar-2022	5 Year Ending Mar-2023	6 Year Ending Feb-2024	7 Year Ending Feb-2025
6.00%	$33,803,641	$34,286,732	$35,602,682	$36,112,564	$ 36,636,383	$38,035,136
6.25%	$32,451,495	$32,915,263	$34,178,575	$34,668,061	$ 35,170,927	$36,513,730
6.50%	$31,203,361	$31,649,291	$32,864,014	$33,334,674	$ 33,818,199	$35,109,356
6.75%	$30,047,681	$30,477,095	$31,646,829	$32,100,057	$ 32,565,673	$33,809,009
7.00%	$28,974,549	$29,388,628	$30,516,585	$30,953,626	$ 31,402,614	$32,601,545
7.25%	$27,975,427	$28,375,227	$29,464,289	$29,886,260	$ 30,319,765	$31,477,354
7.50%	$27,042,913	$27,429,386	$28,482,146	$28,890,051	$ 29,309,106	$30,428,109
7.75%	$26,170,561	$26,544,567	$27,563,367	$27,958,114	$ 28,363,651	$29,446,557
8.00%	$25,352,731	$25,715,049	$26,702,012	$27,084,423	$ 27,477,287	$28,526,352

	2 Year Ending Jan-1900	3 Year Ending Dec-1900	#	4 Year Ending Dec-1901	#	5 Year Ending Dec-1902	#	6 Year Ending Dec-1903	#	7 Year Ending Dec-1904
8.00%	$23,474,751	$25,715,049		$26,702,012		$27,084,423		$ 27,477,287		$28,526,352
7.75%	$24,232,001	$26,544,567		$27,563,367		$27,958,114		$ 28,363,651		$29,446,557
7.50%	$25,039,734	$25,397,579		$26,372,357		$26,750,047		$ 27,138,061		$28,174,175
7.25%	$25,903,173	$26,273,358		$27,281,749		$27,672,463		$ 28,073,856		$29,145,698
7.00%	$26,828,286	$27,211,692		$28,256,097		$28,660,765		$ 29,076,494		$30,186,616
6.75%	$27,821,927	$28,219,533		$29,302,619		$29,722,275		$ 30,153,401		$31,304,638
6.50%	$28,892,001	$29,304,899		$30,429,643		$30,865,439		$ 31,313,148		$32,508,663
6.25%	$30,047,681	$30,477,095		$31,646,829		$32,100,057		$ 32,565,673		$33,809,009
6.00%	$31,299,667	$31,746,974		$32,965,446		$33,437,559		$ 33,922,576		$35,217,718

Figure 4 Detailed Expenses

EXPENSE		Year 0 Jul-2015 Dec-2015 Partial Yr.	Year 1 Jan-2016 Dec-2016 1st. Full Yr.	Year 2 Jan-2017 Dec-2017	Year 3 Jan-2018 Dec-2018	Year 4 Jan-2019 Dec-2019	Year 5 Jan-2020 Dec-2020	Year 6 Jan-2021 Dec-2021	Year 7 Jan-2022 Dec-2022
ADMINISTRATIVE EXPENSES									
Marketing		$ 5,287	$ 15,860	$ 16,375	$ 16,908	$ 17,457	$ 18,025	$ 18,610	$ 19,215
Management Fee	**5.00%**	$ 32,926	$ 98,777	$ 101,987	$ 105,302	$ 108,724	$ 112,258	$ 115,906	$ 119,673
Legal		$ 4,148	$ 12,444	$ 12,848	$ 13,266	$ 13,697	$ 14,142	$ 14,602	$ 15,076
Audit / Accounting		$ 5,449	$ 16,348	$ 16,879	$ 17,428	$ 17,994	$ 18,579	$ 19,183	$ 19,806
Telephone		$ 4,392	$ 13,176	$ 13,604	$ 14,046	$ 14,503	$ 14,974	$ 15,461	$ 15,963
Other		$ 2,115	$ 6,344	$ 6,550	$ 6,763	$ 6,983	$ 7,210	$ 7,444	$ 7,686
Security		$ 4,473	$ 13,420	$ 13,856	$ 14,306	$ 14,771	$ 15,252	$ 15,747	$ 16,259
TOTAL ADMIN EXPENSES		**$ 58,790**	**$ 176,369**	**$ 182,101**	**$ 188,019**	**$ 194,130**	**$ 200,439**	**$ 206,953**	**$ 213,679**
OPERATING EXPENSES									
Fuel Oil / Natural Gas		$ 14,274	$ 42,822	$ 44,214	$ 45,651	$ 47,134	$ 48,666	$ 50,248	$ 51,881
Electric		$ 5,490	$ 16,470	$ 17,005	$ 17,558	$ 18,129	$ 18,718	$ 19,326	$ 19,954
Water		$ 4,636	$ 13,908	$ 14,360	$ 14,827	$ 15,309	$ 15,806	$ 16,320	$ 16,850
Sewer		$ 4,636	$ 13,908	$ 14,360	$ 14,827	$ 15,309	$ 15,806	$ 16,320	$ 16,850
Janitor's Supplies		$ 813	$ 2,440	$ 2,519	$ 2,601	$ 2,686	$ 2,773	$ 2,863	$ 2,956
Exterminating		$ 732	$ 2,196	$ 2,267	$ 2,341	$ 2,417	$ 2,496	$ 2,577	$ 2,661
Trash / Snow Removal		$ 651	$ 1,952	$ 2,015	$ 2,081	$ 2,149	$ 2,218	$ 2,290	$ 2,365
TOTAL OPERATING EXP.		**$ 31,232**	**$ 93,696**	**$ 96,741**	**$ 99,885**	**$ 103,131**	**$ 106,483**	**$ 109,944**	**$ 113,517**
MAINTENANCE EXPENSES									
Parking / Grounds Maintenance		$ 3,863	$ 11,590	$ 11,967	$ 12,356	$ 12,757	$ 13,172	$ 13,600	$ 14,042
Painting / Decorating (Maintenance)		$ 6,832	$ 20,496	$ 21,162	$ 21,850	$ 22,560	$ 23,293	$ 24,050	$ 24,832
HVAC Maintenance		$ 5,693	$ 17,080	$ 17,635	$ 18,208	$ 18,800	$ 19,411	$ 20,042	$ 20,693
Plumbing Maintenance		$ 5,287	$ 15,860	$ 16,375	$ 16,908	$ 17,457	$ 18,025	$ 18,610	$ 19,215
Electrical Maintenance		$ 4,880	$ 14,640	$ 15,116	$ 15,607	$ 16,114	$ 16,638	$ 17,179	$ 17,737
Elevator Maintenance		$ 8,865	$ 26,596	$ 27,460	$ 28,353	$ 29,274	$ 30,226	$ 31,208	$ 32,222
Maintenance Supplies		$ 4,189	$ 12,566	$ 12,974	$ 13,396	$ 13,831	$ 14,281	$ 14,745	$ 15,224
Miscellaneous Maintenance / Repair		$ 8,377	$ 25,132	$ 25,949	$ 26,792	$ 27,663	$ 28,562	$ 29,490	$ 30,449
TOTAL MAIN. EXPENSES		**$ 47,987**	**$ 143,960**	**$ 148,639**	**$ 153,469**	**$ 158,457**	**$ 163,607**	**$ 168,924**	**$ 174,414**
PAYROLL EXPENSE									
Office / Administration Salary		$ 16,348	$ 49,044	$ 50,638	$ 52,284	$ 53,983	$ 55,737	$ 57,549	$ 59,419
Janitor / Maintenance Payroll		$ 11,265	$ 33,794	$ 34,892	$ 36,026	$ 37,197	$ 38,406	$ 39,654	$ 40,943
Employer Payroll Tax (I/A)		$ 4,270	$ 12,810	$ 13,226	$ 13,656	$ 14,100	$ 14,558	$ 15,031	$ 15,520
Worker's Compensation (I/A)		$ 2,725	$ 8,174	$ 8,440	$ 8,714	$ 8,997	$ 9,290	$ 9,591	$ 9,903
Fringe Benefits (I/A)		$ 1,383	$ 4,148	$ 4,283	$ 4,422	$ 4,566	$ 4,714	$ 4,867	$ 5,025
TOTAL PAYROLL EXPENSE		**$ 35,990**	**$ 107,970**	**$ 111,479**	**$ 115,102**	**$ 118,843**	**$ 122,705**	**$ 126,693**	**$ 130,811**
TAXES & INSURANCE									
Real Estate Taxes		$ 24,725	$ 74,176	$ 76,587	$ 79,076	$ 81,646	$ 84,299	$ 87,039	$ 89,868
Property & Liability Insurance		$ 9,760	$ 29,280	$ 30,232	$ 31,214	$ 32,229	$ 33,276	$ 34,357	$ 35,474
TOTAL TAXES & INSURANCE		**$ 34,485**	**$ 103,456**	**$ 106,818**	**$ 110,290**	**$ 113,874**	**$ 117,575**	**$ 121,396**	**$ 125,342**
TOTAL EXPENSES		**$ 208,484**	**$ 625,451**	**$ 645,778**	**$ 666,766**	**$ 688,436**	**$ 710,810**	**$ 733,911**	**$ 757,763**
Non-Residential Expenses									
Operating expense/SF		$ 70,419	$ 211,258	$ 218,124	$ 225,213	$ 232,533	$ 240,090	$ 247,893	$ 255,950
Real Estate Taxes		$ 24,725	$ 74,176	$ 76,587	$ 79,076	$ 81,646	$ 84,299	$ 87,039	$ 89,868
Property & Liability Insurance		$ 9,760	$ 29,280	$ 30,232	$ 31,214	$ 32,229	$ 33,276	$ 34,357	$ 35,474
TOTAL TAXES & INSURANCE		**$ 104,905**	**$ 314,714**	**$ 324,943**	**$ 335,503**	**$ 346,407**	**$ 357,665**	**$ 369,290**	**$ 381,291**
TOTAL EXPENSES		**$ 313,388**	**$ 940,165**	**$ 970,721**	**$ 1,002,269**	**$ 1,034,843**	**$ 1,068,475**	**$ 1,103,201**	**$ 1,139,055**
Yearly Reserves - Residential		$ 13,217	$ 39,650	$ 39,650	$ 39,650	$ 39,650	$ 39,650	$ 39,650	$ 39,650
Yearly Reserves - Non-Residential		$ 4,725	$ 14,176	$ 14,176	$ 14,176	$ 14,176	$ 14,176	$ 14,176	$ 14,176
Total Reserves/Yr.		**$ 17,942**	**$ 53,826**	**$ 53,826**	**$ 53,826**	**$ 53,826**	**$ 53,826**	**$ 53,826**	**$ 53,826**
Cumulative Reserves:		$ 17,942	$ 71,768	$ 125,594	$ 179,420	$ 233,246	$ 287,072	$ 340,899	$ 394,725

Figure 5 Rent Roll

Income Calculations: Residential 66%

RENTS: Size & Style	Units	Sq. ft.	Rental	Total Sq. Ft.	Total Rent Monthly	Total Rent Yearly	Monthly Rent/SF	Yearly Rent/SF
1 Studio/ 1 Bath	11	550	$1,100	6,050	$ 12,100	$ 145,200	$ 2.00	$ 24.00
1 Studio/ 1 Bath	11	600	$1,150	6,600	$ 12,650	$ 151,800	$ 1.92	$ 23.00
1 Studio/ 1 Bath Deluxe	12	675	$1,225	8,100	$ 14,700	$ 176,400	$ 1.81	$ 21.78
1 Bedroom / 1 Bath	14	675	$1,300	9,450	$ 18,200	$ 218,400	$ 1.93	$ 23.11
1 Bedroom/ 1 Bath	15	725	$1,350	10,875	$ 20,250	$ 243,000	$ 1.86	$ 22.34
1 Bedroom / 1.5 Bath / Deluxe	15	800	$1,400	12,000	$ 21,000	$ 252,000	$ 1.75	$ 21.00
2 Bedroom Den / 1.5 Bath	14	950	$1,650	13,300	$ 23,100	$ 277,200	$ 1.74	$ 20.84
2 Bedroom Den / 1.5 Bath	15	1,000	$1,700	15,000	$ 25,500	$ 306,000	$ 1.70	$ 20.40
2 Bedroom Den / 2 Bath , Deluxe	15	1,075	$1,750	16,125	$ 26,250	$ 315,000	$ 1.63	$ 19.53
Total Residential Income:	**122**			**97,500**	**$ 173,750**	**$ 2,085,000**	$ 1.78	$ 21.38
Total	**Avg/unit**	**Sq. Ft.**		**799**	**$ 1,424**	**$ 17,090**		

Non-Residential 25%

RENTS:	Units	Sq. ft.	Rental Per Unit/Yr.	Total Sq. Ft.	Total Rent Monthly	Total Rent Yearly	Monthly Rent/SF	Yearly Rent/SF
Non Anchor	1	22,930	$34.00	22,930	$ 64,969	$ 779,627	$ 2.83	$34.00
Mid-Sized	1	12,510	$23.00	12,510	$ 23,978	$ 287,730	$ 1.92	$23.00
Total Retail/Comm. Income:				**35,440**	**$ 88,946**	**$ 1,067,357**	**$ 2.51**	**$ 30.12**
TOTAL INCOME:						**$ 3,152,357**		

CALCULATIONS: Residential

INCOME SCHEDULE	First Full Year 1	Per Unit Per year	Per (Leasable) Sq. Ft. (Yearly)
Potential Rental Income	$2,085,000	$ 17,090	$ 21.38
- Vacancy	$ 104,250	$ 855	$ 1.07
- Credit loss	$ 5,212.50	$ 43	$ 0.05
Effective Rental Income	**$1,975,538**	**$ 16,193**	**$ 20.26**
Other Income			
+ Late fees	$ 2,500	$ 20	$ 0.03
+ Forfeited deposits	$ 2,800	$ 23	$ 0.03
+ Vending income	$ 1,200	$ 10	$ 0.01
+ Laundry income	$ 3,600	$ 30	$ 0.04
+ Miscellaneous income	$ 2,400	$ 20	$ 0.02
Total Other Income	**$ 12,500**	**$ 102**	**$ 0.13**
Gross Operating Income	**$1,988,038**	**$ 16,295**	**$ 20.39**

Non-Residential

INCOME SCHEDULE	First Full Year 1	Per Unit Per year	Per (Leasable) Sq. Ft. (Yearly)
Potential Rental Income	$1,067,357	$ 8,749	$ 10.95
- Vacancy	$ 53,368	$ 437	$ 0.55
- Credit loss	$ -	$ -	$ -
Effective Rental Income	**$1,013,989**	**$ 8,311**	**$ 10.40**
Other Income			
+ Miscellaneous income	$ -	$ -	$ -
Total Other Income	**$ -**	**$ -**	**$ -**
Gross Operating Income	**$1,013,989**	**$ 8,311**	**$ 10.40**

SOURCES

City of Frederick Website
https://www.cityoffrederick.com

Frederick County Business & Development
http://www.discoverfrederickmd.com/

Downtown Frederick Partnership
http://www.downtownfrederick.org

Market Square the Haven Apartments
http://marketsquare.thehavenapartments.com/

REIS Market
https://www.reis.com/

2010 Census
http://www.census.gov/2010census/data/

Internal Revenue Service
http://www.irs.gov/

National Park Service
http://www.nps.gov/tps/tax-incentives.ht