

**CEDAR RIDGE
FINANCIAL ANALYSIS**

HOLLISTON ZONING BOARD OF APPEALS

June 20, 2006

Michael Jacobs
MHJ Associates



June 20, 2006

Mr. Robert Wylie, Chairman
Town of Holliston
Zoning Board of Appeals
703 Washington Street
Holliston, MA 01746

Re: 40B Financial Analysis: Cedar Ridge

Dear Mr. Wylie:

As requested by the Board, I have reviewed the financial projections supplied by the applicant. I have reviewed the pro forma submitted by the applicant as well as the application and supplemental information provided by the petitioner's financial consultant.

I have reviewed proposed costs as well as sales prices. My analysis is based on a comparison with industry standards and/or other comparable jobs I have reviewed as a consultant and former underwriter. In addition, I have used the *Local 40B Review and Decision Guidelines* recently published by the Massachusetts Housing Partnership to further supplement my review. Because of the preliminary nature of 40B architectural and engineering plans and the conceptual nature of many of the estimates, my review is confined to determining whether the numbers fall within acceptable ranges.

The *Stuborn Ltd. Partnership v. Barnstable Board of Appeals* case decided by the Housing Appeals Committee defined the scope of financial reviews as limited and secondary. Specifically, it stated that financial projections, including profit, should be reviewed for accuracy so that a community knew that: (1) the project was financially feasible; and (2) it stayed within the required profit limitations (20% of total development costs for "for-sale" projects). My analysis will thus focus on these two measures.

ANALYSIS

Capital Costs

Acquisition

The applicant has a Purchase and Sale Agreement dated January 3, 2005 between Green View Realty LLC and Christa Canavan and Robert Norton of R&C and C&R Realty Trusts for \$6.4 million. The price covers two parcels of approximately 50 acres of land and a single-family home. Included in the purchase price is the discharge of a \$4.2 million lien

from the Massachusetts Department of Environmental Protection¹ and \$950,000 to Baystate Investment Advisors, a firm owned by a principal of the development entity. When these two items are netted out of the acquisition price, the buyer would be paying \$1,250,000 directly to the seller.

Under 40B guidelines for projects to be financed through the New England Fund or Housing Starts, the allowable acquisition cost cannot be unreasonably greater than the current appraised fair market value under existing zoning. This is particularly important because there is an identity of interest between seller and buyer and \$950,000 of the price is a consulting payment to the buyer/applicant. The current zoning is Agricultural/Residential which requires two-acre minimum building lots and 225 feet of frontage.

A broker opinion and appraisal have been provided by the applicant. The broker opinion assumed a value of \$225,000 per lot for 15 lots of \$3,375,000. The appraisal concluded the property could be developed into 22 lots but determined the overall value to be \$1,000,000. The broker did not account for the cost of creating the buildable lots. Neither considered the cost of removal and monitoring of the hazardous substances on the site nor the DEP lien. These costs should be deducted from the value to produce a price that a buyer would be willing to pay for the land. With a DEP lien between \$3.2 and \$4.2 million and suggested environmental monitoring and closure between \$1.4 and \$2.2 million, it is unclear whether there would be any value in the land recognized under 40B guidelines.

Construction Costs

Overall construction costs are nearly \$51.9 million or \$144.63 per gross square foot. As a total per square foot estimate, this is above other comparable projects I have reviewed. There are two reasons for this: (1) The proposed per square foot cost for the townhouses is nearly \$115; and (2) there is \$2.1 million in the budget for environmental monitoring and closure. The first cost is approximately 15% higher than other projects I have reviewed. The second cost represents a projection based on estimates provided by the applicant's engineer (which vary between \$1.4 and \$2.2 million). According to the ZBA's peer review consultant, it is conceivable that this cost could grow to significantly more than budgeted.

Also included in the construction cost number is \$240,000 budgeted for a 2,000 square foot amenity. However, it is not clear what this is since the site plan only shows two tennis courts. Site work is budgeted at slightly over \$6.05 million or \$30,250 per unit. The applicant has provided a detailed breakdown of these costs, most of which appear reasonable. The only item that appears high is a \$2 million estimate for a wastewater treatment plant. It was previously budgeted for \$1,200,000 and it's not clear why the cost increased by approximately 67%. Landscaping costs of \$3,000 per unit fall in the range of other projects. A construction contingency of 3.3% is within the industry maximum of 5%.

¹ The current pro forma shows a lien of \$3.2 million.

Soft Costs

Overall soft costs are approximately \$11 million or \$55,000 per unit. There are several costs that appear to be conservatively estimated and others that are omitted. Under MHP Guidelines, developer overhead for a 200 unit project would be \$315,000 based on a formula employed in the manual. This should cover all overhead costs provided either directly by the developer or by consultants employed by the developer to perform tasks covered under overhead. Included in the budget is \$360,000 for developer overhead, \$320,000 to Baystate Advisors (the applicant's consulting firm) and \$30,000 for financial consultants. The last two costs are part of a \$725,000 line item for Legal/Consulting which has been detailed in the Base Development Budget in the appendix of this report.

The pro forma also projects approximately \$3.94 million of construction loan interest. While the interest rate proposed is below current rates, the loan size appears to be higher than would be allowed by many lenders. The result is an overestimate of interest by approximately \$300,000 and fees by \$90,000. There is projected soft cost contingency that includes unit closing costs, increasing the effective contingency to 6.9% rather than 5% of costs.

The applicant has excluded two soft costs that should be considered in a 40B pro forma: (1) A fee for a monitoring agent; and (2) Deed stamps. These two costs would total over \$340,000 if included.

Revenues

Affordable Sales. I have reviewed the methodology used for calculating the affordable sales prices. Under 40B guidelines, the maximum price is derived by applying a 10% marketing window to the maximum eligibility standard of 80% of area median income and assuming a household pays no more 30% of that figure for defined housing expenses. That income must then cover principal and interest on a 95% mortgage at prevailing rates, private mortgage insurance (if applicable), real estate taxes, hazard insurance, and condominium association fees. Based on my review of the applicant's calculations, the applicant's proposed \$191,000 for a two-bedroom unit and \$220,000 for a three bedroom unit are approximately 29% to 34% higher than allowed. In the chart below, I have provided detail on the methodology:

AFFORDABILITY CALCULATION		
% of Area Med. Income	80%	80%
Applicable Income Limit	\$59,550	\$66,150
Bedroom Size	2BR	3 BR
Avg. Persons/Household	3	4
10% Below 80% of AMI	\$53,595	\$59,535
Maximum Mo Housing Payment	\$ 1,340	\$ 1,488
Condominium Fee	\$ 106	\$ 118
Insurance	\$ 49	\$ 55
Taxes	\$ 174	\$ 193
Available for Debt Service & PMI	\$ 1,011	\$ 1,122
MAXIMUM MORTGAGE	\$140,125	\$163,700
Debt Service ²	\$ 920	\$ 1,021
Private Mortgage Insurance (PMI)	\$ 91	\$ 101
Total Debt Service & PMI	\$ 993	\$ 1,106
MAXIMUM SALES PRICE	\$147,500	\$163,700

Market Sales.

The applicant is proposing three different new construction unit types and two rehabilitated condominiums in the two-family home. Below is a summary of the proposed units:

BR/BA/BA(1/2)	PRICE	SQ FT	PRICE/SF	GARAGE
2/2/2	\$385,000	1,600	\$241	1-car
3/2/2	\$415,000	1,858	\$223	1-car

Most of the condominiums in Holliston are over thirty years old and not comparable. There is one new condominium in neighboring Sherborn with units of a similar size. Sherborn Meadows is selling two-bedroom, 2.5 bath units with a two-car garage with living areas from 1,103 to 1,575 square feet. The larger units, which are the most comparable to the two bedroom units in the proposed development, have sold for \$265 per square foot in 2005. A 1,555 and 1,575 square foot unit are currently on the market for \$395,000 or \$251 to \$254 per square foot. Given that that the units have a two-car garage and are located in a community with higher average single family sales prices, the proposed two-bedroom sales price appears reasonable.

While there are no three-bedroom comparables beyond those larger proposed units in the Winter Woods 40B before the board, the Balancing Rock Village 55+ community in Holliston recorded a sale in April of a 1,956 square foot two-bedroom unit with a two-car garage for \$404,232 or \$207 per square foot. While the proposed \$415,000 for a three-bedroom unit has one more bedroom, it has less square footage and only a one-car garage. I would conclude that a \$415,000 proposed price is reasonable.

² Assumes Freddie Mac weekly rate plus ¼ % (30 year amortization)

Profitability Analysis

Because plans in a 40B are preliminary and most costs and revenues are based on “best guess” estimates rather than firm bids, both the applicant’s projections as well as my adjustments represent two of a myriad of potential outcomes that could reasonably be predicted for the future. With rare exceptions, a financial analysis is not about right and wrong—it is simply about providing the board with another opinion of a project’s possible success by suggesting a range of profit that could reasonably be expected to be earned. Given the preliminary nature of plans during the 40B process, a wise developer should be conservative in his or her estimates. The question that must be asked in reviewing a 40B pro forma is whether a developer is being overly conservative in formulating projections.

If the applicant’s numbers are accepted, the project would expect to generate a profit in the \$4 million range or between 5.5% and 6.5% of total development cost (see appendix). Typically, a lender would not consider a project with such a small profit margin.

If one adjusts the affordable sales downward, increases the deed stamp and monitoring agent costs, and decreases the residential construction cost, construction loan interest, financing fees, and developer overhead, the profit would increase to \$7.7 million or 12.6%. While this is below the 15% threshold recommended by MHP for determining whether a project is uneconomic, it could probably be financed.

If one performs some additional sensitivity analysis to the project, the profit could potentially increase, although it is unlikely to reach the 20% profit ceiling under 40B guidelines. For example, if the estimate of environmental monitoring and closure is at the low end of projections rather than the high end, profit could increase to 14%. If no land value is recognized under 40B guidelines, profit could potentially rise to 15%. Even with both factors considered, profit would reach 16.4% or \$9.7 million. And finally, if the proposed wastewater treatment plant could be built for the original \$1.2 million rather than the currently projected \$2 million, the project would still come in below the 20% (\$10.5 million or 18%).

However, if the environmental closure and monitoring costs increase³, a 12.6% profit could drop to 9.2%.

As can be seen from this report, the site’s unique environmental conditions make pinpointing profitability extremely difficult. Because there is so much additional testing to be performed to identify clean-up costs, there is insufficient information to reach any conclusion beyond the project’s unlikely chances of exceeding the 20 % profit cap. If the applicant’s numbers are correct, the project as presently constituted would have a difficult

³ According to Haley & Aldrich, this cost could as easily increase to \$4 million as it could decrease to the low end of the range (\$1.4 million) estimated by the applicant’s engineer.

time obtaining financing or receiving a project eligibility letter from MassHousing with a profit in the 5% to 6% range.⁴

I will be happy to answer additional questions at Monday night's hearing.

Cordially,

Michael Jacobs

⁴ The pro forma submitted as part of the Project Eligibility letter showed a profit of slightly over 10%.

BASE PRO FORMA

PROJECT NAME: CEDAR RIDGE
 COMMUNITY: HOLLISTON
 DATE: 16-Jun-06

CONDOMINIUM DEVELOPMENT

BASE SALES SCHEDULE 200

UNIT DESCRIPTION	UNITS	% CF TOTAL	UNIT SIZE	TOTAL SF	UNIT SALES PRICE	GROSS PROCEEDS	PRICE PER SQ FT
1 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
1 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Market	38	19.00%	1,600	60,800	\$385,000	\$14,630,000	\$240.63
2 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
3 BR BA Market	112	56.00%	1,858	208,096	\$415,000	\$46,480,000	\$223.36
3 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
3 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
Total Units:	150		1,793	268,896	\$407,400	\$61,110,000	\$227.26
1 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
1 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Affordable	12	6.00%	1,600	19,200	\$191,000	\$2,292,000	\$119.38
2 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
3 BR BA Affordable	38	19.00%	1,858	70,604	\$220,000	\$8,360,000	\$118.41
3 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
3 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
Total Units:	50		1,796	89,804	\$213,040	\$10,652,000	\$118.61

Significantly higher than allowed

TOTAL UNITS 200 NSF 358,700 \$71,762,000
 PERCENTAGE AFFORDABLE 25.0% EFFICIENCY 100.0%
 GSF 358,700

INCLUDED PARKING 0
 ADDITIONAL PARKING(GARAGE) 0 \$0 \$0
 TOTAL GARAGE SPACES 0

GROSS PROCEEDS \$71,762,000

PROJECT NAME: CEDAR RIDGE
COMMUNITY: HOLLISTON
DATE: 16-Jun-06

BASE DEVELOPMENT BUDGET

200 UNITS

Could be negotiated down.

DEVELOPMENT BUDGET		
	TOTAL COST	COST PER UNIT
ACQUISITION COSTS	\$4,450,000	\$22,250
CONSTRUCTION COSTS	\$51,880,000	\$259,400
RESIDENTIAL BUILDING	\$41,230,000	\$206,150
AMENITIES	\$240,000	\$1,200
SITE IMPROVEMENTS	\$6,050,000	\$30,250
LANDSCAPING	\$600,000	\$3,000
ENVIRONMENTAL MONITORING/CLOSURE	\$2,120,000	\$10,600
CONTINGENCY	\$1,640,000	\$8,200
SOFT COSTS	\$11,063,270	\$55,316
PERMITS AND FEES	\$103,470	\$517
ARCHITECTURE & ENGINEERING	\$1,164,700	\$5,824
SURVEY/TESTING	\$0	\$0
LEGAL	\$325,000	\$1,625
SECURITY	\$50,000	\$250
BUILDER'S RISK INSURANCE	\$300,000	\$1,500
PROPERTY TAXES	\$30,000	\$150
ACCOUNTING/COST CERTIF	\$30,000	\$150
MARKETING	\$2,480,400	\$12,402
DEED STAMPS	\$0	\$0
FURNITURE, FIXTURES & EQUIPMENT	\$0	\$0
MONITORING AGENT	\$0	\$0
FINANCING FEES/LOAN COSTS	\$563,300	\$2,817
CONSTRUCTION LOAN INTEREST	\$3,943,100	\$19,716
DEVELOPER OVERHEAD	0.56% \$360,000	\$1,800
CONSTRUCTION MGMT	1.12% \$563,300	\$2,817
FINANCIAL CONSULTANTS	\$30,000	\$150
CONSULTING-BAYSTATE	\$320,000	\$1,600
OTHER-VVWTP MGMT	\$60,000	\$300
OTHER-PROPERTY MANAGER	\$100,000	\$500
OTHER-APPRAISAL	\$10,000	\$50
OTHER-UTILITIES	\$30,000	\$150
MAINTENANCE/UNSOLD UNITS	\$50,000	\$250
SOFT COST CONTINGENCY	\$550,000	\$2,750
TOTAL DEVELOPMENT COSTS	\$67,393,270	\$336,966
GROSS SALES PROCEEDS	\$71,762,000	\$358,810
TOTAL DEVELOPMENT COSTS	\$67,393,270	\$336,966
PROFIT	\$4,368,730	\$21,844
PROFIT AS A % OF TDC		6.5%

BUDGET DETAIL			
ACQUISITION		\$4,450,000	
DEP LIEN			\$3,200,000
LAND COST	ACRES: #DIV/01 per acre		\$1,250,000
NON-REFUNDABLE PAYMENTS			\$0
BROKERAGE COSTS	Pro Forma Is 368,124 sf		\$0
CARRYING COSTS			\$0
CONSTRUCTION COSTS		\$51,880,000	
RESIDENTIAL BLDG(MAIN)	368,700	\$114.94	\$41,230,000
SITE PREPARATION	0	\$8,100	\$1,620,000
ROADS & PARKING (& PATHS)		\$2,650	\$530,000
DRAINAGE		\$2,650	\$530,000
WATER		\$3,050	\$610,000
SEWER		\$2,350	\$470,000
VVWTP		\$10,000	\$2,000,000
OTHER		\$1,450	\$290,000
ENVIRONMENTAL MONITORING		\$5.91	\$2,120,000
AMENITIES	2,000	\$120.00	\$240,000
LANDSCAPING		\$1.67	\$3,000
OFF-SITE		\$0.00	\$0
OTHER	0	\$0.00	\$0
OTHER		\$0.00	\$0
CONTINGENCY	3.3%	\$4.57	\$8,200
PERMITS AND FEES		\$103,470	
BUILDING PERMIT	0.1%	\$0.15	\$267
SEWER	0.0%	\$0.00	\$0
WATER		\$0	\$0
ELEC/PLUB		\$0	\$0
PEER REVIEW CONSULTANTS		\$250	\$50,000
ARCHITECTURE & ENGINEERING		\$1,164,700	
ARCHITECTURAL	0.8%	\$2,074	\$414,700
ENGINEERING	1.4%	\$3,750	\$750,000
LANDSCAPING	0.0%	\$0	\$0
AS BUILTS	0.0%	\$0	\$0
OTHER	0.0%	\$0	\$0
SURVEY/TESTING		\$0	
ALTA/SURVEY/TOPOGRAPHY			\$0
ENF/EIR			\$0
PHASE I & II			\$0
TRAFFIC			\$0
GEOTECHNICAL			\$0
OTHER			\$0

LEGAL		\$325,000	
LAND CLOSING			\$0
PERMITTING			\$0
FINANCING			\$0
CONDO DOCS			\$0
LOAN CLOSINGS			\$0
OTHER			\$325,000
MARKETING		\$2,480,400	
BROKERAGE (MKT)	4.0%		\$2,444,400
AFFORDABLE SALES	4.0%		\$36,000
ADVERTISING			\$0
OTHER			\$0
FF&E		\$0	
MODEL UNITS			\$0
OTHER(EXERC EQUIP.,ETC)			\$0
CONSTRUCTION LOAN		\$51,880,000	
LOAN TO VALUE RATIO			80.0%
LOAN TO COST			80.0%
MAX LOAN AMOUNT			\$51,930,296
LOAN AMOUNT			\$56,000,000
LOAN INTEREST			7.00%
LOAN POINTS			1.00%
AVG BALANCE			50%
TERM (MOS)			24
OTHER COSTS(Legal, appraisal, inspection)			\$3,300
OTHER ASSUMPTIONS			
DEED STAMPS			0.456%
SOFT COST CONTING			6.9%
INSURANCE			0.60%
TAX RATE			0.010680

Remedial plan has a range of costs from \$1.4 to \$2.2 million

Should be \$300,000+

Higher than comps

Total overhead allowed is \$315,000

Should be at least \$25K

Higher than would probably be underwritten

Below current rates

5% standard (excluding unit closing costs)

**AFFORDABILITY CALCULATION
CEDAR RIDGE**

AFFORDABILITY CALCULATION	
% of AREA MEDIAN INCOME	80%
BEDROOM SIZE	2BR
AVG PERSONS /HOUSEHOLD	3
APPLICABLE MEDIAN INCOME	\$59,550
10% MARKETING WINDOW	\$53,595
MAX MO. HOUSING PAYMENT	\$1,340
CONDOMINIUM FEE	\$106
INSURANCE	\$49
TAXES	\$174
AVAILABLE FOR DEBT	
SERVICE & PMI	\$1,011
MAXIMUM MORTGAGE	\$140,125
DEBT SERVICE	\$920
PMI	\$91
TOTAL DEBT SERVICE & PMI	\$1,011
MAXIMUM SALES PRICE	\$147,500

AFFORDABILITY CALCULATION	
% of AREA MEDIAN INCOME	80%
BEDROOM SIZE	3BR
AVG PERSONS /HOUSEHOLD	4
APPLICABLE MEDIAN INCOME	\$66,150
10% MARKETING WINDOW	\$59,535
MAX MO. HOUSING PAYMENT	\$1,488
CONDOMINIUM FEE	\$118
INSURANCE	\$55
TAXES	\$193
AVAILABLE FOR DEBT	
SERVICE & PMI	\$1,122
MAXIMUM MORTGAGE	\$155,515
DEBT SERVICE	\$1,021
PMI	\$101
TOTAL DEBT SERVICE & PMI	\$1,122
MAXIMUM SALES PRICE	\$163,700

SALES PRICE ASSUMPTIONS			
PERMANENT LOAN			
INTEREST RATE		6.870%	
AMORTIZATION		30	
PMI (PRIVATE MORTG INSURANCE)		0.78%	
INSURANCE (monthly)	0.40%	\$49.00	
PROPERTY TAX RATE		\$14.16	
MAXIMUM SALES PRICE		95%	

SALES PRICE ASSUMPTIONS			
PERMANENT LOAN			
INTEREST RATE		6.870%	
AMORTIZATION		30	
PMI (PRIVATE MORTG INSURANCE)		0.78%	
INSURANCE (monthly)	0.40%	\$55.00	
PROPERTY TAX RATE		\$14.16	
MAXIMUM SALES PRICE		95%	

CONDOMINIUM BUDGET	\$598,150		\$249 AVG	
	Prices	% Interest	Fee	
38 MARKET 2BR	\$385,000	0.557%	\$278	
112 MARKET 3BR	\$415,000	0.601%	\$299	
12 AFFORDABLE 2BR	\$147,500	0.213%	\$106	
38 AFFORDABLE 3BR	\$163,700	0.237%	\$118	
200 GROSS SALES PROCEEDS	\$69,100,600			

MARKET COMPARABLES

PROPERTY ADDRESS	BR/BA/BA	PRICE	SQ FTGE	PRICE/SF	DATE SOLD	YR BUILT	COMMENTS
SUBJECT	2/2/2	\$385,000	1,600	\$241			
SUBJECT	3/2/2	\$415,000	1,858	\$223			
FOR-SALE							
Sherborn Meadows	2/2	\$395,000	1,575	\$251			
Sherborn Meadows	2/2	\$395,000	1,555	\$254			
SOLD							
Balancing Rock Village		\$404,232	1,956	\$206.66	4/26/06	2006	2-car garage
Sherborn Meadows		\$415,000	1,565	\$265.18	9/21/05	2004	

ADJUSTED PRO FORMA

PROJECT NAME: CEDAR RIDGE
 COMMUNITY: HOLLISTON
 DATE: 16-Jun-06

CONDOMINIUM DEVELOPMENT

ADJUSTED SALES SCHEDULE 200

UNIT DESCRIPTION	UNITS	% CF TOTAL	UNIT SIZE	TOTAL SF	UNIT SALES PRICE	GROSS PROCEEDS	PRICE PER SQ FT
1 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
1 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Market	38	19.00%	1,600	60,800	\$385,000	\$14,630,000	\$240.63
2 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
3 BR BA Market	112	56.00%	1,858	208,096	\$415,000	\$46,480,000	\$223.36
3 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
3 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
Total Units:	150		1,793	268,896	\$407,400	\$61,110,000	\$227.26
1 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
1 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Affordable	12	6.00%	1,600	19,200	\$147,500	\$1,770,000	\$92.19
2 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
3 BR BA Affordable	38	19.00%	1,858	70,604	\$163,700	\$6,220,600	\$88.11
3 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
3 BR BA Affordable	0	0.00%	0	0	\$0	\$0	\$0.00
Total Units:	50		1,796	89,804	\$159,812	\$7,990,600	\$88.98

Reduced to allowable

TOTAL UNITS 200 NSF 358,700 \$69,100,600
 PERCENTAGE AFFORDABLE 25.0% EFFICIENCY 100.0%
 GSF 358,700

INCLUDED PARKING 0
 ADDITIONAL PARKING(GARAGE) 0 \$0 \$0
 TOTAL GARAGE SPACES 0

GROSS PROCEEDS \$69,100,600

PROJECT NAME: CEDAR RIDGE
COMMUNITY: HOLLISTON
DATE: 16-Jun-06

ADJUSTED DEVELOPMENT BUDGET

200 UNITS

Could be negotiated down.

DEVELOPMENT BUDGET		
	TOTAL COST	COST PER UNIT
ACQUISITION COSTS	\$4,450,000	\$22,250
CONSTRUCTION COSTS	\$46,520,000	\$232,600
RESIDENTIAL BUILDING	\$35,870,000	\$179,350
AMENITIES	\$240,000	\$1,200
SITE IMPROVEMENTS	\$6,050,000	\$30,250
LANDSCAPING	\$600,000	\$3,000
ENVIRONMENTAL MONITORING/CLOSURE	\$2,120,000	\$10,600
CONTINGENCY	\$1,640,000	\$8,200
SOFT COSTS	\$10,387,012	\$51,935
PERMITS AND FEES	\$97,765	\$489
ARCHITECTURE & ENGINEERING	\$1,164,700	\$5,824
SURVEY/TESTING	\$0	\$0
LEGAL	\$325,000	\$1,625
SECURITY	\$50,000	\$250
BUILDER'S RISK INSURANCE	\$267,994	\$1,340
PROPERTY TAXES	\$30,000	\$150
ACCOUNTING/COST CERTIF	\$30,000	\$150
MARKETING	\$2,480,400	\$12,402
DEED STAMPS	\$315,099	\$1,575
FURNITURE, FIXTURES & EQUIPMENT	\$0	\$0
MONITORING AGENT	\$25,000	\$125
FINANCING FEES/LOAN COSTS	\$470,830	\$2,354
CONSTRUCTION LOAN INTEREST	\$3,844,709	\$18,224
DEVELOPER OVERHEAD	0.49% \$285,000	\$1,425
CONSTRUCTION MGMT	1.26% \$563,300	\$2,817
FINANCIAL CONSULTANTS	\$30,000	\$150
CONSULTING-BAYSTATE	\$0	\$0
OTHER-VVWTP MGMT	\$60,000	\$300
OTHER-PROPERTY MANAGER	\$100,000	\$500
OTHER-APPRAISAL	\$10,000	\$50
OTHER-UTILITIES	\$30,000	\$150
MAINTENANCE/UNSOLD UNITS	\$50,000	\$250
SOFT COST CONTINGENCY	\$357,215	\$1,783
TOTAL DEVELOPMENT COSTS	\$61,357,012	\$306,785
GROSS SALES PROCEEDS	\$69,100,800	\$345,503
TOTAL DEVELOPMENT COSTS	\$61,357,012	
PROFIT	\$7,743,588	
PROFIT AS A % OF TDC	12.6%	

BUDGET DETAIL			
ACQUISITION		\$4,450,000	
DEP LIEN			\$3,200,000
LAND COST ACRES:	#DIV/01	per acre	\$1,250,000
NON-REFUNDABLE PAYMENTS			\$0
BROKERAGE COSTS			\$0
CARRYING COSTS			\$0
CONSTRUCTION COSTS		\$46,520,000	
RESIDENTIAL BLDG(MAIN)	\$68,700	\$100.00	\$35,870,000
SITE PREPARATION	0	\$8,100	\$1,620,000
ROADS & PARKING (& PATHS)		\$2,650	\$530,000
DRAINAGE		\$2,650	\$530,000
WATER		\$3,050	\$610,000
SEWER		\$2,350	\$470,000
WWTP		\$10,000	\$2,000,000
OTHER		\$1,450	\$290,000
ENVIRONMENTAL MONITORING	\$5.91		\$2,120,000
AMENITIES	2,000	\$120.00	\$240,000
LANDSCAPING		\$1.67	\$3,000
OFF-SITE		\$0.00	\$0
OTHER	0	\$0.00	\$0
OTHER		\$0.00	\$0
CONTINGENCY	3.7%	\$4.57	\$8,200
PERMITS AND FEES	0.2%		\$97,765
BUILDING PERMIT	0.1%	\$0.13	\$47,765
Under MHP	0.0%	\$0.00	\$0
Guidelines limited to combined			\$0
PEER REVIEW CONSULTANTS			\$250
ARCHITECTURE & ENGINEERING		\$1,164,700	
ARCHITECTURAL	0.9%	\$2,074	\$414,700
ENGINEERING	1.6%	\$3,750	\$750,000
LANDSCAPING	0.0%	\$0	\$0
AS BUILTS	0.0%	\$0	\$0
OTHER	0.0%	\$0	\$0
SURVEY/TESTING		\$0	
ALTA/SURVEY/TOPOGRAPHY			\$0
ENF/EIR			\$0
PHASE I & II			\$0
TRAFFIC			\$0
GEOTECHNICAL			\$0
OTHER			\$0

LEGAL		\$325,000	
LAND CLOSING			\$0
PERMITTING			\$0
FINANCING			\$0
CONDO DOCS			\$0
LOAN CLOSINGS	\$600		\$120,000
OTHER			\$205,000
MARKETING		\$2,480,400	
BROKERAGE (MKT)	4.0%		\$2,444,400
AFFORDABLE SALES	3.0%		\$36,000
ADVERTISING			\$0
OTHER			\$0
FF&E		\$0	
MODEL UNITS			\$0
OTHER(EXERC EQUIP.,ETC)			\$0
CONSTRUCTION LOAN			
LOAN TO VALUE RATIO			80.0%
LOAN TO COST			80.0%
MAX LOAN AMOUNT			\$46,753,211
LOAN AMOUNT			\$46,753,000
LOAN INTEREST			7.75%
LOAN POINTS			1.00%
AVG BALANCE			50%
TERM (MOS)			24
OTHER COSTS(Legal, appraisal, inspection)			\$3,300
OTHER ASSUMPTIONS			
1 DEED STAMPS			0.456%
SOFT COST CONTING			5.0%
INSURANCE			0.60%
TAX RATE			0.010680

Remedial plan has range of costs from \$1.4-\$2.2 million

Reduced to \$100 from \$115/sq ft.

Were both 0

Reduced from 4% to 3%

Increased from 7%