



The Trailhead

MRED NAIOP WORKSHOP COMPETITION
PORTLAND STATE UNIVERSITY

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PROJECT TEAM



Freddie Bulzan



Melvin Sharp



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Alex Lovre



Zoe Johnson



Tyler Reeves

The Trailhead Team includes individuals from various disciplines including construction, real estate development, residential brokerage, and residential single-family renovation.

Over the course of three months, the Trailhead Team worked together through Zoom Video Conferencing during the COVID-19 pandemic to coordinate a design program and development which they believe will be attractive for prospective investors, and will serve the surrounding Tigard community for decades to come.



EXECUTIVE SUMMARY

The Trailhead Team (“Sponsor”) is pleased to present qualified individuals (or entities) the opportunity to invest \$8,124,231 (“Equity”) in a Qualified Opportunity Fund, which will purchase membership interests in Urban Flight LLC (“UFL”), a Qualified Opportunity Zone Business, for the development of two speculative mixed-use buildings located in the industrial core of Tigard, Oregon (“The Trailhead” or “Project”).

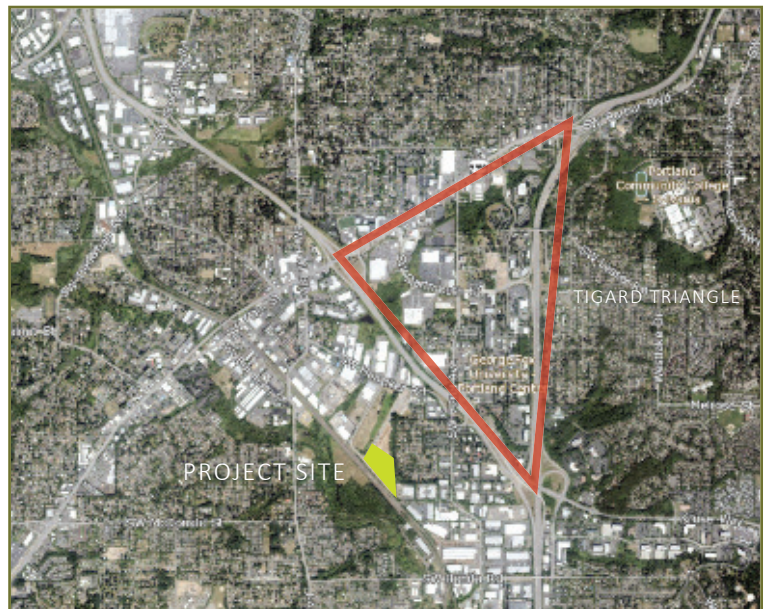
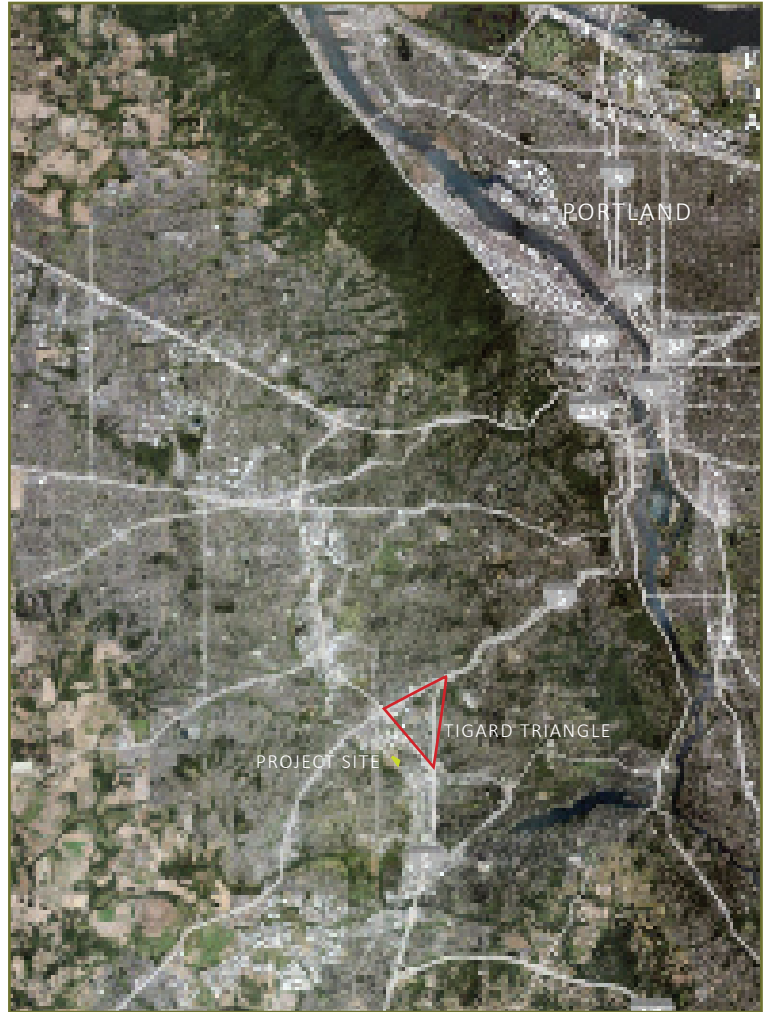
Total Project costs will be \$35,731,297 with the remainder of the Equity being contributed by the current property owner (“Property Owner”) in the amount of \$3,381,723.¹ The Sponsor will also invest \$1,000,000 of Equity. UFL will secure \$23,225,343 in construction debt, at an assumed value of 65% loan to cost, to complete the capitalization of the Project.

The Trailhead consists of 7.93 acres, and lies within close proximity to the Tigard Triangle between Hunziker Road and SW Wall Street. In the fall of 2020, the City of Tigard is expected to commence construction on the extension of SW Wall Street to Tech Center Drive, at the southern portion of the Trailhead.

Target tenants for the Project will include engineering firms, industrial design firms, and other high job count industries who don’t necessarily require those jobs to be on site.

The Sponsor will target these industries as they seek to relocate from the City of Portland, due to rapidly increasing business taxes, high earner’s taxes, rampant homelessness, safety concerns and fallout from the COVID-19 crisis, and a perceived lack of general support from the Portland political community.

The Trailhead will consist of a two-story, 67,810 SF building, a one-story, 21,744 building, and a 500 SF detached walk-up coffee shop. The Sponsor anticipates achieving an initial return on cost of 7.00%, with a Project levered IRR of 15.91%. Further, the Project will seek to obtain Opportunity Zone tax benefits for investors who contribute qualified capital gains.²



¹Please see the Project Finances section for additional capitalization details.

²Id.

SITE SUMMARY

Subject Property

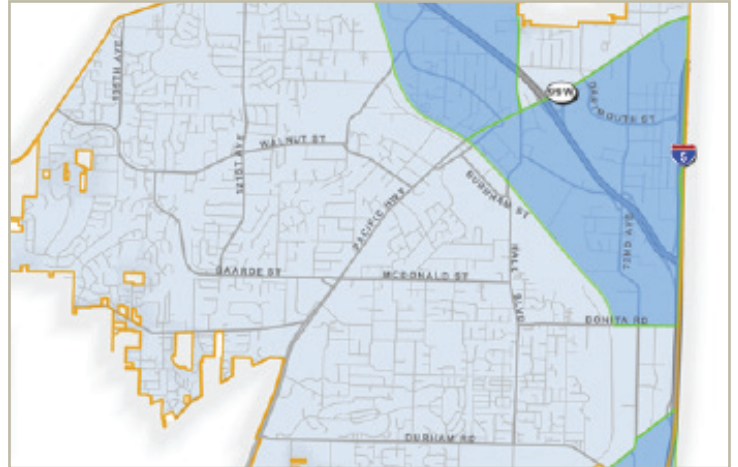
The Trailhead is part of a gross site area consisting of 24.23 acres (22.81 net of ROW dedication), which will soon be recorded into two separate parcels after receiving design review approval from the City of Tigard. The northern parcel sits on 14.88 acres, which is currently being developed into 264 units of multi-family workforce housing. The southern parcel (The Trailhead), is 7.93 acres.

Site Highlights

The Trailhead sits west of Highway 217 and 72nd Avenue, and can be accessed by either Hunziker St. or Wall St. It's location is easily accessible by motor vehicles as well as several modes of public transportation.

The Trailhead lies adjacent to an existing neighborhood which has expressed concern over proximity to commercial development in the past. Therefore, the Trailhead will honor the existing 50 foot tree buffer on the eastern edge of the property.

Wall Street will soon be extended to Tech Center Drive, which is a central business Hub for the City of Tigard; this connection will create better access and visibility for prospective tenants.



The Trailhead site has minimal slope, and is currently zoned for Mixed-Use employment. The Trailhead also lies within an Opportunity Zone census tract, creating an advantageous opportunity for investors looking to defer capital gains tax.

In addition, the Trailhead lies within an Enterprise Zone, designed to stimulate commercial use via property tax abatements.



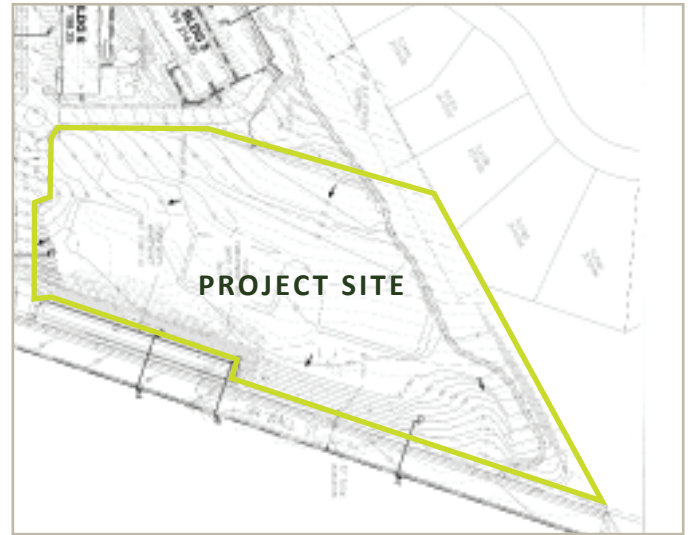
ENTITLEMENT SUMMARY

Mixed Use Employment (MUE)/Plan District Overlay

The MUE is designed to accommodate business and professional offices, civic uses, apartments, and retail goods and services.

In addition, the plan overlay district helps create a live, work, play, and shop environment that is pedestrian oriented, rather than centered around automobiles. The zoning and entitlement regulations for The Trailhead pose unique constraints and benefits for development opportunities. The MUE zone requires the creation of space for 280 non-retail jobs. This can be met through the formation of 75,000 – 100,000 square feet of building area within the 7.93 acres site.

The City of Tigard does not specifically mandate that the number of jobs be maintained on the site over time. This requirement is daunting for any mid-sized suburban site. The plan district overlay guides the design of the building and site to be integrated with the pacific northwest landscape, and create an inviting place for the public realm. A clear benefit of the plan district overlay is a twenty-five percent reduction in required on-site parking. Aside from parking, daily building operations must be contained within the structure. An array of uses are allowed on site including hospitality, retail, civic, residential and office.

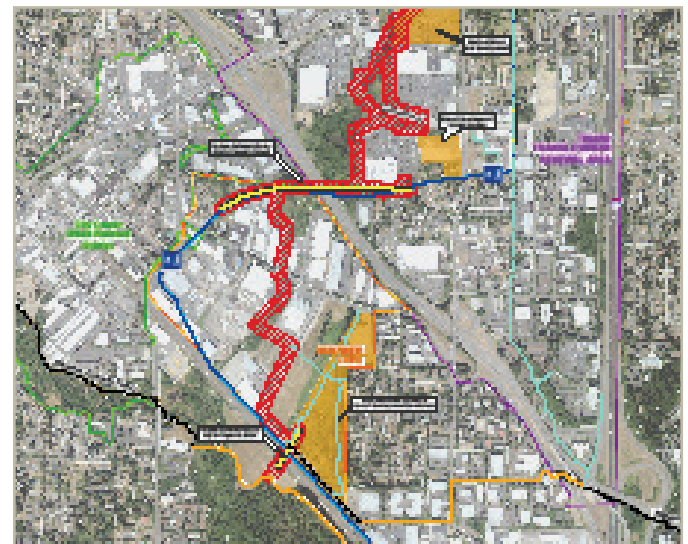


Required	280 Non Retail Jobs	
Allowed Uses	Office, Retail, Civic	
Prohibited	Industrial <small>exceptions for accessory use</small>	
Parking	75% of city min requirement.	<small>Trailhead Office: 20000 Fast Food: 60000 Bicycle: 0.50000</small>
Building Requirements	0.4 Max FAR	45 ft Max Height

Iconic Trail System

Near the Trailhead lies the 15-mile Fanno Creek Trail system, which runs parallel to Fanno Creek through Washington County between Portland and Tualatin. Tigard City Hall, the Tigard Library, the Tigard Senior Center, and the Tigard Transit Center are all accessible along the trail.

The Trailhead will have immediate access to the Fanno Creek Trail system, once the future bridge is constructed over Wall St. The connectivity of the Fanno Creek Trail to the Project is essential, as it allows The Trailhead to make a lasting impact on the community.



DESIGN PROGRAM & DEVELOPMENT PROPOSAL

Program & Proposal

The Trailhead is designed to generate the qualities of its inspiration; natural, uplifting, and equitable. The development inspires creation of work, and allows one to navigate effortlessly. The Trailhead appeals to the true nature lover. Its features promote creativity in the workplace, inclusivity, and an outdoor atmosphere. The development is an open concept with a simple design that has upscale office amenities. Due to the Covid-19 pandemic, the office real estate asset class must be proactive with a healthier approach to design and cleanliness.

The Trailhead will provide a generous TI allowance budgeted at \$70/SF for tenant's specific needs. Some highlights will include hands-free, in-wall sanitizing kiosks, hands-free plumbing fixtures, Global Plasma Aerosol and Airborne Pathogen Mitigation System, and MERV-rated HVAC filters.

Biometrics, and hands-free FOB secured access control will promote a safe and inclusive workspace for all. Top floor casement windows will allow for fresh seasonal air-flow for further comfort and access to the natural environment. Flexible open or closed seating areas can be designated and changed as needed.



Site plan massing development



Unique in design, the Trailhead's two concrete tilt buildings will feature many glass windows for natural light, interior wood timber finishes, stone, and many other natural features for aesthetics, cost, and sustainability.

The Trailhead will also include a detached walk-up coffee shop that will be approximately 500 SF. The earthy and natural design will promote the continuing theme of the Trailhead.

Building renderings, Mt. Hood (L) Mt.Rainier (R)



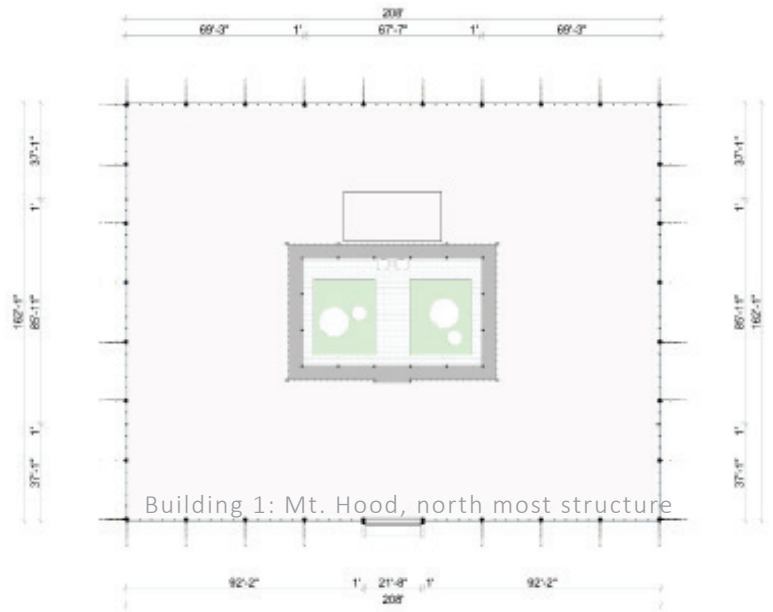
DESIGN PROGRAM & DEVELOPMENT PROPOSAL

Building System Summary

The Trailhead is a concrete tilt construction Type 1-B building. Concrete tilt is a cost-effective approach to building office space with quicker construction periods and structural integrity, and will provide for open spaces (both for COVID-19 purposes and target industries desires), which provide flexibility with respect to demising and overall buildout.

The design can withstand wind shear of up to 175+ MPH winds and four-hour fire ratings, which keeps up to the most strenuous codes. Exposed interior wood beams will be visible throughout the development. This will create the added natural feel that is desired with the Trailhead design.

The larger, two story building will have a small center atrium and common area features for tenant leisure. The interior of the buildings will be designed with plants which will further promote a focus on health and air quality during these unprecedented times (which we anticipate will continue through delivery).



DESIGN PROGRAM

Parking

Overall, The Trailhead was not free from challenge, specifically as it related to parking. However, the Project currently provides for just under 3.4/1000, with an option for shared parking with the owner of the residential property due north of The Trailhead, to further attract prospective tenants out of downtown Portland.

The parking lot will have a two-way ingress/egress access off Wall Street. EV statios can be installed at the tenant’s request and can be metered for both public and private use. The Trailhead will also provide 50 covered bike stalls.

Building Characteristics

BUILDING 1	
Gross Building Size (two-story)	67,810 SF
Usable Area	57,639 SF
Load Factor	15%
Net Rentable	66,284 SF

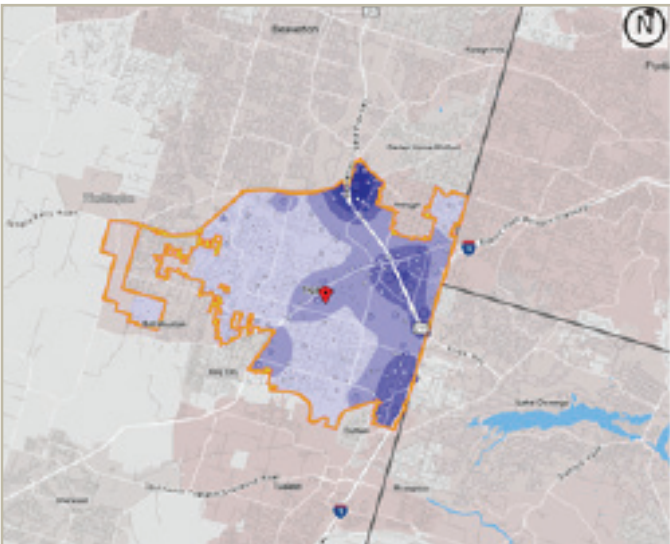
BUILDING 2	
Gross Building Size (one-story)	21,744 SF
Usable Area	18,482
Load Factor	15%
Net Rentable	21,255

DETACHED COFFEE SHOP	
Gross Building Size (one-story)	500 SF
Usable Area	425 SF
Load Factor	15%
Net Rentable	489 SF

Building 2: Mt. Rainier, southern most structure, rendering and floor plan



MARKET CONDITIONS & COMPARABLES



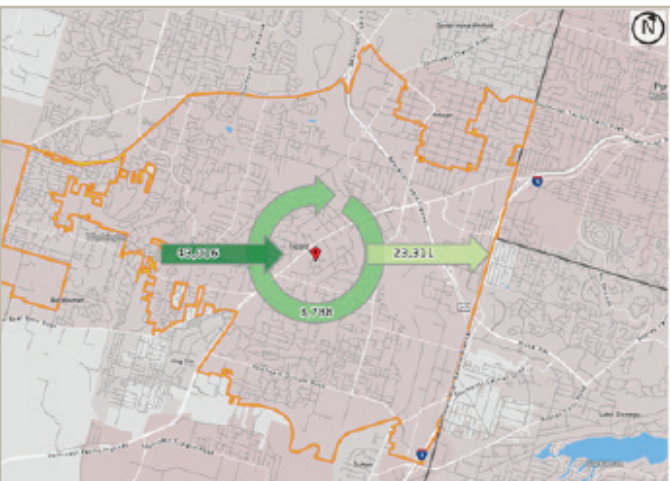
Overview

The median age in Tigard is 37.3 years, with 60% of the population owning their living arrangements, vs. 40% that rent. The majority of homeowners are married, whereas renters are predominantly single. Average income in the area is \$45,801 annually, with males earning 36% higher incomes than females.

The poverty rate is 9.08%, which sits below the national average of 12.3%. 70.8% of the population participates in the labor force, 75% of which have a high school diploma or better. 29% of the population has received a bachelor's degree, and 22% have completed some college. 45% of Tigards population was born in Oregon and the majority of the population (83.12%) is of caucasian descent.

Job density in Tigard is highest around the Tigard Triangle, as seen in the graphics on the left (intensity representing density). This area has many office and retail locations that help this area to become more concentrated with jobs.

The Trailhead lies in the heart of this job density. The Tigard Triangle area attracts twice as many employees who live outside of Tigard than those who live in Tigard. This shows that job creation in the Tigard area is very strong and can support more employment opportunities.



MARKET CONDITIONS & COMPARABLES




Comparables

A comparative analysis was conducted to determine the feasibility of building size, parking ratio, tenant mix and lease rates.

The comparative analysis revealed that there is an emerging market for office that combines a diverse tenant mix with adequate parking and a lease rate that ranges from \$24.00/SF to \$30.00/SF.

It is important to note that all of these office spaces currently have a 92% to 100% occupancy rate.

Nomenclature	Comp 1	Comp 2	Comp 3
			
Development	Tigard Triangle Commons	Pacific Corporate Center Office	Fanno Creek Place- Building A
Office Type	3 Star Office	3 Star Office	4 Star Office
Address	11850 SW 67th Ave	15350 SW Sequoia Pky,	16037 SW Upper Boones Ferry Road
City/State	Portland, Oregon	Portland, Oregon	Tigard, Oregon
Year Built	2007	1995	2008
RBA/SF	49,716	61,532	68,512
Parking Ratio	4/1,000	4/1,000	3.70/1,000
Lease Type	Gross Lease	Gross Lease	Gross Lease
Lease Rate PSF	\$25.00-\$30.00	\$30.00	\$27.00
Tenant Mix	Diverse	Diverse	Diverse
Building FAR	0.48	0.42	0.55
Occupancy	100%	100%	92.30%
Area	Urban	Urban	Urban

Tigard Office Market

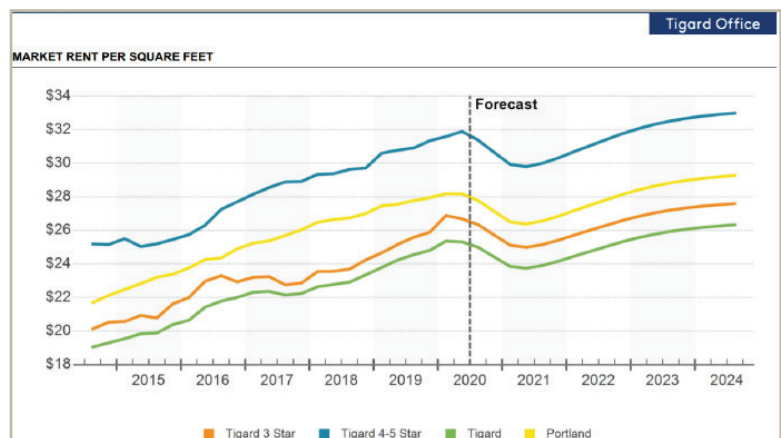
The Tigard office market is steadily growing with the average vacancy rates around 10.35%. The average asking rate for the area is \$24.92/SF, with an average annual rent growth of 2.8%. Newer office is commanding higher rents that sit between \$24-29/SF.

There are currently 187 office buildings in Tigard with no new development within the last 12 months. Net absorption of vacant space has been at -0.3%, with the average months vacant at ~7.4. While this points to a relatively stagnant market, a new office could spark the interest of potential office tenants.

Many brokers have indicated tenants they represent are looking to leave Portland in the immediate future, for suburban office spaces.

Land Acquisition Cost

The pricing of The Trailhead land was driven by several factors: 1) close proximity to Tech Center Drive, 2) comparable land sales in the Tigard area, 3) scarcity of



MARKET CONDITIONS & COMPARABLES

Land Acquisition Cost Continued

land, and 4) extensive market feedback.

The green graph below illustrates a list of comparable land prices sold or on the market.

Based on information obtained from Costar, the average land price comp for The Trailhead was ~\$29.04/SF. The Sponsor went in depth with brokers regarding the cost of the land, as well as speaking directly with the Property Owner several times, to come up with the per square foot number used within the budget.

Ultimately, the Sponsor decided that \$20/SF was a reasonable number, based on the aforementioned conversations.

Target Market

Since 2007, there has been a steady migration of businesses moving out of Portland because of the increase in taxes. These taxes coupled with increased unrest has resulted in many Portland based businesses to begin looking to other areas in Oregon that have less stringent tax laws.

Portland leasing activity has slowed down dramatically. This is another indicator of the effects of the proposed increase in taxes, Covid-19 and the civil unrest that is taking place in Portland. We will seize on these unfortunate events by offering a new alternative office space setting that is safe, drivable, has plenty of parking and has all the bells whistles to include built

in technologies that limit the exposure to Covid-19.

Our Target market will include companies that reside outside of the Tigard market area. These businesses include small tech companies, engineering firms, law firms, builders, residential real estate firms, insurance companies and other businesses that fit the tenant mix. Several interviews were conducted with brokers who are familiar with the office industry in the Tigard area, and communicated the above industries as viable options for the Trailhead.

The primary focus of the Trailhead was meeting the required 280 non-retail jobs requirement, which was a prior arrangement with the City of Tigard, and significantly hindered the Trailhead's prospects.

The ideal future tenant will generally occupy a space between 2,000 to 8,000 sf. Research suggests that depending on other terms of agreement, we could lease these spaces out for a cost between 24.00 to 30.00 per square foot using a triple-net lease. The key here to ensure diversification among tenants to to keep a high occupancy rate.

	Comp 1	Comp 2	Comp 3	Comp 4
Name	Dartmouth Partners	Washington Cnty	MMDC	VW PDX
Address	SW Dartmouth St & SW 72nd Ave - SW Dartmouth & 72nd Land	11090 SW 68th Pky - Tigard Triangle Land	2500 SE Tacoma St Commercial Development	8004 SW Capitol Hill Rd - 8004 SW Capitol Hill Rd
City	Tigard	Tigard	Milwakiie Sub market	Portland
State	Oregon	Oregon	Oregon	Oregon
Sales Price	\$1,775,157.59	\$1,200,000	1,120,000	1,150,000
Land Size A/	1.69	0.88	0.75	1
Land Size SF	73,616	38,333	32,670	43,460
Price PSF	\$24.11	\$31.30	\$34.28	\$26.46
Sale Date	5/26/2020	9/27/2019	6/29/2020	10/28/2019
DOM	1,799	N/A	164	108

TENANT OVERVIEW

Marketing

The Trailhead will build brand awareness by saturating the market with focused advertisements.

For marketing we will use: adds (print, online, billboards and TV), PR (events, partnerships and webinars), social media (Twitter Instagram, Google, and Facebook), content media (landing pages, blogs and email marketing), web site development, search engine optimization and maintenance, and mobile marketing (app development and mobile advertising).

The Trailhead will also use Costar, LoopNet and local brokers to help with marketing efforts, and will specifically budget an additional line item of \$25,000 toward marketing only expenses.

Area and Orlando follow next at 7% and 7.5%, respectively. Houston has the highest vacancy rate among the major metros by a fair margin at 20%, followed by Dallas at 16.8%.

The success of the Project will rely heavily on the brokerage community and their ability to help attract prospective tenants to what the Sponsor believes is a great option for buinesses seeking relocation from downtown Portland, and a lower cost alternative to Kruse Way.



STATE OF THE MARKET

State of the Industry within US

The U.S. office vacancy rate rose by 10 basis points in Q1 2020 to 11.5%. Despite the slight increase, vacancy has now been below its historic average for 21 consecutive quarters.

Two-thirds of U.S. office markets have vacancy rates below the national average and 45% have sub-10% vacancy. Central business district (CBD) vacancy rates rose by 30 basis points in Q1 2020 to 10.3%, while suburban levels held firm at 12.2%. Seattle has the lowest vacancy rate among the major U.S. office markets at 6.8%.

The Bay Area and Orlando follow thereafter at 7% and 7.5%, respectively. Houston, Texas has the highest vacancy rate among the major metro areas by a wide margin, at 20%, followed by Dallas at 16.8%, in some part due to the significant amount of development which has occurred in those areas in recent years.



Gallager Associates

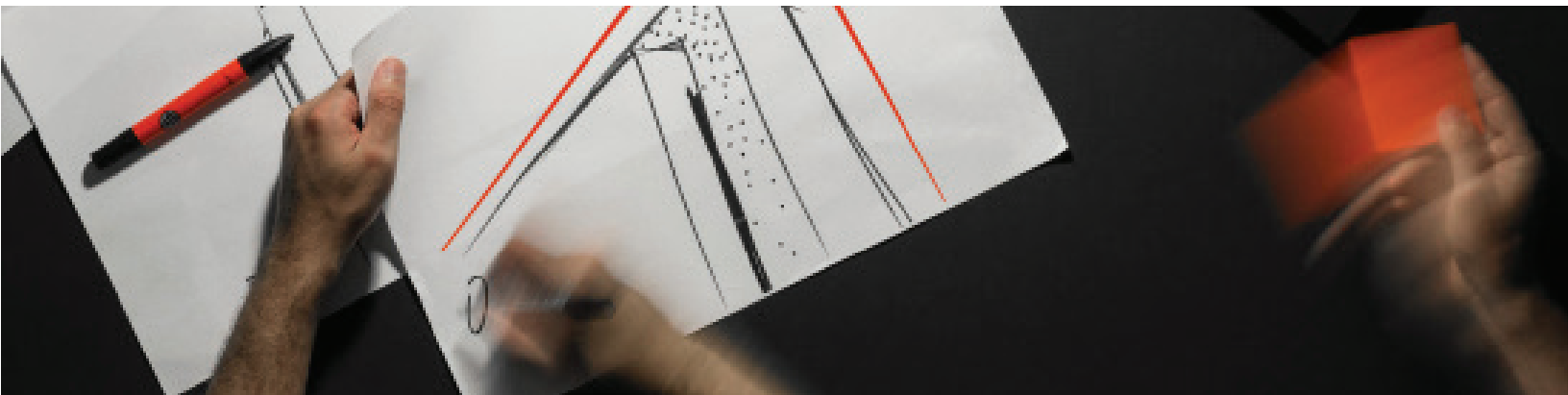
ARUP

State of the Industry in Portland, OR

The vacancy rate in the Tigard area in the past years has been relatively higher than the vacancy rate in the Portland Metro area.

There is an array of tenants that occupy the mid-sized office space. Asking rents have also been historically low compared to that of the Portland metro area. However, as mentioned throughout, research has indicated that due to the economic conditions, protest, rising rents, taxes and the impacts of the Covid-19, Portland businesses may be considering a migration out of the Portland Metro Areas, into areas outside

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PROJECT FINANCES

Debt

UFL will secure a 3-year interest only construction loan with an optional 12-month extension period. A loan refinance will occur thereafter (full takeout) to a permanent loan structure as defined in the table below.

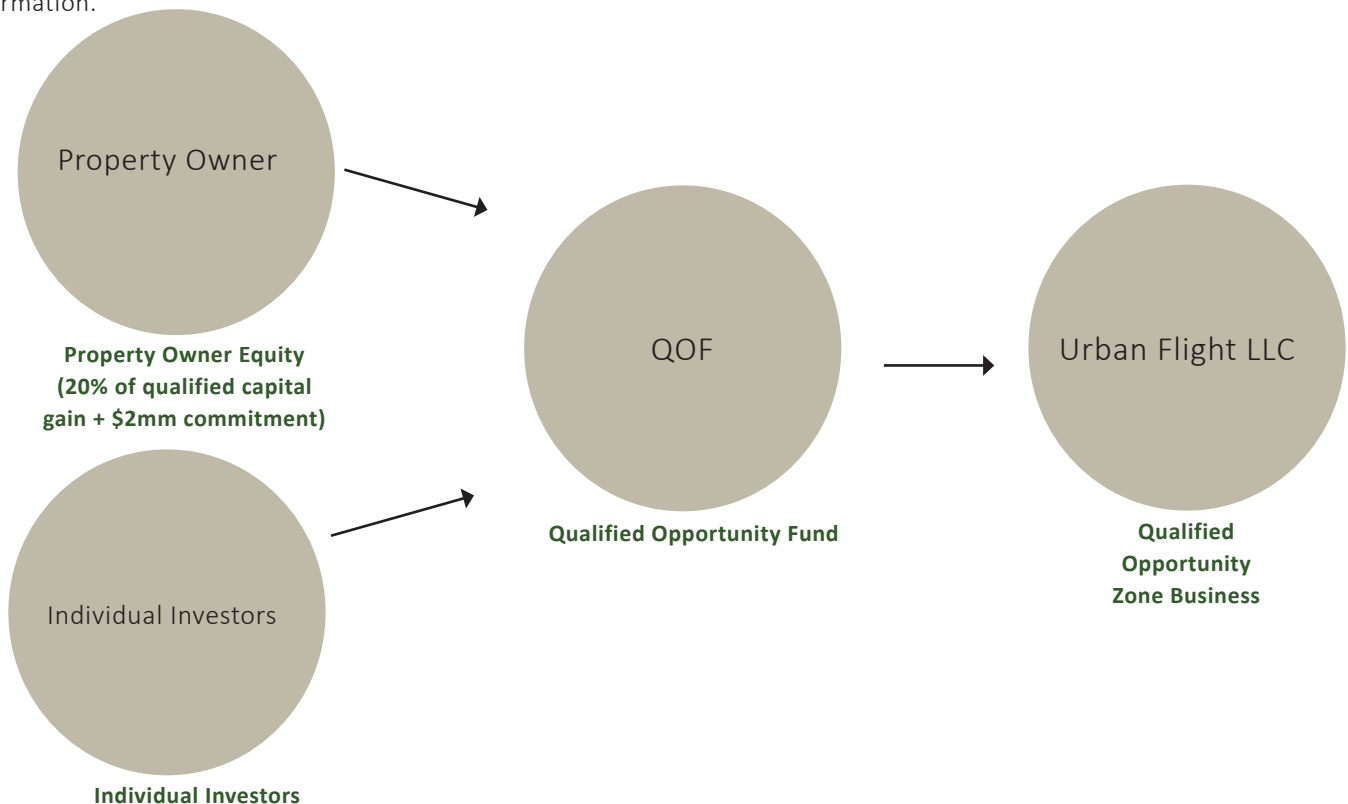
Given the state of the U.S. economy as it navigates the COVID-19 pandemic, interest rates remain difficult to predict, but the Sponsor has assumed permanent financing will be obtained a full point below it's construction debt rate, and the Sponsor believes it will remain conservatively above both the 5 and 10-year LIBOR.

CONSTRUCTION DEBT ASSUMPTIONS		PERMANENT DEBT ASSUMPTIONS	
Loan to Cost	65%	Loan to Value	65%
Debt Service Coverage Ratio	2.15x	Debt Service Coverage Ratio	1.75x
Interest Rate	5.00%	Interest Rate	4.00%
Amortization Period	Interest Only Loan	Amortization Period	30 Years
Term	10 Years	Term	20 Years
Loan Amount	\$23,225,343	Loan Amount	\$24,997,865

Equity

UFL intends to utilize three sources of equity to capitalize the Project, including 1) Sponsor Equity of \$1,000,000, high net worth Equity of \$8,124,231 and the Property Owner's contributed land value Equity of \$3,381,723.

The entity structure will be as shown in the illustration below. Please see the attached proforma and cash flows for additional information.



PROJECT FINANCES

Opportunity Zone Considerations

The Sponsor intends to utilize the Opportunity Zone (“OZ”) designation of the Trailhead, and Equity contributions will therefore be made in the manner described herein.

It is assumed the Sponsor Equity, and the individual high net worth Equity will be contributed as Qualified Capital Gains pursuant to the OZ regulations promulgated by the Tax Cuts and Jobs Act of 2017. The Sponsor will initially raise Equity from individual high net worth investors in the amount of \$8,124,231 within the QOF. The QOF will then purchase the Trailhead property from the Property Owner at it’s assumed appraised value of \$20/SF (please note this price includes all site work previously done to the property).

Given the Property Owner is affiliated with the Subject Property and Project, OZ rules limit the “related party” contribution amount ot only 20% of the Property Owner’s Qualfiied Capital gain.

Therefore, the Sponsor will seek an additional capital commitment from the Property Owner in the amount of \$2 million of Equity to the QOF. Although this additional Equity commitment will be made into the QOF, it will not be receive OZ benefits.

Project Returns

ANTICIPATED PROJECT RETURNS	
Stabilized NOI	\$2,499,786
Stabilized Return-on-Cost	7.00%
Project Levered IRR	15.91%
Investor Levered IRR	14.20%

The table above represents anticipated Project returns

SPONSOR COMPENSATION	
Development Fee (3.75%)	\$1,291,493
Asset Management Fee	3% of Gross Rent
Promoted Interest	See Summary Below

The table above represents anticipated Sponsor compensation



CASH FLOW DISTRIBUTION SUMMARY	
Tranche 1	Current and accrued Equity preferred return of 8%, Pari Passu
Tranche 2	100% Return of Equity, Pari Passu
Tranche 3	CF available for distribution will be made 70% to Investors, and 30% to Sponsor up to a levered IRR of 12%
Tranche 4	CF available for distirbution will be made 60% to Investors, and 40% to the Sponsor for CF above a levered IRR of 12%.

PROJECT FINANCES

Lease Assumptions

LEASE UP ASSUMPTIONS - OFFICE	
Lease Rate	\$30/SF
Lease Term	5-10 Years
TI Allowance	\$70/SF
Broker Commissions (Yr. 1-5)	5.75%
Broker Commissions (Yr. 6-7)	2.50%
Annual Rent Escalations	3%
Vacancy Factor	5%



Sources & Uses

SOURCES	
Sponsor	\$1,000,000
Property Owner (OZ Benefit)	\$1,381,723
Property Owner (Non-OZ)	\$2,000,000
High Net Worth Investors	\$8,124,231
Construction Debt	\$23,225,343
Total Sources	\$35,731,297

USES	
Land Acquisition	\$6,908,616
Predevelopment Costs	\$178,500
Construction Hard Costs	\$15,424,180
Construction Soft Costs	\$1,157,693
Project Soft Costs	\$4,144,950
Lease-Up Costs	\$7,917,358
Total	\$35,731,297

Sensitivity

The table below shows varying Project IRR's at varying capitalization rates:

PROJECT IRR - CAP RATE VS. SHELL RENT								
15.91%	\$24.00	\$26.00	\$28.00	\$30.00	\$32.00	\$34.00	\$36.00	
5.50%	11.94%	14.66%	17.37%	20.07%	22.76%	25.43%	28.10%	
5.75%	11.00%	13.64%	16.27%	18.89%	21.50%	24.09%	26.68%	
6.00%	10.13%	12.71%	15.26%	17.81%	20.34%	22.87%	25.38%	
6.25%	9.34%	11.85%	14.34%	16.82%	19.29%	21.74%	24.19%	
6.50%	8.60%	11.06%	13.49%	15.91%	18.32%	20.71%	23.09%	
6.75%	7.92%	10.32%	12.71%	15.07%	17.42%	19.75%	22.08%	
7.00%	7.28%	9.64%	11.97%	14.29%	16.59%	18.87%	21.14%	

THANK YOU

The Trailhead Team would like to thank the following individuals for all their help throughout the course of this Project:

- Greg Daniels - Property Owner
- Justin Dennett - Morrison Street Capital
- Gary Pagenstecher - City of Tigard
- Skip Grodahl - The Fields Apartment Owner
- Kevin Vanderbrink - Macadam Forbes
- Stu Peterson - Macadam Forbes
- Nick Shultz - Century 21 Northstar
- Bob Trapa - Bremik Construction
- Steven Burright - Century 21 Northstar
- Beth Gullier - Swinerton Builders
- Mark Fraser - Kidder Mattews
- Joe Kappler - Macadam Forbes
- Adam Bean - Doug Bean & Associates



Appendix Section

The Trailhead Project
Assumptions
8/21/2020

Cost & Cash Flow Assumptions		Source/Notes
Total Development Cost	35,731,297	Untrended cost figure.
Lease-Up Assumptions		
Office		
Annual Rent Escalations	3.00%	
Lease Term (Years)	5	
Vacancy/Credit Loss	5.00%	
Commissions (Years 1-5)	5.50%	
Commissions (Years 6-10)	2.50%	
Retail (Detached Coffee)		
Annual Rent Escalations	3.00%	
Lease Term (Years)	5	
Vacancy/Credit Loss	0.00%	
Commissions (Years 1-5)	5.75%	
Commissions (Years 6-10)	2.50%	
Income/Expense Assumptions		
Income		
Rental Rate/Total Annual Rent	\$30.00/SF 2,701,620	
Operating Expenses		
Insurance Costs	6,250	Monthly
Property Mgt. Fee	3,000	Monthly
Property Taxes	397,448.68	Annun: millage rate X exch. ratio
Utilities	2,000	Monthly
Landscaping	2,000	Monthly
Security	2,000	Monthly
Miscellaneous	1,000	Monthly
Disposition Assumptions		
Sale Date (months)	120	
Terminal Cap Rate	6.50%	
Sales Costs (%)	2.00%	
Sales Price (net of sales costs)	\$49,715,773	
Capital Structure Assumptions		
Construction Debt		
LTC	65.00%	
Rate	5.00%	
Amortization Period	Interest Only	
Term	10	
Amount	23,225,343	
Payment (monthly)	(\$96,772)	
Debt Service Coverage Ratio	2.15	
Permanent Debt		
LTV	65.00%	Initial Stabilized NOI
Rate	4.00%	
Amortization Period	30	
Amount	24,997,865	
Payment (monthly)	(\$119,344)	
Debt Service Coverage Ratio	1.75	
Equity		
Required Equity	12,505,954	
Property Owner Contributed Land Equity	92.00% \$20.00/SF 1,381,723	20% of cap gain per OZ rules.
Property Owner Additional Equity Commitment	2,000,000	Does not qualify for OZ treatment
High Net Worth Investors	8,124,231	
Sponsor	8.00% 1,000,000	
Building/Land Size Assumptions		
Building 1		
Gross Building Size (SF)	67,810	
Usable Area	57,639	Assumed 85% of gross building
Load Factor	15.00%	
Net Rentable Area	65,294	
Floorplate Size (SF)	33,905	
Land Size (Acres)	7.93	
Land Size (SF)	345,431	
FAR	0.20	
Building 2		
Gross Building Size (SF)	21,744	
Usable Area	18,482	Assumed 85% of gross building
Load Factor	15.00%	
Net Rentable	21,255	
Floorplate Size (SF)	21,744	
Land Size (Acres)	7.93	
Land Size (SF)	345,431	
FAR	0.06	
Detached Coffee Shop		
Gross Building Size (SF)	500	
Usable Area	425	Assumed 85% of gross building
Load Factor	15.00%	
Net Rentable	489	
Floorplate Size (SF)	500	
Land Size (Acres)	7.93	
Land Size (SF)	345,431	
Coverage	0.14%	
FAR	0.0045	
Total (Building 1 & Building 2 & Detached Coffee)		
Gross Building Size (SF)	90,054	
Usable Area	76,546	Assumed 85% of gross building
Load Factor	15.00%	
Net Rentable	83,038	
Floorplate Size (SF)	56,149	
Land Size (Acres)	7.93	
Land Size (SF)	345,431	
Usable Land Size (SF)	235,431	
Coverage Ratio	23.85%	
Parking Ratio	0.0033	
FAR	0.26	
Parking Spots	300	
CF Distribution Assumptions		
CF Distribution Tranche 1		
Preferred Return (Accrued and Unpaid)	Monthly Rate 0.666667%	8.0% Pari Passu
CF Distribution Tranche 2		
Return of Capital		100.0% Pari Passu
CF Distribution Tranche 3		
Hurdle Rate (CF>8% IRR up to CF<12% IRR)	Daily Rate 0.031054%	12%
CF Splits:		
Investors (HNW + Greg Daniels)		70.0%
Sponsor		30.0%
CF Distribution Tranche 4		
Hurdle Rate (CF<12% IRR)		12.0%
CF Splits:		
Investors (HNW + Greg Daniels)		60.0%
Sponsor		40.0%

The Trailhead Project
Development Budget
8/21/2020

The Trailhead Project Summary (All Buildings)	
Gross Land Area (Acres)	7.93
Gross Land Area (SF)	345,431
Usable Land Area (SF)	235,431
Gross Building Size (SF)	90,054
Usable Area	76,546
Net Rentable Area	88,028
Floorplate Size (SF)	56,149
Coverage Ratio	23.85%
FAR	0.26
Parking Spaces	300
Construction Period (Months)	10

Pro Forma Project Costs	8/21/2020		Source
	Cost	Cost/SF	
Land Acquisition Cost/Value			
Land Value	\$20.00/SF 6,908,616	76.72	Value assumes all site improvements
Buyer-Paid Commissions	0	-	
Total Land Acquisition Cost/Value	6,908,616	76.72	
Predevelopment/Due Diligence Costs			
Appraisal	7,000	0.08	
A/E	30,000	0.33	
Arborist	5,000	0.06	
Environmental Testing (Phase I)	4,000	0.04	
Legal Fees	45,000	0.50	
Market Study	10,000	0.11	
Misc. DD Costs	10,000	0.11	
Soils Test/Geotech	30,000	0.33	
Survey (Boundary and ALTA)	20,000	0.22	
Traffic Study	10,000	0.11	
Archaeological Report	2,500	0.03	
Wetlands/Storm Facility	5,000	0.06	
Total Predevelopment Costs	178,500	1.98	
Construction Hard Costs			
Shell	\$170.00/SF 15,309,180	170.00	Additional max site improvements
Sitework	115,000	1.28	
Total Construction Hard Costs	15,424,180	171.28	
Construction Soft Costs			
Architect/Engineer	5.0% 765,459	8.50	
Reimbursables	5.0% 38,273	0.43	
Construction Survey	10,000	0.11	
Construction Period Property Taxes	2.00% 115,144	1.28	
P&P Bond	0.90% 138,818	1.54	
Construction Inspection	45,000	0.50	
Testing/Compaction	45,000	0.50	
Total Construction Soft Costs	1,157,693	12.86	
Project Soft Costs			
Closing Costs - Land Acquisition	65,000	0.72	
Net Negative Cash Flow after Debt Service (During Construction Period)	245,739	2.73	
Debt/Equity Costs/Fees	1.50% 535,969	5.95	
Contingency (as % of hard costs)	5.00% 771,209	8.56	
Legal Fees	225,000	2.50	
Environmental Insurance	100,000	1.11	
Misc. Costs	10,000	0.11	
Permits and Fees (Includes SDC's)	\$10.00/SF 900,540	10.00	
Development Fee	3.75% 1,291,493	14.34	
Total Project Soft Costs	4,144,950	46.03	
Lease up Costs			
Office TI Allowance	\$70.00/SF 6,303,780	70.00	
Brokerage Commissions	1,147,762	12.75	
Marketing/Miscellaneous	25,000	0.28	
Operating Expense/Net Negative CF During Lease-Up	440,816	4.90	
Total Lease up Costs	7,917,358	87.92	
Total Project Costs	35,731,297	396.78	

Rental Rate/Total Annual Rent	\$ 30.00	Per SF/Yr.	2,640,834
Base Rent/Year			2,640,834
Capital Reserves	\$ 0.10	Per SF/Yr.	(9,005)
Vacancy/Credit Loss		5.00%	(132,042)
Stabilized NOI			2,499,786

Stabilized NOI	2,499,786
Stabilized Return on Cost	7.00%

Debt	65.00%	\$23,225,343
Equity		\$12,505,954

