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307 East McBee

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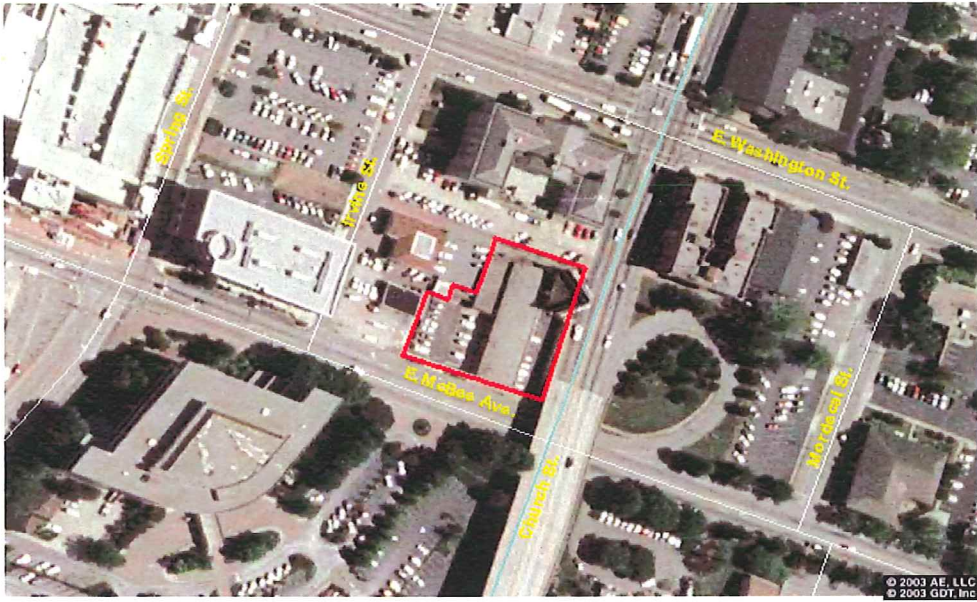
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Proposal for Construction of a
Commercial Building at
307 East McBee Avenue
(.60 acres)

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Executive Summary

This development proposal has been put together by Clemson University's first class of their Master of Real Estate Development program. The six team members are Jason Armstrong, Randy Cox, Michael Freeland, Justin Hirsch, Sean Luther, and Debi Schadel. The information that is presented in this proposal has been gathered from a number of sources including interviews, city and county records, privately developed market studies, site visits, and owner's documents. The project team was limited by the 15 week time frame allowed by the university's semester and also monetarily since no funding was provided for this analysis and proposal.

The project team chose the site from a number of sites in the downtown Greenville area with the intent of working through a theoretical development analysis and presenting a development proposal to the owners of the property, Keys Investors LLC. It is located on the corner of East McBee Avenue and Church Street in the Greenville CBD. This location is in a highly-desirable area that is projected to grow even further in the near future.

Through careful research and analysis, the project team is proposing the selective demolition of the existing structures on site and the new construction of a 37,320 square foot commercial building. Some onsite parking will be provided for the building which will consist of office space on the top 3 floors and potential retail space on the street level. All space will be for lease.

The development proposal stands to produce a total profit of \$1,201,332. It is also projected to yield a 15.3% Internal Rate of Return. The project team proposes that the development plan is further analyzed over the next 12 to 18 months as the neighboring McBee Station development comes on line. This should create a strong market for office and some retail space in the area. With the improving character of the immediate neighborhood and surrounding properties over this time period, this development proposal will be more marketable and highly successful.

Project Team

Deborah Schadel: While pursuing her Masters in Real Estate Development at Clemson University, Deborah has been employed as assistant to a land developer at Tomlin & Associates, Inc. in Columbia, SC. After graduation in May, 2006 she will continue to work with this company as a residential site superintendent. Her previous experience includes over 7 years of GIS / Market Study through a Masters in Geography from the University of South Carolina and 3 years employment with the SCDOT. She also obtained a Bachelors degree in Sociology from Fredonia State in New York.

Jason Armstrong: Jason graduated from Clemson University in 2004 with a B.A. in Architecture. He is currently pursuing his master's degree in real estate development where his major interests include residential development, specifically master-planned and resort communities. Jason has previously worked at MCA Architecture in Greenville, South Carolina; Britton & Company in Seneca, South Carolina; and The Randolph Group in Greenville, South Carolina where he is responsible for project management of The Village Townhomes at Redfearn in Simpsonville, as well as landscape and architectural review of several communities throughout the state of South Carolina.

Sean Luther: Originally from Pittsburgh, Pennsylvania, Sean C. Luther is completing his final year of the Masters of Real Estate Development at Clemson University. Sean also has a B.S. in Political Science with a specialization in Public Administration from Clemson. Sean is the founding president of the Clemson University Student Real Estate Association; he is also a two time recipient of the Ric Ridder Spirit Award.

Michael Freeland: Michael Freeland is currently pursuing a Masters of Real Estate Development degree from Clemson University. He has most recently held the position of project manager with a real estate development company in Greenville, SC. He also has 7 years of experience in the field of Civil Engineering and Land Surveying. Michael earned his B.S. degree in Forest Resource Management from Clemson University.

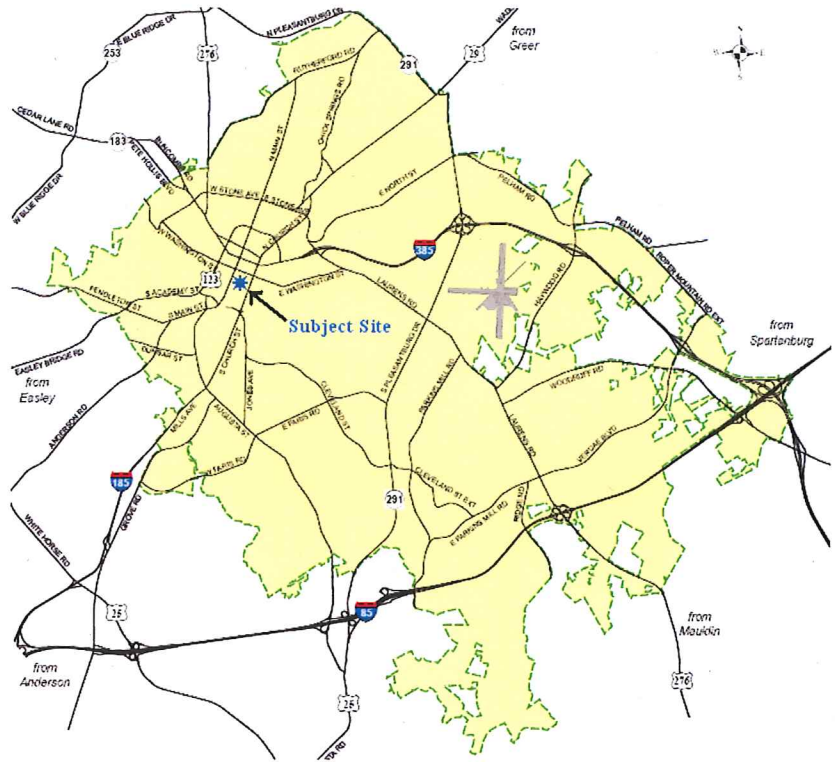
Randall Cox: Randall Cox is a graduate student at Clemson University, Graduating from the MRED program in 2006. His undergraduate is from the University of Washington, IAS in 2003 where he graduated Summa cum Laude. Randall is a retired police officer with 25 years of service. Randall has ten years of experience working in the construction industry and has held an internship as Property Manager with Tom Winkopp/Realtor Developer in Clemson, SC. His professional goals are to start and successfully operate a real estate development company.

Justin Hirsch: May 2006 candidate for Master of Real Estate Development degree from Clemson University. Before pursuing his master's degree, Justin received his BS degree in Financial Management with an emphasis in Real Estate from Clemson University in May of 2004. He has worked in Greenville, South Carolina with Grubb & Ellis| The Furman Co. for the past 14 months and is interested in pursuing a career in residential land development and master-planned communities. Justin is originally from Pawleys Island, South Carolina.

Description and Location of the Project

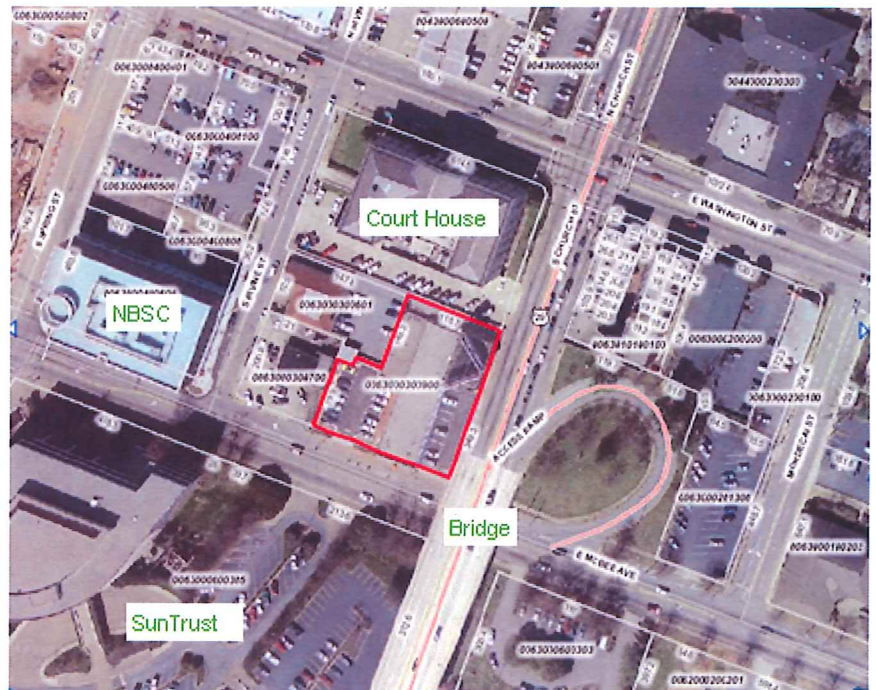
Location and Access

The property of 307 East McBee Avenue is located in downtown Greenville with easy access to S. Academy/US 123, Church Street, and Interstate 385. S. Academy/US 123 is a four lane, heavily traveled traffic artery which supplies a traffic connection to the suburban communities of Easley and Powdersville as well as Clemson University and the lakes of Oconee County. Church Street provides quick access to Interstate 185 and 85 south for trips to Atlanta (2.5 hours), Columbia, SC (1.5 hours) and Charleston, SC (2.5 hours). Interstate 385 provides a limited access connection to Interstate 85 north with connections to Greenville-Spartanburg Airport and Charlotte, NC (2 hours). Additionally, connections to the eastern



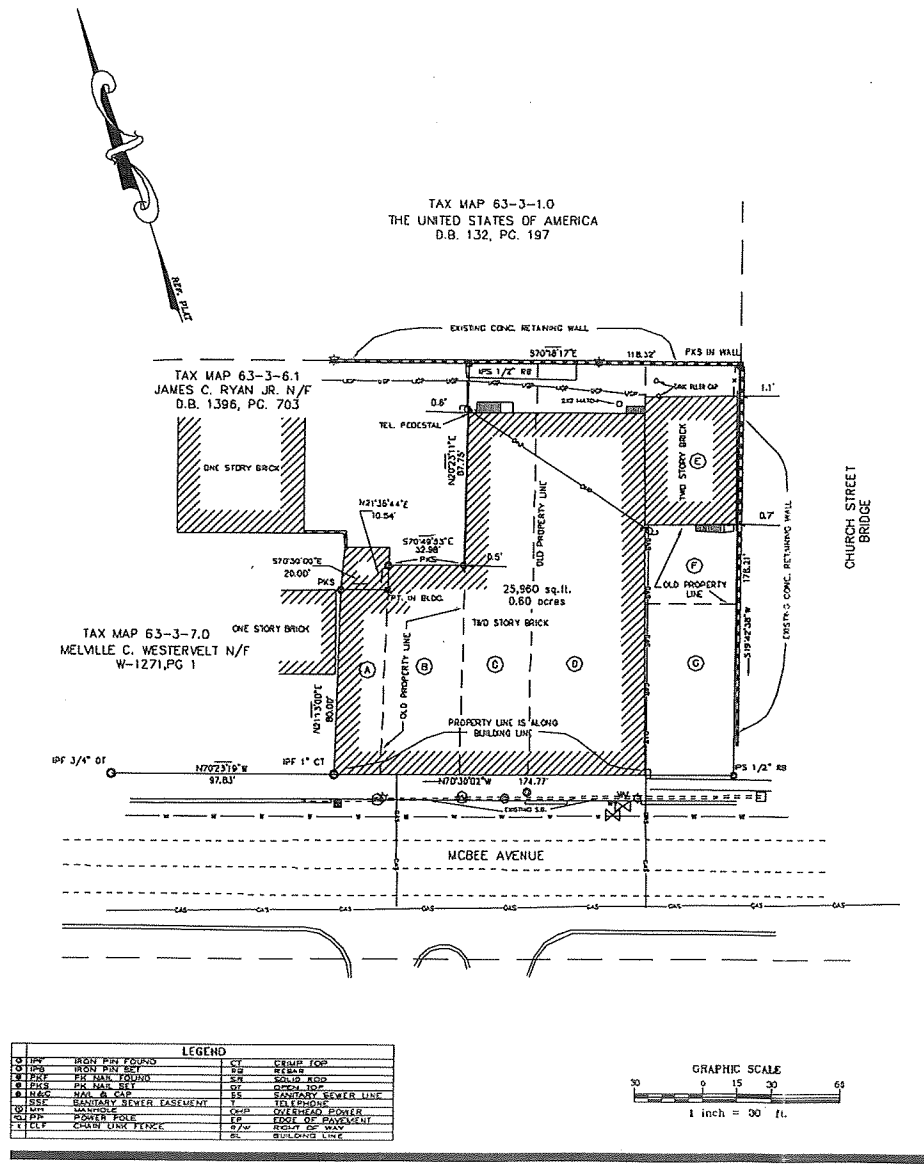
Immediate Surroundings

Currently, the neighborhood is a mix of small retail, large commercial, and large multi-family projects that includes the SunTrust and Devereux Buildings. The subject neighborhood is well positioned to absorb future commercial and residential growth in Downtown Greenville. The proposed McBee Station commercial and residential project will be located in the subject neighborhood which will encourage continued growth down McBee Street from Main Street.



Site Location

The subject's street address is 307 East McBee Avenue and is located within the city limits of Greenville, the county of Greenville, and the state of South Carolina. The subject site is legally described as "BEGINNING at PS 1/2 inch RB at the northwestern corner of the intersection of the right-of-way of Church Street Extension and Bridge with McBee Avenue and running thence along the northern side of McBee Avenue N. 70-30-02 W. 174.77 feet to a point; thence with the line of property now formerly owned by Melville C. Westervelt N. 21-13-00 E. 80 feet to a point; thence S. 70-30-00 E. 20 feet to a point in a building; thence N. 21-36-44 E. 10.54 feet to a point, thence S. 70-49-53 E. 32.98 feet to a point, thence N. 20-23-11 E. 87.75 feet to a point in a retaining wall on the property of the United States of America; thence with the southern side of said retaining wall S. 70-18-17 E. 118.32 feet to a point in a retaining wall on the right-of-way of Church Street; thence with the western side of the right-or way of Church Street and Church Street Bridge following the line of a retaining wall S. 19-42-38 W. 178.21 feet to the beginning corner." It may also be referred to as TMS number 63-3-6.2 to 9.2 or by the name the Keys Building.



Size and Dimensions

According to a plat prepared by Precision Land Survey, Inc. based on field work gathered on May 19, 1999, the subject site contains 25,960 square feet or 0.60 acres. The site is roughly L-shaped with relatively equal property line lengths along McBee Avenue and the Church Street Bridge. The property has approximately 174.77 feet of street frontage on McBee Avenue and a maximum depth of approximately 178.21 feet along the Church Street Bridge.

Access and Street Improvements

The entrance to the Keys property is located along McBee Avenue to the Southwest side of the property. The site is located three blocks East of Main Street. McBee Avenue serves as a connector between the major thoroughfares of Main Street and Laurens Road. A traffic study from 2004 in the area reveals an Average Daily Traffic count to be 7,500 cars. It is adequately paved compared to other secondary roads in the area servicing commercial uses. The site currently has three curb cuts along McBee Avenue providing direct access to the site.

Improvements

The subject site is improved with three different buildings connected together. The first building is a one-story, 1690 square foot building in the Northwest corner of the site. Building One is approximately 25 feet wide and 67.6 feet deep. The largest building is located in between the two other buildings and is a one-story, 8190 square foot building. It is approximately 20 feet tall and contains exposed steel trusses that span the width of the building. Building Two is approximately 51 feet wide and 165.59 feet deep. The third building is located on the Northeast corner of the site and is a three-story, 7200 square foot building consisting of 2400 square foot floor plates. It is accessed on the first and second floor from McBee Avenue and on the second floor from Church Street. Building Three is approximately 37 feet wide by 64.87 feet deep. Other areas of improvement are two parking lots located on McBee Avenue and separated by Building Two. The asphalt lot on the Main Street side of the site contains seventeen parking spaces. The second parking lot is located along the Church Street Bridge and contains nine parking spaces. Because of the sites topography there are concrete retaining walls along the northern and eastern property lines to stabilize the approximate 18 foot difference in height from the adjacent property owned by the United States of America and is the site of the Federal Courthouse.



Layout & Design

The subject properties three warehouse buildings that are made up of large open spaces with high ceilings. Little to no natural light reaches much of the building. Building One is the smallest of the three buildings and is made up of two rooms. Building Two has one large open room with a smaller room located in the eastern back corner. The smaller room contains plumbing. The room has large spans, the width of the building that allows for flexibility of the space. The 20 foot ceilings also provide the opportunity to add a loft space (one previously existed). Building Three has the least manageable floor plate. Much of the 2400 square feet is taken with vertical circulation and structure. The space that is left is somewhat awkward and nonflexible. Utilities run vertical through Building Three.

Site Improvements

Two asphalt parking lots and concrete retaining wall are maintained by the owner. Curbing, drainage, and sidewalks are maintained by the city. The subject property is improved by 26 parking spots or roughly 4800 square feet of asphalt.

Condition Survey

With the age and construction style of the property's improvements there are several areas that garner attention when planning for a possible renovation/upgrade. First the roof, both the tar and gravel and the structure, would have to be replaced to ensure proper movement of water. Second, all electrical systems and wiring, phone lines, plumbing and HVAC systems would have to be upgrade and/or replaced. Computer wiring would have to be added. Difficulty with a slab on grade floor will be encountered during rewiring, retrofitting, and plumbing. A structural engineer would be required to test the load factors for all flooring systems and trusses. Windows would have to be replaced and added, requiring demolition of bricked and boarded façades. Insulation of exterior wall must be investigated for best market requirements and return on investment versus keeping brick interiors.

Demolition

A through analysis of the existing buildings resulted in our decision to demolish the structures. Some of the reasons that were involved in this decision included the floor plan obsolescence, the cost to renovate, the ability to build a new structure away from the bridge and the relaxed zoning that would allow for a larger building without having to increase the parking or open space ratio.

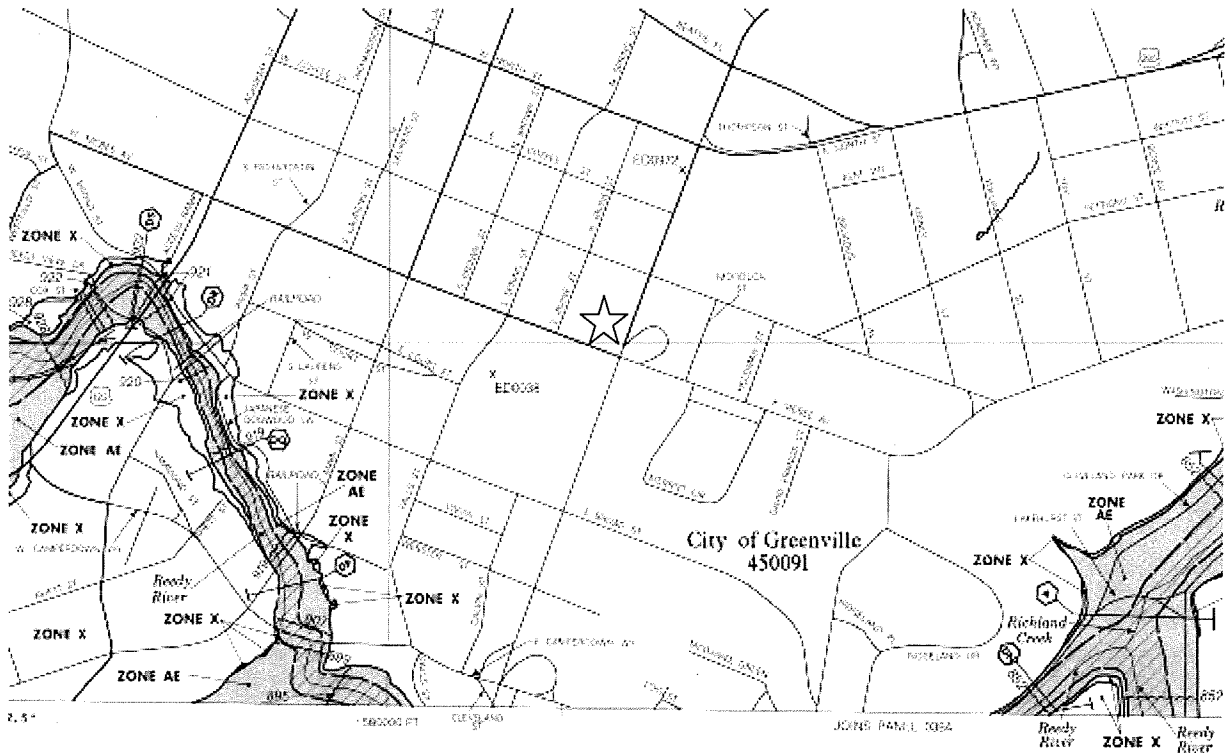
Easements/Restrictions/Encroachments

A search of the Greenville County Assessor's Office produced a series of deeds for the target property at 307 McBee Avenue, Greenville, SC. A review of those documents, copies of which are attached in the addendum of this report, reveal no unusual limitations, restrictions, easements or encroachments to the property.

After speaking with the bridge engineers at the South Carolina Department of Transportation, it was discovered that the DOT has a right of way 35 feet from the bridge that would not allow us to rebuild next to the bridge. This easement allows for surface parking and is represented in our plan for the new building.

FEMA Map

**Greenville, South Carolina
2006**



307 McBee Site – Indicated by Star

The development site at 307 McBee in Greenville, SC is shown on the above FEMA map by the star. As indicated by the above map, this site is not in any flood areas or one hundred year flood plain. Nor is it close enough to be impacted by potential flooding. The site is level and it has access to city sewer and storm drain systems. There are no unusual flood or drainage issues to be addressed in the development of this site.

Market Analysis

Population and Employment

Greenville County, similar to the rest of the South, is seeing a good amount of increase through in-migration and employment growth and is positioned to see more as the years progress. The South Carolina Office of Research and Statistics projects Greenville County to grow to 63,520 people by the year 2010, a 5% growth since 2005. This growth is attributed partially to the addition of new business coming to the area. The BMW plant alone has invested 4.58 Billion (through 2005) since 1993 in the state and is attributed to over 4,000 jobs in the region. To continue this trend of investment in the area, BMW is signed on to be a part of The International Center for Automotive Research (ICAR). This 400-acre research park will combine the forces of the private sector of Clemson University with public companies such as BMW to create a technology research center that will house international businesses as well as the new Clemson automotive engineering graduate program. Downtown Greenville has already benefited by the construction of the \$65 million Riverplace mixed-use development and the future McBee Station.

The year-end office market reports by Colliers Keenan Goldsmith and a list compiled by the Furman Company of buildings over 20,000 square feet show a downtown market that increases rent rates and decreases vacancy as you climb to Class A office space and to buildings over 20,000 square feet. Below is a list of current and historic data for downtown Greenville:

Rents

Colliers Keenan Goldsmith's year-end office market report shows that the average rents for Class A CBD office space are:

2003 – \$18.25 per square foot
2004 – \$18.50 (1.5% increase)
2005 – \$18.91 (2.2% increase)

A review of the Furman Company's catalog of office space over 20,000 square feet shows that average rents for Class A are currently at \$19.02 per square foot and that proposed buildings are averaging \$22.00 per square foot.

Vacancy

Colliers Keenan Goldsmith's year-end office market report shows that the average vacancy for Class A CBD office space are:

2003 – 11.6%
2004 – 8.7%
2005 – 11%

A review of the Furman Company's catalog of office space over 20,000 square feet shows that average vacancy for Class A are currently at 6%.

Absorption

Colliers Keenan Goldsmith's year-end office market report shows that the average yearly absorption for Class A CBD office space are:

2003 – (11,000)
2004 – 91,744
2005 – 82,041

If absorption stays similar for coming years, it is conservatively estimated that this property will lease up in two years.

Other Factors—McBee Station

One factor that must be addressed when determining the highest and best use of the Keys Building site is the impending development of McBee Station. McBee station falls in line with the City of Greenville's effort to expand foot traffic off of Main Street. Our site lays directly in between the future McBee Station Development and the heart of Main Street. This has a tremendous impact to our site in the fact that it substantially improves our potential to attract retail tenants who depend on a heavy volume of foot traffic.

McBee Station is scheduled to come on line sometime around the summer of 2007. It consists of residential apartments and condominiums, and retail space. A summary of the salient facts follows:

- +/- 65,000 Square Feet of New Retail Shops
- 30,000 Square Foot Publix Grocery Store
- 20,000 Square Foot Staples Office Supply Store
- Residential Above Retail
- Lease Rates From \$23.00 Per Square Foot NNN
- On Site Parking
- Developed By Russ Davis and The Gipson Group



Positioning the Project

The Project

The Keys Building Project is envisioned as a Class "A" mixed-use commercial building of Professional Office space and Retail space. The four-story steel framed structure would have Retail on the bottom floor and Offices on the top floors. This would provide for approximately 8,500 rentable square feet of retail on the ground level with 25,500 square feet of rentable office space above for a total of 34,000 rentable square feet.

The Process

In order to determine the design, configuration, and possible uses of this building, we first completed a site review, market study, and market analysis. This study and analysis provided information for us to properly position the building in the market and therefore provide the best possible financial return for the highest and best use of this site. We attempted to be as objective as possible and not consider any emotional attachments to the property or personal biases the current owners might have about the use of the site.

The first step was to visit the owners and the site itself. Then we conducted a survey of the surrounding businesses and a study of the general market in Greenville and the specific office and retail markets in Greenville. We also availed ourselves of information from other similar studies that have been done recently, including the Urban Land Institute study of downtown Greenville.

We then reviewed and analyzed this information by doing a comparative analysis to other markets and other projects that we were familiar with and could gather information about that fit similar market niches. We spoke with financial specialists about financing both the construction of this project and the permanent financing for the project. They also provided incite as to their knowledge of the market, the various product types and options we were considering for the project and their opinions on different types of businesses and the financing of those businesses.

We considered all alternatives from keeping the current buildings and remodeling them to demolition and putting up a new building. We also considered several different products, such as residential and business condominiums in our product mix, whether or not to include parking, and finally, we considered the possibility of purchasing other adjacent properties and giving ourselves a larger site on which to build.

The Facts

The information obtained from the client and then corroborated by the City Of Greenville's zoning laws was that this site was located in a zoning area within the Central Business District (CBD) which allowed for a great deal of flexibility in possible uses of the site. There were for example no requirements for parking, no height restrictions, no restrictions as to placing the building on the lot (from the city), and very few restrictions as to the use or mixed-use of the site. We were open to do what we wanted on this site.

Our examination of the current structures on the site revealed three unoccupied buildings on four assembled and adjacent lots in various states of disrepair or demolition. There were also two parking lots that were being used and collecting revenue, as well as a Billboard which was also collecting revenue. After looking at the condition of the buildings, talking with a city historical preservation board member, considering the architectural quality of the buildings, their design and location on the property, structural integrity, cost to remodel and subsequent maintenance, their proximity to Church Street, how they compared with other remodeled buildings in the city, the office market in Greenville in general, and their specific location with respect to other things going on in the CBD, we determined that we should demolish the buildings and build a new structure.

Due to our location near South Main Street, between South Main Street and the new McBee Station site, next to the Federal Court, across from an existing law office and bank, we considered the possibility of targeting attorneys for our office spaces and a bank and/or other related business-to-business retail such as a Kinko's, H&R Block, or Enterprise car rentals. A fitness center or similar service business targeted at young professionals would also be a good retail tenant as well as an amenity for the building.

The plan would be to target attorneys who do business in the Federal Court, such as those that do bankruptcy work, attorneys that compete with the law firm across the street from our location, and all other attorneys in general looking to move closer to downtown, gain amenities, be a better business location, and who would like to step up to a Class "A" building, such as those currently occupying office houses in the residential area very near our site. This would also be a benefit to the city, according to the ULI study.

The Conclusions

We concluded that we should build a new Class “A” structure that would meet the needs of the above clients by talking with them to see what they would want or need. The goal would be to design the space to suit their needs and simply build the building accordingly. In order to meet the time frame of this project, we made some assumptions about our structure based upon the above criteria, market analysis, and other information provided and then designed a conceptual building to meet those needs in general, while maintaining enough flexibility to fit the market demand.

At the same time, the building would have to meet site restrictions, such as the 35’ easement adjacent to Church Street, be large enough to make it economically viable, but not too large and provided parking, which we felt would be necessary to serve the high end customers, their clients and the retail customers as well. To that end we designed the building as presented to you in this report.

We concluded that the current Greenville office market downtown was not a “hot” market, but that it was adequate in general and very good when it came to the absorption of Class “A” office space. We also found that there was a large law firm and bank just across McBee from our site and the Federal Court was across the ally behind our site, which helped direct us to our potential occupants. The position between S. Main Street and the new McBee Station, along with the lack of restrictions of our site and its proximity to Church Street for advertising purposes, combined with our financial analysis brought us to the conclusion that the best market position for this site was a Class “A”, mixed-use, professional office and retail building.

Regulatory Approvals and Community Support

Our current plan for the site that now houses the Keys Building, is to demolish the existing structures in order to construct a new four story building which will consist of office and retail uses. The underlying reason for the decision to demolish and build back new was to respond to current market conditions. Our market research indicates that building new, Class A space will allow our product to be more quickly absorbed into the market. In order to carry out our plan of demolishing the building, we must first address a number of governmental and regulatory considerations.

Zoning

The site that the Keys Building is located on is currently zoned C-4 and is under the jurisdiction of The City of Greenville. According to The City of Greenville's Code of Ordinances, the C-4 District's intent is as follows:

The C-4 zoning designation intended to form the central business district where medium to high density, diverse uses and intense activity occur in an area, which also fosters residential and park uses. This district is characterized by its pedestrian oriented environment, which is enhanced by streetscapes and plazas. It is the heart of the community's civic identity and is a regional destination. The district includes uses such as retail, office, residential, entertainment, recreation, arts, lodging, and other uses required to serve the needs of people who shop, work, live, or visit downtown Greenville. The appearance and uses of structures and spaces in the location are to be configured to preserve buildings, institutions, uses, and public spaces which have contributed positively to the community's development and identity and to promote the district's role as a regional center of activity for all ages, income groups, and social interests.

Site Issues

The C-4 district is less constricted by site requirements than many other zoning districts. There are no minimum buffer requirements, except as required of parking garages or those required by the Design and Preservation Commission (DPC). There are no maximum height requirements for structures in the CBD, except as required by the DPC. There is no minimum off street parking requirement for the C-4 district.

Demolition & Construction

The first step in the demolition and construction process is to complete a demolition permit. After this is done, a certificate of appropriateness must be applied for. In the C-4 district, all new construction must comply with the terms in the Certificate of Appropriateness. In the City of Greenville, the Design and Preservation Commission is charged with the powers and duties to act upon applications for certificates of appropriateness within the C-4, central business district. Therefore, before the existing buildings on the Keys Building Site can be demolished and before any new construction can begin, we must meet with the DPC and complete all required forms. According to the Code of Ordinances of The City of Greenville, the process for obtaining a certificate of appropriateness is as follows:

(a) Consultation. Prior to submitting an application for a certificate of appropriateness, a property owner may appear before the DPC to seek advice on matters pertaining to this division or section 50-166.

(b) Required application procedure.

(1) An application for a certificate of appropriateness may be obtained from and submitted to the zoning administrator.

(2) The DPC shall, in its rules of procedure, require data as are reasonable and necessary to determine the nature of the application. An application shall not be considered complete until all the required data have been submitted. Nothing shall prevent the applicant from filing with the application additional relevant information bearing on the application.

(c) Procedure for review for certificate of appropriateness.

(1) Applications for certificate of appropriateness shall be reviewed by the DPC according to the following procedure:

a. Complete applications for a certificate of appropriateness shall be submitted to the zoning administrator at least 17 calendar days prior to the next regularly scheduled DPC meeting; otherwise, consideration shall be deferred to the following meeting.

b. Upon receipt of a complete application, the zoning administrator shall forward copies of the application to the DPC prior to its regularly scheduled meeting.

c. Notice of public meeting shall be posted on the property for which the application is sought at least 15 days prior to the public meeting. The applicant shall follow the procedures for posting of signs as established by the zoning administrator.

d. Written notice shall be sent to all property owners of record adjacent to the subject property, exclusive of streets and alleys, at least 15 days prior to the public meeting. Such notice shall contain the date, place and time of the public meeting, name of the applicant and street address or descriptions of the property.

e. The DPC shall hold a public meeting concerning the application. Any party may appear in person or by agent or by an attorney. The DPC shall provide procedures through which such parties may make comments to the DPC concerning the application.

f. The DPC shall, using guidelines as referenced in section 50-159 for the central business district and section 50-166 for preservation overlay districts, make a finding of fact to decide whether or not the applicant's plans are appropriate. The DPC's action on the application shall be approval, approval with conditions or disapproval.

g. If the DPC approves the application with conditions, or disapproves the application, the DPC must submit in writing a notice of action that details the reasons for its ruling and shall notify the applicant within five working days.

In addition to the preceding, a written narrative indicating the reasons for the demolition must be submitted. Photographs of the existing building and elevations of the proposed development must also be submitted with the application for the certificate of appropriateness.

Assuming the DPC is in support of the plan, the next step is to obtain a building permit from the City of Greenville. This can be done concurrently with the applications for certificate of appropriateness and demolition. This requires two sets of plan drawings to be submitted on 24" X 36" reproducible paper. The scale of the drawings must be 1"=20" horizontal and 1"=5" vertical.

Design Guidelines

In order to be allowed to build our proposed structure, we must follow specific design guidelines for the central business district. The Keys Building site falls within the Vehicular Zone of the Central Business District. The design goals for the vehicular zone are to define the sidewalk edge with elements that are amenities for pedestrians, to establish a sense of scale in buildings and streetscape design that can be understood by pedestrians, to minimize the visual impacts of automobiles, and to strengthen the pedestrian network of sidewalks, plazas and paths. These goals and more specific guidelines can be obtained from the City of Greenville.

Environmental

Because the Keys Building is located adjacent to a gas station, there exist a potential for some soil contamination. In addition, the existing building's age suggests that there may be some environmental hazards such as asbestos and lead paint present. Lastly, the building was once used as a printing facility. Hazardous chemical used in the printing process may remain on site. A Phase I environmental study needs to be conducted to determine whether or not any remediation efforts must be taken before development can proceed.

Design and Construction Details

The Keys Building site offers a unique blend of location, external environs, and opportunity. This distinctiveness requires special attention to design to guarantee functionality and quality. The site consists of approximately 25,960 square feet or 0.60 acres and is located two blocks from Main Street, diagonally across from the planned McBee Station and adjacent to the Church Street. All of these factors play a part in shaping the design of 307 East McBee Avenue.

The proposed four story building has a foot print of 9,330 square feet yielding an approximately 37,320 square foot building and a current total rentable square footage of 32,556. The building to land ratio is around 1.44 rentable square feet to land square feet. This is within the range of the neighborhood, but less than the average of 2.8. The building common area is close to 4,345 square feet or 11.5% of the total building area.

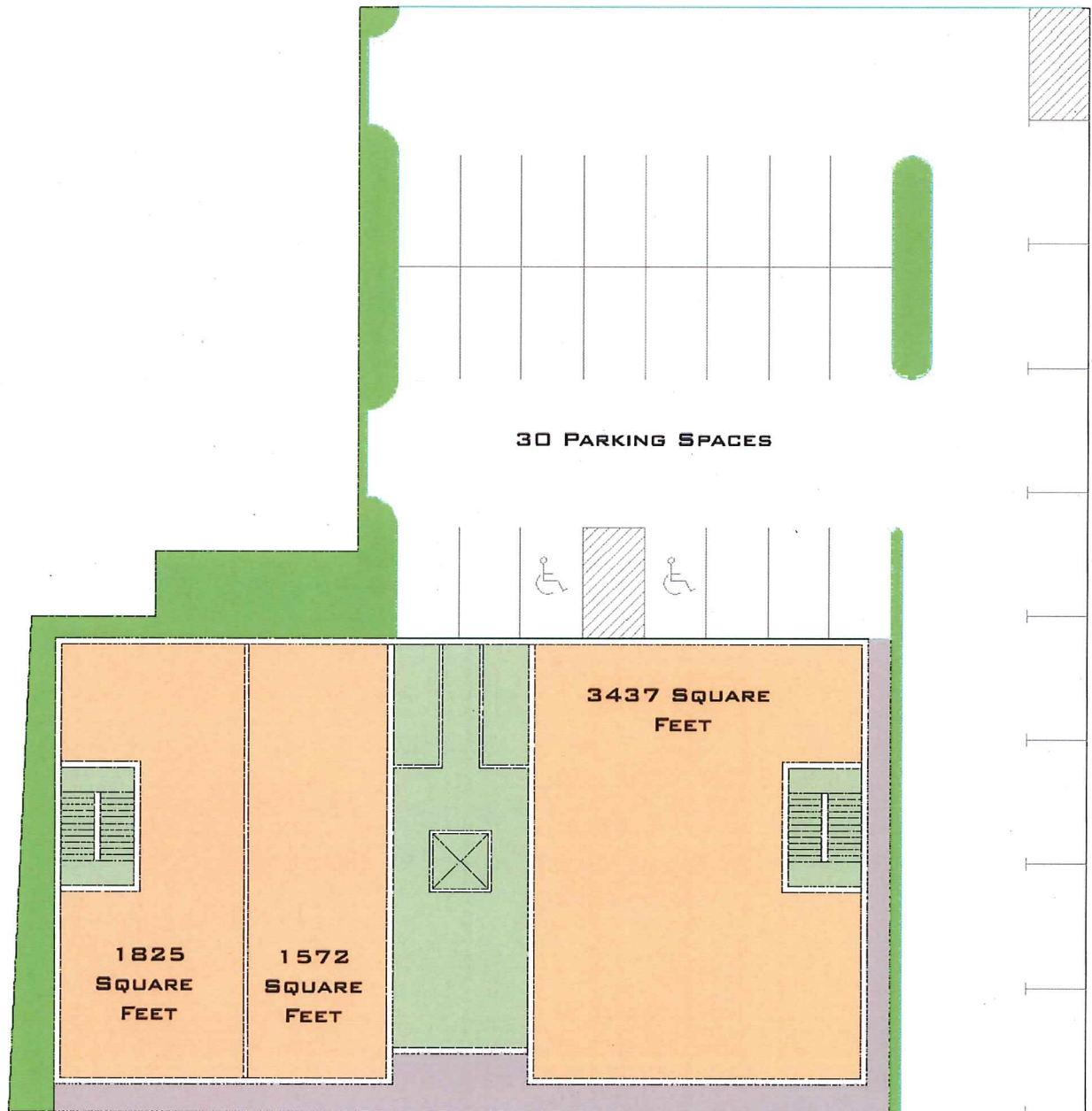
The building would be constructed using a steel support structure. Brick panels would be used at eye level to attract pedestrians and add aesthetic value. When at all possible materials from the existing buildings would be recycled and reused in construction and landscaping.

Site Layout

A thirty-five foot right-of-way limit's the build-able area of the site; therefore the conceptual 9,330 square foot building footprint was placed to the Main Street side of the site. Not only does this buffer the building from the visual and audible noise from the Church Street Bridge, but it also orients the building toward the more pedestrian friendly section of downtown Greenville. A large, central tower draws passer-bys into the building and distinguishes the entrance from the rest of the building. A roof top patio on the entrance feature could be created as a selling feature.

Within the thirty-five foot right-of-way parking, a curb cut, and entrance features are located. Landscaping will be further visual cushioning from the bridge. Sidewalks and landscaping will promote pedestrian interaction and use, and will try to build off the synergy between Main Street and McBee Station. Parking behind the building, forces the building toward McBee Avenue again stressing pedestrian interaction with the building along the 175 foot street frontage. On-site parking yields a total of twenty-nine parking spots, with two of those designated handicap accessible. The parking ratio is 0.88 parking spots per 1000 square feet of the total rentable area of 32,556 square feet. This is below the average for the buildings in the surrounding neighborhood, but is within the property's ideal range, considering there are no parking requirements for the site.

Potential Site Plan



Building to Land Ratio and Parking Ratio

Property	Rentable Square Feet	Land Square Feet	BTL Ratio	Parking Spaces	P/1000 SF
330 E. Coffee St	16,500	9060.48	1.82109557	25	1.51515152
201 E McBee Av	75,000	26832.96	2.79506994	30	0.4
300 E McBee Av	155,786	357061.32	0.43630041	300	1.92571861
125 E Broad St	30,560	27268.56	1.12070458	60	1.96335079
200 E Broad St	108,218	84506.4	1.2805894	200	1.84812138
25 E Court St	30,000	5140.08	5.83648504	0	0
21 E Washington St	7,200	1785.96	4.03144527	0	0
101 E Washington St	41,995	40075.2	1.04790494	20	0.47624717
128 E Broad St	11,440	3049.2	3.75180375	10	0.87412587
Potential Property	32884	22912.56	1.43519537	30	.90
		Average	2.82921808	Average	1.63661049

Potential Floor Plans

The four floors offer a variety of flexible options to allow the building to meet the needs of potential tenants in the market. Office suites ranging from approximately 750 square feet to 9,330 square feet and retail suites ranging from 1,575 to 3,437 square feet could be available. During this conceptual stage, a wide variety of tenant suites were assumed and designed.

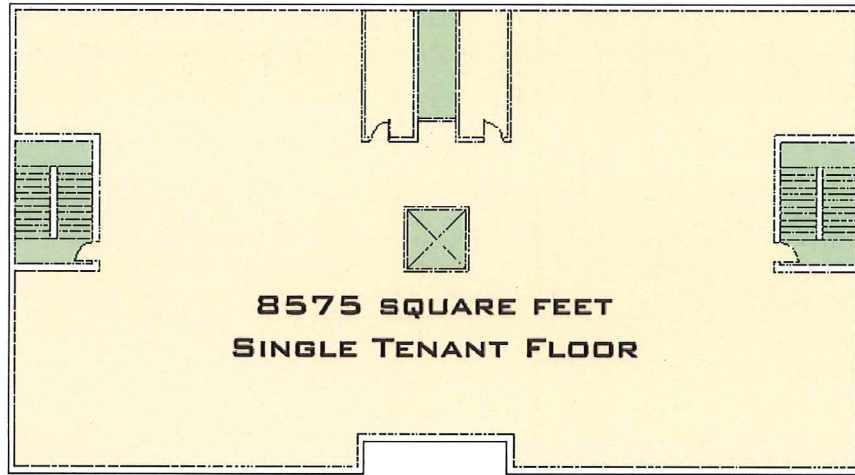
This potential ground floor could house retail space, with the potential for consumer based offices based on the success of McBee Station and the downtown Greenville retail market. Three suites could be created with one being 3,437 square feet for a larger formatted, national retail tenant or bank. Two smaller suites of 1,572 and 1,825 square feet could be adapted by smaller, more local tenants or restaurant.

This potential second floor could target office tenants looking for medium sized formatted office space. The floor contains four offices of 1,550 square feet each. Floor common area space is 1,780 square feet or 19 % of the floor area.

The potential third floor has a larger, half-floor office suite of 3,437 square feet. The third floor also has two 750 square feet and two 800 square feet office suites for smaller companies and new businesses. This floor has a floor common area of 1,500 square feet or 16 % of the floor area.

The potential top floor was left as one large 8,574 square foot suite that offers space for a large tenant to enjoy the growing Greenville skyline.

Potential Floor Plans

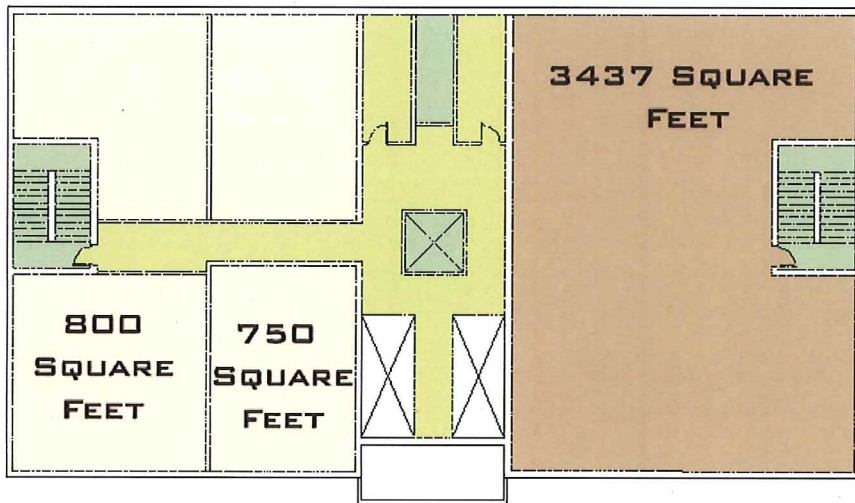


FOURTH FLOOR

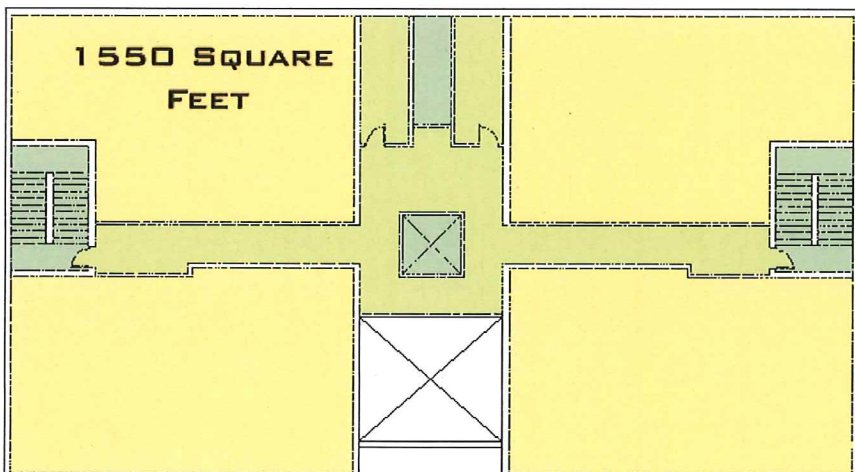
Building Common Area



Floor Common Area

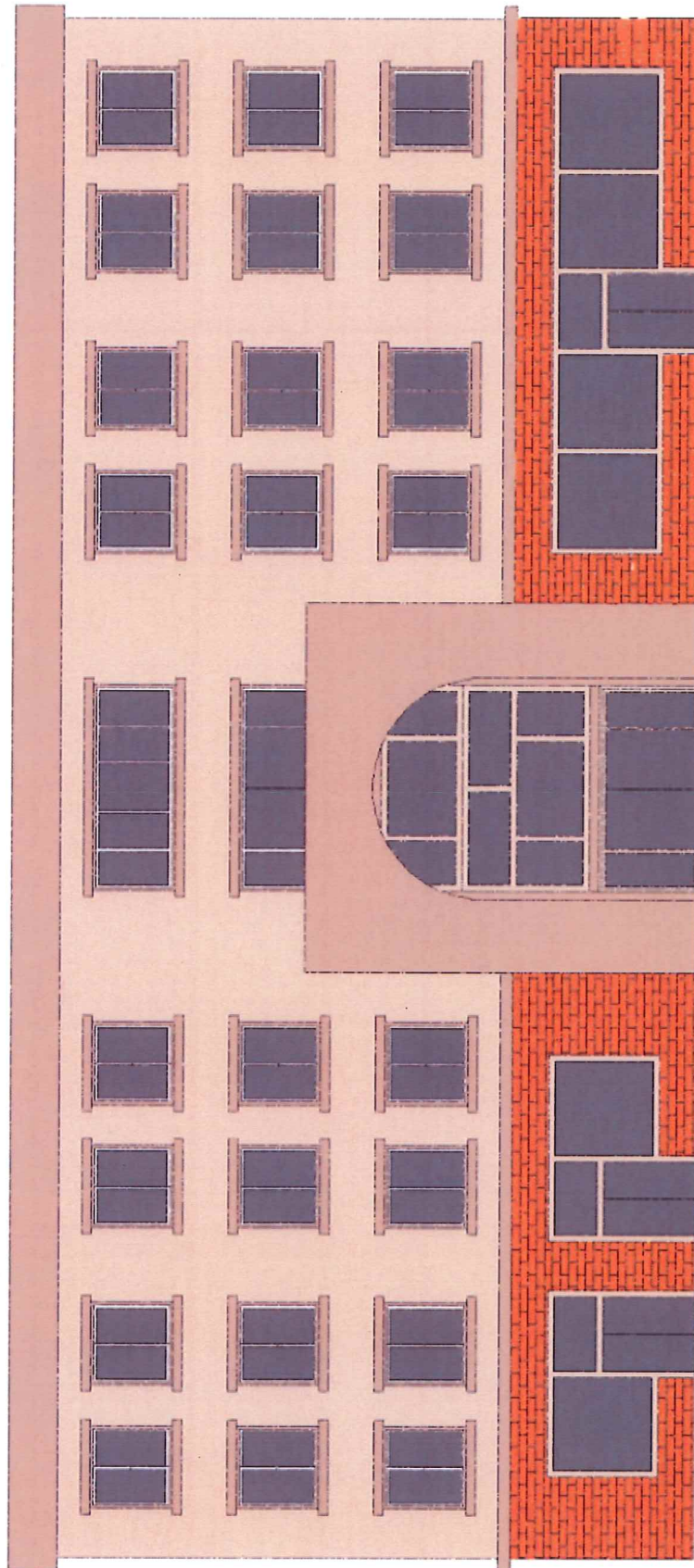


THIRD FLOOR



SECOND FLOOR

Conceptual Elevation



Schedule of the Project

In order to complete any project, but particularly a project of this magnitude there must be a process in place, hopefully a proven process, which will lead to the successful development and completion of the project. There are many ways to create and implement such a schedule, such as with a simple task list or a “program of work” format. There are also many software packages available to assist with this type of organizational method, such as Microsoft’s “Project Manager” software.

For the purposes of this project, however, a set of simple linear flow charts were created in Microsoft’s “Excel”. These are original flow charts created by the author and modified specifically for this project. They have been designed, not as a flow chart for the work that was done to complete the project from an assignment point of view, but from the point of view of someone who would actually be developing the project. They are intended to outline the major items that need to be completed in this type of project without getting into the day-to-day specifics as may be done for an actual project.

There are five charts that follow, which represent all phases of the development of a construction project from conceptualization to the subsequent completion and sale of the project. The colors used for each of the five major areas of the project are meant to distinguish the five main areas. As stated above, each of the sub-heading could be divided into even smaller categories. These charts are meant to indicate the important headings which address the major issues and questions involved in this process in order to demonstrate how the process works and the relationships between the various tasks.

The five schedules shown in order of how they would be completed are:

- Development Schedule
- Marketing Schedule
- Sales Schedule
- Construction Schedule
- Property Management Schedule

Certain assumptions are being made with the design of these schedules. They are as follows:

- This is a new mixed-use building to be built on an existing site
- The building will be built by Harper Construction as a Negotiated Partnership
- The building will be a steel frame structure taking about 10 months to build
- There will be an open design allowing flexibility for using the space
- The building will not be built until it is leased to 40% to 60% pre-leased
- Financing is in place and approvals will be obtained
- The building will be sold at the end five years
- The owner’s will manage the building prior to sale
- The owner’s will be responsible for leasing space in the building
- The project will begin based upon timing with other projects in the market
- Refer to the following schedules attached for further details.

Sales Schedule

Sales:			Months:	1	2	3	4	5	6	7	8	9	10	11	18
	Customer Contacts														
	Data Base														
	Telephone Responses														
	Email Responses														
	Response to advertising														
	Walk-In Business														
	Other Sources														
	Research Comparable Properties														
	Show Properties														
	Follow-up with Prospects														
	Lease Negotiations														
	Write Leases														
	Accept Deposits														
	Set Move-In Date														
	Follow-up: Client/Attorney														
	Follow-Up Duties														
	Assist w/Advertising														
	Maintain Records and Statistics														
	Track and Report Leases														

Construction Schedule

Construction:	7	8	9	10	11	12	13	14	15	16	17	18
Final Contract Agreement/Approvals												
Begin Construction Process												
Begin Site Work												
Demolition												
Clearing Site												
Grading as Needed												
Underground Work/Utilities												
Begin Building Construction												
Layout												
Footings												
Foundation												
Plumbing												
Framing												
Wiring												
Insulation												
Exterior Walls												
Paint												
Interior Finish												
Detail/Paint												
Cabinets/Fixtures												
Appliances												
Landscaping												
Paving/Sidewalks												
Lighting												
Complete Construction												
Complete Punch List												
Obtain Certificate of Occupancy												

Property Management Schedule

Property Management:	Months:	1	13	14	15	16	17	18	60
Pre-Lease Properties									
Continue Leasing Properties as Needed									Continues
Occupancy of Building									
Maintaining Facilities as Needed									Until
Advertising as Needed									
Promotion as Needed									Sale of
Collecting Rent									
Fixing Problems/Complaints									Building
Other Property Management Issues									
Sale of Property									

Financial Analysis

Debt Financing

Wachovia Bank offers a five year, interest only loan at "LIBOR one month" plus 2.25%. At current rates, the interest rate on the project will be 7.13%. Payments can be deferred for up to eighteen months. However, in order to maintain appropriate debt coverage levels, debt will be repaid for the duration of the lease up period at half the interest level. After a five year holding period, the bank requires that the construction loan and accrued interest be rolled into a permanent loan. The permanent loan must be set up with a separate lending institution. However, pursuant to the business plan, rather than assemble permanent lending, the building will be sold to a separate investing party. The proforma follows:

Project Financial Summary

307 E. McBee Avenue

Yearly Cash Flow Summary:

	Cash Flow	Debt Coverage Ratio	Break Even Ratio	Return on Equity
Equity Outflow	(\$1,415,530)			
Year 1 _{Operations}	\$144,507	1.26	43.96%	10.21%
Year 2 _{Operations}	\$144,143	1.27	71.74%	10.18%
Year 3 _{Operations}	\$154,502	1.31	70.15%	10.91%
Year 4 _{Operations}	\$165,125	1.34	68.61%	11.67%
Year 5 _{Operations}	\$176,017	1.37	67.10%	12.43%
Year 5 _{Sale}	\$1,832,567			

Total Project Profit: \$1,201,332

Total Development Costs: (\$7,077,650)

Costs/Square Foot: **(\$189.65)**

Performance Measures:

Profit on Costs:	16.97%
Internal Rate of Return:	15.3%
Net Present Value:	\$13,741

Operations: Expenses

Taxes

Property Tax	\$5,891	
Total Taxes		\$5,891

Operations

Insurance		\$1,095	
Accounting		\$500	
Legal		\$250	
Management Fees	5% of PGI	=	\$32,140
Maintenance		\$5,000	
Landscaping		\$1,500	
Cleaning		\$3,500	
Total Operating Expenses:			\$43,985

Utilities

Electric/Gas		\$1,200	
Telephone		\$500	
Water		\$1,000	
Elevator		\$2,250	
Total Utilities			\$4,950

Total Expenses/Year	\$54,826
Total Expenses/Month	\$4,568.86

Expense Increases 2%

Operations: Income

	Rate/S.F.		Suite S.F.	Total S.F.		Common Area Maintenance			Gross Revenue
						Building	Floor		
Office Floor 2:	\$19.5	= 1 X	8,574	8,574	+	1,086	&	0.0	\$167,258
Second Floor Totals:				8,574	+	1,086	&	0.0	\$167,258
Office Floor 3:	\$19.5	= 1 X	8,574	8,574	+	1,086	&	0.0	\$167,258
Third Floor Totals:				8,574	+	1,086	&	0.0	\$167,258
Office Floor 4:	\$20.0	= 1 X	8,574	8,574	+	1,086	&	0.0	\$171,545
Fourth Floor Totals:				8,574	+	1,086	&	0.0	\$171,545
Retail Floor:	\$20.0	= 1 X	3,437	3,437	+	543	&	0.0	\$68,773
			1,572	1,572	+	251	&	0.0	\$31,455
			1,825	1,825	+	292	&	0.0	\$36,517
Retail Space Totals:				6,834	+	1,086	&	0.0	\$136,745
Total Potential Gross Revenue/Year:				32,556	+	4,344	&	0.0	\$642,807
Total Potential Gross Revenue/Month:									\$53,567

Rent Increase Per Year:	2.5%
Expected Vacancy Rate:	11%
Lease Up Vacancy Rate:	47%

Development Costs

Acquisition Costs

Property

Sales Price: \$300,000
 Associated Costs: 5% of Sales Price = \$15,000

Total Acquisition Costs: \$315,000

Hard Costs

Demolition

Baseline @ \$3.40 X 20,000 S.F. = \$68,000
 Material Removal = Included

Total Demolition Costs: \$68,000

Building Shell

Baseline @ \$125 X 37,320 S.F. = \$4,665,000

Total Building Shell Costs: \$4,665,000

Office Tenant Upfit

Baseline @ \$33 X 25,722 S.F. = \$848,826

Total Office Tenant Upfit Costs: \$848,826

Retail Tenant Upfit

Baseline @ \$26 X 6,834 S.F. = \$177,684

Total Retail Tenant Upfit Costs: \$177,684

Common Area Buildout

Baseline @ \$30 X 4,344 S.F. = \$130,320

Total Common Area Buildout Costs: \$130,320

Parking

Surface Parking* \$1,033 X 30 Spots = \$31,000

Total Common Area Buildout Costs: \$31,000

Landscaping

Sidewalk Trees = \$2,000

Total Landscaping Costs: \$2,000

\$5,922,830

General Conditions

5% \$296,141

Profit and Overhead

5% \$296,141

Total Hard Costs: \$6,515,113

* Parking Costs includes an allowance for landscaping

Development Costs Con't

Soft Costs

Architecture & Engineering

*Design and Engineering Costs included in Hard
Costs per design build arrangement*

Appraisal	=	\$2,000	
Total Arch/Engineering Costs:			\$2,000
Insurance and Bonding	=	\$29,700	
Real Estate Taxes	=	\$8,837	
Marketing	=	\$207,000	
Total Soft Costs:			\$247,537
Financing Costs			
Escrow and Closing Costs			
No points or origination fees		0	
Total Financing Costs:			\$0
Total Development Costs:			\$7,077,650

Project Proforma

Year	0	1	2	3	4	5
PGI	642,807	658,877	675,349	692,232	709,538	
-V/C	(302,119)	(72,476)	(74,288)	(76,146)	(78,049)	
EGI	340,688	586,400	601,060	616,087	631,489	
-OE	(54,826)	(55,923)	(57,041)	(58,182)	(59,346)	
NOI	285,861	530,477	544,019	557,905	572,143	tax calc:
-DS	(227,732)	(416,729)	(416,729)	(416,729)	(416,729)	(243,087)
BTCF	58,129	113,748	127,290	141,176	155,414	(243,087)
+/-TAX	86,378	(367,566)	(129,339)	(115,797)	(101,911)	(416,729)
ATCF	(1,415,530)	144,507	144,143	154,502	165,125	176,017
		(86,378)	(30,395)	(27,212)	(23,949)	(20,603)
DCR	1.26	1.27	1.31	1.34	1.37	
OER	0.09	0.08	0.08	0.08	0.08	
BER	43.96%	71.74%	70.15%	68.61%	67.10%	
ROE _{BT}	4.11%	8.04%	8.99%	9.97%	10.98%	
ROE _{AT}	10.21%	10.18%	10.91%	11.67%	12.43%	
R	4.04%	7.50%	7.69%	7.88%	8.08%	

Conclusion

After carefully considering all of the factors outlined in this proposal, the project team feels that the development of this site will be successful. The growth of downtown Greenville off of Main Street will play a huge role in making this project economically viable. The visibility of the Keys property allows this development proposal to capture a significant portion of the growth in this redeveloping area. The arrival of McBee Station across the street from the Keys site is a significant indication of the City of Greenville's commitment to this continued growth of downtown.

With absorption rates downtown, our project is projected to be fully leased within two years after its completion. The low price paid for the property is very beneficial to the development. Through our financial analysis, the project stands to net an estimated profit of \$1,063,537. It also sits at a competitive IRR of 15%. The loan terms and financing packages offered through our interviews with bankers seem to be sufficient for the project as well.

We feel that the Keys site is a very unique site in downtown Greenville that has a lot of potential for the future. The flexibility that is incorporated into our design allows the development plan to adjust to a changing market. Our development proposal seeks to realize its full potential and provide a viable office building to fit with the future character of the street and of the site.

Appendix

Proposal for Commercial Development at 307 East McBee Ave. (0.60 acres)

Financial, Architectural, and Market Viability of a New Commercial Building.

Outline of Presentation

- Introduction of Team Members
- Location and Description of Project
- Site Analysis
- Market Analysis
- Regulatory Approvals and Community Support
- Design and Construction Details
- Schedule of the Project
- Financial Analysis
- Closing Observations

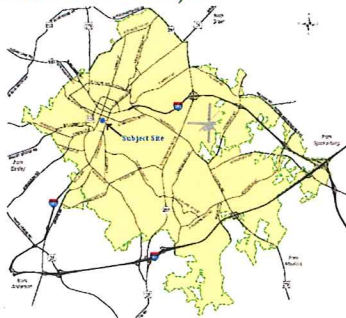
Team Members

- Jason Armstrong
- Randy Cox
- Michael Freeland
- Justin Hirsch
- Sean Luther
- Debi Schadel

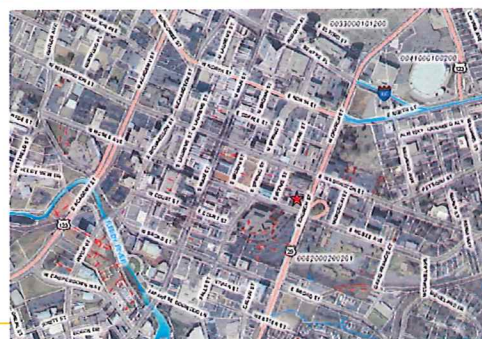
Why the Keys Site?

- Downtown Greenville
- Highly-desirable location
- Unique qualities of the site
- Wide range of possibilities
- High-growth area
- Proximity to new McBee Station development

Location of the Project



Downtown Greenville



The Site



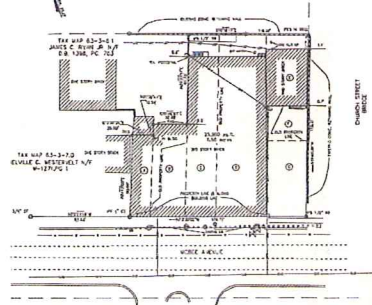
Surrounding Properties

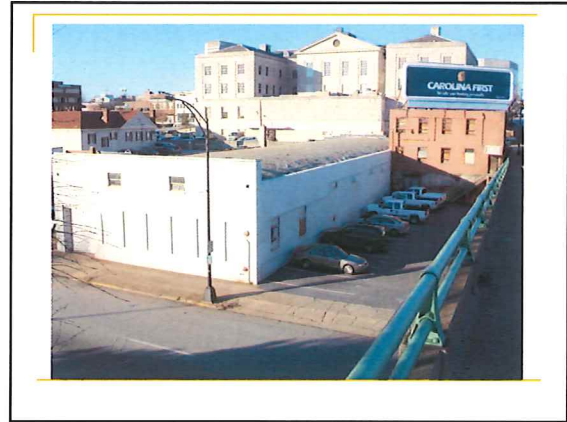


Keys Investors LLC Property

- 307 East McBee Ave., Greenville, SC 29601
- Within city limits
- Tax Map # 0063000300900
- 0.60 acres
- Approximately 175 feet of frontage along the north side of E. McBee Ave. and 180 feet along west side of Church St. bridge

Current Site Layout





Positives of Site

- 2 Blocks from Main Street
- 1 Block from parking garage
- Positioned to be the link between McBee Station and Main Street
- Only billboard in downtown Greenville
- C-4 (central business district) zoning indicates
 - No Height Restrictions
 - No On-Site Parking Requirements
 - No Maximum Lot Coverage

Negatives of Site

- Currently houses three buildings that are over 50 years old
- DOT has set a 35 foot right of way that can be used for parking, but not for building
- Church St. Bridge??
- Adjacent gas station

Market Analysis – Population and New Business

- Greenville County is projected to grow to 63,520 people by 2010. A 5% growth projection since 2005 with no signs of slowing down.*
- Recent announcements for the City of Greenville include a \$100 million expansion by The South Financial Group.
- Over 1,000 new jobs announced for 2006.

*Source: Office of Research and Statistics, Health and Demographics Division. Based on 2003 Census population estimates.

Market Analysis – Rents

- Average rents for Class A office space in the CBD:
 - 2003 – \$18.25 per square foot
 - 2004 – \$18.50 (1.5% increase)
 - 2005 – \$18.91 (2.2% increase)
- Current average rents for buildings over 20,000 square feet
 - \$19.02 per square foot
- Current average rents for proposed buildings over 20,000 square feet
 - \$22.00 per square foot

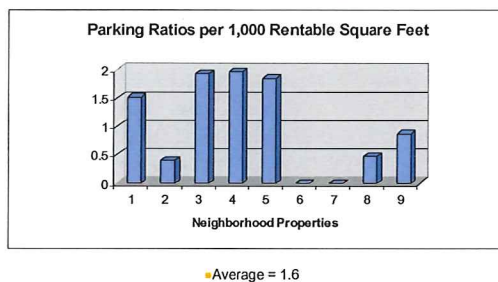
Market Analysis – Vacancy Rates

- Average vacancy for Class A office space in the CBD:
 - 2003 – 11.6%
 - 2004 – 8.7%
 - 2005 – 11%
- Current average vacancy for buildings over 20,000 square feet
 - 6%

Market Analysis – Absorption Rates

- Class A, CBD from Colliers Keenan Goldsmith
 - 2004 – 91,744 square feet
 - 2005 – 82,041 square feet

Market Analysis – Parking



Market Analysis – Positioning Project

- General Market Conditions CBD Greenville
- Federal Courthouse – Bankruptcy Court
- Bank and Law Offices Across the Street
- Numerous Attorneys in nearby Petigru Historic District
- McBee Station
- Main Street
- Perfect Location to Tie It All Together
- Pre-Lease 40%-60% and/or Build-To-Suit

McBee Station

- Will be coming online summer of 2007
- 55,000 Square Feet of New Specialty Retail Shops
- 30,000 Square Foot Publix Grocery Store
- 20,000 Square Foot Staples Office Supply
- 25,000 Square Feet Residential Above Retail
- Over 116,000 Daytime Population
- Lease Rates From \$23.00/SF NNN
- On Site Parking
- Developed By:
 - Russ Davis
 - The Gipson Group

Regulatory Considerations - Zoning

- C-4 (Central Business District) Zoning
 - Pedestrian oriented environment
 - Heart of the community's civic identity
 - Diverse uses
 - Medium to high density
 - No off-street parking requirements
 - No maximum height requirements
 - No buffer requirements

Demolition & Construction

- Permits needed
 - Demolition permit (7-10 days)
 - Certificate of appropriateness (2 months)
 - Jurisdiction of DPC
 - Consultation (Pre-Submittal Meeting) to seek advice
 - Application must be made 17 days before next DPC meeting (with substantiating materials)
 - Notice must be posted on site 15 days prior to public meeting
 - Written notice must be sent to adjacent owners 15 days prior to public meeting
 - DPC rules either: approved, approved with conditions, or disapproved

Demolition & Construction

- Building Permit
 - Can be applied for simultaneously with demolition permit and certificate of appropriateness
 - Requires 2 sets of plan drawings be submitted
 - 7-10 days for issuance after application
 - Must be approved by the fire prevention bureau after city approval

Design Requirements

- Site falls within the Vehicular Zone of the Design Guidelines of the CBD
 - Vehicular zone consists of ring of streets that encircle the core of downtown
 - Vehicular zone should be developed as an area of mixed uses including older structures and newer ones

Design Requirements

- Vehicular Zone goals and design guidelines:
 - Mass, Scale and Form
 - The overall mass of a new building should convey a sense of human scale
 - Building Materials
 - Building materials for new construction should be visually compatible with the predominant materials of the area
 - Architectural Character
 - The street level of a building should be pedestrian friendly

Environmental Factors

- Gas Station
 - Possibility of soil contamination from leaking UST
- Old Building
 - Possibility of asbestos
 - Possibility of lead
 - Possibility of mold
- Building once used as printing facility
 - Possibility of hazardous chemicals
- Recommendations
 - Phase I Environmental must be conducted to determine if remediation must begin before development proceeds

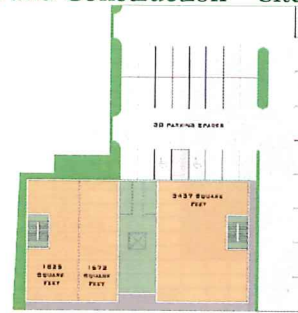
Dilemma: Build New or Renovate

- Renovation
 - Cost of renovation for all three buildings would be comparable to that of new construction.
 - Result would be approximately 17,000 sq. feet of office.
 - At rents of \$18 psf triple net would result in \$306,000 PGI.
- New Construction
 - Resulting in 32,500 square foot of office space
 - At rents of \$20 psf would result in \$650,000 PGI.

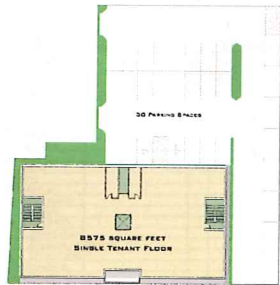
Design and Construction

- 4-story steel frame
- 9,330 s.f. footprint, 37,320 total s.f.
- Total rentable s.f.= 32,556
 - Building to land ratio of 1.44
- Parking: 30 spots
 - Parking ratio of .9

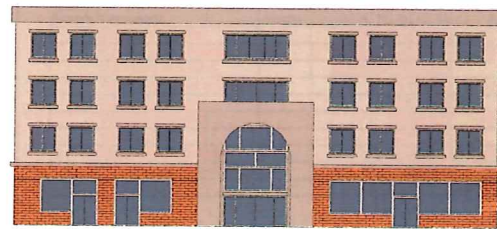
Design and Construction – Site Plan



Design and Construction – Possible Floor Plans



Design and Construction – Conceptual Elevation



Schedules for the Project

- Commercial office and retail space
- Harper Corporation as contractor partner
- Negotiated partner contract with G-Max
- The project schedules:
 - Development Schedule
 - Marketing Schedule
 - Leasing Schedule
 - Construction Schedule
 - Property Management Schedule

Development Schedule

Timeline/Phase:	Months:	1	2	3	4	5	6	7	8	9	10	11	12	13
PRE-DEVELOPMENT	Define Project - Use Letter													
	Obtain preliminary approval													
	Obtain Title													
	Land Assembly (if needed) purchase													
	Exchange Agreement													
	Secure Land-Option Contract													
APPROVALS	Obtain Preliminary Approval													
	Obtain Land-Option Contract													
	Obtain Title													
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Financial Analysis Continued:

Debt Financing

- Rate: 7.13% (LIBOR + 2.25)
- LTV: 80%
- Total Debt: \$5,662,120
- Interest Only for 5 years, PMT not required for 18 months.
- Total Interest: \$1,894,649
- Average Debt Coverage Ratio: 1.31

Closing Observations: Why this project will be successful

- Highly desirable location
- Growth off of Main St.
- Flexibility in design
- Low price of the land
- \$1,201,332 estimated net profit
- 15.3% IRR
- On-site parking
- Projected to be fully leased within two years
- Character of area around site is improving