

**MASS HOUSING PRO FORMA  
LINE ITEM EXPLANATIONS – 132 Unit Project**

**The Residences at West Union**

**Page 5 – Affordable Unit Rates:**

The affordable unit rental rates listed on page 5 of the pro forma list projected rents for the rental units at: \$1,164 for 1BR; \$1,418 for 2BR; and \$1,619 for 3 BR. The current maximum affordable rents for Ashland, MA for FY 2014 established by the US Department of Housing and Urban Development are as follows: \$1,164 for 1BR; \$1,418 for 2BR; and \$1,619 for 3BR.

**Page 6 – Market Rate Units:**

The market rate unit rentals were established using comparable rents from projects in Hopkinton, Framingham & Southborough.

**Page 7 – Permanent Debt:**

The \$19,529,101 is derived by multiplying the Total Development Cost of \$26,038,802 shown on Page 8 by 75% which equals \$19,529,101.

**Page 7 –Private Equity:**

The \$6,509,701 is the difference between the Total Development Costs of \$26,038,802 and the permanent debt of \$19,529,101. The \$6,509,701 equates to 25% of Total Development Costs.

**Page 7 –Site Acquisition:**

The \$725,000 site acquisition number was established by Mass Housing in conjunction with the submission of a request for Project Eligibility. This is done by an appraiser chosen by Mass Housing who establishes the fair market value of the site under the current in place zoning on the site (the as-is market value) plus reasonable and verifiable carrying costs from that date forward. The as-is value of the land came in at \$700,000. The \$25,000 is an estimate of the projected reasonable carrying costs. This value is listed on page 3, section 4 of the May 16, 2014 letter from Mass Housing regarding our Project Eligibility Application.

**Page 7-Site Preparation:**

The \$2,600,000 in Site Preparation Hard Costs is based on the general contractor's construction estimates for the project completed in 2016.

**Page 7 – Landscaping:**

The \$200,000 in Landscaping Hard Costs is based on the general contractor's construction estimates for the project completed in 2016.

Page 7 – Residential Construction:

The \$17,371,880 in Residential Construction Hard Costs is based on the general contractor's construction estimates for the project completed in 2016.

Page 7 – Hard Cost Contingency:

The \$968,250 in Hard Costs Contingency is based on the general contractor's construction estimates for the project completed in 2016. This number equates to 4.80% of projected hard construction costs.

Page 7 – Architectural and Engineering:

The \$420,000 in estimated A & E expenses equals \$2.51 PSF of total building area for the project.

Page 7 – Surveys and Permits:

The \$711,857 in estimated Survey & Permit expenses includes among some of the items; civil engineering work for the project; building permit fees; water & sewer tie in fees for the project and utility company tie in fees.

Page 7 – Clerk of the Works:

The \$356,400 estimated in this line item to oversee the general contractor during the construction process on behalf of the owner, equals 1.77% of projected construction costs. The COTW works hand in hand with the project architect during the construction project to insure that the project is being constructed in accordance with the project plans and specifications. The COTW also oversees the processing of contractor change orders during the construction process.

Page 7 – Environmental Engineer:

The \$4,000 cost in this line item is for the 21E environmental report relating to the existing conditions of the land.

Page 7 – Legal:

The \$100,000 cost in this category is related to attorneys fees incurred during the approval process of the project.

Page 7 – Title and Recording:

The \$45,000 expense in this category relates to lender required title insurance in conjunction with the construction and permanent financing of the project, as well as recording fees incurred in the closings.

Page 7 – Accounting and Cost Certification

The \$40,000 expense in this category relates to ongoing project accounting during the construction process as well the final project cost certification required to be done at the end of the construction of the project.

Page 7 – Marketing and Rent Up:

The \$75,000 expense relates to marketing of the project during the projected 18 month rent up period. Items include in this category include newspaper & internet advertising, project brochures and marketing materials, project promotional events and open house expenses.

Page 7 – Real Estate Taxes:

The \$50,000 expense relates to real estate taxes incurred during the project construction period.

Page 7 – Insurance:

The \$179,040 estimate is based on the general contractors estimate for General Liability Insurance and Property Insurance during the construction period.

Page 7 – Appraisal:

The \$5,000 estimate in this category is for an appraisal of the project.

Page 7 – Construction Loan Interest:

The \$519,000 estimate of construction loan interest in this category covers the interest on the project during the construction process up until the time the project is ready for initial occupancy. This assumes a 12 month construction period.

Page 7 – Inspecting Engineer:

The \$30,000 estimate for inspecting engineers cover the cost of required engineering certifications during the construction process of numerous construction components including but not limited to; foundation certification; certifications of any structural steel components used in the construction of the buildings as well as other phases of the construction process requiring certifications.

Page 8 – Construction Lender:

The \$205,223 in this category relates to the fee typically charged by a construction lender to make the construction loan on the project (points). A typical fee for this type of loan would be 1 point or \$195,291 on a \$19,529,101 construction loan, plus \$9,932 in third party reports the lender would typically do in conjunction with the loan underwriting process, which is typically paid for by the borrower.

Page 8 – Development Consultant: Traffic Engineer:

The \$14,000 estimated expense relates to the Traffic Engineer hired to perform the traffic impact analysis of the proposed project.

Page 8 – Organizational & Administrative Expenses:

The \$33,000 expense estimate includes legal expenses, accounting expenses and other administrative expenses incurred in relation to the ownership entity of the project.

Page 8 – Due Diligence – Third Party:

The \$32,000 estimate includes monies paid to fund the hiring of their third party consultants related to the project as well as other required third party reviews of the project throughout the approval process.

Page 8 – Soft Cost Contingency:

The \$140,976 estimate is 5% of the total projected soft costs for the project of \$2,913,891.

Page 8 – Lease-Up Reserves:

The \$534,777 estimate under Lease-Up Reserve represents 6 months of the estimated debt service carrying costs for the project upon completion of the project and initial occupancy. As the project leases up, any monthly shortfall in cash flow available for debt service will be funded through this account.

Page 8 – Operating Reserves:

The \$406,399 estimate under Operating Reserves represents 6 months of the estimated annual operating costs for the project upon completion of construction and initial occupancy. As the project leases up, any monthly shortfall in cash flow available for operating expenses will be funded through this account.

Page 8 – Developer Fee/Overhead:

The \$272,000 listed under this line item is calculated using the Allowable Cost formula of \$240,000 for the first 100 units and \$1,000 per unit for the remaining 32 units for a total Allowable Cost of \$272,000 for this category. This line item reflects the developer's overhead during the permitting, financing, construction, marketing and cost certification phases of the project and is not a component of allowable Developer fee/profit.

Page 8 – Construction & Permanent Debt Assumption:

The \$19,529,101 listed under Loan Amount represents 75% of the Total Development Costs of \$26,038,802.

Page 8 – Gross Rental Income:

The \$2,576,688 under this line items reflects the Total Rental Units: Annual Net Income for 1,2 & 3 BR units on page 6 of the Mass Housing General Development Information.

Page 8 – Other Income:

The \$181,800 in Other Income reflects income from garage rentals, view and floor premiums, and other miscellaneous income generated from the project.

Page 8 – Vacancy- Affordable Units:

The \$15,581 under this line item is calculated by taking 3% of the total income from the affordable units listed on page 5 under Annual Net Income of \$519,360 which equals \$15,581.

Page 8 – Vacancy- Market Units:

The \$144,013 listed under this line item is calculated by taking 7% of the total income from the market rate units listed on page 6 under Market Rate: Annual Net Income for 1,2 & 3 BR units of \$2,057,328 which equals \$144,013. The overall project vacancy rate is 6.2%.

Page 8 – Gross Effective Income:

The \$2,598,894 listed under this line item is a sum of the Gross Rental Income plus Other Income less the Affordable Unit Vacancy and Market Rate Unit Vacancy, the total being \$2,598,894.

Page 8 – Operating Expenses:

The \$812,856 listed under this line item reflects the total cost to operate and manage the property once construction is finished and the building is placed in service. The costs included in this category include but are not limited to: renting expenses, real estate taxes, property insurance, repairs & maintenance, management fees, replacement reserves, utilities, , administration expenses, payroll and accounting expenses. The operating expenses for the project are estimated to be 31.28% of the Gross Effective Income.

Page 8 – Net Operating Income:

The \$1,786,038 listed under this line item is the sum of the Gross Effective Income (\$2,598,894) less the Operating Expenses (\$812,856) which equals \$1,786,038.

Page 9 – Permanent Loan Debt Service:

The \$1,215,424 listed under this line item reflects the annual debt service on the \$19,529,101 Permanent Debt listed on page 8 at the interest rate of 4.70% listed on page 8 and an amortization period of 30 years listed on page 8.

Page 9 – Cash Flow:

The \$570,614 listed under this line item is the sum of the Net Operating Income (\$1,786,038) listed on page 8 less the Permanent Debt Service (\$1,215,424) listed on page 9, which equals \$570,614, the projected Annual Cash Flow of the project.

Page 9 – Debt Service Coverage:

The 1.47 listed under the Debt Service Coverage line item is calculated by dividing the Net Operating Income (\$1,786,038) on page 8 by the Permanent Loan Debt Service (\$1,215,424) on page 9;  $\$1,786,038/\$1,215,424$  which equals 1.47.

