Appraisal of Historic Property
Appraisal Methods:

- Sales Comparison Approach
- Income Approach
- Cost Approach

Sales Comparison Approach

- Find recent sales data for comparable properties
- Adjust for differences (age, amenities, location, square footage)
Income Approach

- Estimate Gross Expected Income
- Estimate Operating Expenses
- Calculate Net Operating Income
- Capitalize income

Gross Income: $500,000
Operating Expenses: - 400,000
Net Income: $100,000
Capitalization Rate 10%

Value = NOI/Cap Rate = $100,000/0.10 = $1,000,000
Cost Approach

• Define all replacement costs
• Calculate total cost of complete replacement

Economic Analysis
Pro Forma

- Schedule of all projected cash flows related to a potential project.
- Used to provide analysis of potential returns.

Efficiency (%):

\[
\frac{\text{Net Rentable Floor Square Footage (NRSF)}}{\text{Gross Square Footage (GSF)}}
\]

Depreciation: Schedule of costs associated with the repair and maintenance of the building.

- 27.5 Years for Residential
- 39.0 years for commercial
Amortization: Schedule of payments needed to retire the principal of the loan.

Term: Length of time the loan will be paid (divided into equal periods).

Interest Rate: Percentage of loan paid as cost of using the funds.

Principal: Remaining balance of the loan

Annual Debt Service (ADS): Total of interest and principal paid in one year

Net Present Value: current value of all future cash flows.

Internal Rate of Return: annualized rate of all cash flows.
Loan to Value (LTV) (%):

\[
\frac{\text{Loan Amount}}{\text{Total Value of Project}}
\]

Debt Coverage Ratio:

\[
\frac{\text{Net Operating Income (NOI)}}{\text{Annual Debt Service (ADS)}}
\]

**Payment**: determined by using the capital recovery factor

\[
\text{CRF} = \frac{i \cdot (1+i)^n}{(1+i)^n-1}
\]

- \(n\) = periods
- \(i\) = periodic interest rate

Example: $100,000, i=6\%, p=30\text{ years}

Payment = $599.55/month
### PROJECT DATA

**Project:** Canmore Center  
**Description:** 2-Story Commercial/Residential  
**Model Type (R/C): M**  
**Land:** 27225 SF  
**Useful Gross Area:** 25186 SF  
**Net Area:** 47426 MSF  
**Efficiency:** 0.91  
**Residential Space:**  
- **Economically:** 55000 SQF  
- **Economically:** 49920 MSF  
**Efficiency:** 0.91  
**1-Bedroom Units:** 23  
**2-Bedroom Units:** 34  
**3-Bedroom Units:** 10  
**Parking:** 458 spaces

### MARKET DATA

**Direct Land and Building Costs**  
- **Land Cost:** $0.00  
- **Parking Space Construction:** $10,000  
- **Commercial Construction:** $15,000  
- **Residential Construction:** $9,000  
**Construction Financing Loan Information:**  
- **Interest Rate:** 0.00%  
- **Term:** 30 years

**Operation and Escalation Factors:**  
- **Commercial Rental Rate:** $12.00  
- **Residential Rental Rate:** $7.00

### PROJECT PARAMETERS FOR "MOST LIKELY" SCENARIO

**Listings:** Commercial Residential  
**Model Type (N/C/M):**  
**R/C:**  
**N:**  
**M:**  
**Direct Land and Building Costs (DLBC):**  
- **Acquisition Costs:** $0.00  
- **Real Estate Fees:** 6.0%  
- **Pre-Engineering Costs:** $0.00  
- **Site Improvements:** $0.00  
- **Commercial:** $32,000  
- **Residential:** $10,000  
- **Furnishing:** $10,000  
- **Site Development:** $20,000  
- **Architectural Fees:** 6.0%  
**Lands & Building Costs:** $130,000

**Indirect Land and Building Costs (ILBC):**  
- **Legal Fees:** 1.5%  
- **Tax Preparation:** 1.5%  
- **Permits:** 1.5%  
- **Construction Financing:** 1.5%  
- **Depreciation:** 1.5%  
**TOTAL PROJECT COSTS:** $130,000
Development Budget:

Total Project Costs: $13,795,000

Contingency Fees: 0.50% of total budget: $68,750

Construction Financing Loan Information:

Interest Rate: 5.0% per annum

TLV: 80.00%

Origination Fee: 1.0% (fixed)

Closing Fee: 2.0% (fixed)

Loan Amount: $7,049,033

Total Value: $13,795,000

Closing Costs:

GPF: $98,115

PMI: $2,960

Escrow: $1,264,131

Total Closing Costs: $1,365,206

Income Information:

Commercial:

Net operating income: $1,342,953

Vacancy Rate: 10.0% of NNN

Residential:

Condominium:

Construction Quality: 2.5 stars

Vacancy Rate: 2.5%

Residential Vacancy: 5.0%

Vacancy and Net-Up:

Budget at Net-Up: $26,000

Management:

Management Fee: 5.0% of gross

Maintenance:

1.0% of building value

Utilities:

$14,902.00

Legal & Accounting:

$2,500.00

Tax Rate: 2.0%

Financial Summary: ML-2

Perawai Financing Loan Information:

Interest Rate: 6.00%

Debt Service: 50 yrs

TLV: 80.00%

Commitment Fee: 2.0% (fixed)

Loan Amount: $4,676,200

Closing Costs:

Commitment: $201,538

Title Insurance: $1,000

Appraisal: $1,000

Legal Fees: $1,000

Total Closing Costs: $227,038

Down Payment: $2,475,000

Cash at Closing: $2,671,072

Total Loan: $7,049,033

Annual Debt Service: $972,375

Perawai Financing Amortization Schedule: ML-3

Year | Interest | Principal | Debt Service | Balance
--- | --- | --- | --- | ---
1 | 864,190 | 908,849 | 1,773,039 | 10,930,087
2 | 857,072 | 905,202 | 1,762,274 | 10,930,087
3 | 850,588 | 902,665 | 1,752,253 | 10,930,087
4 | 844,011 | 900,128 | 1,742,139 | 10,930,087
5 | 837,342 | 897,592 | 1,732,925 | 10,930,087
6 | 830,588 | 895,058 | 1,723,646 | 10,930,087
7 | 823,742 | 892,524 | 1,714,270 | 10,930,087
8 | 816,793 | 890,058 | 1,704,830 | 10,930,087
9 | 809,742 | 887,592 | 1,695,310 | 10,930,087
10 | 798,751 | 885,058 | 1,685,770 | 10,930,087
11 | 787,751 | 882,592 | 1,676,246 | 10,930,087
12 | 776,751 | 879,058 | 1,666,726 | 10,930,087
13 | 765,751 | 875,058 | 1,657,191 | 10,930,087
14 | 754,751 | 871,058 | 1,647,656 | 10,930,087
15 | 743,751 | 867,058 | 1,638,116 | 10,930,087
16 | 732,751 | 863,058 | 1,628,571 | 10,930,087
17 | 721,751 | 858,058 | 1,619,026 | 10,930,087
18 | 710,751 | 853,058 | 1,609,476 | 10,930,087
19 | 699,751 | 848,058 | 1,599,924 | 10,930,087
20 | 688,751 | 843,058 | 1,590,370 | 10,930,087
21 | 677,751 | 838,058 | 1,580,816 | 10,930,087
22 | 666,751 | 833,058 | 1,571,258 | 10,930,087
23 | 655,751 | 828,058 | 1,561,696 | 10,930,087
24 | 644,751 | 823,058 | 1,552,132 | 10,930,087
25 | 633,751 | 818,058 | 1,542,565 | 10,930,087
26 | 622,751 | 813,058 | 1,533,005 | 10,930,087
27 | 611,751 | 808,058 | 1,523,442 | 10,930,087
28 | 600,751 | 803,058 | 1,513,876 | 10,930,087
29 | 589,751 | 798,058 | 1,504,310 | 10,930,087
30 | 578,751 | 793,058 | 1,494,746 | 10,930,087

Financial Summary: ML-3

Perawai: 1,342,953

Net Lease: 1,000

Total: 2,346,953

1/20/2010
Annual Depreciation Data:

<table>
<thead>
<tr>
<th>Year</th>
<th>Value at Start</th>
<th>Depreciation</th>
<th>Value at End</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$12,356,387</td>
<td>($998,487)</td>
<td>$11,357,900</td>
</tr>
<tr>
<td>2</td>
<td>$11,357,900</td>
<td>($998,487)</td>
<td>$10,359,413</td>
</tr>
<tr>
<td>3</td>
<td>$10,359,413</td>
<td>($998,487)</td>
<td>$9,360,925</td>
</tr>
<tr>
<td>4</td>
<td>$9,360,925</td>
<td>($998,487)</td>
<td>$8,362,438</td>
</tr>
<tr>
<td>5</td>
<td>$8,362,438</td>
<td>($998,487)</td>
<td>$7,363,950</td>
</tr>
<tr>
<td>6</td>
<td>$7,363,950</td>
<td>($998,487)</td>
<td>$6,365,463</td>
</tr>
<tr>
<td>7</td>
<td>$6,365,463</td>
<td>($998,487)</td>
<td>$5,366,976</td>
</tr>
<tr>
<td>8</td>
<td>$5,366,976</td>
<td>($998,487)</td>
<td>$4,368,489</td>
</tr>
<tr>
<td>9</td>
<td>$4,368,489</td>
<td>($998,487)</td>
<td>$3,369,992</td>
</tr>
<tr>
<td>10</td>
<td>$3,369,992</td>
<td>($998,487)</td>
<td>$2,371,504</td>
</tr>
<tr>
<td>11</td>
<td>$2,371,504</td>
<td>($998,487)</td>
<td>$1,373,017</td>
</tr>
<tr>
<td>12</td>
<td>$1,373,017</td>
<td>($998,487)</td>
<td>$0,374,529</td>
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CASH FLOW ANALYSIS

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Start-Up</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross</td>
<td>$1,250,000</td>
<td>$1,400,000</td>
<td>$1,311,000</td>
<td>$1,327,000</td>
<td>$1,320,000</td>
</tr>
<tr>
<td>Operating</td>
<td>($390,000)</td>
<td>($390,000)</td>
<td>($390,000)</td>
<td>($390,000)</td>
<td>($390,000)</td>
</tr>
<tr>
<td>Net</td>
<td>$860,000</td>
<td>$1,010,000</td>
<td>$921,000</td>
<td>$937,000</td>
<td>$930,000</td>
</tr>
<tr>
<td>Borrowing</td>
<td>$200,000</td>
<td>$200,000</td>
<td>$200,000</td>
<td>$200,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>Net</td>
<td>$1,060,000</td>
<td>$1,210,000</td>
<td>$1,121,000</td>
<td>$1,137,000</td>
<td>$1,130,000</td>
</tr>
</tbody>
</table>

Expenses:

<table>
<thead>
<tr>
<th>Category</th>
<th>Start-Up</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>$25,000</td>
<td>$25,000</td>
<td>$25,000</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>Insurance</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$3,000</td>
</tr>
<tr>
<td>Utilities</td>
<td>$6,000</td>
<td>$6,000</td>
<td>$6,000</td>
<td>$6,000</td>
<td>$6,000</td>
</tr>
<tr>
<td>Maintenance</td>
<td>$15,000</td>
<td>$15,000</td>
<td>$15,000</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>Interest on Debt</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$92,000</td>
<td>$92,000</td>
<td>$92,000</td>
<td>$92,000</td>
<td>$92,000</td>
</tr>
</tbody>
</table>

Net Oper. Income| $1,060,000| $1,210,000| $1,121,000| $1,137,000| $1,130,000|

Before Tax Cash Flow| $1,060,000| $1,210,000| $1,121,000| $1,137,000| $1,130,000|

Before Tax ROE| 3.1%| 3.1%| 3.1%| 3.1%| 3.1%|

Income Tax Liability:

<table>
<thead>
<tr>
<th>Category</th>
<th>Start-Up</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>NCI</td>
<td>$150,000</td>
<td>$150,000</td>
<td>$150,000</td>
<td>$150,000</td>
<td>$150,000</td>
</tr>
<tr>
<td>NPM</td>
<td>($80,000)</td>
<td>($80,000)</td>
<td>($80,000)</td>
<td>($80,000)</td>
<td>($80,000)</td>
</tr>
<tr>
<td>Interest Paid</td>
<td>($25,000)</td>
<td>($25,000)</td>
<td>($25,000)</td>
<td>($25,000)</td>
<td>($25,000)</td>
</tr>
<tr>
<td>Total Income Tax</td>
<td>$75,000</td>
<td>$75,000</td>
<td>$75,000</td>
<td>$75,000</td>
<td>$75,000</td>
</tr>
</tbody>
</table>

Tax Rate| 25%| 25%| 25%| 25%| 25%|

Net Income After Tax| $825,000  | $825,000  | $825,000  | $825,000  | $825,000  |

After Tax ROE| 5.7%| 5.7%| 5.7%| 5.7%| 5.7%|

Measurement Criteria:

<table>
<thead>
<tr>
<th>Category</th>
<th>Start-Up</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalization Rate</td>
<td>8.4%</td>
<td>8.4%</td>
<td>8.4%</td>
<td>8.4%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Debt Coverage Ratio</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Real Estate Occupancy</td>
<td>79.0%</td>
<td>79.0%</td>
<td>79.0%</td>
<td>79.0%</td>
<td>79.0%</td>
</tr>
<tr>
<td>Effective Occupancy</td>
<td>79.0%</td>
<td>79.0%</td>
<td>79.0%</td>
<td>79.0%</td>
<td>79.0%</td>
</tr>
</tbody>
</table>
# SUMMARY OF RESULTS

**Project:** Carmelot Center  
**Description:** 2-Story Commercial& Residential  
**Model Type (RUCM):** M

This table summarizes the economic performance of the project:

<table>
<thead>
<tr>
<th>Before-Taxes</th>
<th>Most-Likely</th>
<th>Optimistic</th>
<th>Pessimistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Rate of Return</td>
<td>8.5%</td>
<td>15.5%</td>
<td>28.5%</td>
</tr>
<tr>
<td>Net Present Value</td>
<td>($49,260)</td>
<td>$1,279,650</td>
<td>$2,291,650</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>After-Taxes</th>
<th>Most-Likely</th>
<th>Optimistic</th>
<th>Pessimistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Rate of Return</td>
<td>7.1%</td>
<td>15.5%</td>
<td>28.5%</td>
</tr>
<tr>
<td>Net Present Value</td>
<td>($245,600)</td>
<td>$725,141</td>
<td>$1,472,519</td>
</tr>
</tbody>
</table>

**Economic Feasibility**

The project will most likely produce a positive BT-IRR.  
The project will most likely produce a positive BT-NPV.  
Therefore,  
This project is economically feasible.

**Economic Acceptability**

The project will most likely produce a positive BT-IRR.  
The project will most likely produce a positive BT-NPV.  
Based on the minimum performance requirement that BT-IRR exceed 15% and that BT-NPV be positive,  
This project is economically acceptable.
Economic Incentives

- Tax Credits
- Tax Abatements
- Revolving Loan Funds
- Grants
Tax Credits

- State and National programs
- Separate criteria
- Specific market segments
- Specific costs covered
- May be combined with other programs

Federal Tax Credits

- Income producing industrial, commercial or rental residential property
- Certified historic structure
- 20% of rehabilitation costs: at least $5000 or the adjusted basis for the property; whichever is greater
- Exterior walls 75%/50%
- Interior Structure: 75%
- Carry-forward/Recapture
Utah Tax Credits

- Residential only
- Certified historic structure
- 20% of qualified rehabilitation costs of at least $10,000
- Carry-forward/Recapture

Tax Abatements

- State and Local programs
- Separate criteria
- Specific market segments
- Specific costs covered
Loan Programs

- Revolving funds
- Below market interest rates
- Self-replenishing

Grants

- Federal, State, and Local
- No repayment
- May require matching funds