

# Neighborhood Evolution

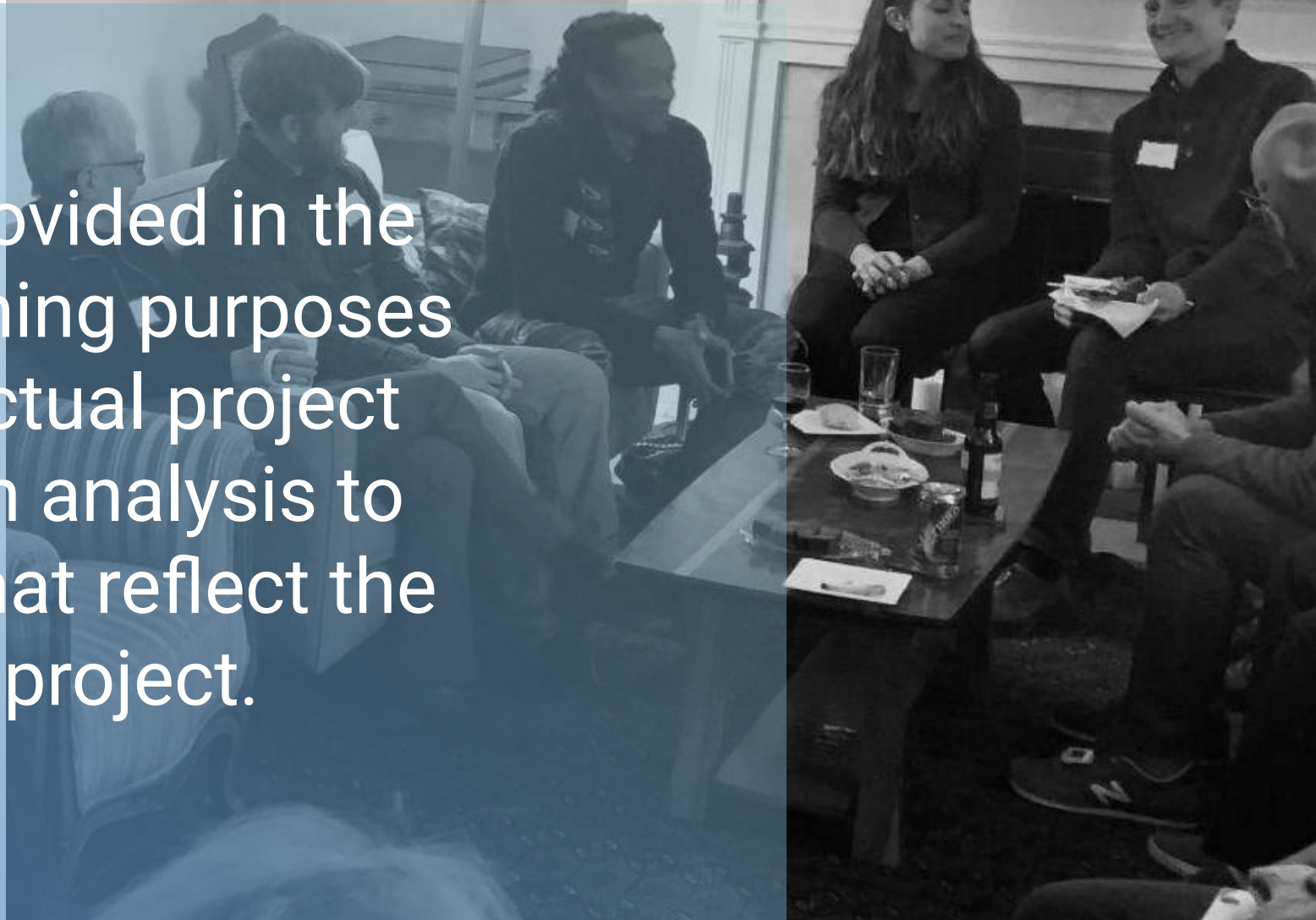
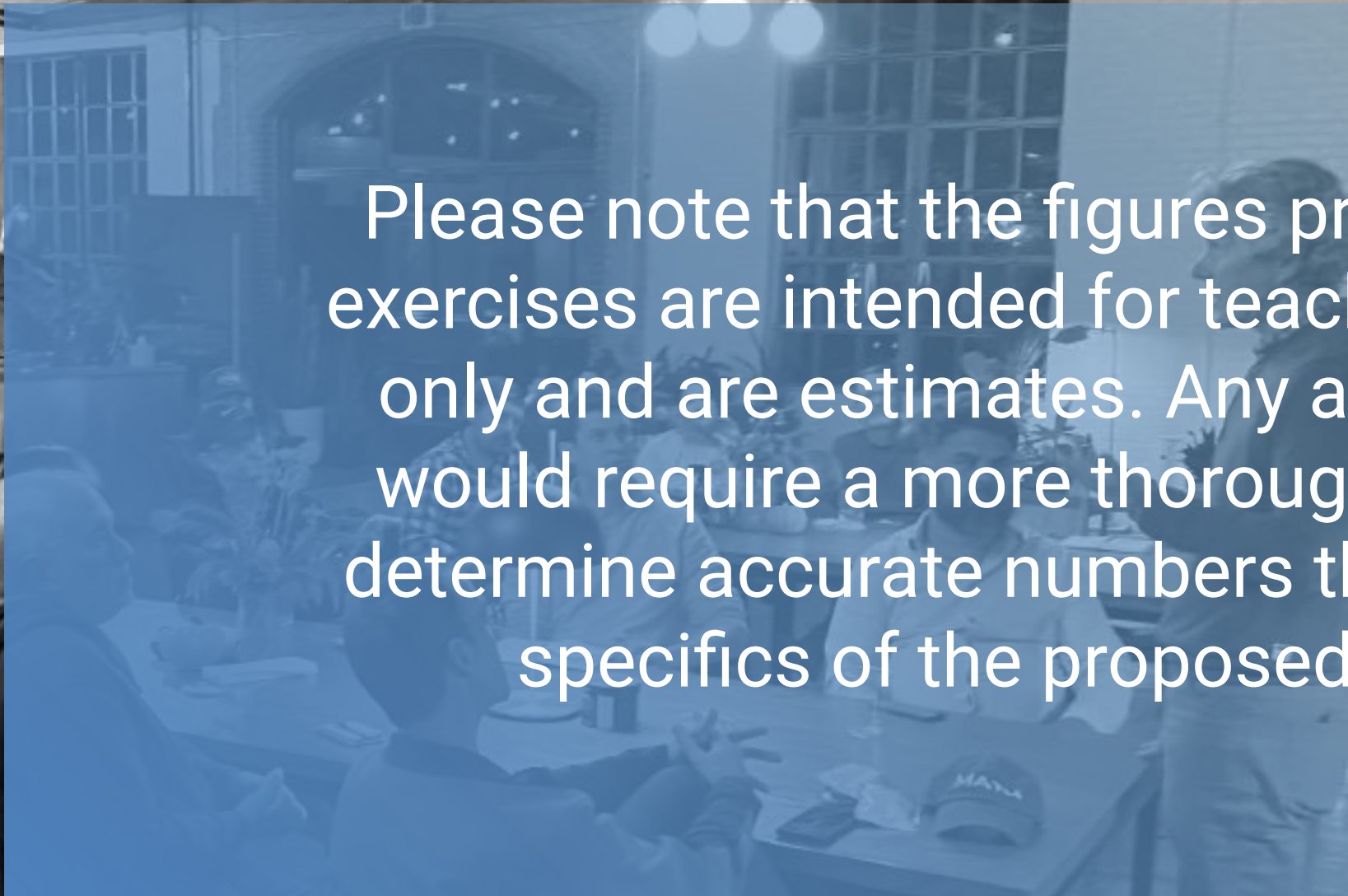
Readying, steadying and nurturing places to  
take their future into their own hands.

# Neighborhood Evolution

Readying locals to take the lead,  
steading the building environment,  
nurturing the small development ecosystem.

Helping you create your neighborhood's future.





Please note that the figures provided in the exercises are intended for teaching purposes only and are estimates. Any actual project would require a more thorough analysis to determine accurate numbers that reflect the specifics of the proposed project.

# The Solution by Neighborhood Evolution



**We are doers who teach and coach.**

Our common denominator is we love our communities and we believe in doing what you can, with what you have, where you are.



# Our Pillars to Town Making

## Farming

Pick a place, stay there. Walk your fields and get to know how everything interacts. Cultivate the life and beauty that's around you.

## Finance

Figure out how to make enough money to sustain yourself, your projects, and your community. Find people who want to invest in a shared vision.

## Form

Throughout time good neighborhoods have followed a pattern. Learn it and continue the tradition of building places that get better with age.



Private Sector

Public Sector

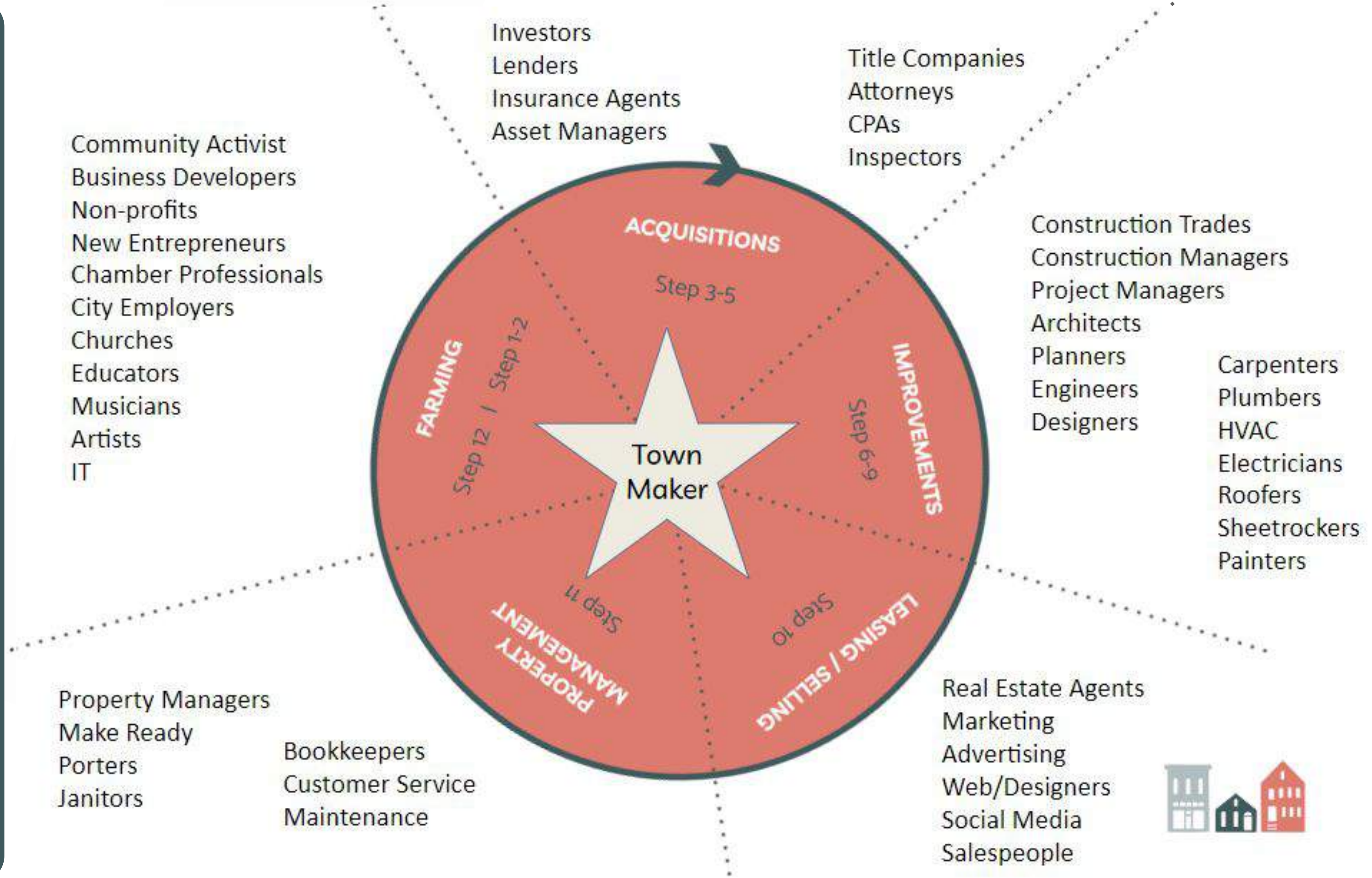
# Ecosystem

It is everything around you, it is how you evolve, when done right with intention the best things happen to us.

Not for Profit

Finance

# The Flywheel





Owner of  
Buffalove  
Development  
Little Wheel  
Restoration

## BERNICE RADLE

### Started Flywheeling:

- Maintenance calls for minimum wage.
- Energy retrofits and property management

### Known for:

- Cute renovations on a dime
- Small storefronts
- Trying to keep apartments affordable

### Community Involvement:

- Zoning Board of Appeals for the City of Buffalo
- FBCI Steering Committee
- Eugene V. Debs Social Hall Board

Proudly from  
Buffalo, NY





Principal

Heirloom  
Properties

Electric Housing

# JIM KUMON

## Started Flywheeling:

- Architecture and Construction
- Middle Housing Development

## Known for:

- New Construction Housing
- Green Building
- Zoning and Urban Design

## Community Involvement:

- Farmers Market Board Member
- Cub Scout Pack Leader
- Passive House State Chapter Board Member

Proudly from  
Minneapolis, MN



Managing  
Partner,  
Hometowne  
Development

President, The  
Bakery Group

# MIKE KEEN

## Started Flywheeling:

- Professor of Sociology and Sustainability Studies
- LEED AP sustainability consultant

## Known for:

- Neighborhood Commercial Rehab
- The Birthday Chair

## Community Involvement:

- Near Northwest Community Meetups
- South Bend Town Makers
- Food Coop Board Member

Proudly from  
South Bend, IN



# 12 Steps to Town Making



The secret to a great city,  
town, or neighborhood is  
that it is shaped by many  
hands.





# Town Making Step 1

## Find Your Place

Find your farm and find your way into the flywheel.





# Town Making Step 2

## Get to Know Your Neighbors

Meet people, make friends, shop local.  
It will come back to help you.





# Town Making Step 3

## Follow the Money

Become attractive to local money by having your house in order.





# Town Making Step 4

## Hire Pros for your Organization

Don't try to hack the legal & accounting.  
Set yourself up for success with solid  
professional counsel.







# Town Making Step 5

## Find your First Project

Make the numbers work on an opportunity you can learn from in your farm.





# Town Making Step 6

## Clean, Clean, Clean

Clean up your site, your files, your systems, your life. Show the world and yourself what kind of person you are.





# Town Making Step 7

## Assemble Your Crew

Assemble the building and design crew that fit your style, size & budget. They are part of your ecosystem.





# Town Making Step 8

## Design & Build with the End in Mind

Establish good communication with and between the crew to make sure decisions today don't come back to haunt you tomorrow.





# Town Making Step 9

## Choose Your Construction Path

Rightsize your construction management system to your project size, risk tolerance, experience, and budget.





# Town Making Step 10

## Activate the Space

Put the right people in the right spaces  
with thoughtful leasing and sales.

Bring the farm to life.





# Town Making Step 11

## Succeed Through Good Management

Property management, bookkeeping, and maintenance is what will make or break your flywheel.





# Town Making Step 12

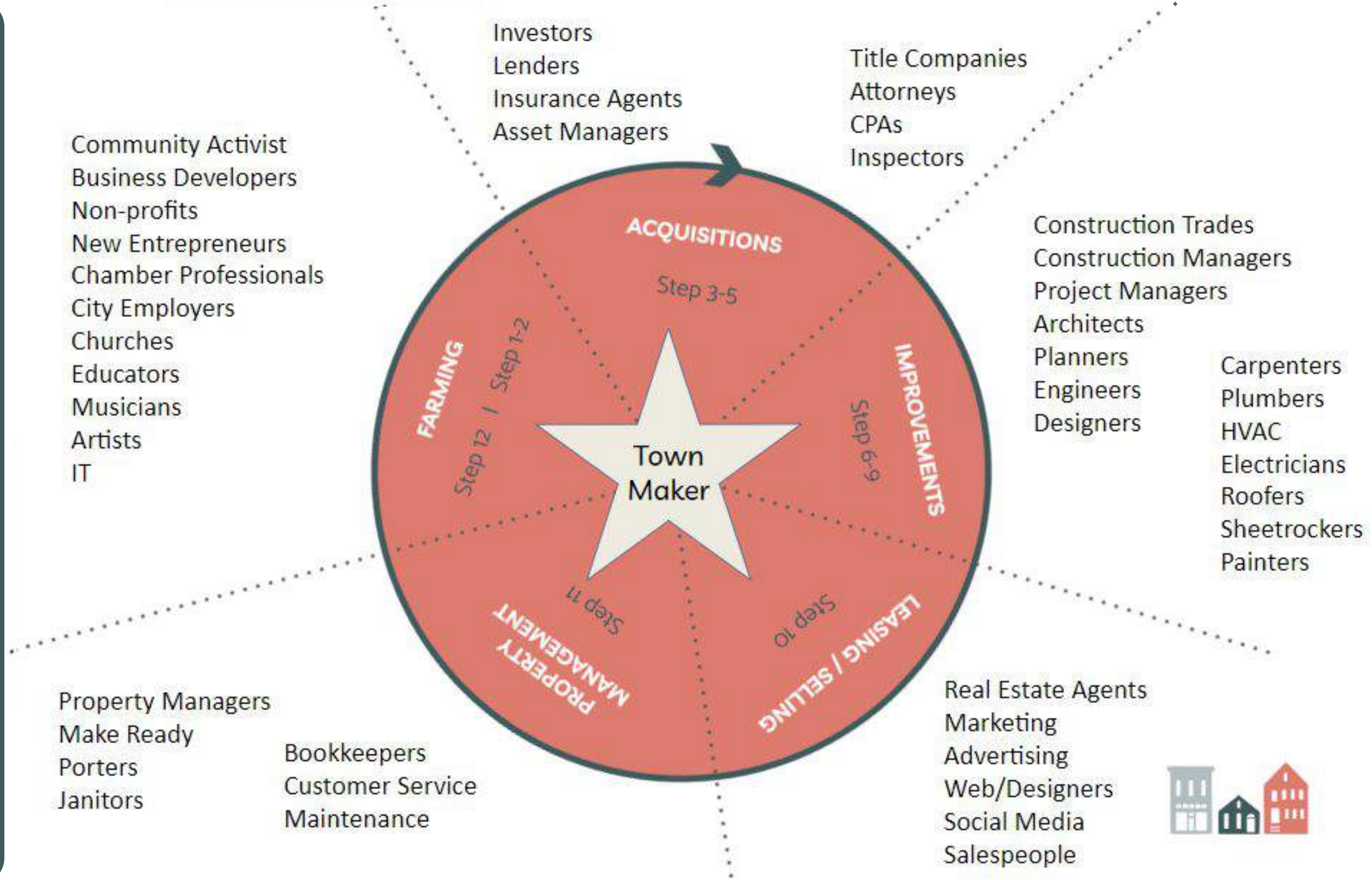
## Share With Others

Your legacy is what you give away.  
Start today.





# The Flywheel



# Make Money. Do Good.





# Section 1

## Walking Proforma Exercise



# Get your pencils

Let's see if we can figure out if the project is feasible



# Proforma Evolves

Section 1

Section 2

**SAMPLE PROFORMA** Neighborhood Evolution

Any Building, Commercial or Residential 4/11/23

Sketch Here:	800 SF A	500 SF B	500 SF C	Building Cost	\$122,500.00
				Improvement Cost	\$93,000.00
				Total Cost	\$197,500.00
				Down Payment	\$37,500.00
				Loan Amount	\$150,000.00

Unit	Tenant	Size	Rent	/SF/YR	/SF/MTH
A	Rally Jones	800 SF	\$1,000	\$15.00	\$1.25
B	Mark Peacock	500 SF	\$750	\$18.00	\$1.80
C	Sunjay Kumar	500 SF	\$750	\$18.00	\$1.50
<b>Totals</b>		<b>1,800 SF</b>	<b>\$2,500</b>		

Income		
Monthly Rent	\$2,500	
	x12	
Annualized, Gross Potential Income	\$30,000	
Less Vacancy 10%	-\$3,000	
Adjusted Gross Income	\$27,000	
<b>+</b>		<b>\$27,000.00</b>

Expenses		
Taxes	\$3,500.00	
Insurance	\$1,500.00	
Maintenance	\$3,000.00	
Property Mgmt	\$2,000.00	
Misc	\$500.00	
Legal/Accounting	\$500.00	
Reserve	\$500.00	
Estimated Annual Expenses	\$11,500.00	
<b>-</b>		<b>\$11,500.00</b>

Net Operating Income		
Income	\$27,000.00	
Expenses	-\$11,500.00	
Net Operating Income	\$15,500.00	
<b>=</b>		<b>\$15,500.00</b>
CAP Rate 8.00%	Value	\$ 193,750

Debt Service			
Original Balance	Interest Rate	Years	Monthly Payment
\$150,000.00	0.08	25	\$1,157.72
			x12
<b>-</b>			<b>\$13,892.64</b>
<b>=</b>			<b>Cash Flow \$1,607.31</b>



## Project Title - # Units

Company Name

### PROJECT SUMMARY

03/26/22

#### Income Summary

Unit Type	Gross SF	Number of Units	Gross Rent PSF	Monthly Rent by Unit	Annual Rent by Unit Type
Unit A - 1 BR 1 BA	528	2	\$2.56	\$1,350	\$32,400
Unit B - 1 BR 1 BA	500	2	\$2.80	\$1,400	\$33,600
Unit C - 2 BR 2 BA	848	2	\$2.65	\$2,250	\$54,000
Unit D - Studio	438	2	\$2.57	\$1,125	\$27,000
<b>Total Unit Income / Averages</b>	<b>5,828</b>	<b>8</b>	<b>\$2.10</b>	<b>\$1,693</b>	<b>\$147,000</b>
<b>Total Other Income</b>					<b>\$11,736</b>

Income Totals	% of GOI	Per SF	Per Unit/ Month	Per Unit/Year	Total/Year
Gross Potential Income		\$27.24	\$1,654	\$19,842	\$158,736
Vacancy Expense	5%	-\$1.36	-\$83	-\$992	-\$7,937
Gross Operating Income		\$25.87	\$1,571	\$18,850	\$150,799
Operating Expenses	50%	-\$12.92	-\$784	-\$9,412	-\$75,294
Real Estate Taxes	22%	\$5.77	\$350	\$4,200	\$33,600
Other Operating Expenses	28%	\$7.15	\$290	\$3,474	\$41,694
<b>Net Operating Income (NOI)</b>			<b>\$787</b>	<b>\$9,438</b>	<b>\$75,505</b>

Gross Building Square Footage	6,228				
Rentable Square Footage	5,828	Net Rent Per SF	\$2.26		
Building Efficiency	94%				

#### Sources & Uses

Sources	Cost	Per Unit	% of Total		
Construction Loan	\$ 994,893	\$ 124,362	71.0%		
Equity	\$ 405,828	\$ 50,728	29.0%	\$ 210,108	Cash Raise Required
Capital Partners Cash Investment	\$ 300,000	\$ 37,500	21.4%		15%
Langerman Cash	\$ 50,000	\$ 6,250	3.6%	\$ 360,000	Provided Cash
Herloom Cash	\$ 5,000	\$ 625	0.4%		25.7%
Grants/Rebates	\$ 5,000	\$ 625	0.4%		
Operating Partner Deferred Fees	\$ 45,828	\$ 5,728	3.3%		
<b>Total Sources</b>	<b>\$ 1,400,721</b>	<b>\$ 175,090</b>	<b>100%</b>		

Uses	Cost	Per Unit	% of Total
Acquisition Total	\$ 103,000	\$ 12,875	7%
Construction Costs	\$ 987,799	\$ 123,475	71%
Construction Contingency	\$ 54,894	\$ 6,862	4%
Soft Cost Subtotal	\$ 255,028	\$ 31,878	18%
Professional Fees	\$ 144,500	\$ 18,063	10.3%
Developer Fees	\$ 45,828	\$ 5,728	3.3%
Financing Costs	\$ 64,700	\$ 8,088	4.6%
<b>Total Development Cost</b>	<b>\$ 1,400,721</b>	<b>\$ 175,090</b>	<b>100%</b>

#### Underwriting



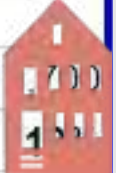
Return on Cost/Initial Project Cap Rate	5.39%
DSCR	1.25

Section 3



# Assess Yourself

Current Personal Financial Statement  
Should be less than six (6) months old

Your Name	
Statement of Financial Position	
As of September 26, 2022	
	Total
<b>ASSETS</b>	
Personal Bank Accounts	\$ 15,000
Business Assets	\$ 5,000
Real Estate Assets	\$ 140,000
Vehicle Assets	\$ 20,000
Retirement Assets	\$ 95,000
<b>TOTAL ASSETS</b>	<b>\$ 275,000</b>
<b>LIABILITIES</b>	
Personal Financial Liabilities and Loans	\$ 8,000
Business Liabilities	\$ 1,000
Real Estate Loans	\$ 100,000
Vehicle Loans	\$ 10,000
<b>TOTAL LIABILITIES</b>	<b>\$ 119,000</b>
<b>NET WORTH</b>	<b>\$ 156,000</b>
<b>W2 INCOME</b>	
Gross Annual Income: Person A	\$ 65,000
Gross Annual Income: Person B	\$ 42,000
<b>Gross Annual Income Total</b>	<b>\$ 107,000</b>
Monthly Mortgage Payment (PITI)	\$  700
Debt to Income Ratio (Front End)	 6.5%
Debt to Income Ratio (Back End)	 21%

# Bank Prep

- Copy of driver's license (or passport or official ID)
- Two (2) most recent years completed Federal Tax Returns  
Include any extension requests (if applicable)
- If titled in an Entity (LLC, LP, S CORP)  
Two (a) most recent years completed Entity Federal Tax Returns  
(signed): include any extension requests of applicable)
- Copies of bank statements  
to support any liquidity you noted on your personal financial  
statements
- Pro forma  
Operating statement for rental, plus information about any  
historical income and expenses. (Include comparable rents in the  
area to support your rent estimate)

## Copy of organization documents:

- Partnership Agreement
- Operating Agreement
- Certificate of Formation (for LP or LLC)
- Articles of Incorporation and Bylaws
- Tax ID Number
- Current Personal Financial Statement (signed)  
Should be less than six (6) months old
- Copy of Lease(s) (if applicable)
- Agreement of Sale (if applicable)
- Construction Budget (if applicable)
- Comparable sales in area  
to support your expected sales price
- Resume of professional experience



# Loan Types

- Residential loans
- Commercial loans
- FHA, VA, Conventional
- Small Business Administration
- Private Money Loans
- Crowdfunding
- Credit Cards
- Home Equity Loans



# Walking Proforma



## SAMPLE PROFORMA

Neighborhood Evolution

Any Building, Commercial or Residential

4/11/23

Sketch  
Here:

800 SF A	500 SF B	500 SF C
-------------	-------------	-------------

Building Cost	\$122,500.00
Improvement Cost +	\$50,000.00
Total Cost =	<u>\$187,500.00</u>
Down Payment -	\$37,500.00
Loan Amount =	<u>\$150,000.00</u>

### Rent Roll

Suite	Tenant	Size	Rent	/SF/YR	/SF/MTH
A	Sally Jones	800 SF	\$1,000	\$15.00	\$1.25
B	Mark Peacock	500 SF	\$750	\$18.00	\$1.50
C	Sunjay Kunmor	500 SF	\$750	\$18.00	\$1.50
<b>Totals</b>		<b>1,800 SF</b>	<b>\$2,500</b>		



# Walking Proforma



Income		
	Monthly Rent	\$2,500
		x12
	Annualized, Gross Potential Income	<u>\$30,000</u>
	Less Vacancy 10%	<u>-\$3,000</u>
	Adjusted Gross Income	<u>\$27,000</u>
+		<b>\$27,000.00</b>
Expenses		
	Taxes	\$3,500.00
	Insurance	\$1,500.00
	Maintenance	\$3,000.00
	Property Mgmt	\$2,000.00
	Misc	\$500.00
	Legal/Accounting	\$500.00
	Reserves	<u>\$500.00</u>
	Estimated Annual Expenses	<u>\$11,500.00</u>
-		<b>\$11,500.00</b>

# Walking Proforma



Net Operating Income			
		Income	\$27,000.00
		Expenses	-\$11,500.00
		Net Operating Income	<u>\$15,500.00</u>
=			<b>\$15,500.00</b>
	<i>CAP Rate</i>	<i>8.00%</i>	<i>Value</i> \$ <i>193,750</i>

Debt Service			
Original Balance	Interest Rate	Years	Monthly Payment
\$150,000.00	0.08	25	\$1,157.72
			x12
-			<b>\$13,892.69</b>

=		<b>Cash Flow</b>	<b>\$1,607.31</b>
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# Walking Proforma



## PROFORMA WORKSHEET

Neighborhood Evolution

Any Building, Commercial or Residential

4/11/23

Sketch Here:

Building Cost		<input type="text"/>
Improvement Cost +		<input type="text"/>
Total Cost =		<input type="text"/>
Down Payment -		<input type="text"/>
Loan Amount =		<input type="text"/>

Rent Roll					
Suite	Tenant	Size	Rent	/SF/YR	/SF/MTH
A					
B					
C					
<b>Totals</b>					

<b>Income</b>	
	Monthly Rent <input type="text"/>
	x12
	Annualized, Gross Potential Income <input type="text"/>
Less Vacancy 10%	<input type="text"/>
	Adjusted Gross Income <input type="text"/>
+	<input type="text"/>

## Expenses

		<input type="text"/>
Taxes		<input type="text"/>
Insurance		<input type="text"/>
Maintenance		<input type="text"/>
Property Mgmt		<input type="text"/>
Misc		<input type="text"/>
Legal/Accounting		<input type="text"/>
Reserves		<input type="text"/>
Estimated Annual Expenses		
-		<input type="text"/>

## Net Operating Income

		Income \$0.00
		Expenses <input type="text"/>
		Net Operating Income <input type="text"/>
=		<input type="text"/>
CAP Rate	<input type="text"/>	Value <input type="text"/>

## Debt Service

Original Balance	Interest Rate	Years	Monthly Payment
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
			x12
-			<input type="text"/>
=			<b>Cash Flow</b> <input type="text"/>



Neighborhood  
Evolution

# Section 2

## Filling in your Expense Budgets

# Costs, Costs, Costs

Soft Costs, Operating Expenses, Hard  
Costs...Keeping track is challenging



# Legal / Accounting

Learn the legal and accounting part of owning real estate

## Legal

- Why hire a real estate attorney?
- How do you hire an attorney?

## Accounting

- What are the differences between bookkeeping, accounting, tax prep services?
- How do you hire a bookkeeper?
- When to hire a tax accountant or CPA?



# Deal Killers

Costs Money to Answer Questions

1. Title

2. Survey

3. Utilities

4. Zoning

5. Accessibility (ADA)

6. Environmental

7. Building Code

8. Insurance

9. Financing

10. Fire Code



# Surveys and Enviro

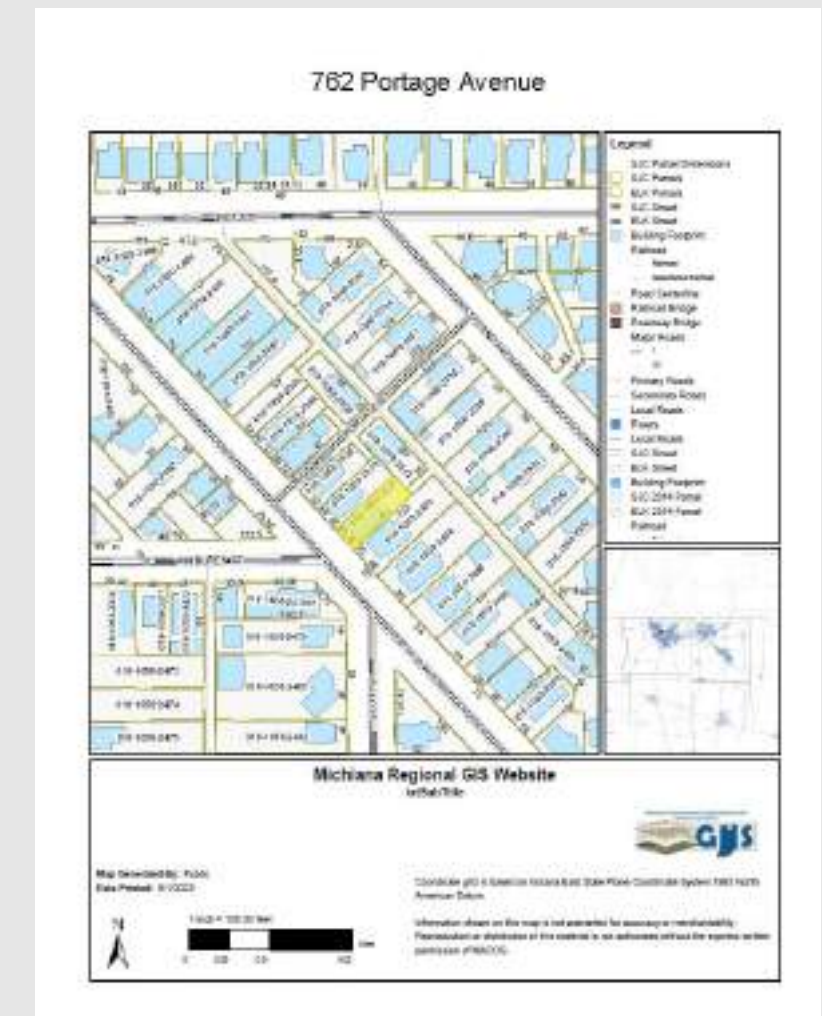
Get the facts straight on what you are buying and the site's past

## Surveys, Title and Environmental

- What do you need from a Survey - What does it cost?
- Who does title, phase 1 and 2 reports, soils reports

## Zoning, Utilities and More

- What zoning things will you be dealing with?
- How good are public records are of utilities?
- How much money to budget to deal with public works, fire marshalls, and other?



# Acquisition / Insurance

Learn the acquisition and insurance part of owning real estate

## How do you find (or become) a real estate broker?

- What is involved in writing an offer/contract?
- Making an offer: Letters of intent and purchase contracts
- Why the purchase contract is so important?

## How do you find an insurance broker?

- What kind of insurance do you need?
- How can you tell which insurance policy is the best for your property?
- Do you have to get certain types of insurance because the bank tells you to?





# Key Budget Items & Tracking

Getting into the details of hard costs, soft costs and financing costs

Project Title - # Units						
<i>Company Name</i>						
<b>DEVELOPMENT COSTS</b>						
<b>Hard Cost Budget</b>						
<b>Acquisition</b>						<b>Per Unit</b>
Acquisition	0.17	acres	\$ 13.33	per sf	\$ 100,000	\$ 12,500
Acquisition Fee/Holding Costs			3.0%		\$ 3,000	
<b>Acquisition Total</b>			<b>7.4%</b>	<b>TDC</b>	<b>\$ 103,000</b>	<b>\$ 12,875</b>
<b>Construction</b>						<b>Per Unit</b>
Occupied Space Hard Costs	5,228	SF	\$ 175	/SF	\$ 914,900	
Parking	1,000	SF	\$ 60	/SF	\$ 60,000	
Solar PV System					\$ -	
Building Permit					\$ 4,899	
Sewer/Water Tap Connections	8	units	\$ 1,000		\$ 8,000	
<b>Construction Total</b>	<b>6,228</b>	<b>SF</b>	<b>70.5%</b>	<b>TDC</b>	<b>\$ 987,799</b>	<b>\$ 123,475</b>
Contingency (6% of Occupied Space)			6%		\$ 54,894	
<b>Hard Cost Total</b>					<b>\$ 1,145,693</b>	<b>\$ 143,212</b>

Soft Cost Budget						
<b>Professional Fees</b>						<b>Per Unit</b>
Architectural + Engineering Services					\$ 75,000	
Construction Estimating/Project Management					\$ 20,000	
Surveys/Borings/Enviro Assessment					\$ 8,000	
City Fees (Land Use, Site Plan Review)					\$ 3,000	
Legal/Accounting/Marketing					\$ 12,000	
Marketing Incentives					\$ 10,000	
Appraisal					\$ 7,500	
Park/Other Dedication Fee				\$ 500	\$ 4,000	
Soft Cost Contingency					\$ 5,000	
<b>Professional Fees Total</b>			<b>10.3%</b>	<b>TDC</b>	<b>\$ 144,500</b>	<b>\$ 18,063</b>
<b>Developer Fee</b>						<b>Per Unit</b>
Developer Fee			4%	Hard Costs	\$ 45,828	\$ 5,728
<b>Developer Total</b>			<b>3.3%</b>	<b>TDC</b>	<b>\$ 45,828</b>	<b>\$ 5,728</b>
<b>Financing Costs</b>						<b>Per Unit</b>
Property, Hazard & Liability Insurance					\$ 7,500	
Property Taxes during Construction					\$ 9,000	
Construction Interest					\$ 24,000	
Loan Origination Fee					\$ 10,200	
Draw Fees			10		\$ 8,000	
Title & Recording					\$ 6,000	
<b>Financing Total</b>			<b>4.6%</b>	<b>TDC</b>	<b>\$ 64,700</b>	<b>\$ 8,088</b>
<b>Soft Cost Total</b>			<b>18.2%</b>	<b>TDC</b>	<b>\$ 255,028</b>	
<b>TOTAL DEVELOPMENT COST</b>					<b>\$ 1,400,721</b>	<b>\$ 175,090</b>

# Getting Started

## Team Meeting - Begin with the End in Mind

- Present the big picture concept
- Know your rough budget number - have a contingency amount outside of that
- Have your design professionals layout the constraints to the site or the conditions of the existing buildings
- Have the contractor weigh in on specific field conditions that may be challenging
- Think about the most important/costly trades and engage those early (HVAC, electrical, concrete, etc.)
- There is a difference between possible and cost effective: Get designers and contractors to collaborate on best balance

## Who's managing the documentation?

- Discuss with your team where files are going to be kept, how the schedule will be updated, who will set follow up meetings
- If you are not good at paperwork, project management tasks and meeting minutes (to-do lists), get someone to help you or do it as a part of the services they provide you (likely, the designer/architect)
- Re-run the proforma after every iteration of changes - construction costs, size of units/suites, possible rent rates, etc.



# New Construction

## Unique Elements of New Construction

### Due Diligence Questions

- How will the project follow zoning rules and other requirements for materials or features?
- Are utilities readily available from the street and what is needed to connect to them?
- Is the the site constrained or nearby to other buildings that would cause difficulty in construction vehicles or equipment to delivery or install materials? Will shoring or other temporary measures be required?

### Someone has to decide on everything!

- Making decisions about interior finishes, systems, building envelope all affect the project in different ways and can take a lot of time. Figuring out who will specify and procure all the things in the building should happen early.
- What will this project be compared to nearby and what features do those buildings offer?
- Recruit a diverse group of project reviewers unaffiliated with the project to catch errors in drawings, get feedback on layouts, look closely at functionality, make sure there is excellence inside and out.



# Green Building and Weather Risk Management

If you are considering incorporating green building techniques or weatherization strategies into your project, you need to state those goals and objectives up front.

These can impact your tax strategy, utility rebates, operating expenses, insurance costs, building costs and features of your units that attract tenants and buyers.



SUNDIAL

# Roundtable on Detailed Budgeting



<b>Expenses</b>		<b>% of GOI</b>	<b>Per Unit Per Month</b>	<b>Per Unit Annual</b>
Management Fee	\$ 4,988	2.5%	\$ 103.91	\$ 1,246.88
Marketing	\$ 200	0.1%	\$ 4.17	\$ 50.00
Management Office Expenses	\$ 200	0.1%	\$ 4.17	\$ 50.00
Professional Fees (CPA/Legal)	\$ 1,200	0.6%	\$ 25.00	\$ 300.00
Maintenance	\$ 500	0.3%	\$ 10.42	\$ 125.00
Trash & Recycling	\$ 1,000	0.5%	\$ 20.83	\$ 250.00
Janitorial & exterminating contract	\$ 1,000	0.5%	\$ 20.83	\$ 250.00
All Other Repair and Materials	\$ 500	0.3%	\$ 10.42	\$ 125.00
Grounds, Landscaping & Snow	\$ 2,000	1.0%	\$ 41.67	\$ 500.00
Insurance	\$ 4,000	2.0%	\$ 83.33	\$ 1,000.00
Utilities (Water & Sewer)	\$ 1,680	0.8%	\$ 35	\$ 420
Reserves	\$ 1,200	0.6%	\$ 25	\$ 300
Real Estate Taxes	\$ 4,000	2.0%	\$ 83	\$ 1,000
<b>Total</b>	<b>\$ 22,468</b>	<b>11%</b>	<b>\$ 468</b>	<b>\$ 5,617</b>
Non-RE Tax Expenses	\$ 18,468	9.3%	\$ 385	\$ 4,617
RE Tax Expense	\$ 4,000	2.0%	\$ 83	\$ 1,000
<b>Total Soft Costs</b>				<b>\$22,468</b>
Percentage of GOI				<b>11.26%</b>

<b>Soft Costs</b>				
Acquisition Fee/Costs			3.00%	\$6,000
Architectural + Engineering Services		8.0%		\$113,993
Leasing Broker/Agent Commissions			\$7.50	\$9,690
Collateral Materials				\$1,000
Property Insurance During Construction				\$4,000
Real Estate Taxes during Construction (per unit)	12		\$500	\$6,000
Business Operating				\$3,000
Appraisal/Market Study				\$5,000
Project Management Fee	12		1,000	\$12,000
Development Fee			4.0%	\$64,997
Title Insurance				\$2,000
Mortgage Registration			0.50%	\$7,125
Park/Other Dedication Fee			\$1,000	\$12,000
City Permit Fees				\$7,500
Legal				\$7,500
Accounting				\$2,000
<b>Total</b>				<b>\$263,804</b>
<b>Financing Costs</b>				
Construction Interest (Estimate)			30%	\$23,191
Lenders' Fees - Construction Inspection	1		\$1,000	\$1,000
Loan Application Fees/Lender Legal	4		\$3,000	\$12,000
Closing Fee			1.50%	\$11,156
<b>Total</b>				<b>\$24,156</b>
<b>Total Soft Costs</b>				<b>\$287,961</b>
Percentage of Hard Costs				<b>20.21%</b>



# Section 3

## Multi-Year Cash Flow

# Spreadsheet Time

Putting the details into a summary







# BECKLEY SETTLEMENT

2910 South Beckley,  
Dallas, TX 75224

## LOAN REQUEST



Presented by  
**Monte Anderson**

May 15, 2021

**Options Real Estate**  
111 East Davis Street, Suite 101  
Duncanville, TX 75116  
972-283-1111

[optionsre.com](http://optionsre.com)

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2910 South Beckley  
Dallas, TX 75224

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# Operating Agreements

Reasons you might need help  
establishing a LLC

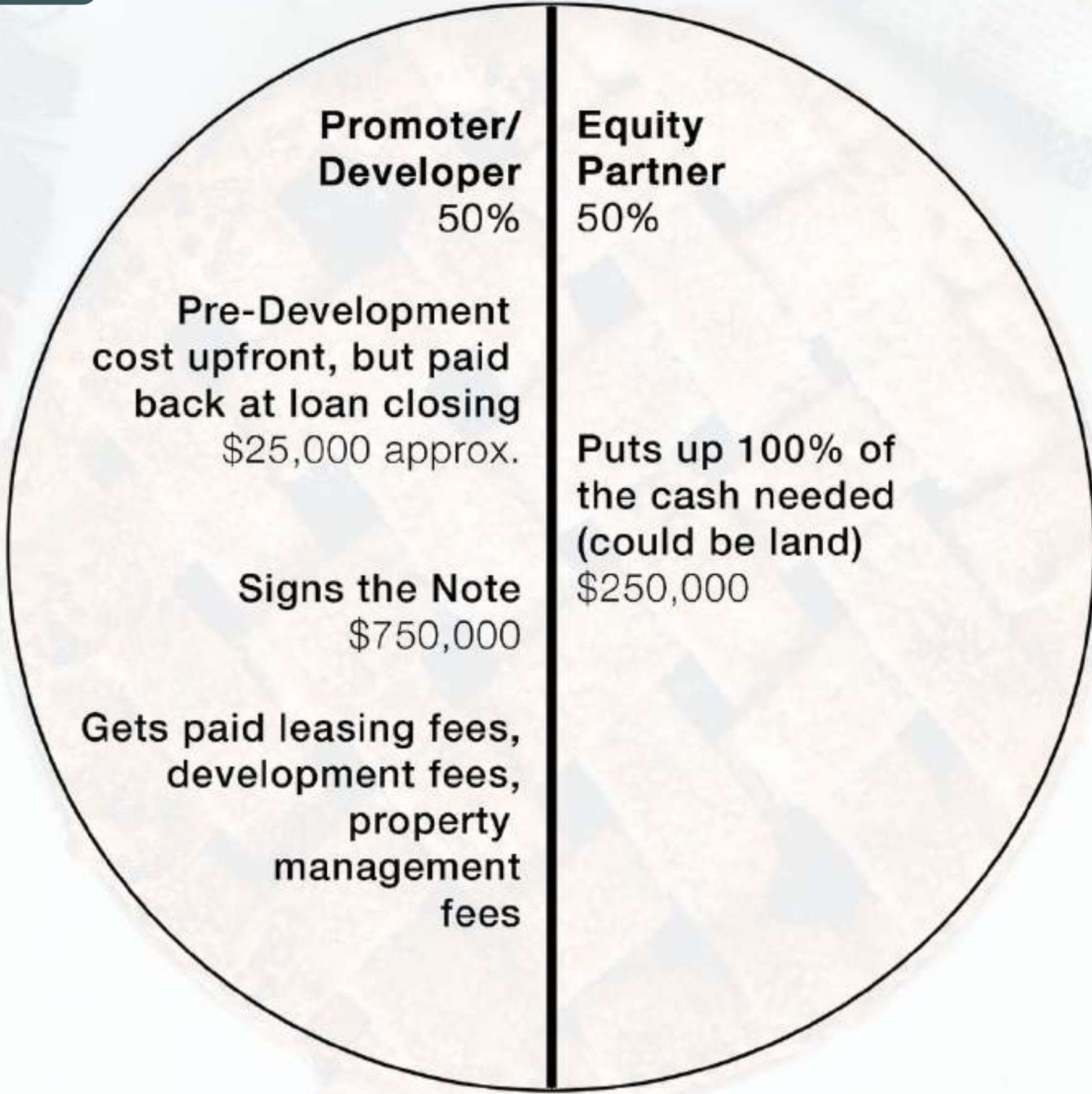
A Limited Liability Corporation is a common legal entity for real estate.

To create and manage one requires its owners to determine the following:

- Clearly defining the ownership interests and responsibilities of each member
- Establishing the management structure and decision-making processes
- Specifying how profits will be allocated among members
- Outlining the capital contribution requirements from each member
- Establishing mechanisms for resolving disputes among members
- Restrictions on the transfer of membership interests
- Fees performed need to be spelled out and part of the agreement



\$1,000,000 total cost of project including all soft costs  
Equity needed to get a loan 25% - \$250,000



# The Whole Pie/Property

## Cash Flow

- 1) Debt Service
- 2) Expenses (including fees)
- 3) 100% cash flow goes to equity partner until paid in full
- 4) 50-50 split between developer/equity



# To the multi year live spreadsheet

Duplex (30' Lot)												
Multi-year Cash Flow												
Capital Stack (Sources)	Year 0	Annual Debt Service After Refinance				Value of Building at Refinance		Years 11-15 Hidden				
		(\$2,208) Monthly	30 Years	Loan Term	Loan to Value (LTV)	65%	Select Columns M-S and Unhide if					
Operating Partner's (Developer's) Equity	\$35,000	(26,501) Annual	7.0%	Interest Rate	CAP Rate	6.0%						
Capital Partner's (Investor's) Equity	\$75,000	1.19 DSCR										
Private Debt (Held by Operating Partner)	\$0											
Other Investor Equity	\$0											
Total Equity	\$110,000	>	\$108,893									
NOI Escalation	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10		
GOI (Annual Appreciation)	2.5%	\$38,760	\$39,729	\$40,722	\$41,740	\$42,784	\$43,853	\$44,950	\$46,073	\$47,225	\$48,406	
Operating Expenses (Annual Increase)	2.0%	(\$9,690)	(\$9,884)	(\$10,081)	(\$10,283)	(\$10,489)	(\$10,699)	(\$10,913)	(\$11,131)	(\$11,353)	(\$11,580)	
<b>NOI</b>		<b>\$29,070</b>	<b>\$29,845</b>	<b>\$30,641</b>	<b>\$31,457</b>	<b>\$32,295</b>	<b>\$33,155</b>	<b>\$34,037</b>	<b>\$34,943</b>	<b>\$35,872</b>	<b>\$36,825</b>	
Annual Debt Service		(\$23,030)	(\$23,030)	(\$23,030)	(\$26,501)	(\$26,501)	(\$26,501)	(\$26,501)	(\$26,501)	(\$26,501)	(\$26,501)	
New Debt - Permanent Loan				\$331,941								
Retirement of Construction Debt (Month 36 - Am Table)				(\$242,849)								
<b>Cash Flow After Operating Expenses and Debt Service</b>		<b>\$6,040</b>	<b>\$6,815</b>	<b>\$96,703</b>	<b>\$4,956</b>	<b>\$5,794</b>	<b>\$6,654</b>	<b>\$7,536</b>	<b>\$8,442</b>	<b>\$9,371</b>	<b>\$10,325</b>	
Equity at Refinance		\$105,784										
Phased Distributions	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Returns	
Annual Operating Cash Flow after Debt Service		\$6,040	\$6,815	\$96,703	\$4,956	\$5,794	\$6,654	\$7,536	\$8,442	\$9,371	\$10,325	
Balance from Previous Year			\$1,040	\$855	\$12,558	\$8,514	\$5,308	\$2,962	\$1,498	\$940	\$1,311	
Subtotal Cash Flow		\$6,040	\$7,855	\$97,558	\$17,514	\$14,308	\$11,962	\$10,498	\$9,940	\$10,311	\$11,635	
												<b>TOTAL \$</b>
Guarantor Fee		\$0	\$0	\$0								<b>5 YR IRR</b>
Capital Partner Distributions		(\$4,000)	(\$6,000)	(\$75,000)	(\$6,000)	(\$6,000)	(\$6,000)	(\$6,000)	(\$6,000)	(\$6,000)	(\$6,000)	<b>10 YR IRR</b>
--- IRR Calc Principal as negative number and	(\$75,000)	\$4,000	\$6,000	\$75,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$127,000
												8.9%
												14.5%
Operating Partner's Distributions		(\$1,000)	(\$1,000)	(\$10,000)	(\$3,000)	(\$3,000)	(\$3,000)	(\$3,000)	(\$3,000)	(\$3,000)	(\$3,000)	Line Contains 50/50 Split Formula Y
--- IRR Calc	(\$35,000)	\$1,000	\$1,000	\$10,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$33,000
												-17.6%
												-1.1%
<b>Cumulative Cash Flow at Year End</b>		<b>\$1,040</b>	<b>\$855</b>	<b>\$12,558</b>	<b>\$8,514</b>	<b>\$5,308</b>	<b>\$2,962</b>	<b>\$1,498</b>	<b>\$940</b>	<b>\$1,311</b>	<b>\$2,635</b>	



# The Pitch + Wrap Up

## The Anatomy of a Pitch

Walk through the major sections of making a pitch presentation using a real presentation for a duplex



This is a sample pitch deck - not to be confused  
with a project soliciting funding



# MPLS Passive House Duplex

---

Testing the Waters  
Investor Information Guide  
February 2024

**HEIRLOOM  
PROPERTIES**

# MPLS Passive House Duplex + Carriage House

## Executive Summary

### Proposed Project

**3 units of New Construction Housing on a single lot in Southwest Minneapolis**

**All electric duplex with family-sized units will achieve Passive House Certification (by PHIUS), the highest performance green building standard for energy efficiency in the US**

### Investment Draft Proposal

**Seeking \$150,000 in investment with a 1-2 year return**

**Expected interest rate of 10%**

**Offered by hyper-local, experienced housing developers who specialize in green projects on urban infill lots**



# Executive Summary: Sources and Uses



Uses	
Land	\$325,000
Construction	\$1,039,000
Soft Costs	\$105,000
<b>Total</b>	<b>\$1,469,000</b>

Sources	
Construction Loan	\$914,000
Local Investors	\$150,000
Accredited Investors	\$100,000
Heirloom Cash, Energy Grants / Rebates	\$305,000
<b>Total</b>	<b>\$1,469,000</b>

# Radically Better Performance

# 73%

---

## Operational Energy Saved Versus a Code Minimum Structure

MN 2020 International Residential Code / International Energy Conservation Code

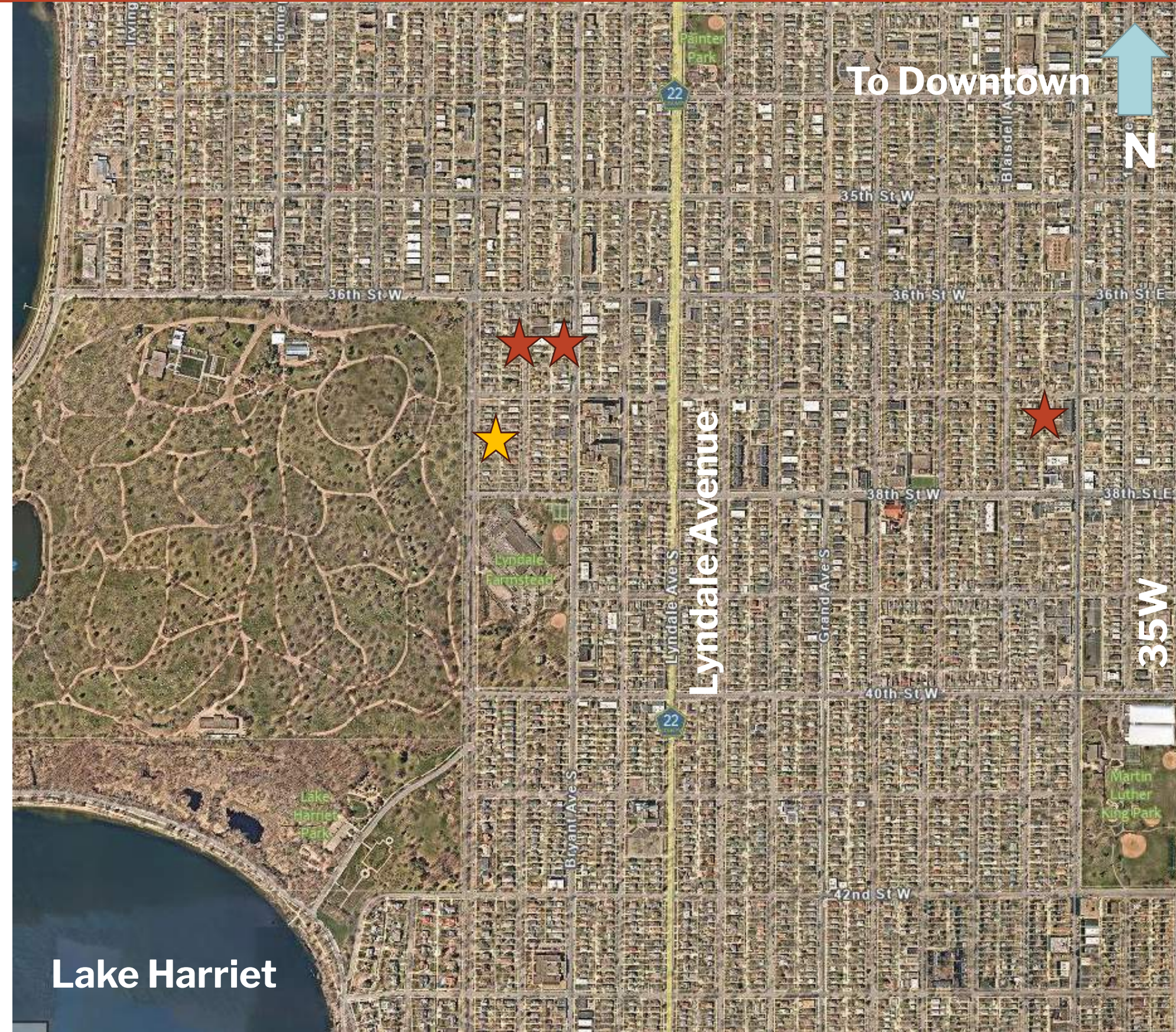
Calculated via WUFI Passive for the PHIUS Core 2021 Standard in comparison to the proposed duplex with code minimum specs

## Investing in the Future Standard

# Project Details

# Project Location: Southwest Minneapolis, East Harriet Neighborhood

- 42.5' x 130' lot on Dupont Ave S ★  
(King's Highway)
- 1 block from Lyndale Farmstead Park
- Barton Community School District
- ¼ mile to #4 Bus on Lyndale Avenue
- 2 blocks to Bryant Avenue bikeway
  
- Excellent Rental Comps for New ★  
3BD, 2BA and 1BD, 1BA Units Nearby

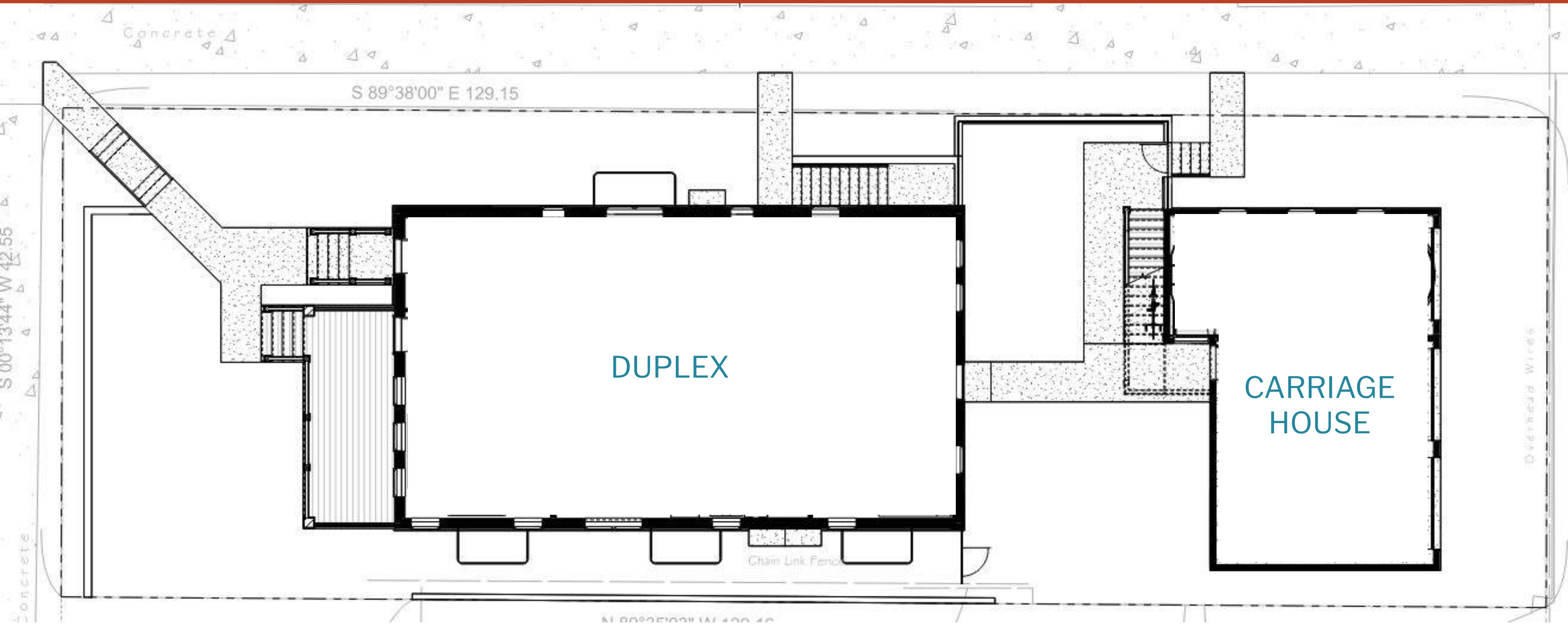


# Duplex: Building Program



- Family-sized rental homes
- 2<sup>nd</sup> floor unit: 3 BD, 2 BA + Office, 1,350 sf
- 1<sup>st</sup> floor + basement unit: 4 BR, 3 BA + 2 Offices, 2,700 sf
- Front porches for each unit
- Shared backyard
- **First up-down Passive House Certified Duplex in the US**

# Duplex: Site Plan



# Duplex: Main Floor Unit



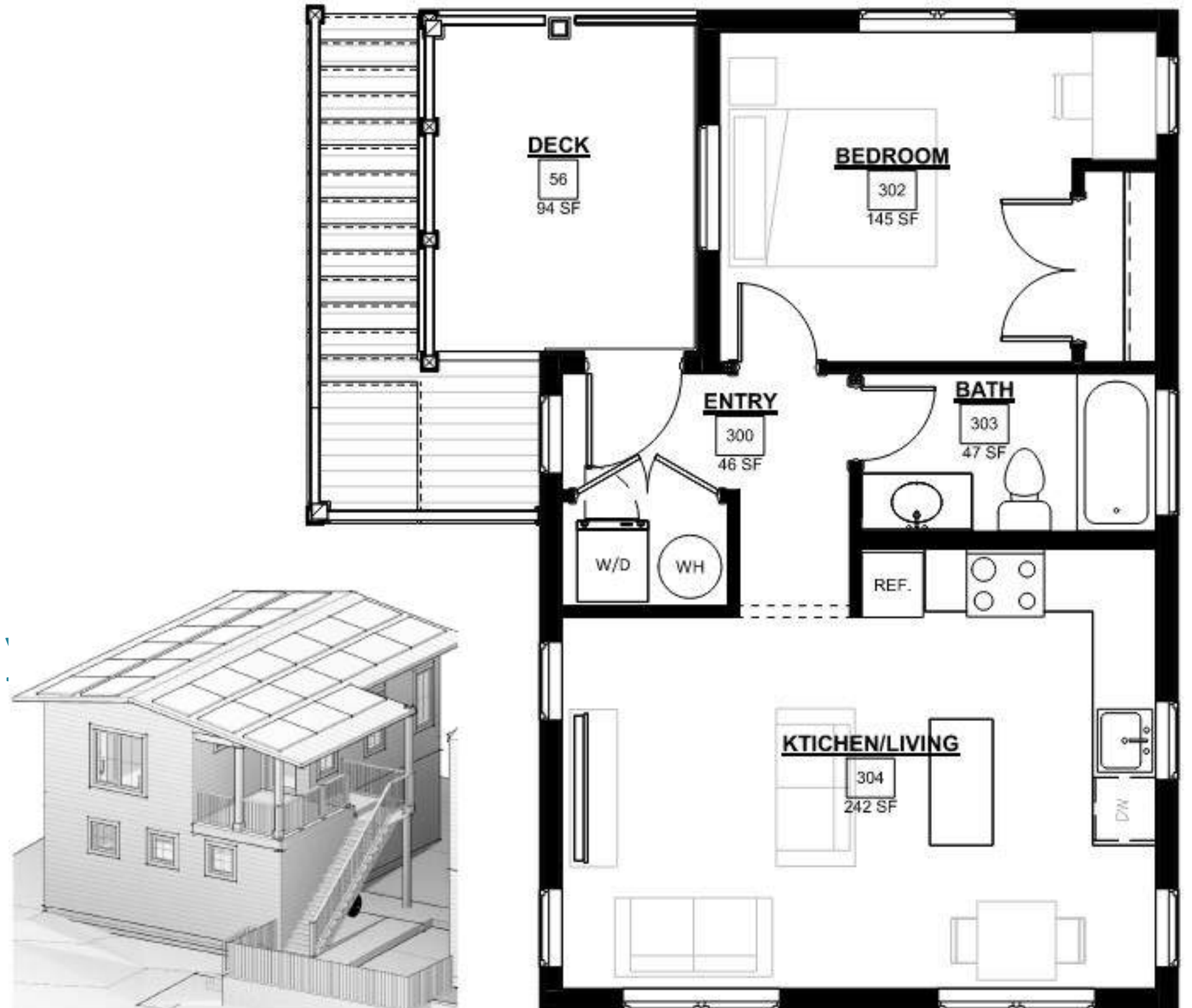
# Duplex: Upper Unit





# Carriage House: Detached Garage With Apartment

- 1 BR, 1 BA, 579 SF Unit
- South facing kitchen and living room
- 100 SF Private upper deck
- Metered utilities, dedicated water heater and laundry in unit
- Over 3 garage parking stalls, EV ready
- Zero Energy Ready Home Certification



# Team and Experience

# HEIRLOOM PROPERTIES

Operating Partner of LLC  
Project Developer

MPLS Duplex  
"Project LLC"

Accredited  
Investors

Crowdfunding  
Investors  
Via Common Owner  
Reg CF Platform

Design and Construction Team



# Heirloom Founders: Jim and Faith Kumon



## Jim

- Principal at Electric Housing: Implementation Consultant for cities, nonprofit development companies and small developers on sustainable missing middle housing
- Founder of Incremental Development Alliance, a nonprofit focused on fostering small scale housing & commercial development
- Trained over 2,000 people on missing middle development and implementation
- PHIUS certified builder
- Partner at Neighborhood Evolution



## Faith

- Affordable housing developer at a nonprofit; managed over \$100 million in new construction housing
- Currently leading 3030 Nicollet, a project with 110 units of housing over a rebuilt Wells Fargo and 4 commercial condos. Sustainable features include a geothermal system, solar & a rainwater harvesting system; includes 3 IRA credits (Energy Star MF, geothermal, solar)
- Led public private partnerships focused on sustainability, transportation & housing

# Project Experience

## The Sundial Building

Heirloom Properties (Developer and Property Manager)  
Project Completed 2023

12 Units – Studio, 1 and 2 Bedroom  
All Electric

Heat Pumps Mini-Splits & ERVs

Rainwater Harvesting

Triple-Pane Windows

33 kW Solar PV System

Targeted Net Zero Energy:

Living Building Challenge's

Zero Energy Certification



# Project Experience

## Kalamazoo Duplex + Carriage House

Electric Housing consultant to  
City of Kalamazoo (Funder) and  
Kalamazoo Neighborhood Housing Services (Developer)  
Project Completed 2022

3 Units – 1, 2 and 3 Bedroom

All Electric  
Heat Pumps Mini-Splits & ERVs  
Triple-Pane Windows  
12 kW Solar PV System  
Zero Energy Ready Home



# Project Financing and Investment Opportunities

<b>INCOME SUMMARY</b>						
<b>Unit Type</b>	<b>Rentable SF</b>	<b>Number of Units</b>	<b>Monthly Rent by Unit</b>	<b>Net Rent PSF</b>	<b>Annual Rent by Unit Type</b>	
1 Bedroom, 1 Bath Over Garage	575	1	\$1,500	\$2.61	\$18,000	
4 Bed, 4 Bath, 2 Den + Basement	2,750	1	\$4,500	\$1.64	\$54,000	
3 Bedroom, 2 Bathroom	1,375	1	\$2,900	\$2.11	\$34,800	
<b>Total</b>		<b>3</b>			<b>\$106,800</b>	
<i>Average</i>			<i>\$2,967</i>	<i>\$2.12</i>		
Gross Building Square Footage	5,601					
<b>Income Totals</b>	<b>% of GOI</b>	<b>Per SF</b>	<b>Per Unit/ Month</b>	<b>Per Unit/Year</b>	<b>Total/Year</b>	
Gross Potential Income		\$19.07	\$2,967	\$35,600	\$106,800	
Vacancy Expense	5%	-\$0.95	-\$148	-\$1,780	-\$5,340	
Gross Operating Income		\$18	\$2,818	\$33,820	\$101,460	
Operating Expenses	13%	-\$2.29	-\$356	-\$4,272	-\$12,815	
<b>Net Operating Income (NOI)</b>			<b>\$2,462</b>	<b>\$29,548</b>	<b>\$88,645</b>	

Yearly Cash Flow After Debt Service: \$19,348, Interest Owed to Investors: \$27,000



<b>SOURCES &amp; USES</b>			
<b>Sources</b>	<b>Cost</b>	<b>Per Unit</b>	<b>% of Total</b>
Construction Loan	\$ 913,635	\$ 304,545	62%
Equity	\$ 555,865	\$ 185,288	38%
<b>Total Sources</b>	<b>\$ 1,469,500</b>	<b>\$ 489,833</b>	
<b>Uses</b>	<b>Cost</b>	<b>Per Unit</b>	<b>% of Total</b>
Acquisition Total	\$ 325,000	\$ 108,333	22%
Construction Hard Cost Total	\$ 1,039,500	\$ 346,500	71%
Developer Fee	\$ 75,000	\$ 25,000	5%
Soft Cost Subtotal	\$ 30,000	\$ 10,000	2%
<b>Total Development Cost</b>	<b>\$ 1,469,500</b>	<b>\$ 489,833</b>	<b>100%</b>
<b>LOAN UNDERWRITING</b>			
<b>Construction Loan</b>			
Return on Cost/Initial Project Cap Rate		6.0%	
Debt Service Coverage Ratio		1.28	

# Return of Capital Process

Month 1 - All Investor Contributions to Escrow

Month 2 - Land Transaction / Construction Loan Secured

Month 3 - Pre Construction Ordering / Contracting

Months 4-12 - Construction

Months 13-14 - Lease Up and Project Sale/Refinancing

Month 15 - Return of Principal - All Investors

By Month 24 - Return of Interest – Crowdfunding Investors

By Month 27 - Return of Interest – Accredited Investors

**Construction Loan (62%)**

**Equity (38%)**

Accredited Investors (Class A) – \$100K  
Crowdfunding Investors (Class B) – \$150K  
Operating Partner: Heirloom Properties  
Cash, Grants/Rebates & Deferred fees

**Refinancing:**

80% LTV, 30 year mortgage Sale to Owner  
Occupant, appraisal assumed at cost

Sale facilitates return of principal equity capital  
~\$250,000 after 15 months

Interest payment to investors in the operating year  
to follow through LLC from cash flow

# Next Steps

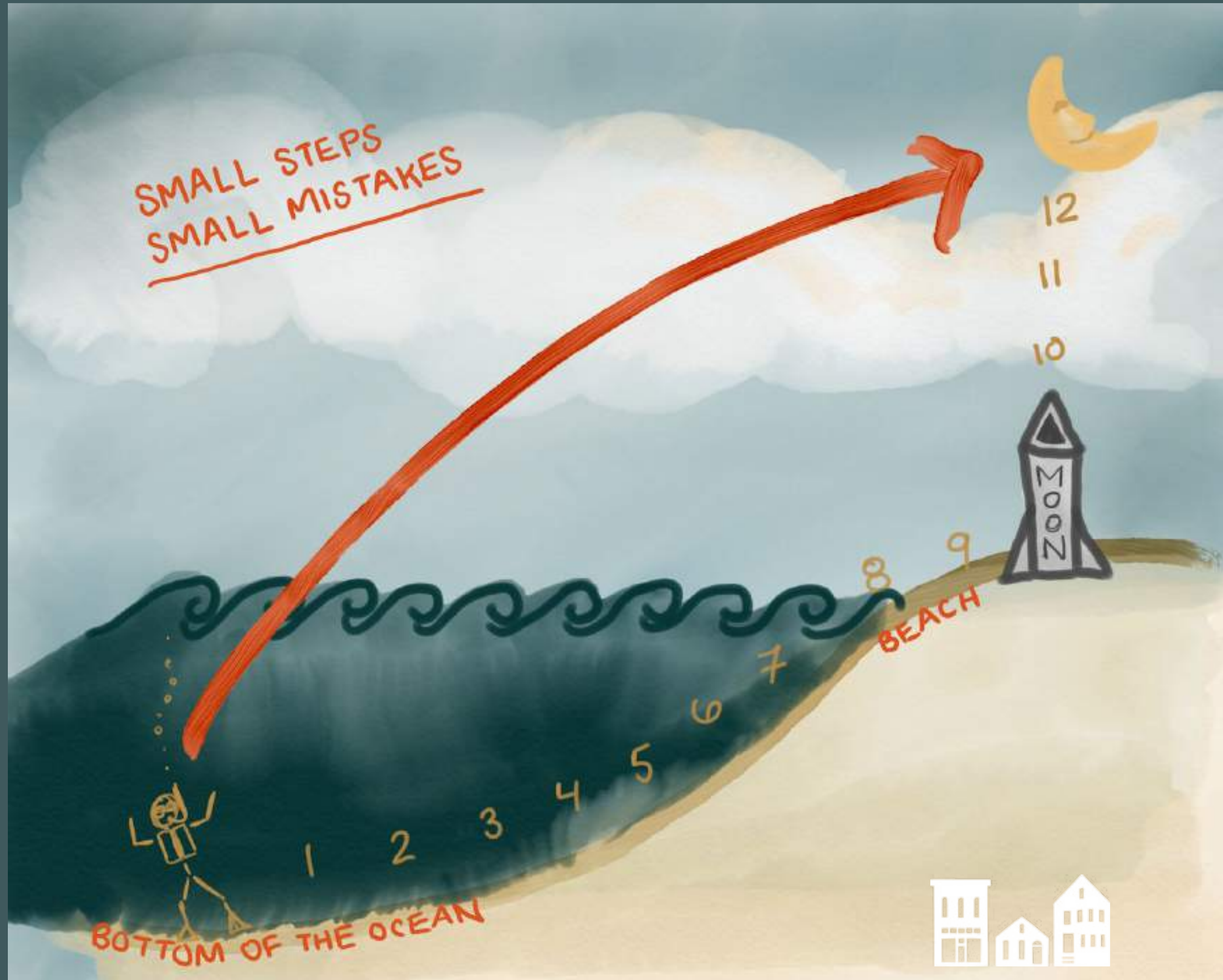
- Equity Raise
- Design to 100% CDs
- Close on Land
- Submit for Building Permit
- Construction Loan Commitment
- Potential Construction Start: Summer 2024

# Neighborhood Evolution

Readying, steadying and nurturing places to  
take their future into their own hands.

# You can make it to the moon.

Don't start building the rocket ship when you're still on the bottom of the ocean.



# Neighborhood Evolution

Readying, steadying and nurturing places to  
take their future into their own hands.