Image thanks to Alex Bullington

Bridges at BEAVERTON CREEK

NAIOP / PSU WORKSHOP: SUMMER 2020

PREPARED BY: **CAW-BAM! DEVELOPMENT**

ALEX BULLINGTON
ANGELA PARADA
CHANNA KIM
WYATT REDFERN
MONIQUE LUM
BRANDI SMALL

Contents

Development Advisors

ALAN BRICKLEY, **PROFESSOR AND REAL ESTATE ATTORNEY WITH FIRST AMERICAN TITLE COMPANY**

JERALD JOHNSON, **PROFESSOR AND PRINCIPAL OWNER OF JOHNSON ECONOMICS**

DR. GERARD MILDNER, **PROFESSOR SCHOOL OF BUSINESS**

Special Thanks

GREG SPECHT, **SPECHT DEVELOPMENT**

BRENDT HEDBERG, **SPECHT DEVELOPMENT**

GREG DANIELS, **THE DANIELS GROUP**

KALI S. BADER, **REMBOLD**

NICOLAI KRUGER**, NICOLAI KRUGER STUDIO**

JILIAN SAURAGE FELTON, **SAURAGE CONSULTING**

JEAN BIGGS, **CITY OF BEAVERTON**

JOSEF JUDY, **CITY OF BEAVERTON**

ROB ZOELLER, **CITY OF BEAVERTON**

CADENCE PETROS, **CITY OF BEAVERTON**

GUY BENN, **TRIMET**

BRENDA MARTIN, **TRIMET**

WELCOME

Bridges at Beaverton Creek (BBC) is a six story, mixed-use development that seeks to meet the needs of varying demographics in the Beaverton community. At a cumulative 284,277 square feet BBC creates a strong sense of place in an otherwise banal part of Beaverton. The project takes to heart the idea that people want a place to call home, where they can live their best life at any age. As such, the key inspiration behind the concept of BBC is intergenerational living.

At BBC you'll find 191 market-rate apartments alongside a wing of 34 age-restricted apartments with integrated and restricted amenities. A childcare-preschool and boutique-convenience grocer in the ground-floor retail space tie the idea together. In providing all of these mixed demographics uses within the same building, BBC creates opportunities for interaction in a truly lived-in community. One that fosters bridging tenant types, encouraging a concordance that simply does not exist in other apartment communities.

Caw-Bam! Partners estimates the total projected development costs are $72.2MM and a total construction loan of approximately $44.8MM. We've projected an ROC of 6.48%.

Image thanks to Alex Bullington

SITE DESCRIPTION

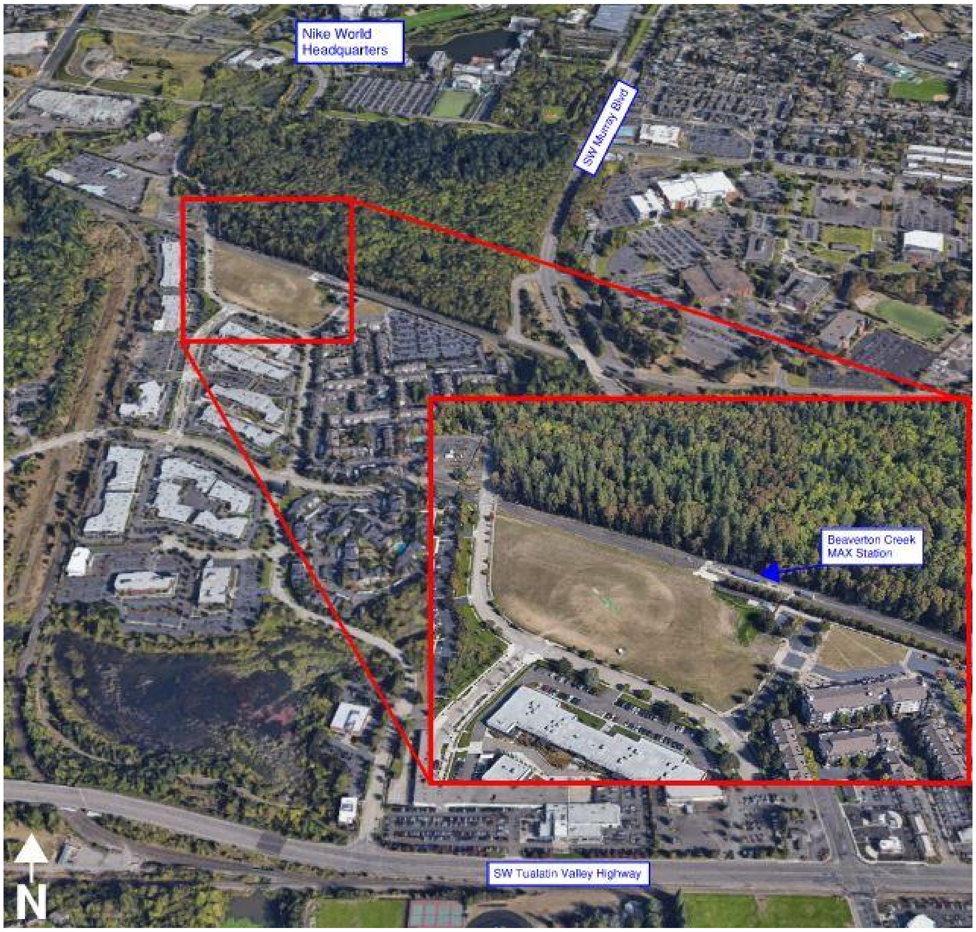


Image provided by Google

Nestled between Jenkins Rd. SW and SW Millikan Way just off SW Murray Boulevard, you'll find our site in a densely office/residential neighborhood. The two lots that make our site total approximately 6 acres. The site is directly adjacent to the Beaverton Creek light rail stops on the Max blue line. The site is zoned Station Community—Multiple Use District.

This zoning is located within a half mile of light rail station platforms and encourages mixed use with permitted uses running the gamut from office, retail, residential to service uses. (1) The Beaverton Planning Commission recently boosted FAR to a maximum of 2.00 and extended the 100' building height max to a 1/4 mile around station platforms. Securing that our design is well within code.

Zoning: SC-MU	Code Required	Provided
Minimum FAR	.4	.95
Maximum FAR	2.00	.95
Maximum Building Height	100’	87’
Minimum Units/ Acre	30	32.51
Residential Parking Minimum	1.25 spaces /unit	1.79
Residential Parking Maximum	1.8 space/unit	1.79
Bike Parking Space (1 per 20 units)	12	30

The site is one of the five areas zoned for potential participation in the Vertical Housing Development Program. The program gives developers incentive to build ground floor non-residential with residential above. It requires that the ground floor commercial be composed of no less than 50% of main street frontage. This figure can include common and pass through space not strictly commercial in nature. The benefit of participation in the program is a minimum 20% tax exemption on the improvements on every floor, beyond the ground floor. The benefit increases with density offering an additional 20% for every floor after the second with a maximum exemption of 80%. Through Calculations and conversations with the city of beaverton, it is our conservative assumption that the project would qualify for up to 60% tax exemption. (2)

Trimet

The lot directly adjacent to the site is currently owned by Trimet as a right-of-way parcel. The parcel which contributes to the flow and place making between the light rail platform and the Bridges at Beaverton Creek makes it an important addition. Through conversations with staff at Trimet and with industry professionals, we're confident that the parcel can be aquired without cash exchange through demonstration of public benefit, increased ridership, and maintenance of the public common spaces.

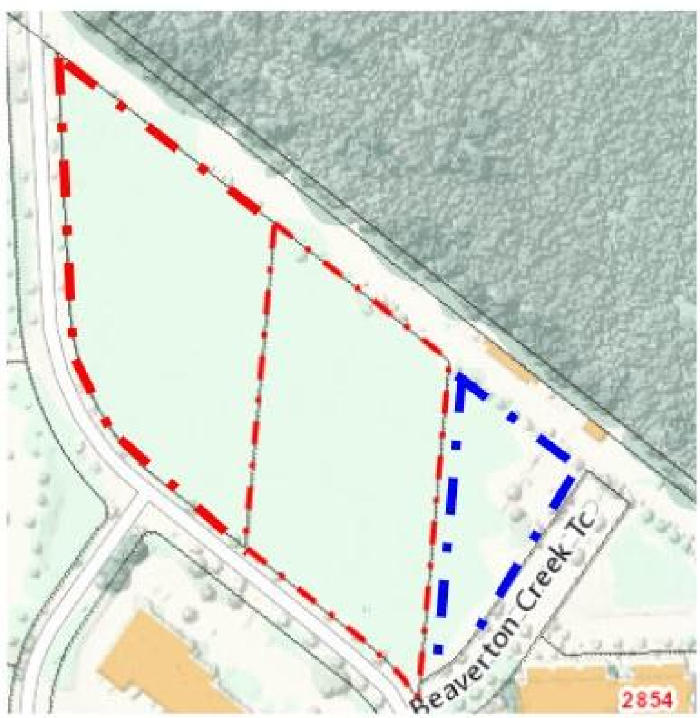


Image provided by Google

DEMOGRAPHICS

Beaverton is already the fifth largest city in the Portland metropolitan area and is the sixth largest city in Oregon. Occupying 19.62 sq. miles, Beaverton's proximity to Portland has made it a center for many major business campuses including Nike and Intel. Beaverton had a 2010 Census population of 90,151 persons living in 37,349 households.

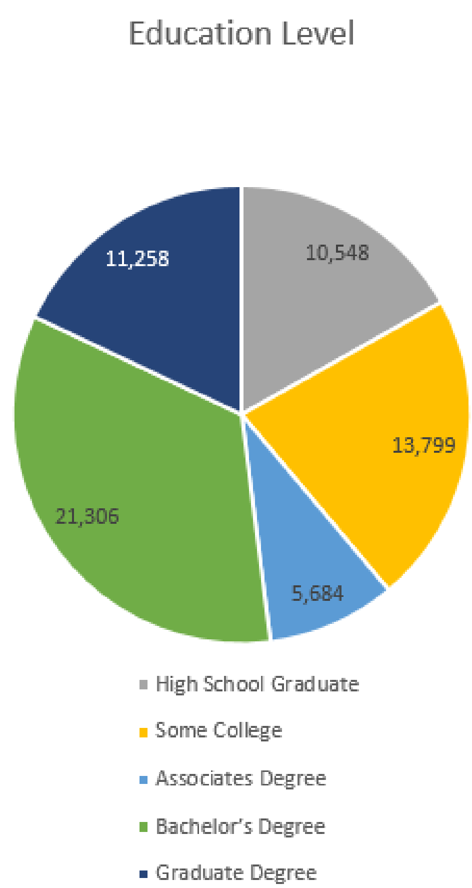
Of those housing units, 37,349 or 94% were occupied in an even split with 49% owner occupied and 47% renter occupied, leaving a very small Vacancy rate. The population has a median age of 36.2 and a very evenly split male (100.5) to female (100) ratio. Most of the population range from 25 to 55 years of age. Beaverton is a well-educated city with 56% of the population having a college degree, and over 1/3 of those, Graduate degrees (Table 1).

The most common job groups, by number of people living in Beaverton, OR are: Office & Administrative Support Occupations (7,096 people), Management Occupations (5,979 people), and Sales & Related Occupations (5,508 people). The Median Household income in Beaverton as of 2017 according to Data USA, is $64,619.

Table 1

Level of Education	Count	Percentage
High School Graduate	10,548	15.37%
Some College	13,799	20.11%
Associates Degree	5,684	8.28%
Bachelor's Degree	21,306	31.05%
Graduate Degree	11,258	16.4%

Data provided by CoStar



RESIDENTIAL MARKET ANALYSIS

The most compelling theme of Bridges at Beaverton Creek is the creation of a space that bridges the generational gap, creating a broader sense of community that benefits a wide range of generations. This concept was born out of distinct societal and market factor observations made by the Caw-Bam! Development team. The first was a discernible lack of middle-income age-restricted senior housing. This was most notable given the large amount of extremely high-end senior living product that is quite plentiful in the area.

To meet this gap, BBC seeks to provide an age-restricted option that meets the needs of this middle-income demographic through the addition of limited ancillary services combined with a smaller neighborhood community of active adults. In marketing the concept of age-restricted housing, we will refer to our age-restricted units as “Active Living” product designed to engage seniors who are independent and seeking a healthy, active lifestyle. Secondly, BBC seeks to address the large societal divide that often occurs between generations by breaking down the physical space between age groups. Encouraging through use a space where a broad range of ages have place.

Brass tacks shows us that the Beaverton Submarket has 15,678 apartment units. (3)

The average rent in Beaverton is $1293.00 with a 6.2% vacancy rate YTD.

In the last 12 months, vacancies spiked with the delivery of 230-unit Rise Central in April 2019. But despite this large new development, there has been limited construction in the past decade.

The delivery has been only 3 new buildings since 2019. Many of the neighborhoods in the outside area of Portland are gentrifying, providing young professionals with trendy living options at prices that they can afford. Western Suburbs like Hillsboro and Beaverton benefit from the presence of Intel and Nike who are among the Metro’s largest non-government, non-healthcare employers, and both are midway through substantial expansions of their corporate campuses. In July 2019 Intel broke ground on a 1.5 million SF expansion t D1X at its Ronler Acres campus in Hillsboro.

Previously the multibillion-dollar D1X development delivered 2.2 million SF in 2015, marking the largest capital project in Oregon's history. By 2021 Intel anticipates that its workforce will increase by 12%, or 1750 workers. Nike's commitment to the region has culminated in the ongoing construction of 1.4 million SF of office space at the Beaverton campus.

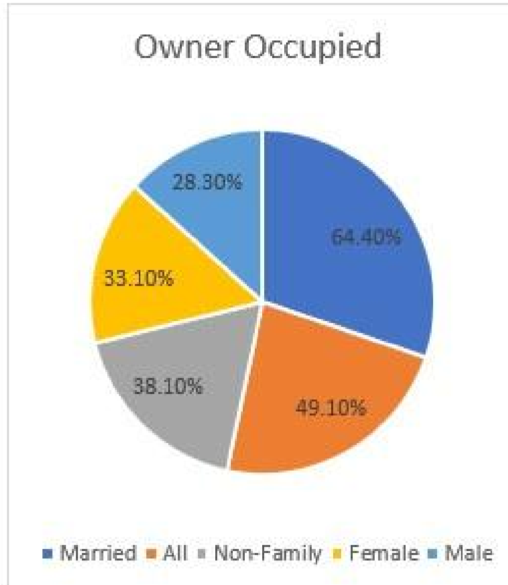
Once completed, Nike will occupy 350 acres of contiguous real estate and boast one of the largest corporate campuses in America. Nike is the number 2 employer with 3544 employees. There is an estimated increase in population to 102,830 by the year 2021.

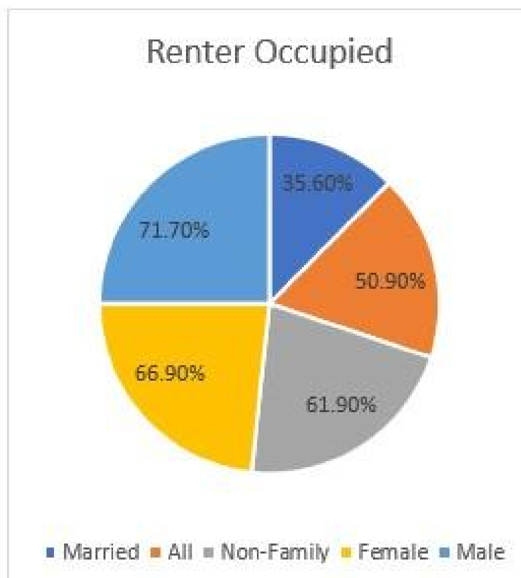
In December 2019 the 566-unit Pallas Apts. Sold for 186m (329,000/unit) at a 4.5% cap rate. MG Properties group acquired the property from the sellers Invesco LTD and Holland partner group. This marked a 33% increase in value since the property's prior sale for 140,0000 in 2016.

These two sales respectively represent Portland's second and third largest apartment trades of the last decade.

64% of Homeowners are married, with 38% Non-Family owners (Table 2).

This leaves a nearly Equal Rental Market at 50% of households potential new residents at least up. This Rental group is comprised of 62% Non-Family Renters.





Data provided by CoStar

RESIDENTIAL COMPARABLES

These the three properties set attainable rent levels for our residential units.

Westline - $2.18/sf	The Rise - $2.00/sf	Baseline 158 - $2.28/sf
Studio/676-sf $1400	Studio/561-687 sf $1423-$1725	Studio /462 sf- $ 1307-$1500
1 Bedroom/699-850 sf - $1500-$1750	1 Bedroom/732-913sf - $1739 – $1953	1 Bedroom/740 - 803 sf - $1635 - $1735
2 Bedroom/1000-1291 sf - $1850-$2000	2 Bedroom/918-1292 sf - $2230-$2600	2 Bedroom/1000-1247 sf - $2240 - $2320

Costar

Competitive Position

The Beaverton sub-market's aging stocks contribute to the lower rental rates.

Since January 2010, the Beaverton submarket of apartment rentals has narrowed the gap with Portland Metro Area from 20% ($115/SF) to only 5% ($150/SF) as of 2020.

New construction has been rare in Beaverton over the last decade, especially in comparison to the urban core submarkets. For this reason, many Employees of large corporate facilities such as Nike choose to live in Aloha and Hillsboro where inventory is newer and higher end.

Beaverton's older inventory has appealed to residents who are currently priced out of Portland. Therefore, this makes The Bridges at Beaverton Creek's strategy of building new, amenity rich intergenerational apartments a one of a kind opportunity for residents both current and future.

RETAIL MARKET ANALYSIS

The Beaverton Market has very limited new deliveries and a low vacancy rate as it pertains to retail in this area. For almost 20 years tenants have seen this location as retail difficult. However, the influx of new residents living and playing in and around this location, we believe that now is the perfect time to add our mark. Due to a high number of families in the area needing day care, we decided that this location would provide an onsite day-care and after school program. This amenity will not only serve the new residents of our community but also the needs of Nike families nearby.

Image provided by Hello Woodlands

Image provided by Merchant View 360

Image provided by PDX Monthly

Image provided by Rockland Co. Business Journal

Additionally, we also decided on a retail client such as Green Zebra or Seven -11 due to increased number of residents within the 1-5-mile radius. Currently there are over 16k people living and around this location. On a daily basis you can find residents from not only from The Pallas Apartments and Center Point Apartments, but other nearby homes walking the trails of Nike, The Tualatin Hills Nature Park and several other walking and biking trails that converge near the Beaverton Creek Park and ride. Which is located directly adjacent to the proposed site.

Retailers wishing to gain access to this market will be competing for the limited vacancies.

DESIGN

The main design goal of the Bridges at Beaverton Creek is to provide a sense of community for residents of all generations. An interior courtyard, clubhouse space, and connecting roof deck allow for plenty of space for residents to interact with each other.

From running paths, indoor gym, pool, to concierge desk, the amenities and services are designed to meet resident needs no matter their age. Through these interactions, the Bridges at Beaverton Creek allows families to stay close and for life-long connections to be made.

The structure of the building is a 5-over-1 podium, with the first level structure made of concrete and levels 2-6 will be wood framing. The ground floor podium will house the commercial spaces, secure parking, amenities, and residential leasing office and concierge desk.

Image thanks to Alex Bullington

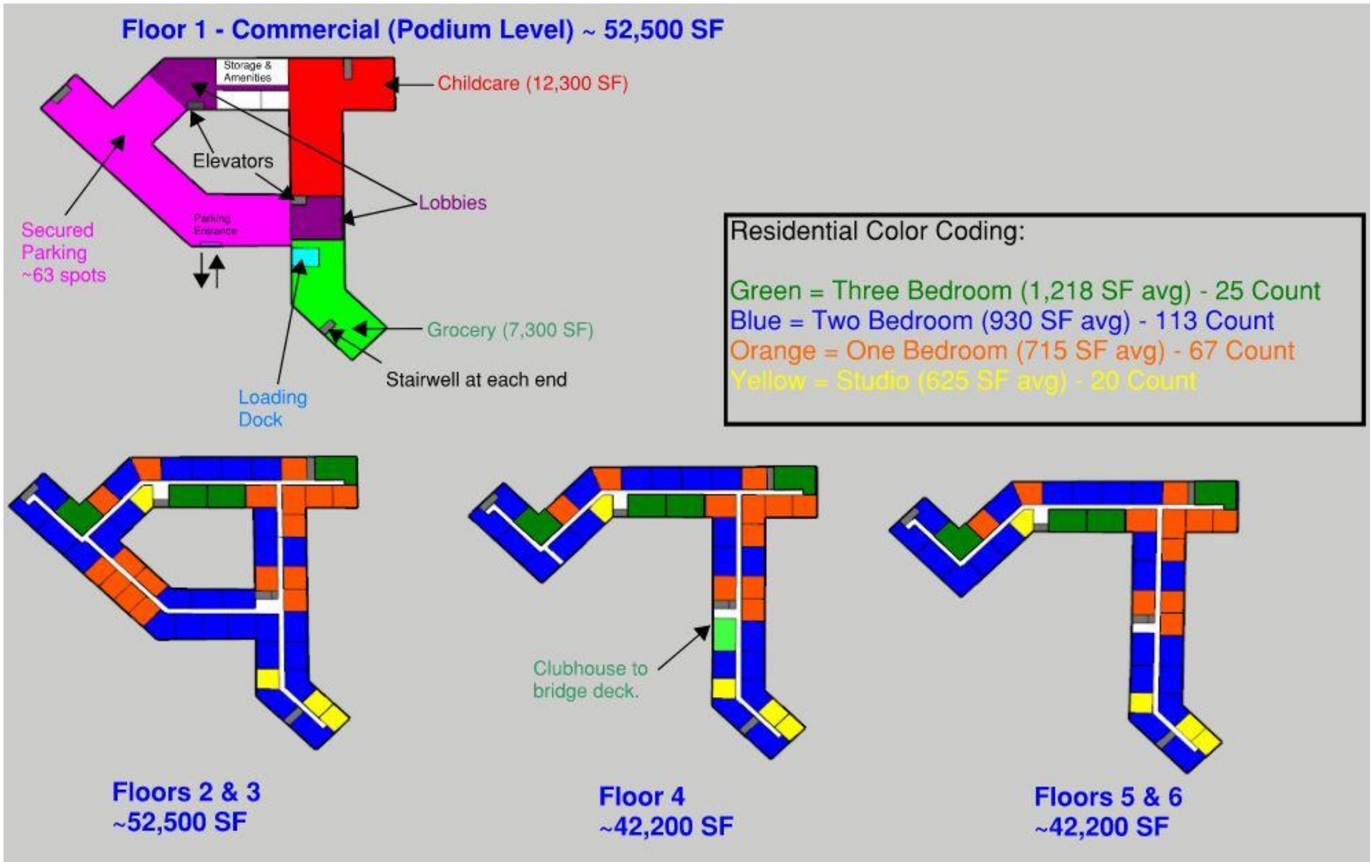


Image thanks to Alex Bullington

Floors 2-6 are very similar with their room layouts with the exception of floors 4-6 having smaller floor plates. The 4th floor is unique due to its connecting roof deck. This deck is meant to be a communal patio space that all residents have access to. If the weather is not cooperating, gathering can still be had at the 1,000 SF clubhouse on the east side.

The secondary objective of the connecting roof deck is that by being at the south elevation of the building and being lower than the main roof sunlight is still able to reach the inner courtyard for almost every month of the year. Our team has considered the current pandemic in the design features of our Bridge Community.

All of our units contain balconies cut into the structure that provides protection from the pacific NW weather and creates outdoor space for units on the exterior of the building as well as the interior facing the courtyard. These interior balconies will provide natural light as well as ventilation for units. The layout of the building considers proximity to the max-line, is situated to minimize noise and maximize the light provided by southern exposure.

Image thanks to Alex Bullington

Exterior Improvements

The paving along the north side of the property was added to provide a more direct foot path connecting the Beaverton Creek MAX station to the SW 153rd Dr. In the site's current greenfield state, a footpath has been worn into the grass indicating people already walk through this area. The new paving will provide a walkway for MAX riders away from the parking area, provide a full loop to active users to run on, and provide a transition to the Hollister trail to the woods above.

While the Beaverton Creek MAX station certainly provides transit options to and from the site, it currently is just below average usage compared to other stations. TriMet's Fall 2019 Census shows that roughly 900 people depart and return from the station on the weekdays and only about 200 on each weekend.

The expansion the Red line to the Beaverton Creek station, which will certainly be a benefit to the site shortening wait times to just 7 minutes between trains when completed, but it is still two years out. Our traffic study shows how car dependent the site is and justifies a hgh parking ratio. A Beaverton traffic count report from July 2019, there are almost 7,200 cars per weekday passing through SW 153rd Drive at the site's Northwest corner.

This shows that current main transportation method for the area is by personal vehicle and that adequate parking needs to be incorporated into the site design. Due to the size of the site, three parking areas are able to be included; the east lot is meant to serve as parking for grocer customers as well as a drop off for the childcare, the west lot will be the primary parking for residents, and finally the south portion of the building's first floor is designated for secured parking where residents can pay to have a reserved space. Between these three areas there are 402 parking spaces for residents and retail customers which gives the rate of 1.41 spaces/1,000 SF of building area or 1.79 spaces/unit.

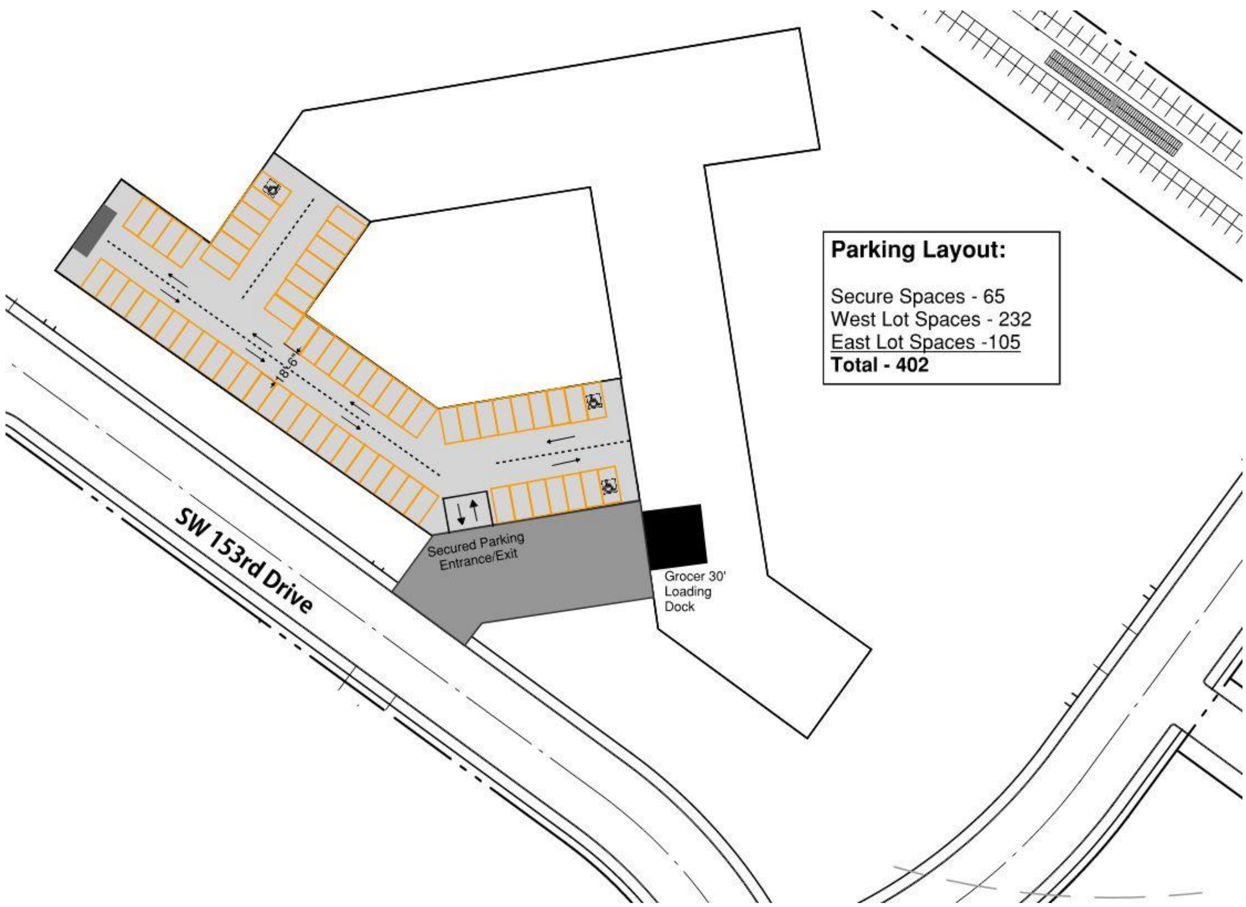
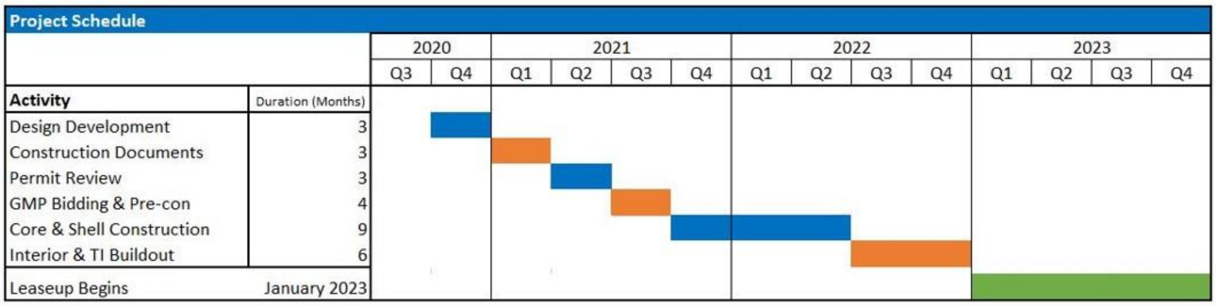


Image thanks to Alex Bullington

PROJECT SCHEDULE



Project Schedule		2020		2021				2022				2023			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Activity	Duration (Months)														
Design Development	3														
Construction Documents	3														
Permit Review	3														
GMP Bidding & Pre-con	4														
Core & Shell Construction	9														
Interior & TI Buildout	6														
Leaseup Begins	January 2023														

Assuming the development process begins October 2020 with architect selection and design development starting, it is forecasted to take 28 months to complete the project and begin lease up in January 2023. This is a conservative schedule, that through proper planning between the design team and general contractor could result in some time savings by phasing design and allowing some scopes of work to be released early.

Once construction has begun, tenants for the commercial spaces can begin being engaged. The intent of this is to be able to begin the tenant improvements as soon as the core and shell of the building is complete. If these tenants are able to begin their buildouts during the same time as the apartment interiors are being installed, by the time the building is given its certificate of occupancy the ground floor commercial space will be operational and producing rental income in January 2023 while the residential units are leasing up.

Image thanks to Alex Bullington

AMENITIES

Green Space

Per Beaverton code, 15% of the site area is required to be green space. It is also required that 25% of that green space be considered active space. By installing benches along the northern path, this gives it the designation of active space. The interior courtyard, childcare play area, and other green spaces around the parking areas total well above 50,000 SF on their own, meaning the design provides ample green space to satisfy this requirement.

Image of Bloomington Trail, Chicago

Image of Underline Park, Miami

Indoor/Outdoor Space

The building was designed to provide ample opportunities for residents to enjoy the outdoors. Amenities include a 12,000 SF internal courtyard encompassing a beautiful plaza and pool; a large green space area that includes a doggy daycare facility; an indoor gym; and an expansive rooftop deck. As evident, BBC provides numerous opportunities for residents to enjoy themselves. The large green space allows residents to go out and play with their pets, have barbecues, and enjoy other gathering options. By leaving the space undefined, it gives the community the freedom to do what they want with the space. The site also neighbors a large public wooded forest area that is filled with nature trails and running paths. The vision is for all of these amenities to encourage an active lifestyle by taking advantage of the surrounding area.

Image thanks to AMLI Arc Apt. Tower

Image thanks to Lincoln Ranch Apt

Storage

Image thanks to Troax Mesh Wire Solutions

One issue that often comes up in apartment living is the lack of space to store personal items. BBC directly addresses this conundrum by providing rentable storage space right on site, allowing residents to store items within the building and access them immediately, rather than having to go to a separate storage facility.

Daycare-Preschool

The Beaverton area community largely consists of working professionals with families. As such, there is a large need for daycares and Montessori-type schools. This need is deeply underserved as evidenced by the high prices and long wait lists at existing daycares in the areas. BBC seeks to address this need by bringing in a daycare preschool business directly on to the site. With its location on the MAX line in tandem with the neighboring Nike campus and its proximity to the highway entrance nearby, this site is a promising location for such a business and is likely to be highly successful. We anticipate reaching a waitlist within the first 3-6 months of business largely due to the recent closures of 2 Nike childcare facilities. On a broader level, this business will ultimately bring an intangible vibrancy to the site with the addition of active children playing inside and outside on a daily basis. This is a critical component we believe is very important to enhancing the quality of life and adding to the sense of community at BBC.

Image thanks to UChicago Child Development Center

PROJECT FINANCE

Our building is 284,277 square feet with 225 units of apartments and 20,702 square feet of ground floor retail. Each floor plate is about 47,380 square feet. We created a construction budget detailed by divisions based on an estimated cost per square foot. We ran these numbers by two general contractors, Swinerton and Bremik Construction. Both confirmed that the pricing is competitive and reflective of the current market.

Industry standards vetted through our combined experience and research require a significant amount of equity required upfront. Typical commercial loans for mixed use developments this size require a 40% equity contribution on total a LTC valuation.

Sources	Amount
Senior (Perm) Debt	$43,359,656
METRO TOD grant	$500,000
Equity	
Investor – 90%	$25,565,794
Cam-Bam	$2,840,643
Total	$72,266,094

Uses	Amount
Hard Costs	$51,790,100
Soft Costs	$16,675,994
Land	3,800,000
Total	$72,266,094

Expected Returns	
Return on Cost	6.5%
Leveraged IRR	
Fund Investor	18.74
Caw-Bam	26.37

Highlights	
NOI at stabilization	$4,683275
CF at stabilization	$1,671,609
NOI at reversion	$8,311,432
CF prior to reversion	$4,805,343

Bridges at Beaverton Creek Projected Value			
			Cap Rate
Apartments	$ 84,581,809		5%
Commercial	7,569,745		6%
Present Value of Tax Abatement	3,168,501	*3% inflation rate, annually, for 10 years*	
Total Value	**$ 95,320,055**	*Combined Rate*	4.91%
		Rate w/out Abatement	5.1%

CONSTRUCTION COSTS
*ASSUMPTIONS AND DETAILS

Costs estimated do not take into account the current and potential continuingly slow drop in costs due to COVID-19. Instead, our assumptions are hinged on rebound in the economy over the next year or two. We included a general contractors fee of 5% and a hard cost contingency of 5%. Finally, we added a $50 PSF Tenant Improvement allowance for the ground floor commercial tenants.

Bridges at Beaverton Creek Construction Pro-Forma

Building Summary

				Total Cost		Cost PSF
Estimated Cost						
Land			$	3,800,000	$	13.37
Hard Cost						
Building + Site Work			$	48,338,095	$	170.04
Retail TI			$	1,035,100	$	3.64
Subtotal Hard Cost			$	49,373,195	$	173.68
Hard Cost Contingency	5%		$	2,416,905	$	8.50
Total Hard Cost			$	51,790,100	$	182.18
Soft Cost						
Permit Fees			$	5,062,500	$	17.81
Design Fee	5%	*architects, engineers*	$	2,468,660	$	8.68
Leasing Commission	5%	*of first 5 years of comm. leases*	$	121,850	$	0.43
Loan Fee			$	451,031	$	1.59
Legal, Closing, Due Diligence			$	400,000	$	1.41
Real Property Taxes			$	38,000	$	0.13
Interest Until Stabilization			$	1,804,124	$	6.35
FF&E			$	500,000	$	1.76
Developer Fee	3.5%		$	1,989,841	$	7.00
Subtotal Soft Cost			$	12,836,005	$	45.15
Soft Cost Contingency	5%		$	641,800	$	2.26
Total Soft Cost			$	13,477,805	$	47.41
Operating Reserves			$	3,045,895	$	10.71

For soft costs, we had a number of assumptions as detailed below:

Permit fees were vetted by Kali Bader of Rembold and estimated at $22,500 per unit. Design fees were estimated at 5%, inclusive of architects, engineers, and consultants. Given the location and the larger commercial spaces, the leasing commission is set at 5% over the first 5 years of the lease consistent with industry standards.

The loan fee is estimated at 1% of the total construction loan. Real Property Taxes is estimated at 1% on the land value. Interest until stabilization line item is the projection of interest paid on the draws throughout the course of construction.

This was estimated to be about half the value of the construction loan (since the draws are different amounts throughout) at a rate of 4% over 2 years of construction period. Furniture, Fixtures & Equipment (FF&E) is estimated as lump sum of $500,000 for common areas. Developer Fee is 3.5%. We also added a soft cost contingency budget line of 5%

In summary, we segmented land value, hard costs and soft costs, and all together it comes to a total of $72,266,094 which is a cost PSF of $254.21. From there, we look to lenders and found that most are underwriting to max of 60% LTC. From that assumption, we calculated the construction loan, arriving at $43,359,656.98.

We looked at the METRO Transit Oriented Development (TOD) Grant since the BBC project fits the criteria to receive the grant and to hedge our assumptions and make sure that we don't activate prevailing wage, we estimate the grant to be $500,000. In combining that grant with the construction loan, it brings our developer equity requirement to $28,406,438. (4)

OPERATING PRO FORMA

*ASSUMPTIONS AND DETAILS

Residential Income

Room Type	Average Size (SF)	Count
Studio	466	20
One Bedroom	733	57
One Bedroom – Age Restricted	840	10
Two Bedroom	912	89
Two Bedroom – Age Restricted	886	24
Three Bedroom	1192	25
Total	**191,680**	**225**

Our market rate apartment prices range from $3.22 PSF (studios) to $2.27 PSF (3BD). Our senior age restricted apartment prices range from $2.74 PSF (1BD) to $3.05 PSF (2BD). These bumped up prices reflect the added costs associated with the benefits of the furnished and programmed active seniors community room, on site concierge service, and other add-on services. We also carved out ground floor space for 65 spaces in our secured parking.

These parking spaces which are set at $150/mo are competitively priced along other unsecure parking prices throughout Beaverton. Our secured storage is priced to rent at $100/mo. We included utility reimbursements estimated at 85% as well as a late fee estimated a $1000/mo. Finally, we included a vacancy rate of 5% for a total annual gross revenue on apartments of $5,881,212.

Commercial Income

For the ground floor commercial, we have specific tenants in mind to ensure the success of these businesses in tandem with our community’s needs. The first is a 7,295 square foot community convenience grocery store . We are envisioning something akin to a Green Zebra or a Basics Market - small, local, fresh. We were surprised to find that the nearest grocery store to this site is New Season Market in Cedar Hills, which is 4.6 miles away.

Given the large number of apartments in the immediate vicinity, plus the MAX station commuter traffic, we imagine this could be a destination for many people looking to grab some groceries on their way home without the hassle of driving to a large store. We estimated an annual rent PSF of $24.00 with a NNN lease.

The second is a large 12,357 square foot daycare preschool. Not only is this tied directly into our focus on intergenerational living, but it meets a sudden and desperate need for the over 500 Nike employees affected by the abrupt closure of all Nike daycares. (5) We see this as an ideal site for a Montessori-type daycare preschool, or even a large established chain such as Primrose School or KinderCare. For this business, we estimated an annual rent PSF of $24.00 with a NNN lease.

For the final piece we created a small retail space outside the building footprint to accommodate up to 3 food carts. These carts will have designated 350 square foot spots with hookups for electricity and water (each independently metered), and all will share a communal seating area outside for their guests to enjoy. We estimated an annual rent PSF of $15.00 with a NNN lease. While confident in the tenant mix, retail has historically had issues in this location, as such we've accounted for it with an boost in our vacancy assumption. 10% vacancy on the total annual gross revenue of commercial, putting us at $573,221.

Residential Expenses

We crafted our estimates utilizing industry standards for our building type and seeking input from owner/operators in the area. Our expenses are reflected as a percentage of apartment income. These percentages were shared with us by property managers in the area who are managing a similar product.

You will note we included a more exaggerated management fee, this is done intentionally to account for the added employee hired to help manage concierge services in our age restricted active senior units. For the commercial, we estimated our expenses as a cost per square foot.

This brings our overall NOI to $4,683,275.14

We added a budget expense line item for Replacement Reserves each for the apartments and the commercial space. These numbers were pulled below the NOI and are reflected in the cash flow analysis.

INCOME SUMMARY

Bridges at Beaverton Operating Pro-Forma									
Income									
Tenants	Lease Type	Unit Qty	Rent	Avg Square Feet	Total SF	Monthly Rent	Annual Rent	Monthly Rent PSF	% of Gross
Apartments									
Studio MR		20	$ 1,500	466	9,320	$ 30,000	$ 360,000	$ 3.22	5.58%
1 BD MR		57	1,800	733	41,762	102,600	1,231,200	2.46	19.08%
2 BD MR		89	2,200	912	81,148	195,800	2,349,600	2.41	36.40%
3 BD MR		25	2,700	1192	29,795	67,500	810,000	2.27	12.55%
1 BD AR		10	2,300	840	8,400	23,000	276,000	2.74	4.28%
2 BD AR		24	2,700	886	21,255	64,800	777,600	3.05	12.05%
		225	$ 2,150	852	191,680	$ 483,700.00	$ 5,804,400.00	$ 2.52	89.93%
		Total	*Avg*	*Avg*	*Total*	*Total*	*Total*	*Avg*	
Additional Income									
Secure Storage		50 *units*	$ 100.00				$ 60,000		0.93%
Covered Parking		65 *spots*	$ 150.00				117,000		1.81%
Utility Reimbursements	*85% of total utilities cost*						197,350		3.06%
Late Fee							12,000		0.19%
							6,190,750		95.91%
Vacancy		5%					(309,537)		4.80%
Gross Revenue Apartments							$ 5,881,212		91.12%
Ground Floor Commercial								Annual Rent PSF	
Grocery / Convenience	NNN	1		7,295	7,295	$ 14,590.00	$ 175,080	$ 24	2.71%
Childcare / Pre-School	NNN	1		12,357	12,357	24,714	296,568	24	4.59%
Food Cart Pad	NNN	3		350	1,050	1,313	15,750	$ 15	0.24%
					20,702	$ 40,616.50	$ 487,398		7.55%
Ground Floor NNN Reimbursement			$ 6.50				134,563		2.08%
Vacancy		10%					(48,740)		0.76%
Gross Revenue Retail							$ 573,221		8.88%
Effective Gross Income							**$ 6,454,433**		**100.00%**

EXPENSES SUMMARY

Bridges at Beaverton Operating Pro-Forma				
Expenses				
OpEx - Apartments	Per Unit	Annual	% of Apt OpEx	% of Apt Income
Management Fee	$ 1,147	$ 258,177	16%	4.00%
Administrative	206	46,431	3%	0.75%
Advertising & Promotions	142	31,957	2%	0.52%
Payroll	1,101	247,630	15%	4.00%
Maintenance & Repairs	206	46,431	3%	0.75%
Turnover	206	46,431	3%	0.75%
Utilities	1,032	232,176	14%	4.00%
Contract Services & Grounds	275	61,907	4%	1.00%
Property Taxes	2,751	619,075	37%	10.00%
Insurance	275	61,907	4%	1.00%
Total OpEx - Apartments	$ 7,343	$ 1,652,122	100%	27%
OpEx - Commercial	PSF Retail	Annual	% of Comm OpEx	% of Retail Income
Management Expenses	$ 2.75	$ 56,931	48%	10%
Property Taxes	$ 3.00	62,106	52%	11%
Total OpEx - Commercial	$ 5.75	$ 119,037	100%	21%
Net Operating Income		$ 4,683,275		
NOI - Apartments		$ 4,229,090		
NOI - Commercial		$ 454,185		
Replacement Reserves		*Annual*	*% of Respective OpEx*	*% of Respective Income*
RR Apartments	*$ 550.29 per unit*	*123,815*	*7%*	*2.00%*
RR Commercial	*$ 1.00 per SF*	*20,702*	*17%*	*4%*

In summary, we included assumptions of an apartment cap rate at 5% and a commercial cap rate of 6%. For the total value calculation, we also included the present value of the tax abatement from the City of Beaverton's Vertical Housing Tax Credit Program for which the BBC project is eligible for 60% of tax abatement.

This present value is included here for the purpose of calculating value today, but the abatement is also included in the cash flow analysis at the abated rate.

This brings our total value to $95,320,054 at a combined (exit) cap rate of 4.91%.

EQUITY INVESTOR RESEARCH

When analyzing potential ways to raise equity, we had to look into Qualified Opportunity Zone Funds, as the site is located within an Opportunity Zone. Our team also did research into PACE Equity possible through a hybrid loan.

While a Qualified Opportunity Zone Fund may be a feasible option to consider, it's complicated applicability ran beyond the scope and time allotted for this exercise.

We can report that our research found that, the prospective owner may consider raising equity by creating a Qualified Opportunity Zone Fund. The site is located in a Qualified Opportunity Zone. Creating a separate Qualified Opportunity Zone Fund, LLC as an equity investor is a tax advantageous vehicle that could attract accredited investors.

Nearby Portland Investors, especially those with small investments are looking to get out of the Portland market with SB 608 - rent control and IZ in place. Investors may through a Qualified Opportunity Fund, sell their investment and pay no capital gain tax on the sale until 2026. Furthermore, any tax on appreciation earned on the investment of the newly constructed property if held for 10 years is eliminated.

While we looked into this the Oregon PACE , which offers equity to the owner of the property for increasing sustainable features. In consulting with local developer and submarket authority, Kali Bader informed us that the state of Oregon makes this program non-viable in a multifamily development. PACE which stands for: Property Assessed Clean Energy is an innovative finance tool, legislated at the State level, which allows real estate owners and developers to fund specific building upgrades, as well as new development projects, repaid over a long term (up to 30 years) with fixed payments as a special assessment on the property tax.

PACE funding is considered equity and can be up to 30% of the construction loan. In general any item which has a quantifiable utility, water or renewable impact is eligible. (Appliances, Windows, Bathrooms, Exhaust Controls, Elevators, Escalator, HVAC Systems, Led Lighting, Parking Lights, Building Skin, Signs, Modern Plumbing Fixtures).

The Oregon Pace program is so stringent in it's requirements above code that it is not financially feasible to obtain PACE Equity Hybrid financing in Oregon for multi-family properties. This is unfortunate as other states are able to take advantage of this program with lower sustainability requirements that balance feasibility with environmental impact.

The team also considered during our initial feasibility and later as large amounts of equity became necessary, the use of Low Income Housing Tax Credits. With the size of the project, the multi-use components, and addition of age-restricted units made the variables to conduct a thorough analysis near impossible.

We did through research learn that a nearly a quarter of all beaverton residents are rent burdened, paying more than 50% of their income toward their rent. We also know that our project had the opportunity to be competitive in the current point preference structure dictating the allocation of tax credits in its location as a transit-oriented development, the amenity mix and family sized units. The issues that would have been difficult to overcome was the need to request more than 10% of the states total allocation from the IRS and getting the required rent subsidies to be competitive.

CASH FLOW ANALYSIS

Stabilized cash flow is projected to occur two years after construction is complete. For the year immediately following construction, there is an estimated 60% lease-up. Once stabilization has been achieved, we are estimating a 5% rental increase per year based on market comparables. This 5% rental increase is additionally tested in our sensitivity analysis. In order to account for inflation, we have estimated 2.5% inflation for this project in the cash flow analysis. In terms of vacancy, we have estimated 5% for the residential apartment section and 10% for the commercial section. These estimations have come from various sources in our research in an attempt to provide the most accurate cash flow analysis. In regard to the loan, we have a 5.25% interest rate which will switch over to a 6.6% ADS constant on a thirty year loan based on our loan amount of approximately $43,000,000. This loan in addition to the equity in project, along with the TOD Metro Grant places the total cost at approximately $72,000,000.

With these assumptions made, the NOI for the first year of stabilization (year 3), is $4.6M. This progressively increases to $8.3M ten years after stabilization based upon rental increases and inflation. Based on this NOI, we took out both replacement reserves and the debt service in order to get our annual net cash flow. This gives the project a return on cost of 6.5% at stabilization.

CASH FLOW ASSUMPTIONS	
Lease Up Year One Post-Construction	60%
Rental Increase	5%
Expense Inflation	2.5%
Apartment Vacancy	5%
Commercial Vacancy	10%
Interest Rate On Senior Debt	5.3%
Term Of Senior Debt	30 Years
Ads Constant	6.6%
Replacement Reserves	3%
Abated Tax Rate	40%

WATERFALL STRUCTURE

The funding for this project came from three separate sources. First, the bank provided a loan for 60% loan to cost. The remainder of the project was financed through equity of which 90% was supplied by an equity fund. The remaining 10% was provided by the Caw-Bam team in earnest money. Due to the nature of the project, it was agreed upon that the FUND would receive an 8% preferred return with rollover if the preferred return was not met. Any excess beyond this would be split 80/20 in favor of the FUND. At the time of reversion, the initial proceeds would be used to pay off each position. To be clear, these numbers are representative of leveraged cash flow and return.

WATERFALL ASSUMPTIONS	
Bank Loan - LTC	60%
Equity	5%
Equity Fund Invests	90%
Caw-Bam! Invests	10%
Equity Fund Gets	2.5%
Caw-Bam! Gets	5%
Income Beyond Preferred Split – Fund	80%
Income Beyond Preferred Split – Caw-Bam!	20%
Reversion Split – Equity Fund	70%
Reversion Split – Caw-Bam!	30%

SENSITIVITY ANALYSIS

In the conclusions tab of the pro forma is our sensitivity analysis that attempt to visually show the different possibilities that may happen that can affect our returns. This analysis addresses three of our most impactful assumptions in this analysis: cap rates, rental inflation, and construction costs. All three of these assumptions can dramatically affect the returns of the development. Yet, in all instances, the returns still are impressive. In regard to the cap rate, we adjusted it either way in 0.25 increments. This resulted in a sale price swing of over $30M from top to bottom. The rental inflation assumption had the most dramatic effects on the project. By adjusting rental inflation by a total of 3% either way from the 5% base assumption, the value of the sale had an overall variation of over $90M. Finally, we adjusted the construction costs by 5% either way. This had a relatively minor effect on the project. Yet, it is important to note that the return on cost never ran below 6.2% on our worst assumption, with 6.5% being our base. (6)

END NOTES

1. Beaverton Zoning Code, Ch. 20.20.10.08
   https://www.beavertonoregon.gov/DocumentCenter/View/8977/Chapter-20---Land-Uses?bidId=

2. Vertical Housing Program Brochure, City of Beaverton
https://www.beavertonoregon.gov/DocumentCenter/View/26775/Vertical-Housing-Program-Brochure

3. Market Analysis Report, 153rd Site Location
   www.costar.com

4. Please see the attached pro forma tab "Building Budget Detail" for a divisional breakdown of estimated construction hard costs. Please see the attached pro forma tab "construction budget summary" for cost roll-up and cost per square foot.

5. Nike Closes Childcare Facilities for Employees, Oregon Live
   https://www.oregonlive.com/business/2020/07/nike-closes-childcare-facilities-for-children-of-employees.html

6. Please see the attached pro forma table "Conclusions" for a summary of the analysis.

APPENDIX A - SCENARIO ANALYSIS

Sensitivity Analysis

Cap Rate

	-50 basis points	-25 basis points	Base	+25 basis points	+50 basis points
Cap Rates	4.60%	4.95%	5.10%	5.35%	5.60%
Sale Price	$ 180,683,297.17	$ 167,907,710.50	$ 162,969,248.42	$ 155,353,862.98	$ 148,418,422.67
Sale Price Change	$ 17,714,048.75	$ 4,938,462.08	$ -	$ (7,615,385.44)	$ (14,550,825.75)
IRR FUND	19.45%	18.95%	18.74%	18.42%	18.12%
IRR CAW-BAM	27.53%	26.71%	26.37%	25.84%	25.33%

Rental Inflation

	+3%	+1.5%	Base	-1.5%	-3%
Rental Inflation	8%	6.50%	5%	3.50%	2%
Sale Price	$ 214,594,345.19	$ 187,329,249.08	$ 162,969,248.42	$ 141,239,799.92	$ 121,888,907.11
Sale Price Change	$ 51,625,096.77	$ 24,360,000.66	$ -	$ (21,729,448.50)	$ (41,080,341.31)
IRR FUND	22.04%	20.42%	18.74%	17.01%	15.19%
IRR CAW-BAM	30.16%	28.31%	26.37%	24.35%	22.20%

Construction Costs

	-5%	-2.5%	Base	+2.5%	+5%
Construction Cost	$ 68,508,110.22	$ 70,310,955.23	$ 72,113,800.23	$ 73,916,645.24	$ 75,719,490.25
Cost Difference	$ (3,605,690.01)	$ (1,802,845.01)	$ -	$ 1,802,845.01	$ 3,605,690.01
Return on Cost	6.8%	6.7%	6.5%	6.3%	6.2%
IRR FUND	19.82%	19.28%	18.74%	18.23%	17.73%
IRR CAW-BAM	27.36%	26.86%	26.37%	25.90%	25.44%

NOI at Stabilization	NOI at Year of Reversion	Sale Price
$ 4,683,275.14	$ 8,311,432	$ 162,969,248.42

Cash Flow at Stabilization	Cash Flow Prior to Reversion
$ 1,671,609.61	$ 4,805,343.43